

Financial statements 2022

Fortum Corporation
2 March 2023

Markus Rauramo

President and CEO





Providing secure supplies amid the European energy crisis

Russia's energy war against Europe hit Fortum substantially, resulting in the inevitable divestment of Uniper and the announced exit from Russia

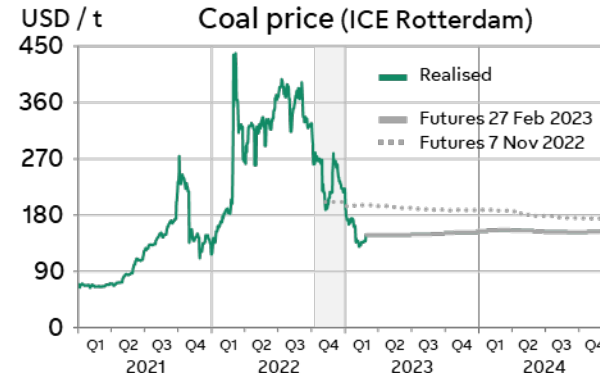
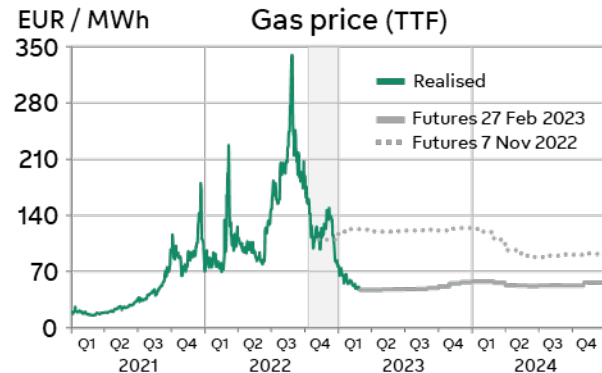
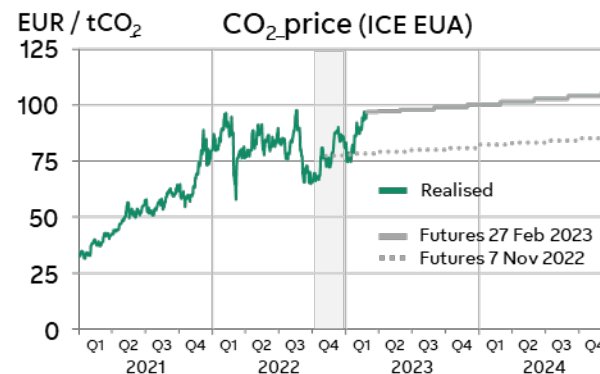
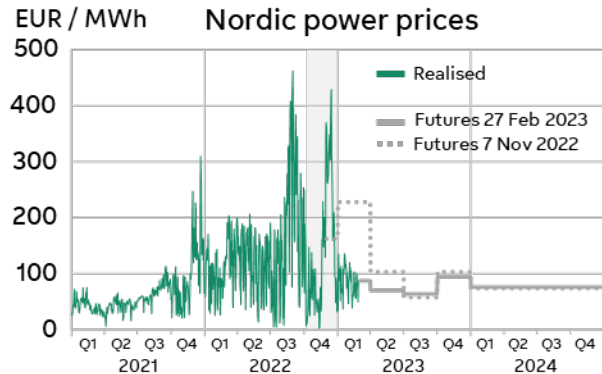
In contrast the relevance of Fortum's operations considerably increased

- ✓ Fortum is contributing to security of energy supply providing **reliable clean energy**, with low-cost generation assets and high availability
- ✓ Fortum has the right skills and capabilities to deliver **CO₂-free power at scale**

Fortum's business is fully stabilised, delivering robust underlying standalone results despite several billion euro reported losses

- ✓ We secured our **financial position; reduced gross debt** and built **liquidity buffer**

Turbulent year in commodity markets



Gas and Continental power drive Nordic prices

- Gas prices plummeted on very high LNG supply, energy savings measures and warm weather – but still substantially above historic average.
- Comfortable gas storage levels (~80% by end-2022) eased fears of Europe running out of gas during the winter and pressured forward prices lower.
- Strong price movements in Continental European gas and power prices have continued to be the main driver for Nordic price development in both spot and futures markets.

