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MANAGEMENT DISCUSSION SECTION

Ingela Ulfves

Vice President-Investor Relations & Financial Communications, Fortum Oyj

Good morning, everyone. It is my pleasure to welcome you to Fortum's Joint Webcast and News Conference for the Investor Community and Media on our Fourth Quarter and Full Year 2024 Financial Results. My name is Ingela Ulfves, and I'm Head of Investor Relations at Fortum. As always, this event is being recorded, and you will find a replay on our website later today.

With me here in the studio are our CEO, Markus Rauramo, and our CFO, Tiina Tuomela. Markus and Tiina will present the group's financial and operational performance during both the fourth quarter and the full year 2024 and how our strategy execution has progressed during the year. After the presentations, we again open up for questions on our Q&A session.

I now hand over to Markus to start.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Thank you very much, Ingela. A warm welcome to our investor and media call also from my side. I will start by going through the key elements of our financial performance, market fundamentals, and follow-up on our strategy implementation. After that, Tiina will provide more details, especially on the financials and how this turned into our results.

Let me now start with the highlights. For Fortum, 2024 was a year dedicated to our core businesses to optimize our best-in-class operations, divest non-core operations, and implement efficiency improvement actions. With these measures, we are building the foundation for future growth. Our goal is to ensure strong financial performance, even in turbulent operating environments.

The year 2024 was wet, warm and windy, meaning that the operating conditions were tough, the temperature was above normal, hydrology increased from below normal to above normal level, and we experienced record high wind generation. At the same time, demand for power developed positively. In 2024, the Nordic consumption increased by 9 terawatt hours to 395 terawatt hours, while consumption in the fourth quarter declined by 5 terawatt hours to 107 terawatt hour compared to previous year.

Throughout the year, the lower Nordic spot power prices were reflected, especially in our Generation segment's financial results. However, due to our flexible and competitive CO2-free generation fleet, our achieved power price reached a good level in 2024, both through successful hedging and physical optimization. The result improved in the Consumer Solution and Other Operation segments, both in the fourth quarter and for the full year 2024.

Regarding our strategic key performance indicators set in 2024, our optimization premium reached €8.7 per megawatt hour in 2024, thus exceeding our annual target of €6 to €8 per megawatt hour. I will come back to these KPIs a bit later in my presentation. Within the scope of our strategic priority to transform and develop, we continued our efficiency improvement program with the target to gradually lower annual fixed cost by €100 million, excluding inflation by the end of 2025, with the full run rate from the beginning of 2026.

During the year, we continued to reshape our group structure through investments and divestments. The strategic review of the Circular Solution businesses progressed well during 2024. The biggest transaction was the divestment of our recycling and waste business. The total consideration for the sale amounted to €800 million, and Fortum recorded a tax exempt capital gain of €176 million in the fourth quarter. In May, Fortum successfully divested its stake in the 185 megawatt solar portfolio in India for €33 million and recorded a sales gain of €16 million in the second quarter.

Considering the unlevered balance sheet in combination with ample liquidity and current modest investments, our capital allocation focused on returning capital to our shareholders. The board's proposal is that Fortum would pay a dividend of €1.40 per share, €0.90 per share according to our dividend policy, meaning 90% payout from one year or comparable earnings per share. And in addition to that, a special dividend of €0.50 per share to correct the balance sheet and liquidity. The proposal is to pay the dividend in the second quarter of 2025 in one go to correct the balance sheet. We will come back to this topic later in the presentation.

Then, I move over to our main figures and financial KPIs. These are the familiar comparable KPIs for both the group's fourth quarter and full year 2024. Considering all external factors, I'm satisfied with our performance. I am especially happy about our ability to optimize our generation as the performance was even above the guided level. In 2024, power prices were at a clearly lower level than in 2023. Consequently, our comparable operating profit declined both for the quarter and on an annual basis. Lower power prices especially affected the result of our Generation segment.

In the fourth quarter, comparable operating profit for the group amounted to €257 million and consequently totaled €1.178 billion for the full year 2024. Our comparable EPS also declined, both on a quarterly and cumulative basis, with the full year comparable EPS amounting to exactly €1 per share. For the full year, our operative cash flow

decreased and was €1.392 billion. However, for the fourth quarter, the operative cash flow increased to €167 million.

Finally, a few words on the balance sheet, and most importantly our leverage. Defined as financial net debt to comparable EBITDA, leverage was at 0.2 times at the end of 2024, compared to 0.5 times at the end of 2023.

Next, I will say a few words about the commodity markets. European gas prices increased and reached €50 per megawatt hour by the end of the year. The price increase was attributed to supply side risks related to the expectation that Russian pipeline gas transit via Ukraine would end by the end of December, as Ukraine then eventually terminated a transit agreement that put pressure on Europe's reliance on LNG and increased competition with Asia. Both our prices were reflected in the continental futures and spot markets. This, however, had limited impact on the Nordics.

The year 2024 was warm, wet, and windy in the Nordics. High precipitation amounts in October and December further added to the already well-filled hydro reservoirs, especially in the northern most hydro areas. Turning around from a deficit in the beginning of the year, the reservoir balance reached its highest level since the fourth quarter of 2020. Most of the surplus was in Norway, where Fortum does not have any hydropower generation. Looking at the current hydro reservoirs, they are currently at an all-time high level.

In combination with the wet weather conditions, also, the Nordic temperatures were 1.5 degrees higher than normal during Q4, resulting in lower than expected Nordic demand. All of this put pressure on spot prices, which declined to very low levels by late November. A temporary recall upwards took place in early December on the back of bit colder than normal weather, but then temperatures again increased during the holiday season and prices declined by the end of the year.

