



Equity story of

# **FORTUM — For a cleaner world**

Investor / Analyst material

May 2021

# 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.



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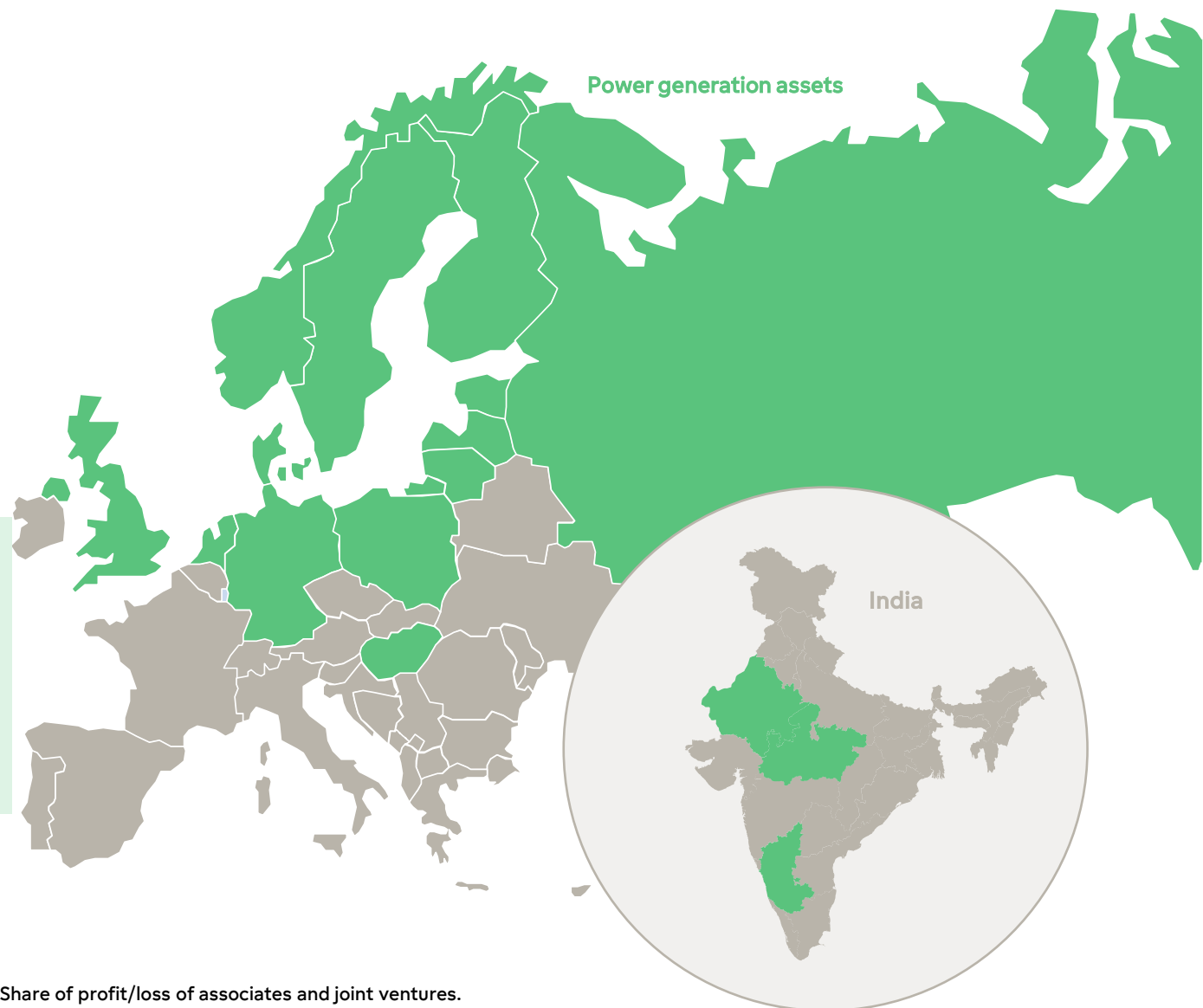


# Fortum in brief

## Key figures 2020<sup>1</sup>

Sales	EUR 49.0 bn
Comparable EBITDA	EUR 2.4 bn
Total assets	EUR 57.8 bn
Personnel	19,933

<u>Main businesses<sup>1</sup></u>	<u>Sales (€)</u>	<u>Volume<sup>2</sup></u>	<u>Capacity</u>
Power	20.8 bn	142 TWh	50.3 GW
Gas	22.4 bn	~370 TWh	7.6 bcm <sup>3</sup>
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

# Strong position to drive the energy transition in Europe



**3rd largest**

power generator  
in Europe and Russia



**3rd largest**

CO<sub>2</sub>-free power generator  
in Europe



**3rd largest**

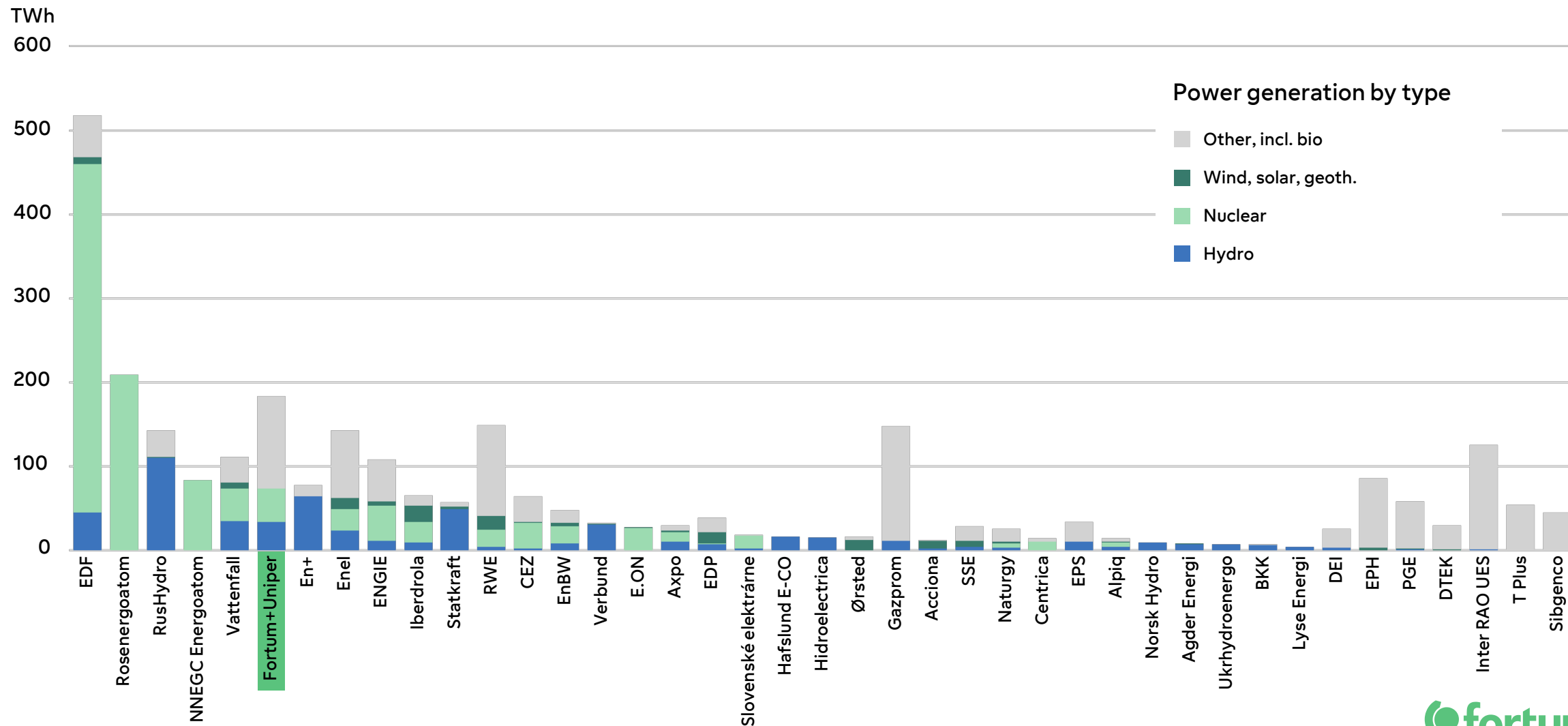
nuclear generator  
in Europe



**4th largest**

gas storage operator  
in Europe

# Consolidated Fortum is the third largest CO<sub>2</sub>-free power generator in Europe



# Renewables and CO<sub>2</sub>-free power generation capacity of Fortum

## 14.6 GW



Hydro

8.4 GW



Wind & Solar

1.7 GW



Nuclear

4.5 GW

# Fortum is well positioned for the energy transition

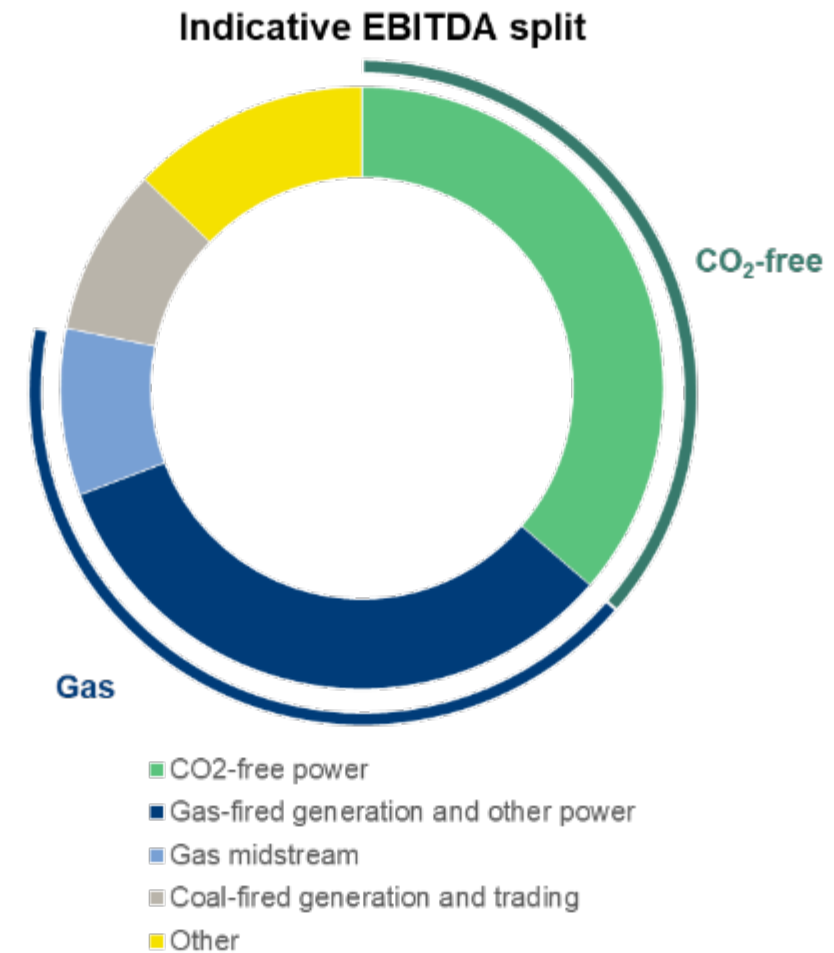
Third largest CO<sub>2</sub>-free power generator in Europe with growing portfolio of wind and solar

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

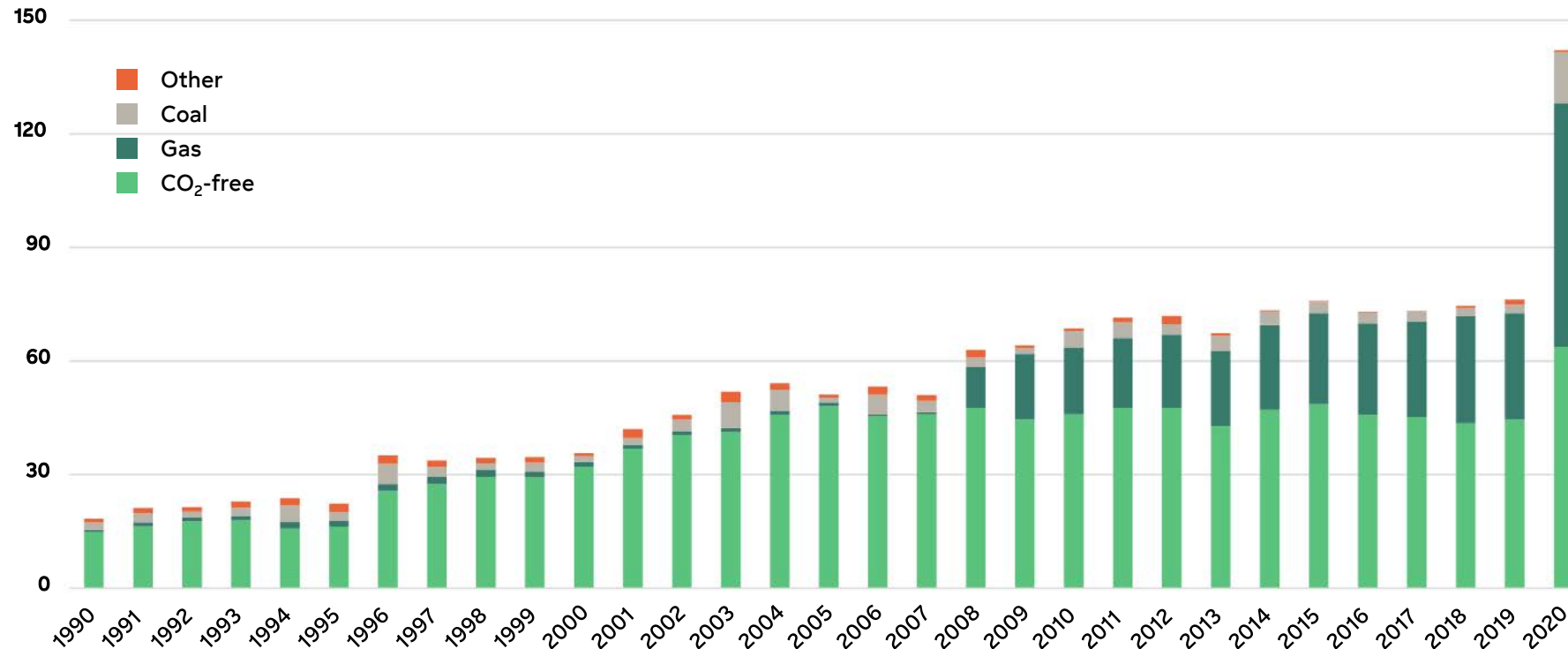


Source: Fortum and Uniper financial reporting



# Fortum's CO<sub>2</sub>-free power generation increases by ~60% as Uniper is consolidated as a subsidiary

Fortum's power generation, TWh



Fortum\*:

- CO<sub>2</sub>-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 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.

## 3<sup>rd</sup> largest CO<sub>2</sub>-free generator in Europe

CO<sub>2</sub>-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<sub>2</sub>-free.

