



Financial Statements 2019

Fortum Corporation
6 February 2020

Strong operational performance in 2019

– Financial targets achieved

- Fortum's achieved power price at EUR 36.8, up 2.2 EUR/MWh
 - Nordic spot power price down, -12%
- Comparable EBITDA at EUR 1,766 million, +16%
- Comparable operating profit at EUR 1,191 million, +21%
- Share of profits of associates and JVs at EUR 744 (38) million
- EPS at EUR 1.67 (0.95)
 - Items affecting comparability EUR -0.07 (0.15)
 - Uniper contribution EUR 0.71 (0)
- Strong cash flow from operating activities at EUR 2,015 (804) million
- Return on capital employed 10%
- Dividend proposal of EUR 1.10 per share



Joensuu CHP, Finland

Solid and consistent strategy execution – determined coal phase-out actions

Agreement to buy
>20% stake in
Uniper –
Fortum's
ownership
to rise >70%

Divestment of
Joensuu CHP plant,
EUR 530 million

ROCE 10% –
Net debt/EBITDA
reached target level
of around 2.5x

New reduced long-
term target for
specific CO₂
emissions of 180
g/kWh (200 g/kWh)

Commissioning of
a 250 MW solar
plant in Pavagada,
India

Divestment of 80%
of Nordic wind
portfolio,
EUR 250 million

Strategic review of
district heating in
Poland, Baltics,
and Järvenpää,
Finland

Carbon neutral
district heating in
Espoo in 2020s,
target to
discontinue the use
of coal by end of
2025

Commissioning of
50 MW of wind
capacity,
and 550 MW under
construction in
Russia

Coal capacity
closures at
Stockholm Exergi &
TSE

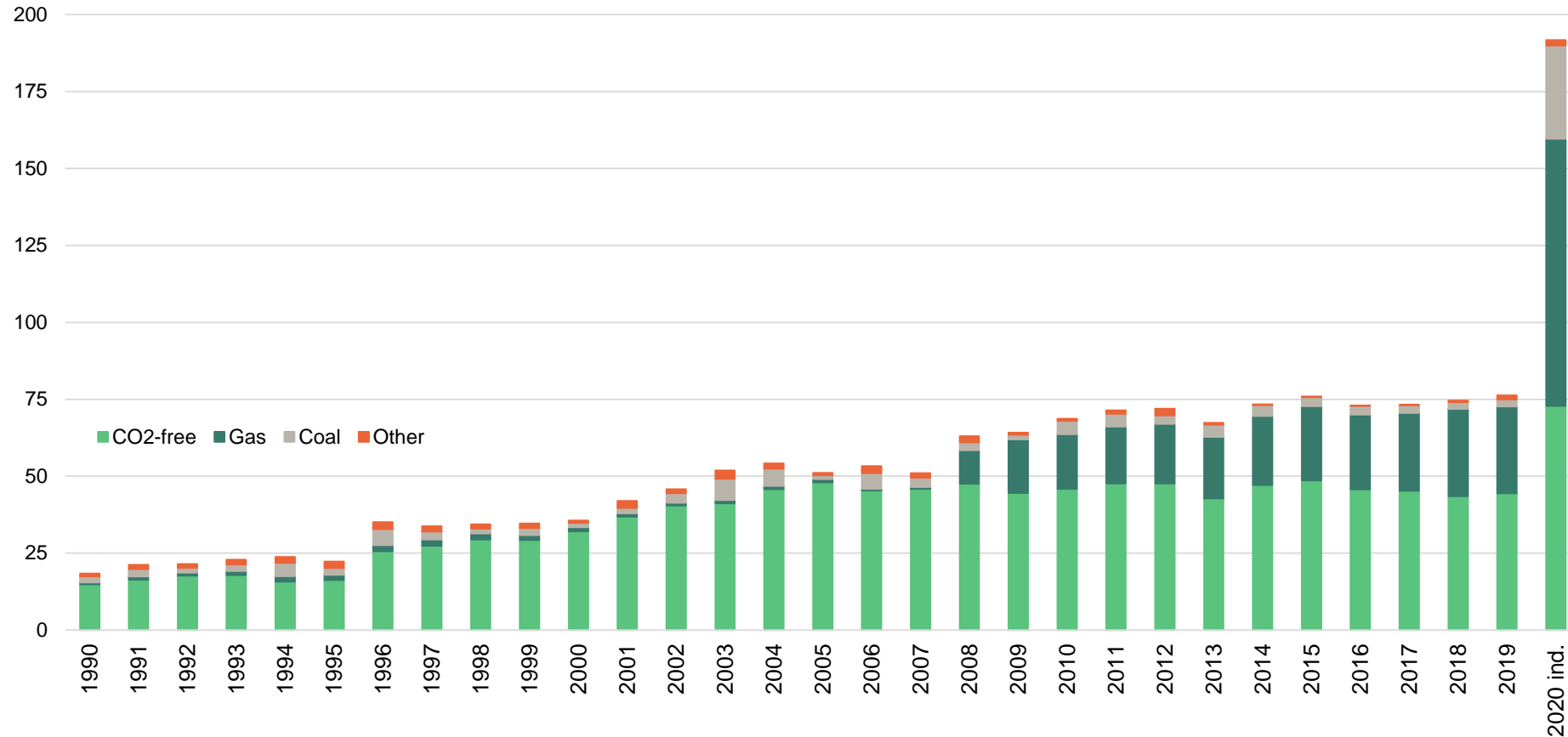
–
Inkoo 1 GW plant
decommissioned

Imatra HPP, Finland

fortum

Fortum's CO₂-free power generation to increase by ~60% as Uniper will be consolidated in 2020

Fortum's power generation, TWh



Uniper consolidated 2020:

