

Equity story of

FORTUM – For a cleaner world

Investor / Analyst material

July 2021

fortum
For a cleaner world

Disclaimer

This presentation does not constitute an invitation to underwrite,
subscribe for, or otherwise acquire or dispose of any Fortum shares.

Past performance is no guide to future performance,
and persons needing advice should consult an independent financial adviser.

Any references to the future represent the management's current best understanding.
However the final outcome may differ from them.

Content

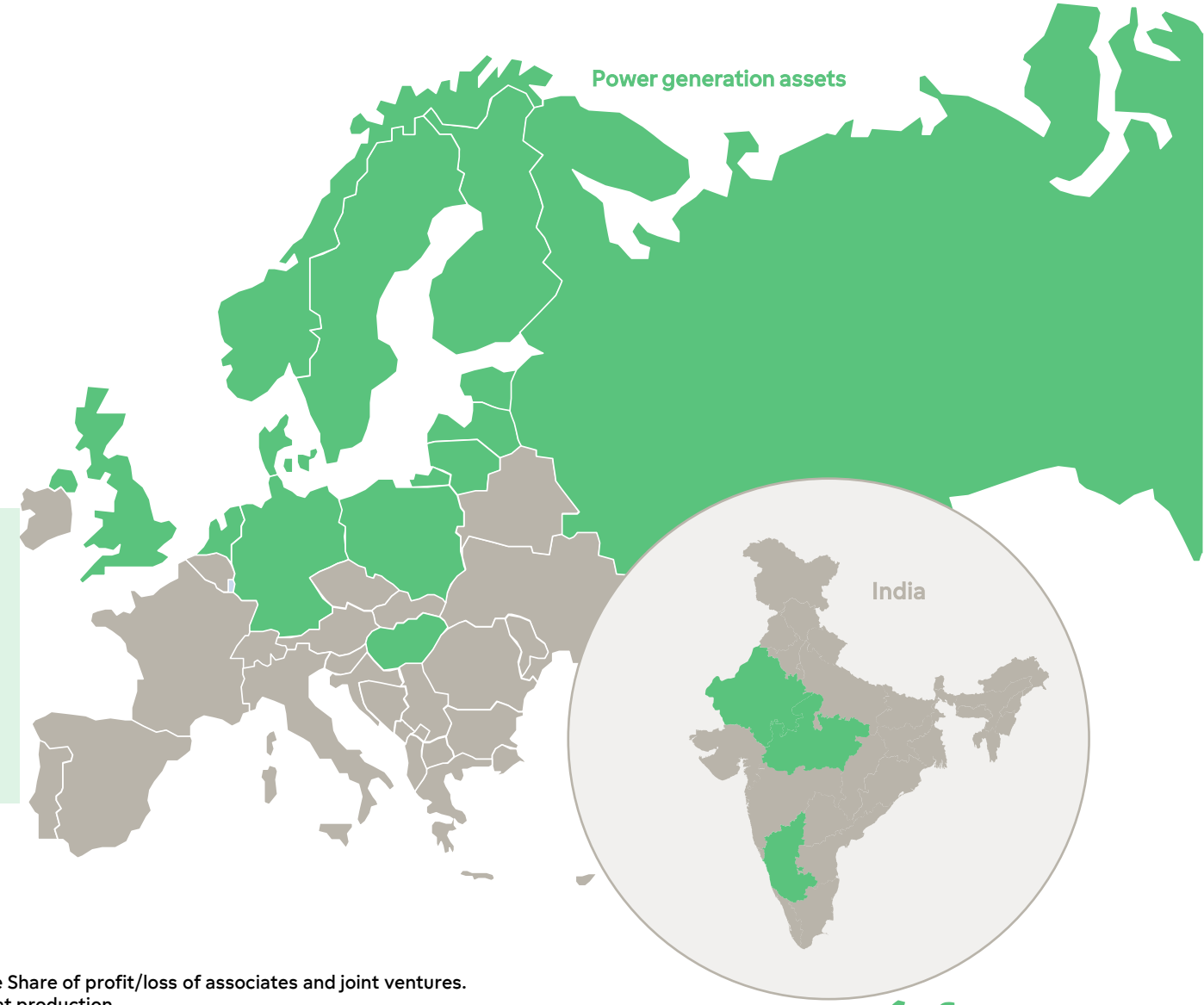
Fortum in brief	4 – 12
Fortum’s strategy	13 – 22
Energy market transition	23 – 27
Interim report Q1 2021	28 – 45
Appendices	46
European and Nordic power markets	47 – 56
Fortum’s Nordic power generation in detail	57
Fortum’s evolution and strategic route	58
Historical achieved prices	59
Dividend	60
IR contact	61



Fortum in brief

Key figures 2020[1]	
Sales	EUR 49.0 bn
Comparable EBITDA	EUR 2.4 bn
Total assets	EUR 57.8 bn
Personnel	19,933

Main businesses[1]	Sales (€)	Volume[2]	Capacity
Power	20.8 bn	142 TWh	50.3 GW
Gas	22.4 bn	~370 TWh	7.6 bcm[3]
Heat	0.8 bn	30 TWh	19.5 GW



1) Until 31 of March 2020 Uniper's contribution to the income statement was recognised in the Share of profit/loss of associates and joint ventures.
2) For Power - Power generation, for Gas - Long-term gas supply contracts and for Heat – Heat production
3) Gas storage capacity, billion cubic meters

fortum
For a cleaner world

Strong position to drive the energy transition in Europe

3rd largest
power generator
in Europe and Russia

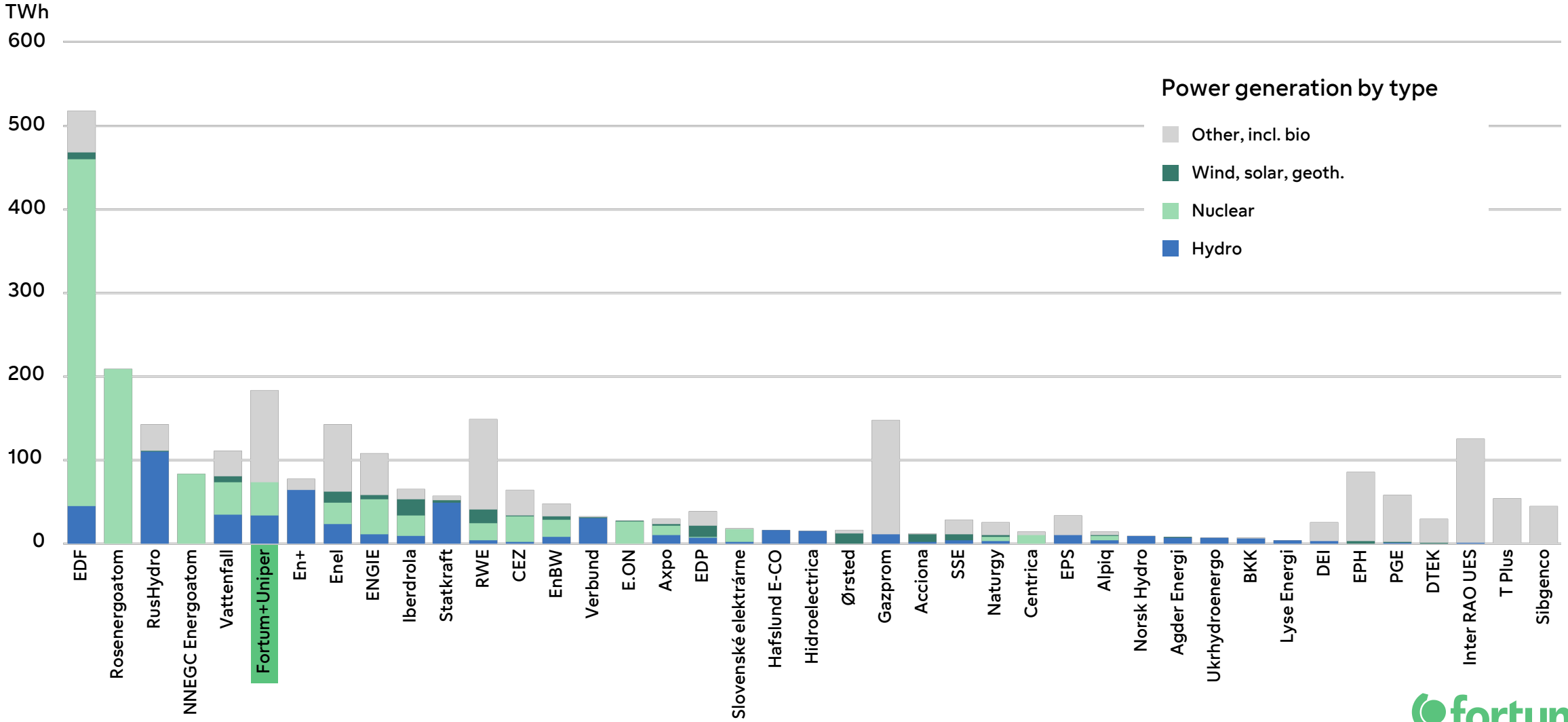
3rd largest
CO_2-free power generator
in Europe

3rd largest
nuclear generator
in Europe

4th largest
gas storage operator
in Europe

fortum
For a cleaner world

Consolidated Fortum is the third largest CO_2-free power generator in Europe

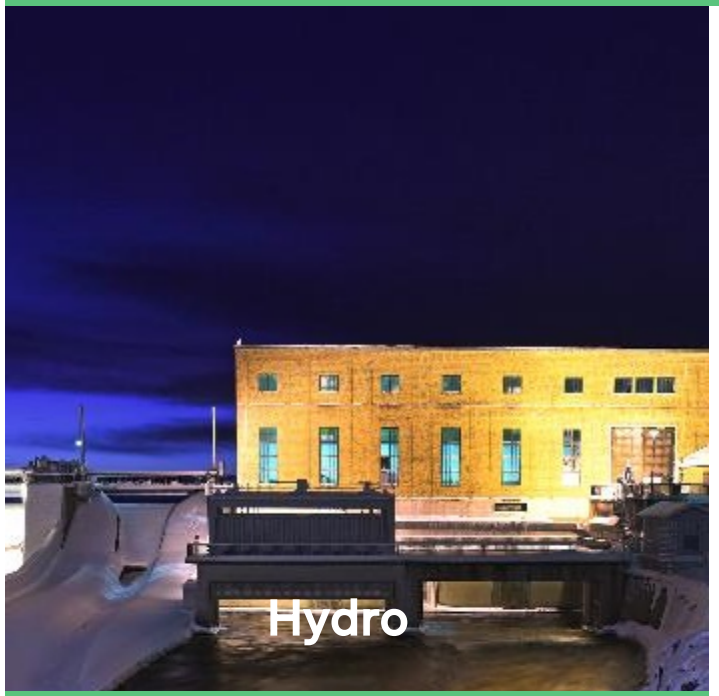


Source: Company information, Fortum analyses, 2019 figures pro forma.
EPH incl. LEAG

fortum
For a cleaner world

Renewables and CO_2-free power generation capacity of Fortum

14.6 GW



8.4 GW



1.7 GW

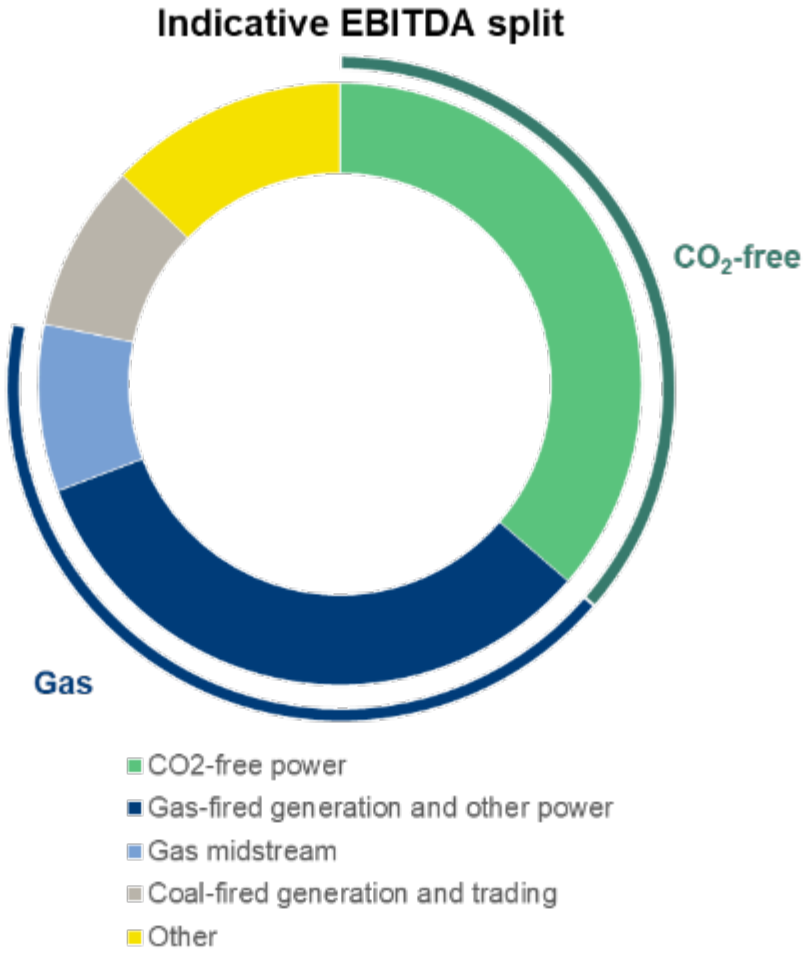


4.5 GW

fortum
For a cleaner world

Fortum is well positioned for the energy transition

- Third largest CO_2-free power generator in Europe with growing portfolio of wind and solar
- Significant provider of flexible hydro and gas-fired power generation
- Major provider and trader of gas for Europe's energy and industrial customers
- Versatile portfolio of decarbonisation and environmental solutions
- Phase out or exit announced of ~8 GW coal-fired generation by 2030

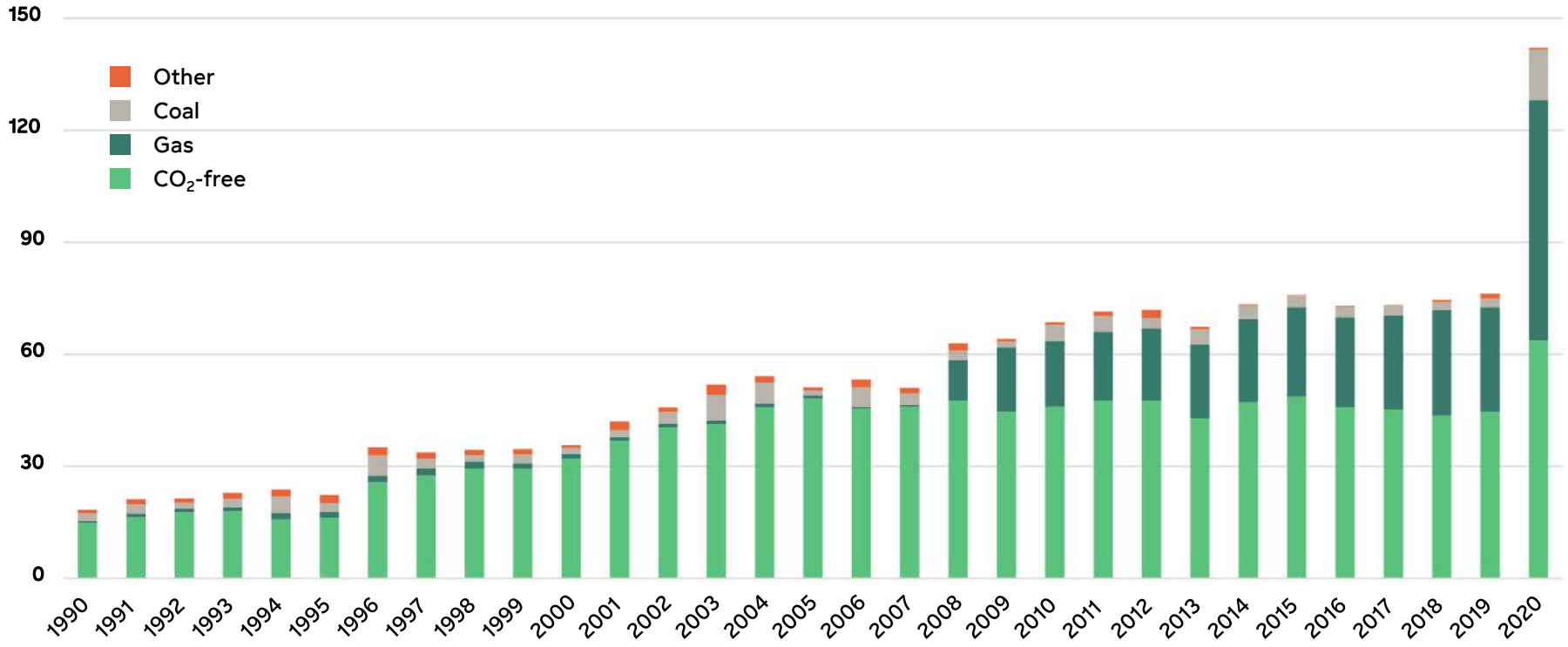


Source: Fortum and Uniper financial reporting

fortum
For a cleaner world

Fortum's CO_2-free power generation increases by ~60% as Uniper is consolidated as a subsidiary

Fortum's power generation, TWh



Fortum*:

- CO_2-free generation 45%
- Gas-fired power generation 45%
- Share of coal-fired generation 9%
- Share of coal of sales revenue ~1%

* based on 2020 reported figures

Note: Fortum actuals 1990-2020. Uniper consolidated from Q2/2020 onwards, Q1/2020 generation of Uniper excluded.

fortum
For a cleaner world

Fortum is a forerunner in sustainability

Our purpose is to drive the change for a cleaner world. We are securing a fast and reliable transition to a carbon-neutral economy by providing customers and societies with clean energy and sustainable solutions. This way we deliver excellent shareholder value.

3rd largest CO_2-free generator in Europe

CO_2-free power generation, including renewable and nuclear power, was 64 TWh in 2020. 73% of power generation in Europe, and 45% of total power generation was CO_2-free.

Specific CO_2 emissions

Fortum's specific CO_2 emissions from total energy production in Europe were 188 gCO_2/kWh in 2020, and 287 gCO_2/kWh globally.

Growing in solar and wind

Targeting a multi-gigawatt wind and solar portfolio, which is subject to the capital recycling business model. Targeting an indicative growth capex for EUR 3 billion for 2021-2025, of which 50-55% to renewables.

