Fortum Corporation
Financial Statements Bulletin
January–December 2020

Fortum Corporation
Domicile Espoo
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Contents

Tables to the Interim Report

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

Good performance in a challenging year – Strategy updated to drive the clean energy transition

October-December 2020

- Comparable EBITDA was EUR 1,247 (552) million
- Comparable operating profit was EUR 928 (398) million due to Uniper's fourth-quarter results
- Accounting effect, mainly one-time, of purchase price allocation of Uniper transaction EUR 64 million on the comparable operating profit of the Uniper segment
- Operating profit was EUR 458 (401) million
- Share of profits of associates and joint ventures was EUR 113 (65) million
- Earnings per share were EUR 0.43 (0.40), of which EUR -0.36 (0.00) related to items affecting comparability
- Cash flow from operating activities totalled EUR 763 (209) million
- Strategy updated to drive the clean energy transition and deliver sustainable financial performance

January-December 2020

- Comparable EBITDA was EUR 2,434 (1,766) million
- Comparable operating profit was EUR 1,344 (1,191) million
- Accounting effect, mainly one-time, of purchase price allocation of Uniper transaction EUR 57 million on the comparable operating profit of the Uniper segment
- Operating profit was EUR 1,599 (1,118) million
- Share of profits of associates and joint ventures was EUR 656 (744) million, the decline mainly related to Uniper reported as an associated company until 31 March 2020
- Earnings per share were EUR 2.05 (1.67), of which EUR 0.38 (-0.07) related to items affecting comparability
- Cash flow from operating activities totalled EUR 2,555 (1,575) million
- Adverse effects of Covid-19 mainly in the Group's Russian operations
- Total consideration from 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
- Fortum's Board of Directors proposes a dividend of EUR 1.12 (1.10) per share

Summary of outlook

- The Generation segment's Nordic generation hedges: approximately 75% at EUR 33 per MWh for 2021, and approximately 50% at EUR 31 per MWh for 2022
- The Uniper segment's Nordic generation hedges: approximately 90% at EUR 27 per MWh for 2021, approximately 65% at EUR 24 per MWh for 2022, and approximately 25% at EUR 22 per MWh for 2023
- Capital expenditure, including maintenance but excluding acquisitions, is expected to be approximately EUR 1,400 million in 2021

Key figures

EUR million	IV/2020	IV/2019	2020	2019
Sales	21,279	1,553	49,015	5,447
Comparable EBITDA*	1,247	552	2,434	1,766
Comparable operating profit	928	398	1,344	1,191
Operating profit	458	401	1,599	1,118
Share of profit/loss of associates and joint ventures*	113	65	656	744
Profit before income taxes	554	454	2,199	1,728
Earnings per share, EUR	0.43	0.40	2.05	1.67
Net cash from operating activities**	763	209	2,555	1,575
Shareholders' equity per share, EUR			14.58	14.61
Financial net debt (at period-end)***			7,023	4,833
Adjusted net debt (at period-end)***			9,784	4,978
Interest-bearing net debt (at period-end)***			-	5,260
Financial net debt/comparable EBITDA* ***			2.9	-

* Comparable EBITDA is defined as an alternative performance measure and used as a component in the capital structure target 'Financial net debt-to-Comparable EBITDA'. In 2020 Comparable EBITDA includes contribution from Uniper for the period of 1 April to 31 December 2020 since Uniper was consolidated as a subsidiary from 31 March 2020. Until 31 of March 2020 Uniper's contribution to the income statement was recognised in the Share of profit/loss of associates and joint ventures.
** Change in net margin liabilities has been reclassified from operating cash flows to investing cash flows and to financing cash flows.
*** 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:

"The year 2020 will be remembered first and foremost for the Covid-19 pandemic that shook the world and impacted the lives and livelihoods of people all around the globe. While the utilities sector, and Fortum more specifically, was also affected by the pandemic, we suffered clearly less than many other sectors and companies. Our focus through the challenging times was – and continues to be – on securing the well-being of our employees and thereby ensuring uninterrupted supply of power and heat to our customers and the societies around us.

Over the course of the year, we stood up to the challenge very well and successfully operated our power plants, carried out the annual overhauls, and secured the construction and commissioning of new power plants without major disturbances. In the Nordics we commissioned both the 90-MW Kalax and 99-MW Sørfjord wind parks, and in Russia we brought a total of 550 MWs of wind capacity to the market. At the same time, our subsidiary Uniper's construction projects at Irsching and Scholven in Germany and the modernisation of the Surgutskaya power plant in Russia are proceeding according to plan.

We have also continued our strategy execution tenaciously. During the year, we increased our ownership in Uniper from 49.99% to approximately 76%, and consolidated Uniper as a subsidiary into our financials as a separate reporting segment. One of the key focus areas in 2020 was intensifying the cooperation between Fortum and Uniper. As a result, we presented an updated strategy covering the whole Fortum Group at the beginning of December. Building on our strong position in CO_2-free power generation and gas as well as our expertise in sustainable industrial and infrastructure solutions, the strategy focuses on driving the clean energy transition. With determined execution of our strategy, we intend to deliver sustainable financial performance and target a growing dividend over the years to come. Our strategy is aligned with the goals of the Paris Agreement, targeting carbon neutrality for the Group by 2050 and in our European generation already in 2035.

As part of our strategy execution in 2020, we continued to optimise our portfolio and decided to divest our district heating businesses in Joensuu and Järvenpää in Finland after a strategic review. The sales gains recorded for these assets totalled EUR 722 million. The strategic reviews of our district heating assets in the Baltics, Poland, and Sweden as well as of our Consumer Solutions business are ongoing.

In 2020, Europe took determined strides on climate policy. The EU's Green Deal package with a clear commitment to climate neutrality by 2050 and tighter emissions reduction targets for 2030 was a truly welcome development as it bundles up all EU policy areas and all sectors of society. Until now, the focus of decarbonisation has largely been on the power sector, but the Green Deal has a society-wide approach. The tighter targets will be translated into a substantially tighter EU emission trading system in the upcoming years and the expansion of it is also on the table. This is something we for several years have been advocating for and we are very pleased with the development. This decision has also supported the price of CO_2 emission allowances, which are trading around twice the price compared to a year ago. The hydrogen economy also took several steps forward, with the EU Commission and several member states presenting their hydrogen strategies. This is a very welcome development, as the role of hydrogen made from CO_2-free power will play a key role in decarbonising the European economy, including many sectors that are hard to decarbonise, such as heavy transport and some industrial processes.

The market conditions in 2020 were characterised, not only by the pandemic and market volatility, but for us even more so by the wet hydrology in the Nordics that pushed power prices heavily down. Towards the end of the year, CO_2 emission allowance and commodity prices started to recover, which was also reflected in increasing power prices. While 2020 was a rough year for many energy commodities, European gas and power demand suffered only mildly – both in the region of a 3-4% decrease year-on-year.

The 2020 financial results for our Generation segment were burdened by the low power prices and low nuclear volumes especially in the fourth quarter. Our successful hedging significantly alleviated the effect of the low power prices. In the City Solutions segment, the result declined on warm weather and low power prices, while Consumer Solutions' results continued to improve. Despite the impact of the pandemic in the first half of 2020 and the lower power margins, our Russia segment fared well operationally, and the result decline was to a large extent due to the change in the Russian rouble exchange rate. Uniper's results generally follow a seasonal pattern with the first and fourth quarters being the strongest. As a result of the strong hedging and optimisation in the power and gas business, the fourth-quarter 2020 results of the Uniper segment significantly contributed to Fortum's comparable operating profit.

In line with our updated dividend policy and what we communicated in early December, the Board of Directors proposes a dividend of EUR 1.12 per share for the financial year 2020, an increase from the stable dividend we have been paying for several years.

Finally, I would like to thank all our employees for their dedication and hard work during the challenging times and for their flexibility and willingness to quickly adapt to the new ways of working brough on by the Covid-19 pandemic. For the year 2021, the focus will be on strategy execution, further deepening the cooperation with Uniper, and delivering on the collaboration benefits identified thus far with Uniper. At the same time, we will continue to target a strong financial position and maintaining our solid investment-grade rating."

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. 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. In 2019 and in the first quarter of 2020, Uniper was consolidated as an associated company into Fortum's income statement.

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 Annual Report 2020, page 38). Furthermore, 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.

Purchase price allocation

The preparation of the purchase price allocation for the Uniper acquisition is being finalised and will be completed within the one-year window from the acquisition date, i.e. in the first quarter of 2021.

In the fourth quarter of 2020, Fortum presents the preliminary purchase price allocation for the Uniper acquisition, which has resulted in adjustments to Uniper's opening balance sheet on 31 March 2020. These adjustments led to restatement of the first, second, and third quarters of 2020 (Restated quarterly financials separately published on 12 March 2021).

The financial effect of the purchase price allocation of the Uniper acquisition on the comparable operating profit of the Uniper segment in 2020 totals EUR 57 million resulting from one-time adjustments of EUR +68 million and recurring adjustments of EUR -11 million. See below.

Recurring adjustments:

- Fair value adjustments made to Uniper's opening balance sheet on 31 March 2020 mainly relate to property, plant, and equipment and right-of-use assets, participations in associates and joint ventures, lease liabilities, other provisions, as well as deferred taxes. The increase in the value of property, plant, and equipment resulted in additional depreciations (EUR 11 million in 2020) impacting Comparable operating profit. In addition the increase in the value of the lease liability (due to a lower discount rate) resulted in lower interest costs (EUR 26 million in 2020).

One-time adjustments:

- The purchase price allocation resulted in certain one-time adjustments to the results of the Uniper segment for the second, third and fourth quarters of 2020, which are now reflected in the acquisition date opening balance sheet on 31 March 2020. The total one-time impact in 2020 on comparable operating profit is EUR +68 million, and on items affecting comparability EUR -31 million.

Excess of the acquisition value over the fair value of Uniper's net assets, resulted in a preliminary goodwill amount of EUR 515 million.

Other changes

The following changes have been made in comparison to Fortum's 2019 Annual Financial Statements in order to align with Uniper:

- In the first quarter of 2020, Fortum updated the definition of 'net debt' and applied the use of 'financial net debt' and 'adjusted net debt' when following indebtedness of the Group.
- In the second quarter of 2020, Fortum updated the definition of 'Items affecting comparability' and 'Comparable operating profit'.
- In the fourth quarter of 2020, Fortum reclassified the 'change in net margin liabilities from operating cash flows' in the consolidated cash flow statement so that the 'change in margin receivables' is presented in 'investing cash flows', and the 'change in margin liabilities' is presented in 'financing cash flows'. The comparison figures have been reclassified accordingly.
- In the fourth quarter of 2020, nuclear fund adjustments in the consolidated income statement were reclassified from 'Items affecting comparability' to 'Other financial expenses, net'. This change does not impact Comparable operating profit. Further, in the consolidate cash flow statement, 'nuclear fund-related payments and repayments' have been reclassified from 'cash flow from operating activities' to 'cash flow from investment activities'. The comparison figures have been reclassified accordingly.

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.

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

Strategy update

In December 2020, Fortum updated the strategy for the whole Fortum Group to drive the clean energy transition and deliver sustainable financial performance. Aligned with the goals of the Paris Agreement, Fortum targets carbon neutrality by 2050 with ambitious mid-term targets.

The updated strategy builds on four priorities: 'Transform own operations to carbon neutral', 'Strengthen and grow in CO_2-free power generation', 'Leverage strong position in gas to enable the energy transition', and 'Partner with industrial and infrastructure customers'.

Fortum has committed to the following ambitious climate and environmental targets:

- Carbon neutral, in line with the goals of the Paris Agreement, by 2050 at the latest (Scope 1, 2, and 3 emissions)
- Carbon neutral in European generation by 2035 at the latest (Scope 1 and 2)
- Reduction of CO_2 emissions (Scope 1 and 2) in European generation by at least 50% by 2030 (base year 2019)
- Number of major voluntary measures enhancing biodiversity ≥12 in 2021

During 2021, Fortum will develop a target for the reduction of Scope 3 emissions addressing the indirect emissions from our fuel sales business (category 11).

