

Interim Report January-March 2022

Fortum Corporation

12 May 2022

**Markus Rauramo
President and CEO**

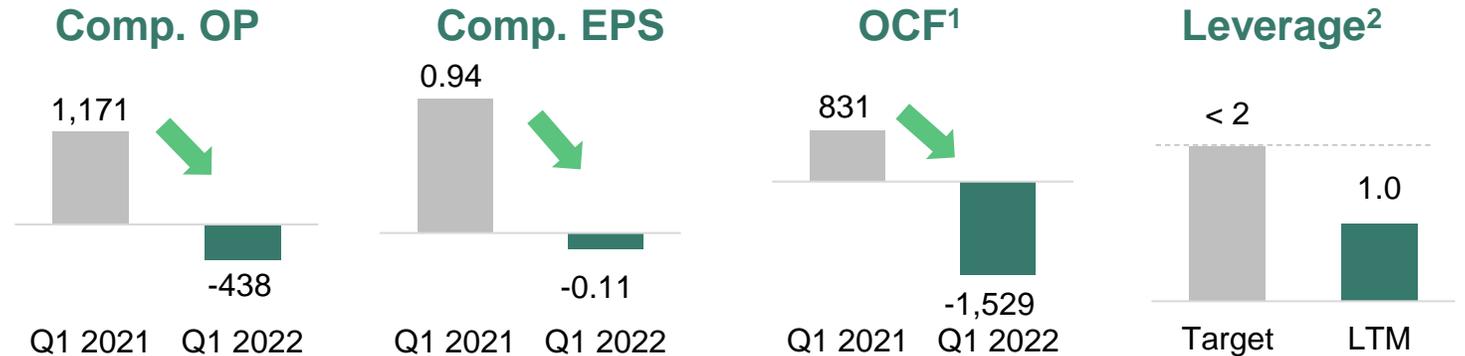


Earnings shift into later quarters of 2022 following Uniper's gas storage optimisation

Q1 2022

Market volatility and increased uncertainties managed by securing sufficient liquidity headroom

Announcement of the sale of Fortum Oslo Varme (50% stake) for EUR ~1 bn. Closing expected in Q2.



- Uniper gas midstream business EUR ~750 mn intra-year earnings shift from Q1 to later quarters; Generation higher achieved power prices with strong physical optimisation but lower generation volumes
- Operating cash flow negative due to operative liquidity measures taken by Uniper in Q4 2021
- Leverage was up, still comfortably below target, while gross debt level was down

1. Net cash from operating activities
2. Financial net debt to comparable EBITDA

Update on Fortum Group's Russian businesses

Fortum prepares for a controlled exit from the Russian market

- We will **not make any new investments decisions or finance our Russian businesses.**
- **We are preparing for a controlled exit from the Russian market.** As the preferred path, this decision includes a potential divestment of Fortum's Russian operations. The divestment process for Uniper's Russian subsidiary Unipro is also expected to be resumed as soon as possible.
- Uniper will **not enter into new long-term supply contracts** for natural gas or coal with Russia.
- However, existing long-term gas import contracts with Russia and nuclear fuel supply for Fortum's Loviisa nuclear power plant from Russia cannot quickly be changed and remain part of security of supply for Europe.

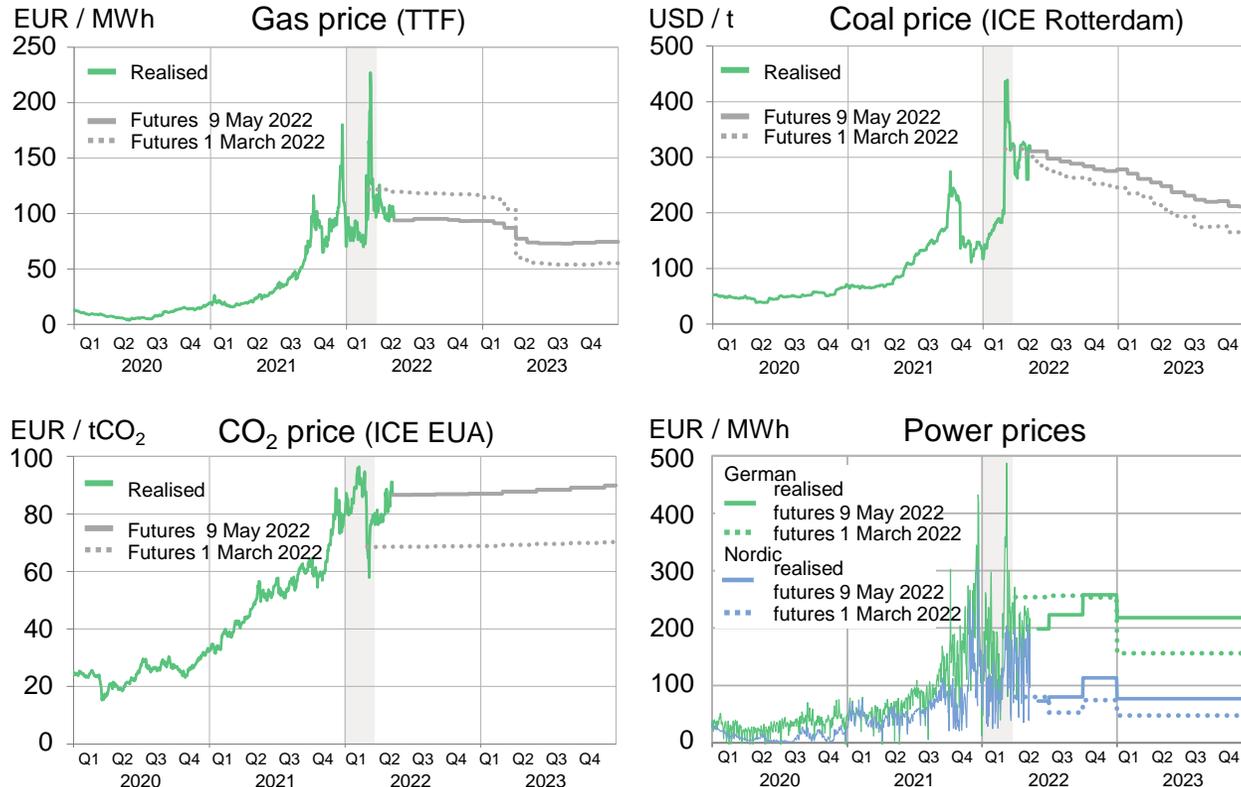
Pretax impairments of EUR 2.1 bn of Russian businesses and assets

