Financial Statements 2020

Fortum Corporation

12 March 2021

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Highlights in 2020

Uniper consolidated as subsidiary
–
Identified benefits EUR 100 million

Group climate targets
–
-50% latest by 2030 in European generation

Portfolio optimisation
–
EUR 1.2 billion divestments

Aligned Group strategy
–
Building on CO_2-free power and gas

Focus on RES and hydrogen
–
550 MW of wind commissioned in Russia

Ongoing strategic reviews
–
DH in Baltics, Poland and Sweden; Consumer Solutions

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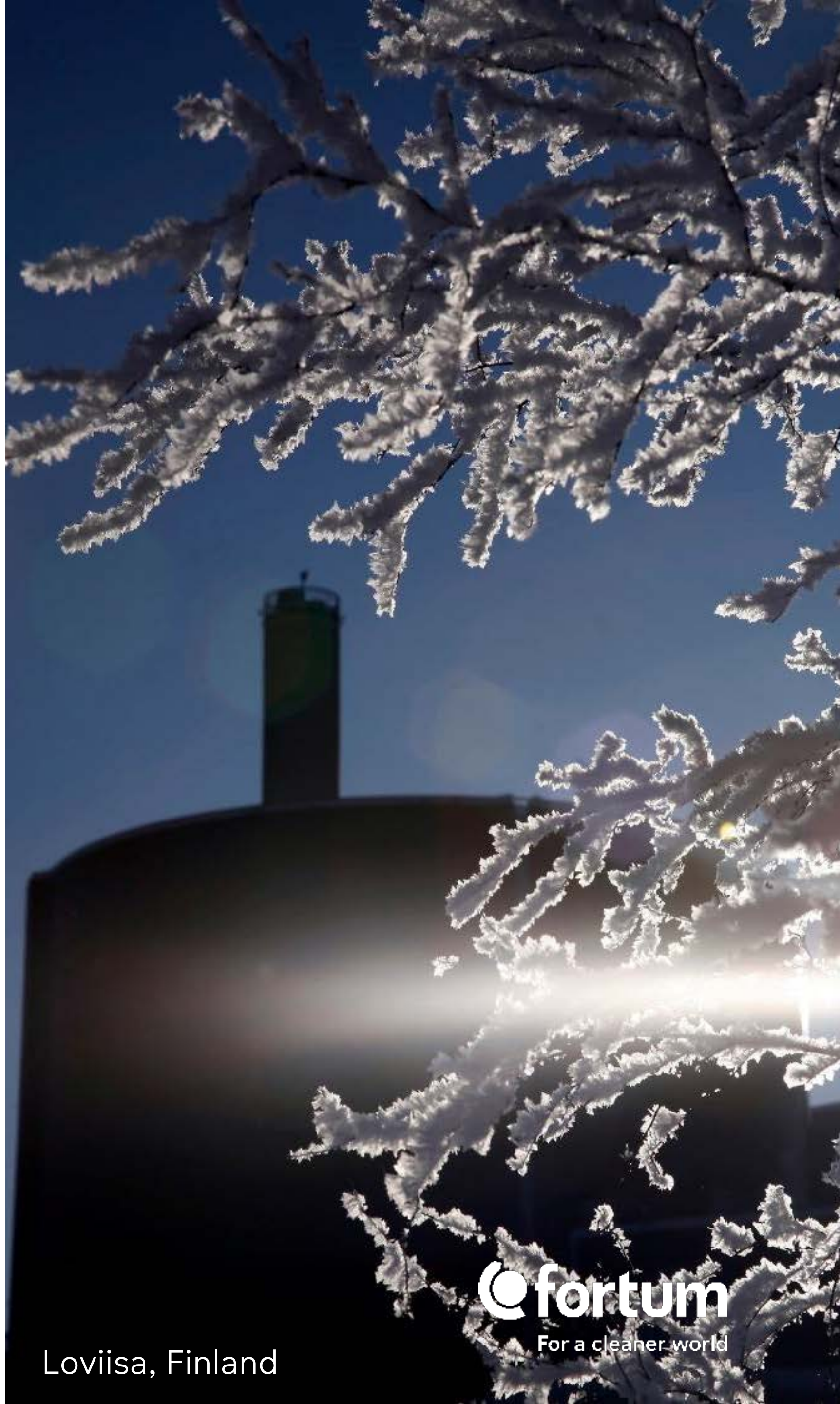
Good performance in a challenging year – Strategy updated to drive the clean energy transition

Full year 2020:

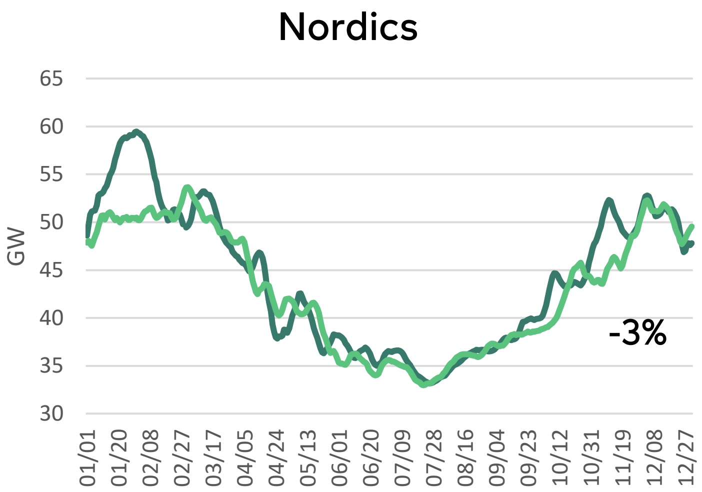
- Fortum's achieved power price at EUR 34.8, -2.0 EUR/MWh
  - Nordic spot power price down by 72%
- Comparable EBITDA at EUR 2,434 million, +38%
- Comparable operating profit at EUR 1,344 million, +13%
- Share of profits of associates and JVs at EUR 656 (744) million
- EPS at EUR 2.05, +23%
  - Items affecting comparability EUR 0.38 (-0.07)
  - Uniper contribution EUR 0.51 (0.71)
- Strong net cash flow from operating activities at EUR 2,555 (1,575) million

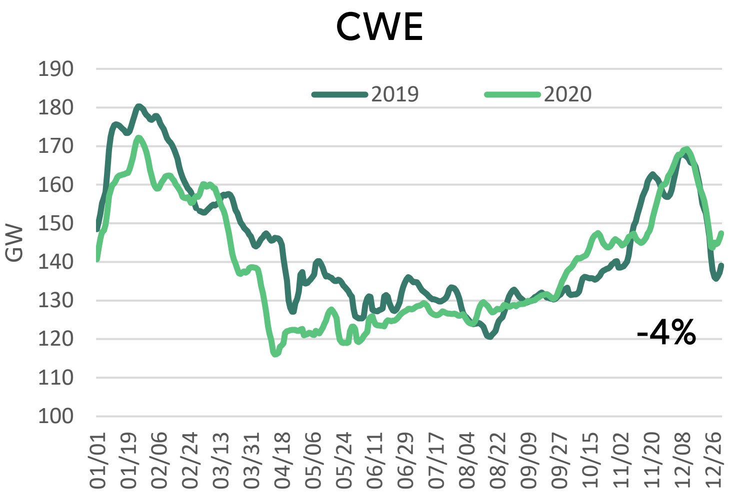
- Dividend policy to pay stable, sustainable and over time increasing dividend
  - Dividend proposal of EUR 1.12 per share