Fortum's coal-fired generation capacity will be reduced by more than 50% by the end of 2025, to approximately 5 GW. Measures for the reduction include the coal-fired plant closures in Germany announced by Uniper earlier in 2020 (and updated in December): 0.9 GW at the end of 2020, 1.5 GW by the end of 2022, and a further 0.5 GW by the end of 2025. The reduction also includes the closure of Uniper's 2 GW in the UK by the end of 2025 and Fortum's previously announced commitment to discontinue the use of coal in Espoo by 2025.

In addition to the above-mentioned planned power plant closures, Uniper will close its 1-GW coal-fired plant in the Netherlands by the end of 2029. As defined in the German coal-exit law, Uniper's 1.1-GW coal-fired power plant in Germany, Datteln 4, will be decommissioned by 2038.

Fortum will also focus on growing a sizeable portfolio of onshore wind and solar based power generation, primarily in Europe, to make it a meaningful EBITDA contributor. The target is to build 1.5-2 GW of new capacity by 2025. This capacity will be built partly on our own balance sheet and partly using the 'build-operate-transfer' business model.

Fortum will gradually transform its Russian asset portfolio towards renewables, while over time reducing our fossil exposure.

In parallel with the strategy alignment, Fortum and Uniper have together identified cooperation benefits with a positive cash impact on a consolidated Group basis of approximately EUR 100 million annually. More than EUR 50 million of these annual benefits are estimated to be achieved by the end of 2023, with full effect of approximately EUR 100 million annually in 2025. Through this cooperation we will be able to create value for both companies and their shareholders.

Financial targets and dividend policy

Following the consolidation of Uniper, Fortum's business profile has changed. 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.

In December 2020, Fortum updated its financial targets and dividend policy. Fortum continues to be committed to maintaining a rating of at least BBB. The long-term financial targets are:

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

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

Financial results

Sales by segment

EUR million	IV/2020	IV/2019	2020	2019
Generation	541	583	2,006	2,141
Russia	238	306	929	1,071
City Solutions	337	366	1,075	1,200
Consumer Solutions	370	510	1,267	1,835
Uniper	19,990	-	44,514	-
Other Operations	38	32	140	115
Netting of Nord Pool transactions	-105	-139	-317	-529
Eliminations	-130	-105	-598	-387
Total	**21,279**	**1,553**	**49,015**	**5,447**

Comparable EBITDA by segment

EUR million	IV/2020	IV/2019	2020	2019
Generation	220	278	886	939
Russia	108	136	394	469
City Solutions	90	129	239	308
Consumer Solutions	38	35	153	141
Uniper	819	-	856	-
Other Operations	-28	-27	-94	-91
Total	**1,247**	**552**	**2,434**	**1,766**

Comparable operating profit by segment

EUR million	IV/2020	IV/2019	2020	2019
Generation	177	239	722	794
Russia	76	94	251	316
City Solutions	41	80	47	120
Consumer Solutions	21	19	90	79
Uniper	649	-	363	-
Other Operations	-36	-34	-129	-118
Total	**928**	**398**	**1,344**	**1,191**

Operating profit by segment

EUR million	IV/2020	IV/2019	2020	2019
Generation	160	266	711	780
Russia	76	95	252	317
City Solutions	44	82	775	127
Consumer Solutions	49	-3	129	20
Uniper	166	-	29	-
Other Operations	-36	-37	-298	-126
Total	**458**	**401**	**1,599**	**1,118**

Share of profit/loss of associates and joint ventures

EUR million	IV/2020	IV/2019	2020	2019
Generation	46	-34	29	10
Russia	15	0	47	59
City Solutions	19	-4	57	37
Consumer Solutions	-	-	-	-
Uniper	35	-	54	-
Other Operations*	-1	103	470	638
Total	**113**	**65**	**656**	**744**

* 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. In 2019 and in the first quarter of 2020, Uniper was consolidated as an associated company into Fortum's income statement. The main reason for the change in quarterly and annual figures compared to the previous year is thus the consolidation of Uniper.

October-December 2020

Sales were EUR 21,279 (1,553) million.

Comparable operating profit increased to EUR 928 (398) million, mainly due to the consolidation of Uniper, partly offset by the clearly lower nuclear volumes, lower power prices, and negative impact of the change in the Russian rouble exchange rate.

Operating profit for the period was impacted by EUR -470 (3) million of items affecting comparability, mainly due to changes in fair values of non-hedge-accounted derivatives of EUR -605 (5) million (Note 4).

The share of profits of associates and joint ventures was EUR 113 (65) million (Note 12).

January-December 2020

Sales were EUR 49,015 (5,447) million.

Comparable operating profit increased by 13% and was EUR 1,344 (1,191) million, mainly due to the consolidation of Uniper, partly offset by the weaker results in the heating and cooling business, and the negative effect of the change in the Russian rouble exchange rate. In the Generation segment, the negative impact of the lower achieved power price and lower nuclear volumes was partly offset by the higher hydro volumes.

Operating profit for the period was impacted by EUR 255 (-72) million of items affecting comparability, mainly due to the sales gains of EUR 722 million from the divestments of the Joensuu and Järvenpää district heating operations, changes in fair values of non-hedge-accounted derivatives of EUR -675 (-72) million, and a one-time, non-cash tax-exempt 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 656 (744) 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 (632) 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 56 (134) million.

Profit before income taxes was EUR 2,199 (1,728) million.

Taxes for the period totalled EUR 344 (221) million. The effective income tax rate according to the income statement was 15.7% (12.8%). The comparable effective income tax rate (excluding the impact of the share of profit of associated companies and joint ventures as well as items affecting comparability, tax rate changes, and other major one-time income tax effects) was 23.8% (22.0%) (Note 8).

The profit for the period was EUR 1,855 (1,507) million. Earnings per share were EUR 2.05 (1.67), of which EUR 0.38 (-0.07) per share were related to items affecting comparability.

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. In 2019 and in the first quarter of 2020, Uniper was consolidated as an associated company into Fortum's income statement. The main reason for the change in quarterly and annual figures compared to the previous year is thus the consolidation of Uniper.

Cash flow

In 2020, net cash from operating activities increased by EUR 980 million to EUR 2,555 (1,575) million.

Net cash used in investing activities was EUR 2,140 (-118) million. Capital expenditure increased by EUR 406 million to EUR 1,101 (695) million. Acquisition of shares, net of liquid funds, amounted to EUR 1,801 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 1,244 million. Change in margin receivables was EUR -522 (403) million. The non-cash collateral arrangement to release pledged cash from the Nordic power exchange in the first quarter of 2019 had a one-time positive impact of EUR 310 million presented in 'Change in other interest-bearing receivables'. Operational cash flow and divestments more than covered the investments resulting in cash flow before financing activities of EUR 415 (1,693) million.

Proceeds from long-term liabilities were EUR 2,569 (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 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 507 (2,567) million including repayment of the bridge loan. Change in margin liabilities was EUR -623 (-47) million. The net increase in liquid funds was EUR 920 (806) million.

Assets

At the end of 2020, total assets amounted to EUR 57,810 (23,364 at the end of 2019 and 53,645 at the end of September 2020) million. The increase from year-end mainly relates to the consolidation of Uniper. Liquid funds at the end of the period were EUR 2,308 (1,433 at the end of 2019 and 2,474 at the end of September 2020) million.

Equity

Equity attributable to owners of the parent company totalled EUR 12,953 (12,982 at the end of 2019) million. The change from the year-end was mainly related to the net profit for the period of EUR 1,823 million, the dividend payment of EUR 977 million, and the negative translation differences of EUR 492 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 2020, financial net debt was EUR 7,023 (4,833 at the end of 2019 and 7,130 at the end of September 2020) million and adjusted net debt EUR 9,784 (4,978 at the end of 2019 and 9,640 at the end of September 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 2020, the Group's liquid funds totalled EUR 2,308 (1,433 at the end of 2019 and 2,474 at the end of September 2020) million. Liquid funds include EUR 289 million held by Uniper.

At the end of 2020, 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, in June 2020 EUR 1,200 million and in August 350 million of facilities and the revolving credit facility maturing in November 2021. The facilities were for purchase of Uniper shares and liquidity purposes.

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. On 21 December 2020, Fortum drew a ten-year SEK 814 million (EUR 80 million) bilateral loan.

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	IV/2020	IV/2019	2020	2019
Sales	541	583	2,006	2,141
- power sales	506	541	1,878	2,006
of which Nordic outright power sales*	387	444	1,478	1,568
- other sales	36	42	128	135
Comparable EBITDA	220	278	886	939
Comparable operating profit	177	239	722	794
Operating profit	160	266	711	780
Share of profit/loss of associates and joint ventures**	46	-34	29	10
Comparable net assets (at period-end)			6,234	6,019
Comparable return on net assets, %			11.8	13.3
Capital expenditure and gross investments in shares	115	77	228	260
Number of employees			1,143	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	IV/2020	IV/2019	2020	2019
Hydropower, Nordic	6.4	5.8	22.4	20.3
Nuclear power, Nordic	4.8	6.3	21.0	23.5
Wind power, Nordic	0.1	0.1	0.4	0.4
Thermal power, Nordic	0.0	0.0	0.1	0.2
Total	**11.3**	**12.2**	**43.9**	**44.4**

Nordic sales volumes

TWh	IV/2020	IV/2019	2020	2019
Nordic sales volume	13.4	13.9	51.4	51.3
of which Nordic outright power sales volume*	11.0	11.8	42.5	42.7

* 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	IV/2020	IV/2019	2020	2019
Generation's Nordic achieved power price*	35.2	37.6	34.8	36.8

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

October-December 2020

The Generation segment's total power generation in the Nordic countries decreased due to longer planned and some unplanned nuclear outages, the effect of which was partly offset by clearly higher hydro volumes. The CO_2-free generation accounted for 100% (100%) of the total power generation.

The achieved power price in the Generation segment decreased by 6%, corresponding to a decline of EUR 2.4 per MWh. Supported by the fairly high hedge price and hedge level, the decline was marginal compared to the 34% drop in spot power prices in Fortum's power generation areas.

Comparable operating profit declined by 26%, mainly due to the clearly lower nuclear volumes and lower prices, partly offset by higher hydro volumes. Comparable operating profit was affected by EUR -8 (-) million from the consolidation of the Generation segment's proportionate share of OKG (Note 1).

Operating profit was affected by EUR -17 (27) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives (see 'Changes in reporting' and Note 3).

The share of profits of associates and joint ventures totalled EUR 46 (-34) million (Note 12).

January-December 2020

The Generation segment's total power generation in the Nordic countries decreased, mainly due to longer planned and some unplanned nuclear outages, the effect of which was almost offset by clearly higher hydro volumes. The CO_2-free generation accounted for 100% (99%) of the total power generation.

The achieved power price in the Generation segment decreased by EUR 2.0 per MWh, down 5%. Supported by the fairly high hedge price and hedge level, the decline was minor compared to the 44% drop in spot power prices in Fortum's power generation areas.

Comparable operating profit decreased by 9%. The negative impact of the lower achieved power price and lower nuclear volumes was partly offset by the higher hydro volumes. Hydro volumes were somewhat above the long-term average annual level. Comparable operating profit was also affected by EUR 15 million, due to the consolidation of the Generation segment's proportionate share of OKG (Note 1).

Operating profit was affected by EUR -11 (-14) million of items affecting comparability (see ‘Changes in reporting’ and Note 3).

The share of profits of associates and joint ventures totalled EUR 29 (10) million (Note 12).

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 in 2020 it was EUR 25 million.

