



Half-year Financial Report January-June 2020

Fortum Corporation

19 August 2020

Priorities for the new CEO

Create a joint
strategy for the
Fortum-Uniper
Group

Maintain the
Group's
financial
strength

Foster a strong
leadership
culture based
on openness

Q2 2020 – Exceptionally low Nordic spot prices largely offset by solid hedges

- Power and heat consumption stable in the Nordics
 - Nordic spot price down 84%
 - Wet hydrology in Q2
 - Volatile commodity and CO₂ prices
- Limited impact of Covid-19 on Fortum group
 - adverse effects on the Russian operations
- Comparable EBITDA at EUR 512 (372) million
- Comparable operating profit at EUR 207 (232) million
- Fortum's share of profits from associates of EUR 37 (461) million
- EPS at EUR 0.35 (0.69)
 - Items affecting comparability EUR 0.20 (-0.05)
- Net cash from operating activities before change in net margin liabilities negatively affected by change in working capital

Q2 2020 highlights

Limited impact from Covid-19, Russian operations affected

Focus on short term actions to maintain financial flexibility

Joint strategy process during 2020

FORTUM VIPU HANDLE
TO IMPROVE HAND HYGIENE

#FORTUMCIRCO

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Nasdaq

Disclosed divestments totalling EUR 1.2 billion

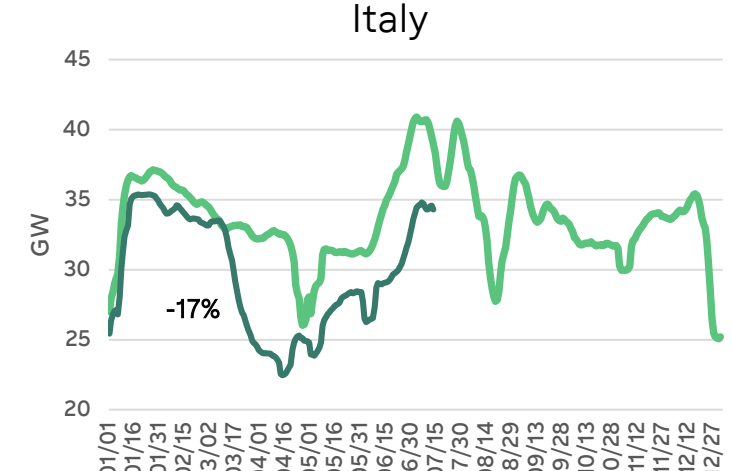
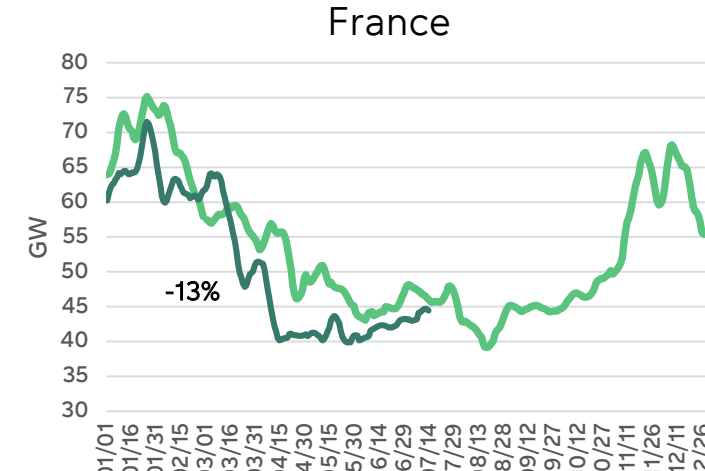
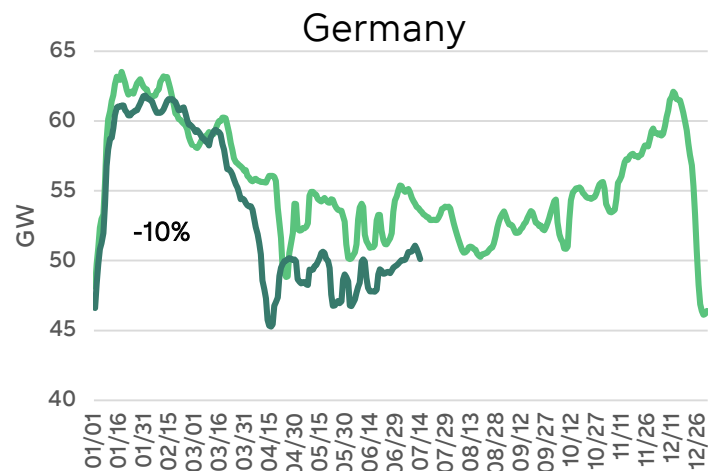
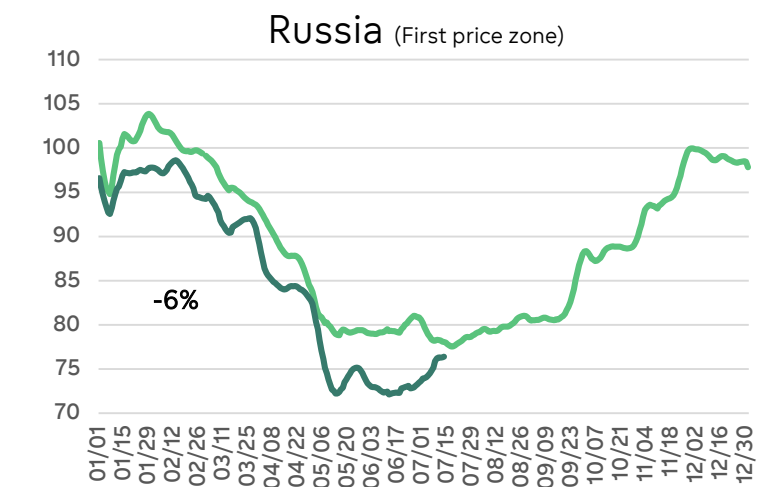
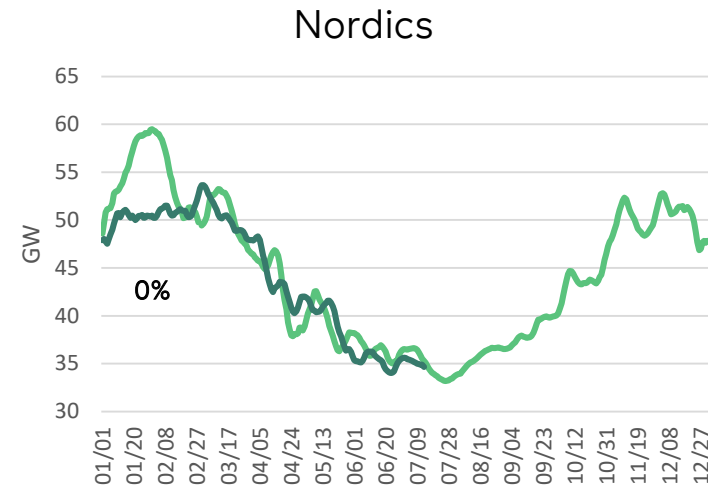
Ownership in Stockholm Exergi under strategic review

