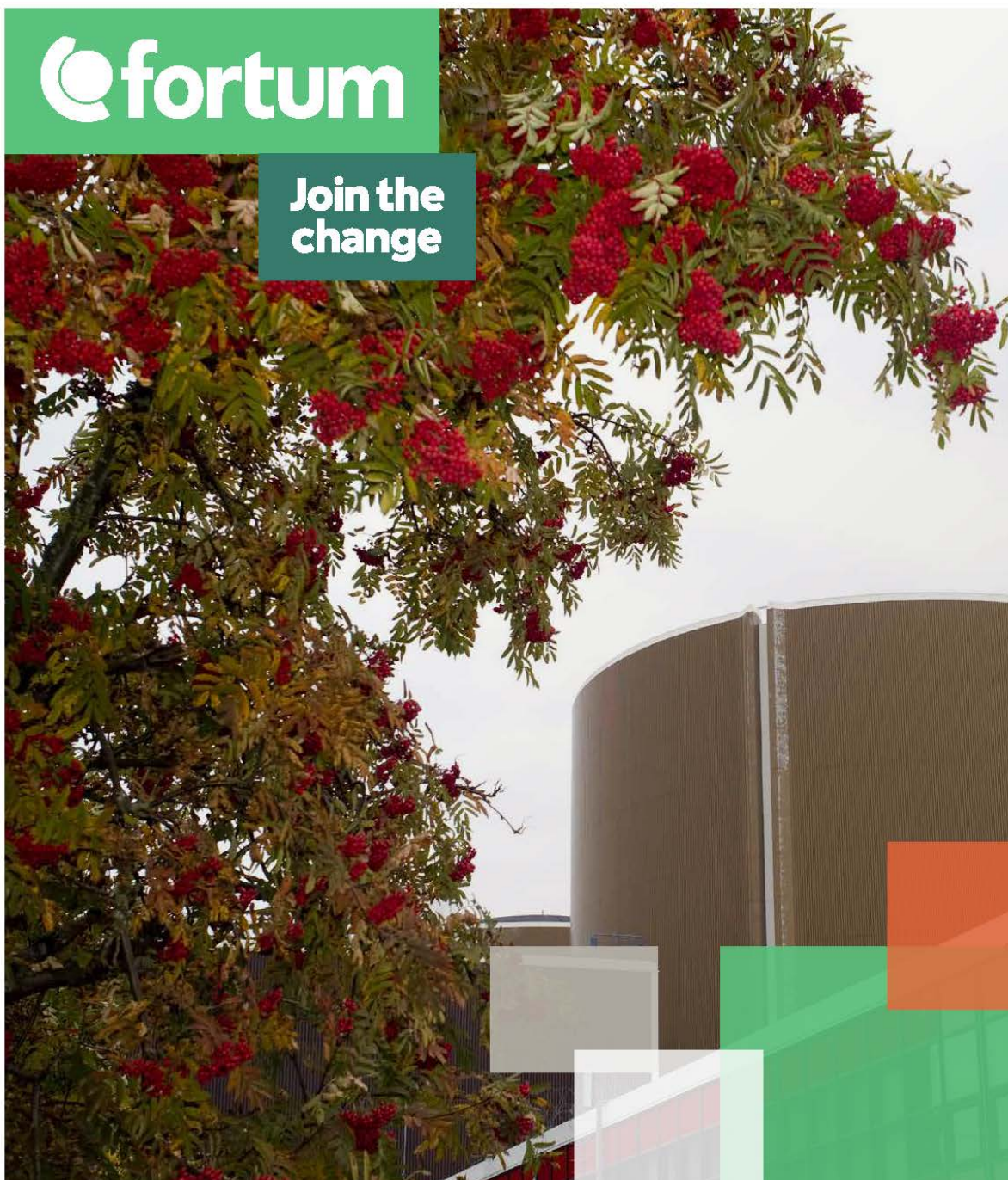




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# **Fortum Corporation**

## **Interim Report**

### **January–September 2020**

Fortum Corporation  
Domicile Espoo  
Business ID 1463611-4

# Contents

Seasonally weak Uniper quarter burdened Fortum's results – Generation segment stable on good hedges	3
Fortum's President and CEO Markus Rauramo's comments	4
Changes in reporting	5
Financial results	6
Financial position and cash flow	8
Segment reviews	9
Capital expenditures, divestments, and investments in shares	18
Operating and regulatory environment	20
Key drivers and risks	25
Outlook	26
Legal actions	27
Sustainability	27
Shares and share capital	31
Group personnel	31
Changes in the Group management	32
Authorisations of the Board	32
Other major events during the reporting period	32
Further information	33

## Tables to the Interim Report

Condensed consolidated income statement	35
Condensed consolidated balance sheet	37
Condensed consolidated statement of changes in total equity	38
Condensed consolidated cash flow statement	40
Change in net debt	42
Key ratios	42
Notes to the condensed consolidated interim financial statements	43
Definition of key figures	73
Market conditions and achieved power prices	76
Fortum's production and sales volumes	77

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

## Seasonally weak Uniper quarter burdened Fortum's results – Generation segment stable on good hedges

### July-September 2020

- Comparable EBITDA was EUR 132 (295) million
- Comparable operating profit was EUR -176 (153) million due to Uniper's negative result in the third quarter
- Operating profit was EUR 60 (124) million, impacted by a EUR 291 million sales gain from the divestment of the Järvenpää district heating operations and EUR -242 (-27) million of fair value change of non-hedge-accounted derivatives
- Share of profits of associates and joint ventures was EUR 23 (106) million, the decline mainly related to Uniper reported as an associated company until 31 March 2020
- Earnings per share were EUR 0.23 (0.20), of which EUR 0.33 (-0.02) related to items affecting comparability
- Net cash from operating activities before change in net margin liabilities totalled EUR 820 (236) million
- Cash flow from operating activities totalled EUR 363 (262) million

### January-September 2020

- Comparable EBITDA was EUR 1,187 (1,213) million
- Comparable operating profit was EUR 424 (793) million
- Operating profit was EUR 1,186 (666) million, impacted by a EUR 722 million sales gain from the divestment of the Joensuu and Järvenpää district heating operations and a one-time, non-cash income statement impact of EUR -222 million from Uniper becoming Fortum's subsidiary
- Share of profits of associates and joint ventures was EUR 540 (678) million, the decline mainly related to Uniper reported as an associated company until 31 March 2020
- Earnings per share were EUR 1.63 (1.27), of which EUR 0.75 (-0.11) related to items affecting comparability
- Net cash from operating activities before change in net margin liabilities totalled EUR 1,840 (1,411) million
- Cash flow from operating activities totalled EUR 1,424 (1,753) million
- Adverse effects of Covid-19 mainly in the Group's Russian operations
- Total consideration from disclosed divestments EUR 1.2 billion, including divestment of district heating operations in Joensuu and Järvenpää, majority stake in Nordic wind, and majority stake in Nordic charging operator
- In March, Fortum became the majority owner in Uniper, consolidated Uniper as a subsidiary

### Summary of outlook

- The Generation segment's Nordic generation hedges: approximately 85% at EUR 34 per MWh for the remainder of 2020, approximately 75% at EUR 33 per MWh for 2021, and approximately 40% at EUR 32 per MWh for 2022
- The Uniper segment's Nordic generation hedges: approximately 90% at EUR 29 per MWh for the remainder of 2020, approximately 85% at EUR 28 per MWh for 2021, and approximately 55% at EUR 24 per MWh for 2022
- Updated: Capital expenditure, including maintenance but excluding acquisitions, is expected to be approximately EUR 600 million in 2020 (previously EUR 700 million). This includes approximately EUR 150 million (previously EUR 200 million) of solar and wind investments, which are subject to the capital recycling business model. This guidance does not include capital expenditure for the Uniper segment

## Key figures

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	14,049	1,060	27,736	3,894	5,447	29,289
Comparable EBITDA	132	295	1,187	1,213	1,766	1,740
Comparable operating profit	-176	153	424	793	1,191	822
Operating profit	60	124	1,186	666	1,110	1,630
Share of profit/loss of associates and joint ventures	23	106	540	678	744	606
Profit before income taxes	106	198	1,690	1,274	1,728	2,144
Earnings per share, EUR	0.23	0.20	1.63	1.27	1.67	2.03
Net cash from operating activities before change in net margin liabilities*	820	236	1,840	1,411	1,658	2,087
Net cash from operating activities	363	262	1,424	1,753	2,015	1,686
Shareholders' equity per share, EUR			14.10	13.96	14.61	
Financial net debt (at period-end)**			7,130		4,833	
Adjusted net debt (at period-end)**			9,640		4,978	
Interest-bearing net debt (at period-end)**			-	5,367	5,260	

\* New subtotal added in the second quarter of 2020. Margin receivables and liabilities are included in financial net debt.

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

## Fortum's President and CEO Markus Rauramo:

"Fortum's operating environment in the third quarter of 2020 was characterised by continued uncertainty caused by Covid-19, low Nordic power prices due to high hydrology, and the seasonally weak third-quarter results of the Uniper segment. Thanks to our prudent hedging and portfolio rotation, we managed reasonably well. We are also continuing our determined work to align the strategies of Fortum and Uniper which we will present in more detail at our upcoming Capital Markets Day in December.

Nordic power prices continued to be depressed throughout the quarter as the Nordic hydro reservoirs stayed around historically high levels. Especially the Nordic system price and Norwegian area prices were low, whereas prices declined clearly less in the Swedish and Finnish price areas that are the most significant to Fortum. The strong CO<sub>2</sub>-price supported the central European power prices and the spread between the German and Nordic prices remained wide.

The Covid-19 pandemic continued to shake the world economy in the third quarter of 2020. As earlier this year, the impact on the Nordic power demand was limited. Out of Fortum's businesses mainly our Russian operations continued to experience some adverse effects from lower power and heat demand.

The Generation segment's results were burdened by longer nuclear maintenance outages that reduced the nuclear power generation. However, the impact was partly offset by the higher achieved power price and higher hydro volumes. Thanks to our higher hedge price and fairly high hedge level, we were able to counter the effect of the lower Nordic spot prices. The Consumer Solutions segment continued to improve and the results of the City Solutions segment were stable.

As highlighted already in previous quarters, Uniper's strong first-quarter results were partly attributable to a shift between quarters. This further burdened the segment's results in the third-quarter, which is typically a weaker quarter due to seasonal variations within the year. Uniper's seasonally weaker third quarter did not affect its full year guidance as Uniper reiterated the outlook of an adjusted EBIT of EUR 800 to 1,000 million for 2020.

At Fortum, continuous portfolio optimisation is a mainstay. In August, Fortum closed the sale of the Järvenpää district heating business and recorded a tax-exempt capital gain of EUR 291 million. We have also proceeded with the strategic reviews of our Polish, Baltic, and Swedish district heating businesses as planned and are reviewing all alternatives, including possible divestments. We continue to put focus on our balance sheet and securing our overall financial strength. Equally, maintaining a credit rating of at least BBB continues to be a priority.

In September 2020, the EU Commission proposed to tighten the 2030 target for greenhouse gas emission reductions from the current 40% to 55% compared to 1990. This is a clear step in the right direction, even though it falls slightly short of the EU Parliament's proposal of a 60% reduction. We fully support the Commission's proposal and emphasise the necessity of extending the emission trading system to other sectors such as heating and transport, as an efficient tool for achieving the target.

Since I took office as CEO of Fortum, my main attention has been on the collaboration with Uniper and driving the strategy alignment. We are working on updating Fortum's strategy and setting targets for the whole Group, and will present them at our upcoming Capital Markets Day on 3 December 2020."

## Changes in reporting

### Uniper consolidation

As the majority owner of Uniper, Fortum consolidated Uniper as a subsidiary as of 31 March 2020. Uniper is a separate reportable segment of Fortum. This entails changes in Fortum's reporting structure, accounting policies, as well as definitions of certain key figures, among others. The changes are being implemented in phases over the financial year 2020. Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter, consolidated Uniper's results into its income statement.

Following the consolidation of Uniper, Fortum has changed its definition of net debt. New definitions of financial net debt and adjusted net debt are used in Fortum's financial reporting.

When consolidating Uniper's results into Fortum's income statement, the income statement line items have been classified in accordance with Fortum's income statement categorisation and, as such, may not be fully comparable to Uniper's standalone income statement. In the consolidation of Uniper's results, Fortum has utilised the 'Components of adjusted EBIT' reported by Uniper (see Uniper's third-quarter Interim Report 2020, page 12). Further, reporting of both the Uniper segment and the Generation segment are impacted by adjustments for the joint ownership in the Swedish nuclear company, OKG AB. No further adjustments have been made to Uniper's standalone income statement during the third quarter of 2020, as the preparation of the purchase price allocation and alignment of accounting principles is still ongoing.

Uniper's energy trading and optimisation business accounts for more than 90% of the Uniper Group's sales. A substantial portion of Uniper's sales arises from the physical assets and contract portfolio optimisation, which is accounted for on a gross basis.

Uniper prepares its financials in accordance with IFRS accounting standards. Following the acquisition of Uniper, Fortum has commenced a review of Uniper's accounting policies to identify any significant differences to Fortum's accounting policies.

The preparation of the purchase price allocation for the Uniper acquisition has been initiated. The purchase price allocation will be completed within the one-year window from the acquisition date in accordance with IFRS.

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

# Financial results

## Sales by segment

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Generation	441	458	1,465	1,558	2,141	2,048
Russia	172	229	691	765	1,071	997
City Solutions	184	200	738	834	1,200	1,104
Consumer Solutions	235	311	896	1,326	1,835	1,405
Uniper	13,159	-	24,524	-	-	24,524
Other Operations	34	29	102	83	115	134
Netting of Nord Pool transactions	-74	-100	-212	-390	-529	-351
Eliminations	-102	-67	-468	-282	-387	-573
<b>Total</b>	<b>14,049</b>	<b>1,060</b>	<b>27,736</b>	<b>3,894</b>	<b>5,447</b>	<b>29,289</b>

## Comparable EBITDA by segment

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Generation	181	176	666	660	939	945
Russia	73	91	286	333	469	422
City Solutions	10	11	148	179	309	278
Consumer Solutions	33	31	116	106	141	151
Uniper	-147	-	37	-	-	37
Other Operations	-19	-14	-66	-64	-91	-93
<b>Total</b>	<b>132</b>	<b>295</b>	<b>1,187</b>	<b>1,213</b>	<b>1,766</b>	<b>1,740</b>

## Comparable operating profit by segment

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Generation	136	140	545	555	794	784
Russia	40	53	175	222	316	269
City Solutions	-36	-36	6	41	121	86
Consumer Solutions	18	16	69	60	79	88
Uniper	-307	-	-279	-	-	-279
Other Operations	-27	-21	-92	-84	-119	-127
<b>Total</b>	<b>-176</b>	<b>153</b>	<b>424</b>	<b>793</b>	<b>1,191</b>	<b>822</b>

## Operating profit by segment

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Generation	143	111	543	463	771	851
Russia	40	54	176	223	317	270
City Solutions	255	-38	731	46	127	812
Consumer Solutions	26	20	81	24	20	77
Uniper	-377	-	-83	-	-	-83
Other Operations	-27	-24	-262	-89	-127	-300
<b>Total</b>	<b>60</b>	<b>124</b>	<b>1,186</b>	<b>666</b>	<b>1,110</b>	<b>1,630</b>

## Share of profit/loss of associates and joint ventures

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Generation	7	6	-17	45	10	-52
Russia	5	15	31	59	59	31
City Solutions	1	-1	38	41	37	34
Consumer Solutions	-	-	-	-	-	-
Uniper	11	-	16	-	-	16
Other Operations*	0	86	471	534	638	575
<b>Total</b>	<b>23</b>	<b>106</b>	<b>540</b>	<b>678</b>	<b>744</b>	<b>606</b>

\* 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, consolidated Uniper's results into its income statement. The main reason for the change in quarterly, cumulative, and last-twelve-month figures compared to the previous year is thus the consolidation of Uniper.

## July-September 2020

Sales were EUR 14,049 (1,060) million.

Comparable operating profit decreased to EUR -176 (153) million, mainly due to the seasonally weak third-quarter results of the Uniper segment and negative impact of the change in the Russian rouble exchange rate.

Operating profit for the period was impacted by EUR 236 (-29) million of items affecting comparability, mainly due to the sales gain from the divestment of the Järvenpää district heating operations and changes in fair values of non-hedge-accounted derivatives.

The share of profits of associates and joint ventures was EUR 23 (106) million. The decline in the share of profits of associates and joint ventures is mainly related to Uniper now being a subsidiary (Note 12).

## January-September 2020

Sales were EUR 27,736 (3,894) million.

Comparable operating profit was EUR 424 (793) million, mainly due to the seasonally weak third-quarter results of the Uniper segment. In the Russia segment, the lower power margins and volumes decreased the comparable operating profit. The main reasons for the clearly weaker profitability in the City Solutions segment were lower heat sales volumes, lower power prices, and lower results in the district heating business in Norway.

Operating profit for the period was impacted by EUR 763 (-127) million of items affecting comparability, mainly due to the sales gains of EUR 722 million from the divestment of the Joensuu and Järvenpää district heating operations and a one-time, non-cash income statement impact of EUR -222 million from Uniper becoming Fortum's subsidiary on 31 March 2020. This one-time item did not affect Fortum's total equity, as it is merely a reclassification within equity (Notes 1 and 4).

The share of profits of associates and joint ventures was EUR 540 (678) million. Since Fortum has accounted for Uniper's share of profits with a time-lag of one quarter, Fortum's first-quarter 2020 results include the share of Uniper's fourth-quarter 2019 profits of EUR 162 million and first-quarter 2020 profits of EUR 307 million. Fortum's share of Uniper's profits, EUR 469 (534) million, includes a reversal of the adjustment that Fortum recorded in the fourth quarter of 2019 related to the positive impact from the reinstatement of the UK capacity market. Further, Fortum also made a reversal of EUR 449 million after tax, related to the impairments Uniper recorded in the fourth quarter of 2019 and first quarter of 2020. In this reversal, Fortum utilised the fair value adjustments recorded in the purchase price allocation in 2018 (Note 12).

Net finance costs amounted to EUR 36 (70) million.

For further details, see Segment reviews.

## Financial position and cash flow

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

### Cash flow

In January-September 2020, net cash from operating activities decreased by EUR 329 million to EUR 1,424 (1,753) million. Net cash from operating activities before change in net margin liabilities increased by EUR 429 million to EUR 1,840 (1,411) million.

Net cash used in investing activities was EUR 1,109 (162) million. Capital expenditure increased by EUR 153 million to EUR 682 (529) million. Acquisition of shares, net of liquid funds, amounted to EUR 1,643 million, mainly from acquiring shares in Uniper. Divestment of shares, mainly from the divestments of the Joensuu and Järvenpää district heating operations, amounted to EUR 1,223 million. The non-cash collateral arrangement to release pledged cash from the Nordic power exchange in the first quarter of 2019 had a positive impact of EUR 310 million and is presented in 'Change in other interest-bearing receivables'. Cash flow before financing activities decreased to EUR 316 (1,591) million.

Proceeds from long-term liabilities were EUR 2,475 (2,805) million. On 24 March 2020, Fortum drew a term loan of EUR 2,000 million and on 6 May 2020 a bridge loan of EUR 300 million to finance the acquisition of Uniper shares. In the comparison period in 2019, Fortum issued new bonds totalling EUR 2.5 billion under the Euro Medium Term Note (EMTN) programme. The total payments of long-term liabilities were EUR 467 (2,549) million. The net increase in liquid funds was EUR 1,092 (808) million.

### Assets

At the end of the reporting period, total assets amounted to EUR 53,645 (23,364 at the end of 2019 and 57,984 at the end of June 2020) million. The increase from year-end mainly relates to the consolidation of Uniper. Liquid funds at the end of the period were EUR 2,474 (1,433 at the end of 2019 and 2,403 at the end of June 2020) million.

### Equity

Equity attributable to owners of the parent company totalled EUR 12,522 (12,982 at the end of 2019) million. The decrease of EUR 460 million from the year end was mainly related to the dividend payment of EUR 977 million and the negative translation differences of EUR 791 million, partly offset by the net profit for the period of EUR 1,448 million.

### Financing

Following the consolidation of Uniper, Fortum updated its definition of net debt in the first quarter and uses financial net debt and adjusted net debt. At the end of the reporting period, financial net debt was EUR 7,130 (4,833 at the end of 2019 and 7,772 at the end of June 2020) million and adjusted net debt EUR 9,640 (4,978 at the end of 2019 and 10,060 at the end of June 2020) million. Net debt according to the old definition was EUR 5,260 million at the end of 2019 (Note 14).

At the end of the reporting period, the Group's liquid funds totalled EUR 2,474 (1,433 at the end of 2019 and 2,403 at the end of June 2020) million. Liquid funds include EUR 621 million held by Uniper.

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.

In January 2020, Fortum cancelled EUR 3,000 million and in June 2020, EUR 1,200 million of facilities and a revolving credit facility. Parts of the facilities were for the purchase of Uniper shares. In August 2020, Fortum cancelled EUR 350 million of the revolving credit facility maturing in November 2021.

