CEO'S BUSINESS REVIEW 2024

fortum

Highlights 2024

99%
of power generation
CO_2-free

Comparable operating profit of
EUR 1,178
million

Dividend proposal for 2024 of
EUR 1.40
per share

Financial net
debt-to-comparable EBITDA
0.2 times

Optimisation premium
8.7
EUR/MWh

Fleet availability
nuclear
84%,
hydro
97%

Specific emissions (total)
26g
CO_2/KWh

Net zero
2040
target
validated by SBTi

Fortum’s 2024 reporting entity

CEO’s Business Review

Financials

Governance

Remuneration

Tax Footprint

CEO’s business review 2024

“For Fortum, 2024 was a year dedicated to focusing on our core businesses, optimising our best-in-class operations, divesting non-core operations, and implementing efficiency improvement actions. With these measures, among others, we are building the foundation of preparedness for our future growth. We continue to see robust underlying customer demand which we believe reflects the power demand growth longer term. Our goal is to be ready for the growth phase while ensuring strong financial performance, even in a turbulent operating environment.

In 2024, the power market was characterised by volatile but lower power prices compared to the previous year. The cold start to 2024 gave the Nordic spot price a strong beginning to the year, particularly in Finland, with extreme hourly price spikes reaching close to 1,900 EUR/MWh during the first quarter. However, after the first quarter, the high share of onshore wind power and high hydro inflows pressured the Nordic spot prices until the end of the year. This was partly offset by the ongoing recovery in Nordic power demand, especially as non-industrial demand increased in 2024.

The lower Nordic spot power prices were reflected especially in our Generation segment’s financial results throughout the year. However, due to our versatile and competitive CO2-free fleet, our achieved power price reached a good level in 2024 through successful hedging and physical optimisation. The result improved in the Consumer Solutions and Other Operations segments in 2024.

Supported by the divestment of our recycling and waste business, our financial position continues to be strong with very low leverage of 0.2 times and we continued to have sufficient liquidity and credit line buffers at the end of the year. During 2024, we were happy to have S&P Global Ratings upgrade our long-term credit rating to BBB+ with Stable Outlook and Fitch Ratings affirm our long-term rating of BBB with Stable Outlook. We also introduced our Green Finance Framework and signed our first green loan in June.

Based on our Group results and strong financial position, Fortum’s Board of Directors is proposing to the Annual General Meeting a dividend of EUR 1.40 per share comprising EUR 0.90 corresponding to a 90% payout of comparable EPS and a special dividend of EUR 0.50. In Fortum’s dividend policy, the payout ratio is 60–90% of the Group’s comparable EPS. In situations with strong balance sheet and low investments, Fortum applies the upper end of the range of the payout ratio. Through the proposed special dividend Fortum activates its balance sheet and rectifies its current very strong liquidity position. Adding the proposed dividend payment to the net debt-to-comparable EBITDA at the end of 2024, it would be above 1.0 time.

> Our goal is to be ready for the growth phase while ensuring strong financial performance, even in a turbulent operating environment.

In February 2024, we clarified our strategic focus and targets in response to the changed operating environment. At the core of our strategy is our commitment to the clean transition. Throughout 2024, we worked on our science-based climate targets to have them validated by the international Science Based Targets initiative (SBTi). In January 2025, we were excited to introduce our ambitious SBTi-verified targets, which include net-zero greenhouse gas emissions across our value chain by 2040 and an 85% reduction in scope 1 and 2 emissions by 2030. Our coal exit target by the end of 2027, as well as our targets for specific emissions and biodiversity, remain unchanged.

Regarding our strategic key performance indicators (KPIs) set in 2024, our optimisation premium reached 8.7 EUR/MWh in 2024, thus slightly exceeding our annual target of 6–8 EUR/MWh. We met our long-term hydro availability KPI but fell short of our long-term nuclear availability target due to unplanned and extended outages during the year. We are on track to reach our targets for the hedged share of our rolling 10-year outright generation volume and the ready-to-build pipeline for solar and onshore wind. Regarding the latter, we have an approximately 5-GW pipeline of onshore wind and solar projects in the permit process across the Nordic countries, with more in early development. The pipeline includes the development portfolio acquisition announced in December 2024.

On our strategic priority to deliver reliable and clean energy, in 2024 we focused on our core operations for power generation and advanced several significant projects to better meet the needs of the system, society and our customers. At the Loviisa nuclear power plant, the lifetime extension until 2050 progressed well with our decisions to modernise the low-pressure turbines and renew the main seawater pumps. We also reached an important milestone in securing a reliable Western alternative for our nuclear fuel supply as we loaded the first batch of Westinghouse fuel to Loviisa in August. The Espoo Clean Heat programme is making significant progress at the Espoo and Kirkkonummi sites with future waste heat offtake from the upcoming Microsoft data centres and at the electricity-based plant in Nuijala, Espoo. As part of the programme, we closed down our last coal-fired unit used for district heat production in Finland, one year ahead of schedule. In our renewables business, our Pjelax wind farm, the third largest in Finland, was fully commissioned in the second quarter and began its commercial operations through the power purchase agreement (PPA) with Finnish Helen at the beginning of July. In the fourth quarter, we made the decision to invest EUR 100 million in decarbonisation of our Czestochowa CHP plant in Poland.

On our strategic priority to drive decarbonisation in industries, we started to develop several potential sites across Finland that can be offered to our customers for data centre or industrial use. On one of these sites, in Rauma, we started to develop a site for a sustainable synthetic aviation fuel (eSAF) plant together with Norsk e-Fuel and Port of Rauma. In the fourth quarter, we took on the role as energy partner to support a feasibility study exploring low-carbon aluminium manufacturing opportunities in Kokkola and Kruunupyy, Finland. The facility, if realised, would consume approximately 7 TWh of electricity annually. Additionally, we began to build a 2-MW hydrogen pilot production plant in Loviisa.

Within the scope of our strategic priority to transform and develop, we continued our efficiency improvement programme with the target to gradually lower annual fixed costs by EUR 100 million (excluding inflation) by the end of 2025 with a full run-rate from the beginning of 2026. In 2024, we reduced our recurring fixed cost base by more than EUR 60 million. Simultaneously, we have taken actions with fixed cost effects to build our preparedness for future growth, such as the renewables development and site development. Also, the strategic review of the Circular Solutions' businesses progressed well during 2024. The recycling and waste business, the turbine and generator services and the biobased solutions business were divested. The total consideration for the sale of the recycling and waste business amounted to approximately EUR 800 million, and Fortum recorded a tax-exempt capital gain of EUR 176 million in the fourth quarter. In addition, Fortum successfully divested its stake in the 185-MW solar portfolio in India in the second quarter.

There have been public discussions about possible new nuclear projects both in Sweden and Finland. At Fortum, we see that the electrification of industry and transport, as well as new clean industrial investments, require a balance of different types of power and predictability in the coming decades. As the share of production with intermittent renewables increases, hydro power has a vital role in balancing the energy system in the Nordics. A flexible system, however, needs a stable foundation, which nuclear power provides. Fortum is concluding its two-year feasibility study to explore prerequisites for new nuclear power in the near term. Regarding the economic conditions for new nuclear, we have previously noted that the current energy prices in the Nordics do not facilitate profitable investments without societal participation. At Fortum, we consider it positive that the Swedish and Finnish governments are investigating financing and electricity market mechanisms for new nuclear power projects. However, we are still far from making any potential investment decisions. We are also starting a feasibility study to explore possibilities for flexible pumped-storage hydro power in Sweden to provide much needed flexible balancing power.

In conclusion, I would like to express my gratitude to all our employees for their dedication and hard work throughout the year. I also extend my thanks to our customers, partners, shareholders and other stakeholders for their continued trust in us as we strive to power a world where people, businesses and nature thrive together."

Markus Rauramo
President and CEO

Market development

The Nordic power market has become highly price competitive and almost carbon-free, positioning the region as the leader to decarbonise other sectors. As a trusted energy partner with a competitive and reliable portfolio of clean energy generation and unparalleled industry knowledge, Fortum is well-positioned to drive this clean transition.