Strategic review of district heating assets in Poland and Baltics continues

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Power demand development in different areas

Nordic power demand at 2019 level, demand in other regions affected by Covid-19



Source: ENTSO-E hourly reported power demand, 7 day moving avg
CWE = Central Western Europe (Germany, France, Netherlands, Belgium)
Percentage change in Q2 2020 compared to Q2 2019

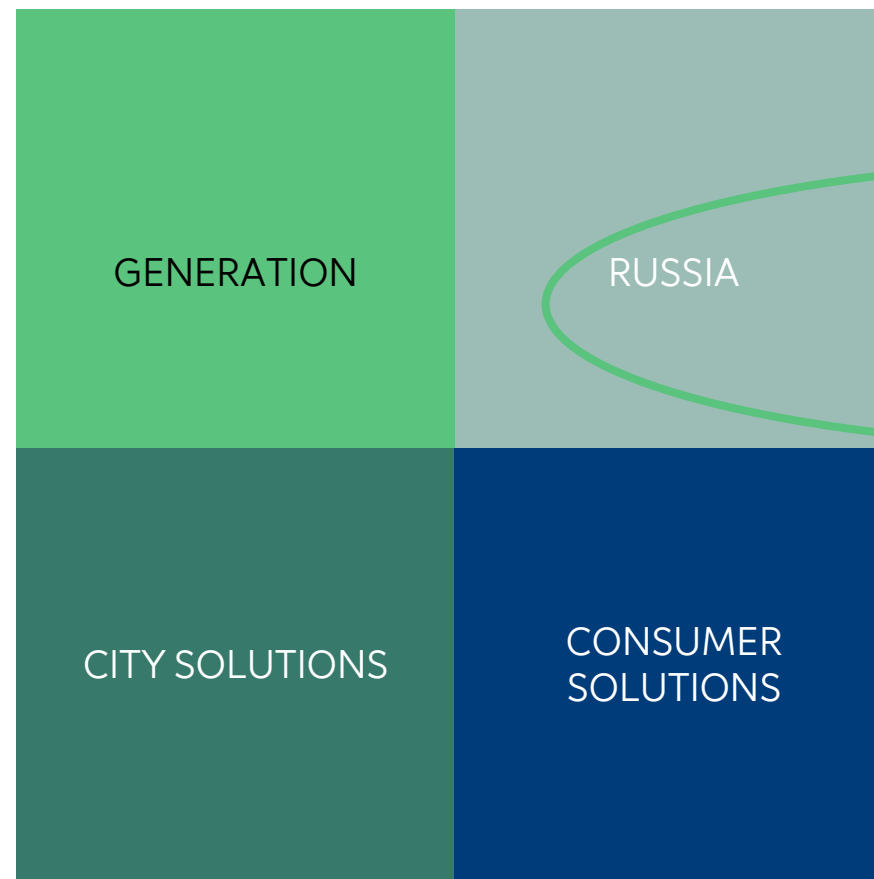
Risk assessment of Covid-19 impact on Fortum

So far very limited effect from Covid-19 on Group level, adverse effects in Russia

Not directly Covid-19 related
Directly (also) Covid-19 related

- Power price – hedging supports result
- Power demand – impacted by weather conditions and seasonality
- Power demand – affected by industrial demand in the Nordics
- Planning of annual overhauls of nuclear plants and regular maintenance of power plants

- Heat and power prices – resilience as heating is contracted, power prices hedged
- Heat demand – impacted by weather conditions and seasonality
- Power and heat demand – affected by industrial demand
- Recycling and waste business – affected by industrial demand and smoothness in supply chain logistics

