



Equity story of

FORTUM – For a cleaner world

Investor / Analyst material

March 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 2020¹

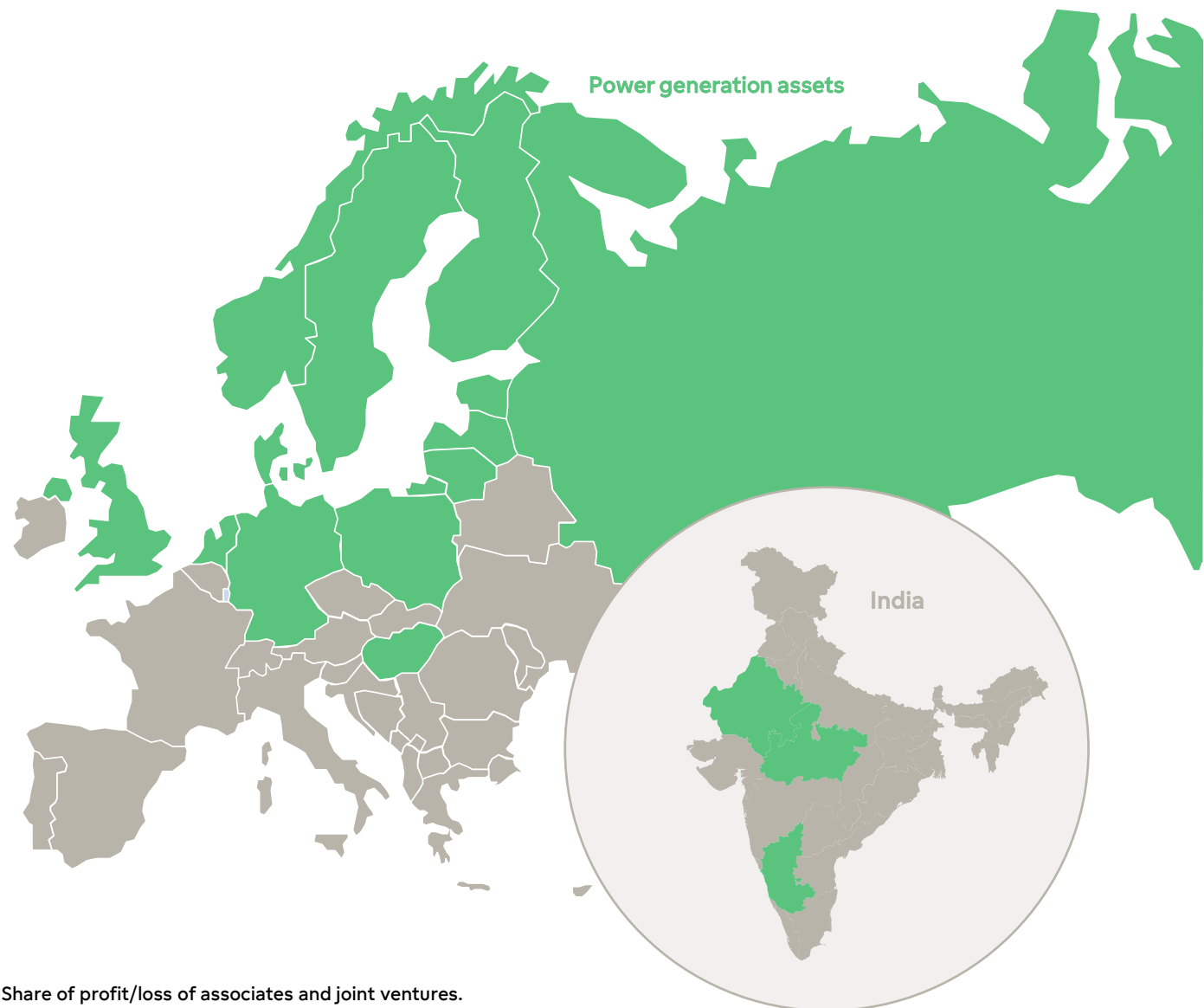
Sales	EUR 49.0 bn
Comparable EBITDA	EUR 2.4 bn
Total assets	EUR 57.8 bn
Personnel	19,933

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



Strong position to drive the energy transition in Europe



3rd largest

power generator
in Europe and Russia



3rd largest

CO₂-free power generator
in Europe



3rd largest

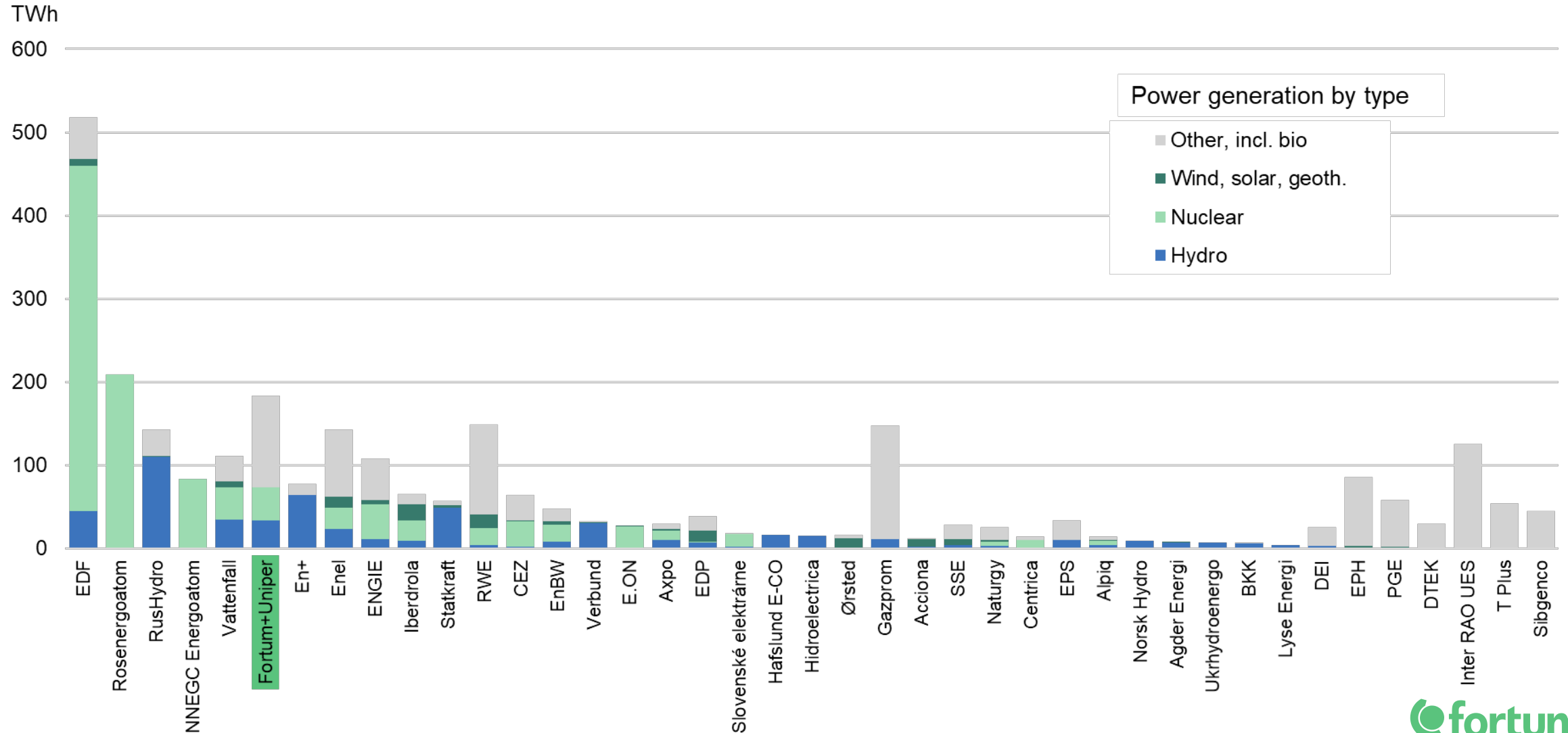
nuclear generator
in Europe



4th largest

gas storage operator
in Europe

Consolidated Fortum is the third largest CO₂-free power generator in Europe



Fortum is well positioned for the energy transition

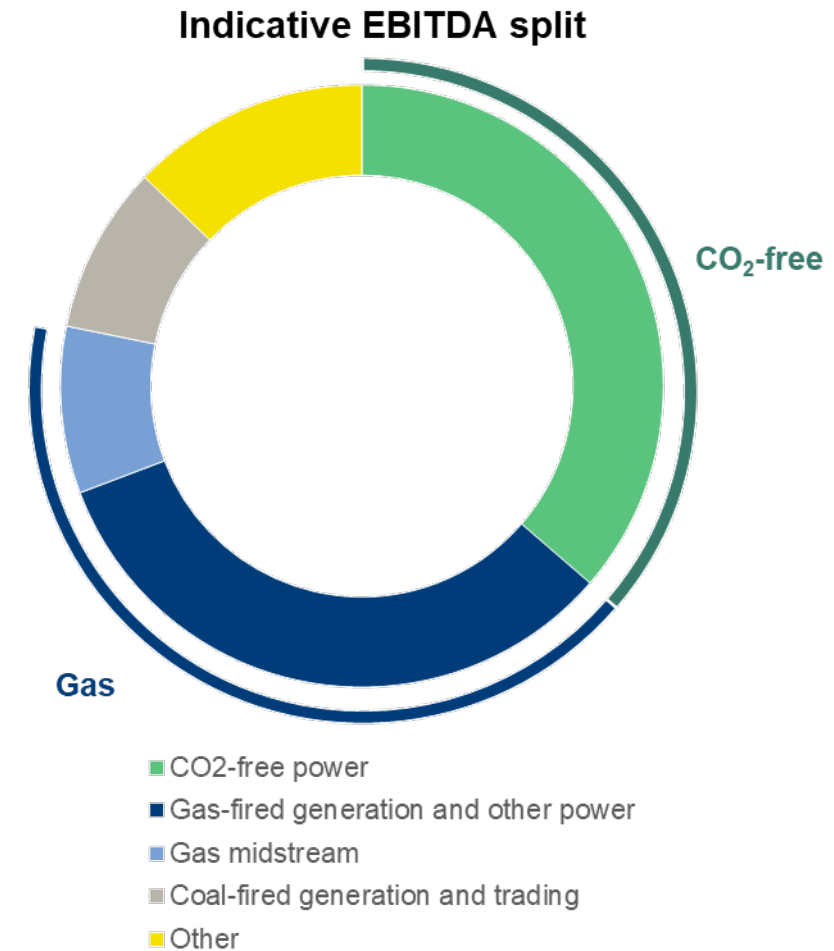
Third largest CO₂-free power generator in Europe with growing portfolio of wind and solar

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

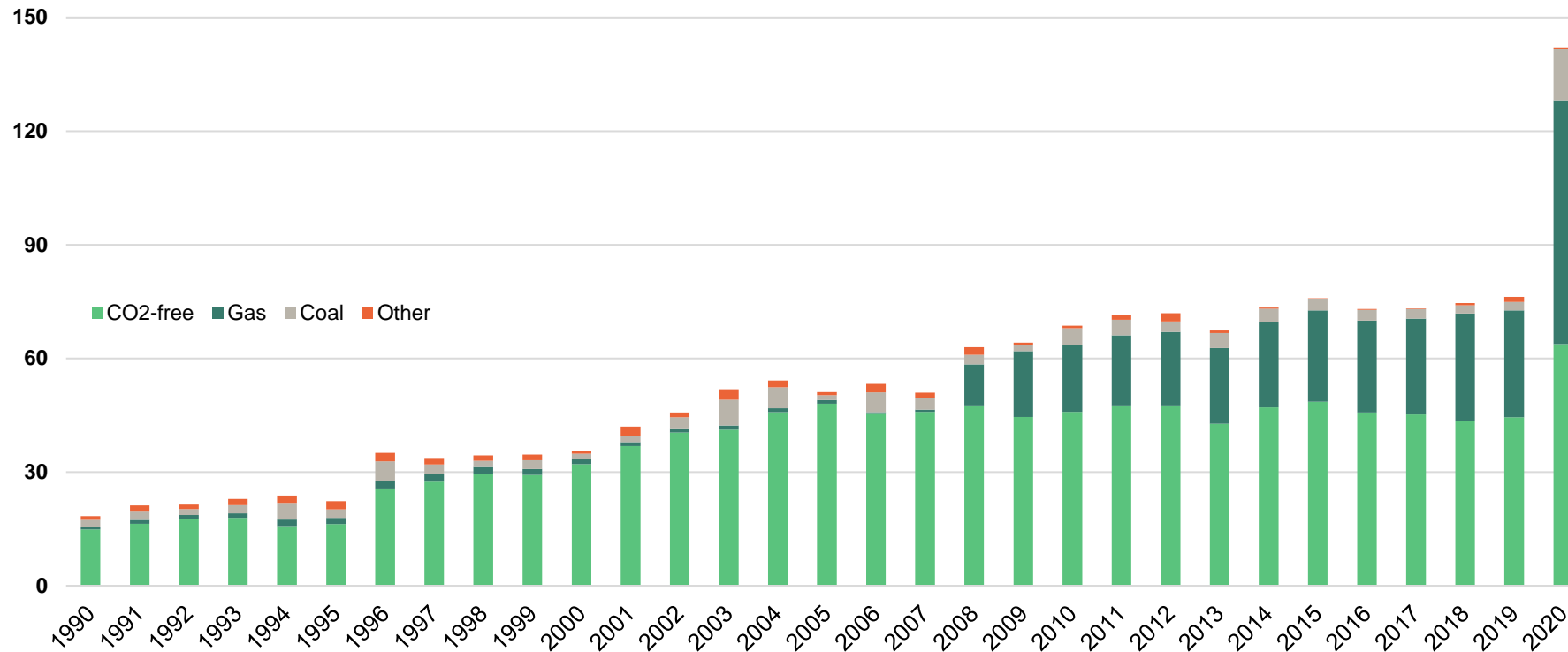
Phase out or exit announced of ~8 GW coal-fired generation by 2030



Source: Fortum and Uniper financial reporting

Fortum's CO₂-free power generation increases by ~60% as Uniper is consolidated as a subsidiary

Fortum's power generation, TWh



Fortum*:

- CO₂-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.

3rd largest CO₂-free generator in Europe

CO₂-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 CO₂-free.

Specific CO₂ emissions

Fortum's specific CO₂ emissions from total energy production in Europe were 188 gCO₂/kWh in 2020, and 287 gCO₂/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.

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

- 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

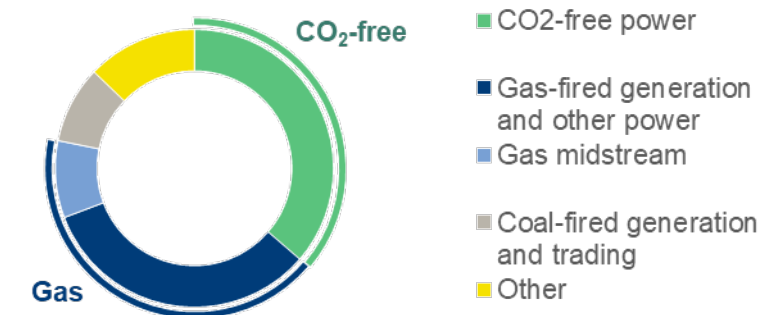
Russia power generation

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

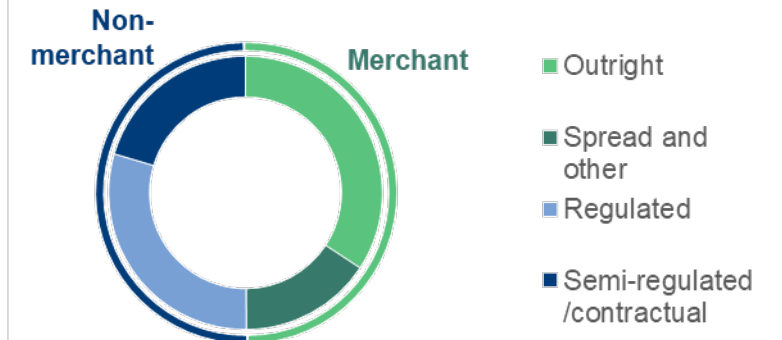
Growth based on strategy

Fortum Group's indicative EBITDA by business and market exposure

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 CO₂-free power generation

- Supply significant flexible and reliable CO₂-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)
- CO₂ 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:

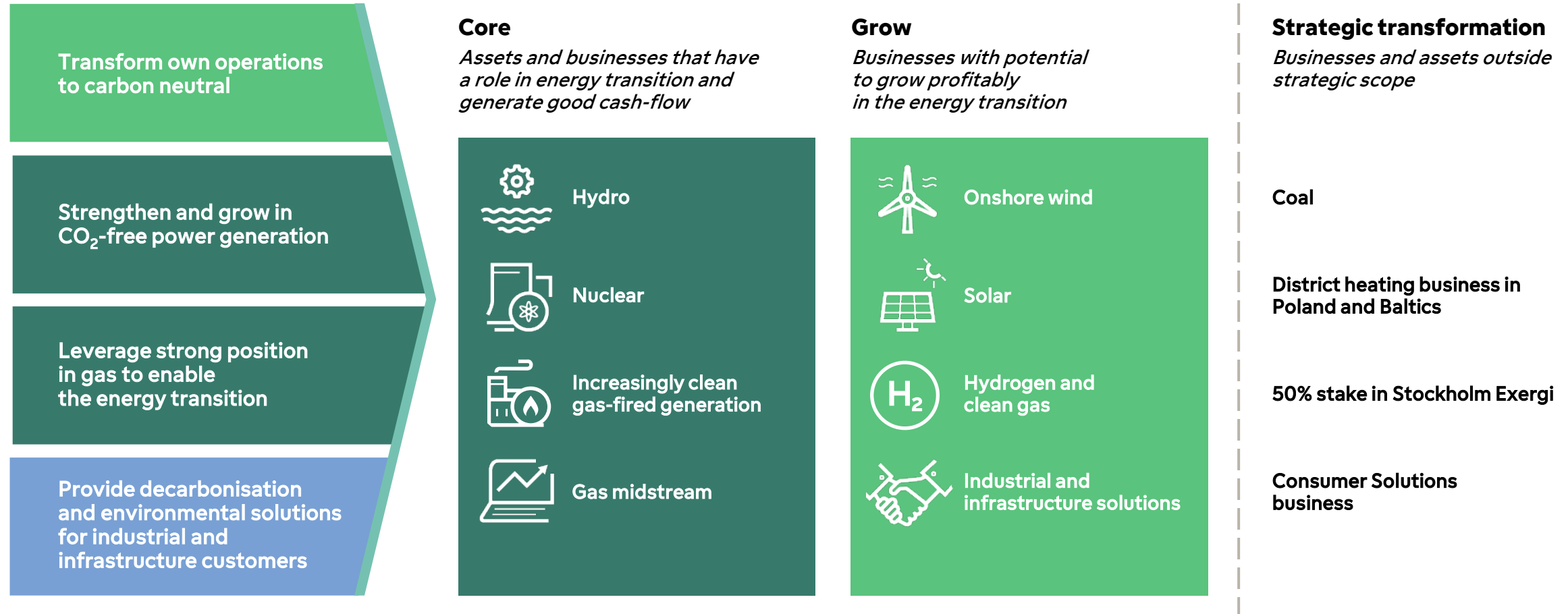
- Safety target: Total recordable incident frequency (TRIF) <1.0 in 2025



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

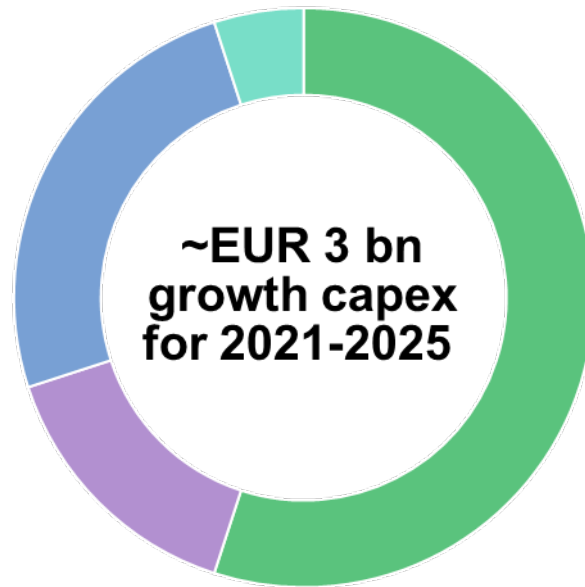
Target to increase dividend

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

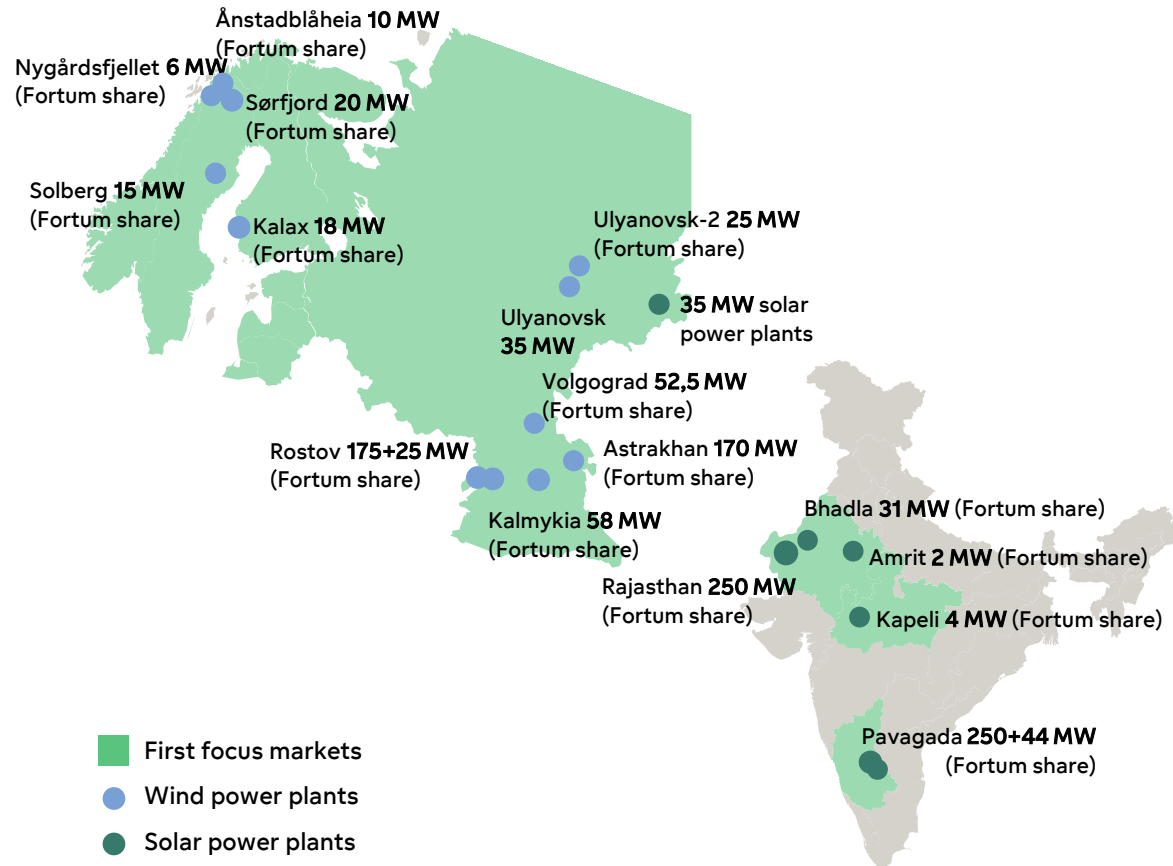
Indicative capital expenditure for growth investments in 2021-2025 – renewables and clean gas



- 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
FINLAND		90	18	
• Kalax	Operational	90	18	Q1 2021
NORWAY		181	36	
• Nygårdsfjellet	Operational	32	6	2006 and 2011
• Ånstadblåheia	Operational	50	10	2018
• Sør fjord	Operational	99	20	Q4 2019- Q3 2020
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- Q4 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
INDIA		685	581	
• 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	Under construction	250	250	Q2 2021
TOTAL		3,041	1,690	
	Under development	728	364	
	Under construction	861	556	
	Operational	1,452	770	

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:

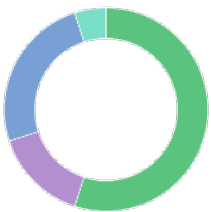
+100 bps for green investments

+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

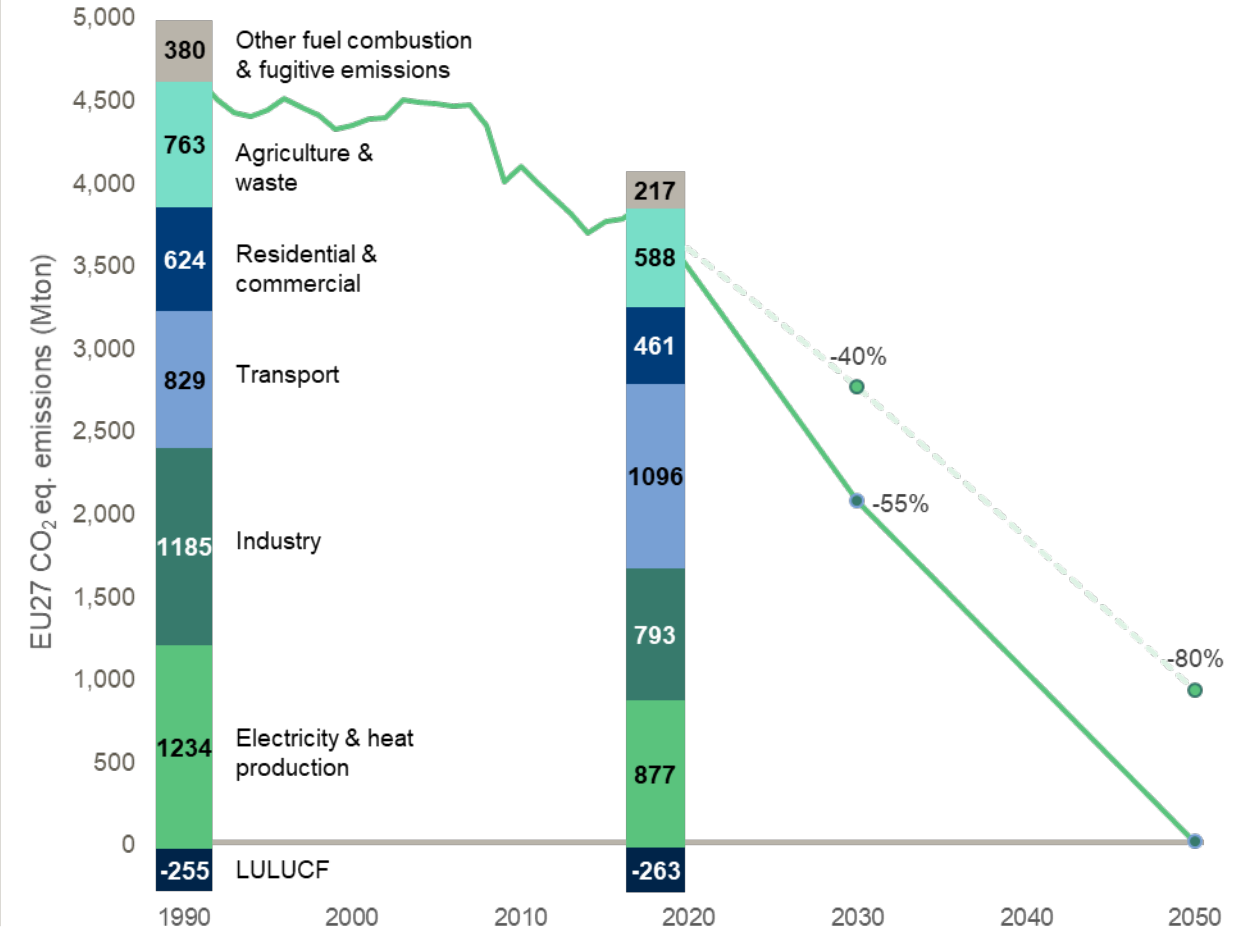
Cooperation benefits focus on monetary, safety, and environmental actions

- 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



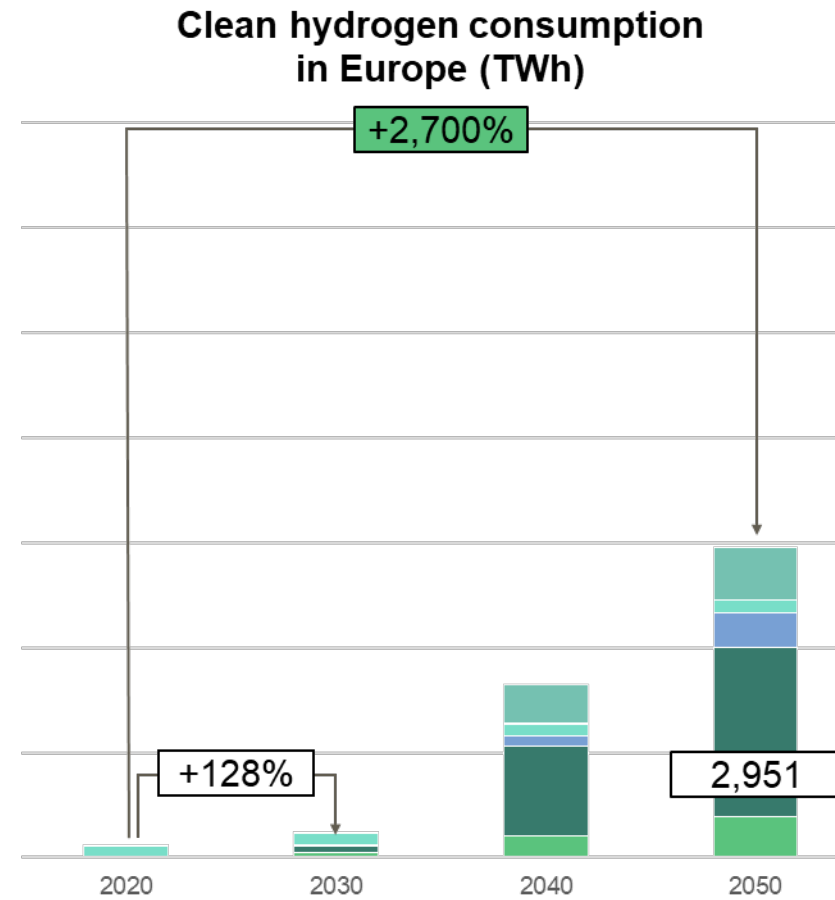
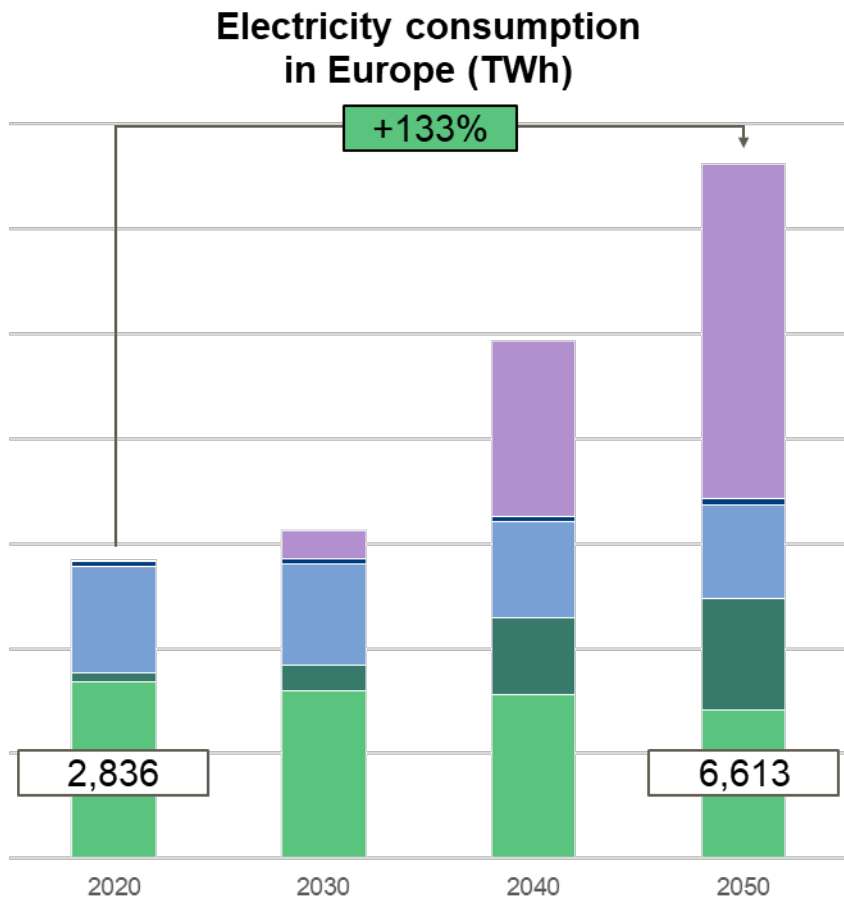
Europe committed to be a forerunner in reducing GHG emissions across all sectors

- 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



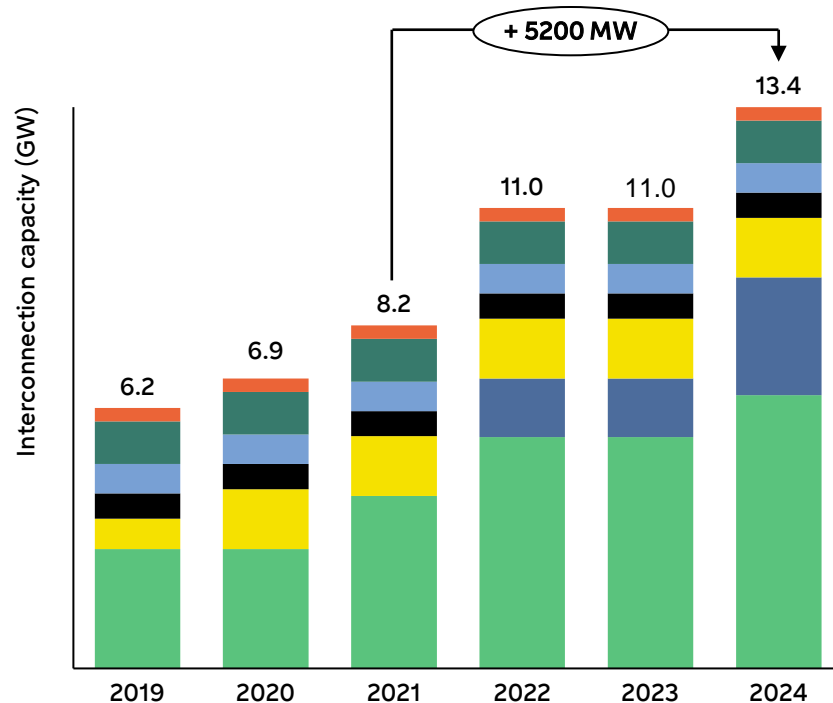
- Electricity
- Hydrogen
- Feedstocks
- Agriculture
- Industry
- Transport
- Residential and commercial

