

Financial Statements 2023

Fortum Corporation
7 February 2024

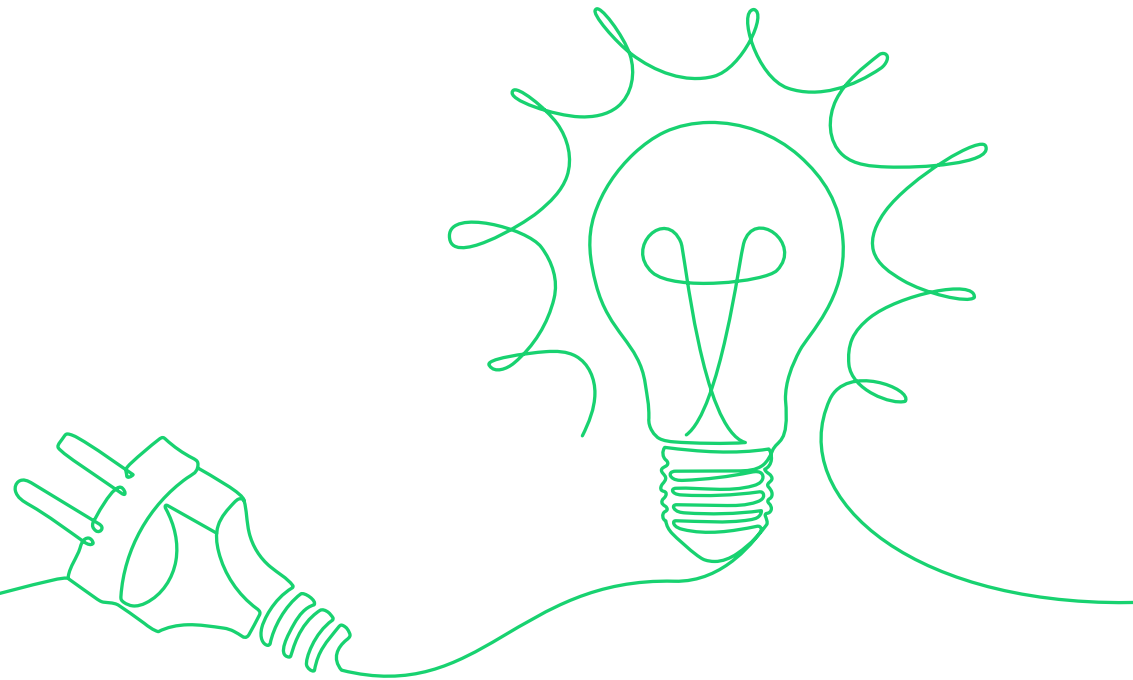


Markus Rauramo
President and CEO

Financial highlights 2023

- Volatile market environment
- Strong financial position and solid financial performance
- Return to bond market - balanced maturity profile
- Lost control of Russia business - segment deconsolidated
- 98% of power generation CO₂-free - specific emissions for power at 16 g/kWh
- New strategy, operating model and business structure as well as leadership team and organisation

- The Board proposes a dividend of 1.15 €/share for 2023



2023

Operating profit

The Generation segment improved, but Group's comparable operating profit was weighted down by the lower results in the Consumer Solutions and Other Operations segments.

Cash flow

Cash flow down in Q4, but full-year on good level on par with 2022.

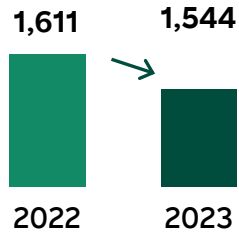
Leverage

Improved slightly from previous year's level to 0.5 times.

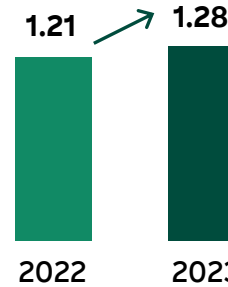
Solid financial performance in 2023

Key financial indicators for continuing operations

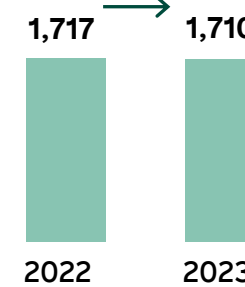
Comp. OP



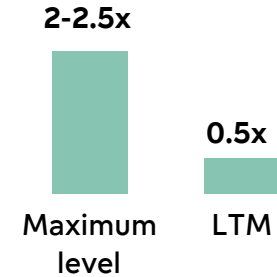
Comp. EPS



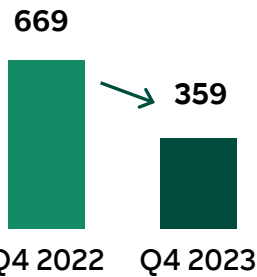
OCF



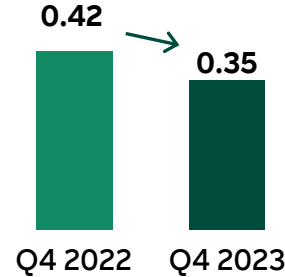
Leverage



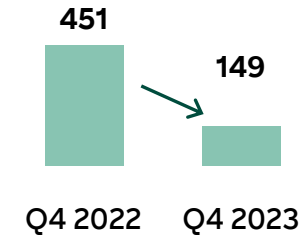
Comp. OP



Comp. EPS



OCF



Strategy execution in 2023

Deliver reliable clean energy

Ensuring long term productivity and security of supply

- Best-in-class operations
 - Lifetime extension of Loviisa NPP
 - Commercial operation of Olkiluoto 3
 - Upgrade of hydro power plants
- Develop and build new clean power
 - Pjelax wind farm to be commissioned in Q2 2024
- Progress in coal exit in own operations
 - Espoo Clean Heat programme
- Reinforcing the position as a clean energy provider
 - Acquisition of Swedish Telge Energi
- 98% of power generation CO₂-free - specific emissions for power at 16 g/kWh

