# Financial Statements 2021

**Fortum Corporation**

**3 March 2022**

Markus Rauramo
President and CEO

# Fortum Group’s Russian businesses

## CEO Statement:

- We are deeply concerned about the war in Ukraine. There is no justification for it.
- Whilst operations continue to run as normal, including gas supplies, continuing with business as usual is not an option.
- For now, Fortum has stopped all new investment projects in Russia until further notice and will continue to reduce thermal exposure in Russia.
- Fortum is complying with all applicable laws and regulations, including sanctions, and is preparing for various scenarios.
- Fortum can support security of supply in a decarbonising Europe.

## Fortum Group* operations in Russia

| Fortum Russia – business description 2021 | | |
|---|---|---|
| Employees | 6,902 | |
| Power plants | 12 | |
| Power generation | 15.5 GW capacity | 71.9 TWh generation |
| Heat production | 10.2 GW capacity | 19.1 TWh production |
| Uniper gas midstream | Long-term gas contracts | ~50% of total ~370 TWh/a is sourced from Russia |
| NordStream2 project | 10% share of total financing | ~EUR 1 billion |
| **Fortum Russia – financials 2021** | | |
| Russia total assets book value | EUR ~5.5 billion | |
| Comparable Operating Profit | EUR ~500 million | ~20% of total Group |

* Including Uniper

# Strong performance in an exceptional commodity market enables highest comparable KPIs in Fortum's history

**FY**

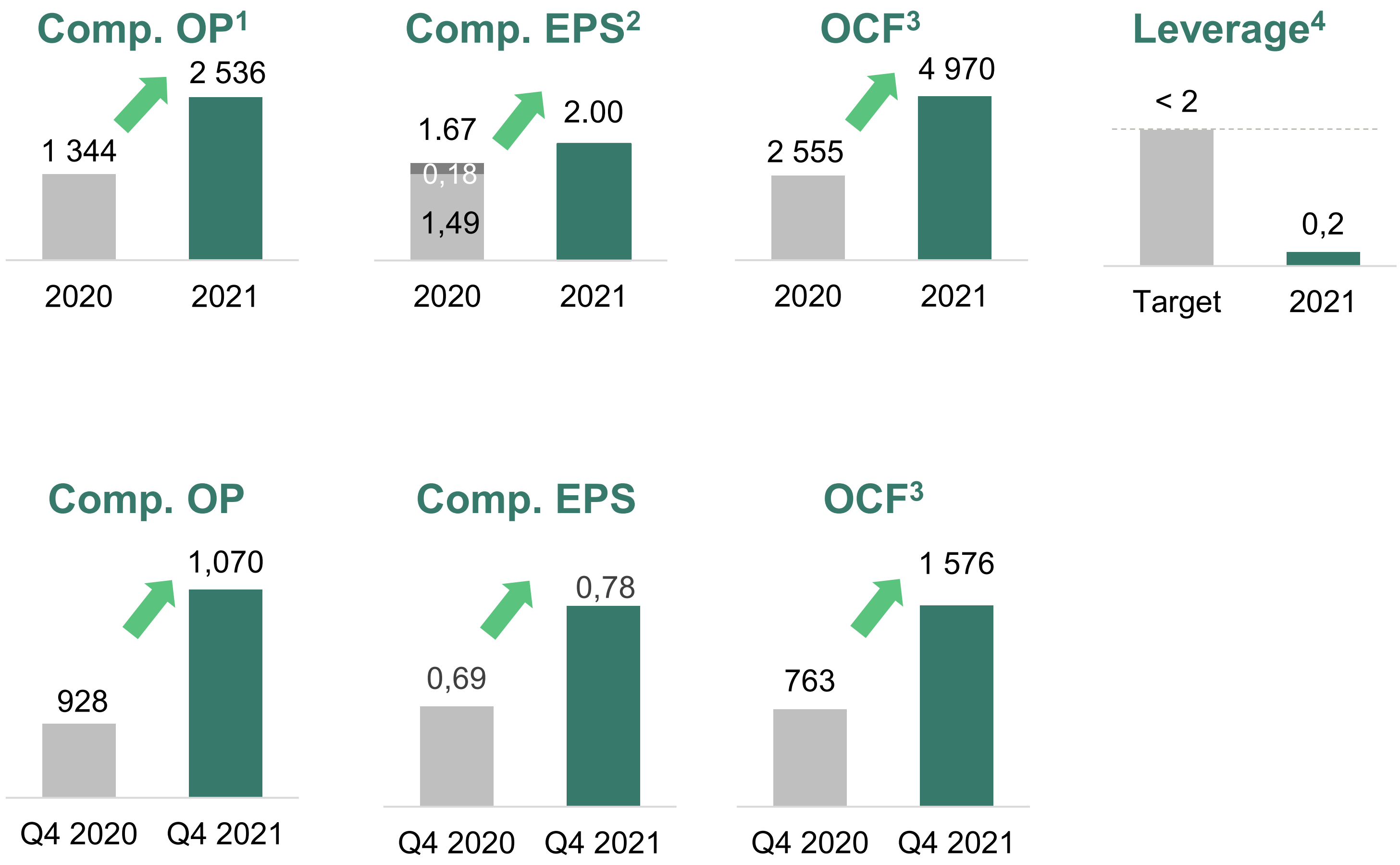
Higher achieved power prices and higher generation volumes with strong physical optimisation

