Half-year Financial Report January-June 2022

Fortum Corporation

25 August 2022

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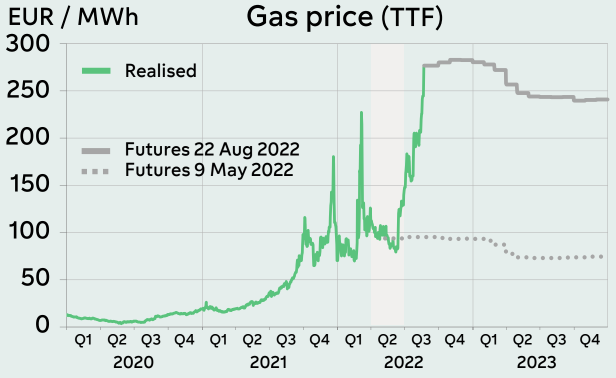
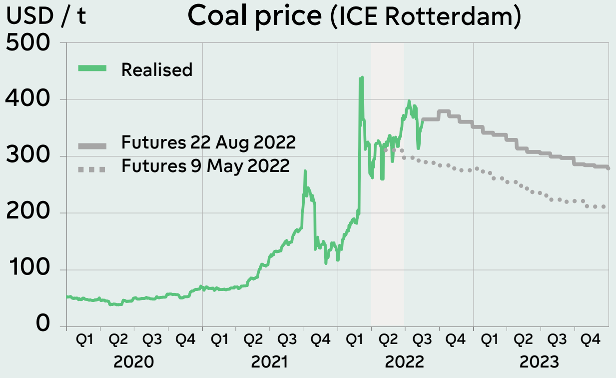
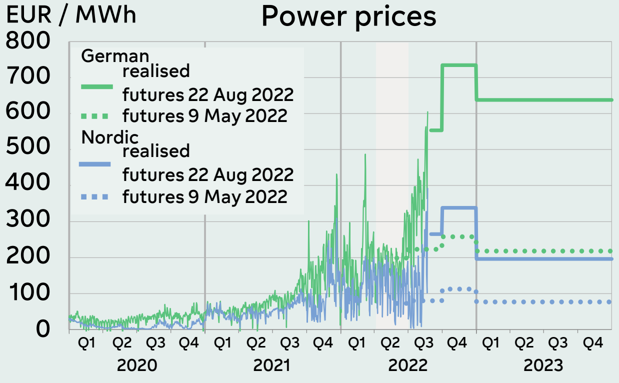
Markus Rauramo
President and CEO

The operating environment substantially impacts Fortum Group

- Russia is waging a **full-scale energy war against Europe**, trying to sow internal division and lower European solidarity while human suffering continues.
- **Extreme prices and volatility** driven by supply fears, Russian gas curtailments and logistical limitations drive power prices on the continent and in the Nordics.
- **Governments are discussing ways to soften the impact** with price caps, tax rebates or direct subsidies and liquidity support for power intense industries and utilities.
- **Fortum Group is contributing** to security of energy supply and clean energy, with our low carbon, low cost and flexible generation assets.







Source: Refinitiv, Bloomberg

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Uniper’s liquidity crisis also turned into a supply crisis

Fortum’s current situation is the result of events that began last summer

- Commodity prices start to increase
- Collaboration and strategy execution with Uniper on a good track

Summer 2021

- Uniper’s collateral needs increase rapidly
- Uniper’s gas business makes good profits

Year-end 2021

- Uniper in liquidity crisis – Fortum provides EUR 8 bn package
- Russia starts war on Ukraine
- Fortum Group announces record results for 2021

Summer 2022

- Russia starts to reduce gas flows
- Uniper asks for government aid to manage its financial crisis
- Agreement on stabilisation package signed

High uncertainty in the operating environment continues

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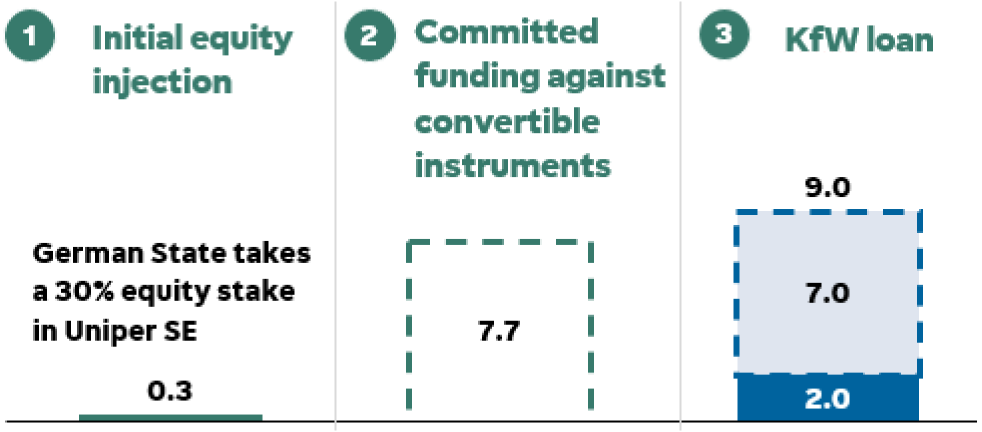
Comprehensive stabilisation package agreed to provide financial relief to Uniper

Support measures from Fortum

- **EUR 4 billion shareholder loan**
- **EUR 4 billion parent guarantees** for margin requirements

Support measures from German government



- Cost absorption mechanism (covers 90% of losses)
- Additional financial support (backstop)
- De-risking and structural solution of Long-Term Gas Contracts to be reached by end of 2023

Rationale for Fortum

- **Immediate stabilisation** of Uniper
- **No requirement for additional capital** from Fortum to Uniper going forward
- **A dilution of Fortum's stake in Uniper to 56% is the consequence of the substantial losses**
- **Option to convert shareholder loan to convertible instruments.** If option not used, Fortum's ownership would dilute further
- **Rating affirmed** for Uniper's and Fortum's long-term credit rating