Source:
IHS Markit Net Zero
Carbon Europe
scenario

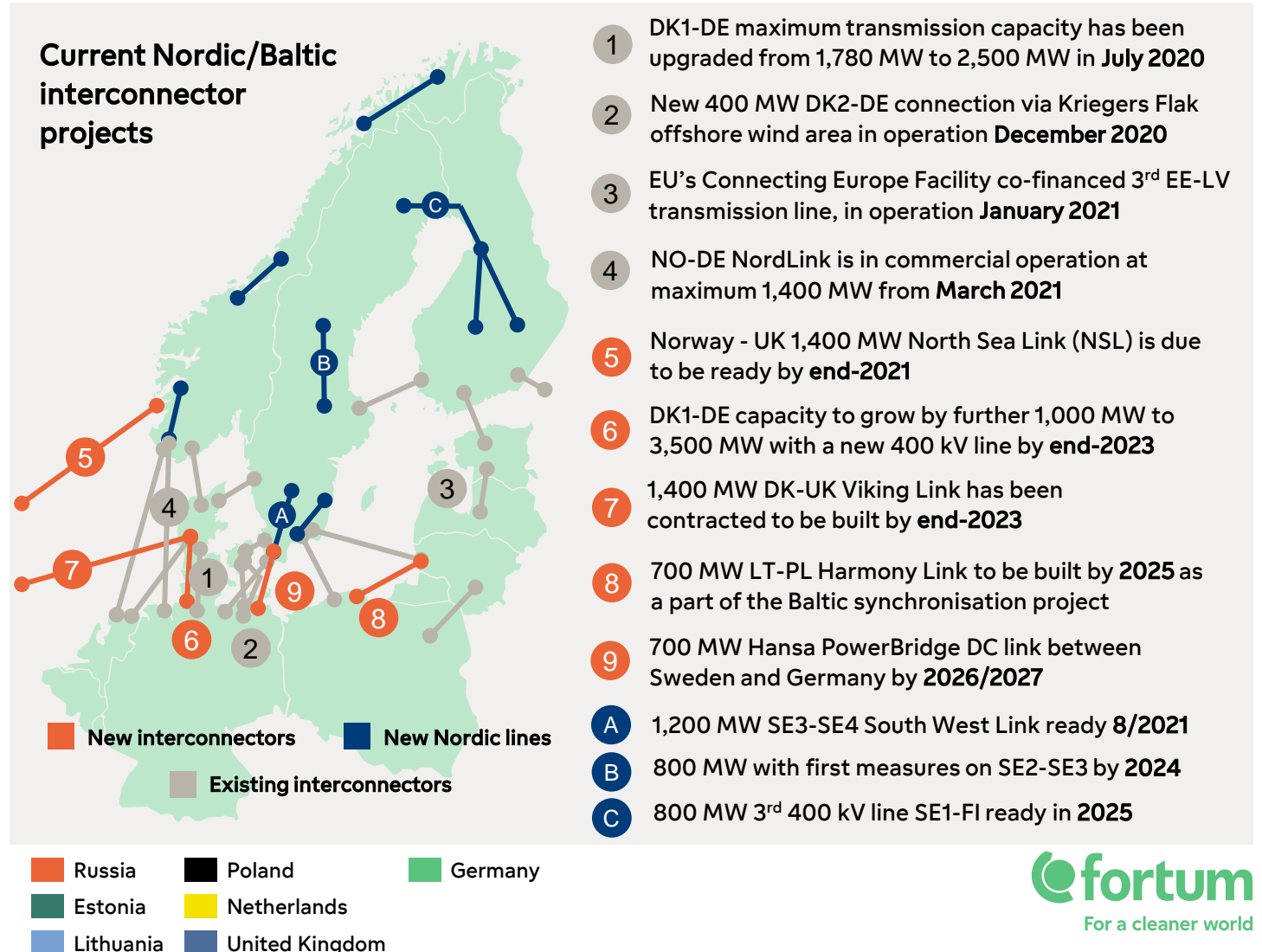
Nordic, Baltic, Continental and UK markets are integrating

– Interconnection capacity growing to over 13 GW by end-2023

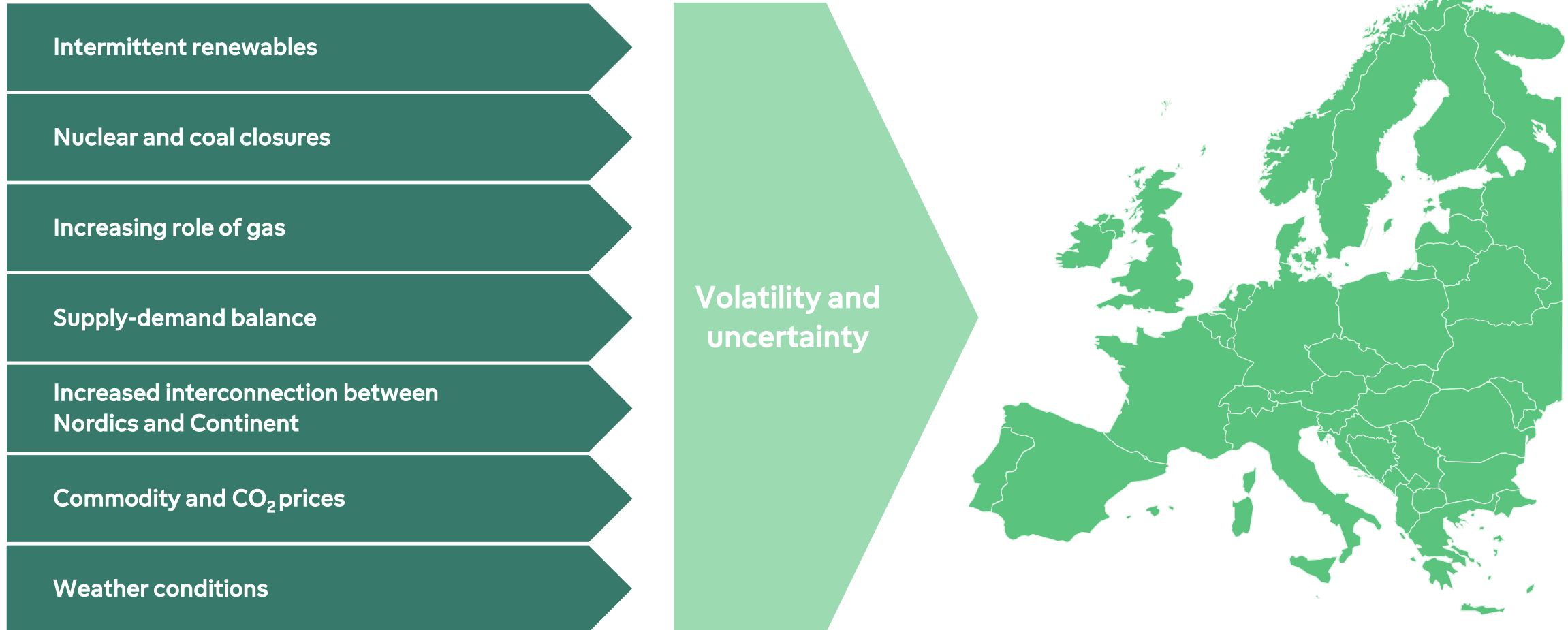
- Several interconnectors are currently under construction or decided to be built
- New interconnections will increase the Nordic export capacity from the current 9.6 GW to over 13 GW by end of 2023



Years in the chart above refer to a snapshot of 1st 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 CO₂-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 CO₂ 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

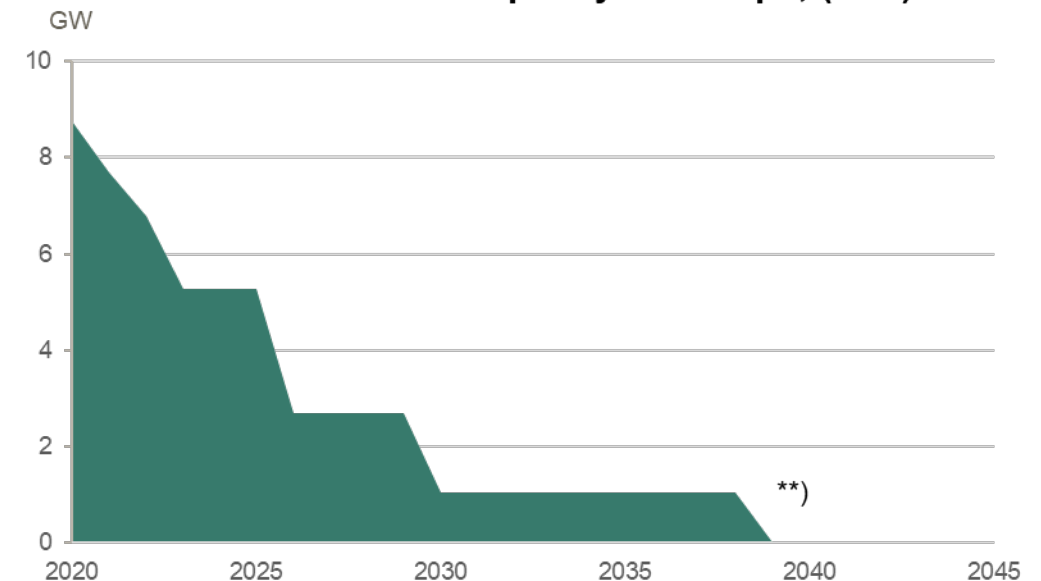
Carbon neutral as a group by 2050 at the latest in line with the Paris Agreement

- 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 CO₂ net emissions:



Coal-fired capacity in Europe, (GW)



*) Base year 2019

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

Financial Statements 2020

Fortum Corporation

12 March 2021

Highlights in 2020

Uniper consolidated
as subsidiary

—

Identified benefits
EUR 100 million

Group climate
targets

—

-50% latest by
2030 in European
generation

Portfolio
optimisation

—

EUR 1.2 billion
divestments

Aligned
Group strategy

—

Building on CO₂-
free power and gas

Focus on RES and
hydrogen

—

550 MW of wind
commissioned in
Russia

Ongoing strategic
reviews

—

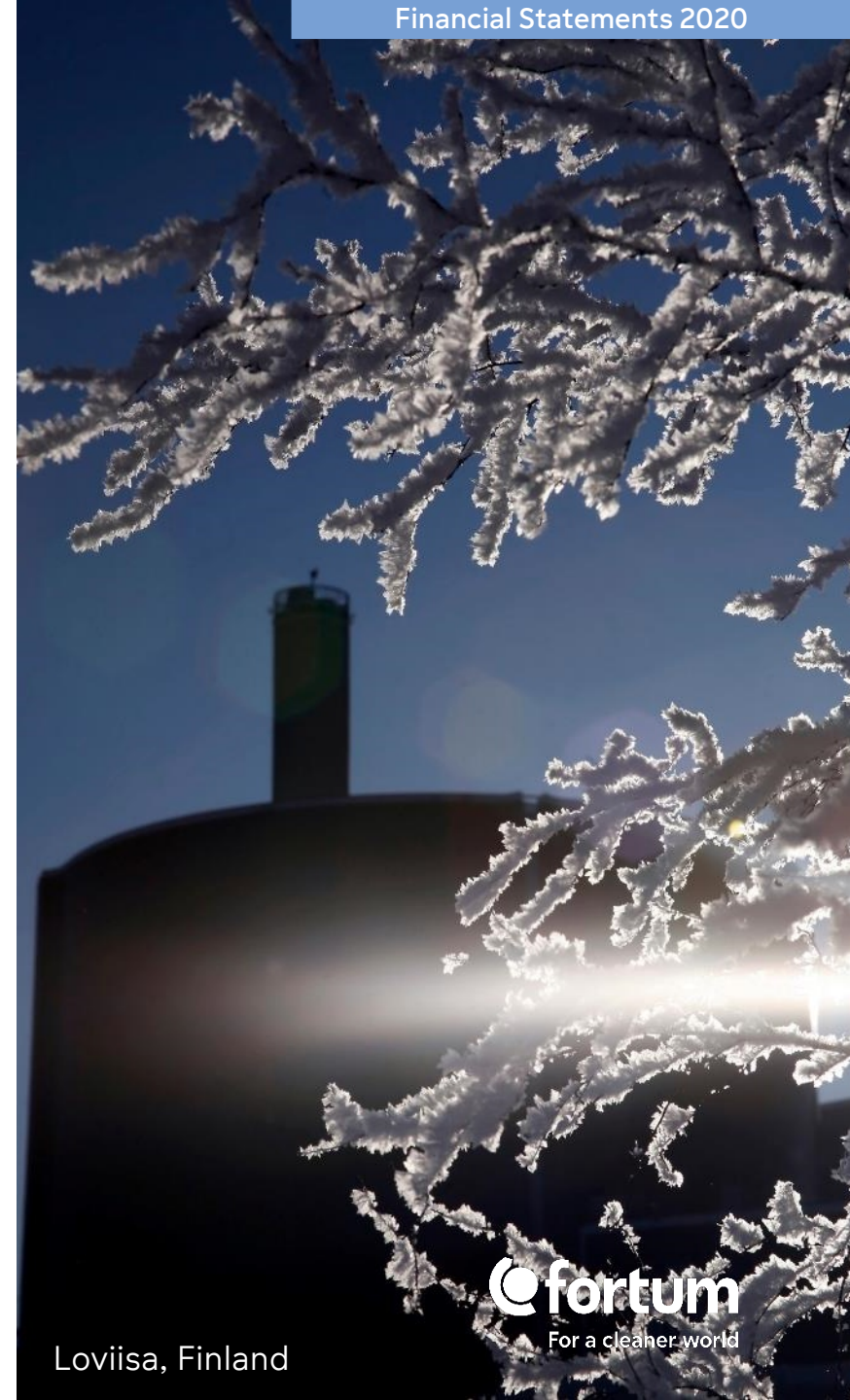
DH in Baltics,
Poland and Sweden;
Consumer Solutions

Good performance in a challenging year – Strategy updated to drive the clean energy transition

Full year 2020:

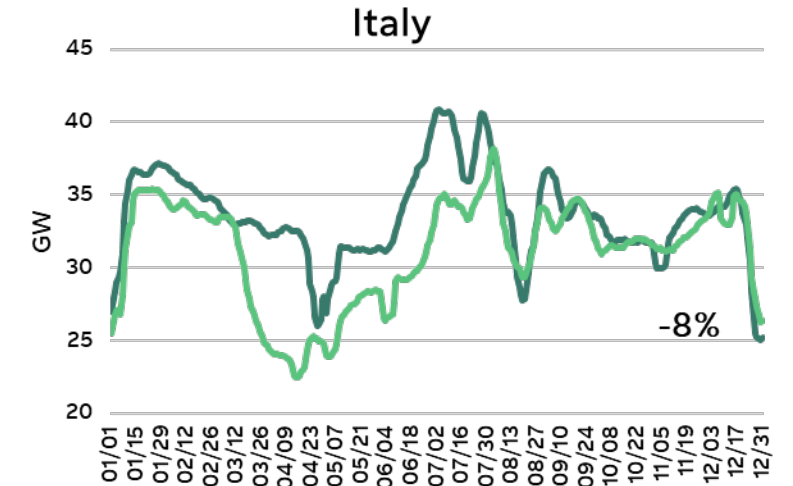
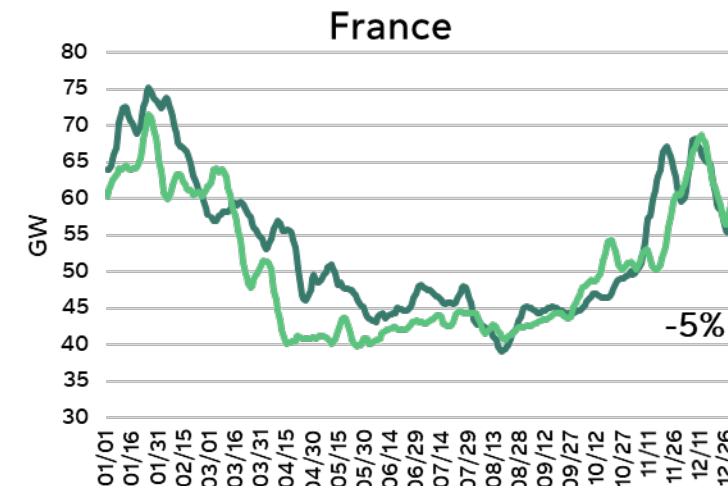
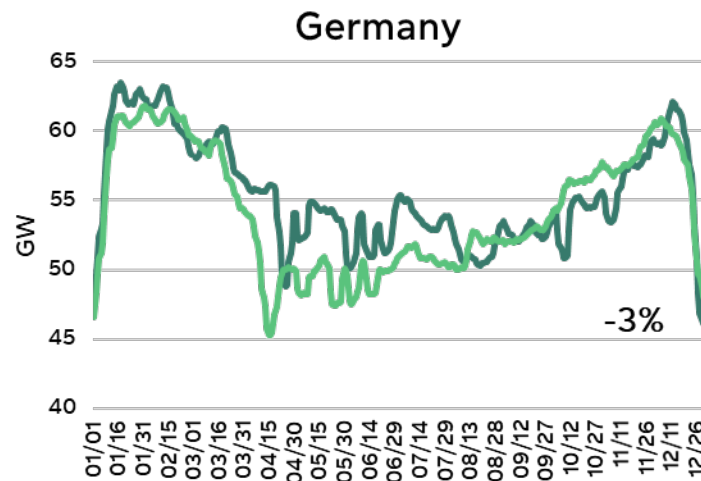
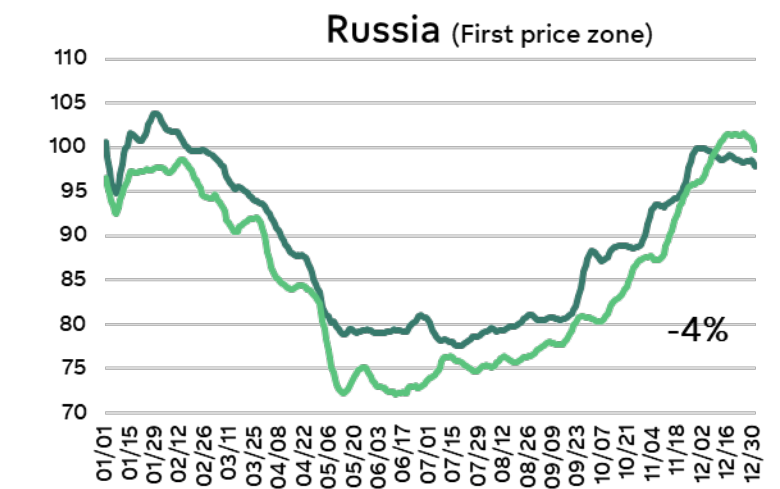
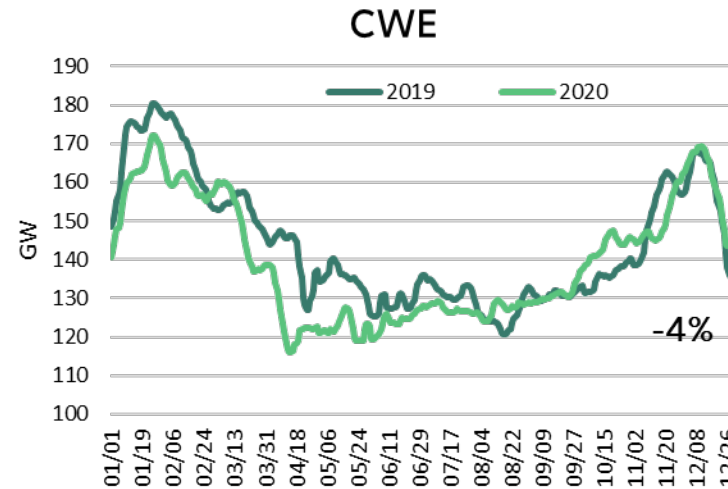
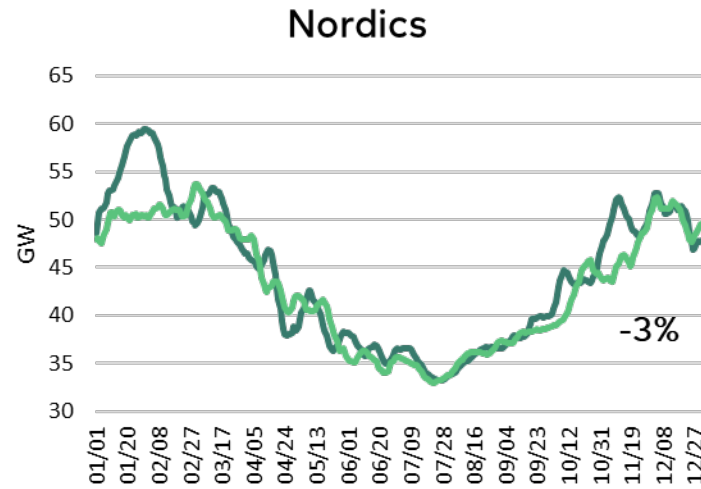
- Fortum's achieved power price at EUR 34.8, -2.0 EUR/MWh
 - Nordic spot power price down by 72%
- Comparable EBITDA at EUR 2,434 million, +38%
- Comparable operating profit at EUR 1,344 million, +13%
- Share of profits of associates and JVs at EUR 656 (744) million
- EPS at EUR 2.05, +23%
 - Items affecting comparability EUR 0.38 (-0.07)
 - Uniper contribution EUR 0.51 (0.71)
- Strong net cash flow from operating activities at EUR 2,555 (1,575) million