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

Dividend proposal of 1.14 EUR/s

**Q4**

Extraordinary market fundamentals and strong performance across the group




1. Uniper full consolidation since Q2 2020.
2. Comp. EPS FY 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



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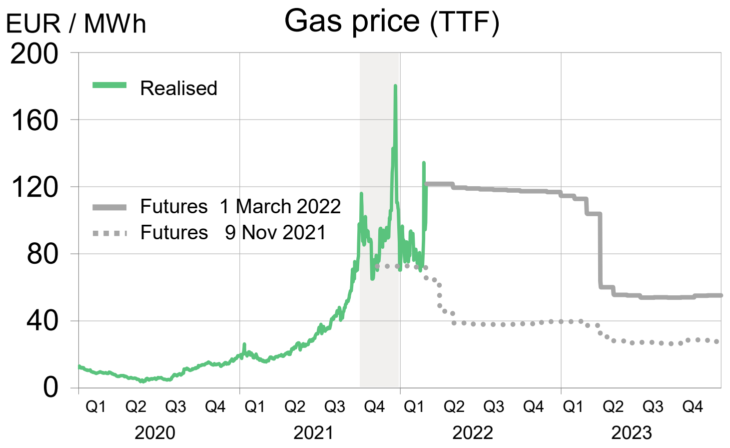
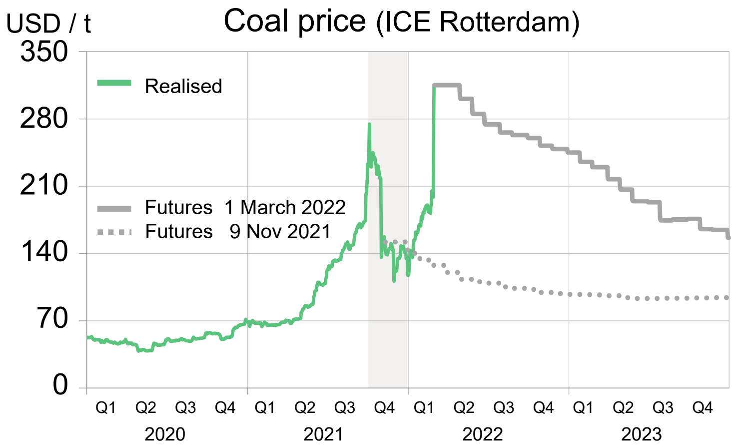
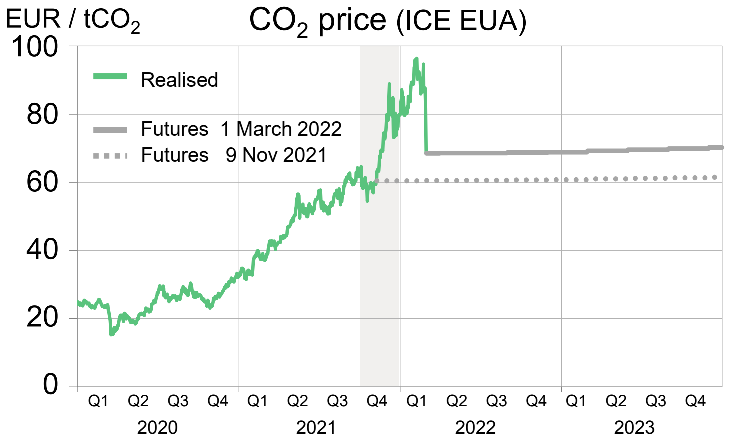
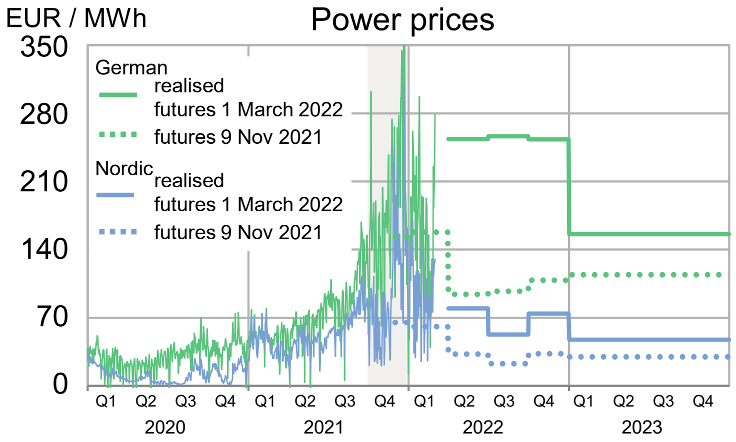
# Energy commodities driving power prices

## Energy commodities reaching new record highs




Source: Refinitiv, Bloomberg

Daily market prices 1 March 2022; 2022-2023 future quotations

The German daily power price was 432 EUR/MWh on 21 Dec 2021 and 417 EUR/MWh on 22 Dec 2021.

- Commodity prices have been driving up power prices both on the Continent and in the Nordics to unprecedent highs
- Gas price is clearly the main driver driven by geopolitical uncertainties
- Situation challenges consumers, politics and risk management imposes liquidity need to utilities
- Nordic-German spread has grown while it is additionally subject to hydro conditions, growing renewable supply and interconnector capacity

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# Fortum Group is well positioned to drive the energy transition and to navigate through the turbulence

**Political will to accelerate the energy transition**

- Global warming
- Extreme weather events
- Desired 2030 coal-exit in Germany
- EU taxonomy

**Sustainability** is the license to operate

**Structural increase in volatility**

- Weather dependence of RES and increasing share of intermittent capacity
- Volatility increase in price/ volume for balancing fuels

**Security of supply** is back on top of the agenda

**Elevated price environment**

- Supply imbalances
- Long-term negative investment trend in fossil fuels & generation
- Cost inflation

**Affordability** is jeopardised

**Geopolitical tensions**

- Sanction risks
- Potential financial implications

**Uncertainty** continues

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**Third largest $CO_2$-free generator in Europe + growing portfolio of wind & solar**

**Significant provider of flexibility (hydro & gas)**

**Major power generator + provider/ trader of gas**

**Strong balance sheet + resilient earnings**

# Fortum is executing its strategy

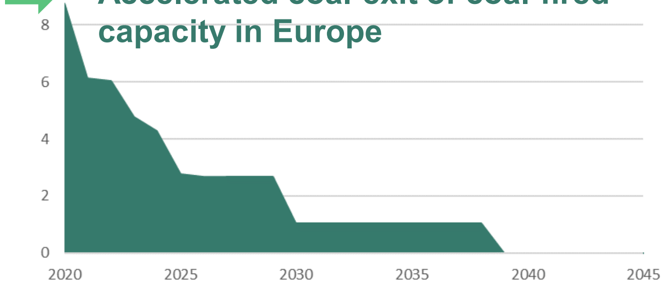
## Transform own operations to carbon neutral

### Fortum climate targets

- Carbon neutral as Group latest by 2050 in line with Paris Agreement
- European Generation carbon neutral latest by 2035
- Scope 3 indirect emissions -35% by 2035 at the latest, compared to the base year 2021

