



Interim Report January-March 2021

FORTUM CORPORATION

12 May 2021

Markus Rauramo President and CEO



Q1 Highlights

**Active portfolio optimisation
and benchmark operations**

Improving market environment

**Accelerated execution of
strategic priorities**

Strong performance

- Good performance across all segments securing supply to our customers during the colder winter quarter compared to previous year
- Good level of outright volumes while at the same time clearly increased spot prices
- Supporting market fundamentals with strong carbon price pushing for decarbonisation

Strategy execution moving ahead

- Changes in senior management at Uniper and Fortum to establish a more diverse and pan-European leadership team to leverage existing experience and expertise more widely and to develop a joint culture
- Updated ambitions on the group-wide 'One Team' approach within the strategic areas of Nordic hydro and physical trading optimisation, wind & solar, and hydrogen development
- Disclosed divestments of approximately EUR 1 billion
- Strategic reviews ongoing of Polish district heating, 50% stake in Stockholm Exergi and Consumer Solutions

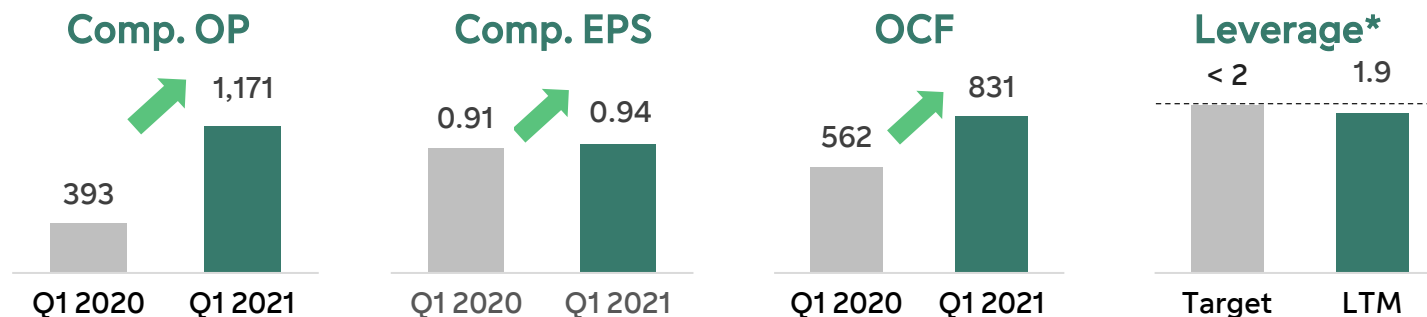
Strong start for 2021

Strong headline numbers

Improved results in all segments

Strengthened balance sheet

Dividend of EUR 1.12/share

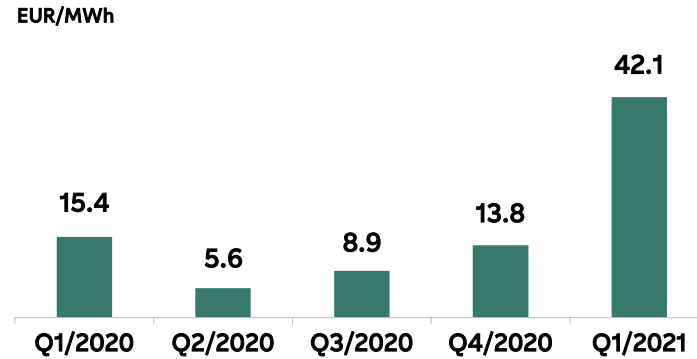


First-quarter summary

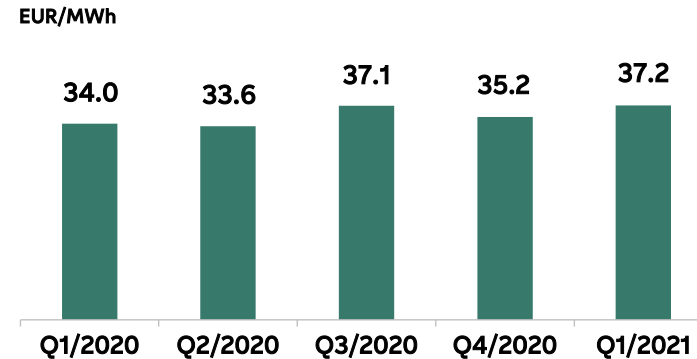
- Results supported by improved operational performance across all segments
- Material impact from full Uniper consolidation – Uniper result outlook for full year 2021 increased
- Comparable EPS of EUR 0.94 of which Uniper contribution EUR 0.51
- Robust cash flow from operating activities
- Balance sheet deleveraging on track being within our envisaged target ratio of Financial net debt-to-Comparable EBITDA < 2x
- Dividend of EUR 1.12/share paid on 7 May