## Specific CO<sub>2</sub> emissions

Fortum's specific CO<sub>2</sub> emissions from total energy production in Europe were 188 gCO<sub>2</sub>/kWh in 2020, and 287 gCO<sub>2</sub>/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



Fortum is listed in several sustainability indices and ratings:



FTSE4Good



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# 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

- CO<sub>2</sub>-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

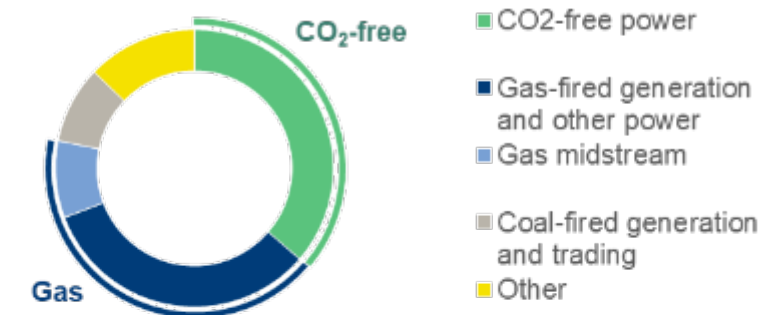
### Russia power generation

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

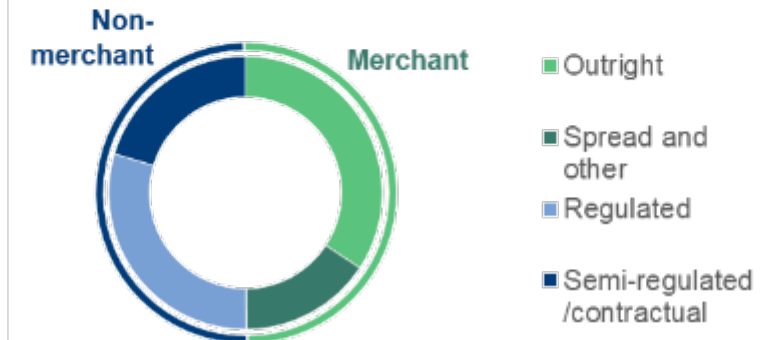
### Growth based on strategy

## Fortum Group's indicative EBITDA by business and market exposure

### Indicative EBITDA split



### Indicative market exposure



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

# 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<sub>2</sub>-free power generation

- Supply significant flexible and reliable CO<sub>2</sub>-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

# 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<sub>2</sub> 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

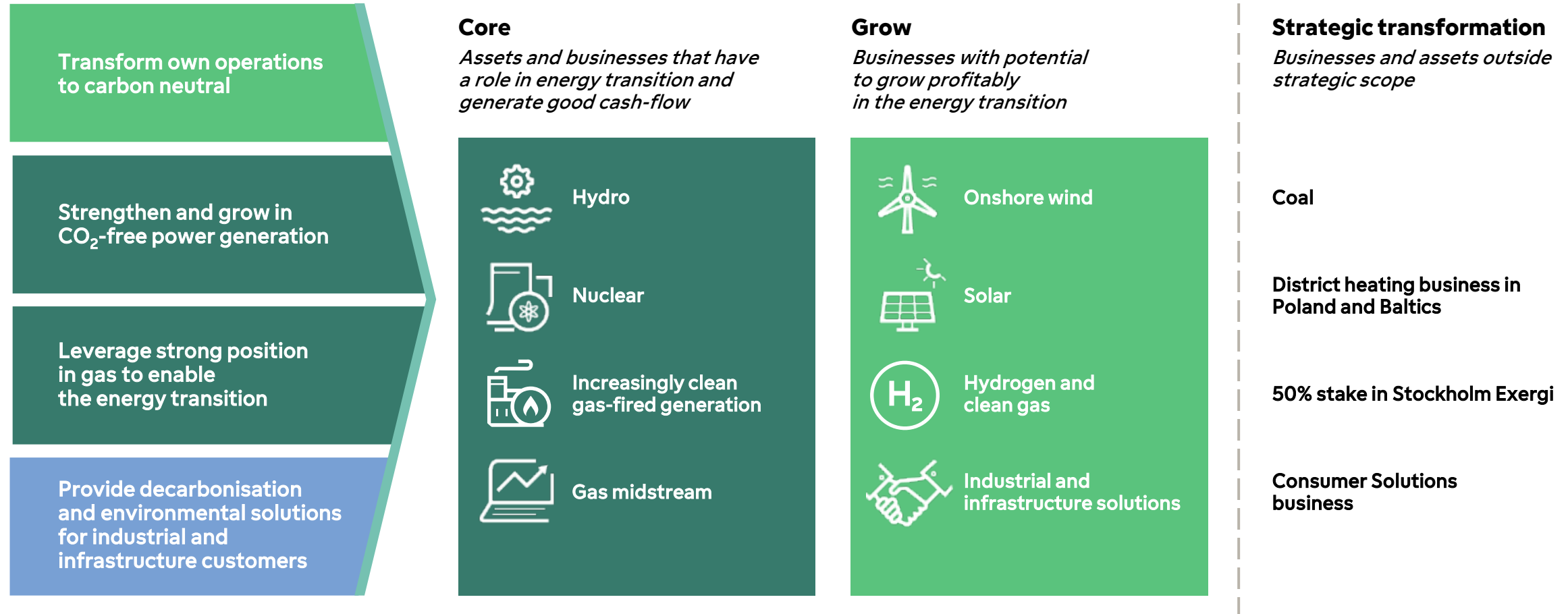


## Shareholder value creation:

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



# Fortum – A leader in clean power and gas



# 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

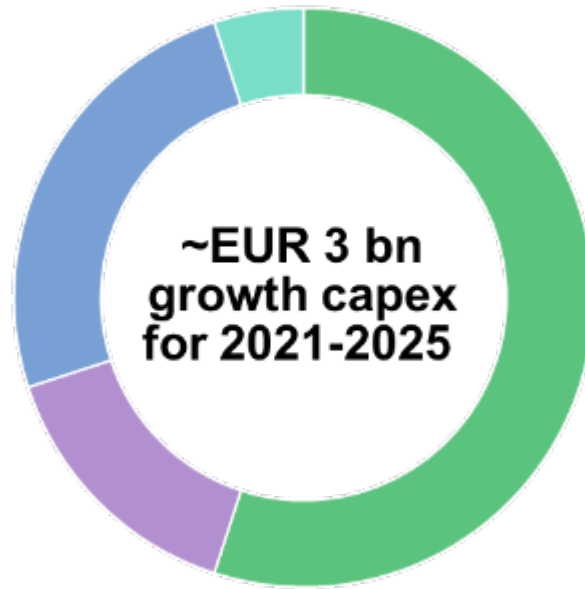
Target to increase dividend

**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

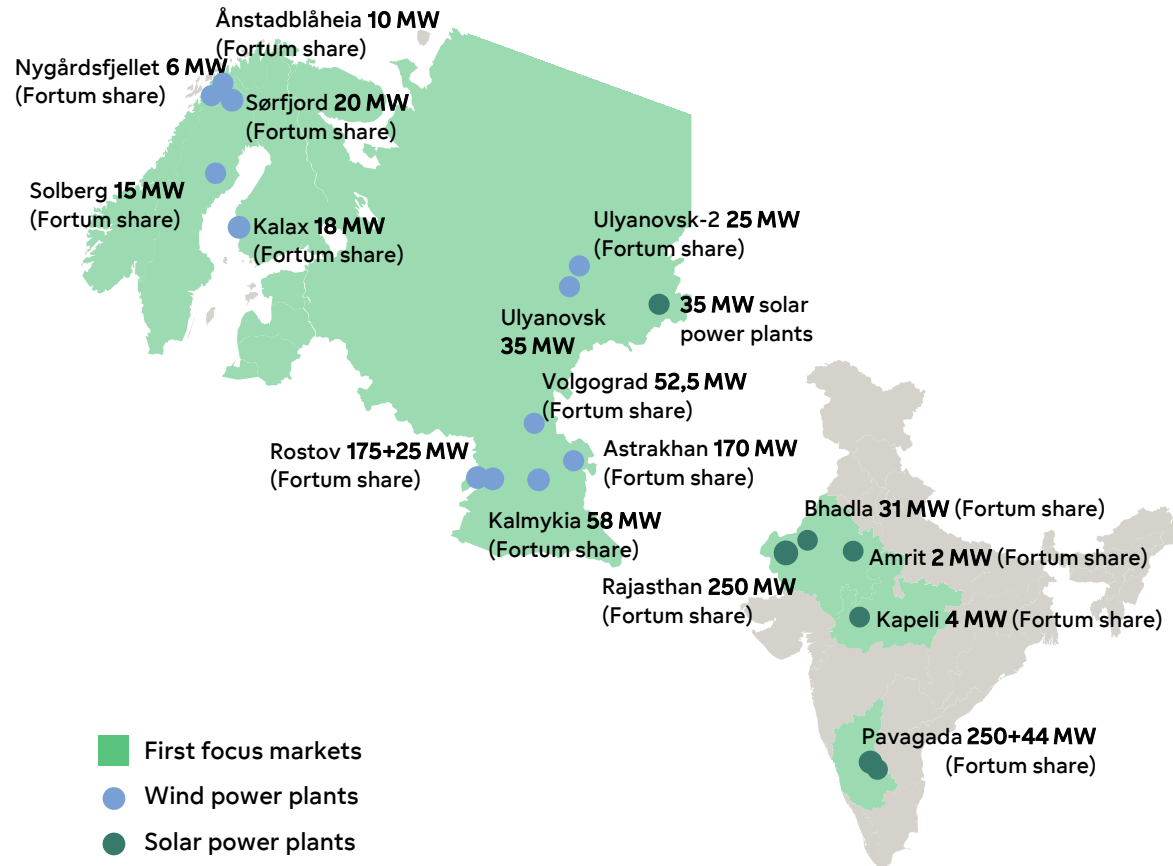
# Indicative capital expenditure for growth investments in 2021-2025 – renewables and clean gas



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



\*) 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.

PORTFOLIO	STATUS	CAPACITY, MW	FORTUM SHARE, MW	SUPPLY STARTS/STARTED
<b>FINLAND</b>		<b>90</b>	<b>18</b>	
• Kalax	Operational	90	18	Q4 2020
<b>NORWAY</b>		<b>181</b>	<b>36</b>	
• Nygårdsfjellet	Operational	32	6	2006 and 2011
• Ånstadblåheia	Operational	50	10	2018
• Sørfjord	Operational	99	20	Q4 2019- Q1 2021
<b>SWEDEN</b>		<b>76</b>	<b>15</b>	
• Solberg	Operational	76	15	2018
<b>RUSSIA</b>		<b>2,009</b>	<b>1,040</b>	
• 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
• Rusnano JV	Under development	728	364	2022-2023
<b>INDIA</b>		<b>685</b>	<b>581</b>	
• Amrit	Operational	5	2	2012
• Kapeli	Operational	10	4	2014
• Bhadla	Operational	70	31	2017
• Pavagada	Operational	100	44	2017
• Pavagada 2	Operational	250	250	Q3 2019
• Rajasthan	Operational	250	250	Q1-Q2 2021
<b>TOTAL</b>		<b>3,041</b>	<b>1,690</b>	
	Under development	728	364	
	Under construction	611	306	
	Operational	1,702	1,020	

# 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 Negative	19 March 2020
Fitch Ratings	BBB/Outlook Negative	7 April 2020



# Return targets for new investments

## Return targets for new investments:

**WACC+** hurdle rate:

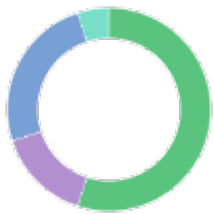
**+100 bps** for green investments

**+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 and Uniper cooperation estimated to deliver significant financial benefits

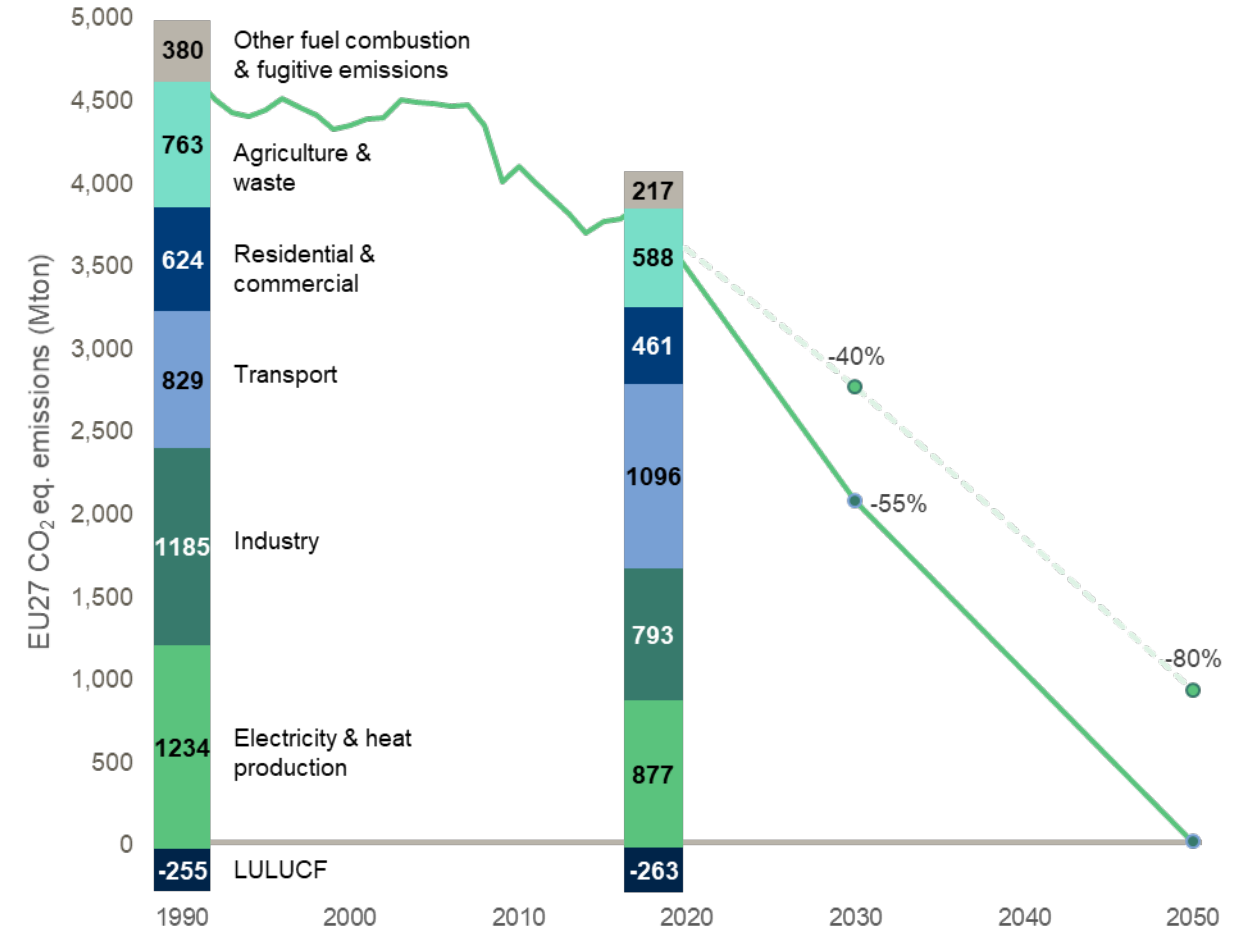
Cooperation benefits focus on monetary, safety, and environmental actions