Russia

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

EUR million	IV/2020	IV/2019	2020	2019
Sales	238	306	929	1,071
- power sales	188	249	791	924
- heat sales	48	57	134	145
- other sales	2	-	4	2
Comparable EBITDA	108	136	394	469
Comparable operating profit	76	94	251	316
Operating profit	76	95	252	317
Share of profit/loss of associates and joint ventures	15	0	47	59
Comparable net assets (at period-end)			2,431	3,212
Comparable return on net assets, %			11.1	12.3
Capital expenditure and gross investments in shares	19	98	91	133
Number of employees			2,935	2,955

Power generation and heat production for the Russia segment

TWh	IV/2020	IV/2019	2020	2019
Russian power generation	7.3	7.4	27.1	29.3
Russian heat production	6.1	6.0	16.4	17.3

Prices for the Russia segment

	IV/2020	IV/2019	2020	2019
Average capacity price for CCS and other, tRUB/MW/month* **	166	166	156	154
Average capacity price for CSA, tRUB/MW/month**	1,129	1,186	1,058	1,096
Average capacity price, tRUB/MW/month	654	684	608	624
Achieved power price for the Russia segment, RUB/MWh	2,056	2,003	1,940	1,990
Achieved power price for the Russia segment, EUR/MWh***	22.5	28.2	23.4	27.3

* 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.

October-December 2020

Power generation volumes declined by 1% and heat production volumes increased by 2%. The decline in power generation was mainly related to the annual maintenance at Chelyabinsk combined heat and power (CHP) plant 4. The negative effects of the Covid-19 restrictions on electricity demand were lower in the fourth quarter than in the previous quarters. The heat production volumes were positively affected especially by colder weather in the Chelyabinsk and Tyumen areas.

Sales decreased by 22%, EUR 68 million, due to the weaker Russian rouble. The effect of the change in the Russian rouble exchange rate was EUR -65 million. In rouble terms, higher heat sales were offset by the lower power sales resulting from the annual maintenance at Chelyabinsk CHP 4.

Comparable operating profit decreased by 19%, EUR 18 million, due to a EUR -19 million effect from the change in the Russian rouble exchange rate. To counter the effects of Covid-19, a focus was put on cost efficiency and securing good availability, which offset the lower Capacity Supply Agreement (CSA) payments.

The share of profits of associates and joint ventures totalled EUR 15 (0) million (Note 12).

January-December 2020

Power generation volumes declined by 8% and heat production volumes declined by 5%. The load factor was among the highest in the Russian Federation, according to market data published by the Wholesale Market Trading Administrator. Reduced oil production and lower overall economic activity following the OPEC+ decisions and Covid-19 restrictions had an adverse effect on power demand especially in the first nine months of the year. Heat production volumes were negatively affected especially by the warmer weather in the Chelyabinsk and Tyumen areas during the first three quarters.

Sales decreased by 13%, EUR 142 million, 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 -127 million.

Comparable operating profit decreased by 21%, EUR 65 million, mainly due to the weaker Russian rouble, lower power margins and volumes, as well as lower CSA payments, partly offset by higher heat tariffs. To counter the effects of Covid-19, a focus was put on cost efficiency and securing good availability. The effect of the change in the Russian rouble exchange rate was EUR -34 million. The decline in CSA payments is a consequence of the lower Government bond yields.

The share of profits of associates and joint ventures totalled EUR 47 (59) million, including the lower share of profits of EUR 24 (54) million from TGC-1 and the share of profits of EUR 18 (2) million from the joint ventures for renewables power generation (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	IV/2020	IV/2019	2020	2019
Sales	337	366	1,075	1,200
- heat sales	164	201	516	615
- power sales	41	45	121	153
- waste treatment sales*	69	70	252	250
- other sales**	62	50	186	181
Comparable EBITDA	90	129	239	308
Comparable operating profit	41	80	47	120
Operating profit	44	82	775	127
Share of profit/loss of associates and joint ventures	19	-4	57	37
Comparable net assets (at period-end)			3,679	3,945
Comparable return on net assets, %			2.8	4.6
Capital expenditure and gross investments in shares	116	61	333	323
Number of employees			2,093	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	IV/2020	IV/2019	2020	2019
Finland	0.8	1.2	2.9	3.8
Poland	1.2	1.1	3.4	3.3
Norway	0.5	0.6	1.5	1.7
Other countries	0.6	0.6	1.9	2.0
Total	**3.1**	**3.5**	**9.6**	**10.8**

Power sales by country

TWh	IV/2020	IV/2019	2020	2019
Finland	0.4	0.4	1.0	1.6
Poland	0.2	0.2	0.6	0.6
Other countries	0.3	0.4	1.4	1.0
Total	**1.0**	**1.0**	**3.0**	**3.2**

October-December 2020

Heat sales volumes declined by 11%. The effects of the divestments of the Joensuu and Järvenpää district heating businesses corresponded to an 8% decrease in heating sales. In the Nordics the temperatures were clearly higher than in the previous year, which also contributed to the lower sales.

Comparable operating profit declined clearly. The main reasons for the decline were one-time items of EUR 16 million in the Finnish district heating business in the fourth quarter of 2019 and the EUR 7 million result effect of the divestments of the district heating businesses in Joensuu and Järvenpää. The lower results of the heating business in Norway, as well as the weaker performance in the recycling and waste business, also contributed to the decline. However, the like-for-like result of the Finnish district heating business improved, due to higher power sales and more advantageous production mix.

Operating profit was affected by EUR 3 (2) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives (Note 3).

The share of profits of associates and joint ventures totalled EUR 19 (-4) million (Note 12). In 2019, Fortum's share of profits from Stockholm Exergi was impacted by a EUR 22 million impairment recorded in Stockholm Exergi's fourth-quarter 2019 results, due to the decision to decommission the last coal-fired unit in Stockholm.

January-December 2020

Heat sales volumes decreased by 11%, as temperatures were clearly higher than normal throughout the year, especially in the first quarter of 2020. The decline in the power sales volumes and part of the lower heat sales volumes were related to the divestments of the Joensuu and Järvenpää district heating businesses.

Comparable operating profit decreased by 61%. The main reasons for the clearly weaker profitability were lower heat sales volumes, lower power prices, and lower Norwegian heat prices, as well as weaker performance in the recycling and waste business. In Norway, the district heat pricing is linked to the power price development, which in this market environment had a clear negative impact on the heat prices. Furthermore, the results declined due to positive one-time items of EUR 16 million in the Finnish district heating business in the fourth quarter of 2019. In addition, the results were negatively impacted by structural changes, the most significant of these being the divestments of the Joensuu and Järvenpää district heating businesses with a EUR 14 million impact. The Pavagada 2 solar park, commissioned in August 2019, contributed positively to the result. The Covid-19 pandemic had adverse effects mainly on the recycling and waste business, negatively affecting the results of City Solutions.

Operating profit was affected by EUR 728 (7) million of items affecting comparability, mainly the tax-exempt capital gains of EUR 431 million and EUR 291 million, respectively, from the divestments of the Joensuu and Järvenpää district heating businesses (Note 3).

The share of profits of associates and joint ventures totalled EUR 57 (37) million (Note 12), EUR 46 (24) million of which is related to the share of profit of Stockholm Exergi.

The cost synergies from integrating Fortum Oslo Varme's business operations materialised gradually starting in 2019, and annual synergies in line with the target level of EUR 5-10 million were achieved by the end of 2020.

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 3 July 2020, Fortum announced it had agreed to sell the district heating business in Järvenpää, Finland 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.

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	IV/2020	IV/2019	2020	2019
Sales	370	510	1,267	1,835
- power sales*	330	454	1,057	1,630
- gas sales	43	38	139	132
- other sales*	-3	17	70	73
Comparable EBITDA	38	35	153	141
Comparable operating profit	21	19	90	79
Operating profit	49	-3	129	20
Comparable net assets (at period-end)			565	637
Capital expenditure and gross investments in shares	14	15	57	55
Number of employees			1,048	1,327

* Sales in the fourth quarter include a one-off cumulative adjustment between power sales and other sales.

Sales volumes

TWh	IV/2020	IV/2019	2020	2019
Electricity	8.1	8.8	29.1	30.6
Gas*	1.6	1.2	4.9	4.1

* Not including wholesale volumes.

Number of customers

Thousands*	31 Dec 2020	31 Dec 2019
Electricity	2,280	2,340
E-mobility**	60	-
Gas	50	40
Total	**2,390**	**2,380**

* Rounded to the nearest 10,000.
** Measured as quarterly paying customers.

Fortum's leading e-mobility business is included in the Consumer Solutions segment from the beginning of the fourth quarter. The financial impact on the segment results is marginally positive.

October-December 2020

The electricity sales volumes decreased by 8%. Total sales revenue decreased by 27%, as a result of the low Nordic electricity price. Competition in Norway continued to be intense. Several new digital services for current and new customers were launched during the quarter. The enterprise customer business won several new customers, supporting the sustainable profitability of these operations.

The result performance continued to improve and the comparable operating profit increased by 11%, as a consequence of lower fixed costs and higher contribution from value-added services. The effect was partly offset by lower sales margins, due to the reduced power sales volume. The comparable EBITDA increased for the thirteenth consecutive quarter.

Operating profit was affected by EUR 27 (-22) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives (Note 3).

January-December 2020

The electricity sales volumes decreased by 5%, mainly due to warmer weather in the Nordics in the first quarter. Total sales revenue decreased by 31%. The gas volume increased by 20%, mainly due to an increase of enterprise customers in Poland. The Covid-19 pandemic has increased market uncertainty, especially in the small- and medium-sized enterprises' sector; so far, 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.

Comparable operating profit continued to improve and increased by 14%, mainly driven by higher margins from value-added services and higher sales margins. The higher margins are a result of active development of the service offering following the Hafslund integration and subsequent development of the business.

Operating profit was affected by EUR 39 (-59) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives (Note 3).

Consumer Solutions offers various services enabling our customers to reduce their carbon footprint. Positive progress has been achieved among all measured sustainability categories during 2020, with increased CO_2-free electricity volumes as the main contributor.

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	IV/2020	IV/2019	2020	2019
Sales	19,990	-	44,514	-
- power sales	6,567	-	16,994	-
of which Nordic outright power sales*	146	-	373	-
- heat sales	81	-	191	-
- gas sales	9,428	-	22,176	-
- other sales	3,915	-	5,154	-
Comparable EBITDA	819	-	856	-
Comparable operating profit	649	-	363	-
Operating profit	166	-	29	-
Share of profit/loss of associates and joint ventures	35	-	54	-
Comparable net assets (at period-end)			7,432	-
Capital expenditure and gross investments in shares	261	-	627	-
Number of employees			11,751	-

* 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	IV/2020	IV/2019	2020	2019
Hydropower, Nordics	2.5	-	6.8	-
Nuclear power, Nordics	2.8	-	7.6	-
Hydropower, Central Europe	0.9	-	3.3	-
Thermal power, Central Europe	8.8	-	22.1	-
Thermal power, Russia	10.6	-	28.5	-
Total	**25.7**	**-**	**68.3**	**-**

Nordic sales volumes

TWh	IV/2020	IV/2019	2020	2019
Nordic sales volume	5.4	-	14.6	-
of which Nordic outright power sales volume*	5.3	-	14.4	-

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

Prices for the Uniper segment

EUR/MWh	IV/2020	IV/2019	2020	2019
Uniper's Nordic achieved power price*	27.4	-	26.0	-
Average capacity price for Uniper CCS and other, tRUB/MW/month** ***	147	-	136	-
Average capacity price for Uniper CSA, tRUB/MW/month***	1,047	-	951	-
Average capacity price for Uniper, tRUB/MW/month	292	-	261	-
Achieved power price for Uniper in Russia, RUB/MWh	1,890	-	1,798	-
Achieved power price for Uniper in Russia, EUR/MWh****	20.6	-	21.7	-

* 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 more than 35 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 midstream 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 and annual figures compared to the previous year is thus the consolidation of Uniper.

October-December 2020

Power generation volumes benefitted from better availability of the steam fleet and the commissioning of Datteln 4 earlier in 2020.

Backed by the increase in carbon prices, European power prices in the fourth quarter increased. This was less pronounced in the Nordics, due to the continuing high reservoir levels. The earnings of Uniper's flexible fossil power generation business were supported by the large amount of volatile wind power generation in the market. Furthermore, the income from the UK capacity market supported the results. As communicated in the previous quarters, the reversal of intra-year phasing effects of carbon price hedges contributed to the fourth-quarter results.

The gas business followed the normal seasonal pattern with a strong fourth quarter with high withdrawal from the gas storages.

The Russian business contributed positively to Uniper's comparable operating profit. In the fourth quarter, lower production volumes negatively affected earnings.