- Dividend policy to pay stable, sustainable and over time increasing dividend
 - Dividend proposal of EUR 1.12 per share



Power demand has recovered close to 2019 level in most areas

Change 2020 compared to 2019 (%)

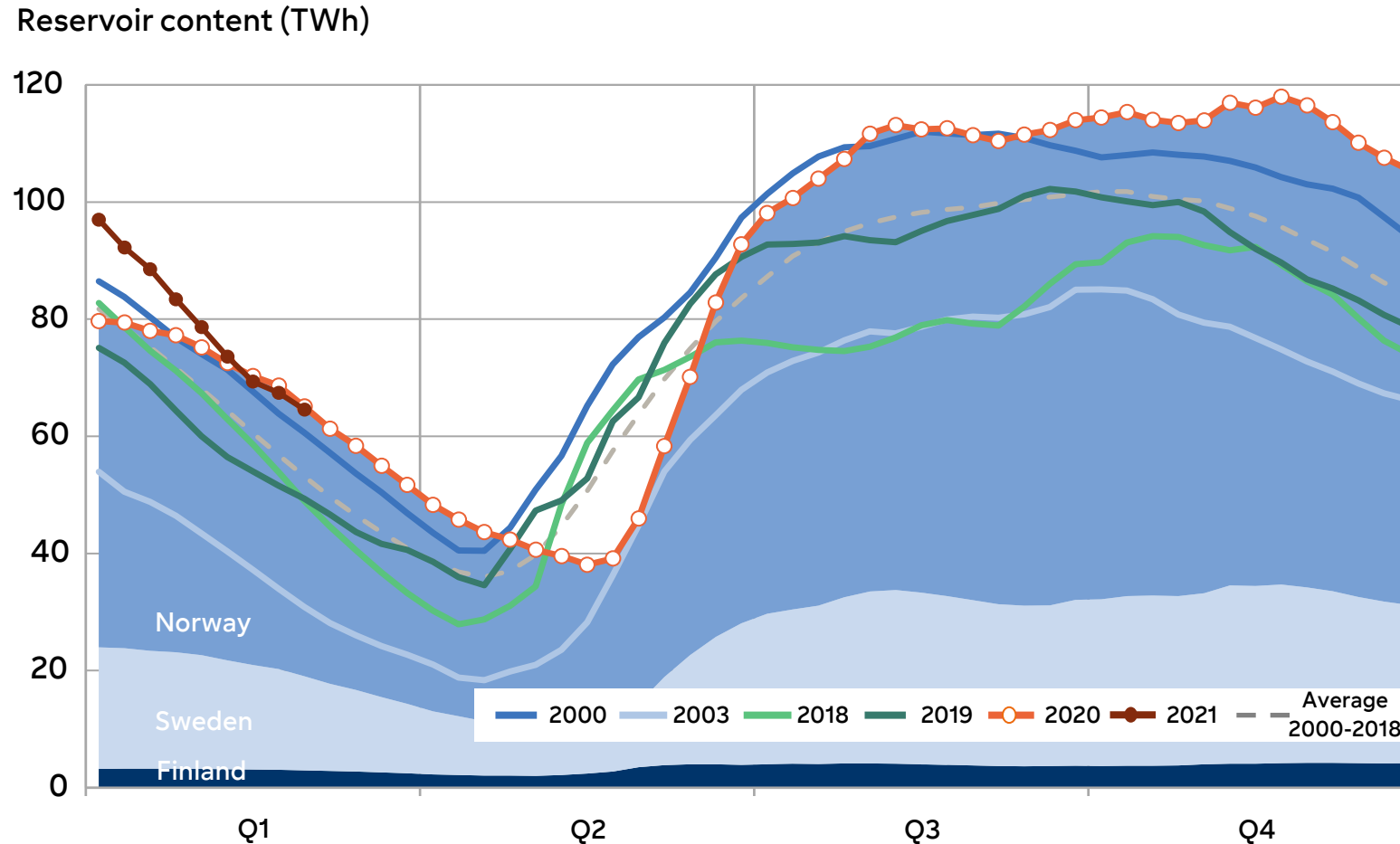


Source: ENTSO-E and ATS (Russia) hourly reported power demand, 7 day moving avg

CWE = Central Western Europe (Germany, France, Netherlands, Belgium, Austria, Switzerland)

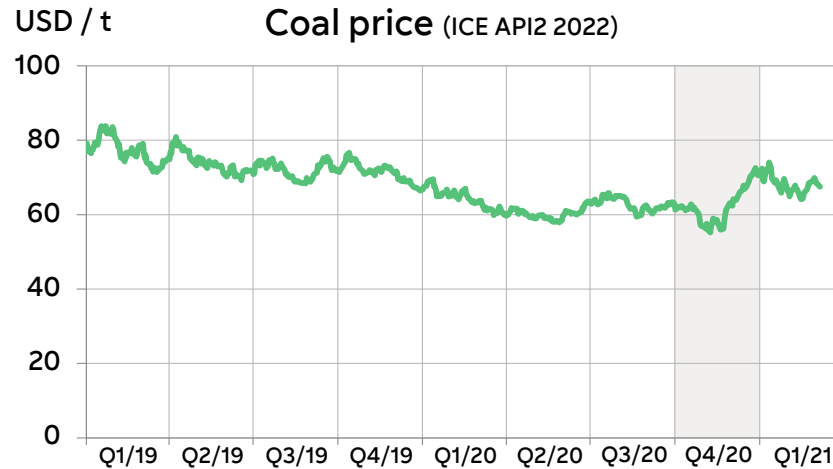
Percentage change in 2020 compared to 2019

Nordic hydro reservoirs heading towards normal levels

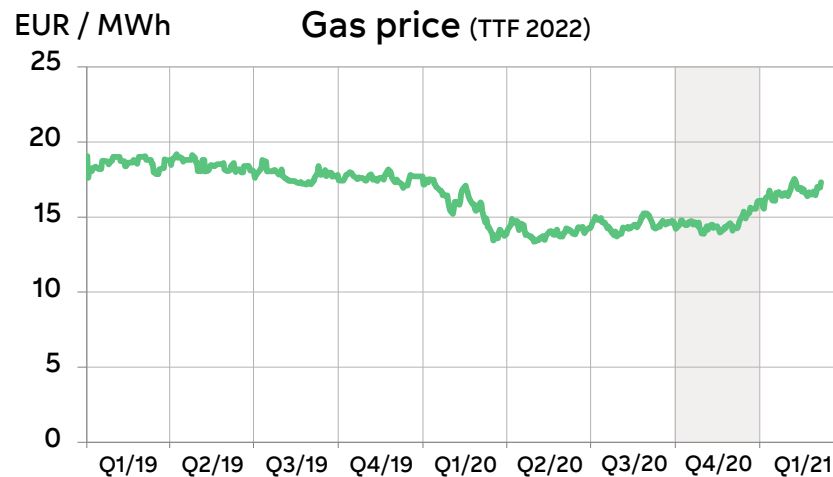


- Wet and mild autumn 2020 kept the Nordic water reservoirs on high levels during Q4.
- General weather pattern changed in December towards cold and dry.
- Higher power demand and higher availability of export capacity led to strong hydro production and gradually normalizing hydro reservoir levels
- Nordic water reservoirs 20 TWh above long term average at the end of 2020.

Coal and gas on a road to recovery in Q4



- Coal prices benefited from stronger demand in the Northern hemisphere as a result of colder temperatures.
- During Q4, API2 year-ahead made impressive gains, averaging 60.5 USD/t and finishing the year at 68.8 USD/t.
- Despite a strong price recovery in late 2020, coal demand is under pressure from gas and renewables.

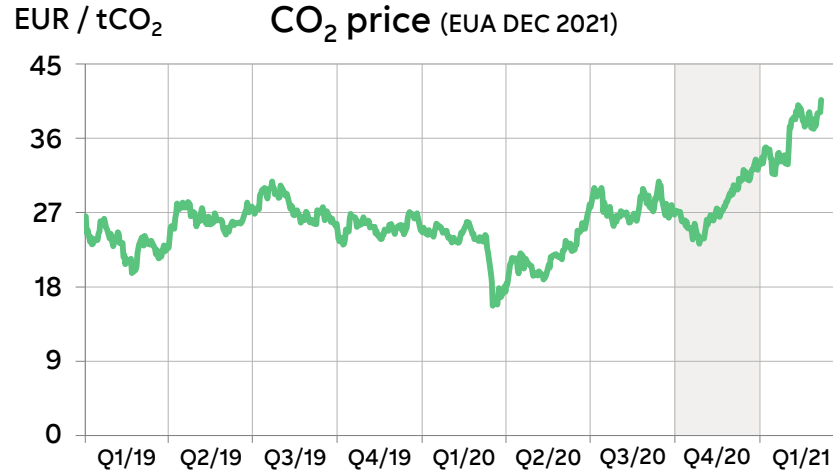


- European gas prices steadily increased throughout Q4. TTF front-month prices increased from 13.2 EUR/MWh in early October to 19.1 EUR/MWh in late December.
- Although changes in the weather outlook contributed to price volatility, higher demand and lower LNG inflow supported TTF prices.

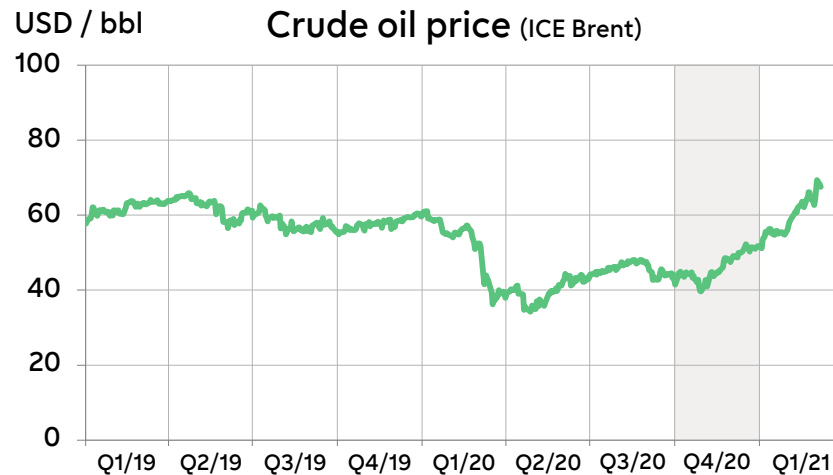
Source: Bloomberg, Refinitiv

9 March 2021

CO₂ price saw new highs and a strong finish to the year



- While CO₂ price seemed to have lost momentum in October, it recovered swiftly in November-December setting a new daily price record at 33.4 EUR/t at end of December. Strong trend continues in 2021.
- Optimism in the broader energy commodity scope provided support, but carbon market participants are also pricing in tighter 2021 supply and upcoming EU ETS reform related to the new 2030 emissions reduction target.

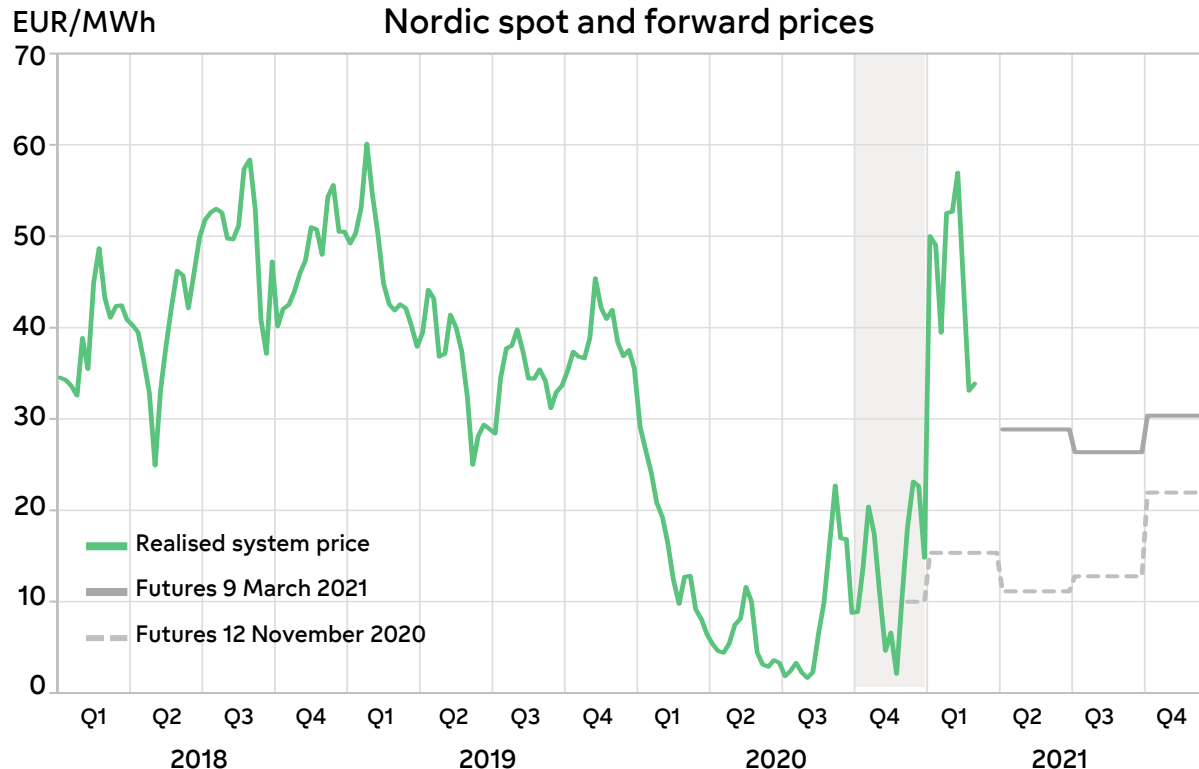


- Following a weak October due to returning Covid-19 concerns and another round of lockdowns, oil prices rebounded in the second half of Q4.
- Support for oil prices originated from OPEC+ commitment to supply cuts and improved macroeconomic sentiment. However, uncertainties around demand recovery continue to weigh in.

