

Interim Report January-September 2021

Fortum Corporation

12 November 2021

Markus Rauramo President and CEO



Strong performance in an exceptional commodity market

Q3

Performance affected by extraordinary market fundamentals

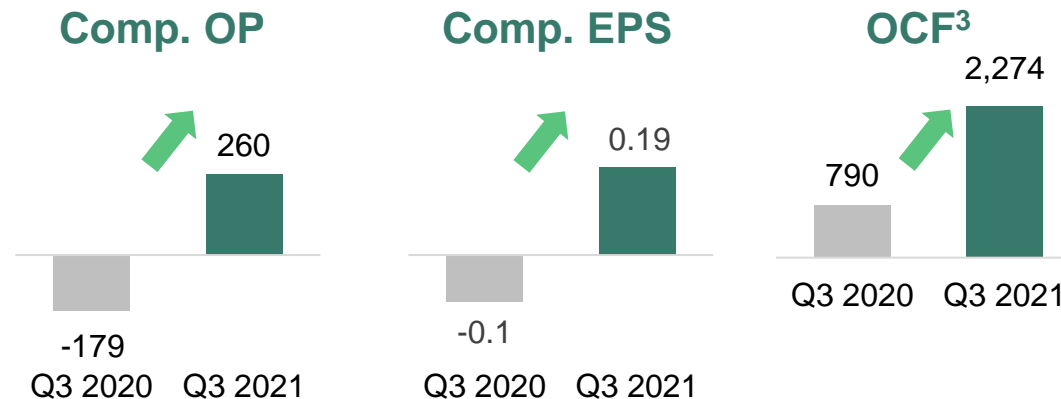
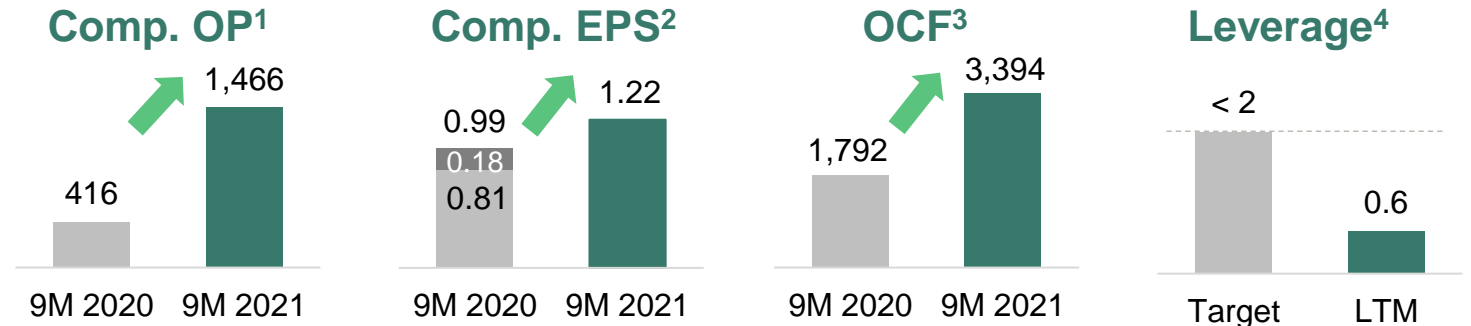
9M

Higher achieved power prices and higher generation volumes with strong physical optimisation

Uniper fully consolidated since Q2 2020 with strong contribution from gas midstream

LTM

Comparable operating profit solid at EUR 2.4 bn



1. Uniper full consolidation since Q2 2020.

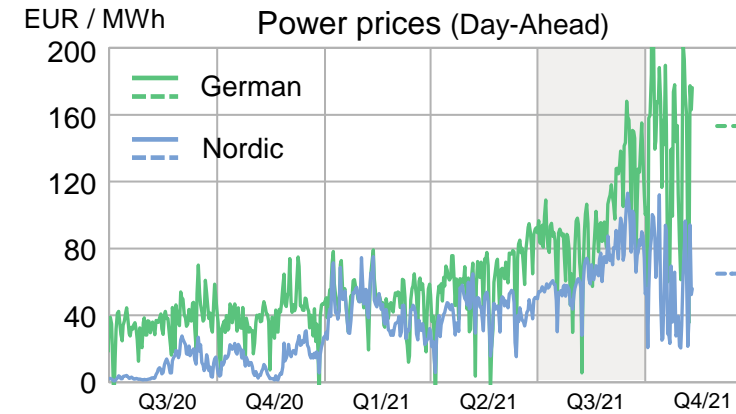
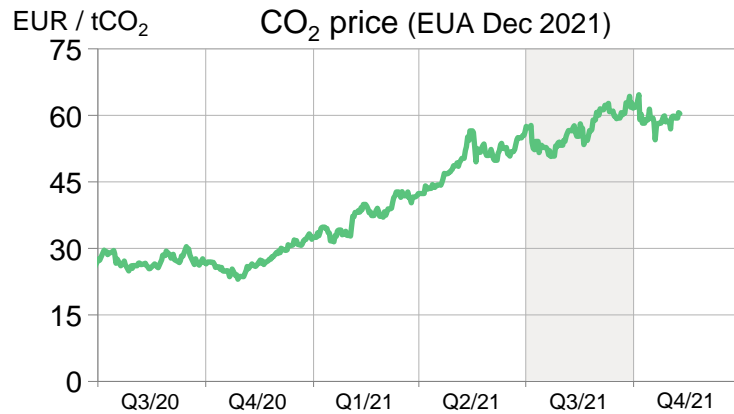
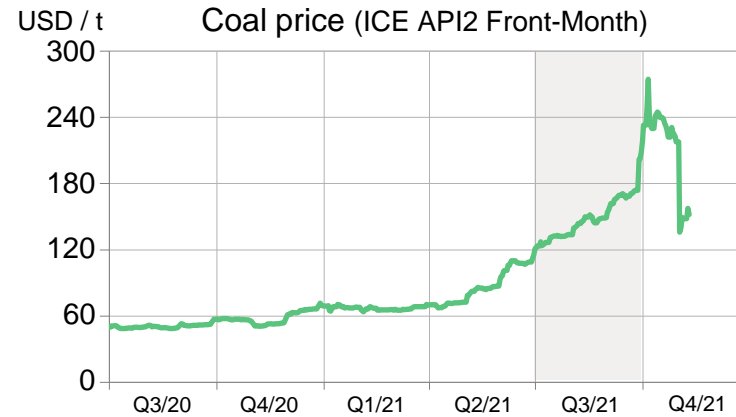
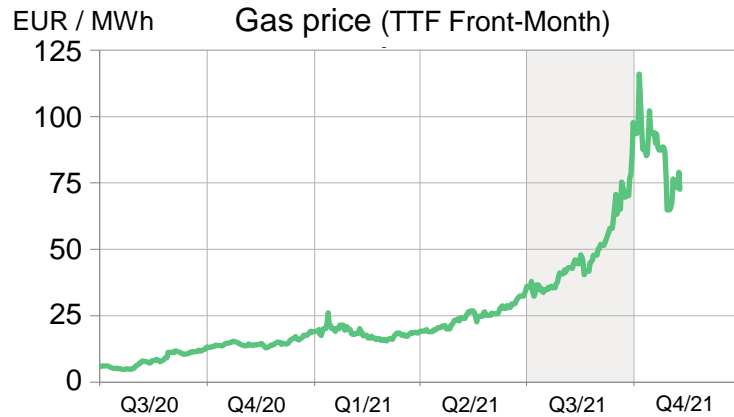
2. Comp. EPS 9M 2020 also includes Uniper Q4 2019 result of EUR 0.18 as an associated company.