The cold start to 2024 gave the Nordic spot price a strong beginning to the year, particularly in Finland, which saw extreme price spikes during the first quarter. However, after the first quarter, various factors began to weigh on the Nordic spot price. The high level of onshore wind power capacity enhanced the power supply in the Nordics. This, combined with a wet second half of the year which substantially strengthened the Nordic reservoir balance, pressured the spot prices up until the end of the year. This was partly offset by the ongoing recovery in Nordic power demand, especially as non-industrial demand increased in 2024.

In 2024, the TTF gas front-month contract averaged 16% lower compared to the previous year, but its price trajectory diverged sharply from 2023. After a steep decline in the first quarter, prices gradually rose each quarter from the second quarter onwards, climbing from below 25 EUR/MWh in mid-March to nearly 50 EUR/MWh by the end of the year. This upward trend was driven by ongoing concerns over potential supply shortages due to geopolitical risks and intensified competition for LNG between Europe and Asia throughout the year. In 2024, EU carbon prices saw a decline due to reduced demand, stemming from a continued decrease in emissions from the power sector. Moreover, the industrial sector remained in contraction, further contributing to the lower demand for carbon allowances. The high gas prices were mirrored across the European power markets, which also saw rising spot prices. At the same time, corresponding futures prices in several Continental European markets, although reduced relatively during 2023, remained well above pre-crisis levels.

In 2024, the Nordic system price realised at 36 EUR/MWh compared to 56 EUR/MWh in 2023. The futures price for 2025 baseload delivery was at 45 EUR/MWh at the beginning of the year but decreased to 33 EUR/MWh by the end of the year.

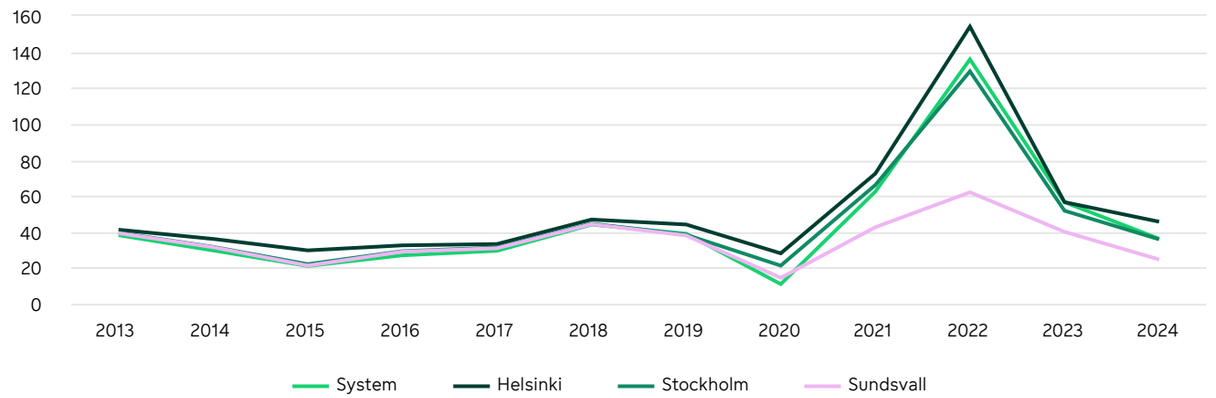
Besides becoming extremely price competitive, the Nordic power supply is strong, with almost 10% of total generation being exported to the Baltics, Continental Europe and the UK. Another competitive edge for the Nordics is that Nordic power generation already is decarbonised as almost 99% of its power generation is carbon-free. Altogether, last year’s figures indicate that the Nordic power market is well-positioned to lead the way in the decarbonisation of other industrial sectors. However, to achieve industrial decarbonisation, the competitiveness of the energy industry and the conditions for new investments must be ensured to enable clean energy investments needed in the Nordics and Europe .

Although annual baseload prices, in both the realised spot and futures markets, have returned to pre-crisis levels , the dynamics of the Nordic power market have shifted. Strong growth in wind power, especially in the northern price areas, and new interconnectors in southern Norway have contributed to a persistent price gap between the lower-priced northern and higher-priced southern parts of the region. Continued strengthening of the transmission capacity remains crucial to enable the Nordic potential for clean energy to be further developed, benefiting both the Nordic economy and European energy security and climate goals.

The rapidly increasing price volatility in the Nordics continued throughout 2024, with the most extreme variations seen in the Finnish and Baltic price areas. With wind production accounting for more than a third of Finland’s power supply on windy days and limited export possibilities to neighbouring areas, the Finnish spot market once again recorded the most negative price hours of any EU country. On the other hand, a low wind period in September, coinciding with maintenance outages on all Swedish-Finnish interconnectors and both planned and unplanned outages of two Finnish nuclear units, pushed the highest hourly spot prices in Finland above 400 EUR/MWh, while prices in Sweden continued to be pressured and Continental European prices remained close to annual average levels.

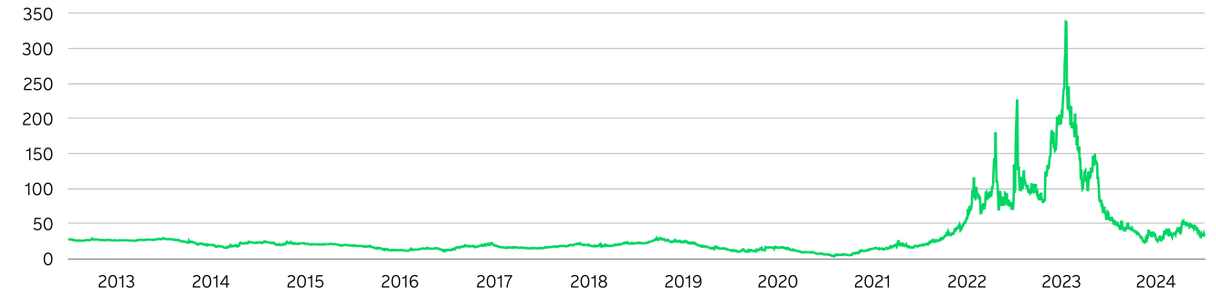
As one of the top three largest power generators in the Nordics with its valuable 47 TWh CO2-free generation fleet based on flexible hydro, baseload nuclear and some wind power, Fortum plays an important role in the Nordic power market. It is a pioneer in creating a clean power system while also supporting industrial decarbonisation. Our role goes far beyond just owning and operating these existing assets. It is about ensuring that each of the more than 150 individual power plants we own are operated in an optimised and sustainable way, finding common solutions and risk sharing models to enable new investments, and understanding the entire value chain from Nordic power generation to end-use demand.

Spot price development 2013–2024, EUR/MWh



Source: Nord Pool

Gas price development 2013–2024 (TTF front month), EUR/MWh



Source: ICE

From turbulent times towards a new normal

The energy industry operates at the heart of all functioning and prospering modern societies and economies. However, despite the strong megatrends for decarbonisation and digital development, our operating environment has been, and continues to be, defined by turbulence, low predictability and uncertainty.

The current decade started with substantial decline in global energy demand due to the Covid-19 pandemic, which significantly disrupted economic activity across various sectors. The backdrop started shifting and gradually turned into a supply shock towards the second half of 2021 dramatically exacerbated by the Russian invasion of Ukraine in early 2022. These events raised significant concerns regarding energy availability and affordability, and introduced broader uncertainties around security, macroeconomy and geopolitical developments. Europe has navigated the flux of disruptions fairly well, having secured a relatively healthy position in terms of energy security despite the abrupt discontinuation of low-cost and large-scale energy imports from Russia. The impacts of these events are still being felt and the unfolding of full implications will most likely continue to shape our operating environment in the years to come.

The world is increasingly marked by growing polarisation, geopolitical tensions and strategic rivalry, reversing the trends of globalisation and rule-based order from the early 1990s. We seem to be shifting back to a divided world with multiple power blocks competing with each other economically, even militarily, further slowing global and possibly even European integration – at least in the near term. The increasing fragmentation is already evident within and beyond Europe, visible in national industrial policies and support mechanisms aimed at strengthening security, production and employment.