Drive decarbonisation in industries

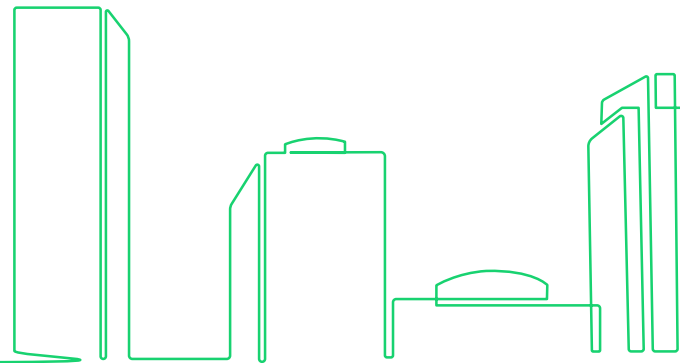
Partnering with strategic customers and developing projects to enable growth

- Nuclear feasibility study on SMRs and conventional nuclear with various suppliers and industrials
- Power LTC and PPA pipeline for outright portfolio

Transform and develop

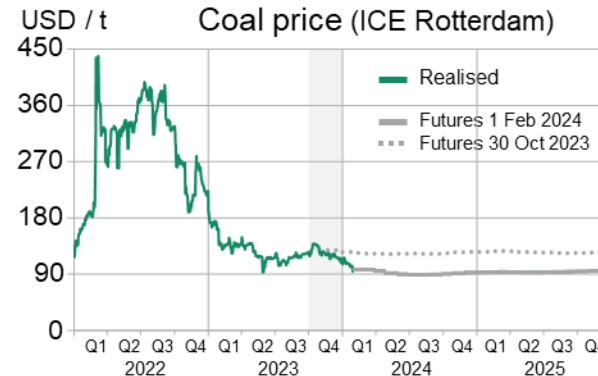
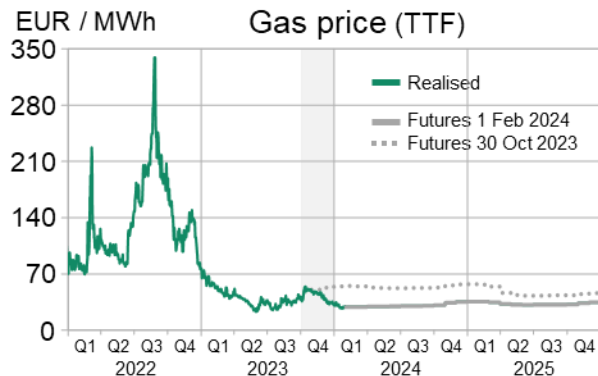
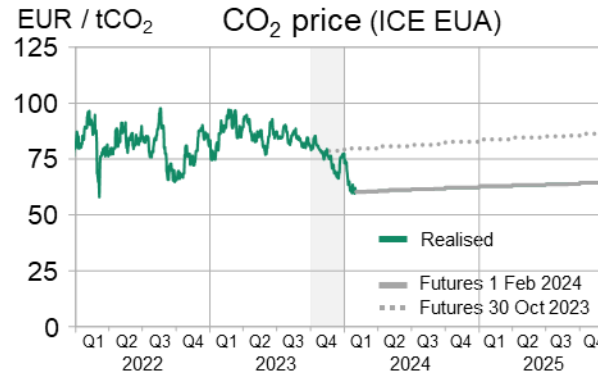
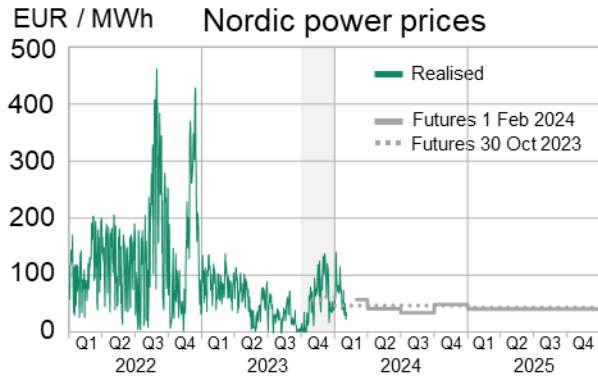
Restructuring organisation to fit the current structure

- New business structure, operating model, leadership team and organisation
- Strategic review of Circular Solutions businesses
- Efficiency improvement programme
- Managing and reducing business risks



Nordic power prices recovered in Q4 2023

Cold and dry weather was driving Nordic power in Q4



- After a brief rebound in October as a response to heightened geopolitical risks in the Middle East, European gas prices continued to decline until the end of the year on low demand, stable supply and record high storage levels.
- Nordic spot- and futures prices, on the other hand, gained significantly during Q4.
- Power prices were supported by strong Nordic weather fundamentals: cold temperature, low precipitation and below normal wind production. This also resulted in rapidly decreasing water reservoirs.

Source: Refinitiv
Daily market prices 1 February 2024; 2024 and 2025 future quotations

Our business portfolio

FORTUM CORE

Strengthen and selectively grow areas of core competence, while capitalising volatile markets.



Hydro



Nuclear



Flexibility and optimisation



Customer business



Heating and Cooling

DEMAND-DRIVEN RENEWABLES

Prepare ready-to-build pipeline to serve customer demand growth with long-term contracts.



Onshore wind



Solar

EXPLORE

Future-shaping by studying, validating, and developing future opportunities.