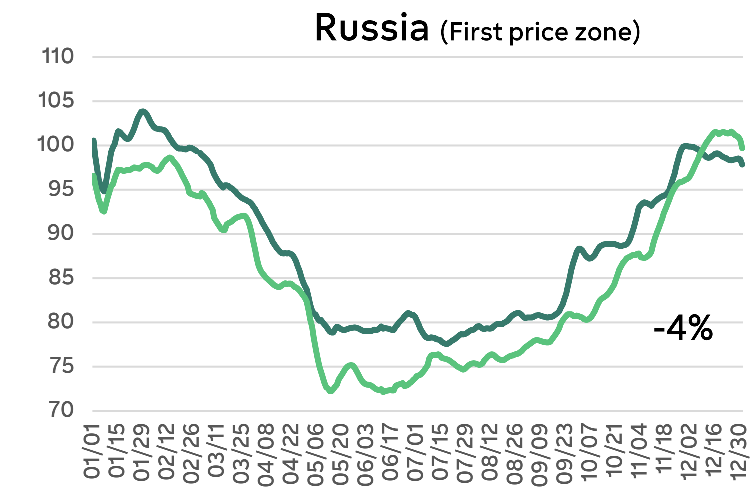


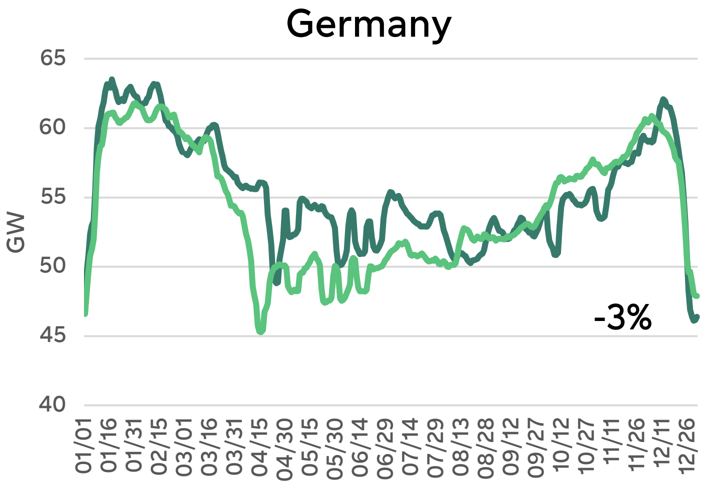
Power demand has recovered close to 2019 level in most areas

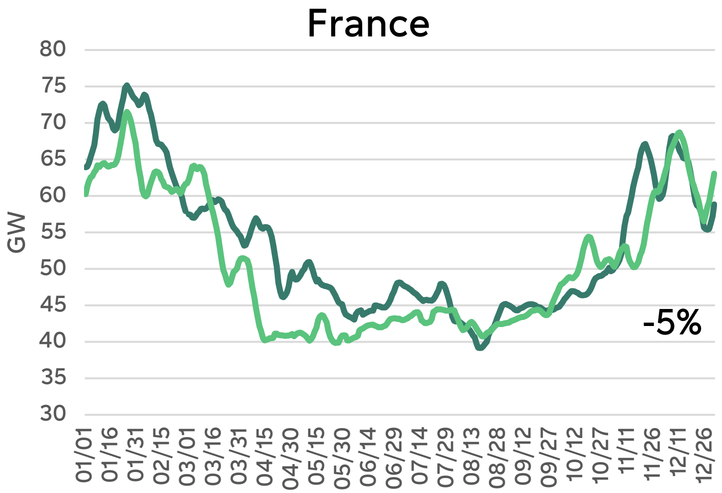
Change 2020 compared to 2019 (%)

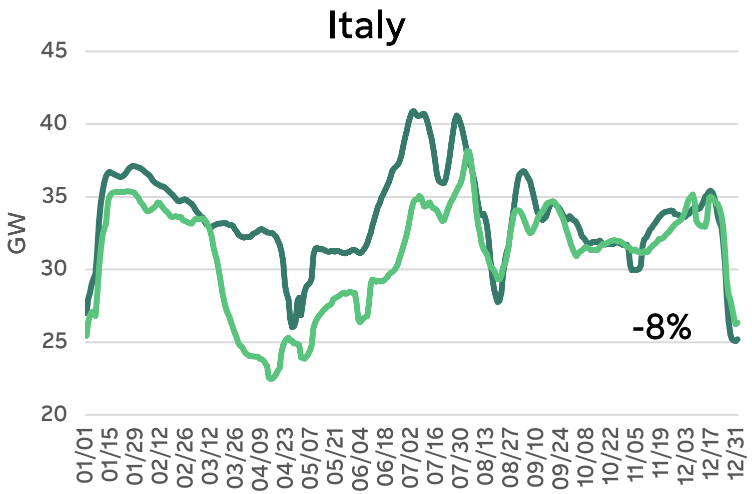












Source: ENTSO-E and ATS (Russia) hourly reported power demand, 7 day moving avg
CWE = Central Western Europe (Germany, France, Netherlands, Belgium, Austria, Switzerland)
Percentage change in 2020 compared to 2019

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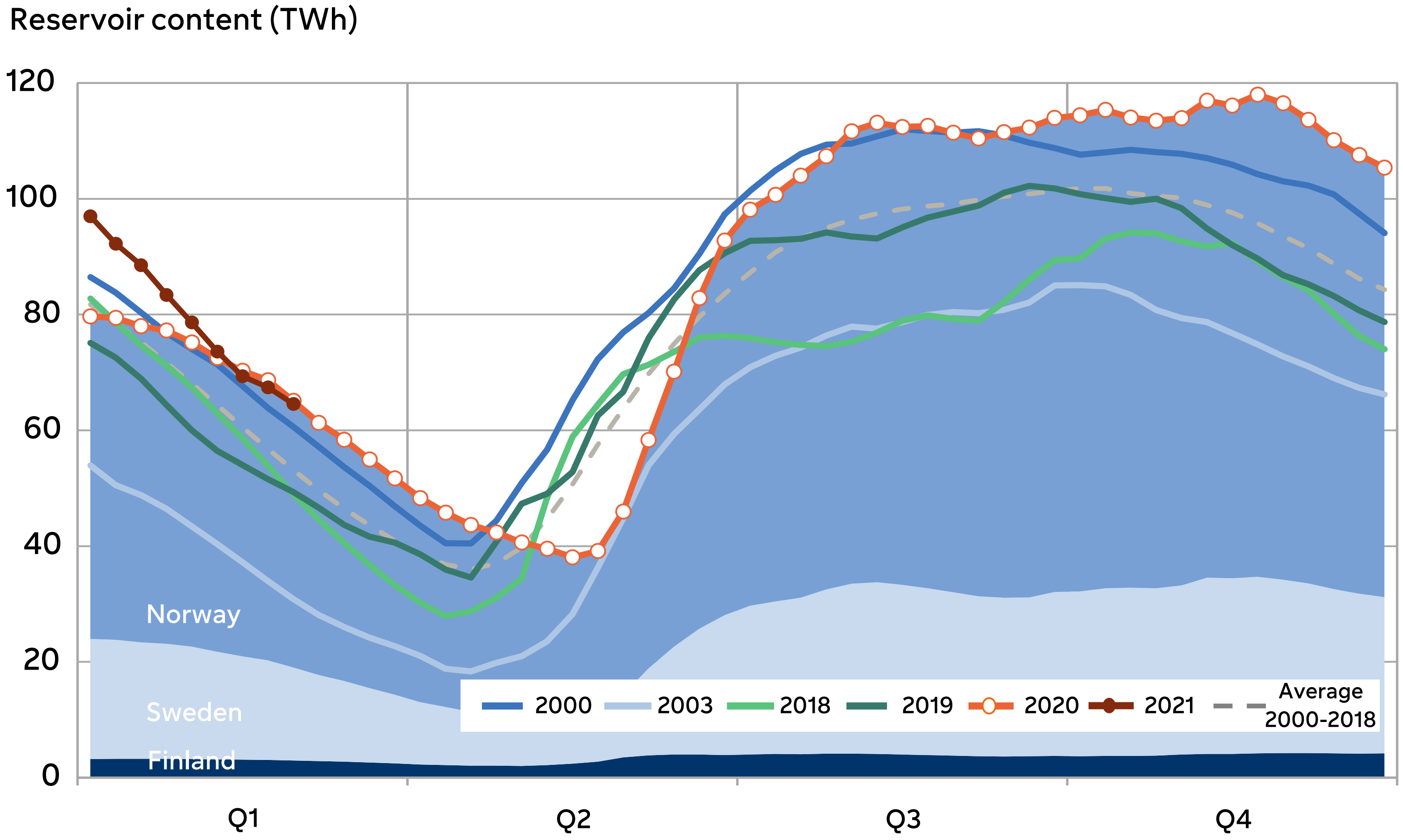
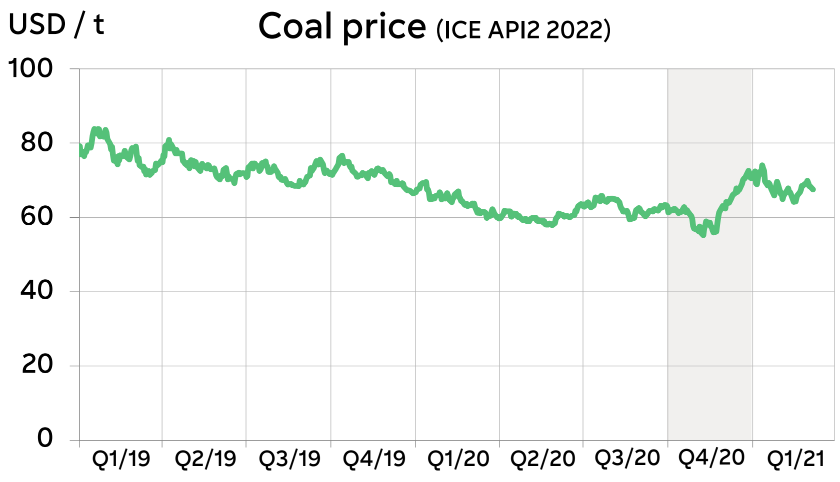
Nordic hydro reservoirs heading towards normal levels