### Coal-exit ahead of plan in Europe

Accelerated coal-exit of coal-fired capacity in Europe




## Strengthen and grow in $CO_2$-free power generation

### Supply significant reliable CO2-free power

Nuclear capacity addition and lifetime expansion

**Olkiluoto 3**
adding 0.4GW by 2022

**Loviisa**
lifetime extension

Support of SMR technology development

### Growing a sizeable renewables portfolio

2.6 GW of new projects disclosed

**Nordics: 0.4GW**
wind
PPA backed
cooperation with Helen (40%) to be operational by 2024

**India: 0.6GW**
solar
PPA backed
to be commissioned by 2024

**Russia: 1.4GW**
wind
CSA backed
to be commissioned during the years 2025–2027

## Leverage strong position in gas to enable the energy transition

### Provide security of supply and flexibility

Providing grid stability

**Killingholm, Grain**
TSO services

**Scholven 3**
CHP for industrials online 2022

**Irsching 6**
300MW for TSO online 2022

### Build on first-mover position in hydrogen

1 GW of electrolyser capacity targeted for 2030

1 GW of electrolyser capacity targeted until 2030

Series of cooperation agreements for the supply of green H2 and green fuel

~370TWh gas midstream portfolio with decarb upside



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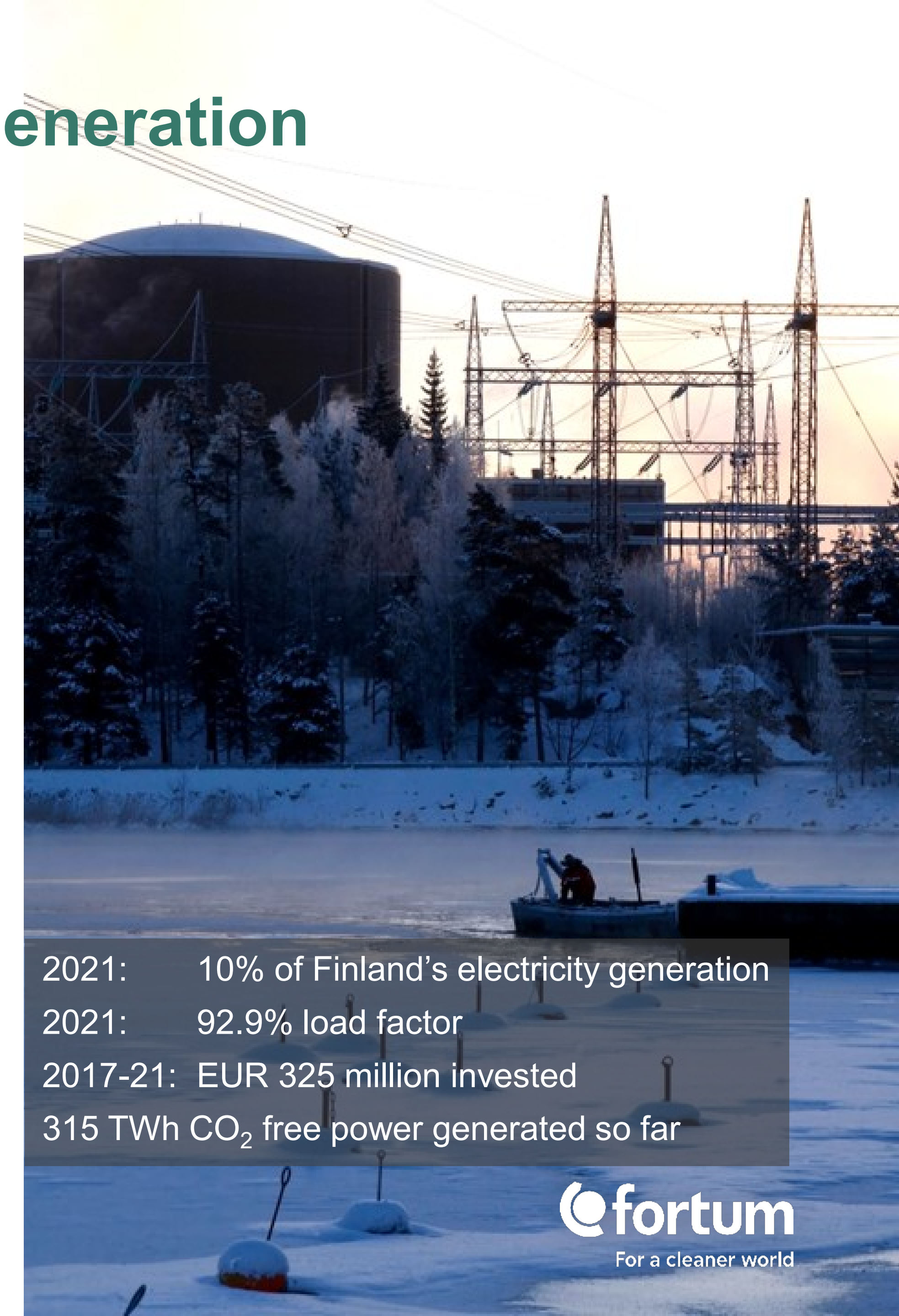
# Strengthen and grow in $CO_2$-free power generation Loviisa lifetime extension

## Fortum's fully-owned Loviisa nuclear power plant lifetime extension

| | |
|---|---|
| **Reliable backbone of the energy transition** | • Extension potential of operations until 2050 offering **up to 170 TWh of additional $CO_2$ free power** |
| **Competitive economics** | • Very reasonable addition of nuclear supply with limited capital expenditure of estimated approx. EUR 1bn |
| **Taxonomy aligned** | • Upgrade project in line with taxonomy powering the energy transition |
| **Solution for waste** | • Finland has a solution for nuclear waste |
| **Public backing** | • Fortum is the local reliable operator for decades |