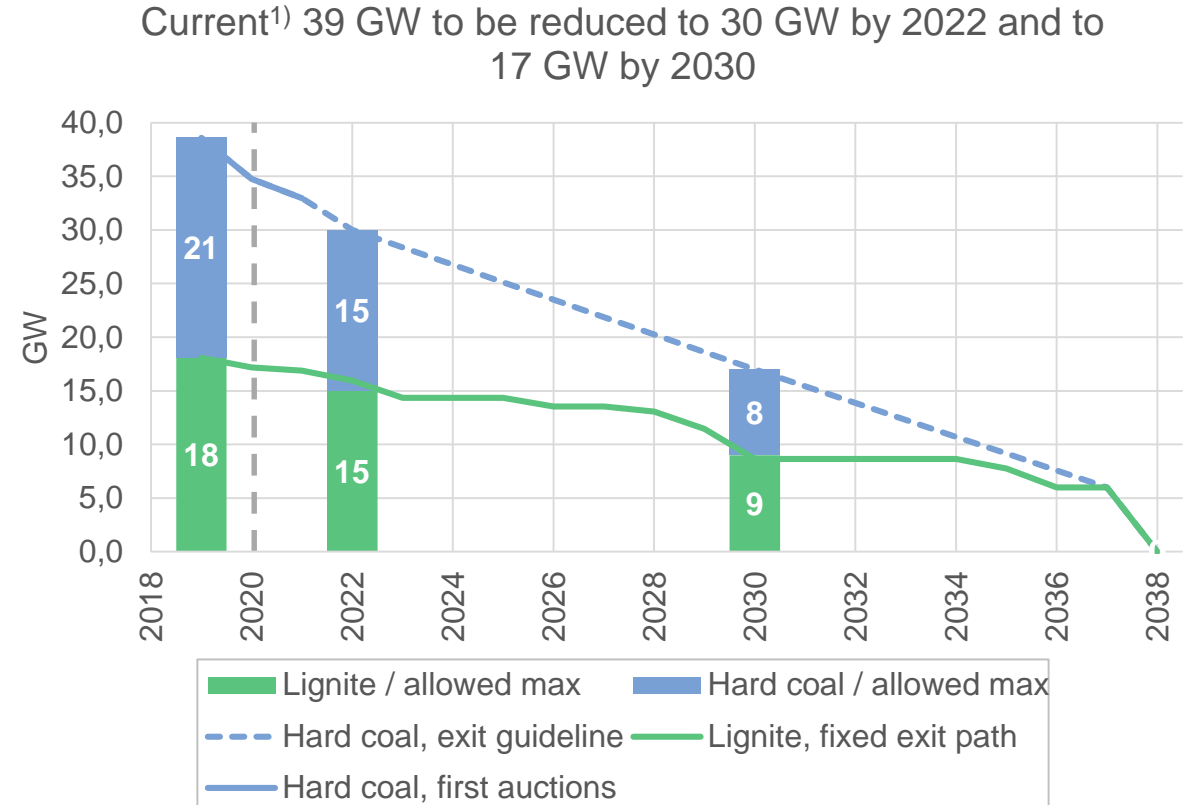
- ~60% increase in total CO₂-free generation
- ~200% increase in gas fired power generation
- ~16% of total share of coal fired power generation
- ~2% of consolidated sales revenue derives from coal

INDICATIVE GENERATION FOR 2020, NOT OFFICIAL GUIDANCE.

Note: Fortum actuals 1990-2019 excluding associated company Stockholm Exergi. 2020 indicative figures adjusted for Nordic wind and Joensuu CHP assets sold in 2020. Uniper's disclosed 2018 numbers used for indicative consolidation 2020 with the following corrections/assumptions: normal hydrological year, accounting view adjusted to pro forma, French coal assets sold, Datteln 4 approximately 2.2 TWh in 2020, no net increase in generation from Beresovskaya 3, coal-to-gas switch 2 TWh, Ringhals 2 closed on 31 Dec 2019.

German coal phase-out law and related plans by Uniper

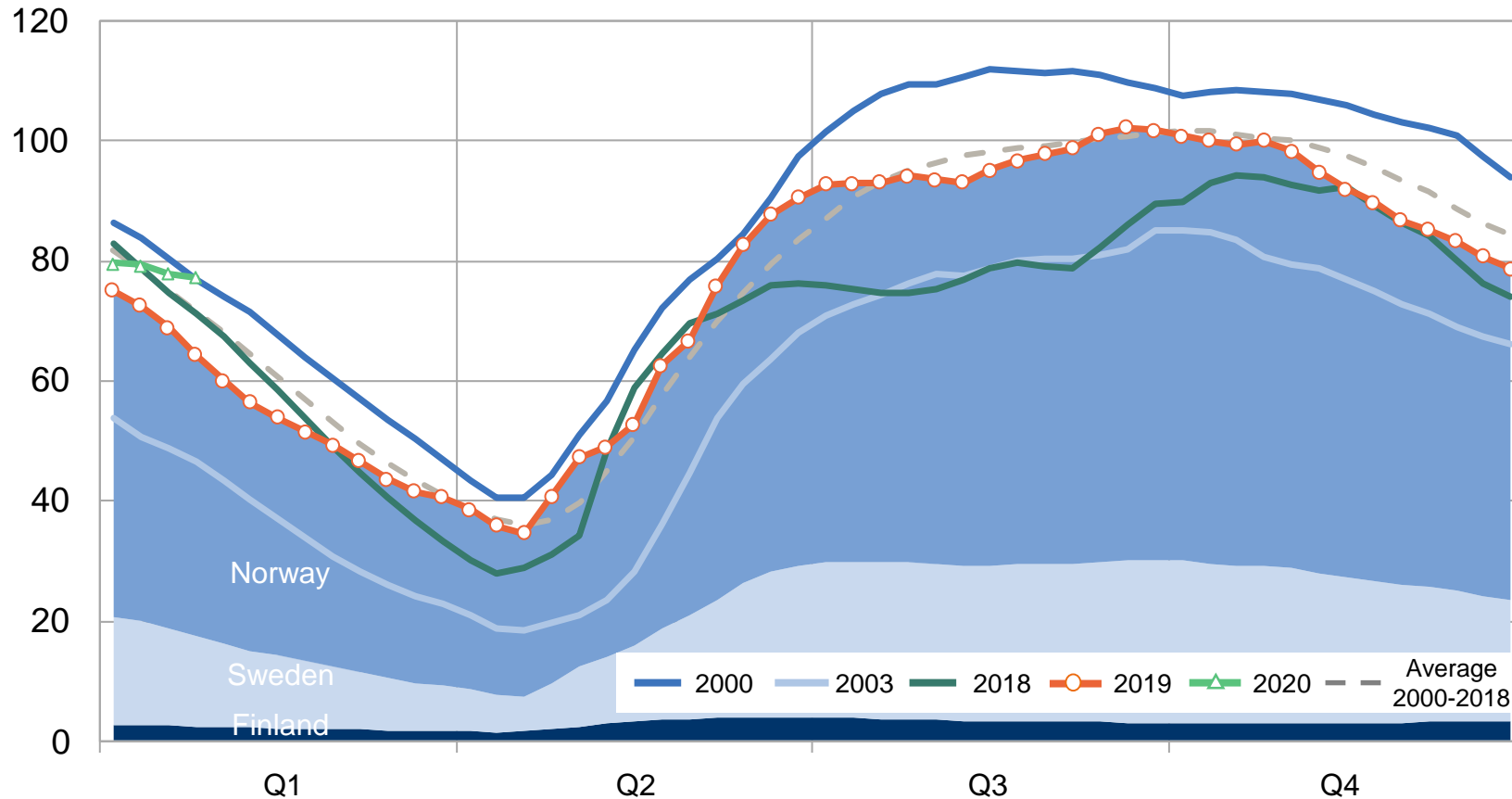
- Law to phase out lignite and hard coal latest by 2038 was approved by the government
 - The law still needs to be approved by the parliament
- As midway targets from current 39 GW, capacity to be cut to 30 GW by 2022 and 17 GW by 2030
 - For lignite units, a fixed exit path was agreed with the operators
 - For hard coal, exits until 2026 will be determined in voluntary auctions
 - Hard coal volumes to be closed are fixed at 4 GW in 2020 and 1.5 GW in 2021
- In 2032, assessment of potential full phase-out already in 2035
- Uniper announced shut down of 1.5 GW coal-fired generation in 2022 and 1.4 GW by the end of 2025 subject to implementation of proposed legislation