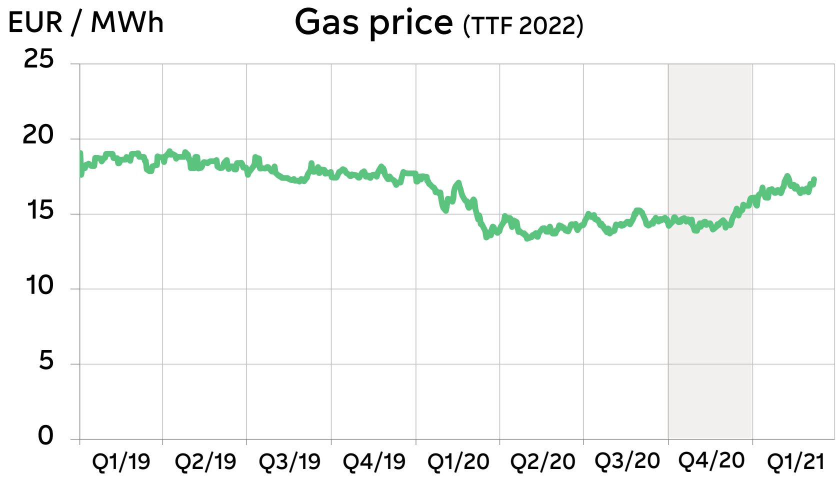
- Wet and mild autumn 2020 kept the Nordic water reservoirs on high levels during Q4.
- General weather pattern changed in December towards cold and dry.
- Higher power demand and higher availability of export capacity led to strong hydro production and gradually normalizing hydro reservoir levels
- Nordic water reservoirs 20 TWh above long term average at the end of 2020.

Source: Nord Pool, 2020 by country

Coal and gas on a road to recovery in Q4



- Coal prices benefited from stronger demand in the Northern hemisphere as a result of colder temperatures.
- During Q4, API2 year-ahead made impressive gains, averaging 60.5 USD/t and finishing the year at 68.8 USD/t.
- Despite a strong price recovery in late 2020, coal demand is under pressure from gas and renewables.



- European gas prices steadily increased throughout Q4. TTF front-month prices increased from 13.2 EUR/MWh in early October to 19.1 EUR/MWh in late December.
- Although changes in the weather outlook contributed to price volatility, higher demand and lower LNG inflow supported TTF prices.

Source: Bloomberg, Refinitiv

9 March 2021

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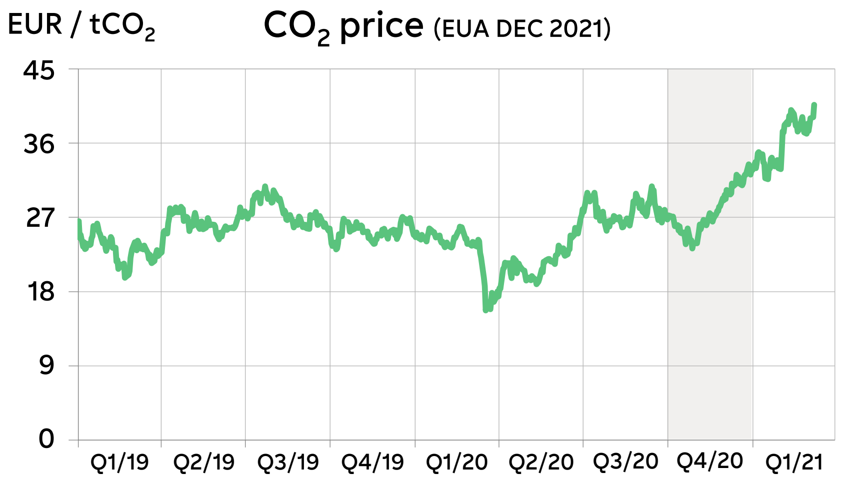
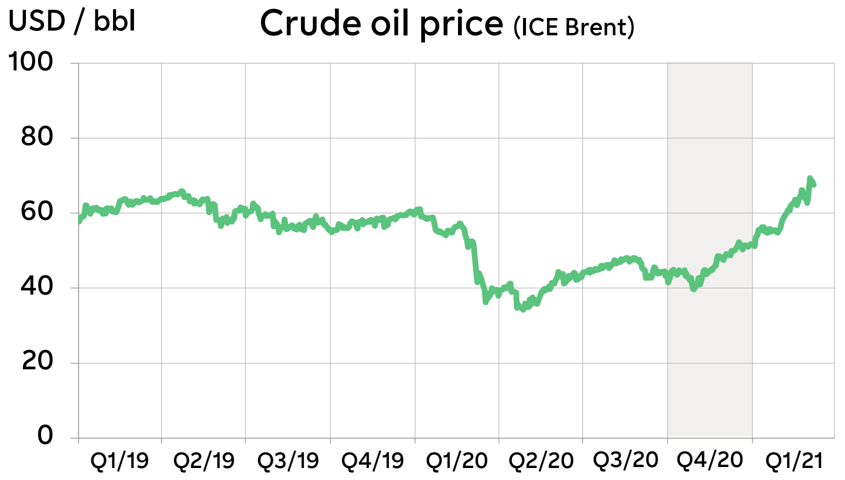
CO_2 price saw new highs and a strong finish to the year





Source: Bloomberg

9 March 2021

- While CO_2 price seemed to have lost momentum in October, it recovered swiftly in November-December setting a new daily price record at 33.4 EUR/t at end of December. Strong trend continues in 2021.
- Optimism in the broader energy commodity scope provided support, but carbon market participants are also pricing in tighter 2021 supply and upcoming EU ETS reform related to the new 2030 emissions reduction target.