Source: Refinitiv, Bloomberg
Daily market prices 27 February 2023; 2023-2024 future quotations

Well functioning physical power market is base for derivative market

Market interventions

EU Regulation

- EU electricity market design
- Electricity market interventions – introduction of a temporary €180/MWh revenue cap for inframarginal technologies and demand reduction requirements for electricity.

Nordic measures

- Finland: 30 % windfall tax on electricity sector for 2023; Temporary compensation of electricity costs to end-consumers
- Sweden: €180/MWh revenue cap on inframarginal technologies for four months; Redistribution of TSO bottleneck income to consumers

Commission starts the process on EU electricity market design

- Focus is now shifting from short-term energy crisis measures to long-term market design development
- Evolution rather than revolution of the current market design
- Marginal pricing complemented by an investment framework
- PPAs as an outcome of a market-based process
- System needs' assessment to flag up missing capacity

2022

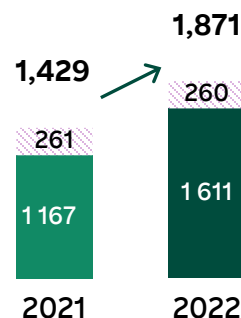
Prevailing extraordinary market fundamentals and strong performance in the Generation segment

Strong result in Generation as low wind and low precipitation kept the Nordic spot prices at high level

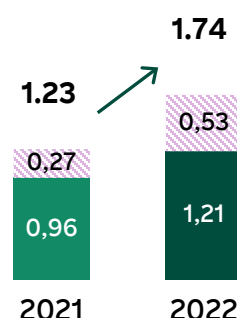
Fortum's Board of Directors is proposing to the AGM 2023 a dividend of 0.91 EUR/share for the year 2022

Clean power generation drives strong financial performance, continuing operations

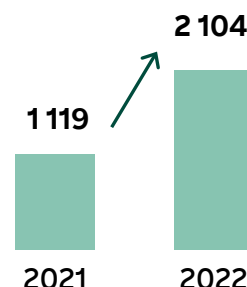
Comp. OP¹



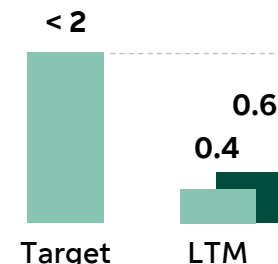
Comp. EPS^{1,2}



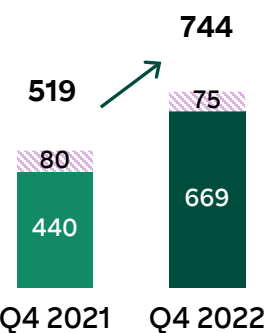
OCF¹



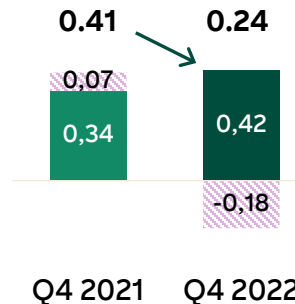
Leverage³



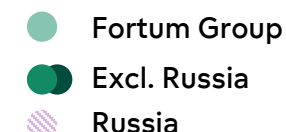
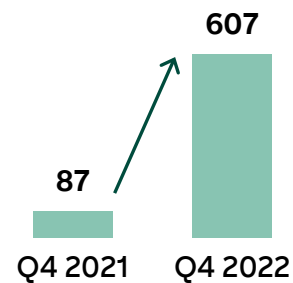
Comp. OP¹



Comp. EPS¹



OCF¹



1. Fortum Group excluding Uniper, comparison figures restated

2. Comp. net financial result includes foreign exchange gains from rouble receivables and the closing of rouble hedges

3. Note: Financial net debt/comparable EBITDA for continuing operations

Bernhard Günther
CFO



Key financials, continuing operations

MEUR	IV/2022	IV/2021 restated	IV/2022 (excl. Russia)	IV/2021 restated (excl. Russia)	2022	2021 restated	2022 (excl. Russia)	2021 restated (excl. Russia)
Sales	2,736	2,171	N/A	N/A	8,804	6,422	N/A	N/A
Comparable EBITDA	895	673	774	555	2,436	2,016	2,025	1,612
Comparable operating profit	744	519	669	440	1,871	1,429	1,611	1,167
Comparable profit before income taxes	282	484	N/A	N/A	2,014	1,405	N/A	N/A
Comparable net profit*	216	361	370	302	1,550	1,091	1,076	851
Comparable EPS	0.24	0.41	0.42	0.34	1.74	1.23	1.21	0.96
Net cash from operating activities	607	87	N/A	N/A	2,104	1,119	N/A	N/A
Financial net debt / Comp. EBITDA**	N/A	N/A	N/A	N/A	0.4	0.2	0.6	N/A