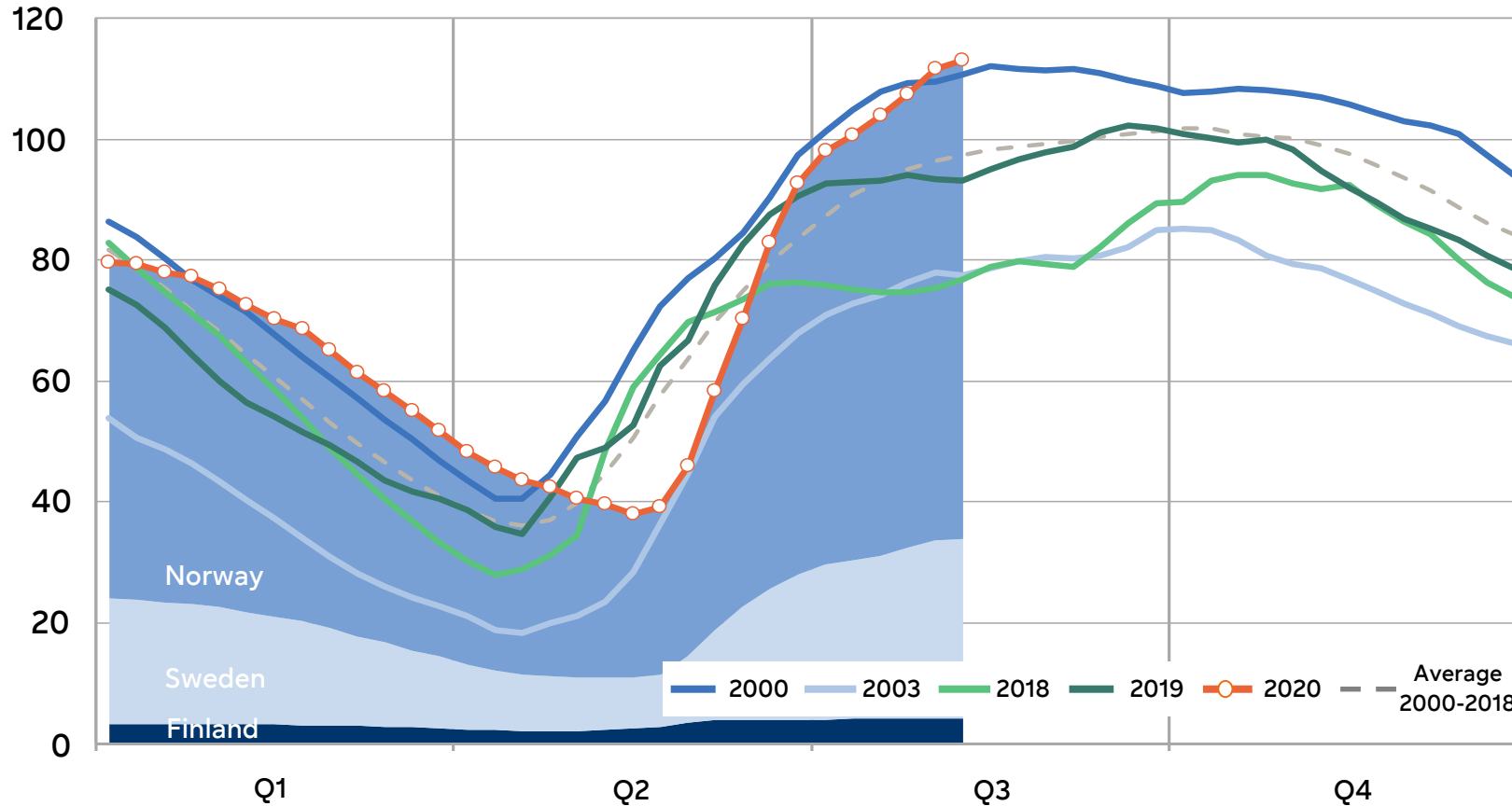


- Power and heat price – CSA and CCS capacity payments provides stability and predictability
- Power and heat demand – impacted by weather conditions and seasonality
- Power and heat demand – affected by industrial demand
- Negative EUR translation effect - weaker RUB
- Potential bad debts – affected by customers' financial situation and solvency

- Sales price and gross margin – impacted by power price
- Potential credit losses - affected by customers' financial situation and solvency
- Negative EUR translation effect – weaker NOK, SEK and PLN

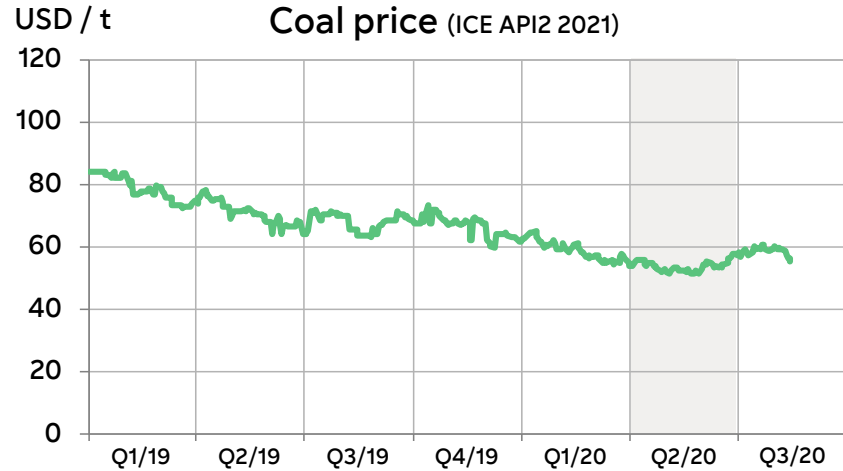
After delayed spring, the Nordic hydro reservoirs climbed high in Q2

Reservoir content (TWh)

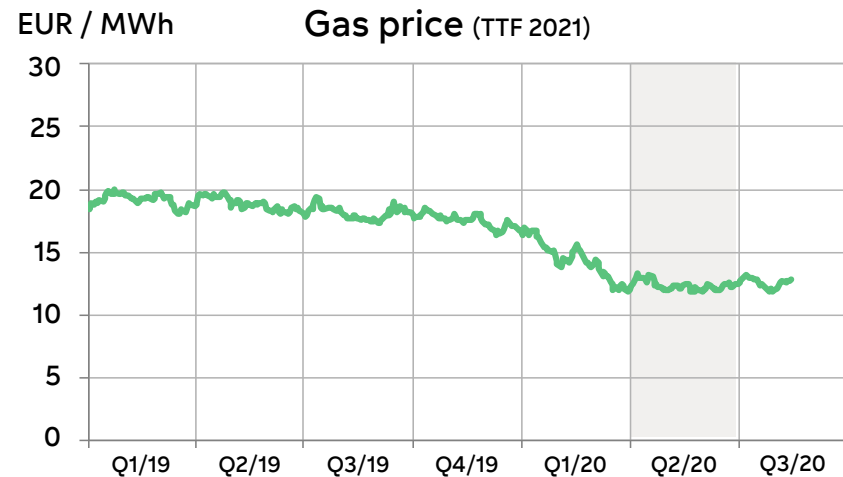


- Rainy and mild winter led to a rapid strengthening of the Nordic water reservoirs in Q1.
- In addition to high water reservoir levels, the overall snow pack was estimated to be significantly above normal.
- Spring was cold, delaying start of the spring flood.
- Nordic water reservoirs at the end of Q2 were 9 TWh above long term average. In mid-August the surplus was 16 TWh.

Weak coal and gas prices showed signs of recovery in late Q2



- Coal prices have declined on cheap natural gas and more expensive CO₂, and Covid-19 exacerbated coal demand weakness.
- During Q2, API2 2021 continued losing its value through April (-4.2% MoM) and May (-2.1% MoM), but rebounded in June (+11.9% MoM) finishing the quarter at 58 USD/t.
- Despite slow demand recovery, coal prices have improved on tighter supply, higher freight rates, bullish trends in other energy commodity markets, and optimistic expectations around Asian demand for H2.

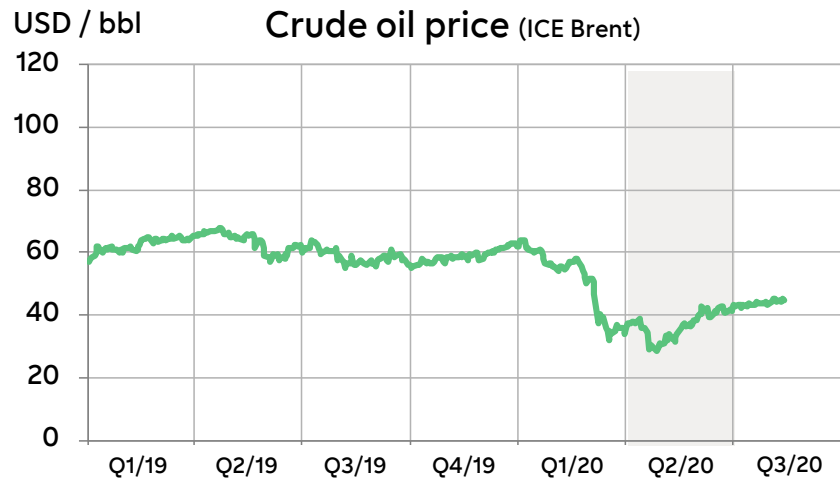
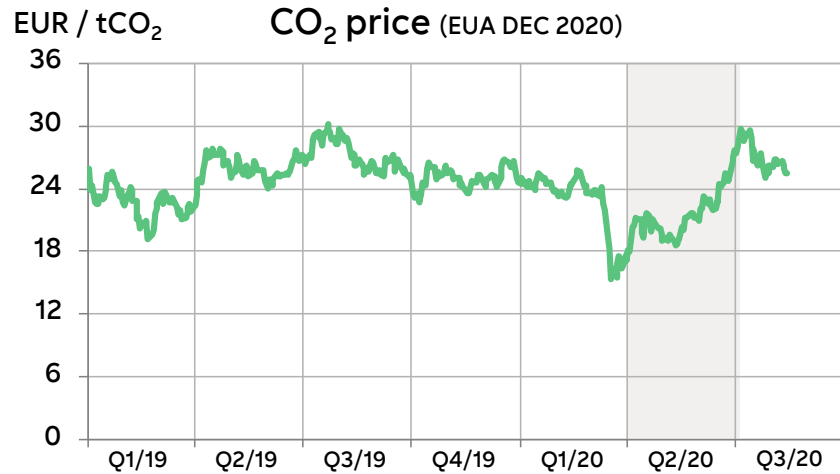