In March 2020, Fortum drew a term loan of EUR 2,000 million, maturing on 31 October 2022, under these facilities for the acquisition of Uniper shares. In April 2020, Fortum signed a ten-year EUR 70 million bilateral loan agreement. In May 2020, under the facilities, Fortum drew a bridge loan of EUR 300 million, which was prepaid in June 2020.

In March 2020, Standard & Poor's resolved its CreditWatch Negative placement by affirming Fortum's BBB long-term rating, with a Negative Outlook. The short-term rating is at level A-2. In April 2020, Fitch removed Fortum's Rating Watch Negative placement by affirming Fortum's BBB long-term rating, with a Negative Outlook.

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

## Segment reviews

### Generation

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

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	441	458	1,465	1,558	2,141	2,048
- power sales	421	435	1,372	1,465	2,006	1,913
of which Nordic outright power sales*	318	325	1,092	1,124	1,568	1,535
- other sales	20	23	92	93	135	134
Comparable EBITDA	181	176	666	660	939	945
Comparable operating profit	136	140	545	555	794	784
Operating profit	143	111	543	463	771	851
Share of profit/loss of associates and joint ventures**	7	6	-17	45	10	-52
Comparable net assets (at period-end)			5,772		6,147	
Comparable return on net assets, %					12.8	12.6
Capital expenditure and gross investments in shares	46	81	113	184	260	189
Number of employees			1,222		1,109	

\* 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 19 in the Consolidated Financial Statements 2019).

### Power generation by source

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Hydropower, Nordic	4.5	4.3	16.0	14.5	20.3	21.8
Nuclear power, Nordic	4.3	5.0	16.2	17.2	23.5	22.5
Wind power, Nordic	0.0	0.1	0.3	0.3	0.4	0.4
Thermal power, Nordic	-	0.0	0.1	0.2	0.2	0.1
<b>Total</b>	<b>8.8</b>	<b>9.4</b>	<b>32.6</b>	<b>32.1</b>	<b>44.4</b>	<b>44.9</b>

## Nordic sales volumes

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Nordic sales volume	10.7	11.1	38.0	37.4	51.3	51.9
of which Nordic outright power sales volume*	8.6	9.1	31.5	30.9	42.7	43.3

\* 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	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Generation's Nordic achieved power price*	37.1	35.7	34.7	36.4	36.8	35.5

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

## July-September 2020

The Generation segment's total power generation in the Nordic countries decreased due to longer than planned nuclear outages. The segment's overall operational performance was at a good level. The annual maintenance outages at the nuclear power plants proceeded according to plan during the quarter. The CO<sub>2</sub>-free generation accounted for 100% (100%) of the total power generation.

The achieved power price in the Generation segment increased by 4%, corresponding to an increase of EUR 1.4 per MWh, thanks to good optimisation of the flexible generation fleet and higher hedge prices, despite the fact that the spot price in Fortum's power generation areas declined by 33%, mainly as a result of the wet hydrology and steadily growing Nordic wind power generation.

Comparable operating profit declined by 3%. The negative impact of lower nuclear volumes was offset by the higher achieved power price and higher hydro volumes. Comparable operating profit was also positively affected by EUR 11 million, due to the consolidation of the Generation segment's proportionate share of OKG (Note 1).

Operating profit was affected by EUR 7 (-29) million of items affecting comparability, mainly related to nuclear fund adjustments. In 2019, the effect was mainly related to the fair value change of non-hedge-accounted derivatives (Note 3).

The share of profits of associates and joint ventures totalled EUR 7 (6) million (Note 12).

In August 2020, Fortum initiated an Environmental Impact Assessment procedure for the Loviisa nuclear power plant. The procedure will assess the environmental impacts of a potential extension of the operation of the power plant or, alternatively, the decommissioning of the power plant, as well as the environmental impacts of the final disposal facility for low- and intermediate-level waste. The procedure is expected to take approximately two years.

In August 2020, Teollisuuden Voima Oyj (TVO) announced the updated time schedule for the Olkiluoto 3 (OL3) nuclear power plant, according to which the plant will start regular electricity generation in February 2022. Fortum is participating in OL3 as a 25% shareholder, through its interest in TVO.

## January-September 2020

The Generation segment's total power generation in the Nordic countries increased due to clearly higher hydro volumes compared to the historically low levels in the first quarter of 2019. The CO<sub>2</sub>-free generation accounted for 100% (99%) of the total power generation.

The achieved power price in the Generation segment decreased by EUR 1.7 per MWh, down 5%. Supported by the fairly high hedge level, the decline was marginal compared to the 48% drop in spot power prices in Fortum's power generation areas.

Comparable operating profit decreased by 2%. The negative impact of the lower achieved power price and lower nuclear volumes was partly offset by the higher hydro volumes. Comparable operating profit was also positively affected by EUR 23 million, due to the consolidation of the Generation segment's proportionate share of OKG (Note 1).

Operating profit was affected by EUR -1 (-92) million of items affecting comparability (Note 3).

The share of profits of associates and joint ventures totalled EUR -17 (45) million (Note 12).

## Russia

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

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	172	229	691	765	1,071	997
- power sales	159	211	603	676	924	851
- heat sales	12	18	86	88	145	143
- other sales	1	1	2	2	2	2
Comparable EBITDA	73	91	286	333	469	422
Comparable operating profit	40	53	175	222	316	269
Operating profit	40	54	176	223	317	270
Share of profit/loss of associates and joint ventures	5	15	31	59	59	31
Comparable net assets (at period-end)			2,398		3,205	
Comparable return on net assets, %					12.3	10.7
Capital expenditure and gross investments in shares	21	16	72	35	133	170
Number of employees			2,964		2,955	

## Power generation and heat production for the Russia segment

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Russian power generation	5.9	6.7	19.8	21.9	29.3	27.2
Russian heat production	1.6	1.7	10.3	11.3	17.3	16.3

## Prices for the Russia segment

	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Average capacity price for CCS and other, tRUB/MW/month* **	147	145	153	150	154	156
Average capacity price for CSA, tRUB/MW/month**	970	1,004	1,033	1,066	1,096	1,071
Average capacity price, tRUB/MW/month	555	571	592	604	624	615
Achieved power price for the Russia segment, RUB/MWh	2,059	1,974	1,901	1,985	1,990	1,927
Achieved power price for the Russia segment, EUR/MWh***	23.1	27.5	23.8	27.0	27.3	24.9

\* 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.

## July-September 2020

Power generation volumes declined by 12% and heat production volumes declined by 6%. Reduced oil production and lower overall economic activity following the OPEC+ decisions and Covid-19 restrictions had an adverse effect on power demand. Heat volumes were negatively affected especially by the warmer weather in the Chelyabinsk and Tyumen areas.

Sales decreased by 25% due to the weaker Russian rouble and lower volumes. The effect of the change in the Russian rouble exchange rate was EUR -44 million.

Comparable operating profit decreased by 25%, mainly due to a EUR -11 million effect from the change in the Russian rouble exchange rate. In addition, the impact of lower power volumes and lower Capacity Supply Agreement (CSA) payments was broadly offset by lower bad-debt provisions.

The share of profits of associates and joint ventures totalled EUR 5 (15) million (Note 12).

## January-September 2020

Power generation volumes declined by 10% and heat production volumes declined by 9%.

Sales decreased by 10%, due to the weaker Russian rouble and lower power prices and volumes. The effect of the change in the Russian rouble exchange rate was EUR -61 million.

Comparable operating profit decreased by 21%, mainly due to lower power margins and volumes, lower Capacity Supply Agreement payments, and the weaker Russian rouble, the negative effect of which was partly offset by higher heat tariffs. The decline in CSA payments is a consequence of the lower Government bond yields. The effect of the change in the Russian rouble exchange rate was EUR -16 million.

The share of profits of associates and joint ventures totalled EUR 31 (59) million (Note 12).

## 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	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	184	200	738	834	1,200	1,104
- heat sales	58	63	352	414	615	553
- power sales	22	28	79	108	153	124
- waste treatment sales*	57	59	183	180	250	253
- other sales**	47	51	124	131	181	174
Comparable EBITDA	10	11	148	179	309	278
Comparable operating profit	-36	-36	6	41	121	86
Operating profit	255	-38	731	46	127	812
Share of profit/loss of associates and joint ventures	1	-1	38	41	37	34
Comparable net assets (at period-end)			3,520		3,892	
Comparable return on net assets, %					4.7	3.9
Capital expenditure and gross investments in shares	148	53	217	262	322	277
Number of employees			2,084		1,970	

\* Waste treatment sales comprise gate fees and environmental construction services.

\*\* Other sales mainly comprise operation, maintenance and other services, the sale of recycled products, as well as fuel sales.

## Heat sales by country

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Finland	0.3	0.5	2.1	2.6	3.8	3.3
Poland	0.2	0.2	2.2	2.2	3.3	3.3
Norway	0.1	0.1	1.0	1.1	1.7	1.6
Other countries	0.2	0.3	1.3	1.3	2.0	2.0
<b>Total</b>	<b>0.9</b>	<b>1.1</b>	<b>6.6</b>	<b>7.2</b>	<b>10.8</b>	<b>10.2</b>

## Power sales by country

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Finland	0.1	0.2	0.6	1.1	1.6	1.1
Poland	0.1	0.2	0.4	0.4	0.6	0.6
Other countries	0.3	0.3	1.0	0.7	1.0	1.3
<b>Total</b>	<b>0.6</b>	<b>0.6</b>	<b>2.1</b>	<b>2.2</b>	<b>3.2</b>	<b>3.1</b>

## July-September 2020

The effects of the divestments of the Joensuu and Järvenpää district heating businesses in January and August 2020 corresponded to a 6% decrease in heating sales. The temperatures were somewhat higher in most heating areas, which also contributed to the decline.

Comparable operating profit was unchanged. The result improved in the heating and cooling business in Finland and Norway, but this was offset by the lower results in the Baltic countries. In Norway, the positive effect of the change in the exchange rate of the Norwegian krona more than offset the negative effect of the very low power price.

Operating profit was affected by EUR 292 (-2) million of items affecting comparability, mainly related to the tax-exempt capital gain of EUR 291 million recorded from the divestment of the Järvenpää district heating business (Note 3).

The share of profits of associates and joint ventures totalled EUR 1 (-1) million (Note 12).

## January-September 2020

Heat sales volumes decreased by 8% as temperatures were clearly higher than normal in all heating areas in the first quarter of 2020. Part of the lower heat sales volumes is related to the divestments of the Joensuu and Järvenpää district heating businesses. The commissioning of the Pavagada 2 solar park in India in August 2019 contributed to higher power sales volumes in 'Other countries'.

Comparable operating profit decreased by 85%. The main reasons for the clearly weaker profitability were lower heat sales volumes, lower power prices, and lower Norwegian heat prices in the first quarter as well as the lower second-quarter results in the Norwegian district heating business. In Norway, the district heat pricing is linked to the power price development, which in this market environment had in a clear negative impact on the heat prices. In addition, structural changes, mainly the divestment of the Joensuu district heating business, had a EUR 8 million negative impact on the results for the first nine months. The Pavagada 2 solar park, commissioned in August 2019, contributed positively to the result. The Covid-19 pandemic had some adverse effects on the results of City Solutions.

Operating profit was affected by EUR 725 (5) million of items affecting comparability, mainly the tax-exempt capital gains of EUR 431 million and EUR 291 million, respectively, from the divestment of the Joensuu and Järvenpää district heating businesses (Note 3).

The share of profits of associates and joint ventures totalled EUR 38 (41) million (Note 12), the main part of which is related to the share of profit of Stockholm Exergi, EUR 29 (30) million.

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

On 6 February 2020, Fortum decided to assess strategic options, including possible divestment, of its district heating and cooling businesses in Poland, Estonia, Lithuania, Latvia, and in Järvenpää, Finland. Based on initial assessments, these district heating and cooling businesses were identified as operations that could provide higher growth and value potential with an alternative ownership structure. On 3 July, Fortum announced it had agreed to sell the district heating business in Järvenpää for approximately EUR 375 million. Fortum completed the transaction on 19 August 2020. In July, Fortum increased its ownership in the Tartu district heating business to 100% in order to increase the flexibility of potential future options for the Estonian district heating businesses. The assessments in Poland and the Baltics are progressing according to plan. On 31 July, Fortum announced its decision to assess strategic options, including possible divestment, of its 50% holding in Stockholm Exergi.

## 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	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	235	311	896	1,326	1,835	1,405
- power sales	187	272	727	1,175	1,630	1,182
- gas sales	22	22	96	94	132	135
- other sales	26	17	73	57	74	90
Comparable EBITDA	33	31	116	106	141	151
Comparable operating profit	18	16	69	60	79	88
Operating profit	26	20	81	24	20	77
Comparable net assets (at period-end)			533		640	
Capital expenditure and gross investments in shares	15	13	43	39	55	59
Number of employees			1,105		1,327	

## Sales volumes

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Electricity	5.2	5.5*	21.0	21.8*	30.6	29.7
Gas	0.8	0.7	3.3	2.8	4.1	4.6

Not including wholesale volumes.

\* Figure corrected from previously published.

## Number of customers

Thousands*	30 Sept 2020	31 Dec 2019
Electricity	2,300	2,340
Gas	50	40
<b>Total</b>	<b>2,340</b>	<b>2,380</b>

\* Rounded to the nearest 10,000.

## July-September 2020

The electricity sales volumes decreased by 5%. Total sales revenue decreased by 24%, as a result of the low electricity price in the Nordics during the second and third quarters. Competition in the Nordics continued to be intense. The Covid-

19 pandemic has increased market uncertainty especially in the small and medium-sized enterprises sector; so far, however, 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 and employee engagement indices remained at all-time high levels. Several new digital services for current and new customers were launched during the quarter.

The result performance continued to improve and the comparable operating profit increased by 13%. The comparable EBITDA increased already for the twelfth consecutive quarter and reached the all-time high level for a third-quarter financial result.

Operating profit was affected by EUR 8 (5) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives (Note 3).

## January-September 2020

The electricity sales volumes decreased by 4%, mainly due to warmer weather in the Nordics in the first quarter. Total sales revenue decreased by 32%. The gas volume increased by 18%, mainly due to an increase of business customers in Poland.

Comparable operating profit continued to improve and increased by 15%, mainly driven by higher sales margins. The higher sales margins are a result of active development of the service offering following the Hafslund integration and subsequent development of the business.

Operating profit was affected by EUR 12 (-36) 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. The segment includes Uniper's proportionate share of OKG (Note 1).*

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	13,159	-	24,524	-	-	24,524
- power sales	5,489	-	10,427	-	-	10,427
of which Nordic outright power sales*	84	-	227	-	-	227
- heat sales	52	-	110	-	-	110
- gas sales	6,996	-	12,748	-	-	12,748
- other sales	622	-	1,239	-	-	1,239
Comparable EBITDA	-147	-	37	-	-	37
Comparable operating profit	-307	-	-279	-	-	-279
Operating profit	-377	-	-83	-	-	-83
Share of profit/loss of associates and joint ventures	11	-	16	-	-	16
Comparable net assets (at period-end)			6,618		-	
Capital expenditure and gross investments in shares	233	-	377	-	-	377
Number of employees			11,644		-	

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

## Power generation by source

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Hydropower, Nordics	1.9	-	4.3	-	-	4.3
Nuclear power, Nordics	1.9	-	4.7	-	-	4.7
Hydropower, Central Europe	1.2	-	2.3	-	-	2.3
Thermal power, Central Europe	8.0	-	13.4	-	-	13.4
Thermal power, Russia	8.5	-	17.9	-	-	17.9
<b>Total</b>	<b>21.6</b>	<b>-</b>	<b>42.7</b>	<b>-</b>	<b>-</b>	<b>42.7</b>

## Nordic sales volumes

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Nordic sales volume	3.9	-	9.2	-	-	9.2
of which Nordic outright power sales volume*	3.9	-	9.0	-	-	9.0

\* 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	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Uniper's Nordic achieved power price*	21.9	-	25.2	-	-	25.2
Average capacity price for Uniper CCS and other, tRUB/MW/month** ***	131	-	131	-	-	131
Average capacity price for Uniper CSA, tRUB/MW/month***	899	-	900	-	-	900
Average capacity price for Uniper, tRUB/MW/month	245	-	245	-	-	245
Achieved power price for Uniper in Russia, RUB/MWh	2,022	-	1,790	-	-	1,790
Achieved power price for Uniper in Russia, EUR/MWh****	22.7	-	22.4	-	-	22.4

\* 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.

## Introduction to Uniper's business

Uniper is an international energy company with operations in more than 40 countries. With about 34 GW of installed generation capacity, Uniper is among the largest global power generators. Approximately 50% of the power generating capacity is gas-based, 30% coal-based, and 20% hydro- or nuclear-based. Its main activities include power generation in Europe and Russia as well as global energy trading and optimisation, including a diversified gas portfolio that makes Uniper one of Europe's leading gas companies.

Uniper's energy trading and optimisation business accounts for more than 90% of the Uniper Group's sales. A substantial portion of Uniper's sales arises from the physical assets and contract portfolio optimisation, which is accounted for on a gross basis.

The Uniper business generally follows a seasonal pattern with the first and fourth quarters being the strongest. Therefore, the result contribution in the second and third quarters is usually limited.

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



## July-September 2020

Aside from the Nordics, power markets in the third quarter were characterised by lower demand due to the Covid-19 pandemic. The European supply from renewable power generation was on a robust level with high water reservoir levels in the Nordics. Nevertheless, electricity prices and spreads recovered slightly. The average spot price in Germany rose by 75% compared to the second quarter and was close to the level of the third quarter 2019. The nuclear volumes were relatively low, due to planned outages.

The gas business followed the normal seasonal pattern with a weak third quarter. This was further pronounced as the intra-year optimisation of the gas portfolio was well utilised earlier this year, increasing the first quarter-results at the expense of the third quarter.

The Russian business contributed positively to Uniper's comparable operating profit. In the third quarter, the Covid-19 pandemic had less of a negative effect on prices and volumes than in the second quarter.

Comparable operating profit amounted to EUR -307 (-) million.

Operating profit was affected by EUR -71 (-) million of items affecting comparability, mainly EUR -249 (-) million of fair value change of non-hedge-accounted derivatives and an income of EUR 173 (-) million resulting primarily from reversals of temporary reductions in current assets and adjustments of provisions (Note 3).

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

## April-September 2020

Aside from the Nordics, power markets in the second and third quarters were characterised by lower demand due to the Covid-19 pandemic. The European supply from renewable power generation was on a robust level with high water reservoir levels in the Nordics. This resulted in lower power prices and lower spreads in Uniper's core markets. However, given the optimisation and hedging activities of the power generation fleet, an increased focus on spot, intraday, and system-services, as well as higher power generation in the third quarter, the financial impact of the lower thermal generation was offset to a large extent.

European gas prices were depressed by reduced market demand combined with relatively high storage levels and robust supply. This presented gas suppliers with the challenge of optimising the supply and sales portfolio, burdening the gas business above the usual seasonal pattern during the third quarter of 2020. The commodity business benefited especially from the settlement of coal, freight, and oil trading deals.

The Russian business contributed positively to Uniper's comparable operating profit despite lower electricity prices in the day-ahead market, due to the impact of the Covid-19 pandemic, especially on oil and gas producers, reduced foreign demand, the lower Russian rouble exchange rate, as well as a weather-related increase in supply.

Comparable operating profit amounted to EUR -279 (-) million.

Operating profit was affected by EUR 196 (-) million of items affecting comparability, mainly EUR -89 (-) million of fair value change of non-hedge-accounted derivatives, EUR 70 (-) million of impairment charges and reversals, and an income of EUR 211 (-) million resulting primarily from reversals of temporary reductions in current assets and adjustments of provisions (Note 3).

The share of profits of associates and joint-ventures totalled EUR 16 (-) million (Note 12).

On 20 May 2020, Uniper held its Annual General Meeting, which approved the dividend of EUR 421 million.

On 28 May 2020, Uniper and its co-shareholders decided to return the Irsching 4 and 5 gas power plants to the market as of 1 October 2020, due to improved market prices – in particular, lower gas prices – which should make it possible to operate the highly efficient gas power plant economically.

On 30 May 2020, Uniper commissioned the Datteln 4 coal power plant.

On 10 June 2020, the German Federal Government passed the national hydrogen strategy and decided on the members of the National Hydrogen Council (Nationaler Wasserstoffrat). The CEO of Uniper, Andreas Schierenbeck, was appointed to the expert committee.

In June 2020, Uniper and General Electric signed an agreement aiming at a long-term collaboration on the decarbonisation of Uniper's gas-fired power plants and natural gas storage facilities.

## **Uniper investment**

Fortum is the majority owner of Uniper with an ownership of more than 75% of the shares and voting rights.

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter, Fortum consolidated Uniper's results into its income statement. The reason for the change in quarterly, cumulative, and last-twelve-month figures compared to the previous year is thus the consolidation of Uniper. Fortum's first-quarter share of Uniper's results is reported in the share of profits of associates and joint venture of 'Other operations'; see Changes in reporting and Note 1.