As noted already, we set a new Nordic wind power output record, as wind output in the Nordics increased by 8 terawatt hours to more than 31 terawatt hours during the fourth quarter, even though wind speeds were slightly below the normal level. Also, for the full year, a record was made as wind generation reached 95 terawatt hours. The power prices on the Nordics future market overall declined over the quarter, especially during the latter part of November and in December. CO2 prices have increased since we reported a quarter ago. On annual basis, CO2 prices decreased; in 2024, the average price being approximately €67 per tonne and in 2023, average price being approximately €85 per tonne.

Then, I move over to the strategy execution during the year 2024. We continued to execute our strategy in line with our strategic priorities. We deliver reliable, clean energy; we drive decarbonization of industries; and we transform and develop. At the Loviisa nuclear power plant, the lifetime extension until 2050 is progressing well. During the year, we made decisions both to modernize the low-pressure turbines and in the fourth quarter to renew the main seawater pumps. We also reached an important milestone in securing reliable western nuclear fuel, as we loaded the first batch of Westinghouse fuel in August.

In our renewables business, the Pjela wind farm, the third largest in Finland, was fully commissioned in the second quarter and began its commercial operations through the power purchase agreement with Finnish utility, Helen, in the beginning of July. This was well-executed project, which was both on time and budget, with good safety performance. To meet future demand growth from decarbonization, we have actively been working on developing a ready-to-build renewables project pipeline that we can offer our customers through PPAs. As a part of this target, we announced that we acquired a renewables development portfolio from the Finnish wind developer, Enersense.

In our district heating business, the Espoo Clean Heat program is making significant progress at Espoo and Kirkkonummi sites. We are making preparations for the waste heat offtake from the upcoming Microsoft data centers as well as at the electricity-based plant in Nuijala, Espoo. As part of the decarbonization program, we closed down our last coal-fired unit in Suomenoja, used for district heating, one year ahead of schedule.

As part of our commitment to exit coal by 2027, we made a decision in the fourth quarter to invest €100 million during 2025-2026 in the decarbonization of our Czeszochowa CHP plant in Poland. Our generation fleet has one of the lowest CO2 emission intensities in Europe. So, our strategy so far has been successful, and we have had a good starting point to reduce our emissions even further. I will come back to our science-based targets on the next slide.

On our strategic priority to drive decarbonization in industries and to support the projected power demand growth from electrification, we have actively developed several potential industrial sites across Finland that we can offer to our industrial customers, including data centers. In addition to the abovementioned Microsoft data centers, one additional example of this is a site in Rauma that we started to develop for sustainable synthetic aviation fuel production, eSAF, together with Norsk e-Fuel and the Port of Rauma.

In the fourth quarter, we took on the role as an energy partner to support a feasibility study exploring low-carbon aluminum manufacturing opportunities in Kokkola and Kruunupyy in Finland. The facility, if realized, would consume approximately 7 terawatt hours of electricity annually. Further, we began to build a 2-megawatt hydrogen pilot production plant in Loviisa. Recently, there have been active public discussions about possible new nuclear projects in both Sweden and Finland. At Fortum, we see that the electrification of industries, including data centers and transport, require a balance of different power generation technologies.

Predictability of the availability and cost of energy is critical in the coming decades. As the share of generation with intermittent renewables increases, hydropower has the vital role in balancing the energy system in the Nordics. In addition to flexible supply, a well-functioning power system would benefit from stable foundation, which nuclear power provides. Our nuclear feasibility study on both conventional nuclear and SMRs is in its final stages, and we will soon come back with more detailed key findings and conclusions.

Regarding the economic conditions for new nuclear, we have previously already noted that the current power price levels in the Nordics do not cover commercial requirements for new nuclear. At Fortum, we consider it positive that the Swedish and Finnish governments are investigating financing and risk-sharing models, as well as electricity market mechanisms for new nuclear power projects and have requested input from companies. However, we are still very far from required technical and profitability conditions and making any potential investment decisions. And as everybody knows, constructing a nuclear power plant will take a long time, which means that new nuclear would provide power for the demand in the late 2030s at the earliest.

When it comes to power demand and growth longer term, we continue to see a robust underlying demand for long-term power purchase agreements. This supports the global trend, which also indicates demand for nuclear power. As the economical preconditions for new nuclear are currently challenging, lifetime extensions are a very valid solution. We are well-positioned with the Loviisa lifetime extension, which provides 1,000 megawatts of capacity for the coming 22 years, corresponding to approximately 177 terawatt hours of additional reliable CO2-free baseload power until 2050, which we can offer to our industrial customers.

Furthermore, Fortum and the other owners of our co-owned nuclear plants in Sweden decided to investigate extensions up to eight years of the operating lifetime of both the Oskarshamn and Forsmark nuclear power plants. Also, TVO is looking into lifetime extensions of Olkiluoto 1 and Olkiluoto 2.

Regarding flexible power in the energy system, we have today announced that we are starting a two-year feasibility study to explore prerequisites for new pumped hydro storage in Sweden. Pumped hydro storage would provide much needed flexible balancing power, as it has the ability to both produce, store, and consume electricity during long periods of time and in big amounts. In Finland, Fortum's associated company, Kemijoki Oy, is exploring pumped storage hydrogen power – hydropower plants in Northern Finland.

On our third priority to transform and develop, we have been focusing both on efficiency improvement and divestments of non-core assets and businesses. The strategic review of our Circular Solutions business took a huge step during the third and fourth quarters. In July, we signed an agreement to sell our recycling and waste business to Summa Equity for approximately €800 million. During the year, we also divested the bio-based solutions, as well as our turbine and generator services. In addition, we also sold our last operative renewables business in India.