* Comparable net profit is adjusted for items affecting comparability, adjustments to share of profit of associates and joint ventures, net finance costs, and income tax expenses

** Financial net debt/comparable EBITDA shows for 2021 total operations while for 2022 continuing operations

Strong operational performance driven by clean power generation

- Higher price levels and achieved prices translate into substantially higher earnings
- Comp. EPS excl. Russia improved
- Solid credit metrics with Financial net debt / Comp. EBITDA at 0.6x (excl. Russia)
- Strong net cash from operating activities

FY

Generation

Higher achieved power price with strong physical optimisation but lower hydro volumes

City Solutions

Structural changes due to divestments and higher fossil fuel and CO₂ prices

Consumer Solutions

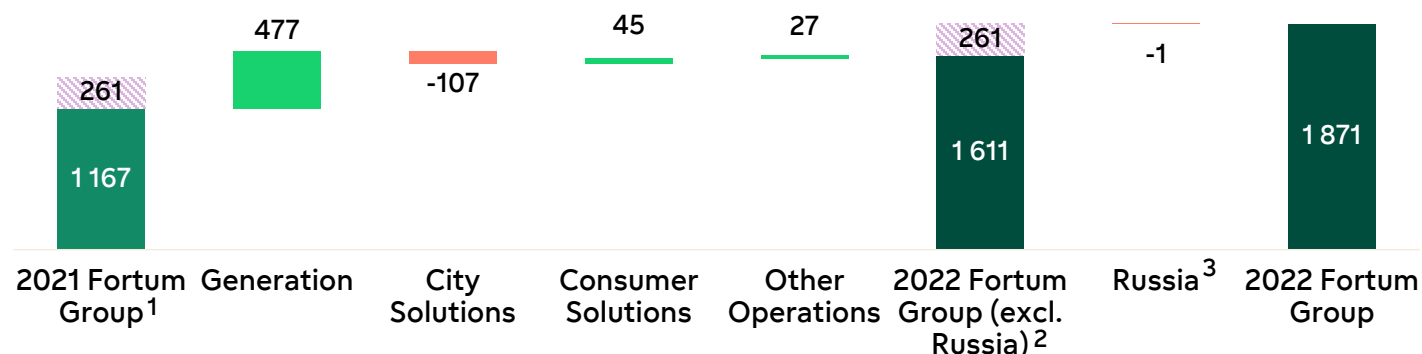
Higher margins offset by higher costs, weak Q4 2021 results

Strong operational performance

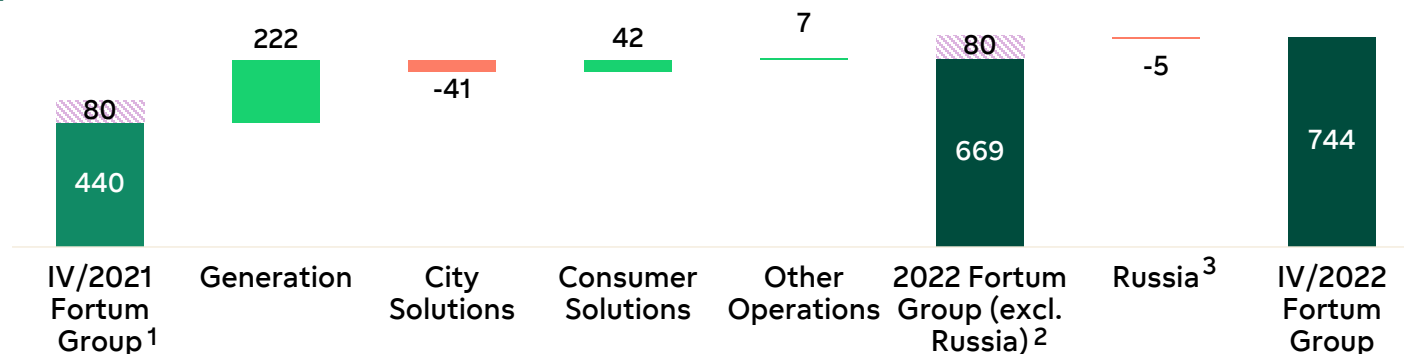
Reconciliation of comparable operating profit¹