- Global gas markets started 2020 on expectation of lower prices due to ample LNG supply, and mild winter and Covid-19 further slowed down demand.
- During Q2, European gas front-year prices stayed around the lows reached in Q1. Front-month prices experienced significant volatility.
- While the role of storage has been indispensable since the beginning of this year, supply response helped stabilize European gas market in Q2: US LNG cargo cancellations and lower LNG send-out, lower Russian and North African pipeline flows in supporting gas prices.

Source: Bloomberg

14 August 2020

CO₂ trended upward as Q2 progressed



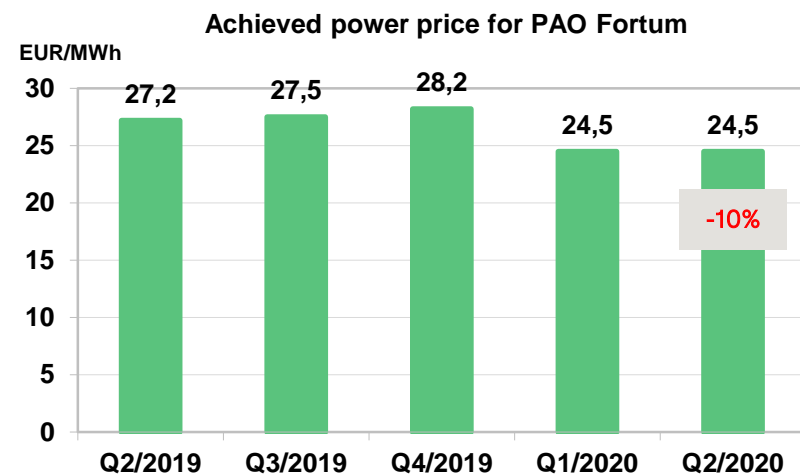
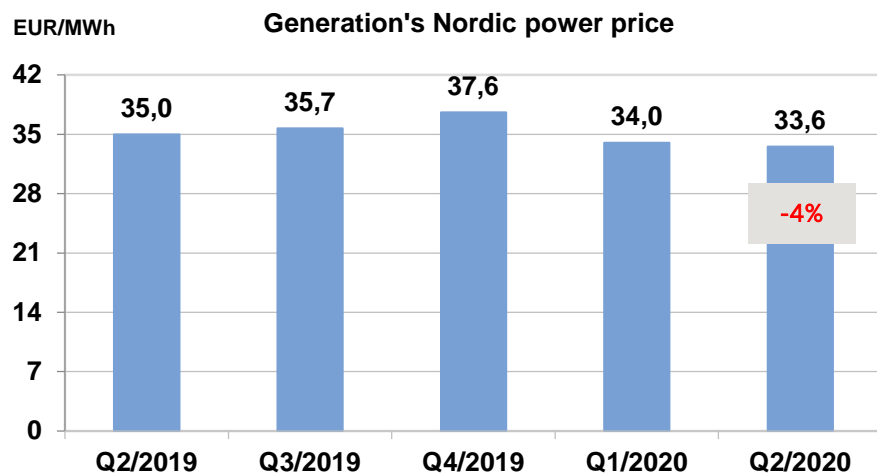
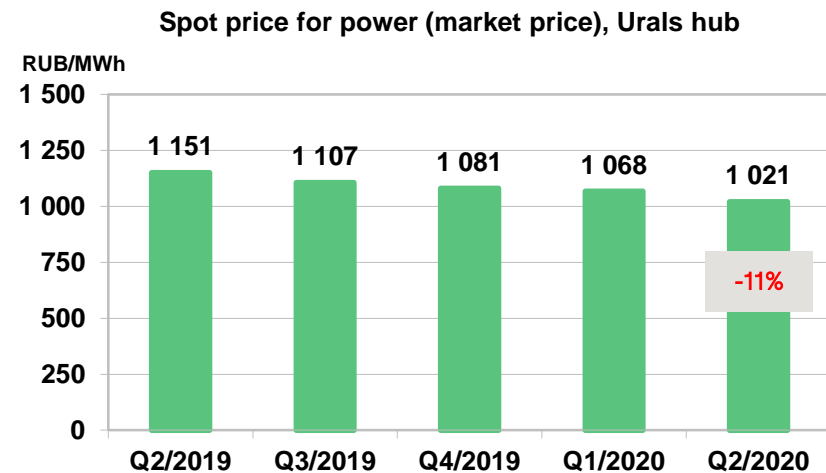
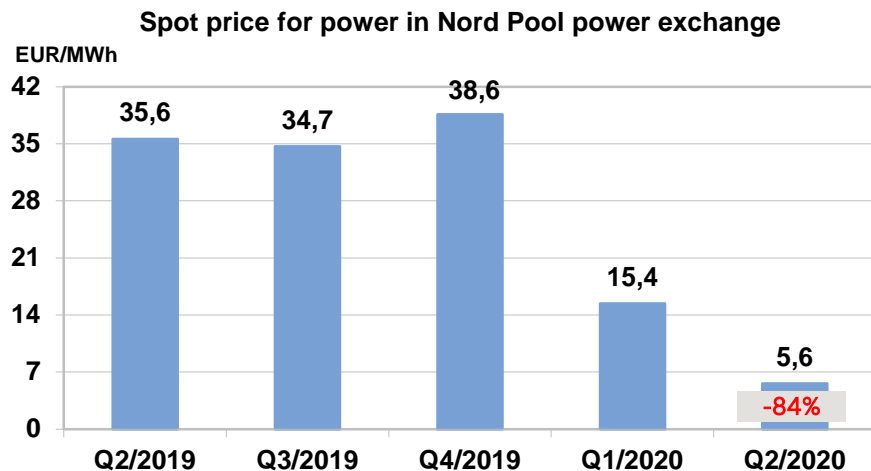
- After touching a two-year low at 15 EUR/t in March 2020, CO₂ price recovered quickly, averaging 21 EUR/t for Q2 and above 23 EUR/t in June.
- CO₂ price is pushed down by high auction supply and low gas prices. At the same time, the prospect of economic recovery and tightened 2030 climate target provide support for the CO₂ price. These opposing forces create high volatility in the carbon market.
- Although many countries started easing Covid-19 lockdown measures in Q2, EUA demand in the power sector has not seen a significant upside. With emissions down by 9%, or 150Mt, in 2019, lower demand could cause an even bigger drop this year.
- Crude oil benchmarks plummeted in April on collapsing global demand and OPEC+ failure to agree on supply cuts. WTI front-month contract traded in negative territory for the first time in history, while Brent front-month touched 21-year lows.
- But oil prices have been on a recovery trend for the rest of Q2, climbing to about 35 USD/bbl in late May and 41 USD/bbl by end of June.