Signatory of TCFD

Fortum an official signatory of TCFD on March 2021

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Fortum is listed in several sustainability indices and ratings:

CDP DISCLOSURE INSIGHT ACTION

EURONEXT vigeo eiris INDICES EUROPE 120

MSCI ESG RATINGS BBB (CCC B BB BBB A AA AAA)

EURONEXT vigeo eiris INDICES EUROZONE 120

Corporate ESG Performance Prime RATED BY ISS ESG

ECPI Sense in sustainability

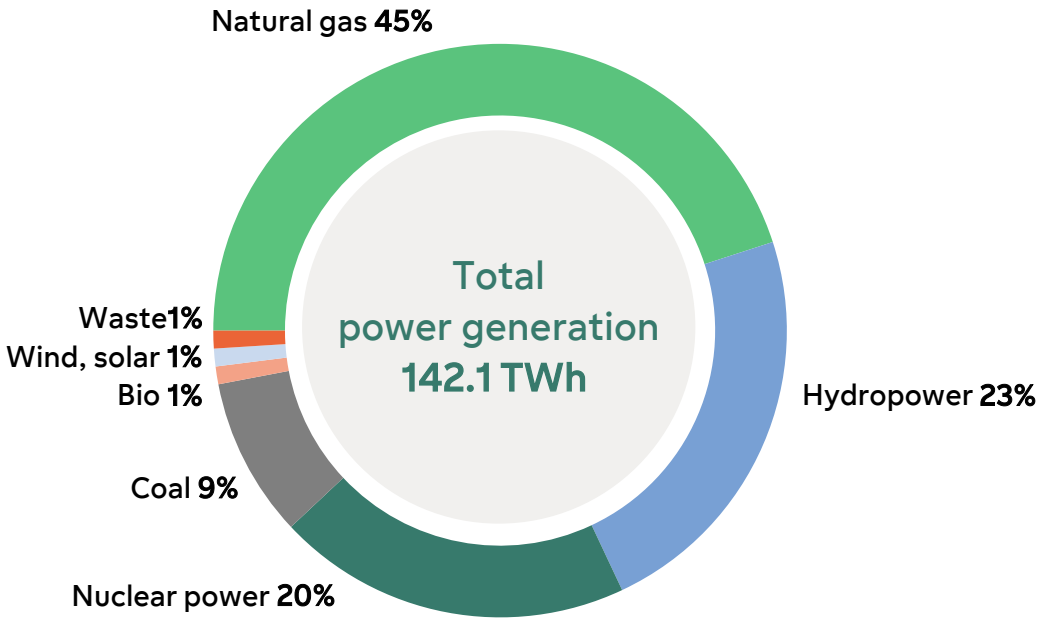
STOXX Member 2020/2021 ESG Leaders Indices

MSCI ESG RATINGS DISCLAIMER STATEMENT: THE USE BY FORTUM CORPORATION OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF FORTUM CORPORATION BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

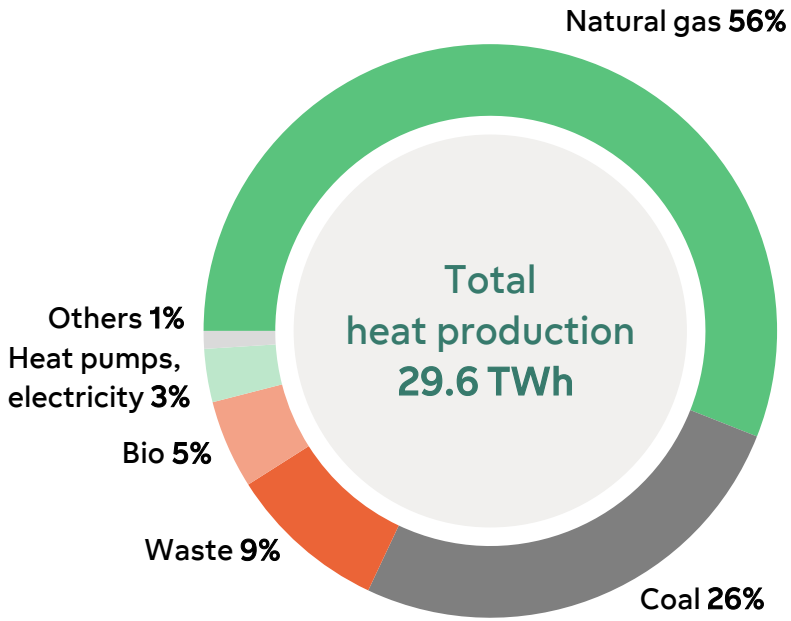
fortum For a cleaner world

Fortum's power generation and heat production by source

Fortum's power generation in 2020 *



Fortum's heat production in 2020 *



* Uniper consolidated as of Q2/2020

fortum
For a cleaner world

Fortum key profitability drivers

Key market drivers:

Power market

- EU coal/nuclear capacity closures
- Growing share of renewables
- Importance of gas-fired generation
- Commodity prices
- Increasing interconnections between Nordics, Continental Europe, and the UK
- Weather conditions
- Increased demand from decarbonisation and electrification

Gas market

- Decreasing gas production in Europe
- More volatile gas demand
- Gas storage value
- Weather conditions

Fortum profitability drivers:

European power generation

- CO2-free generation: prices and volumes, hedging, PPAs
- Gas-fired generation: capturing the merchant upside
- Coal exit path, value from sites

Gas midstream business

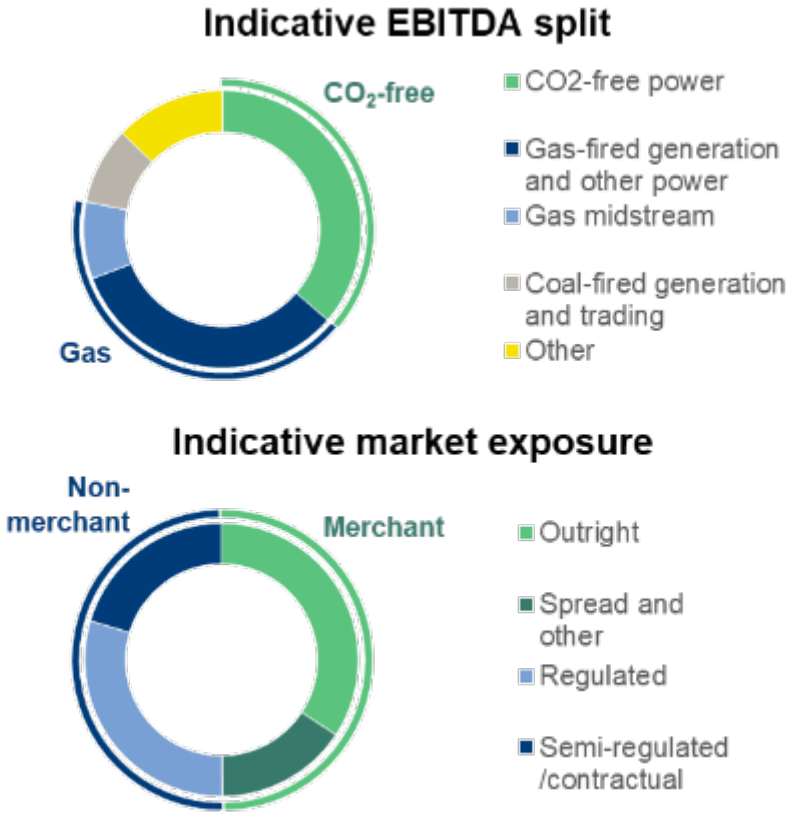
- Long-term contracts and sales
- Gas storage, spread, and volatility
- Optimisation business, price volatility

Russia power generation

- Thermal CSAs gradually shifting to CCS scheme, selective modernisation projects
- Renewables capacity with higher CSAs
- Berezovskaya 3 (CSA)

Growth based on strategy

Fortum Group's indicative EBITDA by business and market exposure



Source: Fortum & Uniper financial reporting
PPA= Power Purchase Agreement
CSA= Capacity Supply Agreements
CCS= Competitive Capacity Selection (=KOM)

fortum
For a cleaner world

Our strategy – Driving the clean energy transition and delivering sustainable financial performance

For a cleaner world

Transform own operations to carbon neutral

- Phase out and exit coal
- Transform gas-fired generation towards clean gas

Strengthen and grow in CO_2-free power generation

- Supply significant flexible and reliable CO_2-free power generation
- Grow sizeable portfolio of renewables

Leverage strong position in gas to enable the energy transition

- Provide security of supply and flexibility in the power system
- Secure supply of gas for heat, power, and industrial processes

Partner with industrial and infrastructure customers

- Provide decarbonisation and environmental solutions
- Build on first-mover position in hydrogen

Value creation targets

Carbon neutral as a Group latest by 2050, in line with the Paris Agreement, and in our European generation latest by 2035

Sustainable financial performance through attractive value from investments, portfolio optimisation, and benchmark operations

Strong financial position and over time increasing dividend

fortum
For a cleaner world

Measuring success for Fortum



Climate and environmental targets:

- Group carbon neutral latest by 2050 (scope 1, 2, 3)
- European generation carbon neutral latest by 2035 (1, 2)
- CO_2 emission reduction of at least 50% by 2030 in European generation (1, 2)
- Scope 3 target for the indirect emissions from fuel sales business (Cat. 11) to be set during 2021
- Biodiversity target: Number of major voluntary measures enhancing biodiversity ≥12 in 2021



Financial targets:

- Financial net debt/comparable EBITDA below 2x
- Hurdle rates for new investments
- Rating of at least BBB
- Stable, sustainable, and over time increasing dividend



Social targets:

- Safety target: Total recordable incident frequency (TRIF) <1.0 in 2025



Shareholder value creation:

- Portfolio optimisation and delivering on investments
- Realising financial benefits from the cooperation with Uniper

Fortum – A leader in clean power and gas

Transform own operations to carbon neutral

Strengthen and grow in CO_2-free power generation

Leverage strong position in gas to enable the energy transition

Provide decarbonisation and environmental solutions for industrial and infrastructure customers

Core

Assets and businesses that have a role in energy transition and generate good cash-flow

- Hydro
- Nuclear
- Increasingly clean gas-fired generation
- Gas midstream

Grow

Businesses with potential to grow profitably in the energy transition

- Onshore wind
- Solar
- Hydrogen and clean gas
- Industrial and infrastructure solutions

Strategic transformation

Businesses and assets outside strategic scope

- Ambitious coal exit plan ✓
- District heating business in the Baltics ✓
- 50% stake in Stockholm Exergi ✓
- Consumer Solutions business
- District heating business in Poland

fortum
For a cleaner world

Strategic steps going forward

2014-2020
Major transformation

Active portfolio rotation with focus on assets essential in the energy transition and with good cash flow

Uniper acquisition

Focus on aligned strategy

Flat dividend

2021-2022
Balance sheet focus

Step up in Group EBITDA

Secure strong balance sheet

Rating of at least BBB

Details of strategy implementation and first investments

Target to increase dividend

2023-2025
Growth in clean power and gas

Growth in strategic areas

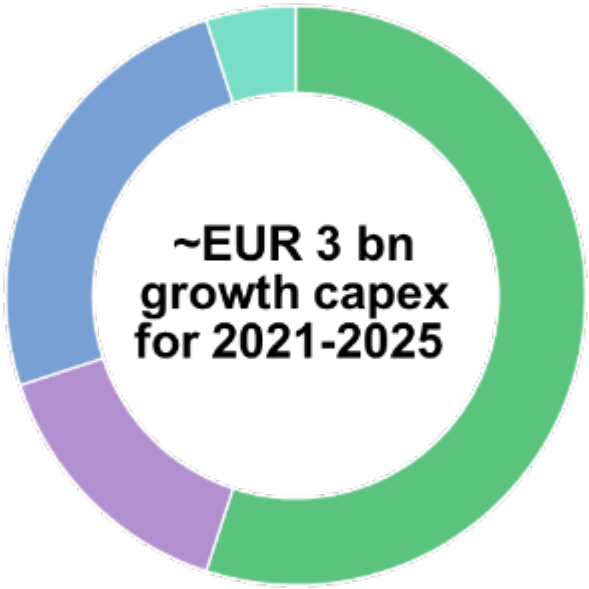
Sustainable financial performance with benchmark operations

Cooperation financial benefits

Target to increase dividend

fortum
For a cleaner world

Indicative capital expenditure for growth investments in 2021-2025 – renewables and clean gas

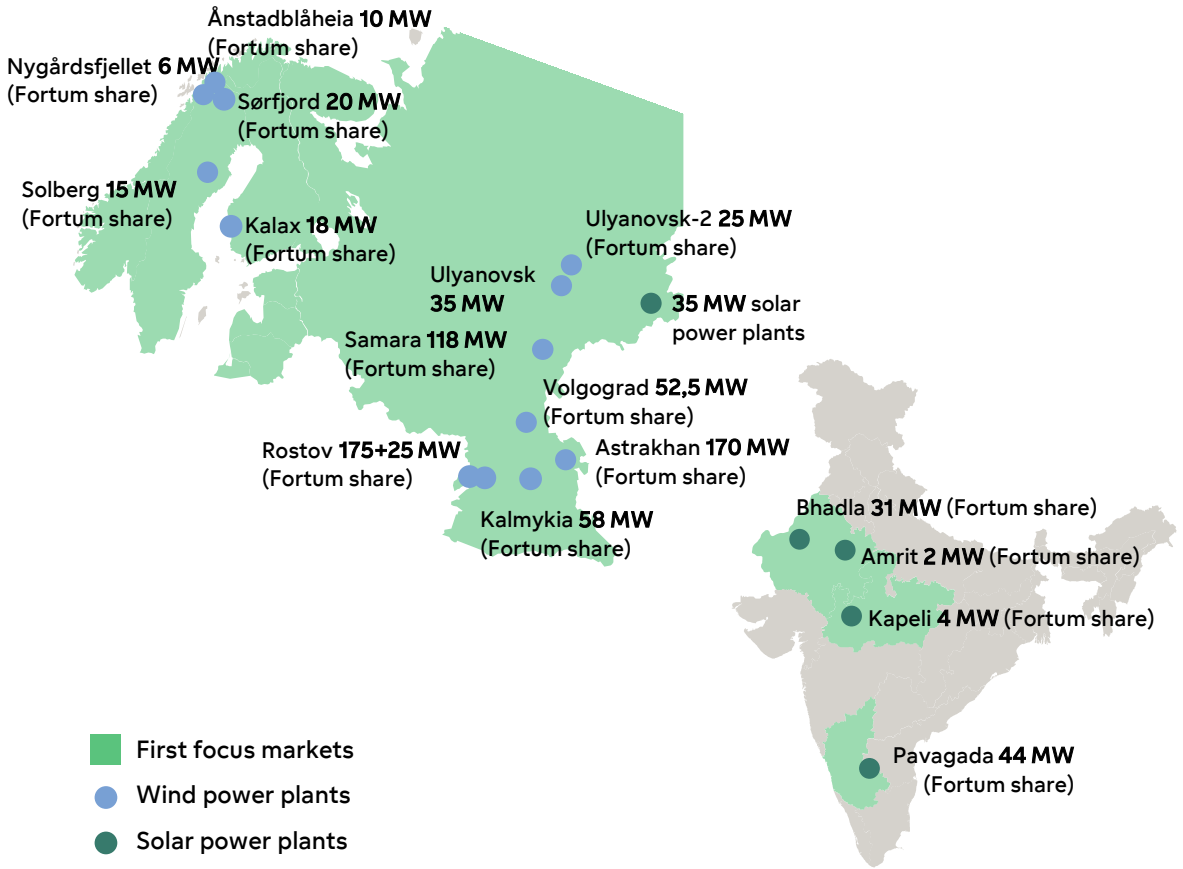


1. **Renewables**
   On-shore wind and solar
2. **Hydrogen and clean gas**
   Industrial decarbonisation solutions
3. **Environmental and security of supply solutions**
   Waste-to-Energy, recycling, industrial and TSO services
4. **Other**
   Venturing, innovation, digitalisation

Capital expenditure will depend on market conditions, asset rotation, and balance sheet strength

fortum
For a cleaner world

Fortum is growing towards gigawatt scale target in solar and wind power generation



PORTFOLIO	STATUS	CAPACITY, MW	FORTUM SHARE, MW	SUPPLY STARTS/STARTED
FINLAND		**90**	**18**	
• Kalax	Operational	90	18	Q4 2020
NORWAY		**181**	**36**	
• Nygårdsfjellet	Operational	32	6	2006 and 2011
• Ånstadblåheia	Operational	50	10	2018
• Sørfjord	Operational	99	20	Q4 2019- Q1 2021
SWEDEN		**76**	**15**	
• Solberg	Operational	76	15	2018
RUSSIA		**2,009**	**1,040**	
• Bugulchansk	Operational	15	15	2016-2017
• Pleshanovsk	Operational	10	10	2017
• Grachevsk	Operational	10	10	2017
• Kalmykia	Under construction	78+38	39+19	Q4 2021- H2 2022
• Ulyanovsk	Operational	35	35	2018
• Ulyanovsk 2	Operational	50	25	1.1.2019
• Rostov	Operational/Under construction	350+50	175+25	Q1 2020- Q4 2021
• Kalmykia	Operational	200	100	1.12.2020
• Astrakhan	Under construction	340	170	Q4 2021
• Volgograd	Under construction	88+17	44+9	Q4 2021- Q4 2022
• Samara	Under construction	237	118	Q4 2022
• Rusnano JV	Under development	491	246	2022-2023
INDIA		**185**	**81**	
• Amrit	Operational	5	2	2012
• Kapeli	Operational	10	4	2014
• Bhadla	Operational	70	31	2017
• Pavagada	Operational	100	44	2017
TOTAL		**2,541**	**1,190**	
	Under development	491	246	
	Under construction	848	424	
	Operational	1,202	520	

*) NOTE: Table numbers not accounting; tells the size of renewables projects. All not consolidated to Fortum capacities. All figures in MW and rounded to nearest megawatt. Additionally, target to invest 200 – 400 million euros in India solar and create partnership for operating assets. Under construction includes investment decisions made.

fortum
For a cleaner world

Strong commitment to maintain rating of at least BBB

Ambition is to preserve financial flexibility and good access to capital markets.

Fortum will carefully manage its balance sheet going forward focusing on

- Profitability
- Cash flow optimisation
- Capital expenditure prioritisation
- Portfolio optimisation

Long term leverage target:

Financial net debt/comparable EBITDA

<2x

RATING AGENCY	CREDIT RATING	VALID SINCE
Standard & Poor's	BBB/Outlook Stable	5 July 2021
Fitch Ratings	BBB/Outlook Stable	30 June 2021

fortum
For a cleaner world

Fortum concludes the sale of mainly district heating assets and businesses worth approximately EUR 5.2 billion

- A key part of Fortum's strategy execution is to continuously review, optimise, and rotate businesses for value creation, to enable new growth and to maintaining a financially strong Group
- In particular, Fortum divested since 2020 the district heating businesses in Joensuu and Järvenpää (Finland) and in the Baltics, sold small hydro assets in Sweden and announced the sale of the 50% ownership in Stockholm Exergi.
- Additionally, Fortum reduced its share in wind parks in Norway, Sweden, Finland and India and sold a majority share of its public charging point operator for electric vehicles Fortum Recharge.
- The strategic reviews of the heating and cooling businesses in Poland and the Consumer Solutions business are currently ongoing

Return targets for new investments

Return targets for new investments:

WACC+ hurdle rate:
+100 bps for green investments
+200 bps for other investments

The requirement might be higher depending on, e.g., business model and technology and will be evaluated case-by-case.