# Bernhard Günther
# CFO

# Key financials

| MEUR | IV/2021 | IV/2020 | 2021 | 2020 |
|---|---|---|---|---|
| Sales | 50,079 | 21,279 | 112,400 | 49,015 |
| Comparable EBITDA | 1,416 | 1,247 | 3,817 | 2,434 |
| Comparable operating profit | 1,070 | 928 | 2,536 | 1,344 |
| Comparable share of profits of associates and joint ventures | 27 | 63 | 154 | 656 |
| Comparable profit before income taxes | 1,054 | 969 | 2,651 | 1,897 |
| Comparable net profit | 693 | 610 | 1,778 | 1,483 |
| Comparable EPS | 0.78 | 0.69 | 2.00 | 1.67 |
| Net cash from operating activities | 1,576 | 763 | 4,970 | 2,555 |
| Financial net debt / Comp. EBITDA | | | 0.2 | 2.9 |

Extraordinary strong financial KPIs

Comparable EBITDA on record high level of EUR 3.8 billion

Comparable EPS at EUR 2.00

Strong credit metrics with Financial net debt / Comp. EBITDA of 0.2x clearly below target level of <2x following latest divestments

S&P confirmed Fortum's and Uniper's BBB rating with stable outlook

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# 2021, almost all segments improved – volumes and prices contributed


**Generation**
higher volumes and achieved power price with strong physical optimisation

**Russia**
one-off effect and higher power prices offsetting negative FX and declining CSAs

**City Solutions**
higher power and heat sales

**Consumer Solutions**
challenging Q4 and negative customer development

**Uniper**
good underlying performance, change mainly related to consolidation of Uniper from Q2 2020

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

| MEUR | IV/2021 | IV/2020 | 2021 | 2020 |
|---|---|---|---|---|
| Sales | 50,079 | 21,279 | 112,400 | 49,015 |
| Materials and services | -48,003 | -19,127 | -105,170 | -44,298 |
| Other | -659 | -904 | -3,413 | -2,283 |
| Depreciations and amortisation | -346 | -320 | -1,281 | -1,090 |
| **Comparable operating profit** | **1,070** | **928** | **2,536** | **1,344** |
| Items affecting comparability | 942 | -470 | -3,124 | 255 |
| **Operating profit** | **2,012** | **458** | **-588** | **1,599** |
| Share of profits/loss of associates and joint ventures | 40 | 113 | 192 | 656 |
| Finance costs - net | 76 | -18 | 107 | -56 |
| **Profit before income tax** | **2,128** | **554** | **-289** | **2,199** |
| Income tax expense | -1,125 | -142 | 175 | -344 |
| **Profit for the period** | **1,003** | **411** | **-114** | **1,855** |
| Attr. to owners of parent | 842 | 379 | 739 | 1,823 |
| Attr. to non-controlling interest | 162 | 31 | -852 | 32 |

(Uniper's income statement consolidated as of Q2 2020)

Strong increase in sales following the increase in commodity prices

Items affecting comparability includes EUR -5.4bn changes in fair values of derivatives hedging future earnings and EUR 2.7bn capital gains (Share  in Stockholm Exergi and Baltic district heat sale)

In addition to interest expense, net finance costs include Uniper's interest income and positive nuclear fund adjustments

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# Balance sheet tripled due to derivative financial instruments

| MEUR | 31-Dec-21 | 31-Dec-20 | MEUR | 31-Dec-21 | 31-Dec-20 |
|---|---|---|---|---|---|
| Property, plant and equipment and right-of-use assets | 19,049 | 19,367 | **Total equity** | **13,665** | **15,577** |
| Derivative financial instruments | 82,488 | 10,477 | Derivative financial instruments | 88,604 | 10,594 |
| Intangible assets | 2,167 | 2,268 | Interest-bearing liabilities | 17,220 | 10,662 |
| Participations in associates and JVs | 2,461 | 2,912 | Nuclear provisions | 3,891 | 3,866 |
| Shares in Nuclear Waste Funds | 3,515 | 3,445 | Other provisions | 6,407 | 4,232 |
| Interest-bearing receivables | 3,107 | 3,000 | Pension obligations, net | 1,190 | 1,520 |
| Inventories | 2,275 | 1,936 | Other | 1,224 | 1,296 |
| Margin receivables | 9,163 | 1,132 | Margin liabilities | 985 | 331 |
| Other assets including trade receivables | 17,736 | 10,630 | Trade and other payables | 16,477 | 9,525 |
| Liquid funds | 7,592 | 2,308 | | | |
| Assets held for sale | 108 | 335 | Liabilities related to assets held for sale | - | 206 |
| **Total assets** | **149,661** | **57,810** | **Total equity + liabilities** | **149,661** | **57,810** |

Financial derivatives substantially up following the strong increase in commodity prices and high portfolio churn

Interest-bearing liabilities up as a consequence of operational liquidity measures

Margin receivables up – but also margin liabilities based on higher prices

Liquid funds increase by EUR 5.28bn following divestments and the drawing of the RCF



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# Strong cash flow management to secure financial flexibility

| EUR million | IV/2021 | IV/2020 | 2021 | 2020 |
|---|---|---|---|---|
| Comparable EBITDA | 1,416 | 1,247 | 3,817 | 2,434 |
| Non-cash and other items | 940 | 282 | 1,506 | 394 |
| Interest received | 27 | 14 | 75 | 46 |
| Interest paid | -39 | -51 | -202 | -208 |
| Dividends received | 23 | 29 | 124 | 121 |
| Income taxes paid | -165 | -33 | -493 | -267 |
| Change in working capital | -626 | -725 | 144 | 35 |
| **Net cash from operating activities** | **1,576** | **763** | **4,970** | **2,555** |
| Capital expenditures | -329 | -419 | -1,178 | -1,101 |
| Acquisitions of shares | -24 | -158 | -294 | -1,801 |
| Proceeds from sales of property, plant and equipment | 2 | 5 | 20 | 16 |
| Divestments of shares and capital returns | 115 | 21 | 3,863 | 1,244 |
| Shareholder loans to associated companies and joint ventures | 15 | -4 | -8 | -44 |
| Change in margin receivables | -2,723 | -566 | -7,964 | -552 |
| Change in other interest-bearing receivables | -65 | 27 | -166 | 98 |
| Net cash from/used in investing activities | -3,009 | -1,093 | -5,727 | -2,140 |
| Proceeds from long-term liabilities | 3,297 | 93 | 3,439 | 2,569 |
| Payments of long-term liabilities | -1,619 | -40 | -2,315 | -507 |
| Change in short-term liabilities | 2,794 | 317 | 5,364 | 207 |
| Dividends paid to the owners of the parent | 0 | 0 | -995 | -977 |
| Dividends paid to non-controlling interests | -26 | -13 | -171 | -160 |
| Change in margin liabilities | -1,709 | -193 | 649 | -623 |
| Other financing items | 46 | -5 | 43 | -3 |
| Net cash from/used in financing activities | 2,783 | 159 | 6,013 | 505 |
| **Net increase(+)/decrease(-) in liquid funds** | **1,350** | **-172** | **5,256** | **920** |