- 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



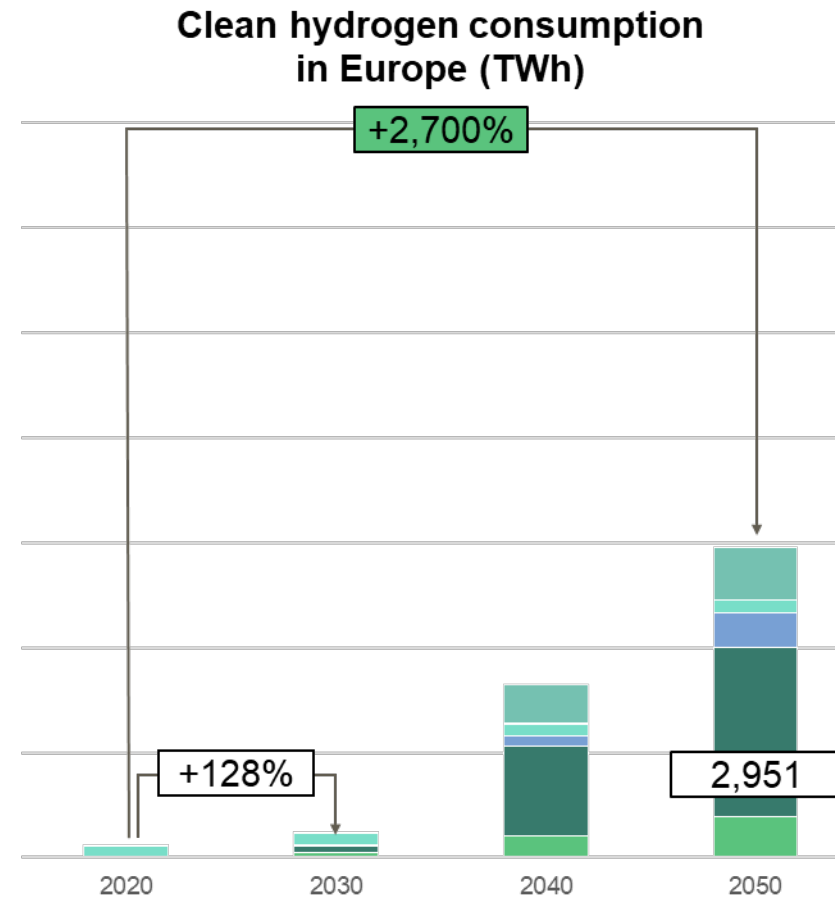
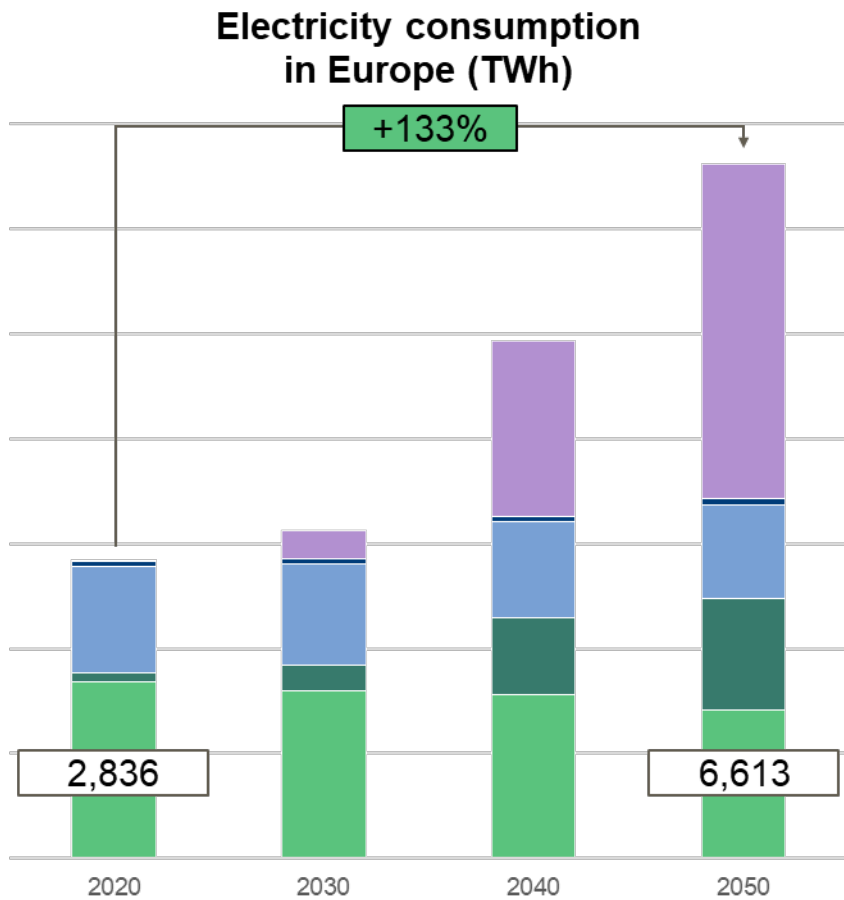
# Europe committed to be a forerunner in reducing GHG emissions across all sectors

- 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

# Energy transition will increase demand for electricity and hydrogen



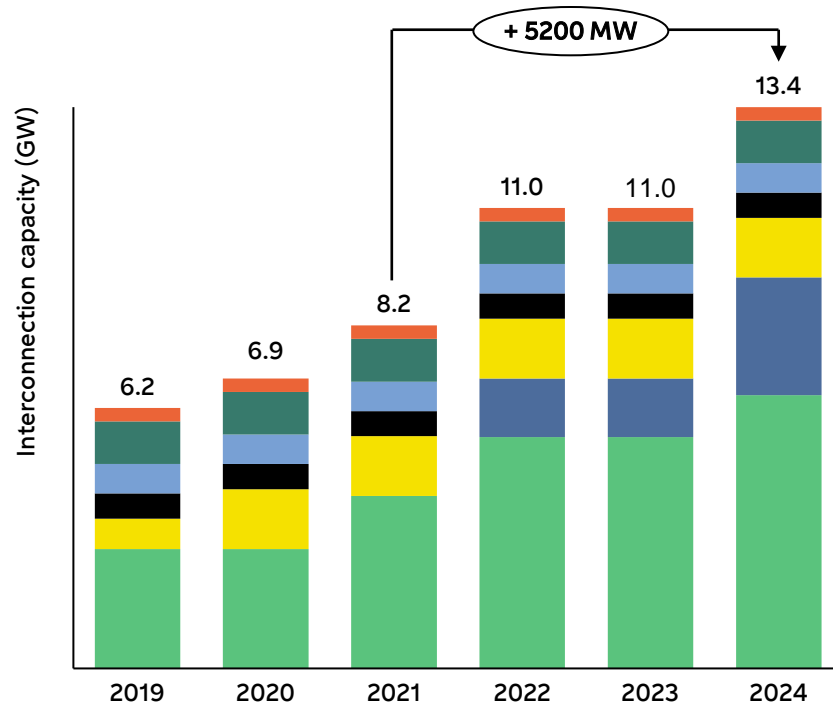
- Electricity
- Hydrogen
- Feedstocks
- Agriculture
- Industry
- Transport
- Residential and commercial

Source:  
IHS Markit Net Zero  
Carbon Europe  
scenario

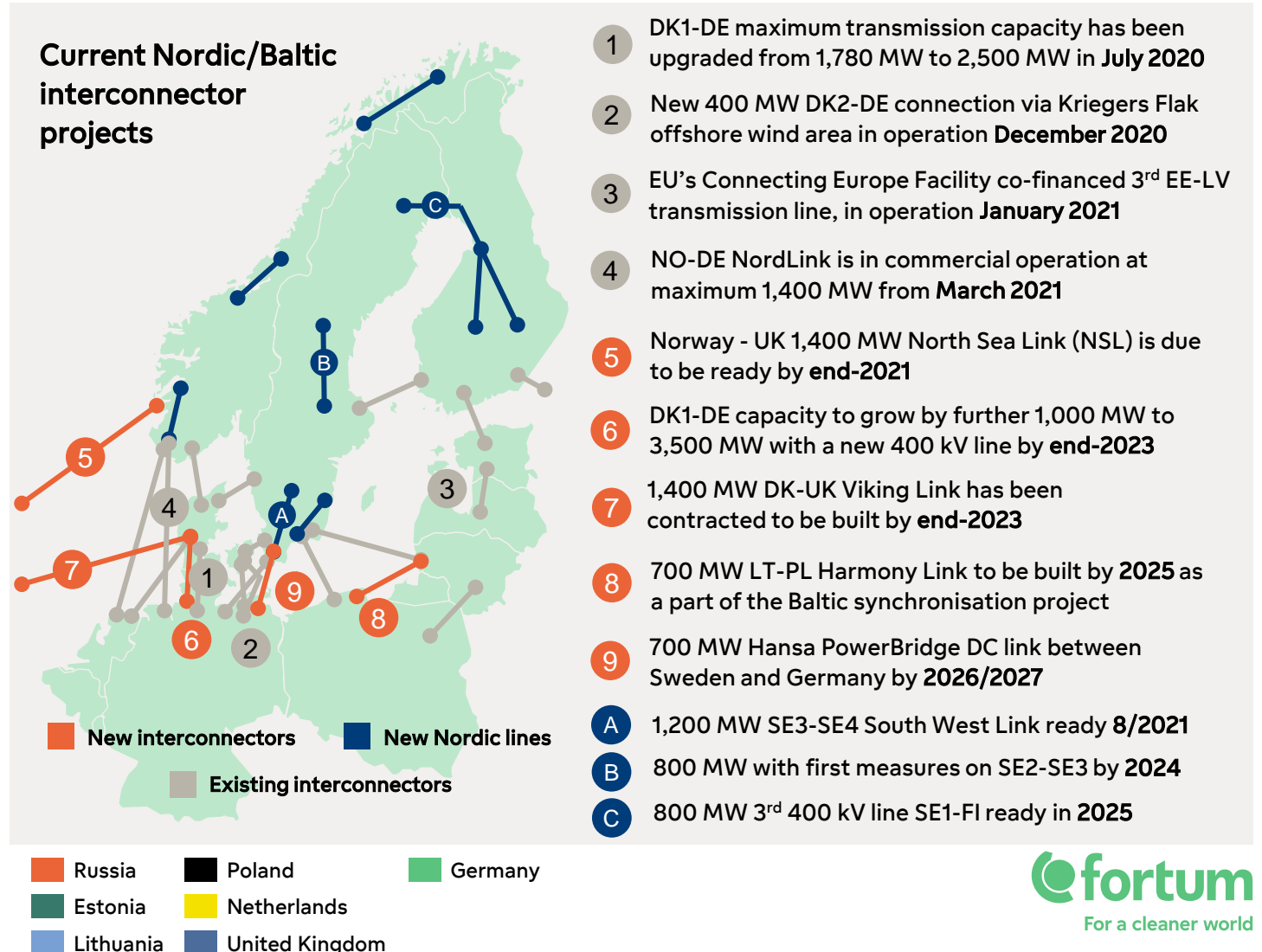
# Nordic, Baltic, Continental and UK markets are integrating

## – 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

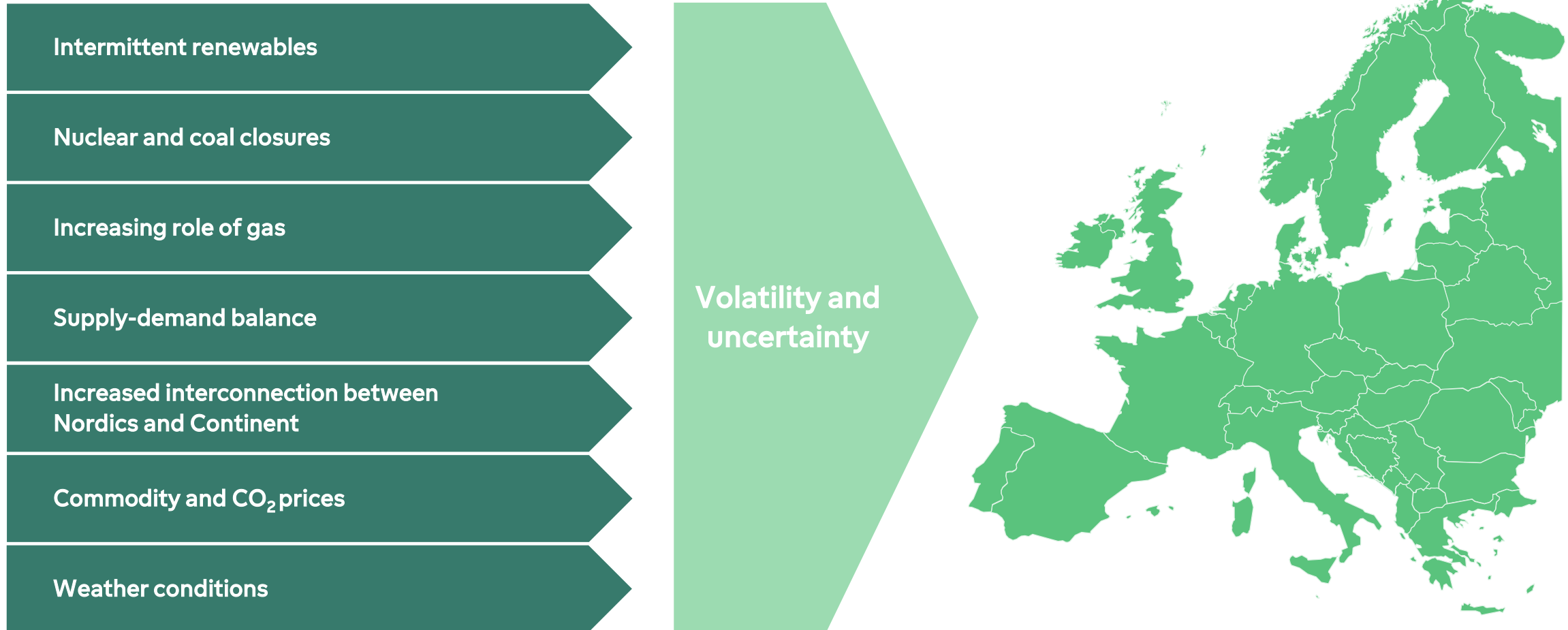


Years in the chart above refer to a snapshot of 1<sup>st</sup> of January each year.  
Source: Fortum Market Intelligence





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



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

**Transform own operations to carbon neutral**

Strengthen and grow in CO<sub>2</sub>-free power generation

Leverage strong position in gas to enable the energy transition

Partner with industrial and infrastructure customers

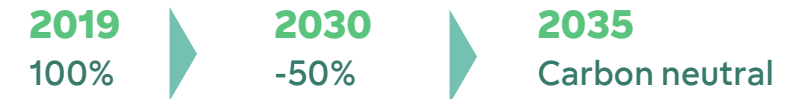
## Carbon neutral in our European generation by 2035 at the latest

- Current trajectory to reduce CO<sub>2</sub> 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

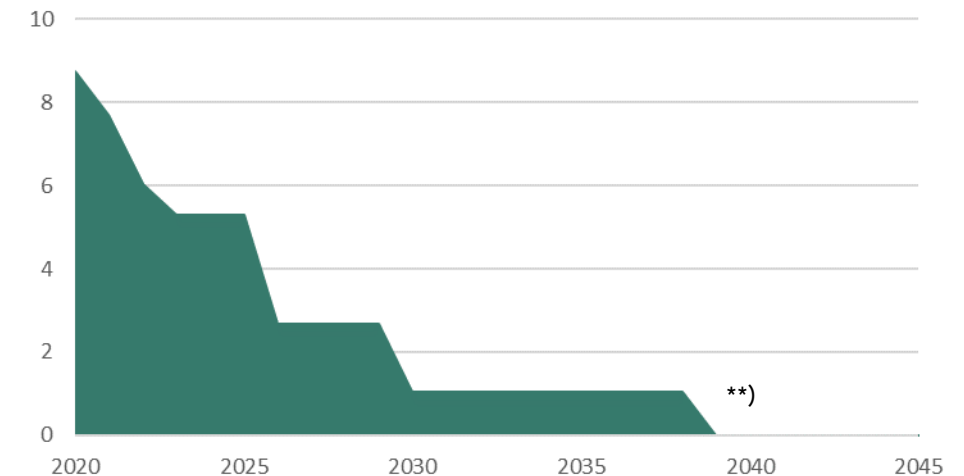
## Carbon neutral as a group by 2050 at the latest in line with the Paris Agreement

- 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<sub>2</sub> net emissions:



## Coal fired capacity in Europe (GW)



\*) Base year 2019

\*\*) Datteln4 decommissioning as defined in the German coal-exit law

# Interim Report January-March 2021

FORTUM CORPORATION

12 May 2021

## 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



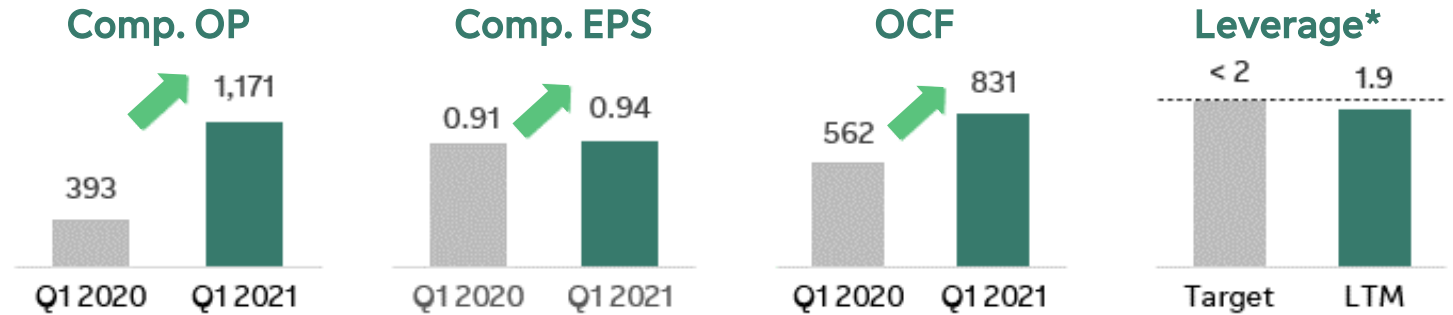
# Strong start for 2021

**Strong headline numbers**

**Improved results in all segments**

**Strengthened balance sheet**

**Dividend of EUR 1.12/share**



## First-quarter summary

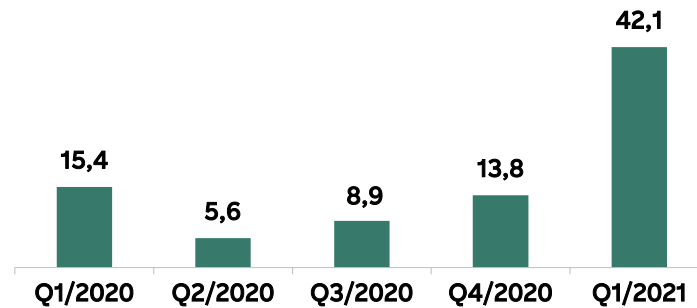
- Results supported by improved operational performance across all segments
- Material impact from full Uniper consolidation – Uniper result outlook for full year 2021 increased
- Comparable EPS of EUR 0.94 of which Uniper contribution EUR 0.51
- Robust cash flow from operating activities
- Balance sheet 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