Rainy and mild weather combined with weak commodities



- During Q2, the average Nord Pool system spot price declined exceptionally to 5.6 EUR/MWh (35.6)
- The FI & SE3 area prices declined, but clearly less:
 - 22.5 EUR/MWh (37.4) in Finland
 - 15.1 EUR/MWh (33.0) in Sweden-SE3 (Stockholm)
 - 8.2 EUR/MWh (33.0) in Sweden-SE2 (Sundsvall)
- Nordic spot prices declined heavily during Q1 2020 caused by exceptionally rainy and mild weather. This development was supported by low spot prices in Continental Europe, driven especially by declining gas prices.
- The Nordic spot prices have continued to fall in Q2 with strongest decline in hydro dominated price areas, Norway and Northern Sweden. The Q2 price drop in Finland and Southern Sweden have been quite modest compared to hydro dominated regions.

Hedging supported Fortum's achieved power price as power prices fell in the Nordics, Russia power prices declined



Changes refer to year-on-year difference (Q2 2020 versus Q2 2019)

NOTE: Achieved power price (includes capacity payments) in roubles decreased by 5%

Generation

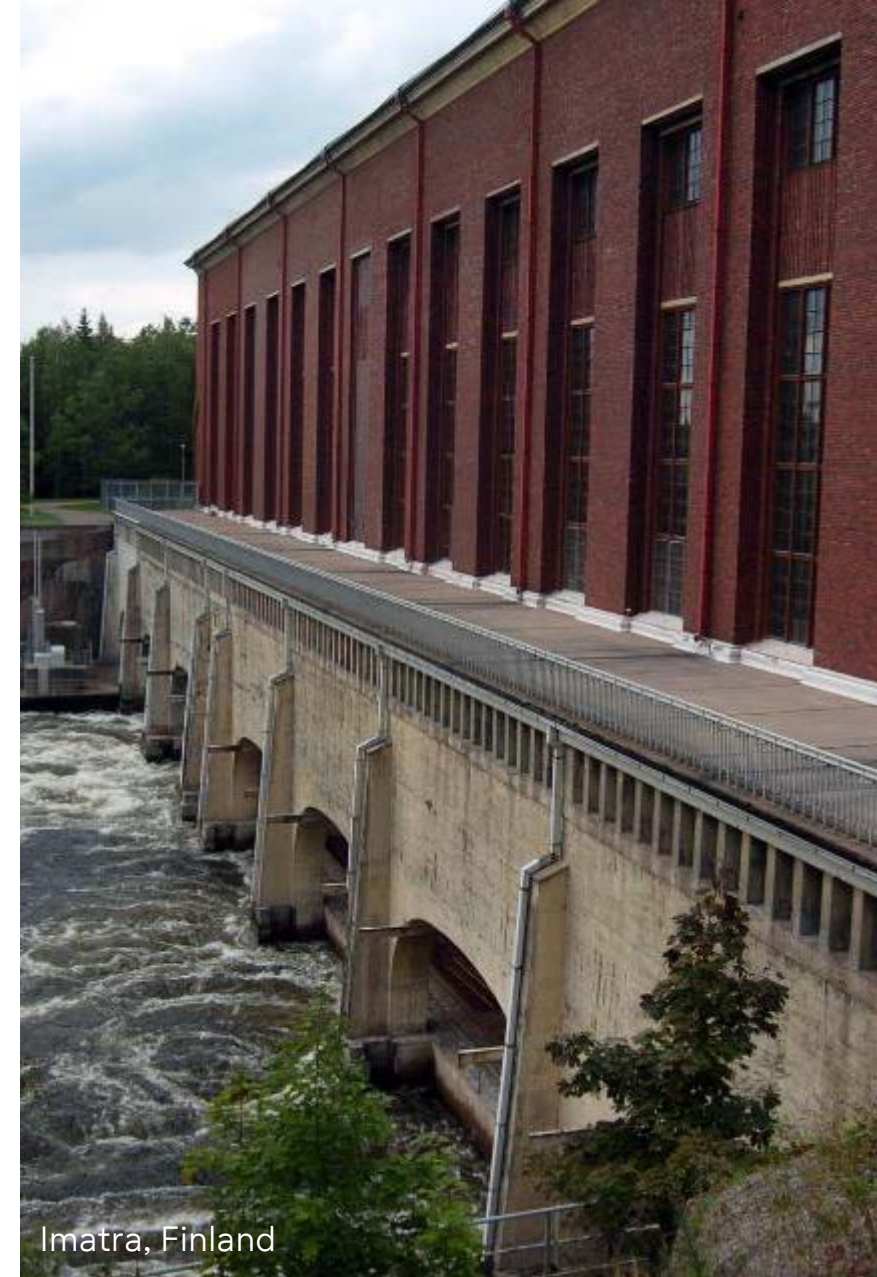
Q2 2020

- Lower power generation
 - hydro -0.2 TWh,
 - nuclear -0.3 TWh
- Lower achieved power price, -4% (1.4 EUR/MWh), supported by high hedge levels, spot power price -84%

H1 2020

- Higher power generation
 - hydro +1.3 TWh
 - nuclear -0.3 TWh
 - wind +0.1 TWh
- Lower achieved power price, -8% (2.9 EUR/MWh) supported by high hedge levels, spot price -75%

MEUR	II/2020	II/2019	I-II/2020	I-II/2019	2019	LTM
Sales	450	500	1,024	1,101	2,141	2,064
Comparable EBITDA	212	225	485	484	939	940
Comparable operating profit	173	191	409	414	794	789
Comparable net assets			5,790		6,147	
Comparable RONA %					12.8	12.4
Gross investments	34	63	68	101	260	227



Imatra, Finland

Russia

Q2 2020

- Lower power margin and generation
- Lower CSA payments
- Higher heat tariffs
- Q2 2019: Positive one-time effect related to credit losses
- FX effect of EUR -7 million

H1 2020

- Lower power margin and generation
- Lower CSA payments
- Higher heat tariffs
- FX effect of EUR -4 million