Clean hydrogen



Innovation & Venturing

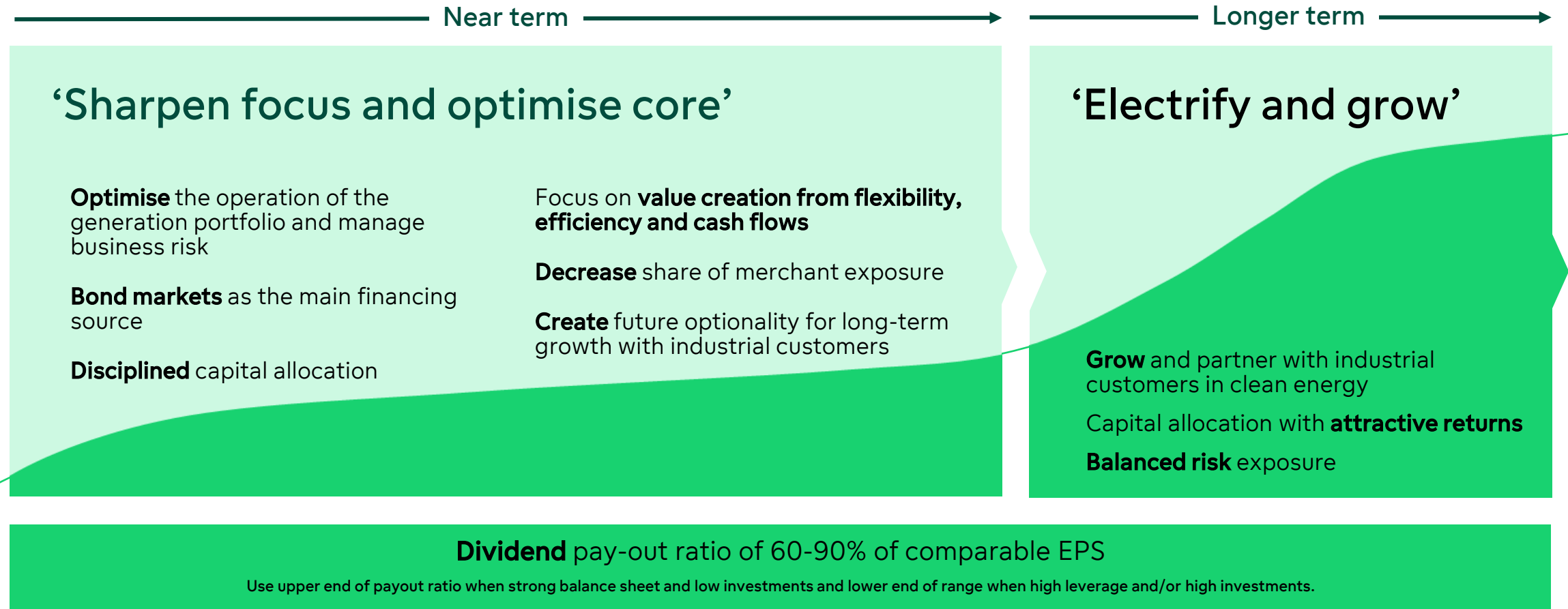
NON-CORE

Businesses not in the core of the strategy. Strategic review.

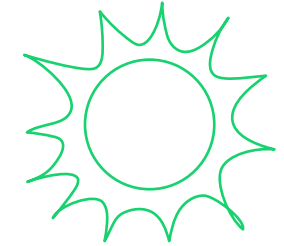


Circular Solutions

Navigate the uncertainty with phased strategy execution



Disciplined capital allocation and focus on cash flow



Disciplined capital expenditure

Total EUR 1.7 billion (excl. acquisitions) for 2024-2026

- Growth up to € 800 million
- Annual maintenance of € 300 million
- Investment hurdles: project WACC + 150-400 bps

Efficiency improvement and cash flow

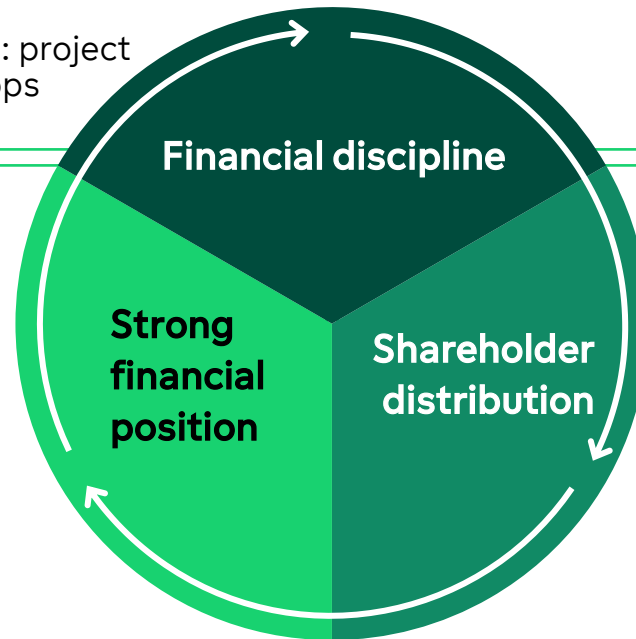
Fixed cost reduction

- € 100 million
- Gradually by end of 2025

Balance sheet and liquidity

Objective: credit rating of at least BBB

- Maximum Net debt-to-Comparable EBITDA of 2.0-2.5 times
- Maintain sufficient liquidity position to manage margining requirements in various price scenarios

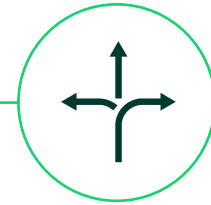


Dividend policy

Payout ratio of 60-90% of Comparable EPS

- Apply upper end of range of pay-out ratio when strong balance sheet and low investments
- Apply lower end of range when high leverage and/or high investments
- Proposal for 2023 of € 1.15 per share (90%)

Strategic targets to capture long-term opportunities, mitigate business and market risks



STRATEGIC TARGET	Strengthen Nordic leadership	Ensure value creation from flexibility	Stabilise income streams	Demand-driven renewables
Rationale	Focus on core competence	Capitalising on volatile markets	Lower cost of capital	Serve customer demand
Description	Build on existing leadership positions	Grow in flexible assets and related capabilities	Improve predictability of cash flows with customer centricity	Develop growth options
Key Performance Indicators	Fleet availability > 90% for nuclear > 95% for hydro	Optimisation premium 6-8 €/MWh	Hedged share of rolling 10-year outright generation volume > 20% by end of 2026	Ready-to-build pipeline for solar and onshore wind > 800 MW by end of 2026



Tiina Tuomela
CFO

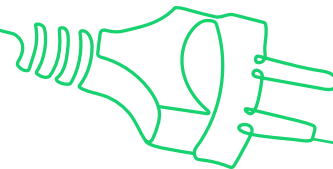
Slightly lower result but stable cash flow for the year 2023