# Higher achieved power prices

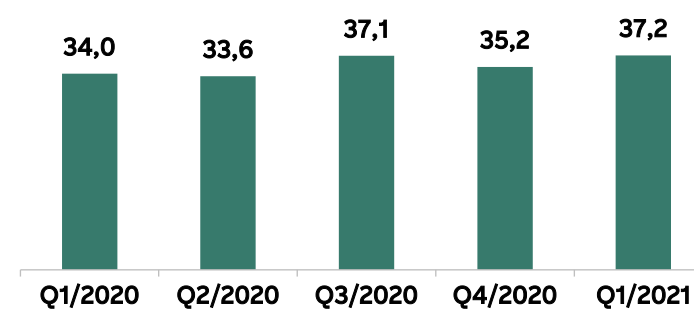
## System spot power price, Nord Pool

EUR/MWh



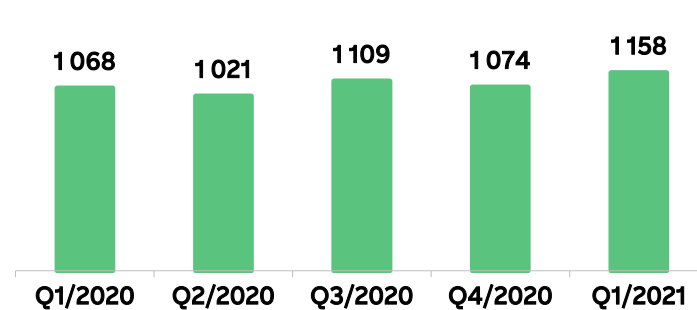
## Fortum Generation's Nordic power price

EUR/MWh



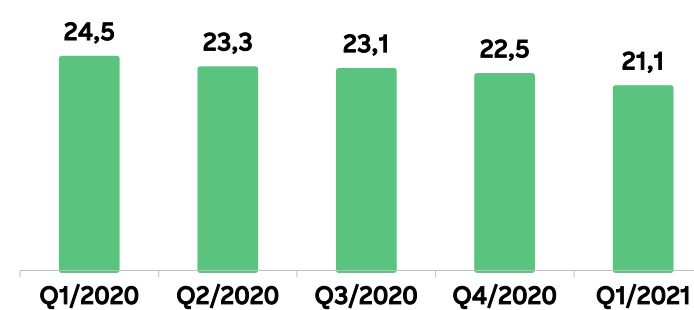
## Spot power price, Urals hub

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**

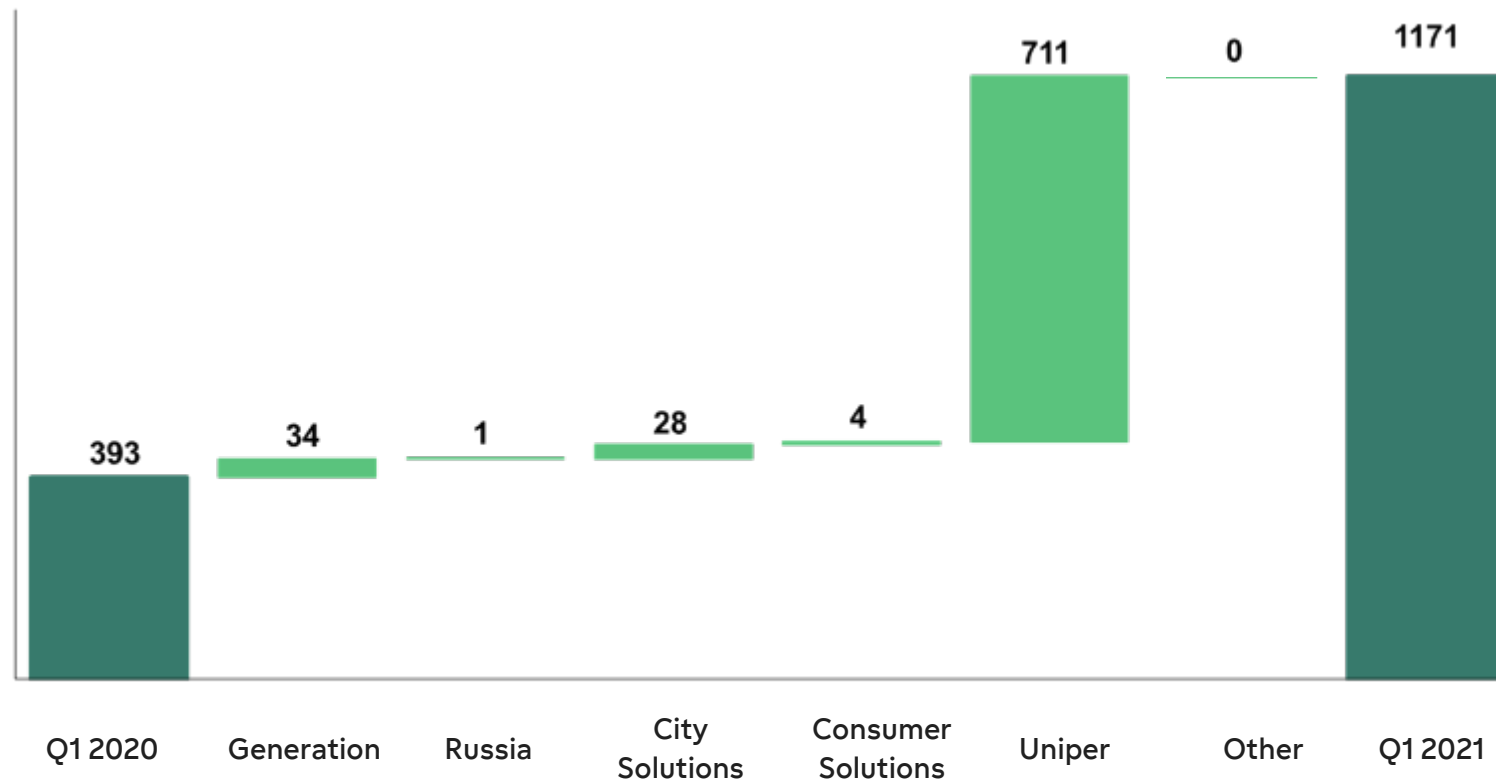
**Russian power demand picking up with increasing electricity prices**

**Russian achieved price in rubles increased while declining in euro terms**

# 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

# Executing our strategy – decarbonisation is key

**Transform operations to carbon neutral**

**Partner with industrial and infrastructure customers**

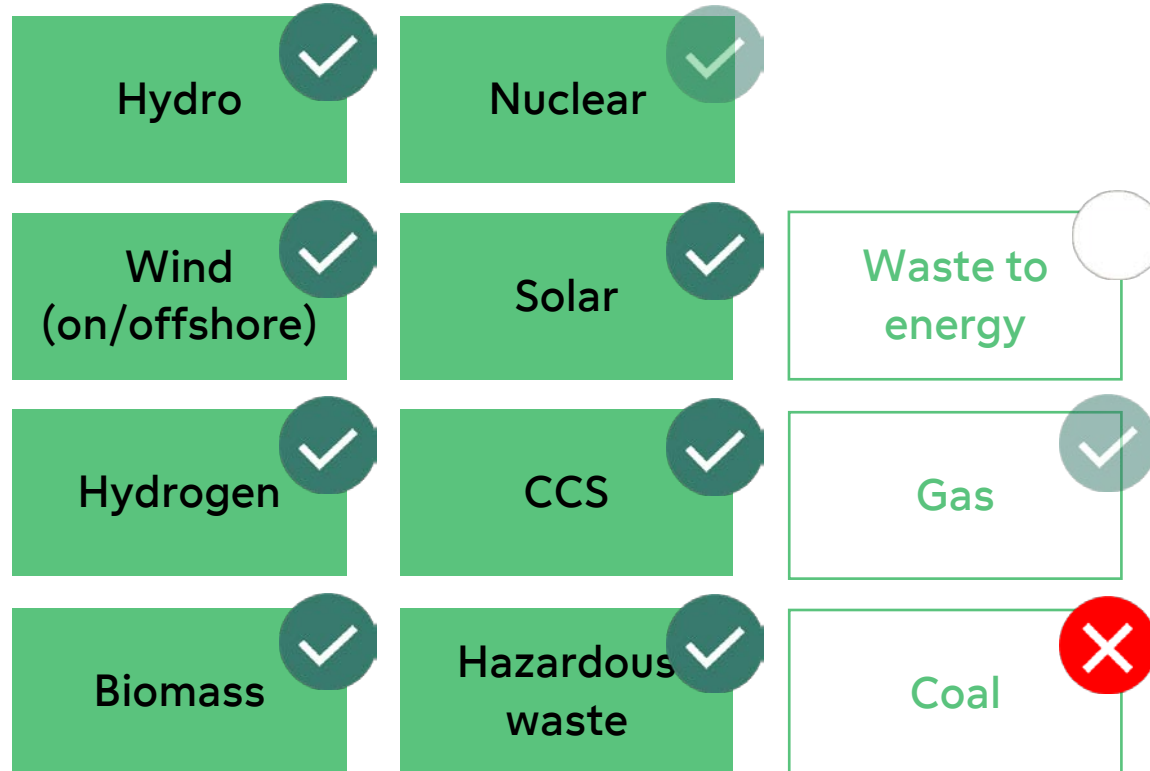
**Regulatory framework - steps in the right direction**

## **Accelerated execution on strategic priorities**

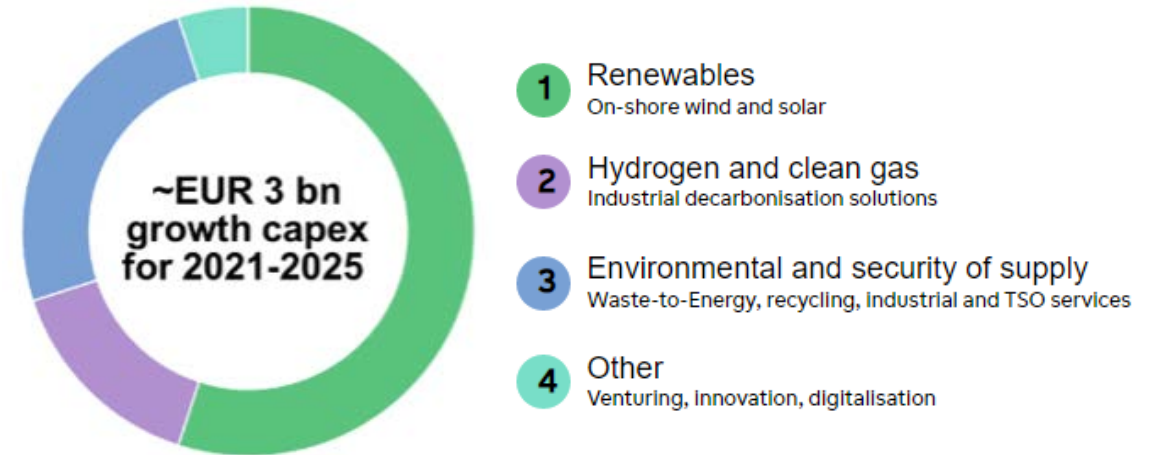
- **Coal-exit proceeding ahead of plan** with the early closure of another coal-fired plant, Wilhelmshaven, following the early closure of Heyden
- **Steps forward in first mover hydrogen position:** Several early-stage hydrogen projects initiated – establish national hubs for hydrogen across northwestern 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



## Fortum growth CAPEX



Portfolio transformation to further increase taxonomy alignment



## 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**

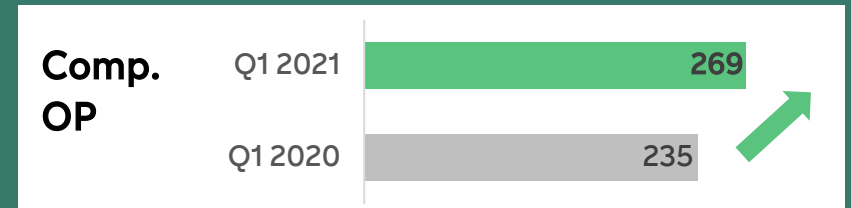
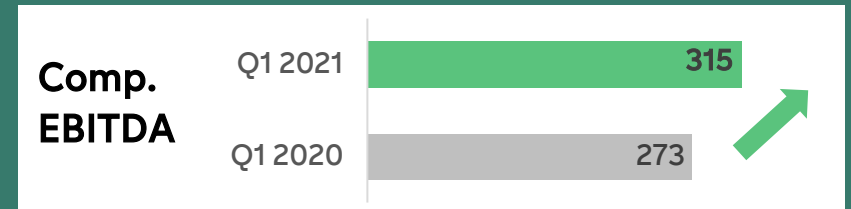
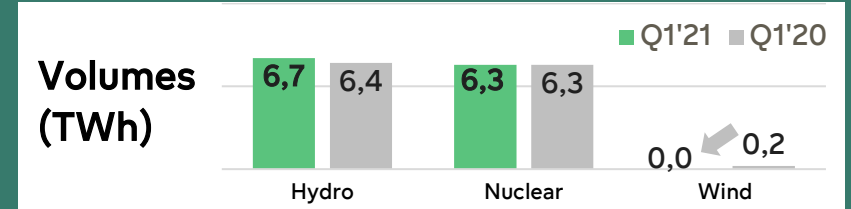
**LTM Comparable EPS at EUR 1.70**

**Healthy credit metrics – strong cash flow from operating activities**

# 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

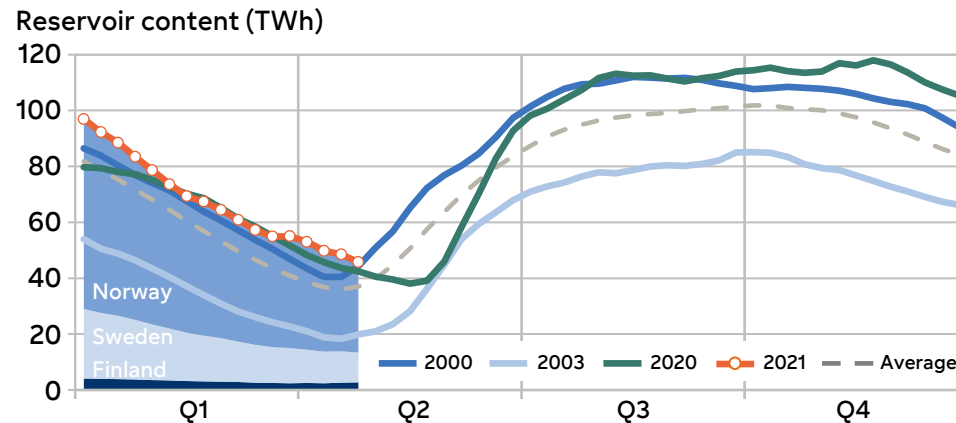


MEUR	Q1 2021	Q1 2020
Sales	675	574
Comparable EBITDA	315	273
Comparable OP	269	235
Comparable net assets	6,135	5,899
Comparable RONA % (LTM)	12.6	12.2*
Gross investments	27	34