Group 2021 capital expenditure, including maintenance and excluding acquisitions, is estimated to be EUR 1.4 billion

- Maintenance of EUR 700 million
- Growth of EUR 700 million



~EUR 3 bn growth capex for 2021-2025

Capital expenditure will depend on market conditions, asset rotation, and balance sheet strength

fortum
For a cleaner world

Fortum and Uniper cooperation estimated to deliver significant financial benefits

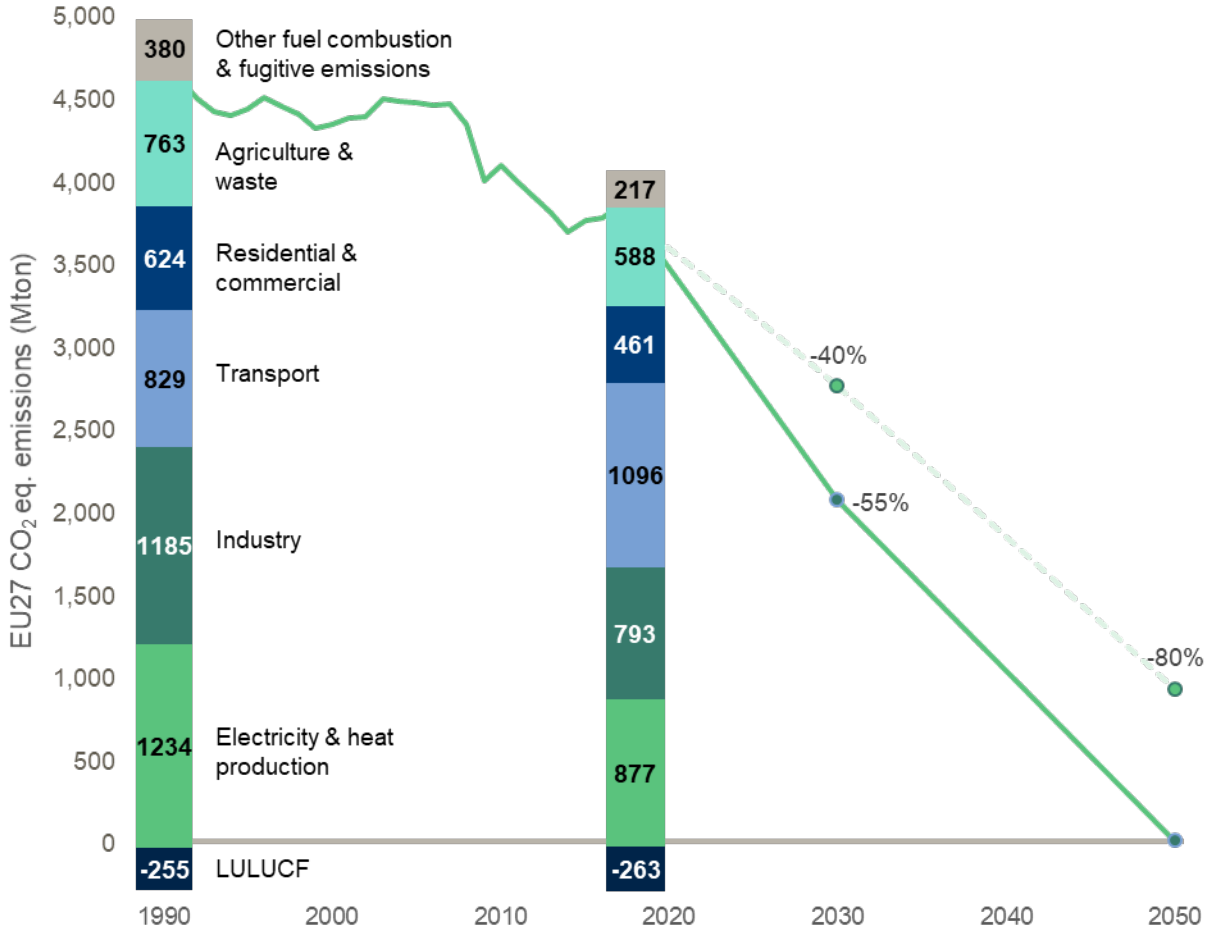
Cooperation benefits focus on monetary, safety, and environmental actions

- Positive cash impact on a consolidated group basis is estimated to be ~EUR 100 million annually
- > EUR 50 million of these annual benefits gradually materialising by the end of 2023 and reaching full annual impact in 2025
- Approx. 450 people have been involved in various work streams



Europe committed to be a forerunner in reducing GHG emissions across all sectors

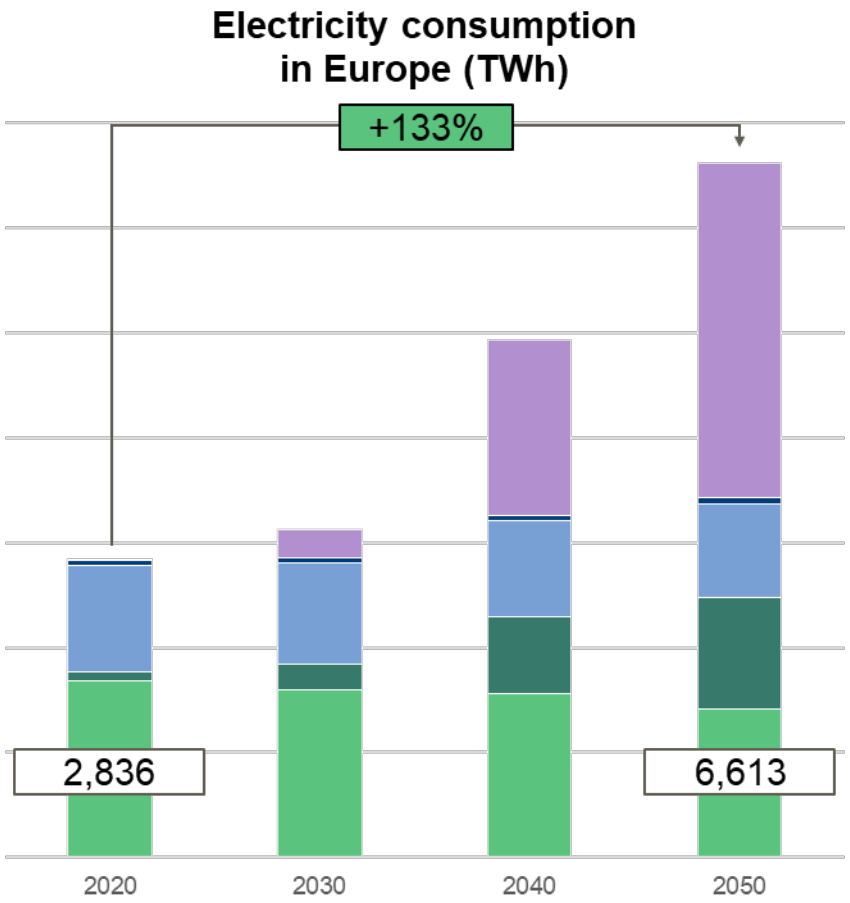
- EU is tightening both its 2030 and 2050 emissions targets
  - Requires emission reductions in all sectors, especially residential & commercial, transport, and industry
- Sector coupling – clean electricity and gas enable other sectors to decarbonise
  - Emissions from some industrial and heavy transport sectors are difficult to abate by electrification
- Successful energy transition must balance
  - Sustainability
  - Affordability
  - Security of supply

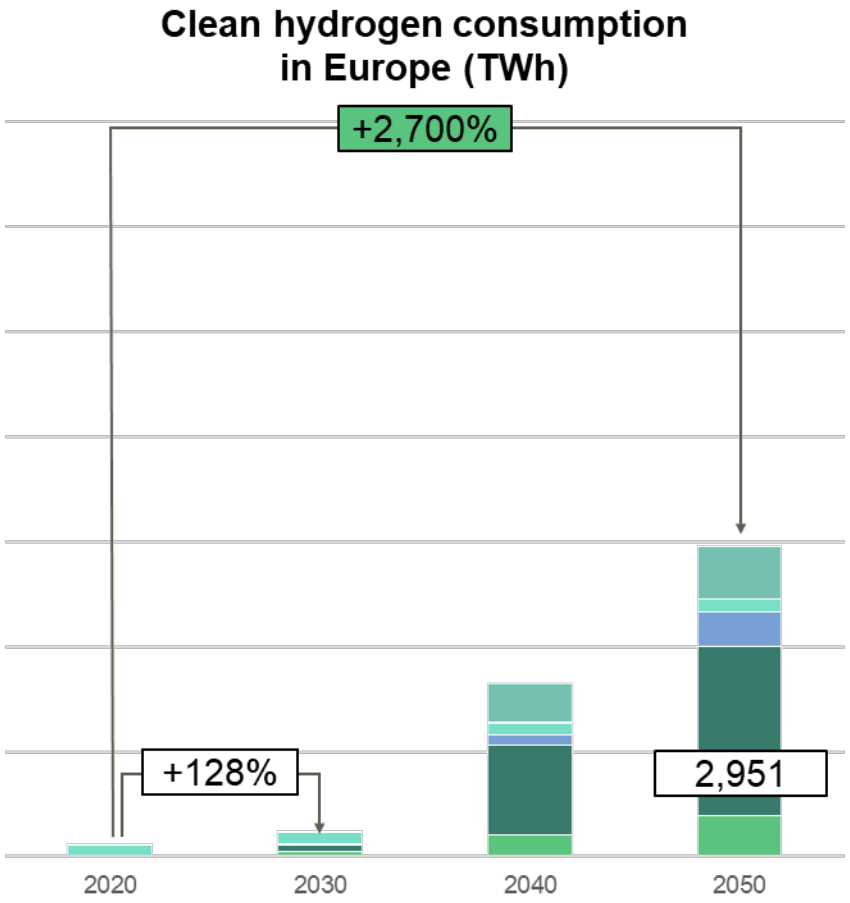


Source: European Environment Agency
LULUCF: Land use, land-use change, and forestry

fortum
For a cleaner world

Energy transition will increase demand for electricity and hydrogen





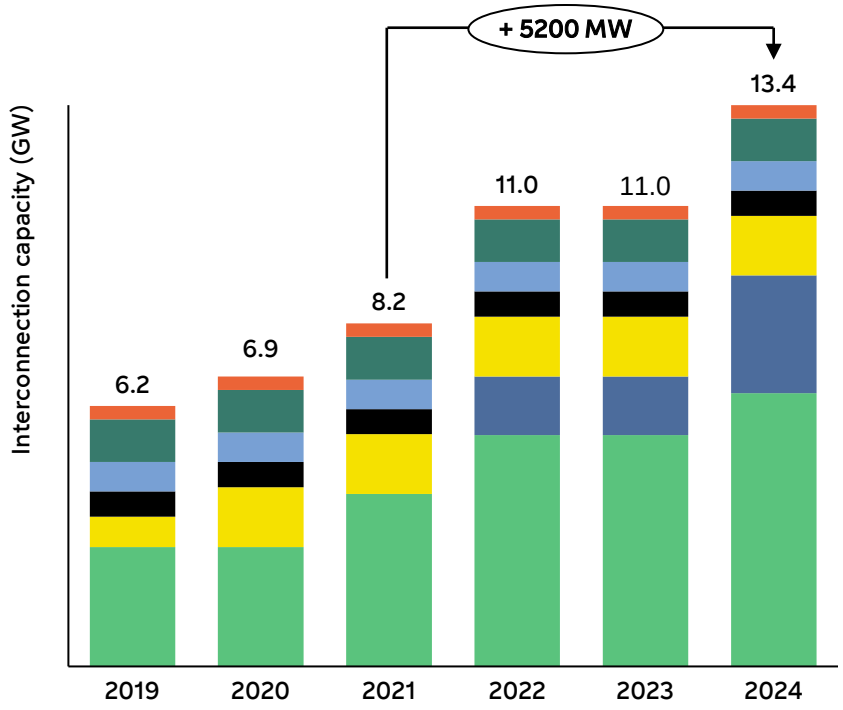
Electricity
Hydrogen
Feedstocks
Agriculture
Industry
Transport
Residential and commercial

Source:
IHS Markit Net Zero Carbon Europe scenario

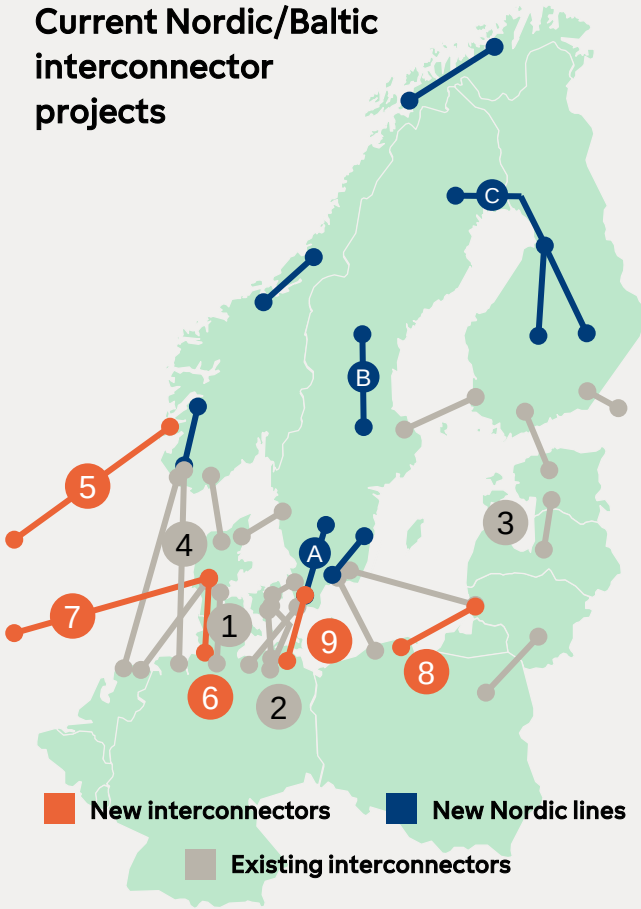
fortum
For a cleaner world

Nordic, Baltic, Continental and UK markets are integrating – Interconnection capacity growing to over 13 GW by end-2023

- **Several interconnectors are currently under construction** or decided to be built
- **New interconnections** will increase the Nordic export capacity from the current 9.6 GW to over 13 GW by end of 2023



Years in the chart above refer to a snapshot of 1st of January each year.
Source: Fortum Market Intelligence



1. DK1-DE maximum transmission capacity has been upgraded from 1,780 MW to 2,500 MW in **July 2020**
2. New 400 MW DK2-DE connection via Kriegers Flak offshore wind area in operation **December 2020**
3. EU's Connecting Europe Facility co-financed 3rd EE-LV transmission line, in operation **January 2021**
4. NO-DE NordLink is in commercial operation at maximum 1,400 MW from **March 2021**
5. Norway - UK 1,400 MW North Sea Link (NSL) is due to be ready by **end-2021**
6. DK1-DE capacity to grow by further 1,000 MW to 3,500 MW with a new 400 kV line by **end-2023**
7. 1,400 MW DK-UK Viking Link has been contracted to be built by **end-2023**
8. 700 MW LT-PL Harmony Link to be built by **2025** as a part of the Baltic synchronisation project
9. 700 MW Hansa PowerBridge DC link between Sweden and Germany by **2026/2027**

A. 1,200 MW SE3-SE4 South West Link ready **8/2021**
B. 800 MW with first measures on SE2-SE3 by **2024**
C. 800 MW 3rd 400 kV line SE1-FI ready in **2025**

Russia
Estonia
Lithuania
Poland
Netherlands
United Kingdom
Germany

fortum
For a cleaner world

Volatility and uncertainty in the European power market increases the value of flexible assets

- Intermittent renewables
- Nuclear and coal closures
- Increasing role of gas
- Supply-demand balance
- Increased interconnection between Nordics and Continent
- Commodity and CO_2 prices
- Weather conditions

Volatility and uncertainty



fortum
For a cleaner world

Own transformation – coal exit to reach carbon neutrality by 2035 in European generation

Transform own operations to carbon neutral

Strengthen and grow in CO_2-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

Carbon neutral in our European generation by 2035 at the latest

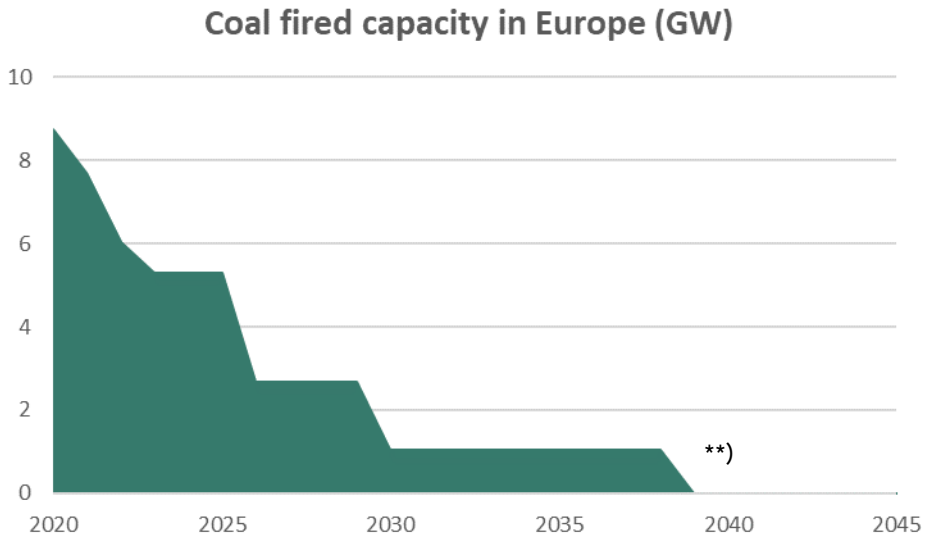
- Current trajectory to reduce CO_2 emissions in our European generation by at least 50%*) by 2030
- Exit ~6 GW of coal capacity by end of 2025
- Aim to decarbonise gas-fired power generation and transit to clean gas over time

Carbon neutral as a group by 2050 at the latest in line with the Paris Agreement

- Reduction of the Group's coal-fired generation capacity by >50% to ~5 GW by the end of 2025
- Over time transform the Russian business portfolio by reducing the fossil exposure

European generation CO_2 net emissions:

2019 100% → **2030** -50% → **2035** Carbon neutral



*) Base year 2019
**) Datteln4 decommissioning as defined in the German coal-exit law

fortum
For a cleaner world



Interim Report January-March 2021

FORTUM CORPORATION

12 May 2021

fortum
For a cleaner world

Markus Rauramo
President and CEO



Q1 Highlights

Active portfolio optimisation and benchmark operations

Improving market environment

Accelerated execution of strategic priorities

Strong performance

- Good performance across all segments securing supply to our customers during the colder winter quarter compared to previous year
- Good level of outright volumes while at the same time clearly increased spot prices
- Supporting market fundamentals with strong carbon price pushing for decarbonisation