We continue our efforts with the efficiency improvement program, with the target to gradually lower our annual fixed cost by €100 million, excluding inflation to achieve a new lower fixed cost base in 2026. However, as we simultaneously are preparing for growth, it means that we, while cutting and reallocating costs, are also increasing our development cost, for example, through renewables and site development.

During the year, we also took some further actions to defend our shareholder rights in Russia. We initiated legal proceedings against former PAO Fortum to recover approximately €800 million in intercompany loans, including interest. There is only upside related to this legal case as there is no impairment risk. This process, which is separate from the already ongoing arbitration proceedings against the Russian Federation due to the unlawful seizure of our Russian assets, is expected to take some years.

Then, I move over to the metering of our strategy execution. In line with our commitment to the clean transition, one of our key focus areas in 2024 was our commitment to set science-based climate targets aligned with the 1.5 degrees Celsius path. Throughout 2024, we worked on setting our climate targets to get them validated by the international Science Based Targets initiative. In January this year, we were happy to announce our ambitious SBTi-verified targets, which include net-zero greenhouse gas emissions across our whole value chain by 2040. We also aim to cut emissions from our own operations, meaning our Scope 1 and Scope 2 emissions by 85% by 2030. This is even more ambitious than the 1.5 degrees aligned target level.

As you can see in this picture, the lighter green sections, our Scope 1 and Scope 2 emissions, are already now really low. For our specific emissions, i.e., the amount of emissions per produced energy unit, we have one of the lowest specific CO2 emissions in Europe. In 2024, our specific emissions for power generation was just 11 grams of CO2 per kilowatt hour, and for total energy production, i.e. power and heat, it was 26 grams of CO2 per kilowatt hour.

This picture also shows our transition plan with concrete actions that we are taking to achieve net zero by 2040. As you can see, the main levers for our Scope 1 and Scope 2 emission reductions concern the decarbonization and coal exit of our own operations. The Meri-Pori coal-fired power plant is now reserved only for severe national disruptions and emergencies until the end of 2026, and we are committed to its coal exit. As mentioned before, the Espoo Clean Heat program already exited coal in April 2024. And in October, we announced the decarbonization of the Czestochowa combined heat and power plant in Poland.

Regarding Scope 3 emissions, our main lever is increasing the share of renewable and nuclear-based electricity in the product portfolio in all markets. This requires the sold electricity to have certificates of Guarantees of Origin,

GoOs, which verify the source of the electricity to be a low carbon, for example, wind, hydro, or nuclear power. We are very excited to continue this journey, and we'll report regularly on the progress of our transition plants and results.

As you remember, we set four strategic targets with measurable KPIs one year ago. Here, you see these KPIs, targets, and the outcome at the end of 2024. Availability of our outright generation fleet is crucial, and we set long-term targets for the availability of hydro and nuclear. In hydro, the performance in 2024 was good, and we reached the target. The outcome was 97% availability, exceeding the target of 95%. In nuclear, we did not reach the target of 90% availability and the outcome was 84%. 90% availability is very challenging to reach, and during 2024, there were both prolonged and out-planned outages. When calculating the availability for nuclear, also planned outages are taken into account counting [ph] as unavailability (00:23:09).

The next target is the optimization premium, guided to be in the range of €6 to €8 per megawatt hour annually. Our optimization premium exceeded this guidance and was €8.7 per megawatt hour in 2024. This is clearly one of our competitive edges, and we achieved a very good result last year. The guidance remains the same going forward, even though the outcome exceeded the target range in 2024.

The third KPI is long-term hedging, aiming at reducing our merchant exposure and increasing predictability of cash flows. At the end of 2024, the hedged share of rolling 10-year outright generation volume was 18% compared to our target to be at least 20% by the end of 2026. Consequently, we are on track with this target. While the target is to ensure 10-year hedging, currently we see demand for shorter PPA durations and smaller volumes. Hedges done during 2024 were mainly done for the years 2025 to 2029, with more than 100 counterparties. At the end of 2023, the hedged share of the rolling 10-year volume was 15%.

The last target is to develop growth options and serve customer demand. The KPI is to have a ready-to-build pipeline for solar and onshore wind of at least 800 megawatts by the end of 2026. At the end of 2024, we did not have any projects that would have reached the ready-to-build state. However, projects in the underlying pipeline are developing, and currently, we have a pipeline of approximately 5 gigawatts of onshore wind and solar projects in the permit process pipeline across the Nordics with even more in an early development phase. This also includes the Enersense portfolio acquisition that we announced in December. Consequently, the development is progressing, and we see that we will reach our target.

It is good to note that the prerequisite for making any investment decisions on new renewables is that they are linked to profitable PPAs.

Then, a couple of words about our capital allocation principles. Our balance sheet is very strong, even overcapitalized as financial net debt to comparable EBITDA is that 0.2 times. Our objective is to maintain a credit rating of at least BBB flat. At the end of 2024, we also had ample liquidity, totaling €8.2 billion.

With the proposed dividend, we would both activate the balance sheet, as well as reduce the liquidity position. Further, we mitigate the effect from changing interest rates, which are lowering deposit rates, and thus, increasing the net interest costs. The reason for the continued modest CapEx guidance is that currently power prices do not support new investments and demand has not yet picked up. This guidance of €1.4 billion, including annual maintenance CapEx of €250 million, includes already allocated investments. However, if the market sentiment and investment environment improve and projects would meet our investment and profitability criteria, we would make new investment decisions.

In 2024, our capital expenditure was below €500 million. As part of the efficiency improvement, we focus on prudent cost allocation for both fixed and development cost to optimize our cash flow. In this situation with the overcapitalized balance sheet in combination with ample liquidity and modest investments, our priority for capital allocation is to return capital to our shareholders.