MEUR	II/2020	II/2019	I-II/2020	I-II/2019	2019	LTM
Sales	202	239	519	537	1,071	1,053
Comparable EBITDA	74	107	213	242	469	440
Comparable operating profit	37	69	135	168	316	283
Comparable net assets			2,807		3,205	
Comparable RONA %					12.3	11.0
Gross investments	47	14	51	19	133	165

CSA=Capacity Supply Agreements



Kalmykia, Russia

City Solutions

Q2 2020

- Lower result in Norwegian district heating business
- Improved profit in the recycling and waste business
- Positive result contribution from Pavagada 2 solar plant

H1 2020

- Lower heat sales volumes
- Lower power sales prices
- Lower Norwegian heat sales prices
- Pavagada 2 solar plant contributed positively

MEUR	II/2020	II/2019	I-II/2020	I-II/2019	2019	LTM
Sales	212	228	554	633	1,200	1,121
Comparable EBITDA	32	31	138	168	309	279
Comparable operating profit	-15	-15	43	77	121	87
Comparable net assets			3,577		3,892	
Comparable RONA %					4.7	3.8
Gross investments	30	136	69	207	322	184



Consumer Solutions

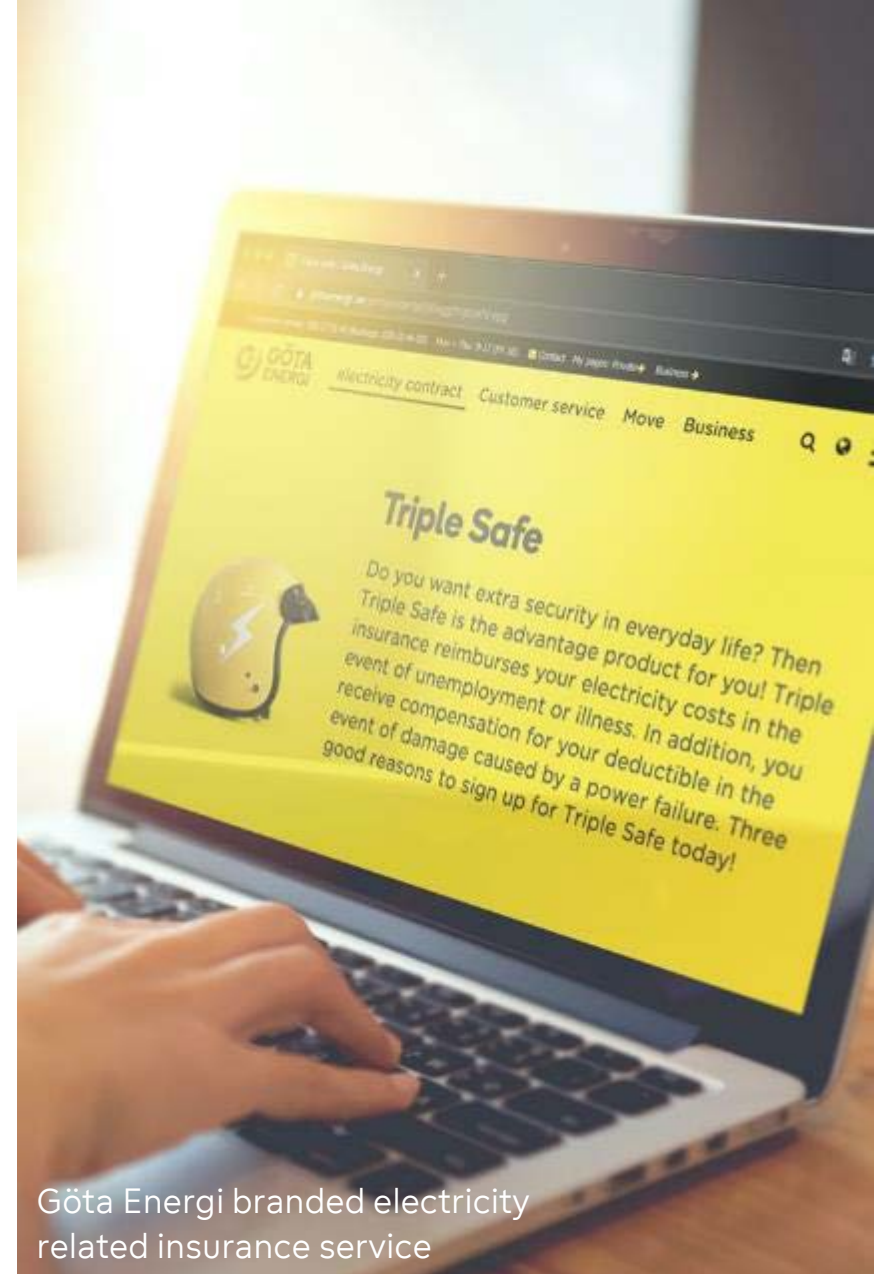
Q2 2020

- Competition continued to be intense with high customer churn
- 11th consecutive quarter of EBITDA improvement
- Accelerated Covid-19 pandemic increased uncertainty especially in the small and medium size enterprise segment – no impact of credit losses

H1 2020

- Higher sales margins as a result of active development of the service offering following the Hafslund integration and subsequent development of the business

MEUR	II/2020	II/2019	I-II/2020	I-II/2019	2019	LTM
Sales	237	346	661	1,015	1,835	1,481
Comparable EBITDA	35	34	82	75	141	148
Comparable operating profit	19	19	51	44	79	86
Comparable net assets			540	512	640	
Customer base, million			2.36	2.43	2.38	
Gross investments	13	13	28	27	55	56



Göta Energi branded electricity related insurance service

Uniper

Q2 2020

- Uniper income statement consolidated as of Q2 as a subsidiary
- Sales figure inflated by commodity trading business
- Normal seasonality; Q1 and Q4 strong quarters, while Q2 and Q3 are weak quarters

H1 2020

- In Q1, Fortum's share of Uniper's profits as Uniper recorded as an associated company in Other Operations
- Uniper contribution to Fortum's EPS 0.65 (0.50)