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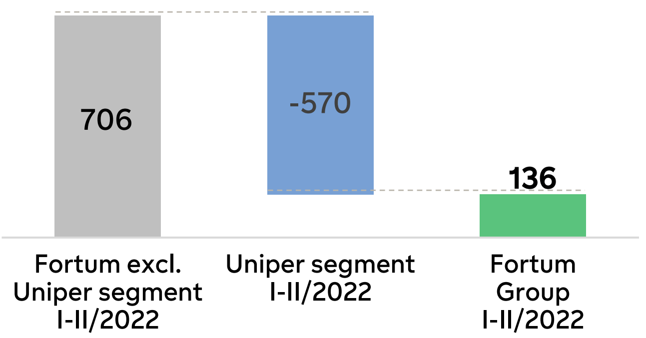
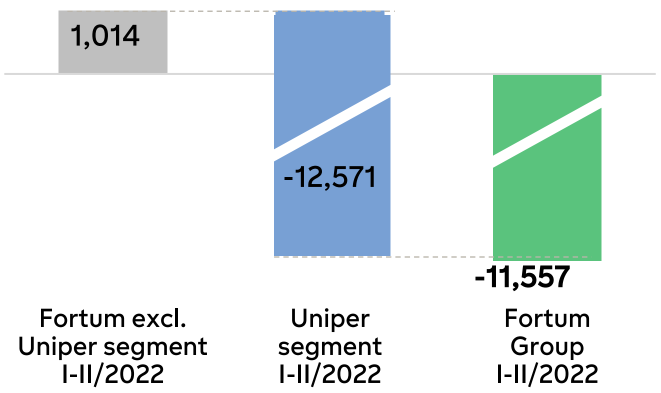
Substantial curtailments of Russian gas imports have caused dire financial difficulties

H1 Comparable operating profit



- **Excluding Uniper, Fortum's result is** driven by **strong increase in achieved power prices** in the Generation segment following the substantial uplift in Nordic power spot prices and strong physical optimisation despite lower generation volumes
- **Uniper segment's result** includes **substantial intra-year earnings shifts** into later quarters (carbon phasing) **and EUR -403 million of gas curtailment losses** from mid-June until end of June 2022

H1 Reported operating profit



- **Fortum excl. Uniper segment** includes EUR 320 million of impairments related to fixed assets and goodwill for the Russia segment
- **Uniper segment** impacted by EUR -12,000 (-813) million of Items Affecting Comparability, including EUR 6,500 million anticipated losses from gas curtailments

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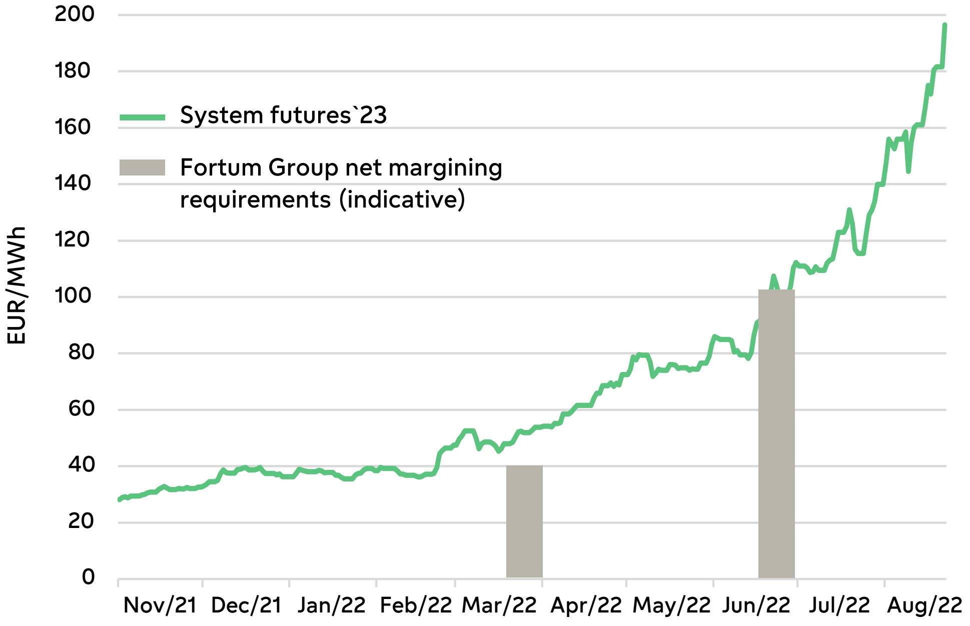
Exchange traded futures markets not fit for today - significant consequences

- Fortum follows a prudent hedging **approach to reduce price risks and securing predictable future cashflows** and earnings
- However; the higher the prices, the higher the margining requirements for existing power forwards – shifting price risk into even more significant cash liquidity risk and counterparty risk
- Fortum uses both exchange traded futures and bilateral agreements when hedging the outright position



Source: Bloomberg

The situation on Nasdaq Commodities is challenging for all market participants:

- **Possibility to hedge in the market reduces** leaving businesses and consumers increasingly exposed to volatility and high prices.
- Energy industry's **visibility, predictability and even ability to invest decrease by oversized collaterals** despite highly profitable operations.

The markets need to function also under exceptional circumstances – call for our governments:

- **Secure that working capital financing is available for market participants to cover high margining and collateral needs**
- **Change the EU EMIR-regulation that determines margining requirements**

Priorities ahead for the Group

Stop the leakage	Get traction	Recalibrate
Secure further financial flexibility to weather the commodity price storm (fortum)	Finalisation of controlled exit from Russian market Safe and efficient Nordic operations to maintain competitiveness	Strategy review in light of the changed operating environment
Finalisation of stabilisation agreement with German government and Uniper • EU Commission approval • EGM of Uniper (expected for Q4) (uniper)	Uniper's turnaround • Long-term stable solution to reform the wholesale gas contract architecture • Alignment on governance and priorities	Give clear direction to Uniper on the joint journey for the short- and midterm