Source: Bloomberg

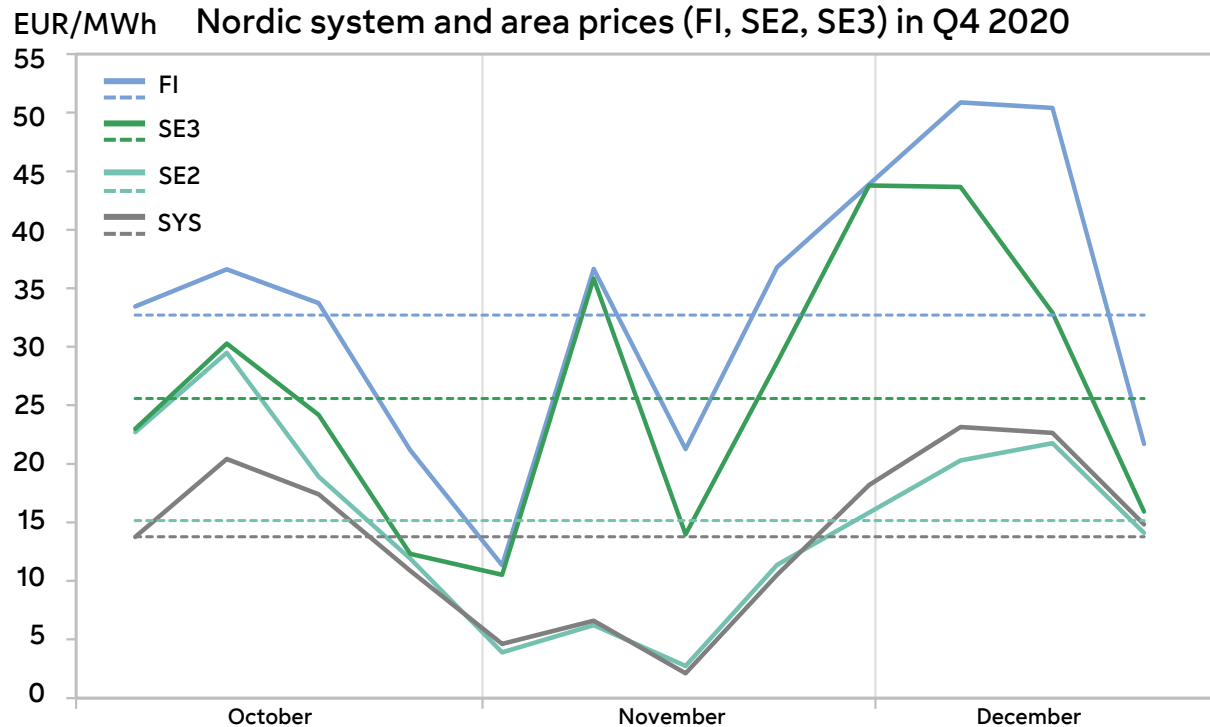
9 March 2021

Strong hydrology resulted in low Nordic prices in Q4



- Nord Pool system spot price was extremely low at 10.9 EUR/MWh (38.9) in 2020
- Sharp decline during H1 2020 was caused by an exceptionally rainy and mild winter. The development was further amplified by low spot prices in Continental Europe, driven especially by declining gas prices.
- During H2 2020 Nord Pool system spot price remained at low levels since reservoirs were almost full. A cold, dry start of 2021 resulted in a recovery of spot and forward prices.

Nordic system and area spot prices highly decoupled in Q4 2020



Key developments:

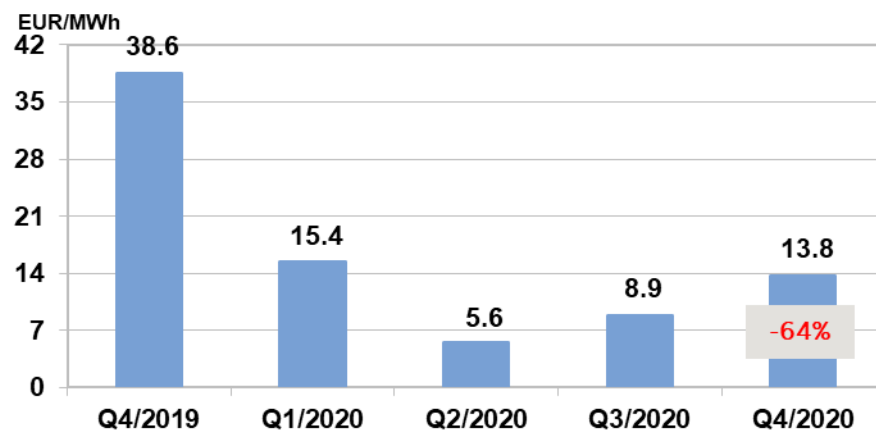
- High hydro reservoirs depress system price in Q4
- SE3 and FI area prices supported by low nuclear availability, transmission limitations and higher prices in the Continental Europe
- Cold and dry winter and improved interconnector availability increased spot prices in Q1 2021

Area spot prices in Q4 2020:

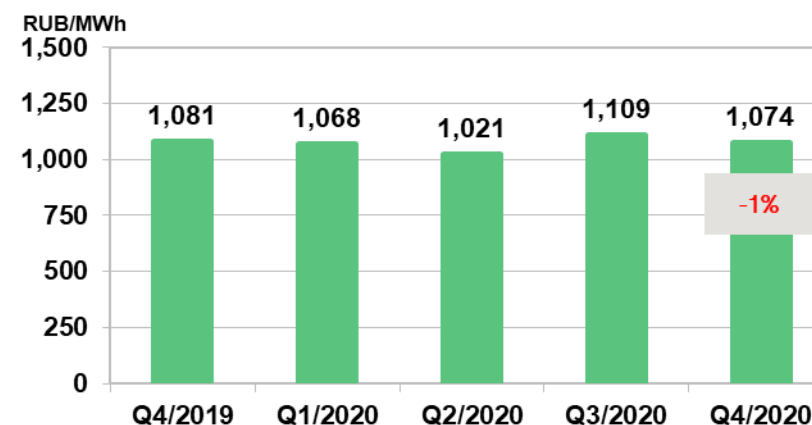
- 32.7 EUR/MWh (43.5) in Finland
- 25.6 EUR/MWh (38.5) in Sweden-SE3 (Stockholm)
- 15.1 EUR/MWh (37.5) in Sweden-SE2 (Sundsvall)
- 13.8 EUR/MWh (38.6) system price

Hedging supported Fortum's achieved power price in the Nordics, Russian achieved price in roubles increased

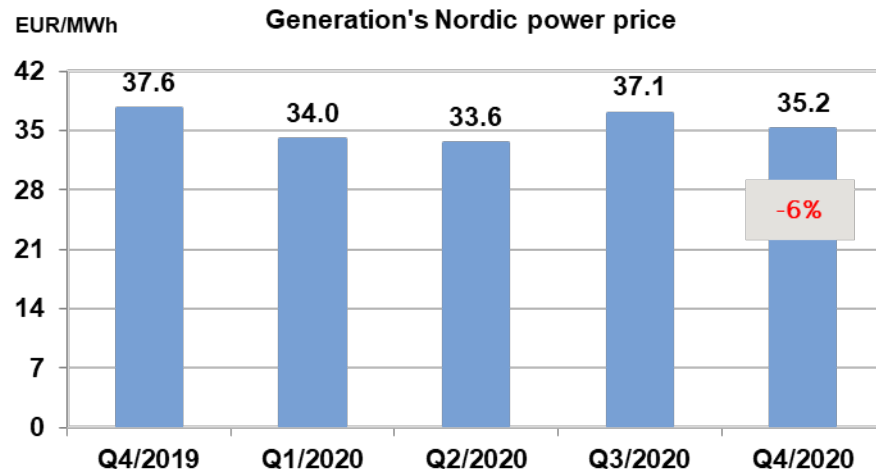
Spot price for power in Nord Pool power exchange



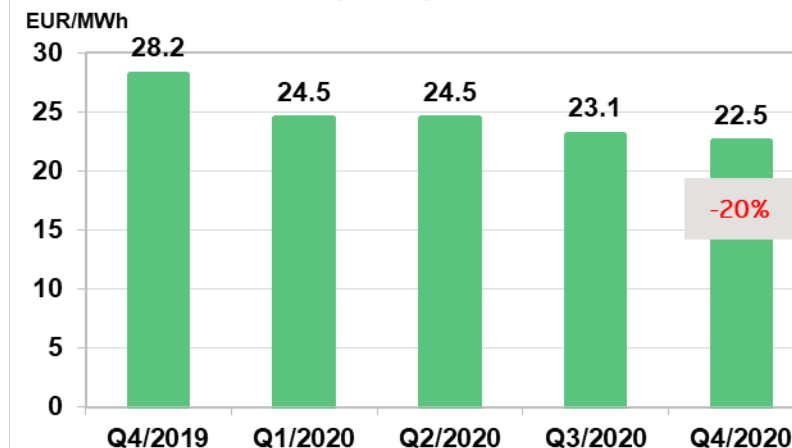
Spot price for power (market price), Urals hub



Generation's Nordic power price



Achieved power price for PAO Fortum



Changes refer to year-on-year difference (Q4 2020 versus Q4 2019)

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

Generation

Q4 2020

- Lower power generation
 - Hydro +0.6 TWh
 - Nuclear -1.5 TWh
- Lower achieved power price, -6% (-2.4 EUR/MWh), fairly high hedge price and hedge level mitigated significantly lower spot prices

2020

- Lower power generation
 - Hydro +2.1 TWh
 - Nuclear -2.5 TWh
- Lower achieved power price, -5% (-2.0 EUR/MWh), fairly high hedge price and level mitigated significantly lower spot prices

MEUR	IV/2020	IV/2019	2020	2019
Sales	541	583	2,006	2,141
Comparable EBITDA	220	278	886	939
Comparable operating profit	177	239	722	794
Comparable net assets			6,234	6,019
Comparable RONA %			11.8	13.3
Gross investments	115	77	228	260



Russia

Q4 2020

- FX effect of EUR -19 million
- Lower CSA payments
- Cost efficiency and good availability

2020

- FX effect of EUR -34 million
- Lower power margins and volumes
- Lower CSA payments
- Higher heat tariffs
- 550 MW of new wind capacity commissioned in joint venture

MEUR	IV/2020	IV/2019	2020	2019
Sales	238	306	929	1,071
Comparable EBITDA	108	136	394	469
Comparable operating profit	76	94	251	316
Comparable net assets			2,431	3,212
Comparable RONA %			11.1	12.3
Gross investments	19	98	91	133

CSA=Capacity Supply Agreements



City Solutions

Q4 2020

- Lower result in heating business in Norway
- Weaker performance in the recycling and waste business
- EUR 7 million effect from divestments
- Q4 2019: One-time items of EUR +16 million

2020

- Lower heat sales volumes and power sales prices
- Lower Norwegian heat sales prices
- Weaker performance in the recycling and waste business
- EUR 14 million effect from divestments
- Indian solar positive contribution

MEUR	IV/2020	IV/2019	2020	2019
Sales	337	366	1,075	1,200
Comparable EBITDA	90	129	239	308
Comparable operating profit	41	80	47	120
Comparable net assets			3,679	3,945
Comparable RONA %			2.8	4.6
Gross investments	116	61	333	323



Klaipeda, Lithuania

Consumer Solutions

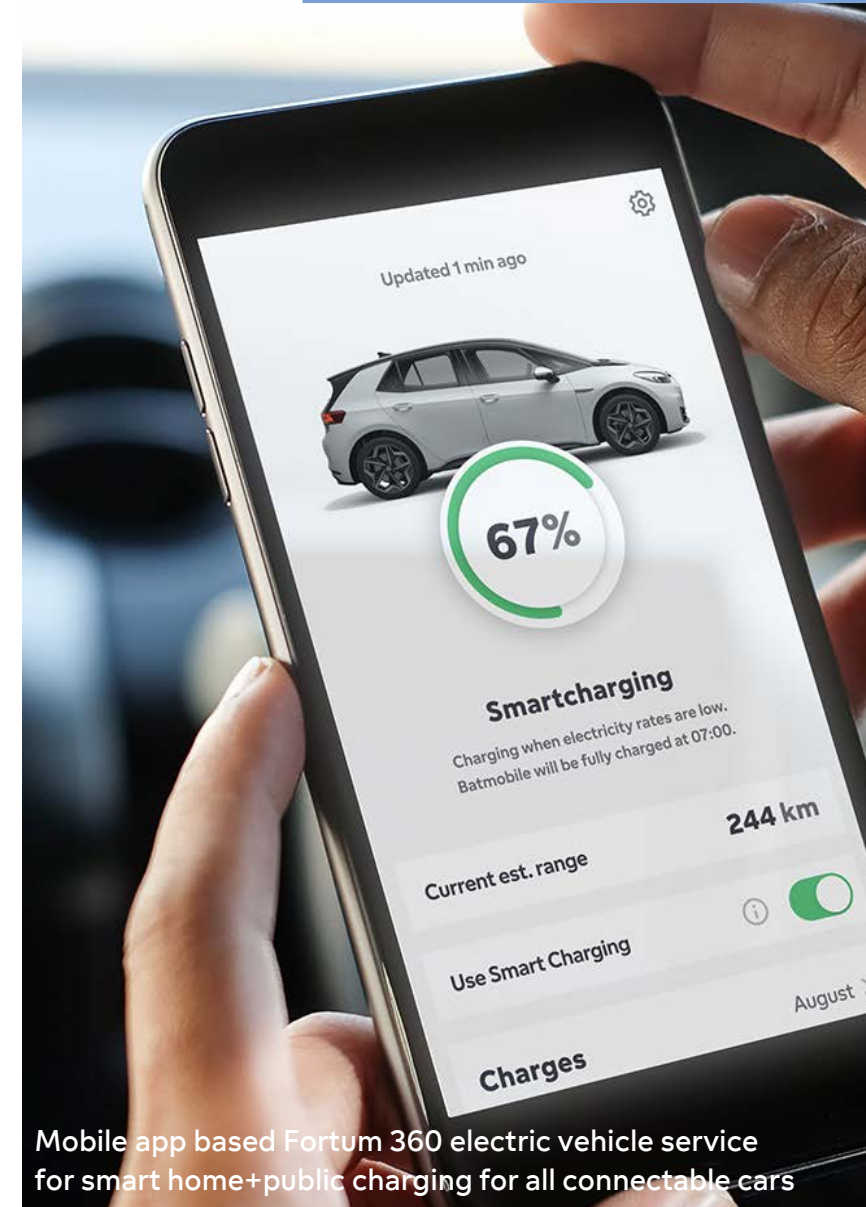
Q4 2020

- 13th consecutive quarter of comparable EBITDA improvement
- Competition intense in Norway
- Customer recommendation & employee engagement at all-time-high levels
- Several new digital services launched
- Strategic review initiated

2020

- Higher sales margin as a result of active development of the service offering
- Strengthened competitiveness and several new enterprise contracts signed

MEUR	IV/2020	IV/2019	2020	2019
Sales	370	510	1,267	1,835
Comparable EBITDA	38	35	153	141
Comparable operating profit	21	19	90	79
Comparable net assets			565	637
Customer base, million			2.39	2.38
Gross investments	14	15	57	55



Mobile app based Fortum 360 electric vehicle service for smart home+public charging for all connectable cars

Uniper

Q4 2020

- European power prices increased supported by the increase in CO₂ prices.
- The gas business followed the normal seasonal pattern with a strong quarter and high withdrawal from the gas storages
- Comparable operating profit impacted by EUR +64 million accounting effect, mainly one-time, from PPA

2020

- In Q1, Fortum recorded its share of Uniper's profits (EUR 469 million) as an associated company in Other Operations
- From Q2 onwards consolidated as a subsidiary
- Comparable operating profit impacted by EUR +57 million accounting effect, mainly one-time, from PPA

MEUR	IV/2020	IV/2019	2020	2019
Sales	19,990	-	44,514	-
Comparable EBITDA	819	-	856	-
Comparable operating profit	649	-	363	-
Comparable net assets		-	7,432	-
Gross investments	261	-	627	-



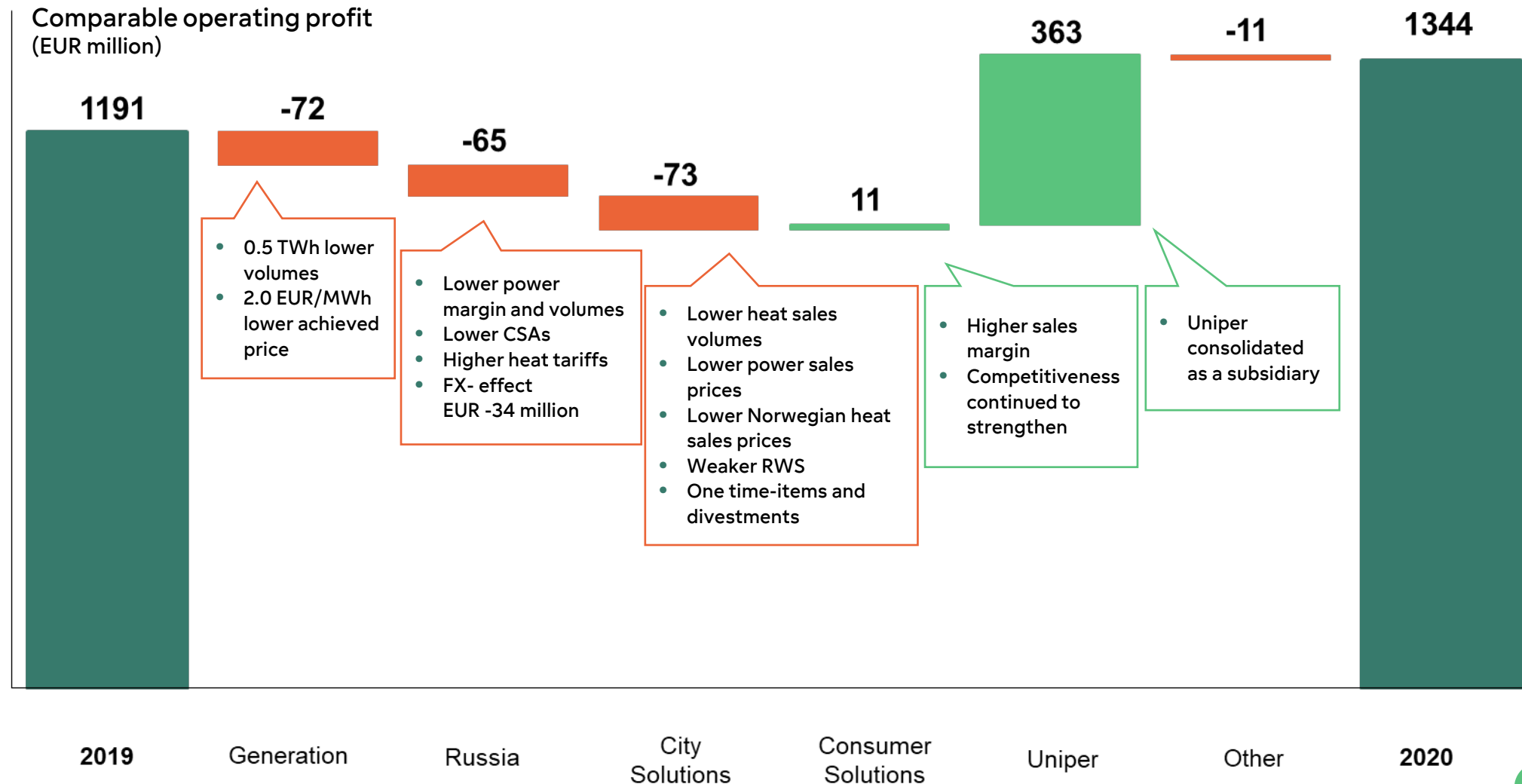
Key financials

MEUR	IV/ 2020	IV/2019	2020	2019
Sales	21,279	1,553	49,015	5,447
Comparable EBITDA	1,247	552	2,434	1,766
Comparable operating profit	928	398	1,344	1,191
Operating profit	458	401	1,599	1,118
Share of profits of associates and joint ventures	113	65	656	744
Profit before income taxes	554	454	2,199	1,728
Earnings per share, EUR	0.43	0.40	2.05	1.67
Net cash from operating activities	763	209	2,555	1,575