Change in **non-cash /other items** and **working capital** was impacted by operational liquidity measures in the Uniper segment

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

**Margin receivables** increased due to higher commodity prices covered…

… by additional **financing**…

…and **increase in margin liabilities**



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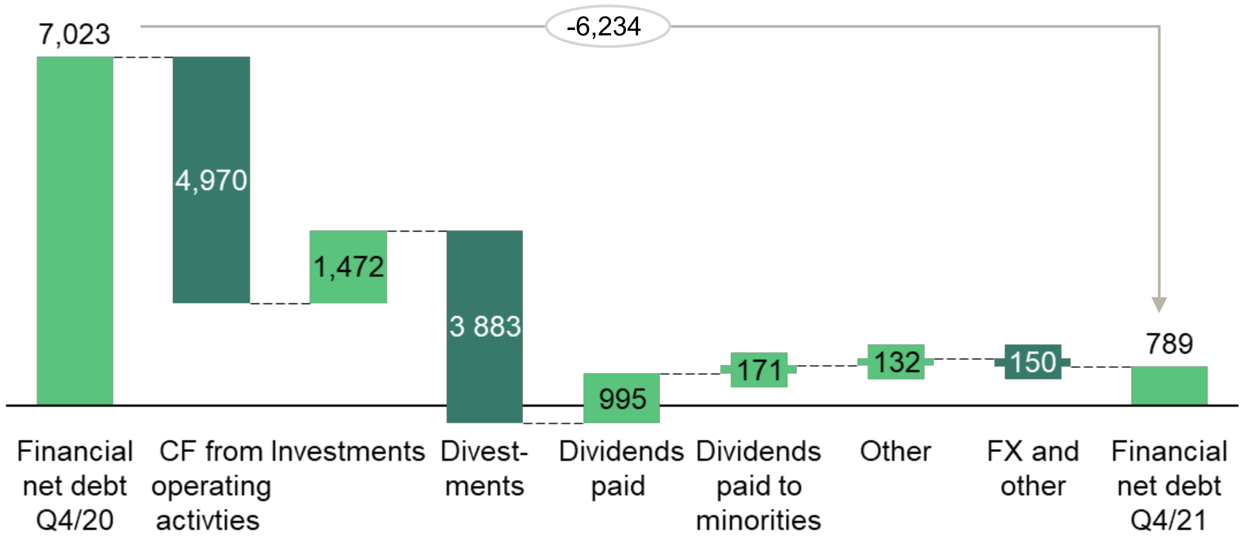
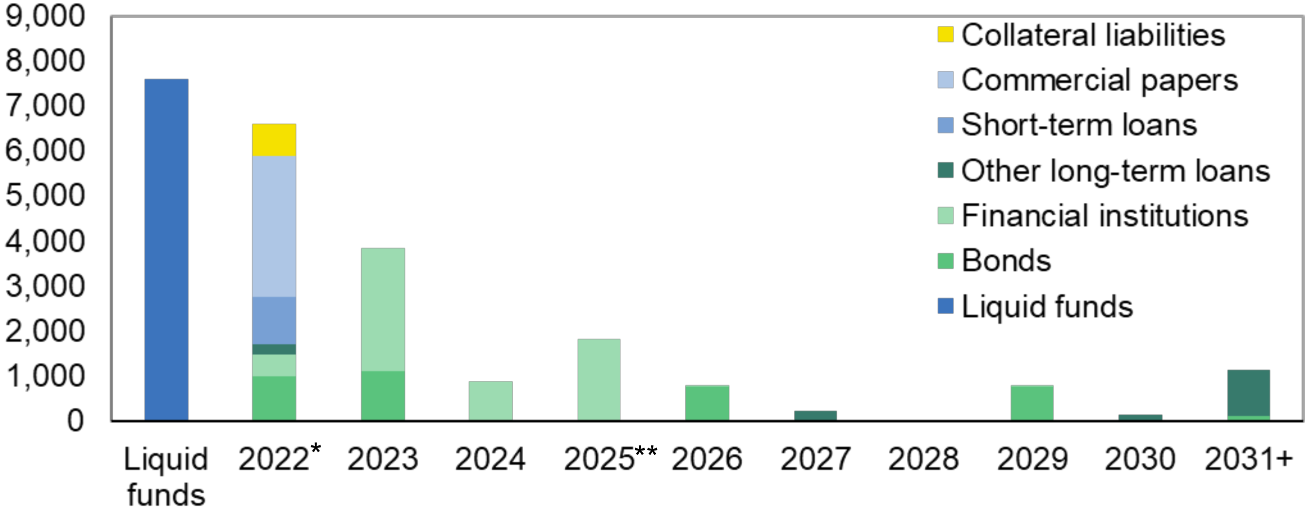
# Leverage below target and good access to debt capital market

Financial net debt




Contractual maturities




*) After the closing date, in January 2022, Uniper signed a EUR 2,000 million short-term revolving credit facility with German state-owned KfW-Bank (maturing in April 2022) and Fortum signed a EUR 3,000 million revolving credit facility (maturing in April 2022 with extension option of three months). These facilities have not been used. Maturities in 2022 also include liabilities of EUR 736 million with no contractual due date.
**) 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, stable outlook

FitchRatings: '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 16,144 million (excl. lease)

- Average interest for Fortum Group loan portfolio including derivatives hedging financial net was 1.3% (2020: 1.5%).
- EUR 925 million (2020: 634) was swapped to RUB with average interest 8.3% (2020: 6.2%) including cost for hedging

