Fortum Corporation
Interim Report
January–March 2020

Fortum Corporation
Domicile Espoo
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Contents

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Figures in brackets refer to the comparison period, i.e. the same period last year, unless otherwise stated.

Solid results in a volatile market environment

January-March 2020

- Comparable EBITDA was EUR 543 (545) million
- Comparable operating profit was EUR 393 (408) million, -4%
- Operating profit was EUR 592 (358) million, +65%, impacted by the EUR 431 million sales gain from the Joensuu divestment and a one-time, non-cash income statement impact of EUR -222 million from Uniper becoming Fortum's subsidiary
- Share of profits of associates and joint ventures was EUR 479 (111) million, mainly related to Fortum's share of Uniper's profits, including Fortum's share of Uniper's fourth-quarter 2019 profits of EUR 162 (49) million and first-quarter 2020 profits of EUR 307 (-) million
- Earnings per share were EUR 1.05 (0.38), of which EUR 0.22 (-0.04) related to items affecting comparability and EUR 0.53 (0.06) to Uniper
- Cash flow from operating activities totalled EUR 1,114 (751) million
- No major immediate effects from Covid-19 on Fortum's business
- Fortum finalised the divestment of its district heating and cooling business in Joensuu, Finland, for approximately EUR 530 million
- Fortum became majority owner in Uniper in March, consolidated Uniper as a subsidiary

Events after the balance sheet date

- Fortum further increased its ownership in Uniper to 73.4% in May
- Fortum aims to set new long-term financial targets by the end of the year at the latest, as Fortum's business profile has changed following the consolidation of Uniper. The current long-term financial targets return on capital employed and comparable net debt-to-EBITDA do not appropriately reflect the Group and have consequently been removed
- Fortum closed the transaction to sell a share of its Nordic wind portfolio in May

Summary of outlook

- The Generation segment's Nordic generation hedges: approximately 85% at EUR 33 per MWh for the remainder of 2020 and approximately 50% at EUR 34 per MWh for 2021
- The Uniper segment's Nordic generation hedges: approximately 95% at EUR 28 per MWh for the remainder of 2020, approximately 70% at EUR 28 per MWh for 2021, and approximately 15% at EUR 23 per MWh for 2022
- Capital expenditure, including maintenance but excluding acquisitions, is expected to be approximately EUR 700 million in 2020, excluding Uniper. This includes approximately EUR 200 million of solar and wind investments, which are subject to the capital recycling business model

Key figures

EUR million	I/2020	I/2019	2019	LTM
Sales	1,357	1,690	5,447	5,114
Comparable EBITDA	543	545	1,766	1,764
Comparable operating profit	393	408	1,191	1,176
Operating profit	592	358	1,110	1,344
Share of profit/loss of associates and joint ventures	479	111	744	1,112
Profit before income taxes	1,014	424	1,728	2,318
Earnings per share, EUR	1.05	0.38	1.67	2.33
Net cash from operating activities	1,114	751	2,015	2,378
Shareholders' equity per share, EUR	15.51	13.14	14.61	
Financial net debt (at period-end)*	6,983		4,833	
Adjusted net debt (at period-end)*	9,104		4,978	
Interest-bearing net debt (at period-end)*	-	4,995	5,260	

* Following the consolidation of Uniper, Fortum has updated its definition of net debt and will use financial net debt and adjusted net debt.

Fortum's President and CEO Pekka Lundmark:

"The market environment during the first quarter was volatile and challenging. Already in December 2019, the Nordic hydrology turned clearly wetter and the same trend continued to depress prices substantially in the beginning of 2020. In March, the 'price war' on oil and the Covid-19 pandemic shocked the market. This put further downward pressure on the already depressed commodities and Nordic power prices. Even though several countries are slowly easing the restrictions put in place to limit the spreading of the virus, it is still impossible to determine the long-term economic effects of the pandemic.

Operationally, Fortum has managed well under the challenging circumstances and our society-critical power and heat production is running smoothly. Also our other operations are running normally with employees mainly working remotely. So far Covid-19 has not had any major immediate effects on Fortum's business. Our fairly high Nordic power price hedge ratio for 2020 has paid off and also the hedges for 2021 are on a higher than normal level, which alleviates the impact of the sharp decline in power prices.

Fortum's results for the first quarter improved in most segments. In the Generation segment, the positive effect of the higher hydro volumes more than compensated for the decline in the achieved power price. Thanks to our loyal customers and the continuous development of our offering and operational efficiency, Consumer Solutions' results improved for the tenth consecutive quarter. The results of the Russia segment were on last year's level, while City Solutions was clearly behind. The decline in City Solutions' results was partially due to structural changes, mainly the divestment of the Joensuu district heating business, but the segment also suffered heavily from the record warm winter and the low power prices. As Fortum's share of Uniper's profits was close to half a billion euros, the earnings per share for the first quarter increased by 176% to EUR 1.05, of which EUR 0.53 related to Uniper. This includes our share of Uniper's fourth-quarter 2019 and first-quarter 2020 results, and is an excellent start of the year.

In 2019, we initiated a strategic review of our district heating business in Estonia and in Joensuu, Finland. This resulted in the divestment of the Joensuu district heating business in January, recording a capital gain of EUR 431 million. In February 2020, we extended the strategic review to include the district heating businesses in all Baltic countries, in Poland, and in Järvenpää, Finland. This review is ongoing and proceeding as planned.

During the beginning of the year, our investment in Uniper took several positive steps forward. Firstly, we received all necessary regulatory approvals, which enabled us to close the share transactions with Elliott and Knight Vinke and increase our ownership to 73.4%, making Uniper a subsidiary and a valuable part of the Fortum Group. Following the completion of the transactions, Fortum's financial position remains solid, which was recognised by the rating agencies as Standard & Poor's, Fitch, and Moody's affirmed Fortum's BBB long-term credit rating with Negative Outlook. Secondly, in March, Uniper published its updated strategy, including a coal-exit plan and a target for carbon-neutrality by 2035 for its European power generation. We welcome the updated strategy as a clear step in the right direction, underlining the strategic rationale for our investment in Uniper. Finally, following the confirmation of our increased ownership, five shareholder representatives resigned from the Uniper Supervisory Board, and new board members were appointed in April, in line with Fortum's ambition.

Starting from the end of the first quarter, Fortum is now consolidating Uniper's balance sheet. This means that in our first-quarter results, Uniper's contribution is still accounted for in the share of profits from associates and joint ventures. The contribution was substantial, totalling EUR 469 million. As of the second-quarter results, also Uniper's income statement will be consolidated and will consequently contribute to Fortum's comparable operating profit.

We will continue to ensure that we strengthen our balance sheet, optimise cash flow, and secure a solid investment grade rating of at least BBB. Our focus is on maximising our profitability, prioritising our capital expenditure, and continue the portfolio optimisation. The targets for return on capital employed and comparable net debt-to-EBITDA were successfully achieved in 2019. As a next step forward, our goal is to develop a joint vision and seek strategic alignment for the combined entity. As one outcome of the joint strategy work, Fortum plans to set new applicable long-term financial targets for the group and ambitious decarbonisation targets covering the combined operations by the end of the year at the latest.

I would like to note that while the CO_2 emissions from European power generation are steadily decreasing, by 15% last year, the overall reduction pace should increase in order to better support the EU's ambition to be carbon neutral in 2050. The most efficient policy instrument to speed up the development is the EU emission trading system (ETS) that covers all energy production and industrial facilities, and sets the European-wide emission reduction schedule for the ETS sectors. The total amount of emissions is determined by the ETS system, not by how individual facilities are operated. This also applies to the much debated Datteln 4 power plant. As the supply of emission rights is reduced every year, the system gradually pushes the least efficient facilities out from the market. Fortum is strongly of the opinion that the ETS should be further tightened as it is a proven way to really reduce emissions in a market-based manner.

Together, Fortum and Uniper are Europe's third largest producer of CO_2-free electricity, and we have a significant role in the energy transition. Both companies' decarbonisation efforts are proceeding well. For the year 2020, we tightened Fortum's stand-alone ambition level further and set a target for specific CO_2 emissions: maximum 180 g/kWh from total energy production. Uniper's CO_2 emissions declined by 21% in 2019 and are set to continue to decline as Uniper decommissions all of its old hard coal-fired generation capacity in Germany and the UK by 2025 and in the Netherlands by 2030 at the latest."

Changes in reporting

Uniper consolidation

As the majority owner with 73.4% of shares in Uniper, Fortum consolidates Uniper as a subsidiary as of 31 March 2020. This entails changes in Fortum's reporting structure, accounting policies, as well as definitions of certain key figures, among others. Changes will be implemented in phases over the financial year 2020 starting from this first-quarter interim report. Fortum consolidated Uniper into Fortum's balance sheet as of 31 March 2020 and, from the second quarter, Fortum will consolidate Uniper's results into its income statement.

Uniper will be reported as a separate reportable segment. As of the year 2020, Fortum's reportable segments and reporting order are the following: Generation, Russia, City Solutions, Consumer Solutions, and Uniper.

In the first quarter, Fortum's share of Uniper's profits totals EUR 469 million, and is reported in Fortum's 'share of profits of associates and joint ventures' in 'Other operations'. This comprises EUR 162 million from Uniper's fourth-quarter 2019 profits (previously estimated to be EUR 90 million) and EUR 307 million from Uniper's first-quarter 2020 profits. The reason for the change in Fortum's share of Uniper's fourth-quarter profits, compared to the previously communicated, is related to a change of the estimated tax impact on impairments made by Uniper. Fortum's share of Uniper's first quarter-results includes a reversal of EUR 61 million after tax related to the negative impact of impairments recorded by Uniper in its first-quarter 2020 results.

The change of accounting status of Uniper, i.e. from being an associated company to becoming a subsidiary, requires a reclassification inside equity of Fortum's share of Uniper's items of 'Other comprehensive income' recognised during the period during which Uniper was consolidated as an associated company. The effect of this is mainly related to foreign exchange differences from translation of foreign operations recorded by Uniper according to IFRS accounting standards.

This resulted in a EUR 222 million negative one-time non-cash effect that was recorded in 'items affecting comparability' in Fortum's first-quarter 2020 results, without any impact on Fortum's equity.

Following the consolidation of Uniper, Fortum has changed its definition of net debt. New definitions of financial net debt and adjusted net debt are used in Fortum's financial reporting. At the end of the first quarter, financial net debt amounted to EUR 6,983 million and adjusted net debt to EUR 9,104 million. These numbers include Fortum's consolidated net debt of Uniper. Net debt according to Fortum's previous definition amounted to EUR 5,260 million at the end of 2019.

Uniper prepares its financials in accordance with IFRS accounting standards. Following the acquisition of Uniper, Fortum has commenced the review of Uniper's accounting policies to identify any significant differences to Fortum accounting policies to identify any significant differences to Fortum accounting policies. However, due to the short time frame between the acquisition day and the announcement of the first-quarter results, Fortum is still evaluating the potential impact on the consolidated financial statements.

The preparation of the purchase price allocation (PPA) for the Uniper acquisition has been initiated. However, due to the short time frame between the acquisition day and the announcement of the first-quarter 2020 results, determining of the fair values of the assets acquired and liabilities assumed has not been finalised. The purchase price allocation will be completed within the one-year window from the acquisition date according to IFRS.

For further details on consolidation of Uniper, see Note 1.

Financial results

Sales by segment

EUR million	I/2020	I/2019	2019	LTM
Generation	574	601	2,141	2,114
Russia	317	298	1,071	1,090
City Solutions	342	405	1,200	1,137
Consumer Solutions	424	669	1,835	1,590
Other Operations	34	26	115	123
Netting of Nord Pool transactions	-83	-192	-529	-420
Eliminations	-250	-117	-387	-520
Total	**1,357**	**1,690**	**5,447**	**5,114**

Comparable EBITDA by segment

EUR million	I/2020	I/2019	2019	LTM
Generation	273	259	939	953
Russia	138	135	469	472
City Solutions	106	137	309	278
Consumer Solutions	48	41	141	148
Other Operations	-22	-25	-91	-88
Total	**543**	**545**	**1,766**	**1,764**

Comparable operating profit by segment

EUR million	I/2020	I/2019	2019	LTM
Generation	235	223	794	806
Russia	99	99	316	316
City Solutions	58	92	121	87
Consumer Solutions	32	26	79	85
Other Operations	-31	-32	-119	-118
Total	**393**	**408**	**1,191**	**1,176**

Operating profit by segment

EUR million	I/2020	I/2019	2019	LTM
Generation	270	204	771	837
Russia	99	99	317	317
City Solutions	484	94	127	517
Consumer Solutions	10	-6	20	36
Other Operations	-271	-32	-127	-366
Total	**592**	**358**	**1,110**	**1,344**

Share of profit/loss of associates and joint ventures

EUR million	I/2020	I/2019	2019	LTM
Generation	-38	14	10	-42
Russia	12	9	59	62
City Solutions	36	39	37	34
Consumer Solutions	—	—	—	—
Other Operations*	469	49	638	1,058
Total	**479**	**111**	**744**	**1,112**

* The first-quarter 2020 share of profits of associates and joint ventures of Other Operations includes Fortum's share of Uniper's fourth-quarter 2019 and first-quarter 2020 profits.

January-March 2020

Fortum consolidated Uniper into Fortum's balance sheet as of 31 March 2020 and, from the second quarter, Fortum will consolidate Uniper's results into its income statement.

Sales decreased by 20% due to clearly lower power prices and the divestment of the Joensuu district heating business. Comparable operating profit decreased by 4% as a result of lower spot prices and lower results in the City Solutions segment. This was partly offset by the higher hydro volumes and fairly high hedge level in the Generation segment. The comparable operating profit of the Consumer Solutions segment contributed positively as its results continued to strengthen.

Operating profit for the period was impacted by EUR 199 (-50) million of items affecting comparability, mainly due to the sales gain of EUR 431 million from the divestment of the Joensuu district heating business (Note 4) and a one-time, non-cash income statement impact of EUR -222 million from Uniper becoming Fortum's subsidiary on 31 March 2020. This one-time item did not affect Fortum's total equity as it is merely a reclassification within equity (Notes 1 and 4).

The share of profits of associates and joint ventures was EUR 479 (111) million. Since Fortum has accounted for Uniper's share of profits with a time-lag of one quarter, Fortum's first-quarter 2020 results include the share of Uniper's fourth-quarter 2019 profits of EUR 162 million (previously estimated to be EUR 90 million) and first-quarter 2020 profits of EUR 307 million. The reason for the change, compared to previous estimate, in Fortum's share of Uniper's fourth-quarter profits is related to a change of the estimated tax impact of the impairments. Fortum's share of Uniper's profits, EUR 469 million, includes a reversal of the adjustment that Fortum recorded in the fourth quarter of 2019 related to the positive impact from the reinstatement of the UK capacity market. Further, Fortum also made a reversal of EUR 449 million after tax related to the impairments Uniper recorded in the fourth quarter of 2019 and first quarter of 2020. In this reversal, Fortum has utilised the fair value adjustments recorded in the purchase price allocation in 2018. In the first quarter of 2019, Fortum's share of Uniper's profits was EUR 49 million (Note 10).

Net finance costs amounted to EUR 57 (46) million.

Financial position and cash flow

Fortum consolidated Uniper into Fortum's balance sheet as of 31 March 2020 and, from the second quarter of 2020, Fortum will consolidate Uniper's results into its income statement.

Cash flow

In January-March 2020, net cash from operating activities was strong and increased by EUR 363 million to EUR 1,114 (751) million.

Net cash from investing activities was EUR -406 (167) million. Capital expenditure decreased by EUR 40 million to EUR 110 (150) million. Acquisition of shares in Uniper, net of liquid funds, amounted to EUR 844 million. Divestment of shares, mainly from the divestment of the Joensuu district heating business, amounted to EUR 524 million. In the first quarter 2019 the release of cash collaterals and restricted cash was EUR 310 million. Cash flow before financing activities decreased to EUR 708 (918) million.

Proceeds from long-term liabilities were EUR 2,110 (2,506) million. In the comparison period in 2019, Fortum issued new bonds totalling EUR 2.5 billion under the Euro Medium Term Note (EMTN) programme. On 24 March 2020, Fortum drew a term loan of EUR 2,000 million to finance the acquisition of Uniper shares. The total payments of long-term liabilities were EUR 56 (2,507) million. The net increase in liquid funds was EUR 2,717 (1,073) million.

Assets and capital employed

At the end of the reporting period, total assets amounted to EUR 68,550 (23,364 at the end of 2019) million. Liquid funds at the end of the period increased to EUR 4,081 (1,433 at the end of 2019) million. The increases were mainly related to the consolidation of Uniper.

Equity

Equity attributable to owners of the parent company totalled EUR 13,776 (12,982 at the end of 2019) million. The increase in equity of EUR 794 million was mainly related to the net profit for the period of EUR 930 million, the positive impact from fair valuation of cash flow hedges of EUR 581 million, partly offset by the negative translation differences of EUR -844 million. The dividend for 2019 of EUR 1.10 per share, amounting to a total of EUR 977 million, was approved by the 2020 Annual General Meeting on 23 April 2020. The dividend was paid on 5 May 2020 and it has not been recognised as a liability in this interim report.

Financing

Following the consolidation of Uniper, Fortum has updated its definition of net debt and will use financial net debt and adjusted net debt. At the end of the reporting period, financial net debt was EUR 6,983 million and adjusted net debt EUR 9,104 million, impacted by the Uniper transaction. Net debt according to the old definition was EUR 5,260 million at the end of 2019 (Note 12).

At the end of the reporting period, the Group's liquid funds totalled EUR 4,081 (1,433 at the end of 2019) million. Liquid funds include cash and bank deposits of EUR 1,328 million held by Uniper.

At the end of the reporting period, Fortum had undrawn committed credit facilities amounting to EUR 6,900 (10,100 at the end of 2019) million, of which EUR 3,300 (8,300 at the end of 2019) million were facilities for the purchase of Uniper shares and a revolving credit facility. The undrawn amount of the revolving credit facility was EUR 2,800 million and it matures in November 2021 (with an option to extend the maturity by one year). On 24 March 2020, Fortum drew a term loan of EUR 2,000 million, maturing on 31 October 2022, under these facilities. The undrawn facilities also include a committed credit facility of EUR 1,750 (1,750 at the end of 2019) million, which matures in June 2023 and Uniper's committed credit facility of EUR 1,800 million, which matures in September 2024.

Fortum has booked interest-bearing debt of EUR 428 million for the second and final tranche of Uniper shares, according to the agreement signed on 8 October 2019. The closing took place on 8 May 2020.

On 22 April 2020, Fortum signed a ten-year EUR 70 million bilateral loan agreement and, on 6 May 2020, Fortum drew a bridge loan of EUR 300 million under the facilities for the purchase of Uniper shares. The bridge loan matures on 30 October 2020.

Following Fortum's announcement in October 2019 to acquire an additional stake of more than 20.5% of Uniper's shares, Standard & Poor's and Fitch put the credit ratings of Fortum and Uniper under review. In October 2019, Standard & Poor's placed Fortum's long-term credit rating of BBB on CreditWatch Negative and Fitch Ratings placed Fortum's long-term credit rating of BBB and short-term credit rating of F2 on Rating Watch Negative. In March 2020, Standard & Poor's resolved its CreditWatch Negative placement by affirming Fortum's BBB long-term rating, with a Negative Outlook. The short-term rating is at level A-2. In April 2020, Fitch removed Fortum's Rating Watch Negative placement by affirming Fortum's BBB long-term rating, with a Negative Outlook.

In March 2020, Standard & Poor's also resolved the CreditWatch Negative on Uniper's rating by affirming Uniper's BBB rating, with a Negative Outlook.

Key financial ratios – revision of Fortum's long-term financial targets

Fortum aims to revise its long-term financial targets by the end of 2020 at the latest. Following the consolidation of Uniper, Fortum's business profile has changed and Fortum has concluded that the current long-term financial targets do not appropriately reflect the Group's current business profile and on 15 May 2020, Fortum's Board of Directors consequently decided to remove the following targets as of the first quarter 2020:

- Return on capital employed of at least 10%
- Comparable net debt-to-EBITDA of around 2.5x

Fortum's dividend policy, however, remains intact:

- Fortum's dividend policy is to pay a stable, sustainable, and over time increasing dividend of 50-80% of earnings per share excluding one-time items

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. Fortum and Uniper will carefully manage their balance sheets going forward, focusing on profitability, optimising of cash flow, and tight prioritising of capital expenditure in the current market and business environment.

