



Fortum Interim Report

JANUARY-MARCH 2021

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

Results improved in all segments – Uniper cooperation stepped up

January-March 2021

- Comparable EBITDA was EUR 1,479 (543) million
- Comparable operating profit was EUR 1,171 (393) million
- Operating profit was EUR 1,345 (603) million, mainly impacted by changes in fair values of non-hedge-accounted derivatives
- Comparable share of profits of associates and joint ventures was EUR 67 (551) million
- Comparable earnings per share were EUR 0.94 (0.91)
- Earnings per share were EUR 1.23 (1.05)
- Cash flow from operating activities totalled EUR 831 (562) million
- Financial net debt-to-comparable EBITDA ratio at 1.9 times, below target level of <2 times
- On 12 March, Fortum signed an agreement to sell its district heating business in the Baltics for EUR 800 million
- Management changes at Fortum and Uniper to accelerate cooperation and strategy execution

Summary of outlook

- The Generation segment's Nordic generation hedges: approximately 80% at EUR 32 per MWh for the remainder of 2021 and approximately 55% at EUR 31 per MWh for 2022
- The Uniper segment's Nordic generation hedges: approximately 85% at EUR 27 per MWh for the remainder of 2021, approximately 80% at EUR 24 per MWh for 2022, and approximately 35% at EUR 21 per MWh for 2023
- Capital expenditure, including maintenance but excluding acquisitions, is expected to be approximately EUR 1,400 million in 2021

Key figures*

EUR million	I/2021	I/2020	2020	LTM
Reported				
Sales	21,493	1,357	49,015	69,152
Operating profit	1,345	603	1,599	2,341
Share of profit/loss of associates and joint ventures	80	479	656	257
Net profit	1,310	938	1,855	2,227
Net profit (after non-controlling interests)	1,092	930	1,823	1,984
Earnings per share, EUR	1.23	1.05	2.05	2.23
Net cash from operating activities	831	562	2,555	2,825

EUR million	I/2021	I/2020	2020	LTM
Comparable				
EBITDA	1,479	543	2,434	3,370
Operating profit	1,171	393	1,344	2,122
Share of profit/loss of associates and joint ventures	67	551	656	172
Net profit (after non-controlling interests)	837	812	1,483	1,508
Earnings per share, EUR	0.94	0.91	1.67	1.70

EUR million	31 Mar 2021	31 Dec 2020	LTM
Financial net debt (at period-end)	6,410	7,023	
Adjusted net debt (at period-end)	8,892	9,784	
Financial net debt/comparable EBITDA		2.9	1.9

* Uniper has been consolidated as a subsidiary from 31 March 2020. Previously, Uniper's contribution to the income statement was recognised in the Share of profit/loss of associates and joint ventures.

Fortum's President and CEO Markus Rauramo:

"The start of the year has been very strong for Fortum. We pushed ahead with necessary changes to speed up our strategy execution and the market fundamentals supported our businesses in the first quarter, after a considerably more challenging 2020.

In the first quarter, all our segments recorded higher comparable operating profits than a year ago. Nordic power prices increased significantly from last year, despite the persistently high hydro reservoir levels. The higher power prices were also the main driver for the 14% increase in the comparable operating profit of the Generation segment. The Russia segment improved slightly, supported by the profitable sale of Fortum's 116-MW solar power project to a partly-owned joint venture for renewable power. This profit offset most of the negative effects from the weaker Russian rouble. Excluding these two effects, the Russia segment's operative results improved somewhat. While the City Solutions segment had some challenges with its performance in 2020, the district heating business benefitted from the clearly colder weather and also the recycling and waste business improved its performance from last year. Improving power margins and the sale of value-added services continued to strengthen the results of Consumer Solutions.

The performance of our newest segment, Uniper, was very strong in the first quarter; even compared to the very good results in the first quarter of 2020. Uniper's results represent a significant share of Fortum's first-quarter results and we can now for the first time report its contribution to Fortum's comparable operating profit for the full twelve-month period of second-quarter 2020 to first-quarter 2021: EUR 1,074 million. As we consistently have been focusing on strengthening of the balance sheet, this puts Fortum's leverage for the last twelve months, measured as financial net debt-to-comparable EBITDA, at the level of 1.9 times, which is in line with our long-term target of less than 2.0 times.

This spring Fortum took further steps in order to step up cooperation, realise benefits, and accelerate the strategy execution. We made several changes aimed at leveraging the combined strengths more widely and developing a joint culture based on our common values. Our ambition is that the leadership teams of the two companies would work in a more integrated way to ensure efficient decision making and faster value creation, for the benefit of both companies. At the end of March, Klaus-Dieter Maubach took over as the CEO of Uniper and Tiina Tuomela assumed the role of Uniper's CFO following the departure of the former CEO and CFO. In April, we announced that Sirpa-Helena Sormunen and Risto Penttinen were appointed General Counsel and Executive Vice President Strategy of Uniper,

respectively, moving out of their previous roles in Fortum's Executive Management. I am happy to welcome Simon-Erik Ollus, Nora Steiner-Forsberg, Eveliina Dahl, and Nebahat Albayrak as new members of the Fortum Executive Management. Nebahat succeeds Arto Rätty who will retire later this year. Earlier this week, we announced big concrete steps towards realisation of the cooperation benefits via the 'One Team' approach between Fortum and Uniper. The planning phase of the three strategic cooperation areas has now been concluded and the proposal is to combine the Nordic hydro and physical trading optimisation under Fortum's Generation segment and to adopt a functional cooperation model in wind and solar development as well as in the development of the hydrogen business.

Also the regulatory development within the EU took several positive steps forward at the beginning of 2021. The EU institutions agreed on the European Climate Law, including the tightening of the 2030 climate target to a 55% reduction of GHG emissions and a goal of climate neutrality by 2050. Furthermore, the first delegated act under the EU Sustainable Finance Taxonomy was adopted. The final version saw a clear improvement regarding hydropower, as the criteria are now aligned with the EU Water Framework Directive, making the bulk of the Nordic CO₂-free hydropower eligible under the taxonomy. The eligibility of nuclear power and gas will be addressed in a separate complementary delegated act in the summer. The expert group of the Commission's Joint Research Centre concluded that nuclear power generation causes no more harm than other forms of power generation, and Fortum expects the Commission will respect the view of its own scientific body. As for gas, we are glad that the Commission highlighted a clear transitional role for natural gas in reducing greenhouse gas emissions in the path towards climate neutrality and expect this role to be reflected in the upcoming legislation."

Changes in reporting

In the first quarter of 2021, Fortum introduced two new Alternative Performance Measures (APM) to provide additional financial performance indicators that better reflect the underlying profitability.

- Comparable net profit, and
- Comparable earnings per share

Comparable net profit is shown after non-controlling interest and adjusted for items affecting comparability, as well as adjustments to share of profit of associates and joint ventures, net finance costs, income tax expenses, and non-controlling interest. Comparable earnings per share is calculated from comparable net profit.

See Note 4.2 and Note 23.

Financial results

Sales by segment

EUR million	I/2021	I/2020	2020	LTM
Generation	675	574	2,006	2,107
Russia	264	317	929	876
City Solutions	418	342	1,075	1,151
Consumer Solutions	661	424	1,267	1,504
Uniper	19,770	-	44,514	64,284
Other Operations	34	34	140	140
Netting of Nord Pool transactions	-223	-83	-317	-457
<i>Eliminations</i>	-107	-250	-598	-455
Total	21,493	1,357	49,015	69,152

Comparable EBITDA by segment

EUR million	I/2021	I/2020	2020	LTM
Generation	315	273	886	928
Russia	134	138	394	391
City Solutions	132	106	239	265
Consumer Solutions	53	48	153	158
Uniper	868	-	856	1,724
Other Operations	-23	-22	-94	-96
Total	1,479	543	2,434	3,370

Comparable operating profit by segment

EUR million	I/2021	I/2020	2020	LTM
Generation	269	235	722	756
Russia	100	99	251	252
City Solutions	86	58	47	75
Consumer Solutions	36	32	90	94
Uniper	711	-	363	1,074
Other Operations	-31	-31	-129	-129
Total	1,171	393	1,344	2,122

Operating profit by segment

EUR million	I/2021	I/2020	2020	LTM
Generation	318	281	711	748
Russia	100	99	252	253
City Solutions	86	484	775	377
Consumer Solutions	59	10	129	178
Uniper	813	-	29	842
Other Operations	-31	-271	-298	-58
Total	1,345	603	1,599	2,341

Comparable share of profit/loss of associates and joint ventures by segment

EUR million	I/2021	I/2020	2020	LTM
Generation	-5	2	13	6
Russia	22	12	47	57
City Solutions	39	36	57	60
Consumer Solutions	-	-	-	-
Uniper	11	-	38	50
Other Operations*	-1	501	502	0
Total	67	551	656	172

* 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.

Share of profit/loss of associates and joint ventures by segment

EUR million	I/2021	I/2020	2020	LTM
Generation	8	-38	29	74
Russia	22	12	47	57
City Solutions	39	36	57	60
Consumer Solutions	-	-	-	-
Uniper	11	-	54	65
Other Operations*	-1	469	470	0
Total	80	479	656	257

* 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.

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter 2020, consolidated Uniper's results into its income statement. In the first quarter of 2020, Uniper was consolidated as an associated company into Fortum's income statement. The main reason for the change in quarterly and last-twelve-month figures compared to the previous year is thus the consolidation of Uniper.

January-March 2021

Sales were EUR 21,493 (1,357) million.

Comparable operating profit was EUR 1,171 (393) million, mainly due to the consolidation of Uniper to the income statement. The Uniper segment recorded strong comparable operating profit of EUR 711 million and all other segments also improved from the previous year. The Generation segment benefitted from the higher achieved power price and the City Solutions segment was supported by the clearly higher heat sales volumes.

Operating profit for the period was impacted by EUR 174 (210) million of items affecting comparability, mainly due to changes in fair values of non-hedge-accounted derivatives of EUR 165 (19) million and the tax-exempt capital gain of EUR 50 million from the divestment of eight small hydropower plants in Sweden (Note 4).

Comparable share of profits of associates and joint ventures was EUR 67 (551) million (Note 12). The comparison period includes the comparable share of profit from Uniper based on Uniper's fourth-quarter 2019 and first-quarter 2020 results.

Net finance costs amounted to EUR 36 (-67) million.

Profit before income taxes was EUR 1,460 (1,014) million.

Taxes for the period totalled EUR 150 (76) million (Note 8).

Net profit was EUR 1,310 (938) million. Comparable net profit was EUR 837 (812) million after deduction of adjusted non-controlling interest. Comparable net profit is adjusted for items affecting comparability, adjustments to share of profit of associates and joint ventures, net finance costs, and income tax expenses. The new APM 'comparable net profit' is introduced to better reflect the underlying profitability (Notes 4.2 and 23).

Earnings per share were EUR 1.23 (1.05) and comparable earnings per share were EUR 0.94 (0.91).

For further details, see Segment reviews.

Financial position and cash flow

Cash flow

In January-March 2021, net cash from operating activities increased by EUR 269 million to EUR 831 (562) million. The increase was impacted by the consolidation of Uniper from 31 March 2020 onwards.

Net cash used in investing activities was EUR 194 (376) million. Capital expenditure increased by EUR 183 million to EUR 293 (110) million. Acquisition of shares, net of liquid funds, for the comparison period was EUR 844 million, mainly from the acquisition of shares in Uniper. Divestment of shares and capital returns of EUR 129 (524) million mainly include the divestments of the 80% stake in the Sørfjord wind park in Norway and eight small hydropower plants in Sweden. The comparison period mainly includes the divestment of the Joensuu district heating operations.

Cash flow before financing activities was strong, EUR 637 (186) million.

Proceeds from long-term liabilities were EUR 62 (2,110) million. In March 2020, Fortum drew a term loan of EUR 2,000 million to finance the acquisition of shares in Uniper. Change in margin liabilities was EUR 339 (522) million. The net increase in liquid funds was EUR 1,292 (2,717) million.

Assets

At the end of the reporting period, total assets amounted to EUR 63,416 (57,810 at the end of 2020) million. Liquid funds at the end of the period were EUR 3,598 (2,308 at the end of 2020) million.

Equity

Equity attributable to owners of the parent company totalled EUR 14,303 (12,953 at the end of 2020) million. The change from the year-end was mainly related to the net profit for the period of EUR 1,092 million.

Financing

At the end of the reporting period, financial net debt was EUR 6,410 (7,023 at the end of 2020) million and adjusted net debt EUR 8,892 (9,784 at the end of 2020) million.

At the end of the reporting period, the Group's liquid funds totalled EUR 3,598 (2,308 at the end of 2020) million. Liquid funds include EUR 917 million related to the Uniper segment.

At the end of the reporting period, Fortum had undrawn committed credit facilities amounting to EUR 5,000 million. The undrawn facilities include a EUR 1,450 million revolving credit facility maturing in November 2021 (with an option to extend the maturity by one year), a EUR 1,750 million revolving credit facility maturing in June 2023, and Uniper's revolving credit facility of EUR 1,800 million, which matures in September 2025. In addition to the revolving credit facilities, Fortum has EUR 100 million of committed overdraft limits that are valid until further notice.

Standard & Poor's long-term rating for Fortum is BBB, with a Negative Outlook. The short-term rating is at level A-2. Fitch's long-term rating for Fortum is BBB, with a Negative Outlook.

Standard & Poor's long-term rating for Uniper is BBB, with a Negative Outlook.

Segment reviews

Generation

Generation is responsible for Nordic power generation. The segment comprises CO₂-free nuclear, hydro, and wind power generation, as well as power portfolio optimisation, trading, industrial intelligence, thermal power for the capacity reserve, 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 (Note 3).

EUR million	I/2021	I/2020	2020	LTM
Reported				
Sales	675	574	2,006	2,107
- power sales	627	524	1,878	1,981
of which Nordic outright power sales*	468	425	1,478	1,521
- other sales	48	50	128	126
Operating profit	318	281	711	748
Share of profit/loss of associates and joint ventures**	8	-38	29	74
Capital expenditure and gross investments in shares	27	34	228	221
Number of employees	1,130	1,113	1,143	

EUR million	I/2021	I/2020	2020	LTM
Comparable				
EBITDA	315	273	886	928
Operating profit	269	235	722	756
Share of profit/loss of associates and joint ventures**	-5	2	13	6
Return on net assets, %			12.2	12.6
Net assets (at period-end)	6,135	5,899	6,234	

* The Nordic outright power sales includes hydro 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. 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 18 in the Consolidated Financial Statements 2020).

Power generation by source

TWh	I/2021	I/2020	2020	LTM
Hydropower, Nordic	6.7	6.4	22.4	22.7
Nuclear power, Nordic	6.3	6.3	21.0	21.0
Wind power, Nordic	-	0.2	0.4	0.2
Thermal power, Nordic	0.0	0.0	0.1	0.1
Total	13.0	13.0	43.9	43.9

Nordic sales volumes

TWh	I/2021	I/2020	2020	LTM
Nordic sales volume	15.0	14.7	51.4	51.7
of which Nordic outright power sales volume*	12.6	12.5	42.5	42.6

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

Achieved power price

EUR/MWh	I/2021	I/2020	2020	LTM
Generation's Nordic achieved power price*	37.2	34.0	34.8	35.8

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

January-March 2021

The Generation segment's total power generation in the Nordic countries increased slightly, mainly due to higher hydro volumes, which were at the highest level in almost 20 years.

The achieved power price in the Generation segment increased by EUR 3.2 per MWh, up 9%. The achieved power price increased due to successful physical and financial optimisation and higher spot prices, despite a lower hedge price compared to the first quarter of 2020. The fairly high hedge levels and a hedge price below the level of the spot price dampened the effect on the achieved price, while the spot power price increased by 124% in Fortum's power generation areas.

Comparable operating profit increased by 14%. The increase was mainly due to the higher achieved power price.

Comparable operating profit included EUR 1 million from the consolidation of the Generation segment's proportionate share of OKG (Note 3) as well as EUR 2 million from the sale of the Sørkjord wind park in January 2021.

Operating profit was affected by EUR 49 (45) million of items affecting comparability, mainly related to the tax-exempt capital gain of EUR 50 million from the divestment of eight small hydropower plants in Sweden and the fair value change of non-hedge-accounted derivatives (Note 3).

Comparable share of profits of associates and joint ventures totalled EUR -5 (2) million (Note 12).

In December 2020, Fortum decided to sell eight small hydropower plants in Sweden with an average annual power generation of 0.1 TWh to Downing Renewables & Infrastructure Trust plc. The power plants are mainly run-of-river plants and, due to their small size and limited flexibility not essential to Fortum's strategic focus. The total purchase price on a debt- and cash-free basis was EUR 64.5 million. The transaction was closed on 2 February 2021, and Fortum recorded a tax-exempt capital gain of EUR 50 million in the first-quarter 2021 results of the Generation segment.

In January 2021, Fortum announced it had finished the construction of two new wind parks in the Nordics: Kalax in Finland and Sørkjord in Norway. Both are now producing CO₂-free energy for the Nordic market. The wind parks are part of the 2020 transaction with Energy Infrastructure Partners AG (EIP), and Fortum's ownership is 20%.

On 3 March 2021, Fortum announced a substantial investment in dam safety in Sweden where an extensive rebuild is planned for the over 100-year-old Forshuvud hydropower plant. Fortum will invest just over SEK 450 million (approximately EUR 45 million) during 2021-2025. With this investment Fortum wants to guarantee the plant's continued life span as a supplier of renewable electricity and balancing power for more weather-dependent types of power.

On 26 March 2021, the Finnish Radiation and Nuclear Safety Authority (STUK) gave Teollisuuden Voima Oyj (TVO) a fuel loading permit for the Olkiluoto 3 (OL3) plant unit. That was the most significant step in the commissioning of the plant unit so far. This was in line with the previously announced schedule targeting the commencement of power generation at OL3 in October this year and regular power generation in February 2022. The fuel loading was started on 27 March and completed on 1 April.

Russia

The Russia segment comprises power and heat generation and sales in Russia. The segment also includes Fortum's joint ventures for building and operating approximately 2 GW of renewable power generation and for power and heat sales, as well as Fortum's more than 29% holding in TGC-1. These joint ventures and the associated company are accounted for using the equity method. The segment does not include Uniper's Russian subsidiary Unipro.