In the short term, continued geopolitical tensions and uncertainty are expected to affect global economic growth. Although inflation and interest rates have declined from earlier highs, interest rates in particular remain elevated, increasing costs for the clean energy transition. Furthermore, the softer investment environment can lead to an aggravated gap between affordable energy prices for consumers and the power price needed to secure profitability for new investments in future energy supply to meet projected demand growth.

In the past year, Europe has placed an increasing focus on economic growth, competitiveness and security. Simultaneously, Europe is committed to its high climate ambitions and emission reduction targets, providing strong tailwinds for electrification and demand for clean energy. However, considering the uncertainties on a global level, it remains to be seen how Europe manages to recover and strengthen its economic competitiveness and execute the planned decarbonisation investments across energy demand and supply.

Before the energy crisis, policies concerning the energy sector mainly aimed at reducing emissions and mitigating climate change. One of the key implications of the Russian war in Ukraine is the sharpened focus on all corners of the so-called energy trilemma: sustainability, affordability and security of supply. Today, ensuring affordable and secure energy is crucial, while decarbonisation is viewed as essential for a secure, resilient and cost-effective energy system that minimises reliance on fossil fuel imports in the long term.

The Nordics is well positioned as a hub for competitive clean energy

The Nordics exhibit several fundamental strengths to facilitate European and even global decarbonisation efforts affordably at scale.

The Nordic region is very well positioned to play a key role in the clean energy transition with the combination of flexible hydro assets providing necessary and valuable flexibility to the energy system, societally accepted baseload nuclear with a ready permanent solution for nuclear waste disposal together with extensive renewables potential, especially for wind and solar power. This is a formula delivering the most affordable electricity prices in Europe today, combined with unparalleled growth potential to attract energy-intensive industries that need clean, affordable and predictable energy to support their clean growth.

While electrification is the primary route to decarbonisation for many sectors, such as residential heat and light transport, there are harder-to-abate applications, in particular in selected industries and heavy transport, where direct electrification alone is not suitable. For these applications, clean hydrogen and its derivatives offer a solution for which the Nordic region also possesses unique advantages. In addition to the high potential for competitive clean electricity generation, there is an abundant supply of fresh water, good availability of biogenic carbon and potential for further efficiencies, as the excess heat from electrolysis could be connected e.g. to existing district heating networks. Further, the Nordic region has a well-developing energy infrastructure and an energy policy landscape aimed at enabling carbon neutrality already in the 2030s and 2040s.

These fundamentals are already encouraging a growing number of global technology firms, leading industrial companies and new clean energy-intensive ventures to develop projects in the Nordic region, such as data centres, green steel and clean fuels.

Nordic transmission system operators for electricity and gas cooperate both nationally and across the Gulf of Bothnia to develop a long-term plan to build a robust energy transmission network that facilitates electricity and hydrogen trade both within the Nordics and to the Continent. This development makes the Nordic countries increasingly interconnected to the rest of Europe, enabling the region to serve even greater clean energy demand, via exports in the form of both electricity and hydrogen.

The Nordics are ideally positioned to connect the abundant clean energy resources within the region with the structurally clean energy deficient markets on the Continent, and thus stepping up to the role of a major clean energy hub driving European decarbonisation – affordably and reliably. Over the coming decades, domestic growth opportunities combined with the export potential is expected to lead to power demand growth of hundreds of terawatt hours, up to more than doubling of the current Nordic power market.

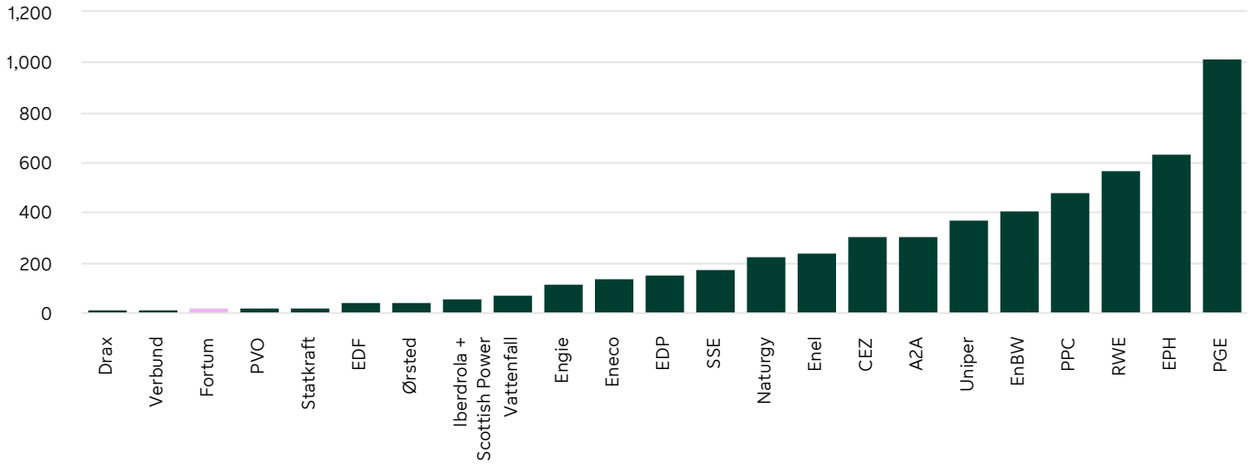
As a trusted energy partner with a competitive and reliable portfolio of clean energy generation and unparalleled industry knowledge, Fortum is well-positioned to drive this transition.

Fortum’s market position

Fortum is the third-largest power generator in the Nordics and one of Europe’s cleanest power generators. In 2024, roughly 85% of the Group’s comparable EBITDA originated from the company’s Nordic 47 TWh outright power generation, which is mostly based on CO_2-free hydro and nuclear power.

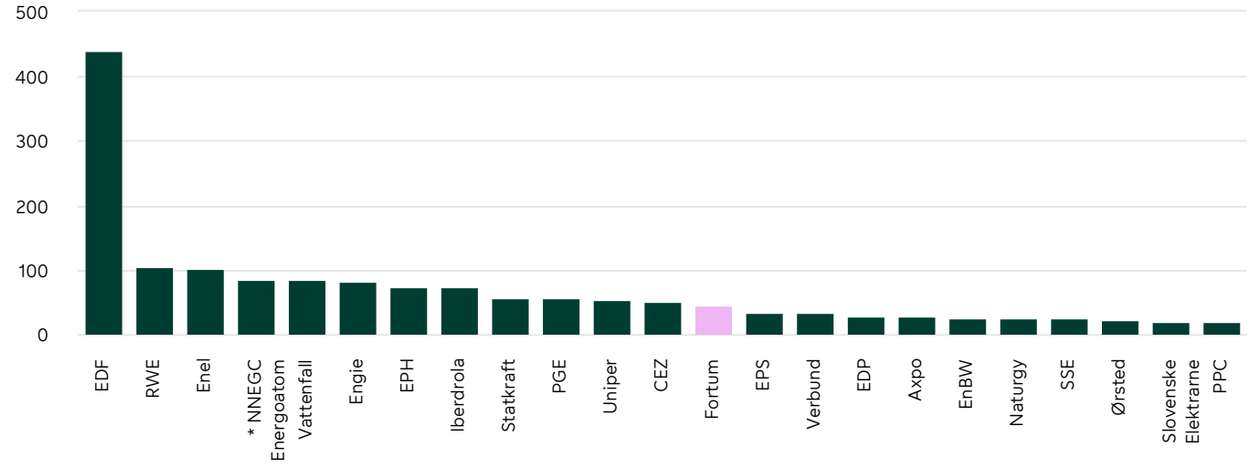
Fortum is also the largest electricity retailer in the Nordics with 2.1 million customers representing a market share of 13%. Furthermore, Fortum has district heating and cooling business in Finland and Poland. In 2024, Fortum produced 4.1 TWh of heat mainly from energy-efficient combined heat and power (CHP) plants. These businesses are complemented by onshore wind and solar, and electricity and gas retail business in Poland. Most of Fortum’s Circular Solutions businesses were divested during 2024 following the strategic review initiated in August 2023.