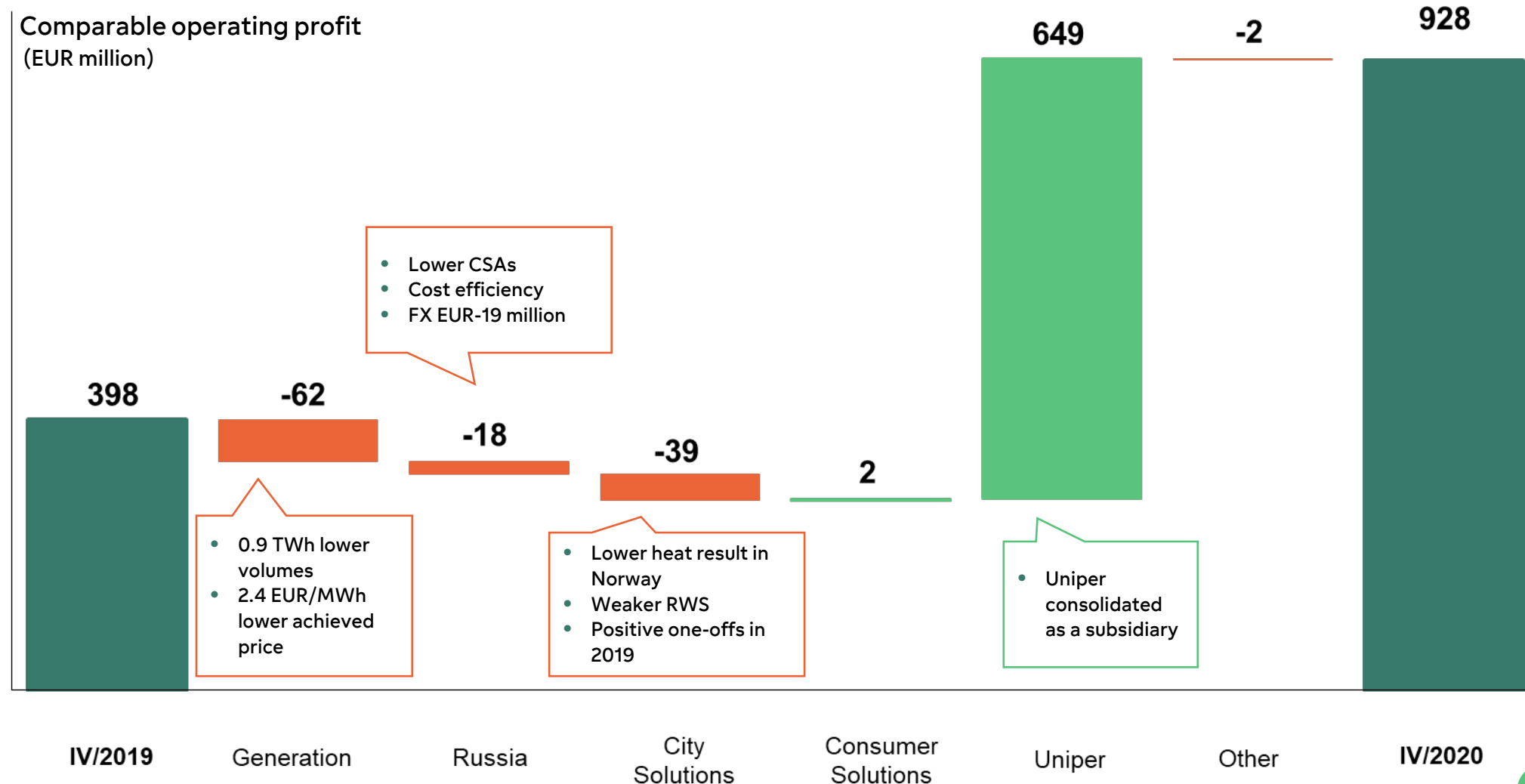
Full year 2020

- Comparable EBITDA +38%
- Comparable operating profit +13%
- Items affecting comparability EUR 255 million, mainly
 - EUR 722 million sales gain from divestment of district heating business
 - EUR -675 million change in fair values of non-hedge-accounted derivatives
- EPS EUR 2.05 (1.67)
 - Items affecting comparability 0.38 (-0.07)
 - Uniper's contribution to results 0.51 (0.71)
- Very strong cash flow

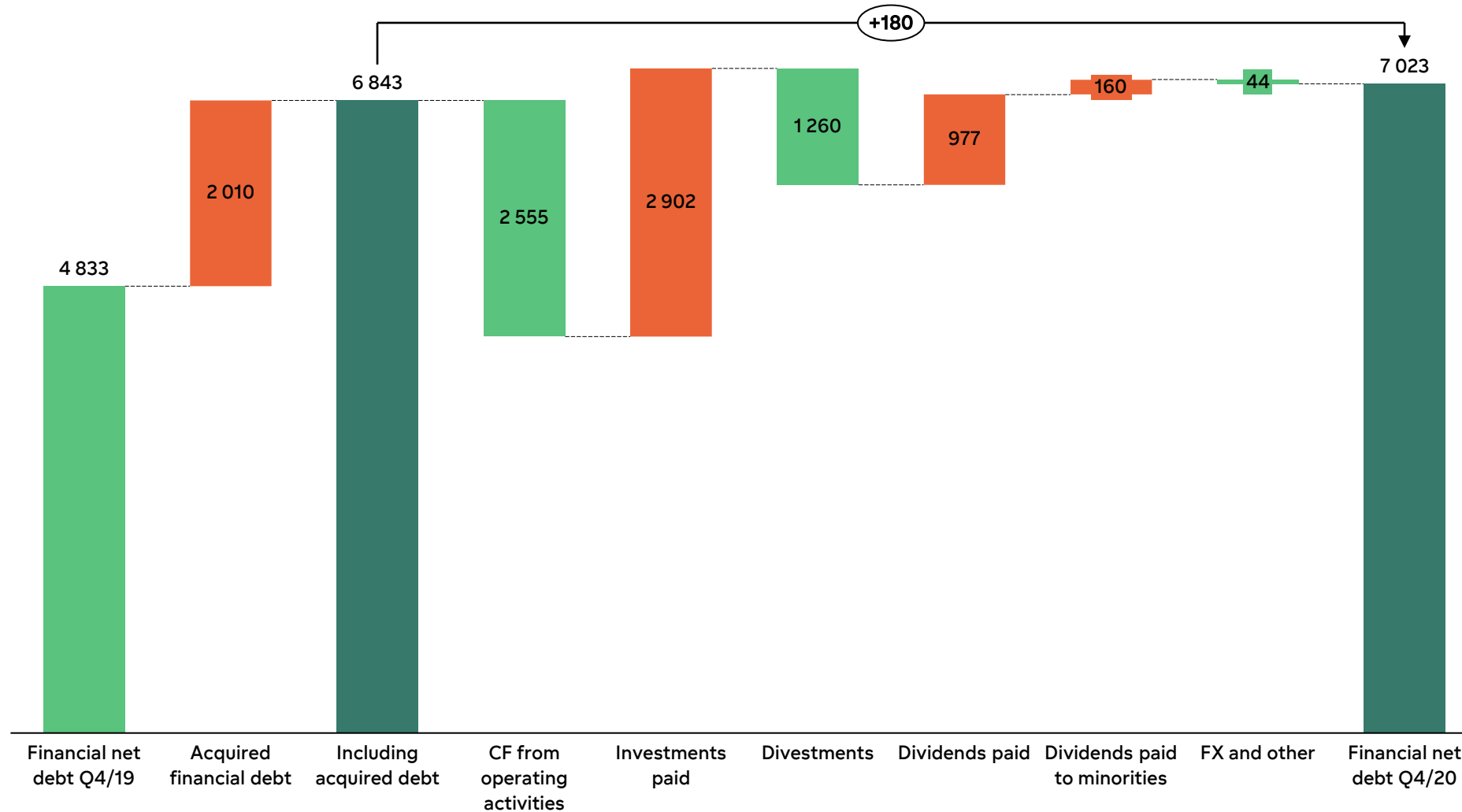
2020 – Three quarters of consolidating Uniper more than offset the impact of weak markets



Q4 2020 – Significant impact of Uniper profits



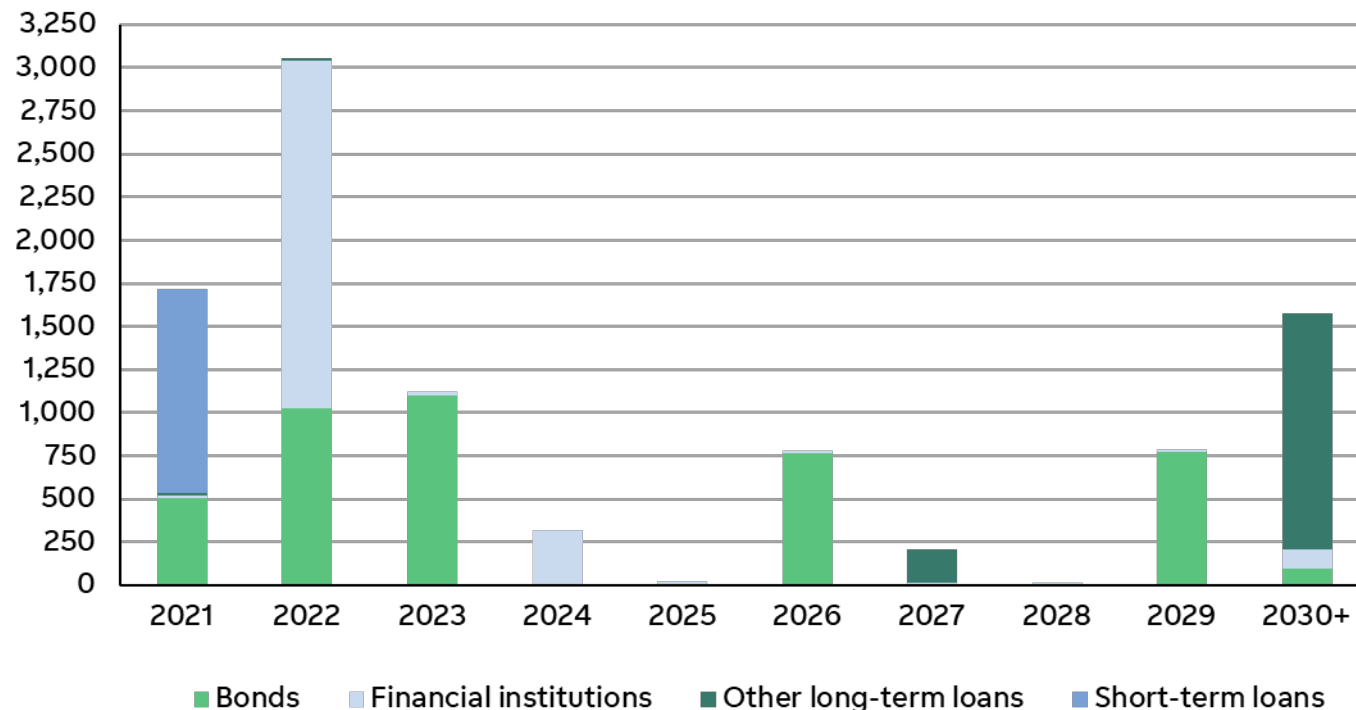
Cash flow and change in financial net debt in 2020



Focus remains on optimising of cash flow and maintaining of financial flexibility

- Fortum's objective is to have a solid investment grade rating of at least BBB to maintain its financial strength, preserve financial flexibility and good access to capital.
- Focus is on profitability, optimising of cash flow and prioritising of capital expenditure.

Maturity profile per 31 Dec 2020



- Total loans EUR 9,607 million (excl. lease liabilities)
 - Average interest of 1.5% (2019: 2.3%) for Group loan portfolio incl. derivatives hedging financial net
 - EUR 634 million (2019: 787) swapped to RUB with average interest 6.2% (2019: 7.8%) incl. cost for hedging
 - Average interest of 0.9% (2019: 0.9%) for EUR loans
- Liquid funds of EUR 2,308 million
- Undrawn credit facilities of EUR 5,100 million

Outlook

Hedging

Generation Nordic hedges:

For 2021: 75% hedged at EUR 33 per MWh
(Q3: 75% at EUR 33)

For 2022: 50% hedged at EUR 31 per MWh
(Q3: 40% at EUR 32)

Uniper Nordic hedges:

For 2021: 90% hedged at EUR 27 per MWh
(Q3: 85% at EUR 28)

For 2022: 65% hedged at EUR 24 per MWh
(Q3: 55% at EUR 24)

For 2023: 25% hedged at EUR 22 per MWh

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

EUR 1,400 million

of which maintenance capital expenditure is EUR 700 million

Russia

CSA changes:

Lower bond yield in 2021; 2020 bond yield 7.6% to 6.3% in 2021

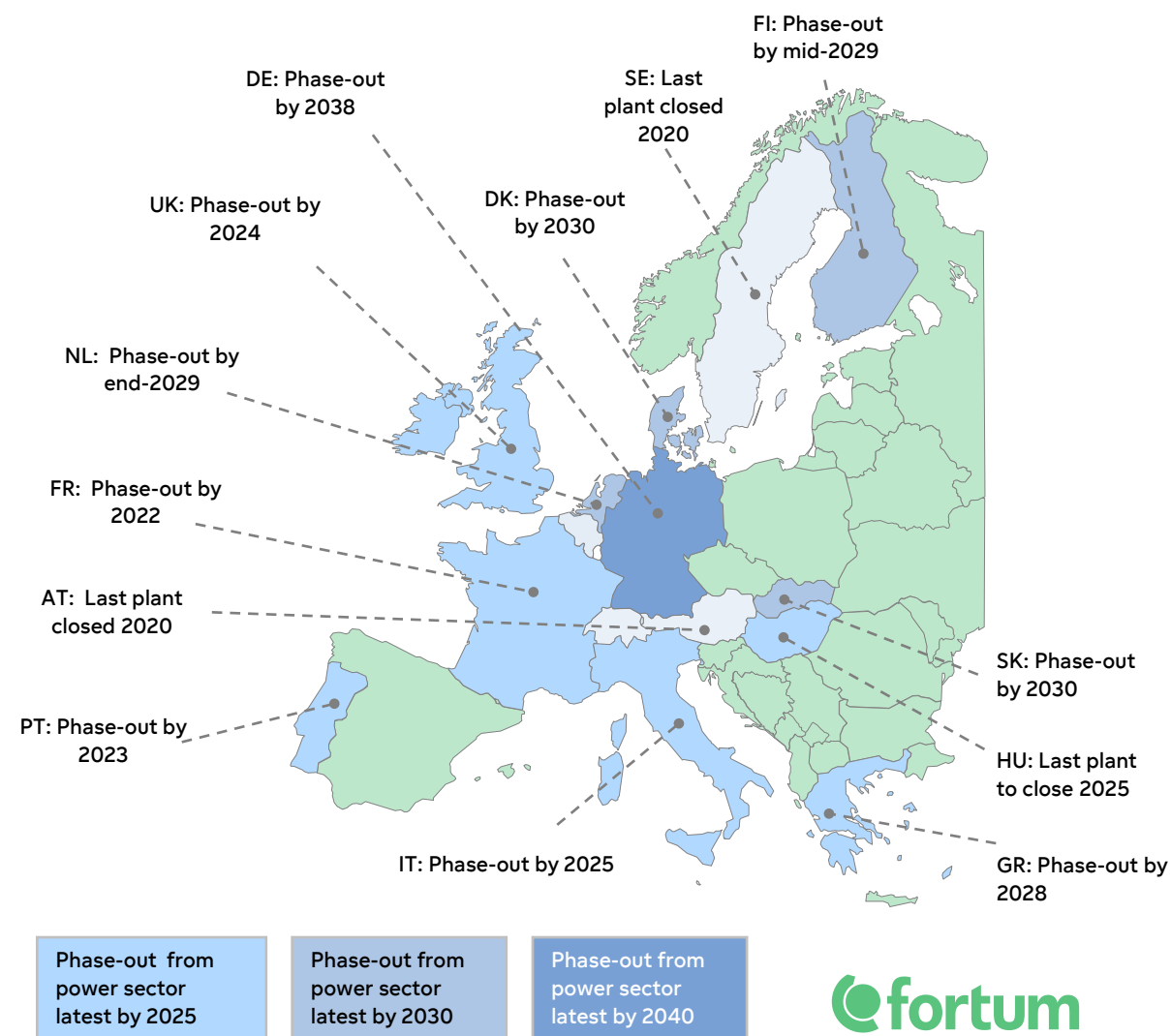
Changes in CSA and CCS schemes see report pages 22-23