Impairments		
Asset	Segment	Amount
PAO Fortum	Russia	~EUR 0.3 billion
TGC-1*	Russia	~EUR 0.2 billion
Nord Stream 2 (loan receivable)	Uniper	~EUR 1.0 billion
Unipro	Uniper	~EUR 0.6 billion

*~29% stake

Europe is experiencing a severe energy crisis

Energy commodities reaching new record highs



Source: Refinitiv, Bloomberg

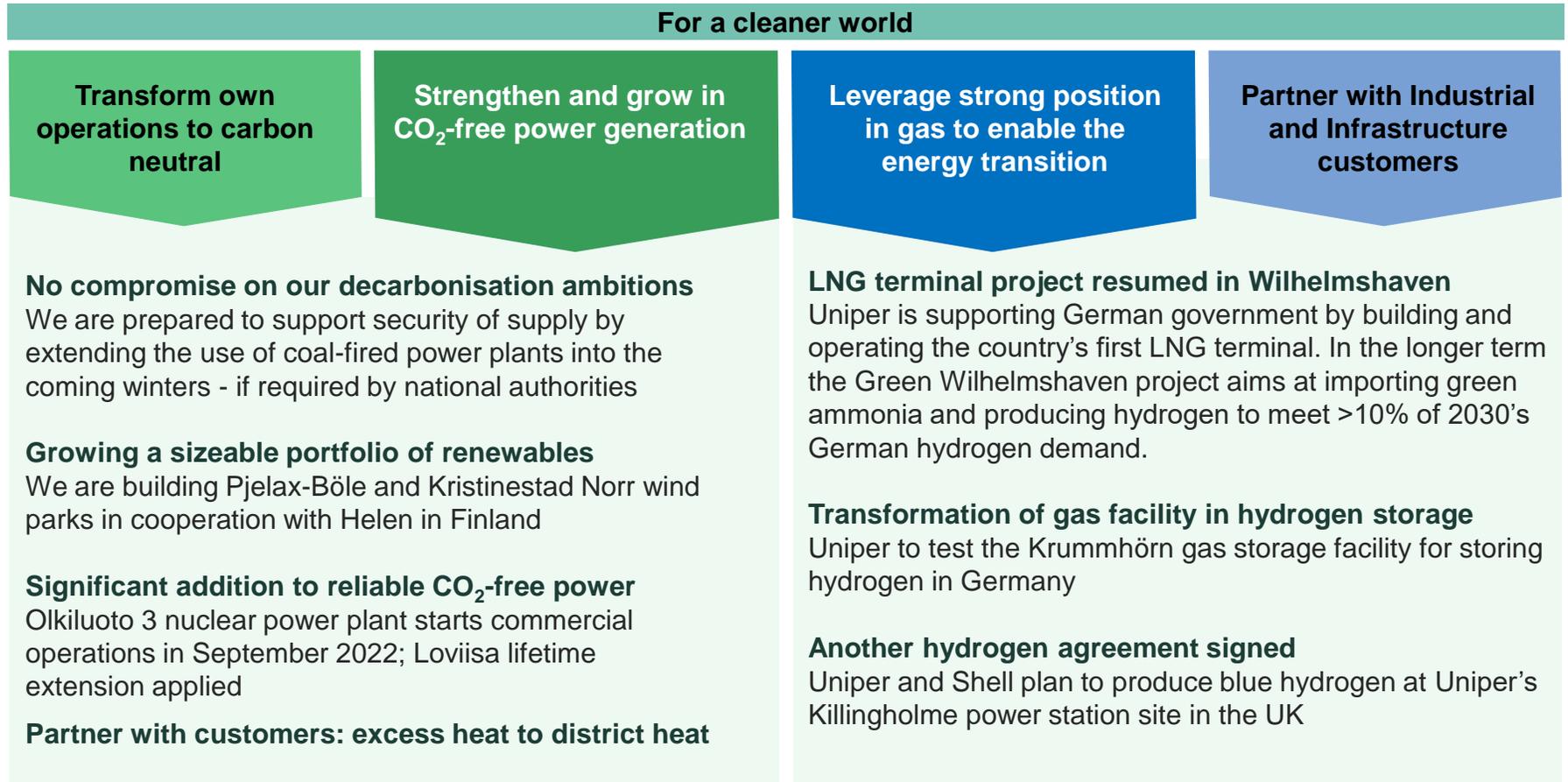
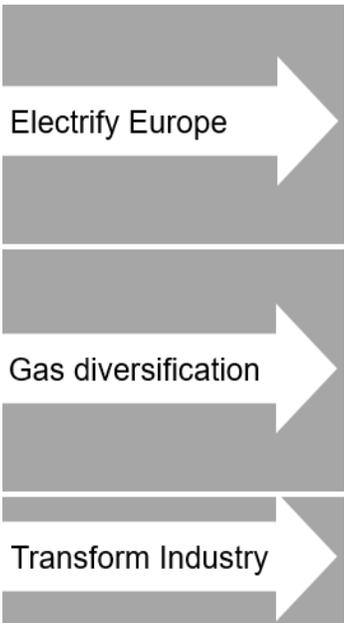
Daily market prices 9 May 2022; 2022-2023 future quotations