Strategy execution moving ahead

- Changes in senior management at Uniper and Fortum to establish a more diverse and pan-European leadership team to leverage existing experience and expertise more widely and to develop a joint culture
- Updated ambitions on the group-wide ‘One Team’ approach within the strategic areas of Nordic hydro and physical trading optimisation, wind & solar, and hydrogen development
- Disclosed divestments of approximately EUR 1 billion
- Strategic reviews ongoing of Polish district heating, 50% stake in Stockholm Exergi and Consumer Solutions

fortum
For a cleaner world

Strong start for 2021

Strong headline numbers

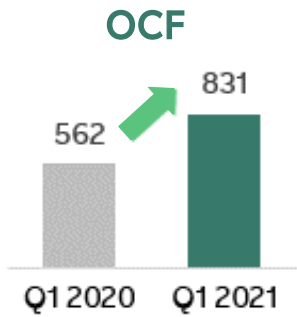
Improved results in all segments

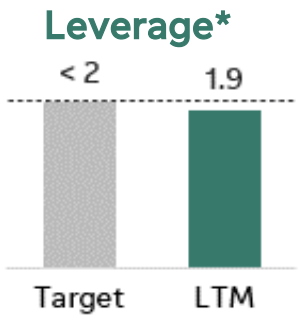
Strengthened balance sheet

Dividend of EUR 1.12/share









First-quarter summary

- Results supported by improved operational performance across all segments
- Material impact from full Uniper consolidation – Uniper result outlook for full year 2021 increased
- Comparable EPS of EUR 0.94 of which Uniper contribution EUR 0.51
- Robust cash flow from operating activities
- Balance sheet deleveraging on track being within our envisaged target ratio of Financial net debt-to-Comparable EBITDA < 2x
- Dividend of EUR 1.12/share paid on 7 May

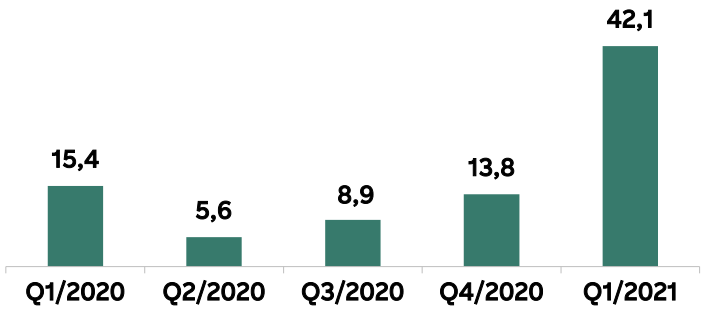
* Financial net debt/Comparable EBITDA

fortum
For a cleaner world

Higher achieved power prices

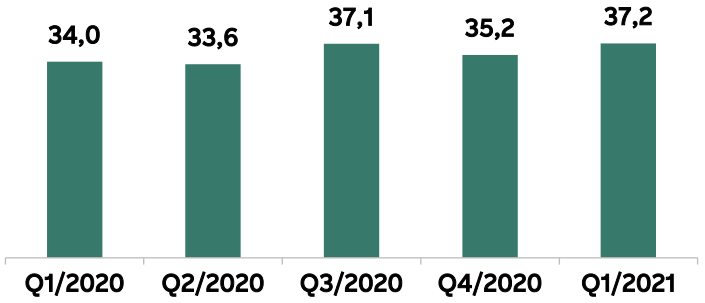
System spot power price, Nord Pool

EUR/MWh



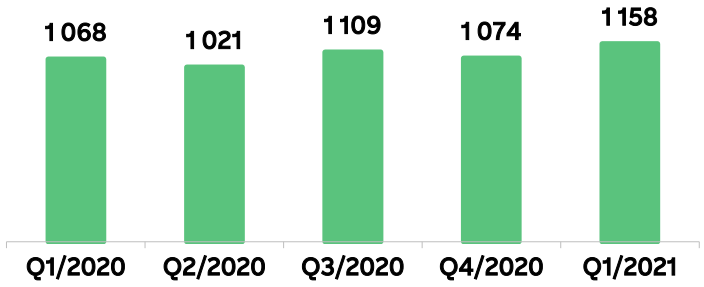
Fortum Generation's Nordic power price

EUR/MWh



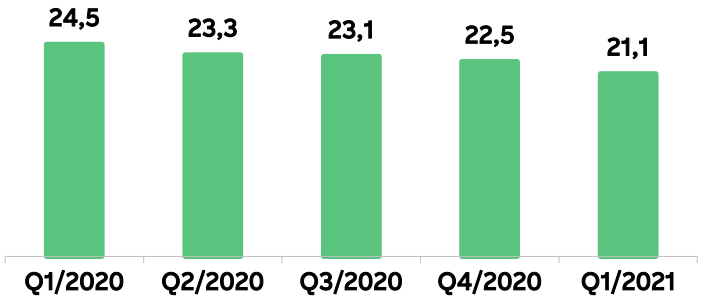
Spot power price, Urals hub

RUB/MWh



Achieved power price, Russia segment*

EUR/MWh



NOTE: Achieved power price (includes capacity payments) in RUB increased by 3%

* Does not include Uniper's subsidiary Unipro

Substantially higher spot power prices in the Nordics

Increased achieved power prices

Russian power demand picking up with increasing electricity prices

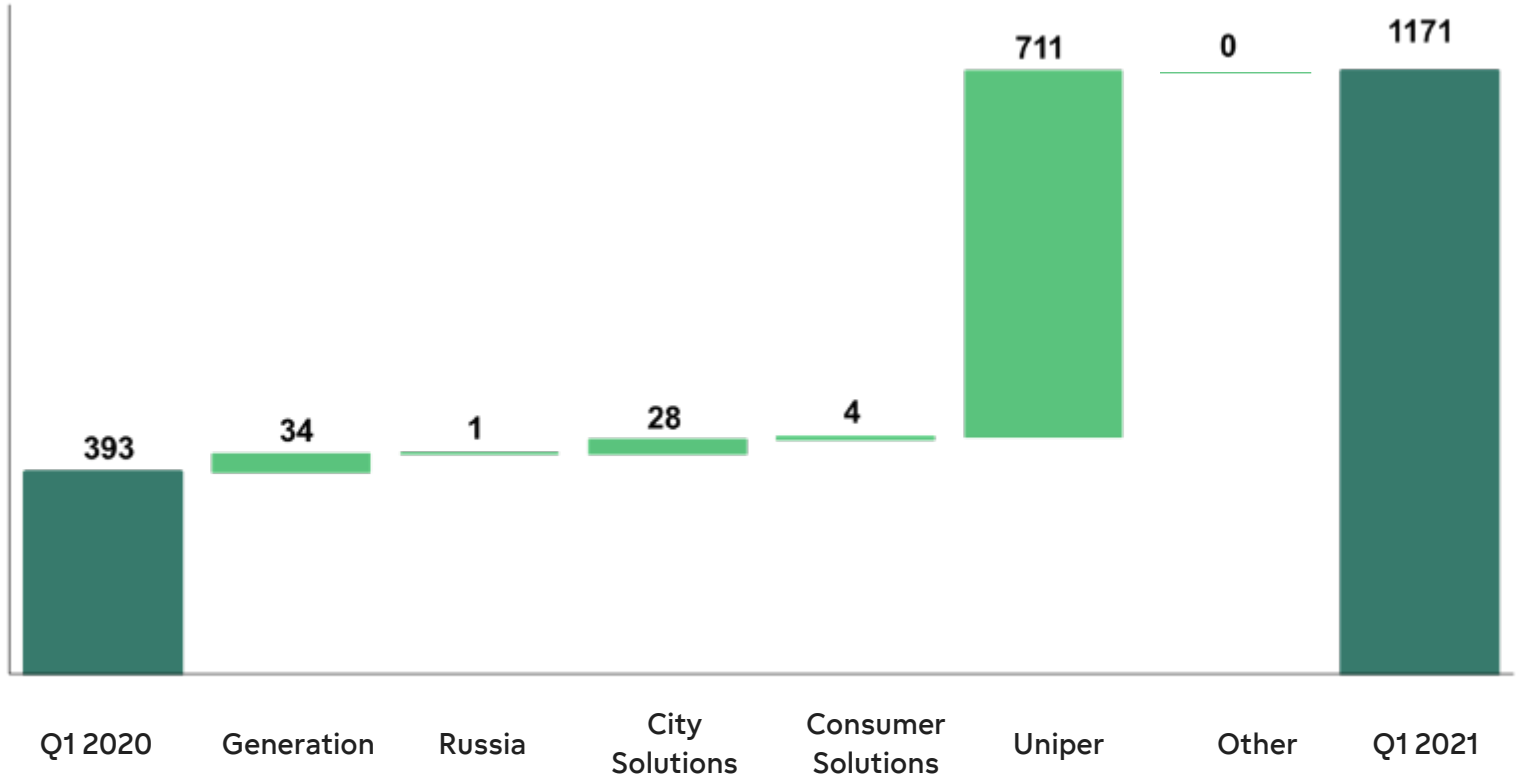
Russian achieved price in rubles increased while declining in euro terms

fortum
For a cleaner world

All segments improved – significant impact of Uniper profits

Comparable operating profit

(EUR million)



Generation
higher achieved power price

Russia
stronger underlying performance

City Solutions
higher heat sales volumes and improvement in recycling and waste solutions

Consumer Solutions
higher margins from power sales

Uniper
full consolidation

fortum
For a cleaner world

Executing our strategy – decarbonisation is key

Transform operations to carbon neutral

Partner with industrial and infrastructure customers

Regulatory framework - steps in the right direction

Accelerated execution on strategic priorities

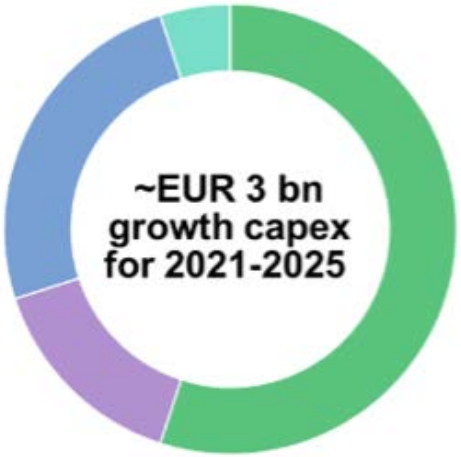
- **Coal-exit proceeding ahead of plan** with the early closure of another coal-fired plant, Wilhelmshaven, following the early closure of Heyden
- **Steps forward in first mover hydrogen position:** Several early-stage hydrogen projects initiated – establish national hubs for hydrogen across northwestern Europe (e.g. Rotterdam, Hamburg, Wilhelmshaven)
- **TCFD (Task Force on Climate-related Financial Disclosures) supporter and climate lobbying review**
- **EU Taxonomy** regulation is taking shape with a substantial positive impact on climate and environment

Fortum fleet broadly taxonomy aligned

Fortum assets

- Hydro ✓
- Nuclear ✓
- Wind (on/offshore) ✓
- Solar ✓
- Waste to energy
- Hydrogen ✓
- CCS ✓
- Gas ✓
- Biomass ✓
- Hazardous waste ✓
- Coal ✗

Fortum growth CAPEX



1. Renewables
   On-shore wind and solar
2. Hydrogen and clean gas
   Industrial decarbonisation solutions
3. Environmental and security of supply
   Waste-to-Energy, recycling, industrial and TSO services
4. Other
   Venturing, innovation, digitalisation

Portfolio transformation to further increase taxonomy alignment



fortum
For a cleaner world

Bernhard Günther
CFO



Key financials

MEUR	Q1 2021	Q1 2020	2020	LTM
Sales	21,493	1,357	49,015	69,152
Comparable EBITDA	1,479	543	2,434	3,370
Comparable operating profit	1,171	393	1,344	2,122
Comparable share of profits of associates and joint ventures	67	551	656	172
Comparable profit before income taxes	1,257	901	1,897	2,253
Comparable net profit	837	812	1,483	1,508
Comparable EPS	0.94	0.91	1.67	1.70
Net cash from operating activities	831	562	2,555	2,825
Financial net debt / Comp. EBITDA			2.9	1.9

Q1 strong financial performance

Introduction of Comparable Net Profit and Comparable EPS as new APM's

First time Uniper consolidated as a subsidiary for a full four quarters

LTM Comparable EPS at EUR 1.70

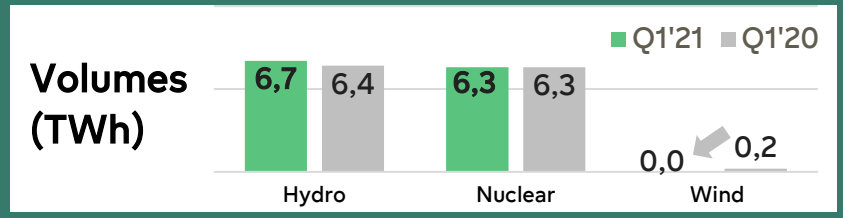
Healthy credit metrics – strong cash flow from operating activities

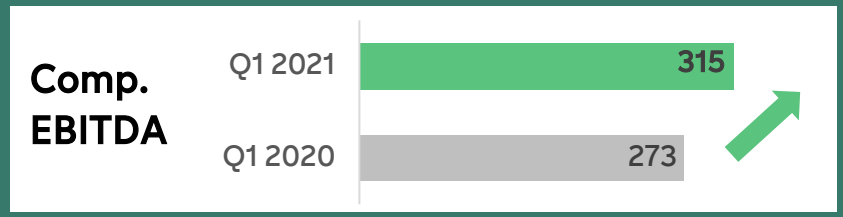
fortum
For a cleaner world

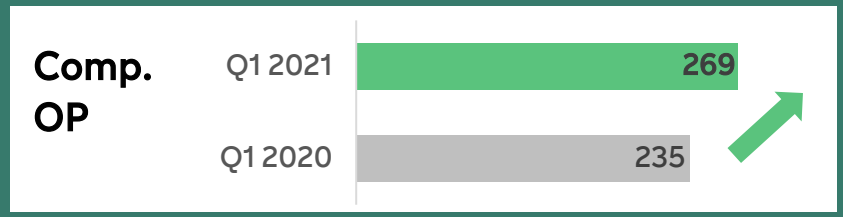
Generation: Higher volumes and prices

Q1 2021 vs. Q1 2020

- Comparable operating profit up 14% mainly due to higher achieved power prices
  - Higher achieved power price +3.2€/MWh, +9%
  - Successful physical and financial optimisation and higher spot prices
- Higher power generation volumes
- Generation recorded a tax-exempt capital gain of EUR 50 million during the quarter following the sale of eight small hydropower plants in Sweden
- Strategy execution: Olkiluoto 3 performed fuel loading end of March targeting commencing power generation in October this year and regular power generation in February 2022







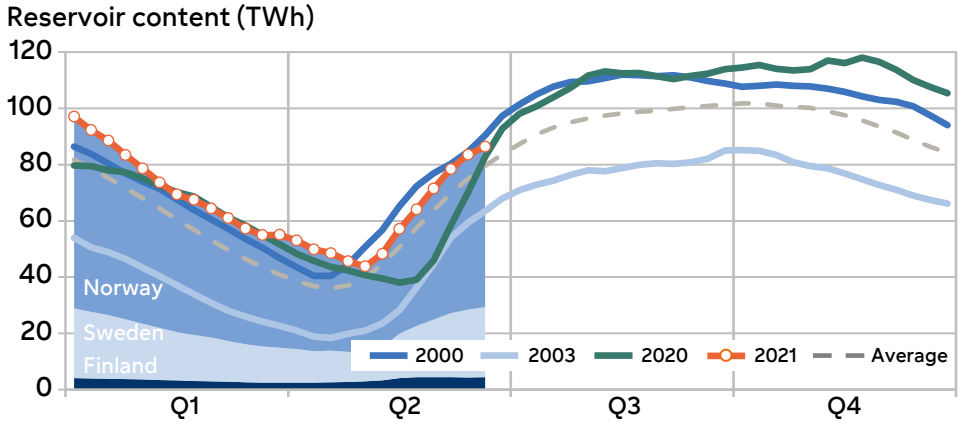
MEUR	Q1 2021	Q1 2020
Sales	675	574
Comparable EBITDA	315	273
Comparable OP	269	235
Comparable net assets	6,135	5,899
Comparable RONA % (LTM)	12.6	12.2*
Gross investments	27	34

* full year 2020, recalculated following introduction of Comparable net profit in Q1 2021

fortum
For a cleaner world

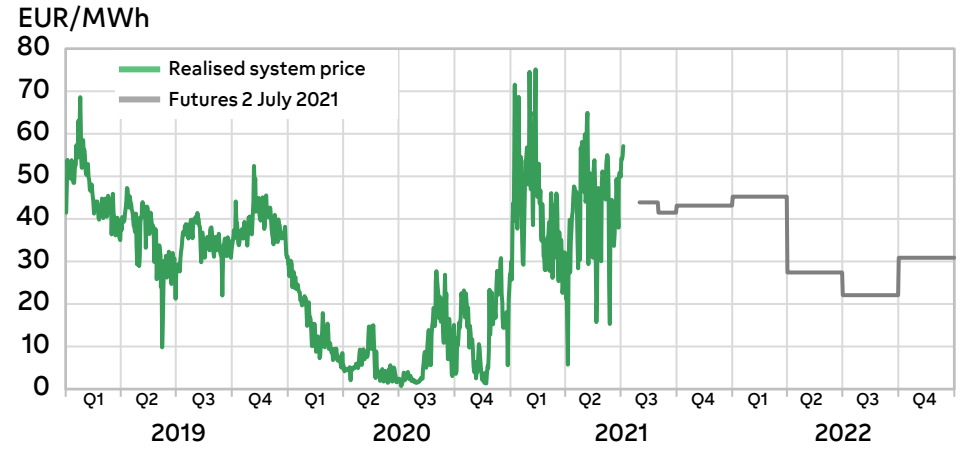
Nordic hydro reservoirs towards normal levels while spot prices are catching up

Hydro reservoirs



- Cold winter with below normal wind generation and higher availability of export capacity led to strong hydro generation in Q1
- This can be seen as increased utilisation of Nordic water reservoirs and gradually normalising reservoir levels
- Nordic water reservoirs 14 TWh above long term average at the end of Q1 2021

Power price



Source: Nord Pool, Nasdaq Commodities

- Nord Pool system spot price saw a rapid recovery, reaching 42.1 EUR/MWh (15.4) in Q1 2021
- A multitude of factors contributed to strong Nordic price recovery, including cold winter, low precipitation amounts, below normal wind production, as well as the new Nordlink interconnector
- Naturally, strong power prices in Continental Europe, driven especially by gas and carbon prices, supported the Nordic power prices