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

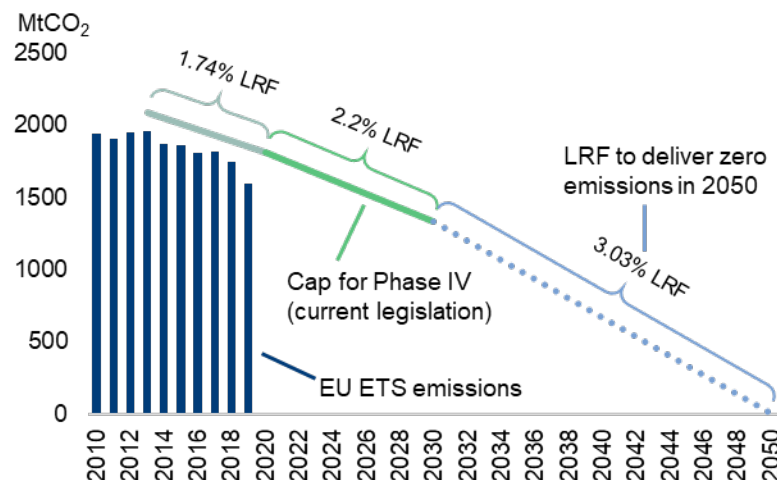
Western European countries exiting coal during this decade

- 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



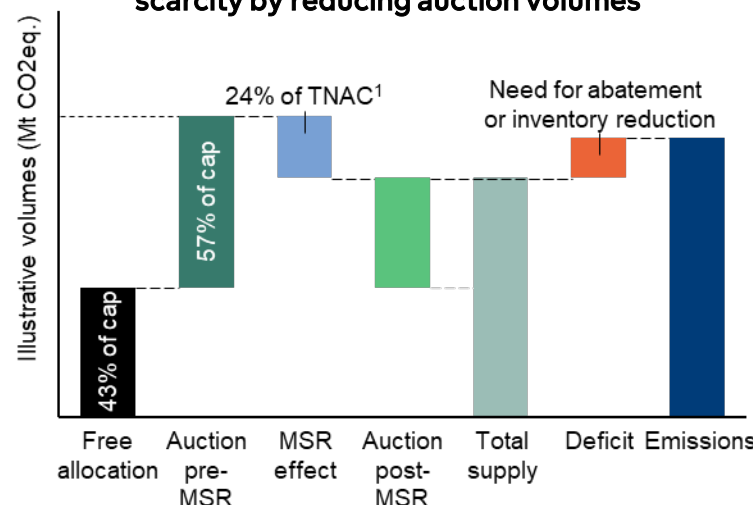
Phase IV of EU ETS starts in 2021 amid expectations for significant revisions due to new EU 2030 emissions target

Linear reduction factor (LRF) tightens the market



- Linear reduction factor (LRF) reduces the annual supply of allowances (cap) every year. It is set at
 - 1.74% for 2013–2020 (= 38 MtCO₂/year)
 - 2.2% for 2021–2030 (= 48 MtCO₂/year)**
- Under current legislation, ETS emissions are set to decrease by 43% by 2030 vs. 2005
- EU Commission has proposed to increase the **2030 total emissions reduction target to at least 55%**, which would **require revisions to the LRF and possibly a one-time cap reduction**
- ETS might also be **expanded to cover new sectors**, such as shipping and transport
- Legislation work is ongoing, and revisions could take effect somewhere around 2024

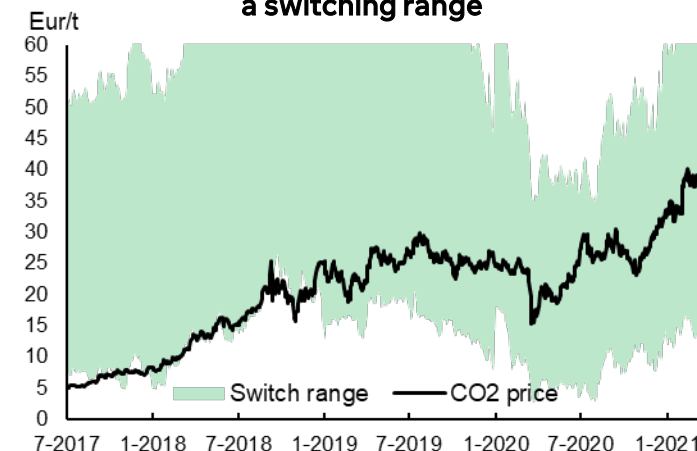
Market stability reserve (MSR) restores scarcity by reducing auction volumes



- MSR deducts yearly auction volumes by 24% of the TNAC¹ if TNAC > 833 Mt, and places the volumes into the reserve
 - From 2024, MSR intake rate is set to decrease from 24% to 12% reducing its effect
- If TNAC < 400 Mt, 100 Mt allowances are released from the reserve
- In 2020, MSR reduced auction volumes by 380 Mt**
- As from 2023, allowances in MSR exceeding the previous year's auction volumes will be cancelled
- An MSR review is scheduled for 2021**, leaving open the possibility to continue with 24% intake rate after 2024 and/or tighten the TNAC thresholds

¹ TNAC = total number of allowances in circulation = cumulative supply – (cumulative demand + allowances in the MSR). According to the latest publication May 8, 2020 the TNAC corresponds to 1385 million allowances.

Abatement from coal-to-gas switching depends on coal and gas prices, together represented by a switching range



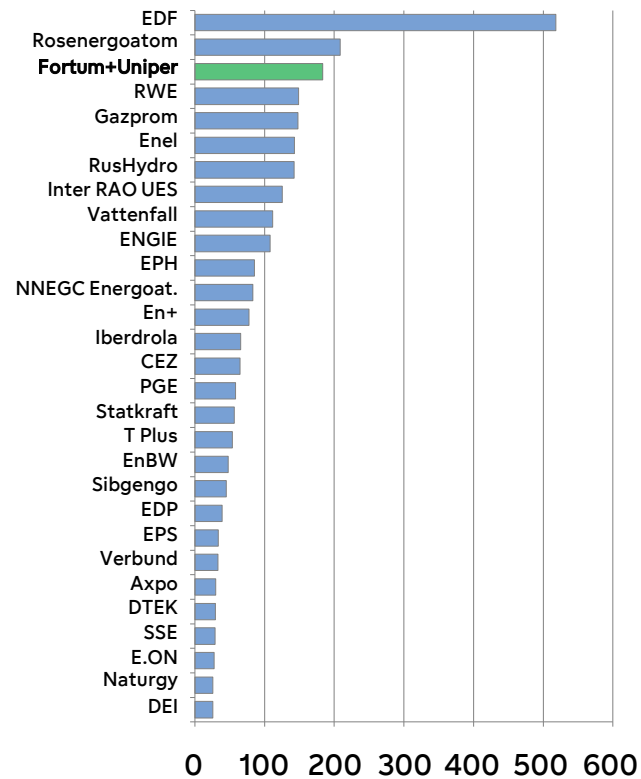
- CO₂ price is now over 5 times what it was in Nov-2017, when the final EU ETS rules were decided, including the intake rate of the MSR
- Market tightness forces the market to find ways to reduce emissions, including by coal-to-gas switching. Thus, the relative coal/gas price forms an important price anchor for CO₂
- In addition to ETS revision, other political developments, like Brexit and national coal phase-out policies, continue to play a role in CO₂ prices

Efficiency assumptions in switching range;
at low-end: gas 52% and coal 34%;
at high-end: gas 45% and coal 42%. O&M cost assumptions apply.

Fortum major player in power, gas and heat

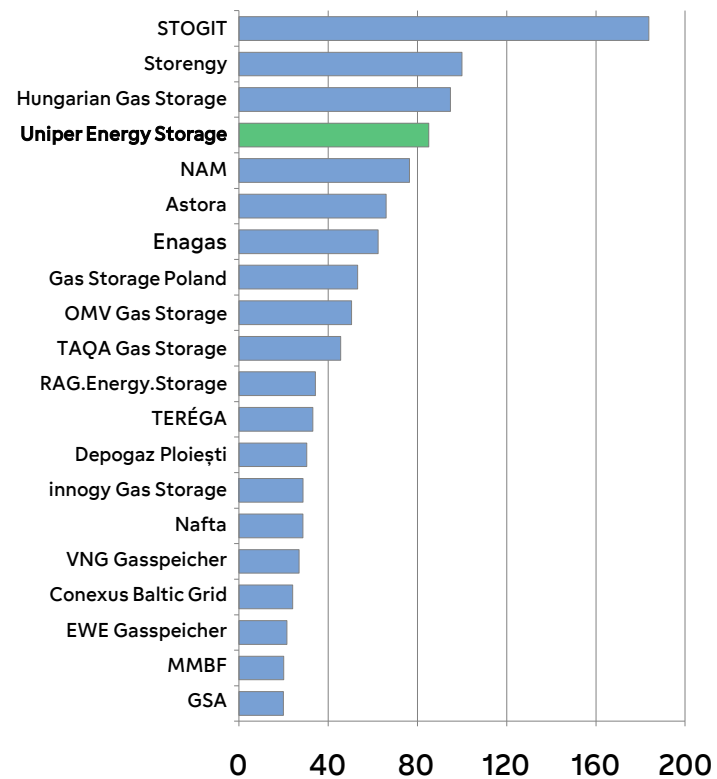
Power generation

Largest producers in Europe and Russia, 2019
TWh



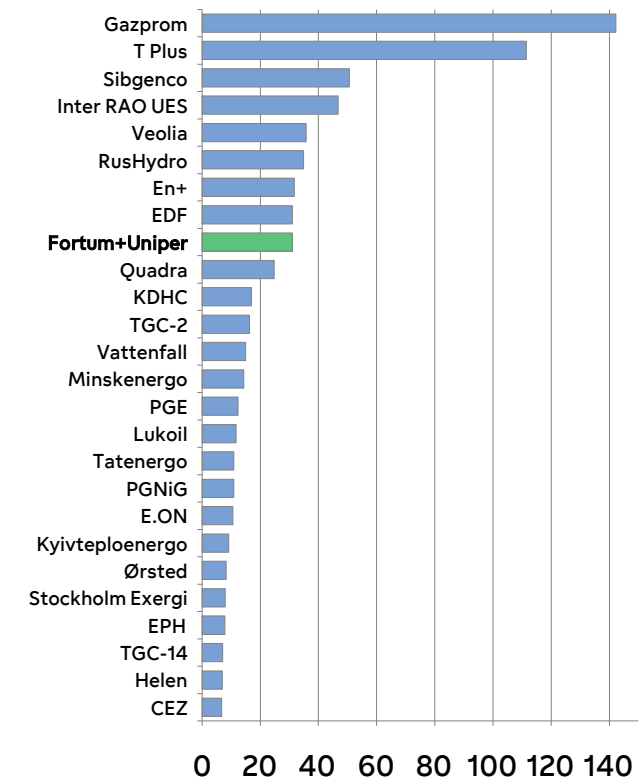
Gas

Largest European gas storage operators, 2018
TWh



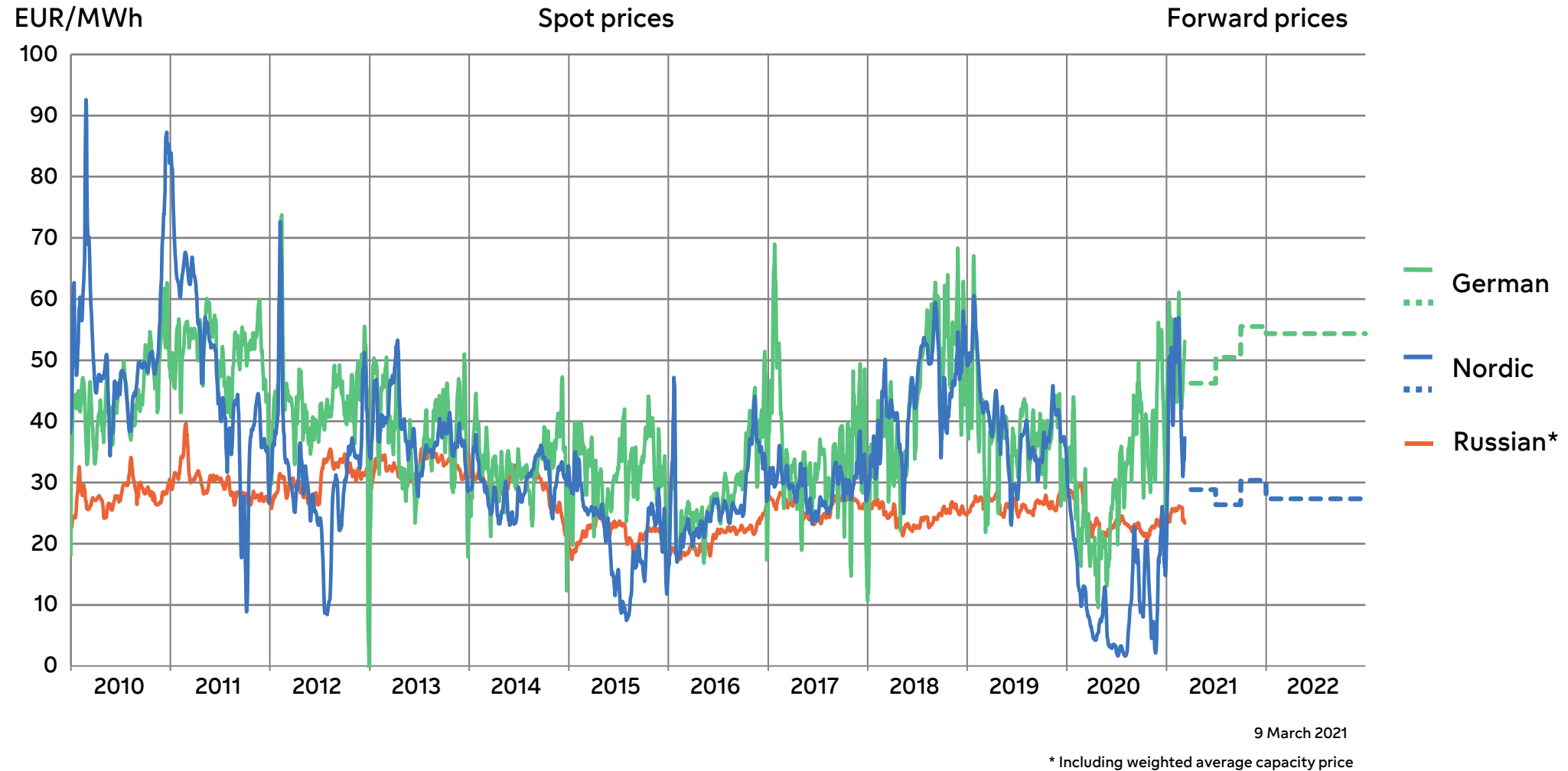
Heat production

Largest global producers, 2019
TWh

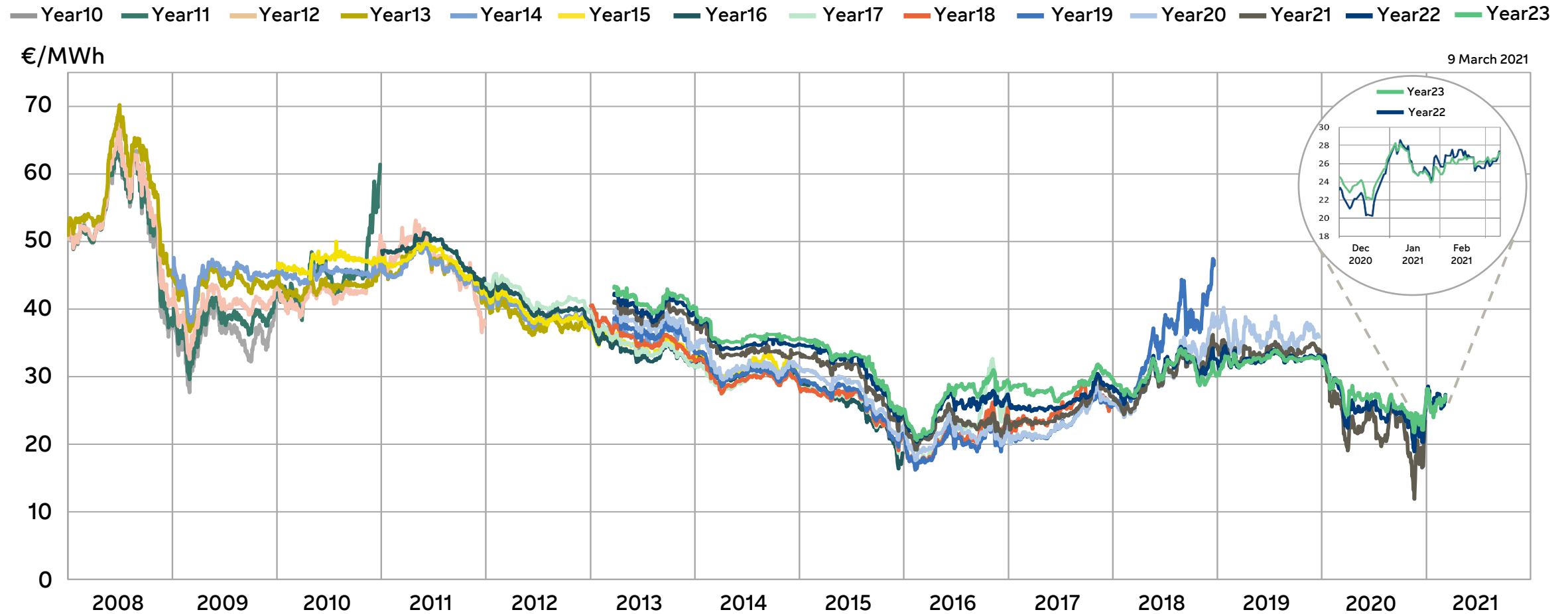


Source: Company information, Fortum analyses, 2019 figures pro forma. GIE Storage Database.
EPH incl. LEAG. No data from China.