- Following a weak October due to returning Covid-19 concerns and another round of lockdowns, oil prices rebounded in the second half of Q4.
- Support for oil prices originated from OPEC+ commitment to supply cuts and improved macroeconomic sentiment. However, uncertainties around demand recovery continue to weigh in.

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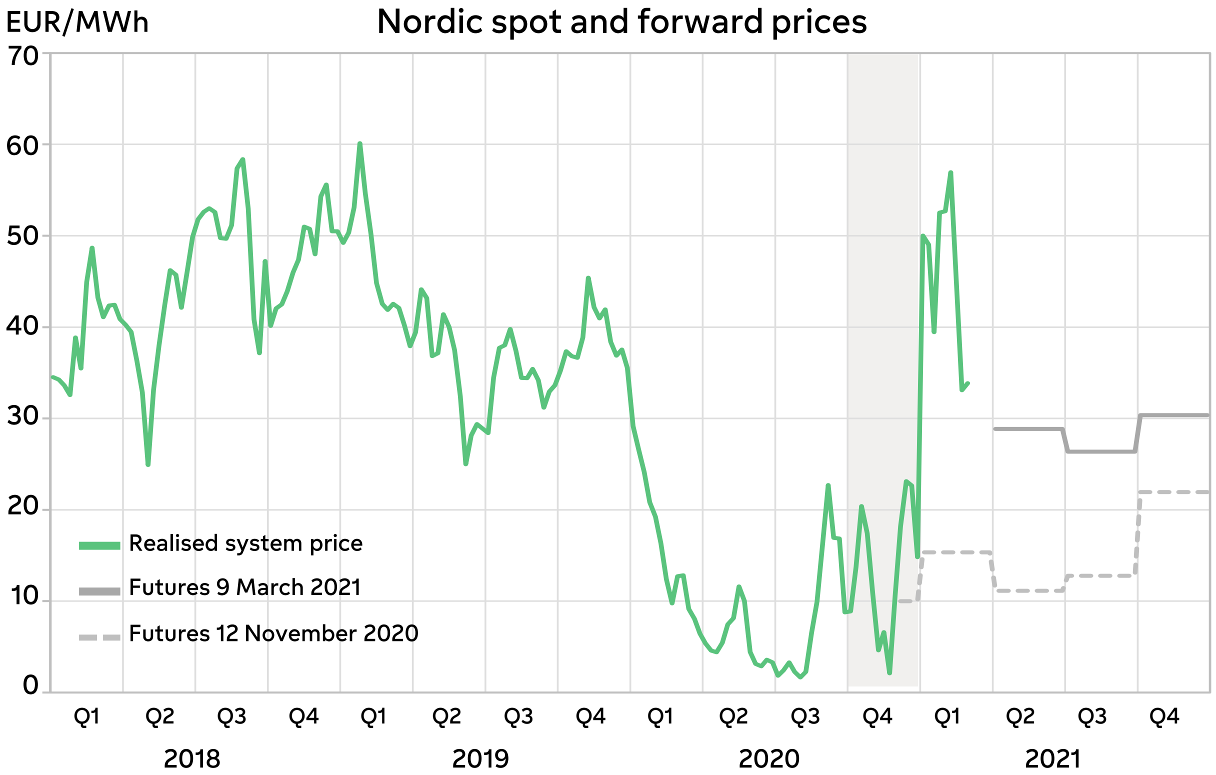
Strong hydrology resulted in low Nordic prices in Q4



Source: Nord Pool, Nasdaq Commodities

- Nord Pool system spot price was extremely low at 10.9 EUR/MWh (38.9) in 2020
- Sharp decline during H1 2020 was caused by an exceptionally rainy and mild winter. The development was further amplified by low spot prices in Continental Europe, driven especially by declining gas prices.
- During H2 2020 Nord Pool system spot price remained at low levels since reservoir were almost full. A cold, dry start of 2021 resulted in a recovery of spot and forward prices.

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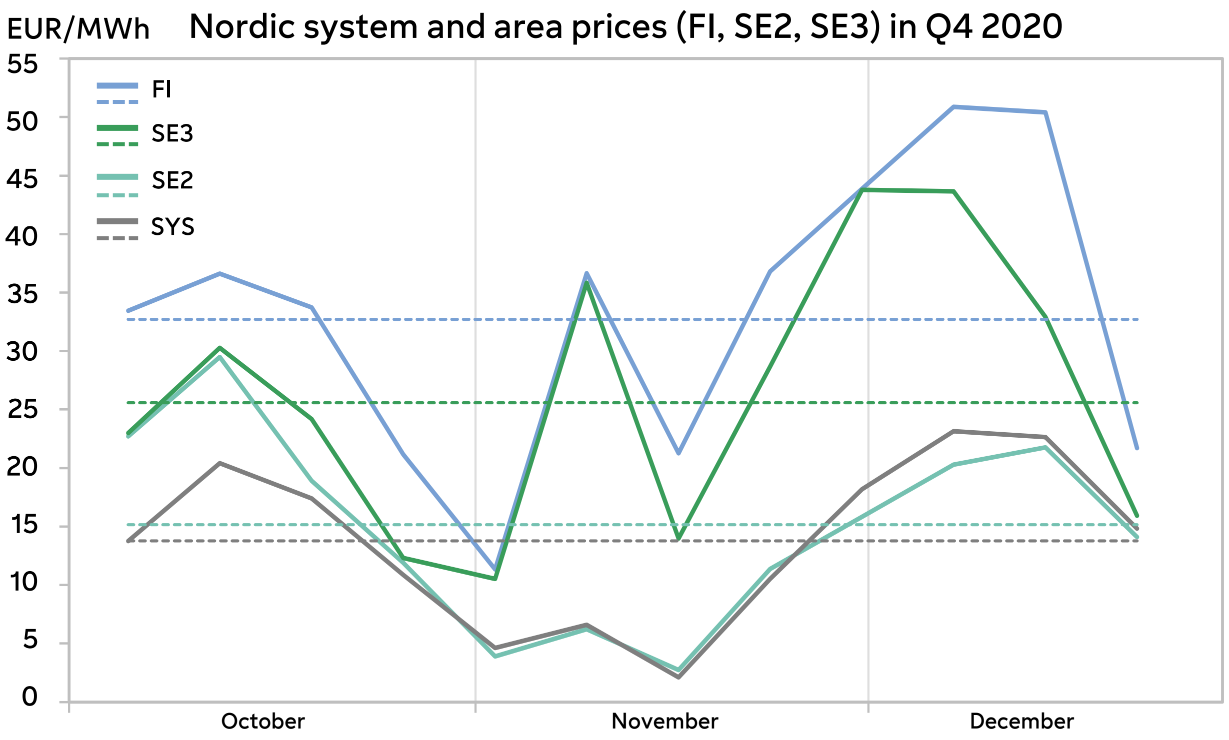
Nordic system and area spot prices highly decoupled in Q4 2020



Key developments:

- High hydro reservoirs depress system price in Q4
- SE3 and FI area prices supported by low nuclear availability, transmission limitations and higher prices in the Continental Europe
- Cold and dry winter and improved interconnector availability increased spot prices in Q1 2021

Area spot prices in Q4 2020:

- 32.7 EUR/MWh (43.5) in Finland
- 25.6 EUR/MWh (38.5) in Sweden-SE3 (Stockholm)
- 15.1 EUR/MWh (37.5) in Sweden-SE2 (Sundsvall)
- 13.8 EUR/MWh (38.6) system price

Source: Nord Pool   Weekly System and area prices for FI, SE2, SE3 and corresponding Q4 2020 averages.