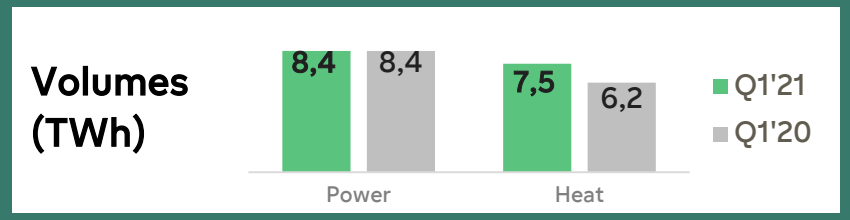
fortum
For a cleaner world

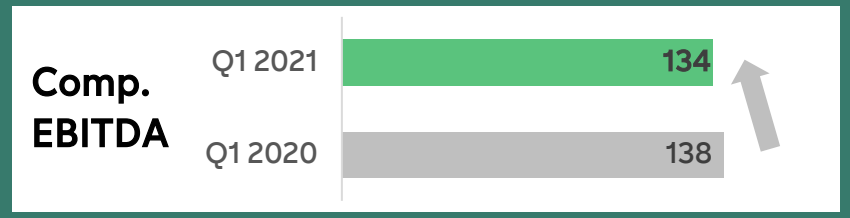
Russia: Solid underlying performance

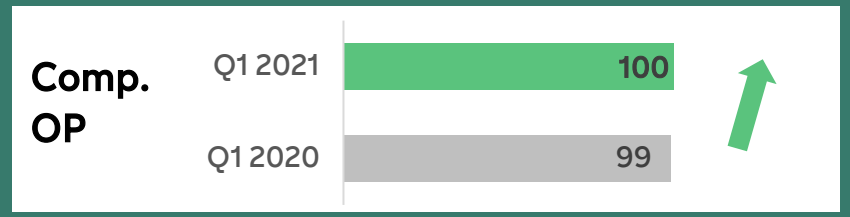
Q1 2021 vs. Q1 2020

- Comparable operating profit increased by 1%
  - Russian RUB FX effect of EUR -21 million
  - Sale of the 116-MW CSA-backed solar power project to JV contributed EUR 17 million
  - Higher power prices
  - Higher heat production volumes +21% due to cold temperatures and stable power generation
- Lower CSA** prices
  - The positive effect of three units entering the four-year period of higher CSA payments more than offset by the effect of the CSA period ending for the two units, and lower bond yields
- Strategy execution: Fortum to construct the largest solar power plant in Russia through a joint venture (78 MW expected to be commissioned in Q4)

** = Capacity Supply Agreement







MEUR	Q1 2021	Q1 2020
Sales	264	317
Comparable EBITDA	134	138
Comparable OP	100	99
Comparable net assets	2,517	2,612
Comparable RONA % (LTM)	12.1	11.1*
Gross investments	7	4

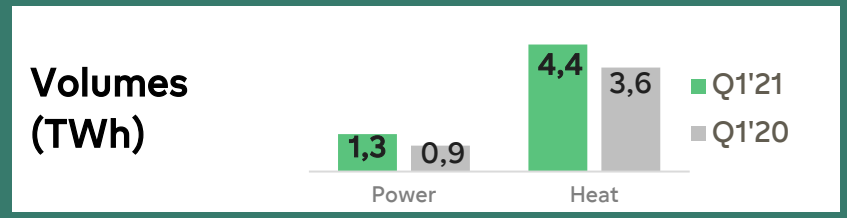
* full year 2020

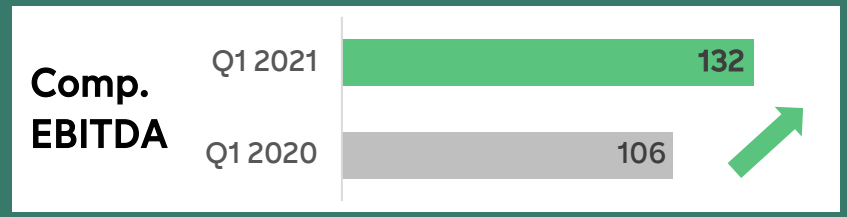
fortum
For a cleaner world

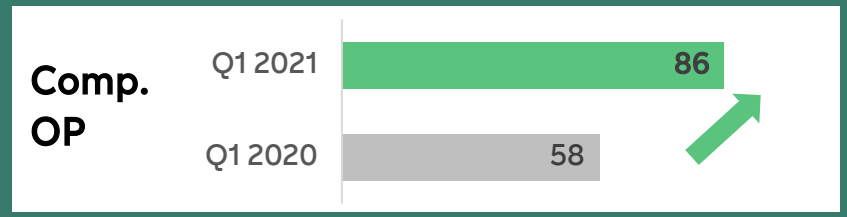
City Solutions: Clearly improved performance

Q1 2021 vs. Q1 2020

- Comparable operating profit increased close to 50%
  - Clearly higher heat sales volumes in all heating areas
  - Higher Norwegian heat prices
  - Improved results in the recycling and waste business
- The Covid-19 pandemic did not have any significant adverse effect
- Strategy execution:
  - Agreement to sell the Baltic district heating business for EUR 800 million (debt- and cash-free). Tax-exempt capital gain of approx. EUR 240 million in Q2
  - Commissioning of 150 MW (of 250 MW) Rajasthan solar park in India. The remaining 100 MW is expected to be commissioned in Q2







MEUR	Q1 2021	Q1 2020
Sales	418	342
Comparable EBITDA	132	106
Comparable OP	86	58
Comparable net assets	3,305	3,625
Comparable RONA % (LTM)	3.8	2.8*
Gross investments	48	38

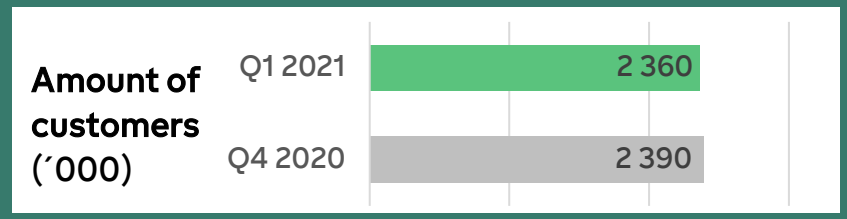
* full year 2020

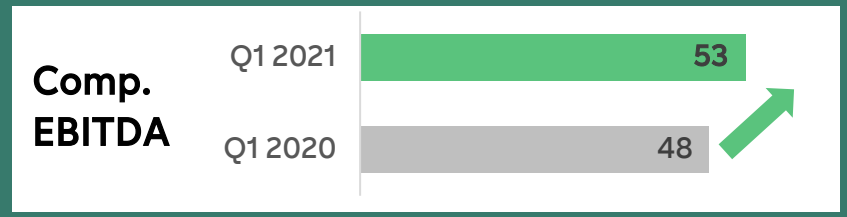
fortum
For a cleaner world

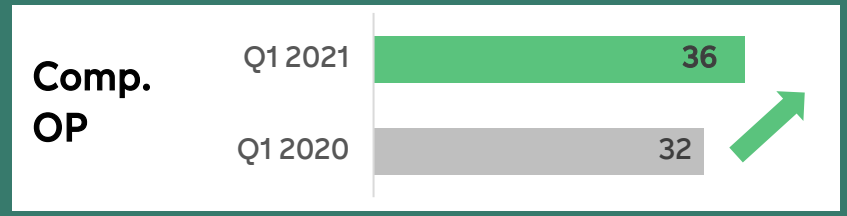
Consumer Solutions: Continued improvement

Q1 2021 vs. Q1 2020

- Comparable operating profit continued to improve, +12%
  - Higher margins from power sales
  - Higher prices in the Nordics compared
  - Higher electricity sales volumes mainly due to clearly colder weather in the Nordics
- The gas volume increased by 23%, mainly due to an increase of enterprise customers in Poland
- The Covid-19 pandemic has increased market uncertainty, but no major negative implications materialised
- 14th consecutive quarter of comparable EBITDA improvement







MEUR	Q1 2021	Q1 2020
Sales	661	424
Comparable EBITDA	53	48
Comparable OP	36	32
Gross investments	11	15

fortum
For a cleaner world

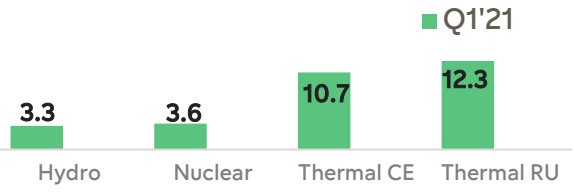
Uniper: Very strong Q1 results

Q1 2021 vs. Q1 2020

- Consolidation:
  - Until Q1 2020: Uniper as an associated company
  - From Q2 2020: Uniper as a subsidiary
- European Generation: benefitted from Irsching 4&5 and Datteln 4 contribution, not in the market in Q1 2020
- Global Commodities: Optimisation of supply-demand imbalances in North America and Asia following cold weather. Normalised contribution in gas midstream vs Q1 2020, still strong with high withdrawals during cold spells
- Unipro: Operating environment significantly improved, offset by expiry of CSA payments for two gas-fired units and weaker RUB; Completed repair work at Berezowskaya 3 power unit (800 MW), capacity payments May 2021 onwards

CSA=Capacity Supply Agreements

Power generation volumes (TWh)



Comp. EBITDA



Comp. OP

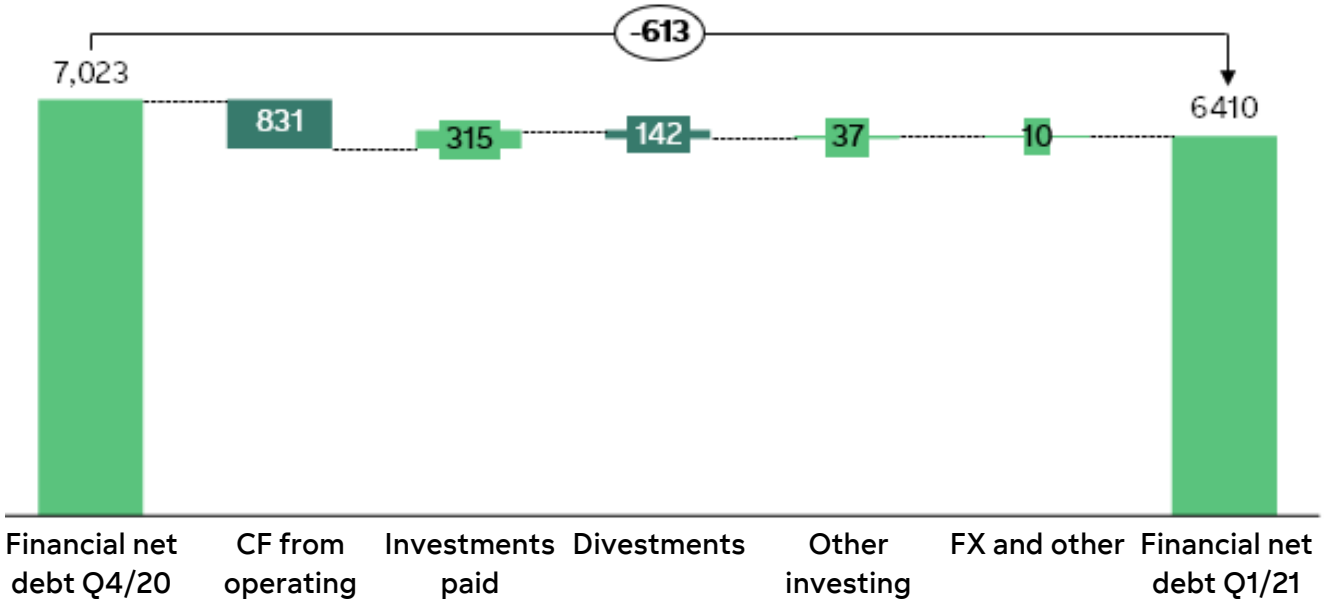


MEUR	Q1 2021	Q1 2020
Sales	19,770	-
Comparable EBITDA	868	-
Comparable OP	711	-
Comparable net assets	8,240	7,569
Comparable RONA %	14.9	-
Gross investments	136	-

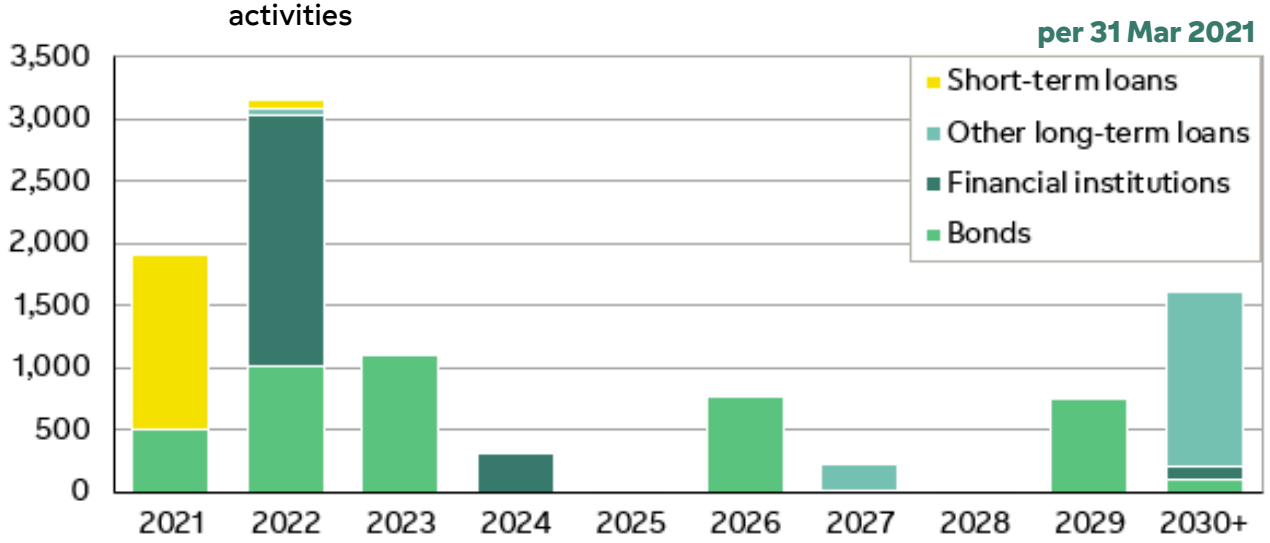
fortum
For a cleaner world

Improved financial net debt

Financial net debt



Maturity profile



Solid credit metrics

S&P Global Ratings — 'BBB' long-term issuer credit rating, negative outlook

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

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 9,910 million (excl. lease)

- Average interest of 1.5% (2020: 1.5%) for Group loan portfolio incl. derivatives hedging financial net
- EUR 652 million (2020: 634) swapped to RUB with average interest 6.5% (2020: 6.2%) incl. hedging cost
- Average interest of 0.9% (2020: 0.9%) for EUR loans

Liquid funds of EUR 3,598 million

Undrawn credit facilities of EUR 5,100 million

fortum
For a cleaner world

Outlook

Hedging

Generation Nordic hedges:

For the rest of 2021: 80% hedged at EUR 32 per MWh
For 2022: 55% hedged at EUR 31 per MWh (Q4: 50% at EUR 31)

Uniper Nordic hedges:

For the rest of 2021: 85% hedged at EUR 27 per MWh
For 2022: 80% hedged at EUR 24 per MWh (Q4: 65% at EUR 24)
For 2023: 35% hedged at EUR 21 per MWh (Q4: 25% at EUR 22)

2021 Estimated annual capital expenditure, including maintenance and excluding acquisitions, of

EUR 1,400 million

of which maintenance capital expenditure is EUR 700 million

Tax guidance for 2021:

The comparable effective income tax rate for Fortum is estimated to be in the range of 20-25%.

Russia

CSA changes:

Lower bond yield, bond yield 6.3% (7.6%)

Changes in CSA and CCS capacities:
see interim report p. 18-19, 24

In 2021, in the Russia segment, the negative financial effect related to the ending of the CSA period of two production units is expected to exceed the positive effect of three units entering the four-year period of higher CSA payments.