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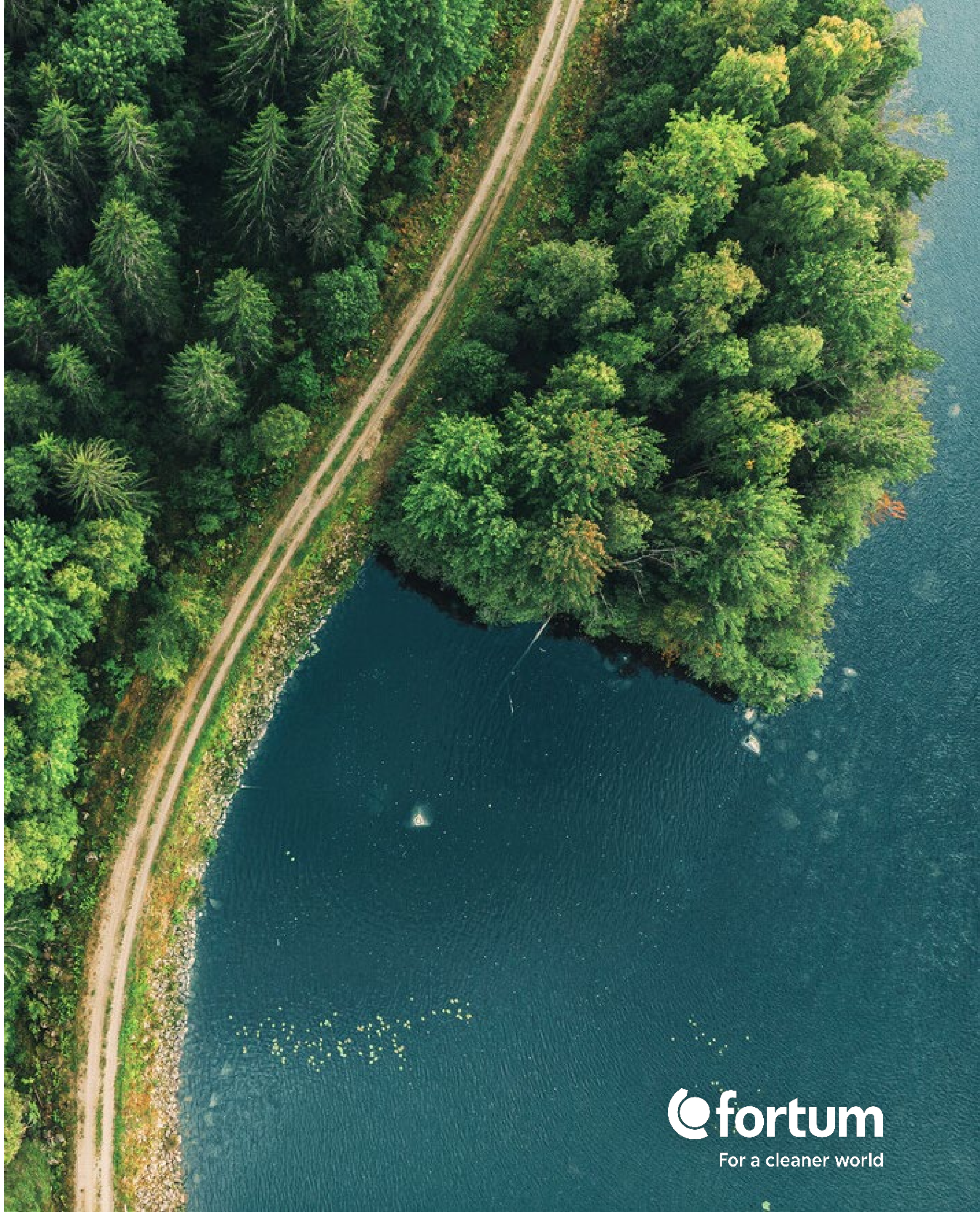
Bernhard Günther
CFO



Key financials

MEUR	II/2022	II/2021	I-II/2022	I-II/2021	2021	LTM
Sales	38,237	17,128	81,860	38,621	112,400	155,639
Comparable EBITDA	920	348	816	1,827	3,817	2,807
Comparable operating profit	574	35	136	1,206	2,536	1,466
Comparable share of profits of associates and joint ventures	25	52	51	119	154	86
Comparable profit before income taxes	1,254	97	976	1,354	2,651	2,274
Comparable net profit*	885	79	786	915	1,778	1,649
Comparable EPS	0.99	0.09	0.88	1.03	2.00	1.85
Net cash from operating activities	275	289	-1,254	1,120	4,970	2,596
Financial net debt / Comp. EBITDA					0.2	0.8

* 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

H1 comparable OP affected by EUR 403m of Russian gas curtailment losses in Uniper

- In coming quarters, gas curtailment losses will burden Uniper's segment result and consequently Fortum's Comparable Operating Profit

Comp. EPS at EUR 0.88 despite negative Q1 result

Solid credit metrics with Financial net debt / Comp. EBITDA at 0.8x

Net cash from operating activities negative due to reversion of Q4 2021 liquidity measures

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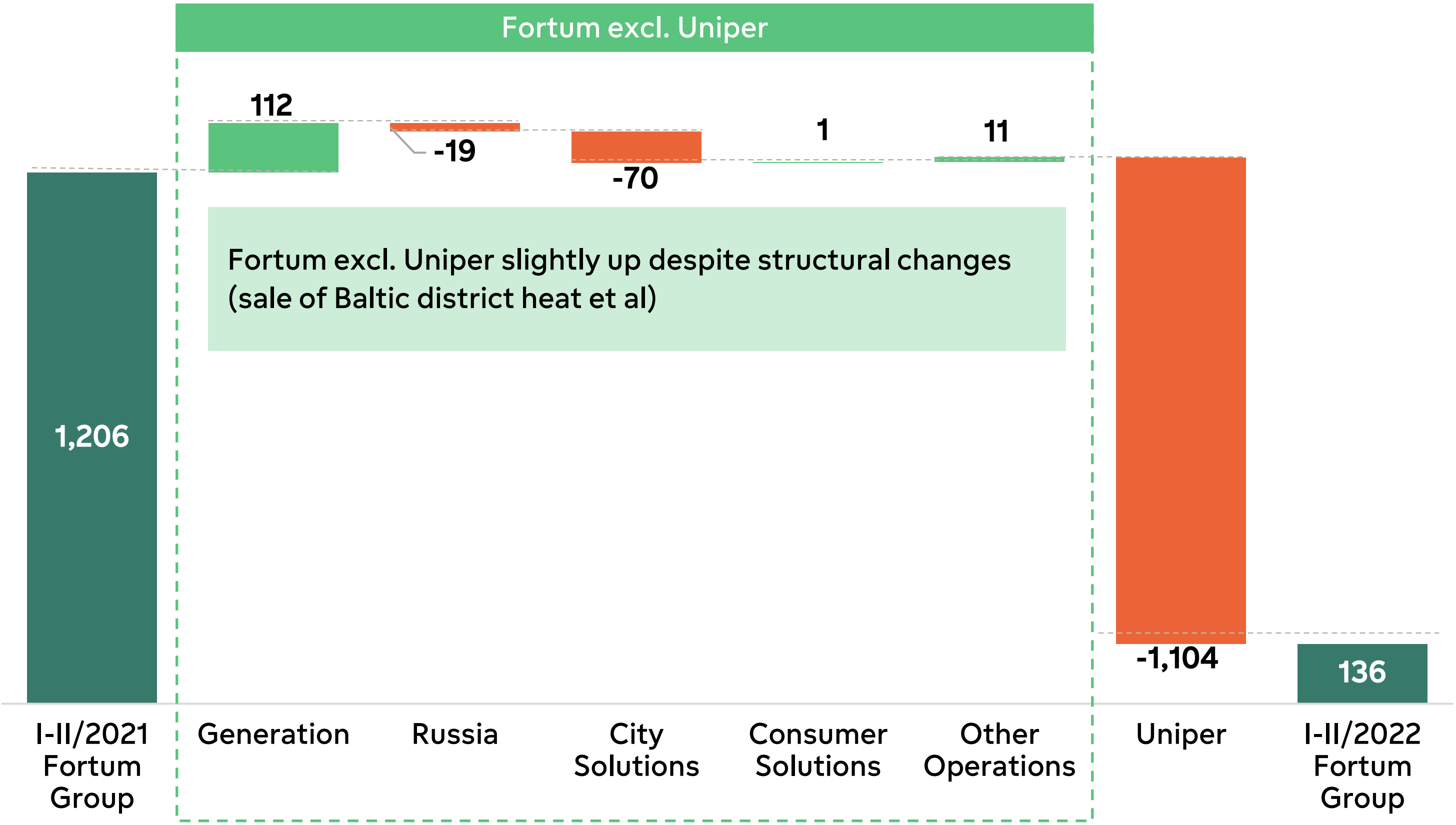
H1 consolidated figures dominated by Uniper's gas business