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

On 8 October 2019, Fortum announced it had entered into agreements with Elliott and Knight Vinke to acquire an additional stake of at least 20.5% in Uniper, increasing Fortum's share in Uniper to more than 70% and the total investment in Uniper to approximately EUR 6.5 billion. On 26 March 2020, Fortum closed the first tranche of the transaction after receiving all necessary regulatory clearances. Fortum's shareholding in Uniper thereby increased to 69.6%. On 8 May 2020, Fortum closed the second and final tranche, thereby increasing the ownership to 73.4%. In August 2020, Fortum increased its ownership in Uniper to more than 75% (Notes 6 and 12).

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

For further information, see Uniper's third-quarter 2020 report published on 10 November 2020.

## **Capital expenditures, divestments, and investments in shares**

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

In the third quarter of 2020, capital expenditures and investments in shares totalled EUR 582 (183) million. Capital expenditures were EUR 355 (162) 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
<b>Generation</b>					
Sørfjord, Norway*	Wind	97		26 Oct 2020	20 Dec 2019
<b>Russia</b>					
Solar**	Solar	116		2021-2022	17 Jun 2019
<b>City Solutions</b>					
Kivenlahti, Finland	Bio HOB***		58	May 2020	24 Sep 2019
Suomenoja, Finland	Heat pump		20	2021	24 Sep 2019
Rajasthan, India	Solar	250		II/2021	4 Mar 2019
<b>Uniper</b>					
Datteln IV, Germany	Coal	1,052	380	30 May 2020	30 May 2020
Berezovskaya 3, Russia	Lignite	754		I-II/2021	11 Aug 2020
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			Apr 2021	6 Feb 2020
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

\* The Sørfjord wind park is part of the transaction with Credit Suisse Energy Infrastructure Partners, and the sale of an 80% share is estimated to take place in the fourth quarter of 2020.

\*\* Subject to separate investment decision.

\*\*\* Biofuel-fired heat-only boiler.

## Generation

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP 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 Sørfjord wind park, commissioned on 26 October 2020, is part of the transaction with CSEIP and the sale of an 80% share is estimated to take place in the fourth quarter of 2020.

## Russia

In 2017 and 2018, the Fortum-Rusnano wind investment fund won the right to build a total of 1,823 MW of wind capacity in CSA auctions. The wind parks receive a guaranteed CSA price for a period of 15 years. 350 MW of the capacity is operational, 745 MW under construction, and 728 MW under development. In 2018 and 2019, Fortum won the right to build a total of 116 MW of solar capacity in CSA auctions.

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 6 February 2020, Fortum decided to assess strategic options, including possible divestment, of its district heating and cooling businesses in Poland, Estonia, Lithuania, Latvia, and in Järvenpää, Finland. Based on initial assessments, these

district heating and cooling businesses have been identified as operations that could provide higher growth and value potential with an alternative ownership structure. On 3 July, Fortum announced it had agreed to sell the district heating business in Järvenpää for approximately EUR 375 million. In August, Fortum closed the transaction and recorded a tax-exempt capital gain of EUR 291 million in the City Solutions segment's third-quarter 2020 results. In July, Fortum increased its ownership in the Tartu district heating business to 100% in order to increase the flexibility in potential future options for the Estonian district heating businesses. The assessment in Poland and the Baltics is progressing according to plan. On 31 July, Fortum announced its decision to assess strategic options, including possible divestment, of its 50% holding in Stockholm Exergi.

## Operating and regulatory environment

### European power markets

According to preliminary statistics, electricity consumption in the Nordic countries was 81 (82) TWh during the third quarter of 2020. The Nordic power demand showed a minor decline, while temperatures were somewhat above the long-term average and close to the level in the third quarter of 2019. In Finland and Sweden industrial demand was at about the same level. Demand declined mainly for paper production, but demand in other sectors increased to a certain extent, thereby offsetting this decline.

Measures taken to prevent the spread of Covid-19 impacted power demand in various European countries during the second quarter of 2020, with central western Europe (Germany, France, Austria, Switzerland, Belgium, and the Netherlands) seeing a 9% decline compared to previous year. However, the European power demand recovered significantly in the third quarter and was realised close to levels in 2019.

According to preliminary statistics, electricity consumption in central western Europe was 284 (286) TWh in the third quarter of 2020.

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. In the longer term, the rate of electrification of the industrial, transportation, and heating sectors is a key element determining the growth in electricity consumption.

At the beginning of 2020, the Nordic water reservoirs were at 79 TWh, which is 5 TWh lower than the long-term average and 5 TWh higher than one year earlier. The rainy and mild winter led to a rapid increase of the Nordic water reservoirs during the first quarter. Spring was fairly cold and the spring inflows were significantly delayed, but once melting started, the very large snow pack resulted in the spring inflows bringing water levels close to the historical maximum levels in most Nordic water reservoirs. At the end of the third quarter of 2020, the reservoirs were at 114 TWh, which is 13 TWh above the long-term average and 12 TWh higher than one year earlier.

In the third quarter of 2020, the average system spot price in Nord Pool was EUR 8.9 (34.7) per MWh. The decline in the Finnish and Swedish price areas was clearly less than in the Nordic system price. The average area price in Finland was EUR 32.8 (47.8) per MWh, in the SE3-area in Sweden (Stockholm) EUR 25.3 (35.6) per MWh, and in the SE2-area in Sweden (Sundsvall) EUR 18.6 (35.3) per MWh. During January-September 2020, the average system spot price in Nord Pool was EUR 10.0 (39.0) per MWh. The average area price in Finland was EUR 26.4 (44.2) per MWh, in the SE3-area in Sweden (Stockholm) EUR 19.7 (38.3) per MWh, and in the SE2-area in Sweden (Sundsvall) EUR 14.1 (38.1) per MWh. The very large hydrological surplus and the risk of spilling in many hydro reservoirs have been the main reasons for the low Nordic spot prices during 2020.

In Germany, the spot power price saw a strong recovery compared to the previous quarter. The average spot price for the third quarter was close to the level in the third quarter 2019 and was EUR 36.1 (37.4) per MWh. The recovery in power demand and the favourable development of the CO<sub>2</sub> and gas prices together with the continued low power generation of the French nuclear fleet all supported the recovery of the German spot price. In January-September 2020, the average German spot price was EUR 27.7 (38.0) per MWh.

In mid-November 2020, the Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2020 was around EUR 10 per MWh and for 2021 around EUR 15 per MWh. The Nordic water reservoirs were about 18 TWh

above the long-term average and 22 TWh higher than one year earlier. The German electricity forward price for the remainder of 2020 was around EUR 34 per MWh and for 2021 around EUR 39 per MWh.

## Commodity markets

Gas demand in central western Europe was 347 (338) TWh during the third quarter of 2020. The central western European gas storage levels increased from 500 TWh at the beginning of the quarter to 565 TWh at the end of the quarter, which is 18 TWh lower than one year ago and 38 TWh higher than the five-year average (2015–2019).

The average gas spot price (TTF) during the third quarter was EUR 7.8 (10.2) per MWh. The 2021 forward price increased from EUR 12.4 per MWh at the beginning of the quarter to EUR 13.6 per MWh at the end of the quarter.

During the third quarter, European Emission Allowances (EUA) traded in the range of EUR 25-30 per tonne. The price decreased from EUR 27.7 per tonne at the beginning of the quarter to EUR 26.9 per tonne at the end of the quarter, which is EUR 2.0 per tonne higher than one year earlier.

The forward quotation for coal (ICE Rotterdam) for 2021 increased from USD 57.7 per tonne at the beginning of the quarter to USD 60.4 per tonne at the end of the quarter, which is USD 5.8 per tonne below the price one year earlier.

In mid-November 2020, the TTF forward price for gas for the remainder of 2020 was EUR 14 per MWh and for 2021 EUR 14 per MWh. The forward quotation for EUAs for 2020 was at the level of EUR 26 per tonne. The forward price for coal (ICE Rotterdam) for the remainder of 2020 was USD 54 per tonne.

## Russian market

Fortum's Russia division operates mainly in the Tyumen and Khanty-Mansiysk area of western Siberia, where industrial production is dominated by the oil and gas industries, and in the Chelyabinsk area of the Urals, which is dominated by the metal industry. Uniper's Russian subsidiary Unipro PJSC operates in the Smolensk, Moscow, Sverdlovsk, and Krasnoyarsk regions, as well as 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 233 (240) TWh during the third quarter of 2020. The corresponding figure for the first price zone was 178 (185) TWh and for the second price zone 47 (47) TWh. The decline in consumption was caused by lower oil production and weaker general economic activity in the third quarter of 2020.

In the third quarter, the average electricity spot price, excluding capacity prices, increased by 1% to RUB 1,295 (1,280) per MWh in the first price zone and by 25% to RUB 856 (683) in the second price zone. The spot price in the Urals hub increased marginally and was RUB 1,109 (1,107) per MWh.

The Russian Government increased the gas price by 1.4% in July 2019 and by 3% in August 2020.

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

In addition, thermal power plants are entitled to clearly higher CSA payments starting approximately six years after commissioning (see tables below). In 2020, an increase in CSA payments is expected for one unit of Fortum's Uniper

segment, but none for Fortum's Russia segment's generation fleet. After the CSA period ends, units can receive CCS payments from CCS auctions.

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

\* Wind CSA.

\*\* Solar CSA.

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

\* Modernisation CSA 2.

Fortum's Russia division's generation capacity not receiving CSA payments, totalling 2,560 MW, is allowed to participate in the annual CCS auctions. Uniper's generation capacities allowed to participate in the CCS auction totalled 8,790 MW. The next CCS auction, for the year 2026, is expected to be held in the first quarter of 2021.

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

\* Excluding inflation.

In June 2019, Fortum won the right to build 5.6 MW of solar capacity in a CSA auction, in addition to the 110 MW won in June 2018. The power plants will receive a guaranteed CSA price for a period of 15 years, corresponding to approximately RUB 14,000 per MWh and RUB 15,000 per MWh, respectively. The plants are to be commissioned during 2021-2022.

In June 2018, the Fortum-Rusnano wind investment fund (Fortum's ownership 50%) 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

### EU targets to raise the climate ambition for the year 2030

On 17 September, the European Commission published a proposal for a new 2030 climate target and related impact assessment. The target is to reduce greenhouse gas emissions by at least 55% from 1990, including carbon sinks. This is clearly more ambitious than the current target of 40%.

The Parliament is proposing to increase the emission reduction target to 60%. The member states are split regarding the target level but the German EU Presidency aims to reach a common agreement among member states by the end of the year. The new target is subject to an approval by the European Parliament and Council. The final adoption of the new target is expected latest during the first half of 2021. The legislative proposals to implement the new target are expected in mid-2021.

A key issue that potentially will have a large effect on the EU Emission Trading System (ETS) and carbon price is the allocation of the new target between the ETS and non-ETS sectors. In Fortum's view, the ETS sector should take the main responsibility for the more ambitious target. In addition, it is important to ensure coherence of the climate target with other energy policy targets, such as renewable energy and energy efficiency.

### The role of nuclear in the EU Taxonomy Regulation still pending

Following the adoption of the EU Taxonomy Regulation in June 2020, the European Commission aims to publish a series of key complementary delegated acts during the autumn. These acts are likely to address all renewable energy sources as taxonomy-aligned, whilst the status of natural gas as a transitional fuel is questioned as being above the threshold of 100 g CO<sub>2</sub>/kWh. Nuclear is proposed not to be part of these delegated acts, as its environmental assessment under the "no-harm principle" is still ongoing. The Commission has indicated its intent to publish a specific delegated act by the end of 2021 to include nuclear in case of a positive outcome of the environmental assessment. A final version of this set of delegated acts should be adopted by the Commission by the end of 2020 following consultation with stakeholders.

Fortum has called for an EU sustainable finance regulation that is well-designed and relies on a non-discriminatory approach towards climate-neutral energy sources (ranging from renewables, nuclear, storage, clean gases to carbon-negative technologies). Fortum will carefully assess the delegated act drafts to evaluate if they provide a genuine level-playing-field approach to sustainable finance.

### Nordic countries' budget proposals for 2021 focus on green recovery

The Finnish budget proposal from 16 September includes positive elements for the energy sector and electrification. The electricity tax applicable to energy-intensive industries will be lowered to the EU minimum as of 2021 (from EUR 7.0/MWh to EUR 0.5/MWh). Heat pumps connected to district heating networks as well as small data centres will be included in the industrial electricity tax category. Taxation of heating fuels will be increased by EUR 105 million as of 2021. This will increase the costs for district heating, hence risking the competitiveness of district heating compared to alternative means of heating.

In Sweden, the budget proposal from 21 September provides support for electrification, hydrogen, negative emissions, and circular economy. The proposed fiscal policy stimulus measures and reforms for 2021 amount to more than SEK 105 billion. In addition, there will be annual solar subsidies of SEK 260 million for companies and municipalities. However, also negative impacts for utility-scale power generation are foreseen as, e.g., the limit for the tax exemption for self-consumed

solar is doubled to 500 kW. The budget proposal includes SEK 10 billion for technology-neutral green credit guarantees aimed at large industrial projects that support the climate target. For the years 2022 and 2023, a total of SEK 250 million is proposed for bio-based carbon capture and storage reverse auctioning in order to facilitate the development of negative emissions, which is an opportunity for Stockholm Exergi, as the company is evaluating a project for capturing CO<sub>2</sub> from its bio-based combined heat and power (CHP) plant.

The Norwegian state budget proposal from 7 October includes an additional cost burden for waste incineration in the proposal of a CO<sub>2</sub> tax of NOK 149 per tonne of waste. Fortum opposes this tax, as it provides no climate benefits. Earlier in September, as part of the funding proposal for carbon capture and storage projects, the Government proposed a partial conditional grant of NOK 3 billion for Fortum Oslo Varme's carbon capture and storage project, provided that additional financing is received from other sources. Fortum welcomes the proposed grant, but notes that the possibilities to secure additional grants are limited and the proposed grant alone is insufficient to make the project financially viable. Fortum Oslo Varme is currently analysing the options for securing sufficient funding for the project and submitted an application for the EU Innovation Fund in October 2020. Fortum continues the dialogue with the Norwegian state aiming at securing a feasible solution to realise the project.

## **EU Recovery and Resilience Facility taking shape**

On 9 October, the European Council agreed on its position on the EUR 673 billion Recovery and Resilience Facility, which is a new tool for the member states to step up public investments and reforms in order to recover from the impact of the Covid-19 crisis. Agreed on by the EU leaders in July 2020, this facility forms the majority of the EUR 750 billion plan (Next Generation EU). It consists of grants (EUR 313 billion) and loans (EUR 360 billion) to the member states and is a short-term oriented instrument where all funds should be committed by 2026.

The facility offers significant opportunities for the energy sector for the funding of, e.g., renewable energy and energy infrastructure projects. In Finland, Fortum has projects that could be applicable to the recovery funding.

## **Hydrogen strategies developing in the EU**

On 8 July, the EU Commission presented its Hydrogen Strategy to lay the foundation for hydrogen development across the EU. The EU is setting a political target to gradually install 6 GW of electrolyzers by 2024 and 40 GW by 2030, reaching 1 million tonnes and 10 million tonnes of renewable hydrogen production, respectively. The strategy also foresees hydrogen imports from an additional 40 GW capacity in countries outside the EU. The strategy has a strong focus on renewables-based hydrogen, but hydrogen produced from fossil fuels with carbon capture, storage and utilisation technologies is also recognised as an important enabler in meeting the decarbonisation needs of industry. The Commission is looking forward to the EU's green recovery financing and carbon pricing as main instruments to promote the hydrogen economy.

The German EU Presidency is planning to draft the Council conclusions on the strategy during December. Legislative proposals to implement the strategy, e.g. review of the EU internal gas market legislation and revision of the Renewable Energy Directive, are expected by mid-2021. During 2020, the Commission will also issue an Offshore Renewable Energy Strategy that is considered to be an important enabler in the development of hydrogen. The Commission has also established the European Clean Hydrogen Alliance – a platform open to all entities with activities for renewable or low-carbon hydrogen that are ready to contribute to the deployment of hydrogen technologies by 2030.

Several EU member states have also prepared a national hydrogen strategy with targets, including Germany, France, the Netherlands, Portugal, and Spain. Combining the targets of those five countries amounts to 22 GW of capacity by 2030, which is half of the EU target. Strategies are under preparation also in the UK and the Nordic countries.

Fortum welcomes the EU Hydrogen Strategy as an essential enabler to decarbonise the EU economy in line with the European Green Deal. It is important to ensure that all CO<sub>2</sub>-free electricity, both from new built and existing power plants, including nuclear can contribute to clean hydrogen. In addition, natural gas reforming should be able to provide clean hydrogen provided that the CO<sub>2</sub> is captured. The development of a hydrogen market should be based on a CO<sub>2</sub> emission threshold and EU-wide certification instead of defining various "colour codes" for hydrogen. Fortum is a member in both Hydrogen Europe and the European Clean Hydrogen Alliance.



# 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 about the risk exposures, please see each respective company's annual report.

On 26 March 2020, Fortum became the majority shareholder of Uniper. Fortum consolidated Uniper into Fortum's balance sheet as of 31 March 2020, and the income statement from the second quarter. However, Uniper remains a separate company, listed in Germany, and therefore has its own risk management systems, risk governance framework, and a separate disclosure of its material risks and uncertainties. The methods and models used to quantify and assess risk in Uniper differ from Fortum partly due to different requirements set by local regulations. Fortum and Uniper have initiated discussions on risk management systems and frameworks to ensure continued compliance with corporate governance codes, relevant disclosure requirements, and regulations.

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

One of the key factors influencing Fortum's business performance is the Nordic electricity wholesale price. The key short-term drivers behind the electricity wholesale price development in the Nordic region are commodity prices, such as coal and gas, European electricity wholesale prices, prices for CO<sub>2</sub> emission allowances, the hydrological situation, temperatures, wind, and the electricity import-export balance. In the longer term, global economic growth and changes to energy policy and regulations impact commodity and CO<sub>2</sub> emission allowance prices, which, in turn, impact the Nordic wholesale price of electricity. In addition, increased volatility in exchange rates could have both translation and transaction effects on Fortum's financials, especially through the Russian rouble and Swedish krona.

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

Changes in the regulatory and fiscal environment create risks and opportunities for the energy, environmental management, and consumer businesses. The main strategic risk is that the regulatory and market environment develops in a way that we have not been able to foresee and prepare for. In response to these uncertainties, Fortum analyses and assesses a number of future market and regulation scenarios, including the impact of these on different generation forms and technologies in the development of its strategy.

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

Due to the ongoing Covid-19 pandemic, the exposure to risk and uncertainty in all risk categories has increased compared to the year-end situation. Although there has been a certain stabilisation and partial recovery of prices in the second and third quarters, market prices for Nordic electricity remain lower than at the beginning of the year, due to lower commodity prices and European demand as well as the extremely wet, warm, and windy winter in the Nordics during the first quarter. Fortum's hedges, especially for the remainder of 2020 and for the year 2021, will offer some protection

against short-term fluctuations in Nordic electricity and other commodity market prices, but if the Covid-19 pandemic continues longer than expected or results in a more severe economic downturn than anticipated, results will be negatively impacted, as the hedge level for future years is lower.

Additionally, there is an increased risk of credit defaults caused by the abrupt shut-down of society in many parts of the world. Fortum hedges the majority of its Nordic power production through exchanges where contracts are cleared through clearing houses, such as Nasdaq Clearing AB, thus limiting credit exposure. However, Fortum also has retail electricity and heat sales to businesses and households primarily in the Nordics, Poland, and Russia, as well as exposure towards customers in the recycling and waste solutions business. Credit defaults have not yet had a significant impact, but if the pandemic continues for a longer period of time without effective support schemes for affected businesses, we expect to see increased default rates and delayed payments from customers, especially in the small and medium businesses in high-risk sectors. Fortum applies the expected credit loss model when recognising loss allowances for expected credit losses on financial assets and for credit value adjustments to the fair value of derivatives contracts. The model inputs have been reviewed taking into account the ongoing Covid-19 pandemic. There is no significant increase in credit losses due to Covid-19; however, the probability of defaults used in the expected credit loss model has generally increased, resulting in slightly higher loss allowances and credit value adjustments.

Operational risks have also increased due to the pandemic. Travel restrictions, risk of prolonged absences of key personnel, and difficulties in obtaining key materials, spare parts, and resources from our suppliers increase the risk of operational incidents or prolonged maintenance periods. So far, the risks have been mitigated through the activation of business continuity plans and a review of the timing and prioritisation of maintenance work. No significant incidents have impacted Fortum's operations, but the longer the Covid-19 pandemic continues, the higher the risk of such incidents in the future.

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

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

## Outlook

### Hedging

At the end of September 2020, approximately 85% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 34 per MWh for the remainder of 2020, approximately 75% at EUR 33 per MWh for 2021 (at the end of the second quarter of 2020: 65% at EUR 33 per MWh), and approximately 40% at EUR 32 per MWh for 2022.