3. Net cash from operating activities

4. Financial net debt to comparable EBITDA

Extraordinary high energy commodities driving power prices

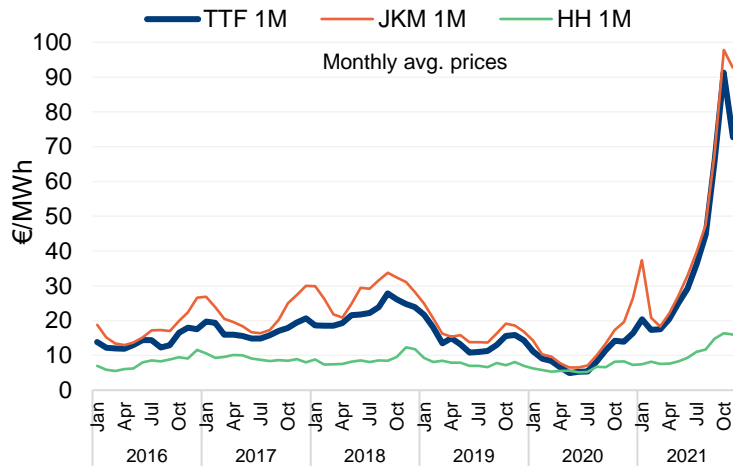
Energy commodities reaching new record highs



- Global commodity prices have been driving up power prices both on the continent and in the Nordics
- Gas price is clearly the main driver while high coal and carbon prices and low wind generation remain supportive
- Nordic-German spread is additionally subject to hydro conditions, growing renewable supply and interconnector capacity

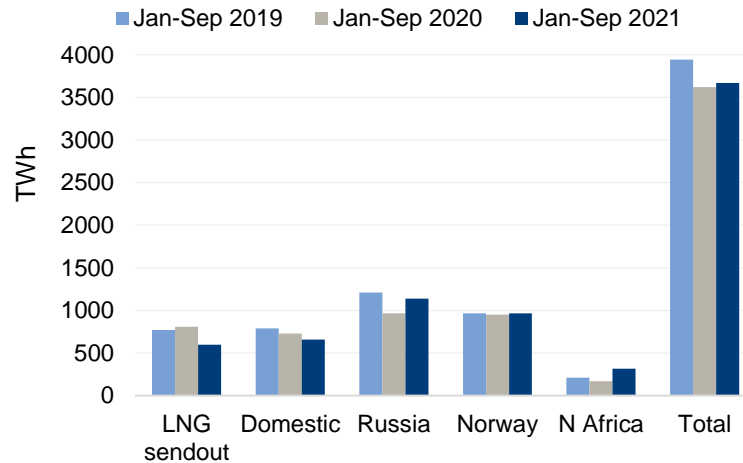
Gas market driven by economic recovery and supply constraints

Tight market conditions drive global gas prices



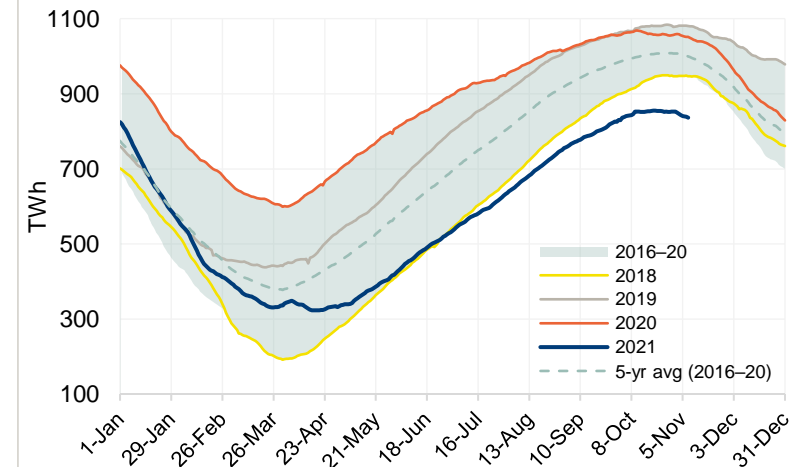
- **Market tightness** is a result of:
 - ongoing economic recovery post-COVID-19, combined with
 - cold winter and spring,
 - increased global competition for LNG,
 - longer-term gas supply underinvested

European gas supply decreased vs 2019



- Majority of European **supply sources are underperforming** this year, compared to 2019