(EUR million)

FY 2022



Q4 2022



1. Continuing operations, based on restated figures for 2021

2. Fortum Group excluding Russia

3. Russia segment

Reported income statement for continuing operations dominated by impairment and capital gains

FY 2022 Comparable operating profit, continuing operations

- Items affecting comparability
- Impairment charges and reversals
 - Capital gains and other related items
 - Changes in fair values of derivatives hedging future cash flow
 - Other

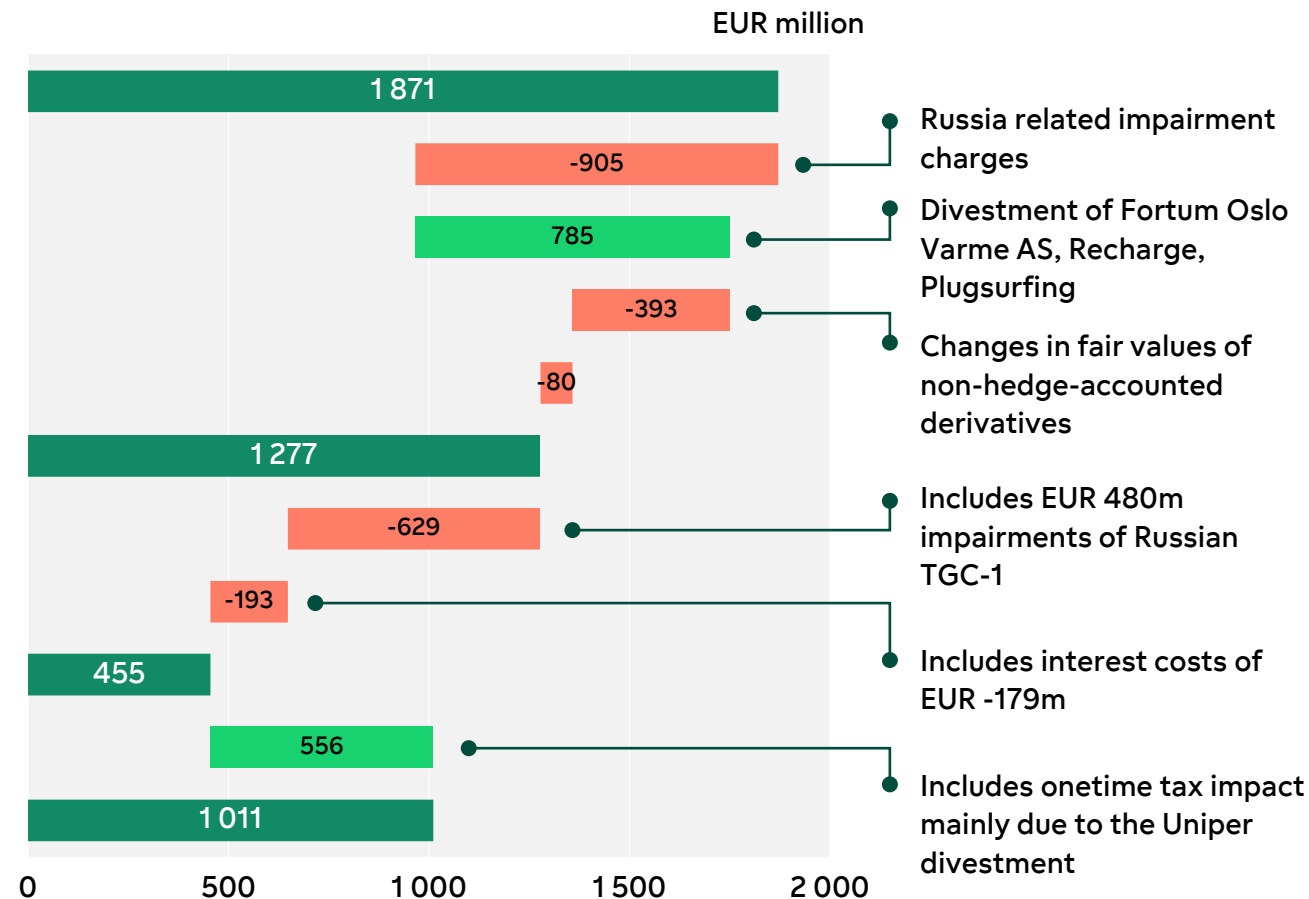
FY 2022 Operating profit , continuing operations