Specific CO_2 emissions of major utilities in Europe, gCO_2/kWh electricity



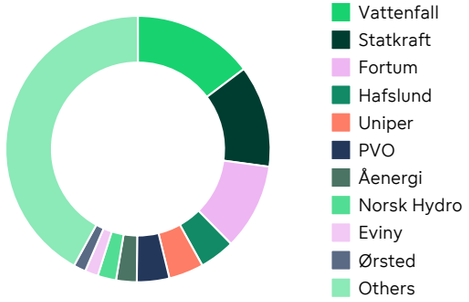
Fortum's data includes specific carbon dioxide emissions from power generation in Europe in 2024.
All other figures, except Fortum, include European power generation in 2023. For some companies the PwC figures might also include heat production.
Source: PwC, November 2024, Climate Change and Electricity, Fortum.

Largest power generators in Europe, TWh



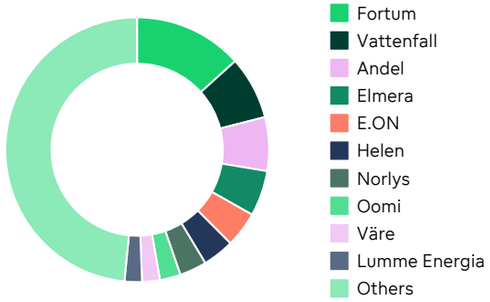
Source: Company information, Fortum analyses, 2023 figures pro forma.
*2021 figures for Ukrainian companies. Fortum continuing operations. EPH incl. LEAG.

Nordic power generation, 429 TWh, over 350 companies

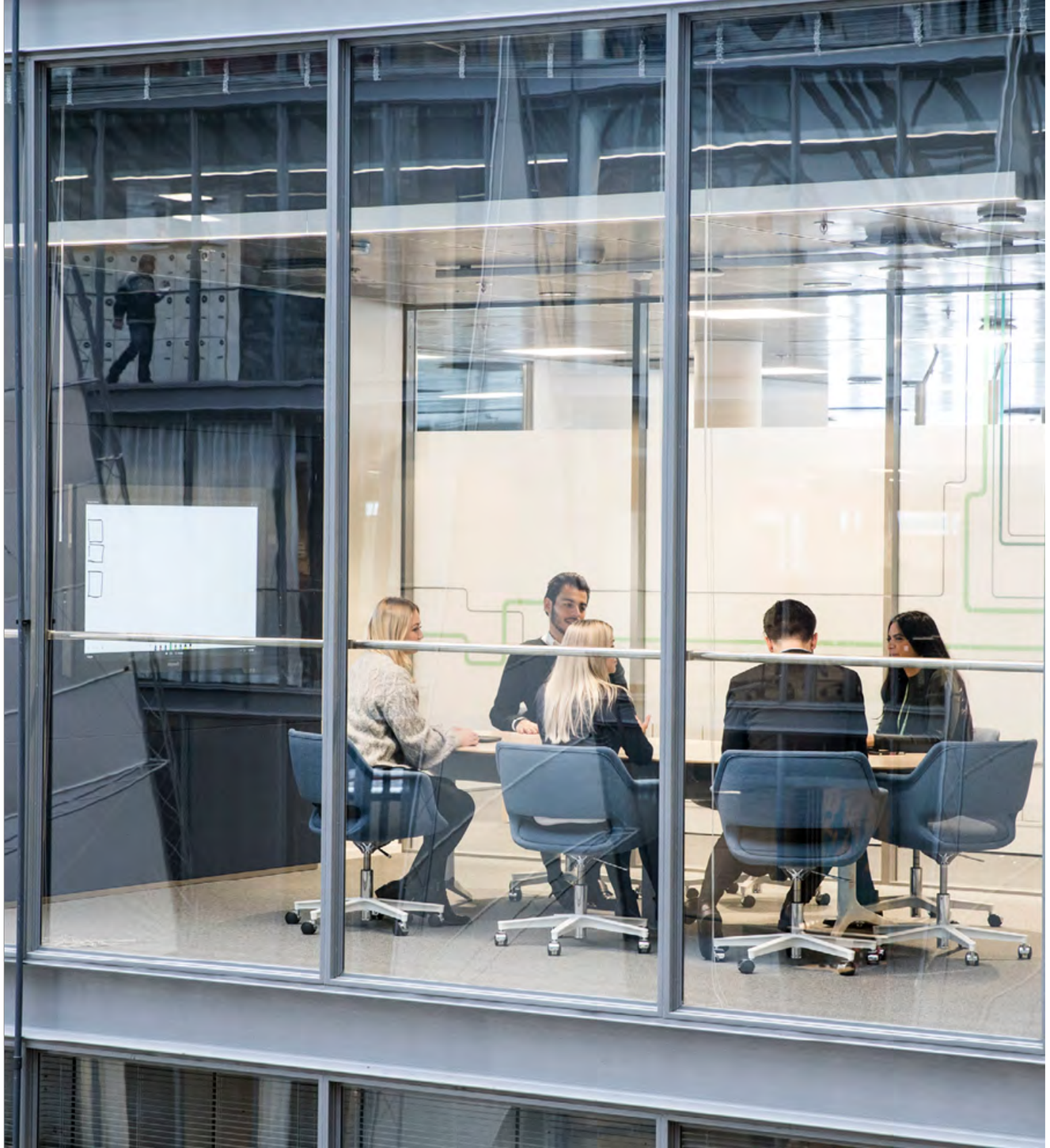


Source: Fortum, company information, 2023 figures pro forma. Fortum continuing operations.

Nordic electricity retail, 16 million customers, ~350 companies



Source: Fortum, company information, 2023 pro forma.



Business model

Fortum has three business reporting segments: Generation, Consumer Solutions and Other Operations. The target of the organisation is successful implementation of the company’s purpose and strategy. The business structure mirrors the key value drivers in Fortum’s clean generation portfolio, strong sales and trading capabilities as well as customer orientation.

Generation segment

The Generation segment consists of the Hydro Generation, Nuclear Generation, Corporate Customers and Markets and Renewables and Decarbonisation business units.

Hydro Generation

The Hydro Generation business unit is responsible for operating, maintaining and developing Fortum’s 4.7 gigawatt (GW) hydropower assets. The unit’s key value drivers include safe operations and the ability to optimise and increase the assets’ flexibility and availability.

Nuclear Generation

The Nuclear Generation business unit operates, maintains and develops Fortum’s fully-owned 1.0 GW Loviisa nuclear power plant, and it manages Fortum’s ownership in the co-owned nuclear assets in Finland and Sweden with a share of 2.2 GW. The business has significant in-house engineering competencies and it also offers expert services that cover the whole lifecycle of nuclear power plants, from newbuilds to decommissioning and final disposal of nuclear waste.

Corporate Customers and Markets

The Corporate Customers and Markets business unit is responsible for hedging and value creation in both physical and financial power markets, locking in revenues for Fortum's power generation and managing the supply for the Consumer Solutions unit. The unit also serves as the customer interface for large industrial customers and thereby pursues long-term value through power demand creation in the Nordic market.

Renewables and Decarbonisation

The Renewables and Decarbonisation business unit is responsible for onshore wind and solar power business through project development and execution. The unit is also responsible for Fortum's district heating and cooling business and the decarbonisation of heat production assets. Furthermore, the business unit explores clean hydrogen in the Nordics.

Consumer Solutions segment

The Consumer Solutions segment includes the Consumer Solutions business unit, which is responsible for offering energy solutions to consumers and small- and medium-sized enterprises predominantly in the Nordics and Poland, including customer service and invoicing services. With its over 2 million customers, Fortum is the largest energy solution provider in the Nordics.

Other operations segment

The Other operations segment includes the Circular Solutions business, which is not at the core of Fortum's strategy. In 2024, Fortum divested the Circular Solutions' recycling and waste business, turbine and generator services and biobased solutions. After these divestments, Fortum continues the strategic review of the remaining Circular Solutions' businesses, mainly the battery recycling business.