At the end of September 2020, approximately 90% of the Uniper segment's estimated Nordic power sales volume was hedged at EUR 29 per MWh for the remainder of 2020, approximately 85% at EUR 28 per MWh for 2021 (at the end of the second quarter of 2020: 80% at EUR 27 per MWh), and approximately 55% at EUR 24 per MWh for 2022 (at the end of the second quarter of 2020: 40% at EUR 24 per MWh).

The reported hedge ratios are based on the hedges and power generation forecasts of the Generation segment and of Uniper's Nordic generation. The underlying generation assets and definition of hedges differ to some extent and 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 has updated the capital expenditure for 2020 and currently estimates its capital expenditure, including maintenance but excluding acquisitions, to be approximately EUR 600 million in 2020 (previously approximately EUR 700 million). This includes approximately EUR 150 million (previously EUR 200 million) of solar and wind investments, which are subject to the capital recycling business model. The maintenance capital expenditure in 2020 is estimated to be

approximately EUR 300 million, well below the level of depreciation. This guidance does not include capital expenditure for the Uniper segment.

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

## Generation

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

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

## City Solutions

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

## Uniper guidance

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

## Income taxation

In 2020, the comparable effective corporate income tax rate for Fortum is estimated to be in the range 20-25%, as Uniper is consolidated into Fortum's results from the end of the first quarter. The wider range is mainly a consequence of volatility in the taxation of Uniper's operations.

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

## Legal actions

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

## Sustainability

Creating a joint strategy for Fortum and Uniper also includes defining a joint vision on decarbonisation and other areas of sustainability. The review of the objectives, policies, and reporting of sustainability has been initiated and the work continues during 2020. Fortum's target is to announce new Group sustainability targets in connection with its full year 2020 financial reporting at the latest.

As the majority owner of Uniper, Fortum consolidated Uniper as a subsidiary as of 31 March 2020. This may entail changes in Fortum's sustainability policies and definitions of certain key figures, among others. The changes will be implemented in phases over the financial year 2020. As a subsidiary to Fortum, Uniper remains, however, a separate

company, listed in Germany, and therefore as of now still has its own sustainability processes, approach and standalone sustainability reporting.

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

Both Fortum and Uniper highlight the importance of decarbonisation and climate change mitigation, while at the same time the necessity to secure reliable and affordable energy for all. The Group 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, the Group's sustainability priority areas include:

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

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

### Group sustainability performance 2020

	III/2020	III/2019	I-III/2020	I-III/2019	2019
<b>Climate and resources</b>					
Specific CO <sub>2</sub> emissions from total energy production*, gCO <sub>2</sub> /kWh	319	205	273	194	189
Energy availability of CHP plants**, %	87.0	95.5	90.6	96.7	95.9
Asset availability of Uniper's power generation plants***, %	74.7	-	77	-	-
<b>Personnel and society</b>					
Lost Workday Injury Frequency, own personnel and contractors*	1.3	1.6	1.2	1.8	1.7
Severe occupational accidents*, no.	1	0	1	0	1

Fortum consolidated Uniper's results into its income statement from the second quarter of 2020. The first-third quarters 2020 do not include Uniper for the first-quarter 2020. The figures for the third-quarter 2019, first-third quarters 2019, and full-year 2019 do not include Uniper.

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

\*\*Excludes Uniper.

\*\*\* Includes only Uniper's power generation from gas and coal power plants in the second and third quarters of 2020.

## Other key sustainability performance indicators 2020\*

	III/2020	III/2019	I-III/2020	I-III/2019	2019
<b>Climate and resources</b>					
Major EHS incidents, no.	1	3	13	9	11
<b>Personnel and society</b>					
Quality of investigation process of occupational accidents, major EHS incidents and near misses	Level 4.0	Level 4.0	Level 4.0	Level 3.0	Level 3.0
GAP index, implementation of EHS minimum requirements	Level 3.0	Level 3.0	Level 3.0	Level 3.0	Level 3.0
Contractor Safety Improvement index	Level 4.0	Level 2.0	Level 3.0	Level 2.0**	Level 2.0**
Sickness-related absences, %	2.4	2.5	2.6	2.9	2.9***

\* All figures excluding Uniper.

\*\* Reporting of the Contractor Safety Improvement index started in the second quarter of 2019.

\*\*\* The figure has been revised from the one presented in the Financial statements bulletin 2019 and the Financials 2019 report (3.0).

Fortum's goal is to continuously achieve excellent financial performance in strategic core areas through its strong competence and responsible ways of operating. Fortum is ranked in category B in the CDP Climate Change 2019 rating, and Uniper in category B-. In the MSCI ESG Ratings 2020 assessment, Fortum, excluding Uniper, 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, excluding Uniper, received a "Prime Status (B-)" rating and Uniper a "Medium C" rating. In addition, Fortum, excluding Uniper, is listed on the Nasdaq Helsinki exchange and is included in the STOXX Global ESG Leaders, OMX Sustainability Finland, ECPI®, Euronext Vigeo Eurozone 120, Euronext Vigeo Europe 120, FTSE4Good, and Equileap Gender Equality indices.

## Climate and resources

Fortum's key performance indicators for climate and resources are related to CO<sub>2</sub> emissions, security of supply, energy efficiency and major Environmental, Health, and Safety (EHS) incidents. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard, and 99.3% of Fortum's power and heat production worldwide has ISO 14001 certification. The figure also covers ISO 14001 certifications of Uniper's power and heat production.

Fortum's energy production (excluding Uniper) is primarily based on carbon dioxide-free hydro and nuclear power and on energy-efficient CHP production. Fortum is also investing in solar and wind power with the target to create a multi-gigawatt portfolio, which is subject to the capital recycling business model. Uniper's power production is based on hydro and nuclear power, gas and coal-fired power generation. Coal will be phased out over time on the basis of the national time schedules in Europe. Uniper also 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.

Both companies offer engineering services that help customers improve their performance and reduce the environmental impact of their operations. In addition, Fortum's aim is to promote resource efficiency, e.g. through its recycling and waste business, and the transition towards a more extensive circular economy.

Fortum and Uniper want to enable the energy transition by providing a reliable and affordable supply of low-carbon energy. In the future, the energy system will be based on renewable energy, increasingly clean gas (e.g. hydrogen) and nuclear power where socially acceptable. The joint strategy, due to be launched by the end of the year, will be based on these premises and will address the need to reduce the Group's climate impact.

In January-September 2020, Fortum's direct CO<sub>2</sub> emissions, including Uniper, were 31.2 Mt. Of the total CO<sub>2</sub> emissions, 10.4 Mt were within the EU ETS. The estimate for Fortum's free emission allowances, including Uniper, in 2020 is 0.8 Mt.

<b>Fortum's total CO<sub>2</sub> emissions* (million tonnes, Mt)</b>	<b>III/20</b>	<b>III/19</b>	<b>I-III/20</b>	<b>I-III/19</b>	<b>2019</b>	<b>LTM</b>
Total emissions	12.9	3.9	31.2	13.9	19.1	36.4
Emissions subject to ETS	5.5	0.3	10.4	1.5	2.1	11.0
Free emission allowances	-	-	-	-	0.7	-
Emissions not subject to ETS in Europe	0.2	0.2	0.5	0.5	0.7	0.7
Emissions in Russia	7.3	3.4	20.3	11.9	16.3	24.8

\*Fortum consolidated Uniper's results into its income statement from the second quarter of 2020. The first-third quarters 2020 do not include Uniper for the first-quarter 2020. The figures for the third quarter 2019, first-third quarters 2019, and full year 2019 do not include Uniper. The last-twelve-month figure includes Uniper only for the second and third quarter of 2020.

In January-September 2020, Fortum's specific CO<sub>2</sub> emissions from total energy production including Uniper were 273 gCO<sub>2</sub>/kWh.

An uninterrupted and reliable energy supply is critical for society to function. The definitions for asset availability differ between Fortum and Uniper. The energy availability of Fortum's CHP plants (excluding Uniper) excludes planned maintenance outages, whereas Uniper's asset availability for power production includes planned outages in addition to unplanned technical unavailability. In January-September 2020, the energy availability of Fortum's CHP plants, excluding Uniper, was, on average, 90.6%, and the asset availability of Uniper's gas and coal-fired power production plants was, on average, 77%. For Uniper the figure (77%) was for only the second and third quarters of 2020.

Major EHS incidents are monitored, reported and investigated, and corrective actions are implemented. In January-September 2020, there were 13 major EHS incidents in Fortum's operations, excluding Uniper. The major EHS incidents consisted of five fires, seven leaks or spills, and one INES level 1 incident. The major EHS incidents did not have significant environmental impacts, apart from the oil spill that occurred at the Inkoo oil storage in Finland. The clean-up measures at Inkoo have now been completed. The definitions of major EHS incidents vary between the two companies; therefore, 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 employee wellbeing. For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. Fortum strives to be a safe workplace for the employees, contractors, and service providers who work for the company. A certified OHSAS 18001 or ISO 45001 safety management system covers 98.8% of Fortum's power and heat production worldwide. The figure also covers ISO 45001 certifications of Uniper's power and heat production.

In January-September 2020, Fortum's Lost Workday Injury Frequency (LWIF) for own personnel and contractors, including Uniper, was 1.2. Fortum and Uniper strive for zero severe occupational accidents. In January-September 2020, there was one severe occupational accident in the company's operations. In September 2020, an employee of Uniper was fatally injured by an electrical shock while working on a switchgear upgrade project at a customer's premises in Germany. An investigation is under way to determine the incident's circumstances and root causes.

Fortum applies three internal control points covering the Group's EHS processes, excluding Uniper. These include the quality of the investigation process of occupational accidents, major EHS incidents, and serious near misses; the GAP index; and the Contractor Safety Improvement index.

In January-September 2020, the quality of the investigation process of occupational accidents, major EHS incidents, and serious near misses was at the very good level of 4.0.

In January-September 2020, the GAP index was at the desired level of 3.0. The GAP index measures how well the Group's EHS minimum requirements are realised at the power plant level.

The Contractor Safety Improvement index was at the desired level of 3.0 in January-September 2020. The Contractor Safety Improvement index measures how well Fortum has managed to implement measures targeting improvements in contractor safety.

Fortum's goal regarding workplace wellbeing activities is to promote the health and occupational safety of employees and the functionality of the work community. In January-September 2020, the percentage of sickness-related absences was 2.6. The figure excludes Uniper.

Fortum (excluding Uniper) expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Respectively, Uniper implements the requirements set forth in the company's Code of Conduct and Supplier Code of Conduct. Fortum (excluding Uniper) assesses the performance of its business partners with supplier qualification and supplier audits. In January-September 2020, Fortum (excluding Uniper) conducted a total of three on site supplier audits in India, Indonesia and in Finland. Due to the Covid-19 pandemic and travel restrictions, the possibilities to conduct on-site supplier audits have been limited since March 2020. In January-September 2020, Fortum (excluding Uniper) conducted two remote audits: one of a Finnish and one of a Dutch supplier. 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.

## Shares and share capital

### Fortum shares on Nasdaq Helsinki

January-September 2020	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR*	Last EUR
FORTUM	515,135,336	8,747,804,112	23.46	12.25	16.98	17.28

\* Volume weighted average.

	30 September 2020	30 September 2019
Market capitalisation, EUR million	15,345	19,267
Number of shareholders	197,125	127,921
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	24.6	29.8
Households, %	12.9	9.5
Financial and insurance corporations, %	2.2	1.7
Other Finnish investors, %	9.6	8.3

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 January-September 2020, approximately 69% of Fortum's shares were traded on markets other than Nasdaq Helsinki (source Bloomberg).

On 30 September 2020, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,294,465. Fortum Corporation does not hold any of the company's own shares.

## Group personnel

The operations of the Fortum 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 September 2020 was 19,983 (8,191 at the end of 2019 and 20,179 at the end of June 2020).

At the end of September 2020, the Generation segment had 1,222 (1,109 at the end of 2019) employees, Russia 2,964 (2,955 at the end of 2019), City Solutions 2,084 (1,970 at the end of 2019), Consumer Solutions 1,105 (1,327 at the end of 2019), Uniper 11,644 (was not consolidated at the end of 2019, and 11,591 at the end of June 2020), and Other Operations 964 (830 at the end of 2019).

# Changes in the Group management

On July 1 2020, Fortum's CFO Markus Rauramo started as President and CEO of Fortum, and Timo Karttinen, former CFO of Fortum (2014-2017), started as acting CFO for the interim period. A search process for a new CFO is ongoing.

## Authorisations of the Board

Fortum's Annual General Meeting 2020 authorised the Board of Directors to decide on the repurchase and disposal of the company's own shares up to a maximum number of 20,000,000 shares, which corresponds to approximately 2.25% of all the shares in the company. These authorisations will be effective until the next Annual General Meeting and, in any event, for a period no longer than 18 months.

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

These authorisations have not been used as of 17 November 2020.

## Other major events during the reporting period

### Shareholders Nomination Board

On 11 September 2020, Mr. Kimmo Viertola, Director General, Prime Minister's Office, Ownership steering department (Chairman), Mr. Jouko Pölönen, President and CEO, Ilmarinen Mutual Pension Insurance Company, and Mr. Risto Murto, President and CEO, Varma Mutual Pension Insurance Company were appointed to Fortum's Shareholders' Nomination Board. In addition, the Chairman of Fortum's Board of Directors, Mr. Matti Lievonen, is a member of the Shareholders' Nomination Board.

### Employee share savings programme

On 30 September 2020, Fortum's Board of Directors decided to launch the savings period for the year 2021 under its Employee Share Savings (ESS) programme. The ESS programme was established in October 2019 and the Board of Directors decides separately on the annual launch of each individual savings period.

### Change in responsible auditor

In September 2020, Jukka Vattulainen of Deloitte Oy was appointed as the responsible auditor for Fortum.

### Revision of Fortum's long-term financial targets

Following the consolidation of Uniper, Fortum's business profile has changed and Fortum has concluded that the previous long-term financial targets do not appropriately reflect the Group's current business profile. Consequently on 15 May 2020, Fortum's Board of Directors decided to remove the financial targets (return on capital employed of at least 10% and comparable net debt-to-EBITDA of around 2.5x) as of the first quarter of 2020. Fortum aims to revise its long-term financial targets by the end of 2020 at the latest.

Fortum's dividend policy, however, remains intact:

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

Fortum targets to have a solid investment grade rating of at least BBB to maintain its financial strength and to preserve financial flexibility and good access to capital markets for the enlarged Group. Fortum and Uniper will carefully manage



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

As one financial metric, Fortum will closely monitor that its comparable net debt-to-EBITDA ratio remains at a level that ensures a credit rating of at least BBB. For now, no specific target has been set for the comparable net debt-to-EBITDA ratio. Following the consolidation of Uniper, Fortum updated its definition of net debt and uses financial net debt and adjusted net debt (Note 14).

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

Espoo, 16 November 2020

Fortum Corporation  
Board of Directors

#### **Further information:**

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

#### **Fortum's Capital Markets Day**

Fortum's Capital Markets Day 2020 webcast will be held on 3 December 2020. More information at [www.fortum.com/cmd](http://www.fortum.com/cmd).

#### **Financial calendar in 2021**

Fortum Corporation's Financial Statements Bulletin for the year 2020 will be published on 12 March 2021 at approximately 9.00 EET.

Fortum will publish three interim reports in 2021:

- January-March on 12 May 2021 at approximately 9.00 EEST
- January-June on 17 August 2021 at approximately 9.00 EEST
- January-September on 12 November 2021 at approximately 9.00 EET

Fortum's Financial Statements and Operating and Financial Review for 2020 will be published in week 11 at the latest.

Fortum's Annual General Meeting 2021 is planned to take place on 28 April 2021 and the possible dividend-related dates are:

- Ex-dividend date 29 April 2021
- Record date for dividend payment 30 April 2021
- Dividend payment date 7 May 2021

Uniper will publish its 2020 Annual Report on 4 March 2021.

Uniper will publish its interim reports in 2021:

- Financial Results January-March 2021 on 6 May 2021
- Financial Results January-June 2021 on 10 August 2021
- Financial Results January-September 2021 on 5 November 2021

**Distribution:**

Nasdaq Helsinki  
Key media  
[www.fortum.com](http://www.fortum.com)

More information, including detailed quarterly information, is available on Fortum's website at [www.fortum.com/investors](http://www.fortum.com/investors)

Interim Financial Statements are unaudited

## Condensed consolidated income statement

EUR million	Note	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	3	14,049	1,060	27,736	3,894	5,447	29,289
Other income		1,386	20	3,542	65	110	3,587
Materials and services		-13,170	-533	-25,171	-1,976	-2,721	-25,916
Employee benefits		-337	-110	-814	-355	-480	-939
Depreciation and amortisation	3	-307	-143	-763	-421	-575	-917
Other expenses		-1,795	-142	-4,107	-415	-591	-4,283
<b>Comparable operating profit</b>	3	<b>-176</b>	<b>153</b>	<b>424</b>	<b>793</b>	<b>1,191</b>	<b>822</b>
Items affecting comparability	3, 4	236	-29	763	-127	-81	809
<b>Operating profit</b>	3	<b>60</b>	<b>124</b>	<b>1,186</b>	<b>666</b>	<b>1,110</b>	<b>1,630</b>
Share of profit/loss of associates and joint ventures	3, 12	23	106	540	678	744	606
Interest expense		-44	-40	-137	-128	-167	-176
Interest income		33	6	80	23	28	85
Other financial expenses - net		35	2	21	35	14	0
Finance costs - net	7	23	-32	-36	-70	-125	-91
<b>Profit before income tax</b>		<b>106</b>	<b>198</b>	<b>1,690</b>	<b>1,274</b>	<b>1,728</b>	<b>2,144</b>
Income tax expense	8	37	-25	-229	-134	-221	-316
<b>Profit for the period</b>		<b>144</b>	<b>173</b>	<b>1,461</b>	<b>1,140</b>	<b>1,507</b>	<b>1,828</b>
<b>Attributable to:</b>							
Owners of the parent		205	178	1,448	1,126	1,482	1,804
Non-controlling interests		-60	-5	13	14	25	24
		<b>144</b>	<b>173</b>	<b>1,461</b>	<b>1,140</b>	<b>1,507</b>	<b>1,828</b>
<b>Earnings per share for profit attributable to the equity owners of the company (EUR per share)</b>							
Basic		0.23	0.20	1.63	1.27	1.67	2.03

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

EUR million	Note	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
<b>Comparable operating profit</b>		<b>-176</b>	<b>153</b>	<b>424</b>	<b>793</b>	<b>1,191</b>	<b>822</b>
Impairment charges and reversals		-1	-6	70	-8	-8	70
Capital gains and other related items	6	299	3	781	9	7	779
Impact from acquisition accounting		-	-	-222	-	-	-222
Changes in fair values of derivatives hedging future cash flow		-242	-27	-70	-77	-72	-65
Nuclear fund adjustment	15	7	0	-8	-51	-9	34
Other		173	-	211	-	-	211
Items affecting comparability	4	236	-29	763	-127	-81	809
<b>Operating profit</b>		<b>60</b>	<b>124</b>	<b>1,186</b>	<b>666</b>	<b>1,110</b>	<b>1,630</b>

See Note 23 Definitions of key figures.