When it comes to shareholder returns, we prefer cash dividends and do not intend to launch any share buyback programs. With the proposed dividend payment totaling €1.256 billion, we would instantly activate the balance sheet and rectify our strong liquidity position. With the special dividend, the dividend yield is approximately 10%, which makes Fortum an attractive investment objective for our shareholders, while it reflects that in the nearest years, there is limited organic growth. I hope this clarifies our approach regarding our cash flow focus and capital allocation principles.

We are currently focusing on building the preparedness for future growth to be ready for new investments when demand picks up. We see that the Nordic countries are a good location for clean industrial investments and it is part of our strategy to facilitate them. As mentioned, we are preparing a ready-to-build pipeline of renewable projects. For the longer term in the 2030s, we are exploring prerequisites for pumped hydro and new nuclear, which would provide flexible and stable supply for a projected new demand.

With this, I end my part and hand over to Tiina for more details.

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

Thank you, Markus. Good morning, everyone, also on my behalf. I will now go through our financials in more detail. Let's start with the key financials.

So let me first comment on some of the comparable KPIs. The comparable operating profit for the fourth quarter amounted to €257 million and €1,178 million for the year 2024. In the fourth quarter, our comparable net profit and comparable EPS decreased, reflecting the lower result in the Generation segment. Our comparable net profit for the quarter declined to €169 million and €900 million for the full year. Consequently, our comparable EPS for the 2024 declined to €1 compared to €1.2 in 2023.

On a positive note, our cash flow during the quarter improved €167 million and totaled €1,392 million for the full year, especially due to the divestment of the recycling and waste business, our leverage came further down and was very low with financial net debt to comparable EBITDA at 0.2 times at the end of the year. However, taking into account the dividend proposal presented today and adding the dividend payment to our net debt leverage would decrease about 1 time.

Let's move over to the income statement to look at certain items in more detail. As we have communicated on our efficiency improvement program, the target is to reduce the fixed cost base by €100 million, excluding inflation and compared to the baseline year 2022. For 2024, our fixed cost saw a small decrease as our annual fixed costs are slightly below €1 billion despite inflation. The fixed cost base continues to go down during this year as we now have actions in place to reduce it further. I will come back to more details on this program at the end of my presentation.

Items affecting comparability for the fourth quarter and the full year 2024 mainly reflect the €176 million tax exempt capital gain from the divestment of the recycling and waste business and change in fair value of derivatives, while the majority part in 2023 was related to fair value changes. Share of profits of associated and

joint ventures include updated cost estimate for the Swedish nuclear waste-related provision in co-owned nuclear companies as these are reported in comparable numbers.

Our finance cost net was positive. Net interest turned positive. Interest income includes interest income from a Belgian tax case. And in the fourth quarter, we recorded some interest income from a settlement of a commercial dispute recorded. Taxes have been at the normal guided level in 2024.

Then, over to the result waterfalls for comparable operating profit. Let's look at the waterfall for the fourth quarter, comparable operating profit for our segments. Compared to the previous year, the result in our Generation segment decreased while Consumer Solution and Other Operation segment improved.

In the Generation segment, comparable operating profit decreased by €125 million to €265 million due to the lower spot and hit prices, and because of lower hydro and nuclear volumes. The negative effect from the volume and price component was partly offset by the positive effect from lower nuclear waste cost in co-owned nuclear production in Finland. The result contribution of the Pjelax wind farm was slightly positive. The result of the district heating business improved mainly due to the lower fuel costs, following more electricity-based productions in Finland, and higher sales price for power in Poland.

In our Consumer Solution segment, comparable operating profit increased by €4 million to €16 million, mainly due to the reduced scope of the regulated price gap for electricity end users in Poland. This was partly offset by higher depreciation and amortization of customer acquisition costs.

In the Other Operations segment, comparable operating profit improved by €19 million and was €24 million negative, mainly due to the higher internal charges to the businesses for services of enabling functions. The result of the Circular Solution business decreased mainly due to the completion of the recycling and waste business divestment in November.

Then, when looking at the comparable operating profit for the year 2024, the same pattern continues. The Generation segment result declined, while both Consumer Solution and the Other Operations segment improved. The result deviation is basically related to the Generation segment. The Generation segment's comparable operating profit decreased by €461 million to €1,218 million, mainly by the lower spot and hedge prices, but also lower generation volumes for both nuclear and hydro, and higher cost for Olkiluoto's third unit as to first months of 2023 was a first period. The result of the renewable business was positively impacted by a sale gain of €16 million from the divestment of Fortum's remaining share in the Indian 185 megawatt solar power portfolio. The result contribution of the Pjelax wind farm was slightly positive. The result of the district heating business improved and turned positive, mainly due to the lower fuel cost, which was supported by more electricity-based heat production in Finland, and the higher sales price for heat and power in Poland.

Comparable operating profit in the Consumer segment increased by €38 million to €76 million, mainly due to the higher electricity sales margin, reduced scope of regulated price gap for electricity end users in Poland, and higher sales margin for value-adding services. The positive effect was partly offset by lower gas margins in Poland and higher amortization of customer acquisition costs.

In the Other Operations segment, the comparable operating profit improved by €57 million and was €116 million negative, mainly due to the higher internal charges for services of enabling functions. The result of the Circular Solution business decreased mainly due to the completion of the recycling and waste business divestment in November.

Then some comments on our financial position, debt and liquidity. Our financial position continues to be very strong, which supports our objective to [ph] remain (00:38:12) a credit rating of at least BBB. When considering our capital allocation principles, we balance between leverage, investments, and dividend, while always keeping the credit rating in mind.

I want to go through the reconciliation of our financial net debt in the fourth quarter. At the end of the third quarter, our financial net debt was €655 million. In the fourth quarter, the operating cash flow was €167 million and investment amounted to €133 million.