Liquid funds of EUR 7,592 million

Undrawn credit facilities of EUR 400 million*

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# Outlook

## Hedging

**<u>Generation Nordic hedges:</u>**
For 2022: 75% hedged at EUR 34 per MWh
(Q3: 65% at EUR 32)
For 2023: 50% hedged at EUR 31 per MWh
(Q3: 40% at EUR 31)

**<u>Uniper Nordic hedges:</u>**
For 2022: 80% hedged at EUR 18 per MWh
(Q3: 85% at EUR 22)
For 2023: 60% hedged at EUR 18 per MWh
(Q3: 55% at EUR 21)
For 2024: 20% hedged at EUR 30 per MWh

**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%.



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# Q&A

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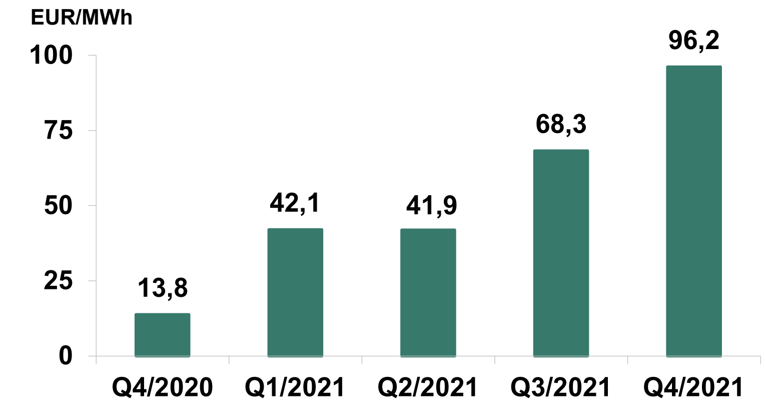
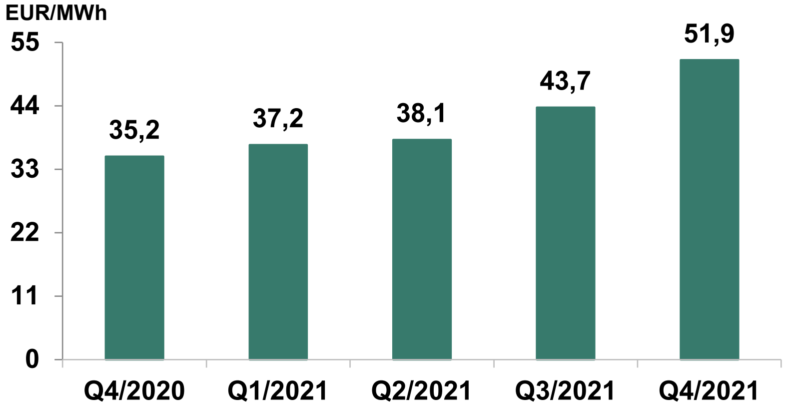
# Higher power prices

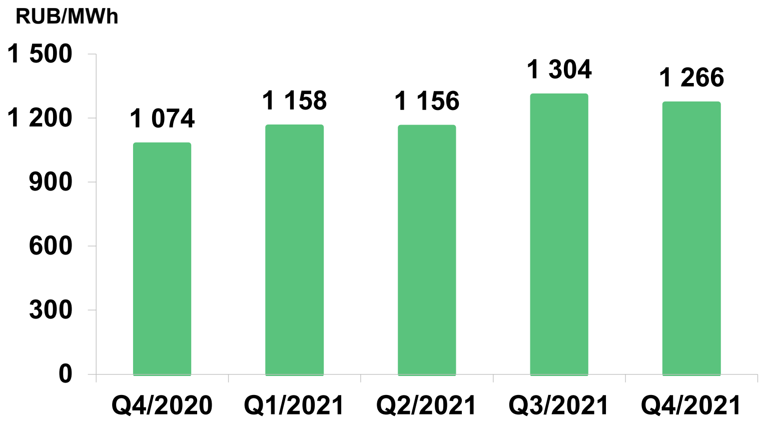
## System spot power price, Nord Pool



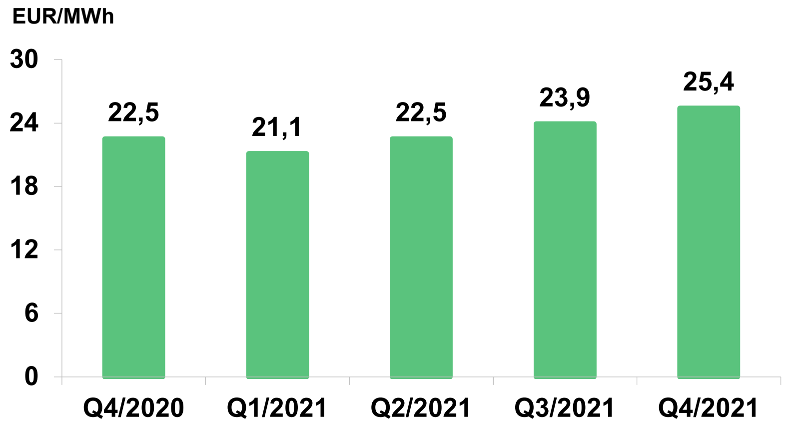

## Achieved power price, Generation segment




## Spot power price, Urals hub




## Achieved power price, Russia segment*




* Achieved power price (includes capacity payments) in RUB increased 3%.
* Does not include Uniper's subsidiary Unipro