Comparable operating profit amounted to EUR 649 (-) million.

Operating profit was affected by EUR -483 (-) million of items affecting comparability, mainly EUR -617 (-) million of fair value change of non-hedge-accounted derivatives. (Note 3).

The share of profits of associates and joint ventures totalled EUR 35 (-) million (Note 12).

January-December 2020

During the last three quarters of 2020, the Continental European power markets were characterised by slightly 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, especially in the Nordics. However, given the optimisation and hedging activities of the power generation fleet, and an increased focus on spot, intraday, and system-services, 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 with some support from a more balanced market to the end of the year. This presented gas suppliers with the challenge of optimising the supply and sales portfolio, leading to unusual weak results for the reporting period after a strong first quarter.

The Russian business contributed positively to Uniper's comparable operating profit, despite lower electricity prices in the day-ahead market, due to demand decreases caused by the Covid-19 pandemic, as well as reduced oil production in Russia, reduced foreign demand, the lower Russian rouble exchange rate, and a weather-related increase in supply.

Comparable operating profit amounted to EUR 363 (-) million.

Operating profit was affected by EUR -333 (-) million of items affecting comparability, mainly EUR -706 (-) million of fair value change of non-hedge-accounted derivatives, and income of EUR 376 (-) 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 54 (-) 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 long-term collaboration on the decarbonisation of Uniper's gas-fired power plants and natural gas storage facilities.

On 1 December 2020, Uniper announced that the German Federal Network Agency had accepted the bid from the Heyden 4 power plant as part of the first round of auctions for the closure of hard-coal-fired power plants. The commercial electricity generation at the plant ended already by the end of 2020, five years earlier than previously announced.

Uniper investment

Fortum is the majority owner of Uniper with an ownership of 76.1% (as of 31 December 2020) 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 as a subsidiary into its income statement. The reason for the change in quarterly and annual 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 47.35%. 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 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. The transaction closed in two tranches. 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%. On 31 December 2020, Fortum's ownership in Uniper was 76.1% (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.

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

For further information, see Uniper's full-year 2020 results published on 4 March 2021.

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 and annual figures compared to the previous year is thus the consolidation of Uniper.

In the fourth quarter of 2020, capital expenditures and investments in shares totalled EUR 623 (267) million. Capital expenditures were EUR 471 (197) million (Notes 3 and 6).

In 2020, capital expenditures and investments in shares totalled EUR 4,941 (819) million. Capital expenditures were EUR 1,135 (713) 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
Generation					
Sørfjord, Norway*	Wind	99		26 Oct 2020	20 Dec 2019
Russia					
Solar**	Solar	116		2021-2022	2 Mar 2021
City Solutions					
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
Uniper					
Datteln IV, Germany	Coal	1,052	380	30 May 2020	30 May 2020
Berezovskaya 3, Russia	Lignite	754		I-II/2021	10 Nov 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			IV/2021 and I/2022	4 Mar 2021
Surgutskaya 1, Russia	Gas	20		I/2022	12 Nov 2019
Surgutskaya 4, Russia	Gas	20		IV/2025	12 Nov 2019
Surgutskaya 6, Russia	Gas	20		III/2024	12 Nov 2019

* The Sørfjord wind park is part of the transaction with Energy Infrastructure Partners AG, and the sale of an 80% share took place in January 2021.
** On 2 March 2021, Fortum announced it has decided to construct the solar power plant through a joint venture recently established with RDIF.
*** Biofuel-fired heat-only boiler.

Generation

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

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

Russia

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

In 2017 and 2018, the Fortum-Rusnano wind investment fund (joint venture, Fortum's ownership 50%) won the right to build a total of 1,823 MW of wind capacity in CSA auctions. 600 MW of the wind capacity is operational, 495 MW under construction, and 728 MW under development. In 2020, 550 MW of new wind capacity, including four wind power plants in the Rostov region (Kamenskaya, Sulinskaya, Gukovo, and Kazachiya) and two in the Kalmykia region (Salynskaya and Tselinskaya) started operations. During the second half of 2020, the Fortum-Rusnano wind investment fund sold the 50-

MW Ulyanovsk 2 and the 300-MW Rostov wind farms to a joint venture recently established with the Russian Direct Investment Fund (RDIF) aimed at the operation of renewable power plants in Russia.

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

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

City Solutions

On 20 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 have been identified as operations that could provide higher growth and value potential with an alternative ownership structure. 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.

On 3 July 2020, 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.

On 31 July 2020, Fortum announced its decision to assess strategic options, including possible divestment, of its 50% holding in Stockholm Exergi. As part of the process, Fortum has held discussions on the matter with the City of Stockholm, the owner of the other 50% share in Stockholm Exergi. In December 2020, as part of the discussions, the City of Stockholm informed Fortum that they have concluded to keep their ownership in Stockholm Exergi at the current level and will not consider entering into discussions to acquire Fortum's ownership share. Fortum and the City of Stockholm will continue cooperating to ensure an efficient assessment and a mutually beneficial outcome of the process. Fortum continues the assessment of strategic options as planned.

Consumer Solutions

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

Uniper

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

Operating and regulatory environment

European power markets

According to preliminary statistics, electricity consumption in the Nordic countries was 104 (108) TWh during the fourth quarter of 2020. The lower power demand in the Nordics was mainly related to mild weather. Temperatures were somewhat above the long-term average and two degrees above the level in the fourth quarter of 2019. Lower industrial demand in Finland and Sweden also contributed to the decline in power demand.

Measures taken to prevent the spread of Covid-19 impacted power demand in various European countries, especially during the second quarter of 2020. However, the European power demand recovered significantly in the third quarter, according to preliminary statistics, demand in the fourth quarter in central western Europe (Germany, France, Austria, Switzerland, Belgium, and the Netherlands) was 330 TWh, just 1% below the 2019 level. As a whole, consumption in 2020 in central western Europe saw a 4% decline year-on-year.

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 2020, the reservoirs were at 105 TWh, which is 21 TWh above the long-term average and 26 TWh higher than one year earlier.

In the fourth quarter of 2020, the average system spot price in Nord Pool was EUR 13.8 (38.6) per MWh. The decline in the Finnish and Swedish area prices was clearly less than in the Nordic system price. The average area price in Finland was EUR 32.7 (43.5) per MWh, in the SE3-area in Sweden (Stockholm) EUR 25.6 (38.5) per MWh, and in the SE2-area in Sweden (Sundsvall) EUR 15.1 (37.5) per MWh. During 2020, the average system spot price in Nord Pool was EUR 10.9 (38.9) per MWh. The average area price in Finland was EUR 28.0 (44.0) per MWh, in the SE3-area in Sweden (Stockholm) EUR 21.2 (38.4) per MWh, and in the SE2-area in Sweden (Sundsvall) EUR 14.4 (37.9) per MWh. The very large hydrological surplus in many hydro reservoirs was the main reason for the low Nordic spot prices during 2020.

In Germany, the average spot price in the fourth quarter was EUR 38.8 (36.6) per MWh, slightly above the level in the fourth quarter of 2019. The continuing recovery in power demand, the favourable development of CO_2 and gas prices, and wind power generation below normal levels all contributed to the increase in the German spot price. In 2020, the average German spot price was EUR 30.5 (37.7) per MWh.

At the end of February 2021, the Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2021 was around EUR 26 per MWh and for 2022 equally around EUR 26 per MWh. The Nordic water reservoirs were about 9 TWh above the long-term average and 1 TWh lower than one year earlier. The German electricity forward price for the remainder of 2021 was around EUR 48 per MWh and for 2022 around EUR 52 per MWh.

Commodity markets

Gas demand in central western Europe was 662 (664) TWh during the fourth quarter of 2020. The central western European gas storage levels decreased from 565 TWh at the beginning of the quarter to 439 TWh at the end of the quarter, which is 99 TWh lower than one year ago and 8 TWh higher than the five-year average (2015–2019).

The average gas spot price (TTF) during the fourth quarter was EUR 14.7 (12.7) per MWh. The 2021 forward price increased from EUR 13.4 per MWh at the beginning of the quarter to EUR 17.1 per MWh at the end of the quarter.

During the fourth quarter, European Emission Allowances (EUA) traded in the range of EUR 23-33 per tonne. The price increased from EUR 26.5 per tonne at the beginning of the quarter to EUR 32.7 per tonne at the end of the quarter, which is EUR 8.1 per tonne higher than one year earlier.

The forward quotation for coal (ICE Rotterdam) for 2021 increased from USD 60.0 per tonne at the beginning of the quarter to USD 68.9 per tonne at the end of the quarter, which is USD 12.5 per tonne above the price one year earlier.

At the end of February 2021, the TTF forward price for gas for the remainder of 2021 was EUR 16.4 per MWh and for 2022 EUR 16.6 per MWh. The forward quotation for EUAs for 2021 was at the level of EUR 37 per tonne. The forward price for coal (ICE Rotterdam) for the remainder of 2021 was USD 67 per tonne.

Russian market

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

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

According to preliminary statistics, Russian electricity consumption was 283 (286) TWh during the fourth quarter of 2020. The corresponding figure for the first price zone was 214 (217) TWh and for the second price zone 57 (58) TWh. The decline in consumption was caused by lower oil production in the fourth quarter of 2020. In 2020, Russian electricity consumption was 1,033 (1,059) TWh. The corresponding figure for the first price zone was 783 (807) TWh and for the second price zone 209 (211) TWh.

In the fourth quarter of 2020, the average electricity spot price, excluding capacity prices, decreased by 2.3% to RUB 1,204 (1,232) per MWh in the first price zone and increased by 1.1% to RUB 825 (817) in the second price zone. The spot price in the Urals hub decreased marginally and was RUB 1,074 (1,081) per MWh. In 2020, the average electricity spot price, excluding capacity prices, was RUB 1,220 (1,289) per MWh in the first price zone and RUB 873 (892) in the second price zone. The spot price in the Urals hub was RUB 1,068 (1,117) 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, including 70 MW of solar and wind capacity. In addition to this, Fortum's joint ventures for renewable power generation have 600 MW of operational wind capacity, as well as 495 MW under construction and 728 MW under development. Correspondingly, Uniper's CSA capacity amounts to 2,455 MW.

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

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

* Wind CSA.
** Solar CSA.

Fortum's Uniper segment's units	CSA starts	Higher CSA starts	CSA ends
Surgutskaya-2 GRES-2, unit 7	1 May 2011	1 May 2017	31 Jul 2021
Surgutskaya-2 GRES-2, unit 8	1 Jun 2011	1 Jun 2017	31 Aug 2021
Shaturskaya GRES, unit 7	1 Oct 2010	1 Oct 2016	31 Dec 2020
Yaivinskaya GRES, unit 5	1 Jan 2011	1 Jan 2017	31 Dec 2020
Berezovskaya GRES, unit 3*	1 Nov 2014	1 Nov 2020	31 Oct 2024
Surgutskaya-2 GRES-2, unit 1**	Mar 2022	n/a	Feb 2038
Surgutskaya-2 GRES-2, unit 2**	Dec 2026	n/a	Nov 2042
Surgutskaya-2 GRES-2, unit 4**	Dec 2025	n/a	Nov 2041
Surgutskaya-2 GRES-2, unit 6**	Sep 2024	n/a	Aug 2042

* Currently under repair and not receiving CSA payments.
** 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 2027, is expected to be held in November 2021.

Year	2019	2020	2021	2022	2023	2024	2025	2026
CCS auction price, tRUB/MW/month, first price zone*	110	115	134	168	171	182	193	195
CCS auction price, tRUB/MW/month, second price zone*	190	191	225	264	267	279	303	299
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	4,852
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	6,326
Selected in CCS auction, MW, second price zone	1,600	1,600	1,600	1,600	1,600	2,400	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. These plants are to be commissioned during 2021-2022.

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

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

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

Regulatory environment

EU legislation under preparation to implement the revised 2030 climate target

On 11 December, the European Council adopted conclusions on the new 2030 climate target. The Council's decision is in line with the Commission's original proposal to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 level, increasing the ambition level from the current reduction target of 40%.