- Share of profit/loss of associates and joint ventures
- Finance costs - net

FY 2022 Profit before income tax, continuing operations

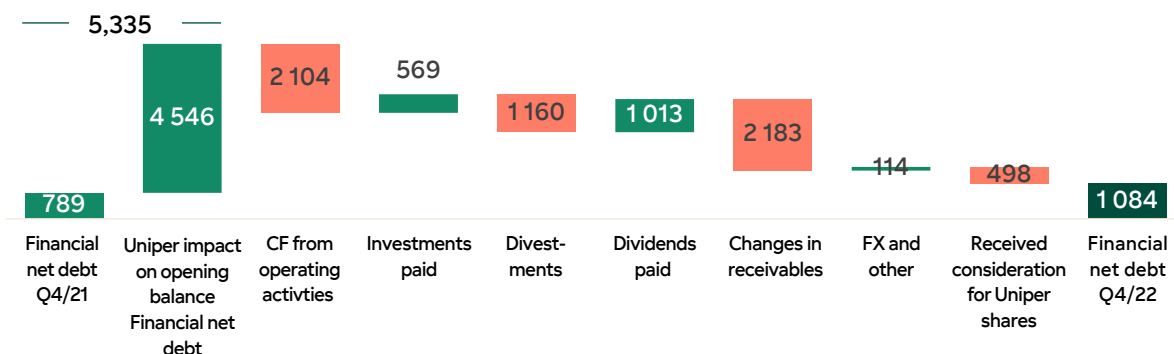
- Income tax

FY 2022 Net profit, continuing operations

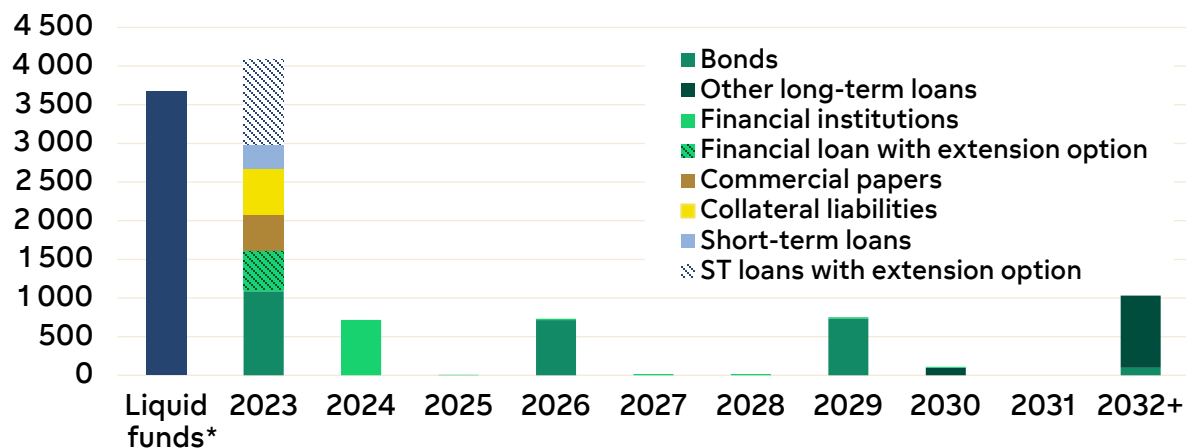


Leverage decreasing significantly, gross debt down

Financial net debt



Contractual maturities, as per 31 December 2022



* Liquid funds (excluding Russia)

Solid credit metrics



'BBB' long-term issuer credit rating,
Negative outlook



'BBB' long-term issuer credit rating,
Negative outlook

Fortum's objective:

Maintain solid investment grade rating of at least BBB to maintain financial strength, preserve financial flexibility and good access to capital.