EUR million	I/2021	I/2020	2020	LTM
Reported				
Sales	264	317	929	876
- power sales	207	262	791	736
- heat sales	56	54	134	136
- other sales	1	1	4	4
Operating profit	100	99	252	253
Share of profit/loss of associates and joint ventures	22	12	47	57
Capital expenditure and gross investments in shares	7	4	91	94
Number of employees	2,960	2,982	2,935	

EUR million	I/2021	I/2020	2020	LTM
Comparable				
EBITDA	134	138	394	391
Operating profit	100	99	251	252
Share of profit/loss of associates and joint ventures	22	12	47	57
Return on net assets, %			11.1	12.1
Net assets (at period-end)	2,517	2,612	2,431	

Power generation and heat production for the Russia segment

TWh	I/2021	I/2020	2020	LTM
Russian power generation	8.4	8.4	27.1	27.1
Russian heat production	7.5	6.2	16.4	17.7

Prices for the Russia segment

	I/2021	I/2020	2020	LTM
Average capacity price for CCS and other, tRUB/MW/month* **	182	165	156	161
Average capacity price for CSA, tRUB/MW/month**	1,289	1,163	1,058	1,080
Average capacity price, tRUB/MW/month	636	672	608	599
Achieved power price for the Russia segment, RUB/MWh	1,892	1,810	1,940	1,968
Achieved power price for the Russia segment, EUR/MWh***	21.1	24.5	23.4	22.4

* 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 2021

Power generation volumes remained stable, while heat production volumes increased by 21%. Heat production volumes were positively affected especially by the colder weather in the Chelyabinsk and Tyumen areas during the quarter.

Sales decreased by 17%, or EUR 53 million, due to the weaker Russian rouble. The effect of the change in the Russian rouble exchange rate was EUR -57 million.

Comparable operating profit increased by 1%. The increase was due to the EUR 17 million positive effect of the sale of the 116-MW Capacity Supply Agreement (CSA) backed solar power project to the joint venture with the Russian Direct Investment Fund (RDIF), higher power prices, and higher heat volumes. The net effect of the changes to CSA

payments was slightly negative; the changes were due to three units entering the four-year period of higher CSA payments, the CSA period ending for the Tyumen Combined Heat and Power plant 1 (CHP) and Chelyabinsk CHP 3, as well as corrections to the CSA prices as a result of lower bond yields. The effect of the change in the Russian rouble exchange rate was EUR -21 million. The Covid-19 pandemic did not have any significant adverse effect on the Russia segment's results for the quarter.

Comparable share of profits of associates and joint ventures totalled EUR 22 (12) million, including the share of profits of EUR 8 (1) million from TGC-1, the share of profits of the joint ventures for heat distribution of EUR 7 (9) million, and the share of profits of EUR 6 (0) million from the joint ventures for renewables power generation (Note 12).

On 2 March 2021, Fortum announced it had decided to construct the largest solar power plant in Russia through a joint venture recently established with RDIF. 78 MW of the capacity is expected to be commissioned in the fourth quarter of 2021 and the remaining part in the second half of 2022. The power plant is based on capacities won by Fortum in CSA auctions in 2018 and 2019. In March, Fortum sold the CSA-backed solar power project to the joint venture with RDIF, which had a positive effect of EUR 17 million in the first-quarter comparable operating profit of the Russia segment.

In March 2021, the Fortum-RDIF joint venture signed several contracts to supply green energy to industrial customers in Russia, including Procter & Gamble and Shchekinoazot.

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/2021	I/2020	2020	LTM
Reported				
Sales	418	342	1,075	1,151
- heat sales	247	205	516	558
- power sales	60	37	121	144
- waste treatment sales*	62	64	252	250
- other sales**	49	35	186	200
Operating profit	86	484	775	377
Share of profit/loss of associates and joint ventures	39	36	57	60
Capital expenditure and gross investments in shares	48	38	333	342
Number of employees	2,094	1,997	2,093	

EUR million	I/2021	I/2020	2020	LTM
Comparable				
EBITDA	132	106	239	265
Operating profit	86	58	47	75
Share of profit/loss of associates and joint ventures	39	36	57	60
Return on net assets, %			2.8	3.8
Net assets (at period-end)	3,305	3,625	3,679	

* 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/2021	I/2020	2020	LTM
Finland	1.2	1.0	2.9	3.1
Poland	1.6	1.4	3.4	3.6
Norway	0.8	0.6	1.5	1.7
Other countries	0.8	0.6	1.9	2.1
Total	4.4	3.6	9.6	10.4

Power sales by country

TWh	I/2021	I/2020	2020	LTM
Finland	0.7	0.3	1.0	1.4
Poland	0.2	0.2	0.6	0.6
Other countries	0.4	0.4	1.4	1.4
Total	1.3	0.9	3.0	3.4

January-March 2021

Heat sales volumes increased by 22%, as temperatures were close to normal, compared to the very warm weather in the first quarter of 2020. The power sales volumes also increased significantly, mainly due to a different production mix in the Finnish heat business.

Comparable operating profit increased by 49% as a result of clearly higher heat sales volumes in all heating areas and higher Norwegian heat prices due to the price link between heat and power prices. The improved results in the recycling and waste business also contributed to the results. The results were negatively impacted by structural changes, the most significant of these being the divestments of the Järvenpää district heating businesses and its EUR 3 million impact. The Covid-19 pandemic did not have any significant adverse effect on the of City Solution segment's results for the quarter.

Operating profit was affected by EUR -1 (427) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives. In 2020, the items affecting comparability included the tax-exempt capital gain of EUR 431 million from the divestments of the Joensuu district heating businesses (Note 3).

Comparable share of profits of associates and joint ventures totalled EUR 39 (36) million, EUR 34 (33) million of which is related to the share of profit of Stockholm Exergi (Note 12).

On 20 March 2021, Fortum announced that it had signed an agreement to sell its district heating business in the Baltics to Partners Group. The total consideration on a debt- and cash-free basis was EUR 800 million. Fortum expects to record a tax-exempt capital gain of approximately EUR 240 million in the City Solutions segment's second-quarter 2021 results. The transaction is subject to customary closing conditions and is expected to be completed in the second quarter of 2021.

Consumer Solutions

Consumer Solutions is responsible for the electricity and gas retail businesses in the Nordics, Poland, and Spain, including the customer service and invoicing 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/2021	I/2020	2020	LTM
Reported				
Sales	661	424	1,267	1,504
- power sales	574	351	1,057	1,280
- gas sales	57	48	139	148
- other sales	31	25	70	76
Operating profit	59	10	129	178
Capital expenditure and gross investments in shares	11	15	57	53
Number of employees	1,020	1,279	1,048	
EUR million	I/2021	I/2020	2020	LTM
Comparable				
EBITDA	53	48	153	158
Operating profit	36	32	90	94
Net assets (at period-end)	721	566	565	

Sales volumes

TWh	I/2021	I/2020	2020	LTM
Electricity	10.8	9.5	29.1	30.4
Gas*	2.0	1.7	4.9	5.2

* Not including wholesale volumes.

Number of customers

Thousands*	31 Mar 2021	31 Dec 2020
Electricity	2,260	2,280
E-mobility**	50	60
Gas	50	50
Total	2,360	2,390

* Rounded to the nearest 10,000.

** Measured as average monthly paying customers for the quarter.

January-March 2021

The electricity sales volumes increased by 14%, mainly due to clearly colder weather in the Nordics. Total sales revenue increased by 56%, driven by increased volumes and clearly higher prices in the Nordics compared to the previous year. The gas volume increased by 23%, mainly due to an increase of enterprise customers in Poland. The Covid-19 pandemic has increased market uncertainty, especially in the small- and medium-sized enterprises' sector. So far, no major negative implications on the business, such as credit losses, have materialised. Despite these uncertainties, Consumer Solutions' competitiveness continued to strengthen, and the customer recommendation remained at a high level. Several new digital services were launched during the first quarter, and new enterprise contracts signed with customers in the energy, food processing, real-estate, and retail industries.

Comparable operating profit continued to improve and increased by 12%, mainly driven by higher margins from power sales and value-added services. The higher 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 23 (-22) 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, a subsidiary of Fortum. 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 and optimisation, which Uniper reports in three businesses – European Generation, Global Commodities, and Russian Power Generation – in its financial statements. Approximately 50% of the power generating capacity is gas-based, 30% coal-based, and 20% hydro- or nuclear-based. The segment includes Uniper's proportionate share of OKG (Note 3).

EUR million	I/2021	I/2020	2020	LTM
Reported				
Sales	19,770	-	44,514	64,284
- power sales	5,784	-	16,994	22,778
of which Nordic outright power sales*	190	-	373	563
- heat sales	100	-	191	291
- gas sales	11,945	-	22,176	34,120
- other sales	1,941	-	5,154	7,094
Operating profit	813	-	29	842
Share of profit/loss of associates and joint ventures	11	-	54	65
Capital expenditure and gross investments in shares**	136	-	639	775
Number of employees	11,813	11,611	11,751	

EUR million	I/2021	I/2020	2020	LTM
Comparable				
EBITDA	868	-	856	1,724
Operating profit	711	-	363	1,074
Share of profit/loss of associates and joint ventures	11	-	38	50
Net assets (at period-end)	8,240	7,569	7,432	

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

** The 2020 comparison figures were revised in the first quarter of 2021, due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.

Power generation by source

TWh	I/2021	I/2020	2020	LTM
Hydropower, Nordics	2.3	-	6.8	9.1
Nuclear power, Nordics	3.6	-	7.6	11.2
Hydropower, Central Europe	1.0	-	3.3	4.3
Thermal power, Central Europe	10.7	-	22.1	32.8
Thermal power, Russia	12.3	-	28.5	40.8
Total	29.9	-	68.3	98.2

Nordic sales volumes

TWh	I/2021	I/2020	2020	LTM
Nordic sales volume	6.0	-	14.6	20.6
of which Nordic outright power sales volume*	6.0	-	14.4	20.4

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

Prices for the Uniper segment

EUR/MWh	I/2021	I/2020	2020	LTM
Uniper's Nordic achieved power price*	31.5	-	26.0	27.6
Average capacity price for Uniper CCS and other, tRUB/MW/month** ***	169	-	136	145
Average capacity price for Uniper CSA, tRUB/MW/month***	1,163	-	951	982
Average capacity price for Uniper, tRUB/MW/month	251	-	261	258
Achieved power price for Uniper in Russia, RUB/MWh	1,681	-	1,798	1,831
Achieved power price for Uniper in Russia, EUR/MWh****	18.7	-	21.7	20.8

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

** 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 2021

Power generation volumes were supported by better availability of the thermal fleet and the commissioning of Datteln 4 in the second quarter of 2020.

Uniper recorded strong first-quarter 2021 results, increasing from the already good performance in the first quarter of 2020.

The European Generation business benefitted from the solid performance of the fossil fleet – Datteln 4 in full operation, Irsching 4 and 5 being back on the market in Germany, and better availability of Maasvlakte 3 in the Netherlands – as well as payments from the UK capacity market. The positive impact was partly offset by an intra-year CO₂ emission right phasing effect that shifted margins from the first quarter of 2021 to the fourth quarter of 2021. The nuclear-fired generation business in the Nordics was negatively affected by lower achieved prices.

In Uniper's Global Commodity business, the first quarter was characterised by periods of low temperatures in some of the world's regions, including parts of Asia, North America, and Europe. These colder temperatures increased

demand for gas and power, which enabled Uniper to successfully optimise its international portfolio. This included both LNG deliveries to the Asian market and sales of gas and power at higher price levels in parts of the United States.

Uniper's Russian business Unipro contributed positively to the comparable operating profit of the Uniper segment. Russian power prices were supported by growth in power demand, low hydro volumes, and high exports. However, the result was negatively affected by the CSA period ending for the Shaturskaya and Yaivinskaya power plants and the change in the Russian rouble exchange rate.

Comparable operating profit amounted to EUR 711 (-) million.

Operating profit was affected by EUR 102 (-) million of items affecting comparability, mainly EUR 144 (-) million of fair value change of non-hedge-accounted derivatives (Note 3).

Comparable share of profits of associates and joint-ventures totalled EUR 11 (-) million (Note 12).

On 18 January 2021, Woodside Energy Trading Singapore and Uniper amended the LNG contract for a new volume of up to 1 million tonnes annually, increasing to approximately 2 million tonnes annually from 2026.

In March 2021, amendments to the Russian Strategic Investment Law were approved. Based on these amendments, Fortum is able to exercise direct control in Uniper's Russian subsidiary Unipro PJSC. However, customary merger control approval from the Russian Federal Antimonopoly Service under the Competition Law is still required.

On 29 March 2021, Uniper's Supervisory Board, Uniper CEO Andreas Schierenbeck, and CFO Sascha Bibert jointly concluded that both senior executives would step down from their positions with immediate effect. Klaus-Dieter Maubach, Chairman of Uniper's Supervisory Board, and Tiina Tuomela, member of Uniper's Supervisory Board, were delegated by the Uniper Supervisory Board into the Management Board as CEO and CFO, respectively.

On 1 April 2021, the German Federal Network Agency accepted the bid from the 757-MW Wilhelmshaven power plant as part of the second round of auctions for the closure of hard-coal-fired power plants. The commercial power generation at the plant will end in December 2021, one year earlier than previously announced. Uniper announced plans to establish a German national hub for hydrogen in Wilhelmshaven. The plans include an import terminal for green ammonia, an 'ammonia cracker' for producing green hydrogen, and a 410-MW electrolysis plant, which, in combination with the import terminal, would be capable of supplying around 295,000 metric tonnes or 10% of the demand expected for the whole of Germany in 2030. Uniper is working on a feasibility study and no final investment decision has been made.

For further information, see Uniper's first-quarter 2021 results published on 6 May 2021.

Capital expenditures, divestments, and investments in shares

In the first quarter of 2021, capital expenditures and investments in shares totalled EUR 251 (3,366) million. Capital expenditures were EUR 228 (84) million (Notes 3 and 6).

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts/started	Latest announced
City Solutions					
Suomenoja, Finland	Heat pump		20	II/2021	24 Sep 2019
Rajasthan, India	Solar	250		I and II/2021	4 Mar 2019
Uniper					
Berezovskaya 3, Russia	Lignite	754		1 May 2021	6 May 2021
Irsching 6, Germany	Gas	300		Oct 2022	9 Jan 2019
Scholven, Germany	Gas	137	125	IV/2022	6 Feb 2020
Killingholme and Grain, UK	Grid stability			IV/2021 and I/2022	4 Mar 2021
Surgutskaya 1, Russia	Gas	20		I/2022	12 Nov 2019
Surgutskaya 4, Russia	Gas	20		IV/2025	12 Nov 2019
Surgutskaya 6, Russia	Gas	20		III/2024	12 Nov 2019

Generation

On 3 March 2021, Fortum announced a substantial investment in dam safety in Sweden where an extensive rebuild is planned for the over 100-year-old Forshuvud hydropower plant. Fortum will invest just over SEK 450 million (approximately EUR 45 million) during 2021-2025. With this investment Fortum wants to guarantee the plant's continued life span as a supplier of renewable electricity and balancing power for more weather-dependent types of power.

In December 2020, Fortum decided to sell eight small hydropower plants in Sweden with an average annual power generation of 0.1 TWh to Downing Renewables & Infrastructure Trust plc. The power plants are mainly run-of-river plants and due to their small size and limited flexibility, not essential to Fortum's strategic focus. The total purchase price on a debt- and cash-free basis was EUR 64.5 million. The transaction was closed on 2 February 2021.

In December 2019, Fortum and EIP (formerly Credit Suisse Energy Infrastructure Partners) signed an agreement whereby funds advised by EIP would acquire an 80% stake in Fortum's Nordic wind portfolio. Fortum retained a 20% minority ownership in this wind power portfolio and will continue to manage the construction and serve as the long-term asset manager for the wind portfolio. The transaction was closed on 14 May 2020 (Note 6). The sale of an 80% share of the Sørfjord wind park, commissioned on 26 October 2020 and part of the transaction with EIP, took place in January 2021.

Russia

Together with its joint ventures in Russia, Fortum holds the largest portfolio of wind and solar power parks and projects in Russia, approximately 2 GW. Once operational, the wind and solar parks receive a guaranteed CSA price for a period of 15 years.

In 2017 and 2018, the Fortum-Rusnano wind investment fund (joint venture, Fortum's ownership 50%) won the right to build a total of 1,823 MW of wind capacity in CSA auctions. 600 MW of the wind capacity is operational, 495 MW under construction, and 728 MW under development. During the second half of 2020, the Fortum-Rusnano wind

investment fund sold the 50-MW Ulyanovsk 2 and the 300-MW Rostov wind parks to a joint venture recently established with RDIF aimed at the operation of renewable power plants in Russia.

In 2018 and 2019, Fortum won the right to build a total of 116 MW of solar capacity in CSA auctions. On 2 March 2021, Fortum announced it had decided to construct the solar power plant through a joint venture recently established with RDIF. 78 MW of the capacity is expected to be commissioned in the fourth quarter of 2021 and the remaining part in the second half of 2022.

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.

City Solutions

On 20 March 2021, Fortum announced that it had signed an agreement to sell its district heating business in the Baltics to Partners Group, a leading global private markets firm acting on behalf of its clients. The total consideration on a debt- and cash-free basis was EUR 800 million. Fortum expects to record a tax-exempt capital gain of approximately EUR 240 million in the City Solutions segment's second-quarter 2021 results. The transaction is subject to customary closing conditions and is expected to be completed in the second quarter of 2021. The transaction was a continuation of Fortum's strategy execution, whereby Fortum continuously reviews its businesses to optimise its portfolio for value creation. In June 2019, Fortum announced that it was considering the strategic options for its district heating businesses in Estonia, and, in February 2020, Fortum announced it would review the district heating businesses in the other Baltic countries.

On 19 March 2021, Fortum commissioned 150 MW of the 250-MW Rajasthan solar park in India. The remaining 100 MW was commissioned on 3 May 2021.

Consumer Solutions

In December 2020, Fortum decided to assess strategic options, including possible divestment, of its Consumer Solutions business. Based on initial assessments, this business has been identified as operations that could provide higher growth and value potential with an alternative ownership structure.

Uniper

In February 2020, Uniper signed an agreement to sell its 58% stake in Schkopau, a lignite-fired power plant in Saxony-Anhalt in eastern Germany, to Saale Energie GmbH, a subsidiary of Czech energy producer EPH, which owns the other 42%. The transfer of ownership will take place in October 2021.

Operating and regulatory environment

European power markets

In the first quarter of 2021, European power prices recovered strongly after a weak 2020. It was a combination of drivers that made the price recovery possible: the cold winter across the Northern hemisphere, initial economic recovery post Covid-19, and low wind power generation in Continental Europe and the Nordics. Additionally, the EU emission allowance (EUA) price increased quickly on the back of a higher 2030 emissions reduction target. At the same time, European energy commodities were supported by the same drivers, leading to clear price gains in power, EUA, and gas prices during the first quarter.

According to preliminary statistics, electricity consumption in the Nordic countries was 120 (112) TWh during the first quarter of 2021. The higher power demand in the Nordics, compared to the first quarter of 2020, was caused by colder weather. Temperatures were one degree below the long-term average and four degrees below the level in the first quarter of 2020. In central western Europe (Germany, France, Austria, Switzerland, Belgium, and the Netherlands), the electricity consumption in the first quarter was 356 (348) TWh according to preliminary statistics. The central western European power demand was also impacted by colder temperatures.