Political push for energy independence

- Extreme price levels and volatility in energy commodities have driven power prices on the Continent and in the Nordics
- Nordic-German spread is very wide. Nordic spot and forward prices are sensitive to hydro conditions, growing renewable energy supply and interconnector capacities
- Situation is challenging to consumers and politics and risk management imposes high liquidity demands to utilities
- Need for diversification of energy supply and development of alternative source of energy

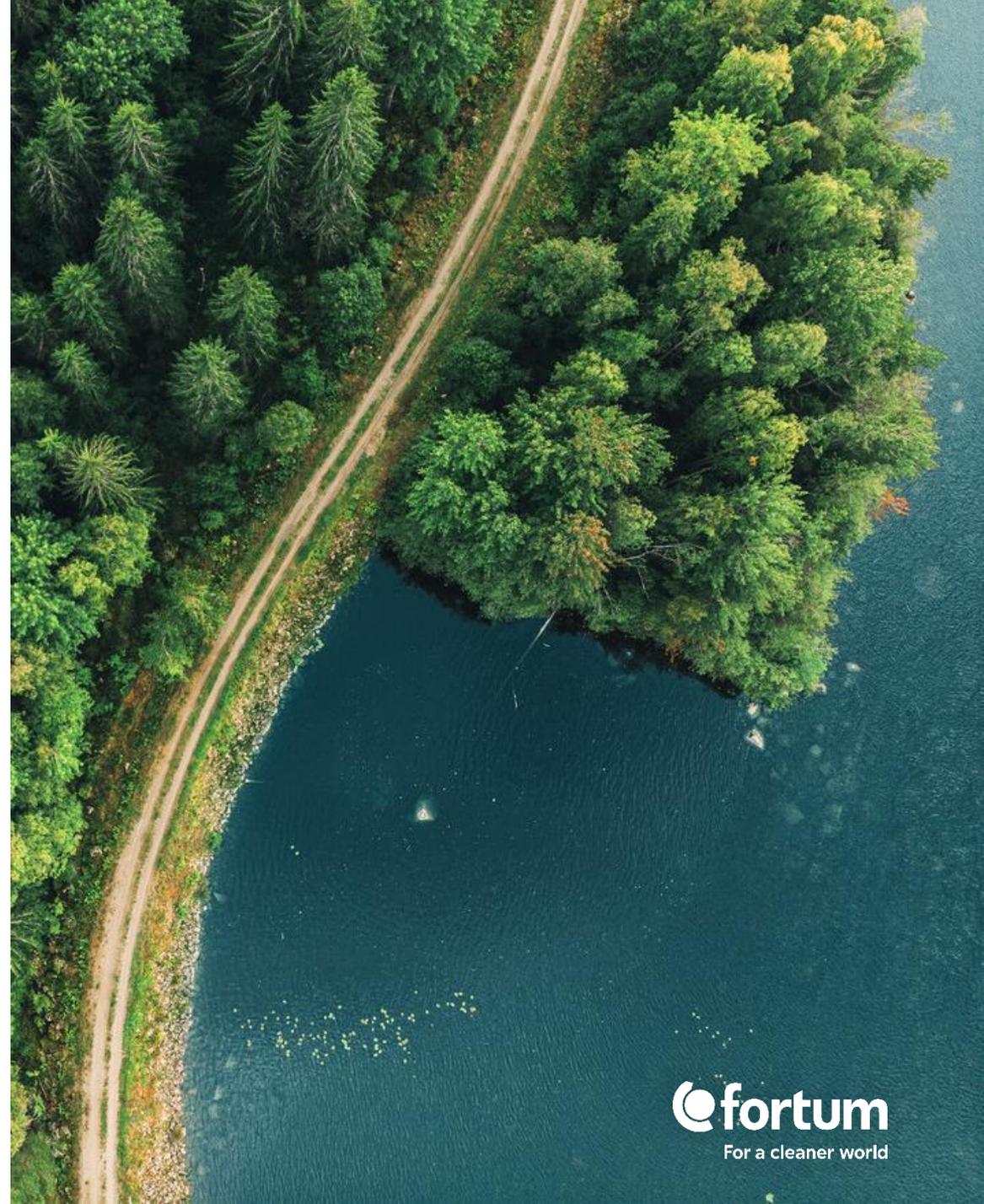
Fortum's strategy is synchronised with REPowerEU