Reconciliation of comparable operating profit

(EUR million)



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

Russia
One-off effect in 2021 and declining CSAs (Nyagan 1)

City Solutions
Structural changes due to divestments and higher fossil fuel and CO_2 prices

Consumer Solutions
Higher margins offset by higher costs

Uniper
Gas business impacted by Russian gas curtailment and higher fuel costs in generation

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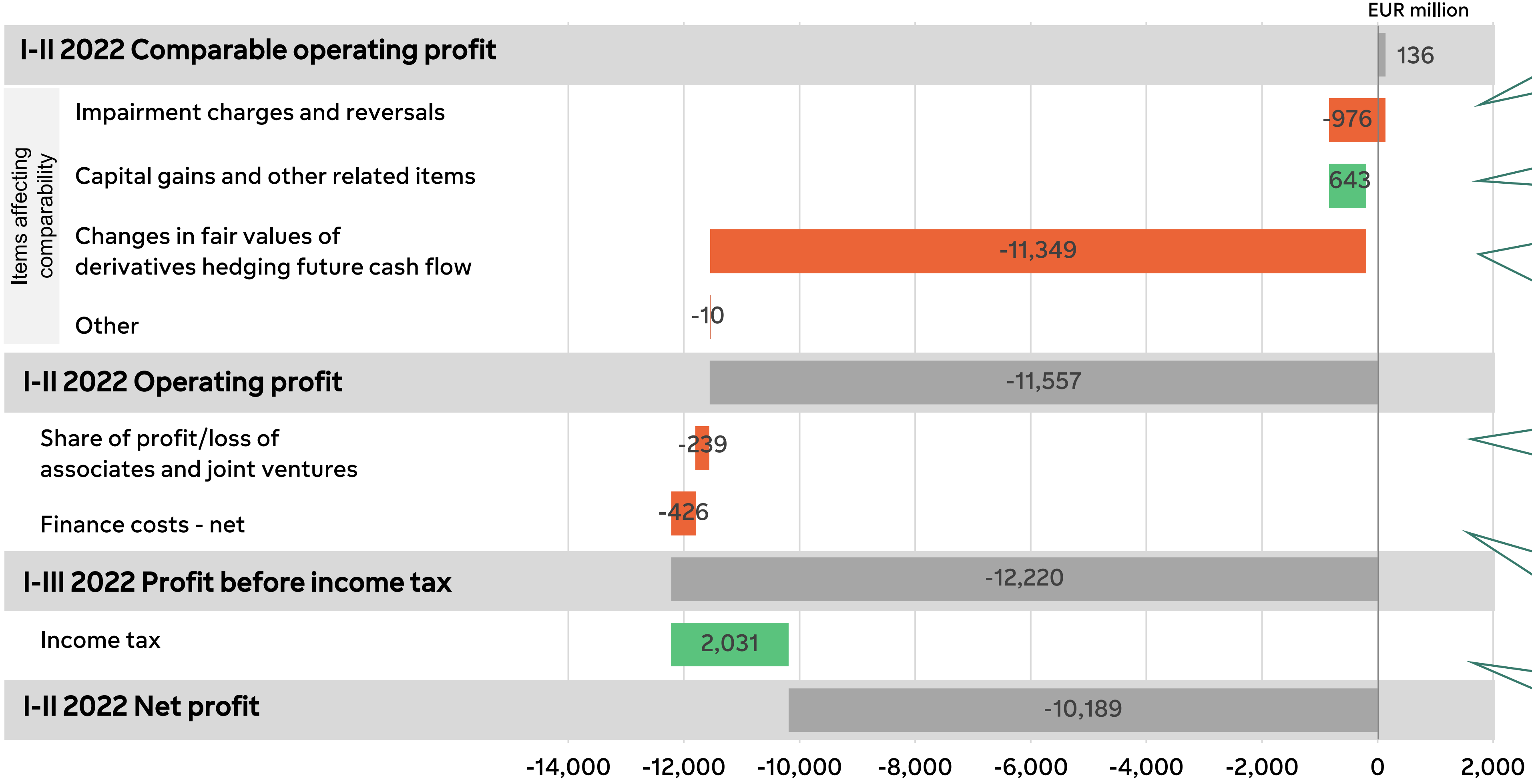
Reported income statement dominated by changes in fair values with gas curtailment losses of EUR 6.5bn



Russia related impairment charges

Divestment of Fortum Oslo Varme AS

Includes EUR 6.5bn of anticipated gas curtailment losses and EUR 4.8bn fair values of derivatives

Includes EUR 175m impairments related to ownership in TGC-1

Incl. EUR 1bn impairment of Nord Stream 2 receivable

Tax impact mainly from fair value losses

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Balance sheet driven by increased commodity prices