In the long term, electricity is expected to continue to gain a higher share of total energy consumption. The growth rate, however, will largely be determined by the macroeconomic development in Europe and the Nordic countries. The rate of electrification of the industrial, transportation, and heating sectors is a key element determining the longer-term growth in electricity consumption.

At the beginning of 2021, the Nordic water reservoirs were at 105 TWh, which is 21 TWh above the long-term average and 26 TWh higher than one year earlier. The below normal winter temperatures and wind power generation led to abundant hydropower generation and utilisation of water reservoirs. In addition, Nordic precipitation was clearly below normal during the first quarter. At the end of the first quarter of 2021, the reservoirs were consequently reduced to 55 TWh, which is 14 TWh above the long-term average and 3 TWh higher than one year earlier.

In the first quarter of 2021, power prices were at a clearly higher level compared to one year ago. The average system spot price in Nord Pool was EUR 42.1 (15.4) per MWh. The average area price in Finland was EUR 48.6 (24.0) per MWh, in the SE3-area in Sweden (Stockholm) EUR 45.7 (18.7) per MWh, and in the SE2-area in Sweden (Sundsvall) EUR 37.5 (15.6) per MWh. In Germany, the average spot price in the first quarter of 2021 was EUR 49.6 (26.6) per MWh.

In early May 2021, the Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2021 was around EUR 36 per MWh and for 2022 somewhat lower at around EUR 32 per MWh. The Nordic water reservoirs were about 9 TWh above the long-term average and 3 TWh higher than one year earlier. The German electricity forward price for the remainder of 2021 was around EUR 54 per MWh and for 2022 around EUR 63 per MWh.

European commodity markets

Gas demand in central western Europe was 802 (722) TWh during the first quarter of 2021. The central western European gas storage levels decreased from 439 TWh at the beginning of the quarter to 144 TWh at the end of the quarter, which is 193 TWh lower than one year ago and 58 TWh lower than the five-year average (2016–2020).

The average gas spot price (TTF) during the first quarter of 2021 was EUR 18.5 (9.7) per MWh. The 2022 forward price increased from EUR 16.1 per MWh at the beginning of the quarter to EUR 18.1 per MWh at the end of the quarter.

During the first quarter of 2021, the market sentiment in EUAs was exceptionally strong. The price increased from EUR 32.7 per tonne at the beginning of the quarter to EUR 42.6 per tonne at the end of the quarter, which is EUR 24.9 per tonne higher than one year earlier.

The forward quotation for coal (ICE Rotterdam) for 2022 first decreased from USD 72.4 per tonne at the beginning of the quarter to close to USD 64 per tonne. It then increased back to USD 72.4 per tonne at the end of the quarter, which is USD 12.2 per tonne above the price one year earlier.

In early May 2021, the TTF forward price for gas for the remainder of 2021 was EUR 24 per MWh and for 2022 EUR 21 per MWh. The forward quotation for EUAs for 2021 was at the level of EUR 51 per tonne. The forward price for coal (ICE Rotterdam) for the remainder of 2021 was USD 82 per tonne.

Russian power market

Fortum's Russia division operates thermal power plants 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, and Krasnoyarsk regions, as well as in the Khanty-Mansiysk Autonomous District.

The Russian market is divided into two price zones; 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 297 (283) TWh during the first quarter of 2021. The corresponding figure for the first price zone was 224 (213) TWh and for the second price zone 59 (59) TWh. The increase in consumption was caused by the cold temperatures in the first quarter of 2021, compared to the warmer weather in the first quarter of 2020.

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In the first quarter of 2021, the average electricity spot price, excluding capacity prices, increased by 11% to RUB 1,360 (1,222) per MWh in the first price zone and by 1% to RUB 918 (907) in the second price zone. The spot price in the Urals hub increased and was RUB 1,158 (1,068) per MWh.

The Russian Government increased the gas price by 3% in August 2020. Fortum estimates the gas price to be increased by 4% in July 2021.

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 1,926 MW, including 70 MW of solar and wind capacity. In addition to this, Fortum's joint ventures for renewable power generation have a total of 1,939 MW of wind and solar capacity, 600 MW of which is operational, 611 MW is under construction, and 728 MW is under development. Correspondingly, Uniper's CSA capacity amounts to 1,607 MW.

In addition, thermal power plants are entitled to clearly higher CSA payments starting approximately six years after commissioning (see tables below). In 2021, an increase in CSA payments is expected for three units of Fortum's Russia segment's generation fleet and one unit of Fortum's Uniper segment's generation fleet. After the CSA period ends, the units can receive CCS payments from CCS auctions. See the corresponding changes in the table below:

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 2**	Dec 2026	n/a	Nov 2042
Surgutskaya-2 GRES-2, unit 4**	Dec 2025	n/a	Nov 2041
Surgutskaya-2 GRES-2, unit 6**	Sep 2024	n/a	Aug 2042

* Started receiving CSA payments from 1 May 2021 when returning to the market after repairs.

** Modernisation CSA 2.

Fortum's Russia segment's generation capacity not receiving CSA payments, totalling 2,953 MW, is allowed to participate in the annual CCS auctions. Uniper's generation capacities allowed to participate in the CCS auction totalled 9,638 MW. The next CCS auction, for the year 2027, is expected to be held in November 2021.

Year	2020	2021	2022	2023	2024	2025	2026
CCS auction price, tRUB/MW/month, first price zone*	115	134	168	171	182	193	195
CCS auction price, tRUB/MW/month, second price zone*	191	225	264	267	279	303	299
Fortum's Russia segment							
Selected in CCS auction, MW, first price zone	2,331	2,848	3,451	3,904	3,904	4,351	4,852
Fortum's Uniper segment							
Selected in CCS auction, MW, first price zone	7,190	8,829	8,035	8,035	7,225	6,427	6,326
Selected in CCS auction, MW, second price zone	1,600	1,600	1,600	1,600	2,400	2,400	2,400

* Excluding inflation.

In June 2018 and 2019, Fortum won the right to build 110 MW and 6 MW of solar capacity in CSA auctions. The power plants will receive a guaranteed CSA price for a period of 15 years, corresponding to approximately RUB 15,000 per MWh and RUB 14,000 per MWh, respectively. 78 MW of the capacity is expected to be commissioned in the fourth quarter of 2021 and the remaining part in the second half of 2022.

In June 2018, the Fortum-Rusnano wind investment fund won the right to build 823 MW of wind capacity in a CSA auction. The wind parks were to be commissioned during 2019-2023 and will receive a guaranteed CSA price corresponding to approximately RUB 7,000-8,000 per MWh for a period of 15 years.

In June 2017, the Fortum-Rusnano wind investment fund won the right to build 1,000 MW of wind capacity in a CSA auction. The wind parks were to be commissioned during 2018-2022 and will receive a guaranteed CSA price corresponding to approximately RUB 7,000-9,000 per MWh for a period of 15 years.

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

Regulatory environment

Delegated act on the EU Taxonomy published

On 21 April, the Commission published the first delegated act on climate change mitigation and adaptation in the framework of the EU Taxonomy. The act covers energy technologies, such as wind, solar, hydro, bioenergy, and hydrogen. Other technologies and areas – mainly gas, nuclear, and agriculture – will be dealt with in a complementary act to be published in the summer. Two expert groups are currently reviewing the environmental assessment of nuclear by the Commission's Joint Research Centre (JRC).

Improvements on the criteria for the generation assets essential to the Nordic decarbonised power mix have been achieved, in particular with the eligibility of hydro as 'sustainable activities' and a positive nuclear assessment from the JRC. However, these improvements do not ensure full alignment with existing EU legislation and technology neutrality.

Fortum has consistently supported a thorough and science-based evaluation of the power technologies and asked to include all of them in one single delegated act. Fortum, however, respects the decision taken by the Commission as well as notes the changes made to the criteria of core technologies. Fortum invites the banking and financial sector to develop an inclusive approach when implementing the EU Taxonomy.

EU Innovation Fund shortlisted four Fortum projects

On 25 March, the European Commission published a list of 70 projects shortlisted for the second evaluation round in the EU Innovation Fund. The Innovation Fund is one of the world's largest funding programmes for demonstrating and co-financing innovative low-carbon, renewable energy, energy storage, and circular economy technologies for the next

10 years. The first call of the Fund amounts to EUR 1 billion. The maximum size of support per project is 60% of the capital expenditure.

Four Fortum projects are included on the shortlist: Fortum Oslo Varme's carbon capture and storage project in connection to waste incineration, Stockholm Exergi's carbon capture and storage project in biomass combustion, a project by City Solutions' Recycling and Waste business on sustainable battery chemicals from secondary raw materials, and the joint project by Fortum, Uniper, and Perstorp to produce hydrogen for sustainable methanol on a large scale.

The next step for the shortlisted projects is to submit a full application by 23 June for the second stage of evaluation. The second evaluation round is expected to be completed and financing decisions to be announced by the end of 2021.

'Fit for 55' legislative package to be proposed in July

On 21 April, the EU institutions agreed on the European Climate Law, including the increase of the 2030 climate target to 55%, and a goal of climate neutrality by 2050.

In July, the Commission is expected to publish the so-called 'Fit for 55' legislative package to reach the new 2030 climate target. The public consultations on key initiatives were finalised in February. The legislative proposals to be published include e.g. the revisions of the Directives on Emissions Trading, Renewable Energy, Energy Efficiency, and Energy Taxation.

Fortum supports the new EU climate ambition and the EU Emission Trading System (ETS) as the most suited and cost-efficient instrument to reach it. The revision of the 2030 climate and energy legislation should be finalised as soon as possible.

National recovery and resilience plans progressing

All EU member states were required to submit their national recovery and resilience plans by 30 April, setting out their reform and investment agendas for 2021-2026. This is a necessary step for the member states to be eligible for obtaining funding disbursed under the EUR 672 billion Recovery and Resilience Facility of the EU. The Commission will conclude the assessment of the plans within two months from the submission. After the approval of the plans, reforms and investments will shift to the implementation phase. The member states can start to distribute up to 10% of the grants prior to the plan approvals.

According to the Commission's guidance on the use of recovery finance for member states, the focus should be on renewable energy rather than on CO₂-free energy. Supported investments are expected to be substantial and credible and need to respect the 'Do No Significant Harm' principle, which is a key concept in the sustainable finance taxonomy.

Fortum closely follows the progress of the national recovery plans and has a number of project proposals that could be eligible for funding in the framework of the Recovery and Resilience Facility.

Battery Regulation discussed by the EU institutions

On 10 December, the Commission published its proposal for the EU Batteries Regulation, which aims to ensure that batteries used in the EU market are sustainable and safe throughout their entire life cycle. The regulation intends to facilitate reuse, repurposing, and recycling of batteries, whereas non-rechargeable batteries are to be phased out. This is an important driver for increasing the demand for recycled materials and accelerating investments in recycling capacity within the EU.

In the European Parliament, the file has been referred to the Committee on Internal Market and Consumer Protection, where the first exchange of views took place on 17 March. The draft Committee report is expected in mid-July and voting in December, followed by a plenary vote in early 2022. In the Council, the proposal is being examined by the Working Party on the Environment.

The proposal is well in line with Fortum's priorities regarding ambitious recycling targets and requirements on mandatory recycled content in batteries. Fortum considers the timeline for the proposed targets realistic and emphasises the importance of securing future supplies of raw materials including recycled materials.

Several electricity market design-related initiatives moving along in Sweden

In February, the Swedish Government presented a proposal to exempt offshore wind from grid fees that are usually paid by the connecting party. The legislation is planned to enter into force by 1 August. Fortum is critical of exempting one specific technology since it will distort the market and put extra costs on consumers.

The Swedish TSO, Svenska Kraftnät, has been given a Government assignment to suggest remuneration mechanisms for ancillary services by 1 September. Fortum has proposed preliminary remuneration mechanisms for both frequency and non-frequency-related ancillary services.

In March, the pre-study of the Swedish electrification strategy was published. It includes twelve points for a “rapid, smart, and socio-economically efficient electrification”. The overall target of the strategy is to enable the doubling of electricity demand by 2045. The study will also investigate an option for an updated and ‘sharpened’ energy-only market. The concrete reforms to be implemented are still unclear, but the strategy is likely to result in further public inquiries on market design. The strategy will be published in October.

Germany launched a carbon pricing scheme for non-ETS sectors

On 1 January, Germany launched its CO₂ pricing scheme for the transport and heating sectors. The national scheme will be operated as a cap-and-trade system and exist in parallel to the EU ETS. The system started with a fixed price of 25 euros per tonne CO₂ and the Federal Government expects to generate approximately EUR 40 billion in revenues in the first four years of the scheme. The fixed price will gradually increase to EUR 55 by 2025. From 2026, the price will be determined in auctions with a price corridor of EUR 55 - 65 set for 2026.

The Government is still expected to pass a so-called Carbon Leakage Directive to avoid double charging companies already under the ETS and to ensure the competitiveness of the CO₂-intensive industries in Germany.

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 principal associated companies and joint ventures are TVO, Forsmarks Kraftgrupp AB, Kemijoki Oy, TGC-1, and Stockholm Exergi AB. For more information, please see each respective company’s annual report.

On 26 March 2020, Fortum became the majority shareholder of Uniper. However, Uniper remains a separate listed company operating under German law and regulations with its own risk management systems. As per the end of the first quarter 2021, market risk, legal risk, financial risk, and asset project risk are the major sources of uncertainty for Uniper’s financial performance. For more information about Uniper’s risk management systems and risk exposures, please see Uniper’s annual report for 2020.

One of the key factors influencing Fortum’s business performance is the Nordic electricity wholesale price. In the Nordics, power prices exhibit significant short- and long-term variations on the back of several factors, including but not limited to weather conditions, outage patterns in production and transmission lines, CO₂ emission allowance prices, fuel prices, and the supply-demand balance. Fortum uses hedging in order to limit the exposure to fluctuations in power prices and reports on the hedging levels quarterly (see ‘Outlook’).

For Fortum’s Russian businesses, the key drivers are economic growth, the rouble exchange rate, and the regulation of the power and heat business. A key profitability driver is the received 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 and approximately 15 years for renewable generation. The CSA payments are adjusted for, among other factors, the Government bond yield, the rate of return, the consumer price index (CPI), and 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.

Fortum has cash flows, assets, and liabilities in currencies other than the euro and is therefore exposed to fluctuations in exchange rates. Currency risk arises mainly from physical and financial trading of commodities, existing and new investments, external financing, and shareholder loans within the Group. The main currency exposures are toward

euro/Swedish krona, euro/Russian rouble, and euro/British pound sterling, arising from Fortum's extensive operations in Sweden, Russia, and the United Kingdom.

Fortum's business activities include energy generation, storage, distribution, and control of operations as well as the construction, modernisation, maintenance, and decommissioning of power plants or other energy industry facilities. Any unwanted operational event (which could be caused by e.g. technical failure, human or process error, natural disasters, sabotage, failure of key suppliers, or terrorist attack) can endanger personal safety or lead to environmental or physical damage, business interruptions, project delays, and possible third-party liability. The associated costs can be high, especially in the Group's largest units and projects.

During 2020, the Covid-19 pandemic resulted in new and partly unexpected risks as societies and governments across the world implemented drastic measures to contain the spread of the disease. Although the impacts for Fortum have so far been limited, and the situation compared to the end of 2020 has improved, the risk of a prolonged pandemic cannot be ruled out. The main risk factors include lower commodity prices and decreased demand, credit defaults and delayed payments, project delays, and increased risk of operational incidents or prolonged maintenance as a result of travel restrictions, absence of key personnel, as well as difficulties in obtaining key materials and spare parts. Fortum is closely monitoring the development of the pandemic and its potential impacts.

For further information about Fortum's risks and risk management systems, see Fortum's Annual Report for 2020.

Outlook

Hedging

At the end of the first quarter of 2021, approximately 80% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 32 per MWh for the remainder of 2021 and approximately 55% at EUR 31 per MWh for 2022 (at the end of 2020: 50% at EUR 31 per MWh).

At the end of the first quarter of 2021, approximately 85% of the Uniper segment's estimated Nordic power sales volume was hedged at EUR 27 per MWh for the remainder of 2021, approximately 80% at EUR 24 per MWh for 2022 (at the end of 2020: 65% at EUR 24 per MWh), and approximately 35% at EUR 21 per MWh for 2023 (at the end of 2020: 25% at EUR 22 per MWh).

The reported hedge ratios are based on the hedges and power generation forecasts of the Generation segment and of the Uniper segment's Nordic generation. The underlying generation assets and definition of hedges differ to some extent and thus are 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

Fortum estimates its capital expenditure, including maintenance but excluding acquisitions, to be approximately EUR 1,400 million in 2021, of which the share of maintenance capital expenditure is estimated to be approximately EUR 700 million, well below the level of depreciation.

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 (currently approximately 45 TWh), a EUR 1 per MWh change in the Generation segment's achieved Nordic power price will result in an approximately EUR 45 million change in the segment'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.

Russia

In February 2021, the Wholesale Market Trading Administrator published data from 2020 regarding the rate of return and the CPI, which are used to calculate the CSA price for 2021. The CSA payments were revised downwards, mainly due to the lower Government bond yield (6.3% for 2021 vs. 7.6% for 2020). In 2021, in the Russia segment, the negative financial effect related to the ending of the CSA period of two production units is expected to exceed the positive effect of three units entering the four-year period of higher CSA payments.

Uniper

Excluding the potential effects from changes in the power generation mix, a EUR 1 per MWh change in the Uniper segment's power sales price for the outright generation (hydro and nuclear, currently approximately 25 TWh) will result in an approximately EUR 25 million change in the segment's annual comparable operating profit. Uniper also has generation other than hydro and nuclear power, and the sensitivity for that generation is different and is not included in the previously mentioned sensitivity.

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

Income taxation

In 2021, the comparable effective income tax rate for Fortum is estimated to be in the range of 20-25%.

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.

Sustainability

As the majority owner of Uniper, Fortum has consolidated Uniper as a subsidiary as of 31 March 2020. Uniper has its own sustainability processes, approach, and standalone interim and annual sustainability reporting.

In this interim report, selected sustainability key performance indicators that include Uniper are disclosed. Indicators following the same calculation principles have been consolidated and are disclosed as one figure. In cases where the definitions currently differ, two KPIs are presented: one for Fortum, excluding Uniper, and one for Uniper. No historical figures have been restated.

Fortum highlights the importance of decarbonisation and climate change mitigation, while at the same time the necessity to secure reliable and affordable energy for all. Fortum also gives balanced consideration in its operations to the promotion of energy efficiency and a circular economy, as well as its impacts on personnel and societies.

Based on the above-mentioned priorities, Fortum's sustainability priority areas include:

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

Fortum's sustainability performance is monitored and disclosed in interim and annual reporting. Fortum publishes an annual Sustainability Report with more extensive information on Fortum's sustainability performance.