– Key financials

MEUR	IV/2023	IV/2022	2023	2022
Sales	1,858	2,407	6,711	7,774
Comparable EBITDA	459	774	1,903	2,025
Comparable operating profit	359	669	1,544	1,611
Comparable net profit	317	370	1,150	1,076
Comparable EPS	0.35	0.42	1.28	1.21
Net cash from operating activities	149	451	1,710	1,717
Financial net debt / Comp. EBITDA			0.5	0.6

Higher hedge price reflected in the cumulative result

- Strong comparable operating profit at EUR 1,544 m
- Comparable EPS improved to EUR 1.28
- Excellent credit metrics with Financial net debt to Comparable EBITDA at 0.5 times
- Net cash from operating activities, on par with the comparison period at EUR 1,710 m



Q4/2023

Generation

Earnings down due to lower achieved power price, lower power production on condensing power and higher costs related to co-owned production companies

Consumer Solutions

Negatively impacted by lower electricity sales margins and regulated electricity price cap in Poland

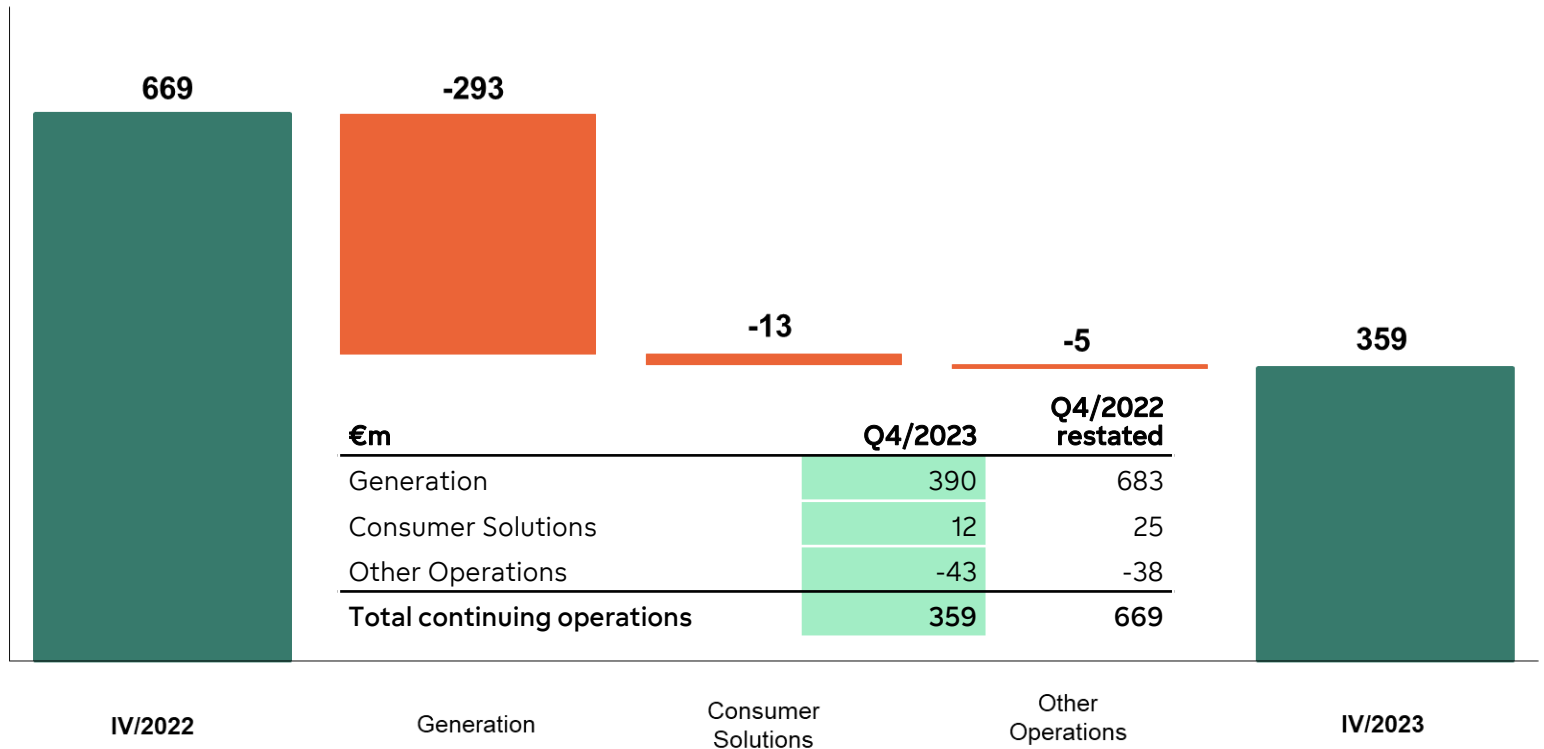
Other Operations

Declined due to development costs for the new operating model and higher costs in enabling functions

Result impacted mainly by lower achieved power price

Comparable operating profit

(EUR million)



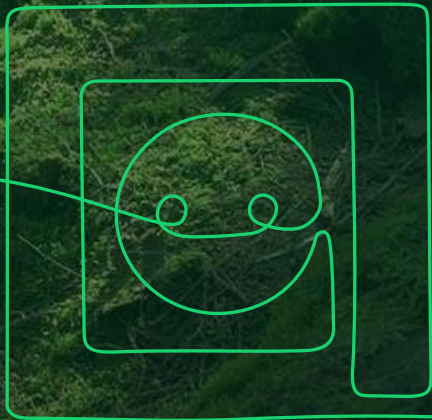
2023

Generation

Higher hedge price and good physical optimisation supported by high price volatility. All-time high earnings and achieved power price.