## Condensed consolidated statement of comprehensive income

EUR million	Note	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
<b>Profit for the period</b>		<b>144</b>	<b>173</b>	<b>1,461</b>	<b>1,140</b>	<b>1,507</b>	<b>1,828</b>
<b>Other comprehensive income</b>							
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>							
Cash flow hedges							
Fair value gains/losses <sup>1)</sup>		-184	-152	113	22	82	173
Transfers to income statement		-7	121	6	497	635	145
Transfers to inventory/property, plant and equipment		2	-2	1	-3	-4	0
Deferred taxes		38	6	-26	-112	-151	-65
Net investment hedges							
Fair value gains/losses		35	-1	51	-16	-24	43
Deferred taxes		-7	0	-8	3	5	-6
Exchange differences on translating foreign operations <sup>2)</sup>		-623	-42	-838	135	259	-714
Share of other comprehensive income of associates and joint ventures		-11	42	-263	57	72	-247
Transfer to income statement due to impact from acquisition accounting	4	-	-	222	-	-	222
Other changes		-21	-	-62	4	5	-61
		<b>-778</b>	<b>-29</b>	<b>-803</b>	<b>587</b>	<b>877</b>	<b>-513</b>
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>							
Remeasurement of investments		-12	-	-14	-	-	-14
Actuarial gains/losses on defined benefit plans		-145	-34	-226	-33	-21	-214
Actuarial gains/losses on defined benefit plans in associates and joint ventures		0	-91	69	-130	-208	-9
		<b>-158</b>	<b>-125</b>	<b>-171</b>	<b>-163</b>	<b>-229</b>	<b>-237</b>
<b>Other comprehensive income/expense for the period, net of deferred taxes</b>		<b>-936</b>	<b>-154</b>	<b>-973</b>	<b>424</b>	<b>649</b>	<b>-748</b>
<b>Total comprehensive income/expense for the period</b>		<b>-792</b>	<b>19</b>	<b>488</b>	<b>1,564</b>	<b>2,155</b>	<b>1,079</b>
<b>Total comprehensive income/expense attributable to:</b>							
Owners of the parent		-600	28	583	1,541	2,120	1,162
Non-controlling interests		-192	-8	-95	23	36	-82
		<b>-792</b>	<b>19</b>	<b>488</b>	<b>1,564</b>	<b>2,155</b>	<b>1,079</b>

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	30 Sept 2020	31 Dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	10	1,917	1,143
Property, plant and equipment and right-of-use assets	11	18,779	10,123
Participations in associates and joint ventures	12	2,808	6,435
Shares in Nuclear Waste Funds	15	3,120	813
Other non-current assets		490	151
Deferred tax assets		1,038	77
Derivative financial instruments	5	3,816	180
Long-term interest-bearing receivables	13	2,347	651
<b>Total non-current assets</b>		<b>34,316</b>	<b>19,571</b>
<b>Current assets</b>			
Inventories		1,822	230
Derivative financial instruments	5	6,487	131
Short-term interest-bearing receivables	13	645	384
Income tax receivables		205	133
Margin receivables	14	573	177
Trade and other receivables		7,124	999
Liquid funds	14	2,474	1,433
<b>Total current assets</b>		<b>19,329</b>	<b>3,486</b>
<b>Assets held for sale</b>	6	-	<b>307</b>
<b>Total assets</b>		<b>53,645</b>	<b>23,364</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		3,046	3,046
Share premium		73	73
Retained earnings		9,510	9,982
Other equity components		-107	-118
<b>Total</b>		<b>12,522</b>	<b>12,982</b>
Non-controlling interests		2,724	252
<b>Total equity</b>		<b>15,246</b>	<b>13,235</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	14	8,634	6,118
Derivative financial instruments	5	3,617	137
Deferred tax liabilities		1,088	865
Nuclear provisions	15	3,373	813
Other provisions	16	3,199	87
Pension obligations, net	17	1,465	125
Other non-current liabilities		415	167
<b>Total non-current liabilities</b>		<b>21,790</b>	<b>8,311</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	14	1,536	570
Derivative financial instruments	5	5,742	252
Other provisions	16	527	13
Margin liabilities	14	525	32
Trade and other payables		8,277	898
<b>Total current liabilities</b>		<b>16,608</b>	<b>1,766</b>
<b>Liabilities related to assets held for sale</b>	6	-	<b>52</b>
<b>Total liabilities</b>		<b>38,399</b>	<b>10,129</b>
<b>Total equity and liabilities</b>		<b>53,645</b>	<b>23,364</b>

## 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			
<b>Total equity 1 January 2020</b>		<b>3,046</b>	<b>73</b>	<b>12,441</b>	<b>-2,459</b>	<b>-70</b>	<b>60</b>	<b>-108</b>	<b>12,982</b>	<b>252</b>	<b>13,235</b>
Net profit for the period				1,448					1,448	13	1,461
Translation differences					-793	2	-1	1	-791	-46	-838
Other comprehensive income						94	-197	29	-74	-62	-135
Total comprehensive income for the period				1,448	-793	96	-198	30	583	-95	488
Cash dividend				-977					-977	-145	-1,122
Changes due to business combinations	6								-	2,959	2,959
Impact from acquisition accounting	4			-84				84	-	-	-
Transactions with non-controlling interests				-88					-88	-249	-337
Other				21					21	2	23
<b>Total equity 30 September 2020</b>		<b>3,046</b>	<b>73</b>	<b>12,761</b>	<b>-3,252</b>	<b>26</b>	<b>-138</b>	<b>6</b>	<b>12,522</b>	<b>2,724</b>	<b>15,246</b>
<b>Total equity 1 January 2019</b>		<b>3,046</b>	<b>73</b>	<b>11,937</b>	<b>-2,705</b>	<b>-638</b>	<b>99</b>	<b>30</b>	<b>11,841</b>	<b>236</b>	<b>12,077</b>
Net profit for the period				1,126					1,126	14	1,140
Translation differences					116	15	2	-2	131	5	135
Other comprehensive income						404	-46	-73	285	4	289
Total comprehensive income for the period				1,126	116	419	-44	-75	1,541	23	1,564
Cash dividend				-977					-977	-23	-1,000
Other				-4					-4	2	-2
<b>Total equity 30 September 2019</b>		<b>3,046</b>	<b>73</b>	<b>12,082</b>	<b>-2,589</b>	<b>-219</b>	<b>55</b>	<b>-46</b>	<b>12,401</b>	<b>238</b>	<b>12,639</b>
<b>Total equity 1 January 2019</b>		<b>3,046</b>	<b>73</b>	<b>11,937</b>	<b>-2,705</b>	<b>-638</b>	<b>99</b>	<b>30</b>	<b>11,841</b>	<b>236</b>	<b>12,077</b>
Net profit for the period				1,482					1,482	25	1,507
Translation differences					247	7	-	-1	253	6	259
Other comprehensive income						561	-40	-136	385	5	390
Total comprehensive income for the period				1,482	247	568	-40	-137	2,120	36	2,156
Cash dividend				-977					-977	-23	-1,000
Other				-2					-2	4	2
<b>Total equity 31 December 2019</b>		<b>3,046</b>	<b>73</b>	<b>12,441</b>	<b>-2,459</b>	<b>-70</b>	<b>60</b>	<b>-108</b>	<b>12,982</b>	<b>252</b>	<b>13,235</b>

### 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 1.7 Key exchange rates used in consolidated financial statements.

### Impact from acquisition accounting

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

### Cash flow hedges

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

### **Cash dividends**

A dividend for 2019 was decided in the Annual General Meeting on 23 April 2020 and paid on 5 May 2020. See Note 9 Dividend per share.

### **Non-controlling interests**

Non-controlling interests increased by EUR 2,959 million following the acquisition of Uniper at 31 March 2020, including EUR 416 million non-controlling interest from Uniper's standalone balance sheet; and EUR 2,543 million representing the 26.6% non-controlling interest in Uniper when Uniper was consolidated as a subsidiary to Fortum Group. See also Note 6.1 Acquisitions.

## Condensed consolidated cash flow statement

EUR million	Note	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
<b>Cash flow from operating activities</b>							
Profit for the period		144	173	1,461	1,140	1,507	1,828
<b>Adjustments:</b>							
Income tax expense		-37	25	229	134	221	316
Finance costs - net		-23	32	36	70	125	91
Share of profit/loss of associates and joint ventures	12	-23	-106	-540	-678	-744	-606
Depreciation and amortisation	3	307	143	763	421	575	917
<b>Operating profit before depreciations (EBITDA)</b>		<b>367</b>	<b>267</b>	<b>1,949</b>	<b>1,087</b>	<b>1,685</b>	<b>2,547</b>
Items affecting comparability	3, 4	-236	29	-763	127	81	-809
<b>Comparable EBITDA</b>		<b>132</b>	<b>295</b>	<b>1,187</b>	<b>1,213</b>	<b>1,766</b>	<b>1,740</b>
Non-cash and other items		202	-5	401	1	0	400
Interest received		15	5	32	23	29	38
Interest paid		-47	-39	-157	-153	-177	-181
Dividends received		38	10	92	239	239	92
Income taxes paid		-44	-46	-234	-114	-165	-285
<b>Funds from operations</b>		<b>295</b>	<b>221</b>	<b>1,321</b>	<b>1,210</b>	<b>1,691</b>	<b>1,802</b>
Change in working capital		525	15	519	201	-33	285
<b>Net cash from operating activities before change in net margin liabilities <sup>1)</sup></b>		<b>820</b>	<b>236</b>	<b>1,840</b>	<b>1,411</b>	<b>1,658</b>	<b>2,087</b>
Change in net margin liabilities		-457	26	-416	342	356	-402
<b>Net cash from operating activities</b>		<b>363</b>	<b>262</b>	<b>1,424</b>	<b>1,753</b>	<b>2,015</b>	<b>1,686</b>
<b>Cash flow from investing activities</b>							
Capital expenditures	3	-331	-160	-682	-529	-695	-848
Acquisitions of shares	6	-225	-21	-1,643	-37	-107	-1,713
Proceeds from sales of property, plant and equipment		4	29	11	34	35	12
Divestments of shares and capital returns	6	440	20	1,223	51	53	1,225
Shareholder loans to associated companies and joint ventures	13	-7	12	-40	-22	9	-9
Change in other interest-bearing receivables	13	-2	5	24	341	336	19
<b>Net cash from/used in investing activities</b>		<b>-122</b>	<b>-116</b>	<b>-1,109</b>	<b>-162</b>	<b>-369</b>	<b>-1,316</b>
<b>Cash flow before financing activities</b>		<b>241</b>	<b>146</b>	<b>316</b>	<b>1,591</b>	<b>1,646</b>	<b>371</b>
<b>Cash flow from financing activities</b>							
Proceeds from long-term liabilities	14	-2	-4	2,475	2,805	2,805	2,475
Payments of long-term liabilities	14	-53	-3	-467	-2,549	-2,567	-485
Change in short-term liabilities	14	-82	-3	-111	-42	-78	-147
Dividends paid to the owners of the parent	9	0	-	-977	-977	-977	-977
Dividends paid to non-controlling interests		0	-	-147	-23	-23	-147
Other financing items		-2	2	2	2	1	1
<b>Net cash from/used in financing activities</b>		<b>-139</b>	<b>-8</b>	<b>776</b>	<b>-783</b>	<b>-839</b>	<b>720</b>
<b>Net increase(+)/decrease(-) in liquid funds</b>		<b>102</b>	<b>138</b>	<b>1,092</b>	<b>808</b>	<b>806</b>	<b>1,090</b>
<b>Liquid funds at the beginning of the period</b>	14	<b>2,403</b>	<b>1,297</b>	<b>1,435</b>	<b>584</b>	<b>584</b>	<b>1,430</b>
Foreign exchange differences in liquid funds		-32	-5	-54	37	44	-47
<b>Liquid funds at the end of the period <sup>2)</sup></b>	14	<b>2,474</b>	<b>1,430</b>	<b>2,474</b>	<b>1,430</b>	<b>1,435</b>	<b>2,474</b>

1) New subtotal added in the second quarter of 2020. Margin receivables and liabilities are included in Financial net debt. See Note 1.4 Capital risk management.

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



## Additional cash flow information

### Change in working capital

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Change in interest-free receivables, decrease(+)/increase(-)	-1,483	42	705	396	63	372
Change in inventories, decrease(+)/increase(-)	262	2	5	-9	4	18
Change in interest-free liabilities, decrease(-)/increase(+)	1,746	-28	-191	-186	-100	-105
<b>Total</b>	<b>525</b>	<b>15</b>	<b>519</b>	<b>201</b>	<b>-33</b>	<b>285</b>

### Capital expenditure in cash flow

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Capital expenditure	355	162	675	516	713	872
Change in not yet paid investments, decrease(+)/increase(-)	-9	0	38	19	-9	10
Capitalised borrowing costs	-16	-2	-31	-7	-9	-33
<b>Total</b>	<b>331</b>	<b>160</b>	<b>682</b>	<b>529</b>	<b>695</b>	<b>848</b>

### Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 1,643 million during I-III/2020 (I-III/2019: 37), including mainly the acquisition of shares in Uniper SE. For additional information, see Note 6.1 Acquisitions.

### Divestment of shares in cash flow

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Proceeds from sales of subsidiaries, net of cash disposed	368	12	1,146	15	15	1,146
Proceeds from sales and capital returns of associates and joint ventures	47	8	49	32	33	50
Proceeds from sales of other investments	26	0	28	4	4	28
<b>Total</b>	<b>440</b>	<b>20</b>	<b>1,223</b>	<b>51</b>	<b>53</b>	<b>1,225</b>

During I-III/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 net debt

From I/2020 Fortum updated the definition of net debt to align it with Uniper. See further details in Note 14 Interest-bearing net debt.

EUR million	Note	I-III/2020
<b>Net debt, beginning of the period</b>		<b>5,260</b>
Collateral arrangement securities		-281
Net margin liabilities		-145
<b>Financial net debt, beginning of the period</b>		<b>4,833</b>
Comparable EBITDA		1,187
Non-cash and other items		401
Paid net financial costs and dividends received		-33
Income taxes paid		-234
Change in working capital		519
Capital expenditures		-682
Acquisitions		-1,643
Divestments and proceeds from sale of property, plant and equipment		1,234
Change in interest-bearing receivables		-16
Dividends to the owners of the parent		-977
Dividends to non-controlling interests		-147
Other financing activities		2
Net cash flow		-390
Acquired financial debt		1,849
Foreign exchange rate differences and other changes		57
<b>Financial net debt, end of the period</b>	13	<b>7,130</b>

## Key ratios

From I/2020 Fortum modified the key ratios presented and updated the definition of net debt to align it with Uniper. See further details in Note 14 Interest-bearing net debt and Note 23 Definitions of key figures.

Fortum aims to set new long-term financial targets by the end of the year at the latest, as Fortum's business profile has changed following the consolidation of Uniper. The current long-term financial targets, return on capital employed and comparable net debt-to-EBITDA, do not appropriately reflect the Group and have consequently been removed. See Note 1.4 Capital risk management.

	30 Sept 2020	30 Sept 2019	31 Dec 2019	LTM
Comparable EBITDA, EUR million	1,187	1,213	1,766	1,740
Earnings per share (basic), EUR	1.63	1.27	1.67	2.03
Financial net debt, EUR million	7,130	-	4,833	
Adjusted net debt, EUR million	9,640	-	4,978	
Interest-bearing net debt, EUR million	-	5,367	5,260	
Capital expenditure and gross investments in shares, EUR million	4,168	552	819	4,435
Capital expenditure, EUR million	675	516	713	872
Equity per share, EUR	14.10	13.96	14.61	
Number of employees	19,983	8,191	8,191	
Average number of shares, 1,000 shares	888,294	888,294	888,294	
Diluted adjusted average number of shares, 1,000 shares	888,294	888,294	888,294	
Number of registered shares, 1,000 shares	888,294	888,294	888,294	
Number of registered shares excluding treasury shares, 1,000 shares	888,294	888,294	888,294	

# Notes to the condensed consolidated interim financial statements

## 1. Significant accounting policies

### 1.1 Basis of preparation

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

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

Part of Fortum's business operations are seasonal, with the comparable operating profit usually being higher for the first and fourth quarter of the year. Columns labelled as 'LTM' or 'last twelve months' present figures for twelve months preceding the reporting date. Fortum consolidated Uniper's income statement from the second quarter of 2020, which is the main reason for the change in quarterly, cumulative and LTM figures compared to the previous year. See also Note 1.2 Summary of Uniper impacts to Fortum's interim report.

### 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.

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. In this uncertain economic environment Fortum continues to closely monitor the situation in the coming quarters and will respond accordingly.

The Uniper segment's second-quarter 2020 results included impairment charges on property, plant and equipment, mainly due to Covid-19 related continuing project delays in the Berezovskaya power plant unit 3 in Russia. In connection with the purchase price allocation, Fortum will fair value the acquired net assets and assess also the circumstances for these impairment charges and related items. See note 6.1 Acquisitions.

Fortum applies the expected credit loss model when recognising loss allowances for expected credit losses on financial assets and for credit value adjustments to the fair value of derivative contracts. The model inputs have been reviewed taking into account the ongoing Covid-19 pandemic. There is no significant increase in credit losses due to Covid-19, however, the probability of defaults used in the expected credit loss model have generally increased resulting in slightly higher loss allowances and credit value adjustments.

Discount rates for the largest pension plans were updated to reflect the fall in interest rates, which led to a corresponding increase in pension provisions during 2020.

## 1.2 Summary of Uniper impacts to Fortum's interim report

### Consolidation of Uniper as a subsidiary at 31 March 2020

On 8 October 2019, Fortum entered into agreements to acquire all the shares held by funds managed by Elliott Management Corporation and its affiliates ("Elliott") and Knight Vinke Energy Advisors Limited and its affiliates ("Knight Vinke"). The transaction was closed in two tranches. Control 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.

On 31 March 2020, Fortum's consolidated stake in Uniper was 73.4%, including the shares from the second tranche. 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. See Note 6.1 Acquisitions. In August 2020 Fortum's stake in Uniper exceeded 75%.

### Consolidation of Uniper's income statement from 1 April 2020

Fortum consolidated Uniper's results into its income statement from the second quarter of 2020. Income statement line items have been classified in accordance with Fortum's income statement categorisation and, as such, may not be fully comparable to Uniper's standalone income statement. Further, reporting of both the Uniper segment, and the Generation segment are impacted by adjustments for the joint ownership in the Swedish nuclear company, OKG AB. See paragraph below. No further adjustments have been made to Uniper's standalone income statement during the second and third quarter of 2020. However in connection with the purchase price allocation, Fortum is required to assess the circumstances giving rise to impairment charges and reversals, as well as other similar items recognised in the Uniper segment during the one-year window from the acquisition date. If new information arises about circumstances that existed as of the acquisition date, these items need to be reflected in the acquisition date opening balance sheet as of 31 March 2020. See note 6.1 Acquisitions.

### One-time impact from acquisition accounting

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

The above reclassification resulted in a one-time, non-cash income statement impact of EUR -222 million on 31 March 2020 when Uniper became Fortum's subsidiary. This amount 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 the translation of foreign operations recorded by Uniper. See Note 4 Items affecting comparability.

### Share of profits from associates

Fortum has previously accounted for Uniper as an associated company with a three-month time lag as Fortum published interim reports before Uniper's financial information was available. As of the first quarter 2020, Fortum has revised its financial reporting schedule and reports its quarterly results after Uniper. Fortum's first quarter results therefore included Fortum's share of Uniper's results from 1 October 2019 to 31 March 2020. See Note 12 Participations in associated companies and joint ventures.

## Segment reporting

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

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

## Joint ownership in the Swedish nuclear company OKG AB

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

Fortum has adjusted Uniper's standalone 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. This means that the standalone income statement and balance sheet as reported by Uniper in its interim reports is not fully comparable to Uniper's income statement and balance sheet as consolidated to Fortum Group. The adjustments made to Uniper's standalone income statement and balance sheet mainly impact Interest-bearing liabilities, Share of Nuclear fund, Nuclear provisions and Non-controlling interest as reported by Uniper. See Note 6.1 Acquisitions and Note 14 Interest-bearing Net debt.

## Alignment of accounting policies

Uniper prepares its financials in accordance with IFRS. Following the acquisition of Uniper, Fortum is reviewing Uniper's accounting policies to identify any significant differences to Fortum accounting policies. Fortum is still evaluating potential impact on consolidated financial statements.

## Purchase price accounting

The preparation of the purchase price allocation for the Uniper acquisition has been started and will be completed within the one-year window from the acquisition date. Preparing a purchase price allocation requires management to make judgements when determining the fair values of the assets acquired and liabilities assumed. The preliminary purchase price allocation will change when analyses are conducted and further information becomes available. Any adjustments to the fair values of the assets acquired and liabilities assumed will impact the preliminary estimate of goodwill. These adjustments may be material. Fortum expects to conduct further analysis to assess the fair values of items such as property, plant and equipment, provisions, contingent liabilities and long-term purchase obligations. See Note 6.1 Acquisitions.

## 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.

Following the consolidation on Uniper's income statement in the second quarter of 2020, Fortum updated the definition of Items affecting comparability and Comparable operating profit to align with Uniper's Adjusted earnings before interest and tax (Adjusted EBIT) definition. This update resulted in some changes to definitions of existing items, as well as one new category (Other) for other non-operating items.

Items affecting comparability are now categorised as follows:

- Impairment charges and reversals (reversal of previously recorded impairment charges has been added)
- Capital gains and other related items
- Impact from acquisition accounting
- Changes in fair values of derivatives hedging future cash flow
- Nuclear fund adjustment
- Other (including restructuring and cost management expenses and other miscellaneous non-operating items)

See Note 4 Items affecting comparability and Note 23 Definitions of key figures.

## 1.4 Capital risk management

Following the consolidation of Uniper, Fortum's business profile has changed and Fortum has concluded that the previous long-term financial targets do not appropriately reflect the Group's current business profile. On 15 May 2020, Fortum's Board of Directors consequently decided to remove the financial targets (return on capital employed of at least 10% and comparable net debt-to-EBITDA of around 2.5x) as of the first quarter of 2020. Fortum aims to revise its long-term financial targets by the end of 2020 at the latest.

Fortum's dividend policy, however, remains intact:

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

Fortum targets to have a solid investment grade rating of at least BBB to maintain its financial strength, preserve financial flexibility, and good access to capital markets for the enlarged Group. Fortum and Uniper will carefully manage their balance sheets going forward, focusing on profitability, optimising of cash flow, and tight prioritising of capital expenditure in the current market and business environment.

As one financial metric, Fortum will closely monitor that its comparable net debt-to-EBITDA ratio remains at a level that ensures a credit rating of at least BBB. For now, no specific target has been set for the comparable net debt-to-EBITDA ratio.

Following the consolidation of Uniper in the first quarter of 2020, Fortum updated the definition of net debt to align it with Uniper. Fortum uses financial net debt and adjusted net debt going forward when following indebtedness of the Group. The previously used net debt included interest-bearing loans, lease liabilities and liquid funds. Margin receivables and liabilities (settlement of futures) are included in Financial net debt. Until now, fluctuations in commodity prices have caused an asymmetric impact to net debt as the funds received or paid from future settlements have been recognised as a change in working capital. See Note 14 Interest-bearing net debt.