Sustainability targets

Fortum updated its climate targets aligned with the goals of the Paris Agreement in December 2020 and is committed to carbon neutrality by 2050 at the latest. The target covers direct CO₂ emissions (Scope 1) and indirect CO₂ emissions (Scope 2 and 3). Fortum's roadmap to reduce emissions in Europe has also been defined. Fortum is committed to at least a 50% CO₂ reduction in emissions (Scope 1 and 2) in its European generation by 2030 (compared to base-year 2019) and to be carbon neutral by 2035 at the latest.

Scope 3 emissions play a significant role in Fortum's total emissions. During 2021, Fortum will develop a target for the reduction of Scope 3 GHG emissions, addressing the indirect emissions from fossil fuel sales to end users.

Fortum has also set a target for biodiversity, addressing the year 2021. Fortum aims at conducting a minimum of 12 major voluntary measures that improve the living conditions of species and strengthen populations, covering all countries where Fortum has hydropower production. The projects focus on threatened species or habitats, in particular, and in 2021 are planned to include restoring aquatic and terrestrial habitats, improving fish migration and migratory fish populations, and combating invasive species.

For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. The company's safety target is measured as Total Recordable Injury Frequency (TRIF), for own personnel and contractors, and the ambitious goal is <1.0 by the end of 2025. Fortum's TRIF was 2.3 in 2020. Fortum also has a target for Lost Time Injury Frequency (LTIF): ≤1.2 in 2021.

Development of sustainability targets will continue in 2021, and Fortum aims to align targets also addressing other areas of sustainability in addition to climate, biodiversity, and safety.

During the first quarter of 2021, both Fortum and Uniper became supporters of the Task Force on Climate-related Financial Disclosures (TCFD). Fortum has a long-standing focus on mitigating climate change and adopted the reporting recommendations of the TCFD already starting from the financial year 2019.

Fortum has also decided to undertake a review of its lobbying activities and practices during 2021. The review will be published as a part of Fortum's Sustainability Report in 2022, and thereafter on a yearly basis.

In the tables below, Fortum reports its sustainability performance with selected key indicators.

Group sustainability performance 2021

	I/2021	I/2020	2020
Climate and resources			
Total CO ₂ emissions*, million tonnes	20.5	5.5	48.7
Specific CO ₂ emissions from total energy production*, gCO ₂ /kWh	312	179	287
Asset availability of power generation plants**, %	85.2	-	-
Personnel and society			
Total Recordable Injury Frequency (TRIF), own personnel and contractors*	1.6	3.5	2.3
Lost Time Injury Frequency (LTIF), own personnel and contractors*	1.2	1.4	1.3
Severe occupational accidents*, no.	1	0	1

Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter of 2020. The figures for 2020 do not include Uniper for the first quarter of 2020.

* 2020 figures include Uniper from the second quarter of 2020.

** The calculation principle changed due to alignment with Uniper. The figure includes power generation from gas- and coal-fired power plants in 2021.

Other key sustainability performance indicators 2021*

	I/2021	I/2020	2020
Climate and resources			
Major EHS incidents, no.	2	2	16
Personnel and society			
Sickness-related absences, %	2.5	3.4	2.9

* All figures excluding Uniper.

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. Fortum received a score of A- in the CDP Climate Change 2020 rating, and Uniper received a score of B. In the MSCI ESG Ratings 2020 assessment, Fortum received a "BBB" rating and Uniper a "BB" rating. Both companies have also participated in the 2020 rating by ISS ESG Corporate Rating, where Fortum received a "Prime B-" rating and Uniper a "Medium C" rating. In addition, 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, and FTSE4Good indices.

Climate and resources

Fortum's key performance indicators for climate and resources are related to CO₂ emissions, security of supply, biodiversity, and major Environmental, Health, and Safety (EHS) incidents. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard, and 100% of Fortum's power and heat production worldwide has ISO 14001 certification.

Fortum Group's power generation is mainly based on natural gas-fired generation and on carbon dioxide-free hydro and nuclear power. Fortum targets to rapidly reduce the share of coal in power generation. A minor share of Fortum's power generation is currently based on solar and wind, but Fortum targets significant growth in the area over the next five years.

Fortum is also a large district heat producer. Heat is mainly produced at natural gas-fired and energy-efficient CHP plants. In addition, Uniper operates a large commodities trading business and has natural gas storage sites, which play an important role in ensuring a secure and flexible gas supply.

Fortum wants to enable the energy transition by providing a reliable and affordable supply of low-carbon energy. In the future, the energy system – and Fortum's asset portfolio – will be based on renewable energy, increasingly clean gas (e.g. hydrogen), and nuclear power. In addition, Fortum will continue to offer industrial and infrastructure solutions, e.g., waste-to-energy, grid stability services, as well as energy sales and storage.

In January-March 2021, Fortum's direct CO₂ emissions were 20.5 Mt. Of the total CO₂ emissions, 8.1 Mt were within the EU ETS. The estimate for Fortum's free emission allowances in 2021 is approximately 0.4 Mt.

Fortum's total CO₂ emissions* (million tonnes, Mt)	I/2021	I/2020	2020	LTM
Total emissions	20.5	5.5	48.7	63.7
Emissions subject to ETS	8.1	0.6	17.5	25.0
Free emission allowances	-	-	0.9	-
Emissions not subject to ETS in Europe	0.2	0.2	0.7	0.7
Emissions in Russia	12.2	4.8	30.5	37.9

* Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter of 2020. The figures for 2020 do not include Uniper for the first quarter of 2020.

In January-March 2021, Fortum's specific CO₂ emissions from total energy production were 312 gCO₂/kWh.

An uninterrupted and reliable energy supply is critical for society to function. In January-March 2021, the asset availability of Uniper's gas and coal-fired power plants was, on average, 85.2%.

Major EHS incidents are monitored, reported, and investigated, and corrective actions are implemented. In January-March 2021, there were two major EHS incidents in Fortum's operations, excluding Uniper. The major EHS incidents consisted of one fire and one leak. The major EHS incidents did not have significant environmental impacts. As Uniper's definitions of major EHS incidents vary from the of the rest of the Fortum Group, Uniper's EHS incidents are currently not included in the reporting.

Personnel and society

Fortum's key performance indicators for personnel and society are related to operational and occupational safety and to employee health and wellbeing.

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 97.9% of Fortum's power and heat production worldwide.

In January-March 2021, Fortum's TRIF for own personnel and contractors was 1.6, and the LTIF for own personnel and contractors was 1.2. Fortum strives for zero severe occupational accidents. In January-March 2021, there was one severe occupational accident in the operations. A contractor working at Unipro's power plant site in Russia was fatally injured. The injured person was working for a contractor company to reconstruct the guardhouse.

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 2021, the percentage of sickness-related absences was 2.5. The figure excludes Uniper.

Fortum and Uniper expect their business partners to act responsibly and to comply with the requirements set forth in their respective Codes of Conduct and Supplier Codes of Conduct. Fortum assesses the performance of its business partners with supplier qualification and supplier audits. Uniper applies its own processes for ESG Due Diligence and Know Your Counterparty. Both companies are members of the Bettercoal Initiative and use the Bettercoal tools to improve sustainability in the coal supply chain.

Legal actions

There were no material changes in the ongoing legal actions during the first quarter of 2021. For further information on legal actions, see Note 20.

Shares and share capital

Fortum shares on Nasdaq Helsinki

January-March 2021	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR*	Last EUR
FORTUM	113,700,962	2,450,528,068	23.48	19.72	21.55	22.76

* Volume weighted average.

	31 March 2021	31 March 2020
Market capitalisation, EUR million	20,218	11,881
Number of shareholders	205,540	162,148
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	24.5	27.5
Households, %	13.0	11.3
Financial and insurance corporations, %	2.1	2.0
Other Finnish investors, %	9.6	8.5

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. During the first quarter of 2021, approximately 67% of Fortum's shares were traded on markets other than Nasdaq Helsinki (source Bloomberg).

On 31 March 2021, 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

The operations of the Fortum Group are mainly based in the Nordic countries, Central Europe, Russia, Poland, and the Baltic Rim area. The total number of employees at the end of March 2021 was 20,036 (19,933 at the end of 2020).

At the end of March 2021, the Generation segment had 1,130 (1,143 at the end of 2020) employees, Russia 2,960 (2,935 at the end of 2020), City Solutions 2,094 (2,093 at the end of 2020), Consumer Solutions 1,020 (1,048 at the end of 2020), Uniper 11,813 (11,751 at the end of 2020), and Other Operations 1,019 (963 at the end of 2020).

Changes in Group management

On 1 February 2021, Mr Bernhard Günther started as Chief Financial Officer (CFO) and member of Fortum's Executive Management.

On 29 March 2021, Klaus-Dieter Maubach, member of Fortum's Board of Directors, announced his resignation from the Board, as he had been elected the CEO of Uniper. Fortum's Shareholders' Nomination Board evaluated the Board of Directors' ability to function and concluded, based on the recommendation of the Board of Directors, that the Board had full capacity to continue in its current composition until the 2021 Annual General Meeting (AGM).

On 29 March 2021, Tiina Tuomela, was appointed the new CFO of Uniper and consequently stepped down from her position at Fortum. Simon-Erik Ollus, was appointed Executive Vice President of Fortum's Generation division and member of Fortum's Executive Management with immediate effect.

On 31 March 2021, Nebahat Albayrak, was appointed Senior Vice President Corporate Affairs, Safety, and Sustainability and member of Fortum's Executive Management. Ms Albayrak will assume the role on 1 June 2021. She succeeds Arto Rätty, who will retire at the end of October 2021.

On 13 April 2021, Sirpa-Helena Sormunen, was appointed as Uniper's new General Counsel and Chief Compliance Officer and Risto Penttinen was appointed as Uniper's new Executive Vice President, Strategy, Corporate Development and M&A, both effective as of 1 May 2021. Nora Steiner-Forsberg was appointed Fortum's General Counsel and member of Fortum's Executive Management, and Eveliina Dahl was appointed Senior Vice President, People and member of Fortum's Executive Management, both effective as of 1 May 2021.

Mr Günther, Mr Ollus, Ms Albayrak, Ms Steiner-Forsberg, and Ms Dahl report to President and CEO Markus Rauramo.

Annual General Meeting 2021

The AGM of Fortum Corporation was held on 28 April 2021. The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January-31 December 2020 and discharged from liability for the year 2020 all persons who acted as members of the Board of Directors and as President and CEO during the year 2020.

The AGM decided that a dividend of EUR 1.12 per share be paid for the financial year that ended on 31 December 2020. The record date was 30 April 2021, and the dividend of EUR 995 million was paid on 7 May 2021.

The AGM supported the Remuneration Report for the company's governing bodies.

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

The AGM decided that the Board of Directors will consist of seven members. Mr Veli-Matti Reinikkala was elected as chair, Ms Anja McAlister as deputy chair, and Ms Essimari Kairisto, Mr Teppo Paavola, Mr Philipp Rösler, and Ms Annette Stube were re-elected as members. Ms Luisa Delgado was elected as a new member.

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

The AGM authorised the Board of Directors to decide on the repurchase and disposal of the company's own shares up to 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 authorisation resolved by the AGM of 2020 and will be effective until the next AGM and in any event no longer than for a period of 18 months.

The AGM authorised the Board of Directors to decide on contributions of a maximum 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 AGM.

Board decisions

At the meeting held after the AGM 2021, Fortum's Board of Directors elected to the Nomination and Remuneration Committee: Veli-Matti Reinikkala as chair and Luisa Delgado and Anja McAlister as members.

Furthermore, the Board elected to the Audit and Risk Committee: Essimari Kairisto as chair and Teppo Paavola, Philipp Rösler, and Annette Stube as members.

Dividend payment

The AGM 2021 decided to pay a dividend of EUR 1.12 per share for the financial year that ended 31 December 2020. The record date for the dividend payment was 30 April 2021 and the dividend payment date 7 May 2021.

Espoo, 11 May 2021

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 calendar in 2021

Fortum will publish its interim reports in 2021:

- January-June Half-year Financial Report on 17 August 2021 at approximately 9.00 EEST
- January-September Interim Report on 12 November 2021 at approximately 9.00 EET

Uniper will publish its interim reports in 2021:

- Financial Results January-June 2021 on 11 August 2021
- Financial Results January-September 2021 on 5 November 2021

Distribution:

Nasdaq Helsinki
Key media
www.fortum.com

More information, including detailed quarterly information, is available at www.fortum.com/investors

Interim Financial Statements are unaudited

Condensed consolidated income statement

EUR million	Note	I/2021	I/2020	2020	LTM
Sales	3	21,493	1,357	49,015	69,152
Other income		1,666	23	4,802	6,445
Materials and services		-19,491	-576	-44,298	-63,213
Employee benefits		-372	-123	-1,195	-1,444
Depreciation and amortisation	3	-308	-150	-1,090	-1,248
Other expenses		-1,817	-138	-5,890	-7,569
Comparable operating profit	3	1,171	393	1,344	2,122
Items affecting comparability	3, 4	174	210	255	219
Operating profit	3	1,345	603	1,599	2,341
Share of profit/loss of associates and joint ventures	3, 12	80	479	656	257
Interest expense		-47	-46	-170	-171
Interest income		55	6	111	160
Other financial expenses - net		28	-27	3	58
Finance costs - net	7	36	-67	-56	47
Profit before income tax		1,460	1,014	2,199	2,645
Income tax expense	8	-150	-76	-344	-419
Net profit		1,310	938	1,855	2,227
Attributable to:					
Owners of the parent		1,092	930	1,823	1,984
Non-controlling interests		218	9	32	241
		1,310	938	1,855	2,227
Earnings per share for profit attributable to the equity owners of the company (EUR per share)					
Basic		1.23	1.05	2.05	2.23

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

EUR million	Note	I/2021	I/2020	2020	LTM
Comparable operating profit		1,171	393	1,344	2,122
Impairment charges and reversals		-1	-	2	0
Capital gains and other related items	6	51	413	765	402
Impact from acquisition accounting		-	-222	-222	-
Changes in fair values of derivatives hedging future cash flow		165	19	-675	-528
Other		-41	-	386	345
Items affecting comparability	4	174	210	255	219
Operating profit		1,345	603	1,599	2,341

See Note 23 Definitions and reconciliations of key figures.

Condensed consolidated statement of comprehensive income

EUR million	Note	I/2021	I/2020	2020	LTM
Net profit		1,310	938	1,855	2,227
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges					
Fair value gains/losses ¹⁾		-35	712	-155	-902
Transfers to income statement		63	23	45	84
Transfers to inventory/property, plant and equipment		1	-1	2	4
Deferred taxes		-8	-152	21	165
Net investment hedges					
Fair value gains/losses		3	52	48	0
Deferred taxes		0	-10	-8	2
Exchange differences on translating foreign operations ²⁾		125	-875	-524	476
Share of other comprehensive income of associates and joint ventures		8	-257	-250	15
Transfer to income statement due to impact from acquisition accounting	4	-	222	222	0
Other changes		52	3	-70	-21
		208	-283	-667	-176
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurement of investments		3	-	-28	-25
Actuarial gains/losses on defined benefit plans		133	32	-244	-144
Actuarial gains/losses on defined benefit plans in associates and joint ventures		-	70	67	-3
		136	102	-205	-171
Other comprehensive income/expense for the period, net of deferred taxes		343	-181	-873	-348
Total comprehensive income/expense for the period		1,653	757	982	1,878
Total comprehensive income/expense attributable to:					
Owners of the parent		1,355	777	1,052	1,629
Non-controlling interests		299	-19	-70	248
		1,653	757	982	1,878

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 and SEK.

Condensed consolidated balance sheet

EUR million	Note	31 Mar 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	10	2,712	2,808
Property, plant and equipment and right-of-use assets	11	19,056	19,367
Participations in associates and joint ventures	12	2,973	2,912
Shares in Nuclear Waste Funds	15	3,406	3,445
Other non-current assets		585	479
Deferred tax assets		1,009	1,089
Derivative financial instruments	5	4,760	2,946
Long-term interest-bearing receivables	13	2,370	2,402
Total non-current assets		36,872	35,448
Current assets			
Inventories		1,579	1,396
Derivative financial instruments	5	9,868	7,531
Short-term interest-bearing receivables	13	640	598
Income tax receivables		153	156
Margin receivables	14	1,118	1,132
Trade and other receivables		8,852	8,906
Liquid funds	14	3,598	2,308
Total current assets		25,808	22,027
Assets held for sale	6	737	335
Total assets		63,416	57,810
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,046	3,046
Share premium		73	73
Retained earnings		11,329	10,149
Other equity components		-146	-316
Total		14,303	12,953
Non-controlling interests		2,910	2,624
Total equity		17,213	15,577
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	14	8,857	8,785
Derivative financial instruments	5	4,058	2,657
Deferred tax liabilities		967	952
Nuclear provisions	15	3,785	3,866
Other provisions	16	3,497	3,452
Pension obligations, net	17	1,288	1,520
Other non-current liabilities		349	344
Total non-current liabilities		22,801	21,576
Current liabilities			
Interest-bearing liabilities	14	2,121	1,877
Derivative financial instruments	5	10,551	7,937
Other provisions	16	836	780
Margin liabilities	14	673	331
Trade and other payables		8,989	9,525
Total current liabilities		23,170	20,451
Liabilities related to assets held for sale	6	233	206
Total liabilities		46,203	42,233
Total equity and liabilities		63,416	57,810

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 2021		3,046	73	13,097	-2,948	-158	-175	18	12,953	2,624	15,577
IS Net profit				1,092					1,092	218	1,310
Translation differences					93	2	5		100	25	125
Other comprehensive income						21	135	7	163	55	218
Total comprehensive income for the period				1,092	93	23	140	7	1,355	299	1,653
Transactions with non-controlling interests				-9					-9	-17	-26
Other				5					5	3	8
BS Total equity 31 March 2021		3,046	73	14,184	-2,855	-136	-35	25	14,303	2,910	17,213
Total equity 1 January 2020		3,046	73	12,441	-2,459	-70	60	-108	12,982	252	13,235
IS Net profit				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									2,847	2,847
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	3,080	16,856
Total equity 1 January 2020		3,046	73	12,441	-2,459	-70	60	-108	12,982	252	13,235
IS Net profit				1,823					1,823	32	1,855
Translation differences					-490	-1	-3	2	-492	-32	-524
Other comprehensive income						-87	-231	40	-279	-70	-349
Total comprehensive income for the period				1,823	-490	-88	-235	42	1,052	-70	982
Cash dividend				-977					-977	-160	-1,137
Changes due to business combinations	6									2,847	2,847
Impact from acquisition accounting	4			-84				84	0		0
Transactions with non-controlling interests				-107					-107	-247	-354
Other				2					2	1	4
BS Total equity 31 December 2020		3,046	73	13,097	-2,948	-158	-175	18	12,953	2,624	15,577

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 and SEK) to EUR are recognised in equity. For information regarding exchange rates used, see Note 1.5 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 in 2020 from OCI to retained earnings. See Note 4 Comparable operating profit and comparable net profit.