In addition, Other operations include innovation and venturing activities, enabling functions and corporate management. Fortum's enabling functions are Finance, Sustainability and Corporate Relations, People and Procurement, Legal, and Transformation and IT. The temporary enabling function, Transformation Office, was closed down at the end of 2024.

Strategy – Power to renew

Fortum’s strategy with a focus on the Nordic market is designed to deliver on the company’s purpose: “To power a world where people, businesses and nature thrive together”. It crystallises our value proposition to our stakeholders.

Fortum has a unique ability to reliably deliver clean energy at scale. With its energy, Fortum helps societies and its customers to decarbonise their processes and reach their climate goals.

Operating environment outlook

In the near term, the energy sector continues to be impacted by geopolitical tensions, general weaker economic outlook, tightening regulation and volatile commodity markets.

However, in the longer term, electricity is expected to continue to gain a significantly higher share of total energy consumption. Electricity demand will increasingly benefit from the decarbonisation of energy-intensive industrial, transport and heating sectors through direct electrification and clean hydrogen. The Nordic market provides clean and affordable electricity for decarbonisation, and Fortum is well-positioned to drive this transition.

Fortum's strategic priorities:

1. Deliver reliable clean energy

Fortum's biggest strength is its ability to deliver reliable and clean energy at scale to customers and the Nordic energy system. Building on its assets and strong competence to optimise the highly competitive power generation fleet, Fortum continues to maintain and develop its best-in-class operations to constantly secure top efficiency and flexibility. Fortum also continues to decarbonise and modernise its existing assets and operations to ensure optimal value creation and to reach its environmental targets. By partnering with customers to deliver the necessary clean power volumes on long-term contracts with stable prices, Fortum can better manage the impact of the volatile wholesale power prices in the Nordics.

2. Drive decarbonisation in industries

Decarbonisation of heavy industries is a key hurdle to address on the way to carbon neutrality. The use of more sustainable fuels in industrial production processes is also accelerating. With its strong position in clean power in the Nordics, Fortum works to find solutions for industrial customers to lower their carbon footprint. Fortum aims to develop and build new clean power generation in partnerships with strategic customers and actively develops a ready-to-build project pipeline of renewables to enable future growth. Further, Fortum explores future opportunities in nuclear in cooperation with customers and partners. Fortum will stepwise and in small scale explore hydrogen through pilot projects in the Nordics.

3. Transform and develop

In order to ensure competitiveness in the years to come, Fortum's third strategic priority is transformation and development. The aim is to restructure organisation to fit the current structure and purpose, build an efficient operating model and develop company culture and leadership to support strategy execution.

Selective growth aiming at profitable investments

To carefully manage the current volatile and uncertain operating environment, Fortum is prudent in its capital allocation. At the same time, the company aims to take benefit of the prevailing good power market conditions.

Fortum's growth initiatives are selective and target clean energy and decarbonisation projects. Fortum has estimated that its capital expenditure for the years 2025–2027 would amount to EUR 1.4 billion of which annual growth capital expenditure (excluding acquisitions) is estimated to be in the range of EUR 150–300 million. Annual maintenance capital expenditure is estimated to be EUR 250 million. Depending on general market development and investment environment, new investment decisions can be made. Ongoing investments include among others the lifetime extension of the Loviisa nuclear power plant in Finland and the decarbonisation of our Czestochowa power plant in Poland. For our investment decisions, we apply investment criteria such as investment hurdles of 150–400 basis points on top of project WACC. Investment decisions will also be evaluated against the company's climate and biodiversity targets.

Financial flexibility with strong balance sheet

Fortum's balance sheet is strong and leverage has been at a very low level, providing a substantial buffer to accommodate for the current uncertain and volatile market conditions as well as build preparedness for future growth. Supported by the divestment of the recycling and waste business, Fortum's financial net debt-to-comparable EBITDA ratio was at a low level of 0.2 times at the end of 2024.

Fortum's objective is to maintain a stable credit rating of at least BBB and it estimates that the ratio for financial net debt-to-comparable EBITDA could be a maximum of 2.0–2.5 times longer term. In March 2024, S&P Global Ratings (S&P) upgraded Fortum's current long-term credit rating to BBB+ with Stable Outlook, while Fitch Ratings affirmed Fortum's long-term rating of BBB with Stable Outlook.

In order to manage power market risks related to the outright generation, Fortum also aims to maintain a sufficient liquidity position to manage margining requirements in various price scenarios.

Dividend policy

The dividend policy – a payout ratio of 60–90% of Comparable EPS – reflects potential earnings fluctuations of Fortum's power generation portfolio. The payout ratio will be used so that the upper end of the range of the pay-out ratio is applied in situations with a strong balance sheet and low investments, while the lower end of the range would be applied with high leverage and/or significant investments and high capital expenditure.

For the financial year 2024, Fortum's Board of Directors proposes a dividend of EUR 1.40 per share and that the dividend will be paid in the second quarter. The proposed dividend comprises EUR 0.90 which corresponds to 90% payout of the Group's comparable earnings per share (EPS) of EUR 1.00 and EUR 0.50 as a special dividend.

Ambitious environmental targets

Fortum's position as a leading Nordic clean energy company is complemented by ambitious environmental targets with the aim to be a leader in sustainability.

Fortum's science-based net-zero target across value chain by 2040 and near- and long-term science-based emissions reduction targets are validated by the international Science Based Targets initiative (SBTi). The targets are aligned with the level of greenhouse gas emission reduction needed to limit global warming to 1.5°C. Fortum's net-zero transition plan includes the exit from coal and emission reduction in the company's own operations (Scope 1 and 2) as well as influencing its electricity sales footprint through product selection and electricity purchases (Scope 3).

Fortum has also set targets for specific emissions: below 20 g CO_2/kWh for total energy production and below 10 g CO_2/kWh for power generation by 2028. Fortum is taking steps to reach these targets, e.g. through the exit from coal in own operations and the ongoing decarbonisation projects in district heating.

Further, Fortum is also committed to an ambitious biodiversity target to have no net loss of biodiversity (excluding any aquatic impacts) from existing and new operations (Scopes 1 and 2) from 2030 onwards. In addition, the company will reduce its negative dynamic terrestrial impacts in upstream Scope 3 by 50% by 2030 (base year 2021). A detailed Fortum's Group-level biodiversity transition plan is currently being developed and is expected to be ready during 2025.

Phased strategy execution to manage the short-term market uncertainty

Fortum is implementing its strategy in different phases to enable successful strategy execution and manage the market uncertainty and weaker investment sentiment. In the near term, a sharpened focus is put on the core business to optimise the existing best-in-class operations, especially the generation portfolio, as well as manage business risks, for example to decrease the share of merchant exposure. Fortum continues to be prudent and disciplined in its capital allocation to maximise value creation from flexibility, efficiency and cash flows. During this phase, Fortum prepares for future growth by developing a ready-to-build renewables pipeline. Furthermore, Fortum is investigating longer-term investment opportunities in new nuclear through its ongoing two-year feasibility study which is expected to be ready in the first half of 2025.

With these actions, Fortum will be prepared for growth longer term, which will be driven by decarbonisation through electrification of other sectors. With its already decarbonised production portfolio and very few fossil-fuel based assets to replace, Fortum can partner and over time grow with industrial customers in clean energy while focusing on efficient capital allocation, attractive returns, balanced risk exposure and sustainability.

Strategy implementation in 2024

Deliver reliable clean energy

Sustainability and CO_2-free power generation have been part of Fortum's strategy for decades. The energy system needs to transform into a system with substantially lower emissions and higher resource efficiency.

A successful energy transition will require CO_2-free capacities which optimally serve the needs of the system, society and the consumers. In order to achieve this, the power system needs a balanced mix of capabilities – stable and reliable nuclear power, flexible hydro power and intermittent renewable energy.