## 1.5 Principles for consolidation

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

## 1.6 Accounting policies

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

## 1.7 Key exchange rates used in consolidated financial statements

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

Key exchange rates used in consolidated financial statements:

Average rate	Jan-Sept 2020	Jan-June 2020	Jan-Mar 2020	Jan-Dec 2019	Jan-Sept 2019	Jan-June 2019	Jan-Mar 2019
Great Britain (GBP)	0.8851	0.8746	0.8623	0.8773	0.8841	0.8761	0.8717
Norway (NOK)	10.7115	10.7324	10.4652	9.8524	9.7861	9.7356	9.7491
Poland (PLN)	4.4220	4.4120	4.3241	4.2992	4.3056	4.2865	4.2961
Russia (RUB)	79.9599	76.6692	73.8205	72.7949	73.4459	74.2121	75.6930
Sweden (SEK)	10.5582	10.6599	10.6689	10.5572	10.5547	10.4782	10.3776
United States (USD)	1.1250	1.1020	1.1027	1.1214	1.1241	1.1334	1.1397

Balance sheet date rate	30 Sept 2020	30 June 2020	30 Mar 2020	31 Dec 2019	30 Sept 2019	30 June 2019	31 Mar 2019
Great Britain (GBP)	0.9124	0.9124	0.8864	0.8508	0.8857	0.8966	0.8583
Norway (NOK)	11.1008	10.9120	11.5100	9.8638	9.8953	9.6938	9.6590
Poland (PLN)	4.5462	4.4560	4.5506	4.2568	4.3782	4.2496	4.3006
Russia (RUB)	91.7763	79.6300	85.9486	69.9563	70.7557	71.5975	72.8564
Sweden (SEK)	10.5713	10.4948	11.0613	10.4468	10.6958	10.5633	10.3980
United States (USD)	1.1708	1.1198	1.0956	1.1234	1.0889	1.1380	1.1235

## 2. Critical accounting estimates and judgements

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

In preparing these interim financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except as explained in Note 1.1 Basis of preparation regarding the impact of Covid-19 on consolidated financial statements, and as follows. Following the consolidation of Uniper, Uniper's assets and liabilities were consolidated at 31 March 2020 to Fortum Group. Critical accounting estimates and judgements relating to Uniper's assets and liabilities include estimates for the measurement and recognition of deferred tax assets, pension obligations and other provisions; as well as judgement used in impairment testing, in determining the fair value of certain financial instruments, and in the accounting for price-adjustment clauses contained in long-term contracts. See Note 6.1 Acquisitions for further information on Uniper's balance sheet at 31 March 2020.

### 3. Segment information

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

Fortum revised its reportable segments following the consolidation of Uniper as a subsidiary on 31 March 2020, and reports Uniper as a separate segment. Uniper is an 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.

As Fortum has previously accounted for Uniper as an associated company with three-month time lag (see Note 12 Participations in associated companies and joint ventures), Fortum's first quarter results included Fortum's share of Uniper results from 1 October 2019 to 31 March 2020 reported in Other Operations.

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



Quarter

EUR million	Note	Generation <sup>1)</sup>		Russia		City Solutions <sup>1)</sup>		Consumer Solutions		Uniper		Other Operations		Total	
		III/2020	III/2019	III/2020	III/2019	III/2020	III/2019	III/2020	III/2019	III/2020	III/2019	III/2020	III/2019	III/2020	III/2019
<b>Income statement data by segment</b>															
Power sales <sup>1)</sup>		421	435	159	211	22	28	187	272	5,489	-	0	-	6,277	945
Heat sales		-	-	12	18	58	63	-	-	52	-	-	-	123	81
Gas sales <sup>2)</sup>		11	13	-	-	0	0	22	22	6,996	-	-	-	7,030	35
Waste treatment sales		-	-	-	-	57	59	-	-	-	-	-	-	57	59
Other sales		9	10	1	1	47	51	26	17	622	-	34	29	739	107
<b>Sales</b>		<b>441</b>	<b>458</b>	<b>172</b>	<b>229</b>	<b>184</b>	<b>200</b>	<b>235</b>	<b>311</b>	<b>13,159</b>	-	<b>34</b>	<b>29</b>	<b>14,225</b>	<b>1,227</b>
Internal eliminations		-61	-35	0	0	-13	-9	-1	-2	0	-	-27	-21	-102	-67
Netting of Nord Pool transactions <sup>3)</sup>														-74	-100
External sales		380	423	172	229	172	192	234	309	13,159	-	7	8	14,049	1,060
<b>Comparable EBITDA</b>		<b>181</b>	<b>176</b>	<b>73</b>	<b>91</b>	<b>10</b>	<b>11</b>	<b>33</b>	<b>31</b>	<b>-147</b>	-	<b>-19</b>	<b>-14</b>	<b>132</b>	<b>295</b>
Depreciation and amortisation		-44	-36	-33	-38	-47	-47	-15	-15	-159	-	-8	-7	-307	-143
<b>Comparable operating profit</b>		<b>136</b>	<b>140</b>	<b>40</b>	<b>53</b>	<b>-36</b>	<b>-36</b>	<b>18</b>	<b>16</b>	<b>-307</b>	-	<b>-27</b>	<b>-21</b>	<b>-176</b>	<b>153</b>
Impairment charges and reversals		-	-	-	-	-	-	-	-	-1	-	-	-6	-1	-6
Capital gains and other related items	6	0	0	0	1	292	0	0	0	6	-	0	2	299	3
Impact from acquisition accounting	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair values of derivatives hedging future cash flow		0	-29	0	-	-1	-2	8	5	-249	-	-	-	-242	-27
Nuclear fund adjustment	15	7	0	-	-	-	-	-	-	-	-	-	-	7	0
Other		-	-	-	-	-	-	-	-	173	-	-	-	173	-
Items affecting comparability	4	7	-29	0	1	292	-2	8	5	-71	-	0	-3	236	-29
<b>Operating profit</b>		<b>143</b>	<b>111</b>	<b>40</b>	<b>54</b>	<b>255</b>	<b>-38</b>	<b>26</b>	<b>20</b>	<b>-377</b>	-	<b>-27</b>	<b>-24</b>	<b>60</b>	<b>124</b>
Share of profit/loss of associates and joint ventures	12	7	6	5	15	1	-1	-	-	11	-	0	86	23	106
Finance costs - net	7													23	-32
Income taxes	8													37	-25
<b>Profit for the period</b>														<b>144</b>	<b>173</b>
<b>Gross investments / divestments by segment</b>															
Gross investments in shares	6	0	7	9	3	106	1	-	-	-1	-	114	10	227	21
Capital expenditure		46	74	13	13	42	52	15	13	234	-	6	10	355	162
Gross divestments of shares	6	0	8	0	-	368	0	0	-	53	-	0	12	420	20

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) Gas sales in Generation, City Solutions and Consumer Solutions has previously been presented as Other sales.

3) Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

January-September 2020

Year-to-date

EUR million	Note	Generation <sup>1)</sup>		Russia		City Solutions <sup>1)</sup>		Consumer Solutions		Uniper		Other Operations		Total	
		I-III/2020	I-III/2019	I-III/2020	I-III/2019	I-III/2020	I-III/2019	I-III/2020	I-III/2019	I-III/2020	I-III/2019	I-III/2020	I-III/2019	I-III/2020	I-III/2019
<b>Income statement data by segment</b>															
Power sales <sup>1)</sup>		1,372	1,465	603	676	79	108	727	1,175	10,427	-	0	-	13,208	3,425
Heat sales		-	-	86	88	352	414	-	-	110	-	-	-	548	502
Gas sales <sup>2)</sup>		55	63	-	-	0	2	96	94	12,748	-	-	-	12,900	160
Waste treatment sales		-	-	-	-	183	180	-	-	-	-	-	-	183	180
Other sales		37	30	2	2	123	129	73	57	1,239	-	102	83	1,577	300
<b>Sales</b>		<b>1,465</b>	<b>1,558</b>	<b>691</b>	<b>765</b>	<b>738</b>	<b>834</b>	<b>896</b>	<b>1,326</b>	<b>24,524</b>	-	<b>102</b>	<b>83</b>	<b>28,416</b>	<b>4,567</b>
Internal eliminations		-335	-198	-1	-	-44	-30	-8	9	0	-	-80	-63	-468	-282
Netting of Nord Pool transactions <sup>3)</sup>														-212	-390
External sales		1,130	1,360	690	765	694	804	889	1,335	24,524	-	22	20	27,736	3,894
<b>Comparable EBITDA</b>		<b>666</b>	<b>660</b>	<b>286</b>	<b>333</b>	<b>148</b>	<b>179</b>	<b>116</b>	<b>106</b>	<b>37</b>	-	<b>-66</b>	<b>-64</b>	<b>1,187</b>	<b>1,213</b>
Depreciation and amortisation		-121	-105	-111	-111	-142	-138	-47	-46	-316	-	-26	-20	-763	-421
<b>Comparable operating profit</b>		<b>545</b>	<b>555</b>	<b>175</b>	<b>222</b>	<b>6</b>	<b>41</b>	<b>69</b>	<b>60</b>	<b>-279</b>	-	<b>-92</b>	<b>-84</b>	<b>424</b>	<b>793</b>
Impairment charges and reversals		-	-3	-	-	-	-	-	-	70	-	-	-6	70	-8
Capital gains and other related items	6	0	3	1	1	723	4	0	-	4	-	53	1	781	9
Impact from acquisition accounting		-	-	-	-	-	-	-	-	-	-	-222	-	-222	-
Changes in fair values of derivatives hedging future cash flow		6	-41	0	-	2	1	12	-36	-89	-	-	-	-70	-77
Nuclear fund adjustment	15	-8	-51	-	-	-	-	-	-	-	-	-	-	-8	-51
Other		-	-	-	-	-	-	-	-	211	-	-	-	211	-
Items affecting comparability		-1	-92	1	1	725	5	12	-36	196	-	-170	-5	763	-127
<b>Operating profit</b>		<b>543</b>	<b>463</b>	<b>176</b>	<b>223</b>	<b>731</b>	<b>46</b>	<b>81</b>	<b>24</b>	<b>-83</b>	-	<b>-262</b>	<b>-89</b>	<b>1,186</b>	<b>666</b>
Share of profit/loss of associates and joint ventures	12	-17	45	31	59	38	41	-	-	16	-	471	534	540	678
Finance costs - net	7													-36	-70
Income taxes	8													-229	-134
<b>Profit for the period</b>														<b>1,461</b>	<b>1,140</b>
<b>Gross investments / divestments by segment</b>															
Gross investments in shares	6	7	13	49	4	112	6	0	-	0	-	3,325	14	3,493	36
Capital expenditure		106	171	23	31	105	256	43	39	377	-	21	20	675	516
Gross divestments of shares	6	171	12	0	-	895	2	0	-	56	-	81	16	1,202	30

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the difference between average contract price and realised spot price. 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) Gas sales in Generation, City Solutions and Consumer Solutions has previously been presented as Other sales.

3) Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

January-September 2020

Last twelve months

EUR million	Note	Generation <sup>1)</sup>		Russia		City Solutions <sup>1)</sup>		Consumer Solutions		Uniper <sup>2)</sup>		Other Operations		Total	
		LTM	2019	LTM	2019	LTM	2019	LTM	2019	LTM	2019	LTM	2019	LTM	2019
<b>Income statement data by segment</b>															
Power sales <sup>1)</sup>		1,913	2,006	851	924	124	153	1,182	1,630	10,427	-	0	-	14,497	4,714
Heat sales		-	-	143	145	553	615	-	-	110	-	-	-	806	760
Gas sales <sup>3)</sup>		83	91	-	-	1	3	135	132	12,748	-	-	-	12,966	226
Waste treatment sales		-	-	-	-	253	250	-	-	-	-	-	-	253	250
Other sales		52	44	2	2	173	178	90	74	1,239	-	134	115	1,690	413
<b>Sales</b>		<b>2,048</b>	<b>2,141</b>	<b>997</b>	<b>1,071</b>	<b>1,104</b>	<b>1,200</b>	<b>1,405</b>	<b>1,835</b>	<b>24,524</b>	-	<b>134</b>	<b>115</b>	<b>30,212</b>	<b>6,363</b>
Internal eliminations		-396	-259	-1	0	-59	-45	-14	3	0	-	-103	-86	-573	-387
Netting of Nord Pool transactions <sup>4)</sup>														-351	-529
External sales		1,653	1,883	996	1,071	1,045	1,155	1,393	1,839	24,524	-	31	29	29,289	5,447
<b>Comparable EBITDA</b>		<b>945</b>	<b>939</b>	<b>422</b>	<b>469</b>	<b>278</b>	<b>309</b>	<b>151</b>	<b>141</b>	<b>37</b>	-	<b>-93</b>	<b>-91</b>	<b>1,740</b>	<b>1,766</b>
Depreciation and amortisation		-161	-145	-153	-153	-192	-188	-63	-62	-316	-	-34	-28	-917	-575
<b>Comparable operating profit</b>		<b>784</b>	<b>794</b>	<b>269</b>	<b>316</b>	<b>86</b>	<b>121</b>	<b>88</b>	<b>79</b>	<b>-279</b>	-	<b>-127</b>	<b>-119</b>	<b>822</b>	<b>1,191</b>
Impairment charges and reversals		-	-3	-	-	-	-	-	-	70	-	-	-6	70	-8
Capital gains and other related items	6	0	3	1	1	724	5	0	-	4	-	50	-2	779	7
Impact from acquisition accounting	4	-	-	-	-	-	-	-	-	-	-	-222	-	-222	-
Changes in fair values of derivatives hedging future cash flow		32	-15	0	-	3	2	-11	-59	-89	-	-	-	-65	-72
Nuclear fund adjustment	15	34	-9	-	-	-	-	-	-	-	-	-	-	34	-9
Other		-	-	-	-	-	-	-	-	211	-	-	-	211	-
Items affecting comparability	4	68	-23	1	1	727	7	-11	-59	196	-	-173	-8	809	-81
<b>Operating profit</b>		<b>851</b>	<b>771</b>	<b>270</b>	<b>317</b>	<b>812</b>	<b>127</b>	<b>77</b>	<b>20</b>	<b>-83</b>	-	<b>-300</b>	<b>-127</b>	<b>1,630</b>	<b>1,110</b>
Share of profit/loss of associates and joint ventures	12	-52	10	31	59	34	37	-	-	16	-	575	638	606	744
Finance costs - net	7													-91	-125
Income taxes	8													-316	-221
<b>Profit for the period</b>														<b>1,828</b>	<b>1,507</b>
<b>Gross investments / divestments by segment</b>															
Gross investments in shares	6	7	13	111	66	115	9	0	-	0	-	3,329	18	3,563	106
Capital expenditure		182	247	59	67	162	313	59	55	377	-	32	31	872	713
Gross divestments of shares	6	171	12	0	-	895	2	0	-	56	-	81	16	1,202	30

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the difference between average contract price and realised spot price.

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) LTM for the Uniper segment is calculated based on cumulative figures from 1 April 2020.

3) Gas sales in Generation, City Solutions and Consumer Solutions has previously been presented as Other sales.

4) 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.

January-September 2020

## Segment assets and liabilities

EUR million	Note	Generation		Russia		City Solutions		Consumer Solutions		Uniper		Other Operations		Total	
		30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019
<b>Non-interest-bearing assets</b>		6,936	6,433	1,909	2,630	3,288	3,728	688	942	20,229	-	241	192	33,290	13,924
Participations in associates and joint ventures	12	834	838	557	681	565	584	-	-	818	-	34	4,331	2,808	6,435
Eliminations														-45	-107
<b>Total segment assets</b>		7,770	7,271	2,465	3,311	3,853	4,312	688	942	21,047	-	275	4,523	36,054	20,252
Interest-bearing receivables	13													2,992	1,035
Deferred tax assets														1,038	77
Other assets														11,087	567
Liquid funds														2,474	1,435
<b>Total assets</b>														53,645	23,364
<b>Segment liabilities</b>		1,998	1,124	68	107	333	419	155	302	14,428	-	138	167	17,120	2,119
Eliminations														-45	-107
<b>Total segment liabilities</b>														17,075	2,012
Deferred tax liabilities														1,088	885
Other liabilities														10,065	537
<b>Total liabilities included in capital employed</b>														28,228	3,435
Interest-bearing liabilities	14													10,171	6,694
Total equity														15,246	13,235
<b>Total equity and liabilities</b>														53,645	23,364
Number of employees		1,222	1,109	2,964	2,955	2,084	1,970	1,105	1,327	11,644	-	964	830	19,983	8,191

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

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

EUR million	Note	Generation		Russia		City Solutions		Consumer Solutions		Uniper <sup>2)</sup>	
		31 Dec LTM	2019	31 Dec LTM	2019	31 Dec LTM	2019	31 Dec LTM	2019	31 Dec LTM	2019
<b>Comparable operating profit</b>		<b>784</b>	<b>794</b>	<b>269</b>	<b>316</b>	<b>86</b>	<b>121</b>	<b>88</b>	<b>79</b>	<b>-279</b>	<b>-</b>
Share of profit/loss of associates and joint ventures	12	-52	10	31	59	34	37	-	-	16	-
Adjustment to share of profit/loss of associates and joint ventures		-5	-13	0	-	22	22	-	-	-	-
<b>Comparable operating profit including share of profit of associates and joint ventures</b>		<b>728</b>	<b>791</b>	<b>301</b>	<b>375</b>	<b>143</b>	<b>179</b>	<b>88</b>	<b>79</b>	<b>-263</b>	<b>-</b>
Segment assets at the end of the period		7,770	7,271	2,465	3,311	3,853	4,312	688	942	21,047	-
Segment liabilities at the end of the period		1,998	1,124	68	107	333	419	155	302	14,428	-
<b>Comparable net assets</b>		<b>5,772</b>	<b>6,147</b>	<b>2,398</b>	<b>3,205</b>	<b>3,520</b>	<b>3,892</b>	<b>533</b>	<b>640</b>	<b>6,618</b>	<b>-</b>
<b>Comparable net assets average <sup>1)</sup></b>		<b>5,794</b>	<b>6,190</b>	<b>2,823</b>	<b>3,041</b>	<b>3,671</b>	<b>3,823</b>	<b>569</b>	<b>602</b>	<b>N/A</b>	<b>-</b>
<b>Comparable return on net assets, %</b>		<b>12.6</b>	<b>12.8</b>	<b>10.7</b>	<b>12.3</b>	<b>3.9</b>	<b>4.7</b>	<b>15.5</b>	<b>13.2</b>	<b>N/A</b>	<b>-</b>

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

2) LTM for the Uniper segment is calculated based on cumulative figures from 1 April 2020. Comparable return on net assets for the Uniper segment will be presented from the first quarter of 2021 once information for full 12 months is available.

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

## 4. Items affecting comparability

EUR million	Note	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
<b>Comparable operating profit</b>		<b>-176</b>	<b>153</b>	<b>424</b>	<b>793</b>	<b>1,191</b>	<b>822</b>
Impairment charges and reversals		-1	-6	70	-8	-8	70
Capital gains and other related items	6	299	3	781	9	7	779
Impact from acquisition accounting		-	-	-222	-	-	-222
Changes in fair values of derivatives hedging future cash flow		-242	-27	-70	-77	-72	-65
Nuclear fund adjustment	15	7	0	-8	-51	-9	34
Other		173	-	211	-	-	211
Items affecting comparability		236	-29	763	-127	-81	809
<b>Operating profit</b>		<b>60</b>	<b>124</b>	<b>1,186</b>	<b>666</b>	<b>1,110</b>	<b>1,630</b>

### Impairment charges and reversals

The Uniper segment's I-III/2020 results include impairment charges of EUR 67 million, mainly relating to continuing project delays in the Berezovskaya power plant unit 3 in Russia; and reversals of impairment charges of EUR 138 million, mainly relating to two gas-fired power plants in Germany, which are planned to return to the market.

In connection with the purchase price allocation, Fortum will fair value the acquired net assets and assess also the circumstances for these impairment charges and related items. See note 6.1 Acquisitions.

## Capital gains and other related items

Capital gains and other related items in I-III/2020 included EUR 72 million gain from the divestment of Fortum Recharge AS and 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), and 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.

## Other

Other includes restructuring expenses from Uniper, adjustments of provisions in Uniper and reversals of temporary reductions in current assets in Uniper. A temporary reduction in current assets was included in Share of profits from Uniper in Q1 2020.

# 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 2019 for current financial risk management objectives and policies.

Impact from first time consolidation of Uniper in I/2020 to total financial assets in the fair value hierarchy table was EUR 22,210 million (Level 1: EUR 7,752 million, Level 2: EUR 14,295 million, Level 3: EUR 162 million); and to total financial liabilities EUR 21,129 million (Level 1: EUR 7,591 million, Level 2: EUR 13,491 million, Level 3: EUR 46 million) mainly due to commodity derivatives. For Uniper's impact on accounting policies, see more information in Note 1 Significant accounting policies, and for consolidation impacts of Uniper, see more information in Note 6.1 Acquisitions.