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

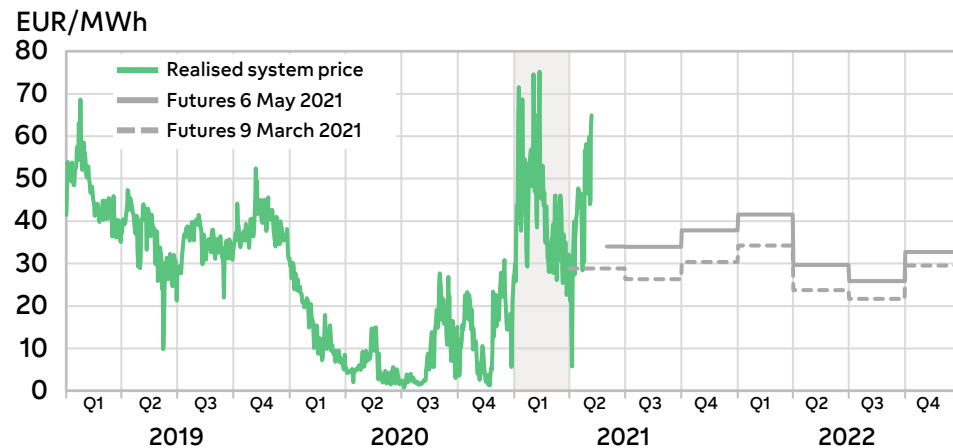
# Nordic hydro reservoirs towards normal levels while spot prices are catching up

## 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



- 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

Source: Nord Pool, Nasdaq Commodities

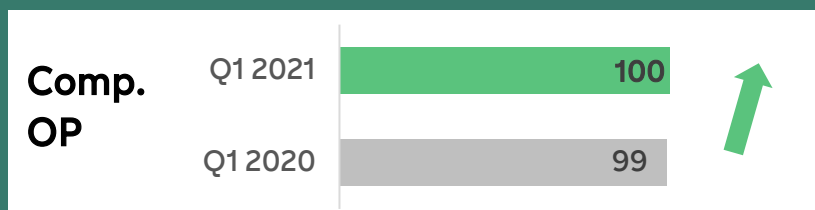
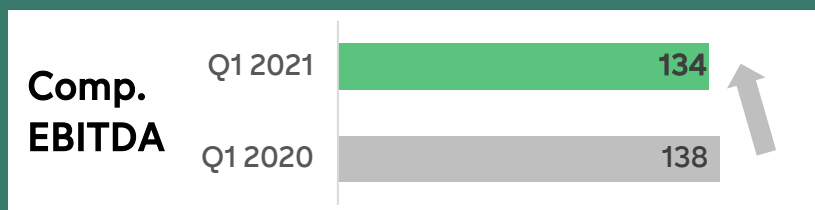
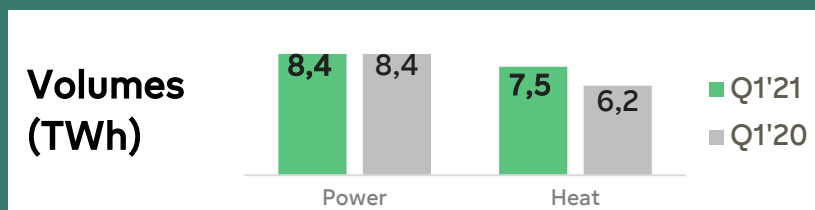
# Russia:

## 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

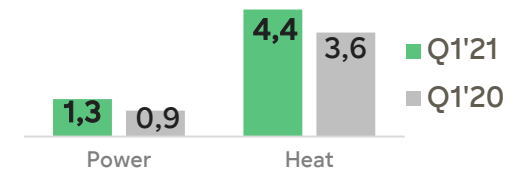
\* full year 2020

# 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

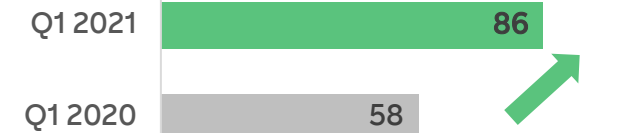
### Volumes (TWh)



### Comp. EBITDA



### Comp. OP



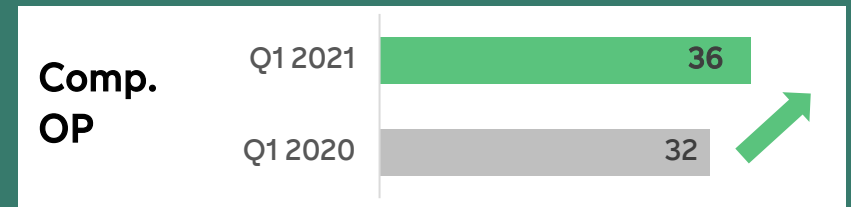
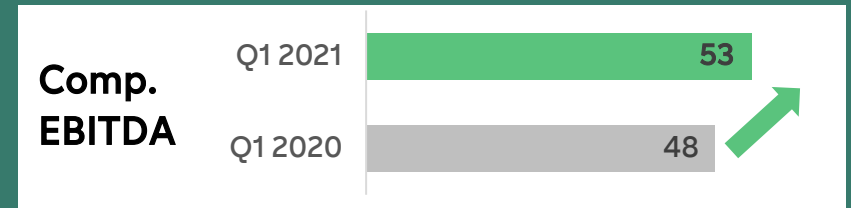
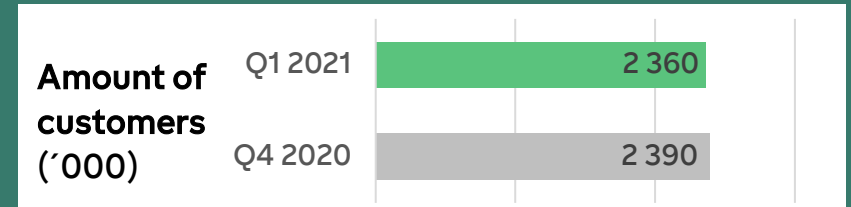
MEUR	Q1 2021	Q1 2020
Sales	418	342
Comparable EBITDA	132	106
Comparable OP	86	58
Comparable net assets	3,305	3,625
Comparable RONA % (LTM)	3.8	2.8*
Gross investments	48	38

\* full year 2020

# 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
- 14<sup>th</sup> 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

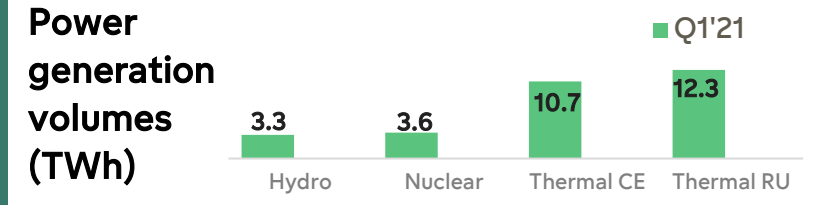


# Uniper: Very strong Q1 results

## 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

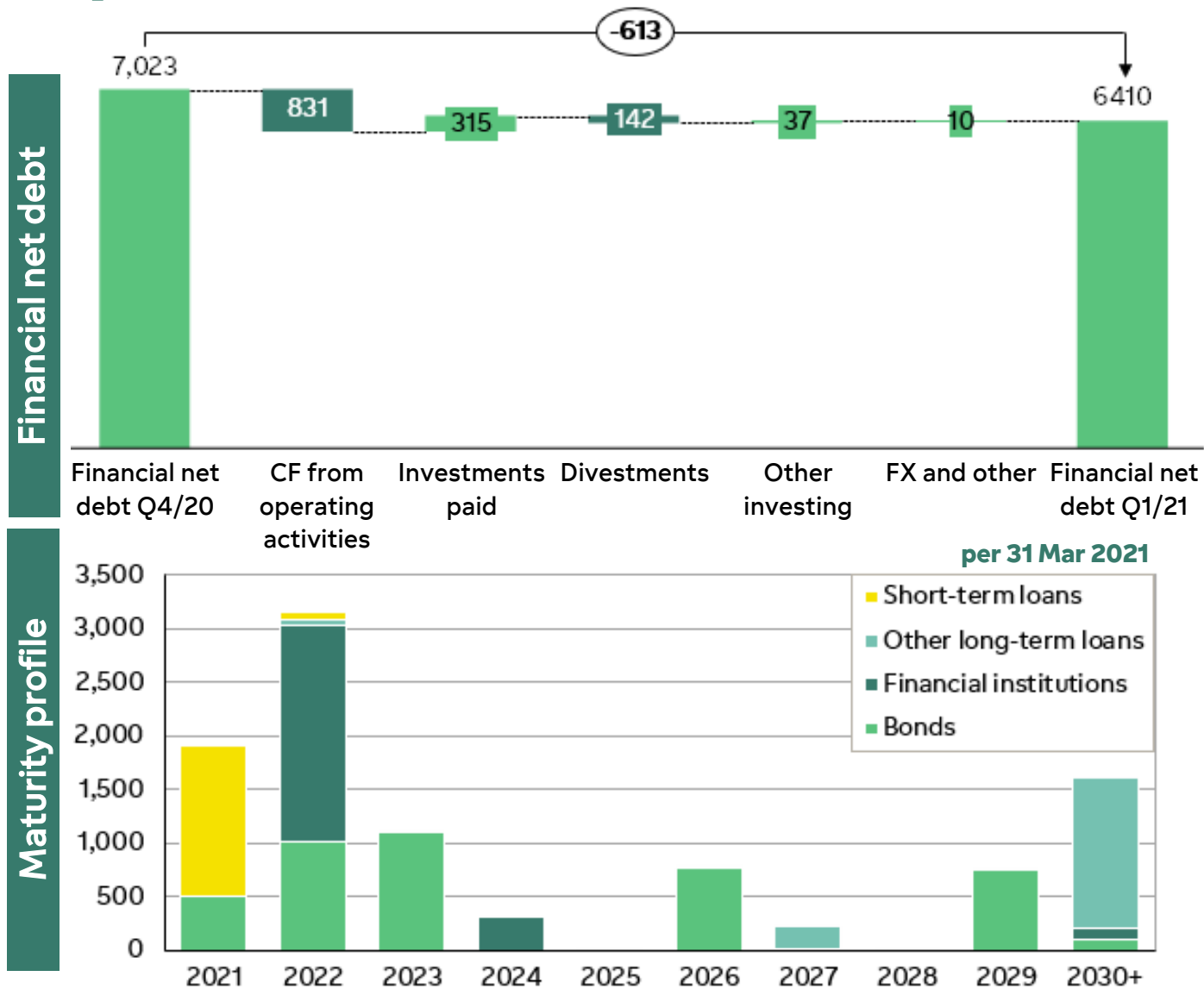


<b>Comp. EBITDA</b>	Q1 2021	868
	Q1 2020	

<b>Comp. OP</b>	Q1 2021	711
	Q1 2020	

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	-

# Improved financial net debt



## 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

# 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

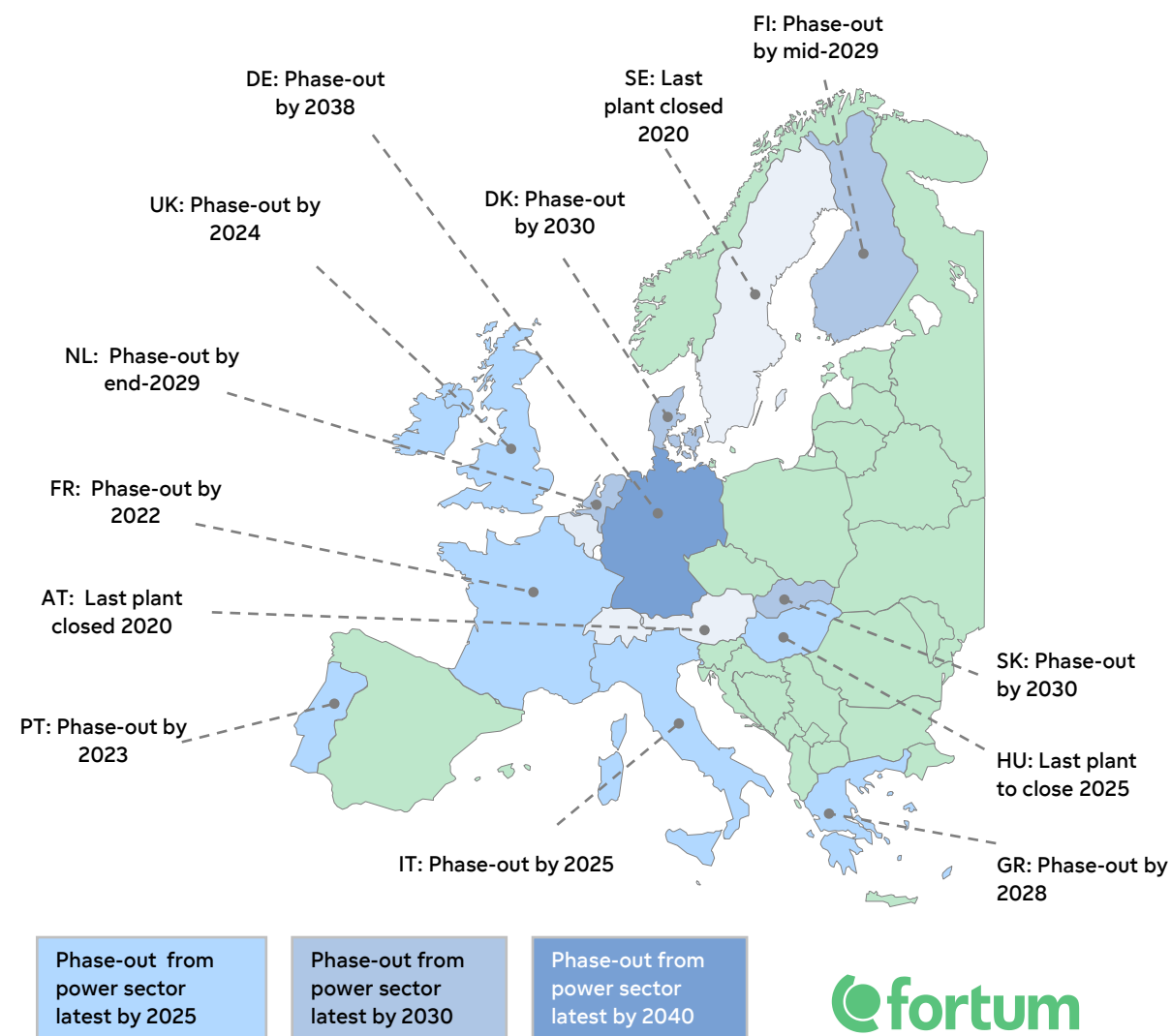
In 2021, in the Russia segment, the negative financial effect related to the ending of the CSA period of two production units is expected to exceed the positive effect of three units entering the four-year period of higher CSA payments.