An example of how Fortum continues to provide reliable clean energy is the lifetime extension by approximately 20 years until 2050 of its Loviisa nuclear power plant . Over the course of the new licence period, the plant is expected to generate approximately 177 TWh of CO_2-free electricity. In 2023–2050, investments related to the continuation of operations and lifetime extension will amount to an estimated EUR 1 billion. In addition, we reached an important milestone in August 2024 at the Loviisa plant in securing a reliable Western alternative for fuel supply by loading the first batch Westinghouse fuel.

In December 2021, Fortum announced an investment decision to construct the 380-MW Pjelax wind farm in Närpiö and Kristiinankaupunki in Finland in partnership with the Finnish energy company Helen. Construction of the wind farm started in January 2022 and it was fully operational in the second quarter of 2024. The wind farm produces around 1.1 TWh of renewable energy annually from 56 wind turbines. Pjelax is fully consolidated on Fortum's balance sheet; Helen has a 40% minority ownership in the company. The total capital expenditure of the project is approximately EUR 360 million, of which Fortum's share is approximately EUR 216 million.

Fortum and the City of Espoo are committed to carbon-neutral district heat production and distribution in the Espoo, Kauniainen and Kirkkonummi areas by 2030. The project, Espoo Clean Heat, provides a flagship example of efficient decarbonisation and a transition to local self-sufficient heating on a large scale by, for example, increasing flexible electricity-based production through e.g. electric boilers and air-to-water heat pumps. Fortum's total capital expenditure of the Espoo Clean Heat programme amounts to approximately EUR 300 million. In June 2023, Fortum announced that it had decided to invest approximately EUR 225 million during 2023–2027 in projects within the programme. During 2024, EUR 77 million of the Espoo Clean Heat investments materialised, and, since the beginning of 2023, Fortum's investments in the programme totalled approximately EUR 108 million. The use of coal was discontinued in April 2024, more than a year ahead

of schedule. The largest sites currently under construction are two sites in Espoo and Kirkkonummi with heat offtake from Microsoft's planned large-scale data centres and a new electricity-based district heat production plant in the Nuijala area in Espoo. These plants' heat capacity will be 410 MW, and operations are expected to begin for the 2025-2026 heating season. Once the waste heat recovery from Microsoft's data centres is in full operation, district heat production will be completely carbon neutral.

In April 2024, Fortum's last coal-fired condensing plant in Finland, Meri-Pori, was transferred to the national production reserve aimed for emergency situations.

Drive decarbonisation in industries

Decarbonisation of industries requires large volumes of clean and reliable electricity that cannot only be covered by new intermittent sources. Fortum's strategic ambition is to develop and build new clean power in partnerships with strategic customers and actively develop a project pipeline to enable future growth.

In order to support this ambition, Fortum is carrying out a thorough assessment of the economic viability of building new nuclear in Finland and/or Sweden. The feasibility study, to be completed in 2025, focuses on the technical, economic and societal preconditions that must be in place for Fortum to consider such a new, large and long-term investment. Any possible decisions about future investments in nuclear or SMRs will be made in due course.

Long-term partnerships play a vital role in ensuring predictability in long-term energy procurement and advancing electrification in the energy transition. In April 2024, Fortum announced that Fortum and the Swedish ferroalloys producer Vargön Alloys AB had signed a five-year power purchase agreement (PPA) with progressive pricing for delivery of approximately 0.4 TWh of electricity and Guarantees of Origin for nuclear power per annum in Sweden. The contract term started in December 2024 and runs until the end of 2029. The power is sourced from Fortum's nuclear portfolio in the SE3 (Stockholm) price area in central Sweden.

In addition to hydro and nuclear power generation, renewables play an essential role in the energy transition. Together with its partners, Fortum is currently operating 730 MW of onshore wind power in Finland, Sweden and Norway. In line with its strategy, Fortum is preparing a ready-to-build pipeline of renewables projects with long-term PPAs to serve demand growth in the Nordics. At the moment, Fortum has an approximately 5-GW pipeline of onshore wind and solar projects in the permit process across the Nordic countries, with more in early development. The pipeline includes the development portfolio acquisition announced in December 2024.

During 2024, Fortum announced the development of multiple potential new industrial sites across Finland that can be offered to our customers for data centre or industrial use. One of these sites is in Rauma, where Fortum develops a site for sustainable synthetic aviation fuel (eSAF) plant together with Norsk e-Fuel and Port of Rauma.

In December 2024, Fortum took on the role of energy partner to support a feasibility study exploring low-carbon aluminium manufacturing opportunities in Kokkola and Kruunupyy, Finland. The facility, if realised, would consume approximately 7 TWh of electricity annually.

Fortum also began to build a 2-MW hydrogen pilot production plant in Loviisa.

Transform and develop

In order to ensure competitiveness in the years to come, the company's third strategic priority is transformation and development. During 2024, Fortum continued its efforts for the efficiency improvement programme with the target to gradually lower annual fixed costs by EUR 100 million (excluding inflation) by the end of 2025 with a full run-rate from the beginning of 2026. Fortum reduced its recurring fixed cost base by more than EUR 60 million by the end of 2024.

The strategic review of the Circular Solutions' businesses progressed well during 2024. The recycling and waste business, the turbine and generator services and the biobased solutions business were divested. For the sale of the recycling and waste business, the total consideration was approximately EUR 800 million on a debt- and cash-free basis and Fortum recorded a tax-exempt capital gain of EUR 176 million in the fourth quarter.

In addition, Fortum successfully divested its stake in the 185-MW solar portfolio, its last operational renewables business in India, and recorded a sales gain of EUR 16 million in the second quarter.

Strategic targets, KPIs and 2024 outcomes

Strategic target	Strengthen Nordic leadership	Ensure value creation from flexibility	Stabilise income streams	Demand-driven renewables
KPI target	Fleet availability: >90% for nuclear, >95% for hydro	Annual optimisation premium 6–8 EUR/MWh	Hedged share of rolling 10-year outright generation volume >20% by end of 2026	Ready-to-build pipeline for solar and onshore wind >800 MW by end of 2026
2024 outcome	84% for nuclear, 97% for hydro	8.7 EUR/MWh	18%	0 MW

Sustainability at Fortum

Energy production is one of the most crucial areas in our efforts to combat climate change. At the same time, a functioning modern society requires uninterrupted and reliable supply of energy. Nearly three-quarters of the world's emissions today are energy-related. Fortum is one of the largest and among the cleanest energy producers in the Nordics, and as such, the way we generate power and heat plays a key role in the battle against climate change.

Electrification is one of the most effective ways to reduce reliance on fossil and combustion-based energy sources. Therefore, Fortum plays a vital role in the decarbonisation of society and industry. We operate, develop, and build new low-carbon power solutions, helping to steer societies towards their climate targets.

Fortum is the third-largest power generator in the Nordics and its power generation has one of the lowest specific CO2-emissions in Europe. Our energy production is based on low-carbon hydro and nuclear power, complemented by onshore wind, district heating and cooling operations, and electricity and gas retail business. By improving the energy efficiency of our power and heat production, we can reduce emissions relative to the energy produced and lower production costs.

Socially, we play a vital role in ensuring security of supply for electricity and energy in general. Society must be able to rely on us to consistently and sustainably produce essential energy for its operations, even in an uncertain operating environment.

Sustainability is essential to Fortum's businesses and in the core of our strategy. Our actions are guided by our ambitious sustainability targets as we continue to take steps towards net-zero emissions, that also benefit the climate, biodiversity, and our customers.

In our 2024 Sustainability Statement we have evaluated our most material sustainability matters based on their impacts, risks and opportunities. In this sustainability review, we focus on climate change, biodiversity, people and wellbeing, safety and security and community involvement. In the following, we elaborate on our main goals and achievements in these areas in 2024. You can find more information in our Sustainability Statement included in our Financials 2024.