As one financial metric, Fortum will closely monitor that its comparable net debt-to-EBITDA ratio remains at a level that ensures a credit rating of at least BBB. For now, no specific target has been set for the comparable net debt-to-EBITDA ratio. Following the consolidation of Uniper, Fortum has updated its definition of net debt and will use financial net debt and adjusted net debt (Note 12).

Together with Uniper, the ambition is to develop a joint vision and achieve strategic alignment between the companies during 2020. By the end of the year at the latest, Fortum aims to set new long-term financial targets for the enlarged Group and ambitious decarbonisation targets covering the combined operations of both companies.

As Fortum is consolidating only Uniper's balance sheet but not its income statement in the first quarter, the ratio for comparable net debt-to-EBITDA is not applicable and thus not being reported.

Segment reviews

Generation

Generation is responsible for Nordic power generation. The segment comprises nuclear, hydro, wind, and thermal power generation, as well as power portfolio optimisation, trading, industrial intelligence, and global nuclear services. The segment does not include the Nordic hydro and nuclear power generation or the trading activities of Uniper. As of 31 March 2020, the segment includes Generation's proportionate share of OKG AB (Note 1).

EUR million	I/2020	I/2019	2019	LTM
Sales	574	601	2,141	2,114
- power sales	524	554	2,006	1,976
of which Nordic power sales*	425	414	1,415	1,426
- other sales	50	46	135	139
Comparable EBITDA	273	259	939	953
Comparable operating profit	235	223	794	806
Operating profit	270	204	771	837
Share of profit/loss of associates and joint ventures**	-38	14	10	-42
Comparable net assets (at period-end)	5,306	6,228	6,147	
Comparable return on net assets, %			12.8	12.6
Capital expenditure and gross investments in shares	34	38	260	256
Number of employees	1,113	1,091	1,109	

* The Nordic power sales income includes hydro, wind, and nuclear generation. It does not include thermal generation, minorities, customer business, or other purchases.
** Power plants are often built jointly with other power producers, and owners purchase power at cost, including interest cost and production taxes. The share of profit/loss is mainly IFRS adjustments (e.g. accounting for nuclear-related assets and liabilities) and depreciations on fair value adjustments from historical acquisitions (Note 19 in the Consolidated Financial Statements 2019).

Power generation by source

TWh	I/2020	I/2019	2019	LTM
Hydropower, Nordic	6.4	4.8	20.3	21.9
Nuclear power, Nordic	6.3	6.3	23.5	23.5
Wind power, Nordic	0.2	0.1	0.4	0.5
Thermal power, Nordic	0.0	0.1	0.2	0.1
Total	**13.0**	**11.4**	**44.4**	**46.0**

Nordic sales volumes

TWh	I/2020	I/2019	2019	LTM
Nordic sales volume	14.7	13.3	51.3	52.7
of which Nordic power sales volume*	12.5	10.8	42.7	44.4

* The Nordic power sales volume includes hydro, wind, and nuclear generation. It does not include thermal generation, minorities, customer business, or other purchases.

Sales price

EUR/MWh	I/2020	I/2019	2019	LTM
Generation's Nordic power price*	34.0	38.4	36.8	35.6

* Generation's Nordic power price includes hydro, wind, and nuclear generation. It does not include thermal generation, minorities, customer business, or other purchases.

January-March 2020

The Generation segment's total power generation in the Nordic countries increased due to clearly higher hydro volumes compared to the historically low levels in the previous year. The segment's overall operational performance and the load factor for nuclear generation were at a good level. The CO_2-free generation accounted for 100% (99%) of the total power generation.

The achieved power price in the Generation segment decreased by EUR 4.4 per MWh. This corresponds to a 11% decline, which is clearly less than the 67% drop in spot power prices.

Comparable operating profit increased by 5% supported by higher hydro volumes, which more than offset the negative effect of the lower achieved power price.

Operating profit was affected by EUR 35 (-20) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives (Note 3).

The share of profits of associates and joint ventures totalled EUR -38 (14) million (Note 10), negatively impacted by fair value adjustments of the Swedish nuclear fund.

On 14 May 2020, Fortum closed the transaction to sell an 80% stake in its Nordic wind portfolio to funds managed by Credit Suisse Energy Infrastructure Partners (CSEIP) (Note 6).

Russia

The Russia segment comprises power and heat generation and sales in Russia. The segment also includes Fortum's more than 29% holding in TGC-1, which is an associated company and is accounted for using the equity method. The segment does not include Uniper's Russian subsidiary Unipro.

EUR million	I/2020	I/2019	2019	LTM
Sales	317	298	1,071	1,090
- power sales	262	248	924	938
- heat sales	54	49	145	150
- other sales	1	1	2	2
Comparable EBITDA	138	135	469	472
Comparable operating profit	99	99	316	316
Operating profit	99	99	317	317
Share of profit/loss of associates and joint ventures	12	9	59	62
Comparable net assets (at period-end)	2,606	3,030	3,205	
Comparable return on net assets, %			12.3	12.6
Capital expenditure and gross investments in shares	4	5	133	132
Number of employees	2,982	2,910	2,955	

Russian power generation and heat production

TWh	I/2020	I/2019	2019	LTM
Russian power generation	8.4	8.3	29.3	29.4
Russian heat production	6.2	6.9	17.3	16.6

Key electricity, capacity, and gas prices for Fortum Russia

	I/2020	I/2019	2019	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,068	1,128	1,117	1,102
Average regulated gas price, Urals region, RUB/1000 m^3	3,937	3,883	3,910	3,924
Average capacity price for CCS and other, tRUB/MW/month* **	165	162	154	154
Average capacity price for CSA, tRUB/MW/month**	1,163	1,196	1,096	1,088
Average capacity price, tRUB/MW/month	672	678	624	622
Achieved power price for Fortum in Russia, RUB/MWh	1,810	2,002	1,990	1,932
Achieved power price for Fortum in Russia, EUR/MWh***	24.5	26.4	27.3	26.7

* Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreements.
** Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumption.
*** Translated using the average exchange rate.

January-March 2020

Power generation volumes remained stable while heat production volumes declined by 10%. Especially the warmer weather in the Chelyabinsk and Tyumen areas negatively affected the heat volumes.

Sales increased by 6% due to higher heat tariffs, electricity sales to Fortum's and Vostok's electricity retail joint venture in Chelyabinsk, and the stronger Russian rouble. The positive impact was partly offset by lower electricity prices and heat volumes. The positive effect of the change in the Russian rouble exchange rate was EUR 8 million.

Comparable operating profit was unchanged. The effect of the lower electricity margins and lower Capacity Supply Agreement (CSA) payments was largely offset by the higher heat tariffs. The decline in CSA payments is related to the lower government bond yields and a downward adjustment of CSA payments for power plants that are in the final years of the CSA period. The positive effect of the change in the Russian rouble exchange rate was EUR 2 million.

The share of profits of associates and joint ventures totalled EUR 12 (9) million (Note 10).

In April 2020, the Russian Market Council published its annual rating of generating companies, ranking Fortum as the most efficient generating company in Russia for the second year in a row.

City Solutions

City Solutions is responsible for sustainable solutions for urban areas. The segment comprises heating, cooling, waste-to-energy, and other circular economy solutions, as well as solar power generation, services, and development of new biomass-based businesses. The business operations are located in the Nordics, the Baltic countries, Poland, and India. The segment also includes Fortum's 50% holding in Stockholm Exergi, which is a joint venture and is accounted for using the equity method. The segment does not include the operations of Fortum's subsidiary Uniper.

EUR million	I/2020	I/2019	2019	LTM
Sales	342	405	1,200	1,137
- heat sales	205	253	615	567
- power sales	37	55	153	135
- waste treatment sales*	64	62	250	252
- other sales**	36	35	181	182
Comparable EBITDA	106	137	309	278
Comparable operating profit	58	92	121	87
Operating profit	484	94	127	517
Share of profit/loss of associates and joint ventures	36	39	37	34
Comparable net assets (at period-end)	3,577	3,845	3,892	
Comparable return on net assets, %			4.7	3.8
Capital expenditure and gross investments in shares	38	72	322	288
Number of employees	1,997	2,016	1,970	

* Waste treatment sales comprise gate fees and environmental construction services.
** Other sales mainly comprise operation, maintenance and other services, the sale of recycled products, as well as fuel sales.

Heat sales by country

TWh	I/2020	I/2019	2019	LTM
Finland	1.0	1.4	3.8	3.4
Poland	1.4	1.5	3.3	3.2
Norway	0.6	0.7	1.7	1.6
Other countries	0.6	0.7	2.0	1.9
Total	**3.6**	**4.3**	**10.8**	**10.1**

Power sales by country

TWh	I/2020	I/2019	2019	LTM
Finland	0.3	0.7	1.6	1.2
Poland	0.2	0.2	0.6	0.6
Other countries	0.4	0.2	1.0	1.2
Total	**0.9**	**1.1**	**3.2**	**3.0**

January-March 2020

Heat sales volumes decreased by 29% as temperatures were clearly higher than normal in all heating areas. The divestment of the Joensuu district heating business in early January 2020 also contributed to the decline in the heat sales volume. The commissioning of the Pavagada 2 solar park in India in August 2019 contributed to higher power sales volumes in 'Other countries'.

Comparable operating profit decreased by EUR 34 million, -37%. The main reasons for the clearly weaker profitability were lower heat sales volumes, lower power prices, and lower Norwegian heat prices, having a combined negative effect of EUR 22 million. In Norway, the district heat pricing is linked to the power price development, which in this market environment resulted in a clear negative impact on the heat prices. In addition, structural changes, mainly the divestment of the Joensuu district heating business, had a EUR 10 million negative impact. In the recycling and waste business, profitability suffered due to changing market conditions and one-time effects. The Pavagada 2 solar park, commissioned in August 2019, contributed positively to the result.

Operating profit was affected by EUR 427 (2) million of items affecting comparability related to the sales gain of EUR 431 million from the divestment of the Joensuu district heating business and a minor negative effect from the fair value change of non-hedge-accounted derivatives (Note 3).

The share of profits of associates and joint ventures totalled EUR 36 (39) million (Note 10).

On 20 December 2019, Fortum signed an agreement to sell its district heating business in Joensuu, Finland, to Savon Voima Oyj. The total consideration on a debt- and cash-free basis was approximately EUR 530 million, and the cash was received at the completion of the divestment on 10 January 2020. Fortum recorded a tax-exempt capital gain of EUR 431 million in the City Solutions segment's first-quarter 2020 results.

On 6 February 2020, Fortum announced its decision to assess strategic options, including possible divestment, of its district heating and cooling businesses in Poland, Estonia, Lithuania, Latvia, and in Järvenpää, Finland. Based on initial assessments, these district heating and cooling businesses have been identified as operations that could provide higher growth and value potential with an alternative ownership structure. The assessment is progressing according to plan.

Consumer Solutions

Consumer Solutions is responsible for the electricity and gas retail businesses in the Nordics, Poland, and Spain, including the customer service, invoicing, and debt collection businesses. Fortum is the largest electricity retail business in the Nordics, with approximately 2.4 million customers across different brands in Finland, Sweden, Norway, Poland, and Spain. The business provides electricity as well as related value-added and digital services.

EUR million	I/2020	I/2019	2019	LTM
Sales	424	669	1,835	1,590
- power sales	351	599	1,630	1,382
- other sales	73	70	206	209
Comparable EBITDA	48	41	141	148
Comparable operating profit	32	26	79	85
Operating profit	10	-6	20	36
Comparable net assets (at period-end)	567	647	640	
Capital expenditure and gross investments in shares	15	13	55	57
Number of employees	1,279	1,455	1,327	

Sales volumes

TWh	I/2020	I/2019	2019	LTM
Electricity	9.5	10.2**	30.6	29.9
Gas*	1.7	1.4	4.1	4.4

* Not including wholesale volumes.
** Figure corrected from previously published.

Number of customers

Thousands*	31 Mar 2020	31 Dec 2019
Electricity	2,330	2,340
Gas	50	40
Total	**2,380**	**2,380**

* Rounded to the nearest 10,000.

January-March 2020

The electricity sales volumes decreased by 7%, mainly due to warmer weather in January and February in the Nordics. Total sales revenue decreased by 37%, following the significantly lower electricity price in the Nordics compared to the first quarter of 2019. Competition in the Nordics continued to be intense with high customer churn. The accelerated Covid-19 pandemic increased the market uncertainty especially in the small and medium-sized enterprises segment. Despite this uncertainty, Consumer Solutions' competitiveness continued to strengthen.

Despite the above-mentioned difficult market situation, comparable operating profit continued to improve and increased by 23%, driven by higher sales margins. The higher sales margins are a result of active development of the service offering following the Hafslund integration and subsequent development of the business.

Operating profit was affected by EUR -22 (-32) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives (Note 3).

Uniper

The Uniper segment comprises Fortum's majority ownership in Uniper. Uniper is a subsidiary to Fortum and a leading international energy company with activities in more than 40 countries. Its business is the secure provision of energy and related services. Its main activities include power generation in Europe and Russia as well as global energy trading. The segment includes Uniper's proportionate share of OKG AB (Note 1).

Uniper investment

Fortum consolidated Uniper into Fortum's balance sheet as of 31 March 2020 and, from the second quarter, Fortum will consolidate Uniper's results into its income statement. Fortum's first-quarter share of Uniper's results is reported in the share of profits of associates and joint venture of Other operations, see Changes in reporting and Note 1.

In 2017, Fortum announced a public takeover offer to buy shares in Uniper. In June 2018, the offer was settled and Fortum's ownership was 47.12%. At the end of 2018, Fortum's ownership in Uniper was 49.99%. The total acquisition cost for the initial 49.99% stake in Uniper, including direct costs relating to the acquisition, was EUR 3,968 million (Note 6).

On 8 October 2019, Fortum announced it had entered into agreements with Elliott and Knight Vinke to acquire an additional stake of at least 20.5% in Uniper, increasing Fortum's share in Uniper to more than 70% and the total investment in Uniper to approximately EUR 6.5 billion. On 26 March 2020, Fortum closed the first tranche of the transaction after receiving all necessary regulatory clearances. Fortum's shareholding in Uniper thereby increased to 69.6%. On 8 May 2020, Fortum closed the second and final tranche, thereby increasing the ownership to 73.4% (Notes 6 and 11).

In April 2020, the chairman of Uniper's Supervisory Board as well as four other board members resigned from their duties and the Düsseldorf District Court appointed five new Supervisory Board members. Fortum's Executive Management members Sirpa-Helena Sormunen and Tiina Tuomela as well as Klaus-Dieter Maubach, member of Fortum's Board of Directors, joined Fortum's CFO Markus Rauramo on the Supervisory Board of Uniper. The Supervisory Board elected Mr. Maubach as the new chairman of Uniper's Supervisory Board.

On 30 January 2020, Uniper announced an ambitious phase-out plan for its German hard-coal-fired power generation. The company plans to shut down a total of 1,500 MW of hard-coal capacity by the end of 2022 and a further 1,400 MW by the end of 2025. The last remaining hard-coal-fired power plant would be the 1,100-MW Datteln 4 power plant that must be decommissioned in 2038, at the latest, according to the draft law on coal phase-outs in Germany.

On 10 March 2020, Uniper announced its intention to make its power generation portfolio in Europe climate-neutral by 2035. The announcement was part of a fundamental strategic reorientation focusing on a secure as well as climate-friendlier energy supply. Fortum considers Uniper's strategy to be a clear step in the right direction and underlines the strategic rationale of Fortum's investment in Uniper.

For further information, see Uniper's 2019 Financial Statements Bulletin published on 10 March 2020 and first-quarter 2020 report published on 7 May 2020.

Capital expenditures, divestments, and investments in shares

Fortum consolidated Uniper into Fortum's balance sheet as of 31 March 2020 and, from the second quarter of 2020, Fortum will consolidate Uniper's results into its income statement.

In the first quarter of 2020, capital expenditures and investments in shares totalled EUR 3,204 (135) million (Note 6). Capital expenditures were EUR 84 (129) million (Note 3).

Fortum expects to start or has started power and heat production capacity of new power plants and expects to upgrade its existing plants follows:

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts/started	Latest announced
Generation					
Sørfjord, Norway*	Wind	97		IV/2019-III/2020	20 Dec 2019
Kalax, Finland**	Wind	90		I/2021	20 Dec 2019
Russia					
Solar***	Solar	116		2021-2022	17 Jun 2019
City Solutions					
Kivenlahti, Finland	Bio HOB****		58	II/2020	24 Sep 2019
Suomenoja, Finland	Heat pump		20	2021	24 Sep 2019
Rajasthan, India	Solar	250		II/2021	4 Mar 2019
Uniper					
Datteln IV, Germany	Coal	1,050	380	Early summer 2020	10 Mar 2020
Berezovskaya 3, Russia	Lignite	754		IV/2020	10 Mar 2020
Irsching 6, Germany	Gas	300		Oct 2020	9 Jan 2019
Scholven, Germany	Gas	137	127	IV/2022	6 Feb 2020
Killingholme and Grain, UK	Grid stability			Apr 2021	6 Feb 2020
Surgutskaya 1, Russia	Gas	20		I/2022	12 Nov 2019
Surgutskaya 4, Russia	Gas	20		III/2025	12 Nov 2019
Surgutskaya 6, Russia	Gas	20		IV/2024	12 Nov 2019

* The Sørfjord wind park is part of the transaction with Credit Suisse Energy Infrastructure Partners and an 80% share will be sold once it is commissioned.
** The Kalax wind park is part of the transaction with Credit Suisse Energy Infrastructure Partners, which was closed on 14 May 2020.
*** Subject to separate investment decision.
**** Biofuel-fired heat-only boiler (HOB).

Generation

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP will acquire an 80% stake in Fortum's Nordic wind portfolio. The transaction was closed on 14 May 2020 (Note 6).

Russia

In 2017 and 2018, the Fortum-Rusnano wind investment fund won the right to build a total of 1,823 MW of wind capacity in CSA auctions. The wind parks will receive a guaranteed CSA price for a period of 15 years. 250 MW of the capacity is operational, 576 MW under construction, and 997 MW under development.

The investment decisions related to the solar and wind capacities won by Fortum and the Fortum-Rusnano wind investment fund in the Russian CSA auctions in 2017, 2018, and 2019 are made on a case-by-case basis. Fortum's maximum equity commitment is RUB 15 billion. In the longer term, Fortum seeks to maintain an asset-light structure.

City Solutions

In December 2019, Fortum signed an agreement to sell its district heating business in Joensuu, Finland, to Savon Voima Oyj. The total consideration on a debt- and cash-free basis was approximately EUR 530 million. The transaction was completed on 10 January 2020, and Fortum recorded a tax-exempt capital gain of EUR 431 million in the City Solutions segment's first-quarter 2020 results.

On 6 February 2020, Fortum decided to assess strategic options, including possible divestment, of its district heating and cooling businesses in Poland, Estonia, Lithuania, Latvia, and in Järvenpää, Finland. Based on initial assessments, these district heating and cooling businesses have been identified as operations that could provide higher growth and value potential with an alternative ownership structure.

Operating and regulatory environment

European power markets

According to preliminary statistics, electricity consumption in the Nordic countries was 112 (116) TWh during the first quarter of 2020. The decline in power consumption was caused by temperatures being clearly above the long-term average and higher than in the first quarter of 2019.

Measures taken against the spreading of Covid-19 have impacted power demand in various European countries during the latter part of the first quarter of 2020. The largest decline has been seen in Italy, France, and Spain, while the decrease in other European countries has been more moderate. In the Nordic countries, the decline in the first-quarter 2020 power demand has, to a large extent, been caused by the mild winter, while the impact of the Covid-19 pandemic has so far been negligible.

Electricity is expected to continue to gain a higher share of total energy consumption in the longer term. Over the next few years, electricity demand in the Nordic countries is expected to grow annually by approximately 0.5% on average. The growth rate, however, will largely be determined by the macroeconomic development in Europe and especially in the Nordic countries. In the longer term, the rate of electrification of the industrial, transportation, and heating sectors is a key element determining the growth in electricity consumption.

At the beginning of 2020, the Nordic water reservoirs were at 79 TWh, which is 5 TWh lower than the long-term average and 5 TWh higher than one year earlier. At the end of the first quarter, the reservoirs were at 52 TWh, which is 11 TWh above the long-term average and 13 TWh higher than one year earlier.

In the first quarter, the average system spot price in Nord Pool decreased significantly to EUR 15.4 (46.9) per MWh. The average area price in Finland was EUR 24.0 (47.5) per MWh and in Sweden (SE3, Stockholm) EUR 18.7 (46.5) per MWh. Wet, windy, and warm weather was the main cause of very low spot prices during the first quarter of 2020.