1) Source: Bundesnetzagentur, status as of November 2019

Nordic water reservoirs climbing above historical average

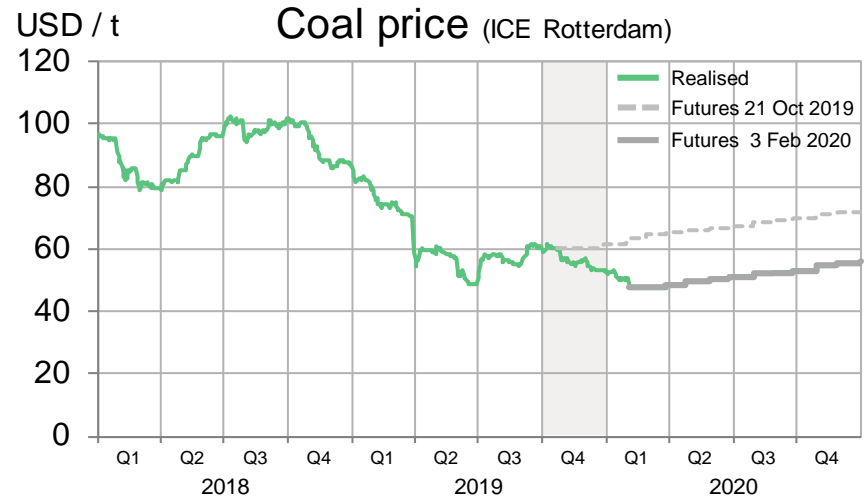
Reservoir content (TWh)



- During 2019 reservoirs remained close to historical average
- Dry and cold weather during October and November resulted in a moderate deficit by the end of the year
- Change towards mild, windy, and rainy weather at the year end led to rapid increase in the Nordic water reservoirs at the beginning of 2020

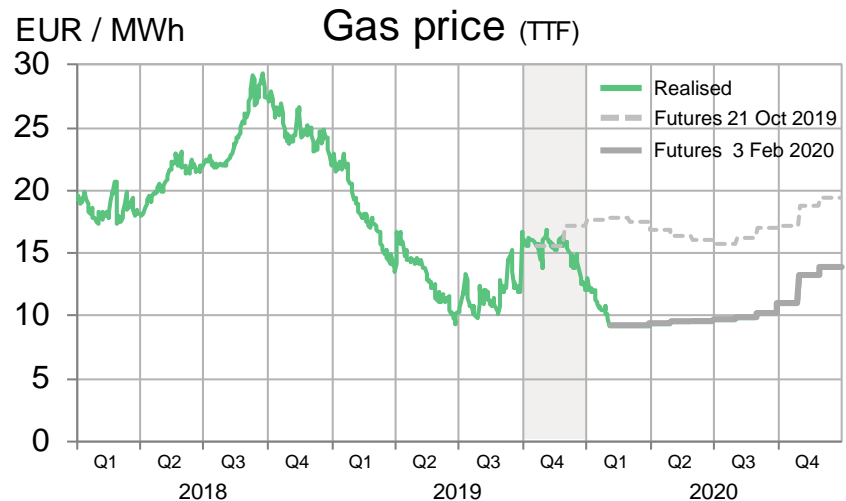
Source: Nord Pool, 2019 by country

Weak coal and gas prices in 2019, downward trend continued in Q4



The coal market traded lower during Q4: Soft demand signals from Asia coupled with weaker European gas prices brought API2 coal price lower. **Year 2019 was on a clear downtrend** on weaker Chinese growth and a global LNG glut pushing prices lower.

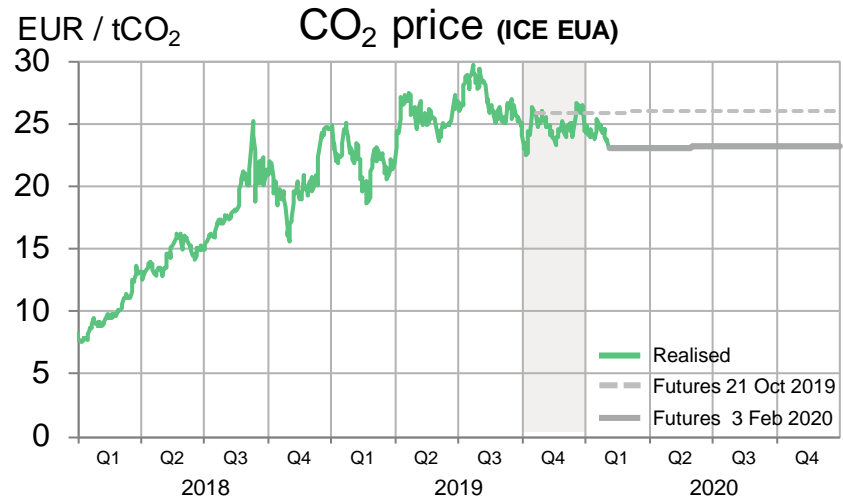
- Chinese domestic coal production continued to grow strongly, +6.2 % YoY on average in October-November.
- South Korea and Taiwan have suspended operation or reduced operation on several coal plants over the winter to limit local pollution.



The European gas market plummeted in Q4 as Russia and Ukraine signed a new transit agreement, removing the risk of supply disruptions this winter. **Year 2019 was a weak year for gas** with LNG prices dropping on supply boost and soft Asian demand.

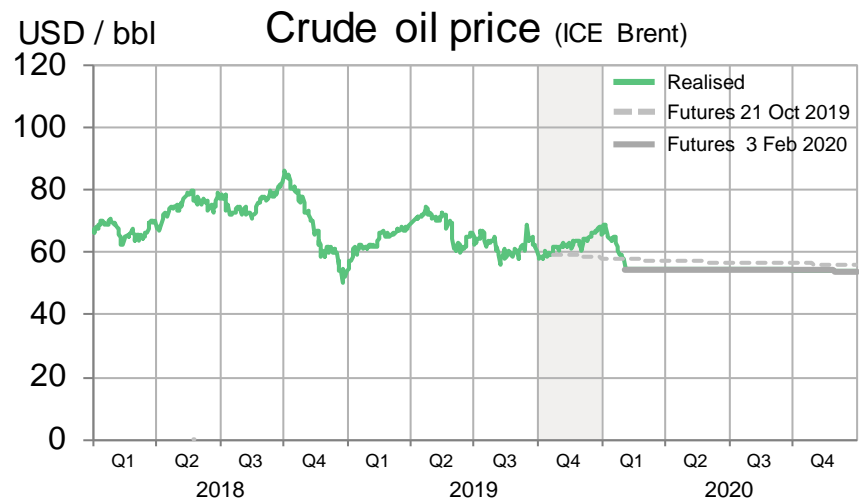
- European gas storage grew to unprecedented levels as the region absorbed 95% of the incremental global LNG supply.