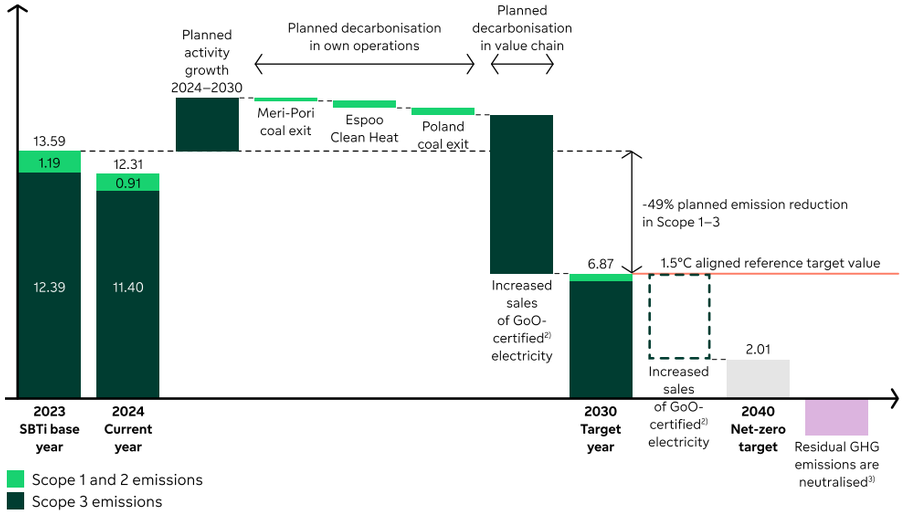
Climate change

Fortum is committed to delivering its climate promise by taking concrete steps towards net-zero emissions. Fortum's newly published near- and long-term science-based emissions reduction targets and science-based net-zero target by 2040 are validated by the international Science Based Targets initiative (SBTi).

Fortum's ambitious commitment to SBTi targets is a significant milestone on Fortum's sustainability journey, at the core of the company's strategy and a vital part of its execution. In 2024, 99% of Fortum's power generation derived from renewable or nuclear sources. In line with the science-based net-zero targets, Fortum will further reduce its greenhouse gas emissions from power and heat generation as well as sold electricity, gas and heat.

Illustrative transition plan for climate change mitigation

Total absolute fossil emissions (Mt CO_2-eq) [1]



1) The transition plan is excluding recycling and waste business, divested in November 2024.
2) Guarantee of origin (GoO) refers to an electronic document that provides evidence that a given share or quantity of energy has been produced with, for example, renewable sources or nuclear power.
3) Residual emissions are either decarbonised from our own value chain or neutralised to reach net-zero emissions in 2040.

Fortum's transition plan to net zero includes decarbonisation of its own operations and in the value chain. We prioritise direct emission reductions and all residual emissions will be neutralised in line with the SBTi criteria. Fortum is committed, for example, to exit all coal-based generation in the company's own operations by the end of 2027. In the Espoo Clean Heat programme, the last coal-fired unit used for district heat production in Finland was closed down already in spring 2024. Fortum is also investing EUR 100 million in the decarbonisation of the Czestochowa combined heat and power (CHP) plant in Poland which is expected to be completed by the end of 2026. The Meri-Pori coal-fired power plant will be in national strategic reserve until the end of 2026 and would only run in situations of severe disruptions and emergencies. The reduction of emissions in the value chain includes increased sales of 'Guarantees of Origin' -certified electricity and changes in the energy mix of the product portfolio, such as increasing the share of biogas.

In 2024, Fortum's total Scope 1, 2 and 3 market-based GHG emissions were 12.9 Mt CO_2-eq, a decrease of 1.2 Mt CO_2-eq (9%) compared to 2023. Scope 1 GHG emissions decreased by 0.28 Mt CO_2-eq mainly due to the reduction of coal use at the Meri-Pori power plant (0.1 Mt CO_2-eq) and the closure of the Suomenoja coal-fired CHP plant (0.08 Mt CO_2-eq). Scope 2 market-based GHG emissions decreased by 0.02 Mt CO_2-eq (45%) as a result of increased share of GoO-certified electricity purchased for own use. Regarding Scope 3, emissions from sold electricity decreased by 1.0 Mt CO_2-eq due to the increased sales of GoO-certified electricity, but increased gas sales volume in the Polish market increased emissions by 0.3 Mt CO_2-eq.

In addition to the SBTi targets, Fortum also has targets for specific emissions: for total energy (power and heat) production at below 20 gCO_2/kWh and for power generation at below 10 gCO_2/kWh by 2028. In 2024, Fortum's specific emissions for total energy production were 26 gCO_2/kWh and 11 gCO_2/kWh for power generation.

Biodiversity

At Fortum, our main terrestrial biodiversity impacts are related to the impacts from GHG emissions, land use and fuel procurement. Fortum has an ambitious biodiversity target to have no net loss of biodiversity (excluding any aquatic impacts) from existing and new operations (Scope 1 and 2) from 2030 onwards. In addition, we will reduce our negative dynamic terrestrial impacts in upstream Scope 3 by 50% by 2030 (base-year 2021). By reducing our emissions, also our terrestrial biodiversity footprint will decrease. In addition, in 2024, we worked with our wind, solar and heat storage case studies to create a process to analyse our biodiversity footprint to reach our target of no net loss from 2030 onwards. A detailed Group-level biodiversity transition plan is currently being developed and is expected to be ready during 2025.

In 2024, Fortum started to apply new sustainable forest management guidelines in the company-owned forests. The purpose of the guidelines is to enable an overall increase in biodiversity values and concurrently safeguard the recreational and cultural values in forests.

Fortum is also committed to continue local initiatives and participate in the development of a science-based methodology to assess the aquatic impacts of hydropower to mitigate the impact of hydropower on aquatic biodiversity, Fortum is pioneering with partners to assess and set science-based aquatic biodiversity targets. In 2024, Fortum continued to carry out both voluntary and license-related hydropower biodiversity measures like habitat improvement measures, releases of young salmon and seatrout, and operation and restoration of fishways and bypass solutions to improve fish migration. In addition, Fortum, together with partners, has worked on developing a science-based methodology to assess the aquatic impacts of hydropower, e.g. through case studies. Similar actions are also planned in the future.

Health & Safety

For Fortum, excellence in safety is an absolute necessity for efficient and interruption-free operations. We strive to ensure a healthy and safe workplace, supporting the wellbeing of our employees and contractors. Our comprehensive safety management system covers all our operations and we believe all work incidents are preventable with proactive plans and measures.

As part of our safety and security management, we ensure sufficient resources to guarantee our preparedness to operate in all kinds of circumstances. With a risk-based approach, we have implemented crisis management procedures, continuity plans, and both physical and cyber protective measures. We practice regularly and execute development programs to enhance our security and preparedness.

Fortum's safety targets and 2024 outcome

Target	2024
Total Recordable Injury Frequency (TRIF), <1.0 by the end of 2030	4.0
No severe or fatal injuries	2 severe injuries
60% execution rate for Safety improvement plans in 2024	90% execution rate for Safety improvement plans

People & wellbeing

Fortum’s goal regarding workplace wellbeing activities is to promote its employees’ health and occupational safety and the functionality of the work community. Fortum measures its employees' perceptions on health and wellbeing as well as Fortum's efforts to support them on mental, physical and social wellbeing through an employee survey carried out twice a year. Fortum’s November 2024 health and wellbeing score was 7.9 (excluding recycling and waste business employees), on par with the energy and utility sector peer benchmark.

In 2024, we made significant steps in our Diversity, Equity, and Inclusion (DEI) journey. The Fortum Leadership Team decided to adopt an ambitious DEI strategy, with the main focus to enhance the feeling of inclusion among all employees. We continued to increase awareness and provided trainings for over 1,000 Fortum employees. DEI-related questions are included in Fortum’s internal employee survey to evaluate the company’s current maturity on DEI. In 2024 the overall DEI score improved to 7.9 (+0,1), closer to the industry benchmark. We continue our ongoing DEI journey with systematic efforts.

Community involvement

Fortum’s operations and investments benefit communities in multiple ways. We boost economic activity by employment and working together with wide contractor network, and generate income locally through land leases, property taxes and voluntary wind funds. Furthermore, we are in continuous dialogue with local communities and stakeholders.

Additionally, Fortum promotes the common good in society, together with organizations and communities through our Corporate Social Responsibility (CSR) Programme. In 2024, among other things, we helped clean the rivers near our hydropower plants in Sweden (an annual event with Städa Sverige), and supported Save the Children’s work improving children’s welfare in Finland, Sweden, Norway and Poland.