Fortum Group is well positioned to reduce Europe's energy dependence and to accelerate the green transition



Bernhard Günther

CFO



Key financials

MEUR	I/2022	I/2021	2021	LTM
Sales	43,623	21,493	112,400	134,530
Comparable EBITDA	-104	1,479	3,817	2,234
Comparable operating profit	-438	1,171	2,536	927
Comparable share of profits of associates and joint ventures	26	67	154	113
Comparable profit before income taxes	-277	1,257	2,651	1,116
Comparable net profit	-99	837	1,778	842
Comparable EPS	-0.11	0.94	2.00	0.95
Net cash from operating activities	-1,529	831	4,970	2,610
Financial net debt / Comp. EBITDA			0.2	1.0

Q1 affected by significant earnings shift in Uniper's gas storage business into coming quarters

Comparable LTM EPS at EUR 0.95 despite negative Q1 result

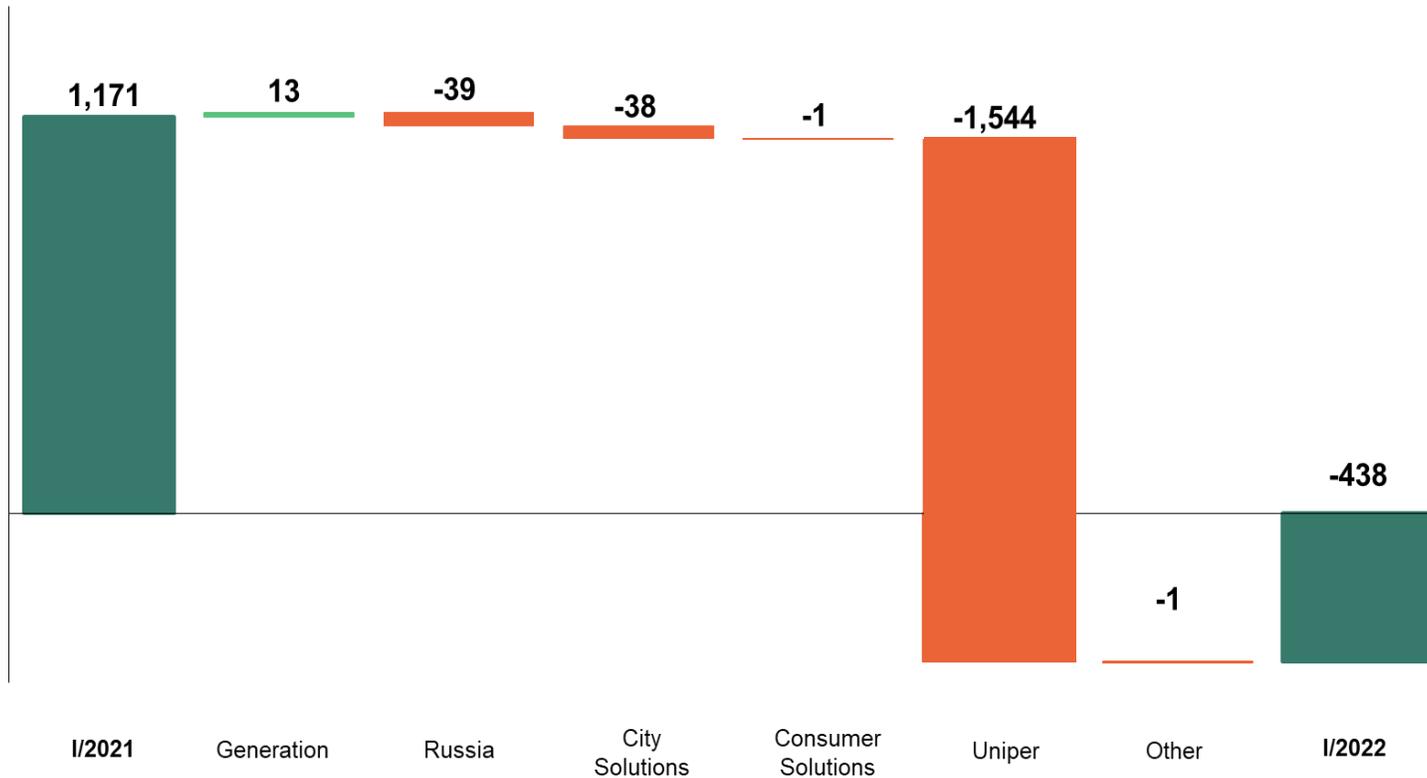
Solid credit metrics with Financial net debt / Comp. EBITDA at 1.0x

Net cash from operating activities negative due to reversion of Q4 2021 liquidity measures

S&P put Fortum's and Uniper's BBB rating on Credit Watch Negative, while Fitch maintained BBB with stable outlook

Q1 dominated by gas storage optimisation effect shifting earnings into Q2-Q4

Reconciliation of comparable operating profit
(EUR million)



Generation

higher achieved power price with strong physical optimisation but lower volumes

Russia

one-off effect in 2021 and declining CSAs (Nyagan 1)