Consumer Solutions

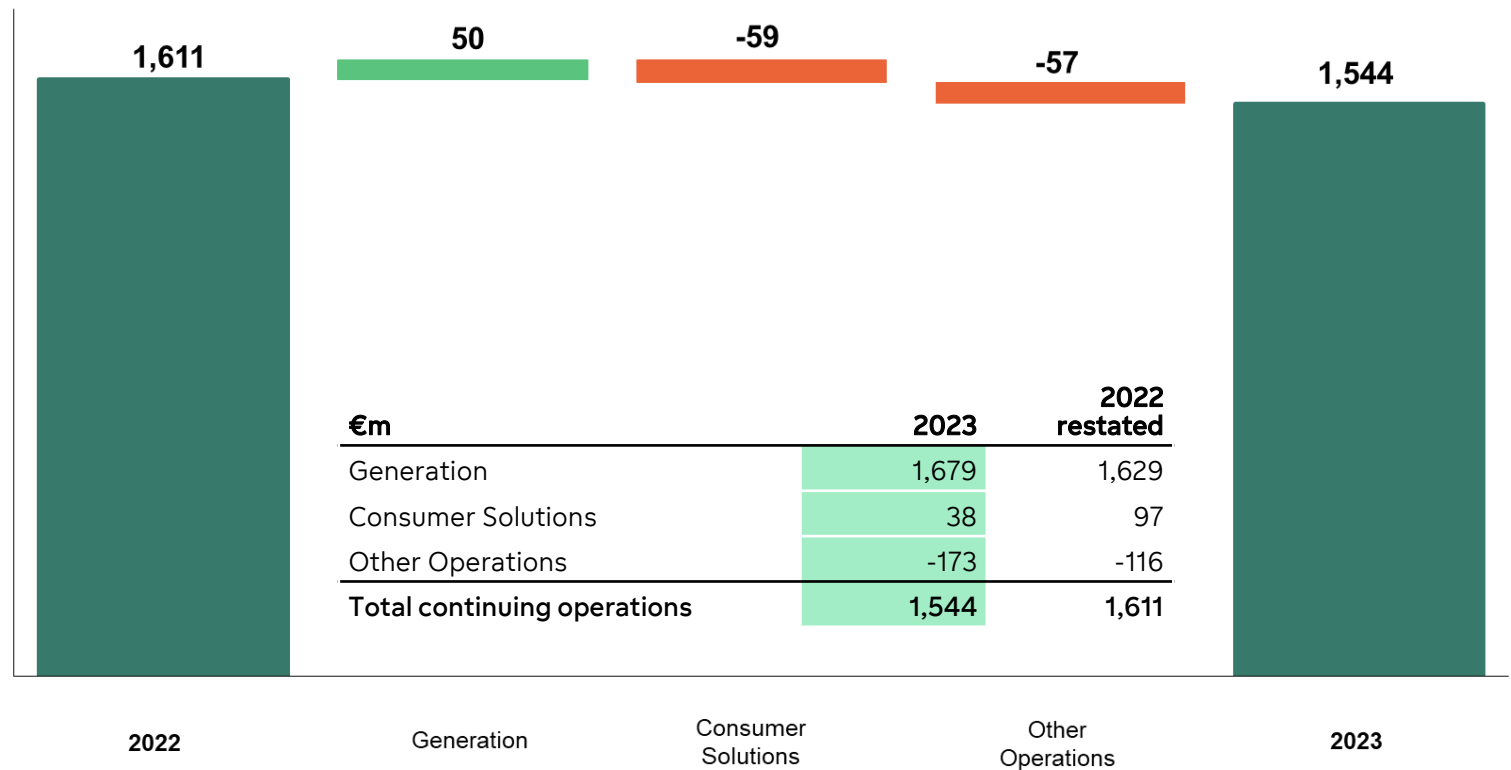
Decreased mainly due to lower sales margins partly offset by higher gas sales margins and lower fixed costs.



Generation segment the key earnings driver in 2023

Comparable operating profit

(EUR million)



Efficiency improvements and disciplined capital expenditure to enhance earnings, cash flow and competitiveness

Fixed cost reduction

€ 100 m

gradually materialising,
full effect at end of 2025

- Actions include strategic prioritisation, assessment of resources and turnaround of underperforming and loss-making businesses

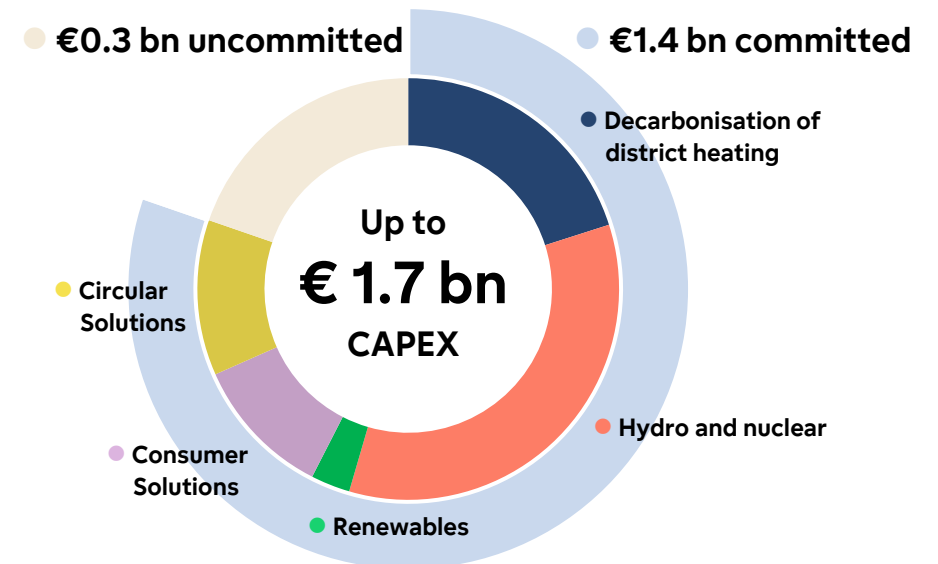
Capital expenditure

€ 1,700 m

for 2024-2026
including maintenance

- PjelaX commissioning Q2 2024, 245 MW in use, total 380 MW
- Loviisa nuclear power plant lifetime extension total € 1 bn until 2050
- Decarbonisation investments of Espoo district heating appr. € 300 mn