Higher achieved power prices

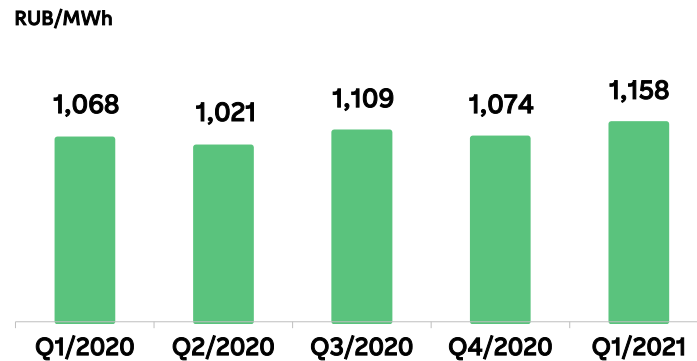
System spot power price, Nord Pool



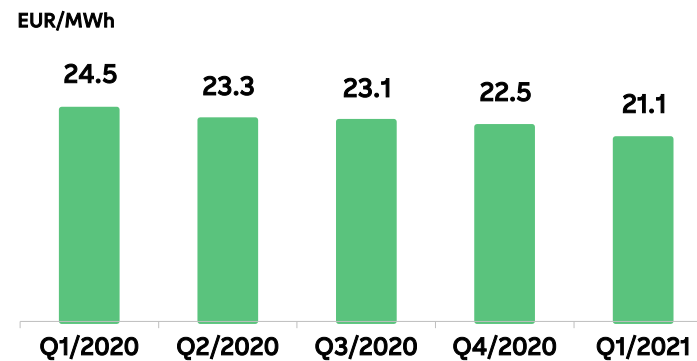
Fortum Generation's Nordic power price



Spot power price, Urals hub



Achieved power price, Russia segment*



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

* Does not include Uniper's subsidiary Unipro

Substantially higher spot power prices in the Nordics

Increased achieved power prices

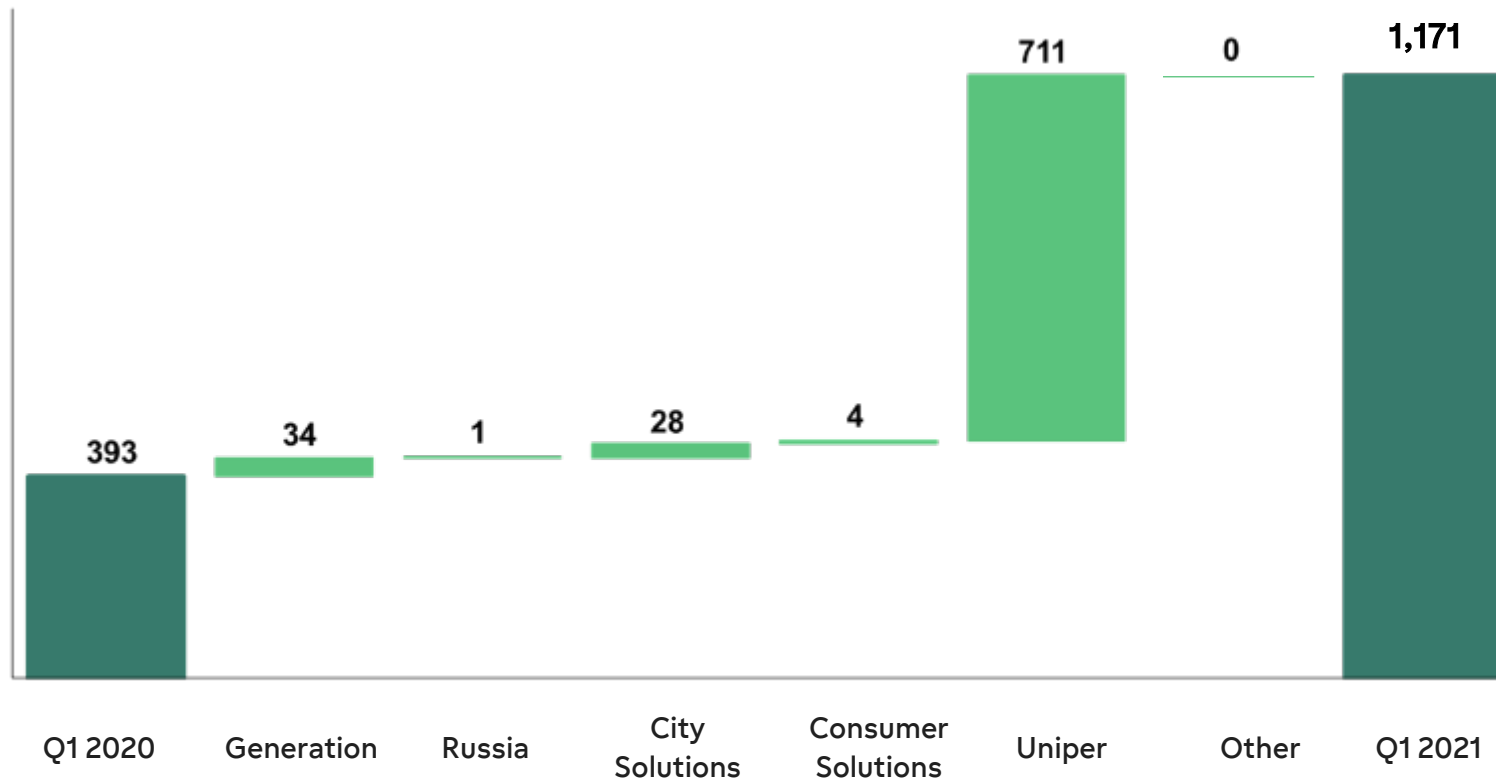
Russian power demand picking up with increasing electricity prices