CO₂ peaked at EUR 30, crude oil prices more stable in 2019



The CO₂ market traded rather sideways in Q4 after peaking in July. Weaker TTF gas prices was offset by the positive impact of a delayed Brexit from 31st October to January 31st. **For 2019 as a whole EUAs traded in a volatile fashion due to Brexit uncertainties**, but ended the year somewhat lower than the start of the year.

- The CO₂ price was relatively strong in Q4 despite continuous weak front gas prices. This has increased the competitiveness of gas in power generation.
- The MSR (Market Stability Reserve) has fundamentally tightened the EUA market.

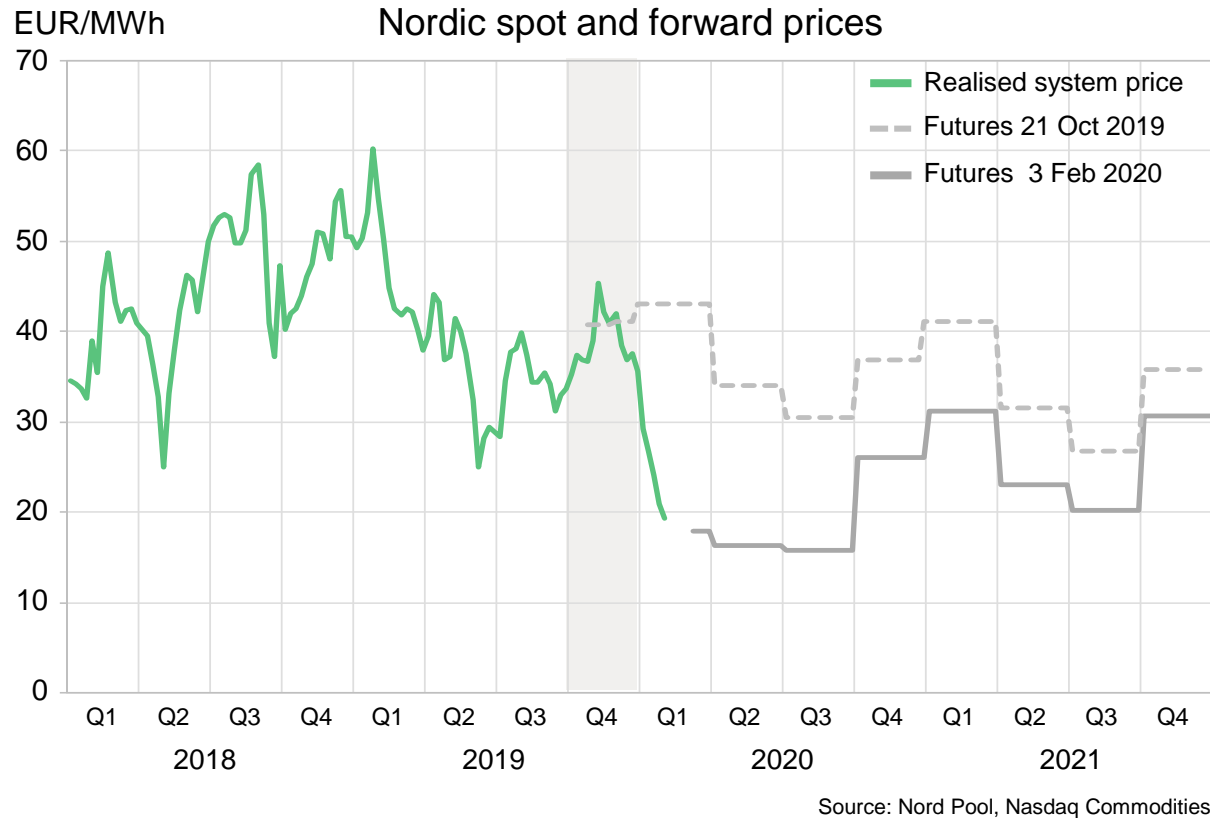


Crude oil strengthened in Q4 OPEC+ decided to deepen its supply cuts in Q1 by 500.000 bld. **2019 was a year of strength for Crude markets** as US sanctions pushed Iranian & Venezuelan output much lower.

- Increased tensions in the Middle East brought higher prices in Q4 and volatility to oil markets.
- Very strong US equities likely supported positive investor sentiment also in the Crude markets.

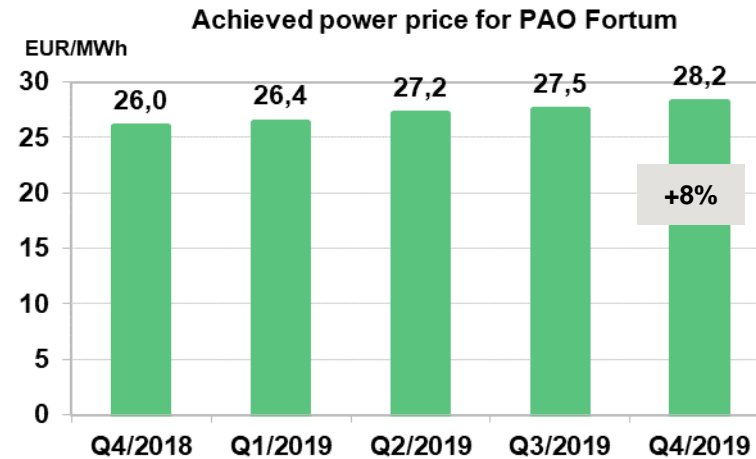
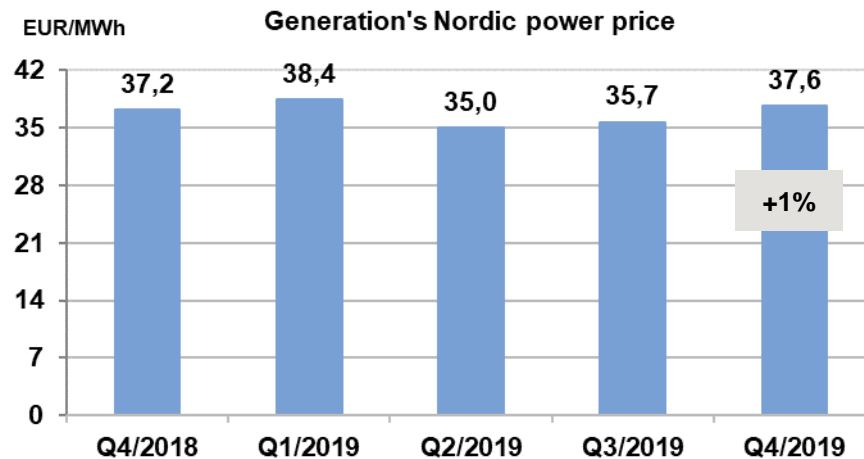
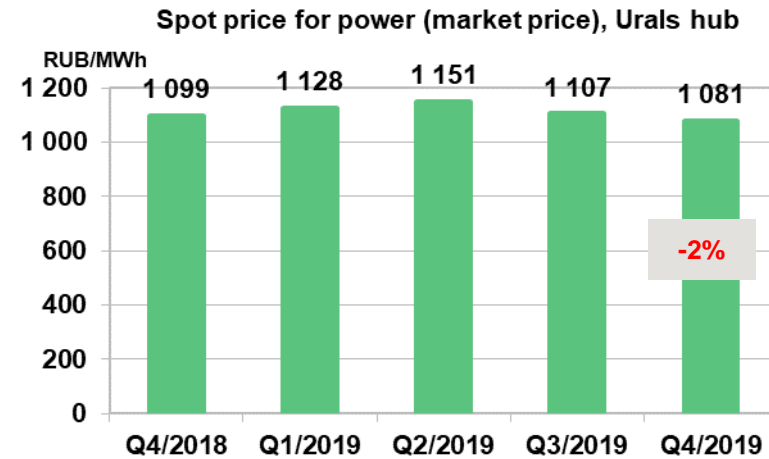
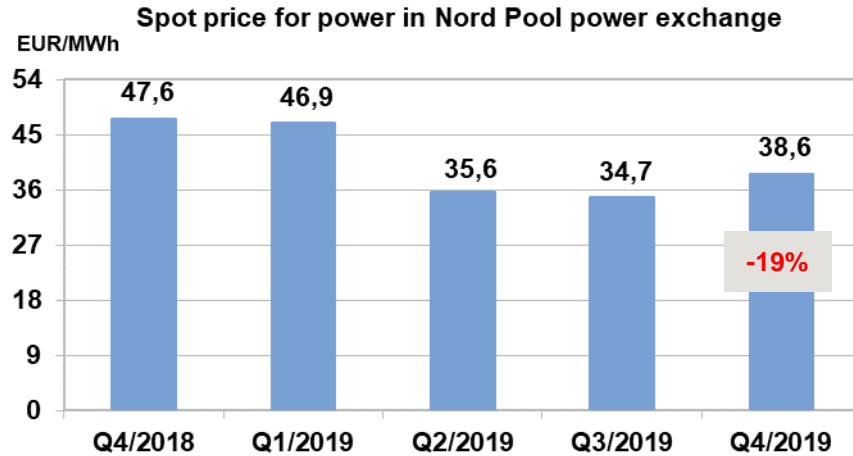
Warm, wet, and windy weather with weak commodities