City Solutions

lower volumes and structural changes due to divestments

Consumer Solutions

stable Q1 and increased churn of customers

Uniper

gas storage optimisation moving EUR 750 m earnings into Q2-Q4

P&L - reported IFRS figures dominated by changes in fair values and impairments

MEUR	I/2022	I/2021	2021	LTM
Sales	43,623	21,493	112,400	134,530
Materials and services	-43,618	-19,491	-105,170	-129,297
Other	-109	-523	-3,413	-2,999
Depreciations and amortisation	-334	-308	-1,281	-1,307
Comparable operating profit	-438	1,171	2,536	927
Items affecting comparability	-1,978	174	-3,124	-5,276
Operating profit	-2,416	1,345	-588	-4,349
Share of profits/loss of associates and joint ventures	-190	80	192	-78
Finance costs - net	-956	36	107	-884
Profit before income tax	-3,561	1,460	-289	-5,310
Income tax expense	728	-150	175	1,054
Profit for the period	-2,833	1,310	-114	-4,256
Attr. to owners of parent	-2,222	1,092	739	-2,575
Attr. to non-controlling interest	-610	218	-852	-1,681

Items affecting comparability includes

- EUR -1.1 bn changes in fair values of derivatives hedging future earnings
- Items affecting comparability include impairments
 - EUR 0.3 bn Russia segment
 - EUR 0.6 bn Unipro (Uniper)

Share of associates and JVs include EUR 0.2 bn of impairments

Finance costs include EUR ~1.0 bn impairment of loan receivable from Nord Stream 2

Balance sheet driven by increased commodity prices

MEUR	31-Mar-22	31-Dec-21	MEUR	31-Mar-22	31-Dec-21	
Property, plant and equipment and right-of-use assets	17,111	19,049	Total equity	8,762	13,665	
Derivative financial instruments	143,810	82,488	Derivative financial instruments	150,077	88,604	Financial derivatives substantially up following the strong increase in commodity prices and high portfolio churn
Intangible assets	1,954	2,167	Interest-bearing liabilities	14,875	17,220	
Participations in associates and JVs	2,225	2,461	Nuclear provisions	3,840	3,891	
Shares in Nuclear Waste Funds	3,399	3,515	Other provisions	7,684	6,407	
Interest-bearing receivables	1,961	3,107	Pension obligations, net	931	1,190	Margin receivables down, margin liabilities up based on higher prices
Inventories	3,895	2,275	Other	1,140	1,224	
Margin receivables	7,441	9,163	Margin liabilities	1,864	985	
Other assets including trade receivables	17,252	17,736	Trade and other payables	16,892	16,477	Liquid funds decreased by EUR 1.2 bn following the repayment of debt
Liquid funds	6,419	7,592				
Assets held for sale	956	108	Liabilities related to assets held for sale	360		Assets held for sale mainly includes the 50% stake in Fortum Oslo Varme (Q2)
Total assets	206,425	149,661	Total equity + liabilities	206,425	149,661	

Operating cash flow turn negative in Q1

EUR million	I/2022	I/2021	2021	LTM
Comparable EBITDA	-104	1,479	3,817	2,234
Non-cash and other items	386	278	1,506	1,615
Interest received	14	13	75	76
Interest paid	-95	-61	-202	-237
Dividends received	1	6	124	119
Income taxes paid	-158	-93	-493	-558
Change in working capital	-1,574	-790	144	-640
Net cash from operating activities	-1,529	831	4,970	2,610
Capital expenditures	-202	-293	-1,178	-1,087
Acquisitions of shares	-12	-22	-294	-284
Proceeds from sales of property, plant and equipment	75	14	20	81
Divestments of shares and capital returns	6	129	3,863	3,740
Shareholder loans to associated companies and joint ventures	26	-19	-8	36
Change in margin receivables	1,722	16	-7,964	-6,258
Change in other interest-bearing receivables	44	-19	-166	-103
Net cash from/used in investing activities	1,659	-194	-5,727	-3,873
Proceeds from long-term liabilities	0	62	3,439	3,377
Payments of long-term liabilities	-300	-42	-2,315	-2,574
Change in short-term liabilities	-1,787	295	5,364	3,282
Dividends paid to the owners of the parent	0	0	-995	-995
Dividends paid to non-controlling interests	0	0	-171	-171
Change in margin liabilities	875	339	649	1,184
Other financing items	-75	1	43	-33
Net cash from/used in financing activities	-1,287	655	6,013	4,071
Net increase(+)/decrease(-) in liquid funds	-1,158	1,292	5,256	2,807

Change in **working capital** impacted by operational liquidity measures in the Uniper segment taken in Q4 2021

Sales proceeds from divestments of Baltic district heating and 50% ownership in Stockholm Exergi