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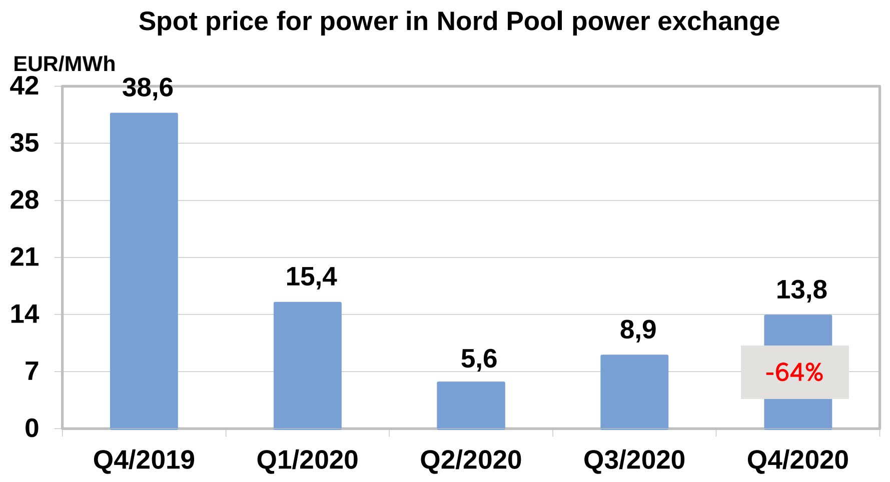
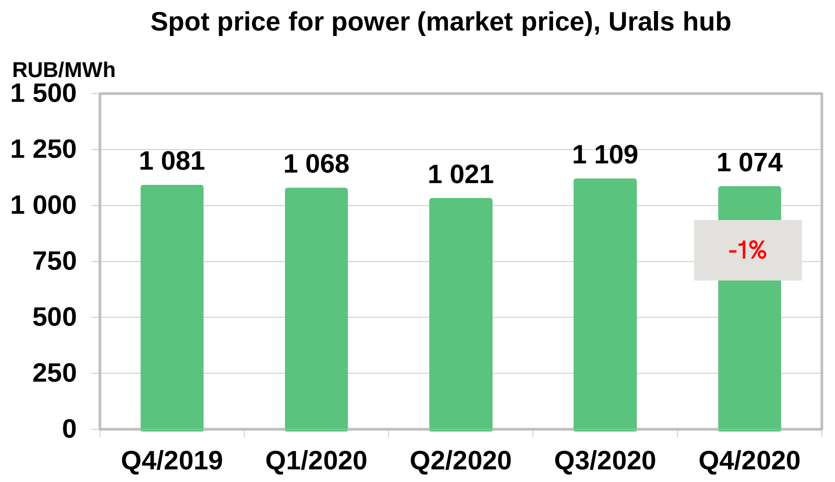
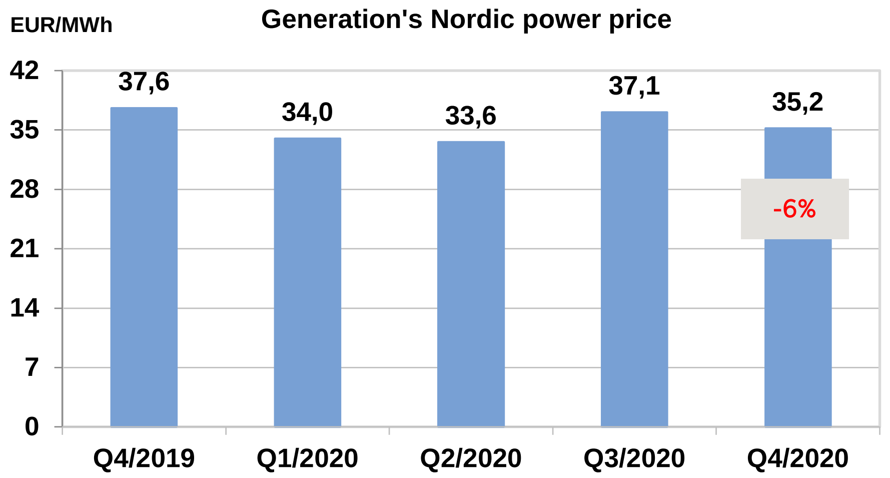
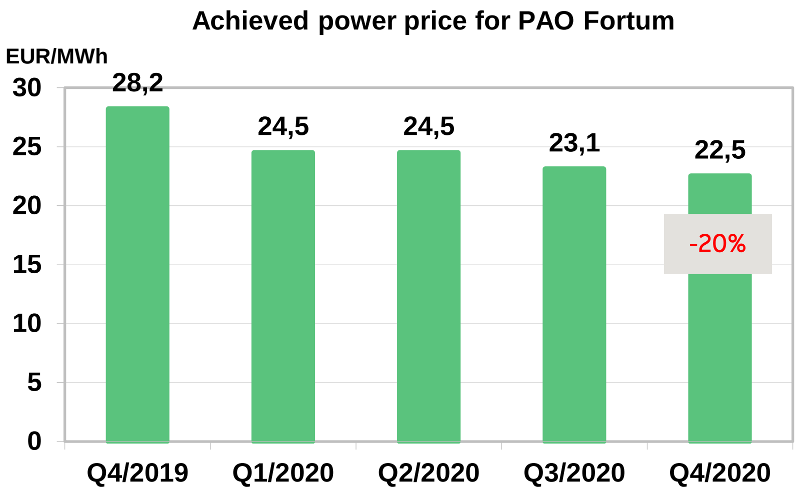
Hedging supported Fortum's achieved power price in the Nordics, Russian achieved price in roubles increased









Changes refer to year-on-year difference (Q4 2020 versus Q4 2019)
NOTE: Achieved power price (includes capacity payments) in roubles increased by 3%

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Generation

Q4 2020

- Lower power generation
  - Hydro +0.6 TWh
  - Nuclear -1.5 TWh
- Lower achieved power price, -6% (-2.4 EUR/MWh), fairly high hedge price and hedge level mitigated significantly lower spot prices

2020

- Lower power generation
  - Hydro +2.1 TWh
  - Nuclear -2.5 TWh
- Lower achieved power price, -5% (-2.0 EUR/MWh), fairly high hedge price and level mitigated significantly lower spot prices

MEUR	IV/2020	IV/2019	2020	2019
Sales	541	583	2,006	2,141
Comparable EBITDA	220	278	886	939
Comparable operating profit	177	239	722	794
Comparable net assets			6,234	6,019
Comparable RONA %			11.8	13.3
Gross investments	115	77	228	260


Loviisa, Finland

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Russia

Q4 2020

- FX effect of EUR -19 million
- Lower CSA payments
- Cost efficiency and good availability

2020

- FX effect of EUR -34 million
- Lower power margins and volumes
- Lower CSA payments
- Higher heat tariffs
- 550 MW of new wind capacity commissioned in joint venture

MEUR	IV/2020	IV/2019	2020	2019
Sales	238	306	929	1,071
Comparable EBITDA	108	136	394	469
Comparable operating profit	76	94	251	316
Comparable net assets			2,431	3,212
Comparable RONA %			11.1	12.3
Gross investments	19	98	91	133

CSA=Capacity Supply Agreements

Nyagan, Russia

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City Solutions

Q4 2020

- Lower result in heating business in Norway
- Weaker performance in the recycling and waste business
- EUR 7 million effect from divestments
- Q4 2019: One-time items of EUR +16 million

2020

- Lower heat sales volumes and power sales prices
- Lower Norwegian heat sales prices
- Weaker performance in the recycling and waste business
- EUR 14 million effect from divestments
- Indian solar positive contribution