## Fair value hierarchy information

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

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

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

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

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

## Financial assets

EUR million	Level 1		Level 2		Level 3		Netting <sup>1)</sup>		Total	
	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019
<b>In non-current assets</b>										
Other investments <sup>2)</sup>	75		43		100	75			218	75
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			103	9			-11	-8	91	1
Non-hedge accounting	1,294	10	2,212	27	80		-75	-16	3,511	21
Interest rate and currency derivatives										
Hedge accounting			172	154					172	154
Non-hedge accounting			42	2					42	2
Interest-bearing receivables	89				16	23			106	23
<b>Total in non-current assets</b>	<b>1,458</b>	<b>10</b>	<b>2,572</b>	<b>192</b>	<b>196</b>	<b>98</b>	<b>-86</b>	<b>-24</b>	<b>4,140</b>	<b>278</b>
<b>In current assets</b>										
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			201	101			-40	-59	161	42
Non-hedge accounting	3,015	315	3,528	306	3		-436	-547	6,110	74
Interest rate and currency derivatives										
Hedge accounting			24	9					24	9
Non-hedge accounting			192	7					192	7
Interest-bearing receivables	628	281	45		10	34			683	315
<b>Total in current assets</b>	<b>3,643</b>	<b>596</b>	<b>3,990</b>	<b>423</b>	<b>13</b>	<b>34</b>	<b>-476</b>	<b>-606</b>	<b>7,169</b>	<b>446</b>
<b>Total in assets</b>	<b>5,101</b>	<b>606</b>	<b>6,562</b>	<b>615</b>	<b>209</b>	<b>132</b>	<b>-562</b>	<b>-630</b>	<b>11,310</b>	<b>724</b>

- 1) Receivables to and liabilities from electricity and other commodity exchanges arising from standard derivative contracts with same delivery period are netted, except for receivables and liabilities from the acquisition of Uniper.  
2) Other investments, i.e. shares which are not classified as associated companies or joint ventures, consist mainly of shares in unlisted companies of EUR 218 million (31 Dec 2019: 75) including Fortum's indirect shareholding in Fennovoima of EUR 39 million (31 Dec 2019: 33).

## Financial liabilities

EUR million	Level 1		Level 2		Level 3		Netting <sup>1)</sup>		Total	
	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019	30 Sept 2020	31 Dec 2019
<b>In non-current liabilities</b>										
Interest-bearing liabilities <sup>2)</sup>			2,176	2,293					2,176	2,293
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			69	38			-11	-8	58	30
Non-hedge accounting	1,002	11	2,326	37	228		-75	-16	3,481	32
Interest rate and currency derivatives										
Hedge accounting			50	72					50	72
Non-hedge accounting			28	3					28	3
<b>Total in non-current liabilities</b>	<b>1,002</b>	<b>11</b>	<b>4,649</b>	<b>2,443</b>	<b>228</b>	<b>-</b>	<b>-86</b>	<b>-24</b>	<b>5,793</b>	<b>2,430</b>
<b>In current liabilities</b>										
Interest-bearing liabilities			489	281					489	281
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			185	143			-40	-59	145	84
Non-hedge accounting	2,553	334	3,313	328	111		-436	-547	5,542	115
Interest rate and currency derivatives										
Hedge accounting			10	4					10	4
Non-hedge accounting			45	49					45	49
<b>Total in current liabilities</b>	<b>2,553</b>	<b>334</b>	<b>4,043</b>	<b>805</b>	<b>111</b>	<b>-</b>	<b>-476</b>	<b>-606</b>	<b>6,232</b>	<b>533</b>
<b>Total in liabilities</b>	<b>3,555</b>	<b>345</b>	<b>8,692</b>	<b>3,248</b>	<b>339</b>	<b>-</b>	<b>-562</b>	<b>-630</b>	<b>12,025</b>	<b>2,963</b>

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

Net fair value amount of interest rate and currency derivatives is EUR 296 million, including assets of EUR 430 million and liabilities of EUR 134 million. Fortum has cash collaterals based on collateral agreements with some counterparties. At the end of September 2020, Fortum had received EUR 202 million from collateral agreements. The received cash was booked as a short-term liability.

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

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

## 6. Acquisitions, disposals and assets held for sale

### 6.1 Acquisitions

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Gross investments in shares in subsidiary companies	199	6	3,413	13	13	3,413
Gross investments in shares in associated companies and joint ventures	10	3	53	8	73	118
Gross investments in other shares	18	11	27	16	20	31
<b>Total</b>	<b>227</b>	<b>21</b>	<b>3,493</b>	<b>36</b>	<b>106</b>	<b>3,563</b>

#### 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
Purchase consideration	2,587
Liquid funds in acquired companies	-1,328
Unpaid investments <sup>1)</sup>	-428
<b>Acquisition of shares in cash flow</b>	<b>831</b>
Interest-bearing liability for unpaid investments <sup>1)</sup>	428
Interest-bearing liabilities in acquired companies	1,414
Other financial net debt in acquired companies	435
<b>Gross investments in shares</b>	<b>3,108</b>

1) Paid in May 2020.

#### Acquisition accounting

The preparation of the purchase price allocation for the Uniper acquisition has been started and will be completed within the one-year window from the acquisition date.

Preparing a purchase price allocation requires management to make judgements when determining the fair values of the assets acquired and liabilities assumed. The preliminary purchase price allocation will change when analyses are conducted and further information becomes available. Any adjustments to the fair values of the assets acquired and liabilities assumed will impact the preliminary estimate of goodwill. These adjustments may be material. Fortum expects to



conduct further analysis to assess the fair values of items such as property, plant and equipment, provisions, contingent liabilities and long-term purchase obligations.

Fortum elected to measure non-controlling interest in Uniper based on the proportionate value of acquired net assets. Any adjustments to the fair values of the assets acquired and liabilities assumed will impact the value of non-controlling interest.

Acquired net assets are presented in the following table. Excess of the acquisition value over Uniper's net assets is presented as preliminary goodwill.

<b>EUR million</b>	
<b>ASSETS</b>	
Goodwill	1,779
Other intangible assets	980
Property, plant and equipment and right-of-use assets	9,068
Participations in associates and joint ventures	881
Derivative financial instruments	21,958
Interest-bearing receivables	1,840
Shares in Nuclear Waste Funds	1,602
Margin receivables	413
Trade and other receivables	7,189
Deferred tax and income tax assets	1,021
Inventories	1,565
Liquid funds	1,328
<b>Total assets</b>	<b>49,623</b>
<b>LIABILITIES</b>	
Derivative financial instruments	21,084
Interest-bearing liabilities	1,414
Pension obligations	953
Nuclear provisions	1,746
Other provisions	3,445
Deferred tax and income tax liabilities	452
Margin liabilities	924
Trade and other payables	7,852
<b>Total liabilities</b>	<b>37,868</b>
<b>Net assets on Uniper's balance sheet</b>	<b>11,755</b>
Less goodwill on Uniper's balance sheet <sup>1)</sup>	-1,779
<b>Net assets from Uniper excluding goodwill</b>	<b>9,976</b>
Purchase consideration	2,587
Previously held equity interest	4,613
<b>Acquisition value</b>	<b>7,201</b>
Non-controlling interest on Uniper's balance sheet	-416
Non-controlling interest from Uniper acquisition	-2,543
<b>Total non-controlling interest (NCI)</b>	<b>-2,959</b>
<b>Preliminary goodwill</b>	<b>184</b>

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

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

Fortum has adjusted Uniper's standalone balance sheet numbers of 31 March 2020 in respect of Fortum's shareholding in OKG AB, as well as adjusted the net assets of OKG AB recorded in the Generation segment. Consequently, the Group's subsidiary, OKG AB, is split between the two segments according to ownership. This means that the standalone balance sheet on 31 March 2020 as reported by Uniper in its first quarter interim report is not fully comparable to Uniper's balance sheet as consolidated to Fortum Group. The adjustments made to Uniper's standalone balance sheet mainly impact Interest-bearing liabilities, Share of Nuclear fund, Nuclear provisions and Non-controlling interest as reported by Uniper. See Note 14 Interest-bearing Net debt.

No further adjustments have been made to Uniper's standalone balance sheet during the third quarter of 2020 as the preparation of the purchase price allocation is still ongoing.

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 consolidated income statement. See Note 4 Items affecting comparability.

See Note 3 Segment information for Uniper's impact on Fortum's consolidated income statement.

## Acquisitions during 2019

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

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

## 6.2 Disposals

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Gross divestments of shares in subsidiary companies	368	12	1,146	15	15	1,146
Gross divestments of shares in associated companies and joint ventures	27	8	28	10	10	28
Gross divestments of other investments	26	0	28	4	4	28
<b>Total</b>	<b>420</b>	<b>20</b>	<b>1,202</b>	<b>30</b>	<b>30</b>	<b>1,202</b>

## Disposals during 2020

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

In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP will acquire an 80% stake in Fortum's Nordic wind portfolio. The total consideration on a debt- and cash-free basis was approximately EUR 170 million. The transaction, excluding the Sørfjord wind park which is still under construction, was closed on 14 May 2020.

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.

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.

## Disposals during 2019

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

## 6.3 Assets held for sale

Assets held for sale at 31 December 2019 included the Nordic wind portfolio, excluding the Sørfjord wind park which is still under construction (Generation segment); as well as the district heating business in Joensuu, Finland (City Solutions segment). These transactions were closed on 14 May 2020 and 10 January 2020, respectively.

<b>EUR million</b>	<b>31 Dec 2019</b>
<b>Assets held for sale</b>	
Intangible assets and property, plant and equipment and right-of-use assets	290
Other non-current and current assets	15
Liquid funds	2
<b>Total</b>	<b>307</b>
<b>Liabilities related to assets held for sale</b>	
Lease liabilities	6
Deferred tax liabilities	20
Other liabilities and provisions	26
<b>Total</b>	<b>52</b>

## 7. Finance costs - net

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Interest expense						
Borrowings	-48	-42	-143	-133	-171	-181
Leasing and other interest expenses	-12	-1	-25	-2	-4	-27
Capitalised borrowing costs	16	2	31	7	9	33
<b>Total</b>	<b>-44</b>	<b>-40</b>	<b>-137</b>	<b>-128</b>	<b>-167</b>	<b>-176</b>
Interest income						
Loan receivables and deposits	27	5	69	21	25	73
Leasing and other interest income	5	1	12	2	3	13
<b>Total</b>	<b>33</b>	<b>6</b>	<b>80</b>	<b>23</b>	<b>28</b>	<b>85</b>
Return from Nuclear Funds and unwinding of discounts on provisions	19	-7	1	19	3	-15
Fair value changes, impairments and reversals	12	6	18	6	8	20
Other financial expenses and income - net	4	3	2	10	3	-5
<b>Total</b>	<b>35</b>	<b>2</b>	<b>21</b>	<b>35</b>	<b>14</b>	<b>0</b>
<b>Finance costs - net</b>	<b>23</b>	<b>-32</b>	<b>-36</b>	<b>-70</b>	<b>-125</b>	<b>-91</b>

Interest expenses on borrowing in I-III/2020 totalled EUR 143 million (I-III/2019: 133) including interest expenses on loans of EUR 121 million (I-III/2019: 106), and EUR 22 million (I-III/2019: 27) interest cost net from derivatives hedging the loan portfolio. Interest expenses from leases were EUR 24 million (I-III/2019: 2).

Interest income in I-III/2020 of EUR 69 million (I-III/2019: 21) include EUR 63 million (I-III/2019: 9) interest income from shareholder loan receivables and other loan receivables, and EUR 6 million (I-III/2019: 11) from deposits. Interest income from leases were EUR 9 million (I-III/2019: 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 provisions relates to Nuclear waste related provisions, pensions and other provisions.

## 8. Income taxes

Taxes during I-III/2020 totalled EUR 229 million (I-III/2019: 134). The effective income tax rate according to the income statement was 13.6% (I-III/2019: 10.5%). 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 23.9% (I-III/2019: 21.4%).

The definition of comparable effective income tax rate was updated in the second quarter of 2020 to exclude the tax effect of all items affecting comparability. Prior definition excluded only the effect of tax-exempt capital gains and losses. See Note 23 Definitions of key figures.

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 2019: 114), included in Income tax receivables. For additional information see Note 20 Legal actions and official proceedings.

## 9. Dividend per share

A dividend for 2019 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 23 April 2020. The dividend was paid on 5 May 2020.

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

## 10. Intangible assets

EUR million	30 Sept 2020	31 Dec 2019
Goodwill	724	612
Other intangible assets	1,193	531
<b>Total</b>	<b>1,917</b>	<b>1,143</b>

Goodwill includes Uniper acquisition-related preliminary goodwill of EUR 184 million, and excludes goodwill on Uniper's balance sheet at 31 March 2020, EUR 1,779 million, that is not considered to be an identifiable asset according to IFRS. See more information in Note 6.1 Acquisitions. Other changes during 2020 mainly relate to translation differences.

Other intangible assets include EUR 980 million from the acquisition of Uniper at 31 March 2020. See more information in Note 6.1 Acquisitions. Other changes during 2020 mainly relate to the return of emission allowances.

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

Property, plant and equipment, and right-of-use assets amounted to EUR 18,779 million (31 Dec 2019: 10,123). Property, plant and equipment, and right-of-use assets include EUR 9,068 million from the acquisition of Uniper at 31 March 2020, mainly relating to machinery and equipment; and buildings, plants and structures. The balance from Uniper included EUR 640 million of right-of-use assets. See more information in Note 6.1 Acquisitions.

Other changes during 2020 mainly relate to depreciations, divestments and translation differences, partly offset by capital expenditures.

## 12. Participations in associates and joint ventures

### 12.1 Participations in associates and joint ventures

EUR million	30 Sept 2020	31 Dec 2019
Uniper SE	-	4,306
Other associates and joint ventures	2,808	2,128
<b>Total</b>	<b>2,808</b>	<b>6,435</b>

As of 31 March 2020 Fortum consolidated Uniper as a subsidiary, meaning that Uniper is no longer included in participations in associates and joint ventures on Fortum's balance sheet. Other associates and joint ventures include EUR 881 million from the acquisition of Uniper 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. See also Note 1.2 Summary of Uniper impacts to Fortum's interim report.

## Changes in participations in associates and joint ventures

EUR million	30 Sept 2020	31 Dec 2019
<b>Opening balance 1 Jan</b>	<b>6,435</b>	<b>5,978</b>
Acquisitions	881	-
Investments	53	73
Share of profit of associates and joint ventures	540	744
Dividend income received	-86	-239
Divestments and capital returns	-44	-27
Reclassifications	-4,653	-16
OCI items associated companies	-195	-137
Translation differences and other adjustments	-122	59
<b>Closing balance</b>	<b>2,808</b>	<b>6,435</b>

Reclassifications mainly relate to Uniper consolidation as of 31 March 2020.

## 12.2 Share of profit/loss of associates and joint ventures

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Uniper SE	-	86	469	534	632	567
TGC-1	8	14	26	47	54	33
Stockholm Exergi AB	-1	-4	29	30	24	23
Other associates and joint ventures	17	10	15	67	34	-18
<b>Total</b>	<b>23</b>	<b>106</b>	<b>540</b>	<b>678</b>	<b>744</b>	<b>606</b>

### 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 will prepare a new purchase price allocation which will be completed within the one-year window from the acquisition date.

## 13. Interest-bearing receivables

EUR million	30 Sept 2020	31 Dec 2019
Interest-bearing receivables	2,798	1,035
Finance lease receivables	194	-
<b>Total</b>	<b>2,992</b>	<b>1,035</b>

EUR million	Carrying amount	Fair value	Carrying amount	Fair value
	30 Sept 2020	30 Sept 2020	31 Dec 2019	31 Dec 2019
Long-term loan receivables from associates and joint ventures	1,103	1,169	625	668
Non-current securities	89	89	-	-
Other long-term interest-bearing receivables	972	972	26	27
<b>Total long-term interest-bearing receivables</b>	<b>2,164</b>	<b>2,230</b>	<b>651</b>	<b>695</b>
Collateral arrangement securities	429	429	281	281
Other short-term interest-bearing receivables	204	204	103	103
<b>Total short-term interest-bearing receivables</b>	<b>634</b>	<b>634</b>	<b>384</b>	<b>384</b>
<b>Total</b>	<b>2,798</b>	<b>2,863</b>	<b>1,035</b>	<b>1,079</b>

Long-term interest-bearing receivables from associated companies and joint ventures, EUR 1,103 million (31 Dec 2019: 625), include EUR 962 million from Swedish nuclear companies, Forsmarks Kraftgrupp AB and Ringhals AB (31 Dec 2019: 558 from OKG AB and Forsmarks Kraftgrupp AB), which are mainly funded with shareholder loans, pro rata to each shareholder's ownership.

Interest-bearing receivables include interest bearing receivables EUR 1,634 million and finance lease receivables EUR 206 million from the acquisition of Uniper at 31 March 2020. See more information in Note 6.1 Acquisitions.

## 14. Interest-bearing net debt

### Financial net debt and adjusted net debt

EUR million	30 Sept 2020	31 Dec 2019
<b>+ Interest-bearing liabilities <sup>1)</sup></b>	<b>10,171</b>	<b>6,694</b>
<b>- Liquid funds</b>	<b>2,474</b>	<b>1,435</b>
- Non-current securities	89	-
- Collateral arrangement securities	429	281
<b>- Securities in interest-bearing receivables</b>	<b>519</b>	<b>281</b>
- Margin receivables	573	177
+ Margin liabilities	525	32
<b>+ Net margin liabilities</b>	<b>-48</b>	<b>-145</b>
<b>Financial net debt</b>	<b>7,130</b>	<b>4,833</b>
+ Pension obligations	1,465	125
+ Other asset retirement obligations	792	20
- Share of Finnish and Swedish Nuclear Waste Funds	3,120	813
+ Nuclear provisions	3,373	813
+ Nuclear provisions net of assets in Nuclear Waste Funds	253	-
<b>+ Total provisions net of assets in Nuclear Waste Funds</b>	<b>2,510</b>	<b>145</b>
<b>Adjusted net debt</b>	<b>9,640</b>	<b>4,978</b>

1) Included lease liabilities of EUR 6 million related to assets held for sale at 31 December 2019.

From 1/2020 Fortum updated the definition of net debt to align it with Uniper. Fortum uses financial net debt and adjusted net debt going forward when following indebtedness of the Group. The previously used net debt included interest-bearing loans, lease liabilities and liquid funds.

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

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

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

### Net debt 31 December 2019

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

1) See Note 6.3 Assets held for sale.

### Interest-bearing liabilities

EUR million	30 Sept 2020	31 Dec 2019
Loans	9,247	6,580
Lease liabilities <sup>1)</sup>	924	108
<b>Total interest-bearing liabilities</b>	<b>10,171</b>	<b>6,688</b>

1) Excluded lease liabilities of EUR 6 million relating to assets held for sale at 31 December 2019. See Note 6.3 Assets held for sale.

Lease liabilities include EUR 857 million from the acquisition of Uniper at 31 March 2020.

### Loans

EUR million	Carrying amount 30 Sept 2020	Fair value 30 Sept 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2019
Bonds	4,259	4,479	4,251	4,478
Loans from financial institutions	2,511	2,583	362	378
Reborrowing from the Finnish State Nuclear Waste Management Fund <sup>1)</sup>	1,145	1,215	1,185	1,250
Other long-term interest-bearing liabilities	454	500	304	346
<b>Total long-term loans <sup>2)</sup></b>	<b>8,369</b>	<b>8,777</b>	<b>6,102</b>	<b>6,452</b>
Collateral arrangement liability	429	429	281	281
Other short-term interest-bearing liabilities	449	449	197	197
<b>Total short-term loans</b>	<b>878</b>	<b>878</b>	<b>478</b>	<b>478</b>
<b>Total</b>	<b>9,247</b>	<b>9,655</b>	<b>6,580</b>	<b>6,930</b>

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 532 million (31 Dec 2019: 73).



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

On 22 April 2020, Fortum signed a ten-year EUR 70 million bilateral loan agreement, and on 6 May 2020 Fortum drew a bridge loan of EUR 300 million under the facilities for the purchase of Uniper shares. The bridge loan was prepaid on 8 June 2020.

The average interest rate for the portfolio of EUR loans was 0.9% at the balance sheet date (31 Dec 2019: 0.9%). The average interest rate on total loans and derivatives was 1.7% at the balance sheet date (31 Dec 2019: 2.3%). Part of the external loans, EUR 623 million (31 Dec 2019: 787), have been swapped to RUB and the average interest cost for these loans, including cost for hedging the RUB, was 6.7% at the balance sheet date (31 Dec 2019: 7.8%).

### Maturity of loans

EUR million	30 Sept 2020
2020 <sup>1)</sup>	865
2021	548
2022	3,038
2023	1,105
2024	311
2025 and later	3,380
<b>Total</b>	<b>9,247</b>

1) Cash received as collateral based on collateral agreements, amounting to EUR 202 million, has been recognised as a short-term liability.