As per 31 December 2022:

Total loans EUR 7.5 bn excl. Russia and lease

- Average interest for Fortum Group loan portfolio including derivatives hedging financial net at 3.7% (2021: 1.6%).
- Average interest for EUR loans 3.1% (2021: 0.8%)

Liquid funds of EUR 3.7 bn excl. Russia

- Undrawn credit facilities of EUR 7.2 billion

Outlook

Generation segment Nordic hedges:

For 2023: 75% hedged at EUR 58 per MWh
(Q3: 65% at EUR 49)

For 2024: 45% hedged at EUR 42 per MWh
(Q3: 40% at EUR 38)

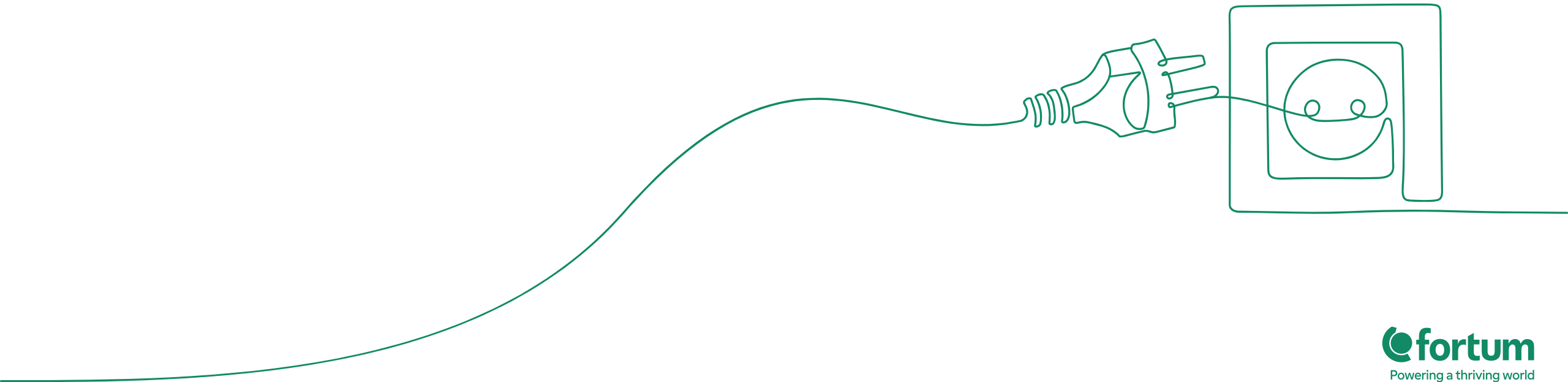
Capital expenditure guidance (excluding Russia):

The capex for 2023 is expected to be EUR 700 million, including appr. EUR 300 million of maintenance, excluding potential acquisitions

Tax guidance for 2023-2024:

Comparable effective income tax rate for Fortum's continuing operations is estimated to be in the range of 21-24% for 2023, (excluding Finnish windfall tax 20-22%), and 19-21% for 2024.

Appendix



Generation: Higher achieved power prices

Q4 2022 vs. Q4 2021

Comparable operating profit solid

- Total power generation in the Nordic countries decreased due to lower hydropower volumes caused by lower inflow and lower hydro reservoir levels compared to the previous year.
- Nuclear volumes were also somewhat lower due to slightly longer nuclear maintenance outages, however, the effect was partly offset by TVO's third Olkiluoto power plant unit (OL3) and Meri-Pori coal condensing plant.
- Achieved power price increased by 55% and was EUR 80.5 MWh due to good physical optimisation, higher spot prices and a higher hedge price

2022 vs. FY 2021

Comparable operating profit at a good level

- Total power generation in the Nordic countries decreased due to lower hydropower volumes. This was caused by lower inflow in the segment's power generation areas and lower hydro reservoir levels during the year.
- Achieved power price increased by 40% to 59.9 MWh due to the very successful physical and financial optimisation and higher spot prices.