According to preliminary statistics, electricity consumption in central western Europe (Germany, France, Austria, Switzerland, Belgium, and the Netherlands) was 343 (354) TWh during the first quarter. The winter was mild also in central Europe and temperatures were above the long-term average and also higher compared to the first quarter of 2019. In Germany, the average spot price decreased significantly to EUR 26.6 (40.9) per MWh in the first quarter. Low gas prices together with the warm and windy winter also held the German spot prices at a low level during the first quarter.

In mid-May 2020, the Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2020 was around EUR 14 per MWh and for 2021 around EUR 22 per MWh. The Nordic water reservoirs were about 2 TWh above the long-term average and 6 TWh higher than one year earlier. The spring inflow period is expected to start later this year due to cold weather in May and therefore the surplus in the Nordic water reservoirs has declined strongly during the last weeks. The German electricity forward price for the remainder of 2020 was around EUR 29 per MWh and for 2021 around EUR 36 per MWh.

Commodity markets

Gas demand in central western Europe was 730 (763) TWh during the first quarter. The central western European gas storage levels declined from 539 TWh at the beginning of the quarter to 337 TWh at the end of the quarter, which is 67 TWh higher than a year earlier and 175 TWh higher than the five-year average (2015-2019).

The average gas spot price (TTF) during the first quarter was EUR 9.8 (18.5) per MWh. The 2021 price decreased significantly from EUR 16.4 per MWh at the beginning of the quarter to EUR 12.1 per MWh at the end of the quarter.

During the first quarter, the price for European Emission Allowances (EUA) was volatile and declined from EUR 24.6 per tonne at the beginning of the quarter to EUR 17.7 per tonne at the end of the quarter, which is 4.2 below the price one year earlier. The EUA price developed sideways during the first quarter until dropping sharply in mid-March, followed by a partial recovery at the end of March and early April.

The forward quotation for coal (ICE Rotterdam) for 2021 decreased from USD 62 per tonne at the beginning of the quarter to USD 55 per tonne at the end of the quarter, which is USD 19 per tonne below the price one year earlier.

In mid-May 2020, the forward TTF price for gas for the remainder of 2020 was EUR 7.5 per MWh and for 2021 EUR 12.1 per MWh. The forward quotation for EUAs for 2020 was at the level of EUR 18.5 per tonne. The forward price for coal (ICE Rotterdam) for the remainder of 2020 was USD 44 per tonne.

Russian market

Fortum's Russia division operates mainly in the Tyumen and Khanty-Mansiysk area of western Siberia, where industrial production is dominated by the oil and gas industries, and in the Chelyabinsk area of the Urals, which is dominated by the metal industry. Uniper's Russian subsidiary Unipro PJSC operates in the Smolensk, Moscow, Sverdlovsk, Krasnoyarsk regions and the Khanty-Mansiysk Autonomous District.

The Russian market is divided into two price zones and Fortum's Russia division operates in the first price zone (European and Urals part of Russia), while Uniper operates in both the first and second price zones.

According to preliminary statistics, Russian electricity consumption was 283 (289) TWh during the first quarter. The corresponding figure for the first price zone was 213 (220) TWh and for the second price zone 59 (57) TWh. The decline in consumption was caused by the higher temperatures than in the first quarter 2019.

In the first quarter, the average electricity spot price, excluding capacity prices, decreased by 7% to RUB 1,222 (1,308) per MWh in the first price zone and by 12% to RUB 907 (1,026) in the second price zone. The spot price in the Urals hub decreased by 5% and was RUB 1,068 (1,128) per MWh.

The Russian Government increased the gas price by 1.4% in July 2019. The gas price is expected to increase by 3% in July 2020.

In Russia, capacity payments based on CSA contracts are a key driver for earnings growth, as CSA payments are considerably higher than for capacities selected in Competitive Capacity Selection (CCS) auctions. Currently, Fortum's Russia segment's CSA capacity amounts to 2,368 MW. Correspondingly, Uniper's CSA capacity amounts to 2,455 MW. In February 2020, the System Administrator of the wholesale market published data from 2019 regarding the WACC and the CPI, which were used to calculate the CSA price for 2020. The CSA payments were revised downwards to reflect the lower bond rates and higher earnings from the electricity-only market.

In addition, thermal power plants are entitled to clearly higher CSA payments starting approximately six years after commissioning (see tables below). In 2020, an increase in CSA payments is expected for one unit of Fortum's Uniper segment, but none for Fortum's Russia segment's generation fleet. After the CSA period ends units can receive CCS payments from CCS auctions.

Fortum's Russia segment's units	CSA starts	Higher CSA starts	CSA ends
Tyumen CHP 1, unit 2	1 Feb 2011	1 Oct 2016	31 Dec 2020
Chelyabinsk CHP 3, unit 3	1 Jun 2011	1 Nov 2016	31 Dec 2020
Nyagan, unit 1	1 Apr 2013	1 Jan 2018	31 Dec 2021
Nyagan, unit 2	1 Dec 2013	1 Aug 2018	31 Dec 2022
Nyagan, unit 3	1 Jan 2015	1 Jan 2021	31 Dec 2025
Chelyabinsk CHP 4, unit 1	1 Dec 2015	1 Jan 2021	31 Dec 2024
Chelyabinsk CHP 4, unit 2	1 Mar 2016	1 Jan 2021	31 Dec 2024
Ulyanovsk*	1 Jan 2018	n/a	30 Nov 2031
Bugulchansk**	Nov 2016 – Mar 2017	n/a	Nov 2030 – Nov 2031
Pleshanovsk**	1 Mar 2017	n/a	30 Nov 2031
Grachevsk**	1 Mar 2017	n/a	30 Nov 2031

* Wind CSA.
** Solar CSA.

Fortum's Uniper segment's units	CSA starts	Higher CSA starts	CSA ends
Surgutskaya-2 GRES-2, unit 7	1 May 2011	1 May 2017	31 Jul 2021
Surgutskaya-2 GRES-2, unit 8	1 Jun 2011	1 Jun 2017	31 Aug 2021
Shaturskaya GRES, unit 7	1 Oct 2010	1 Oct 2016	31 Dec 2020
Yaivinskaya GRES, unit 5	1 Jan 2011	1 Jan 2017	31 Dec 2020
Berezovskaya GRES, unit 3	1 Nov 2014	1 Nov 2020	31 Oct 2024
Surgutskaya-2 GRES-2, unit 1*	Mar 2022	n/a	Feb 2038
Surgutskaya-2 GRES-2, unit 4*	Dec 2025	n/a	Nov 2041
Surgutskaya-2 GRES-2, unit 6*	Sep 2024	n/a	Aug 2040

* Modernisation CSA.

Fortum's Russia division's generation capacity not receiving CSA payments, totalling 2,560 MW, is allowed to participate in the CCS auctions. Uniper's generation capacities allowed to participate in the CCS auction totalled 8,790 MW.

The CCS auction for 2025 was held in February 2020.

Year	2019	2020	2021	2022	2023	2024	2025
Nominal CCS price, tRUB/MW/month, first price zone	110	115	134	168	171	182	193
Nominal CCS price, tRUB/MW/month, second price zone	190	191	225	264	267	279	303
Fortum's Russia segment							
Selected in CCS auction, MW, first price zone	2,365	2,331	2,848	3,451	3,904	3,904	4,351
Fortum's Uniper segment							
Selected in CCS auction, MW, first price zone	7,190	7,190	8,829	8,035	8,035	7,225	6,427
Selected in CCS auction, MW, second price zone	1,600	1,600	1,600	1,600	1,600	2,400	2,400

More detailed information about the market fundamentals is included in the tables at the end of the report.

Regulatory environment

European Climate Law proposed

On 4 March, the European Commission published a proposal for the European Climate Law. The law sets a binding EU-wide climate neutrality target for 2050 (previously 80-95%) and will be supplemented by a revised 2030 target expected to be 50-55% (previously 40%) later on. The aim is to adopt the European Climate Law by the end of 2020.

Fortum supports the proposal, as it is expected to increase the stability and predictability of the EU climate policy. The key challenge going forward is the allocation of additional emission reduction efforts between sectors included in the ETS and non-ETS sectors. All relevant policy instruments to implement the targets, including the EU's ETS, will be subject to revision in 2021. This entails a regulatory risk, but also gives opportunities to include new elements, like carbon removals, in the legislation.

A step forward in EU Sustainable Finance Regulation

Following the adoption of the Taxonomy Regulation in the end of 2019, the Technical Expert Group (TEG), acting as an advisory body to the European Commission, issued its final report on sustainable finance on 9 March. The TEG proposes to regard coal and natural gas as ineligible, whilst nuclear is left for further investigation. The Commission is expected to adopt the proposal and to decide on the status of natural gas and nuclear by the end of 2020.

Fortum has consistently called for a European taxonomy that is well-aligned with EU's 2050 climate neutrality goal and that takes duly into account the complementing role of technologies aimed at reducing or removing greenhouse gas emissions (e.g. renewables, nuclear, carbon capture and storage, clean gases, and storage).

National Covid-19 pandemic rules have a significant impact on the energy sector

The European energy sector is significantly affected by the Covid-19 pandemic. Depending on individual European countries, the degree of impact on power demand varies. Measures are being taken in order to safeguard the personnel at the different corporates and to ensure normal business operations to ensure security of supply through reliable energy production.

Covid-19 restrictions and especially the closing of national borders may have severe consequences on certain parts of the sector, such as procurement and logistics: ongoing and planned projects may suffer from delays due to lack of manpower and necessary equipment. E.g. wind power projects are strongly dependent on global supply chains. Although there are no restrictions for international trade, logistical challenges can be expected due to other restrictions. Member states are aiming to secure access to foreign experts for indispensable repair and maintenance work.

German coal phase-out legislation still pending

The draft legislation on the coal phase-out proposed by the German Government in February 2020 is still in the parliamentary process. Currently, the adoption of the law is scheduled for July, but delays are likely.

The legislation is heavily criticised by some operators of hard-coal power plants because of low compensations and the foreseen statutory closures of plants from 2027 onwards. Some companies are considering taking the issue to court, which would delay the final decisions by several years.

In Fortum's view, as long as coal is needed in energy production to ensure security of supply, it is better to use the most modern and efficient power plants rather than older ones.

Russian low-carbon strategy published

On 23 March, the Russian Ministry of Economic Development published its first draft of the low-carbon strategy including two main scenarios. Under the 'basic scenario', which is considered the main scenario, the carbon intensity of the Russian GDP would decline by 9% by 2030 and 48% by 2050 from 2017. Compared to 1990, this would correspond to an approximate 40% decrease of CO_2 emissions by 2050. The ’intensive scenario’ would enable Russia to achieve carbon neutrality in the second half of the 21st century.

Measures to reach the ‘intensive scenario’ targets include, e.g., a large-scale increase in energy efficiency, the introduction of carbon pricing, an increase of nuclear and renewable energy, electrification and digitalisation of transport and industry, the use of carbon capture and storage/utilisation technologies, and measures in the forestry sector.

The extension of the renewables support program for 2025-2035 is under discussion. Approximately two thirds of the investments are targeting wind projects and one third is targeting solar projects. New localisation requirements are being discussed.

In Fortum’s view the requirements should not be prohibitive, but rather should provide an investor premium on localisation for certain components or a higher capacity tariff for renewables.

Changes in Swedish waste incineration tax

On 1 April, the new tax on waste incineration became effective. The SEK 75/tonne tax will increase to SEK 125/tonne in 2022. Several questions related to implementation of the tax have raised concerns within the industry. The Swedish Tax Agency views that all non-hazardous waste entering a waste treatment facility with an incinerator is subject to the tax, regardless if the waste is incinerated or not. The consequent risk is that waste would be transported to locations not subject to the tax, which would distort the competitive situation, and the benefits of having combined waste treatment options at the same location would be lost. This interpretation would have negative consequences on, among others, Fortum’s waste treatment plant in Kumla, Sweden. Fortum is assessing potential legal means to rectify the situation.

Key drivers and risks

Fortum’s financial results are exposed to a number of financial, operational, strategic, and sustainability-related risks. Fortum is exposed to these risks both directly and indirectly through its subsidiaries, associated companies, and joint ventures. The most relevant companies are Uniper SE, Teollisuuden Voima Oyj (TVO), OKG AB, Forsmarks Kraftgrupp AB, Kemijoki Oy, TGC-1, and Stockholm Exergi AB. For more information about the risk exposures, please see each respective company’s annual report.

On 26 March 2020, Fortum became the majority shareholder of Uniper. Fortum consolidated Uniper into Fortum’s balance sheet as of 31 March 2020. From the second quarter of 2020, Fortum will consolidate Uniper’s results into its income statement. However, Uniper remains a separate company, listed in Germany, and therefore has its own risk management systems, risk governance framework, and a separate disclosure of its material risks and uncertainties. As Uniper now is a subsidiary of Fortum, Fortum and Uniper have initiated discussions on risk management systems and frameworks to ensure continued compliance with corporate governance codes, relevant disclosure requirements, and regulations.

Uniper’s business is predominantly exposed to the following four risk categories: market risk, credit risk, operational risk, and financial risk. Market risk comprises risks from market price movements (commodity, interest rates, and foreign exchange rates), as well as from the market environment. Operational risk includes risks related to Uniper’s asset operations, asset projects, IT, political & regulatory environment, legal proceedings, as well as people and process-related risks. Financial risks comprise margining risks, tax risks, and risks from unforeseeable non-periodic financial results. As per the end of the first quarter 2020, the categories credit risk, commodity price risk, foreign exchange rate risk and interest rate risk, legal risk, financial risk, as well as asset project risk are the major source of uncertainty for Uniper’s financial performance. For more information on the risk exposure, please see Uniper’s annual report and first-quarter 2020 financial results report.

One of the key factors influencing Fortum’s business performance is the Nordic electricity wholesale price. The key short-term drivers behind the electricity wholesale price development in the Nordic region are commodity prices, such as coal and gas, European electricity wholesale prices, prices for CO_2 emission allowances, the hydrological situation, temperatures, and the electricity import-export balance. In the longer term, global economic growth and changes to energy policy and regulations impact commodity and CO_2 emission allowance prices, which, in turn, impact the Nordic wholesale price of electricity. In addition, increased volatility in exchange rates could have both translation and transaction effects on Fortum’s financials, especially through the Russian rouble and Swedish krona.

Operational risks resulting from failed internal processes or systems or from external events can have a negative impact on Fortum's results. In all regions, fuel prices and power plant availability also impact profitability.

Changes in the regulatory and fiscal environment create risks and opportunities for the energy and environmental management business. The main strategic risk is that the regulatory and market environment develops in a way that we have not been able to foresee and prepare for. In response to these uncertainties, Fortum analyses and assesses a number of future market and regulation scenarios, including the impact of these on different generation forms and technologies. As a result, Fortum's strategy includes broadening of the revenue base and diversification into new businesses, technologies, and markets. The environmental management business is based on the framework and opportunities created by environmental regulation. Being able to respond to customer needs created by the tightening regulation is a key success factor.

For Fortum's Russian business, the key drivers are economic growth, the rouble exchange rate, regulation of the heat business, and the further development of the electricity and capacity markets. A key profitability driver is the received capacity payments based on the CSA contracts and CCS auctions. The main part of Fortum's generation capacity built after 2007 is entitled to CSA payments for approximately 10 years after commissioning of each new unit (approximately 15 years for renewable generation). The received capacity payments vary, depending on the age, location, type, and size of the plant, as well as on seasonality and availability. The CSA payments are adjusted for, among other factors, the weighted average cost of capital (WACC), the consumer price index (CPI), and re-examination of earnings from the electricity-only (spot) market (done every three and six years after commissioning of a unit). In addition, thermal power plants are entitled to clearly higher CSA payments starting approximately six years after commissioning.

Due to the ongoing Covid-19 pandemic, the exposure to risk and uncertainty in all risk categories has increased compared to the year-end situation. Specifically, market prices for Nordic electricity prices have fallen due to lower commodity and CO_2 prices and European demand as well as the extremely wet, warm, and windy winter in the Nordics. Fortum's hedges, especially for the remainder of 2020, will offer some protection against short-term fluctuations in Nordic electricity and other commodity market prices, but if the Covid-19 pandemic continues longer than expected or results in a more severe economic downturn than anticipated, results will be negatively impacted, as the hedge level for future years is lower.

Additionally, there is an increased risk of credit defaults caused by the abrupt shut-down of society in many parts of the world. Fortum hedges the majority of its Nordic power production through exchanges where contracts are cleared through clearing houses, such as Nasdaq Clearing AB, thus limiting credit exposure. However, Fortum also has retail electricity and heat sales to businesses and households primarily in the Nordics, Poland, and Russia as well as exposure towards customers in the recycling and waste solutions business. Credit defaults have not yet had a significant impact, but if the pandemic continues for a longer period of time without sufficient support schemes for affected businesses, we expect to see increased default rates and delayed payments from customers, especially in the small and medium businesses in high-risk sectors.

Operational risks have also increased due to the pandemic. Travel restrictions, risk of prolonged absences of key personnel, and difficulties in obtaining key materials, parts, and resources from our suppliers increase the risk of operational incidents or prolonged maintenance periods. So far, the risks have been mitigated through activation of business continuity plans and a review of the timing and prioritisation of maintenance work. However, the longer the Covid-19 pandemic continues, the higher the risk of such incidents in the future.

Fortum has established a pandemic task force that is closely monitoring the development of the pandemic and its effects on our operations so that we can quickly respond to changes and continue to ensure safe and reliable delivery of electricity, heat and related services.

For further information about the risks, see Fortum's Annual Report for 2019.

Outlook

Hedging

At the end of the first quarter 2020, approximately 85% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 33 per MWh for the remainder of 2020 and approximately 50% at EUR 34 per MWh for 2021 (at the end of 2019: 40% at EUR 33 per MWh).

At the end of the first quarter 2020, approximately 95% of the Uniper segment's estimated Nordic power sales volume was hedged at EUR 28 per MWh for the remainder of 2020, approximately 70% at EUR 28 per MWh for 2021, and approximately 15% at EUR 23 per MWh for 2022.

The reported hedge ratios are based on the hedges and power generation forecasts of the Generation segment and of Uniper's Nordic generation. The underlying generation assets and definition of hedges differ to some extent and are thus not fully comparable.

The reported hedge ratios may vary significantly, depending on Fortum's and Uniper's actions on the electricity derivatives markets. Hedges are mainly financial contracts, most of them electricity derivatives quoted on Nasdaq Commodities.

Capital expenditure and divestments

Fortum currently estimates its capital expenditure, including maintenance but excluding acquisitions, to be approximately EUR 700 million in 2020, excluding Uniper. This includes approximately EUR 200 million of solar and wind investments, which are subject to the capital recycling business model. The maintenance capital expenditure in 2020 is estimated to be approximately EUR 300 million, well below the level of depreciation.

Fortum and Uniper share the view of the importance of credit rating and take it into account when making new decisions on capital expenditures.

Generation

The Generation segment's achieved Nordic power price typically depends on factors such as hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible generation portfolio, as well as currency fluctuations. Excluding the potential effects from changes in the power generation mix, a 1 EUR/MWh change in the Generation segment's achieved Nordic power price will result in an approximately EUR 45 million change in Fortum's annual comparable operating profit. The achieved power price also includes the results of optimisation of Fortum's hydro and nuclear generation, as well as operations in the physical and financial commodity markets.

The Swedish hydropower real-estate tax decreased from 1.0% to 0.5% in January 2020. In 2019, the tax amounted to EUR 40 million and is expected to be approximately EUR 25 million in 2020.

City Solutions

The development of Fortum Oslo Varme's business operations is estimated to require one-time integration-related costs and investments over the coming years. The cost synergies materialised gradually during 2019, with targeted annual synergies of EUR 5-10 million expected to be achieved by the end of 2020.

Uniper guidance

With regard to Uniper, reference is made to the guidance that the company publishes quarterly.

Income taxation

In 2020, the comparable effective corporate income tax rate for Fortum is estimated to increase from the current level (22.4% in 2019) as Uniper is consolidated into Fortum's results from the end of the first quarter. The increase is mainly a consequence of the exposure to new operative countries and changes in the weight of profits to be taxed at different local tax rates.

In June 2018, the Swedish Government decided to lower the Swedish corporate tax in two steps, from 22.0% to 21.4%, effective January 2019, and to 20.6%, effective January 2021.

Legal actions

For information on legal actions see Note 18. As Fortum consolidated Uniper into its balance sheet from 31 March 2020, status on Uniper's disclosed legal cases has been added to Note 18. There were no other material changes in the ongoing legal actions during the quarter.

Sustainability

The strategy alignment for Fortum and Uniper also includes aligning joint visions for carbon neutrality and other sustainability targets. The review of the objectives, policies, and reporting for sustainability will be initiated during 2020.