Significantly higher spot power prices in the Nordics

Higher achieved power prices

Russian power demand recovering with increasing electricity prices

Russian achieved price increased

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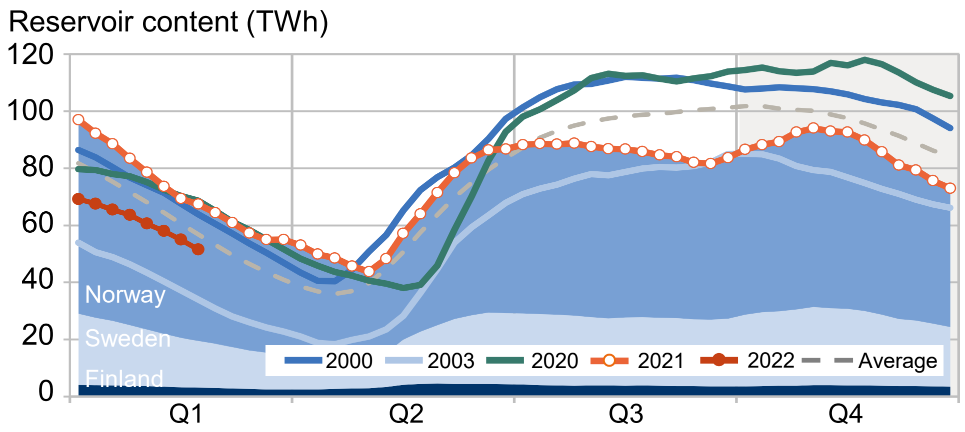
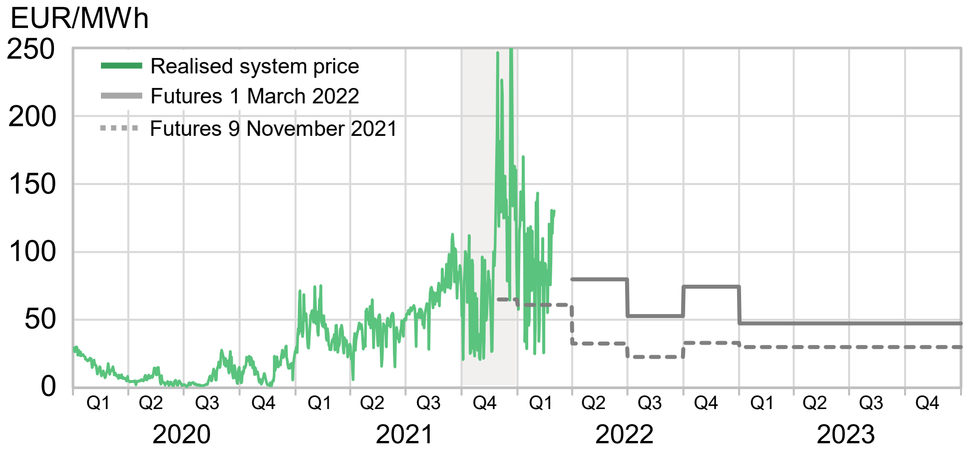
# Nord Pool system price driven to new price record

Water reservoirs




Power price




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

Source: Nord Pool, Nasdaq Commodities

- Q4 precipitation and inflows realised clearly above normal, breaking the trend of previous quarters in 2021.
- Compared to long-term average, Nordic water reservoirs increased during Q4 from -18 TWh to -11 TWh. The utilisation of hydropower remained high amid strong power prices and exports.
- For the whole, 2021 water reservoirs decreased from +21 TWh to -11 TWh, compared to long-term average. This was caused by below normal precipitation combined with high utilisation of hydropower.

- Nord Pool system spot price made a new price record, reaching EUR 96 (14) per MWh in Q4 2021.
- Nordic spot price was increasingly supported by growing exports and Continental European power prices, which in turn are driven by exceptional price levels in gas and carbon prices.
- Recent increases in interconnector capacity and below normal water reservoir levels have contributed to the strong growth in Nordic power price throughout 2021.

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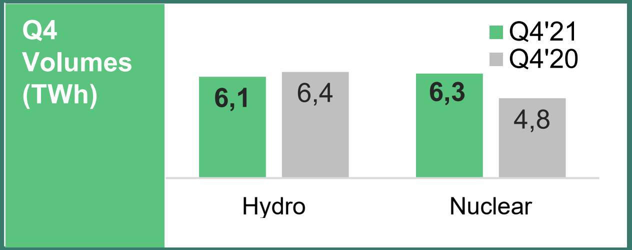
# Generation:
# Higher achieved power prices

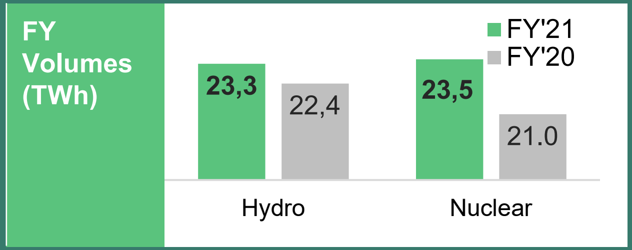
## Q4 2021 vs. Q4 2020

- Comparable operating profit more than doubled mainly due to
  - Higher achieved power prices of EUR 51.9, +16.7 per MWh
  - Significantly increased nuclear volumes due to higher availability
- Higher achieved power price
  - Higher spot prices and successful physical optimisation

## FY 2021 vs. FY 2020

- Comparable operating profit up mainly due to
  - Higher achieved prices of EUR 42.8, +8.0 per MWh,
  - Increased hydro and nuclear volumes
- Higher achieved power price
  - Successful physical and financial optimisation and higher spot prices




| MEUR | IV/ 2021 | IV/ 2020 | 2021 | 2020 |
|---|---|---|---|---|
| Sales | 965 | 541 | 2,899 | 2,006 |
| Comp. EBITDA | 450 | 220 | 1,299 | 886 |
| Comp. OP | 401 | 177 | 1,110 | 722 |
| Comp. net assets | | | 6,336 | 6,234 |
| Comp. RONA % | | | 18.0 | 12.2 |
| Gross in-vestment | 76 | 115 | 175 | 228 |

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# Russia:
# Solid underlying performance

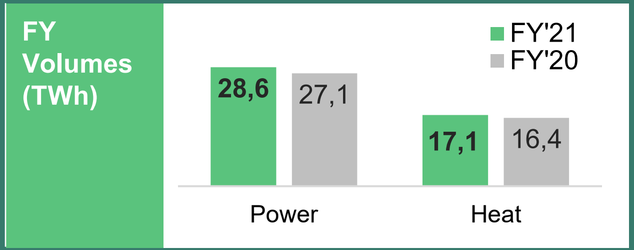
## Q4 2021 vs. Q4 2020

- Comparable operating profit up by 5% to EUR 80 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 6 million
  - Russian power demand recovering with increasing electricity prices and increased achieved price