– Nordic prices declined at end of 2019 and in early 2020



- During Q4, the average Nord Pool system spot price was 38.6 (47.6) EUR/MWh
- The average area prices were:
 - 43.5 (49.6) EUR/MWh in Finland
 - 38.5 (48.2) EUR/MWh in Sweden (SE3, Stockholm)
- The decline in Nordic spot prices during Q4 2019 was caused by a significant change in weather pattern and low prices in Continental Europe, driven by declining gas prices.
- The Finnish spot price was supported by the deficit in Finnish water reservoirs and the Baltic electricity prices.
- Along with the declining spot price, also the forward prices have dropped significantly since December.

Achieved power price up despite lower spot prices



Changes refer to year-on-year difference (Q4 2019 versus Q4 2018)

NOTE: Achieved power price (includes capacity payments) in roubles increased by 1%

Generation

Q4 2019

- Higher achieved power price, +0.4 EUR/MWh, +1%
- Good operational performance and load factor at a good level
 - Higher hydro and nuclear volumes

2019

- Higher achieved power price, +2.2 EUR/MWh, +6%
- Good operational performance
 - Higher hydro and nuclear volumes
- Nuclear load factor at the highest level in Fortum's history

MEUR	Q4 2019	Q4 2018	2019	2018
Sales	583	557	2,141	1,842
Comparable EBITDA	278	225	939	763
Comparable operating profit	239	188	794	628
Comparable net assets			6,147	6,485
Comparable RONA %			12.8	10.8
Gross investments	77	92	260	262



Loviisa, Finland

City Solutions

Q4 2019

- Positive one-time items
- Norwegian heating and cooling business improved clearly
- Somewhat weaker performance in the recycling and waste business

2019

- Strong result improvement in Norwegian heating and cooling business
- Recycling and waste business' result close to level in 2018
- In 2018, EUR 26 million of profit from sale of solar stake

Strategy review of selected district heating and cooling businesses

MEUR	Q4 2019	Q4 2018	2019	2018
Sales	366	359	1,200	1,110
Comparable EBITDA	129	109	309	310
Comparable operating profit	80	64	121	135
Comparable net assets			3,892	3,794
Comparable RONA %			4.7	5.5
Gross investments	61	85	322	242