# Appendices

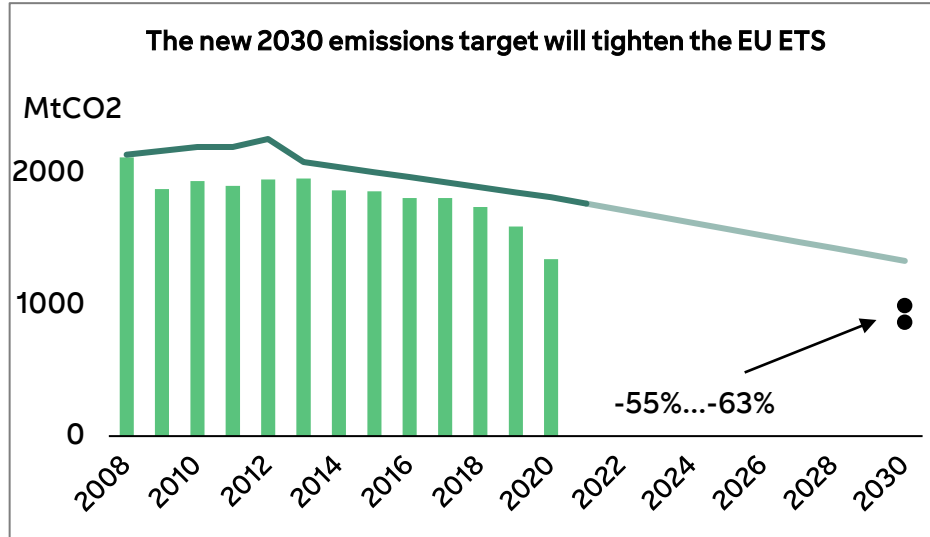


# Western European countries exiting coal during this decade

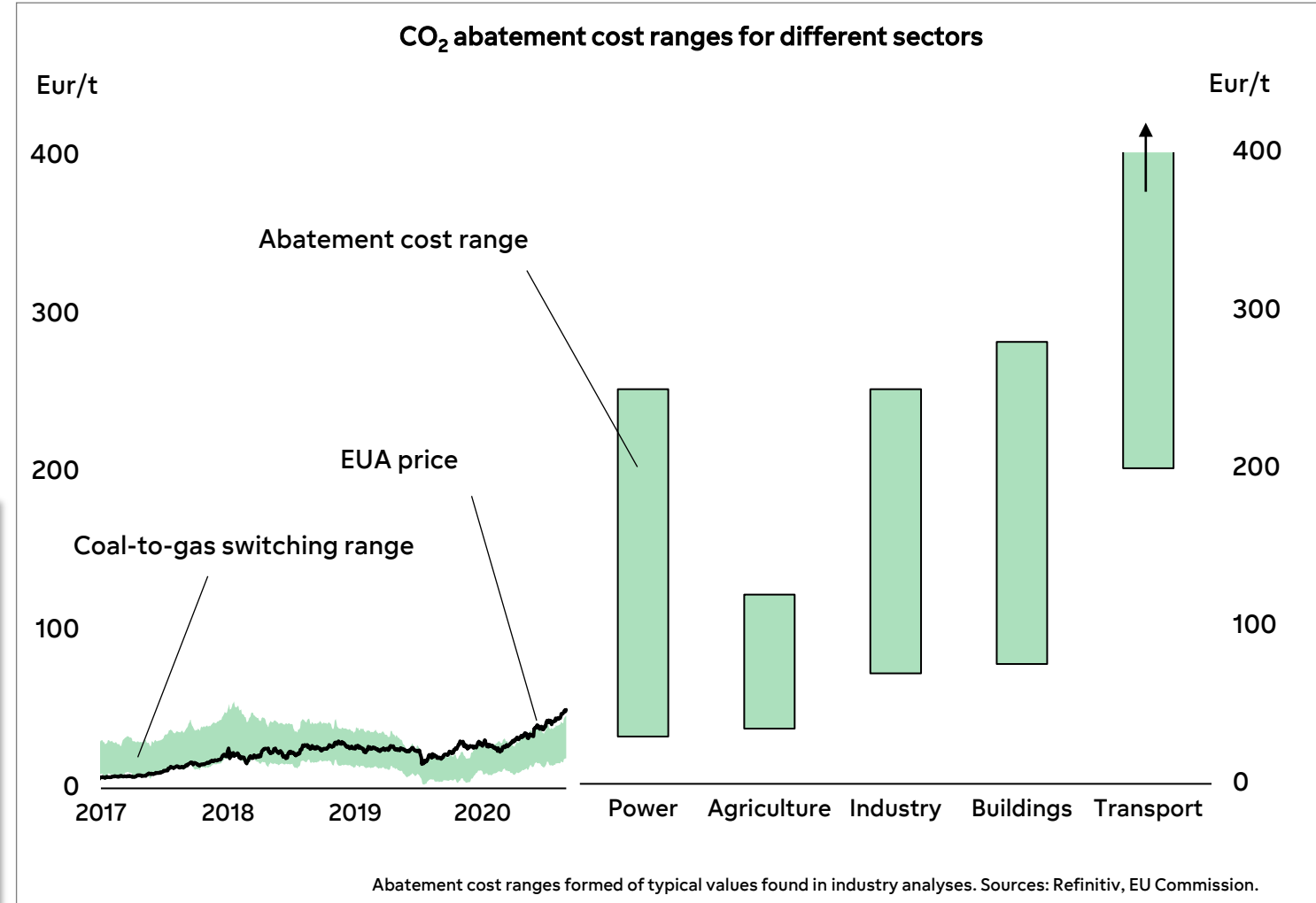
- Sweden and Austria closed their last coal plants during 2020
- France is committed to phase out coal by 2022
- Portugal has 2023 as national exit goal, but operators aim for full closure already in 2021
- UK full exit by the end of 2024 by restricting coal plants' access to market
- Italy and Ireland 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



# Decarbonisation requires other sectors to join



- 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**, 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

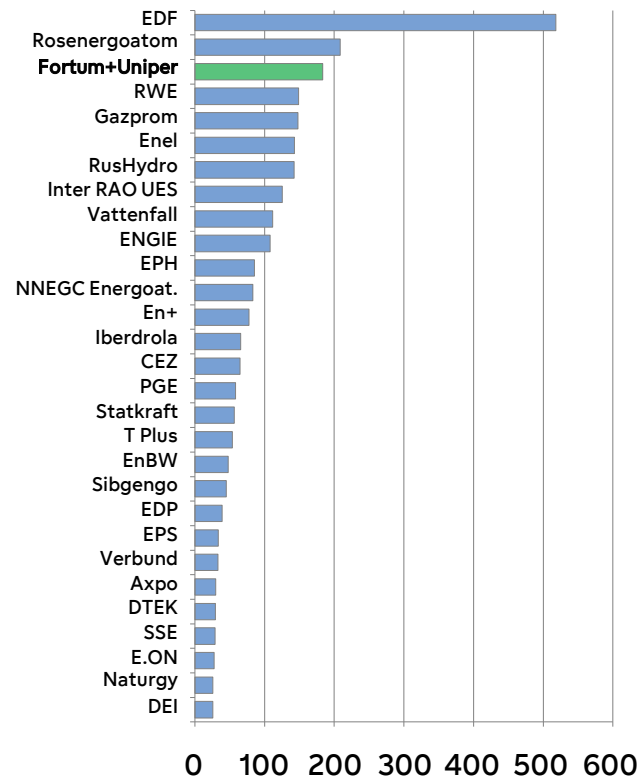




# Fortum major player in power, gas and heat

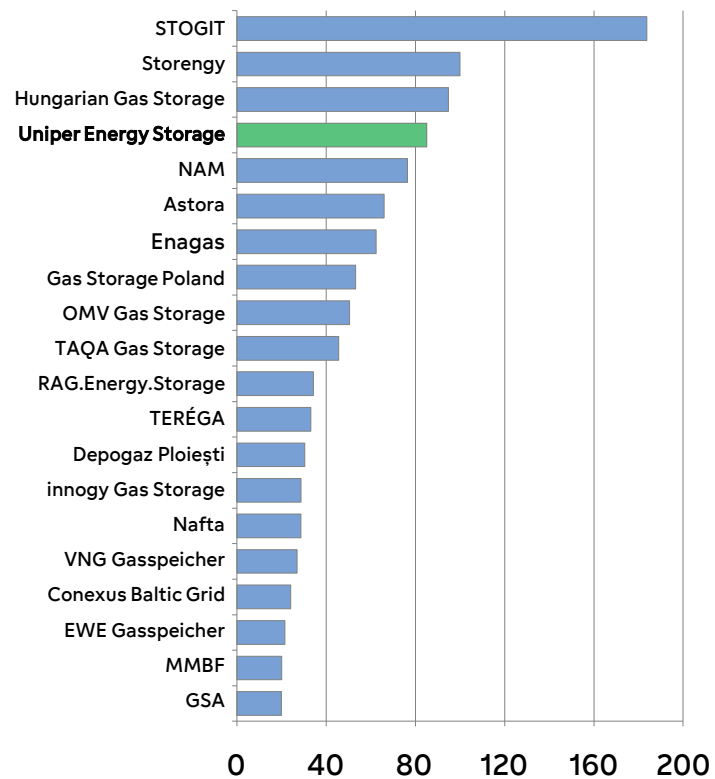
## Power generation

Largest generators in Europe and Russia, 2019  
TWh



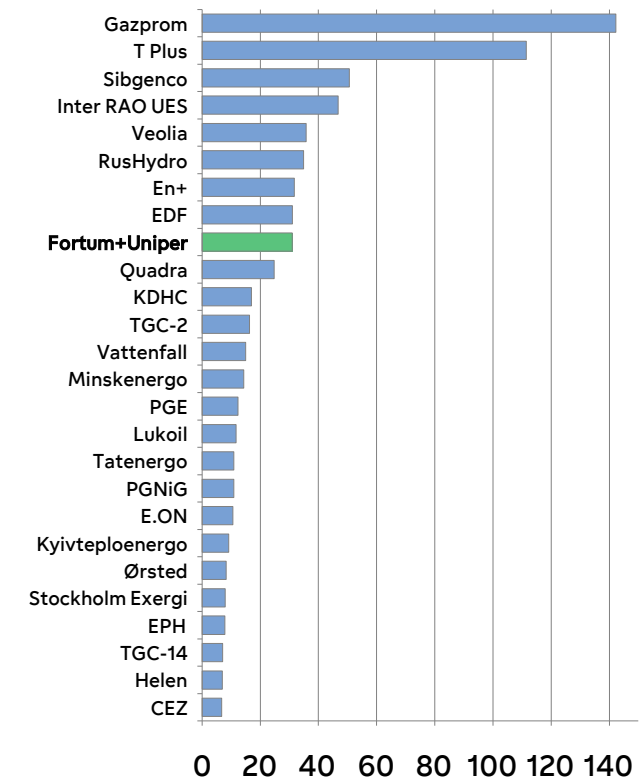
## Gas

Largest European gas storage operators, 2018  
TWh



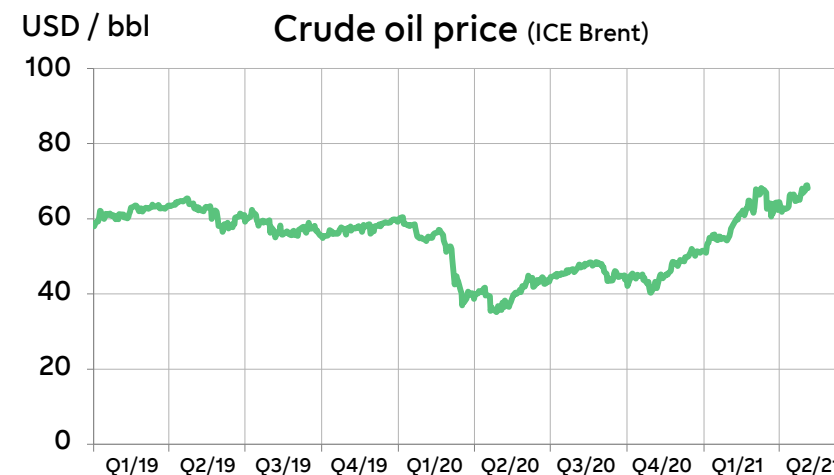
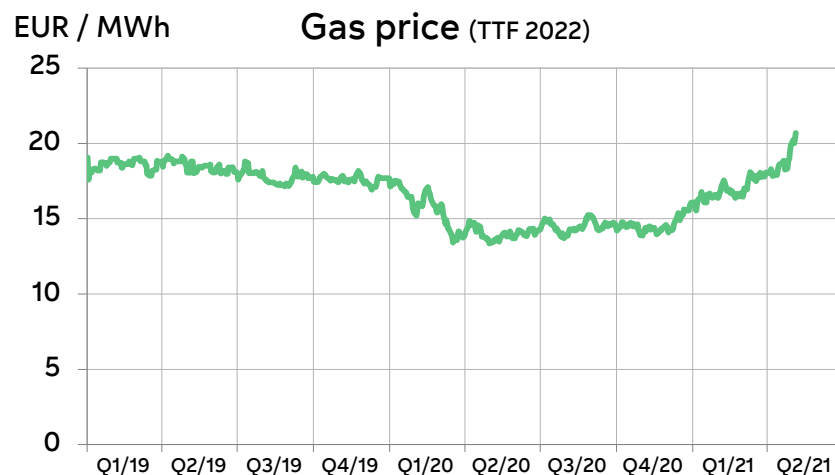
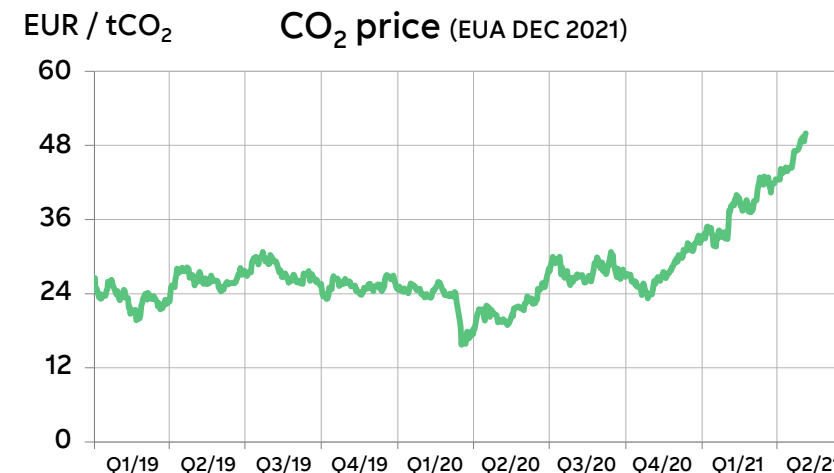
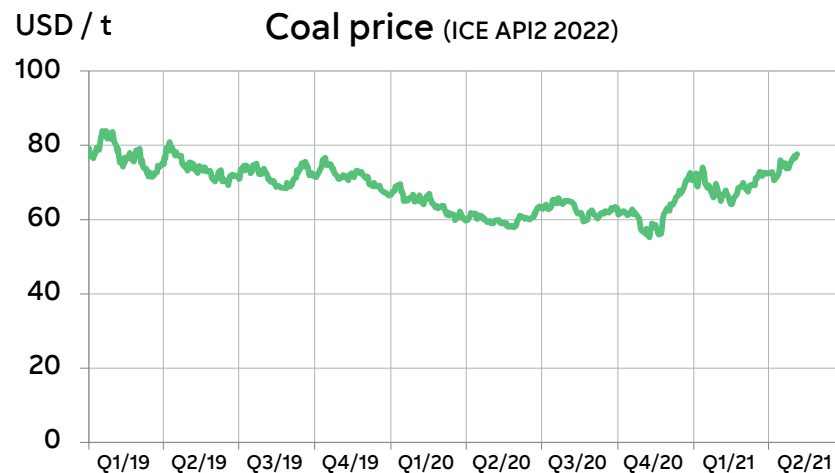
## Heat production