Fortum gives balanced consideration in its operations to climate and resource issues, as well as its impacts on personnel and society, emphasising the following priority areas:

Personnel and society		Climate and resources
Business ethics and compliance	Employee wellbeing, health and safety	Climate change and GHG emissions
Customer rights and satisfaction	Labour rights	Energy efficiency
Human rights	Innovation and digitalisation	Circular economy
Corporate governance	Economic value creation	Emissions to air, land and water
Stakeholder engagement	Diversity and equal opportunity	Water use
		Security of supply

The Group-level sustainability targets are linked to the main sustainability priority areas and emphasise Fortum's role in society. They measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, employee wellbeing, and the security of power and heat production. Targets are set annually and are based on continuous operational improvement.

The achievement of the sustainability targets is monitored in monthly, quarterly, and annual reporting. Fortum publishes a yearly Sustainability Report with additional information on the company's sustainability performance.

Group sustainability targets and performance 2020*

	Target	I/20	I/19	2019
Climate and resources				
Specific CO_2 emissions from total energy production, g/kWh	≤ 180	179	193**	189
Major EHS incidents, no.	≤ 14	2	0	11
Energy availability of CHP plants, %	≥ 95.0	96.4	97.6	95.9
Personnel and society				
Lost Workday Injury Frequency, own personnel and contractors	≤ 1.6	1.4	2.1	1.7
Severe occupational accidents, no.	0	0	0	1
Quality of investigation process of occupational accidents, major EHS incidents and near misses	Level 3.0	Level 4.0	Level 3.0	Level 3.0
GAP index, implementation of EHS minimum requirements	Level 3.0	Level 3.0	Level 2.0	Level 3.0
Contractor Safety Improvement index	Level 3.0	Level 3.0	-***	Level 3.0***
Sickness-related absences, %	≤ 2.8	3.4	3.5	2.9****

* Group targets for energy-efficiency improvement, Reputation index, and Customer Satisfaction index are monitored annually.
** The figure has been revised from previously published.
*** The reporting of the Contactor safety improvement index started in the second quarter of 2019.
**** The figure has been revised from the one presented in the Financial statements bulletin 2019 and the Financials 2019 report (3.0).

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating.

Fortum is listed on the Nasdaq Helsinki exchange and is included in the STOXX Global ESG Leaders, OMX Sustainability Finland, ECPI®, Euronext Vigeo Eurozone 120, Euronext Vigeo Europe 120, FTSE4Good, and Equileap Gender Equality indices. Fortum is also ranked in category B in the CDP Climate Change 2019 rating, and it has received an "A" rating in the MSCI ESG Ratings assessment in 2019 and a Prime Status (B-) rating by ISS ESG Corporate Rating in 2020.

Fortum's sustainability reporting covers all functions under Fortum's operational control, including subsidiaries in all countries of operation.

Climate and resources

Fortum's Group-level targets for climate and resources are related to CO_2 emissions, energy efficiency, secure supply of electricity and heat for customers, and major Environmental, Health, and Safety (EHS) incidents. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard, and 99.8% (99.9%) of Fortum's power and heat production worldwide has ISO 14001 certification.

Fortum's aim is to promote resource efficiency improvements and the transition towards a more extensive circular economy. Fortum's energy production is primarily based on carbon dioxide-free hydropower and nuclear power and on energy-efficient combined heat and power (CHP) production. In line with the strategy, Fortum targets a multi-gigawatt solar and wind portfolio, which is subject to the capital recycling business model.

Fortum expects the concern about climate change to increase the demand for low-carbon production and energy-efficient solutions and products. Fortum aims to mitigate climate change by investing in CO_2-free energy production and by improving energy and resource efficiency.

In January-March 2020, Fortum's direct CO_2 emissions were 5.5 (5.9) Mt. Of the total CO_2 emissions, 0.6 (0.9) Mt were within the EU ETS. The estimate for Fortum's free emission allowances in 2020 is 0.4 (0.7) Mt.

Fortum's total CO_2 emissions (million tonnes, Mt)	**I/20**	**I/19**	**2019**	**LTM**
Total emissions	5.5	5.9	19.1	18.8
Emissions subject to ETS	0.6	0.9	2.1	1.8
Free emission allowances	-	-	0.7	-
Emissions not subject to ETS in Europe	0.2	0.2	0.7	0.7
Emissions in Russia	4.8	4.8	16.3	16.3

In January-March 2020, Fortum's specific CO_2 emissions from total energy production were 179 (193) g/kWh, which was below Fortum's Group target for 2020 of ≤180 g/kWh.

An uninterrupted and reliable energy supply is critical for society to function. The energy availability of the company's CHP plants in January-March 2020 was, on average, 96.4% (97.6%), outperforming the target of ≥95.0%.

Fortum's target regarding major EHS incidents is to have no more than 14 major EHS incidents annually. Major EHS incidents are monitored, reported and investigated, and corrective actions are implemented. In January-March 2020, there were 2 (0) major EHS incidents in Fortum's operations. Both major EHS incidents involved leaks into the environment. The clean-up measures of one of them, the oil spill that occurred at the Inkoo oil storage, are ongoing under the direction of the rescue authorities.

Personnel and society

Fortum's Group-level targets for personnel and society are related to operational and occupational safety, employee wellbeing, reputation, and customer satisfaction. For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. Fortum strives to be a safe workplace for the employees, contractors, and service providers who work for the company. A certified OHSAS 18001 or ISO 45001 safety management system covers 96.5% (97.0%) of Fortum's power and heat production worldwide.

In January-March 2020, Fortum's Lost Workday Injury Frequency (LWIF) for own personnel and contractors was 1.4 (2.1), achieving the set target level (≤1.6). In January-March 2020, there were no severe occupational accidents (0) in the company's operations. Fortum's Group target for 2020 is zero severe occupational accidents.

In January-March 2020, the quality of the investigation process of occupational accidents, major EHS incidents, and serious near misses was at the level of 4.0 (3.0), achieving the set target level (3.0).

In January-March 2020, the GAP index was at the level of 3.0 (2.0), achieving the set target level (3.0). The GAP index measures how well the Group's EHS minimum requirements are realised at the power plant level.

In January-March 2020, the Contractor Safety Improvement index was at the level of 3.0, achieving the set target level (3.0). The Contractor Safety Improvement index measures how well Fortum has managed to implement measures targeting improvements in contractor safety.

Fortum's goal regarding workplace wellbeing activities is to promote the health and occupational safety of employees and the functionality of the work community. In January-March 2020, the percentage of sickness-related absences was 3.4 (3.5), which did not meet the target level of ≤2.8.

Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier qualification and supplier audits. In January-March 2020, Fortum conducted a total of 2 (7) supplier audits: one in India and one in Indonesia.

Shares and share capital

Fortum shares on Nasdaq Helsinki

Jan-March 2020	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR*	Last EUR
FORTUM	189,050,386	3,386,667,441	23.46	12.25	17.90	13.38

* Volume weighted average.

	31 March 2020	31 March 2019
Market capitalisation, EUR million	11,881	16,194
Number of shareholders	162,148	127,181
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	27.5	29.5
Households, %	11.3	9.7
Financial and insurance corporations, %	2.0	1.9
Other Finnish investors, %	8.5	8.2

In addition to Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, Cboe and Turquoise, and on the OTC market. In the first quarter of 2020, approximately 73% of Fortum's shares were traded on markets other than Nasdaq Helsinki (source Bloomberg).

On 31 March 2020, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,294,465. Fortum Corporation does not hold any of the company's own shares.

Group personnel

Fortum's operations are mainly based in the Nordic countries, Russia, Poland and the Baltic Rim area. The total number of employees at the end of March 2020 was 19,935 (8,191 at the end of 2019).

At the end of March 2020, the Generation segment had 1,113 (1,109 at the end of 2019) employees, Russia 2,982 (2,955 at the end of 2019), City Solutions 1,997 (1,970 at the end of 2019), Consumer Solutions 1,279 (1,327 at the end of 2019), Uniper 11,611 (was not consolidated at the end of 2019), and Other Operations 953 (830 at the end of 2019).

Changes in the Group management

On 2 March 2020, Fortum announced that the President and CEO Pekka Lundmark had resigned from the company to become the CEO of Nokia Corporation. Mr. Lundmark will leave Fortum at the end of August 2020 at the latest. The Board of Directors has initiated a recruitment process for a new CEO.

Annual General Meeting 2020

Fortum's Annual General Meeting (AGM) 2020 was scheduled for 17 March 2020. On 16 March 2020, Fortum's Board of Directors decided to cancel the AGM due to the accelerated situation with the Covid-19 pandemic and the consequent restrictions announced by the Finnish Government on that same day.

On 30 March 2020, Fortum announced the invitation to the AGM 2020 to be held on Thursday, 23 April 2020. Fortum imposed several precautionary measures to be able to convene the meeting and to ensure the safety of the persons present at the meeting. The company urged shareholders to avoid attending the AGM in person at Fortum's headquarters, and instead to follow the meeting via a live video stream. The company recommended shareholders to vote in advance or, alternatively, issue a power of attorney to be represented at the meeting.

The Annual General Meeting adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January-31 December 2019 and discharged from liability the members of the Fortum Board of Directors and the President and CEO for the year 2019.

The Annual General Meeting decided that a dividend of EUR 1.10 per share be paid for the financial year that ended on 31 December 2019. The record date for the dividend payment was 27 April 2020, and dividends of EUR 977 million were paid on 5 May 2020.

The Annual General Meeting decided to approve the remuneration policy for the company's governing bodies.

The Annual General Meeting confirmed the remuneration for the Board of Directors for the upcoming term as follows: for the chairman EUR 77,200 per year, for the deputy chairman EUR 57,500 per year, for a member EUR 40,400 per year, and for the member acting as the chairman of the Audit and Risk Committee EUR 57,500 per year, if he or she is not simultaneously acting as chairman or deputy chairman of the board. In addition, a fee of EUR 600 will be paid for each board meeting and board committee meeting. For members living outside Finland in Europe, the fee for each meeting will be doubled, and for members living outside Europe, the fee for each meeting will be tripled. For members living in Finland, the fee for each board and board committee meeting will be doubled for meetings held outside Finland and tripled for meetings held outside Europe. For board and committee meetings held as a telephone conference, the basic fee will be paid to all members.

The Annual General Meeting decided that the Board of Directors will be nine. Mr Matti Lievonen was elected as chairman, Mr Veli-Matti Reinikkala as deputy chairman, and Ms Eva Hamilton, Ms Essimari Kairisto, Mr Klaus-Dieter Maubach, Ms Anja McAlister, Mr Philipp Rösler, Mr Teppo Paavola, and Ms Annette Stube as members.

In addition, Deloitte Oy was re-elected as the auditor, with Reeta Virolainen, APA, as the responsible auditor. The auditor's fee is paid pursuant to an invoice approved by the company.

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and disposal of the company's own shares up to maximum number of 20,000,000 shares, which corresponds to approximately 2.25% of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorisation. These authorisations cancelled the authorisations resolved by the Annual General Meeting of 2019, and they will be effective until the next Annual General Meeting and in any event no longer than for a period of 18 months.

The Annual General Meeting authorised the Board of Directors to decide on contributions in the total maximum amount of EUR 500,000 for charitable or similar purposes and to decide on the recipients, purposes and other terms of the contributions. The authorisation will be effective until the next Annual General Meeting.

The Annual General Meeting rejected the proposal of shareholder Maailman Luonnon Säätiö, World Wide Fund for Nature, Suomen rahasto sr to amend the Articles of Association of the company.

Board decisions

At the meeting held after the Annual General Meeting 2020, Fortum's Board of Directors elected to the Nomination and Remuneration Committee Matti Lievonen as chairman, and Eva Hamilton, Klaus-Dieter Maubach and Anja McAlister as members.

Furthermore, the board elected to the Audit and Risk Committee Essimari Kairisto as chairman and Teppo Paavola, Veli-Matti Reinikkala, Philipp Rösler and Annette Stube as members.

Events after the reporting period

On 15 May 2020, Fortum's Board of Directors decided to revise Fortum's long-term financial targets and to remove the current financial targets. For further information see the Financial position and cash flow.

On 14 May 2020, Fortum closed the transaction to sell a share of its Nordic wind portfolio. For further information see the Segment review and Capital expenditure, divestments, and investments in shares and Note 6.

On 8 May 2020, Fortum closed the second tranche of the agreement to purchase additional shares in Uniper, thereby increasing the ownership to 73.4%. For further information see the Segment review and Note 20.

In April 2020, Fortum's representation on the Supervisory Board of Uniper increased. For further information see the Segment review.

In April 2020, Fortum signed an agreement to sell a majority share of its public charging point operator (CPO), Fortum Recharge AS, for electrical vehicles in the Nordics to Infracapital, the infrastructure equity investment arm of M&G Plc. After the transaction, Fortum's ownership in Recharge will be 37%. Recharge is the largest CPO in the Nordics, owning close to 1,300 public charging points and operating an additional 1,400 charging points in Norway, Finland, and Sweden. The enterprise value corresponding to 100% of Recharge is approximately EUR 140 million. The transaction is expected to close in the second quarter of 2020 (Note 20).

Dividend payment

The Annual General Meeting 2020 decided to pay a dividend of EUR 1.10 per share for the financial year that ended 31 December 2019. The record date for the dividend was 27 April 2020 and the dividend payment date was 5 May 2020.

Espoo, 14 May 2020

Fortum Corporation
Board of Directors

Further information:

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The condensed Interim Report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The interim financials have not been audited.

Financial calendars in 2020

In order to be aligned with Uniper's financial calendar, Fortum has amended its 2020 financial reporting schedule as follows:

- January-June Half-year Financial Report on 19 August 2020 at approximately 9:00 EEST
- January-September Interim Report on 17 November 2020 at approximately 9:00 EET

Fortum's Capital Markets Day 2020 is planned for 3 December 2020.

Uniper publishes its financial calendar on the website www.ir.uniper.energy. Uniper will publish its interim reports in 2020 on the following dates:

- Financial Results January-June 2020 on 11 August 2020
- Financial Results January-September 2020 on 10 November 2020

Distribution:

Nasdaq Helsinki
Key media
www.fortum.com

More information, including detailed quarterly information, is available on Fortum's website at www.fortum.com/investors

Interim Financial Statements are unaudited

Condensed consolidated income statement

EUR million	Note	I/2020	I/2019	2019	LTM
Sales	3	1,357	1,690	5,447	5,114
Other income		23	21	110	112
Materials and services		-576	-917	-2,721	-2,380
Employee benefits		-123	-122	-480	-481
Depreciation and amortisation	3	-150	-137	-575	-588
Other expenses		-138	-127	-591	-602
Comparable operating profit	3	**393**	**408**	**1,191**	**1,176**
Items affecting comparability	3, 4	199	-50	-81	168
Operating profit	3	**592**	**358**	**1,110**	**1,344**
Share of profit/loss of associates and joint ventures	3, 10	479	111	744	1,112
Interest expense		-46	-51	-167	-162
Interest income		6	9	28	25
Other financial expenses - net		-17	-4	14	1
Finance costs - net		-57	-46	-125	-136
Profit before income tax		**1,014**	**424**	**1,728**	**2,318**
Income tax expense		-76	-65	-221	-232
Profit for the period		**938**	**359**	**1,507**	**2,086**
Attributable to:					
Owners of the parent		930	341	1,482	2,071
Non-controlling interests		9	19	25	15
		938	**359**	**1,507**	**2,086**
Earnings per share for profit attributable to the equity owners of the company (EUR per share)					
Basic		1.05	0.38	1.67	2.33

As Fortum currently has no dilutive instruments outstanding, diluted earnings per share is the same as basic earnings per share.

EUR million	Note	I/2020	I/2019	2019	LTM
Comparable operating profit		**393**	**408**	**1,191**	**1,176**
Impairment charges		0	-3	-8	-5
Capital gains and other	6	413	3	7	417
Impact from acquisition accounting		-222	0	0	-222
Changes in fair values of derivatives hedging future cash flow		19	-46	-72	-7
Nuclear fund adjustment	13	-10	-5	-9	-14
Items affecting comparability	4	199	-50	-81	168
Operating profit		**592**	**358**	**1,110**	**1,344**

See Note 21 Definitions of key figures.

Condensed consolidated statement of comprehensive income

EUR million	Note	I/2020	I/2019	2019	LTM
Profit for the period		**938**	**359**	**1,507**	**2,086**
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges					
Fair value gains/losses in the period [1]		712	255	82	539
Transfers to income statement		23	227	635	431
Transfers to inventory/property, plant and equipment		-1	-1	-4	-4
Deferred taxes		-152	-102	-151	-201
Net investment hedges					
Fair value gains/losses in the period		52	-21	-24	49
Deferred taxes		-10	4	5	-9
Exchange differences on translating foreign operations [2]		-875	205	259	-821
Share of other comprehensive income of associates and joint ventures		-257	-48	72	-137
Transfer to income statement due to impact from acquisition accounting	4	222	-	-	222
Other changes		3	4	5	4
		-283	**524**	**877**	**70**
Items that will not be reclassified to profit or loss in subsequent periods:					
Actuarial gains/losses on defined benefit plans		32	0	-21	11
Actuarial gains/losses on defined benefit plans in associates and joint ventures		70	-39	-208	-99
		102	**-39**	**-229**	**-88**
Other comprehensive income for the period, net of deferred taxes		**-181**	**485**	**649**	**-17**
Total comprehensive income for the period		**757**	**844**	**2,155**	**2,068**
Total comprehensive income attributable to:					
Owners of the parent		777	814	2,120	2,083
Non-controlling interests		-19	30	36	-13
		757	**844**	**2,155**	**2,068**

1) Fair valuation of cash flow hedges mainly relates to fair valuation of derivatives, such as futures and forwards, hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is higher (lower) than the hedging price, the impact on equity is negative (positive).
2) Translation differences from translation of foreign entities, mainly RUB, SEK and NOK.

Condensed consolidated balance sheet

EUR million	Note	31 Mar 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	8	2,185	1,143
Property, plant and equipment and right-of-use assets	9	18,716	10,123
Participations in associates and joint ventures	10	2,869	6,435
Shares in Nuclear Waste Funds	13	2,962	813
Other non-current assets		453	151
Deferred tax assets		1,088	77
Derivative financial instruments	5	5,497	180
Long-term interest-bearing receivables	11	2,176	651
Total non-current assets		**35,947**	**19,571**
Current assets			
Inventories		1,825	230
Derivative financial instruments	5	17,708	131
Short-term interest-bearing receivables	11	485	384
Income tax receivables		136	133
Margin receivables	12	559	177
Trade and other receivables		7,642	999
Liquid funds	12	4,081	1,433
Total current assets		**32,436**	**3,486**
Assets held for sale	6	**167**	**307**
Total assets		**68,550**	**23,364**
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,046	3,046
Share premium		73	73
Retained earnings		9,996	9,982
Other equity components		661	-118
Total		**13,776**	**12,982**
Non-controlling interests		3,192	252
Total equity		**16,968**	**13,235**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	12	9,089	6,118
Derivative financial instruments	5	5,412	137
Deferred tax liabilities		1,273	865
Nuclear provisions	13	3,276	813
Other provisions	14	3,162	87
Pension obligations, net	15	1,032	125
Other non-current liabilities		432	167
Total non-current liabilities		**23,676**	**8,311**
Current liabilities			
Interest-bearing liabilities	12	1,369	570
Derivative financial instruments	5	16,003	252
Other provisions	14	295	13
Margin liabilities	12	1,478	32
Trade and other payables		8,742	898
Total current liabilities		**27,887**	**1,766**
Liabilities related to assets held for sale	6	**19**	**52**
Total liabilities		**51,582**	**10,129**
Total equity and liabilities		**68,550**	**23,364**

Condensed consolidated statement of changes in total equity

EUR million	Note	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
				Retained earnings	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associates and joint ventures			
Total equity 1 January 2020		**3,046**	**73**	**12,441**	**-2,459**	**-70**	**60**	**-108**	**12,982**	**252**	**13,235**
Net profit for the period				930					930	9	938
Translation differences					-849	3	2	-1	-844	-31	-875
Other comprehensive income						581	74	35	691	3	694
Total comprehensive income for the period				930	-849	585	76	35	777	-19	757
Changes due to business combinations	6								0	2,959	2,959
Impact from acquisition accounting	4			-84				84	0		0
Other				17					17		17
Total equity 31 March 2020		**3,046**	**73**	**13,303**	**-3,307**	**514**	**136**	**11**	**13,776**	**3,192**	**16,968**
Total equity 1 January 2019		**3,046**	**73**	**11,937**	**-2,705**	**-638**	**99**	**30**	**11,841**	**236**	**12,077**
Net profit for the period				341					341	19	359
Translation differences					192	5	1	-1	197	8	205
Other comprehensive income				0		380	-17	-87	276	4	280
Total comprehensive income for the period				340	192	385	-16	-88	814	30	844
Cash dividend				-977					-977		-977
Other				-4					-4	0	-4
Total equity 31 March 2019		**3,046**	**73**	**11,296**	**-2,513**	**-254**	**83**	**-58**	**11,674**	**267**	**11,941**
Total equity 1 January 2019		**3,046**	**73**	**11,937**	**-2,705**	**-638**	**99**	**30**	**11,841**	**236**	**12,077**
Net profit for the period				1,482					1,482	25	1,507
Translation differences					247	7	0	-1	253	6	259
Other comprehensive income						561	-40	-136	385	5	390
Total comprehensive income for the period				1,482	247	568	-40	-137	2,120	36	2,156
Cash dividend				-977					-977	-23	-1,000
Other				-2					-2	4	2
Total equity 31 December 2019		**3,046**	**73**	**12,441**	**-2,459**	**-70**	**60**	**-108**	**12,982**	**252**	**13,235**

Translation differences

Translation of financial information from subsidiaries in foreign currency is done using the average rate for the income statement and the end rate for the balance sheet. The exchange rate differences arising from translation (mainly related to RUB, SEK and NOK) to EUR are recognised in equity. Part of this translation exposure has been hedged and the foreign currency hedge result amounting to EUR 49 million during Q1 2020 (Q1 2019: -16), is included in the other OCI items. For information regarding exchange rates used, see Note 1.6 Key exchange rates used in consolidated financial statements.