MEUR	30-Jun-22	31-Dec-21	MEUR	30-Jun-22	31-Dec-21
Property, plant and equipment and right-of-use assets	18,336	19,049	**Total equity**	1,311	13,665
Derivative financial instruments	167,800	82,488	Derivative financial instruments	182,065	88,604
Intangible assets	1,897	2,167	Interest-bearing liabilities	14,277	17,220
Participations in associates and JVs	2,316	2,461	Nuclear provisions	3,726	3,891
Shares in Nuclear Waste Funds	3,213	3,515	Other provisions	11,877	6,406
Interest-bearing receivables	2,015	3,107	Pension obligations, net	484	1,190
Inventories	3,983	2,275	Other	1,402	1,224
Margin receivables	10,719	9,163	Margin liabilities	3,587	985
Other assets including trade receivables	17,132	17,736	Trade and other payables	12,939	16,477
Liquid funds	4,165	7,592			
Assets held for sale	92	108	Liabilities related to assets held for sale	-	-
Total assets	**231,669**	**149,661**	**Total equity + liabilities**	**231,669**	**149,661**

Equity down by EUR 12 bn due to Uniper reported losses and paid Fortum dividend

Financial derivatives substantially up following the strong increase in commodity prices

Other provision increase in context of the anticipated gas curtailment losses

Net of margin receivables and liabilities slightly down despite higher prices due to mitigation measures

Liquid funds decreased by EUR 3.4 bn following the repayment of debt and dividend payment

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Operating cash flow turned negative in H1

MEUR	II/2022	II/2021	I-II/2022	I-II/2021	2021	LTM
Comparable EBITDA	920	348	816	1,827	3,817	2,807
Non-cash and other items	-1,600	-97	-1,214	181	1,506	112
Paid net financial costs, income taxes and dividends received	-254	-174	-491	-310	-497	-679
Change in working capital	1,209	212	-365	-578	144	356
Net cash from operating activities	**275**	**289**	**-1,254**	**1,120**	**4,970**	**2,596**
Capital expenditures	-185	-277	-387	-570	-1,178	-994
Acquisitions of shares	-16	-182	-28	-205	-294	-117
Proceeds from sales of property, plant and equipment	14	2	89	15	20	93
Divestments of shares and capital returns	1,011	22	1,017	151	3,863	4,729
Shareholder loans to associated companies and JVs	-24	-2	2	-21	-8	14
Change in margin receivables	-3,266	-1,301	-1,543	-1,285	-7,964	-8,222
Change in other interest-bearing receivables	-243	-45	-199	-64	-166	-301
Net cash from/used in investing activities	**-2,709**	**-1,785**	**-1,050**	**-1,979**	**-5,727**	**-4,798**
Proceeds from long-term liabilities	0	3	0	65	3,439	3,374
Payments of long-term liabilities	-2,235	-585	-2,536	-627	-2,315	-4,224
Change in short-term liabilities	1,693	499	-95	794	5,364	4,476
Dividends paid to the owners of the parent	-1,013	-995	-1,013	-995	-995	-1,013
Dividends paid to non-controlling interests	-24	-144	-24	-144	-171	-51
Change in margin liabilities	1,707	841	2,583	1,180	649	2,051
Other financing items	-110	-2	-185	-1	43	-141
Net cash from/used in financing activities	**18**	**-384**	**-1,270**	**271**	**6,013**	**4,472**
Net increase in liquid funds	**-2,417**	**-1,880**	**-3,574**	**-588**	**5,256**	**2,270**

Non-cash and other items impacted by CO_2 emission allowances

Sales proceeds from divestment of Fortum Oslo Varme AS closed in May 2022

Margin receivables increased due to higher prices

Financing: repayments of commercial papers

Margin liabilities increased due to higher prices

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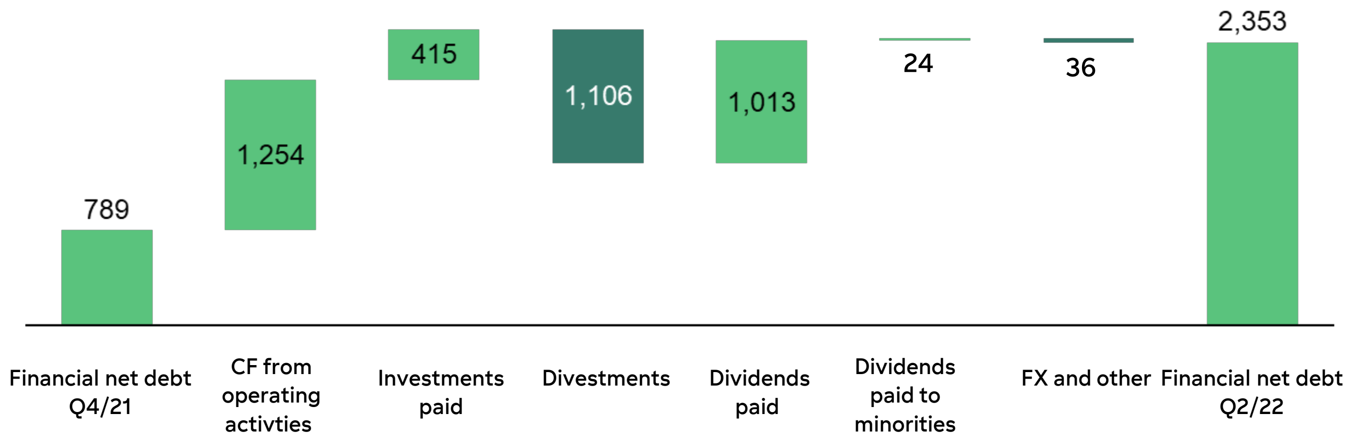
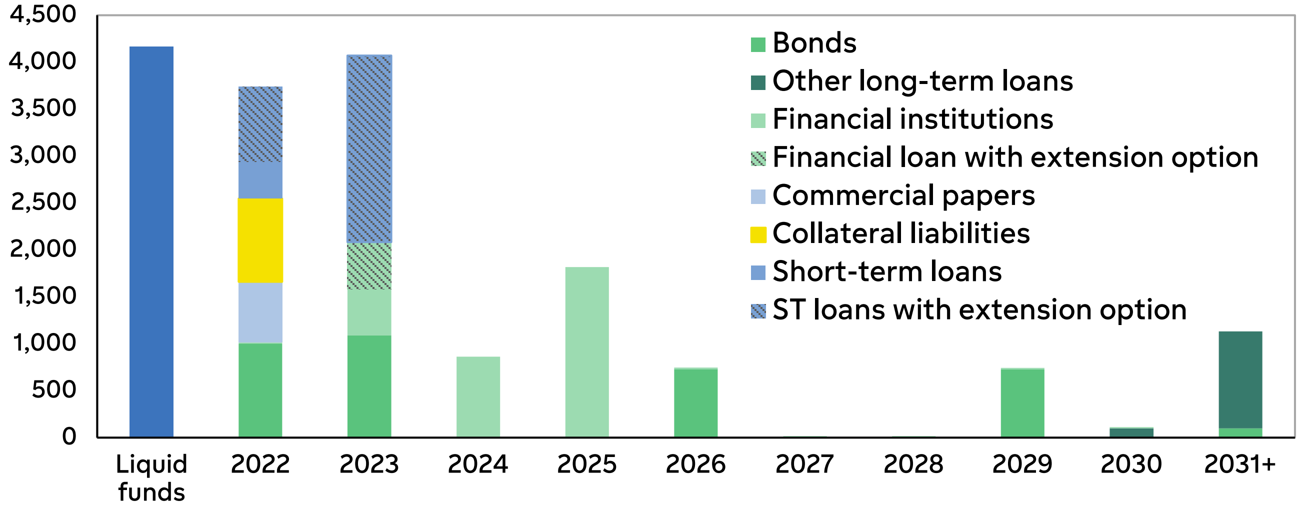
Leverage below target, gross debt down (status on 30th of June 2022)