MEUR	IV/2020	IV/2019	2020	2019
Sales	337	366	1,075	1,200
Comparable EBITDA	90	129	239	308
Comparable operating profit	41	80	47	120
Comparable net assets			3,679	3,945
Comparable RONA %			2.8	4.6
Gross investments	116	61	333	323

Klaipeda, Lithuania

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Consumer Solutions

Q4 2020

- 13th consecutive quarter of comparable EBITDA improvement
- Competition intense in Norway
- Customer recommendation & employee engagement at all-time-high levels
- Several new digital services launched
- Strategic review initiated

2020

- Higher sales margin as a result of active development of the service offering
- Strengthened competitiveness and several new enterprise contracts signed

MEUR	IV/2020	IV/2019	2020	2019
Sales	370	510	1,267	1,835
Comparable EBITDA	38	35	153	141
Comparable operating profit	21	19	90	79
Comparable net assets			565	637
Customer base, million			2.39	2.38
Gross investments	14	15	57	55

Mobile app based Fortum 360 electric vehicle service for smart home+public charging for all connectable cars

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Uniper

Q4 2020

- European power prices increased supported by the increase in CO_2 prices.
- The gas business followed the normal seasonal pattern with a strong quarter and high withdrawal from the gas storages
- Comparable operating profit impacted by EUR +64 million accounting effect, mainly one-time, from PPA

2020

- In Q1, Fortum recorded its share of Uniper's profits (EUR 469 million) as an associated company in Other Operations
- From Q2 onwards consolidated as a subsidiary
- Comparable operating profit impacted by EUR +57 million accounting effect, mainly one-time, from PPA

MEUR	IV/2020	IV/2019	2020	2019
Sales	19,990	-	44,514	-
Comparable EBITDA	819	-	856	-
Comparable operating profit	649	-	363	-
Comparable net assets		-	7,432	-
Gross investments	261	-	627	-


Uniper's HPP, Sweden

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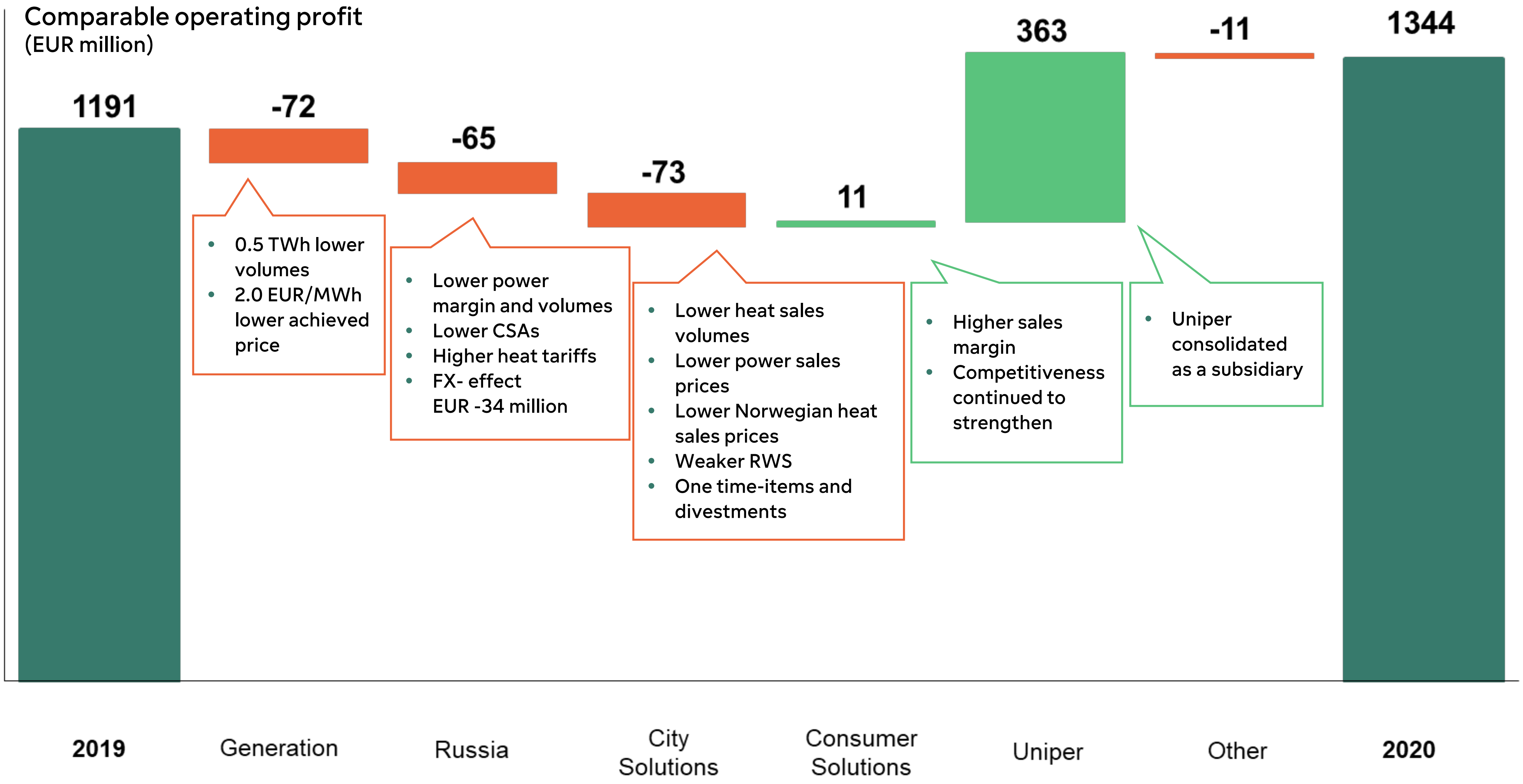
Key financials

MEUR	IV/ 2020	IV/2019	2020	2019
Sales	21,279	1,553	49,015	5,447
Comparable EBITDA	1,247	552	2,434	1,766
Comparable operating profit	928	398	1,344	1,191
Operating profit	458	401	1,599	1,118
Share of profits of associates and joint ventures	113	65	656	744
Profit before income taxes	554	454	2,199	1,728
Earnings per share, EUR	0.43	0.40	2.05	1.67
Net cash from operating activities	763	209	2,555	1,575

Full year 2020

- Comparable EBITDA +38%
- Comparable operating profit +13%
- Items affecting comparability EUR 255 million, mainly
  - EUR 722 million sales gain from divestment of district heating business
  - EUR -675 million change in fair values of non-hedge-accounted derivatives
- EPS EUR 2.05 (1.67)
  - Items affecting comparability 0.38 (-0.07)
  - Uniper's contribution to results 0.51 (0.71)
- Very strong cash flow

2020 – Three quarters of consolidating Uniper more than offset the impact of weak markets