Russian achieved price in rubles increased while declining in euro terms

All segments improved – significant impact of Uniper profits

Comparable operating profit

(EUR million)



Generation

higher achieved power price

Russia

stronger underlying performance

City Solutions

higher heat sales volumes and improvement in recycling and waste solutions

Consumer Solutions

higher margins from power sales

Uniper

full consolidation

Executing our strategy – decarbonisation is key

Transform operations to carbon neutral

Partner with industrial and infrastructure customers

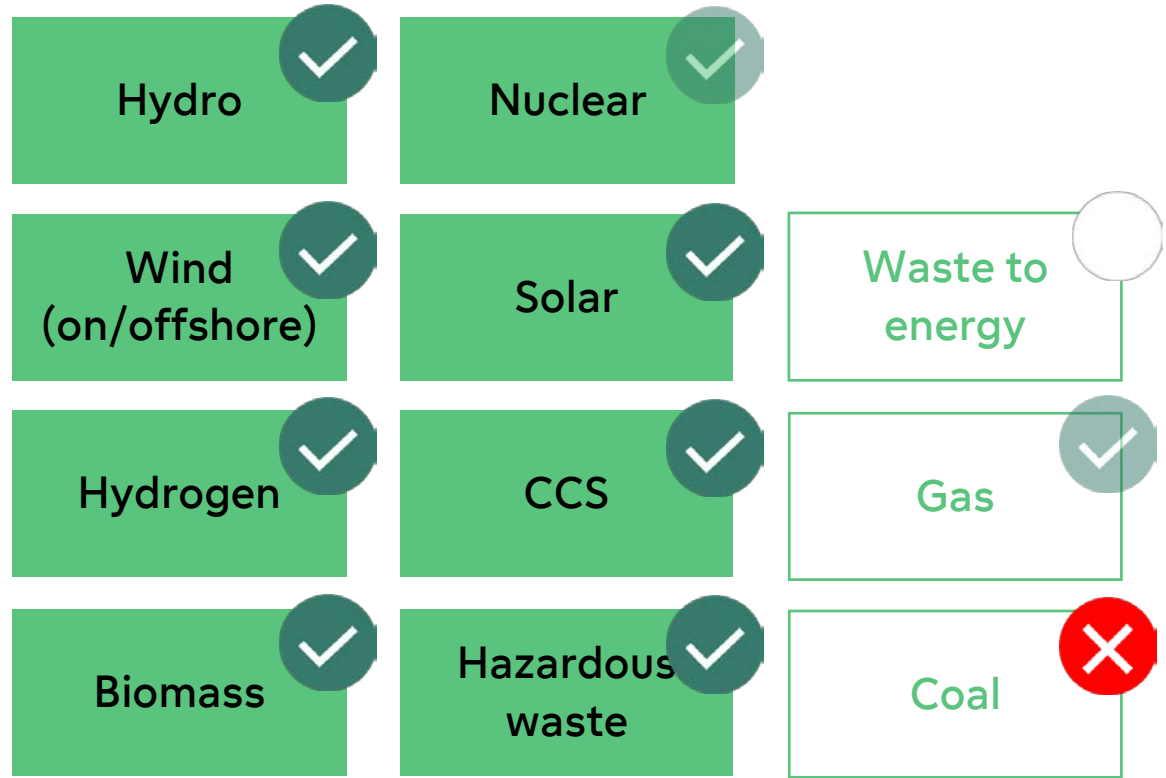
Regulatory framework - steps in the right direction