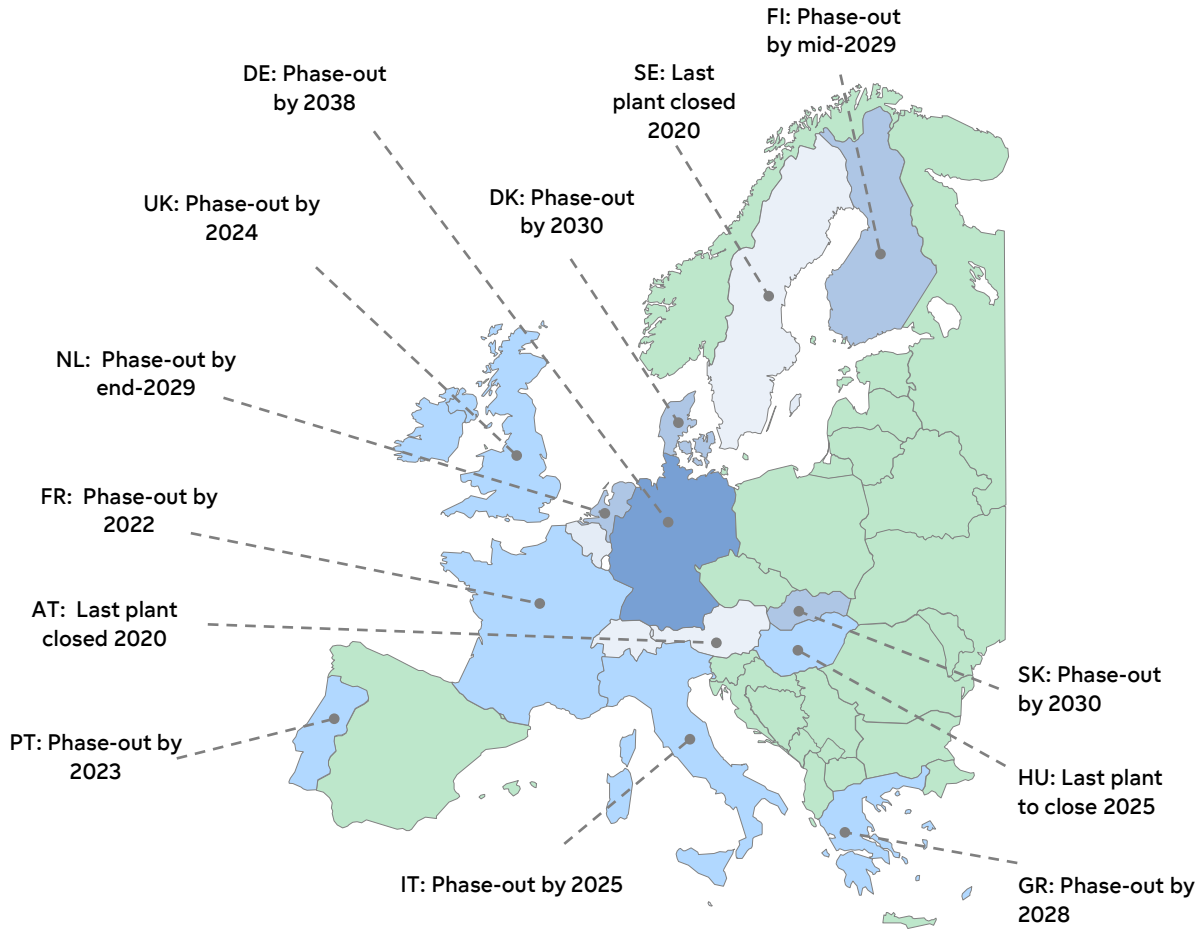
fortum
For a cleaner world

Appendices

fortum
For a cleaner world

Western European countries exiting coal during this decade

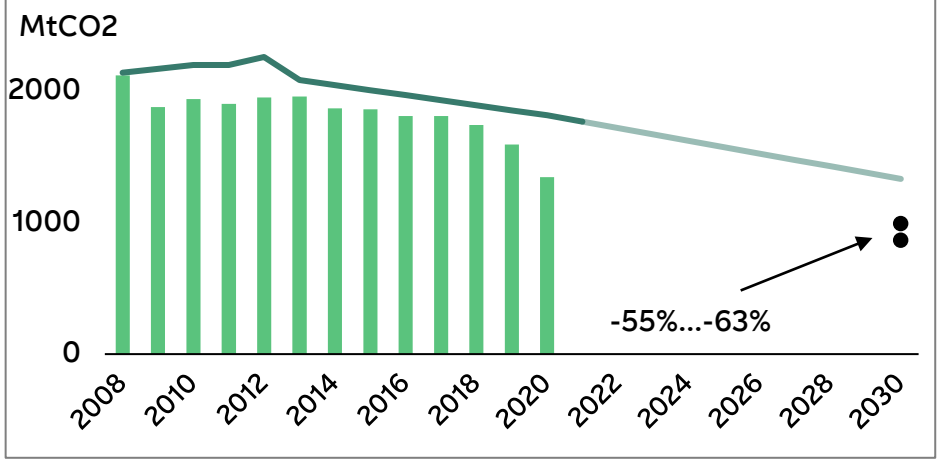
- Sweden and Austria closed their last coal plants during 2020
- France is committed to phase out coal by 2022
- Portugal has 2023 as national exit goal, but operators aim for full closure already in 2021
- UK full exit by the end of 2024 by restricting coal plants' access to market
- Italy and Ireland have both announced phase-out by 2025, also Hungary to close its last coal plant by then
- Greece has stated 2028 as year for full phase-out
- Netherlands and Finland have 2029 as regulated phase-out year, Denmark is committed to 2030 as is Slovakia
- Germany to phase out coal by end-2038 latest, possibly already 2035
- Significant coal countries without explicit exit date include e.g. Spain, Czechia and Poland
  - In Spain, significant number of coal plants have recently already closed, and operators are underway to close down even the rest by mid-2020s
  - In Czechia, a multi-stakeholder commission has proposed a coal phase-out by 2038, but no political decision available as of yet
  - Poland expects share of coal in the power mix to decline and targets lower-carbon generation in newbuilds, but no timeline for phase-out of coal exists



fortum
For a cleaner world

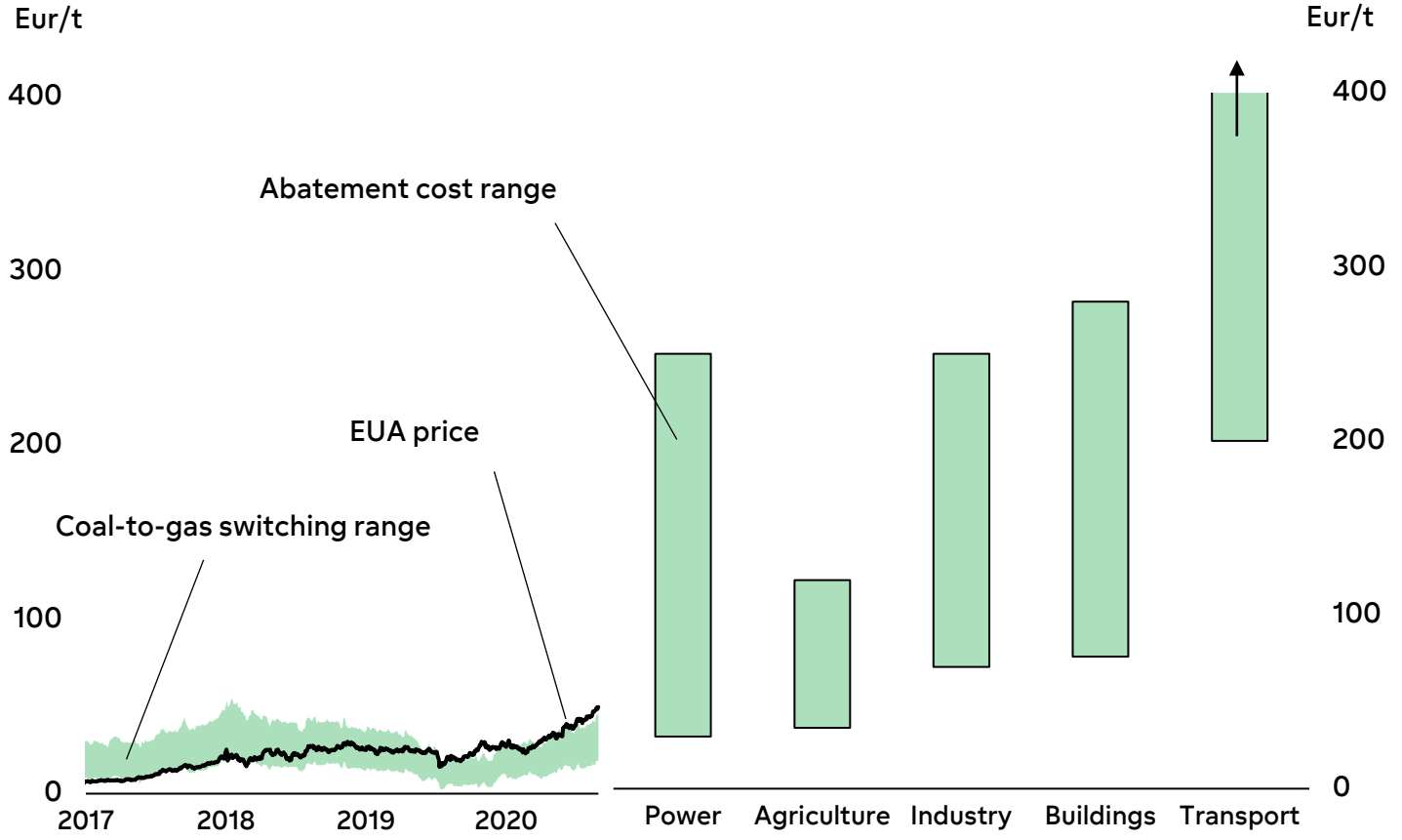
Decarbonisation requires other sectors to join

The new 2030 emissions target will tighten the EU ETS



- The EU has agreed to increase the **2030 total emissions reduction target to 55% vs 1990**, which will require changes to existing policies, including the EU ETS
- One of the changes needed is to tighten the EU ETS target for 2030 from -43% currently to -55%...-63% (baseline year 2005)
- The EU Commission is also planning to **expand the EU ETS to other sectors sectors**, such as transport and buildings
- EU Commission proposals for revisions of the EU ETS by end of Q2 2021
- Revisions could take effect somewhere around 2024-2026
- The EU ETS already has a self-tightening mechanism called the **Market Stability Reserve** (not shown), which reduces the annual supply to the market and cancels allowances as long as a historical surplus exists

CO_2 abatement cost ranges for different sectors



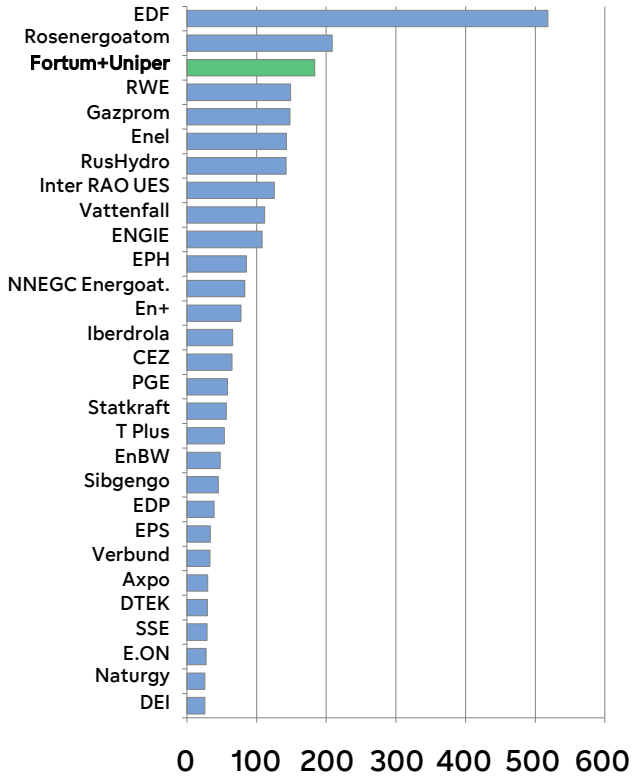
Abatement cost ranges formed of typical values found in industry analyses. Sources: Refinitiv, EU Commission.

fortum
For a cleaner world

Fortum major player in power, gas and heat

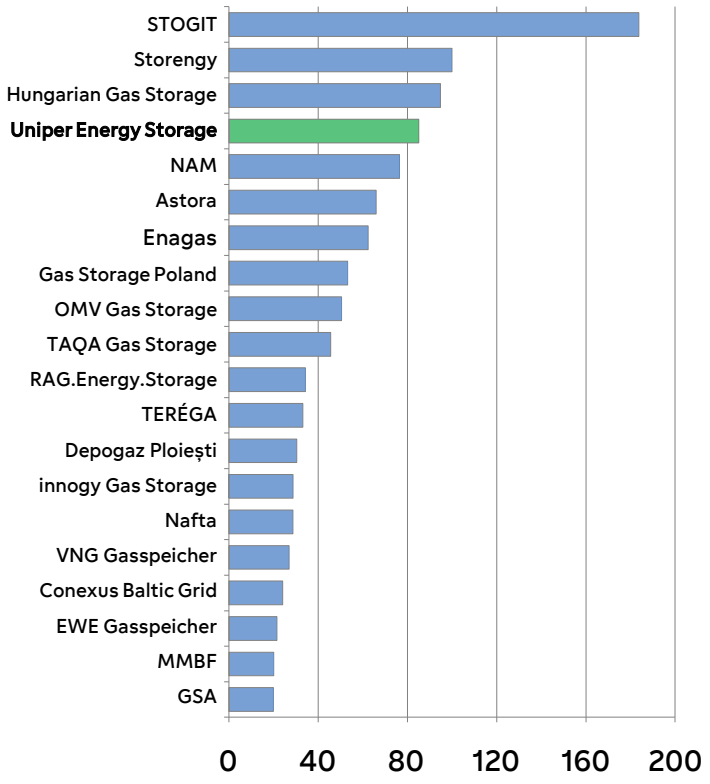
Power generation

Largest generators in Europe and Russia, 2019
TWh



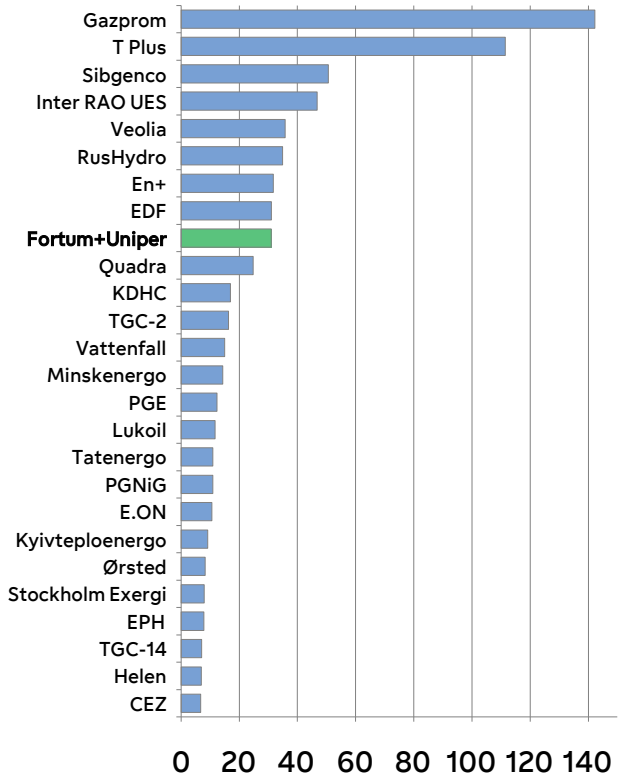
Gas

Largest European gas storage operators, 2018
TWh



Heat production

Largest global producers, 2019
TWh



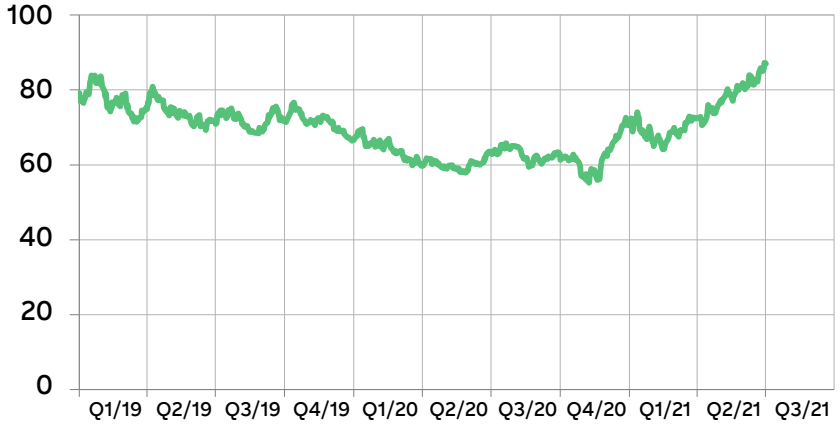
Source: Company information, Fortum analyses, 2019 figures pro forma. GIE Storage Database.
EPH incl. LEAG. No data from China.

fortum
For a cleaner world

Commodity prices

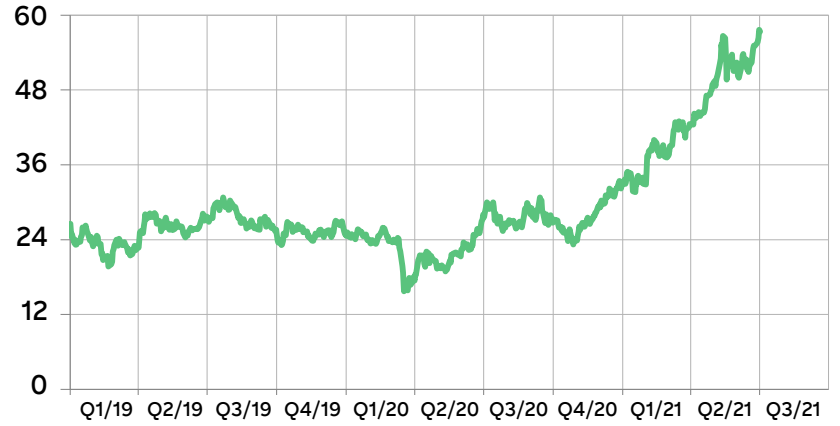
USD / t

Coal price (ICE API2 2022)



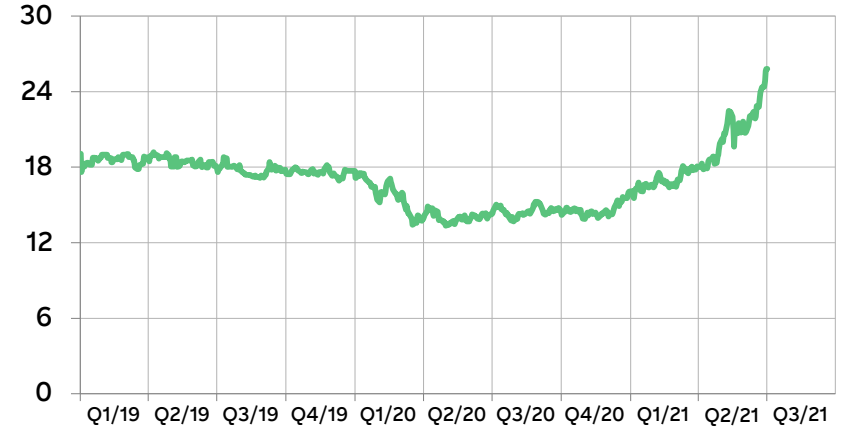
EUR / tCO_2

CO_2 price (EUA DEC 2021)



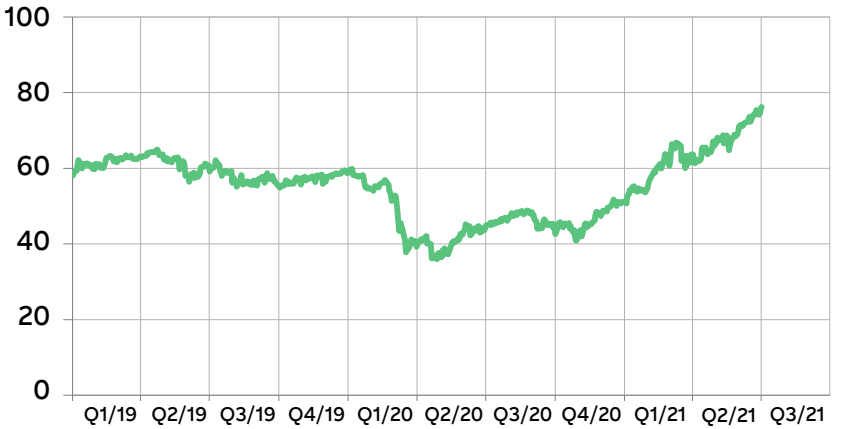
EUR / MWh

Gas price (TTF 2022)



USD / bbl

Crude oil price (ICE Brent)