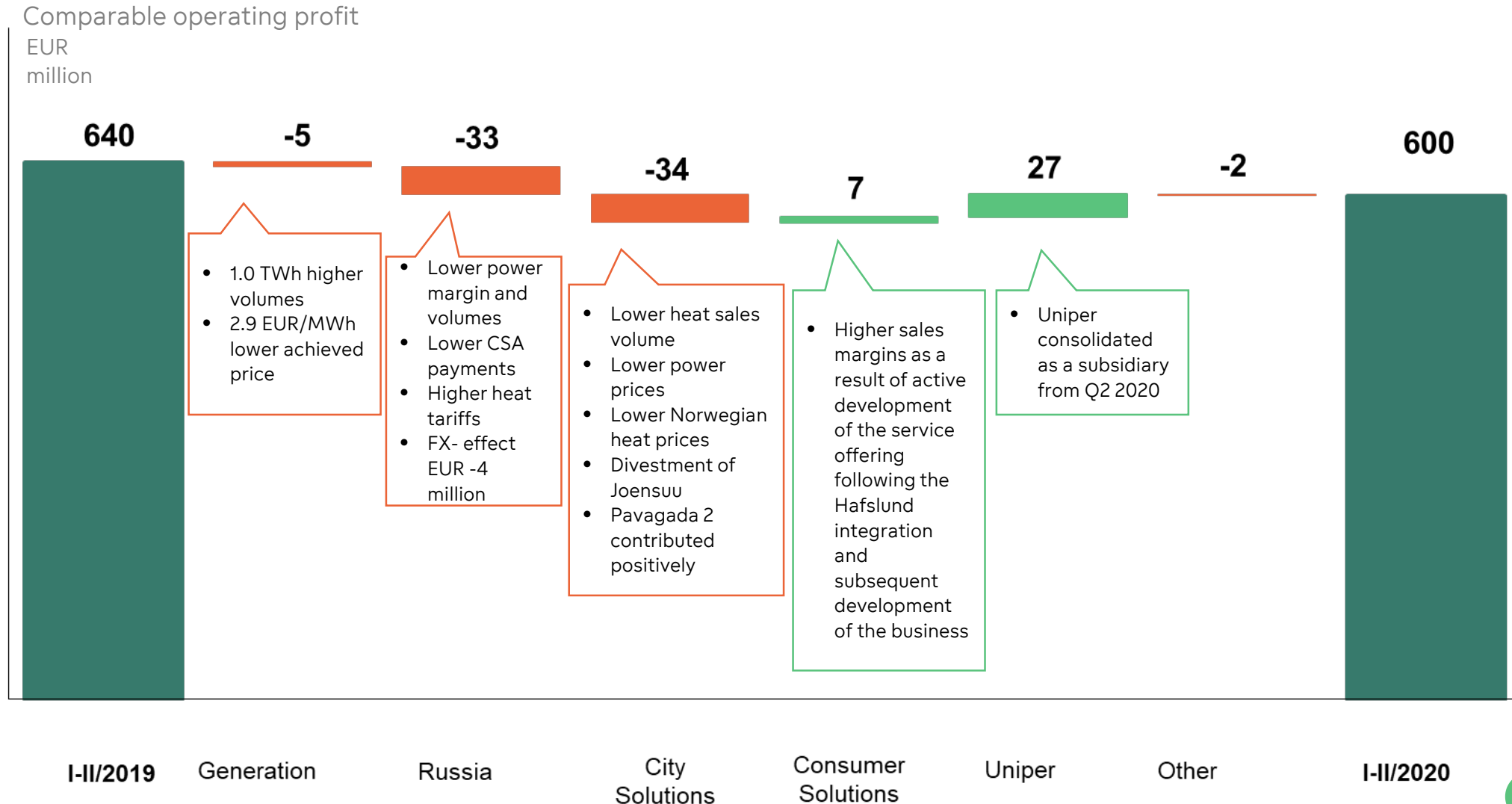
MEUR	II/2020	II/2019	I-II/2020	I-II/2019	2019	LTM
Sales	11,365	-	11,365	-	-	11,365
Comparable EBITDA	184	-	184	-	-	184
Comparable operating profit	27	-	27	-	-	27
Comparable net assets		-	7,035	-	-	
Gross investments	145	-	145	-	-	145



Q2 2020 – Lower power prices and volumes



H1 2020 – Lower power and heat prices, higher hydro volume



Income statement

MEUR	II/2020	II/2019	I-II/2020	I-II/2019	2019	LTM
Sales	12,330	1,144	13,687	2,834	5,447	16,300
Other income	2,134	23	2,157	44	110	2,223
Materials and services	-11,424	-526	-12,000	-1,443	-	-13,278
Employee benefits	-353	-123	-477	-245	-480	-712
Depreciations and amortisation	-306	-141	-456	-278	-575	-753
Other expenses	-2,174	-146	-2,312	-273	-591	-2,630
Comparable operating profit	207	232	600	640	1,191	1,151
Items affecting comparability	328	-48	527	-98	-81	544
Operating profit	534	184	1,126	542	1,110	1,694
Share of profits/loss of associates and joint ventures	37	461	516	572	744	688
Finance costs - net	-2	7	-59	-38	-125	-146
Profit before income tax	570	652	1,583	1,076	1,728	2,235
Income tax expense	-191	-45	-266	-109	-221	-378
Profit for the period	379	607	1,317	967	1,507	1,857

- Uniper's income statement consolidated as of Q2 2020
- Uniper's sales of EUR 11.4 bn mainly related to energy trading and optimisation business