European gas storages are below average levels

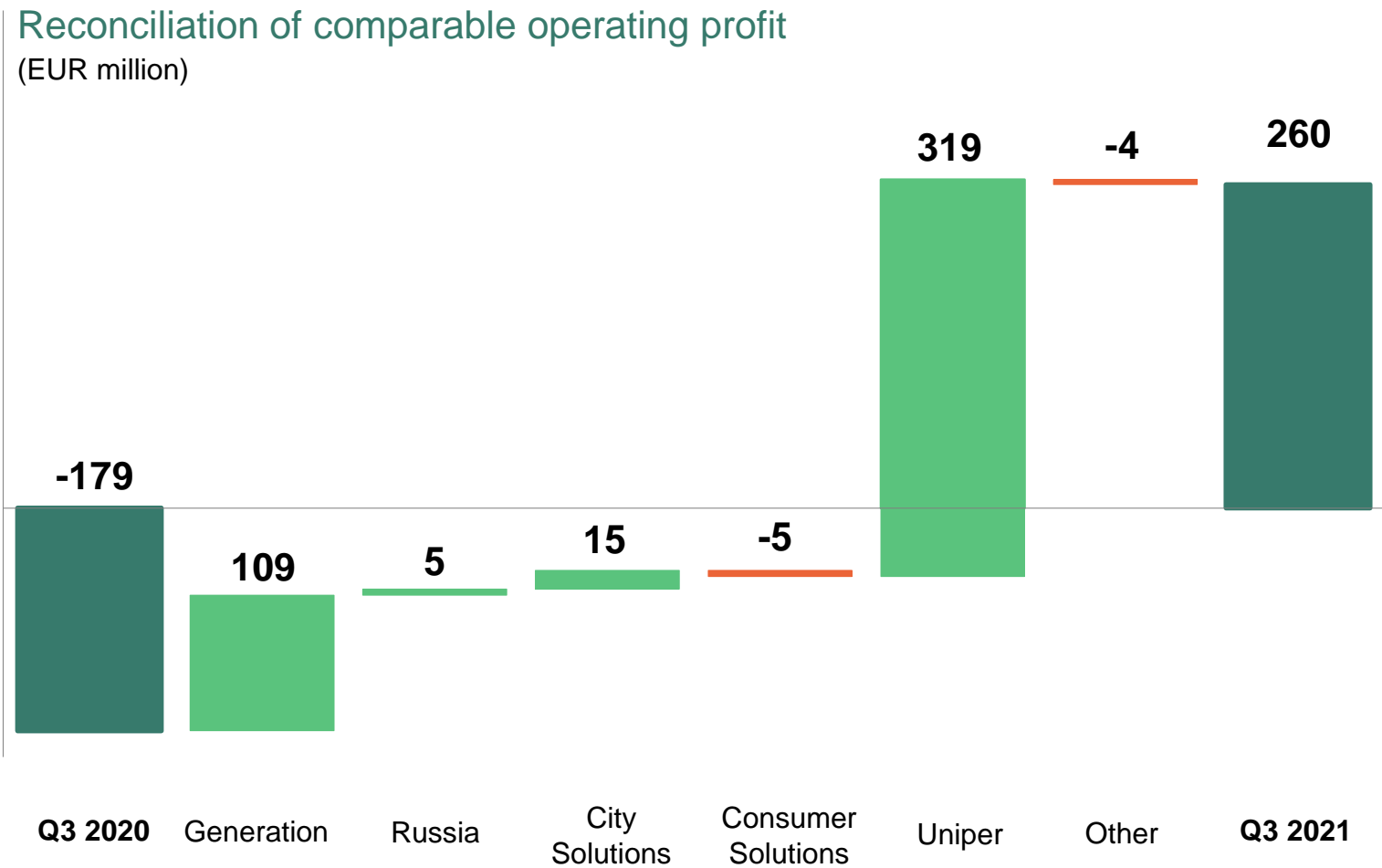


- **European gas storage physical filling at low levels:** by the end of September (storages were about 75% filled), 15% below 2016-2020 average and lowest since 2014