Volumes (TWh)



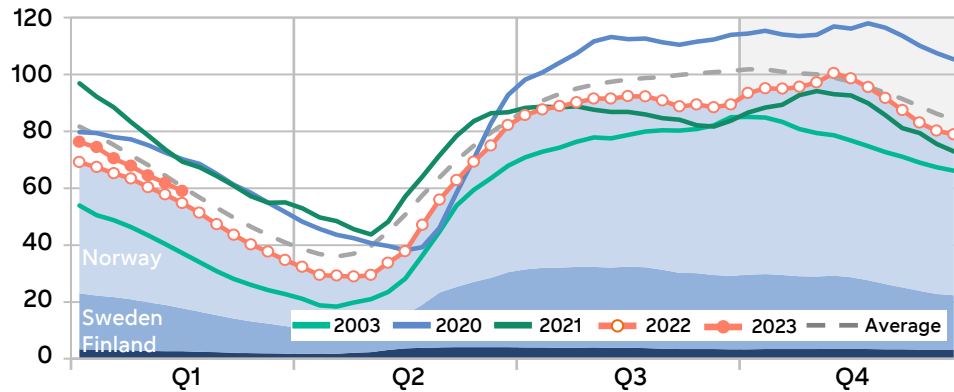
FY Volumes (TWh)



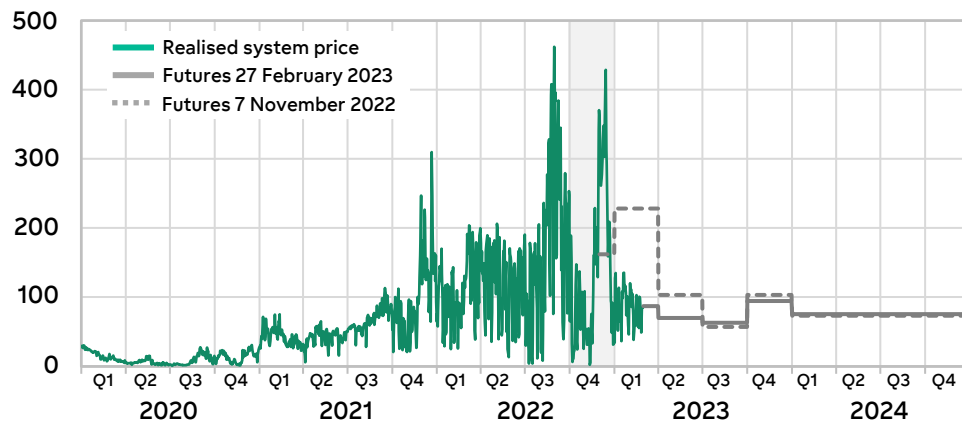
MEUR	IV/ 2022	IV/ 2021 restated	2022	2021 restated
Sales	1,344	953	3,655	2,869
Comparable EBITDA	692	470	1,765	1,287
Comparable operating profit	650	428	1,600	1,123
Comparable net assets			5,549	5,961
Comparable RONA %			27.0	19.0
Gross investment	80	76	234	175

Nord Pool system price driven to new price record

Hydro reservoirs Reservoir content (TWh)



Power price EUR/MWh



Source: Nord Pool, Nasdaq Commodities

- Compared to the long-term average, Nordic hydro reservoirs increased from -12 TWh to -5 TWh during Q4.
- Inflow realised slightly above normal, while hydro generation was below normal in Q4.
- Rainy autumn brought Norwegian hydro reservoir deficit closer to normal level.
- Nordic SYS spot price continued to be volatile in Q4. The average price came down compared to previous record-high level in Q3 realising at €/MWh 136 (96) in Q4 2022 (Q4 2021). The 2023 futures price dropped from 180 to 120 €/MWh during Q4.
- Nordic SYS spot price was strongly influenced by the decline in Continental European power price. Successful energy saving measures, mild winter and high LNG imports brought down European gas and power prices.
- Further, above normal autumn rains in southern Norway, increasing the reservoir levels, contributed to lower Nordic system price.

City Solutions: Structural changes and lower volumes

Q4 2022 vs. Q4 2021

Comparable operating profit decreased by 56%

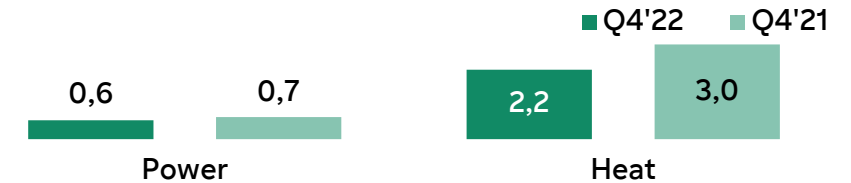
- Heat sales volumes decreased by 27%
- Power sales volumes decreased by 14%
- Comparable operating profit decreased mainly as a result of higher fuel, and CO₂ emission allowance prices as well as lower metal prices partly offset by higher power and heat prices.