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 2020 of EUR 1.12 per share, amounting to a total of EUR 995 million, was decided in the Annual General Meeting on 28 April 2021. The dividend was paid on 7 May 2021 and it has not been recognised as a liability in these interim financial statements. See Note 9 Dividend per share.

Condensed consolidated cash flow statement

EUR million	Note	I/2021	I/2020	2020	LTM
Cash flow from operating activities					
IS Net profit		1,310	938	1,855	2,227
Adjustments:					
Income tax expense		150	76	344	419
Finance costs - net		-36	67	56	-47
Share of profit/loss of associates and joint ventures	12	-80	-479	-656	-257
Depreciation and amortisation	3	308	150	1,090	1,248
Operating profit before depreciations (EBITDA)		1,653	752	2,688	3,589
Items affecting comparability	3, 4	-174	-210	-255	-219
Comparable EBITDA		1,479	543	2,434	3,370
Non-cash and other items		393	16	293	670
Interest received		13	3	46	56
Interest paid		-61	-44	-208	-224
Dividends received		6	-	121	127
Income taxes paid		-93	-83	-267	-277
Funds from operations		1,736	436	2,419	3,720
Change in working capital		-905	126	136	-895
Net cash from operating activities		831	562	2,555	2,825
Cash flow from investing activities					
Capital expenditures	3	-293	-110	-1,101	-1,284
Acquisitions of shares	6	-22	-844	-1,801	-980
Proceeds from sales of property, plant and equipment		14	1	16	29
Divestments of shares and capital returns	6	129	524	1,244	849
Shareholder loans to associated companies and joint ventures	13	-19	2	-44	-65
Change in margin receivables		16	30	-552	-566
Change in other interest-bearing receivables	13	-19	21	98	59
Net cash from/used in investing activities		-194	-376	-2,140	-1,959
Cash flow before financing activities					
		637	186	415	866
Cash flow from financing activities					
Proceeds from long-term liabilities	14	62	2,110	2,569	520
Payments of long-term liabilities	14	-42	-56	-507	-493
Change in short-term liabilities	14	295	-43	207	544
Dividends paid to the owners of the parent	9	0	-	-977	-977
Dividends paid to non-controlling interests		0	-	-160	-160
Change in margin liabilities		339	522	-623	-806
Other financing items		1	-2	-3	0
Net cash from/used in financing activities		655	2,531	505	-1,371
Net increase(+)/decrease(-) in liquid funds					
		1,292	2,717	920	-505
Liquid funds at the beginning of the period	14	2,308	1,435	1,435	4,081
Foreign exchange differences in liquid funds		18	-71	-45	44
Liquid funds at the end of the period ¹⁾	14	3,618	4,081	2,308	3,618

1) Includes liquid funds of EUR 20 million relating to assets held for sale at 31 March 2021. See Note 6.3 Assets held for sale.

Additional cash flow information

Change in working capital

EUR million	I/2021	I/2020	2020	LTM
Change in interest-free receivables, decrease(+)/increase(-)	-3	178	-1,106	-1,287
Change in inventories, decrease(+)/increase(-)	-173	4	407	230
Change in interest-free liabilities, decrease(-)/increase(+)	-729	-56	835	162
CF Total	-905	126	136	-895

Capital expenditure in cash flow

EUR million	I/2021	I/2020	2020	LTM
Capital expenditure ¹⁾	228	84	1,146	1,290
Change in not yet paid investments, decrease(+)/increase(-)	74	27	-6	41
Capitalised borrowing costs ¹⁾	-9	-1	-39	-47
CF Total	293	110	1,101	1,284

1) 2020 comparatives were revised in I/2021 due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 22 million during I/2021 (I/2020: 844). The comparative period included 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/2021	I/2020	2020	LTM
Proceeds from sales of subsidiaries, net of cash disposed	128	524	1,156	760
Proceeds from sales and capital returns of associates and joint ventures	0	0	49	49
Proceeds from sales of other investments	-	0	40	40
CF Total	129	524	1,244	849

During I/2021 Fortum completed the divestment of the 80% stake in the Sørfjord wind park in Norway and eight small hydropower plants in Sweden. During 2020 Fortum completed the divestment of the district heating business in Järvenpää and Joensuu, Finland, the 80% stake in the Nordic wind portfolio and the 60% stake in the public charging point operator for electrical vehicles in the Nordics. For further information, see Note 6.2 Disposals.

Change in financial net debt

EUR million	Note	I/2021	2020
Financial net debt, beginning of the period		7,023	4,833
Comparable EBITDA		1,479	2,434
Non-cash and other items		393	293
Paid net financial costs and dividends received		-42	-40
Income taxes paid		-93	-267
Change in working capital		-905	136
Capital expenditures		-293	-1,101
Acquisitions		-22	-1,801
Divestments and proceeds from sale of property, plant and equipment		142	1,260
Change in interest-bearing receivables		-37	54
Dividends to the owners of the parent		0	-977
Dividends to non-controlling interests		0	-160
Other financing activities		1	-3
Net cash flow		622	-173
Acquired financial debt		-	2,010
Foreign exchange rate differences and other changes		9	6
Financial net debt, end of the period	14	6,410	7,023

Excludes financial net debt relating to assets held for sale. See Note 6 Acquisitions, disposals and assets held for sale.

Capital risk management

In December 2020, in connection with the strategy update, financial targets were set. The long-term financial targets are:

- Financial net debt/comparable EBITDA below 2x
- Hurdle rates for new investments of WACC
 - +100 bps for green investments
 - +200 bps for other investments

Comparable EBITDA is defined as an alternative performance measure and used as a component in the capital structure target 'Financial net debt-to-Comparable EBITDA'. In 2020, Comparable EBITDA included contribution from Uniper for the period of 1 April to 31 December 2020 since Uniper was consolidated as a subsidiary from 31 March 2020. Until 31 March 2020, Uniper's contribution to the income statement was recognised in the Share of profit/loss of associates and joint ventures.

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.

Fortum's dividend policy 'is to pay a stable, sustainable, and over time increasing dividend'.

Financial net debt/comparable EBITDA

EUR million	Note	2020	LTM
+ Interest-bearing liabilities		10,662	10,978
- BS Liquid funds		2,308	3,598
- Non-current securities		98	106
- Collateral arrangement securities		432	418
- Securities in interest-bearing receivables		530	524
- BS Margin receivables		1,132	1,118
+ BS Margin liabilities		331	673
+ Net margin liabilities		-801	-445
Financial net debt	14	7,023	6,410
IS Operating profit		1,599	2,341
+ IS Depreciation and amortisation		1,090	1,248
EBITDA		2,689	3,589
- IS Items affecting comparability		-255	-219
Comparable EBITDA		2,434	3,370
Financial net debt/comparable EBITDA		2.9	1.9

See Note 4 Comparable operating profit and comparable net profit for details on items affecting comparability, and Note 14 Interest-bearing net debt.

Key figures

In the first quarter of 2021, Fortum introduced two new performance measures: comparable net profit and comparable earnings per share. See Note 4 Comparable operating profit and comparable net profit and Note 23 Definitions and reconciliations of key figures. Uniper has been consolidated as a subsidiary from 31 March 2020. Previously Uniper's contribution to the income statement was recognised in the Share of profit/loss of associates and joint ventures.

EUR million or as indicated	I/2021	I/2020	2020	LTM
Reported				
IS Sales	21,493	1,357	49,015	69,152
IS Operating profit	1,345	603	1,599	2,341
IS Share of profit/loss of associates and joint ventures	80	479	656	257
IS Net profit	1,310	938	1,855	2,227
IS Net profit (after non-controlling interests)	1,092	930	1,823	1,984
Earnings per share (basic), EUR	1.23	1.05	2.05	2.23
CF Net cash from operating activities	831	562	2,555	2,825
Capital expenditure and gross investments in shares	252	3,366	4,953	1,838
Capital expenditure ¹⁾	228	84	1,146	1,290
Number of employees	20,036	19,935	19,933	

EUR million or as indicated	I/2021	I/2020	2020	LTM
Comparable				
EBITDA	1,479	543	2,434	3,370
IS Operating profit	1,171	393	1,344	2,122
Share of profit/loss of associates and joint ventures	67	551	656	172
Net profit (after non-controlling interests)	837	812	1,483	1,508
Earnings per share (basic), EUR	0.94	0.91	1.67	1.70

	31 Mar 2021	31 Dec 2020	LTM
Financial net debt, EUR million	6,410	7,023	
Adjusted net debt, EUR million	8,892	9,784	
Financial net debt/comparable EBITDA		2.9	1.9
Equity per share, EUR	16.10	14.58	
Average number of shares, 1,000 shares	888,294	888,294	
Diluted adjusted average number of shares, 1,000 shares	888,294	888,294	
Number of registered shares, 1,000 shares	888,294	888,294	

1) 2020 comparatives were revised in I/2021 due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.

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 2020.

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. Fortum consolidated Uniper's income statement from the second quarter of 2020, which is the main reason for the change in quarterly and LTM figures. Uniper was accounted for as an associated company until 31 March 2020.

The following symbols show which amounts in the notes reconcile to the items in the income statement, balance sheet and cash flow statement:

IS = Income statement

BS = Balance sheet

CF = Cash flow

Impact of Covid-19 on consolidated financial statements

Fortum has considered the potential impact of the Covid-19 pandemic on its business operations, and concluded the overall effect in the consolidated financial statements not to be significant.

During 2020, the Covid-19 pandemic resulted in new and partly unexpected risks as societies and governments across the world implemented drastic measures to contain the spread of the disease. Although the impacts for Fortum have so far been limited, and the situation compared to the end of 2020 has improved, the risk of a prolonged pandemic cannot be ruled out. The main risk factors include lower commodity prices and decreased demand, credit defaults and delayed payments, project delays and increased risk of operational incidents or prolonged maintenance as a result of travel restrictions, absence of key personnel, as well as difficulties in obtaining key materials and spare parts. Fortum is closely monitoring the development of the pandemic and its potential impacts.

Fortum has assessed whether there are any indications for impairment based on internal and external sources of information, such as the effects of the Covid-19. Fortum does not currently foresee that Covid-19 would have such long-term effects that it would impact the overall values of its non-current assets, such as property, plant and equipment and intangible assets.

1.2 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"). Control over Uniper was acquired on 26 March 2020. On 31 March 2020, Fortum consolidated the balance sheet of Uniper. The income statement impact from 26 March 2020 to 31 March 2020 was not material. Fortum's consolidated stake in Uniper was 73.4% on 31 March 2020, and 76.1% on 31 December 2020. Uniper was accounted for as an associated company until 31 March 2020.

The purchase price accounting for the Uniper acquisition was completed on 31 March 2021. No further fair value adjustments have been made to the purchase price allocation presented in the 31 December 2020 financial statements.

In IV/2020 Fortum presented the preliminary purchase price allocation for the Uniper acquisition, which resulted in adjustments to Uniper's 31 March 2020 opening balance sheet. These adjustments led to the restatement of the previous quarters in 2020. Fair value adjustments made to Uniper's 31 March 2020 opening balance sheet mainly relate to property, plant and equipment and right-of-use assets, participations in associates and joint ventures, lease liabilities, other provisions, and deferred taxes. Increase in the value of property, plant and equipment resulted in additional depreciation (EUR 4 million in I/2021); and increase in the value of the lease liability (due to a lower discount rate) resulted in lower interest cost (EUR 3 million in I/2021). The lease adjustment was revised in I/2021 in connection with the finalisation of the purchase price allocation for the Uniper acquisition. Excess of the acquisition value over the fair value of Uniper's net assets (EUR 515 million) is recognised as goodwill. See Note 6.1 Acquisitions.

In connection with the purchase price allocation, Fortum was also required to assess the circumstances giving rise to items recognised in Uniper segment's income statement during the one-year window from the acquisition date. In I/2021, Fortum adjusted impairments (EUR 22 million) and reversals of impairments (EUR 12 million) from Uniper's standalone income statement. These adjustments did not have an impact on Uniper's 31 March 2020 opening balance sheet.

For more information on Uniper acquisition, see Note 1 Significant accounting policies in the 2020 consolidated financial statements.

1.3 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's long-term financial target for capital structure is Financial net debt to comparable EBITDA (see Capital risk management and Note 23 Definitions and reconciliations of key figures).

In the first quarter of 2021, Fortum introduced two new APMs to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.

- Comparable net profit is calculated as comparable operating profit +/- comparable share of profit/loss from associates and joint ventures +/- comparable finance costs – net +/- comparable income tax expense +/- comparable non-controlling interests
- Comparable earnings per share is calculated as comparable net profit divided by average number of shares during the period

See Note 4 Comparable operating profit and comparable net profit and Note 23 Definitions and reconciliations of key figures.

1.4 Accounting policies

The same accounting policies that were applied in the preparation of the consolidated financial statements for the year ended 31 December 2020, have been applied in these condensed interim financial statements. New standards, amendments and interpretations effective from 1 January 2021 have not had a material impact on Fortum's consolidated financial statements.

1.5 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.

Key exchange rates used in consolidated financial statements:

Average rate	Jan-Mar 2021	Jan-Dec 2020	Jan-Sept 2020	Jan-June 2020	Jan-Mar 2020
United Kingdom (GBP)	0.8739	0.8897	0.8851	0.8746	0.8623
Norway (NOK)	10.2584	10.7228	10.7115	10.7324	10.4652
Poland (PLN)	4.5457	4.4430	4.4220	4.4120	4.3241
Russia (RUB)	89.6675	82.7248	79.9599	76.6692	73.8205
Sweden (SEK)	10.1202	10.4848	10.5582	10.6599	10.6689
United States (USD)	1.2048	1.1422	1.1250	1.1020	1.1027

Balance sheet date rate	31 Mar 2021	31 Dec 2020	30 Sept 2020	30 June 2020	31 Mar 2020	31 Dec 2019
United Kingdom (GBP)	0.8521	0.8990	0.9124	0.9124	0.8864	0.8508
Norway (NOK)	9.9955	10.4703	11.1008	10.9120	11.5100	9.8638
Poland (PLN)	4.6508	4.5597	4.5462	4.4560	4.5506	4.2568
Russia (RUB)	88.3175	91.4671	91.7763	79.6300	85.9486	69.9563
Sweden (SEK)	10.2383	10.0343	10.5713	10.4948	11.0613	10.4468
United States (USD)	1.1725	1.2271	1.1708	1.1198	1.0956	1.1234

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 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.

Fortum revised its reportable segments following the consolidation of Uniper as a subsidiary on 31 March 2020, and reported Uniper as a separate segment from II/2020. Uniper was accounted for as an associated company until 31 March 2020 with three-month time lag, which meant that Fortum's I/2020 results included Fortum's share of Uniper results from 1 October 2019 to 31 March 2020 reported in Other Operations. See also Note 12 Participations in associated companies and joint ventures.

Further, reporting of both the Uniper segment and the Generation segment were impacted by adjustments for the joint ownership in the Swedish nuclear company, OKG Aktiebolag (OKG AB). Fortum and Uniper are 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. On 31 March 2020, OKG AB was consolidated as a subsidiary to Fortum Group. Fortum has adjusted Uniper's standalone income statement and balance sheet numbers in respect of Fortum's shareholding in OKG AB, as well as adjusted operating profit, share of profit/loss in associates and joint ventures and 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.

Quarter

EUR million	Note	Generation ¹⁾		Russia		City Solutions ¹⁾		Consumer Solutions		Uniper		Other Operations		Total	
		I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020
Income statement data by segment															
Power sales ¹⁾		627	524	207	262	60	37	574	351	5,784	-	-	-	7,252	1,174
Heat sales		-	-	56	54	247	205	-	-	100	-	-	-	403	259
Gas sales		37	31	-	-	0	-	57	48	11,945	-	-	-	12,039	79
Waste treatment sales		0	-	-	-	62	64	-	-	-	-	-	-	62	64
Other sales		11	19	1	1	48	35	31	25	1,941	-	34	34	2,067	114
Sales		675	574	264	317	418	342	661	424	19,770	-	34	34	21,823	1,691
Internal eliminations		-63	-197	-1	-	-12	-21	-3	-6	0	-	-28	-26	-107	-250
Netting of Nord Pool transactions ²⁾		-	-	-	-	-	-	-	-	-	-	-	-	-223	-83
IS External sales		612	377	263	317	406	320	659	418	19,770	-	6	8	21,493	1,357
Comparable EBITDA		315	273	134	138	132	106	53	48	868	-	-23	-22	1,479	543
IS Depreciation and amortisation		-46	-38	-35	-40	-46	-48	-17	-16	-157	-	-7	-9	-308	-150
IS Comparable operating profit		269	235	100	99	86	58	36	32	711	-	-31	-31	1,171	393
Impairment charges and reversals		-	-	-	-	-	-	-	-	-1	-	-	-	-1	0
Capital gains and other related items	6	50	-	0	-	0	431	0	-	1	-	0	-18	51	413
Impact from acquisition accounting	4	-	-	-	-	-	-	-	-	-	-	-	-222	-	-222
Changes in fair values of derivatives															
hedging future cash flow		-2	45	0	-	-1	-4	23	-22	144	-	0	-	165	19
Other		1	-	-	-	-	-	-	-	-41	-	-	-	-41	-
IS Items affecting comparability	4	49	45	0	-	-1	427	23	-22	102	-	0	-240	174	210
IS Operating profit		318	281	100	99	86	484	59	10	813	-	-31	-271	1,345	603
Comparable share of profit/loss of associates and joint ventures	4, 12	-5	2	22	12	39	36	-	-	11	-	-1	501	67	551
IS Share of profit/loss of associates and joint ventures	12	8	-38	22	12	39	36	-	-	11	-	-1	469	80	479
Gross investments / divestments by segment															
Gross investments in shares	6	0	4	0	1	-	7	-	-	3	-	20	3,270	23	3,282
Capital expenditure		27	30	6	3	48	31	11	15	133	-	3	5	228	84
Gross divestments of shares	6	129	-	17	-	0	527	0	-	0	-	0	-	146	527

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. 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.