Security of supply is core and back on the European agenda

Q3, normally weak – now supported by strong market fundamentals



Generation

higher volumes and higher achieved prices with successful physical optimisation

Russia

improved underlying performance offsetting lower contribution from CSAs

City Solutions

higher power prices

Consumer Solutions

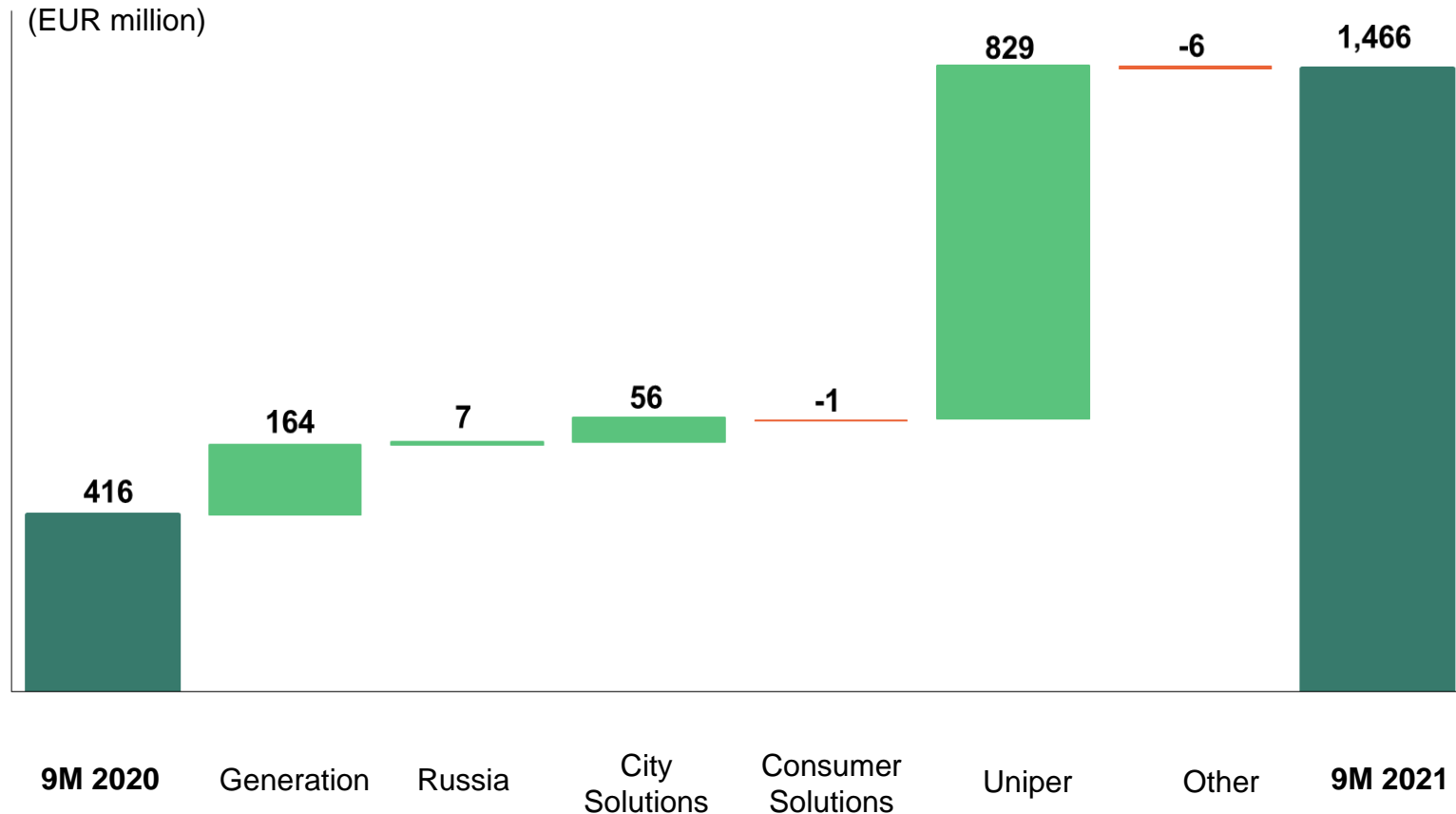
negative customer development

Uniper

strong result in global commodities business

Q1-Q3, almost all segments improved – significant impact from Uniper results

Reconciliation of comparable operating profit
(EUR million)



Generation

higher achieved power price

Russia

one-off effect and higher power prices
offsetting negative FX

City Solutions

higher power and heat sales

Consumer Solutions

negative customer development

Uniper

fully consolidated from Q2 2020

Determined execution of our strategy continues

Decarbonisation progressing

- **Discontinuing the use of coal in Fortum Russia by the end of 2022** is moving ahead with the closing of the divestment of Argayash coal-fired CHP in Q3
- **Closing of the Group's lignite chapter in Germany** with the Uniper's Schkopau divestment closed
- **Fortum well positioned for market transformation:** The important role of gas is core in the energy transition

Renewables growth ramping

- **Fortum and its wind JV in Russia wins wind auction** with CSA remuneration for new wind power generation corresponding to estimated 1.4 GW of new capacity, commissioning in 2025–2027
- **Good progress for existing 1.8 GW Russian renewables projects**
 - 670 MW operational
 - 778 MW under construction

Balance sheet strengthened

- **Closing of 3.6 billion of divestments in Q3**
 - 50% ownership in Stockholm Exergi (EUR 2.9 billion)
 - Baltic district heating business (EUR 710 million)
- **Financial net debt/ Comp. EBITDA at 0.6x, clearly below target of <2x**, credit rating of 'BBB' with stable outlook
- **Good access to capital markets** with liquid funds of EUR 6.2 billion and undrawn credit facilities of EUR 3.7 billion*

Fortum and Uniper cooperation gearing up

- **Cooperation is moving ahead**
 - A joint organisation established at Fortum for the Nordic Hydro and Physical Trading Optimisation with 400 employees, operations starting in Q1 2022
 - Uniper developing for renewables and hydrogen business
 - Cooperation in nuclear decommissioning services since October
 - 1,000 colleagues at Fortum and Uniper working with >80 business cooperation projects
- **Business continuation and value creation is key**

Drive the clean energy transition and delivering sustainable financial performance



Bernhard Günther
CFO



Key financials

MEUR	III/ 2021	III/ 2020	I-III/ 2021	I-III/ 2020	FY 2020	LTM
Sales	23,700	14,049	62,322	27,736	49,015	83,601
Comparable EBITDA	574	132	2,401	1,187	2,434	3,648
Comparable operating profit	260	-179	1,466	416	1,344	2,394
Comparable share of profits of associates and joint ventures	9	19	127	593	656	190
Comparable profit before income taxes	243	-182	1,597	928	1,897	2,566
Comparable net profit	170	-93	1,086	874	1,483	1,695
Comparable EPS	0.19	-0.10	1.22	0.99	1.67	1.90
Net cash from operating activities	2,274	790	3,394	1,792	2,555	4,157
Financial net debt / Comp. EBITDA					2.9	0.6

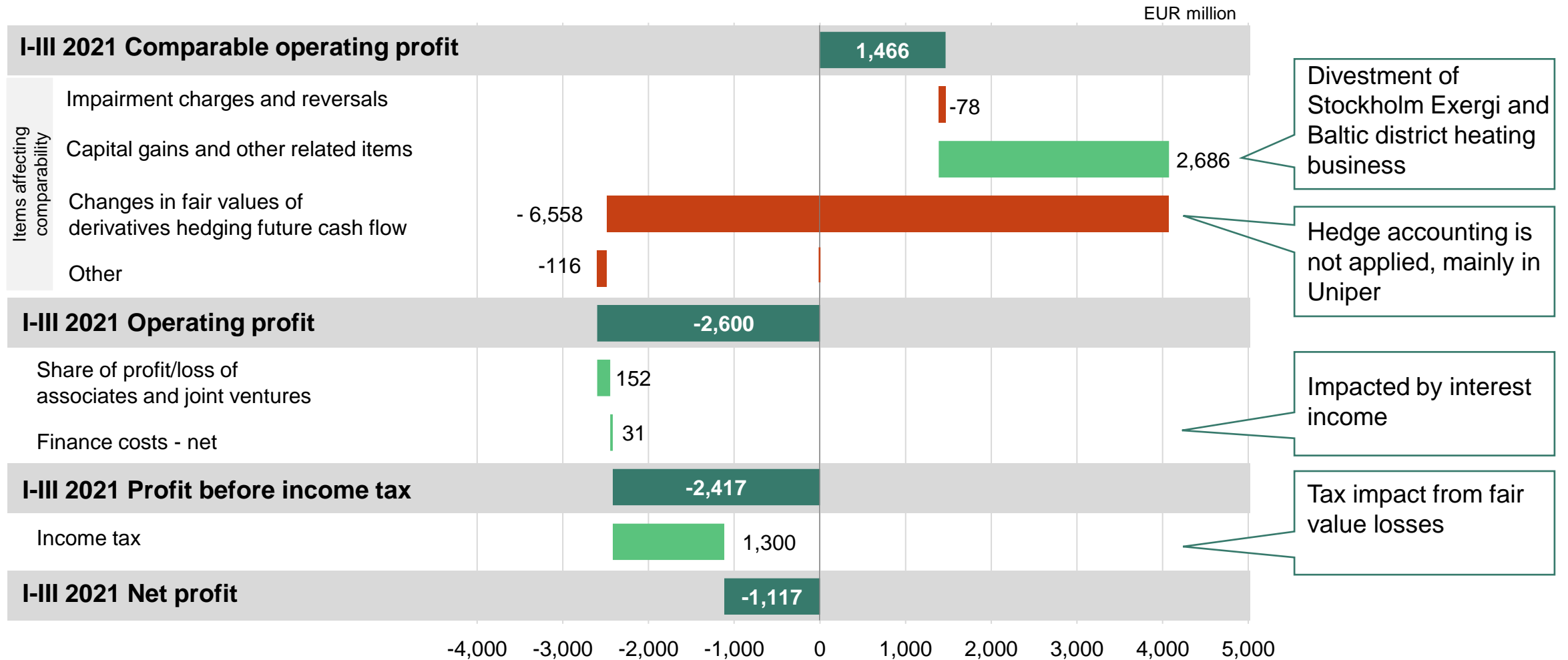
9M strong financial KPIs

LTM comparable EBITDA at EUR 3.65 billion

LTM Comparable EPS at EUR 1.90

Strong credit metrics with Financial net debt / Comp. EBITDA of 0.6x clearly below target level of <2x following latest divestments