Realized CapEx for 2024 totaled €483 million. The cash flow effect from our divestment, mainly the recycling and waste business totaled €758 million. In the fourth quarter, we also paid the second installment of the dividend €511 million. The change in interest-bearing receivables amounted to €24 million, while FX and other effects was €18 million. So at the end of year 2024, our financial net debt was €367 million, and the leverage ratio of financial net debt to comparable EBITDA was at 0.2 times.

Looking at our debt portfolio and the loan maturity profile, I want to highlight a few things. We use bond as primary source of funding. Our maturity profile continues to be very balanced, and there are no large maturities in any single year. All in all, our gross debt, excluding leases, totaled €4.7 billion.

At the same time, our liquidity position is strong. We have ample liquidity reserves of €8.2 billion with €4.1 billion of liquid funds and €4.1 billion of undrawn committed credit facilities and overdrafts. The cost for our €4.7 billion loan portfolio is 3.8%, while the interest income that we get for our €4.1 billion liquid funds is 3%. With the strong liquidity position, we will continue to optimize our cash and credit lines. The overall objective is to have sufficient liquidity, while optimizing the balance between debt and cash to minimize funding costs.

I would like to remind you that considering the board's dividend proposal, we would pay total dividends of €1,256 million in the beginning of the second quarter. As all dividends are paid in one go, the balance sheet and the liquidity position will be rectified at once. Going forward, we would consider returning the dividend payments with two installments.

So with this, let's have a look a bit more detail of our leverage and liquidity. This shows a three-year development of our key figures related to leverage and liquidity. Our gross debt and margining requirements have clearly decreased over the time period. Meanwhile, our liquid funds have been relatively stable, which has resulted in a lower net debt. Over this time period, also, our EBITDA has decreased and our financial net debt to comparable EBITDA is now at 0.2 times. When adding the proposed dividend to the net debt at the year-end, our leverage ratio would be 1 – about 1 time.

Market prices of today indicate that EBITDA could go down in the next few years. So with that, our leverage would increase. Our maximum leverage is somewhere between 2 times to 2.5 times. We are, however, not targeting the maximum levels, because we want to maintain a certain level of flexibility.

As bonds are our main source of funding, we want to maintain our investment-grade rating and have good access to bond markets. Investments need to be profitable and generate new EBITDA, which is challenging in the current price environment. This is reflected in our CapEx guidance at the moment. As cash generation is aimed for investments and dividend, we also aim to be a good dividend payer for our shareholders as today's proposal also shows. With these priorities, we also balance our liquidity position.

Then, over to the outlook section. The outlook section comprises, in essence, four elements: guidance for outright hedges and optimization premium, taxes, CapEx guidance, and our fixed cost reduction program. First, a reminder that our annual outright volume is approximately 47 terawatt hours. Already in connection with our first quarter result, we disclosed new weights of our different price areas.

Starting with the hedges. At the end of the year, the hedge price for 2025 was at the same level as last quarter at €42 per megawatt hour. The hedge ratio increased by 10 percentage points to 75%. The hedge price for 2026 is the same as last quarter at €41, while the hedge ratio increased by 5 percentage points to 45%. There are no changes to the annual optimization premium guidance. It continues to be at the level of €6 to €8 per megawatt hour.

While the guidance for the annual level, there might be the quarterly variation. The guidance for our corporate tax rate also remains unchanged. We expect the comparable effective income tax rate to be in the range of 18% to 20%. In 2024, tax rate was 19.1%.

I also want to repeat that in Sweden, there will be a revision of the property taxes from 2025. For Fortum, the increase of the property taxes is now estimated to be approximately €30 million for the years 2025 to 2030. This means that the increase is €30 million from 2024 to 2025, after which it stays at the level for the six-year period, including 2030. A major part of this cost increase will be recorded in our fixed cost. Our previous estimate last autumn was that the increase would have been €25 million.

Then, to the guidance of our capital expenditure. Capital expenditures for the years 2025 to 2027 is expected to be €1.4 billion. This includes maintenance but excludes potential acquisition. The annual maintenance CapEx is expected to be approximately €250 million for the guided time period, and continues to be clearly below our depreciation level of approximately €300 million.

Growth CapEx will be in the range of €150 million to €300 million per year, showing a declining trend between the year. Depending on how the general market develops, and if the investment sentiment improves, we can always make new investment decisions.

Finally, a few words of our fixed cost reduction program. We target to reduce our recurring annual fixed cost base by €100 million, excluding inflation and gradually until the end of 2025 with a new run rate from the beginning of 2026. The divestment in Circular Solutions, mainly Fortum recycling and waste business, reduces the group's fixed cost base by approximately €150 million from 2025.

In 2024, we implemented actions that reduced the recurring fixed cost base by more than €60 million. Our current estimate is that the new run rate for its fixed cost base in 2026 will be approximately €850 million, excluding the increase in the Swedish property tax from 2025. We have already in 2024 taken actions to build preparedness for future growth, which consumed development cost of approximately €50 million. As Markus already mentioned, simultaneously, there are additional cost for growth. These are related, for example, renewable development, site development, build up of the commercial organization, and the hydrogen pilot project.

So this was all from my part, and now we are happy to answer your questions. So with this, Ingela, over to you.

Ingela Ulfves

Vice President-Investor Relations & Financial Communications, Fortum Oyj

Thank you, Tiina, and thank you, Markus. So we are now ready to open up for the Q&A session, and, moderator, then I hand over to you. So let's hear the first questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] The next question comes from Wanda Serwinowska from UBS. Please go ahead.

Wanda Serwinowska

Analyst, UBS Asset Management (UK) Ltd.

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Hi, Wanda Serwinowska, UBS. Thank you very much for the presentation. Two questions from me. The first one is on the special dividend, because I'm trying to understand how the situation is different from last year, because last year you didn't announce any special dividend. CapEx spend was light. Balance sheet was strong. So what has changed over the past one year that you announced a special dividend this year?