Financial net debt



Contractual maturities



Solid credit metrics

S&P Global Ratings: 'BBB' long-term issuer credit rating, Negative outlook

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

Target ratio:
Financial net debt / Comp. EBITDA < 2x

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

Total loans EUR 13.3 billion (excl. lease)

- Average interest for Fortum Group loan portfolio including derivatives hedging financial net at 1.3% (2021: 1.3%).
- Average interest for EUR loans 1.0% (2021: 0.6%)

Liquid funds of EUR 4.2 billion

Undrawn credit facilities of EUR 5.5 billion

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Outlook

Hedging

Generation Nordic hedges:
For rest of 2022: 80% hedged at EUR 38 per MWh
For 2023: 60% hedged at EUR 37 per MWh
(Q1: 55% at EUR 33)

Uniper Nordic hedges:
For rest of 2022: 70% hedged at EUR 26 per MWh
For 2023: 55% hedged at EUR 30 per MWh
(Q1: 50% at EUR 31)
For 2024: 25% hedged at EUR 30 per MWh
(Q1: 25% at EUR 30)

On 17 August 2022, **Uniper** announced that the company expects to record negative earnings for 2022 and in its IFRS net result (EUR -12.3 billion) the company recorded **losses** approximately **EUR 6.5 billion** related to **anticipation to future impact** from gas curtailments **based on situation at the end of June 2022.** These losses will be presented in **Comparable Operating Profit** once they have materialised.

The **capex guidance** for 2022 **was cancelled** (Previously: estimated annual capital expenditure, including maintenance and excluding acquisitions, of appr. EUR 1,500 million of which maintenance capital expenditure is EUR 800 million)

Tax guidance for 2022:
The comparable effective income tax rate for Fortum is estimated to be in the range of 22-25%.

The reported hedge ratios may vary significantly, depending on Fortum's and Uniper's actions on the electricity derivatives markets

Q&A

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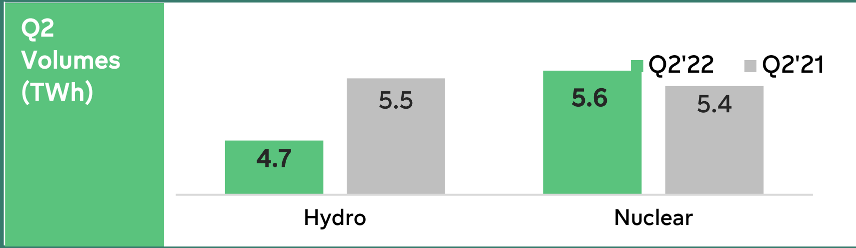
Generation:
Higher achieved power prices

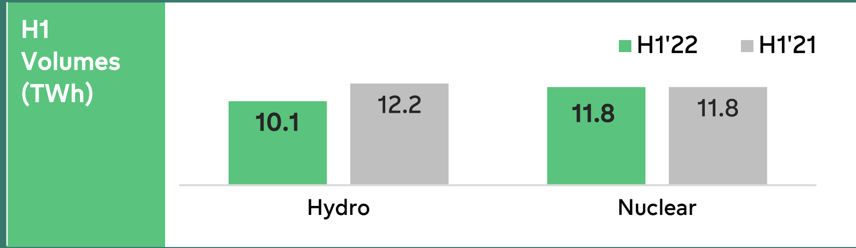
Q2 2022 vs. Q2 2021

- Comparable operating profit increased by 51% mainly due to
  - Higher achieved power prices of EUR 52.3 (+EUR 14.2 per MWh)
  - Lower hydropower volumes due to lower inflow and lower reservoir levels at the beginning of the quarter, Nuclear volumes increased slightly due to shorter planned outages compared to the second quarter of 2021
  - The achieved power price was also negatively impacted by significant price difference in Sweden between high system price and lower SE2-area spot price (Sundsvall). Due to low liquidity in SE2-area price products, the hedge ratio in SE2-area was lower than the system price hedge ratios consequently, negatively affected the achieved power price.

H1 2022 vs. H1 2022

- Comparable operating profit increased by 24% mainly due to
  - Achieved power price increased by EUR 10.3 per MWh, up by 27% following very successful physical optimisation and higher spot prices but also impacted by liquidity in SE2-area price products
  - The Generation segment's total power generation in the Nordic countries decreased due to lower hydropower volumes.