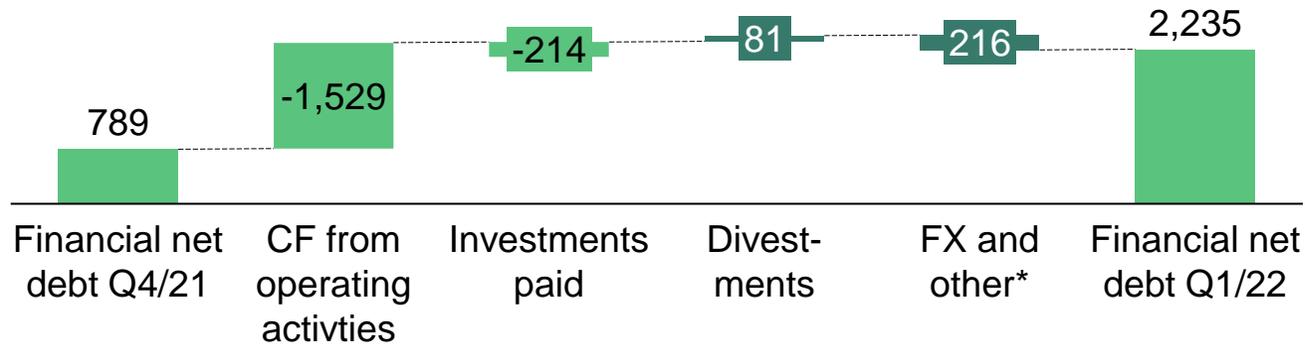
Margin receivables decreased

Financing reflecting margining development

Margin liabilities increased

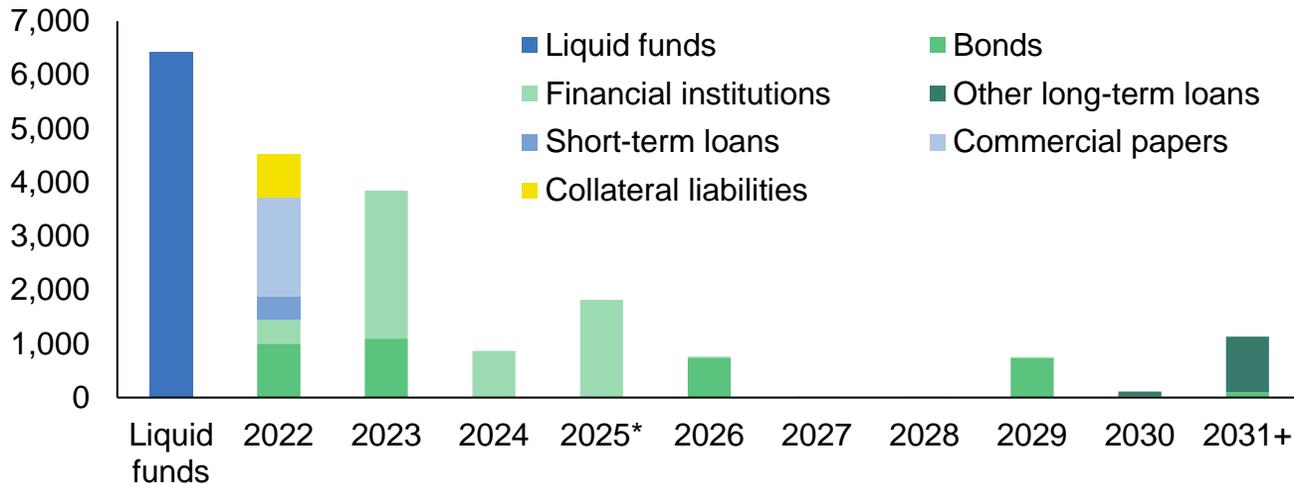
Leverage below target, gross debt down

Financial net debt



*) Includes deconsolidation of debt for assets held for sale

Contractual maturities



*) Uniper's drawn revolving credit facility of EUR 1,800 million has an ultimate contractual maturity in 2025 and is consequently shown here for the year 2025. However, this facility is classified as current liability on the balance sheet due to planned earlier repayment.

Solid credit metrics

S&P Global Ratings

'BBB' long-term issuer credit rating, Credit Watch Negative

Fitch Ratings

'BBB' long-term issuer credit rating, stable outlook

Target ratio:

Financial net debt / Comp. EBITDA < 2x

Fortum's objective:

Maintain solid investment grade rating of at least BBB to maintain financial strength, preserve financial flexibility, and good access to capital.

Total loans EUR 13.8 billion (excl. lease)

- Average interest for Fortum Group loan portfolio including derivatives hedging financial net at 1.0% (2021: 1.3%).
- Lower average interest for Fortum Group loan portfolio including derivatives due to closing of RUB hedges

Liquid funds of EUR 6.4 billion

Undrawn credit facilities of EUR 5.9 billion

Outlook

Hedging

Generation Nordic hedges:

For rest of 2022: 80% hedged at EUR 35 per MWh

For 2023: 55% hedged at EUR 33 per MWh
(Q4: 50% at EUR 31)

Uniper Nordic hedges:

For rest of 2022: 75% hedged at EUR 26 per MWh

For 2023: 50% hedged at EUR 31 per MWh
(Q4: 60% at EUR 18)

For 2024: 25% hedged at EUR 30 per MWh
(Q4: 20% at EUR 30)

The reported hedge ratios may vary significantly, depending on Fortum's and Uniper's actions on the electricity derivatives markets

2022 Estimated annual capital expenditure, including maintenance and excluding acquisitions, of appr.

EUR 1,500 million of which maintenance capital expenditure is EUR 800 million

Tax guidance for 2022:

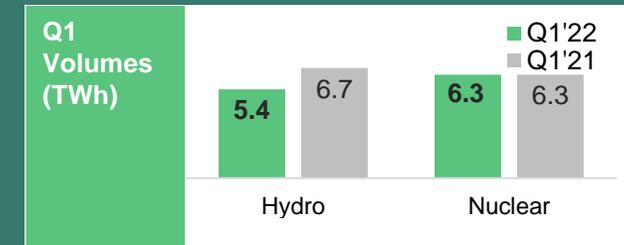
The comparable effective income tax rate for Fortum is estimated to be in the range of 22-25%.