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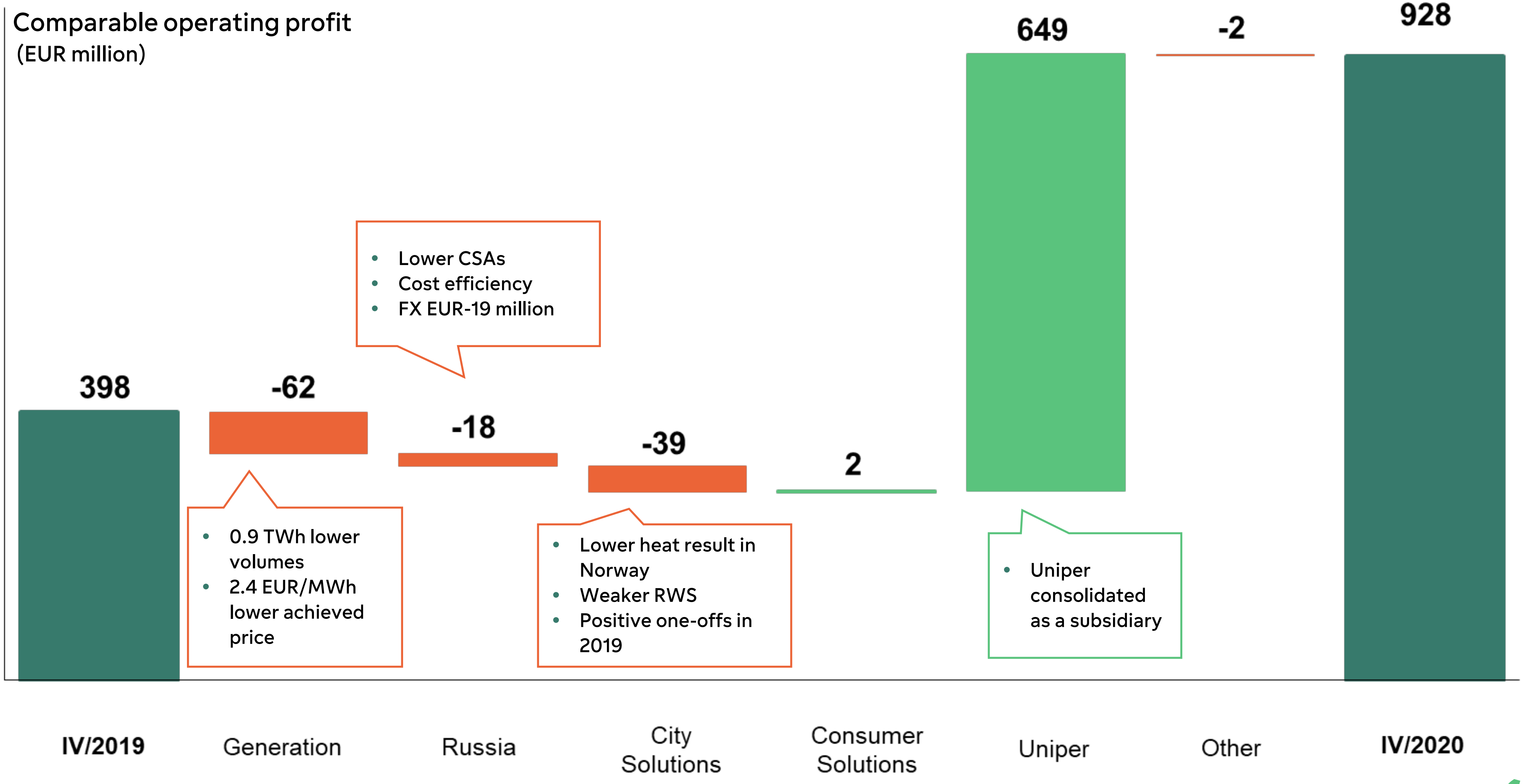
Q4 2020 – Significant impact of Uniper profits



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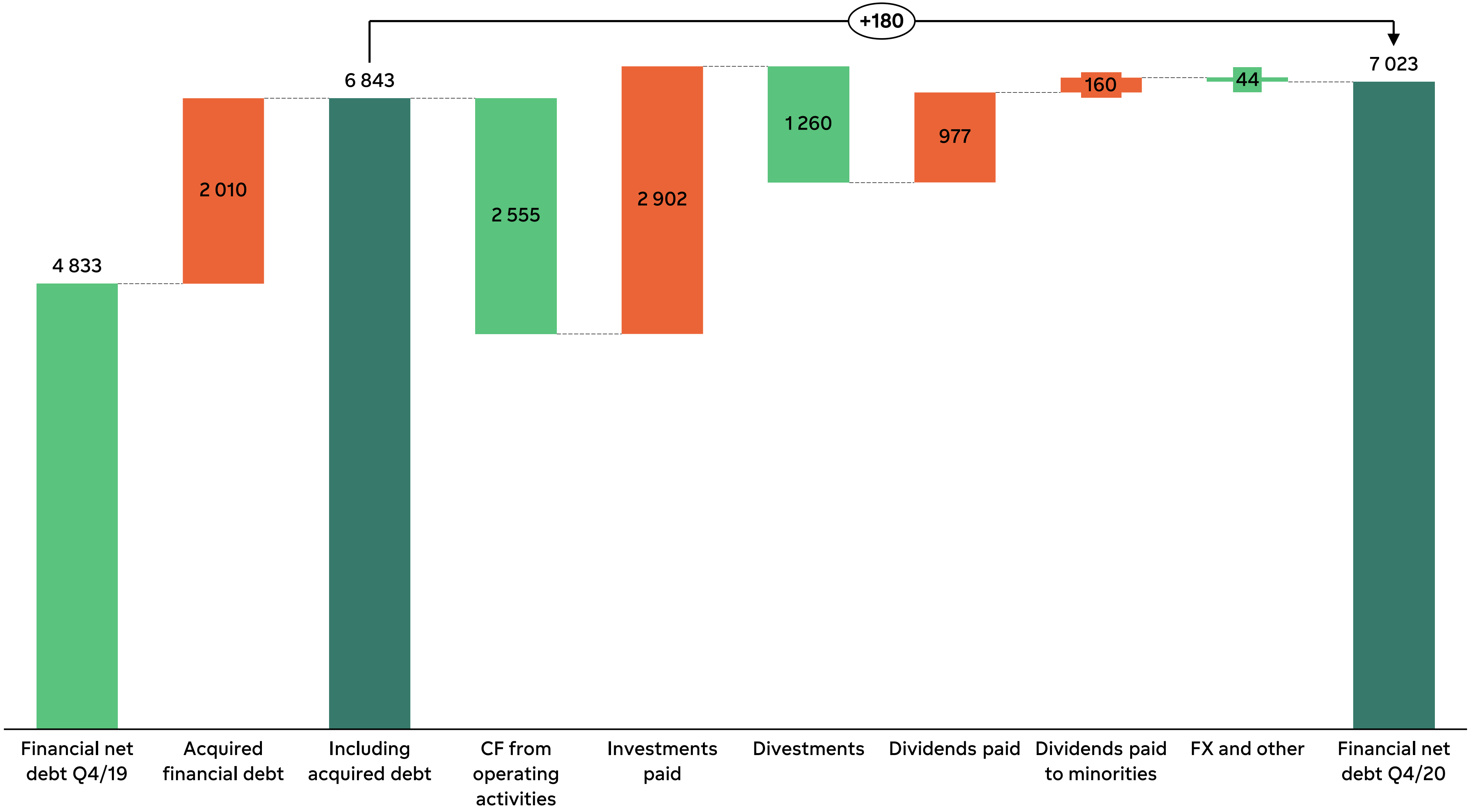
Cash flow and change in financial net debt in 2020