Impact from acquisition accounting

Consolidation of an associated company results includes recording a share of the associated company's other comprehensive income (OCI). If an associated company is either divested or becomes a subsidiary, IFRS requires that these previously recorded OCI items are reclassified inside equity either via the consolidated income statement or directly to retained earnings, depending on the nature of the OCI item. Reclassification does not have an impact on total equity. The above resulted in EUR -84 million being reclassified from OCI to retained earnings. See Note 4 Items affecting comparability.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges mainly relates to fair valuation of derivatives, such as futures and forwards, hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is higher (lower) than the hedging price, the impact on equity is negative (positive).

Cash dividends

A dividend for 2019 was decided in the Annual General Meeting on 23 April 2020 and paid on 5 May 2020. The dividend has not been recognised as a liability in these interim financial statements. See Note 7 Dividend per share.

Non-controlling interests

Non-controlling interests increased by EUR 2,959 million during Q1 2020 following the acquisition of Uniper, including EUR 416 million non-controlling interest from Uniper's standalone balance sheet; and EUR 2,543 million representing the 26.6% non-controlling interest in Uniper when Uniper was consolidated as a subsidiary to Fortum Group. See also Note 6.1 Acquisitions.

Condensed consolidated cash flow statement

EUR million	Note	I/2020	I/2019	2019	LTM
Cash flow from operating activities					
Profit for the period		**938**	**359**	**1,507**	**2,086**
Adjustments:					
Income tax expense		76	65	221	232
Finance costs - net		57	46	125	136
Share of profit/loss of associates and joint ventures	10	-479	-111	-744	-1,112
Depreciation and amortisation	3	150	137	575	588
Operating profit before depreciations (EBITDA)		**742**	**496**	**1,685**	**1,931**
Items affecting comparability	3, 4	-199	50	81	-168
Comparable EBITDA		**543**	**545**	**1,766**	**1,764**
Non-cash flow items		6	-7	-1	12
Interest received		3	4	29	28
Interest paid		-44	-68	-177	-153
Dividends received		0	0	239	239
Realised foreign exchange gains and losses		6	-5	14	25
Income taxes paid		-83	9	-165	-257
Other items		-3	3	-13	-19
Funds from operations		**428**	**482**	**1,691**	**1,637**
Change in net margin liabilities		553	292	356	617
Change in working capital		133	-22	-33	122
Net cash from operating activities		**1,114**	**751**	**2,015**	**2,378**
Cash flow from investing activities					
Capital expenditures	3	-110	-150	-695	-655
Acquisitions of shares	6	-844	-12	-107	-939
Proceeds from sales of property, plant and equipment		1	0	35	36
Divestments of shares and capital returns	6	524	8	53	569
Shareholder loans to associated companies and joint ventures	11	2	0	9	11
Change in cash collaterals and restricted cash	11	7	310	311	8
Change in other interest-bearing receivables	11	14	12	25	27
Net cash from/used in investing activities		**-406**	**167**	**-369**	**-942**
Cash flow before financing activities		**708**	**918**	**1,646**	**1,436**
Cash flow from financing activities					
Proceeds from long-term liabilities	12	2,110	2,506	2,805	2,409
Payments of long-term liabilities	12	-56	-2,507	-2,567	-116
Change in short-term liabilities	12	-43	159	-78	-280
Dividends paid to the owners of the parent	7	0	0	-977	-977
Dividends paid to non-controlling interests		0	0	-23	-23
Other financing items		-2	-3	1	2
Net cash from/used in financing activities		**2,008**	**155**	**-839**	**1,014**
Net increase(+)/decrease(-) in liquid funds		**2,717**	**1,073**	**806**	**2,450**
Liquid funds at the beginning of the period	12	**1,435**	**584**	**584**	**1,692**
Foreign exchange differences in liquid funds		-71	35	44	-62
Liquid funds at the end of the period [1)]	12	**4,081**	**1,692**	**1,435**	**4,081**

1) Includes cash balances of EUR 2 million relating to assets held for sale at 31 December 2019. See Note 6.3 Assets held for sale.

Realised foreign exchange gains and losses

Realised foreign exchange gains and losses relate mainly to financing of Fortum's Russian, Swedish and Norwegian subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise from rollover of foreign exchange contracts hedging these internal loans as major part of the forwards are entered into with short maturities, i.e. less than twelve months.

Additional cash flow information

Change in working capital

EUR million	I/2020	I/2019	2019	LTM
Change in interest-free receivables, decrease(+)/increase(-)	178	48	63	193
Change in inventories, decrease(+)/increase(-)	4	0	4	8
Change in interest-free liabilities, decrease(-)/increase(+)	-49	-71	-100	-78
Total	**133**	**-22**	**-33**	**122**

Capital expenditure in cash flow

EUR million	I/2020	I/2019	2019	LTM
Capital expenditure	84	129	713	668
Change in not yet paid investments, decrease(+)/increase(-)	27	24	-9	-6
Capitalised borrowing costs	-1	-3	-9	-7
Total	**110**	**150**	**695**	**655**

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 844 million during Q1 2020 (Q1 2019: 12), including mainly the acquisition of shares in Uniper SE. For additional information, see Note 6.1 Acquisitions.

Divestment of shares in cash flow

EUR million	I/2020	I/2019	2019	LTM
Proceeds from sales of subsidiaries, net of cash disposed	524	4	15	535
Proceeds from sales and capital returns of associates and joint ventures	0	0	33	33
Proceeds from sales of other investments	0	4	4	0
Total	**524**	**8**	**53**	**569**

During Q1 2020 Fortum completed the divestment of the district heating business in Joensuu, Finland. For further information, see Note 6.2 Disposals.

Change in net debt

Starting from Q1 2020 Fortum has updated the definition of net debt to align it with Uniper. See further details in Note 12 Interest-bearing net debt.

EUR million	Note	I/2020
Net debt, beginning of the period		**5,260**
Collateral arrangement securities		-281
Net margin liabilities		-145
Financial net debt, beginning of the period		**4,833**
Foreign exchange rate differences		30
Comparable EBITDA		543
Non-cash flow items		6
Paid net financial costs		-37
Income taxes paid		-83
Change in working capital		133
Capital expenditures		-110
Acquisitions		-844
Divestments and proceeds from sale of property, plant and equipment		524
Shareholder loans to associated companies		2
Change in other interest-bearing receivables		21
Other financing activities		-3
Net cash flow		154
Acquired financial debt		1,849
Acquisition liability regarding second tranche of Uniper acquisition		428
Fair value change of bonds, amortised cost valuation and other changes		-3
Financial net debt, end of the period	12	**6,983**

Key ratios

Starting from Q1 2020 Fortum has modified the key ratios presented and updated the definition of net debt to align it with Uniper. See further details in Note 12 Interest-bearing net debt and Note 21 Definitions of key figures.

Fortum aims to set new long-term financial targets by the end of the year at the latest, as Fortum's business profile has changed following the consolidation of Uniper. The current long-term financial targets return on capital employed and comparable net debt-to-EBITDA do not appropriately reflect the Group and have consequently been removed. See Note 1.3 Capital risk management and Fortum's alternative performance measures.

	31 Mar 2020	31 Mar 2019	31 Dec 2019	LTM
Comparable EBITDA, EUR million	543	545	1,766	1,764
Earnings per share (basic), EUR	1.05	0.38	1.67	2.33
Financial net debt, EUR million	6,983	-	4,833	
Adjusted net debt, EUR million	9,104	-	4,978	
Interest-bearing net debt, EUR million	-	4,995	5,260	
Capital expenditure and gross investments in shares, EUR million	3,204	135	819	3,888
Capital expenditure, EUR million	84	129	713	668
Equity per share, EUR	15.51	13.14	14.61	
Number of employees	19,935	8,276	8,191	
Average number of shares, 1,000 shares	888,294	888,294	888,294	
Diluted adjusted average number of shares, 1,000 shares	888,294	888,294	888,294	
Number of registered shares, 1,000 shares	888,294	888,294	888,294	
Number of registered shares excluding treasury shares, 1,000 shares	888,294	888,294	888,294	

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

1.1 Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

The figures in the consolidated interim financial statements have been rounded and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

Part of Fortum's business operations are seasonal, with the comparable operating profit usually being higher for the first and fourth quarter of the year. Columns labelled as 'LTM' or 'last twelve months' present figures for twelve months preceding the reporting date.

1.2 Summary of Uniper impacts to Fortum's interim report

Consolidation of Uniper as a subsidiary at 31 March 2020

On 8 October 2019, Fortum entered into agreements to acquire all the shares held by funds managed by Elliott Management Corporation and its affiliates ("Elliott") and Knight Vinke Energy Advisors Limited and its affiliates ("Knight Vinke"). The transaction was closed in two tranches. Control of Uniper was acquired on 26 March 2020 upon closing of the first tranche of the agreement, 19.6% of the shares. A liability for the maximum amount of shares in the second tranche, 3.8% of the shares, was recognised on the acquisition date. The second tranche of the agreement was closed on 8 May 2020 with the maximum amount of shares.

On 31 March 2020, Fortum's consolidated stake in Uniper is 73.4%, including the shares from the second tranche. On 31 March 2020, Fortum consolidated only the balance sheet of Uniper. The income statement impact from 26 March 2020 to 31 March 2020 is not material. From the second quarter of 2020, Fortum will consolidate Uniper's results into its income statement. See Note 6.1 Acquisitions.

One-time impact from acquisition accounting

Consolidation of an associated company results includes recording a share of the associated company's other comprehensive income (OCI). If an associated company is either divested or becomes a subsidiary, IFRS requires that these previously recorded OCI items are reclassified inside equity either via the consolidated income statement or directly to retained earnings, depending on the nature of the OCI item. Reclassification does not have an impact on total equity.

The above reclassification resulted in a one-time, non-cash income statement impact of EUR -222 million on 31 March 2020 when Uniper became Fortum's subsidiary. This amount represents a part of Fortum's share of Uniper's OCI for the time when Uniper was an associated company, with no impact to Fortum's total equity. The amount mainly relates to exchange rate differences arising from translation of foreign operations recorded by Uniper. See Note 4 Items affecting comparability.

Share of profits from associates

Fortum has previously accounted for Uniper as an associated company with a three-month time lag as Fortum published interim reports before Uniper's financial information was available. As of the first quarter 2020, Fortum has revised its financial reporting schedule and reports its quarterly results after Uniper. Fortum's first quarter results therefore include Fortum's share of Uniper's results from 1 October 2019 to 31 March 2020. See Note 10 Participations in associated companies and joint ventures.

Segment reporting

Following the consolidation of Uniper as a subsidiary on 31 March 2020, Fortum has revised its reportable segments and reports Uniper as a separate segment. Until 31 March 2020 Fortum's share of Uniper's associated company results is presented in Other operations. See Note 3 Segment information.

Reporting of both the Uniper segment, and the Generation segment are impacted by adjustments for the joint ownership in the Swedish nuclear company, OKG AB. See paragraph below.

Joint ownership in the Swedish nuclear company OKG AB

Fortum and Uniper are co-owners in the Swedish nuclear company OKG Aktiebolag (OKG AB). OKG AB is consolidated into Uniper Group as a subsidiary with a 45.5% minority representing Fortum's ownership in OKG AB. Fortum accounted for the shareholding in OKG AB as an associated company until 31 March 2020. As of 31 March 2020, OKG AB is consolidated as a subsidiary to Fortum Group.

Fortum has adjusted Uniper's standalone balance sheet numbers of 31 March 2020 in respect of Fortum's shareholding in OKG AB, as well as adjusted the net assets of OKG AB recorded in the Generation segment. Consequently, the Group's subsidiary, OKG AB, is split between the two segments according to ownership. This means that the standalone balance sheet on 31 March 2020 as reported by Uniper in its first quarter interim report is not fully comparable to Uniper's balance sheet as consolidated to Fortum Group. The adjustments made to Uniper's standalone balance sheet mainly impact Interest-bearing liabilities, Share of Nuclear fund, Nuclear provisions and Non-controlling interest as reported by Uniper. See Note 6.1 Acquisitions and Note 12 Interest-bearing Net debt.

Alignment of accounting policies

Uniper prepares its financials in accordance with IFRS. Following the acquisition of Uniper, Fortum has commenced the review of Uniper's accounting policies to identify any significant differences to Fortum accounting policies. However, due to the short time frame between the acquisition day and the announcement of the first quarter results, Fortum is still evaluating potential impact on consolidated financial statements.

Purchase price accounting

The preparation of the purchase price allocation for the Uniper acquisition has been started. However, due to the short time frame between the acquisition day and the announcement of the first quarter results, determining of the fair values of the assets acquired and liabilities assumed has not been finalised. The purchase price allocation will be completed within the one-year window from the acquisition date. See Note 6.1 Acquisitions.

1.3 Capital risk management and Fortum's alternative performance measures

According to the ESMA Guidelines on Alternative Performance Measures, an Alternative Performance Measure (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Fortum uses APMs, such as Comparable operating profit and Comparable EBITDA in the financial target setting and forecasting, management's follow-up of financial performance of segments and the Group, as well as for the allocation of resources in the Group's performance management process. Items affecting comparability are excluded from Comparable operating profit and Comparable EBITDA and disclosed separately in Fortum's consolidated income statement to support the transparency of underlying business performance when comparing results between periods.

Fortum aims to revise its long-term financial targets by the end of 2020 at the latest. Following the consolidation of Uniper, Fortum's business profile has changed and Fortum has concluded that the current long-term financial targets do not appropriately reflect the Group's current business profile and on 15 May 2020, Fortum's Board of Directors consequently decided to remove the following targets as of the first quarter 2020:

- Return on capital employed of at least 10%
- Comparable net debt-to-EBITDA of around 2.5x

Fortum's dividend policy, however, remains intact:

- Fortum's dividend policy is to pay a stable, sustainable, and over time increasing dividend of 50-80% of earnings per share excluding one-time items

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. Fortum and Uniper will carefully manage their balance sheets going forward, focusing on profitability, optimising of cash flow, and tight prioritising of capital expenditure in the current market and business environment.

As one financial metric, Fortum will closely monitor that its comparable net debt-to-EBITDA ratio remains at a level that ensures a credit rating of at least BBB. For now, no specific target has been set for the comparable net debt-to-EBITDA ratio. Following the consolidation of Uniper, Fortum has updated its definition of net debt and will use financial net debt and adjusted net debt. See Note 12 Interest-bearing net debt.

Together with Uniper, the ambition is to develop a joint vision and achieve strategic alignment between the companies during 2020. By the end of the year at the latest, Fortum aims to set new long-term financial targets for the enlarged Group and ambitious decarbonisation targets covering the combined operations of both companies.

As Fortum is consolidating only Uniper's balance sheet but not its income statement in the first quarter, the ratio for comparable net debt-to-EBITDA is not applicable and thus not being reported.

1.4 Principles for consolidation

Certain subsidiaries and associated companies of Uniper are not included in the consolidated financial statements on materiality grounds. These companies are accounted for outside the scope of IFRS 9 and measured at cost, with adjustments for any loss allowance.

1.5 Accounting policies

The same accounting policies that were applied in the preparation of the consolidated financial statements for the year ended 31 December 2019, have been applied in these condensed interim financial statements. New standards, amendments and interpretations effective from 1 January 2020 have not had a material impact on Fortum's consolidated financial statements.

1.6 Key exchange rates used in consolidated financial statements

The balance sheet date rate is based on the exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of daily closing rates from the European Central Bank. Until 2019 the average exchange rate was calculated as an average of each month's ending rate.
Key exchange rates used in consolidated financial statements:

Average rate	Jan-Mar 2020	Jan-Dec 2019	Jan-Sept 2019	Jan-June 2019	Jan-Mar 2019
Great Britain (GBP)	0.8623	0.8773	0.8841	0.8761	0.8717
Norway (NOK)	10.4652	9.8524	9.7861	9.7356	9.7491
Poland (PLN)	4.3241	4.2992	4.3056	4.2865	4.2961
Russia (RUB)	73.8205	72.7949	73.4459	74.2121	75.6930
Sweden (SEK)	10.6689	10.5572	10.5547	10.4782	10.3776
United States (USD)	1.1027	1.1214	1.1241	1.1334	1.1397

Balance sheet date rate	31 Mar 2020	31 Dec 2019	30 Sept 2019	30 June 2019	31 Mar 2019
Great Britain (GBP)	0.8864	0.8508	0.8857	0.8966	0.8583
Norway (NOK)	11.5100	9.8638	9.8953	9.6938	9.6590
Poland (PLN)	4.5506	4.2568	4.3782	4.2496	4.3006
Russia (RUB)	85.9486	69.9563	70.7557	71.5975	72.8564
Sweden (SEK)	11.0613	10.4468	10.6958	10.5633	10.3980
United States (USD)	1.0956	1.1234	1.0889	1.1380	1.1235

2. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except as follows. Following the consolidation of Uniper, Uniper’s assets and liabilities are consolidated at 31 March 2020 to Fortum Group. Critical accounting estimates and judgements relating to Uniper’s assets and liabilities include estimates for the measurement and recognition of deferred tax assets, pension obligations and other provisions; as well as judgement used in impairment testing, in determining the fair value of certain financial instruments, and in the accounting for price-adjustment clauses contained in long-term contracts. See Note 6.1 Acquisitions for further information on Uniper’s balance sheet at 31 March 2020.

3. Segment information

Fortum's reportable segments under IFRS are Generation, Russia, City Solutions, Consumer Solutions and Uniper. Other Operations includes corporate functions, R&D and technology development projects.

Uniper is a leading international energy company with activities in more than 40 countries. Its business is the secure provision of energy and related services. Its main activities include power generation in Europe and Russia as well as global energy trading.

Following the consolidation of Uniper as a subsidiary on 31 March 2020, Fortum has revised its reportable segments and reports Uniper as a separate segment. As Fortum has accounted for Uniper as an associated company with three-month time lag (see Note 10 Participations in associated companies and joint ventures), Fortum's first quarter results include Fortum's share of Uniper results from 1 October 2019 to 31 March 2020 reported in Other Operations.

Reporting of both the Uniper segment, and the Generation segment are impacted by adjustments for the joint ownership in the Swedish nuclear company, OKG AB. See also Note 1.2 Summary of Uniper impacts to Fortum’s interim report.