Q&A

Generation: Higher achieved power prices

Q1 2022 vs. Q1 2021

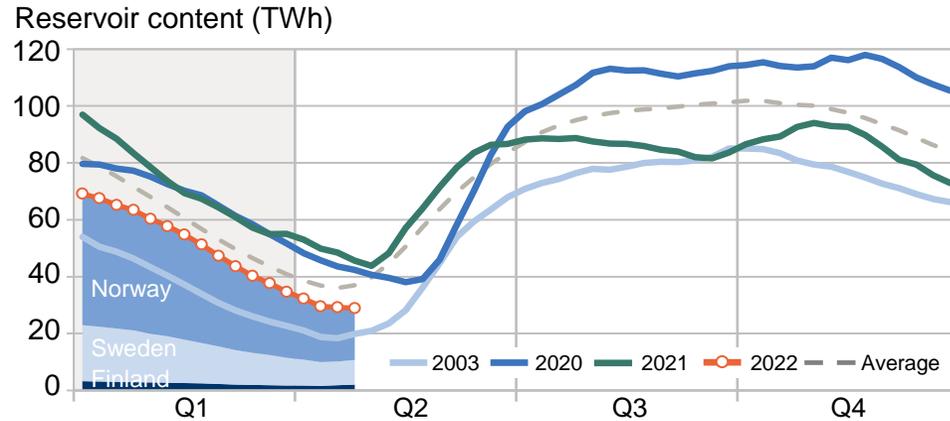
- Comparable operating profit increased mainly due to
 - Higher achieved power prices of EUR 44.1 +EUR 6.9 per MWh
 - Lower hydropower volumes due to lower inflow and lower reservoir levels at the beginning of the quarter
 - The operational performance for nuclear generation was at same good level as in 2021
- Higher achieved power price
 - Higher spot prices and successful physical optimisation
 - The achieved power price was negatively impacted by the record-high difference in Sweden between high system price and low SE2-area spot price (Sundsvall). Due to low liquidity in SE2 area price products, the hedge level in SE2 area price was lower than the system price and SE3 (Stockholm) and FI (Finland) areas
- TVO's third Olkiluoto's (OL3) nuclear power plant unit started electricity production to the grid. Regular production to start in Sep.



MEUR	I/ 2022	I/ 2021	2021	LTM
Sales	710	675	2,899	2,933
Comp. EBITDA	330	315	1,299	1,314
Comp. OP	282	269	1,110	1,123
Comp. net assets	6,246	6,135	6,336	
Comp. RONA %			18.0	18.3
Gross investment	34	27	175	182

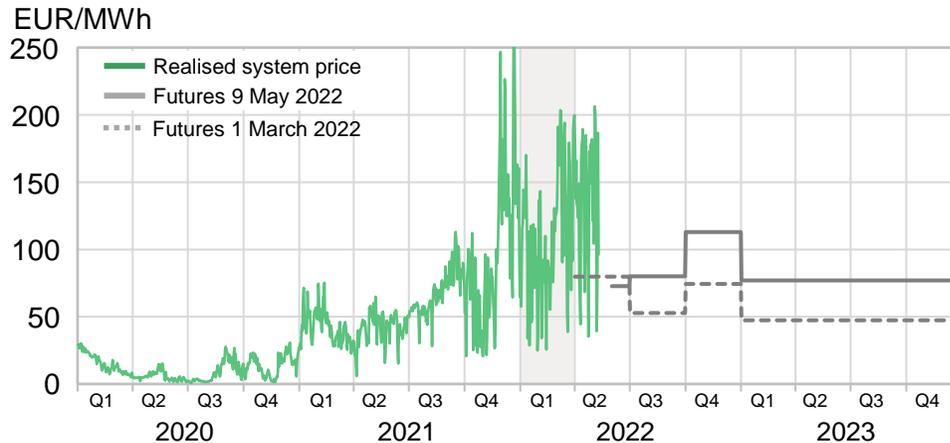
Nord Pool system price driven to new price record

Water reservoirs



- Compared to long-term average, Nordic water reservoirs increased during Q1 from -11 TWh to -6 TWh. Mild and windy winter conditions led to below normal hydro generation in the first quarter of 2021, while net export increased.
- Q1-Q1 precipitation realised clearly above normal after the dry summer quarters last year. Inflows, nevertheless, have been close to normal so far this year.

Power price



- Nord Pool system spot price made another consecutive quarterly price record, reaching EUR 110 (42) per MWh in Q1 2022.
- Despite the mild and windy periods this winter, Nordic SYS spot price was supported by strong hydro pricing in Southern Norway.
- High commodity and German power prices, recent increases in the interconnector capacity, and below normal water reservoir levels in the Southern Norway have contributed to the strong growth in Nordic power price throughout last year and first quarter of 2022.

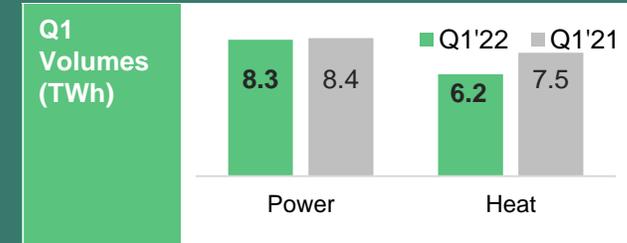
The Nordic daily power price was 310 EUR/MWh on 21 Dec 2021.