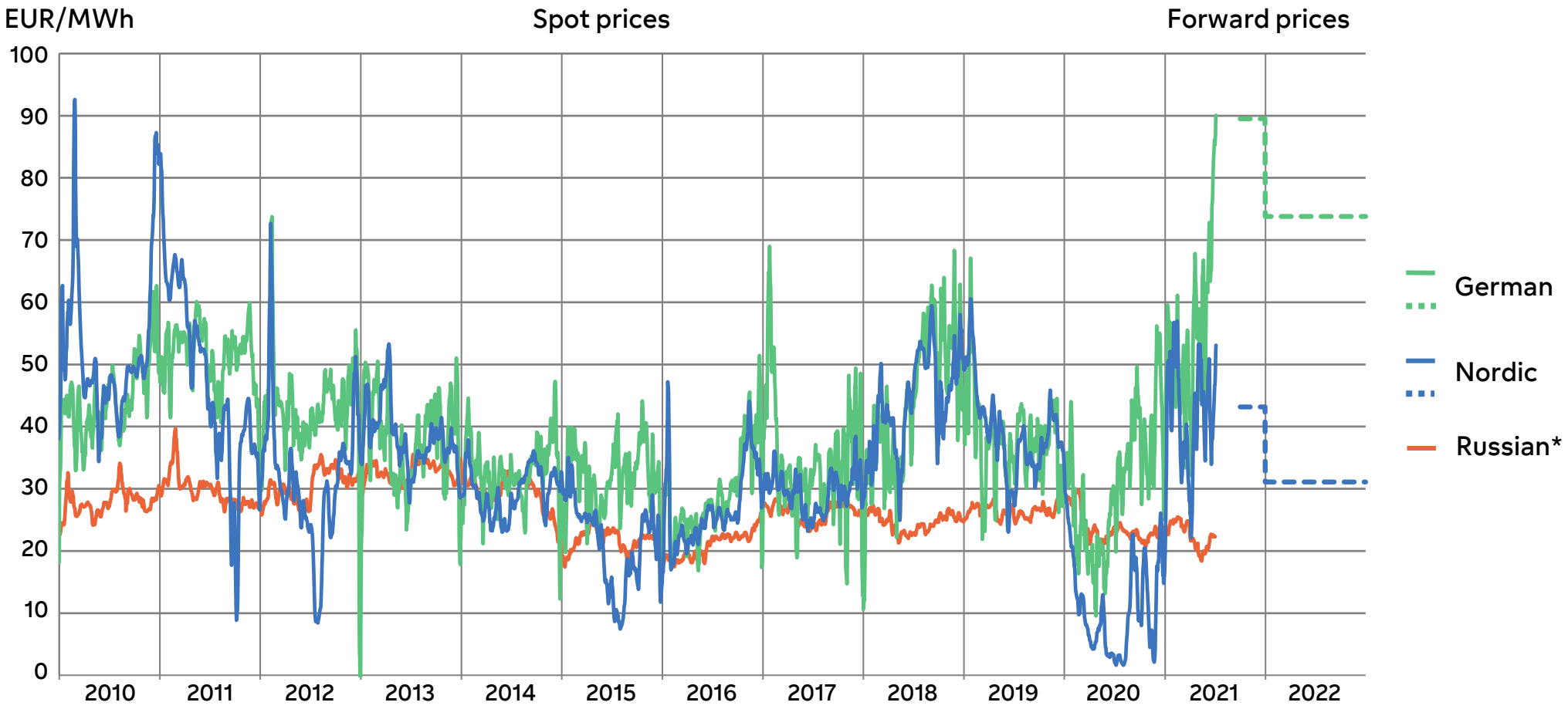


Source: Bloomberg

2 July 2021

fortum
For a cleaner world

Wholesale power prices



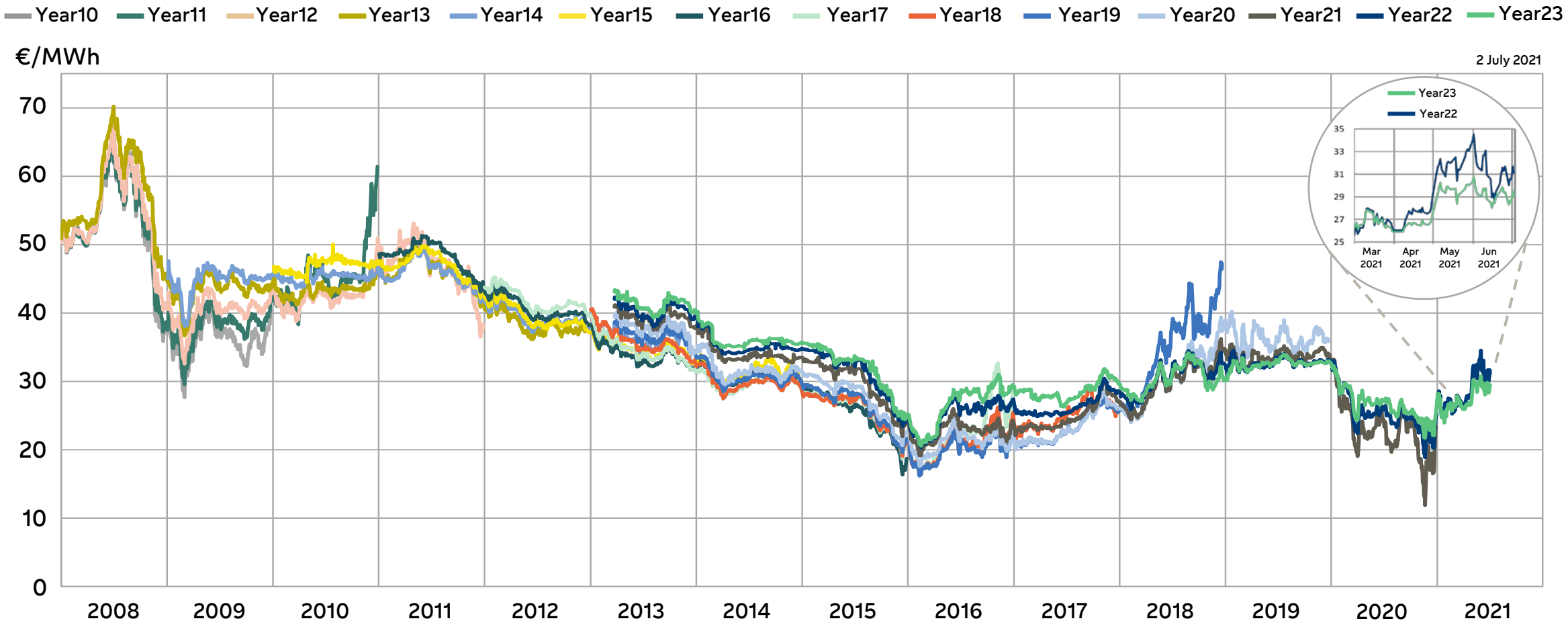
Forwards 2 July 2021
Rolling 7-day average spot price

* Including weighted average capacity price

Source: Nord Pool, Bloomberg Finance LP, ATS, NP "Market Council", Fortum

fortum
For a cleaner world

Nordic year forwards



Source: Nasdaq Commodities, Bloomberg

fortum
For a cleaner world

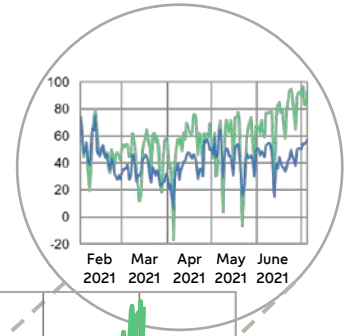
German and Nordic forward spread

Spot price

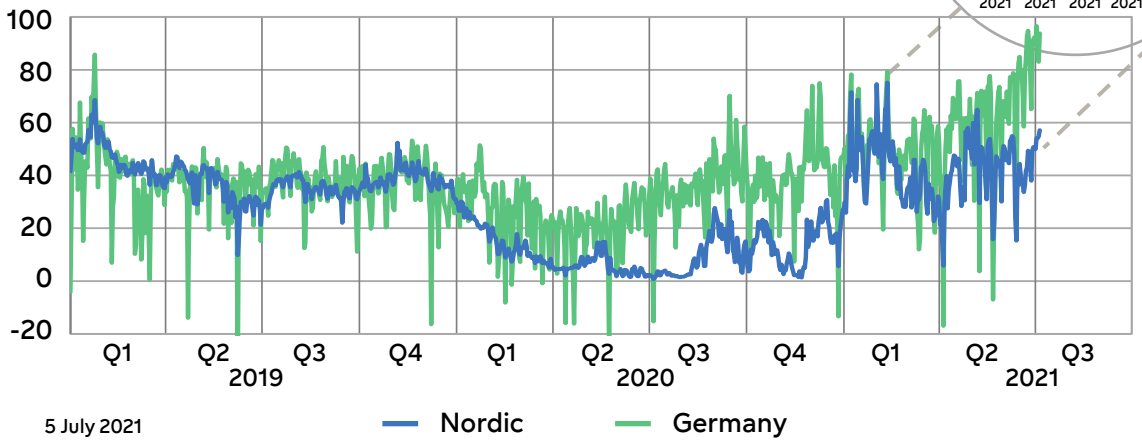
- Nordic system price remained exceptionally depressed by the strong hydrological surplus for most of 2020. The German-Nordic spread for 2020 realised at 20 €/MWh.
- Both Nordic and Continental electricity prices saw a recovery during Q1 2021. In Nordic prices the gains were especially strong, driven by cold winter and normalising Nordic hydrological balance.
- German-Nordic spread for Q1 2021 realised at 8 €/MWh.

Forward price

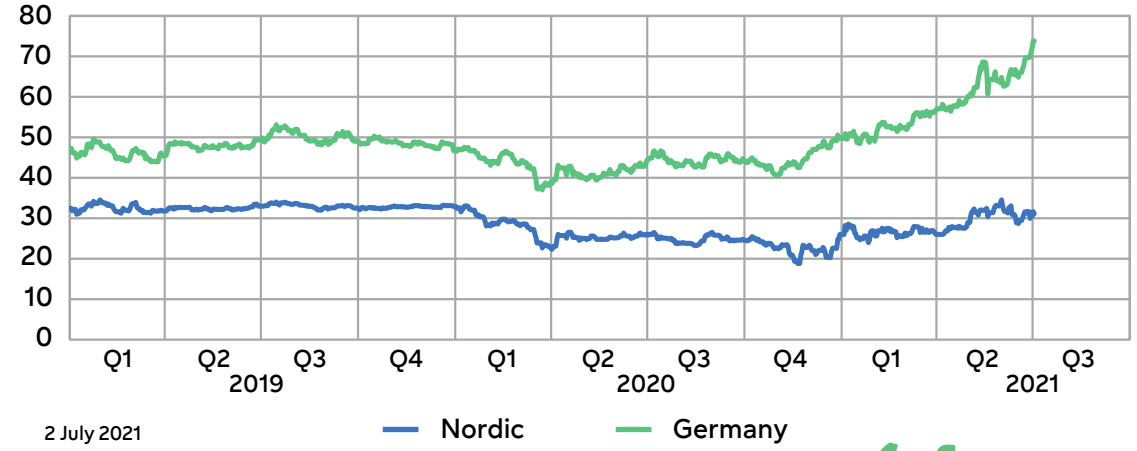
- The German contract for 2022 delivery is trading close to 58 €/MWh, while corresponding Nordic SYS contract is close to 28 €/MWh.
- The German-Nordic spread for 2022 delivery has increased from 15 EUR/MWh during the start of 2020 to a level of 30 EUR/MWh recently.
- German contract is tracking the changes in short-run marginal costs for gas and coal fired condensing units, reflecting the stronger exposure to fossil fuel and CO_2 prices.
- The Nordic contract is influenced by growing Nordic renewable supply and limited interconnector capacity towards the Continental Europe.



EUR/MWh Nordic and German daily spot prices in 2019 – 2021



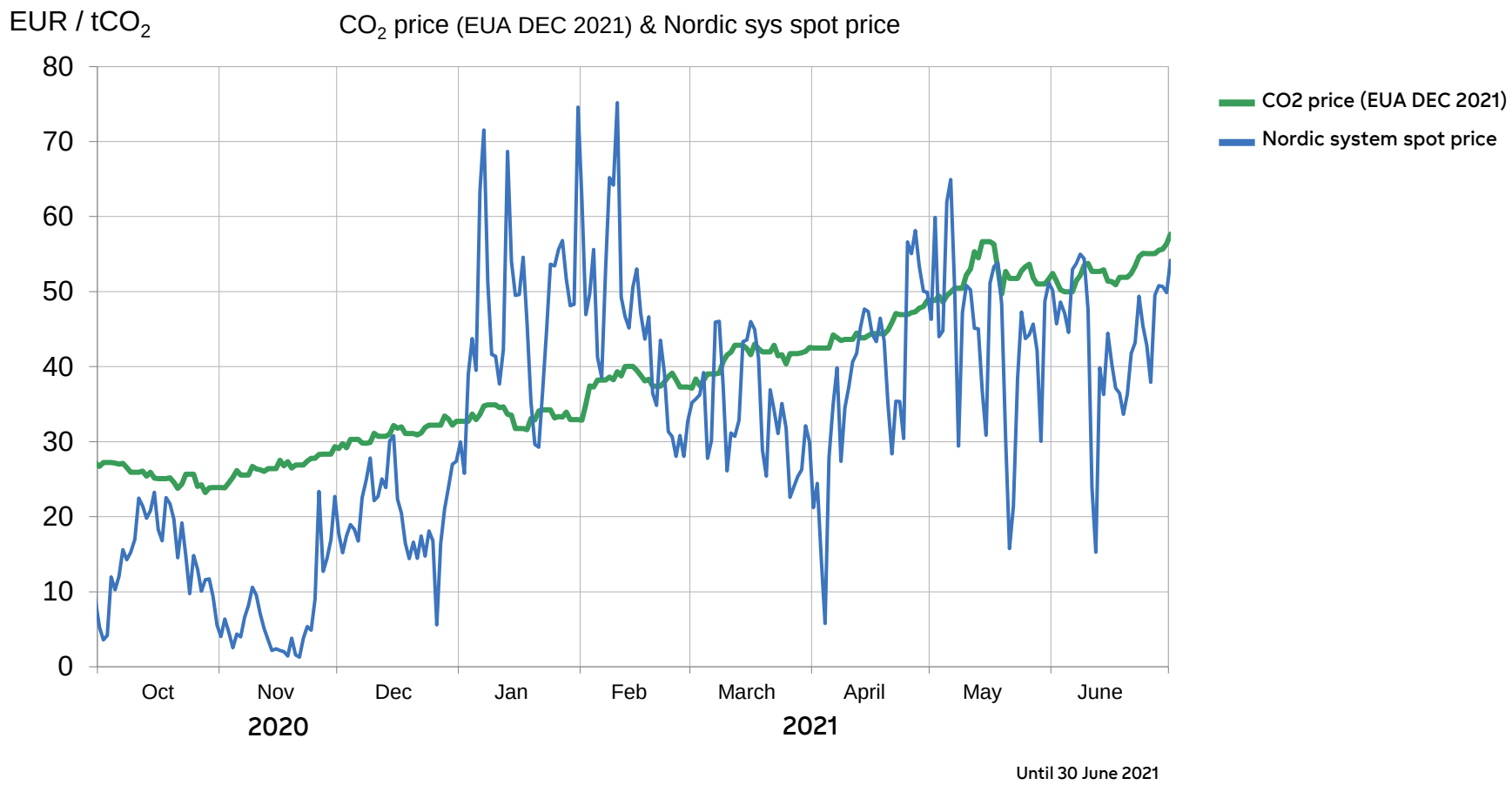
EUR/MWh Nordic and German year 2022 forwards in 2019 – 2021