Klaipeda, Lithuania

Consumer Solutions

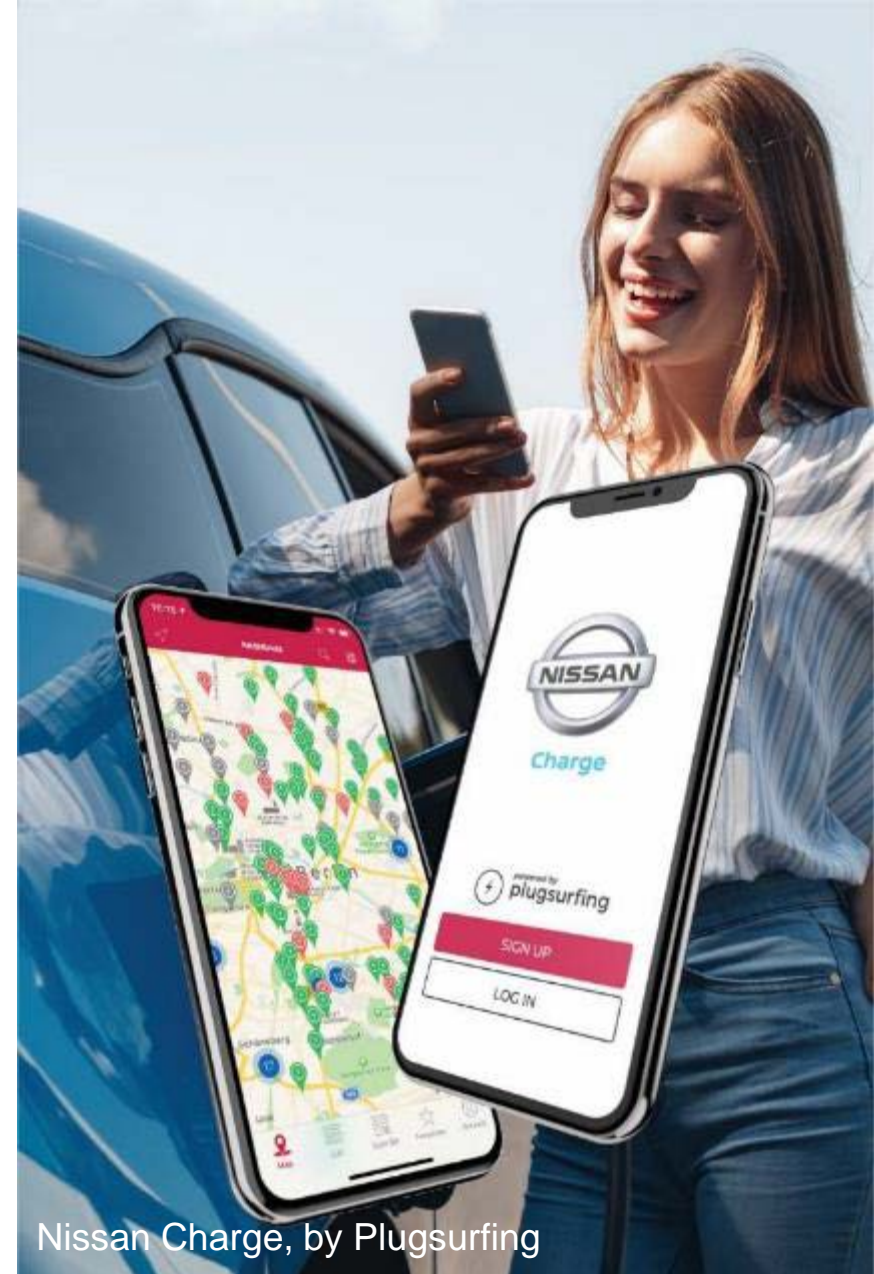
Q4 2019

- Higher sales margin
 - Active development of product and service offering
- Continued competition with high customer churn in the Nordics

2019

- Higher sales margins
- Full synergies of EUR 10 million from Hafslund integration achieved
- Improving EBITDA for nine consecutive quarters

MEUR	Q4 2019	Q4 2018	2019	2018
Sales	510	555	1,835	1,759
Comparable EBITDA	35	31	141	110
Comparable operating profit	19	17	79	53
Comparable net assets			640	648
Customer base, million			2.38	2.47
Gross investments	15	14	55	47



Nissan Charge, by Plugsurfing

Russia

Q4 2019

- Improved result in heat business
- Lower available CSA capacity and electricity volumes due to unplanned outages
- FX impact EUR 6 million

2019

- Higher electricity margins and received CSA payments
- Lower bad-debt provisions
- FX impact EUR 4 million

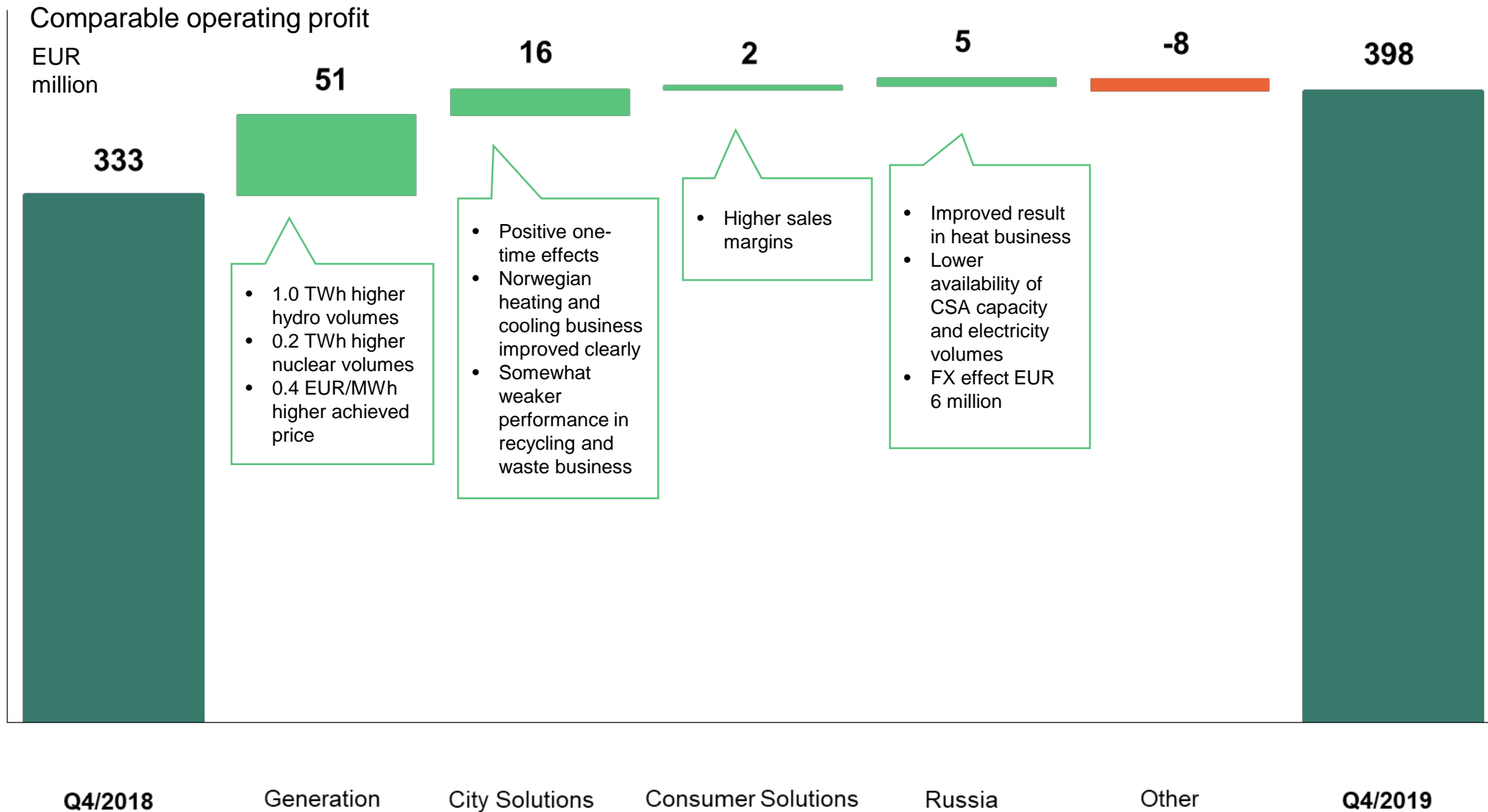
MEUR	Q4 2019	Q4 2018	2019	2018
Sales	306	305	1,071	1,069
Comparable EBITDA	136	127	469	417
Comparable operating profit	94	89	316	271
Comparable net assets			3,205	2,789
Comparable RONA %			12.3	10.3
Gross investments	98	66	133	117