And how should we think about this special dividend going forward? Because if we look into 2025, CapEx remains limited. You mentioned a few times the appetite from investors from industrial is not there. Power price seems to be steady. So how should we think about special dividend? That would be my first question.

And the second question is about the nuclear investments and the potential nuclear investment in Sweden and Finland. There's a lot of noise about extension of the existing assets and building new nuclear assets. I know that at the end, you will make the decision based on number of factors, but can you just talk about the timeline? Where should we expect the milestones [ph] or the (00:51:57) decision by the government or by you or by the TVO in Finland? Thank you.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

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Okay. Hello, Wanda. Hello, everybody. Happy to take the question. So regarding the special dividend, so our balance sheet has gotten even stronger than it was a year ago. Liquidity is very strong. And then, we are measuring this against our potential investment pipeline. So what we see with the special dividend now is that it stabilizes our liquidity position. So we have excess liquidity. And it also normalizes our balance sheet to the level of one. I have said earlier that there is geopolitical uncertainty and there is turbulence. So, of course, we assess things against that as well.

Then, going forward, we stick to our dividend policy. So this was like we said and you said, this is a special dividend. So what you can expect going forward is that we follow the 60% to 90% dividend policy. Then, with regards to nuclear investments, I'd say, that there are three key things that we are investigating. One is that technology – technological availability of a nuclear equipment and how long does it take to build, how much does it cost. Then one needs to understand where would the cash flows be coming from and where do you get the equity and debt for such an investment.

How we assess the situation right now is that the Nordic governments are supportive of new nuclear generally speaking. But the market conditions or the regulatory or the governmental decisions are not yet there to take new investment decisions right now. We will come with more detail regarding the findings of the feasibility study during the spring. So we will go into more detail then. But generally, what we said also in the release and what I'm saying now is that – in the big picture where we stand.

Wanda Serwinowska

Analyst, UBS Asset Management (UK) Ltd.

Q

Can I just follow up on the second one? Because I think in Sweden around summer or Q2, there should be another study or another proposal from the Swedish government. And I think earlier this year, the Finnish energy minister was talking about new nuclear at least one reactor, I think, most likely [indiscernible] (00:54:35). But what I'm trying to understand, for example, this year, what's that should we look at in terms of the clarity on the government side, around extension, on your nuclear involving Sweden and Finland?

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

A

Yeah. So many questions there. But in Sweden, the government is more concrete on its – where it is heading. This has been much advanced proposal regarding CFDs and construction timelines and government guarantees. Whether that comes into effect or not, that remains to be seen. Then there is still the question about the availability of technology and how it is licensed, and then who would be investing in such equipment as they are very large and long-term investments.

With regards to lifetime extensions that we are investigating, so as we know from the [ph] lobbyists, (00:55:33) lifetime extension, 25 years of additional lifetime, €1 billion of investment, 177 terawatt hours of output, these are really good investments. So if we can reliably and profitably extend the lifetimes, this is a great part of the CO2-free portfolio for us and for the Nordic countries.

And, of course, we think also about what is the viability of the whole nuclear sector. So it is good to have a very good understanding of what are the potential for lifetime extension, and also what is the potential for new nuclear somewhere in the future. And then, I'm thinking also about the big picture. So think about the 2050 reaching climate targets, reaching the targets that the companies have set for themselves. And on the back of that, the big need for clean energy, and how do we match the land availability for renewables, solar and wind, flexible assets, and then, baseload power. My advice would be that it makes sense to keep all these tools in the toolbox for the time being.

Wanda Serwinowska

Analyst, UBS Asset Management (UK) Ltd.

Q

Thank you.

Operator: The next question comes from Harry Wyburd from BNP Paribas Exane. Please go ahead.

Harry Wyburd

Analyst, Exane BNP Paribas

Q

Hi. Morning, everyone. Thanks for taking my questions. So two for me, please. So firstly, I wanted to ask your view on long-term Nord Pool power prices, which have come down seemingly quite a lot. So from the sort of high 40s around the autumn of last year into the low 40s now.

So interested know why you think that move has happened. Is it the hydrology situation that we have at the moment sort of echoing down the forward curve? Or do you think there's something more fundamental going on there in terms of the market's assessment of supply and demand a few years out?

And have you sort of seen that price impact on the ground? So is it impacting your – what you are doing in terms of your rolling long-term hedge? And do you think it might impact your – any negotiations you have over longer-term PPAs of off-takers like data centers?

And then, the second one, and [indiscernible] (00:57:57) question, doesn't come up very much on conference calls in my experience, but I was reading that nuclear fuel or enriched uranium prices had absolutely rocketed or gone up by nearly 3 or 4 times in quite short period of time recently. Is there anything you are seeing on the nuclear fuel side cost-wise that we should be keeping an eye on from a number's perspective? Thank you.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

A

Okay. So maybe, Tiina, if you want to comment on the uranium or if you're okay with that.

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

A

Yes. I'm fine.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

A

And then, on the on the prices. So as our headline actually says that this was a wet, warm and windy quarter. And overall, like I said in my part, 95 terawatt hours of wind production in the Nordics. Hydrology situation, very strong, meaning high reservoir. So these have been pushing down the prices.

So if you look at where the continental TTF gas has gone, it's gone upwards, and the Nordic forwards are under pressure. Nordics export did also 42 terawatt hours last year of electricity. So all this is pushing down the prices. Spot in the fourth quarter in our areas was €31. Our achieved price was €52. And that partly comes back to the question that why are we hedging, well, we're hedging because we want to get the short-term visibility.