Accelerated execution on strategic priorities

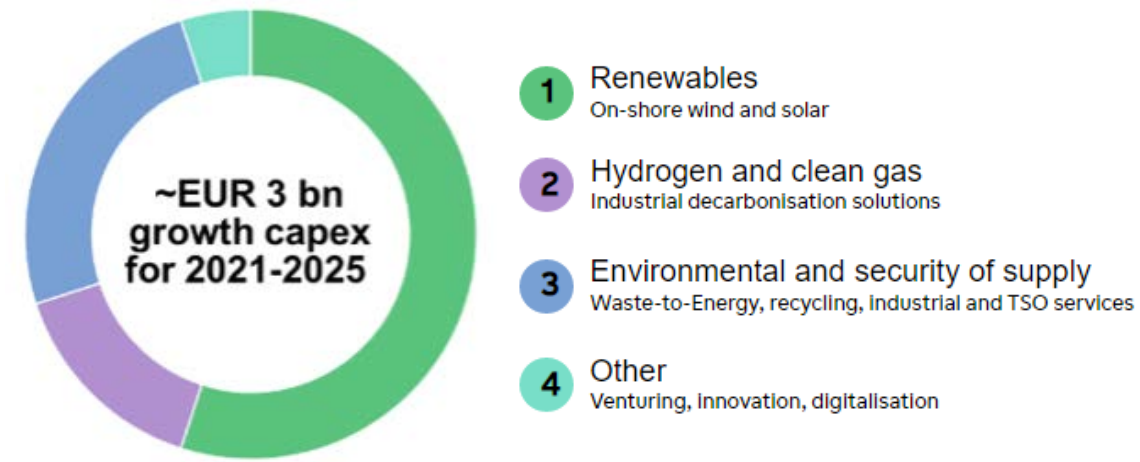
- **Coal-exit proceeding ahead of plan** with the early closure of another coal-fired plant, Wilhelmshaven, following the early closure of Heyden
- **Steps forward in first mover hydrogen position:** Several early-stage hydrogen projects initiated – establish national hubs for hydrogen across northwestern Europe (e.g. Rotterdam, Hamburg, Wilhelmshaven)
- **TCFD (Task Force on Climate-related Financial Disclosures) supporter and climate lobbying review**
- **EU Taxonomy** regulation is taking shape with a substantial positive impact on climate and environment

Fortum fleet broadly taxonomy aligned

Fortum assets



Fortum growth CAPEX



Portfolio transformation to further increase taxonomy alignment

Bernhard Günther

CFO



Key financials

MEUR	Q1 2021	Q1 2020	2020	LTM
Sales	21,493	1,357	49,015	69,152
Comparable EBITDA	1,479	543	2,434	3,370
Comparable operating profit	1,171	393	1,344	2,122
Comparable share of profits of associates and joint ventures	67	551	656	172
Comparable profit before income taxes	1,257	901	1,897	2,253
Comparable net profit	837	812	1,483	1,508
Comparable EPS	0.94	0.91	1.67	1.70
Net cash from operating activities	831	562	2,555	2,825
Financial net debt / Comp. EBITDA			2.9	1.9

Q1 strong financial performance

Introduction of Comparable Net Profit and Comparable EPS as new APM's

First time Uniper consolidated as a subsidiary for a full four quarters

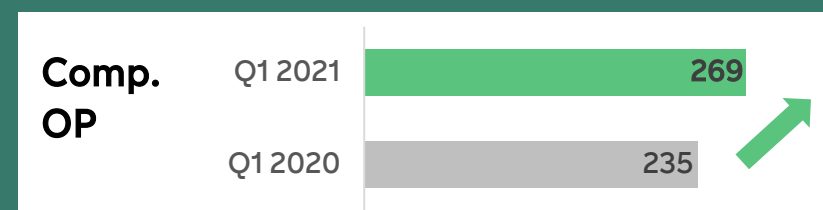
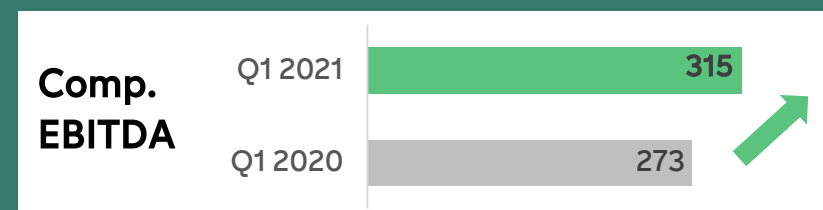
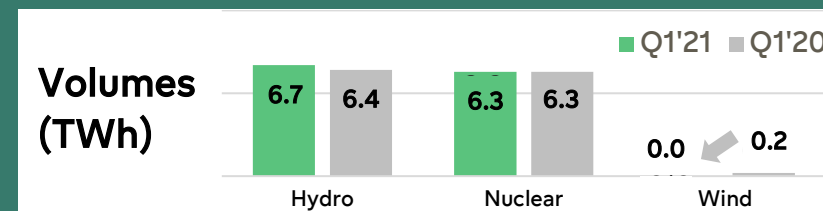
LTM Comparable EPS at EUR 1.70