Reported income statement dominated by changes in fair values



Strong cash flow management to secure financial flexibility

MEUR	III/ 2021	III/ 2020	I-III/ 2021	I-III/ 2020	FY 2020	LTM
Comparable EBITDA	574	132	2,401	1,187	2,434	3,648
Non-cash and other items	533	178	914	374	293	833
Paid net financial costs, income taxes and dividends received	-33	-38	-342	-267	-308	-383
Change in working capital	1,200	519	422	499	136	59
Net cash from operating activities	2,274	790	3,394	1,792	2,555	4,157
Capital expenditures	-278	-331	-849	-682	-1,101	-1,267
Acquisitions of shares	-66	-225	-270	-1,643	-1,801	-428
Proceeds from sales of property, plant and equipment	2	4	18	11	16	23
Divestments of shares and capital returns	3,597	440	3,748	1,223	1,244	3,769
Shareholder loans to associated companies and JVs	-2	-7	-23	-40	-44	-27
Change in margin receivables	-3,956	-221	-5,241	14	-552	-5,807
Change in other interest-bearing receivables	-37	27	-101	72	98	-74
Net cash from/used in investing activities	-739	-313	-2,718	-1,047	-2,140	-3,811
Proceeds from long-term liabilities	77	-2	142	2,475	2,569	235
Payments of long-term liabilities	-69	-53	-696	-467	-507	-736
Change in short-term liabilities	1,776	-82	2,570	-111	207	2,887
Dividends paid to the owners of the parent	0	0	-995	-977	-977	-995
Dividends paid to non-controlling interests	-1	0	-145	-147	-160	-158
Change in margin liabilities	1,178	-236	2,358	-430	-623	2,164
Other financing items	-3	-2	-3	2	-3	-8
Net cash from/used in financing activities	2,959	-375	3,230	346	505	3,389
Net increase in liquid funds	4,494	102	3,906	1,092	920	3,734

Change in working capital driven by operational liquidity measures in Uniper

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

Margin receivables increased due to higher prices almost netted...

...with an increase of **short-term financing** and...

...increase in **margin liabilities**

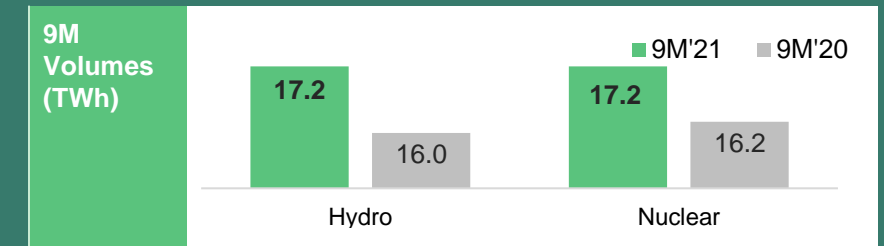
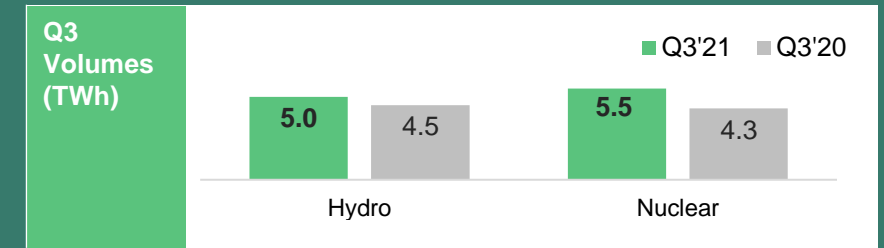
Generation: Higher achieved power prices

Q3 2021 vs. Q3 2020

- Comparable operating profit +80% mainly due to
 - Higher achieved power prices of EUR 43.7, +6.6 per MWh
 - Increased nuclear and hydro volumes
- Higher achieved power price
 - Higher spot prices and successful physical optimisation

9M 2021 vs. 9M 2020

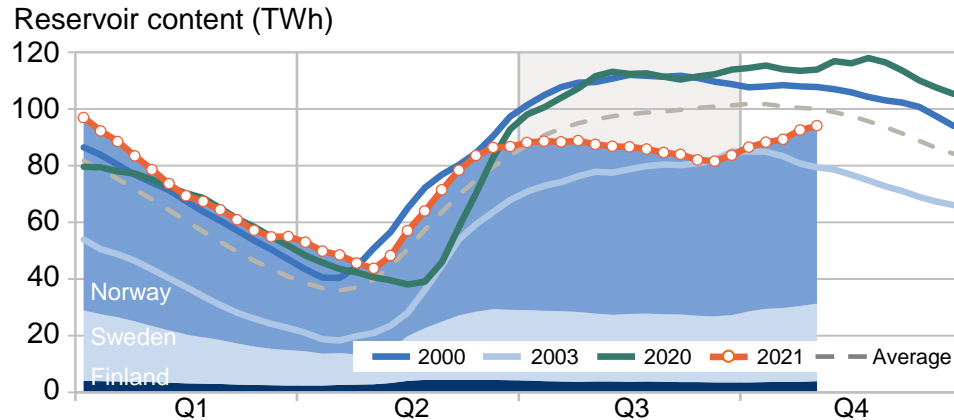
- Comparable operating profit +30% mainly due to
 - Higher achieved prices of EUR 39.5, +4.8 per MWh,
 - Increased hydro and nuclear volumes
- Higher achieved power price
 - Successful physical and financial optimisation and higher spot prices