2) 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⁾		Russia		City Solutions ¹⁾		Consumer Solutions		Uniper		Other Operations		Total	
		LTM	2020	LTM	2020	LTM	2020	LTM	2020	LTM	2020	LTM	2020	LTM	2020
Income statement data by segment															
Power sales ¹⁾		1,981	1,878	736	791	144	121	1,280	1,057	22,778	16,994	0	0	26,918	20,841
Heat sales		-	-	136	134	558	516	-	-	291	191	-	-	985	841
Gas sales		90	84	-	-	1	1	148	139	34,120	22,176	-	-	34,360	22,400
Waste treatment sales		0	-	-	-	250	252	-	-	-	-	-	-	250	252
Other sales		36	44	4	4	199	185	76	70	7,094	5,154	140	140	7,550	5,598
Sales		2,107	2,006	876	929	1,151	1,075	1,504	1,267	64,284	44,514	140	140	70,063	49,931
Internal eliminations		-287	-421	-3	-2	-55	-64	1	-2	0	0	-112	-110	-455	-598
Netting of Nord Pool transactions ²⁾														-457	-317
IS External sales		1,821	1,585	873	927	1,098	1,012	1,505	1,264	64,284	44,514	28	30	69,152	49,015
Comparable EBITDA		928	886	391	394	265	239	158	153	1,724	856	-96	-94	3,370	2,434
IS Depreciation and amortisation		-172	-164	-138	-143	-189	-191	-64	-63	-650	-494	-33	-35	-1,248	-1,090
IS Comparable operating profit		756	722	252	251	75	47	94	90	1,074	363	-129	-129	2,122	1,344
Impairment charges and reversals		2	2	-	-	-	-	-	-	-1	0	-	-	0	2
Capital gains and other related items	6	50	0	1	1	292	723	0	0	-12	-13	71	53	402	765
Impact from acquisition accounting	4	-	-	0	0	-	-	-	-	-	-	-	-222	-	-222
Changes in fair values of derivatives															
hedging future cash flow		-59	-12	0	0	8	5	84	39	-562	-706	0	-	-528	-675
Other		1	0	-	-	-	-	-	-	344	386	-	-	345	386
IS Items affecting comparability	4	-7	-11	1	1	301	728	84	39	-231	-333	71	-169	219	255
IS Operating profit		748	711	253	252	377	775	178	129	842	29	-58	-298	2,341	1,599
Comparable share of profit/loss of associates and joint ventures	4, 12	6	13	57	47	60	57	-	-	50	38	0	502	172	656
IS Share of profit/loss of associates and joint ventures	12	74	29	57	47	60	57	-	-	65	54	0	470	257	656
Gross investments / divestments by segment															
Gross investments in shares	6	66	70	47	48	107	114	0	0	6	3	322	3,572	548	3,807
Capital expenditure ³⁾		155	158	47	43	236	219	53	57	768	635	32	34	1,290	1,146
Gross divestments of shares	6	300	171	17	0	368	895	10	10	70	69	81	81	846	1,226

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. 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.

2) 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.

3) 2020 comparatives were revised in I/2021 due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.

Segment assets and liabilities

	Note	Generation		Russia		City Solutions		Consumer Solutions		Uniper		Other Operations		Total	
		31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
EUR million															
Non-interest-bearing assets		5,609	5,780	1,994	2,020	3,091	3,512	1,028	780	20,865	20,646	257	270	32,845	33,009
BS Participations in associates and joint ventures	12	971	961	624	577	611	612	-	-	734	729	32	33	2,973	2,912
Eliminations														-74	-57
Total segment assets		6,580	6,742	2,619	2,597	3,702	4,123	1,028	780	21,600	21,375	289	303	35,744	35,863
Interest-bearing receivables	13													3,010	3,000
BS Deferred tax assets														1,009	1,089
Other assets														20,055	15,550
BS Liquid funds														3,598	2,308
BS Total assets														63,416	57,810
Segment liabilities		445	508	102	166	397	445	308	215	13,359	13,943	150	167	14,762	15,443
Eliminations														-74	-57
Total segment liabilities														14,688	15,386
BS Deferred tax liabilities														967	952
Other liabilities														19,570	15,233
Total liabilities included in capital employed														35,225	31,570
Interest-bearing liabilities	14													10,978	10,662
BS Total equity														17,213	15,577
BS Total equity and liabilities														63,416	57,810
Number of employees		1,130	1,143	2,960	2,935	2,094	2,093	1,020	1,048	11,813	11,751	1,019	963	20,036	19,933

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

EUR million	Note	Generation		Russia		City Solutions		Consumer Solutions		Uniper ³⁾	
		LTM	31 Dec 2020	LTM	31 Dec 2020	LTM	31 Dec 2020	LTM	31 Dec 2020	LTM	31 Dec 2020
Comparable operating profit		756	722	252	251	75	47	94	90	1,074	363
Comparable share of profit/loss of associates and joint ventures ¹⁾	4, 12	6	13	57	47	60	57	-	-	50	38
Comparable operating profit including comparable share of profit/loss of associates and joint ventures		761	735	310	298	135	104	94	90	1,123	401
Segment assets at the end of the period		6,580	6,742	2,619	2,597	3,702	4,123	1,028	780	21,600	21,375
Segment liabilities at the end of the period		445	508	102	166	397	445	308	215	13,359	13,943
Comparable net assets		6,135	6,234	2,517	2,431	3,305	3,679	721	565	8,240	7,432
Comparable net assets average ²⁾		6,029	6,006	2,554	2,693	3,551	3,679	586	569	7,532	N/A
Comparable return on net assets, %		12.6	12.2	12.1	11.1	3.8	2.8	16.1	15.9	14.9	N/A

1) Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in I/2021.

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

3) The Uniper segment was acquired on 31 March 2020. Comparable net assets average and Comparable return on net assets for the Uniper segment are presented from I/2021 onwards as information for full 12 months is available.

4. Comparable operating profit and comparable net profit

4.1 Reconciliation of operating profit to comparable operating profit

Quarter

EUR million	Unadjusted		Impairment charges and reversals		Capital gains and other related items		Impact from acquisition accounting		Changes in fair values of derivatives hedging future cash flow		Other		Reported	
	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020	I/2021	I/2020
Sales	22,872	1,390	-	-	-	-	-	-	-1,379	-34	-	-	21,493	1,357
Other income	6,879	454	1	-	-51	-431	-	-	-5,161	-	-2	-	1,666	23
Materials and services	-20,935	-591	-	-	-	-	-	-	1,433	15	11	-	-19,491	-576
Employee benefits	-371	-123	-	-	-	-	-	-	-	-	-1	-	-372	-123
Depreciation and amortisation	-308	-150	-	-	-	-	-	-	-	-	-	-	-308	-150
Other expenses	-6,791	-378	-	-	-	18	-	222	4,942	-	32	-	-1,817	-138
IS Comparable operating profit			1	-	-51	-413	-	222	-165	-19	41	-	1,171	393
IS Items affecting comparability			-1	-	51	413	-	-222	165	19	-41	-	174	210
IS Operating profit	1,345	603											1,345	603

Last twelve months

EUR million	Unadjusted		Impairment charges and reversals		Capital gains and other related items		Impact from acquisition accounting		Changes in fair values of derivatives hedging future cash flow		Other		Reported	
	LTM	2020	LTM	2020	LTM	2020	LTM	2020	LTM	2020	LTM	2020	LTM	2020
Sales	63,999	42,517	-	-	-	-	-	-	5,154	6,499	-	-	69,152	49,015
Other income	16,942	10,517	1	0	-404	-784	-	-	-9,840	-4,679	-254	-252	6,445	4,802
Materials and services	-58,630	-38,286	-	-	-	-	-	-	-4,387	-5,805	-197	-208	-63,213	-44,298
Employee benefits	-1,454	-1,206	-	-	-	-	-	-	-	-	10	11	-1,444	-1,195
Depreciation and amortisation	-1,250	-1,092	-1	-1	-	-	-	-	-	-	3	3	-1,248	-1,090
Other expenses	-17,264	-10,851	-	-	2	20	-	222	9,601	4,659	92	60	-7,569	-5,890
IS Comparable operating profit	-	-	-1	-2	-402	-765	-	222	529	675	-345	-386	2,122	1,344
IS Items affecting comparability	-	-	0	2	402	765	-	-222	-528	-675	345	386	219	255
IS Operating profit	2,341	1,599											2,341	1,599

Impairment charges and reversals

Impairment charges and reversals of previously recognised impairments are adjusted from depreciation and amortisation and presented in items affecting comparability.

Capital gains and other related items

Capital gains and other related items in I/2021 include EUR 50 million gain from the sale of eight small hydropower plants in Sweden (see Note 6.2 Disposals). Capital gains and other related items in 2020 included EUR 72 million gain from the divestment of Fortum Recharge AS; EUR 431 million gain from the divestment of the district heating business in Joensuu, Finland; and EUR 291 million gain from divestment of the district heating business in Järvenpää, Finland (see Note 6.2 Disposals); as well as Uniper acquisition-related costs of EUR 20 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 represented 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 related 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, was reclassified to retained earnings. See Consolidated statement of changes in equity.

Changes in fair values of derivatives hedging future cash flow

Unrealised changes in the fair values of financial derivative instruments hedging future cash flows that do not qualify for hedge accounting, and physical contracts that are treated as derivatives, are recognised in items affecting comparability.

Impacts from settlement of physical contracts that have been treated as derivatives are adjusted to sales and materials and services to reflect the contract pricing as opposed to market pricing ("contract pricing adjustment"). Adjustments are needed to improve the understanding of the financial performance when comparing results from one period to another.

Other

Other includes mainly restructuring expenses, adjustments to provisions and reversals of temporary reductions in current assets.

4.2 Reconciliation from operating profit to comparable net profit

In the first quarter of 2021, Fortum introduced two new APMs to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.

EUR million	Note	I/2021	I/2020	2020	LTM
IS Operating profit		1,345	603	1,599	2,341
IS Items affecting comparability	4.1	-174	-210	-255	-219
IS Comparable operating profit		1,171	393	1,344	2,122
IS Share of profit/loss of associates and joint ventures		80	479	656	257
Adjustments to share of profit/loss of associates and joint ventures	12	-13	72	0	-84
Comparable share of profit/loss of associates and joint ventures		67	551	656	172
IS Finance costs - net		36	-67	-56	47
Adjustments to finance costs - net	7	-17	25	-48	-89
Comparable finance costs - net		19	-43	-103	-42
Comparable profit before income tax		1,257	901	1,897	2,253
IS Income tax expense		-150	-76	-344	-419
Adjustments to income tax expense		-110	-2	45	-63
Comparable income tax expense		-260	-77	-299	-482
IS Non-controlling interests		-218	-9	-32	-241
Adjustments to non-controlling interests		57	-3	-82	-22
Comparable non-controlling interests		-161	-12	-114	-263
Comparable net profit		837	812	1,483	1,508
Comparable earnings per share, EUR	23	0.94	0.91	1.67	1.70

Comparable share of profit/loss of associates and joint ventures

Share of profit/loss of associates and joint ventures is adjusted for significant items, similar to adjustments made to arriving at comparable net profit, in those entities that are classified as Fortum's principal associates and joint ventures. For more information on Fortum's principal associates and joint ventures, see Note 18 Participations in associated companies and joint ventures in the 2020 consolidated financial statements. In I/2020 and until 31 March 2020 Uniper was Fortum's associated company.

Comparable finance costs - net

Finance costs – net are adjusted for e.g. nuclear related items recognised in other financial expenses - net, fair value changes on financial items, as well as impairment charges and reversals of previously recorded impairment charges on financial items.

Comparable income tax expense

Income tax expense is adjusted for tax impacts on items affecting comparability, adjustments to finance costs – net, tax rate changes and other onetime adjustments.

See also Note 23 Definitions and reconciliations of key figures.

5. Financial risk management

Fortum continues discussions with Uniper and reviews its risk management systems and policies for the combined Group. See Fortum Group's consolidated financial statements for the year ended 31 December 2020 for current financial risk management objectives and policies.

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 2020, in Note 15 Financial assets and liabilities by fair value hierarchy.

Financial assets

EUR million	Level 1		Level 2		Level 3		Netting ¹⁾		Total	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
In non-current assets										
Other investments ²⁾	75	75	40	43	74	70			189	188
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			53	52			-26	-29	27	23
Non-hedge accounting	1,902	1,030	2,529	1,563	160	138	-50	-24	4,541	2,707
Interest rate and currency derivatives										
Hedge accounting			131	170					131	170
Non-hedge accounting			62	46					62	46
Interest-bearing receivables	106	98			15	17			121	116
Total in non-current assets	2,083	1,203	2,814	1,874	249	225	-76	-53	5,070	3,250
In current assets										
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			99	185			-64	-60	34	125
Non-hedge accounting	4,108	2,851	6,541	5,090	8	6	-949	-655	9,708	7,292
Interest rate and currency derivatives										
Hedge accounting			34	26					34	26
Non-hedge accounting			90	89					90	89
Other receivables									-	62
Interest-bearing receivables	418	432	46	46	4	5			468	483
Total in current assets	4,526	3,283	6,811	5,498	12	11	-1,013	-715	10,335	8,077
Total in assets	6,609	4,486	9,625	7,372	260	237	-1,089	-768	15,405	11,326

1) In Fortum, excluding Uniper, receivables to and liabilities from electricity and other commodity exchanges arising from standard derivative contracts with same delivery period are netted.

2) Other investments mainly include shares in unlisted companies.

Financial liabilities

EUR million	Level 1		Level 2		Level 3		Netting ¹⁾		Total	
	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020	31 Mar 2021	31 Dec 2020
In non-current liabilities										
Interest-bearing liabilities ²⁾			2,101	2,145					2,101	2,145
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			76	106			-26	-29	50	77
Non-hedge accounting	1,141	634	2,570	1,598	274	254	-50	-24	3,935	2,462
Interest rate and currency derivatives										
Hedge accounting			42	56					42	56
Non-hedge accounting			32	63					32	63
Total in non-current liabilities	1,141	634	4,821	3,967	274	254	-76	-53	6,159	4,802
In current liabilities										
Interest-bearing liabilities			418	497					418	497
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			226	304			-64	-60	162	244
Non-hedge accounting	3,641	2,545	7,614	5,612	2	10	-949	-655	10,308	7,512
Interest rate and currency derivatives										
Hedge accounting			12	14					12	14
Non-hedge accounting			69	167					69	167
Total in current liabilities	3,641	2,545	8,339	6,594	2	10	-1,013	-715	10,970	8,434
Total in liabilities	4,782	3,179	13,160	10,561	276	264	-1,089	-768	17,129	13,236

1) In Fortum, excluding Uniper, receivables to and liabilities from electricity and other commodity exchanges arising from standard derivative contracts with same delivery period are netted.

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 162 million, including assets of EUR 317 million and liabilities of EUR 155 million. Fortum has cash collaterals based on collateral agreements with some counterparties. At the end of March 2021, Fortum had received EUR 143 million from collateral agreements. The received cash was booked as a short-term liability.

Regarding the interest-bearing receivables and liabilities, see Note 13 Interest-bearing receivables, Note 14 Interest-bearing net debt and Note 19 Pledged assets and contingent liabilities.

Changes in fair value hierarchy Level 3

	1 Jan 2021	Purchases	Settlements	Gains / losses in income statement	31 Mar 2021
On balance sheet, net					
Other investments	70	1		2	73
Commodity derivatives, fair values	382	3	-14	-49	322
Commodity derivative, day-1 gains and losses	-501		70		-431
Interest-bearing receivables	22		-6	3	19
Total on balance sheet, net	-27	4	50	-44	-17

During 2021, no financial instruments were reclassified into, or out of Level 3.

6. Acquisitions, disposals and assets held for sale

6.1 Acquisitions

EUR million	I/2021	I/2020	2020	LTM
Gross investments in shares in subsidiary companies	19	3,275	3,646	390
Gross investments in shares in associated companies and joint ventures	1	3	119	117
Gross investments in other shares	3	4	42	41
Total	23	3,282	3,807	548

Acquisitions during 2021

There were no material acquisitions in I/2021.

Uniper acquisition in 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 over 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.

At 31 March 2020 Fortum's consolidated stake in Uniper was 73.4%. The total purchase consideration for the combined shareholding was EUR 2.6 billion, which increased Fortum's total investment in Uniper to EUR 6.5 billion.

EUR million	Uniper
Acquisition of shares	2,858
Liquid funds in acquired companies	-1,328
Acquisition of shares in cash flow	1,530
Interest-bearing liabilities in acquired companies	1,414
Other financial net debt in acquired companies	596
Gross investments in shares	3,540

Acquisition accounting

The purchase price allocation on the Uniper acquisition was completed on 31 March 2021. Fair value adjustments were mainly made to property, plant and equipment and right-of-use assets, participations in associates and joint ventures, lease liabilities, other provisions, and deferred taxes. Excess of the acquisition value over Uniper's net assets is presented as goodwill. Fortum elected to measure non-controlling interest in Uniper based on the proportionate value of acquired net assets.

Acquired net assets are presented in the following table.

EUR million	31 Mar 2020
ASSETS	
Goodwill	1,779
Other intangible assets	980
Property, plant and equipment and right-of-use assets	9,268
Participations in associates and joint ventures	750
Derivative financial instruments	21,958
Interest-bearing receivables	1,840
Shares in Nuclear Waste Funds	1,602
Margin receivables	413
Trade and other receivables	7,236
Deferred tax and income tax assets	1,021
Inventories	1,565
Liquid funds	1,328
Total assets	49,739
LIABILITIES	
Derivative financial instruments	21,084
Interest-bearing liabilities	1,575
Pension obligations	953
Nuclear provisions	1,758
Other provisions	3,935
Deferred tax and income tax liabilities	348
Margin liabilities	924
Trade and other payables	7,852
Total liabilities	38,428
Net assets on Uniper's balance sheet	11,312
Less goodwill on Uniper's balance sheet ¹⁾	-1,779
Net assets from Uniper excluding goodwill	9,533
Purchase consideration	2,587
Previously held equity interest	4,613
Acquisition value	7,201
Non-controlling interest on Uniper's balance sheet	-424
Non-controlling interest from Uniper acquisition	-2,423
Total non-controlling interest (NCI)	-2,847
Goodwill	515

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

Acquired net assets were based on Uniper's first quarter 2020 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, is not 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, and consolidated OKG AB as a subsidiary from 31 March 2020.

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 was 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 was recognised from fair valuing the previously held equity interest as the fair value was approximately equal to the carrying amount.

Acquisition-related costs of EUR 20 million are included in items affecting comparability in the 2020 consolidated income statement. See Note 4 Comparable operating profit and comparable net profit.

Other acquisitions during 2020

During 2020, Fortum invested EUR 25 million to the wind investment fund 50/50 owned by Fortum and RUSNANO in Russia.

During 2020, Fortum's joint venture, the Fortum-Rusnano Wind Investment Fund, sold the 50-MW Ulyanovsk 2 and the 300-MW Rostov wind farms to a new joint venture established with Russian Direct Investment Fund (RDIF) aimed at the operation of renewable power plants in Russia.