### Maturity of undiscounted lease liabilities

EUR million	30 Sept 2020
Due within a year	77
Due after one year and within five years	451
Due after five years	1,131
<b>Total</b>	<b>1,659</b>

### Liquid funds

EUR million	30 Sept 2020	31 Dec 2019
Deposits and securities with maturity more than 3 months	357	76
Cash and cash equivalents	2,117	1,356
<b>Total <sup>1)</sup></b>	<b>2,474</b>	<b>1,433</b>

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

Liquid funds totalling EUR 2,000 million (31 Dec 2019: 1,099) are placed with counterparties that have an investment grade credit rating.

At the end of the reporting period, the Group's liquid funds totalled EUR 2,474 million (31 Dec 2019: 1,433). Liquid funds include EUR 621 million held by Uniper. EUR 214 million (31 Dec 2019: 201) of liquid funds are cash and bank deposits held by Russian entities.

## Committed credit facilities

At the end of the reporting period, Fortum had undrawn committed credit facilities amounting to EUR 5,000 million. The undrawn facilities include an EUR 1,450 million revolving credit facility, maturing in November 2021 (with an option to extend the maturity by one year), an 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.

In January 2020, Fortum cancelled EUR 3,000 million and in June 2020, EUR 1,200 million of facilities and a revolving credit facility. Parts of the facilities were for the purchase of Uniper shares. In August 2020, Fortum cancelled EUR 350 million of the revolving credit facility maturing in November 2021.

## 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. See also Note 1.2 Summary of Uniper impacts to Fortum's interim report.

On Fortum's consolidated balance sheet, Share in the Nuclear Waste Fund and the Nuclear provisions relate to Loviisa, OKG and Barsebäck nuclear power plants. Fortum also has minority interests in 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 operated nuclear waste funds. The nuclear operators also have to give securities to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plant and the disposal of spent fuel.

### 15.1 Nuclear related assets and liabilities for consolidated nuclear power plants

EUR million	30 Sept 2020	31 Dec 2019
<b>Carrying values on the balance sheet</b>		
Nuclear provisions	3,373	813
Fortum's share of the Nuclear Waste Funds	3,120	813
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds in Finland and Sweden	3,712	1,180
Share of fund not recognised on the balance sheet	593	316
Short-term receivable from the Nuclear Waste Fund	-	51

### Nuclear provision and fund accounted for according to IFRS

Nuclear provisions include the provision for the decommissioning and the provision for the disposal of spent fuel. Provisions are based on the total cost estimate in which future costs are discounted to net present value.

The carrying value of nuclear provisions, calculated according to IAS 37, increased by EUR 2,560 million compared to 31 December 2019, totalling EUR 3,373 million at 30 September 2020. The increase is mainly driven by the acquisition of Uniper.

Fortum's share of the Nuclear Waste Funds are from an IFRS perspective overfunded by EUR 593 million, since Fortum's share of the Funds on 30 September 2020 was EUR 3,712 million and the carrying value on the balance sheet was EUR 3,120 million. The Fund on Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the operating profit is adjusted positively if the provisions increase more than the Fund, and negatively if the provision decreases below the actual value of the fund. This accounting effect is not included in comparable operating profit but as Nuclear fund adjustment in items affecting comparability, see Note 3 Segment information and Note 4 Items affecting comparability.

### **Legal liability for Loviisa nuclear power plant**

The legal liability on 30 September 2020, decided by the Ministry of Economic Affairs and Employment in November 2019, was EUR 1,214 million.

The legal liability is based on a cost estimate, which is updated every year; and a technical plan, which is updated every 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 in November 2019 confirming the funding target at EUR 1,135 million.

### **Borrowing from the State Nuclear Waste Management Fund**

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed 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 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 2017 the Swedish government decided the waste fees and guarantees for years 2018-2020. Nuclear waste fees paid by licensees with a unit/units that are still in operation are currently based on future costs with the assumed lifetime of 50 years (40 years in previous decision) for each unit of a nuclear power plant. The fee is calculated in relation to the energy delivered and set as an amount of öre (1 öre = SEK 0,01) per kWh delivered. For Barsebäck, which have no units in operation, the fee is determined as a fixed fee in SEK per year.

## 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%)

	30 Sept 2020	31 Dec 2019
<b>Carrying values with Fortum assumptions</b>		
Nuclear provisions	3,319	4,973
Share of the Nuclear Waste Fund	3,125	4,403
<b>of which Fortum's net share consolidated with equity method</b>	-43	-202
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds	854	1,426
Receivables from the waste fund that are overfunded (underfunded) from an IFRS perspective	72	-78
of which TVO overfunded	115	124

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

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in Note 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 (Supplier) formed by Areva GmbH, Areva NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations.

In March 2018, TVO signed a comprehensive settlement agreement concerning the completion of the OL3 EPR project and related disputes with the plant supplier consortium companies as well as with Areva Group parent company Areva SA, a company wholly owned by the French State. The supplier consortium companies undertook that adequate funds exist for the completion of the OL3 EPR project covering also 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 project. During the period under review the trust has been replenished in accordance with the terms of the agreement.

TVO submitted on 8 April 2020 a permission application to the Finnish Radiation and Nuclear Safety Authority (STUK) for nuclear fuel loading of the OL3 EPR unit.

TVO issued on 28 August 2020 a stock exchange release stating that TVO has received an updated re-baseline schedule on the commissioning of the OL3 EPR plant unit from the supplier Areva–Siemens consortium. According to the schedule, fuel will be loaded into the reactor in March 2021, the unit will be connected to the grid in October of the same year, and regular electricity production starts in February 2022. The new Areva management, appointed in the summer of 2020, is preparing a financial solution to finalize the project until the end of the guarantee period. TVO continues negotiations with the Areva–Siemens consortium on the terms for project completion.

The settlement agreement made in March 2018 stipulates that if the Supplier fails to complete the OL3 project by the end of 2019, the Supplier pays a penalty to TVO for the delay, not exceeding EUR 400 million. TVO's management has estimated that TVO is entitled to receive the compensation of EUR 400 million assuming that the start of regular electricity production of the OL3 takes place in February 2022. TVO has recognized a receivable from the Supplier for the accumulated compensation from 1 January 2020 to the balance sheet date and decreased the carrying value of property, plant and equipment on the balance sheet accordingly.

## 16. Other provisions

EUR million	30 Sept 2020	31 Dec 2019
Asset retirement	792	20
Supplier-related	780	-
Power production-related	639	-
Gas distribution-related	384	-
Environmental remediation and similar	264	49
Other	868	32
<b>Total</b>	<b>3,726</b>	<b>100</b>

Other provisions include EUR 3,445 million from the acquisition of Uniper at 31 March 2020. See more information in Note 6.1 Acquisitions. Other changes during 2020 mainly relate to increases in Supplier-related provisions.

## 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 life expectancy.

Pension obligations include EUR 953 million from the acquisition of Uniper at 31 March 2020, mainly relating to pension obligations in Germany. See more information in Note 6.1 Acquisitions. Other changes during 2020 mainly relate to changes in discount rates and fair value of plan assets.

### Net defined benefit liability

EUR million	30 Sept 2020	31 Dec 2019
Present value of defined benefit obligation	4,424	529
Fair value of plan assets	2,961	406
<b>Net defined benefit liability</b>	<b>1,463</b>	<b>123</b>
Of which Germany	1,311	-
<b>Presented on the balance sheet as follows:</b>		
Pension obligations, net	1,465	125
Pension assets in Other non-current assets	1	2

## Discount rates

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

%	30 Sept 2020	31 Dec 2019
Germany	1.0	-
United Kingdom	1.7	-
Finland	0.7	0.8
Sweden	0.9	1.2

## 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 million	30 Sept 2020	31 Dec 2019
Property, plant and equipment and intangible assets	815	260

Capital commitments include EUR 670 million from the acquisition of Uniper at 31 March 2020.

### Long-term purchase commitments

Fortum has long-term contractual purchase obligations of approximately EUR 114.0 billion (of which EUR 5.0 billion is due within one year). The amount includes EUR 114.4 billion from the acquisition of Uniper at 31 March 2020. 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.

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

## 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 105 million (31 Dec 2019: 2) of real estate mortgages for the liability to the Finnish State Nuclear Waste

Management Fund and EUR 269 million (31 Dec 2019: 269) for shares pledged in Kemijoki Oy as a security for borrowing from the Finnish State Nuclear Waste Management Fund. In addition Fortum has EUR 429 million (31 Dec 2019: 281) of securities for trading of electricity, gas and CO2 emission allowances, and EUR 282 million (31 Dec 2019: 137) of other real estate mortgages. The increase in securities for trading of electricity, gas and CO2 emission allowances during 2020 is due to increased margin requirements for trading derivatives; and the increase in other real estate mortgages during 2020 is from Solar operations in India.

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

## **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 expose, this in particular includes legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the gas and electricity sectors (also as a consequence of the energy transition) and concerning anticompetitive practices, as well as general commercial contract disputes.

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

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

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

### **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 2019. On 31 March 2020, Uniper SE was reclassified from an associated company to a subsidiary. Transactions with Uniper Group companies are presented until 31 March 2020, but balances with Uniper Group companies at 31 March 2020 were excluded since Uniper was consolidated as a subsidiary. In addition, balances with any Uniper Group's related parties that have become Fortum Group's related parties through the acquisition are disclosed from 31 March 2020.

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

### Transactions with associates and joint ventures

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Sales	66	13	153	30	23	146
Purchases	128	89	358	275	373	456
Other income	40	-	60	-	-	60
Interest income on loan receivables	6	3	10	9	12	13

### Balances with associates and joint ventures

EUR million	30 Sept 2020	31 Dec 2019
Long-term interest-bearing loan receivables	1,103	625
Trade and other receivables	138	86
Long-term loan payables	293	294
Trade and other payables	259	24

## 22. Events after the balance sheet date

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



## 23. Definitions of key figures

### Alternative performance measures

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable EBITDA	Operating profit + depreciations and amortisations - items affecting comparability	Comparable EBITDA is representing the underlying cash flow generated by the total Group and segments. Used as a component in the capital structure target of Comparable net debt /EBITDA.	Capital structure and key ratios after cash flow statement
Comparable operating profit	Operating profit - items affecting comparability	Comparable operating profit is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Income statement
Items affecting comparability	Impairment charges and reversals + capital gains and other related items + impact from acquisition accounting + changes in fair values of derivatives hedging future cash flow + nuclear fund adjustment + 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 amortization, 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
Nuclear fund adjustment	Effects from the accounting of Fortum's part of the Finnish Nuclear Waste Fund where the asset on the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5, which is adjusted from materials and services. In addition adjustments are made for accounting effects from valuation according to IFRS.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
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 return on net assets, %	$\frac{\text{Comparable operating profit} + \text{share of profit /loss in associates and joint ventures} + \text{adjustment for share of profit /loss in associates and joint ventures}}{\text{Comparable net assets average}} \times 100$	Comparable return on net assets is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Note 3 Segment information
Adjustment for Share of profit /loss in associates and joint ventures	Adjustment for material items affecting comparability.	Share of profit/loss in associates and joint ventures is included in profit component in the comparable return on net assets calculation and the adjustments are done based on similar components as in Items affecting comparability.	Note 3 Segment information
Comparable net assets	Non-interest-bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest-bearing liabilities - provisions (non-interest-bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows).	Comparable net assets is a component in Comparable return on net assets calculation where return on capital allocated directly to the businesses is measured.	Note 3 Segment information
Capital structure	Definition	Reason to use the measure	Reconciliation
Financial net debt	Interest-bearing liabilities - liquid funds - securities in interest-bearing receivables + net margin liabilities	Starting from Q1 2020 Fortum has updated the definition of net debt. Financial net debt will be used in the follow-up of the indebtedness of the group.	Note 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	Starting from Q1 2020 Fortum has updated the definition of net debt. Adjusted net debt will be used in the follow-up of the indebtedness of the group.	Note 14 Interest-bearing net debt
Interest-bearing net debt	Interest-bearing liabilities - liquid funds	Until Q1 2020 interest-bearing net debt was used in the follow-up of the indebtedness of the group i.e. capital structure especially as a component in the long-term over-the-cycle financial target of Comparable net debt / EBITDA in the Group.	Note 14 Interest-bearing net debt

## Other key figures

### Share based key figures

Earnings per share (EPS)	$\frac{\text{Profit for the period - non-controlling interests}}{\text{Average number of shares during the period}}$
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.

### 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,%	$\frac{\text{Income tax expense - effects from tax rate changes - taxes on items affecting comparability - other major onetime tax effects}}{\text{Profit before income tax - share on profits from associated companies and joint ventures - items affecting comparability}} \times 100$
Last twelve months (LTM)	Twelve months preceding the reporting date

## Market conditions and achieved power prices

### Power consumption

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Nordic countries	81	82	279	285	392	386
Russia	233	240	750	773	1,059	1,036
Tyumen	19	22	64	69	94	89
Chelyabinsk	8	8	26	26	35	35
Russia Urals area	55	60	180	191	260	249
Russia Siberia area	47	47	152	154	211	209

Average prices	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Spot price for power in Nord Pool power exchange, EUR/MWh	8.9	34.7	10.0	39.0	38.9	17.2
Spot price for power in Finland, EUR/MWh	32.8	47.8	26.4	44.2	44.0	30.7
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	25.3	35.6	19.7	38.3	38.4	24.4
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	18.6	35.3	14.1	38.1	37.9	20.0
Spot price for power in the First Price Zone of Russia, RUB/MWh <sup>1)</sup>	1,295	1,280	1,226	1,307	1,289	1,227
Spot price for power in the Second Price Zone of Russia, RUB/MWh <sup>1)</sup>	856	683	888	917	892	871
Average capacity price for the Russia segment, tRUB/MW/month	555	571	592	604	624	615
Average capacity price for the Uniper segment, tRUB/MW/month	245	-	245	-	-	245
Spot price for power in Germany, EUR/MWh	36.1	37.4	27.7	38.0	37.7	29.9
Average regulated gas price in Urals region, RUB/1000 m <sup>3</sup>	4,016	3,937	3,964	3,883	3,910	3,957
Average capacity price for the Russia segment's CCS, tRUB/MW/month <sup>2) 3)</sup>	147	145	153	150	154	156
Average capacity price for the Russia segment's CSA, tRUB/MW/month <sup>3)</sup>	970	1,004	1,033	1,066	1,096	1,071
Average capacity price for the Uniper segment's CCS, tRUB/MW/month <sup>2) 3)</sup>	131	-	131	-	-	131
Average capacity price for the Uniper segment's CSA, tRUB/MW/month <sup>3)</sup>	899	-	900	-	-	900
Spot price for power (market price), Urals hub, RUB/MWh <sup>1)</sup>	1,109	1,107	1,066	1,129	1,117	1,069
CO <sub>2</sub> , (ETS EUA), EUR/tonne CO <sub>2</sub>	27	27	24	25	25	21
Coal (ICE Rotterdam), USD/tonne	51	57	48	63	61	50
Oil (Brent Crude), USD/bbl	43	62	43	65	64	48

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	30 Sept 2020	31 Dec 2019
Nordic water reservoirs level	114	79
Nordic water reservoirs level, long-term average	101	84

### Export/import

TWh (+ = import to, - = export from Nordic area)	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Export / import between Nordic area and Continental Europe + Baltics	-6	-3	-18	-7	-8	-19
Export / import between Nordic area and Russia	1	1	2	6	8	4
Export / import Nordic area, Total	-5	-2	-16	-1	0	-15

### Power market liberalisation in Russia

%	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Share of power sold at the liberalised price	76%	81%	77%	81%	80%	77%

### Achieved power prices

	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Generation segment's Nordic achieved power price, EUR/MWh	37.1	35.7	34.7	36.4	36.8	35.5
Uniper segment's Nordic achieved power price, EUR/MWh	21.9	-	25.2	-	-	25.2
Russia segment's achieved power price, RUB/MWh	2,059	1,974	1,901	1,985	1,990	1,927
Russia segment's achieved power price, EUR/MWh <sup>1)</sup>	23.1	27.5	23.8	27.0	27.3	24.9
Uniper segment's achieved power price in Russia, RUB/MWh	2,022	-	1,790	-	-	1,790
Uniper segment's achieved power price in Russia, EUR/MWh <sup>1)</sup>	22.7	-	22.4	-	-	22.4

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	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Power generation in Nordics	12.8	9.5	42.2	32.8	45.5	54.9
Power generation in other European countries	9.5	0.3	16.6	1.0	1.3	16.9
Power generation in Russia	14.5	6.7	37.7	21.9	29.3	45.1
Power generation in other countries	0.1	0.0	0.4	0.0	0.2	0.6
<b>Total</b>	<b>36.9</b>	<b>16.6</b>	<b>97.0</b>	<b>55.8</b>	<b>76.3</b>	<b>117.5</b>

### Heat production

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Heat production in Nordics	0.6	0.5	3.5	3.4	6.3	6.4
Heat production in other European countries	1.6	0.2	4.6	1.9	2.8	5.5
Heat production in Russia	1.8	1.7	10.7	11.3	17.3	16.7
<b>Total</b>	<b>4.0</b>	<b>2.4</b>	<b>18.8</b>	<b>16.6</b>	<b>26.4</b>	<b>28.6</b>

### Power generation capacity by segment

MW	30 Sept 2020	31 Dec 2019
Generation <sup>1)</sup>	8,101	8,220
Russia	4,928	4,928
City Solutions	983	1,082
Uniper	36,486	-
<b>Total</b>	<b>50,498</b>	<b>14,230</b>

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	30 Sept 2020	31 Dec 2019
Russia	8,437	8,437
City Solutions	4,054	4,812
Uniper	4,473	-
<b>Total</b>	<b>16,965</b>	<b>13,249</b>

### Power generation by source in the Nordic area

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Hydro and wind power	6.4	4.4	20.6	14.8	20.7	26.5
Nuclear power	6.2	5.0	20.9	17.2	23.5	27.2
Thermal power	0.1	0.1	0.7	0.9	1.4	1.2
<b>Total</b>	<b>12.8</b>	<b>9.5</b>	<b>42.2</b>	<b>32.8</b>	<b>45.5</b>	<b>54.9</b>

### Power generation by source in the Nordic area

%	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Hydro and wind power	50	45	49	45	45	48
Nuclear power	49	52	50	52	52	50
Thermal power	1	3	2	3	3	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Power generation by source in other European countries

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Hydro and wind power	1.2	-	2.3	-	-	2.3
Nuclear power	-	-	-	-	-	-
Thermal power	8.3	0.4	14.2	1.0	1.3	14.5
<b>Total</b>	<b>9.5</b>	<b>0.4</b>	<b>16.6</b>	<b>1.0</b>	<b>1.3</b>	<b>16.9</b>

Power generation by source in other European countries

%	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Hydro and wind power	13	-	14	-	-	14
Nuclear power	-	-	-	-	-	-
Thermal power	87	100	86	100	100	86
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Power sales

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Power sales in Nordics	552	556	1,692	2,078	2,877	2,491
Power sales in other European countries <sup>1)</sup>	5,236	46	9,975	136	186	10,025
Power sales in Russia	352	211	1,004	676	924	1,252
Power sales in other countries	4	3	15	3	8	20
<b>Total</b>	<b>6,144</b>	<b>816</b>	<b>12,686</b>	<b>2,893</b>	<b>3,995</b>	<b>13,788</b>

1) Including commodity trading.

Heat sales

EUR million	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Heat sales in Nordics	31	40	188	263	390	315
Heat sales in other European countries	77	25	258	154	228	332
Heat sales in Russia	14	18	91	88	145	148
<b>Total</b>	<b>121</b>	<b>82</b>	<b>537</b>	<b>504</b>	<b>763</b>	<b>796</b>

Power sales by area

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Finland	4.8	3.1	17.0	17.2	23.1	22.9
Sweden	9.8	6.6	31.5	22.5	31.5	40.5
Russia	16.5	7.7	46.8	25.0	33.8	55.6
Norway	2.4	2.5	9.8	10.5	15.0	14.3
Germany <sup>1)</sup>	110.6	-	215.0	-	-	215.0
United Kingdom	4.0	-	7.2	-	-	7.2
Netherlands	2.2	-	4.0	-	-	4.0
Other countries	4.2	0.6	6.0	1.8	2.5	6.7
<b>Total</b>	<b>154.6</b>	<b>20.4</b>	<b>337.2</b>	<b>77.0</b>	<b>105.8</b>	<b>366.0</b>

1) Including commodity trading.

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

Heat sales by area

TWh	III/2020	III/2019	I-III/2020	I-III/2019	2019	LTM
Russia	1.8	1.7	10.6	10.9	16.9	16.6
Finland	0.3	0.5	2.1	2.6	3.8	3.3
Poland	0.2	0.2	2.2	2.2	3.3	3.3
Germany	0.7	-	1.4	-	-	1.4
United Kingdom	-	-	0.0	-	-	0.0
Netherlands	0.7	-	1.3	-	-	1.3
Other countries	0.4	0.4	2.3	2.4	3.6	3.5
<b>Total</b>	<b>4.1</b>	<b>2.8</b>	<b>19.9</b>	<b>18.1</b>	<b>27.6</b>	<b>29.4</b>