MEUR	III/ 2021	III/ 2020	I-III/ 2021	I-III/ 2020	FY 2020	LTM
Sales	684	441	1,935	1,465	2,006	2,476
Comp. EBITDA	291	181	849	666	886	1,069
Comp. OP	245	136	709	545	722	887
Comp. net assets			6,195	5,921	6,234	
Comp. RONA %					12.2	14.6
Gross investment	37	46	99	113	228	214

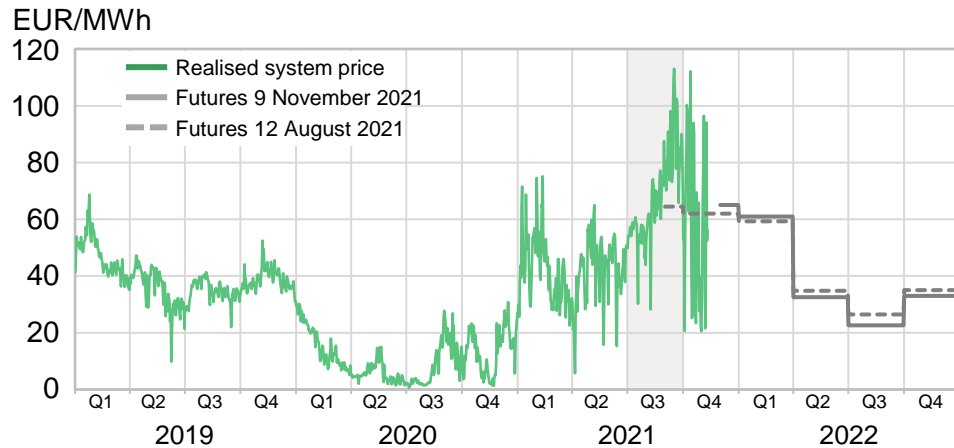
Nordic hydro reservoirs below average levels in Q3, high spot prices influenced by Continental European power prices

Hydro reservoirs



- Low precipitation from the summer continued in Q3 2021 and led to a significant deficit in water reservoirs.
- At the end of Q3, Nordic reservoirs 18 TWh below long-term average, 6 TWh below average in early November.

Power price



- Nord Pool system spot price continued the strong development seen during H1 2021, reaching EUR 68 (9) per MWh in Q3 2021.
- Nordic spot price supported by Continental European power prices, which in turn are driven by exceptional price levels in gas, coal and carbon prices.
- Below normal precipitation and wind generation, together with increased interconnector capacity have contributed to the strong growth in Nordic power price.

Source: Nord Pool, Nasdaq Commodities

Russia: Solid underlying performance

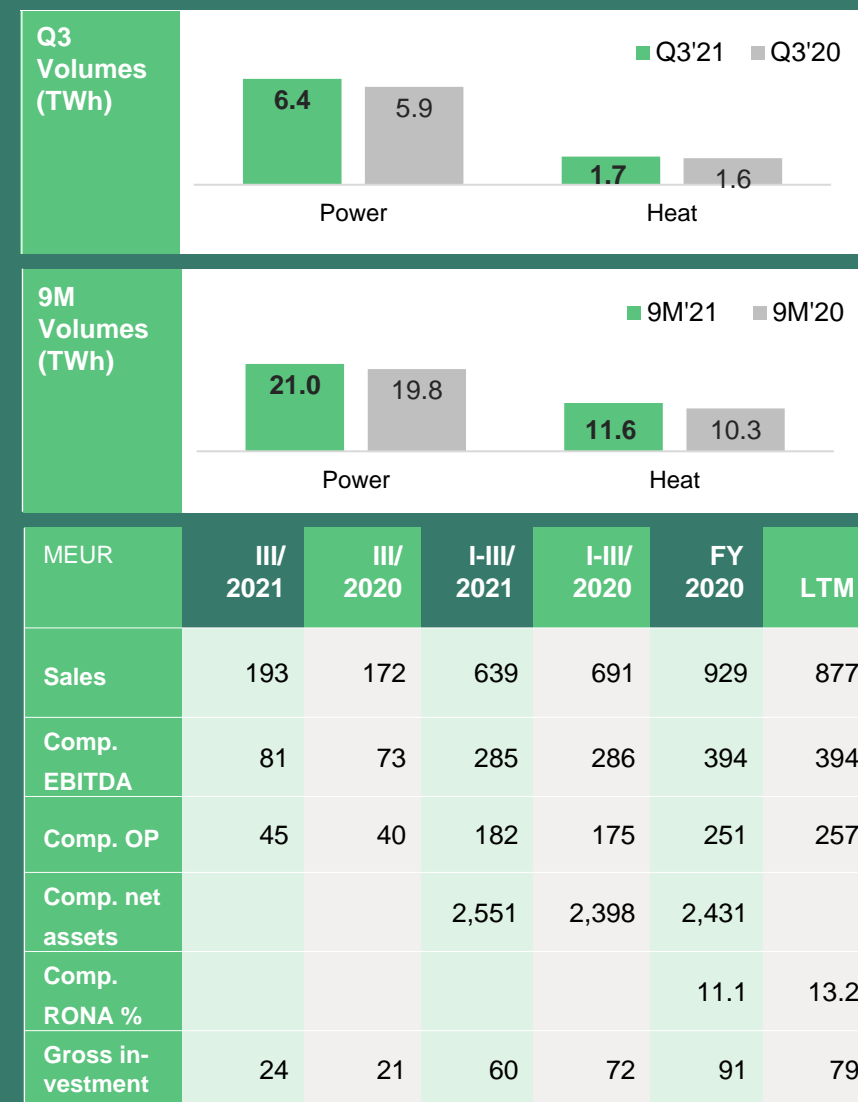
Q3 2021 vs. Q3 2020

- Comparable operating profit up by 13% to EUR 45 million
 - Slight negative effect of changes in CSA payments, lower bond yield, and higher power prices
 - Impact of the Russian rouble exchange rate was EUR 4 million
 - Russian power demand recovering with increasing electricity prices and increased achieved price

9M 2021 vs. 9M 2020

- Comparable operating profit increased by 4%
 - EUR 17 million positive effect of the sale of the 116-MW solar project to the Fortum-RDIF JV
 - Higher power prices, slight negative effect of changes in CSA payments, lower bond yield
 - Change in the Russian rouble exchange rate was EUR -19 million