6.2 Disposals

EUR million	I/2021	I/2020	2020	LTM
Gross divestments of shares in subsidiary companies	146	527	1,156	775
Gross divestments of shares in associated companies and joint ventures	0	0	31	31
Gross divestments of other investments	-	0	40	40
Total	146	527	1,226	845

Disposals during 2021

On 2 March 2021, Fortum announced it had decided to construct the largest solar power plant in Russia through a joint venture established with RDIF. 78 MW of the capacity is expected to be commissioned in the fourth quarter of 2021 and the remaining part in the second half of 2022. The power plant is based on capacities won by Fortum in CSA auctions in 2018 and 2019. In March 2021, Fortum sold the CSA-backed solar power project to the joint venture with RDIF, which had a positive effect of EUR 17 million in the first quarter 2021 comparable operating profit of the Russia segment.

In December 2020, Fortum decided to sell eight small hydropower plants in Sweden with an average annual power generation of 0.1 TWh to Downing Renewables & Infrastructure Trust plc. The total purchase price on a debt and cash free basis is EUR 64.5 million. The transaction closed on 2 February 2021.

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP acquired an 80% stake in Fortum's Nordic wind portfolio. The transaction, excluding the Sørffjord wind park, which was still under construction, was closed on 14 May 2020. The transaction on Sørffjord wind park was closed on 20 January 2021.

Disposals during 2020

On 3 July, Fortum announced it had agreed to sell the district heating business in Järvenpää, Finland for EUR 375 million to a consortium consisting of Vantaa Energy Ltd, Infranode, and Keva. Fortum completed the transaction on 19 August 2020 and recorded a tax-exempt capital gain of EUR 291 million in the City Solutions segment's third-quarter 2020 results.

On 27 April 2020, Fortum signed an agreement to sell 60% of its public charging point operator, Fortum Recharge AS, for electrical vehicles in the Nordics to Infracapital. The transaction closed on 29 May 2020, and Fortum recorded a tax-exempt capital gain of EUR 72 million in Other Operation's second-quarter 2020 results. The cash consideration was EUR 87 million.

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP acquired an 80% stake in Fortum's Nordic wind portfolio. The total consideration on a debt- and cash-free basis was approximately EUR 170 million. The transaction, excluding the Sørffjord wind park, which was still under construction, was closed on 14 May 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.

6.3 Assets held for sale

Assets held for sale at 31 March 2021 include the district heating business in the Baltics (City Solutions segment) and Schkopau lignite-fired power plant (Uniper segment). Assets held for sale at 31 December 2020 included Schkopau lignite-fired power plant (Uniper segment) and Sørfjord wind park (Generation segment).

On 20 March 2021, Fortum announced that it had signed an agreement to sell its district heating business in the Baltics to Partners Group. The total consideration on a debt- and cash-free basis is EUR 800 million. Fortum expects to record a tax-exempt capital gain of approximately EUR 240 million in the City Solutions segment's second-quarter 2021 results. The transaction is subject to customary closing conditions and is expected to be completed in the second quarter of 2021.

In February 2020, Uniper signed an agreement with Saale Energie GmbH, a subsidiary of the Czech company Energetický a průmyslový holding, a. s., on the sale of the interest in the Schkopau lignite-fired power plant in Germany. Uniper is the operator of the power plant and holds a stake of about 58%. Saale Energie holds a stake of around 42% in the Schkopau power plant and will take over Uniper's stake effective 1 October 2021. The proceeds from the sale will be determined when the transaction closes on 1 October 2021, taking into account various purchase price adjustment clauses.

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP acquired an 80% stake in Fortum's Nordic wind portfolio. The transaction, excluding the Sørfjord wind park, which was still under construction, was closed on 14 May 2020. The transaction on Sørfjord wind park was closed on 20 January 2021.

EUR million	31 Mar 2021	31 Dec 2020
Assets held for sale		
Intangible assets and property, plant and equipment and right-of-use assets	554	230
Deferred tax assets	11	9
Other non-current and current assets	152	96
Liquid funds	20	0
BS Total	737	335
Liabilities related to assets held for sale		
Interest-bearing liabilities	59	43
Deferred tax liabilities	35	33
Pension and asset retirement obligations	15	18
Other liabilities and provisions	124	112
BS Total	233	206

7. Finance costs - net

EUR million	I/2021	I/2020	2020	LTM
Interest expense				
Borrowings	-45	-45	-186	-185
Leasing and other interest expenses ¹⁾	-11	-1	-23	-33
Capitalised borrowing costs ¹⁾	9	1	39	47
IS Total	-47	-46	-170	-171
Interest income				
Loan receivables and deposits	31	5	96	121
Leasing and other interest income	24	1	16	38
IS Total	55	6	111	160
Other financial expenses - net				
Return from nuclear funds, nuclear fund adjustment and unwinding of nuclear provisions	12	-17	19	48
Fair value changes, impairments and reversals	5	-8	29	42
Unwinding of discounts on other provisions	7	-1	-45	-37
Other financial expenses and income	4	-2	0	6
IS Total	28	-27	3	58
IS Finance costs - net	36	-67	-56	47
EUR million	I/2021	I/2020	2020	LTM
IS Finance costs - net	36	-67	-56	47
Adjustments to finance costs - net				
Return from nuclear funds, nuclear fund adjustment and unwinding of nuclear provisions	-12	17	-19	-48
Fair value changes, impairments and reversals	-5	8	-29	-42
Comparable finance costs - net	19	-43	-103	-42

1) 2020 comparatives were revised in I/2021 due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.

Interest expenses on borrowings in I/2021 totalled EUR 45 million (I/2020: 45) including interest expenses on loans of EUR 41 million (I/2020: 36), and EUR 4 million (I/2020: 9) interest cost net from derivatives hedging the loan portfolio. Interest expenses from leases were EUR 11 million (I/2020: 1).

Interest income in I/2021 of EUR 55 million (I/2020: 6) includes EUR 48 million (I/2020: 3) interest income from shareholder loan receivables and other loan receivables, and EUR 2 million (I/2020: 3) from deposits. Interest income from leases were EUR 5 million (I/2020: 0).

Return from Nuclear Funds include interest income from the Finnish Nuclear waste fund and changes in fair values in the Swedish Nuclear waste fund. Unwinding of discount on other provisions relates to pensions and other provisions.

8. Income taxes

Taxes during I/2021 totalled EUR 150 million (I/2020: 76). The effective income tax rate according to the income statement was 10.3% (I/2020: 7.4%). The comparable effective income tax rate, excluding the impact of the share of profit from associated companies, joint ventures as well as items affecting comparability, tax rate changes and other major one-time income tax effects, was 21.9% (I/2020: 22.0%).

Fortum has paid taxes in previous years regarding ongoing tax disputes. The appeal processes are ongoing and based on legal analysis and legal opinions the payments are booked as a receivable, EUR 114 million (31 Dec 2020: 114), included in Income tax receivables. For additional information see Note 20 Legal actions and official proceedings.

9. Dividend per share

A dividend for 2020 of EUR 1.12 per share, amounting to a total of EUR 995 million, was decided in the Annual General Meeting on 28 April 2021. The dividend was paid on 7 May 2021 and it has not been recognised as a liability in these interim financial statements.

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.

10. Intangible assets

EUR million	31 Mar 2021	31 Dec 2020
Goodwill	1,015	1,069
Contract-based	529	534
Other	1,167	1,205
BS Total	2,712	2,808

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

Property, plant and equipment, and right-of-use assets amounted to EUR 19,056 million (31 Dec 2020: 19,367). Changes during I/2021 mainly relate to depreciation, partly offset by capital expenditures and assets reclassified to held for sale.

12. Participations in associates and joint ventures

12.1 Participations in associates and joint ventures

Changes in participations in associates and joint ventures

EUR million	31 Mar 2021	31 Dec 2020
Opening balance 1 January	2,912	6,435
Acquisitions	-	750
Investments	1	119
Share of profit of associates and joint ventures	80	656
Dividend income received	-2	-116
Divestments and capital returns	-	-47
Reclassifications	-	-4,663
OCI items in associates and joint ventures	7	-183
Translation differences and other adjustments	6	-40
Reclassified to assets held for sale	-31	-
BS Closing balance	2,973	2,912

Acquisitions and reclassifications in 2020 mainly relate to Uniper consolidation at 31 March 2020.

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 was consolidated as a subsidiary to Fortum Group.

12.2 Share of profit/loss of associates and joint ventures

EUR million	I/2021	I/2020	2020	LTM
Uniper SE	-	469	469	-
TGC-1	8	1	24	31
Stockholm Exergi AB	34	33	46	47
Other associates and joint ventures	38	-24	117	179
IS Share of profit/loss of associates and joint ventures	80	479	656	257

EUR million	I/2021	I/2020	2020	LTM
IS Share of profit/loss of associates and joint ventures	80	479	656	257
Adjustments to share of profit/loss of associates and joint ventures	-13	72	0	-84
Comparable share of profit/loss of associates and joint ventures	67	551	656	172

Uniper

Fortum 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 revised its financial reporting schedule and reports its quarterly results after Uniper. Fortum's first quarter results therefore included Fortum's share of Uniper's results from 1 October 2019 to 31 March 2020.

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

Fortum's share of Uniper's I/2020 profits, EUR 307 million, included a reversal of EUR 61 million after tax related to the negative impact of Uniper's I/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 IV/2019 and I/2020 results.

The remaining fair value adjustment from the purchase price allocation for the acquisition of 49.99% of the shares in Uniper ceased to exist on 31 March 2020. Following the consolidation of Uniper as a subsidiary, Fortum has prepared a new purchase price allocation. See Note 6.1 Acquisitions.

13. Interest-bearing receivables

EUR million	31 Mar 2021	31 Dec 2020
Interest-bearing receivables	2,817	2,804
Finance lease receivables	193	196
Total	3,010	3,000

EUR million	Carrying amount		Fair value	
	31 Mar 2021	31 Mar 2021	31 Dec 2020	31 Dec 2020
Long-term loan receivables from associates and joint ventures	1,134	1,197	1,113	1,161
Non-current securities	106	106	98	98
Other long-term interest-bearing receivables	952	952	1,010	1,010
Total long-term interest-bearing receivables	2,192	2,255	2,221	2,270
Collateral arrangement securities	418	418	432	432
Other short-term interest-bearing receivables	207	207	151	151
Total short-term interest-bearing receivables	625	625	582	582
Total	2,817	2,880	2,804	2,852

Long-term interest-bearing receivables from associated companies and joint ventures, EUR 1,134 million (31 Dec 2020: 1,113), include EUR 955 million from Swedish nuclear companies, Forsmarks Kraftgrupp AB and Ringhals AB (31 Dec 2020: 964), which are mainly funded with shareholder loans, pro rata to each shareholder's ownership.

14. Interest-bearing net debt

Financial net debt and adjusted net debt

EUR million	31 Mar 2021	31 Dec 2020
+ Interest-bearing liabilities	10,978	10,662
- BS Liquid funds	3,598	2,308
- Non-current securities	106	98
- Collateral arrangement securities	418	432
- Securities in interest-bearing receivables	524	530
- BS Margin receivables	1,118	1,132
+ BS Margin liabilities	673	331
+ Net margin liabilities	-445	-801
Financial net debt	6,410	7,023
+ BS Pension obligations	1,288	1,520
+ Other asset retirement obligations	816	821
- BS Share of Finnish and Swedish Nuclear Waste Funds	3,406	3,445
+ BS Nuclear provisions	3,785	3,866
+ Nuclear provisions net of assets in Nuclear Waste Funds	378	421
+ Total provisions net of assets in Nuclear Waste Funds	2,482	2,762
Adjusted net debt	8,892	9,784

Fortum has a collateral arrangement to release cash from the Nordic Power Exchange. This arrangement is presented with equal amounts as a short-term interest-bearing liability and an interest-bearing receivable.

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

Interest-bearing liabilities

EUR million	31 Mar 2021	31 Dec 2020
Loans	9,910	9,607
Lease liabilities	1,067	1,055
Total	10,978	10,662

Loans

EUR million	Carrying amount		Fair value	
	31 Mar 2021	31 Mar 2021	31 Dec 2020	31 Dec 2020
Bonds	4,237	4,476	4,258	4,521
Loans from financial institutions	2,562	2,616	2,576	2,638
Reborrowing from the Finnish State Nuclear Waste Management Fund ¹⁾	1,167	1,235	1,145	1,210
Other long-term interest-bearing liabilities	481	531	447	488
Total long-term loans ²⁾	8,446	8,858	8,425	8,857
Collateral arrangement liability	418	418	432	432
Other short-term interest-bearing liabilities	1,046	1,046	750	750
Total short-term loans	1,464	1,464	1,182	1,182
Total	9,910	10,323	9,607	10,039

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 515 million (31 Dec 2020: 534).

The average interest rate for the portfolio of EUR loans was 0.9% at the balance sheet date (31 Dec 2020: 0.9%). The average interest rate on total loans and derivatives was 1.5% at the balance sheet date (31 Dec 2020: 1.5%). Part of the external loans, EUR 652 million (31 Dec 2020: 634), have been swapped to RUB and the average interest cost for these loans, including cost for hedging the RUB, was 6.5% at the balance sheet date (31 Dec 2020: 6.2%).

Maturity of loans

EUR million	31 Mar 2021
2021 ¹⁾	1,915
2022	3,150
2023	1,114
2024	318
2025	18
2026 and later	3,395
Total	9,910

1) Cash received as collateral based on collateral agreements, amounting to EUR 143 million, has been recognised as a short-term liability.

Maturity of undiscounted lease liabilities

EUR million	31 Mar 2021
Due within a year	149
Due after one year and within five years	410
Due after five years	905
Total	1,463

Liquid funds

EUR million	31 Mar 2021	31 Dec 2020
Deposits and securities with maturity more than 3 months	339	410
Cash and cash equivalents	3,259	1,898
BS Total	3,598	2,308

Liquid funds totalling EUR 3,346 million (31 Dec 2020: 2,107) 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 3,598 million (31 Dec 2020: 2,308). Liquid funds include EUR 917 million held by Uniper segment (31 Dec 2020: 289). Russian subsidiaries held EUR 410 million (31 Dec 2020: 244) of liquid funds in the form of cash and bank deposits.

Committed credit facilities

At the end of the reporting period, Fortum had undrawn committed credit facilities amounting to EUR 5,000 million. The undrawn facilities include a EUR 1,450 million revolving credit facility, maturing in November 2021 (with an option to extend the maturity by one year), a EUR 1,750 million revolving credit facility maturing in June 2023, and Uniper's revolving credit facility of EUR 1,800 million, which matures in September 2025. In addition to the revolving credit facilities, Fortum has EUR 100 million of committed overdraft limits that are valid until further notice.

15. Nuclear related assets and liabilities

Fortum owns Loviisa nuclear power plant in Finland, and through the acquisition of Uniper, 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 was consolidated as a subsidiary to Fortum Group.

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 other 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 according to local GAAP.

In Finland and 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 managed 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.

15.1 Nuclear related assets and liabilities for consolidated nuclear power plants

EUR million	31 Mar 2021	31 Dec 2020
Carrying values on the balance sheet		
BS Nuclear provisions	3,785	3,866
BS Fortum's share of the Nuclear Waste Funds	3,406	3,445
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds in Finland and Sweden	3,856	3,886
Share of fund not recognised on the balance sheet	450	441

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 total cost estimate in which future costs are discounted to net present value.

The carrying value of nuclear provisions, calculated according to IAS 37, decreased by EUR 81 million compared to 31 December 2020, totalling EUR 3,785 million at 31 March 2021.

Fortum's share of the Nuclear Waste Funds are from an IFRS perspective overfunded by EUR 450 million, since Fortum's share of the Funds on 31 March 2021 was EUR 3,856 million and the carrying value on the balance sheet was EUR 3,406 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, other financial expenses are adjusted positively if the provisions increase more than the Fund, and negatively if the provision decreases below the actual value of the fund.

Legal liability for Loviisa nuclear power plant

The legal liability on 31 March 2021, decided by the Ministry of Economic Affairs and Employment in November 2020, was EUR 1,208 million.

The legal liability is based on a cost estimate, which is updated every year; and a technical plan, which is updated every three years. The legal liability is determined by assuming that the decommissioning would start at the beginning of the year following the assessment year and discounting is not applied in determining the amount.

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 and the funding target for 2021 was confirmed at EUR 1,168 million in November 2020.

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 annually. See Note 14 Interest-bearing net debt and Note 19 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 normally updated every three years by governmental decision after a proposal from the Swedish Radiation Safety Authority (SSM). From September 2018, 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 III/2019. In December 2020 the Swedish government decided the waste fees and guarantees for 2021 only. A new decision is expected IV/2021 for years 2022-2023. 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 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.

15.2 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. 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 2021	31 Dec 2020
Carrying values with Fortum assumptions		
Nuclear provisions	3,613	3,674
Share of the Nuclear Waste Fund	3,416	3,406
of which Fortum's net share consolidated with equity method	-63	-59
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds	1,106	880
Receivables from the waste fund that are overfunded (underfunded) from an IFRS perspective	11	14
of which TVO overfunded	74	73

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 14 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 (Plant 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 with the plant supplier consortium companies Areva NP, Areva GmbH, and Siemens AG as well as with Areva Group parent company Areva SA, a company wholly owned by the French State. The settlement agreement concerned the completion of the OL3 EPR project and related disputes, and it entered into force in late March 2018. The supplier consortium companies committed to ensuring that the funds dedicated to the completion of the OL3 EPR project will be adequate and will cover all applicable guarantee periods, including setting up a trust mechanism funded by Areva companies to secure the financing of the costs of completion of the OL3 EPR project. During the period under review, the trust has been replenished in accordance with the terms of the agreement. During the period under review, TVO has according to the comprehensive settlement agreement recognized receivables from the plant supplier which have accumulated as compensation until the end of the period under review. The compensation decreases the historical costs of property, plant, and equipment in the balance sheet.

The Radiation and Nuclear Safety Authority (STUK) granted a fuel loading permit for the OL3 EPR plant unit on March 26, 2021. The fuel loading was started on March 27, 2021 and completed early April. The fuel loading means that OL3 EPR is now a nuclear power plant in use. STUK states in its permit decision that the OL3 EPR plant unit fulfils the safety requirements set for it, and its safety and emergency preparedness arrangements and measures are sufficient in order to load fuel into the reactor.

According to the re-baseline schedule updated by the plant supplier in August 2020, the OL3 EPR plant unit will be connected to the grid in October 2021, and regular electricity production starts in February 2022. The Areva

management is preparing a financial solution to complete the project until the end of the guarantee period. TVO continues negotiations with the Areva–Siemens consortium on the terms for project completion.

16. Other provisions

EUR million	31 Mar 2021	31 Dec 2020
Supplier- and customer-related	931	948
Asset retirement	816	821
Power production-related	635	643
Gas distribution-related	371	378
Environmental remediation and similar	259	261
Personnel-related	243	247
Other	1,078	933
Total	4,333	4,232
BS Of which current provisions	836	780
BS Of which non-current provisions	3,497	3,452

17. 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 mortality.

Changes during 2021 mainly relate to changes in discount rates and fair value of plan assets.