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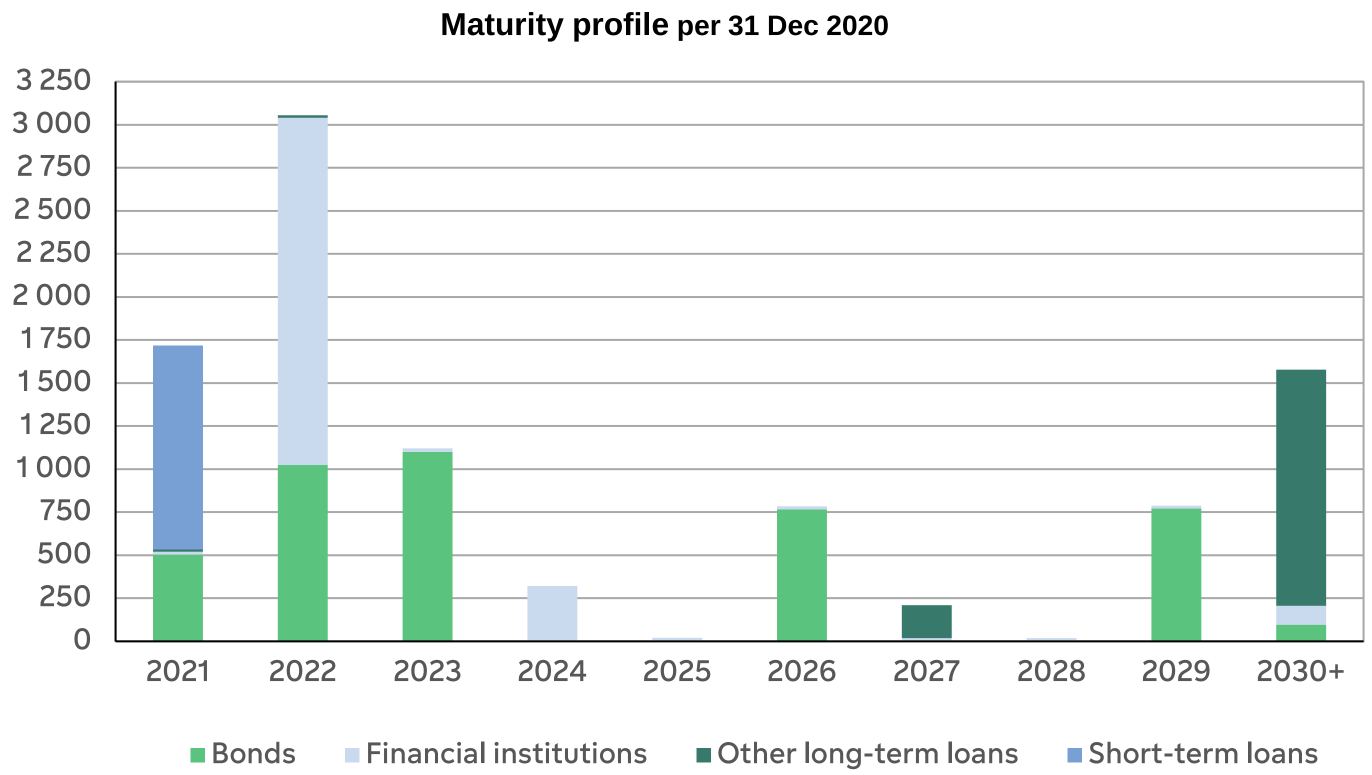
Focus remains on optimising of cash flow and maintaining of financial flexibility

- Fortum's objective is to have a solid investment grade rating of at least BBB to maintain its financial strength, preserve financial flexibility and good access to capital.
- Focus is on profitability, optimising of cash flow and prioritising of capital expenditure.



- Total loans EUR 9,607 million (excl. lease liabilities)
  - Average interest of 1.5% (2019: 2.3%) for Group loan portfolio incl. derivatives hedging financial net
  - EUR 634 million (2019: 787) swapped to RUB with average interest 6.2% (2019: 7.8%) incl. cost for hedging
  - Average interest of 0.9% (2019: 0.9%) for EUR loans
- Liquid funds of EUR 2,308 million
- Undrawn credit facilities of EUR 5,100 million

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Outlook

Hedging

Generation Nordic hedges:

For 2021: 75% hedged at EUR 33 per MWh
(Q3: 75% at EUR 33)
For 2022: 50% hedged at EUR 31 per MWh
(Q3: 40% at EUR 32)

Uniper Nordic hedges:

For 2021: 90% hedged at EUR 27 per MWh
(Q3: 85% at EUR 28)
For 2022: 65% hedged at EUR 24 per MWh
(Q3: 55% at EUR 24)
For 2023: 25% hedged at EUR 22 per MWh

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

EUR 1,400 million

of which maintenance capital expenditure is EUR 700 million

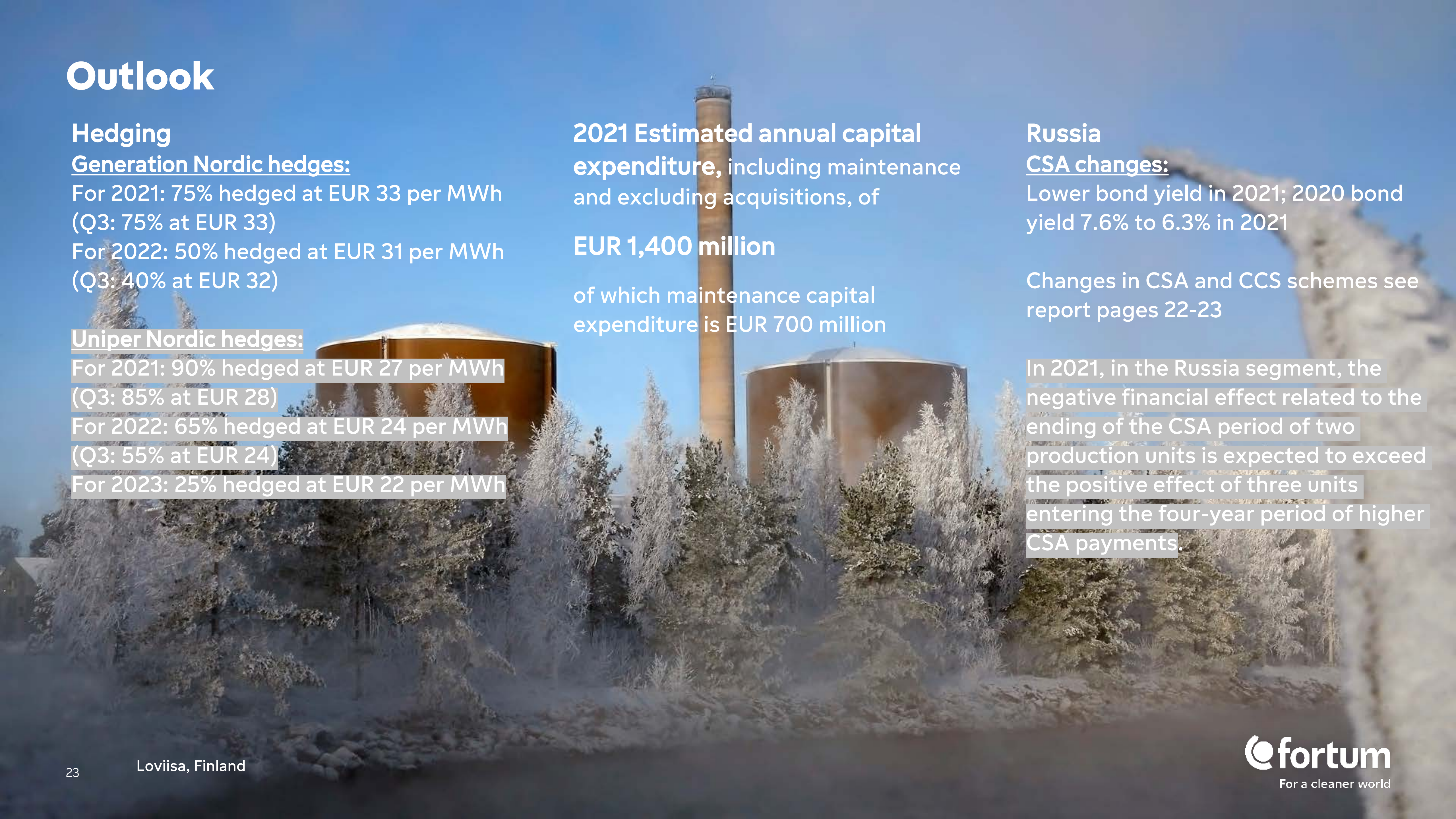
Russia

CSA changes:

Lower bond yield in 2021; 2020 bond yield 7.6% to 6.3% in 2021

Changes in CSA and CCS schemes see report pages 22-23

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.



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Q& A

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