CSA = Capacity Supply Agreement



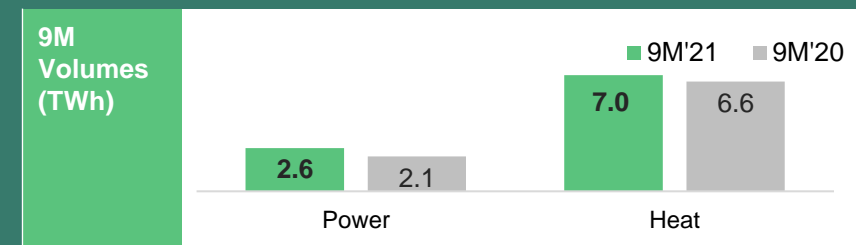
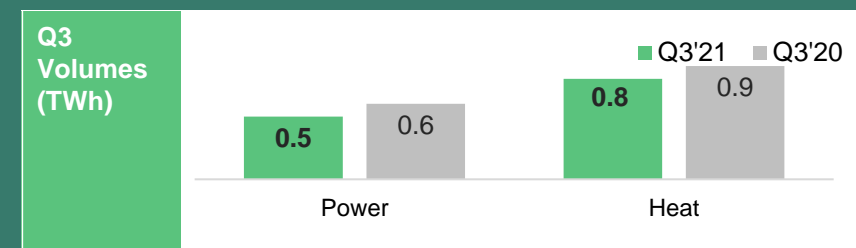
City Solutions: Performance improved

Q3 2021 vs. Q3 2020

- District heating with higher power prices and higher power sales
- Almost all business areas improved its result from the previous year, especially in the areas of waste and metals recycling business
- Recorded tax-exempt capital gains of EUR 2,350 million from the sale of 50% ownership in Stockholm Exergi and EUR 254 million the sale of the Baltic district heating business

9M 2021 vs. 9M 2020

- Higher heat sales volumes, higher power prices, and higher Norwegian heat prices
- Recorded tax-exempt capital gains of EUR 2.6 billion following the sale of Stockholm Exergi and the sale of the Baltic district heating business



MEUR	III/ 2021	III/ 2020	I-III/ 2021	I-III/ 2020	FY 2020	LTM
Sales	201	184	876	738	1,075	1,213
Comp. EBITDA	22	10	197	148	239	288
Comp. OP	-21	-36	62	6	47	103
Comp. net assets			2,561	3,520	3,679	
Comp. RONA %					2.8	5.1
Gross investment	34	148	120	217	333	236

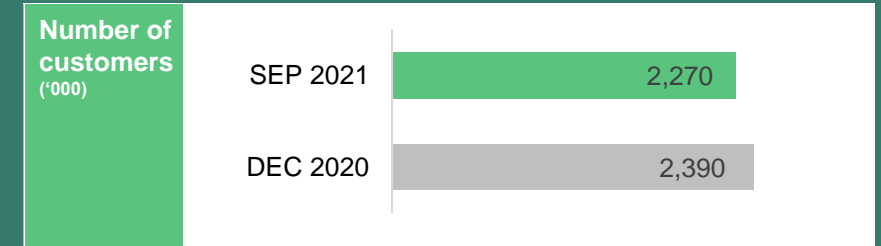
Consumer Solutions: Challenging market environment

Q3 2021 vs. Q3 2020

- Both gas and electricity volumes increased
- Comparable operating profit slightly down due to negative customer development combined with tough competition in the Nordic market

9M 2021 vs. 9M 2020

- Challenging market environment combined with tough competition in the Nordic market continued
- Negative customer development
- Several new digital services were launched
- Strategy: Strategic review of the business still ongoing



MEUR	III/ 2021	III/ 2020	I-III/ 2021	I-III/ 2020	FY 2020	LTM
Sales	485	235	1,570	896	1,267	1,941
Comp. EBITDA	31	33	120	116	153	158
Comp. OP	13	18	68	69	90	89
Comp. net assets			701	533	565	
Gross investment	13	15	49	43	57	63

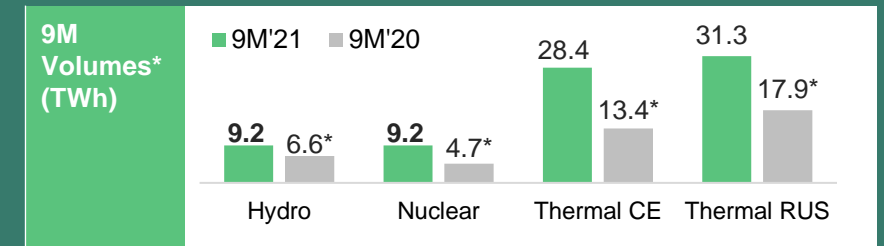
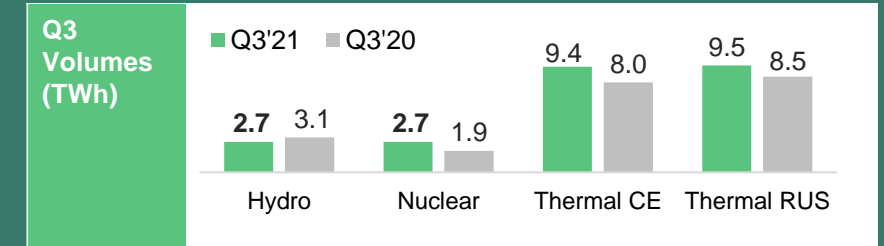
Uniper: Solid underlying performance

Q3 2021 vs. Q3 2020

- Global Commodities business was significantly above previous year due to higher result in the gas midstream business
- European Generation business benefitted from higher nuclear and thermal production
- Russian Power Generation's Berezovskaya 3 back online since Q2 2021, higher prices and volumes
- Operating profit was affected by EUR -6,122 (-121) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives

9M 2021 vs. 9M 2020

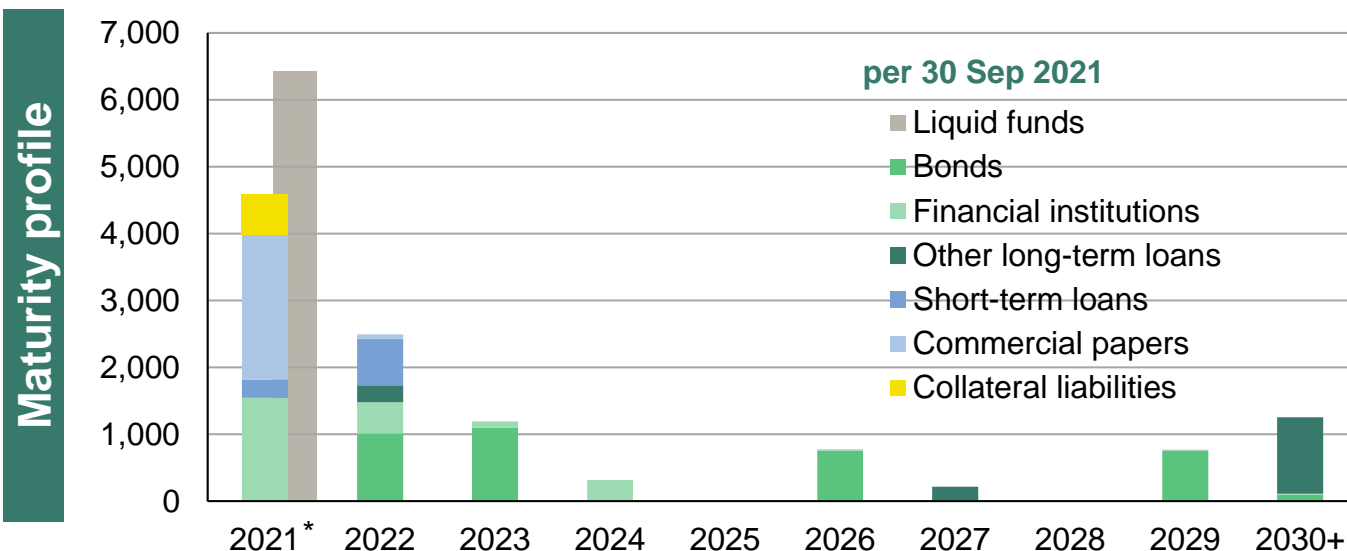
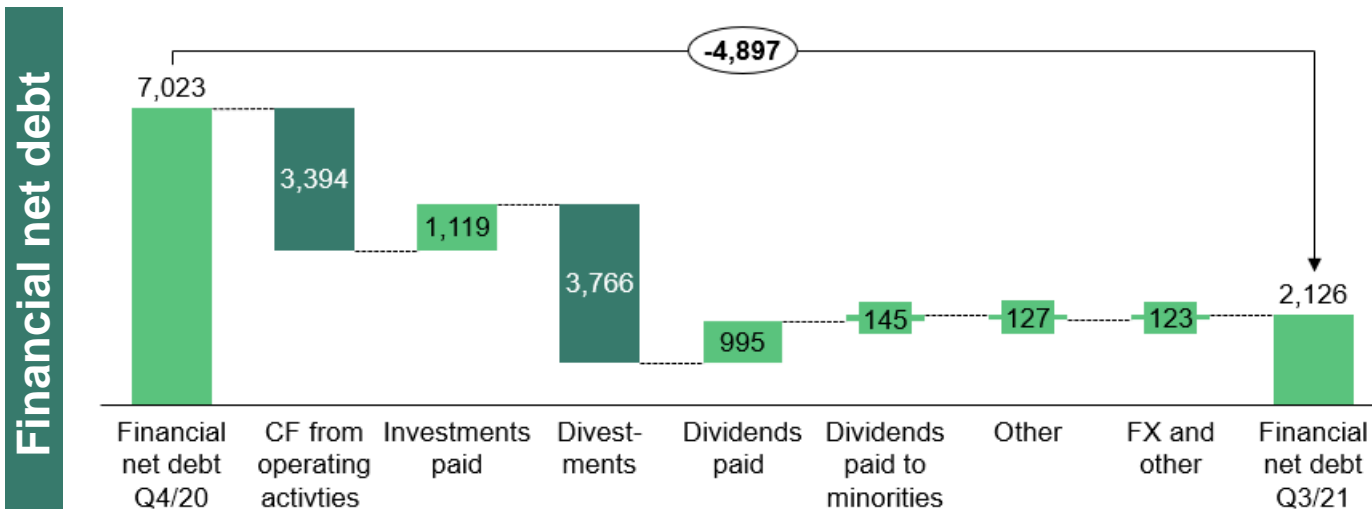
- Gas mid-stream and international commodity business reflecting successful optimisation
- Operating profit was affected by EUR -6,936 (150) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives



MEUR*	III/ 2021	III/ 2020	I-III/ 2021	I-III/ 2020	FY 2020	LTM
Sales	22,411	13,159	58,074	24,524	44,514	78,064
Comp. EBITDA	175	-147	1,026	37	856	1,845
Comp. OP	9	-310	543	-286	363	1,192
Comp. net assets			6,229	6,653	7,432	
Gross investment	178	233	498	377	639	759

* Uniper consolidated from Q2 2020

Leverage below target and good access to debt capital market



20 *) Maturities due in 2021 include commercial papers of EUR 2,170 million at the end of September of which EUR 1,321 million has been rolled-over in October from the year 2021 to 2022. Maturities in 2021 also include loans of EUR 661 million with no contractual due date.

Solid credit metrics

S&P Global Ratings

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

Fitch Ratings

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

Target ratio:

< 2x Financial net debt / Comp. EBITDA

Fortum's objective:

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

Total loans EUR 11,658 million (excl. lease)

- Average interest of 1.3% (2020: 1.5%) for Group loan portfolio incl. derivatives hedging financial net
- EUR 716 million (2020: 634) swapped to RUB with average interest 6.7% (2020: 6.2%) incl. hedging cost
- Average interest of 0.7% (2020: 0.9%) for EUR loans

Liquid funds of EUR 6,236 million

Undrawn credit facilities of EUR 3,689 million

Outlook

Hedging

Generation Nordic hedges:

For the rest of 2021: 75% hedged at EUR 34 per MWh

For 2022: 65% hedged at EUR 32 per MWh (Q2: 60% at EUR 31)

For 2023: 40% hedged at EUR 31 per MWh

Uniper Nordic hedges:

For the rest of 2021: 85% hedged at EUR 25 per MWh

For 2022: 85% hedged at EUR 22 per MWh (Q2: 85% at EUR 24)

For 2023: 55% hedged at EUR 21 per MWh (Q2: 45% at EUR 22)

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

EUR 1,400 million

of which maintenance capital expenditure is EUR 700 million

Tax guidance for 2021:

The comparable effective income tax rate for Fortum is estimated to be in the range of 20-25%

Russia

CSA changes:

Lower bond yield, 6.3% (7.6%)

Changes in CSA and CCS capacities:
see interim report p. 22-23, 25

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

Q&A