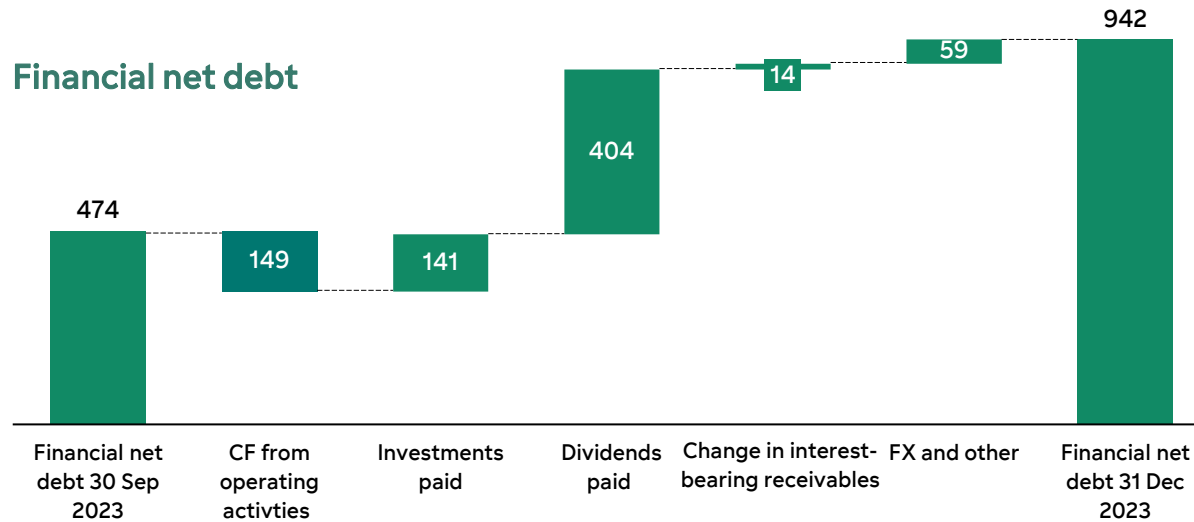
Capex 2024-2026



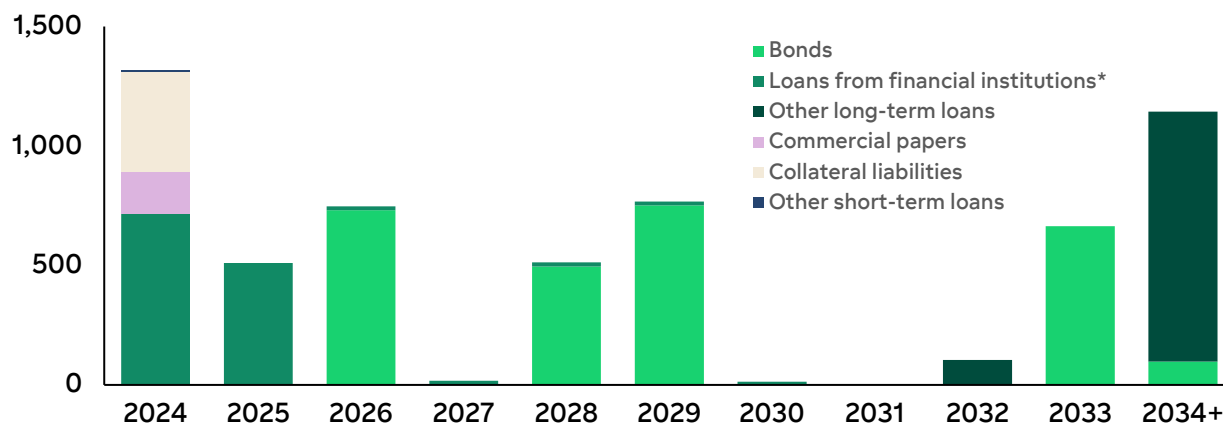
Committed clean energy solutions in Finland:

- Loviisa nuclear power plant lifetime extension
- PjelaX wind farm
- Espoo Clean Heat programme including waste heat usage from data centres

Balanced maturity profile and strong liquidity position



Loan maturities as per 31 December 2023



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

Fortum's objective:

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

As per 31 Dec 2023:

Total loans of € 5.8 bn excl. lease

- Average interest rate for Fortum Group loan portfolio incl. derivatives hedging financial net at 4.3%

Liquidity reserves of € 7.5 bn

- Liquid funds of € 4.2 bn with average interest rate of 3.9%
- Undrawn credit facilities of € 3.3 billion

Outlook

Generation's Nordic outright hedges:

- For 2024: 70% hedged at € 47/MWh
(Previously reported 65% at € 47/MWh)
- For 2025: 40% hedged at € 43/MWh
(Previously reported 30% at € 43/MWh)
- 10-year rolling (2024-2033): 15% hedged

Tax guidance for 2024-2026:

Comparable effective income tax rate is estimated to be 18-20%

Capital expenditure guidance:

2024: Capital expenditure, including maintenance capex, (excluding potential acquisitions) is expected to be ~€ 550 million

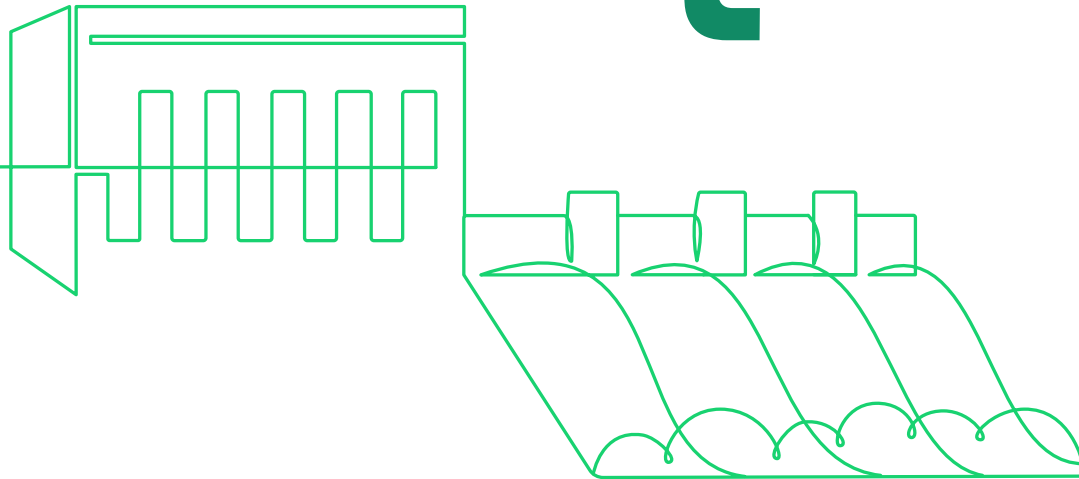
Annual maintenance capital expenditure is expected to be ~€ 300 million