Wholesale power prices



Nordic year forwards



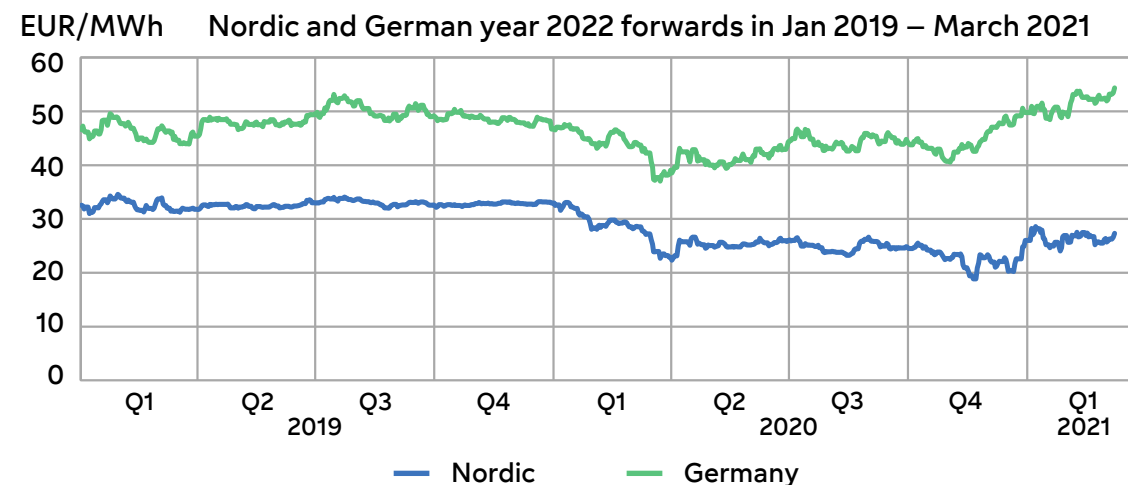
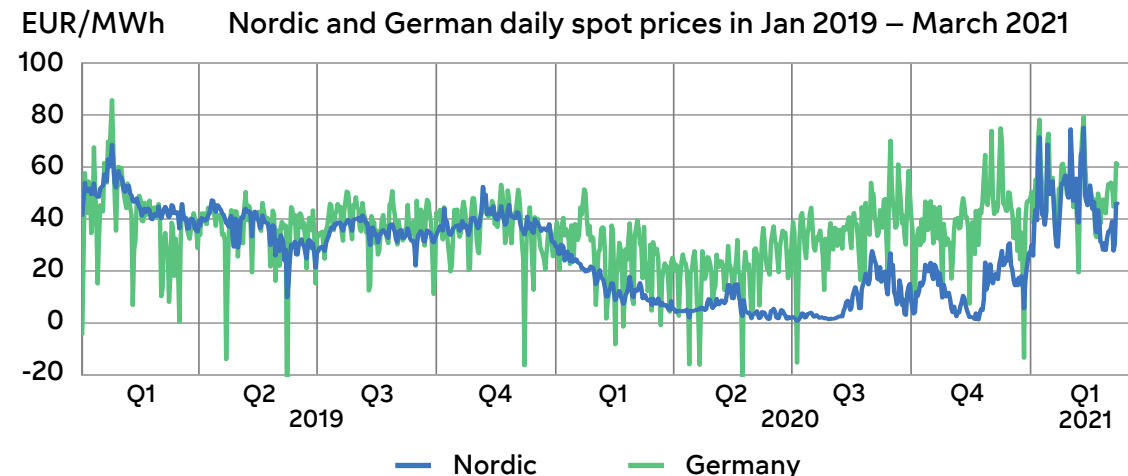
German and Nordic forward spread

Spot price

- Nordic system price remained depressed by the strong hydrological surplus until late Q4.
- Continental European spot prices have been recovering since Q2 supported by higher gas and coal prices, strong development in the EUA price as well as recovering power demand.
- German-Nordic spread for Q4 realized at 25 €/MWh, driven by recovering German spot prices and very low Norwegian spot price level.

Forward price

- The German contract for 2022 delivery is trading close to 50 €/MWh, while corresponding Nordic SYS contract is close to 25 €/MWh.
- The German-Nordic spread for 2022 delivery has increased from 15 EUR/MWh during the start of 2020 to a range of 20...27 EUR/MWh during Q4 2020.
- 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 CO₂ prices.
- The Nordic contract has been influenced by strong hydrological surplus, weak system spot price and growing Nordic renewable supply.



Including 9 March 2021
Source: Nord Pool, Bloomberg

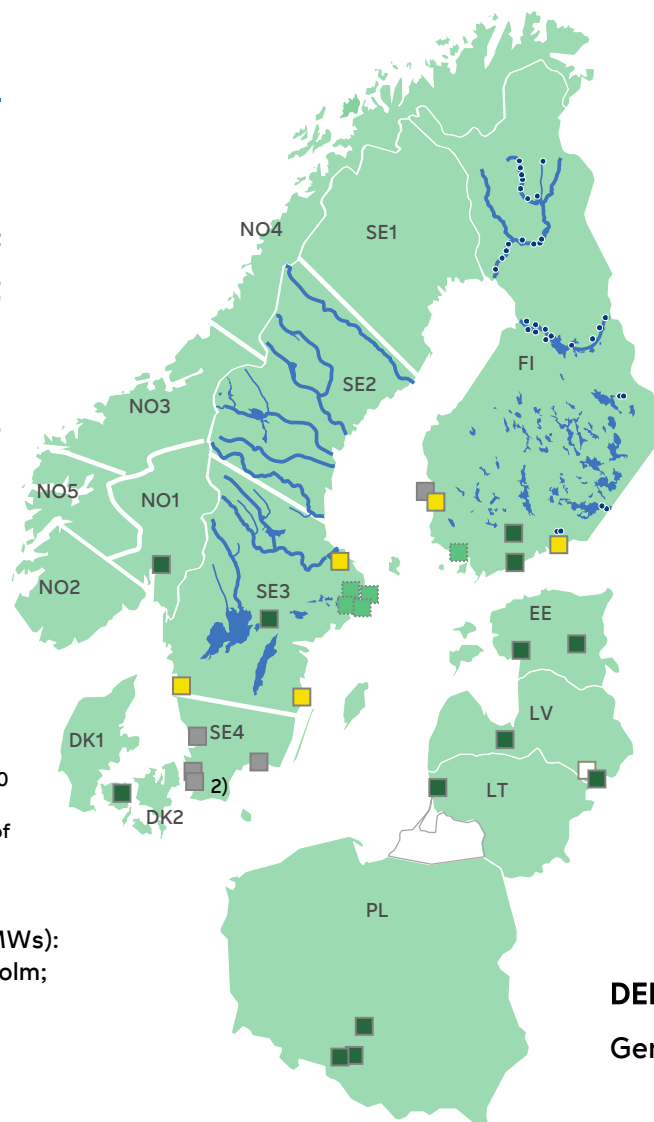
Fortum's Nordic, Baltic and Polish generation capacity

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

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 ³
NO1, CHP	24
Generation capacity	123

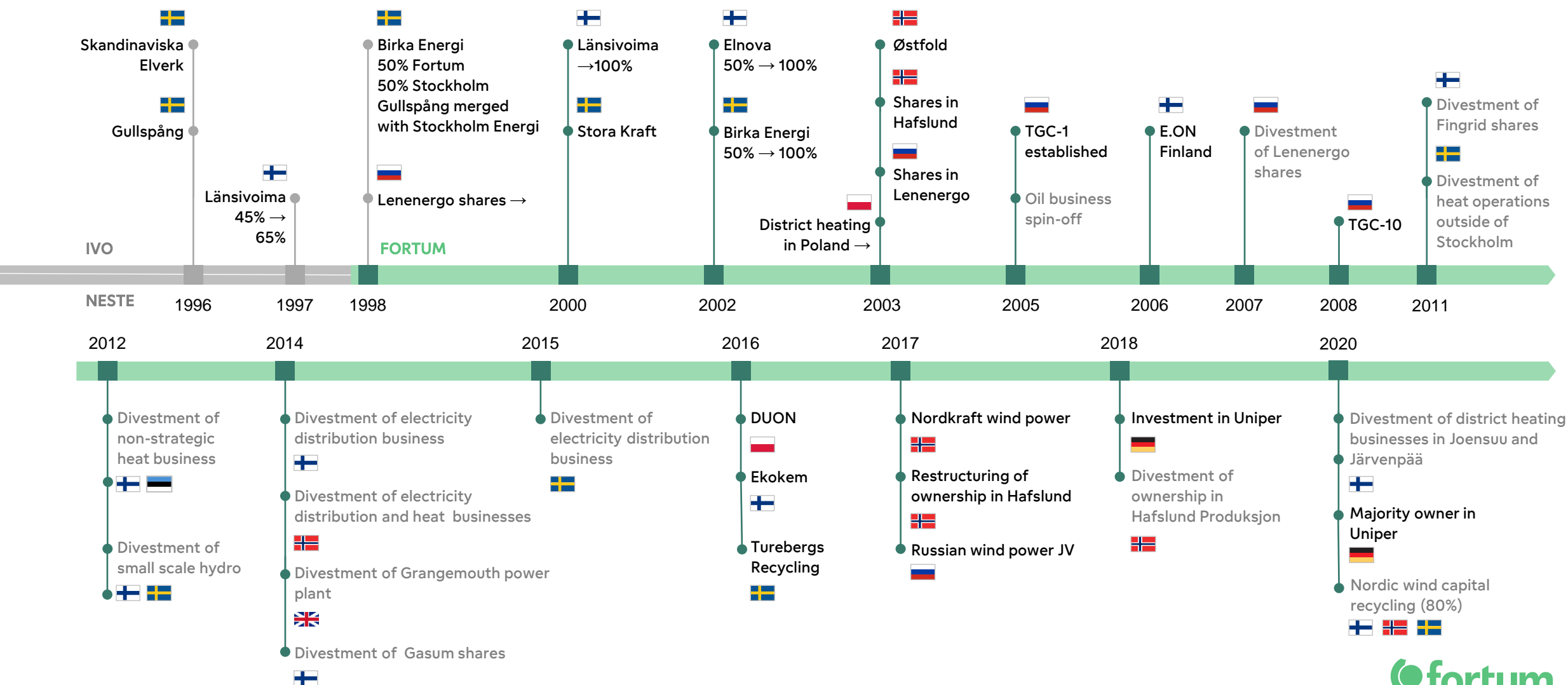
SWEDEN	Fortum	Of which Uniper
Price areas		
SE2, Hydro	3,185	1,635
SE3, Hydro	1,587	13
SE4, Hydro	123	123
SE3, Nuclear	3,331 ¹	1,996 ¹
SE3, CHP	6	-
SE4, CHP	449 ²	449 ²
SE4, Other th.	1,162	1,162
Gen. capacity	9,843	5,378

DENMARK, DK1	MW
Generation capacity, CHP	9

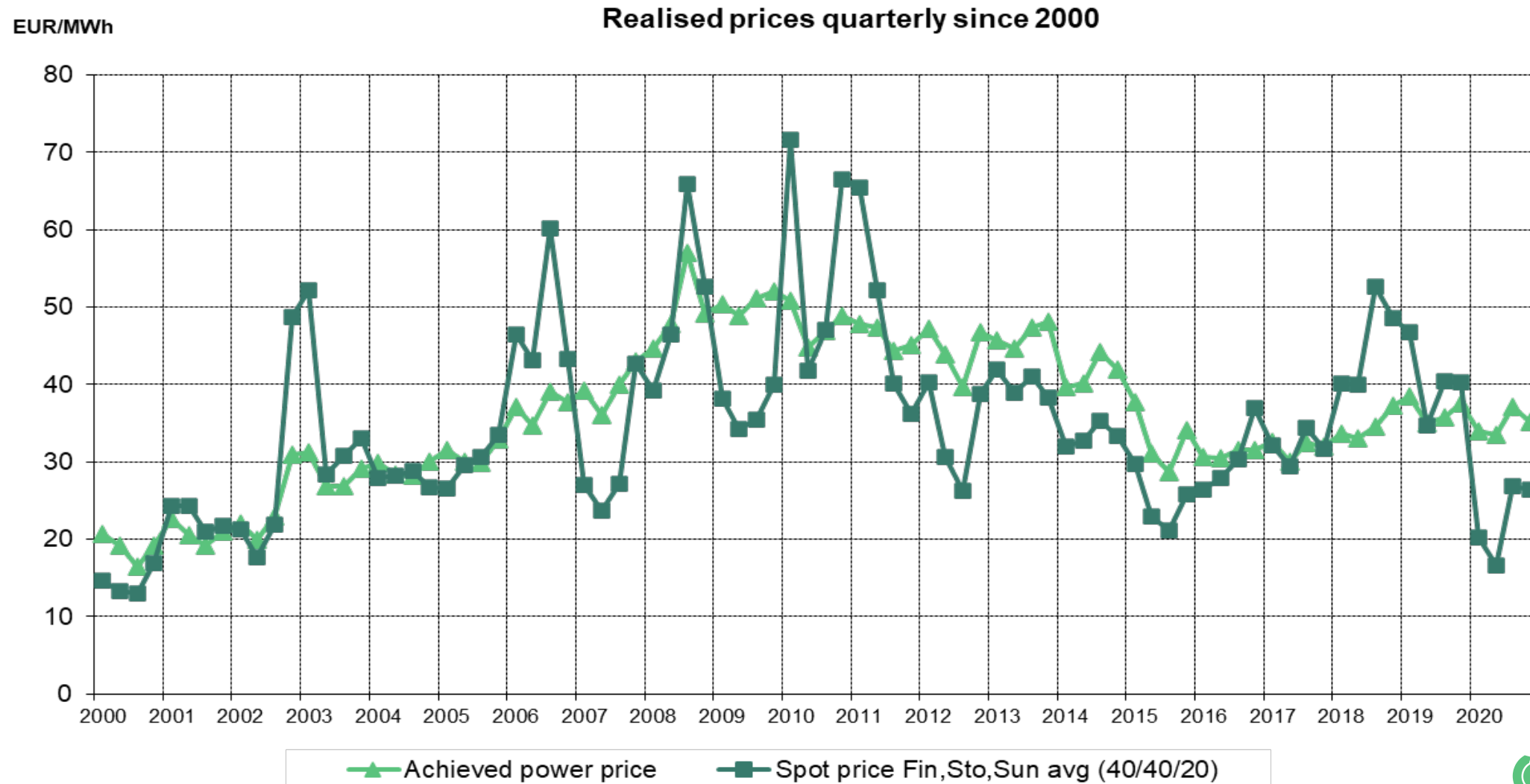
FINLAND	MW
Hydro	1,553
Nuclear	1,487
CHP	375
Other thermal	565
Generation capacity	3,980

BALTICS AND POLAND	MW
Generation capacity, CHP	
in Estonia	43
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



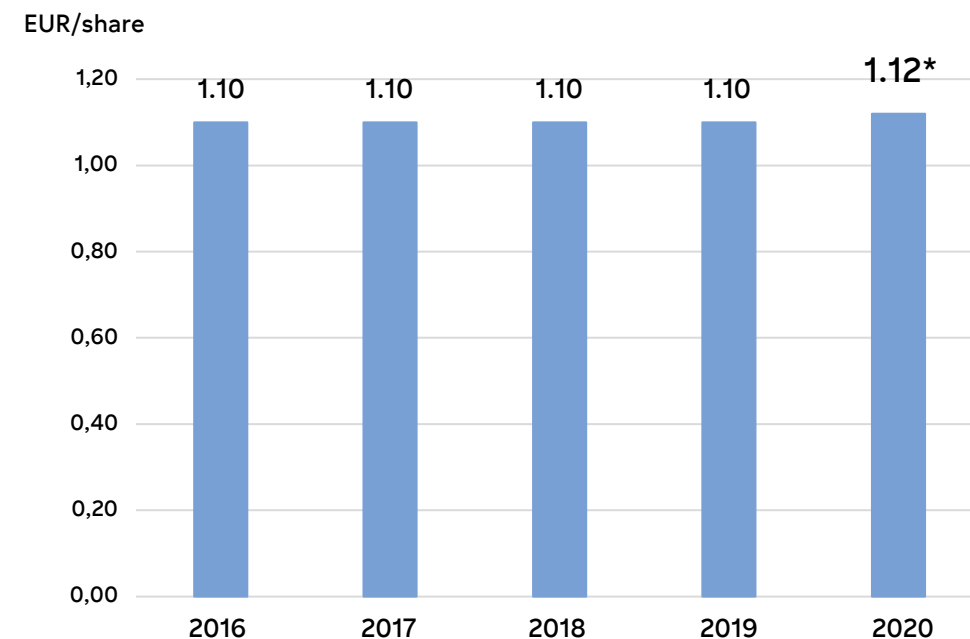
Fortum's dividend policy aiming at increasing dividend

Dividend policy:

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

Fortum's Board of Directors propose a dividend for the year 2020 of EUR 1.12/share with the aim to increase the dividend going forward.

Fortum dividends



* Proposal by the BoD

Next events:

The AGM on 28 April 2021

Ex-dividend date on 29 April 2021

January-March Interim Report on 12 May 2021

January-June Interim Report on 17 August 2021

January-September Interim Report on 12 November 2021

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