The impact on the PPAs is that the appetite really seems to be both – I think both for us and our customers in the kind of midterm. So like I said, in the years 2025 to 2029, that's where the sweet spot is. And if we think about the demand increase forecasts materializing in 2027, 2018, 2029, this new demand, if it comes in in larger volumes, it cannot be met with today's prices. So for new capacity to come on line, that capacity has to get higher prices than when we are today. So structurally, Nordics are a good place to invest in. We have the lowest cost of energy in Europe, but new capacity will not come with these prices. And then, uranium.

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

A

Yes. So we follow up the uranium prices, of course, because of our operation, but also the – our nuclear feasibility study. So uranium prices, if we look at the last summer, they were really rocketing. So more than \$100 per pound. Now, latest prices, when I looked at it, they were around \$70 per pound. So clearly coming down. And I think that maybe the summer prices in a way reflected the boom of many, many nuclear discussion.

The important point is that the nuclear fuel, if you look at the fuel cost, in general, in the power production costs also, it is not that big part. And the uranium itself is roughly half of the fuel elements – and elements price. But clearly items to be followed. But now it looks to come a bit to the more normal levels.

Harry Wyburd

Analyst, Exane BNP Paribas

Q

Okay. Thank you. That's clear. And sorry. Markus, just to return back to the power price point. So if I've understood correctly that you think that the long-term – decline in the long-term forwards is just simply a function of weather and that sort of knocking on down the forward curve, is that right?

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

A

Yes. It's the supply/demand weather – yeah, and hydrology is now very strong, which is like not a positive thing for prices.

Harry Wyburd

Analyst, Exane BNP Paribas

Q

Yeah. Got it. Understood. Thanks very much.

Operator: The next question comes from James Brand from Deutsche Bank. Please go ahead.

James Brand

Analyst, Deutsche Bank AG

Q

Hi. Good morning. A couple of questions which – to follow up on themes that were kind of touched upon earlier, but maybe just coming at it from a slightly different angle.

The first is again on the kind of special dividend and the balance sheet, Tiina, you said that you wanted in your remarks to maintain a degree of flexibility and that you are necessarily looking at the maximum leverage levels of 2 times to 2.5 times at the moment. How – I guess, the question is, how long are you looking to kind of maintain that position of wanting flexibility? Because some potential investments that could be very large ones for you might a long time before you might start to spend significant amounts particularly on – if you do go ahead with brand-new [ph] pumped-storage (01:02:59) or brand-new nuclear that could provide a number of years in the future. So, is the position now that you want to maintain a stronger balance sheet and that's the kind of the new status quo or is there like a time limit on where it shoots? You'd at that point say, well, okay, the investments have not materialized will go up to close to the maximum. That's the first question.

And then, the second one is on demand growth. You obviously talked about potential demand growth and things like data centers quite a bit. I was wondering whether you could just give us maybe a bit more granular update in terms of specific projects. Are there some large projects that you're looking out for in the next few years that kind of make a big difference? And are you seeing those projects progressing or obviously particularly when it comes to kind of green hydrogen and things like that, there's been a degree of stalling in projects in recent years. So, are they kind of key projects that you're monitoring that are going ahead or are they also kind of being delayed? Thank you very much.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

A

Okay. So, maybe I'll start with demand growth, and Tiina, if you want to take the take the dividend part. So, yeah. So, we're following very closely. I said that we have done PPAs with 100 counterparties. So, when we are doing most of our selling to bilateral, so that means that basically we are selling to everybody directly rather than through the exchanges as earlier. Then, we have the pipeline of potentially interested customers and then, we talk

about big number of customers as well, and we see that the data center cases, they are progressing rather steadily as the demand is here and now today. So, your sub-data just increases all the time. There was like recent article today in the Finnish press that there are 100 data center cases in Finland at the moment. And I think the electricity connection power was 27 gigawatts if I'm not mistaken – I mean, huge numbers. Of course, all of this will not materialize, but that is more linear and that we see happening.

Then, there are some larger cases like on the steel both incumbents and newcomers. Aluminum, the one specific case I mentioned in Kokkola, Arctial, 7 terawatt hours, so that scale is from terawatt hour to 7 north of Sweden even more if the iron ore processing and steel goes clean as it eventually will in many cases. So, I'd say that data centers are happening now and then, the other larger projects, they are more tied to the geopolitical and operating environment. So, that's where we have seen some delay of projects and some cases have not gone well, for example, [indiscernible] (01:06:21) is an example of that.

Special dividend, do you want to take that?

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

A

Yeah. So, basically, our capital allocation principle is to have the balance with the strong balance sheet, the investment, and then the dividend. And currently, our balance is very, very strong. We wanted to activate our balance sheet and make the dividend payment and the special dividend payment in these circumstances. But, clearly, our target is also to look for growth and investment while we see that. So, we want to keep that flexibility, not, of course immediately go to the 2 times and 2.5 times, but clearly there is a headroom. And then, of course, the dividend is the part where we can flex the overall situation, but no specific time limit. But basically, keeping this high industry different topics.

James Brand

Analyst, Deutsche Bank AG

Q

Great. Thank you very much.

Operator: The next question comes from Deepa Venkateswaran from Bernstein. Please go ahead.

Deepa Venkateswaran

Analyst, Bernstein Autonomous LLP

Q

Thank you. I had two questions. So, of the CapEx details that you've given in the guidance, how much of your approximately €650 million of growth CapEx is already committed? And how much would sort of depend on new projects, PPAs, et cetera?