Quarter

EUR million	Note	Generation[1] I/2020	Generation[1] I/2019	Russia I/2020	Russia I/2019	City Solutions[1] I/2020	City Solutions[1] I/2019	Consumer Solutions I/2020	Consumer Solutions I/2019	Other Operations I/2020	Other Operations I/2019	Total I/2020	Total I/2019
Income statement data by segment													
Power sales [2]		524	554	262	248	37	55	351	599	0	0	1,174	1,456
Heat sales		0	0	54	49	205	253	0	0	0	0	259	302
Waste treatment sales		0	0	0	0	64	62	0	0	0	0	64	62
Other sales		50	46	1	1	36	35	73	70	34	26	193	178
Sales		**574**	**601**	**317**	**298**	**342**	**405**	**424**	**669**	**34**	**26**	**1,691**	**1,999**
Internal eliminations		-197	-113	0	0	-21	-12	-6	29	-26	-20	-250	-117
Netting of Nord Pool transactions [3]												-83	-192
External sales		377	488	317	298	320	393	418	697	8	6	1,357	1,690
Comparable EBITDA		**273**	**259**	**138**	**135**	**106**	**137**	**48**	**41**	**-22**	**-25**	**543**	**545**
Depreciation and amortisation		-38	-35	-40	-36	-48	-45	-16	-15	-9	-6	-150	-137
Comparable operating profit		**235**	**223**	**99**	**99**	**58**	**92**	**32**	**26**	**-31**	**-32**	**393**	**408**
Impairment charges		0	-3	0	0	0	0	0	0	0	0	0	-3
Capital gains and other	6	0	3	0	0	431	0	0	0	-18	0	413	3
Impact from acquisition accounting	4	0	0	0	0	0	0	0	0	-222	0	-222	0
Changes in fair values of derivatives hedging future cash flow		45	-16	0	0	-4	2	-22	-32	0	0	19	-46
Nuclear fund adjustment	13	-10	-5	0	0	0	0	0	0	0	0	-10	-5
Items affecting comparability	4	35	-20	0	0	427	2	-22	-32	-240	0	199	-50
Operating profit		**270**	**204**	**99**	**99**	**484**	**94**	**10**	**-6**	**-271**	**-32**	**592**	**358**
Share of profit/loss of associates and joint ventures	10	-38	14	12	9	36	39	0	0	469	49	479	111
Finance costs - net												-57	-46
Income taxes												-76	-65
Profit for the period												**938**	**359**
Gross investments / divestments by segment													
Gross investments in shares	6	4	0	1	0	7	4	0	0	3,109	2	3,121	6
Capital expenditure		30	38	3	5	31	68	15	13	5	5	84	129
Gross divestments of shares	6	0	4	0	0	527	0	0	0	0	4	527	8

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the difference between average contract price and realised spot price.
2) Power sales contains realised result from commodity derivatives, which have not had hedge accounting status under IFRS 9, but have been considered operatively as hedges.
3) Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Last twelve months

EUR million	Note	Generation[1) LTM	Generation[1) 2019	Russia LTM	Russia 2019	City Solutions[1) LTM	City Solutions[1) 2019	Consumer Solutions LTM	Consumer Solutions 2019	Other Operations LTM	Other Operations 2019	Total LTM	Total 2019
Income statement data by segment													
Power sales [2)		1,976	2,006	938	924	135	153	1,382	1,630	0	0	4,432	4,714
Heat sales		0	0	150	145	567	615	0	0	0	0	717	760
Waste treatment sales		0	0	0	0	252	250	0	0	0	0	252	250
Other sales		139	135	2	2	182	181	209	206	123	115	654	639
Sales		**2,114**	**2,141**	**1,090**	**1,071**	**1,137**	**1,200**	**1,590**	**1,835**	**123**	**115**	**6,055**	**6,363**
Internal eliminations		-343	-259	0	0	-54	-45	-32	3	-92	-86	-520	-387
Netting of Nord Pool transactions [3)												-420	-529
External sales		1,772	1,883	1,090	1,071	1,082	1,155	1,560	1,839	31	29	5,114	5,447
Comparable EBITDA		**953**	**939**	**472**	**469**	**278**	**309**	**148**	**141**	**-88**	**-91**	**1,764**	**1,766**
Depreciation and amortisation		-148	-145	-157	-153	-191	-188	-63	-62	-31	-28	-588	-575
Comparable operating profit		**806**	**794**	**316**	**316**	**87**	**121**	**85**	**79**	**-118**	**-119**	**1,176**	**1,191**
Impairment charges		0	-3	0	0	0	0	0	0	-6	-6	-5	-8
Capital gains and other	6	0	3	1	1	436	5	0	0	-20	-2	417	7
Impact from acquisition accounting	4	0	0	0	0	0	0	0	0	-222	0	-222	0
Changes in fair values of derivatives hedging future cash flow		46	-15	0	0	-4	2	-49	-59	0	0	-7	-72
Nuclear fund adjustment	13	-14	-9	0	0	0	0	0	0	0	0	-14	-9
Items affecting comparability	4	32	-23	1	1	432	7	-49	-59	-248	-8	168	-81
Operating profit		**837**	**771**	**317**	**317**	**517**	**127**	**36**	**20**	**-366**	**-127**	**1,344**	**1,110**
Share of profit/loss of associates and joint ventures	10	-42	10	62	59	34	37	0	0	1,058	638	1,112	744
Finance costs - net												-136	-125
Income taxes												-232	-221
Profit for the period												**2,086**	**1,507**
Gross investments / divestments by segment													
Gross investments in shares	6	17	13	67	66	12	9	0	0	3,125	18	3,221	106
Capital expenditure		239	247	65	67	276	313	57	55	31	31	668	713
Gross divestments of shares	6	8	12	0	0	529	2	0	0	12	16	549	30

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the difference between average contract price and realised spot price.
2) Power sales contains realised result from commodity derivatives, which have not had hedge accounting status under IFRS 9, but have been considered operatively as hedges.
3) Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Segment assets and liabilities

		Generation		Russia		City Solutions		Consumer Solutions		Uniper		Other Operations		Total	
EUR million	**Note**	**31 Mar 2020**	**31 Dec 2019**	**31 Mar 2020**	**31 Dec 2019**	**31 Mar 2020**	**31 Dec 2019**	**31 Mar 2020**	**31 Dec 2019**	**31 Mar 2020**	**31 Dec 2019**	**31 Mar 2020**	**31 Dec 2019**	**31 Mar 2020**	**31 Dec 2019**
Non-interest-bearing assets		**6,974**	**6,433**	**2,121**	**2,630**	**3,386**	**3,728**	**806**	**942**	**20,337**	**-**	**165**	**192**	**33,789**	**13,924**
Participations in associates and joint ventures	10	806	838	570	681	588	584	0	0	881	-	24	4,331	2,869	6,435
Eliminations														-56	-107
Total segment assets		**7,780**	**7,271**	**2,691**	**3,311**	**3,973**	**4,312**	**806**	**942**	**21,218**	**-**	**190**	**4,523**	**36,603**	**20,252**
Interest-bearing receivables	11													2,661	1,035
Deferred tax assets														1,088	77
Other assets														24,117	567
Liquid funds														4,081	1,435
Total assets														**68,550**	**23,364**
Segment liabilities		**2,474**	**1,124**	**85**	**107**	**396**	**419**	**239**	**302**	**14,901**	**-**	**122**	**167**	**18,217**	**2,119**
Eliminations														-56	-107
Total segment liabilities														**18,161**	**2,012**
Deferred tax liabilities														1,277	885
Other liabilities														21,680	537
Total liabilities included in capital employed														**41,118**	**3,435**
Interest-bearing liabilities	12													10,464	6,694
Total equity														16,968	13,235
Total equity and liabilities														**68,550**	**23,364**
Number of employees		1,113	1,109	2,982	2,955	1,997	1,970	1,279	1,327	11,611	-	953	830	19,935	8,191

Segment assets and liabilities include assets held for sale. See Note 6.3 Assets held for sale.

Comparable operating profit including share of profits from associates and joint ventures and Comparable return on net assets

		Generation		Russia		City Solutions		Consumer Solutions	
EUR million	**Note**	**LTM**	**31 Dec 2019**	**LTM**	**31 Dec 2019**	**LTM**	**31 Dec 2019**	**LTM**	**31 Dec 2019**
Comparable operating profit		**806**	**794**	**316**	**316**	**87**	**121**	**85**	**79**
Share of profit/loss of associates and joint ventures	10	-42	10	62	59	34	37	0	0
Adjustment to share of profit/loss of associates and joint ventures		-14	-13	0	0	22	22	0	0
Comparable operating profit including share of profit of associates and joint ventures		**750**	**791**	**378**	**375**	**142**	**179**	**86**	**79**
Segment assets at the end of the period		7,780	7,271	2,691	3,311	3,973	4,312	806	942
Segment liabilities at the end of the period		2,474	1,124	85	107	396	419	239	302
Comparable net assets		**5,306**	**6,147**	**2,606**	**3,205**	**3,577**	**3,892**	**567**	**640**
Comparable net assets average [1)]		**5,955**	**6,190**	**3,005**	**3,041**	**3,780**	**3,823**	**586**	**602**
Comparable return on net assets, %		**12.6**	**12.8**	**12.6**	**12.3**	**3.8**	**4.7**	**14.6**	**13.2**

1) Average net assets are calculated using the opening balance of the financial year and each quarter's closing value.

Segment assets and liabilities include assets held for sale. See Note 6.3 Assets held for sale.

4. Items affecting comparability

EUR million	**Note**	**I/2020**	**I/2019**	**2019**	**LTM**
Comparable operating profit		**393**	**408**	**1,191**	**1,176**
Impairment charges		0	-3	-8	-5
Capital gains and other	6	413	3	7	417
Impact from acquisition accounting		-222	0	0	-222
Changes in fair values of derivatives hedging future cash flow		19	-46	-72	-7
Nuclear fund adjustment	13	-10	-5	-9	-14
Items affecting comparability		199	-50	-81	168
Operating profit		**592**	**358**	**1,110**	**1,344**

Capital gains and other

Capital gains and other in Q1 2020 includes EUR 431 million gain from the disposal of the district heating business in Joensuu, Finland (see Note 6.2 Disposals), and Uniper acquisition-related costs of EUR 18 million (see Note 6.1 Acquisitions).

Impact from acquisition accounting

Consolidation of an associated company results includes recording a share of the associated company's other comprehensive income (OCI). If an associated company is either divested or becomes a subsidiary, IFRS requires that these previously recorded OCI items are reclassified inside equity either via the consolidated income statement or directly to retained earnings, depending on the nature of the OCI item. Reclassification does not have an impact on total equity.

The above reclassification resulted in a one-time, non-cash income statement impact of EUR -222 million on 31 March 2020 when Uniper became Fortum's subsidiary. This amount represents a part of Fortum's share of Uniper's OCI for the time when Uniper was an associated company, with no impact to Fortum's total equity. The amount mainly relates to exchange rate differences arising from translation of foreign operations recorded by Uniper. Fortum's share of Uniper's non-recyclable other comprehensive income, EUR -84 million, is reclassified to retained earnings. See Consolidated statement of changes in equity.

5. Financial risk management

Fortum has started the preparations for reviewing its financial risk management objectives and policies following Uniper acquisition. See Fortum Group's consolidated financial statements for the year ended 31 December 2019 for current financial risk management objectives and policies.

Impact from Uniper acquisition to total assets in the fair value hierarchy table was EUR 22,210 million (Level 1: EUR 7,752 million, Level 2: EUR 14,295 million, Level 3: EUR 162 million); and to total liabilities EUR 21,129 million (Level 1: EUR 7,591 million, Level 2: EUR 13,491 million, Level 3: EUR 46 million) mainly due to commodity derivatives. For Uniper's impact on accounting policies, see more information in Note 1 Significant accounting policies, and for consolidation impacts of Uniper, see more information in Note 6.1 Acquisitions.

Fair value hierarchy information

Financial instruments that are measured in the balance sheet at fair value are presented according to following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).

See also accounting policies in the consolidated financial statements 2019, in Note 16 Financial assets and liabilities by fair value hierarchy.

Financial assets

EUR million	Level 1		Level 2		Level 3		Netting [1]		Total	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
In non-current assets										
Other investments [2]			26		87	75			113	75
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			261	9			-15	-8	245	1
Non-hedge accounting	1,663	10	3,319	27	120		-164	-16	4,936	21
Interest rate and currency derivatives										
Hedge accounting			192	154					192	154
Non-hedge accounting			124	2					124	2
Interest-bearing receivables	76				16	23			92	23
Total in non-current assets	**1,739**	**10**	**3,922**	**192**	**223**	**98**	**-179**	**-24**	**5,702**	**276**
In current assets										
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			575	101			-86	-59	488	42
Non-hedge accounting	6,448	315	11,358	306	34		-1,004	-547	16,835	74
Interest rate and currency derivatives										
Hedge accounting			18	9					18	9
Non-hedge accounting			367	7					367	7
Interest-bearing receivables	287	281	98		24	34			409	315
Total in current assets	**6,735**	**596**	**12,416**	**423**	**58**	**34**	**-1,090**	**-606**	**18,117**	**447**
Total in assets	**8,474**	**606**	**16,338**	**615**	**280**	**132**	**-1,269**	**-630**	**23,819**	**723**

1) Receivables to and liabilities from electricity and other commodity exchanges arising from standard derivative contracts with same delivery period are netted, except for receivables and liabilities from the acquisition of Uniper.
2) Other investments, i.e. shares which are not classified as associated companies or joint ventures, consist mainly of shares in unlisted companies of EUR 113 million (31 Dec 2019: 75) including Fortum's indirect shareholding in Fennovoima of EUR 36 million (31 Dec 2019: 33).

Financial liabilities

EUR million	Level 1		Level 2		Level 3		Netting [1]		Total	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019
In non-current liabilities										
Interest-bearing liabilities [2]			2,223	2,293					2,223	2,293
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			26	38			-15	-8	11	30
Non-hedge accounting	1,985	11	3,462	37	22		-164	-16	5,304	32
Interest rate and currency derivatives										
Hedge accounting			62	72					62	72
Non-hedge accounting			35	3					35	3
Total in non-current liabilities	**1,985**	**11**	**5,808**	**2,443**	**22**	**0**	**-179**	**-24**	**7,635**	**2,430**
In current liabilities										
Interest-bearing liabilities			288	281					288	281
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			163	143			-86	-59	77	84
Non-hedge accounting	6,104	334	10,713	328	24		-1,004	-547	15,838	115
Interest rate and currency derivatives										
Hedge accounting			5	4					5	4
Non-hedge accounting			83	49					83	49
Total in current liabilities	**6,104**	**334**	**11,252**	**805**	**24**	**0**	**-1,090**	**-606**	**16,291**	**533**
Total in liabilities	**8,089**	**345**	**17,060**	**3,248**	**46**	**0**	**-1,269**	**-630**	**23,926**	**2,963**

1) Receivables to and liabilities from electricity and other commodity exchanges arising from standard derivative contracts with same delivery period are netted, except for receivables and liabilities from the acquisition of Uniper.
2) Fair valued part of bonds when hedge accounting is applied (fair value hedge).

Net fair value amount of interest rate and currency derivatives is EUR 516 million, including assets of EUR 701 million and liabilities of EUR 185 million. Fortum has cash collaterals based on collateral agreements with some counterparties. At the end of March 2020, Fortum had received EUR 351 million from collateral agreements. The received cash has been booked as short-term liability.

During 2020, no reclassification took place between Levels 1 and 2 of the fair value hierarchy. At each reporting period, Fortum assesses whether there might be grounds for reclassifications between hierarchy levels. No financial instruments were reclassified into Level 3, nor were any reclassified out of Level 3 into Level 2.

Regarding the interest-bearing receivables and liabilities, see Note 11 Interest-bearing receivables, Note 12 Interest-bearing net debt and Note 17 Pledged assets and contingent liabilities.

6. Acquisitions, disposals and assets held for sale

6.1 Acquisitions

EUR million	I/2020	I/2019	2019	LTM
Gross investments in shares in subsidiary companies	3,113	0	13	3,126
Gross investments in shares in associated companies and joint ventures	3	4	73	72
Gross investments in other shares	4	3	20	21
Total	**3,121**	**6**	**106**	**3,221**

Gross investments in shares I/2020

EUR million	Uniper	Other	Total
Purchase consideration	2,587	13	2,600
Liquid funds in acquired companies	-1,328	0	-1,328
Unpaid investments	-428	0	-428
Acquisition of shares in cash flow	**831**	**12**	**843**
Interest-bearing liability for unpaid investments	428	-	428
Interest-bearing liabilities in acquired companies	1,414	0	1,414
Other financial net debt in acquired companies	435	-	435
Gross investments in shares	**3,108**	**13**	**3,121**

Uniper acquisition in 2020

On 8 October 2019, Fortum entered into agreements to acquire all the shares held by funds managed by Elliott Management Corporation and its affiliates (“Elliott”) and Knight Vinke Energy Advisors Limited and its affiliates (“Knight Vinke“). The transaction was closed in two tranches. Control of Uniper was acquired on 26 March 2020 upon closing of the first tranche of the agreement, 19.6% of the shares. A liability for the maximum amount of shares in the second tranche, 3.8% of the shares, was recognised on the acquisition date. The second tranche of the agreement was closed on 8 May 2020 with the maximum amount of shares. See also Note 16 Capital and other commitments and Note 20 Events after the balance sheet date.

At 31 March 2020, Fortum’s consolidated stake in Uniper is 73.4%, including the shares from the second tranche. The total purchase consideration for the combined shareholding was EUR 2.6 billion, increasing Fortum’s total investment in Uniper to EUR 6.5 billion (including the liability for the second tranche paid in May 2020).

Acquisition accounting

The preparation of the purchase price allocation for the Uniper acquisition has been started. However, due to the short time frame between the acquisition day and the announcement of the first quarter results, determining of the fair values of the assets acquired and liabilities assumed has not been finalised. Excess of the acquisition value over Uniper's net assets is presented as preliminary goodwill. The purchase price allocation will be completed within the one-year window from the acquisition date. During the one-year window, the amounts stated in the provisional purchase price allocation can change when additional analysis are conducted and further information becomes available.

Uniper's balance sheet at 31 March 2020 is presented in the following table:

EUR million	
ASSETS	
Goodwill	1,779
Other intangible assets	980
Property, plant and equipment and right-of-use assets	9,068
Participations in associates and joint ventures	881
Derivative financial instruments	21,958
Interest-bearing receivables	1,840
Shares in Nuclear Waste Funds	1,602
Margin receivables	413
Trade and other receivables	7,189
Deferred and income tax assets	1,021
Inventories	1,565
Liquid funds	1,328
Total assets	**49,623**
LIABILITIES	
Derivative financial instruments	21,084
Interest-bearing liabilities	1,414
Pension obligations	953
Nuclear provisions	1,746
Other provisions	3,229
Deferred and income tax liabilities	452
Margin liabilities	924
Trade and other payables	8,068
Total liabilities	**37,868**
Net assets on Uniper's balance sheet	**11,755**
Less goodwill on Uniper's balance sheet [1)]	-1,779
Net assets from Uniper excluding goodwill	**9,976**
Purchase consideration	2,587
Previously held equity interest	4,613
Acquisition value	**7,201**
Non-controlling interest on Uniper's balance sheet	-416
Non-controlling interest from Uniper acquisition	-2,543
Total non-controlling interest (NCI)	**-2,959**
Preliminary goodwill	**184**

1) Goodwill on Uniper's balance sheet is deducted as it is not an identifiable asset of Fortum according to IFRS.

Uniper's balance sheet at 31 March 2020 is based on Uniper's first quarter financial report published on 7 May 2020. Balance sheet line items have been classified in accordance with Fortum's balance sheet categorisation and, as such, may not be fully comparable to Uniper's standalone balance sheet. Further, Fortum and Uniper are both co-owners in the Swedish nuclear company OKG AB. OKG AB is consolidated into Uniper Group as a subsidiary with a 45.5% minority representing Fortum's ownership in OKG AB. Fortum accounted for the shareholding in OKG AB as an associated company until 31 March 2020. As of 31 March 2020, OKG AB is consolidated as a subsidiary to Fortum Group.

Fortum has adjusted Uniper's standalone balance sheet numbers of 31 March 2020 in respect of Fortum's shareholding in OKG AB, as well as adjusted the net assets of OKG AB recorded in the Generation segment. Consequently, the Group's subsidiary, OKG AB, is split between the two segments according to ownership. This means that the standalone balance sheet on 31 March 2020 as reported by Uniper in its first quarter interim report is not fully comparable to Uniper's balance sheet as consolidated to Fortum Group. The adjustments made to Uniper's standalone balance sheet mainly impact Interest-bearing liabilities, Share of Nuclear fund, Nuclear provisions and Non-controlling interest as reported by Uniper. See Note 12 Interest-bearing Net debt.

Shareholding in Uniper has been acquired in stages as Fortum held 49.99% of Uniper shares prior to the acquisition of control on 26 March 2020. Under IFRS, the previously held associated company interest is fair valued upon gaining control, and any gain or loss from the difference between the balance sheet value and the fair value of the interest is recognised to the consolidated income statement. The fair value of the previously held associated company interest in Uniper was EUR 4,613 million. The fair value is based on Uniper share price at 26 March 2020, slightly adjusted by a premium for significant influence. There are no significant unobservable inputs used in the valuation (market approach corresponding to fair value hierarchy level 2). No gain or loss recognized from fair valuing the previously held equity interest as the fair value was approximately equal to the carrying amount.