Largest global producers, 2019  
TWh



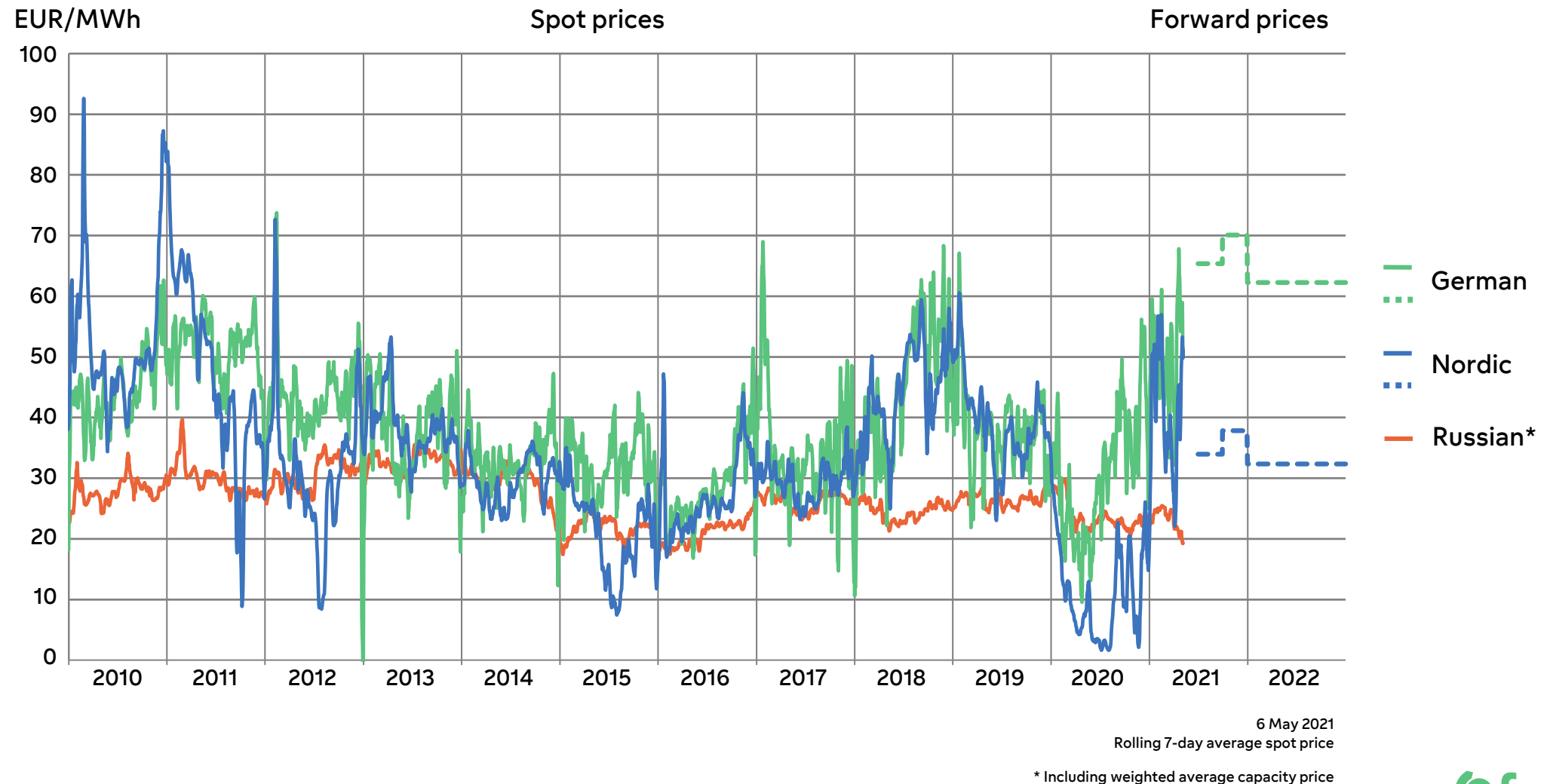
Source: Company information, Fortum analyses, 2019 figures pro forma. GIE Storage Database.  
EPH incl. LEAG. No data from China.

# Commodity prices

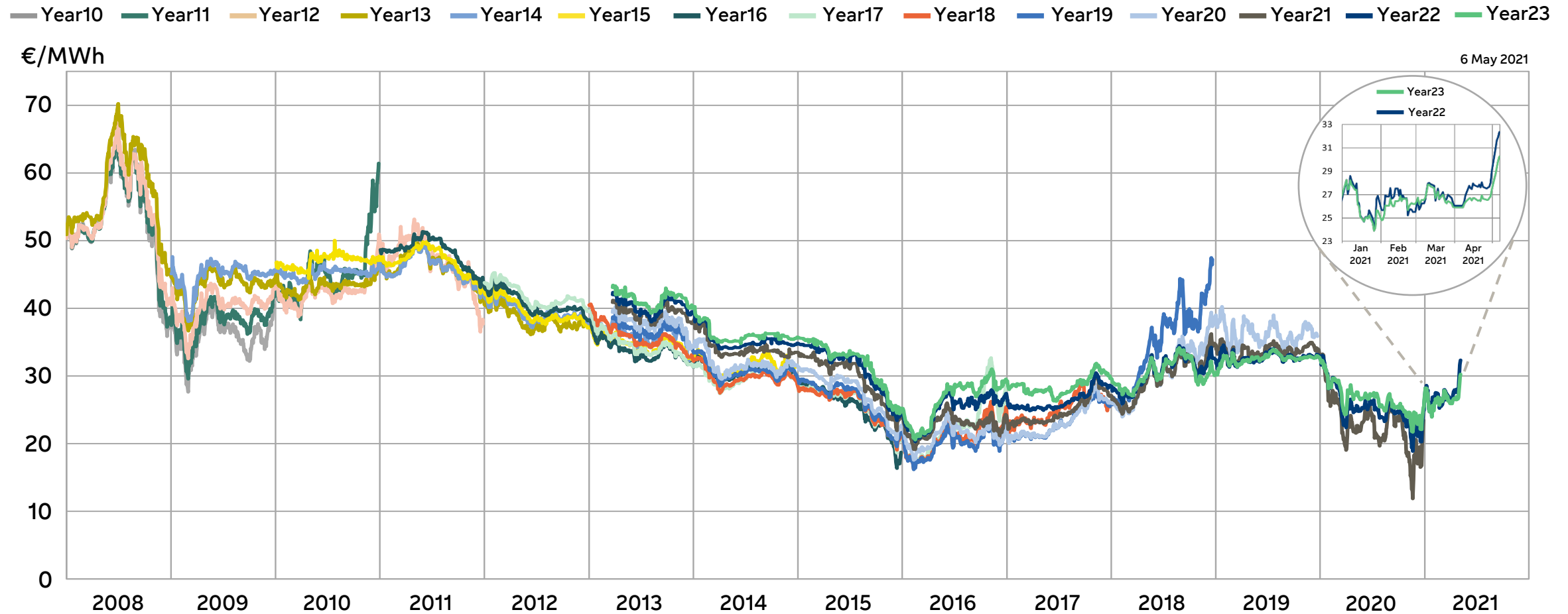


Source: Bloomberg, Refinitiv for coal price  
6 May 2021

# Wholesale power prices



# Nordic year forwards



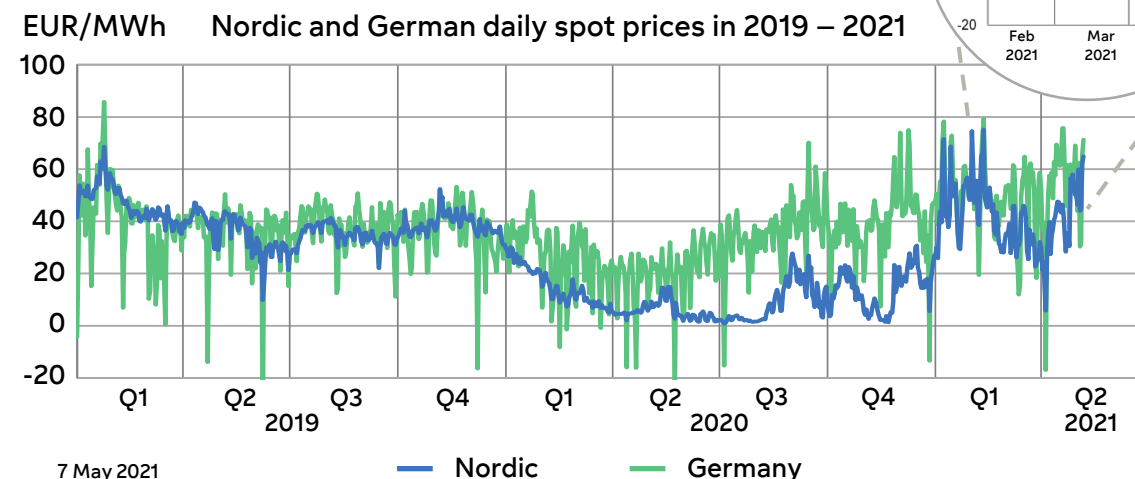
# German and Nordic forward spread

## 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.

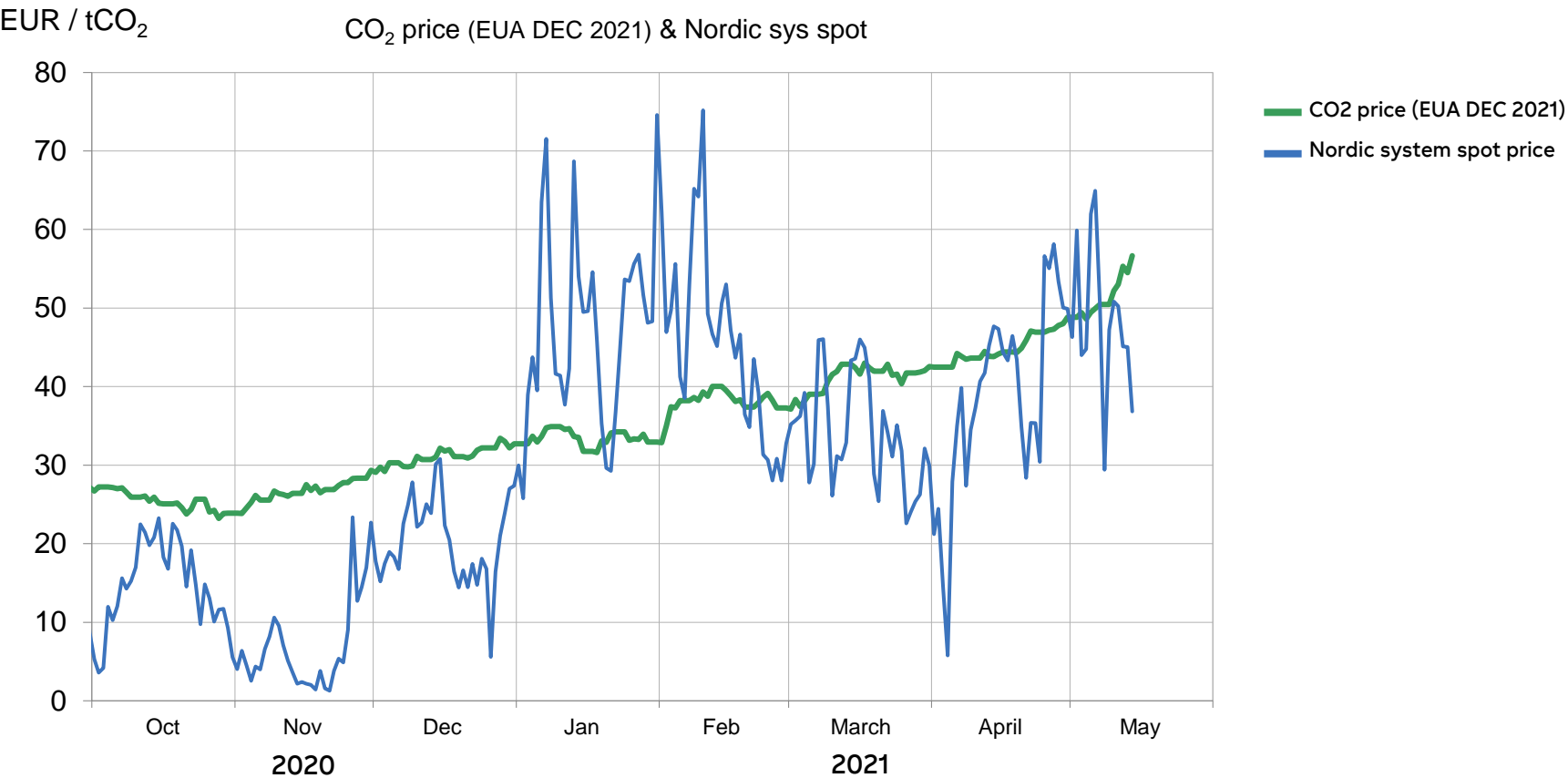
## Forward price

- 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<sub>2</sub> prices.
- The Nordic contract is influenced by growing Nordic renewable supply and limited interconnector capacity towards the Continental Europe.