Source: Nord Pool, Bloomberg

fortum
For a cleaner world

CO_2 price and Nordic spot power price

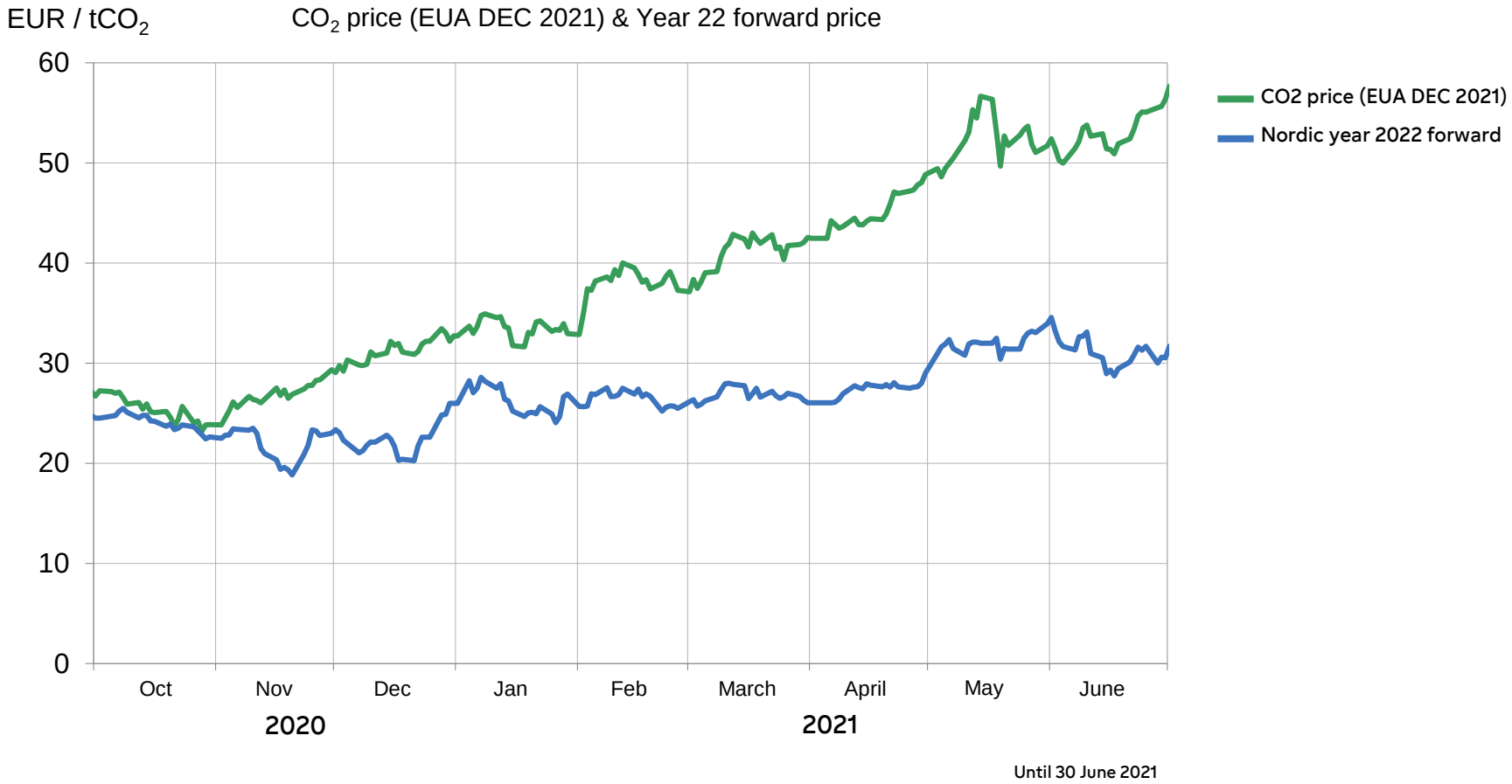


Until 30 June 2021

Source: Bloomberg

fortum
For a cleaner world

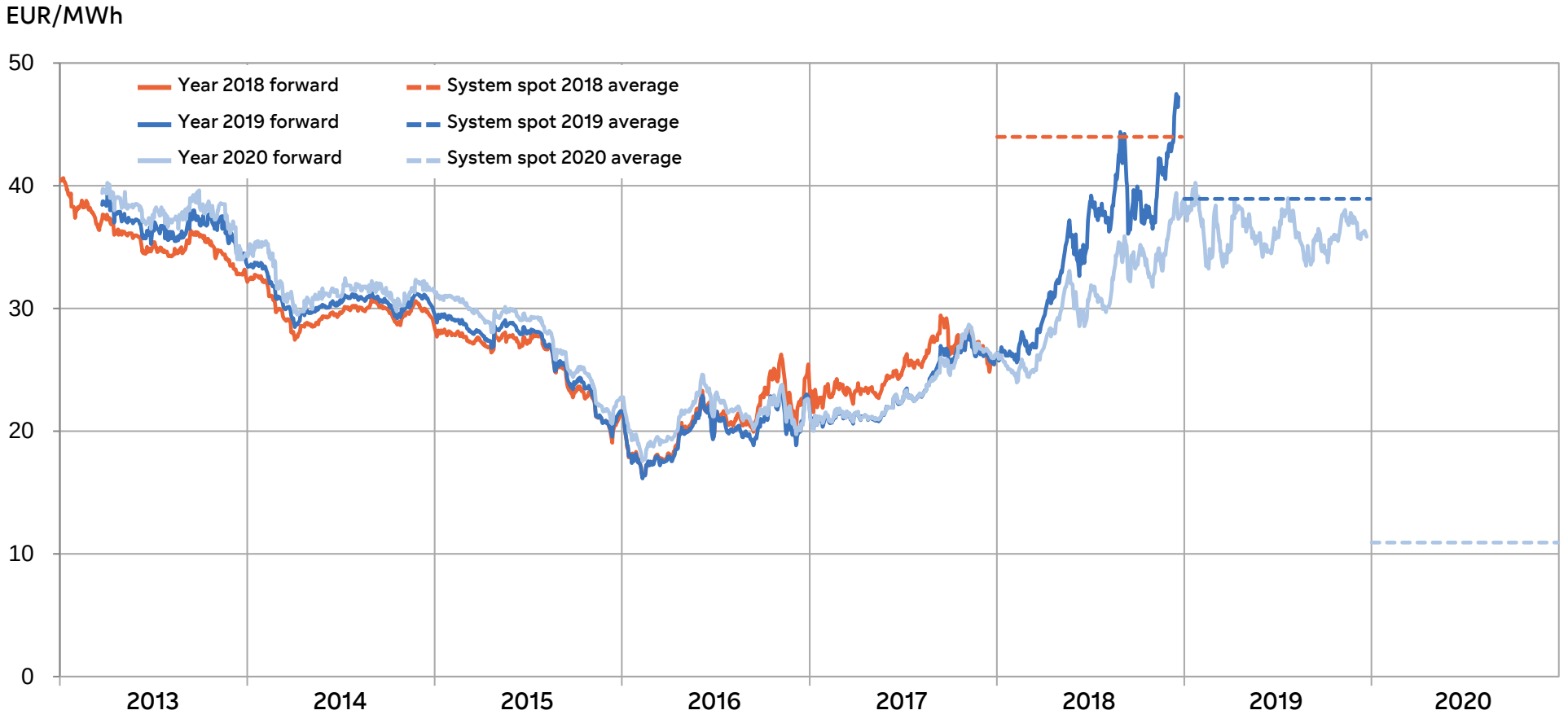
CO_2 price and Nordic forward price



Source: Bloomberg

fortum
For a cleaner world

Nordic forward prices and Nordic sys spot averages



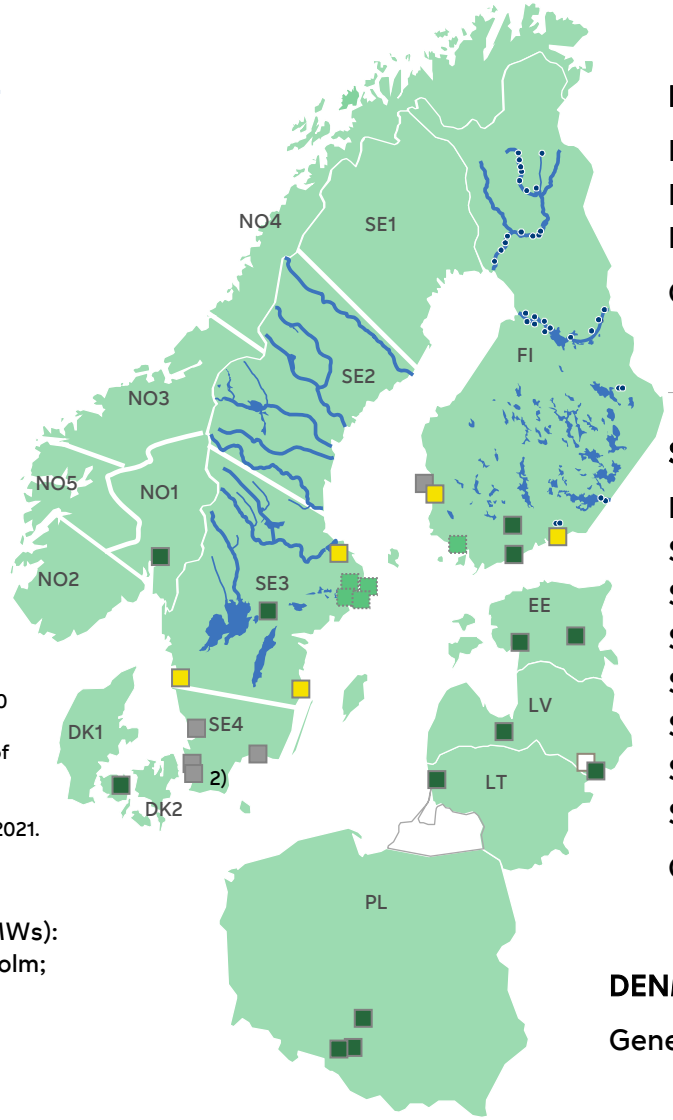
Source: Bloomberg

fortum
For a cleaner world

Fortum's Nordic, Baltic and Polish generation capacity

GENERATION CAPACITY	Fortum	Of which Uniper
Hydro	6,448	1,771
Nuclear	4,818[1]	1,996[1]
CHP	1,185[2,4]	449[2]
Other thermal	1,727	1,162
Wind	101[3,4]	-
Generation capacity, MW	14,279	5,378

Figures 31 December 2020



NORWAY	MW
Price areas	
NO4, Wind	99[3]
NO1, CHP	24
Generation capacity	123

SWEDEN	Fortum	Of which Uniper
Price areas		
SE2, Hydro	3,185	1,635
SE3, Hydro	1,587	13
SE4, Hydro	123	123
SE3, Nuclear	3,331[1]	1,996[1]
SE3, CHP	6	-
SE4, CHP	449[2]	449[2]
SE4, Other th.	1,162	1,162
Gen. capacity	9,843	5,378

DENMARK, DK1	MW
Generation capacity, CHP	9

FINLAND	MW
Hydro	1,553
Nuclear	1,487
CHP	375
Other thermal	565
Generation capacity	3,980

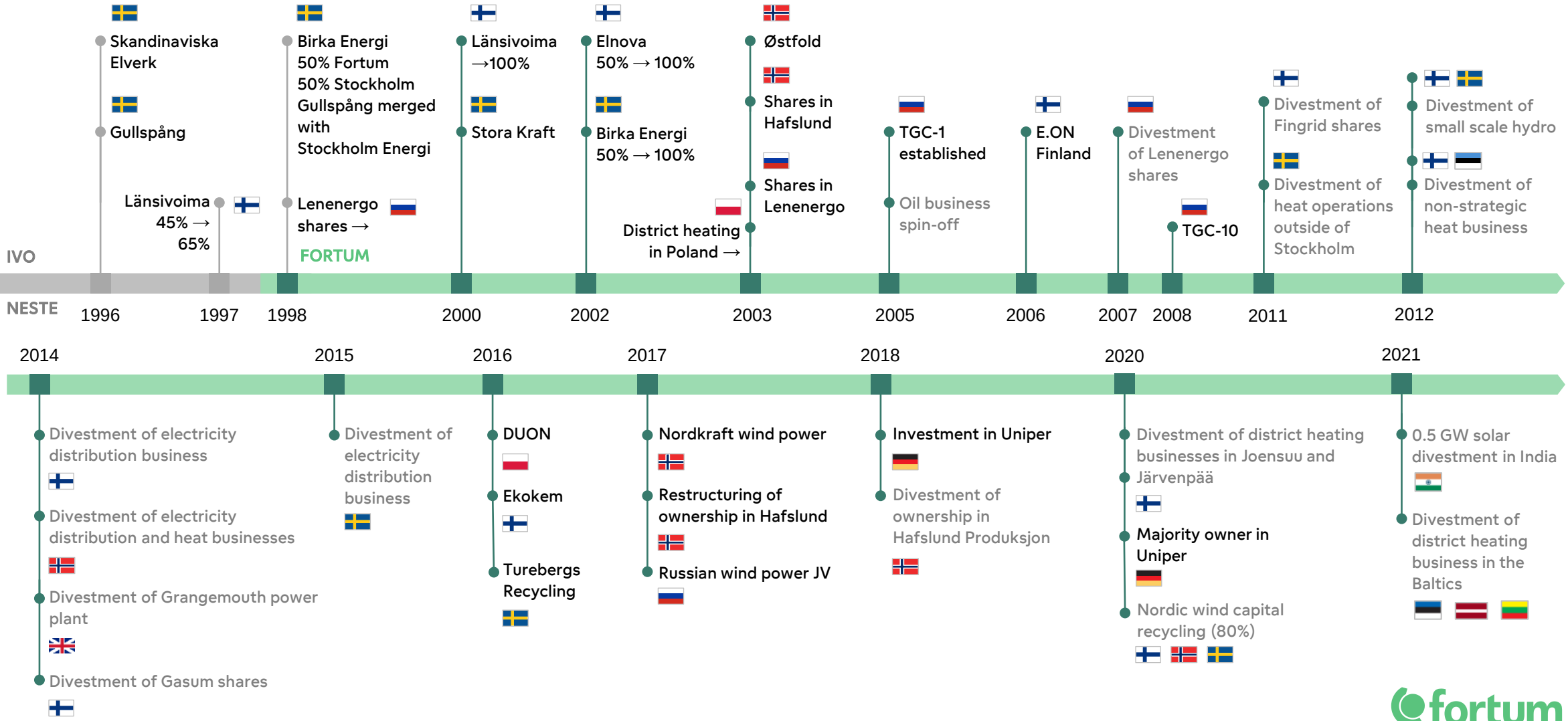
BALTICS AND POLAND	MW
Generation capacity,	CHP
in Estonia	43[4]
in Latvia	28[4]
in Lithuania	18[4]
in Poland	233
in Latvia, Wind	2[4]

1) Ringhals 1 (of which Uniper's share 269 MW) closed at the end of 2020
2) Öresundsverket 449 MW facility mothballed in 2018
3) The capacity includes the Sørfjord 99 MW wind portfolio in Norway, of which a majority 80% ownership has been sold in January 2021.
4) The capacity includes the 89 MW CHP assets in the Baltics and the 2 MW wind power plant in Latvia, which have been divested in July 2021.

Associated companies' plants (not included in the MWs): Stockholm Exergi (Former Fortum Värme) in Stockholm; TSE in Naantali

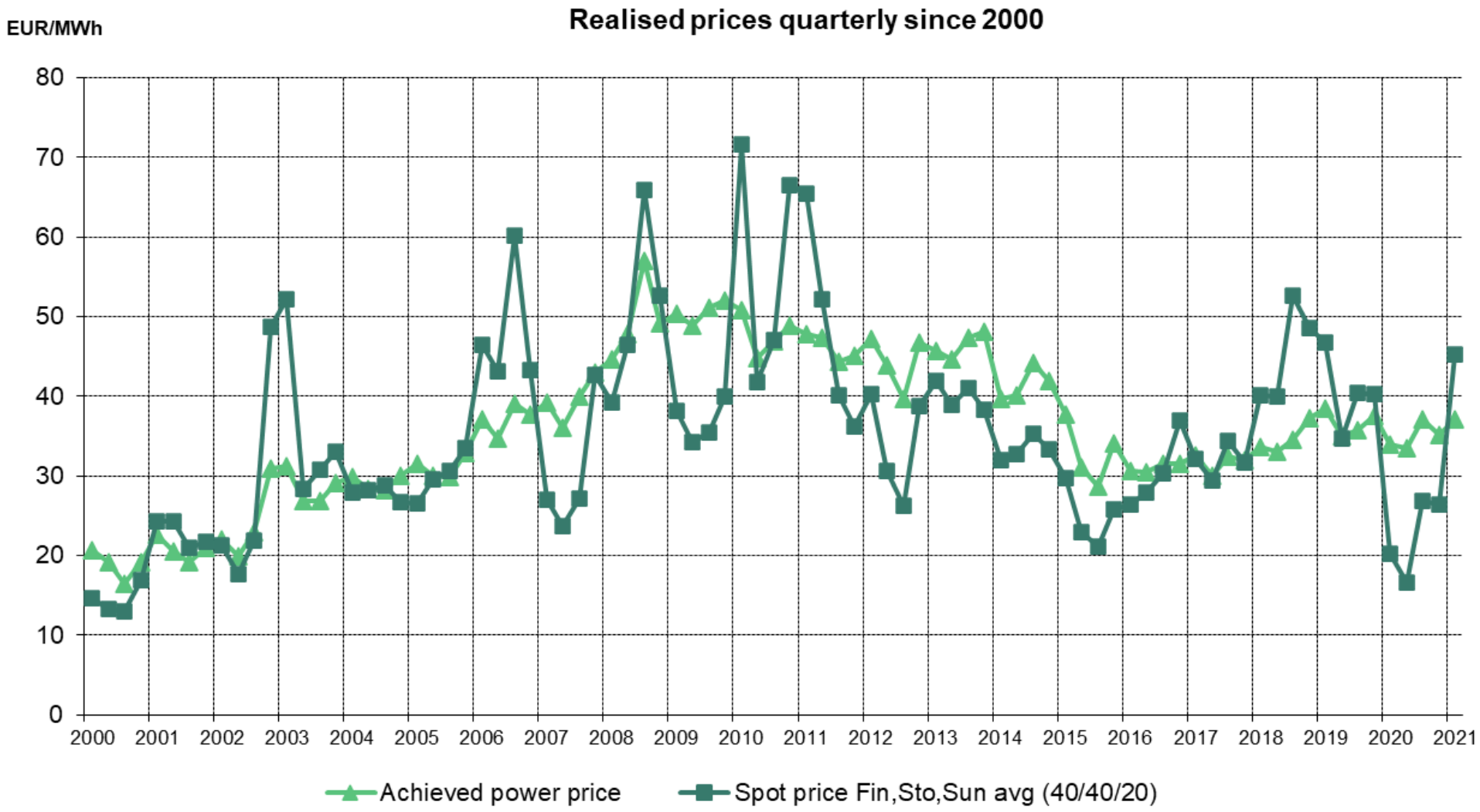
fortum
For a cleaner world

Fortum's evolution and historical strategic route



fortum
For a cleaner world

Hedging improves stability and predictability – principles based on risk mitigation, (Generation segment)



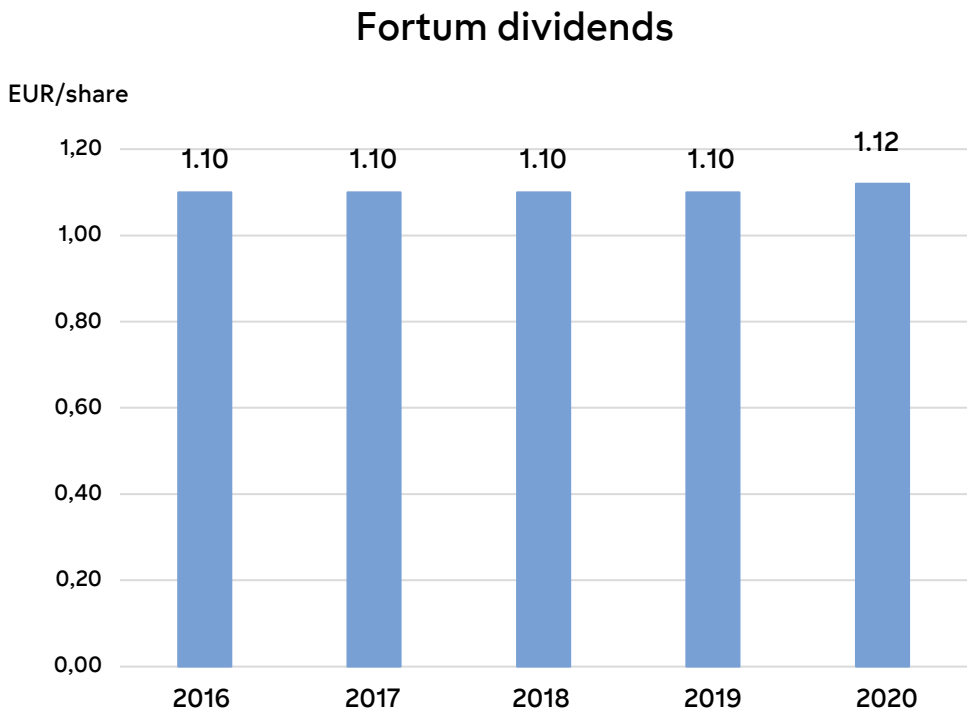
2009 onwards thermal and import from Russia excluded

fortum
For a cleaner world

Fortum’s dividend policy aiming at increasing dividend

Dividend policy:

“Fortum’s dividend policy is to pay a stable, sustainable, and over time increasing dividend.”



fortum
For a cleaner world

Next events:
January-June Interim Report on 17 August 2021
January-September Interim Report on 12 November 2021

For more information,
please visit www.fortum.com/investors

Fortum Investor Relations and Financial Communications

To subscribe Fortum's releases, please fill out the subscription form on our website
https://www.fortum.com/about-us/media/media-room/subscribe-press-releases

Ingela Ulfves
Vice President,
Investor Relations and
Financial Communication
+358 (0)40 515 1531
ingela.ulfves@fortum.com

Rauno Tiihonen
Manager
+358 (0)10 453 6150
rauno.tiihonen@fortum.com

Måns Holmberg
Manager
+358 (0)44 518 1518
mans.holmberg@fortum.com

Carlo Beck
Manager
+49 172 751 2480
carlo.beck@fortum.com

Pirjo Liflander
IR Specialist
+358 (0)40 643 3317
pirjo.liflander@fortum.com

Camilla Nikk
Coordinator
+358 (0)50 516 9484
camilla.nikk@fortum.com

Follow us on:

www.twitter.com/Fortum
www.linkedin.com/company/fortum
www.youtube.com/user/fortum
Fortum ForEnergy blog at
fortumforenergyblog.wordpress.com

fortum
For a cleaner world