The new target is expected to be officially approved as part of the adoption of the European Climate Law during the first quarter of 2021 in the negotiations between the Council, the Parliament, and the Commission. The Parliament has called for a 60% emission reduction target.

Legislative proposals to implement the new target are under preparation and expected to be published in mid-2021. Revisions will be made e.g. to the directives on Emissions Trading, Renewable Energy, and Energy Efficiency. In early 2021, public consultations on the various legislative files were carried out, and Fortum has responded to all of them. The Commission is also working on extensive impact assessments for each legislative file.

The key issue that will potentially have a large effect on the 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.

EU Commission's delegated act on EU taxonomy regulation delayed

The consultation on the Commission's draft delegated act on climate adaptation and mitigation ended in December, with an unprecedented bulk of 46,000 responses. The act has turned even more technology-oriented than expected, raising challenges for essential power technologies, such as hydro, nuclear, natural gas, and also hydrogen. The proposed criteria are of significant concern for the largely CO_2-free Nordic power generation, as hydro and nuclear might not be taxonomy-aligned.

Based on a coalition of like-minded companies and associations, Fortum has placed significant pressure on the Commission to review the delegated act to comply with the principle of technology neutrality and EU sectorial legislation.

According to the EU taxonomy regulation, the final climate change delegated acts should have been adopted by the end of 2020, but the adoption is now due during the second half of April 2021. The separate environmental assessment of nuclear should be finalised mid of this year and supporting member states stressed the need to include nuclear in the second wave of delegated acts due for adoption by year end.

Fortum firmly supports the objective of transitioning the European economy towards carbon neutrality by mid-century. However, we caution against arbitrarily ruling out 40% of European net electricity generation and two thirds of European CO_2-free electricity generation by excluding hydro and nuclear from taxonomy-aligned operations.

Last minute Brexit deal secured

On 24 December, the EU and the UK agreed on a broad trade and cooperation agreement only one week before the end of the Brexit transition period. The agreement provisionally entered into force on 1 January, and the ratification process is to be concluded during the first quarter of 2021.

The scope of the agreement is more limited compared to the EU internal market, but it goes beyond several other EU trade agreements. Provisions in the Energy Chapter aim to enable energy trading and investments between the parties as well as to support security of supply and ecological sustainability. The terminology and definitions are aligned with the EU legislation. The UK will maintain its earlier commitment to the energy and climate targets.

From the beginning of 2021, the UK needs to establish its own carbon pricing system covering emissions from energy production, industry, and air traffic. The aim is to assess the possibilities to link the UK trading system to the EU ETS while maintaining the integrity of both systems.

Most importantly, a hard Brexit was avoided and there is a deal, but Fortum regrets losing a firm supporter of the strong climate policy and the free market. No major changes in the energy market are envisaged, but the linkage of the UK to the EU ETS is still open.

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 Teollisuuden Voima Oyj (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 listed company operating under German law and regulations; Uniper has its own risk management systems, including a set of risk policies defining the risk management organisation principles, processes, and responsibilities for managing risks. Therefore, Uniper does not directly apply the risk management systems applicable to Fortum’s other divisions and corporate functions. The risk management systems of Uniper, including the key principles and processes, are materially in line with those of Fortum. The target is to further align the risk management systems going forward.

For more information about Uniper’s risk management systems and risk exposures, please see Uniper’s annual report for 2020.

In December 2020, Fortum presented the updated strategy for the whole Fortum Group. Fortum and Uniper have agreed to co-operate in a number areas including physical trading and optimisation of Nordic hydro operations, jointly developing a portfolio of solar and wind projects in Europe, and a joint growth strategy in hydrogen. In addition, Fortum has announced a number of growth areas for future investments and has initiated a strategic review of the heating and cooling businesses in the Baltics and Poland, it’s 50% stake in Stockholm Exergi, and the Consumer Solutions business. The ability of Fortum to deliver on its strategic targets and achieve the expected benefits depends on successful portfolio restructuring and co-operation between the two companies.

Fortum is exposed to power, emissions, and fuel price movements and volume changes mainly through its power and heat generation. The profitability of outright production assets, such as hydro, nuclear, and wind power generation, are primarily exposed to fluctuations in electricity prices and volumes, whereas the profitability of coal and gas fired generation assets depend on the spread between the electricity price and the emission and fuel prices.

In the Nordics and central European countries, power prices and, consequently, the amount of profitable production, exhibit significant variation on the back of several factors, for instance, but not limited to weather conditions, outage patterns in production and transmission lines, CO_2 allowance prices, fuel prices, as well as the power demand.

Uniper has long-term gas supply contracts which generally include the possibility for the customer and the supplier to adapt contractual terms to changed market conditions. This entails the risk that suppliers will impose contractual changes and/or new conditions that are detrimental, but also represents an opportunity as renogiated conditions may be beneficial for Fortum.

For Fortum's Russian businesses, 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.

The energy sector is heavily influenced by national and EU-level energy policies and regulations. Fortum's strategy has been developed based on scenarios of the future development of the regulatory environment in both existing and potential new businesses and market areas. The overall complexity and possible regulatory changes in Fortum's various operating countries pose risks and create opportunities for the energy, environmental management, and consumer businesses. 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.

Fortum has cash flows, assets, and liabilities in currencies other than the euro and is therefore exposed to fluctuations in exchange rates. Currency risk arise mainly from physical and financial trading of commodities, existing and new investments, external financing, and shareholder loans within the Group. The main currency exposure is toward euro/Swedish krona, euro/Russian rouble, and euro/British pound sterling, arising from Fortum's extensive operations in Sweden, Russia, and the United Kingdom.

Fortum is currently rated BBB with a negative outlook by both Standard & Poor's and Fitch credit rating agencies. The key risk factors that could lead to weakening credit metrics and a rating downgrade include a continuing decline in European and Russian power prices, lower-than-expected amounts received from planned divestments, and an increase in leverage. A lowering of the credit rating, in particular to below investment-grade level (BB+ or below), could affect access to capital markets and the increase cost of new financing. Uniper is also currently rated BBB with a negative outlook by Standard & Poor's. A downgrade from the current BBB investment-grade rating to BBB- or below could negatively affect liquidity as it would trigger counterparties', especially in the trading business, right to demand increased collateral, which would need to be provided via liquid assets or bank guarantees.

Energy generation, storage, distribution, and control of operations is a complex process and therefore accidents can occur. Any unwanted operational event (which could be caused by e.g. technical failure, human or process error, natural disasters, sabotage, or terrorist attack) can endanger personal safety or lead to environmental or physical damage, business interruptions and possible third-party liability. The cost of repairing damage can be high, especially in the Group's largest units.

Fortum's business activities involve the construction, modernisation, maintenance, and decommissioning of power plants or other energy industry facilities. There is a risk that construction costs exceed planned costs or construction delays occur as the result of regulatory or permit issues, failure of key suppliers, being unable to obtain permits, or as a result of Covid-19 causing the discontinuation of the project. Asset projects also face environmental, health, and safety risks. Asset project risks may realise both for Fortum's own assets projects, or projects carried out through joint ventures or associated companies. The most significant asset projects which are still exposed to significant risks are Datteln 4, Nord Stream 2, and Olkiluoto 3.

During 2020, the Covid-19 pandemic resulted in new and partly unexpected risks as societies and governments across the world implemented drastic measures to contain the spread of the disease. Although the impacts for Fortum have so far been limited, the exposure to risk and uncertainty in all risk categories has increased compared to the 2019 year-end situation. 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. The main risk factors include lower commodity prices and decreased demand, credit defaults and delayed payments, project delays and increased risk of operational incidents or prolonged maintenance as a result of travel restrictions, absence of key personnel, as well as difficulties in obtaining key materials and spare parts.

Fortum is closely monitoring the development of the pandemic and its 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 and Fortum's Annual Report for 2020, to be published in week 11 at the latest.

Outlook

Hedging

At the end of 2020, approximately 75% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 33 per MWh for 2021 (at the end of the third quarter of 2020: 75% at EUR 33 per MWh), and approximately 50% at EUR 31 per MWh for 2022 (at the end of the third quarter of 2020: 40% at EUR 32 per MWh).

At the end of 2020, approximately 90% of the Uniper segment's estimated Nordic power sales volume was hedged at EUR 27 per MWh for 2021 (at the end of the third quarter of 2020: 85% at EUR 28 per MWh), approximately 65% at EUR 24 per MWh for 2022 (at the end of the third quarter of 2020: 55% at EUR 24 per MWh), and approximately 25% at EUR 22 per MWh for 2023.

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

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

Capital expenditure

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

Generation

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

Russia

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

Uniper

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

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

Income taxation

In 2021, the comparable effective income tax rate for Fortum is estimated to be in the range of 20-25%. The actual effective income tax rate on the income statement differs from the guided comparable effective income tax rate range depending on capital gains, share of profits from associates and joint ventures, and volatility in fair valuations.

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 fourth quarter. For further information on legal actions, see Note 20.

Sustainability

As the majority owner of Uniper, Fortum has consolidated Uniper as a subsidiary as of 31 March 2020. Although Uniper is a subsidiary to Fortum, it still is a separate company, listed in Germany, and therefore for now has its own sustainability processes, approach and standalone sustainability reporting.

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

As a result of Uniper consolidation, Fortum has reassessed its material aspects. Fortum's materiality assessment was originally conducted in 2019, and the 2020 reassessment was based on a desk-top review following the same methodology Uniper applies.

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

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

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

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

Revised Sustainability targets

Fortum updated its climate targets aligned with the goals of the Paris Agreement in December 2020 and is committed to carbon neutrality by 2050 at the latest. The target covers direct CO_2 emissions (Scope 1) and indirect CO_2 emissions (Scope 2 and 3). Fortum's roadmap to reduce emissions in Europe has also been defined. Fortum is committed to at least a 50% CO_2 reduction in emissions (Scope 1 and 2) in its European generation by 2030 (compared to base-year 2019) and to be carbon neutral by 2035 at the latest.

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

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

For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. The new safety target is measured as Total Recordable Injury Frequency (TRIF), for own personnel and contractors, and the ambitious goal is to be below 1.0 by the end of 2025. Fortum's TRIF was 2.3 in 2020.

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

The sustainability targets for the year 2020 were defined for Fortum, excluding Uniper. However, as Fortum started to consolidate Uniper as a subsidiary as of 31 March 2020, the extent of operations, sustainability impacts, and performance figures of Fortum materially changed. Therefore, Fortum only reports sustainability performance with selected key indicators presented in the tables below without comparing performance against the previously set targets for 2020, as they are no longer relevant for the altered Group.

Group sustainability performance 2020

	IV/2020	IV/2019	2020	2019
Climate and resources				
Specific CO_2 emissions from total energy production*, gCO_2/kWh	315	180	287	189
Energy availability of CHP plants**, %	93.2	93.2	93.2	95.9
Asset availability of Uniper's power generation plants***, %	78.9	-	75.0	-
Personnel and society				
Lost Time Injury Frequency (LTIF), own personnel and contractors*	1.4	1.2	1.3	1.7
Severe occupational accidents*, no.	0	1	1	1

Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter of 2020. The figures for 2020 do not include Uniper for the first-quarter 2020. The figures for the fourth-quarter 2019, and full-year 2019 do not include Uniper.
* 2020 figures include Uniper from the second-quarter 2020.
**Excludes Uniper.
*** 2020 figures include Uniper's power generation from gas and coal power plants from the second-quarter 2020.

Other key sustainability performance indicators 2020*

	IV/2020	IV/2019	2020	2019
Climate and resources				
Energy-efficiency improvement by 2020, baseline 2012, GWh/a	-	-	1,840	1,707
Major EHS incidents, no.	2	2	16	11
Personnel and society				
Reputation index, based on One Fortum Survey, scale 0-100	-	-	72.5	72.3
Customer satisfaction index (CSI), based on One Fortum Survey, scale 0-100	-	-	61–81	54–80
Quality of investigation process of occupational accidents, major EHS incidents and near misses, scale 1-5	Level 5.0	Level 4.0	Level 4.0	Level 3.0
GAP index, implementation of EHS minimum requirements, scale 1-5	Level 4.0	Level 3.0	Level 3.0	Level 3.0
Contractor Safety Improvement index, scale 1-5	Level 4.0	Level 2.0	Level 4.0	Level 2.0**
Sickness-related absences, %	3.8	2.8	2.9	2.9***

* All figures excluding Uniper.
** Reporting of the Contactor Safety Improvement index started in the second quarter of 2019.
*** The figure has been revised from the one presented in the Financial Statements Bulletin 2019 and the Financials 2019 report (3.0).