Healthy credit metrics – strong cash flow from operating activities

Generation: Higher volumes and prices

Q1 2021 vs. Q1 2020

- Comparable operating profit up 14% mainly due to higher achieved power prices
 - Higher achieved power price +3.2€/MWh, +9%
 - Successful physical and financial optimisation and higher spot prices
- Higher power generation volumes
- Generation recorded a tax-exempt capital gain of EUR 50 million during the quarter following the sale of eight small hydropower plants in Sweden
- Strategy execution: Olkiluoto 3 performed fuel loading end of March targeting commencing power generation in October this year and regular power generation in February 2022

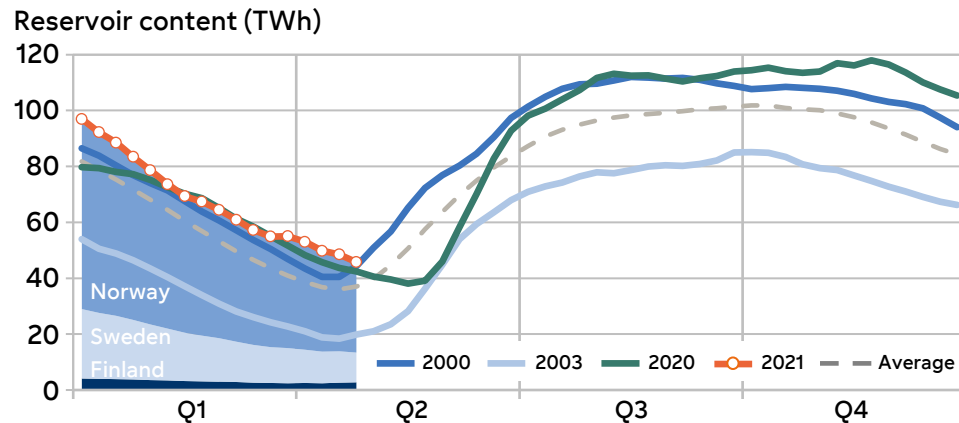


MEUR	Q1 2021	Q1 2020
Sales	675	574
Comparable EBITDA	315	273
Comparable OP	269	235
Comparable net assets	6,135	5,899
Comparable RONA % (LTM)	12.6	12.2*
Gross investments	27	34

* full year 2020, recalculated following introduction of Comparable net profit in Q1 2021

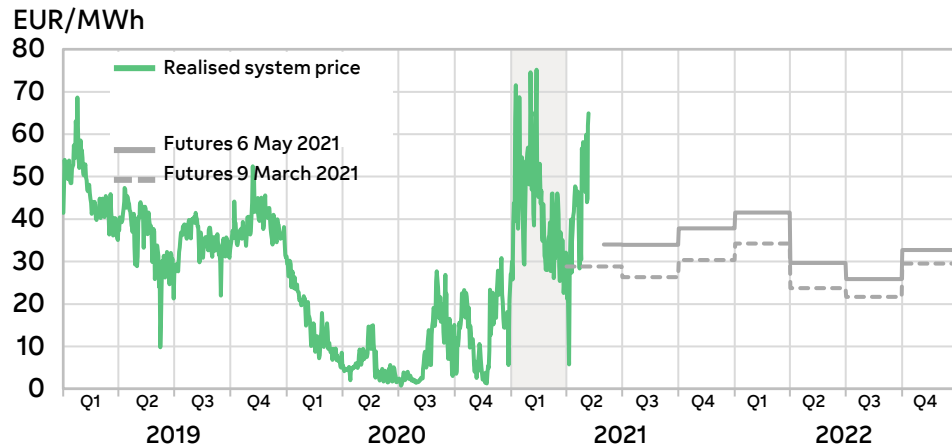
Nordic hydro reservoirs towards normal levels while spot prices are catching up

Hydro reservoirs



- Cold winter with below normal wind generation and higher availability of export capacity led to strong hydro generation in Q1
- This can be seen as increased utilisation of Nordic water reservoirs and gradually normalising reservoir levels
- Nordic water reservoirs 14 TWh above long term average at the end of Q1 2021

Power price



- Nord Pool system spot price saw a rapid recovery, reaching 42.1 EUR/MWh (15.4) in Q1 2021
- A multitude of factors contributed to strong Nordic price recovery, including cold winter, low precipitation amounts, below normal wind production, as well as the new Nordlink interconnector
- Naturally, strong power prices in Continental Europe, driven especially by gas and carbon prices, supported the Nordic power prices