Acquisition-related costs of EUR 18 million are included in items affecting comparability in the consolidated income statement. See Note 4 Items affecting comparability.

Acquisitions during 2019

In May 2019, Fortum announced the restructuring of Fortum's and Skellefteå Kraft's ownership in the two jointly owned Swedish wind parks Solberg and Blaiken. Through an asset swap arrangement Fortum became the sole owner of the 76-MW Solberg wind park and Skellefteå Kraft the sole owner of the 248-MW Blaiken wind park. Both the investments in Solberg and divestment of Blaiken includes shares and assets. The asset swap arrangement was finalised in August 2019 and had only a minor impact on Fortum's cash flow and results.

During 2019 Fortum invested EUR 66 million to the wind investment fund 50/50 owned by Fortum and RUSNANO in Russia.

6.2 Disposals

EUR million	I/2020	I/2019	2019	LTM
Gross divestments of shares in subsidiary companies	527	4	15	538
Gross divestments of shares in associated companies and joint ventures	0	0	10	10
Gross divestments of other investments	0	4	4	0
Total	**527**	**8**	**30**	**549**

Disposals during 2020

In December 2019, Fortum signed an agreement to sell its district heating business in Joensuu, Finland to Savon Voima Oyj. The total consideration on a debt- and cash-free basis was approximately EUR 530 million. The transaction was completed on 10 January 2020, and Fortum recorded a tax-exempt capital gain of EUR 431 million in the City Solutions segment's first-quarter 2020 results.

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP will acquire an 80% stake in Fortum's Nordic wind portfolio. The transaction, excluding the Sørfjord wind park which is still under construction, was closed on 14 May 2020. See Note 20 Events after the balance sheet date.

Disposals during 2019

In August 2019 the restructuring of Fortum's and Skellefteå Kraft's ownership in the two jointly owned Swedish wind parks Solberg and Blaiken was finalised. See note 6.1 Acquisitions for additional information.

6.3 Assets held for sale

At 31 March 2020 assets relating to the disposal of Fortum's share in the Nordic wind portfolio, excluding the Sørfjord wind park which is still under construction, (Generation segment) have been classified as assets held for sale. Assets held for sale at 31 December 2019 included both the Nordic wind portfolio (excluding the Sørfjord wind park); as well as the district heating business in Joensuu, Finland (City Solutions segment), the sale of which was completed on 10 January 2020.

EUR million	31 Mar 2020	31 Dec 2019
Assets held for sale		
Intangible assets and property, plant and equipment and right-of-use assets	165	290
Other non-current and current assets	2	15
Liquid funds	0	2
Total	**167**	**307**
Liabilities related to assets held for sale		
Lease liabilities	7	6
Deferred tax liabilities	4	20
Other liabilities and provisions	8	26
Total	**19**	**52**

7. Dividend per share

A dividend for 2019 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 23 April 2020. The dividend was paid on 5 May 2020 and it has not been recognised as a liability in these financial statements.

A dividend for 2018 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 26 March 2019 and the dividend was paid on 4 April 2019.

8. Intangible assets

EUR million	31 Mar 2020	31 Dec 2019
Goodwill	724	612
Other intangible assets	1,461	531
Total	**2,185**	**1,143**

Goodwill includes Uniper acquisition-related preliminary goodwill of EUR 184 million, and excludes EUR 1,779 million goodwill on Uniper's balance sheet that is not considered to be an identifiable asset according to IFRS. Other intangible assets include EUR 980 million from the acquisition of Uniper. See more information in Note 6.1 Acquisitions.

9. Property, plant and equipment, and right-of-use assets

Property, plant and equipment, and right-of-use assets include EUR 9,068 million from the acquisition of Uniper, mainly relating to machinery and equipment; and buildings, plants and structures. The balance from Uniper includes EUR 640 million of right-of-use assets. See more information in Note 6.1 Acquisitions.

10. Participations in associates and joint ventures

10.1 Participations in associates and joint ventures

EUR million	31 Mar 2020	31 Dec 2019
Uniper SE	-	4,306
Other associates and joint ventures	2,869	2,128
Total	**2,869**	**6,435**

As of 31 March 2020 Fortum consolidates Uniper as a subsidiary, meaning that Uniper is no longer included in participations in associates and joint ventures on Fortum's balance sheet.

Fortum and Uniper are co-owners in the Swedish nuclear company OKG AB. Fortum accounted for the shareholding in OKG AB as an associated company until 31 March 2020. As of 31 March 2020, OKG AB is consolidated as a subsidiary to Fortum Group. See also Note 1.2 Summary of Uniper impacts to Fortum's interim report.

10.2 Share of profit/loss of associates and joint ventures

EUR million	I/2020	I/2019	2019	LTM
Uniper SE	469	49	632	1,052
OKG AB	-15	10	12	-13
Forsmarks Kraftgrupp AB	-20	6	-3	-29
TGC-1	1	8	54	47
Stockholm Exergi AB	33	35	24	22
TVO Oyj	-1	0	6	5
Other associates and joint ventures	12	3	18	27
Total	**479**	**111**	**744**	**1,112**

Uniper

Fortum has previously accounted for Uniper as an associated company with a three-month time lag as Fortum published interim reports before Uniper's financial information was available. As of the first quarter 2020, Fortum has revised its financial reporting schedule and reports its quarterly results after Uniper. Fortum's first quarter results therefore include Fortum's share of Uniper's results from 1 October 2019 to 31 March 2020.

Fortum's share of Uniper's Q4 2019 profits, EUR 162 million, includes a reversal of the adjustment which Fortum already made in Q4 2019 related to the impact from the reinstatement of the UK capacity market. Fortum has also made a reversal of EUR 389 million (after tax) related to the negative impact of Uniper's Q4 2019 impairments.

Fortum's share of Uniper's Q1 2020 profits, EUR 307 million, includes a reversal of EUR 61 million after tax related to the negative impact of Uniper's Q1 2020 impairments.

In the purchase price allocation for the acquisition of 49.99% of the shares in Uniper, Fortum recorded a fair value adjustment of EUR 613 million (after tax), relating to political and regulatory risks of certain generation and production assets of Uniper. If Uniper reports negative impacts relating to these generation and production assets, Fortum assesses the potential need to use this fair value adjustment to reverse these negative impacts. Fortum has assessed and concluded to use the fair value adjustment to reverse the majority of this negative impact from the impairments reported by Uniper in their Q4 2019 and Q1 2020 results.

The remaining fair value adjustment from the purchase price allocation for the acquisition of 49.99% of the shares in Uniper will cease to exist on 31 March 2020. Following the consolidation of Uniper as a subsidiary, Fortum will prepare a new purchase price allocation which will be completed within the one-year window from the acquisition date.

Other associates and joint ventures

Fortum's share of profit/loss from OKG AB and Forsmarks Kraftgrupp AB in Q1 2020 are impacted by the measurement effects from negative changes in the fair value of the assets in the Swedish Nuclear Waste Fund. The Fund invests part of the funds in Swedish and global equities and corporate bonds as well as derivatives.

11. Interest-bearing receivables

EUR million	**31 Mar 2020**	**31 Dec 2019**
Interest-bearing receivables	2,455	1,035
Finance lease receivables	206	-
Total	**2,661**	**1,035**

EUR million	**Carrying amount 31 Mar 2020**	**Fair value 31 Mar 2020**	**Carrying amount 31 Dec 2019**	**Fair value 31 Dec 2019**
Long-term loan receivables from associates and joint ventures	1,026	1,069	625	668
Non-current securities	76	76	-	-
Other long-term interest-bearing receivables	884	884	26	27
Total long-term interest-bearing receivables	**1,984**	**2,029**	**651**	**695**
Collateral arrangement securities	243	243	281	281
Other short-term interest-bearing receivables	228	228	103	103
Total short-term interest-bearing receivables	**471**	**471**	**384**	**384**
Total	**2,455**	**2,500**	**1,035**	**1,079**

Long-term interest-bearing receivables from associated companies and joint ventures, EUR 1,026 million (31 Dec 2019: 625), includes EUR 905 million from Swedish nuclear companies, Forsmarks Kraftgrupp AB and Ringhals AB (31 Dec 2019: 558 from OKG AB and Forsmarks Kraftgrupp AB), which are mainly funded with shareholder loans, pro rata to each shareholder's ownership.

Interest-bearing receivables include EUR 1,634 million and finance lease receivables EUR 206 million from the acquisition of Uniper. See more information in Note 6.1 Acquisitions.

Other short-term interest-bearing receivables include EUR 60 million (31 Dec 2019: 65) restricted cash.

12. Interest-bearing net debt

Financial net debt and adjusted net debt

EUR million	31 Mar 2020	31 Dec 2019
+ Interest-bearing liabilities [1)]	**10,464**	**6,694**
- Liquid funds	**4,081**	**1,435**
- Non-current securities	76	0
- Collateral arrangement securities	243	281
- Securities in interest-bearing receivables	**319**	**281**
- Margin receivables	559	177
+ Margin liabilities	1,478	32
+ Net margin liabilities	**919**	**-145**
Financial net debt	**6,983**	**4,833**
+ Pension obligations	**1,032**	**125**
+ Other asset retirement obligations	775	20
- Share of Finnish and Swedish Nuclear Waste Funds	2,962	813
+ Nuclear provisions	3,276	813
+ Nuclear provisions net of assets in Nuclear Waste Funds	314	0
+ Total provisions net of assets in Nuclear Waste Funds	**2,121**	**145**
Adjusted net debt	**9,104**	**4,978**

1) Including lease liabilities of EUR 7 million (31 Dec 2019: 6) related to assets held for sale.

Starting from Q1 2020 Fortum has updated the definition of net debt to align it with Uniper. Fortum will use financial net debt and adjusted net debt going forward when following indebtedness of the Group. The previously used net debt included interest-bearing loans, lease liabilities and liquid funds.

Margin receivables and liabilities (settlement of futures) are included in Financial net debt. Until now, fluctuations in commodity prices have caused an asymmetric impact to net debt as the funds received or paid from future settlements have been recognised as a change in working capital.

In 2019 Fortum entered into a collateral arrangement to release cash from Nordic Power Exchange. This arrangement is presented with equal amounts as a short-term interest-bearing liability and an interest-bearing receivable. Previously only the liability of the arrangement was included in net debt, but now collateral arrangement securities in interest-bearing receivables are also included in financial net debt calculations.

Underfunded pension obligations and asset retirement obligations, net of share in nuclear waste funds, are included in adjusted net debt.

Net debt 31 December 2019

EUR million	Net debt 31 Dec 2019	Classified as assets held for sale [1)]	Balance sheet 31 Dec 2019
Interest-bearing liabilities	6,694	-6	6,688
Liquid funds	1,435	-2	1,433
Net debt	**5,260**	**-4**	**5,256**

1) See Note 6.3 Assets held for sale.

Interest-bearing liabilities

EUR million	31 Mar 2020	31 Dec 2019
Loans	9,502	6,580
Lease liabilities [1)]	955	108
Total interest-bearing liabilities	**10,457**	**6,688**

1) Excludes lease liabilities of EUR 7 million relating to assets held for sale at 31 March 2020 (31 Dec 2019: 6). See Note 6.3 Assets held for sale.

Lease liabilities include EUR 857 million from the acquisition of Uniper.

Loans

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million	**31 Mar 2020**	**31 Mar 2020**	**31 Dec 2019**	**31 Dec 2019**
Bonds	4,250	4,290	4,251	4,478
Loans from financial institutions	2,482	2,546	362	378
Reborrowing from the Finnish State Nuclear Waste Management Fund [1)]	1,145	1,216	1,185	1,250
Other long-term interest-bearing liabilities	448	493	304	346
Total long-term loans [2)]	**8,325**	**8,545**	**6,102**	**6,452**
Collateral arrangement liability	243	243	281	281
Other short-term interest-bearing liabilities	934	934	197	197
Total short-term loans	**1,177**	**1,177**	**478**	**478**
Total	**9,502**	**9,722**	**6,580**	**6,930**

1) The reborrowing from the Finnish State Nuclear Waste Management Fund includes the part relating to Loviisa nuclear power plant as well as borrowing done through TVO.
2) Includes current portion of long-term liabilities of EUR 41 million (31 Dec 2019: 73).

Fortum used cash and credit facility to finance the first tranche of acquiring Uniper shares. On 24 March 2020 Fortum drew a loan of EUR 2,000 million under the credit facility.

At the end of the reporting period Fortum had booked an interest-bearing debt of EUR 428 million for the closing of the second tranche of Uniper shares. The closing took place on 8 May 2020, and at the time of closing the transaction was net debt neutral.

On 22 April 2020, Fortum signed a ten-year EUR 70 million bilateral loan agreement, and on 6 May 2020 Fortum drew a bridge loan of EUR 300 million under the facilities for the purchase of Uniper shares. The bridge loan is maturing on 30 October 2020.

The average interest rate for the portfolio of EUR loans was 0.8% at the balance sheet date (31 Dec 2019: 0.9%). The average interest rate on total loans and derivatives at the balance sheet date was 1.7% (31 Dec 2019: 2.3%). Part of the external loans, EUR 641 million (31 Dec 2019: 787), have been swapped to RUB and the average interest cost for these loans, including cost for hedging the RUB, was 7.5% at the balance sheet date (31 Dec 2019: 7.8%).

Maturity of loans

EUR million	31 Mar 2020
2020 [1)]	1,219
2021	556
2022	3,035
2023	1,091
2024	303
2025 and later	3,299
Total	**9,502**

1) The cash received as collateral based on collateral agreements, amounting to EUR 351 million, has been recognised as a short-term liability.

Maturity of undiscounted lease liabilities

EUR million	31 Mar 2020
Due within a year	167
Due after one year and within five years	484
Due after five years	1,051
Total	**1,702**

In addition, Fortum has a EUR 122 million commitment to leases that have not yet commenced. The balance includes EUR 101 million of lease commitments from Uniper of which EUR 95 million are commitments for short-term leases.

Liquid funds

EUR million	31 Mar 2020	31 Dec 2019
Deposits and securities with maturity more than 3 months	117	76
Cash and cash equivalents	3,963	1,356
Total [1]	**4,081**	**1,433**

1) Excludes cash balances of EUR 2 million relating to assets held for sale at 31 December 2019. Note 6.3 Assets held for sale.

Liquid funds totalling EUR 3,546 million (31 Dec 2019: 1,099) are placed with counterparties that have an investment grade credit rating.

At the end of the reporting period, the Group’s liquid funds totalled EUR 4,081 million (31 Dec 2019: 1,433). Liquid funds include EUR 332 million (31 Dec 2019: 201) of cash and bank deposits held by Russian entities.

Committed credit facilities

At the end of the reporting period, Fortum had undrawn committed credit facilities amounting to EUR 6,900 million (31 Dec 2019: 10,100), of which EUR 3,300 million (31 Dec 2019: 8,300) are facilities for the purchase of Uniper shares and a revolving credit facility. The undrawn amount of the revolving credit facility is EUR 2,800 million with maturity in November 2021 (Fortum having an option to extend the maturity by one year). On 24 March 2020, Fortum draw a term loan of EUR 2,000 million under these facilities. The end maturity of the term loan is 31 October 2022.

The undrawn facilities include also a committed credit facility of EUR 1,750 million (31 Dec 2019: 1,750) which is maturing in June 2023, and Uniper Group committed credit facility of EUR 1,800 million maturing in September 2024.

13. Nuclear related assets and liabilities

Fortum owns Loviisa nuclear power plant in Finland and through the acquisition of Uniper also OKG Aktiebolag (OKG) and Barsebäck Kraft AB (Barsebäck) nuclear power companies in Sweden. Fortum and Uniper are co-owners in the Swedish nuclear company OKG AB. Fortum accounted for the shareholding in OKG AB as an associated company until 31 March 2020. As of 31 March 2020, OKG AB is consolidated as a subsidiary to Fortum Group. See also Note 1.2 Summary of Uniper impacts to Fortum’s interim report.

On Fortum's consolidated balance sheet, Share in the Nuclear Waste Fund and the Nuclear provisions relate to Loviisa, OKG and Barsebäck nuclear power plants. Fortum also has minority interests in nuclear power companies, i.e.

Teollisuuden Voima Oyj (TVO) in Finland and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are classified as associated companies and joint ventures and are consolidated with equity method. Both the Finnish and the Swedish companies are non-profit making, i.e. electricity production is invoiced to the owners at cost including depreciations, interest costs and production taxes accounted for according to local GAAP.

Both in Finland, and in Sweden nuclear operators are legally obligated for the decommissioning of the plants and the disposal of spent fuel (nuclear waste management). In both countries, the nuclear operators are obligated to secure the funding of nuclear waste management by paying to government operated nuclear waste funds. The nuclear operators also have to give securities to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plant and the disposal of spent fuel.

13.1 Nuclear related assets and liabilities for consolidated nuclear power plants

EUR million	31 Mar 2020	31 Dec 2019
Carrying values on the balance sheet		
Nuclear provisions	3,276	813
Fortum's share of the Nuclear Waste Funds	2,962	813
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds in Finland and Sweden	3,546	1,180
Share of fund not recognised on the balance sheet	584	316
Short-term receivable from the Nuclear Waste Fund	-	51

Nuclear provision and fund accounted for according to IFRS

Nuclear provisions include the provision for the decommissioning and the provision for the disposal of spent fuel. Provisions are based on the same cash flows for future costs as the legal liability but the legal liability is not discounted to net present value.

The carrying value of nuclear provisions, calculated according to IAS 37, increased by EUR 2,463 million compared to 31 December 2019, totalling EUR 3,276 million at 31 March 2020. The increase is mainly driven by the acquisition of Uniper.

Fortum's share of the Nuclear Waste Funds are from an IFRS perspective overfunded by EUR 584 million, since Fortum's share of the Funds on 31 March 2020 was EUR 3,546 million and the carrying value on the balance sheet was EUR 2,962 million. The Fund on Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the operating profit is adjusted positively if the provisions increase more than the Fund, and negatively if the provision decreases below the actual value of the fund. This accounting effect is not included in comparable operating profit but as Nuclear fund adjustment in items affecting comparability, see Note 3 Segment information and Note 4 Items affecting comparability.

Legal liability for Loviisa nuclear power plant

The legal liability on 31 March 2020, decided by the Ministry of Economic Affairs and Employment in November 2019, was EUR 1,214 million.

The legal liability is based on a cost estimate, which is updated every year, and a technical plan, which is updated every third year. The legal liability is determined by assuming that the decommissioning would start at the beginning of the year following the assessment year.

Fortum's share in the Finnish Nuclear Waste Management Fund

According to the Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in connection with the decision of size of the legal liability. Based on the law, Fortum applied for a periodisation of the fund target, due to a change in the legal liability. The application was approved by the Ministry of Economic Affairs and Employment in November 2019 confirming the funding target at EUR 1,135 million.

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. See Note 12 Interest-bearing net debt and Note 17 Pledged assets and contingent liabilities.

OKG and Barsebäck nuclear power plants in Sweden

In Sweden, Svensk Kärnbränslehantering AB (SKB), a company owned by the nuclear operators, takes care of all nuclear waste management related activities on behalf of nuclear operators. SKB receives its funding from the Swedish Nuclear Waste Fund, which in turn is financed by the nuclear operators.

Nuclear waste fees and guarantees are updated every third year by governmental decision after a proposal from the Swedish Radiation Safety Authority (SSM). From September 2018 onwards, the proposal is prepared by the National Debt Office. The proposal is based on cost estimates done by SKB and the license holders. An updated technical plan for nuclear waste management was decided by SKB in September 2019 and was handed in to SSM in the end of Q3 2019. In December 2017 the Swedish government decided the waste fees and guarantees for years 2018-2020. Nuclear waste fees paid by licensees with a unit/units that are still in operation are currently based on future costs with the assumed lifetime of 50 years (40 years in previous decision) for each unit of a nuclear power plant. The fee is calculated in relation to the energy delivered and set as an amount of öre (1 öre = SEK 0,01) per kWh delivered. For Barsebäck, which have no units in operation, the fee is determined as a fixed fee in SEK per year.

13.2 Nuclear power plants in associated companies and joint ventures

Forsmark and TVO are non-profit making companies, i.e. electricity production is invoiced to the owners at cost including depreciations and interest costs. Invoiced cost is accounted according to local GAAP. In addition to the invoiced electricity production cost, Fortum makes IFRS adjustments to comply with Fortum's accounting principles. These adjustments include also Fortum's share of the companies' nuclear waste funds and nuclear provisions.

The tables below present the 100% figures relating to nuclear funds and provisions for the companies as well as Fortum's net share.