2024-2026: Total capital expenditure can be up to € 1,700 million

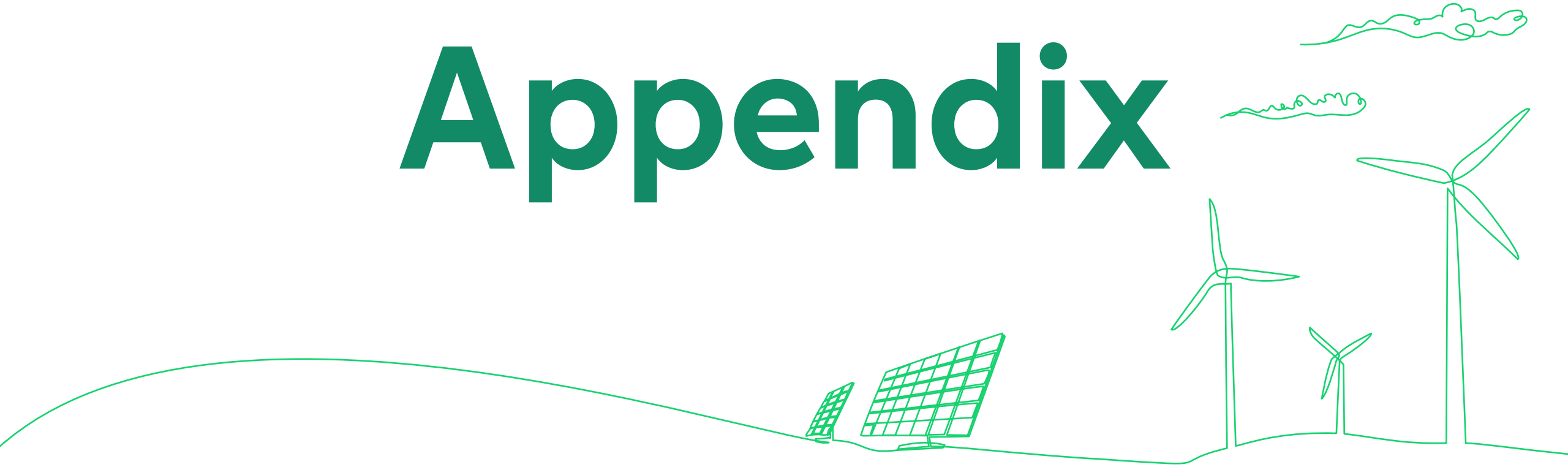
Cost reduction:

Fortum targets to gradually reduce its annual fixed costs by € 100 million until end of 2025