Net defined benefit liability

EUR million	31 Mar 2021	31 Dec 2020
Present value of defined benefit obligation	4,347	4,636
Fair value of plan assets	3,066	3,117
Net defined benefit liability	1,280	1,518
Of which Germany	1,130	1,350
Presented on the balance sheet as follows:		
BS Pension obligations, net	1,288	1,520
Pension assets in Other non-current assets	7	2

Discount rates

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

%	31 Mar 2021	31 Dec 2020
Germany	1.2	0.8
United Kingdom	2.3	1.5
Finland	0.3	0.3

18. 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 billion	31 Mar 2021	31 Dec 2020
Property, plant and equipment and intangible assets	0.7	0.8

Long-term purchase commitments

Fortum has long-term contractual purchase obligations of approximately EUR 115.2 billion at 31 March 2021 (31 Dec 2020: 113.1), of which EUR 6.5 billion is due within one year (31 Dec 2020: 6.3). 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

Teollisuuden Voima Oyj (TVO) is building Olkiluoto 3, the nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At 31 March 2021, Fortum had EUR 232 million (31 Dec 2020: 232) outstanding receivables regarding Olkiluoto 3, and is additionally committed to providing at maximum EUR 100 million. TVO shareholder loan is classified as participation in joint ventures. For more information, see Note 15 Nuclear related assets and liabilities.

For more information on other commitments, see Note 34 Capital and other commitments of the consolidated financial statements 2020.

19. 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 15 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 2020: 269) for shares pledged in Kemijoki Oy as a security for borrowing from the Finnish State Nuclear Waste Management Fund, and EUR 105 million (31 Dec 2020: 105) of real estate mortgages for the liability to the Finnish State Nuclear Waste Management Fund. In addition, Fortum has pledged EUR 462 million (31 Dec 2020: 495) of securities and cash for trading of electricity, gas and CO₂ emission allowances, and EUR 282 million (31 Dec 2020: 275) of other real estate mortgages.

For more information see Note 35 Pledged assets and contingent liabilities of the consolidated financial statements 2020.

20. 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 exposure, in addition to dispute under public law, 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 and fraudulent 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, concerning contract amendments, price adjustments and payment disputes under long-term contracts for electricity, gas and storage capacity, also in response to the altered situation brought about by market upheavals, as well as disputes about reimbursements of costs and contract interpretation. In some of these cases, the validity of the price-adjustment clauses applied, and of the contracts in their entirety 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 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.

Tax cases in Belgium

On 16 June 2020, the Court of Appeal of Ghent, Belgium, ruled in favour of Fortum on Fortum's income tax assessments in Belgium for the year 2008. The decision concerns Fortum's Belgian financing company, Fortum EIF NV, which granted internal financing to a Swedish group company for financing of an acquisition in Russia. The Belgian tax authorities argued that Fortum EIF should not benefit from the notional interest deduction regime in Belgium and disagreed with the Court of Appeal ruling. In September 2020, the Belgian tax authorities filed an appeal to the Supreme Court.

The additional taxes claimed for 2008 amount to EUR 36 million. Fortum has similar tax cases pending for the years 2009-2012 and expects the remaining years to follow the decisions for 2008. The disputed amount for years 2008-2012 totals EUR 114 million. All taxes have been paid and recognised as income tax receivables. Should the decision from the Court of Appeal of Ghent become final, the possible repayment of the disputed amounts of EUR 114 million would have a positive cash flow effect for Fortum.

21. Related party transactions

Related parties are described in more detail in the consolidated financial statements for the year ended 31 December 2020. 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. In addition, transaction with any Uniper Group's related parties that have become Fortum Group's related parties through the acquisition are disclosed from 31 March 2020.

Transactions with associates and joint ventures

EUR million	I/2021	I/2020	2020	LTM
Sales	120	8	201	313
Purchases	187	101	624	710
Other income	36	-	89	125
Interest income on loan receivables	6	2	15	19

Balances with associates and joint ventures

EUR million	31 Mar 2021	31 Dec 2020
Long-term interest-bearing loan receivables	1,134	1,113
Trade and other receivables	267	307
Long-term loan payables	289	293
Trade and other payables	248	340

In addition, Fortum has long-term purchase commitments of approximately EUR 2.0 billion at 31 March 2021 from associates and joint ventures.

Other transactions with related parties

At the end of 2020 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 2021.

On 2 March 2021, Fortum announced it had decided to construct the largest solar power plant in Russia through a joint venture established with RDIF. The power plant is based on capacities won by Fortum in CSA auctions in 2018 and 2019. In March 2021, Fortum sold the CSA-backed solar power project to the joint venture with RDIF.

During 2020, Fortum's joint venture, the Fortum-Rusnano Wind Investment Fund, sold the 50-MW Ulyanovsk 2 and the 300-MW Rostov wind farms to a new joint venture established with Russian Direct Investment Fund (RDIF) aimed at the operation of renewable power plants in Russia.

22. Events after the balance sheet date

There have been no material events after the balance sheet date.

23. Definitions and reconciliations 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 Financial net debt to Comparable EBITDA.	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 and reversals + capital gains and other related items + impact from acquisition accounting + changes in fair values of derivatives hedging future cash flow + other	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Impairment charges and reversals	Impairment charges and related provisions (mainly dismantling), as well as the reversal of previously recorded impairment charges. Impairment charges are adjusted from depreciation and amortisation, and reversals from other income.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Capital gains and other related items	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

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Other	Restructuring and cost management expenses, and other miscellaneous non-operating items, which are adjusted mainly from materials and services or employee benefits.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Comparable share of profit/loss of associates and joint ventures	Share of profit/loss of associates and joint ventures +/- significant adjustments for share of profit /loss in principal associates and joint ventures.	Component used in calculating comparable net profit and comparable return on net assets.	Note 4 Comparable operating profit and comparable net profit
Comparable finance costs – net	Finance costs – net +/- return from nuclear funds, nuclear fund adjustment and unwinding of nuclear provisions +/- fair value changes on financial items +/- impairment charges and reversals of previously recorded impairment charges on financial items.	Component used in calculating comparable net profit.	Note 4 Comparable operating profit and comparable net profit
Comparable profit before income tax	Comparable operating profit +/- comparable share of profit/loss of associates and joint ventures +/- comparable finance costs – net.	Subtotal in comparable net profit calculation.	Note 4 Comparable operating profit and comparable net profit
Comparable income tax expense	Income tax expense excluding taxes on items affecting comparability, adjustments to finance costs – net, tax rate changes and other onetime adjustments.	Component used in calculating comparable net profit.	Note 4 Comparable operating profit and comparable net profit
Comparable net profit	Comparable operating profit +/- comparable share of profit/loss of associates and joint ventures +/- comparable finance costs - net +/- comparable income tax expense +/- comparable non-controlling interests.	Comparable net profit is used to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.	Note 4 Comparable operating profit and comparable net profit
Comparable return on net assets, %	$\frac{\text{Comparable operating profit} + \text{comparable share of profit /loss in associates and joint ventures}}{\text{Comparable net assets average}} \times 100$	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
Comparable net assets	Non-interest-bearing assets - 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 / comparable EBITDA	<u>Financial net debt</u> Comparable EBITDA	Financial net debt to Comparable EBITDA is Fortum's long-term financial target for capital structure.	Key ratios after cash flow statement
Financial net debt	Interest-bearing liabilities - liquid funds - securities in interest-bearing receivables + net margin liabilities	Financial net debt is used in the follow-up of the indebtedness of the group and it is a component in the capital structure target of Financial net debt to Comparable EBITDA.	Note 14 Interest-bearing net debt
Adjusted net debt	Financial net debt + underfunded pension obligations and asset retirement obligations, net of share in nuclear waste funds	Adjusted net debt is used in the follow-up of the indebtedness of the group.	Note 14 Interest-bearing net debt

Other key figures

Share based key figures

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

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.
Last twelve months (LTM)	Twelve months preceding the reporting date.

Definitions for tax figures

Effective income tax rate, %	$\frac{\text{Income tax expense}}{\text{Profit before income tax}} \times 100$
Comparable effective income tax rate, %	$\frac{\text{Income tax expense +/- adjustments to income tax expense}}{\text{Comparable profit before income tax excluding comparable share of profit/loss from associated companies and joint ventures}} \times 100$

Reconciliations of alternative performance measures

Comparable EBITDA

EUR million	Note	I/2021	I/2020	2020	LTM
IS Operating profit		1,345	603	1,599	2,341
+ IS Depreciation and amortisation		308	150	1,090	1,248
EBITDA		1,653	752	2,688	3,589
- IS Items affecting comparability	4	-174	-210	-255	-219
Comparable EBITDA		1,479	543	2,434	3,370

Comparable operating profit

EUR million	Note	I/2021	I/2020	2020	LTM
IS Operating profit		1,345	603	1,599	2,341
- IS Items affecting comparability	4	-174	-210	-255	-219
IS Comparable operating profit	4	1,171	393	1,344	2,122

Items affecting comparability

EUR million	Note	I/2021	I/2020	2020	LTM
Impairment charges and reversals		-1	-	2	0
Capital gains and other related items	6	51	413	765	402
Impact from acquisition accounting		-	-222	-222	-
Changes in fair values of derivatives hedging future cash flow		165	19	-675	-528
Other		-41	-	386	345
IS Items affecting comparability	4	174	210	255	219

Comparable net profit

EUR million	Note	I/2021	I/2020	2020	LTM
IS Net profit		1,310	938	1,855	2,227
- IS Items affecting comparability	4	-174	-210	-255	-219
- Adjustments to share of profit/loss of associates and joint ventures	12	-13	72	0	-84
- Adjustments to finance costs - net	7	-17	25	-48	-89
- Adjustments to income tax expenses		-110	-2	45	-63
- IS Non-controlling interests		-218	-9	-32	-241
- Adjustments to non-controlling interests		57	-3	-82	-22
Comparable net profit	4	837	812	1,483	1,508

Comparable earnings per share

	Note	I/2021	I/2020	2020	LTM
Comparable net profit, EUR million	4	837	812	1,483	1,508
Average number of shares during the period, 1 000 shares		888,294	888,294	888,294	888,294
Comparable earnings per share, EUR		0.94	0.91	1.67	1.70

Financial net debt and adjusted net debt

EUR million	Note	31 Mar 2021	31 Dec 2020
+ Interest-bearing liabilities		10,978	10,662
- BS Liquid funds		3,598	2,308
- Non-current securities		106	98
- Collateral arrangement securities		418	432
- Securities in interest-bearing receivables		524	530
- BS Margin receivables		1,118	1,132
+ BS Margin liabilities		673	331
+ Net margin liabilities		-445	-801
Financial net debt	14	6,410	7,023
+ BS Pension obligations		1,288	1,520
+ Other asset retirement obligations		816	821
- BS Share of Finnish and Swedish Nuclear Waste Funds		3,406	3,445
+ BS Nuclear provisions		3,785	3,866
+ Nuclear provisions net of assets in Nuclear Waste Funds		378	421
+ Total provisions net of assets in Nuclear Waste Funds		2,482	2,762
Adjusted net debt		8,892	9,784

See Note 14 Interest-bearing net debt.

Financial net debt/comparable EBITDA

EUR million	Note	2020	LTM
+ Interest-bearing liabilities		10,662	10,978
- BS Liquid funds		2,308	3,598
- Non-current securities		98	106
- Collateral arrangement securities		432	418
- Securities in interest-bearing receivables		530	524
- BS Margin receivables		1,132	1,118
+ BS Margin liabilities		331	673
+ Net margin liabilities		-801	-445
Financial net debt	14	7,023	6,410
IS Operating profit		1,599	2,341
+ IS Depreciation and amortisation		1,090	1,248
EBITDA		2,689	3,589
- IS Items affecting comparability		-255	-219
Comparable EBITDA		2,434	3,370
Financial net debt/comparable EBITDA		2.9	1.9

Market conditions and achieved power prices

Power consumption

TWh	I/2021	I/2020	2020	LTM
Nordic countries	120	112	383	391
Russia	297	283	1,033	1,047
Tyumen	23	25	86	84
Chelyabinsk	10	9	36	37
Russia Urals area	69	69	246	246
Russia Siberia area	59	58	209	210

Average prices	I/2021	I/2020	2020	LTM
Spot price for power in Nord Pool power exchange, EUR/MWh	42.1	15.4	10.9	17.5
Spot price for power in Finland, EUR/MWh	48.6	24.0	28.0	34.1
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	45.7	18.7	21.2	27.9
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	37.5	15.6	14.4	19.8
Spot price for power in the First Price Zone of Russia, RUB/MWh ¹⁾	1,360	1,222	1,220	1,255
Spot price for power in the Second Price Zone of Russia, RUB/MWh ¹⁾	918	907	873	875
Average capacity price for the Russia segment, tRUB/MW/month	636	672	608	599
Average capacity price for the Uniper segment, tRUB/MW/month	251	-	261	258
Spot price for power in Germany, EUR/MWh	49.6	26.6	30.4	36.2
Average regulated gas price in Urals region, RUB/1000 m ³	4,016	3,937	3,977	3,997
Average capacity price for the Russia segment's CCS, tRUB/MW/month ^{2) 3)}	182	165	156	161
Average capacity price for the Russia segment's CSA, tRUB/MW/month ³⁾	1,289	1,163	1,058	1,080
Average capacity price for the Uniper segment's CCS, tRUB/MW/month ^{2) 3)}	169	-	136	145
Average capacity price for the Uniper segment's CSA, tRUB/MW/month ³⁾	1,163	-	951	982
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	1,158	1,068	1,068	1,090
CO ₂ , (ETS EUA), EUR/tonne CO ₂	38	23	25	28
Coal (ICE Rotterdam), USD/tonne	69	49	50	60
Oil (Brent Crude), USD/bbl	61	51	43	46

1) Excluding capacity tariff.

2) Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreements.

3) Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumption.

Water reservoirs

TWh	31 Mar 2021	31 Dec 2020
Nordic water reservoirs level	55	105
Nordic water reservoirs level, long-term average	41	84

Export/import

TWh (+ = import to, - = export from Nordic area)	I/2021	I/2020	2020	LTM
Export / import between Nordic area and Continental Europe + Baltics	-5	-6	-24	-23
Export / import between Nordic area and Russia	2	1	3	4
Export / import Nordic area, Total	-2	-5	-21	-18

Power market liberalisation in Russia

%	I/2021	I/2020	2020	LTM
Share of power sold at the liberalised price	79	79	77	77

Achieved power prices

	I/2021	I/2020	2020	LTM
Generation segment's Nordic achieved power price, EUR/MWh	37.2	34.0	34.8	35.8
Uniper segment's Nordic achieved power price, EUR/MWh	31.5	-	26.0	27.6
Russia segment's achieved power price, RUB/MWh	1,892	1,810	1,940	1,968
Russia segment's achieved power price, EUR/MWh ¹⁾	21.1	24.5	23.4	22.4
Uniper segment's achieved power price in Russia, RUB/MWh	1,681	-	1,798	1,831
Uniper segment's achieved power price in Russia, EUR/MWh ¹⁾	18.7	-	21.7	20.8

1) Translated using average exchange rate.

Fortum's production and sales volumes

Uniper sales and production volumes are disclosed from the second quarter of 2020.

Power generation

TWh	I/2021	I/2020	2020	LTM
Power generation in Nordics	19.5	13.3	59.2	65.4
Power generation in other European countries	12.1	0.4	26.7	38.4
Power generation in Russia	20.7	8.4	55.6	67.9
Power generation in other countries	0.2	0.2	0.6	0.6
Total	52.5	22.3	142.1	172.3

Heat production

TWh	I/2021	I/2020	2020	LTM
Heat production in Nordics	2.1	1.9	5.1	5.3
Heat production in other European countries	3.3	1.1	7.1	9.3
Heat production in Russia	8.4	6.2	17.4	19.6
Total	13.9	9.2	29.6	34.3

Power generation capacity by segment

MW	31 Mar 2021	31 Dec 2020
Generation ¹⁾	8,039	8,163
Russia	4,928	4,928
City Solutions	1,050	988
Uniper	35,469	36,218
Total	49,486	50,297

1) Including 440 MW of Meri-Pori power plant, which is under reserve capacity agreement during period July 2020 - June 2022.

Heat production capacity by segment

MW	31 Mar 2021	31 Dec 2020
Russia	8,437	8,437
City Solutions	3,792	4,057
Uniper	6,662	7,017
Total	18,891	19,511

Power generation by source in the Nordic area

TWh	I/2021	I/2020	2020	LTM
Hydro and wind power	9.0	6.6	29.6	32.0
Nuclear power	9.9	6.3	28.6	32.2
Thermal power	0.5	0.3	1.0	1.2
Total	19.5	13.3	59.2	65.4

Power generation by source in the Nordic area

%	I/2021	I/2020	2020	LTM
Hydro and wind power	46	50	50	49
Nuclear power	51	48	48	49
Thermal power	3	2	2	2
Total	100	100	100	100

Power generation by source in other European countries

TWh	I/2021	I/2020	2020	LTM
Hydro and wind power	1.0	-	3.3	4.3
Thermal power	11.1	0.3	23.4	34.2
Total	12.1	0.3	26.7	38.5

Power generation by source in other European countries

%	I/2021	I/2020	2020	LTM
Hydro and wind power	8	-	12	11
Thermal power	92	100	88	89
Total	100	100	100	100

Power sales

EUR million	I/2021	I/2020	2020	LTM
Power sales in Nordics	1,287	585	2,494	3,196
Power sales in other European countries ¹⁾	5,259	56	16,226	21,429
Power sales in Russia	438	262	1,411	1,587
Power sales in other countries	5	6	19	18
Total	6,989	910	20,150	26,229

1) Including commodity trading.

Heat sales

EUR million	I/2021	I/2020	2020	LTM
Heat sales in Nordics	146	110	271	307
Heat sales in other European countries	194	87	410	517
Heat sales in Russia	64	55	145	154
Total	405	252	825	978

Power sales by area

TWh	I/2021	I/2020	2020	LTM
Finland	6.9	6.4	23.1	23.6
Sweden	15.3	9.3	44.7	50.7
Russia	25.0	10.7	68.3	82.6
Norway	4.9	4.5	13.8	14.2
Germany ¹⁾	90.9	-	338.8	429.7
United Kingdom	7.4	-	13.0	20.4
Netherlands	2.5	-	6.3	8.8
Other countries	2.4	0.9	8.1	9.6
Total	155.4	31.8	516.0	639.6

1) Including commodity trading.

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

Heat sales by area

TWh	I/2021	I/2020	2020	LTM
Russia	8.4	6.2	17.4	19.6
Finland	1.2	1.0	2.9	3.1
Norway	0.8	0.7	1.5	1.6
Poland	1.6	1.4	3.4	3.6
Germany	1.2	-	2.4	3.6
United Kingdom	-	-	0.0	0.0
Netherlands	1.0	-	2.3	3.3
Other countries	0.8	0.5	1.9	2.2
Total	15.0	9.8	31.7	36.9