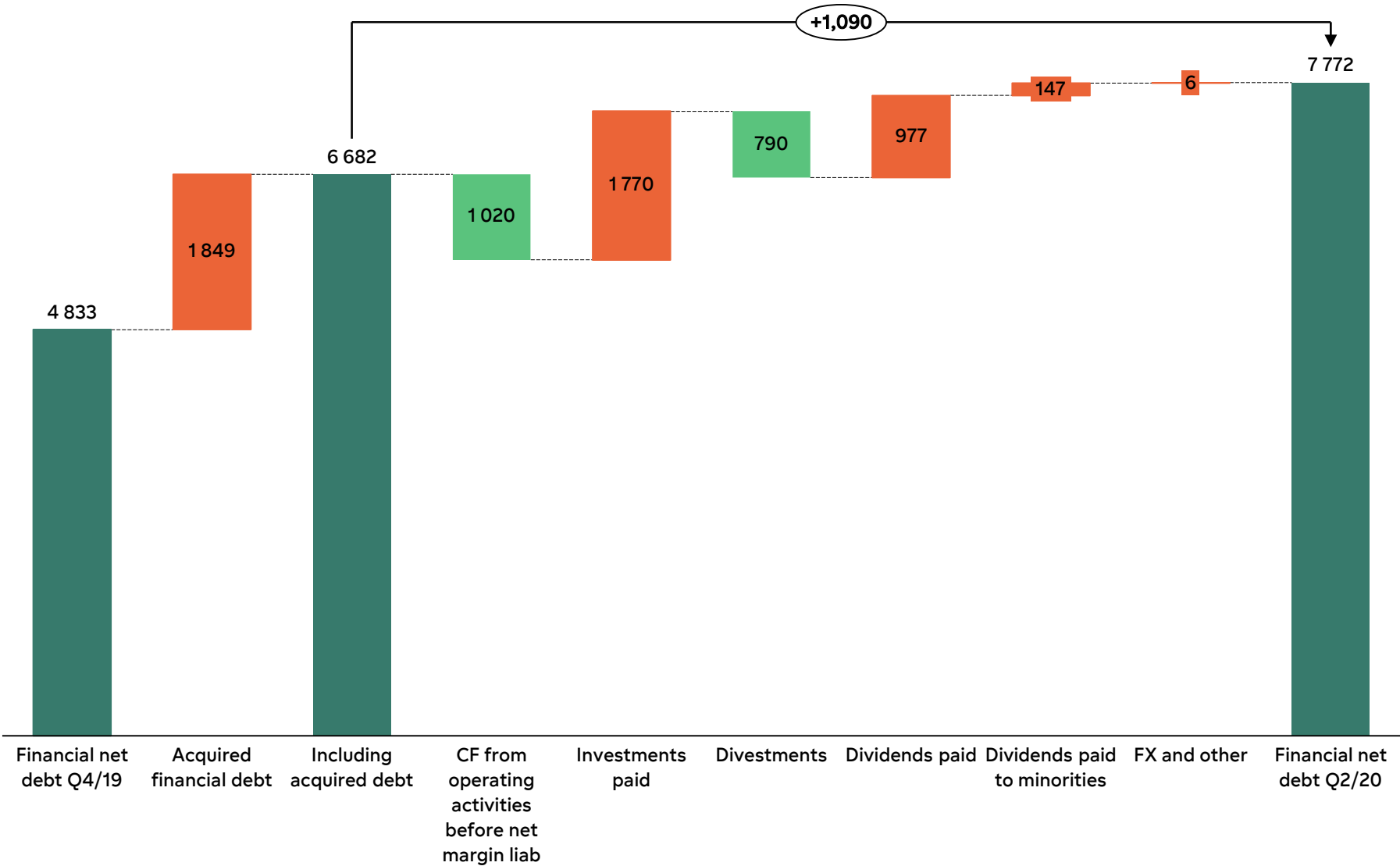
Q2 2020

- Items affecting comparability includes
 - EUR 154 million changes in fair values of derivatives hedging future cash flow
 - EUR 69 million capital gains (mainly Fortum Recharge AS)
 - EUR 71 million of impairment charges and reversals
- Net finance costs impacted by Uniper's finance income

H1 2020

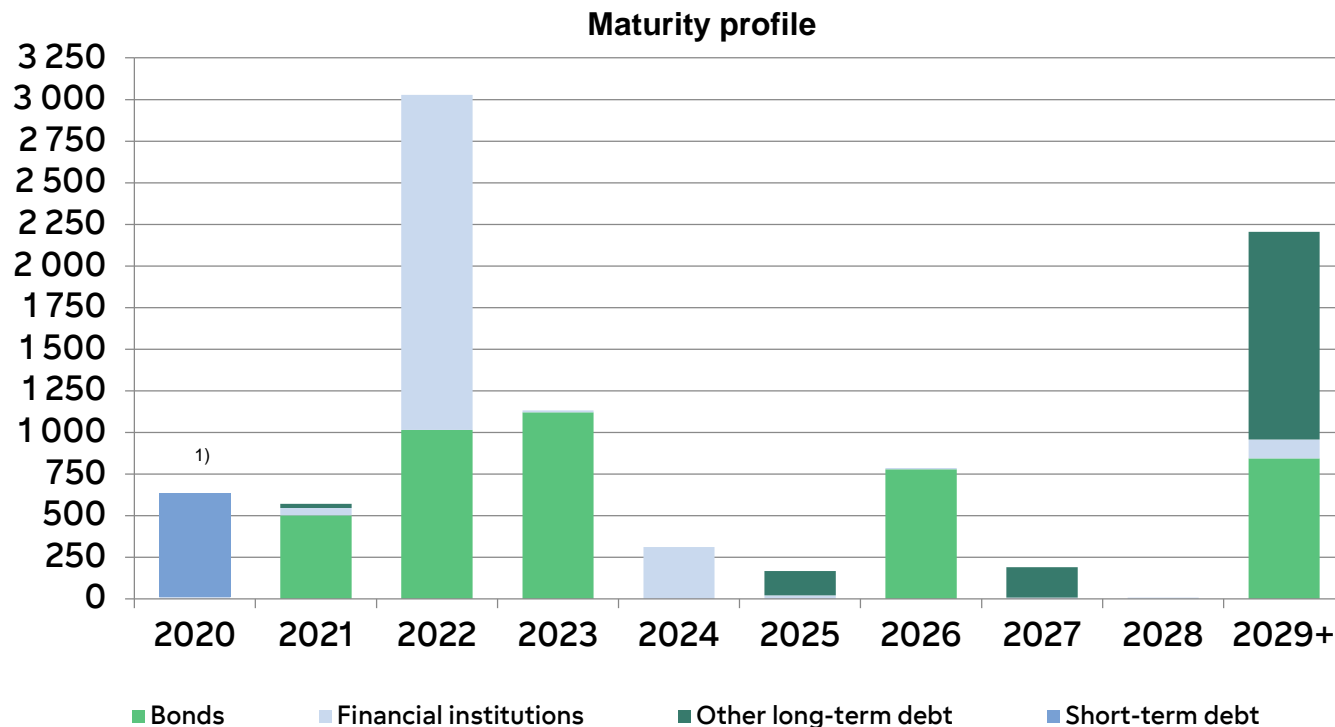
- The comparable effective income tax rate was 21.6%

Cash flow and change in financial net debt in H1 2020



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

Fortum targets to have a solid investment grade rating of at least BBB to maintain its financial strength, preserve financial flexibility and good access to capital markets for the enlarged group. Focus on cash flow - profitability, optimizing of cash flow and tight prioritising of capital expenditure in the current market and business environment.



Total loans of EUR 9,251 million:

- Average interest rate of 1.7% (2019: 2.3%) for Fortum Group loan portfolio including derivatives hedging financial net.
- EUR 721 million (2019: 787) was swapped to RUB with average interest 7.0% (2019: 7.8%) including cost for hedging.
- Average interest for EUR loans 0.9% (2019: 0.9%).

Liquid funds of EUR 2,403 million

Undrawn credit facilities of EUR 5,400 million

Outlook

Hedging

Generation Nordic hedges:

For the remainder of 2020:
85% hedged at EUR 34 per MWh

For 2021:
65% hedged at EUR 33 per MWh
(Q1: 50% at EUR 34)

Uniper Nordic hedges:

For the remainder of 2020:
90% hedged at EUR 29 per MWh

For 2021:
80% hedged at EUR 27 per MWh
(Q1: 70% at EUR 28)

For 2022:
40% hedged at EUR 24 per MWh
(Q1: 15% at EUR 23)

2020 Estimated annual capital expenditure, including maintenance and excluding acquisitions


EUR 700 million

Note: capital expenditure guidance does not include capital expenditure for the Uniper segment

Fortum and Uniper share the view of the importance of credit rating and take it into account when making new capex decisions

Income taxation

In 2020, the comparable effective corporate income tax rate for Fortum is estimated to be in the range **20-25%**, as Uniper is consolidated into Fortum's results from the end of the first quarter. The wider range is mainly a consequence of volatility in the taxation of Uniper's operations.



Q&A



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