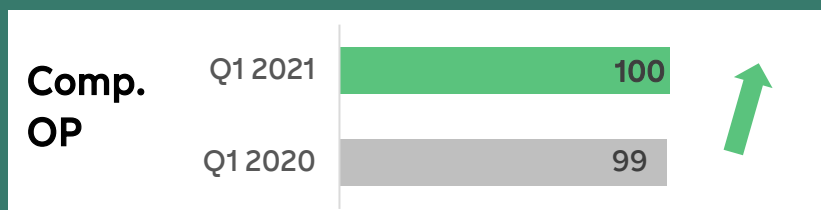
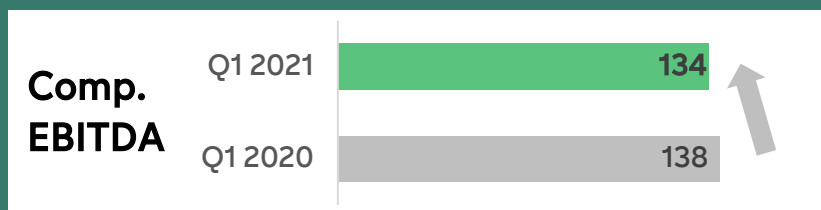
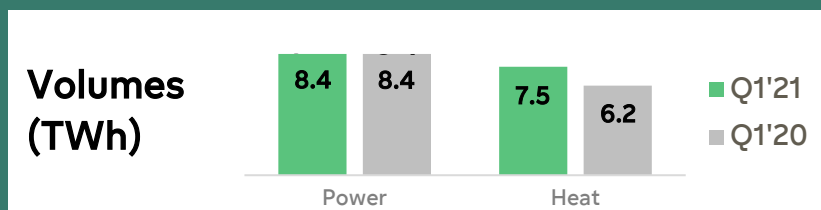
Source: Nord Pool, Nasdaq Commodities

Russia: Solid underlying performance

Q1 2021 vs. Q1 2020

- Comparable operating profit increased by 1%
 - Russian RUB FX effect of EUR -21 million
 - Sale of the 116-MW CSA-backed solar power project to JV contributed EUR 17 million
 - Higher power prices
 - Higher heat production volumes +21% due to cold temperatures and stable power generation
- Lower CSA** prices
 - The positive effect of three units entering the four-year period of higher CSA payments more than offset by the effect of the CSA period ending for the two units, and lower bond yields
- Strategy execution: Fortum to construct the largest solar power plant in Russia through a joint venture (78 MW expected to be commissioned in Q4)

** = Capacity Supply Agreement



MEUR	Q1 2021	Q1 2020
Sales	264	317
Comparable EBITDA	134	138
Comparable OP	100	99
Comparable net assets	2,517	2,612
Comparable RONA % (LTM)	12.1	11.1*
Gross investments	7	4

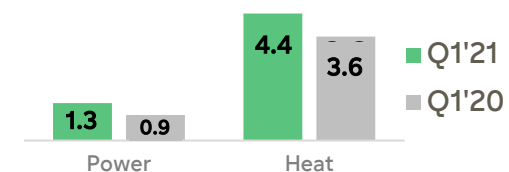
* full year 2020

City Solutions: Clearly improved performance

Q1 2021 vs. Q1 2020

- Comparable operating profit increased close to 50%
 - Clearly higher heat sales volumes in all heating areas
 - Higher Norwegian heat prices
 - Improved results in the recycling and waste business
- The Covid-19 pandemic did not have any significant adverse effect
- Strategy execution:
 - Agreement to sell the Baltic district heating business for EUR 800 million (debt- and cash-free). Tax-exempt capital gain of approx. EUR 240 million in Q2
 - Commissioning of 150 MW (of 250 MW) Rajasthan solar park in India. The remaining 100 MW is expected to be commissioned in Q2

Volumes (TWh)



Comp. EBITDA



Comp. OP



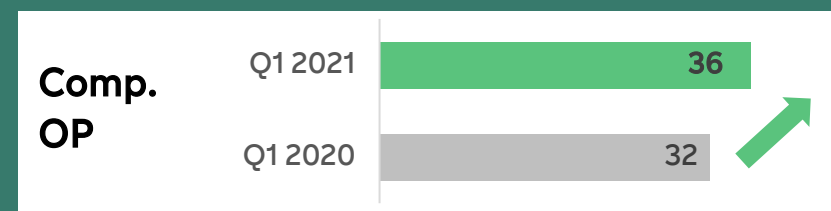
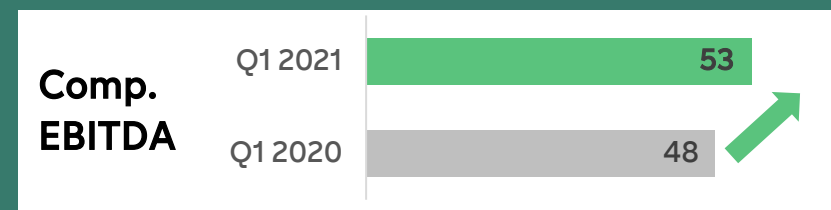
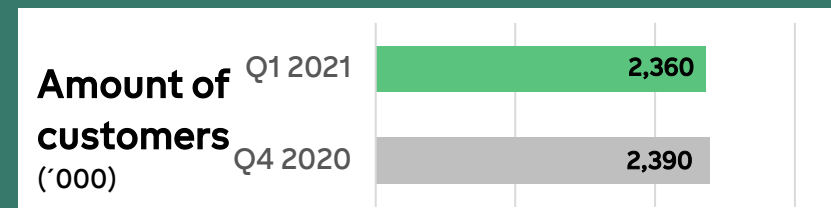
MEUR	Q1 2021	Q1 2020
Sales	418	342
Comparable EBITDA	132	106
Comparable OP	86	58
Comparable net assets	3,305	3,625
Comparable RONA % (LTM)	3.8	2.8*
Gross investments	48	38