FY 2022 vs. FY 2021

Comparable operating profit decreased by 79%

- Heat sales volumes decreased by 24%
- Power sales volumes decreased by 45%
- Comparable operating profit decreased mainly as a result of clearly higher fossil fuel, pellet and CO₂ emission allowance prices as well as lower metal prices. The negative effect was partly offset by higher power and district heating sales prices. Comparable operating profit also negatively effected by structural changes, i.e. divestments.

Volumes (TWh)



FY Volumes (TWh)



MEUR	IV/ 2022	IV/ 2021	2022	2021
Sales	409	427	1,282	1,302
Comparable EBITDA	69	119	177	317
Comparable operating profit	32	73	28	135
Comparable net assets			1,760	2,456
Comparable RONA %			2.3	6.1
Gross investment	51	42	159	162

Consumer Solutions: Profitability improved

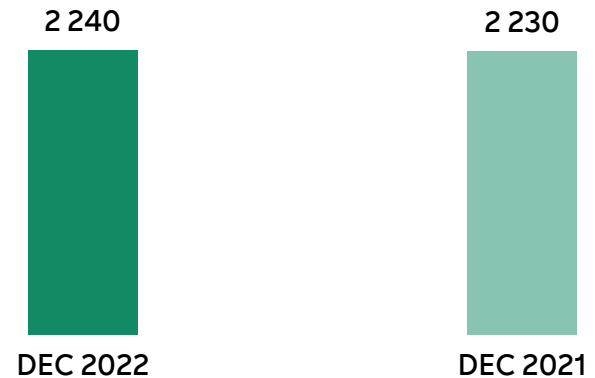
Q4 2022 vs. Q4 2021

- Comparable operating profit increased by EUR 42 million and amounted to EUR 25 million. In Q4 2021, the result was clearly negative at EUR -17 million due to higher electricity purchase costs and negative margins.
- The electricity sales volume decreased by 7% and the gas sales volumes in Poland decreased by 28%.
- Unprecedentedly high electricity and gas prices continued to lower demand. Total sales revenue increased by 39%, driven by significantly higher electricity and gas prices in the Nordics and Poland.

FY 2022 vs. FY 2021

- Comparable operating profit increased by 87%, mainly due to higher electricity and gas sales margins and positive one-offs from gas storage sales.
- The total sales revenue increased by 75%, driven by significantly higher electricity and gas prices in the Nordics and Poland.

Number of customers ('000)



MEUR	IV/ 2022	IV/ 2021	2022	2021
Sales	1,460	1,052	4,578	2,622
Comparable EBITDA	43	3	173	123
Comparable operating profit	25	-17	97	52
Comparable net assets			1,365	1,125
Gross investment	20	19	71	68

Balance sheet FY 2022

MEUR	31-Dec-22	30-Sep-22
Property, plant and equipment and right-of-use assets	7,266	8,252
Derivative financial instruments	1,829	3,845
Interest-bearing receivables	1,284	5,389
Intangible assets	657	654
Participations in associates and JVs	1,249	1,586
Shares in Nuclear Waste Funds	966	957
Inventories	465	307
Margin receivables	2,607	3,694
Other assets including trade receivables	3,400	2,899
Liquid funds	3,919	3,638
Assets held for sale	-	498
Total assets	23,642	31,719

MEUR	31-Dec-22	30-Sep-22
Total equity	7,737	6,543
Derivative financial instruments	4,729	8,658
Interest-bearing liabilities	7,785	12,987
Nuclear provisions	966	957
Other provisions	131	113
Pension obligations, net	13	20
Other	272	653
Margin liabilities	352	748
Trade and other payables	1,657	1,040
Total equity + liabilities	23,642	31,719

IFRS Equity up quarter-on-quarter due to hedging effect

Substantial decrease in interest bearing receivables due to received share holder loan) and decrease in gross debt due to cash received used to pay debt down

Lower net margin receivables and liabilities due to Q4 products went to delivery and lower forward prices

Solid liquid funds position