MEUR	II/ 2022	II/ 2021	I-II/ 2022	I-II/ 2021	FY 2021	LTM
Sales	722	575	1,432	1,251	2,899	3,080
Comp. EBITDA	340	243	670	558	1,299	1,411
Comp. OP	294	195	576	464	1,110	1,221
Comp. net assets			6,110	6,207	6,336	
Comp. RONA %					18.0	19.9
Gross in-vestment	42	35	75	62	175	188

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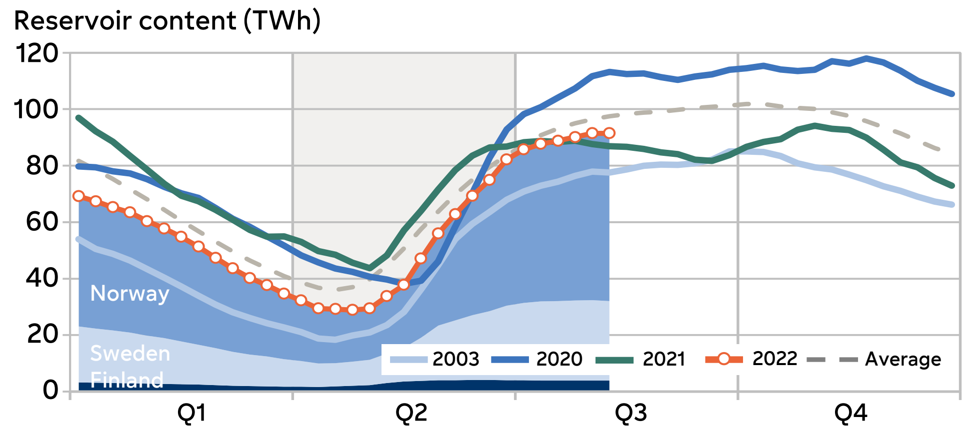
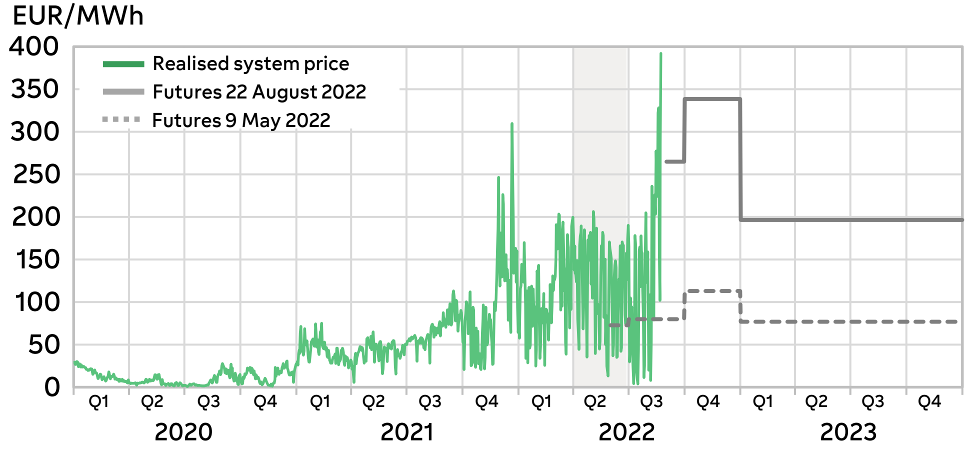
Nord Pool system price driven to new price record

Water reservoirs



Power price



Source: Nord Pool, Nasdaq Commodities

- Compared to long-term average, Nordic water reservoirs were filling up from -6 TWh to -2 TWh during Q2.
- Spring inflow realised above normal while hydro generation was at normal level in the second quarter of 2022.
- There is currently a clear division with reservoirs being below normal in southern price areas and above normal in northern areas.

- Nord Pool system spot price made fourth consecutive quarterly record, reaching EUR 121 (42) per MWh in Q2 2022. Next year forward price climbed around 200 €/MWh.
- Nordic SYS spot price was driven by high fuel and continental power prices together with low precipitation in Southern Norway and discontinuation of Russian electricity exports to Finland.
- Similarly, the Nordic forward curve is supported by prices in the Continental Europe, recent additions to interconnector capacity and stop in Russian power imports.
- Prices in Continental Europe, in turn, are impacted by high fuel prices and low availability in French nuclear fleet.

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Russia:
Solid underlying performance

Q2 2022 vs. Q2 2021

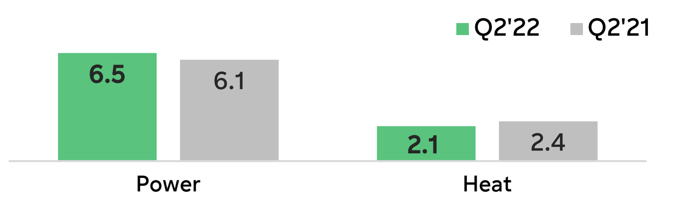
- Comparable operating profit increased by 54%, or by EUR 20 million. The positive effects from the EUR 12 million change in the Russian rouble exchange rate, improved bad debt collection, lower depreciation following impairments recognised in the first quarter as well as higher power prices were partly offset by the expiry of the CSA period for the Nyagan 1 production unit.
- Power generation volumes increased by 7% mainly due to maintenance work in the second quarter of 2021 partly offset by the divestment of the Argayash coal-fired plant (CHP).

H1 2022 vs. H1 2021

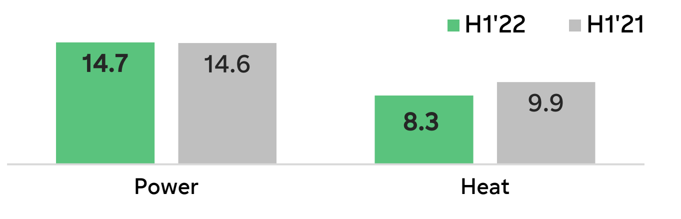
- Comparable operating profit decreased by 14% due to negative effect from the CSA expiry for Nyagan 1, partly offset by higher power prices and lower depreciation following impairments recognised in the first quarter.
- The comparison period includes a EUR 17 million positive effect of the sale of a solar power project to Fortum-RDIF joint venture.