Q&A

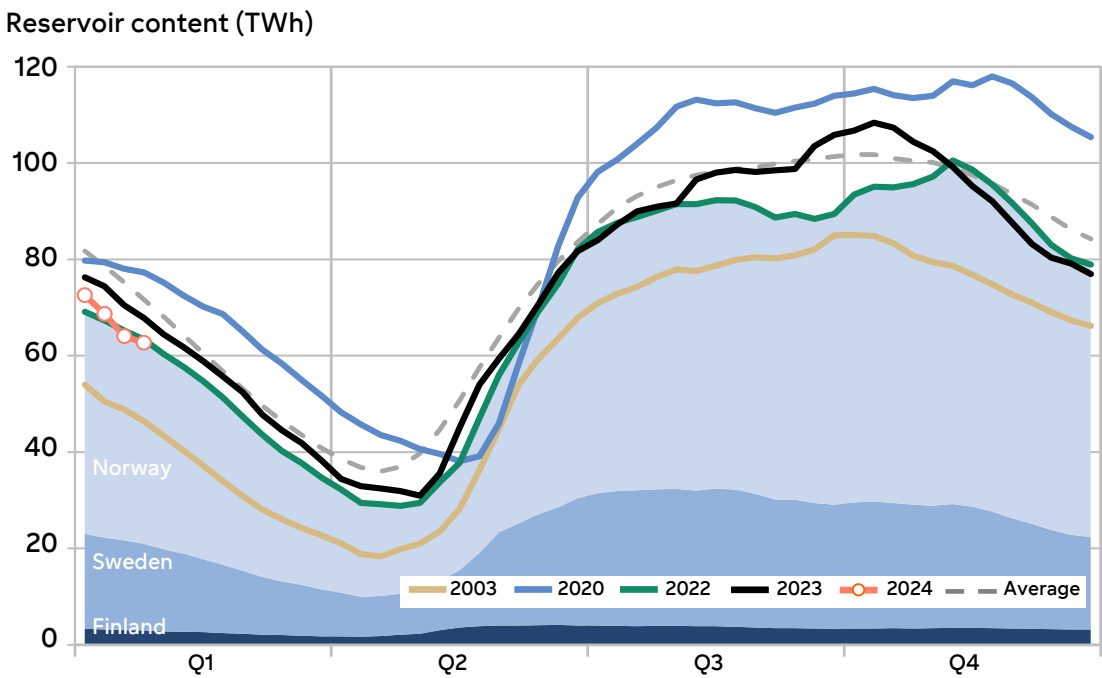


Appendix

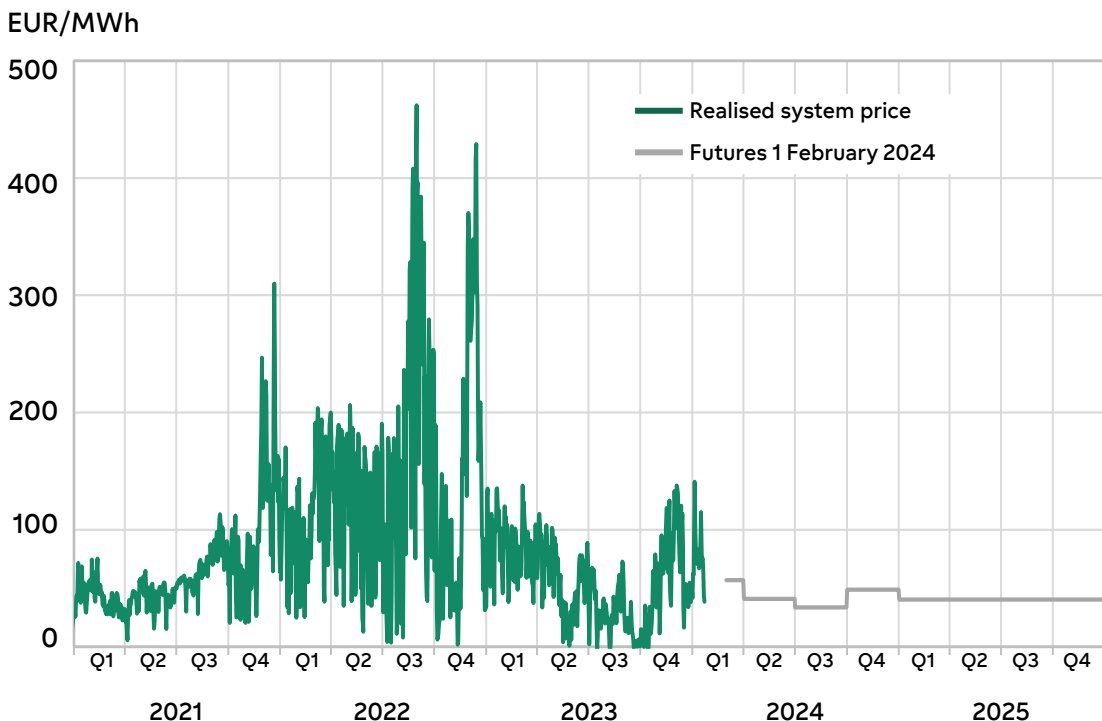


Nordic hydro reservoirs and wholesale power price

Hydro reservoirs



Power price



Source: Nord Pool, Nasdaq Commodities

GENERATION:

All time high achieved power price at 63.1 per MWh

Q4/2023 vs. Q4/2022

- Comparable operating profit down by 43%
- Mainly due to the lower achieved power price, lower power production on condensing power as well as higher costs related to co-owned production companies, partly offset by higher hydro and nuclear volumes and lower depreciations (lifetime extension of Loviisa NPP)

2023 vs. 2022

- The 3% improvement in earnings derived from the higher achieved power price, higher hydro volumes and lower depreciations (lifetime extension of Loviisa NPP), partly offset by lower generation of condensing power as well as higher costs related to co-owned production companies.
- All time high achieved power price at 63.1 per MWh mainly due to the higher hedge price, the effect of which was partly offset by lower result from physical optimisation.

IV/2023 Volumes, TWh



2023 Volumes, TWh



MEUR	IV/2023	IV/2022	2023	2022
Sales	1,339	1,617	4,420	4,465
Comparable EBITDA	452	743	1,874	1,876
Comparable operating profit	390	683	1,679	1,629
Comparable net assets			7,263	6,597
Comparable RONA %			24.2	23.2
Gross investments	112	106	454	316

CONSUMER SOLUTIONS:

Result more than halved

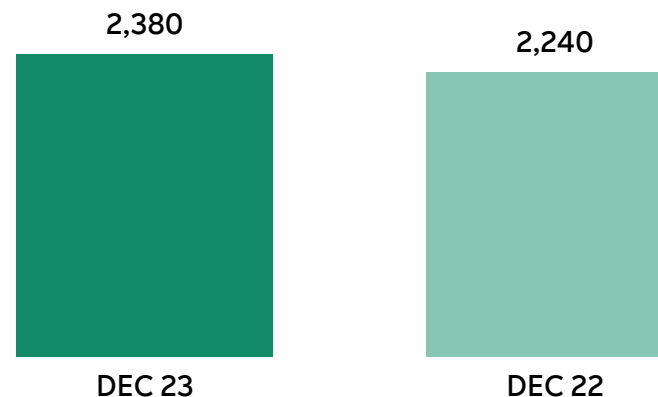
Q4/2023 vs. Q4/2022

- Earnings more than halved by EUR 13 million to EUR 12 million, mainly due to lower electricity sales margins and regulated electricity price cap for the year 2023 set for end users by the Polish Government.
- The negative impact was partly offset by higher sales margins of value-added services and lower fixed costs.
- The decrease in electricity sales margins was mainly due to customers migrating to lower margin spot products

2023 vs 2022

- Comparable operating profit decreased by EUR 59 million and was EUR 38 million
- Mainly due to lower sales margins, partly offset by higher gas sales margins and lower fixed costs.

Number of customers ('000)



MEUR	IV/2023	IV/2022	2023	2022
Sales	1,069	1,460	3,766	4,578
Comparable EBITDA	30	43	108	173
Comparable operating profit	12	25	38	97
Comparable net assets			838	1,365
Comparable RONA %			4.5	9.1
Gross investments	22	20	103	71

OTHER OPERATIONS:

Result decreased significantly

Q4/2023 vs. Q4/2022

- Comparable operating profit decreased by EUR 5 million to EUR -43 million.
- Mainly due to development costs for the new operating model and higher costs in enabling functions, the negative effect of which was partly offset by improved performance of the Circular Solutions business, especially in the Sustainable materials business.

2023 vs. 2022

- Earnings down by EUR 57 million to EUR -173 million
- Mainly due to lower results in the recycling and waste and battery businesses, including higher costs largely arising from the expansion of the battery recycling business, write-downs of certain IT projects, development costs for the new operating model and higher costs in enabling functions.

MEUR	IV/2023	IV/2022	2023	2022
Sales	147	161	548	589
Comparable EBITDA	-23	-12	-80	-23
Comparable operating profit	-43	-38	-173	-116
Gross investments	35	33	107	111