Key drivers and risks

Fortum's operations are exposed to a number of financial, operational, strategic and sustainability-related risks. Fortum is exposed to these risks both directly and indirectly through its subsidiaries, associated companies and joint ventures. The principal associated companies and joint ventures are Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB, OKG AB and Kemijoki Oy. For more information, see Fortum's Financials 2023.

Fortum's strategy, launched in March 2023, was developed partly in order to reduce the Group's business risks. With Fortum's core business consisting mainly of outright generation assets in the Nordics, the Nordic power price exposure remains the single largest key driver and financial risk for Fortum. It is a key priority for Fortum to successfully mitigate this market risk, including managing the related credit and liquidity risks from hedging this exposure.

The main strategic risks are that the business and/or regulatory environment develop in ways that have not been foreseen and prepared for. The current geopolitical uncertainty continues to pose material operational and business risks for Fortum as the owner and operator of power and heat generation in the Nordics and Poland. Future energy market, regulation and climate scenarios, as well as scenarios for how the current geopolitical situation develops, including the impact of these to Fortum's existing and potential new businesses, are regularly updated and used in the development of the strategy.

Sustainability-related risks, including exposure to climate change, continue to be a focus area for Fortum, and we are well-positioned with our existing portfolio of largely low-carbon power generation to take advantage of opportunities in the green transition.

Business operating environment

Fortum operates in a global business environment, with a main operational focus in the Nordics, and is therefore exposed to political and other risks that affect the macroeconomic development and consumer behaviour in Fortum's markets.

The global landscape has experienced a further escalation of conflict and increasing geopolitical uncertainty. Several regional and territorial disputes have worsened, increasing instability and insecurity in energy-producing regions, potentially disrupting energy supply chains and raising concerns about energy security. Russia's attack on Ukraine in February 2022 severely impacted Fortum's businesses. A number of geopolitical risks have realised, while other risks remain on an elevated level as a result of the ongoing Russian aggression. Following the unlawful seizure by the Russian authorities and loss of control of the Russian operations in spring 2023, the Russian assets were fully written down, deconsolidated and discontinued. Fortum sent notices of dispute to the Russian Federation in order to protect its legal position and shareholder interests. In February 2024, Fortum initiated legal proceedings against the Russian Federation due to the violations of international investment treaty protection. A further escalation of the war may increase the risk of hostile actions by the Russian Federation against foreign companies. This could have severe implications, such as an increased risk of sabotage, including direct physical or cyber-attacks on, for example, energy infrastructure in Fortum's operating countries.

The current geopolitical uncertainty has also intensified the trend of nationalistic policies and protectionism, which may lead to further trade restrictions or sanctions, which, in turn, could affect demand for Fortum's products and services, production capabilities, asset values and access to financing. The EU, US and UK have implemented a broad range of sanctions on Russia, the scope of which may be further increased. The unpredictable nature of sanctions remains a risk for Fortum, despite having lost control of the Russian business.

Regulatory environment

The energy sector is heavily influenced by national and EU-level energy and climate policies and regulations. The overall complexity and possible regulatory changes in Fortum's operating countries pose risks and create opportunities for the generation and consumer businesses. Fortum analyses and assesses a number of future market and regulation scenarios, including the impact of these on different generation forms and technologies, as part of its strategy. Fortum maintains an active dialogue with different policymakers and legislators involved in the development of laws, policies and regulations in order to manage these risks and to proactively contribute to the development of the energy and climate policy and regulatory framework in line with Fortum's strategic objectives.

Nordic power price exposure and related risks

The earnings capability and profitability of Fortum's outright power generation, such as hydro, nuclear and wind power generation, are primarily exposed to fluctuations in the Nordic power prices. In the Nordics, power prices exhibit significant short- and long-term variations on the back of several factors, including, but not limited to, weather conditions, outage patterns in production and transmission lines, CO_2 emission allowance prices, commodity prices, energy mix and the supply-demand balance. An economic downturn, lower commodity prices, warm weather or wet hydrology could lead to significantly lower Nordic power prices, which would negatively impact earnings from Fortum's outright power production. The increased geopolitical uncertainty and fears of escalation of other conflicts may impact power and other commodity prices and volatility, especially in case of disturbances to other sources of power or gas supply. In general, price volatility is expected to continue also with the increasing share of intermittent generation and the

occasionally re-emerging concerns over security of energy supply. This also increases the risk of further political market interventions going forward. Fortum hedges its exposure to commodity market prices in order to improve predictability of future results by reducing volatility in earnings while ensuring that there is sufficient cash flow and liquidity to cover financial commitments.

Fortum's liquidity and refinancing risks are primarily related to the need to finance its business operations, including margining payments and collaterals issued to enable hedging of commodity market risk exposures. Higher and more volatile commodity prices increase the net margining payments toward clearing houses and clearing banks. Fortum mitigates this risk by entering into over-the-counter (OTC) derivatives contracts directly with bilateral counterparties without margining requirements. Consequently, credit exposure from hedges with OTC counterparties has increased. Due to Fortum's net short position in Nordic power hedges, the credit exposure would increase in line with the value of hedges if Nordic power prices decrease. OTC trading also exposes the Group to liquidity risk in case of a counterparty default. A default could trigger a termination payment in cases where the net market value of the bilateral contracts is positive for the counterparty.

Fortum targets to maintain a solid investment-grade rating of at least BBB. A lowering of the credit ratings, in particular to below investment-grade level (BB+ or below), could trigger counterparties' rights to demand additional cash or non-cash collateral. In March 2024, S&P Global Ratings upgraded Fortum's long-term credit rating to BBB+ with Stable Outlook (previously BBB with Stable Outlook). Also in March 2024, Fitch Ratings affirmed Fortum's BBB rating with Stable Outlook. Fortum continues to constantly monitor all rating-related developments and to regularly exchange information with the rating agencies. In 2023, Fortum deployed a new risk management framework to manage credit, liquidity and market risks holistically and to support the maintaining of its rating under different market scenarios.

Operational Risks

Fortum's business activities include energy generation, storage and control of operations, as well as the construction, modernisation, maintenance and decommissioning of power plants or other energy-related industrial facilities. Any unwanted operational event (which could be caused by, e.g., technical failure, human or process error, natural disaster, sabotage, failure of key suppliers, or terrorist attack) can endanger personal safety or lead to environmental or physical damage, business interruptions, project delays and possible third-party liability. The associated costs can be high, especially in Fortum's largest units and projects.

Climate change

Fortum believes that the growing awareness and concern about climate change will increase the demand for low-carbon and resource- and energy-efficient energy products and services. The company is leveraging its know-how in hydro, nuclear, wind and solar power by offering its customers low-carbon energy solutions. The electrification of energy-intensive industry, services and transportation is likely to increase the consumption of low-carbon electricity in particular. The development of the hydrogen economy, and especially renewable hydrogen produced with renewable power, will potentially offer future business opportunities for Fortum.

Driving the transition to a low-carbon economy is therefore an integral part of Fortum's strategy. Fortum's strategy includes ambitious sustainability and decarbonisation targets. However, the transition to a low-carbon economy poses a number of strategic and operative risks related to changes in energy and climate policy and regulation, technology development and the business environment in which Fortum operates.

Fortum's operations are exposed to the physical risks caused by climate change, including changes in weather patterns that could alter energy production volumes and energy demand. Fluctuating precipitation, flooding and extreme temperatures may affect, e.g., hydropower generation, dam safety, availability of cooling water, and the price and availability of biofuels. Hydrological conditions, precipitation, temperatures, and wind conditions also affect the short-term electricity price in the Nordic power market. In addition to climate change mitigation, we also aim to adapt our operations, and we take climate change into consideration in, among other things, the assessment of growth projects and investments as well as in operation and maintenance planning. Fortum identifies and assesses its assets' resilience towards different acute and chronic physical climate-related risks within different Intergovernmental Panel on Climate Change (IPCC) climate scenarios and creates adaptation plans for the most material risks.