## FY 2021 vs. FY 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 -14 million

CSA = Capacity Supply Agreement


| MEUR | IV/ 2021 | IV/ 2020 | 2021 | 2020 |
|---|---|---|---|---|
| Sales | 267 | 238 | 906 | 929 |
| Comp. EBITDA | 118 | 108 | 404 | 394 |
| Comp. OP | 80 | 76 | 261 | 251 |
| Comp. net assets | | | 2,508 | 2,431 |
| Comp. RONA % | | | 12.9 | 11.1 |
| Gross in-vestment | 23 | 19 | 83 | 91 |

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# City Solutions: Performance improved

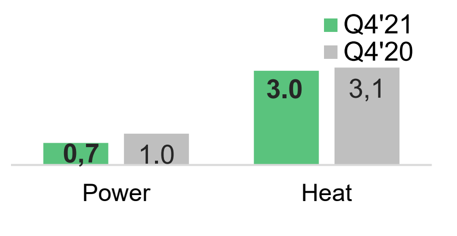
## Q4 2021 vs. Q4 2020

- Comparable operating profit improved as a result of clearly higher heat sales volumes and higher prices in all heating areas
- This excludes the Baltics due to the divestment (EUR –15 million)
- Almost all business areas improved its result from the previous year, which also included the tax-exempt capital gains of EUR 11 million from the sale of the 500-MW solar plants in Pavagada and Rajasthan

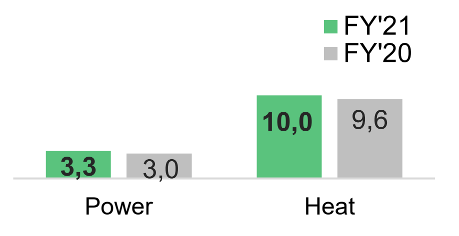
## FY 2021 vs. FY 2020

- 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 in Q3
- Strategic review of the Polish DH business discontinued

Q4 Volumes (TWh)




FY Volumes (TWh)




| MEUR | IV/ 2021 | IV/ 2020 | 2021 | 2020 |
|---|---|---|---|---|
| Sales | 427 | 337 | 1,302 | 1,075 |
| Comp. EBITDA | 119 | 90 | 317 | 239 |
| Comp. OP | 73 | 41 | 135 | 47 |
| Comp. net assets | | | 2,456 | 3,679 |
| Comp. RONA % | | | 6.1 | 2.8 |
| Gross in-vestment | 42 | 116 | 162 | 333 |

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# Consumer Solutions: Challenging market environment

## Q4 2021 vs. Q4 2020

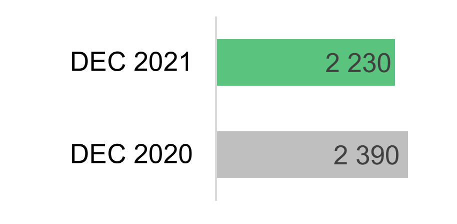
- Negative impacted by higher electricity purchase costs.
- The cold weather in the Nordics during December resulted in higher than expected electricity consumption requiring additional electricity volumes at prices that were clearly higher than the agreed customer prices, resulting in higher electricity purchase costs and negative margins

## FY 2021 vs. FY 2020

- Negative impacted by higher electricity purchase costs.
- Challenging market environment combined with tough competition in the Nordic market continued
- Negative customer development

- Strategic review of the business discontinued

**Number of customers** ('000)




| MEUR | IV/ 2021 | IV/ 2020 | 2021 | 2020 |
|---|---|---|---|---|
| Sales | 1,052 | 370 | 2,622 | 1,267 |
| Comp. EBITDA | 3 | 38 | 123 | 153 |
| Comp. OP | -17 | 21 | 52 | 90 |
| Comp. net assets | | | 1,125 | 565 |
| Gross in-vestment | 19 | 14 | 68 | 57 |

# Uniper: Solid underlying performance

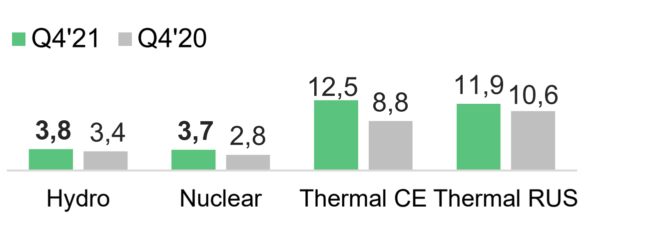
## Q4 2021 vs. Q4 2020

- The Global Commodities business' result slightly down.
- Negative effects in Global Commodities' trading of power and carbon business and rescheduled LNG deliveries shifting earnings into 2022 were almost compensated by an intra-year CO2 emission rights phasing effect that shifted margins from the previous quarters to the fourth quarter of 2021.

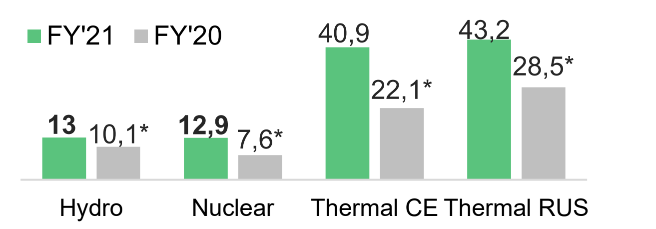
## FY 2021 vs. FY 2020

- The main reason for the change in cumulative figures, and vs. 2020, is the consolidation of Uniper into the income statement.
- European generation with higher volumes (Datteln 4, Irsching 4/5, higher availability in nuclear) offset by nuclear provisions in Q4
- Uniper's gas business benefitted from the extraordinary market developments with volatile and rising prices despite additional capital requirements offset by negative contribution from carbon and power trading

**Q4 Volumes (TWh)**




**FY Volumes* (TWh)**




| MEUR* | IV/ 2021 | IV/ 2020 | 2021 | 2020 |
|---|---|---|---|---|
| Sales | 47,918 | 19,990 | 105,992 | 44,514 |
| Comp. EBITDA | 763 | 819 | 1,789 | 856 |
| Comp. OP | 578 | 649 | 1,120 | 363 |
| Comp. net assets | | | 4,971 | 7,432 |
| Gross in-vestment | 185 | 261 | 683 | 639 |

* Uniper consolidated from Q2 2020

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