CSA = Capacity Supply Agreement

Q2 Volumes (TWh)



H1 Volumes (TWh)



MEUR	II/ 2022	II/ 2021	I-II/ 2022	I-II/ 2021	FY 2021	LTM
Sales	218	182	441	446	906	901
Comp. EBITDA	91	70	183	205	404	382
Comp. OP	57	37	118	137	261	242
Comp. net assets			3,352	2,572	2,508	
Comp. RONA %					12.9	10.3
Gross in-vestment	2	30	13	37	83	59

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City Solutions: Structural changes and lower volumes

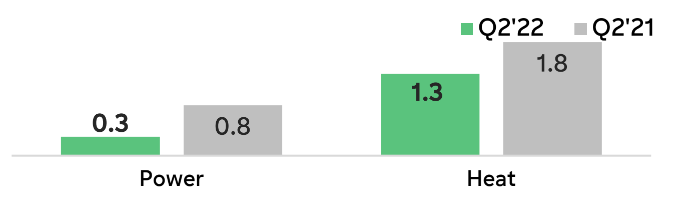
Q2 2022 vs. Q2 2021

- Comparable operating profit decreased by EUR 32 million, due to
  - clearly higher fossil fuel and CO_2 emission allowance prices as well as a change in fuel mix, partly offset by higher power prices and the divestment of the ownership in Fortum Oslo Varme.
  - structural changes from the divestments of the Baltic district heating business and the 500-MW solar plants in Rajasthan and Karnataka in India – also impacting generation volumes.

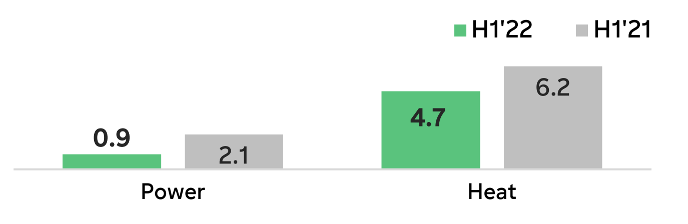
H1 2022 vs. H1 2021

- Comparable operating profit decreased by EUR 70 million, mainly
  - as a result of clearly higher fossil fuel and CO_2 emission allowance prices as well as lower heat volumes due to warmer weather, partially offset by higher power prices and the divestment of the ownership in Fortum Oslo Varme.
  - Structural changes from the divestments of the Baltic district heating business and 250-MW Pavagada II and the 250-MW Rajasthan solar plants in – also impacting generation volumes.

Q2 Volumes (TWh)



H1 Volumes (TWh)



MEUR	II/ 2022	II/ 2021	I-II/ 2022	I-II/ 2021	FY 2021	LTM
Sales	229	256	619	674	1,302	1,247
Comp. EBITDA	0	43	90	175	317	231
Comp. OP	-36	-4	12	82	135	65
Comp. net assets			1,614	2,572	2,456	
Comp. RONA %					6.1	3.4
Gross in- vestment	38	39	63	86	162	139

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Consumer Solutions: Challenging market environment

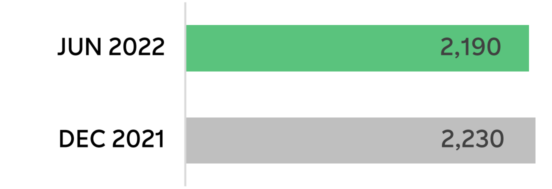
Q2 2022 vs. Q2 2021

- Comparable operating profit increased by 11%, mainly due to improved electricity and gas sales margins.
- In the Nordics, the electricity sales volumes increased by 2%, mainly due to slightly colder weather conditions. In Poland, gas sales volumes decreased by 17%, due to warmer weather and customer contracts ended compared to the second quarter of 2021. Sales increased by 102%, driven by significantly higher electricity and gas prices in the Nordics and Poland.

H1 2022 vs. H1 2021

- Comparable operating profit slightly up on the quarter due to higher electricity and gas sales margins, offset by higher costs.
- Higher temperatures in the Nordics compared to clearly colder weather in the first quarter of 2021 and slightly lower customer base had a negative impact on electricity and gas sales volumes
- Total sales revenue increased significantly driven by significantly higher electricity and gas prices in all markets.

Number of customers ('000)



MEUR	II/ 2022	II/ 2021	I-II/ 2022	I-II/ 2021	FY 2021	LTM
Sales	856	424	2,024	1,085	2,622	3,561
Comp. EBITDA	40	36	94	89	123	128
Comp. OP	21	19	56	55	52	53
Comp. net assets			809	618	1,125	
Gross in-vestment	17	25	32	36	68	64

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Uniper:
Suffering from gas curtailment losses

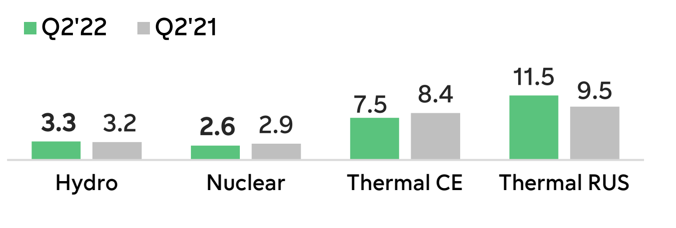
Q2 2022 vs. Q2 2021

- Comparable operating profit increased to EUR 263 (-177) million. The result improvement was mainly driven by higher results due to the shift of up to EUR 750 million of earnings from the first quarter into the second quarter result in context of storage optimisation.
- This result shift was partly offset by EUR 403 million of losses from the Russian gas curtailment and by an intra-year CO_2 emission right phasing effect that shifted margins from the second quarter to the fourth quarter of 2022 and significantly lower result in the international business.

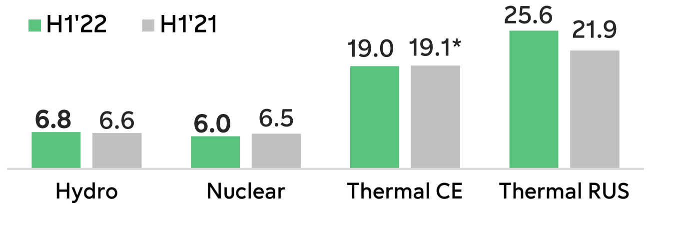
H1 2022 vs. H1 2021

- The main driver for the significantly lower result was the substantial curtailment of Russian gas volumes since mid-June, an intra-year CO_2 emission right phasing effect that shifted margins from the first half of 2022 to the fourth quarter of 2022 and that exceptionally strong earnings in the international trading portfolio from last year did not repeat.

Q2 Volumes (TWh)



H1 Volumes (TWh)



MEUR	II/ 2022	II/ 2021	I-II/ 2022	I-II/ 2021	FY 2021	LTM
Sales	36,487	15,893	77,971	35,663	105,992	148,301
Comp. EBITDA	468	-17	-177	851	1,789	761
Comp. OP	263	-177	-570	534	1,120	16
Comp. net assets			1,173	8,233	4,971	
Gross in-vestment	150	184	232	320	683	595