Nuclear related assets and liabilities relating to associated companies (100%)

	31 Mar 2020	31 Dec 2019
Carrying values with Fortum assumptions		
Nuclear provisions	3,188	4,973
Share of the Nuclear Waste Fund	2,901	4,403
of which Fortum's net share consolidated with equity method	**-64**	**-202**
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds	804	1,426
Receivables from the waste fund that are overfunded (underfunded) from an IFRS perspective	51	-78
of which TVO overfunded	115	124

TVO's legal liability, provision and share of the fund are based on same principles as described above for Loviisa nuclear power plant.

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in Note 12 Interest-bearing net debt.

Forsmark's provision and share of the fund are based on same principles as described above for OKG and Barsebäck nuclear power plants.

Status of TVO's Olkiluoto 3 project

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. Olkiluoto 3 EPR (OL3 EPR), currently under construction, was procured as a fixed-price turnkey project from a consortium (Supplier) formed by Areva GmbH, Areva NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations.

In March 2018, TVO signed a comprehensive settlement agreement concerning the completion of the OL3 EPR project and related disputes. The supplier consortium companies undertook that adequate funds exist for the completion of the OL3 EPR project covering also applicable guarantee periods and that a trust mechanism is set up to secure the financing.

The settlement agreement stipulates that if the Supplier fails to complete the OL3 project by the end of 2019, the Supplier pays a penalty to TVO for the delay, not exceeding EUR 400 million. TVO's management has estimated that TVO is entitled to receive the compensation of EUR 318 million assuming that the start of regular electricity production of the OL3 takes place in March 2021. TVO has recognized a receivable from the Supplier for the accumulated compensation from 1 January 2020 to the balance sheet date and decreased the carrying value of property, plant and equipment on the balance sheet accordingly.

Works at Olkiluoto 3 site have not completely proceeded as planned due to measures taken to prevent the spreading of the coronavirus epidemic. According to the information given to TVO by the Supplier, the fuel will not be loaded into the reactor as planned in June 2020, and it is possible that the regular electricity production will be delayed respectively. The Supplier will update the schedule for OL3 EPR unit as soon as spreading and effects of the coronavirus pandemic are known. Areva is currently working on a plan, with support of all parties, to secure funding until the end of the project. TVO has on 8 April 2020 submitted a permission application to the Finnish Radiation and Nuclear Safety Authority (STUK) for nuclear fuel loading of the OL3 EPR unit. TVO estimates that it will take a few months to obtain the permit.

According to the most recent schedule provided by the Supplier in December 2019, the nuclear fuel loading was to take place in June 2020, electricity production should be starting in November 2020 and regular electricity production in March 2021.

14. Other provisions

EUR million	31 Mar 2020	31 Dec 2019
Asset retirement	775	20
Supplier-related	757	-
Generation-related	630	-
Distribution-related	402	-
Environmental remediation and similar	259	49
Other	633	32
Total	**3,457**	**100**

Provisions include EUR 3,229 million from the acquisition of Uniper. Provisions exclude EUR 589 million of items Uniper classifies as provisions that have been reclassified as trade and other liabilities. See more information in Note 6.1 Acquisitions.

15. Pension obligations

Fortum Group has a number of pension schemes in accordance with local conditions and practices in the countries in which it operates, including defined benefit plans where the pension obligation is based on actuarial calculations using assumptions for discount rate, future salary and pension increases, inflation and life expectancy.

Pension obligations include EUR 953 million from the acquisition of Uniper, mainly relating to pension obligations in Germany. See more information in Note 6.1 Acquisitions.

Net defined benefit liability

EUR million	31 Mar 2020	31 Dec 2019
Present value of defined benefit obligation	3,680	529
Fair value of plan assets	2,673	406
Net defined benefit liability	**1,007**	**123**
Of which Germany	945	-
Presented on the balance sheet as follows:		
Pension obligations, net	1,032	125
Pension assets in Other non-current assets	25	2

Discount rates

The following discount rates have been used for the calculation of the present value of the defined benefit obligation:

%	31 Mar 2020	31 Dec 2019
Germany	1.90	-
United Kingdom	2.30	-
Finland	1.50	0.80
Sweden	1.40	1.20

16. Capital and other commitments

Capital and other commitments are contractual or regulatory obligations that are not recognised as liabilities on the balance sheet, or disclosed as contingent liabilities.

Capital commitments

EUR million	31 Mar 2020	31 Dec 2019
Property, plant and equipment and intangible assets	908	260

Capital commitments include EUR 670 million from the acquisition of Uniper.

Long-term purchase commitments

Fortum has long-term contractual obligations for the purchase of fossil fuels of approximately EUR 110.6 billion (of which EUR 4.3 billion is due within one year), majority being from the acquisition of Uniper. These contracts are generally take-or-pay in nature and primarily relate to the purchase of natural gas. Price paid for natural gas is normally tied to market reference prices, as dictated by market conditions and the procurement behaviour of wholesale market customers. The conditions of these long-term contracts are reviewed at certain specific intervals (usually every three years) as part of contract negotiations and may thus change accordingly.

Other commitments

At 31 December 2019, Fortum had a commitment to acquire all the shares in Uniper SE held by funds managed by Elliott Management Corporation and its affiliates and Knight Vinke Energy Advisors Limited and its affiliates, a total shareholding in excess of 20.5%. The first tranche of the transaction for 19.7% shareholding closed on 26 March 2020. The second tranche, 3.8% of the shares, closed on 8 May 2020.

For more information on other commitments, see Note 35 Capital and other commitments of the consolidated financial statements 2019.

17. Pledged assets and contingent liabilities

Fortum has issued direct and indirect guarantees and warranties on own behalf and on behalf of associated companies and joint ventures, which may obligate Fortum to make payments on the occurrence of certain events. For the Swedish nuclear companies there are two types of guarantees given. The Financing Amount is given to cover Fortum's share of the uncovered part in the Nuclear Waste Fund, assuming no further production and that no further nuclear waste fees are paid in. The uncovered amount is calculated by the authorities and is based on the difference between the expected costs and the funds to cover these costs at the time of the calculation. The Supplementary Amount constitutes a guarantee for deficits that can arise as a result of unplanned events. For more information see Note 13 Nuclear related assets and liabilities.

Further, Fortum has pledged certain assets for debt and other commitments, both on own behalf and on behalf of others, including EUR 269 million (31 Dec 2019: 269) for shares pledged in Kemijoki Oy as a security for borrowing from the Finnish State Nuclear Waste Management Fund; EUR 243 million (31 Dec 2019: 281) of securities for trading of electricity, gas and CO_2 emission allowances; EUR 137 million (31 Dec 2019: 137) of real estate mortgages; and EUR 60 million (31 Dec 2019: 54) of restricted cash, mainly for trading.

For more information see Note 36 Pledged assets and contingent liabilities of the consolidated financial statements 2019.

18. Legal actions and official proceedings

Various routine court actions, arbitration proceedings, tax and regulatory investigations and proceedings are currently pending against entities of the Group, and further actions or proceedings may be instituted or asserted in the future. Through the acquisition of Uniper, the Group is facing wider expose, this in particular includes legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the gas and electricity sectors (also as a consequence of the energy transition) and concerning anticompetitive practices, as well as general commercial contract disputes.

The aforementioned proceedings include several court and arbitration proceedings with major customers and major suppliers, also initiated in some instances by the Group, on contract amendments and price adjustments in long-term supply contracts and procurement options for electricity and gas, as well as long-term bookings of line capacity and long-term contracts for storage capacity in response to the altered situation brought about by market upheavals, and also reimbursements of costs. In some of these cases, the validity of the price-adjustment clauses and of the contracts in their entirety is being challenged; in others, the effectiveness of contract terminations is in dispute. Long-term LNG and gas procurement contracts generally include the option for producers and importers to adjust the terms in line with changed market conditions. On this basis, the Group is currently involved in court and arbitration proceedings and continuously conducts extensive negotiations with producers. The possibility of further legal disputes cannot be excluded. Applying the provisions of IAS 37.92, Fortum is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, particularly because such disclosure could prejudice their outcome.

Furthermore, proceedings are pending concerning the obligation to pay statutory energy-sector levies and the clarification of regulatory requirements. Applying the provisions of IAS 37.92, Fortum is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, particularly because such disclosure could prejudice their outcome.

Public-law disputes are pending, in particular, in connection with the operating license for the hard-coal power plant in Datteln. Applying the provisions of IAS 37.92, Fortum is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, particularly because such disclosure could prejudice their outcome.

19. Related party transactions

Related parties are described in more detail in the consolidated financial statements for the year ended 31 December 2019. On 31 March 2020, Uniper SE was reclassified from an associated company to a subsidiary. Transactions with Uniper Group companies are presented until 31 March 2020, but balances with Uniper Group companies at 31 March 2020 are excluded since Uniper is consolidated as a subsidiary. In addition, balances with any Uniper Group's related parties that have become Fortum Group's related parties through the acquisition are disclosed at 31 March 2020.

At the end of 2019 the Finnish State owned 50.76% of Fortum's shares. There has been no change in the number of shares the Finnish State owns in Fortum during 2020.

Transactions with associates and joint ventures

EUR million	I/2020	I/2019	2019
Sales	8	8	23
Purchases	101	102	373
Interest income on loan receivables	2	3	12

Balances with associates and joint ventures

EUR million	31 Mar 2020	31 Dec 2019
Long-term interest-bearing loan receivables	1,025	625
Trade and other receivables	110	86
Long-term loan payables	294	294
Trade and other payables	154	24

20. Events after the balance sheet date

Acquisition of the second tranche of Uniper shares

On 8 May 2020, Fortum closed the second and final tranche of the agreement to purchase the remaining Uniper SE shares held by Elliott Management Corporation and its affiliates. The 3.84% share purchase increased Fortum's holding to 73.4% of the shares and voting rights in Uniper and Fortum's acquisition cost to approximately EUR 6.5 billion. The purchase agreement was signed on 8 October 2019 and the first tranche was completed on 26 March 2020.

Disposal of Fortum Recharge AS

On 27 April 2020, Fortum signed an agreement to sell a majority share of its public charging point operator (CPO), Fortum Recharge AS, for electrical vehicles in the Nordics to Infracapital, the infrastructure equity investment arm of M&G Plc. After the transaction Fortum's ownership in Recharge will be 37%. Recharge is the largest CPO in the Nordics, owning close to 1,300 public charging points and operating an additional 1,400 charging points in Norway, Finland, and Sweden. The enterprise value corresponding to 100% of Recharge is approximately EUR 140 million. The transaction is expected to close in the second quarter of 2020.

Disposal of Nordic wind portfolio

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP will acquire an 80% stake in Fortum's Nordic wind portfolio. The transaction, excluding the Sørfjord wind park which is still under construction, closed on 14 May 2020. See Note 6.2 Disposals.

21. Definitions of key figures

Alternative performance measures

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable EBITDA	Operating profit + depreciations and amortisations - items affecting comparability	Comparable EBITDA is representing the underlying cash flow generated by the total Group and segments. Used as a component in the capital structure target of Comparable net debt /EBITDA.	Capital structure and key ratios after cash flow statement
Comparable operating profit	Operating profit - items affecting comparability	Comparable operating profit is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Income statement
Items affecting comparability	Impairment charges + capital gains and other + impact from acquisition accounting + changes in fair values of derivatives hedging future cash flow + nuclear fund adjustment	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Impairment charges	Impairment charges and related provisions (mainly dismantling), which are adjusted from depreciation and amortisation.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Capital gains and other	Capital gains and transaction costs from acquisitions, which are adjusted from other income and other expenses respectively. Profits from the capital recycling business model are presented in comparable operating profit because the business results are realised through divesting the shareholding, either partially or totally.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Impact from acquisition accounting	Non-cash accounting impact resulting from reclassifying part of Uniper's other comprehensive income to the income statement when Uniper was consolidated as a subsidiary.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Changes in fair values of derivatives hedging future cash flow	Effects from financial derivatives hedging future cash-flows where hedge accounting is not applied or own use exemption cannot be used according to IFRS 9, which are adjusted from other income or to sales and materials and services respectively when calculating Fortum's alternative performance measures.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Nuclear fund adjustment	Effects from the accounting of Fortum´s part of the Finnish Nuclear Waste Fund where the asset on the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5, which is adjusted from materials and services. In addition adjustments are made for accounting effects from valuation according to IFRS.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable return on net assets, %	$\frac{\text{Comparable operating profit + share of profit /loss in associates and joint ventures + adjustment for share of profit /loss in associates and joint ventures}}{\text{Comparable net assets average}} \times 100$	Comparable return on net assets is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Note 3 Segment information
Adjustment for Share of profit /loss in associates and joint ventures	Adjustment for material items affecting comparability.	Share of profit/loss in associates and joint ventures is included in profit component in the comparable return on net assets calculation and the adjustments are done based on similar components as in Items affecting comparability.	Note 3 Segment information
Comparable net assets	Non-interest-bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest-bearing liabilities - provisions (non-interest-bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows).	Comparable net assets is a component in Comparable return on net assets calculation where return on capital allocated directly to the businesses is measured.	Note 3 Segment information

Capital structure	Definition	Reason to use the measure	Reconciliation
Financial net debt	Interest-bearing liabilities - liquid funds - securities in interest-bearing receivables + net margin liabilities	Starting from Q1 2020 Fortum has updated the definition of net debt. Financial net debt will be used in the follow-up of the indebtedness of the group.	Note 12 Interest-bearing net debt
Adjusted net debt	Financial net debt + underfunded pension obligations and asset retirement obligations, net of share in nuclear waste funds	Starting from Q1 2020 Fortum has updated the definition of net debt. Adjusted net debt will be used in the follow-up of the indebtedness of the group.	Note 12 Interest-bearing net debt
Interest-bearing net debt	Interest-bearing liabilities - liquid funds	Until Q1 2020 interest-bearing net debt was used in the follow-up of the indebtedness of the group i.e. capital structure especially as a component in the long-term over-the-cycle financial target of Comparable net debt / EBITDA in the Group.	Note 12 Interest-bearing net debt

Other key figures

Share based key figures

Earnings per share (EPS)	$\dfrac{\text{Profit for the period - non-controlling interests}}{\text{Average number of shares during the period}}$
Equity per share	$\dfrac{\text{Shareholder's equity}}{\text{Number of shares at the end of the period}}$

Other key figures

Capital expenditure	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain usage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.
Gross investments in shares	Investments in subsidiary shares, shares in associated companies and joint ventures and other investments. Investments in subsidiary shares are net of liquid funds and grossed with interest-bearing liabilities and other items included in financial net debt in the acquired company.

Definitions for tax figures

Effective income tax rate,%	$\dfrac{\text{Income tax expense}}{\text{Profit before income tax}} \times 100$
Comparable effective income tax rate,%	$\dfrac{\text{Income tax expense - effects from tax rate changes and major one-time tax effects}}{\text{Profit before income tax decreased by profits from associated companies and joint ventures as well as tax exempt capital gains or losses}} \times 100$
Last twelve months (LTM)	Twelve months preceding the reporting date

Market conditions and achieved power prices

Power consumption

TWh	I/2020	I/2019	2019	LTM
Nordic countries	112	116	392	388
Russia	283	289	1,059	1,052
Tyumen	25	24	94	94
Chelyabinsk	9	9	35	35
Russia Urals area	69	70	260	259

Average prices	I/2020	I/2019	2019	LTM
Spot price for power in Nord Pool power exchange, EUR/MWh	15.4	46.9	38.9	31.2
Spot price for power in Finland, EUR/MWh	24.0	47.5	44.0	38.2
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	18.7	46.5	38.4	31.5
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	15.6	46.0	37.9	30.4
Spot price for power in the First Price Zone of Russia, RUB/MWh [1)]	1,222	1,309	1,289	1,267
Average capacity price, tRUB/MW/month	672	678	624	622
Spot price for power in Germany, EUR/MWh	26.6	40.9	37.7	34.1
Average regulated gas price in Urals region, RUB/1000 m^3	3,937	3,883	3,910	3,924
Average capacity price for CCS, tRUB/MW/month [2)]	165	162	154	154
Average capacity price for CSA, tRUB/MW/month [2)]	1,163	1,196	1,096	1,088
Spot price for power (market price), Urals hub, RUB/MWh [1)]	1,068	1,128	1,117	1,102
CO_2, (ETS EUA), EUR/tonne CO_2	23	22	25	25
Coal (ICE Rotterdam), USD/tonne	49	76	61	55
Oil (Brent Crude), USD/bbl	51	64	64	61

1) Excluding capacity tariff.
2) Capacity prices paid only for the capacity available at the time.

Water reservoirs

TWh	31 Mar 2020	31 Dec 2019
Nordic water reservoirs level	52	79
Nordic water reservoirs level, long-term average	41	84

Export/import

TWh (+ = import to, - = export from Nordic area)	I/2020	I/2019	2019	LTM
Export / import between Nordic area and Continental Europe + Baltics	-6	0	-8	-14
Export / import between Nordic area and Russia	1	2	8	6
Export / import Nordic area, Total	-5	2	0	-8

Power market liberalisation in Russia

%	I/2020	I/2019	2019	LTM
Share of power sold at the liberalised price	79%	80%	80%	80%

Achieved power prices

	I/2020	I/2019	2019	LTM
Generation segment's Nordic power price, EUR/MWh	34.0	38.4	36.8	35.6
Russia segment's power price, RUB/MWh	1,810	2,002	1,990	1,932
Russia segment's power price, EUR/MWh [1)]	24.5	26.4	27.3	26.7

1) Translated using average exchange rate.

Fortum's production and sales volumes

Uniper's capacities are included in capacity disclosures at 31 March 2020. Uniper sales and production volumes will be disclosed from the second quarter of 2020.

Power generation

TWh	I/2020	I/2019	2019	LTM
Power generation in Europe	13.7	12.4	46.8	48.1
Power generation in Russia	8.4	8.3	29.3	29.4
Power generation in other countries	0.2	0.0	0.2	0.4
Total	**22.3**	**20.6**	**76.3**	**78.0**

Heat production

TWh	I/2020	I/2019	2019	LTM
Heat production in Europe	3.0	3.3	9.1	8.8
Heat production in Russia	6.2	6.9	17.3	16.6
Total	**9.2**	**10.2**	**26.4**	**25.4**

Power generation capacity by segment

MW	31 Mar 2020	31 Dec 2019
Generation [1]	8,258	8,220
Russia	4,928	4,928
City Solutions	1,006	1,082
Uniper	35,124	-
Total	**49,316**	**14,230**

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1) Including 308 MW of Meri-Pori power plant, which is under reserve capacity agreement during period July 2017 - June 2020.

Heat production capacity by segment

MW	31 Mar 2020	31 Dec 2019
Russia	8,437	8,437
City Solutions	4,392	4,812
Uniper	3,916	-
Total	**16,745**	**13,249**

Power generation by source in the Nordic area

TWh	I/2020	I/2019	2019	LTM
Hydro and wind power	6.6	4.9	20.7	22.4
Nuclear power	6.3	6.3	23.5	23.5
Thermal power	0.3	0.7	1.4	1.0
Total	**13.3**	**12.0**	**45.5**	**46.8**

Power generation by source in the Nordic area

%	I/2020	I/2019	2019	LTM
Hydro and wind power	50	41	45	48
Nuclear power	48	53	52	50
Thermal power	2	6	3	2
Total	**100**	**100**	**100**	**100**

Power sales

EUR million	I/2020	I/2019	2019	LTM
Power sales in Europe	642	959	3,063	2,746
Power sales in Russia	262	248	924	938
Power sales in other countries	6	0	8	14
Total	**910**	**1,207**	**3,995**	**3,698**

Heat sales

EUR million	I/2020	I/2019	2019	LTM
Heat sales in Europe	197	254	618	561
Heat sales in Russia	54	49	145	150
Total	**252**	**302**	**763**	**713**

Power sales by area

TWh	I/2020	I/2019	2019	LTM
Finland	6.4	7.4	23.1	22.1
Sweden	9.3	8.3	31.5	32.5
Russia	10.7	9.4	33.8	35.1
Norway	4.5	5.1	15.0	14.4
Other countries	0.9	0.6	2.5	2.8
Total	**31.8**	**30.8**	**105.8**	**106.8**

NordPool transactions are calculated as a net amount of hourly sales and purchases at the Group level.

Heat sales by area

TWh	I/2020	I/2019	2019	LTM
Russia	6.2	6.6	16.9	16.5
Finland	1.0	1.4	3.8	3.4
Poland	1.4	1.5	3.3	3.2
Other countries	1.2	1.4	3.6	3.4
Total	**9.8**	**10.9**	**27.6**	**26.5**