CSA=Capacity Supply Agreement

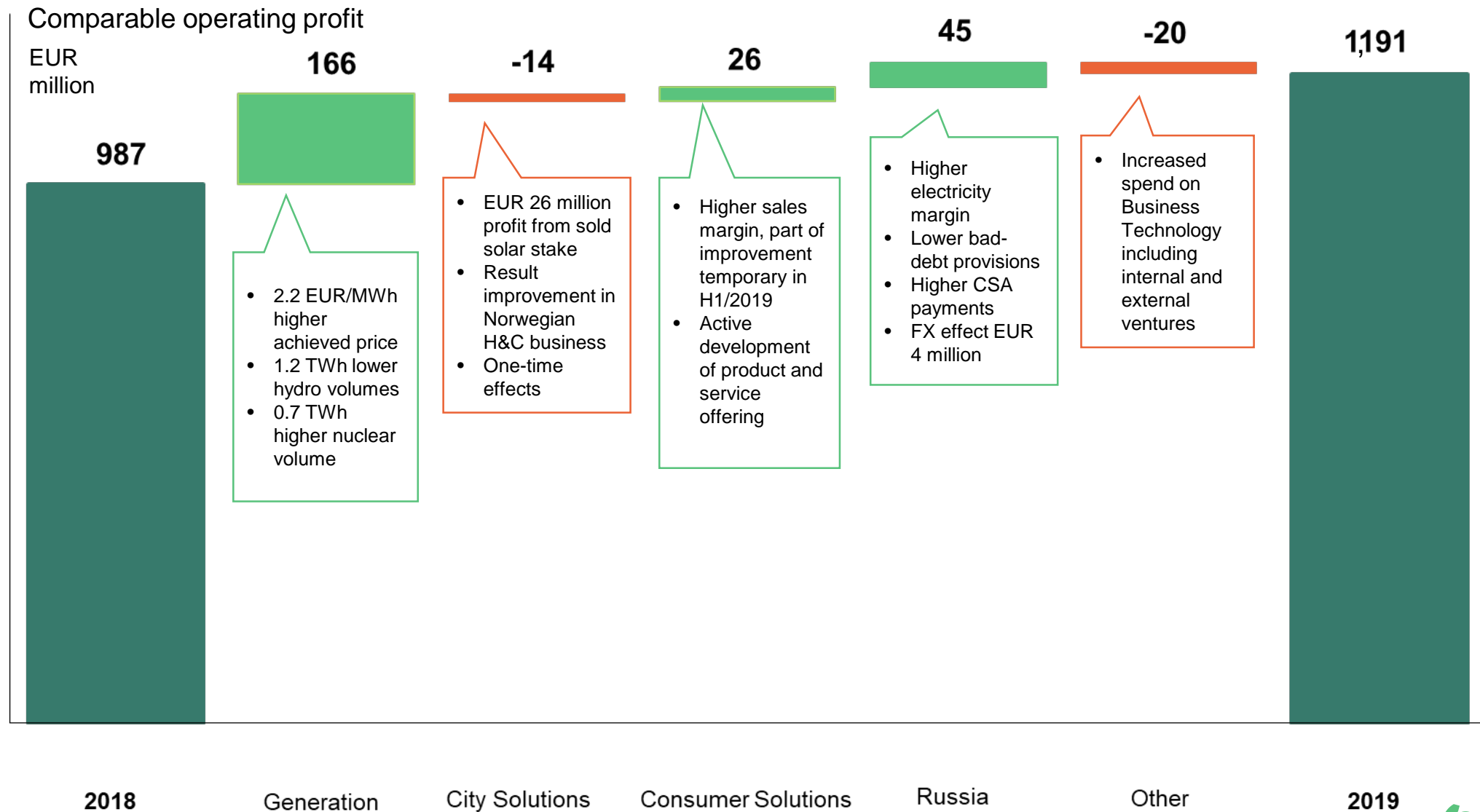


Chelyabinsk, Russia

Q4 2019 – strong performance and improved results



FY 2019 – solid operational performance in all businesses



Key financials

MEUR	Q4 2019	Q4 2018	2019	2018
Sales	1,553	1,599	5,447	5,242
Comparable EBITDA	552	473	1,766	1,523
Comparable operating profit	398	333	1,191	987
Operating profit	444	309	1,110	1,138
Share of profits of associates and joint ventures	65	-44	744	38
Profit before income taxes	454	261	1,728	1,040
Earnings per share, EUR	0.40	0.22	1.67	0.95
Net cash from operating activities	261	38	2,015	804

Full year 2019

- Comparable operating profit supported by good results in Generation and Russia
- Share of profits from associates driven by Uniper result contribution
 - Uniper EUR 632 million:
 - EUR 160 million underlying result
 - EUR 392 million non-operating result
 - EUR 48 million UK capacity market
 - EUR 31 million reversal of fair value adjustment
- EPS EUR 1.67 (0.95)
 - Items affecting comparability -0.07 (0.15)
 - Uniper share of result 0.71 (-)
- Very strong cash flow

Income statement

MEUR	Q4 2019	Q4 2018	2019	2018
Sales	1,553	1,599	5,447	5,242
Other income	45	41	110	130
Materials and services	-745	-870	-2,721	-2,795
Employee benefits	-125	-119	-480	-459
Depreciations and amortisation	-154	-139	-575	-536
Other expenses	-176	-178	-591	-594
Comparable operating profit	398	333	1,191	987
Items affecting comparability	46	-24	-81	151
Operating profit	444	309	1,110	1,138
Share of profits/loss of associates and joint ventures	65	-44	744	38
Finance costs - net	-55	-4	-125	-136
Profit before income tax	454	261	1,728	1,040
Income tax expense	-88	-64	-221	-181
Profit for the period	367	197	1,507	858

Full year 2019

- Comparable operating profit +21%
- Reported operating profit impacted by items affecting comparability, mainly fair value changes of derivatives
- Uniper contribution in share of profits, EUR 632 (-2) million
- Finance costs, net
 - Net interest expenses of EUR 139 (114) million impacted by EUR 13 million costs related to repayment of bridge financing for Uniper investment

Cash flow statement

MEUR	Q4 2019	Q4 2018	2019	2018
Comparable EBITDA	552	473	1,766	1,523
Realised FX gains/losses	3	26	14	231
Paid net financial costs, income taxes and other	-73	-62	-327	-341
Dividends received	0	7	239	61
Change in working capital	-234	-180	-33	-146
Change in settlements for futures	14	-226	356	-524
Net cash from operating activities	261	38	2,015	804
Capital expenditures	-166	-185	-695	-579
Acquisitions of shares	-70	-175	-107	-4,088
Divestments of shares and capital returns	1	2	53	259
Change in cash collaterals and restricted cash	-9	51	311	-36
Other investing activities	37	15	69	46
Cash flow from investing activities	-207	-292	-369	-4,398
Cash flow before financing activities	55	-254	1,646	-3,594
Paid dividends to the owners of the parent	0	0	-977	-977
Paid dividends to non-controlling interests	0	0	-23	-5