Source: Nord Pool, Nasdaq Commodities

Russia: Solid underlying performance

Q1 2022 vs. Q1 2021

- Comparable operating profit decreased by 39%, to EUR 61 million
 - Negative effect from the CSA expiry for Nyagan 1
 - Impact of the Russian rouble exchange rate was EUR -6 million
 - Lower heat volumes but higher power prices.
 - Note: The comparison period includes a EUR 17 million positive effect of the sale of the 116-MW CSA-backed solar power project to the Fortum-RDIF joint venture



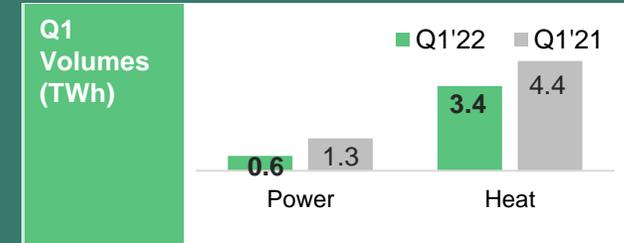
MEUR	I/ 2022	I/ 2021	2021	LTM
Sales	223	264	906	865
Comp. EBITDA	92	134	404	361
Comp. OP	61	100	261	223
Comp. net assets	1,970	2,517	2,508	
Comp. RONA %			12.9	11.3
Gross investment	11	7	83	87

CSA = Capacity Supply Agreement

City Solutions: Structural changes and lower volumes

Q1 2022 vs. Q1 2021

- Comparable operating suffered from structural changes including the sale of the Baltic district heating business in 2021 and the 250-MW Pavagada II and the 250-MW Rajasthan solar plants in India.
- Heat sales volumes decreased by 23% due to the divestment of the Baltic district heating business and warmer weather conditions.
- The power sales volumes decreased by 54%, mainly due to higher fossil fuel and CO2 prices in Finland and structural changes following the divestment of the Baltic district heating business

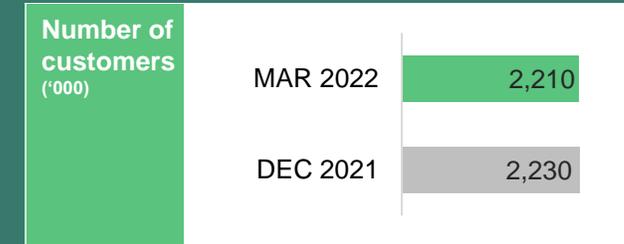


MEUR	I/ 2022	I/ 2021	2021	LTM
Sales	390	418	1,302	1,275
Comp. EBITDA	90	132	317	275
Comp. OP	48	86	135	97
Comp. net assets	1,679	3,305	2,456	
Comp. RONA %			6.1	4.1
Gross investment	25	48	162	140

Consumer Solutions: Challenging market environment

Q1 2022 vs. Q1 2021

- Comparable operating profit broadly unchanged on the quarter.
- Higher temperatures in the Nordics compared to clearly colder weather in the first quarter of 2021 and slightly lower customer base had a negative impact on electricity and gas sales volumes
- Total sales revenue increased significantly driven by significantly higher electricity and gas prices in all markets.

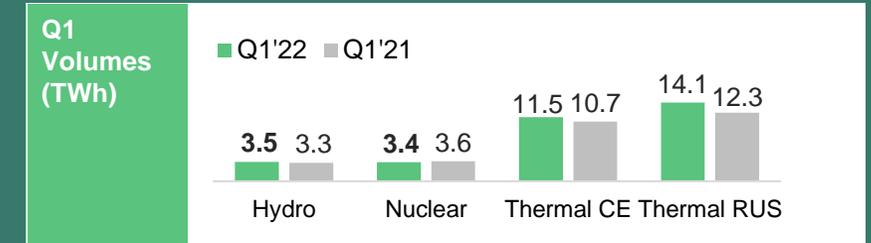


MEUR	I/ 2022	I/ 2021	2021	LTM
Sales	1,168	661	2,622	3,129
Comp. EBITDA	54	53	123	124
Comp. OP	35	36	52	51
Comp. net assets	1,001	721	1,125	
Gross investment	16	11	68	72

Uniper: Intra-year earnings shift

Q1 2022 vs. Q1 2021

- Comparable operating profit turned substantially negative mainly due to gas storage optimisation that deferred earnings to later quarters in 2022.
- The generation business was mainly affected by negative price developments as SE2-area spot price (Sundsvall) has been substantially lower than the system price.
- Additionally, a sizeable intra-year CO2 emission rights phasing effect shifted margins from the first quarter to the fourth quarter of 2022. The sale of the Schkopau power plant in 2021, lower contributions from the British capacity market and higher delivery and procurement costs for hard coal as part of the diversification strategy for coal also had a negative effect.
- The Russian Power Generation business took profit from the commissioning of the Berezovskaya 3 power plant unit in 2021 and the attributable CSA payments and higher prices more than offset the expiry of CSA payments for two units at the Surgutskaya power plants and negative FX effects



MEUR*	I/ 2022	I/ 2021	2021	LTM
Sales	41,484	19,770	105,992	127,707
Comp. EBITDA	-645	868	1,789	276
Comp. OP	-833	711	1,120	-424
Comp. net assets	3,662	8,240	4,971	
Gross investment	82	136	683	629