* full year 2020

Consumer Solutions: Continued improvement

Q1 2021 vs. Q1 2020

- Comparable operating profit continued to improve, +12%
 - Higher margins from power sales
 - Higher prices in the Nordics compared
 - Higher electricity sales volumes mainly due to clearly colder weather in the Nordics
- The gas volume increased by 23%, mainly due to an increase of enterprise customers in Poland
- The Covid-19 pandemic has increased market uncertainty, but no major negative implications materialised
- 14th consecutive quarter of comparable EBITDA improvement



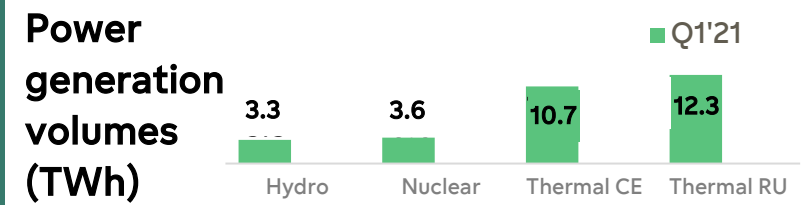
MEUR	Q1 2021	Q1 2020
Sales	661	424
Comparable EBITDA	53	48
Comparable OP	36	32
Gross investments	11	15

Uniper: Very strong Q1 results

Q1 2021 vs. Q1 2020

- **Consolidation:**
 - Until Q1 2020: Uniper as an associated company
 - From Q2 2020: Uniper as a subsidiary
- **European Generation:** benefitted from Irsching 4&5 and Datteln 4 contribution, not in the market in Q1 2020
- **Global Commodities:** Optimisation of supply-demand imbalances in North America and Asia following cold weather. Normalised contribution in gas midstream vs Q1 2020, still strong with high withdrawals during cold spells
- **Unipro:** Operating environment significantly improved, offset by expiry of CSA payments for two gas-fired units and weaker RUB; Completed repair work at Berezowskaya 3 power unit (800 MW), capacity payments May 2021 onwards