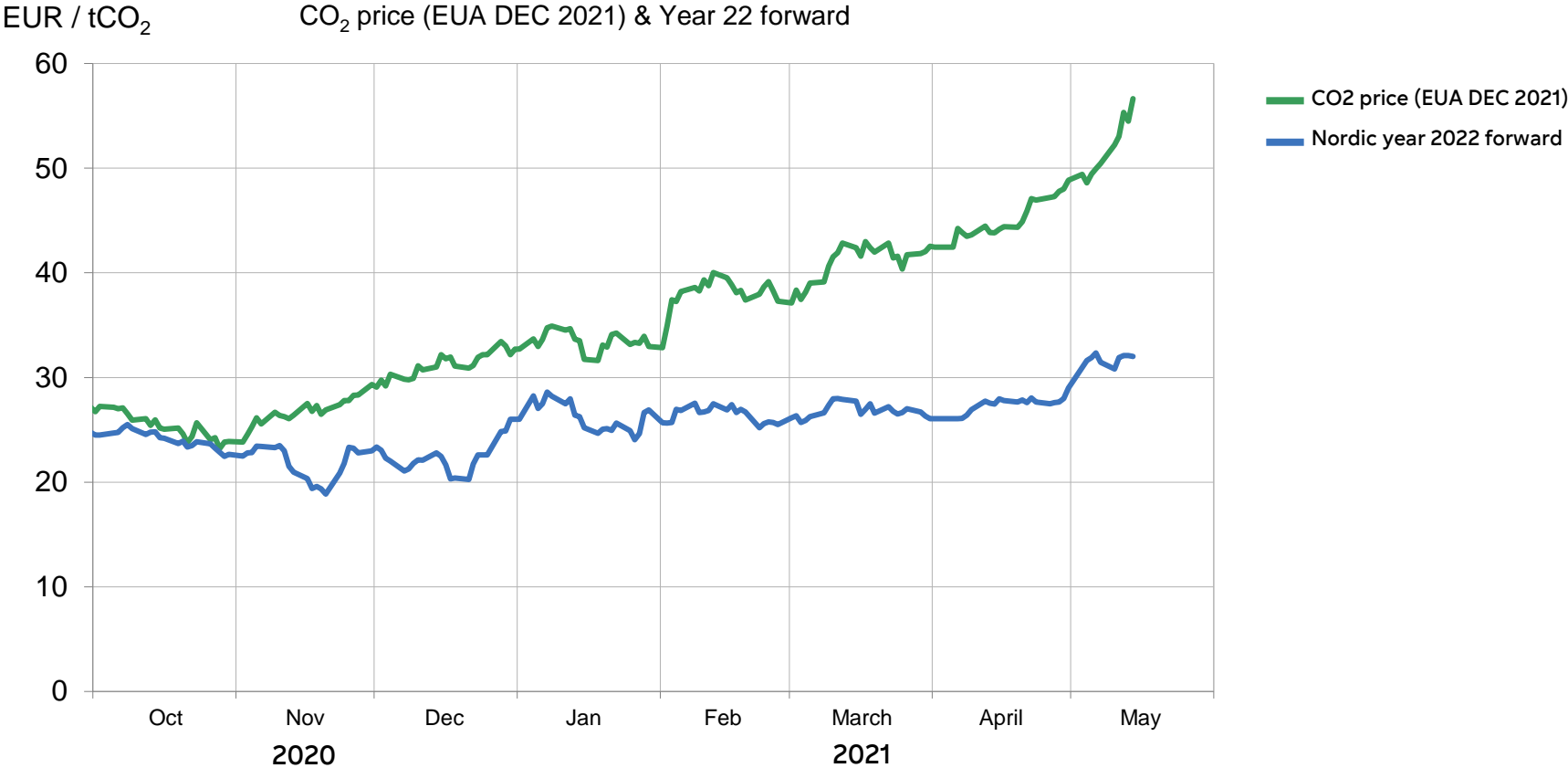
Source: Nord Pool, Bloomberg

# CO<sub>2</sub> price and Nordic spot price

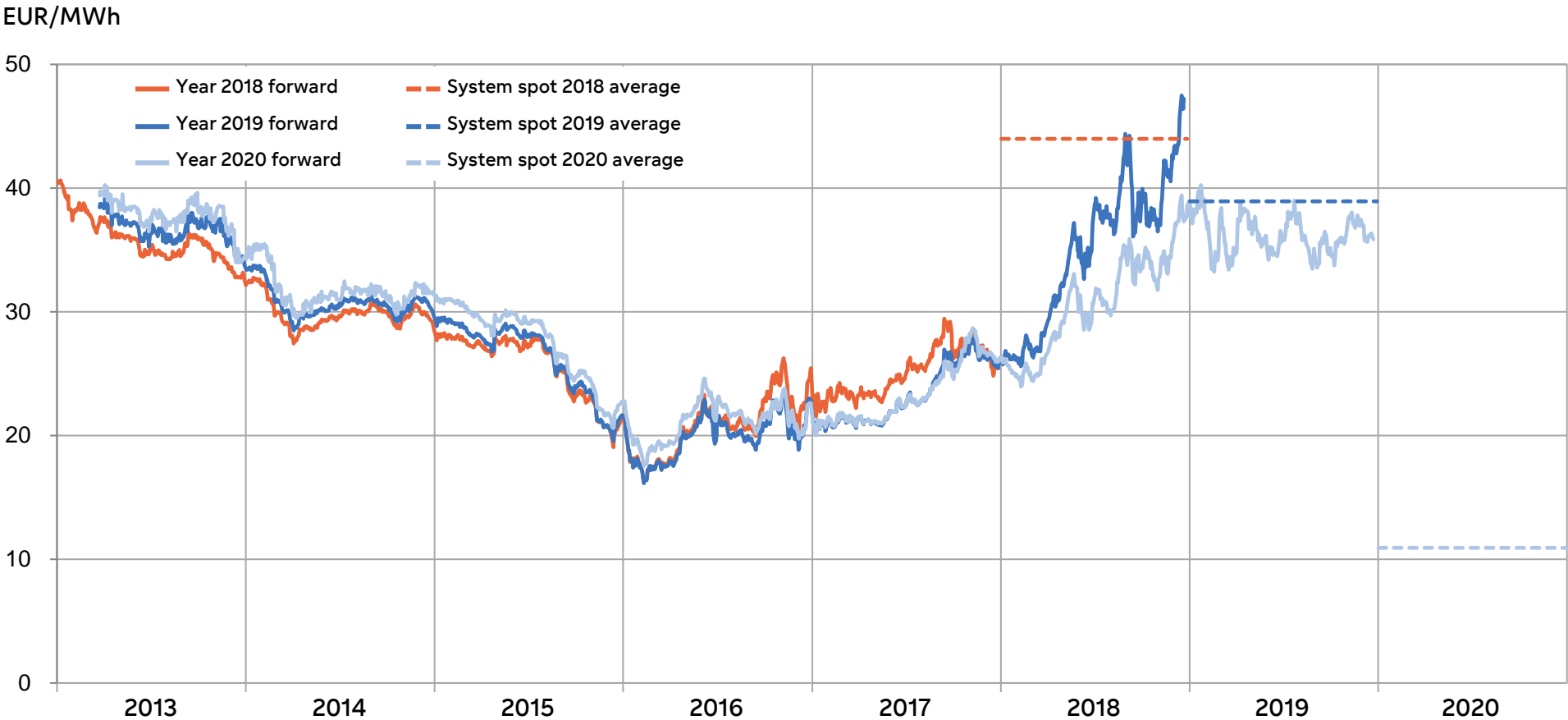




# CO<sub>2</sub> price and Nordic forward price



# Nordic forward prices and Nordic sys spot averages



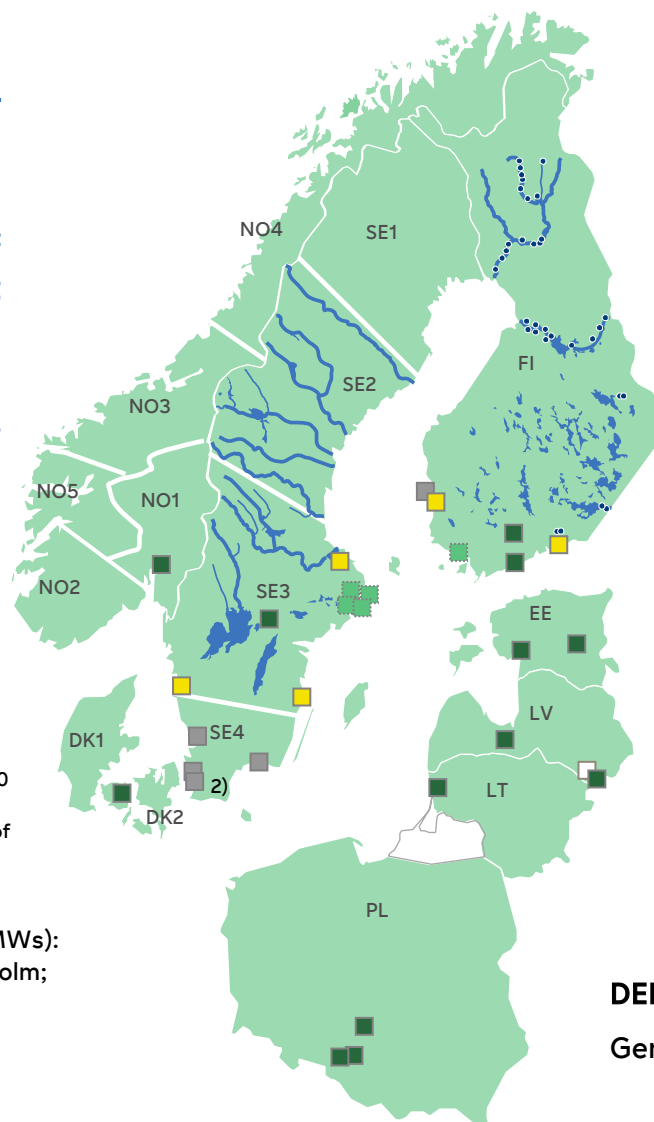
# Fortum's Nordic, Baltic and Polish generation capacity

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

Figures 31 December 2020

- 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 Sørkjord 99 MW wind portfolio in Norway, of which a majority 80% ownership has been sold in January 2021.

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



NORWAY	MW
Price areas	
NO4, Wind	99 <sup>3</sup>
NO1, CHP	24
<b>Generation capacity</b>	<b>123</b>

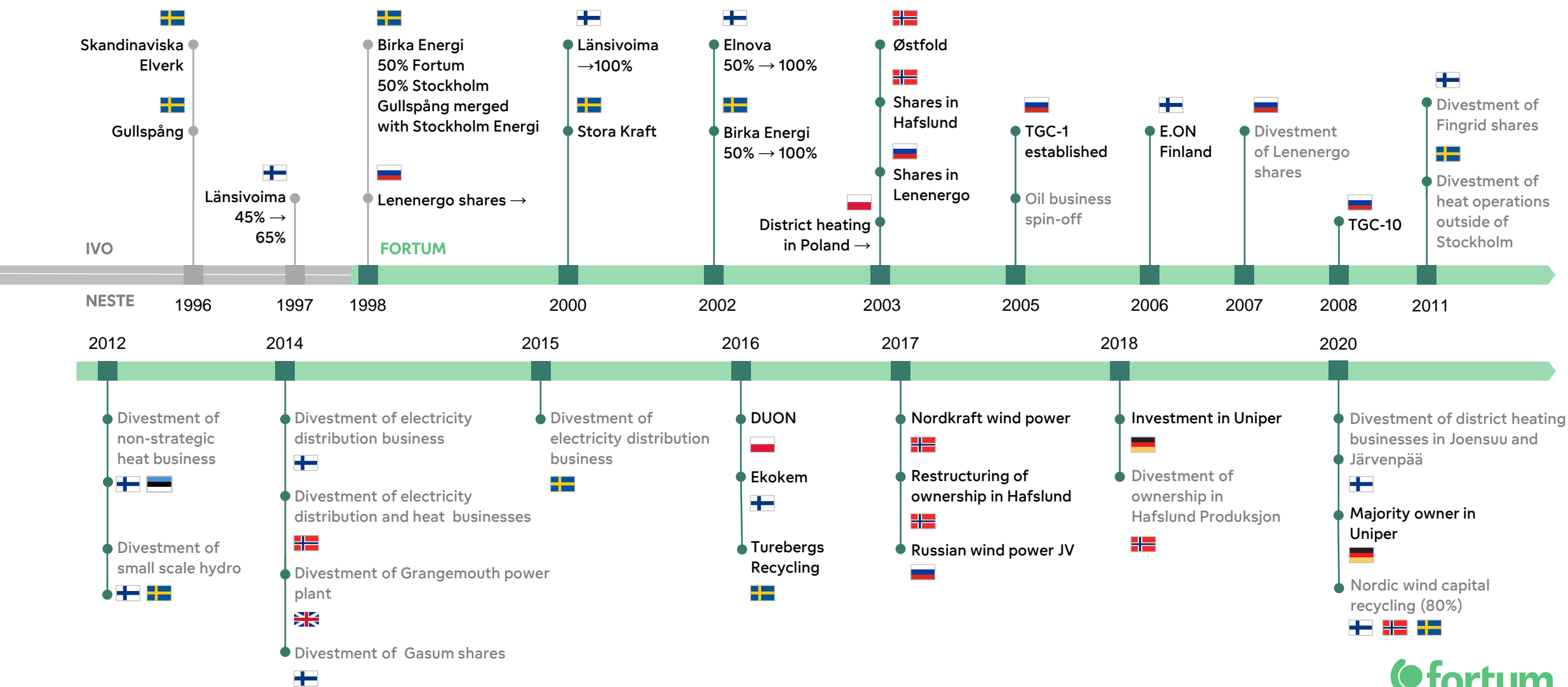
SWEDEN	Fortum	Of which Uniper
Price areas		
SE2, Hydro	3,185	1,635
SE3, Hydro	1,587	13
SE4, Hydro	123	123
SE3, Nuclear	3,331 <sup>1</sup>	1,996 <sup>1</sup>
SE3, CHP	6	-
SE4, CHP	449 <sup>2</sup>	449 <sup>2</sup>
SE4, Other th.	1,162	1,162
<b>Gen. capacity</b>	<b>9,843</b>	<b>5,378</b>

DENMARK, DK1	MW
<b>Generation capacity, CHP</b>	<b>9</b>

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

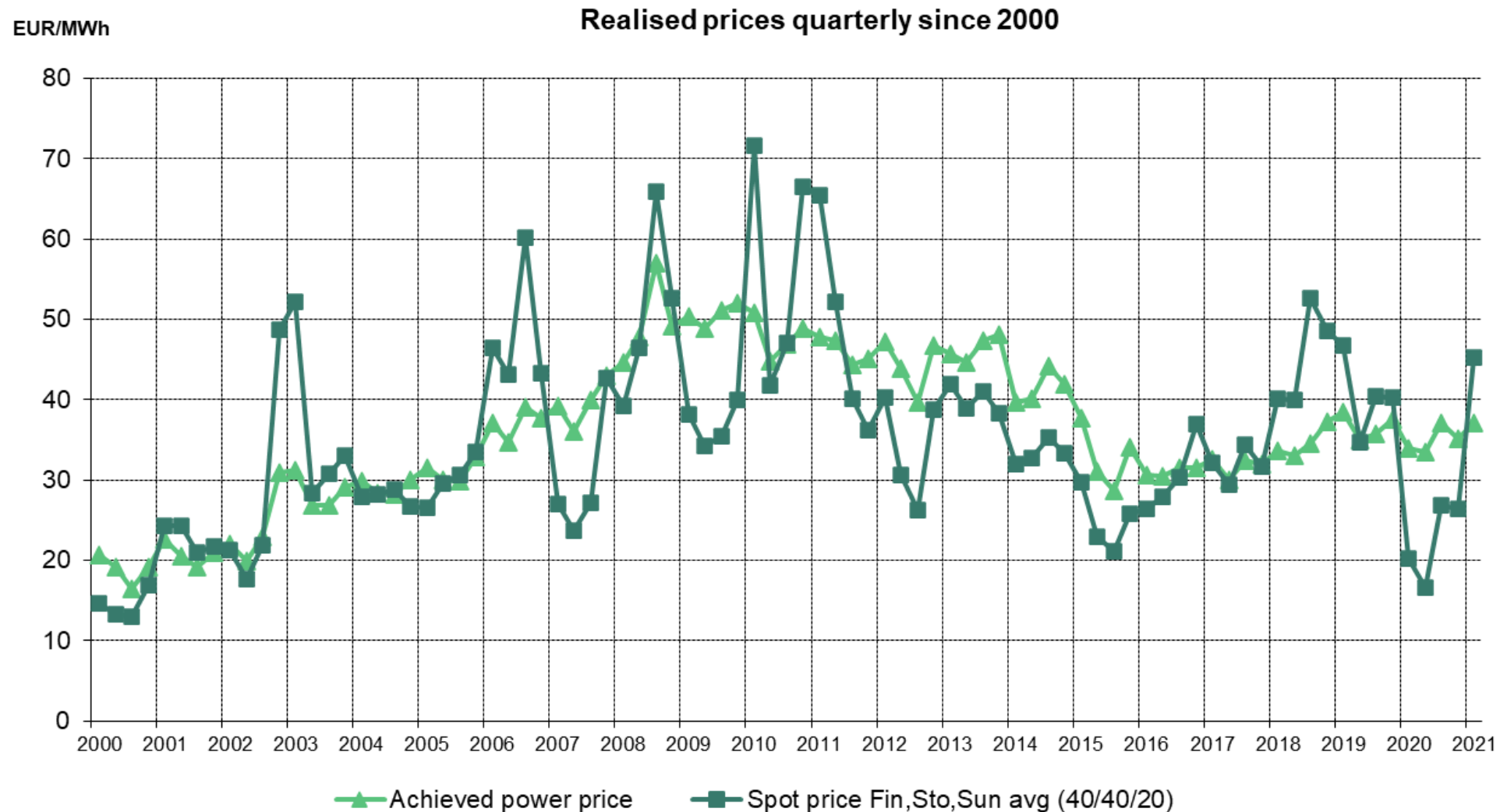
BALTICS AND POLAND	MW
<b>Generation capacity, CHP</b>	
in Estonia	43
in Latvia	28
in Lithuania	18
in Poland	233
in Latvia, Wind	2

# Fortum's evolution and historical strategic route



# Hedging improves stability and predictability

## — principles based on risk mitigation, (Generation segment)

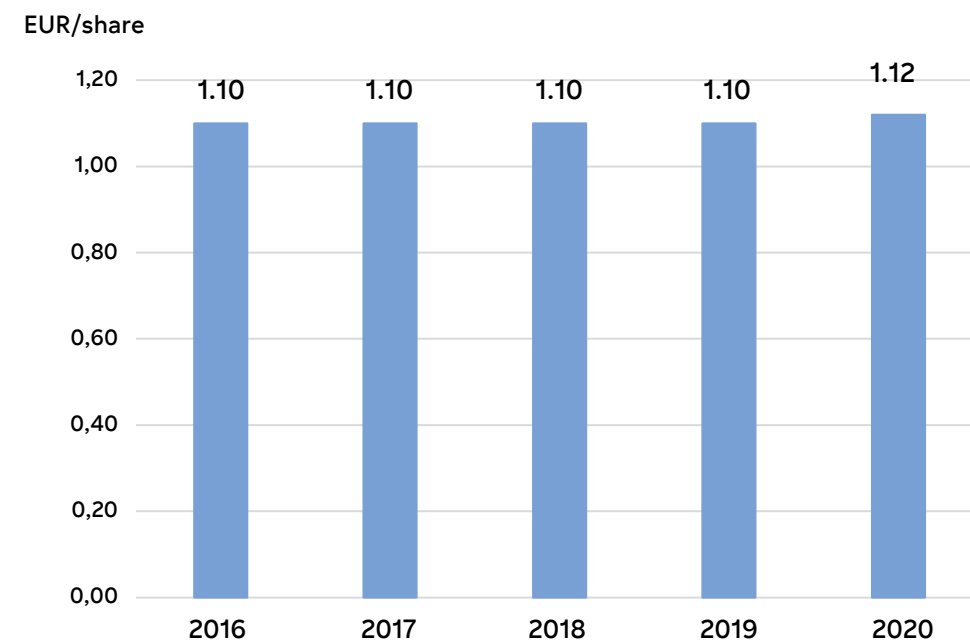


# Fortum's dividend policy aiming at increasing dividend

## Dividend policy:

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

Fortum dividends





**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](http://www.fortum.com/investors)

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