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. Fortum received the score A- in the CDP Climate Change 2020 rating, and Uniper received the score B. In the MSCI ESG Ratings 2020 assessment, Fortum received a "BBB" rating and Uniper a "BB" rating. Both companies have also participated in the 2020 rating by ISS ESG Corporate Rating, where Fortum received a "Prime B-" rating and Uniper a "Medium C" rating. In addition, Fortum is listed on the Nasdaq Helsinki exchange and is included in the STOXX Global ESG Leaders, OMX Sustainability Finland, ECPI®, Euronext Vigeo Eurozone 120, Euronext Vigeo Europe 120, and FTSE4Good indices.

Climate and resources

Fortum's key performance indicators for climate and resources are related to CO_2 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 99.9% of Fortum's power and heat production worldwide has ISO 14001 certification.

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

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

Fortum wants to enable the energy transition by providing a reliable and affordable supply of low-carbon energy. In the future, the energy system – and Fortum's asset portfolio – will be based on renewable energy, increasingly clean gas (e.g. hydrogen) and nuclear power. In addition, Fortum will continue to offer industrial and infrastructure solutions, e.g., waste-to-energy, grid stability services, as well as energy sales and storage. In 2020, Fortum's direct CO_2 emissions were 48.7 Mt. Of the total CO_2 emissions, 17.5 Mt were within the EU ETS. The estimate for Fortum's free emission allowances in 2020 is 0.9 Mt.

Fortum's total CO_2 emissions* (million tonnes, Mt)	IV/2020	IV/2019	2020	2019
Total emissions	17.4	5.2	48.7	19.1
Emissions subject to ETS	7.0	0.6	17.5	2.1
Free emission allowances	-	-	0.9	0.7
Emissions not subject to ETS in Europe	0.2	0.2	0.7	0.7
Emissions in Russia	10.2	4.4	30.5	16.3

*Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter of 2020. The figures for 2020 do not include Uniper for the first-quarter of 2020. The figures for the fourth quarter of 2019, and for full-year 2019 do not include Uniper.

In 2020, Fortum Group's specific CO_2 emissions from total energy production were 287 gCO_2/kWh.

Fortum, excluding Uniper, achieved annual energy-efficiency improvements of 1,840 GWh/a by the end of 2020 compared to 2012.

An uninterrupted and reliable energy supply is critical for society to function. Uniper's definition for asset availability differs from that of the rest of the Fortum Group. 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 2020, the energy availability of Fortum's CHP plants, excluding Uniper, was, on average, 93.2%, and the asset availability of Uniper's gas and coal-fired power production plants was, on average, 75.0%. For Uniper the figure (75.0%) was for the time period of consolidation as a subsidiary, i.e. the second-fourth quarters of 2020 only.

Major EHS incidents are monitored, reported, and investigated, and corrective actions are implemented. In 2020, there were 16 major EHS incidents in Fortum's operations, excluding Uniper. The major EHS incidents consisted of six fires, eight leaks or spills, one environmental non-compliance, 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 in Inkoo have been completed. As Uniper's definitions of major EHS incidents vary from the of the rest of the Fortum Group, Uniper's EHS incidents are currently not included in the reporting.

Personnel and society

Fortum's key performance indicators for personnel and society are related to operational and occupational safety, as well as employee health and wellbeing. In addition Fortum, excluding Uniper, annually measures its reputation and customer satisfaction with the One Fortum Survey.

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.

In 2020, Fortum's Lost Time Injury Frequency (LTIF) for own personnel and contractors was 1.3. Fortum strives for zero severe occupational accidents. In 2020, there was one severe occupational accident in the 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. A comprehensive investigation was concluded to determine the incident's circumstances and root causes. Specific actions resulting from the investigation are in the process of being implemented.

Fortum, excluding Uniper, applies three internal control points covering its EHS processes. 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, all measured on a scale of 1-5, with five indicating the highest maturity level.

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

In 2020, the GAP index was at the desired level of 3.0. The GAP index measures how well Fortum's, excluding Uniper, EHS minimum requirements are realised at the power plant level.

The Contractor Safety Improvement index was at a very good level of 4.0 in 2020. The Contractor Safety Improvement index measures how well Fortum, excluding Uniper, 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 2020, the percentage of sickness-related absences was 2.9. The figure excludes Uniper.

Fortum's performance regarding reputation and customer satisfaction, excluding Uniper, is monitored annually. In 2020, the combined reputation index of all stakeholder groups based on the One Fortum Survey was 72.5 points, on a scale of 0–100, and the customer satisfaction index (CSI) was, depending on the business area, between 61 and 81 points, on a scale of 0–100. Fortum's overall reputation improved slightly, with all-time high results from employees; however, a negative development was seen amongst NGOs and opinion influencers, especially in Finland.

Fortum and Uniper expect their business partners to act responsibly and to comply with the requirements set forth in their respective Codes of Conduct and Supplier Codes of Conduct. Fortum assesses the performance of its business partners with supplier qualification and supplier audits. In 2020, Fortum, excluding Uniper, conducted a total of four on-site supplier audits in India, Indonesia, China, and Finland. Due to the Covid-19 pandemic and travel restrictions, the possibilities to conduct on-site supplier audits have been limited since March 2020. Consequently, Fortum, excluding Uniper, conducted two remote audits in 2020; one of a Finnish supplier 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-December 2020	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR*	Last EUR
FORTUM	647,868,571	11,142,051,699	23.46	12.25	17.20	19.70

* Volume weighted average.

	31 December 2020	31 December 2019
Market capitalisation, EUR million	17,499	19,542
Number of shareholders	203,965	123,390
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	24.2	30.5
Households, %	13.2	9.5
Financial and insurance corporations, %	2.3	1.7
Other Finnish investors, %	9.6	7.6

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 2020, approximately 68% of Fortum's shares were traded on markets other than Nasdaq Helsinki (source Bloomberg).

On 31 December 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 2020 was 19,933 (8,191 at the end of 2019 and 19,983 at the end of September 2020).

At the end of 2020, the Generation segment had 1,143 (1,109 at the end of 2019) employees, Russia 2,935 (2,955 at the end of 2019), City Solutions 2,093 (1,970 at the end of 2019), Consumer Solutions 1,048 (1,327 at the end of 2019), Uniper 11,751 (was not consolidated at the end of 2019, and 11,644 at the end of September 2020), and Other Operations 963 (830 at the end of 2019).

Changes in Group management

On 2 March 2020, Fortum announced that the President and CEO Pekka Lundmark had resigned from the company. Mr. Lundmark left Fortum at the end of July 2020.

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 an interim period.

On 18 December 2020, Fortum announced that Mr. Bernhard Günther (age 53, Ph.D. Econ.) was appointed as Chief Financial Officer (CFO) and member of the Executive Management Team as of 1 February 2021.

Annual General Meeting 2020

Fortum's Annual General Meeting (AGM) 2020 was scheduled for 17 March 2020. On 16 March 2020, Fortum's Board of Directors decided to cancel the AGM, due to the accelerated situation with the Covid-19 pandemic and the consequent restrictions announced by the Finnish Government on that same day. The AGM 2020 was held on Thursday, 23 April 2020.

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

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

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

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

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

In addition, Deloitte Oy was re-elected as the auditor, with Reeta Virolainen, APA, as the responsible auditor. The auditor's fee is paid pursuant to an invoice approved by the company. In September 2020, Jukka Vattulainen of Deloitte Oy was appointed as the responsible auditor for Fortum.

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. These authorisations have not been used as per 12 March 2021.

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. As per 12 March 2021, EUR 165,000 of this authorisation has been used.

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

Board decisions

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

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

Shareholders’ Nomination Board

On 11 September 2020, Mr. Kimmo Viertola, Director General, Prime Minister's Office, Ownership steering department (chair), 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 chair of Fortum's Board of Directors, Mr. Matti Lievonen, is a member of the Shareholders' Nomination Board.

Other major events during the fourth quarter of 2020

On 18 December 2020, the Board of Directors decided to commence the 2021-2023 long-term incentive (LTI) plan for key employees and executives. The 2021-2023 LTI plan is part of Fortum's ongoing LTI programme and follows the same principles as the previous plan. The performance measures applied to the 2021-2023 LTI plan will be based on the total shareholder return measured relative to the peer group comprising selected European utility and gas companies, as well as a target linked to the reduction of Fortum’s coal-based power generation capacity in line with Fortum’s coal-exit path, with a minimum level requiring exceeding the communicated ambition level. The 2021-2023 LTI plan will comprise approximately 150 participants, including the members of Fortum Executive Management. The Board of Directors also decided to commence the 2021-2023 restricted share (RS) plan as a supplement to the LTI programme and reserve shares that potentially will be delivered in spring 2024. The maximum number of shares that may be delivered as a reward is expected to be 800,000 shares for the 2021-2023 LTI plan and 60,000 shares for the 2021-2023 RS plan.

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.

Events after the balance sheet date

On 29 January 2021, Fortum's Shareholders' Nomination Board submitted its proposals to Fortum's Board of Directors for the 2021 Annual General Meeting concerning the number of Board members, the members to be nominated to the Board of Directors, and the election of the chair and deputy chair. The Shareholders' Nomination Board did not reach a unanimous proposal, and, consequently, did not make a proposal for the remuneration paid to the Board of Directors for their following term of office.

Dividend distribution proposal

The distributable funds of Fortum Corporation as at 31 December 2020 amounted to EUR 4,915,857,735 including the profit of the financial period 2020 of EUR 1,678,521,550. The company's liquidity is good and the dividend proposed by the Board of Directors will not compromise the company's liquidity.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.12 per share be paid for the year 2020.

Based on the number of registered shares as at 11 March 2021, the total amount of dividend would be EUR 994,889,801. The Board of Directors proposes that the remaining part of the distributable funds be retained in the shareholders' equity.

Annual General Meeting 2021

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

- The ex-dividend date 29 April 2021
- The record date for dividend payment 30 April 2021
- The dividend payment date 7 May 2021

Espoo, 11 March 2021

Fortum Corporation
Board of Directors

Further information:

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The Board of Directors has approved Fortum's 2020 Financial Statements and Fortum's auditors have issued their unqualified Audit Report for 2020 on 11 March 2021. The Financial Statements Bulletin has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

Financial calendar in 2021

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

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

Distribution:

Nasdaq Helsinki
Key media
www.fortum.com

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

Interim Financial Statements are based on the audited 2020 Financial Statements approved by the Board of Directors on 11 March 2021

Condensed consolidated income statement

EUR million	Note	IV/2020	IV/2019	2020	2019
Sales	3	21,279	1,553	49,015	5,447
Other income		1,260	45	4,802	110
Materials and services		-19,127	-745	-44,298	-2,721
Employee benefits		-382	-125	-1,195	-480
Depreciation and amortisation	3	-320	-154	-1,090	-575
Other expenses		-1,782	-176	-5,890	-591
Comparable operating profit	3	**928**	**398**	**1,344**	**1,191**
Items affecting comparability [1)]	3, 4	-470	3	255	-72
Operating profit	3	**458**	**401**	**1,599**	**1,118**
Share of profit/loss of associates and joint ventures	3, 12	113	65	656	744
Interest expense		-38	-39	-170	-167
Interest income		31	5	111	28
Other financial expenses - net		-11	21	3	5
Finance costs - net [1)]	7	-18	-12	-56	-134
Profit before income tax		**554**	**454**	**2,199**	**1,728**
Income tax expense	8	-142	-88	-344	-221
Profit for the period		**411**	**367**	**1,855**	**1,507**
Attributable to:					
Owners of the parent		379	356	1,823	1,482
Non-controlling interests		31	10	32	25
		411	**367**	**1,855**	**1,507**
Earnings per share for profit attributable to the equity owners of the company (EUR per share)					
Basic		0.43	0.40	2.05	1.67

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

EUR million	Note	IV/2020	IV/2019	2020	2019
Comparable operating profit		**928**	**398**	**1,344**	**1,191**
Impairment charges and reversals		4	0	2	-8
Capital gains and other related items	6	-16	-2	765	7
Impact from acquisition accounting		0	-	-222	-
Changes in fair values of derivatives hedging future cash flow		-605	5	-675	-72
Other		147	-	386	-
Items affecting comparability [1)]	4	-470	3	255	-72
Operating profit		**458**	**401**	**1,599**	**1,118**

1) In IV/2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See Note 1.2 Summary of Uniper impacts to Fortum interim report.