And second question, just wanted to discuss the nuclear availability that's come in at 84% versus your targeted 90%, and I know there were some unusual outages in 2024. Could you talk about how the situation is progressing and when you expect to get to the 90% availability? And could you comment on what was the financial impact from the lower nuclear volumes in 2024? Thank you.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

A

Yeah. So, out of the CapEx guidance, the €650 million, so most of that is committed. So, now, we – previously, we communicated that we had left some headroom for future decisions in the three-year guidance. So, now, we made that more accurate and there's a tiny bit of headroom there. So, the key message is that this is, by and

large, already committed investments. And if we do new investments, as we clearly have the capacity for it, then we would announce it separately and then revise the guidance accordingly. But we are fine to do that. So, we are not stuck on stuck on this number.

Then, for the nuclear availability, so there was – there were unexpected reactor shutdowns and availability issues. I see that there is a possibility to rectify this during the year. With regards to Olkiluoto 3, it is still in the learning phase. So, the annual outage, the first one that happened last year, that took longer than forecasted, and this is something we will now see that how we've been able with the plant supplier to work it out so that that we would get it to the normal level. But otherwise I see that – that we have potential to fix the unavailability elsewhere and get to the right level. The financial impact is in the tens of millions of euros. So, this is one of – in addition to our efficiency program, this is one of the things where we really – we have the solution in our own hands. So, very much focused on this one.

Deepa Venkateswaran

Analyst, Bernstein Autonomous LLP

Thank you.

Q

Operator: The next question comes from Iiris Theman from Carnegie. Please go ahead.

Iiris Theman

Analyst, Carnegie Investment Bank AB (Finland)

Hi, this is Iiris Theman from Carnegie. Two questions if I may. So, firstly, your associated JV income was negative in Q4. So, did it include any one-offs and what should we expect for this year?

Q

And then, secondly, just can you comment your basically your earnings development in the district heating business in Q4 and what should we expect for this year? Thanks.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Okay. I didn't quite catch the line, was a little bit bad in the bit.

A

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

Me neither.

A

Ingela Ulfves

Vice President-Investor Relations & Financial Communications, Fortum Oyj

Associated income.

A

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

Associated, okay, all right.

A

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Associated income, okay. Okay, Ingela heard better, so.

A

Ingela Ulfves

Vice President-Investor Relations & Financial Communications, Fortum Oyj

Yes, thank you.

A

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Okay. So, yeah, on the associated income, we had the new co-owned nuclear.

A

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

That's correct.

A

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Yeah.

A

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

So, it was the updated nuclear decommissioning and spent fuel costs, which we got the update from the SKB at the end of the year. So, that reflects in the Q4 result.

A

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Yeah. So, that's not a recurring item as such?

A

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

No.

A

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

And then, overall, the earnings development in our district heating business is positive through the decarbonization of the businesses and electrification. But, Tiina, do you have any special comment on the fourth quarter?

A

Tiina Marjukka Tuomela

Chief Financial Officer, Fortum Oyj

Yeah. I think the positive thing, as you said, that the fuel cost is coming down when we produce more electricity by electricity. So, this is positive. And then, also prices, prices particularly in Poland were higher, so which make the improvement in the Q4 and then overall in the whole year turned to positive.

A

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Yeah. And this is one area where we expect that results continue to improve as the electrification program, Espoo Clean Heat, continues. So, there is upside there that will materialize as we complete the investments.

A

Iiris Theman

Analyst, Carnegie Investment Bank AB (Finland)

Okay, thank you.

Q

Operator: The next question comes from John Campbell from Bank of America. Please go ahead.

John Campbell

Analyst, Bank of America

Thank you. Good morning, everyone. I've got two questions, if I can. I noticed you've reported an optimization premium for the full year €8.7 per megawatt hour and I think I backed out. You probably got around €9 plus in the fourth quarter. First thing I would say, that's above your guidance. Can we expect you to announce your optimization premium going forward, I don't think you've really discussed it in that level of detail in the past? And maybe could I get some sort of logic of why you didn't perhaps upgrade the €6 to €8 annual guidance? Is this some reflection of the fact you maybe don't think the volatility, perhaps, that we saw is sustainable or is it related to caution on Guarantees of Origin? Anything around that would be extremely helpful.

And then, I know we've been discussing new nuclear, but I also saw an article on Bloomberg recently in January about Uniper and the prospect of the government selling its stake down there. The article discussed the idea that some of Uniper's assets could be split up and I suppose they've got hydro and nuclear in Sweden. And if I'm not wrong, you have right of first offer I think it is until the end of 2026. I assume you'd be interested in those. So, what are the odds you might be able to obtain them? Thank you.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Yeah. So, on the optimization premium, so we feel comfortable that the €6 to €8 continues to be relevant going forward. And overall, this was one of the highlights of the quarter and of the year that it's been strong performance. So, we have had the asset availability, the flexibility in hydropower and that is where most of the income is coming from. Then is frequency regulation, upregulation, downregulation, grid services, and the GoOs. But we feel comfortable that in the foreseeable future €6 to €8 is the right level. So, this was a bit of positive upside.

Then, on the Uniper assets, so hydro and nuclear are in the core of our operations. And if the Uniper assets become available, then we will naturally look at them, and we have heard the same that the German government is considering alternatives, but it seems that the IPO track is still on. We have the right of first offer. So, if these assets particularly come for sale, then according to our agreement, we would have the first look at them and ability to then opine on are we interested or not.

John Campbell

Analyst, Bank of America

Okay. Thank you.

Q

Ingela Ulfves

Vice President-Investor Relations & Financial Communications, Fortum Oyj

Thank you so much. These were actually all the questions we had today. So, thank you, moderator, and thank you, everyone, online for your questions. On behalf of Fortum, we wish you, all, a very nice rest of the day. Talk to you soon.

Markus Heikki Erdem Rauramo

President & Chief Executive Officer, Fortum Oyj

Thank you. Have a good day, bye.

Ingela Ulfves

Vice President-Investor Relations & Financial Communications, Fortum Oyj

Thank you.

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