Full year 2019

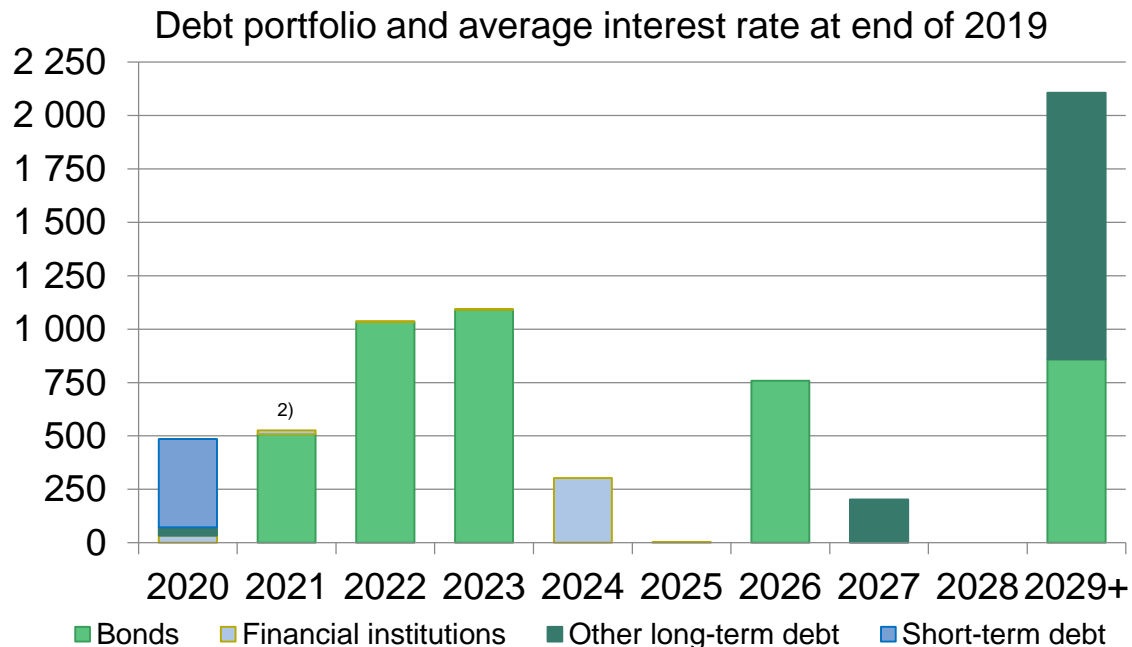
- Cash flow strengthened due to
 - Improvement in comparable EBITDA of EUR 243 million
 - Change in settlements for futures EUR 356 (-524) million
 - Dividends received from associates EUR 239 (61) million
- Acquisition of shares in 2018 mainly Uniper
- Release of pledged cash from collateral arrangement EUR 310 million

Long-term financial targets achieved

	2019	2018	TARGET
Comparable EBITDA, MEUR	1,766	1,523	
Interest-bearing net debt, MEUR	5,260	5,509	
Comparable net debt/EBITDA ratio ¹⁾	3.0x	3.6x	Around 2.5x ✓
Return on capital employed (ROCE), %	10.0	6.7	At least 10% ✓

Total loans of EUR 6,580 million

- Average interest of 2.3% (2.4%)
- Portfolio mainly in euros with average interest cost of 1.6% (1.7%)
- EUR 787 million (686) swapped to RUB, average interest cost including cost for hedging 7.8% (8.3%)
- Short-term debt includes a new non-cash collateral arrangement for the Nordic power exchange collaterals and settlement



¹⁾ Adjusting the year-end comparable net debt- to- EBITDA with the total consideration of the Joensuu transaction, the leverage target of around 2.5x was achieved in January 2020

²⁾ In addition Fortum has received EUR 65 million based on Credit Support Annex agreements with several counterparties. This amount has been booked as a short term liability.

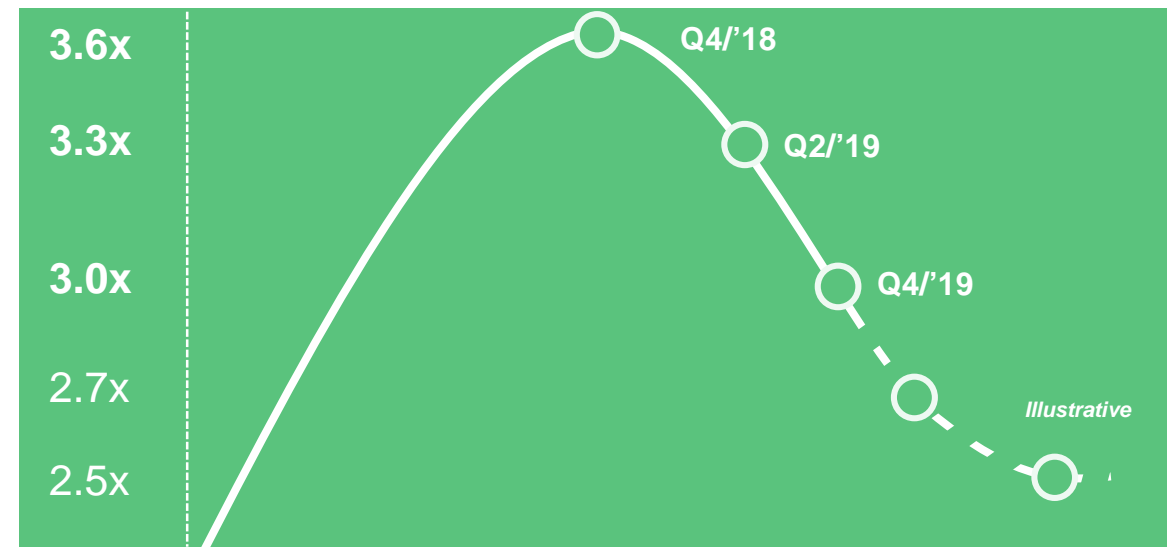
Fortum's key objective is to have a solid investment-grade rating of at least BBB

- Comparable EBITDA at EUR 1,766 million
 - EPS at EUR 1.67
- Strong cash flow from operating activities of EUR 2,015 million
- ROCE target achieved at 10%
- Comparable Net debt/EBITDA at 3.0x (LTM)
 - Fortum's long term target of around 2.5x achieved when adjusting for the divestments of Joensuu district heating and Nordic wind
- Prioritising investments
 - 2020 capex expected to be ~EUR 700 million, including ~EUR 200 million of investments in renewables subject to capital recycling

Fortum's current rating and outlook

Rating agency	Rating and outlook	Valid from
Standard & Poor's	BBB, CreditWatch Negative	9 October 2019
Fitch Ratings	BBB, Rating Watch Negative	9 October 2019

Net debt / EBITDA



Outlook

Demand growth

Electricity demand in the Nordics is expected to grow by ~0.5% on average

Hedging

2020: ~75% at EUR 34 per MWh (Q3: 70% at EUR 33)

2021: ~40% at EUR 33 per MWh (Q3: 35% at EUR 33)

2020 estimated annual capital expenditure,

of ~EUR 700 million including maintenance of ~EUR 300 million and excluding acquisitions, including ~EUR 200 million of investments in renewables, subject to capital recycling.

Targeted cost synergies of Hafslund transaction

City Solution synergies of EUR 5-10 million gradually materialising, fully by the end of 2020.

Consumer Solutions synergies of EUR 10 million achieved in 2019

Taxation

In Sweden, hydro assets real estate tax rate to decrease over a four-year period (2017-2020)

In 2020 ~EUR 15 million lower from the 2019 level



Q&A



Next events:

The AGM 2020 on 17 March 2020

The ex-dividend date 18 March 2020

The CMD planned for 3 December 2020

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