See Note 23 Definitions of key figures.

Condensed consolidated statement of comprehensive income

EUR million	Note	IV/2020	IV/2019	2020	2019
Profit for the period		**411**	**367**	**1,855**	**1,507**
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods:					
Cash flow hedges					
Fair value gains/losses [1]		-268	59	-155	82
Transfers to income statement		39	138	45	635
Transfers to inventory/property, plant and equipment		1	-1	2	-4
Deferred taxes		47	-39	21	-151
Net investment hedges					
Fair value gains/losses		-3	-8	48	-24
Deferred taxes		1	2	-8	5
Exchange differences on translating foreign operations [2]		314	123	-524	259
Share of other comprehensive income of associates and joint ventures		13	15	-250	72
Transfer to income statement due to impact from acquisition accounting	4	-	-	222	-
Other changes		-8	1	-70	5
		135	**291**	**-667**	**877**
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurement of investments		-44	-	-28	-
Actuarial gains/losses on defined benefit plans		-18	12	-244	-21
Actuarial gains/losses on defined benefit plans in associates and joint ventures		-2	-78	67	-208
		-64	**-66**	**-205**	**-229**
Other comprehensive income/expense for the period, net of deferred taxes		**71**	**225**	**-873**	**649**
Total comprehensive income/expense for the period		**482**	**592**	**982**	**2,155**
Total comprehensive income/expense attributable to:					
Owners of the parent		444	579	1,052	2,120
Non-controlling interests		38	14	-70	36
		482	**592**	**982**	**2,155**

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

Condensed consolidated balance sheet

EUR million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	10	2,808	1,143
Property, plant and equipment and right-of-use assets	11	19,367	10,123
Participations in associates and joint ventures	12	2,912	6,435
Shares in Nuclear Waste Funds	15	3,445	813
Other non-current assets		479	151
Deferred tax assets		1,089	77
Derivative financial instruments	5	2,946	180
Long-term interest-bearing receivables	13	2,402	651
Total non-current assets		**35,448**	**19,571**
Current assets			
Inventories		1,396	230
Derivative financial instruments	5	7,531	131
Short-term interest-bearing receivables	13	598	384
Income tax receivables		156	133
Margin receivables	14	1,132	177
Trade and other receivables		8,906	999
Liquid funds	14	2,308	1,433
Total current assets		**22,027**	**3,486**
Assets held for sale	6	**335**	**307**
Total assets		**57,810**	**23,364**
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,046	3,046
Share premium		73	73
Retained earnings		10,149	9,982
Other equity components		-316	-118
Total		**12,953**	**12,982**
Non-controlling interests		2,624	252
Total equity		**15,577**	**13,235**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	14	8,785	6,118
Derivative financial instruments	5	2,657	137
Deferred tax liabilities		952	865
Nuclear provisions	15	3,866	813
Other provisions	16	3,452	87
Pension obligations, net	17	1,520	125
Other non-current liabilities		344	167
Total non-current liabilities		**21,576**	**8,311**
Current liabilities			
Interest-bearing liabilities	14	1,877	570
Derivative financial instruments	5	7,937	252
Other provisions	16	780	13
Margin liabilities	14	331	32
Trade and other payables		9,525	898
Total current liabilities		**20,451**	**1,766**
Liabilities related to assets held for sale	6	**206**	**52**
Total liabilities		**42,233**	**10,129**
Total equity and liabilities		**57,810**	**23,364**

Condensed consolidated statement of changes in total equity

				Retained earnings		Other equity components					
EUR million	**Note**	**Share capital**	**Share premium**	**Retained earnings**	**Translation of foreign operations**	**Cash flow hedges**	**Other OCI items**	**OCI items associates and joint ventures**	**Owners of the parent**	**Non-controlling interests**	**Total equity**
Total equity 1 January 2020		**3,046**	**73**	**12,441**	**-2,459**	**-70**	**60**	**-108**	**12,982**	**252**	**13,235**
Net profit for the period				1,823					1,823	32	1,855
Translation differences					-490	-1	-3	2	-492	-32	-524
Other comprehensive income						-87	-231	40	-279	-70	-349
Total comprehensive income for the period				1,823	-490	-88	-235	42	1,052	-70	982
Cash dividend				-977					-977	-160	-1,137
Changes due to business combinations	6								-	2,847	2,847
Impact from acquisition accounting	4			-84				84	0	-	0
Transactions with non-controlling interests				-107					-107	-247	-354
Other				2					2	1	4
Total equity 31 December 2020		**3,046**	**73**	**13,097**	**-2,948**	**-158**	**-175**	**18**	**12,953**	**2,624**	**15,577**
Total equity 1 January 2019		**3,046**	**73**	**11,937**	**-2,705**	**-638**	**99**	**30**	**11,841**	**236**	**12,077**
Net profit for the period				1,482					1,482	25	1,507
Translation differences					247	7	-	-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	2,155
Cash dividend				-977					-977	-23	-1,000
Other				-2					-2	4	2
Total equity 31 December 2019		**3,046**	**73**	**12,441**	**-2,459**	**-70**	**60**	**-108**	**12,982**	**252**	**13,235**

Translation differences

Translation of financial information from subsidiaries in foreign currency is done using the average rate for the income statement and the end rate for the balance sheet. The exchange rate differences arising from translation (mainly related to RUB and SEK) to EUR are recognised in equity. For information regarding exchange rates used, see Note 1.6 Key exchange rates used in consolidated financial statements.

Impact from acquisition accounting

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

Cash flow hedges

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

Cash dividends

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

Non-controlling interests

Non-controlling interests increased by EUR 2,847 million following the acquisition of Uniper at 31 March 2020, including EUR 424 million non-controlling interest from Uniper’s standalone balance sheet; and EUR 2,423 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	IV/2020	IV/2019	2020	2019
Cash flow from operating activities					
Profit for the period		**411**	**367**	**1,855**	**1,507**
Adjustments:					
Income tax expense		142	88	344	221
Finance costs - net		18	12	56	134
Share of profit/loss of associates and joint ventures	12	-113	-65	-656	-744
Depreciation and amortisation	3	320	154	1,090	575
Operating profit before depreciations (EBITDA)		**777**	**555**	**2,688**	**1,693**
Items affecting comparability	3, 4	470	-3	-255	72
Comparable EBITDA		**1,247**	**552**	**2,434**	**1,766**
Non-cash and other items [1)]		-80	-39	293	-83
Interest received		14	6	46	29
Interest paid		-51	-24	-208	-177
Dividends received		29	0	121	239
Income taxes paid		-33	-51	-267	-165
Funds from operations		**1,126**	**443**	**2,419**	**1,608**
Change in working capital		-363	-234	136	-33
Net cash from operating activities		**763**	**209**	**2,555**	**1,575**
Cash flow from investing activities					
Capital expenditures	3	-419	-166	-1,101	-695
Acquisitions of shares	6	-158	-70	-1,801	-107
Proceeds from sales of property, plant and equipment		5	1	16	35
Divestments of shares and capital returns	6	21	1	1,244	53
Shareholder loans to associated companies and joint ventures	13	-4	31	-44	9
Change in margin receivables [2)]		-566	4	-552	403
Change in other interest-bearing receivables [1)]	13	27	33	98	420
Net cash from/used in investing activities		**-1,093**	**-164**	**-2,140**	**118**
Cash flow before financing activities		**-330**	**45**	**415**	**1,693**
Cash flow from financing activities					
Proceeds from long-term liabilities	14	93	-	2,569	2,805
Payments of long-term liabilities	14	-40	-18	-507	-2,567
Change in short-term liabilities	14	317	-37	207	-78
Dividends paid to the owners of the parent	9	0	-	-977	-977
Dividends paid to non-controlling interests		-13	-	-160	-23
Change in margin liabilities [2)]		-193	10	-623	-47
Other financing items		-5	-1	-3	1
Net cash from/used in financing activities		**159**	**-46**	**505**	**-886**
Net increase(+)/decrease(-) in liquid funds		**-172**	**-2**	**920**	**806**
Liquid funds at the beginning of the period	14	**2,474**	**1,430**	**1,435**	**584**
Foreign exchange differences in liquid funds		8	6	-45	44
Liquid funds at the end of the period [3)]	14	**2,308**	**1,435**	**2,308**	**1,435**

1) In IV/2020, nuclear fund-related payments and repayments have been reclassified from cash flow from operating activities to cash flow from investment activities. Comparatives have been reclassified accordingly. See Note 1.2 Summary of Uniper impacts to Fortum interim report.
2) In IV/2020, in order to align with the presentation of net debt and to better to reflect the nature of these items, Fortum reclassified in the consolidated cash flow statement the change in net margin liabilities from operating cash flows so that the change in margin receivables is presented in investing cash flows, and the change in margin liabilities is presented in financing cash flows. Comparatives have been reclassified accordingly.
3) Included 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	IV/2020	IV/2019	2020	2019
Change in interest-free receivables, decrease(+)/increase(-)	-1,812	-332	-1,106	63
Change in inventories, decrease(+)/increase(-)	402	12	407	4
Change in interest-free liabilities, decrease(-)/increase(+)	1,047	86	835	-100
Total	**-363**	**-234**	**136**	**-33**

Capital expenditure in cash flow

EUR million	IV/2020	IV/2019	2020	2019
Capital expenditure	471	197	1,135	713
Change in not yet paid investments, decrease(+)/increase(-)	-44	-29	-6	-9
Capitalised borrowing costs	-8	-2	-27	-9
Total	**419**	**166**	**1,101**	**695**

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 1,801 million during 2020 (2019: 107), 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	IV/2020	IV/2019	2020	2019
Proceeds from sales of subsidiaries, net of cash disposed	9	-	1,156	15
Proceeds from sales and capital returns of associates and joint ventures	0	1	49	33
Proceeds from sales of other investments	12	-	40	4
Total	**21**	**1**	**1,244**	**53**

During 2020 Fortum completed the divestment of the district heating business in Järvenpää and Joensuu, Finland, the 80% stake in the Nordic wind portfolio and the 60% stake in the public charging point operator for electrical vehicles in the Nordics. For further information, see Note 6.2 Disposals.

Change in 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	2020
Net debt, beginning of the period		**5,260**
Collateral arrangement securities		-281
Net margin liabilities		-145
Financial net debt, beginning of the period		**4,833**
Comparable EBITDA		2,434
Non-cash and other items		293
Paid net financial costs and dividends received		-40
Income taxes paid		-267
Change in working capital		136
Capital expenditures		-1,101
Acquisitions		-1,801
Divestments and proceeds from sale of property, plant and equipment		1,260
Change in interest-bearing receivables		54
Dividends to the owners of the parent		-977
Dividends to non-controlling interests		-160
Other financing activities		-3
Net cash flow		-173
Acquired financial debt		2,010
Foreign exchange rate differences and other changes		6
Financial net debt, end of the period	14	**7,023**

Excludes financial net debt relating to assets held for sale at 31 Dec 2020, see Note 6 Acquisitions, disposals and assets held for sale.

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.

From IV/2020 Fortum updated its long-term financial target to be Financial net debt/comparable EBITDA below 2x.

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

Fortum continues to be committed to maintaining a rating of at least BBB. See Note 1.4 Capital risk management.