CSA=Capacity Supply Agreements

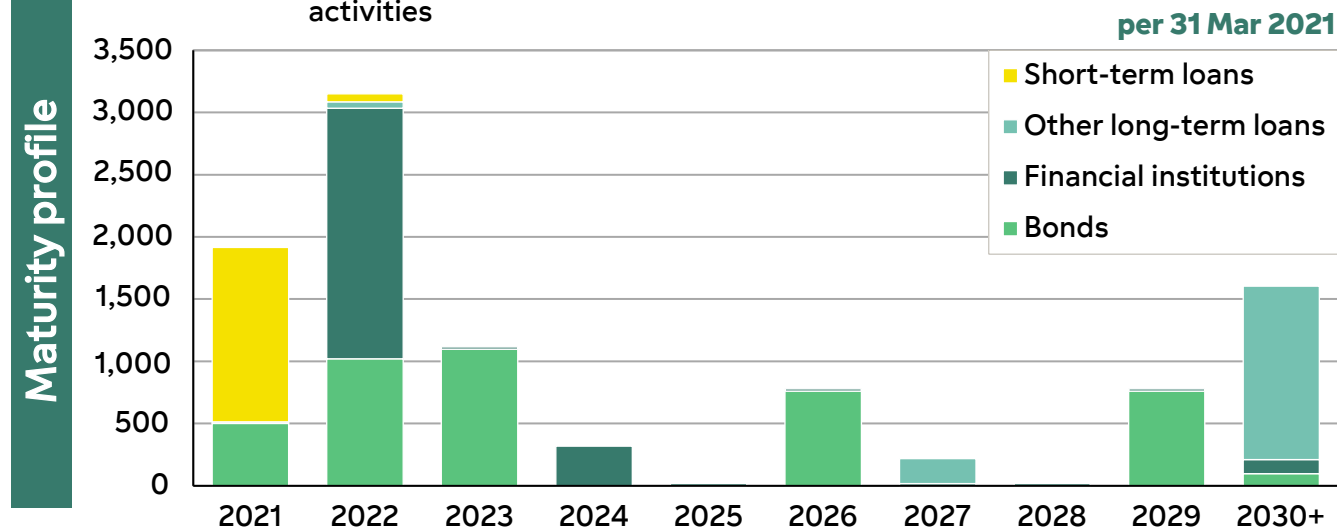
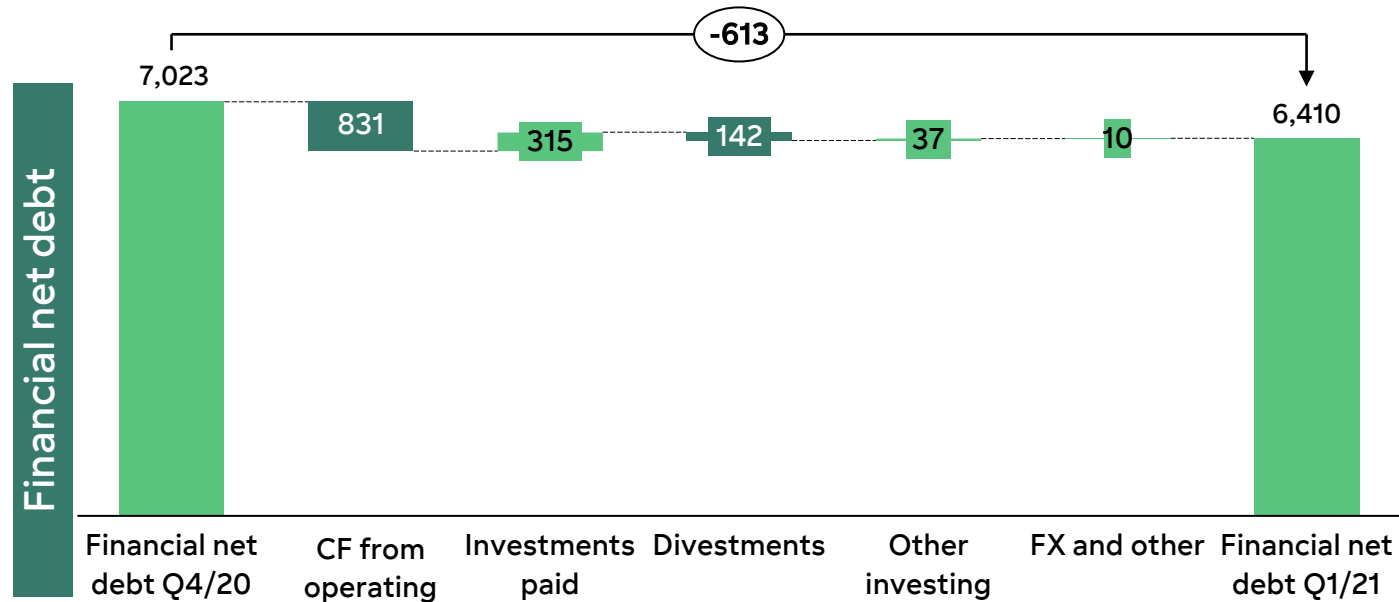


Comp. EBITDA	Q1 2021	Q1 2020
	868	-

Comp. OP	Q1 2021	Q1 2020
	711	-

MEUR	Q1 2021	Q1 2020
Sales	19,770	-
Comparable EBITDA	868	-
Comparable OP	711	-
Comparable net assets	8,240	7,569
Comparable RONA %	14.9	-
Gross investments	136	-

Improved financial net debt



Solid credit metrics

S&P Global Ratings

'BBB' long-term issuer credit rating, negative 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 9,910 million (excl. lease)

- Average interest of 1.5% (2020: 1.5%) for Group loan portfolio incl. derivatives hedging financial net
- EUR 652 million (2020: 634) swapped to RUB with average interest 6.5% (2020: 6.2%) incl. hedging cost
- Average interest of 0.9% (2020: 0.9%) for EUR loans

Liquid funds of EUR 3,598 million

Undrawn credit facilities of EUR 5,100 million

Outlook

Hedging

Generation Nordic hedges:

For the rest of 2021: 80% hedged at EUR 32 per MWh

For 2022: 55% hedged at EUR 31 per MWh (Q4: 50% at EUR 31)

Uniper Nordic hedges:

For the rest of 2021: 85% hedged at EUR 27 per MWh

For 2022: 80% hedged at EUR 24 per MWh (Q4: 65% at EUR 24)

For 2023: 35% hedged at EUR 21 per MWh (Q4: 25% 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, bond yield 6.3% (7.6%)

Changes in CSA and CCS capacities: see interim report p. 18-19, 24

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