EUR million	Note	2020
+Interest-bearing liabilities		**10,662**
- Liquid funds		**2,308**
- Non-current securities		98
- Collateral arrangement securities		432
- Securities in interest-bearing receivables		**530**
- Margin receivables		1,132
+ Margin liabilities		331
+ Net margin liabilities		**-801**
Financial net debt	14	**7,023**
Operating profit		1,599
+ Depreciation and amortisation		1,090
EBITDA		**2,689**
- Items affecting comparability		-255
Comparable EBITDA		**2,434**
Financial net debt/comparable EBITDA		2.9

See Note 1.3 Alternative performance measures for details on items affecting comparability.

	31 Dec 2020	31 Dec 2019
Comparable EBITDA, EUR million	2,434	1,766
Earnings per share (basic), EUR	2.05	1.67
Financial net debt, EUR million	7,023	4,833
Adjusted net debt, EUR million	9,784	4,978
Interest-bearing net debt, EUR million	-	5,260
Capital expenditure and gross investments in shares, EUR million	4,941	819
Capital expenditure, EUR million	1,135	713
Financial net debt/comparable EBITDA	2.9	-
Comparable net debt / EBITDA	-	3.0
Equity per share, EUR	14.58	14.61
Number of employees	19,933	8,191
Average number of shares, 1,000 shares	888,294	888,294
Diluted adjusted average number of shares, 1,000 shares	888,294	888,294
Number of registered shares, 1,000 shares	888,294	888,294

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.

Fortum consolidated Uniper's income statement from the second quarter of 2020, which is the main reason for the change in quarterly and cumulative 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.

During 2020, the Covid-19 pandemic resulted in new and partly unexpected risks as societies and governments across the world implemented drastic measures to contain the spread of the disease. Although the impacts for Fortum have so far been limited, the exposure to risk and uncertainty in all risk categories has increased compared to the 2019 year-end situation. 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. The main risk factors include lower commodity prices and decreased demand, credit defaults and delayed payments, project delays and increased risk of operational incidents or prolonged maintenance as a result of travel restrictions, absence of key personnel, as well as difficulties in obtaining key materials and spare parts.

Fortum 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.

Discount rates for the pension plans were updated to reflect the fall in interest rates, which led to a corresponding increase in pension provisions during 2020. See Note 17 Pension obligations.

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%, and was 76.1% on 31 December 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.

Purchase price accounting on 31 March 2020

The purchase price allocation is being finalised and will be completed within the one-year window from the acquisition date, i.e. in the first quarter of 2021.

In the first quarter of 2020 Fortum consolidated Uniper's balance sheet on 31 March 2020 with an initial purchase price allocation resulting in a preliminary goodwill. Uniper's Income statement was consolidated from 1 April 2020.

During II-IV/2020 Fortum has prepared the preliminary purchase price allocation, including fair value adjustments to the opening balance sheet of Uniper on 31 March 2020. No adjustments to the initial purchase price allocation were made during the year as fair values for the assets and liabilities were still under review.

In the fourth quarter of 2020 Fortum presents the preliminary purchase price allocation for the Uniper acquisition, which has resulted in adjustments to Uniper's 31 March 2020 opening balance sheet. These adjustments have led to the restatement of the previous quarters in 2020.

Fair value adjustments made to Uniper's 31 March 2020 opening balance sheet mainly relate to property, plant and equipment and right-of-use assets, participations in associates and joint ventures, lease liabilities, other provisions, and deferred taxes. Increase in the value of property, plant and equipment resulted in additional depreciation (EUR 11 million in 2020); and increase in the value of the lease liability (due to a lower discount rate) resulted in lower interest cost (EUR 26 million in 2020).

In connection with the purchase price allocation, Fortum is also required to assess the circumstances giving rise to items recognised in Uniper segment's income statement during the one-year window from the acquisition date, and to reflect these in the acquisition date opening balance if they give more information on acquisition date fair values of assets or liabilities. This has led to certain one-time adjustments to Uniper segment's income statement II-IV/2020, which are now reflected in the acquisition date opening balance sheet on 31 March 2020. Total impact on Comparable operating profit is EUR +68 million, and Items affecting comparability EUR -31 million in 2020.

Excess of the acquisition value over the fair value of Uniper's net assets, EUR 515 million, is preliminary goodwill. See Note 6.1 Acquisitions.

Restated quarterly financials are published as a separate release in connection with the publication of the Financial Statements bulletin.

Alignment of accounting policies and presentation

Following the acquisition of Uniper, Fortum has reviewed Uniper's accounting policies to identify any significant differences to Fortum accounting policies. No significant accounting policy differences have been identified, except as explained below.

Fortum has aligned accounting policies and assumptions for nuclear related asset and liabilities on 31 December 2020. The alignment led to an increase in nuclear provisions, as well as a corresponding increase in nuclear funds for the overfunded plans; and resulted in IV/2020 in a positive net impact of EUR 12 million to other financial expenses in the consolidated income statement.

The accounting policies and assumptions have also been aligned for the respective balances of the co-owned nuclear companies. The total impact of the alignment to share of profits from associated companies and joint ventures in IV/2020 was EUR 47 million, net of tax.

Differences in financial statement presentation have also been addressed. The following changes have been made in comparison to Fortum's 2019 annual report to align with Uniper:

- In the first quarter of 2020, Fortum updated the definition of net debt and started to use financial net debt and adjusted net debt when following indebtedness of the Group. The previously used net debt included interest-bearing loans, lease liabilities and liquid funds. See Note 14 Interest-bearing net debt for details.
- In the second quarter of 2020, Fortum updated the definition of Items affecting comparability and Comparable operating profit. The update resulted in some changes to definitions of existing items, as well as one new category (Other) for other non-operating items. See Note 1.3 Alternative performance measures for details.
- In the fourth quarter of 2020, in order to align with the presentation of net debt and to better to reflect the nature of these items, Fortum reclassified in the consolidated cash flow statement the change in net margin liabilities from operating cash flows so that the change in margin receivables is presented in investing cash flows, and the change in margin liabilities is presented in financing cash flows. Comparatives have been reclassified accordingly.
- In the fourth quarter of 2020, nuclear fund adjustment in the consolidated income statement was reclassified from Items affecting comparability to Other financial expenses, net. This change does not impact Comparable operating profit. Further, in the consolidate cash flow statement, nuclear fund-related payments and repayments have been reclassified from cash flow from operating activities to cash flow from investment activities. Comparatives have been reclassified accordingly.

Restated quarterly financials are published as a separate release in connection with the publication of the Financial Statements bulletin.

Further changes to the presentation of financial statements are still possible.

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.

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.

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.

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 above.

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.

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. In the fourth quarter of 2020, Fortum further updated the composition of Items affecting comparability by reclassifying Nuclear fund adjustment from Items affecting comparability to Other financial expenses, net. This change did not impact Comparable operating profit.

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
- 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.

Fortum's long-term financial target for capital structure is Financial net debt to comparable EBITDA (see Note 1.4 Capital risk management and Note 23 Definitions of key figures).

1.4 Capital risk management

Following the consolidation of Uniper, Fortum's business profile changed and the previous long-term financial targets did not appropriately reflect the Group's new business profile. In 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.

In December 2020 in connection with the strategy update, financial targets were set. Fortum continues to be committed to maintaining a rating of at least BBB. The new long-term financial targets are:

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

Fortum's dividend policy was also revised and 'is to pay a stable, sustainable, and over time increasing dividend'. Fortum's Board of Directors proposes a dividend of EUR 1.12 per share for the year 2020 with the target to increase the dividend going forward.

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.

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 monitoring the Group's indebtedness. The previously used 'net debt' included interest-bearing loans, lease liabilities and liquid funds. Margin receivables and liabilities (settlement of futures) are included in the updated 'financial net debt' definition. Up 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 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.

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 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-Dec 2020	Jan-Sept 2020	Jan-June 2020	Jan-Mar 2020	Jan-Dec 2019	Jan-Sept 2019	Jan-June 2019	Jan-Mar 2019
United Kingdom (GBP)	0.8897	0.8851	0.8746	0.8623	0.8773	0.8841	0.8761	0.8717
Norway (NOK)	10.7228	10.7115	10.7324	10.4652	9.8524	9.7861	9.7356	9.7491
Poland (PLN)	4.4430	4.4220	4.4120	4.3241	4.2992	4.3056	4.2865	4.2961
Russia (RUB)	82.7248	79.9599	76.6692	73.8205	72.7949	73.4459	74.2121	75.6930
Sweden (SEK)	10.4848	10.5582	10.6599	10.6689	10.5572	10.5547	10.4782	10.3776
United States (USD)	1.1422	1.1250	1.1020	1.1027	1.1214	1.1241	1.1334	1.1397

Balance sheet date rate	31 Dec 2020	30 Sept 2020	30 June 2020	31 Mar 2020	31 Dec 2019	30 Sept 2019	30 June 2019	31 Mar 2019
United Kingdom (GBP)	0.8990	0.9124	0.9124	0.8864	0.8508	0.8857	0.8966	0.8583
Norway (NOK)	10.4703	11.1008	10.9120	11.5100	9.8638	9.8953	9.6938	9.6590
Poland (PLN)	4.5597	4.5462	4.4560	4.5506	4.2568	4.3782	4.2496	4.3006
Russia (RUB)	91.4671	91.7763	79.6300	85.9486	69.9563	70.7557	71.5975	72.8564
Sweden (SEK)	10.0343	10.5713	10.4948	11.0613	10.4468	10.6958	10.5633	10.3980
United States (USD)	1.2271	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[1)] IV/2020	Generation[1)] IV/2019	Russia IV/2020	Russia IV/2019	City Solutions[1)] IV/2020	City Solutions[1)] IV/2019	Consumer Solutions IV/2020	Consumer Solutions IV/2019	Uniper IV/2020	Uniper IV/2019	Other Operations IV/2020	Other Operations IV/2019	Total IV/2020	Total IV/2019
Income statement data by segment															
Power sales [1)]		506	541	188	249	41	45	330	454	6,567	-	0	-	7,633	1,289
Heat sales		-	-	48	57	164	201	-	-	81	-	-	-	293	258
Gas sales [2)]		28	27	-	-	0	0	43	38	9,428	-	-	-	9,499	66
Waste treatment sales		-	-	-	-	69	70	-	-	-	-	-	-	69	70
Other sales [3)]		7	15	2	-	62	50	-3	17	3,915	-	38	32	4,021	114
Sales		**541**	**583**	**238**	**306**	**337**	**366**	**370**	**510**	**19,990**	**-**	**38**	**32**	**21,515**	**1,797**
Internal eliminations		-86	-61	-1	0	-19	-16	5	-6	0	-	-30	-23	-130	-105
Netting of Nord Pool transactions [4)]														-105	-139
External sales		455	522	237	306	318	351	376	504	19,990	-	8	9	21,279	1,553
Comparable EBITDA		**220**	**278**	**108**	**136**	**90**	**129**	**38**	**35**	**819**	**-**	**-28**	**-27**	**1,247**	**552**
Depreciation and amortisation		-42	-39	-33	-41	-50	-50	-17	-16	-170	-	-9	-8	-320	-154
Comparable operating profit		**177**	**239**	**76**	**94**	**41**	**80**	**21**	**19**	**649**	**-**	**-36**	**-34**	**928**	**398**
Impairment charges and reversals		2	-	-	-	-	-	-	-	3	-	-	-	4	0
Capital gains and other related items	6	0	0	0	0	0	1	0	0	-17	-	0	-3	-16	-2
Impact from acquisition accounting	4	-	-	0	-	-	-	-	-	-	-	-	-	0	-
Changes in fair values of derivatives hedging future cash flow		-18	27	0	-	3	1	27	-23	-617	-	-	-	-605	5
Other		0	-	-	-	-	-	-	-	147	-	-	-	147	-
Items affecting comparability [5)]	4	-17	27	0	-	3	2	27	-22	-483	-	0	-3	-470	3
Operating profit		**160**	**266**	**76**	**95**	**44**	**82**	**49**	**-3**	**166**	**-**	**-36**	**-37**	**458**	**401**
Share of profit/loss of associates and joint ventures	12	46	-34	15	0	19	-4	-	-	35	-	-1	103	113	65
Finance costs - net [5)]	7													-18	-12
Income taxes	8													-142	-88
Profit for the period														**411**	**367**
Gross investments / divestments by segment															
Gross investments in shares	6	63	-	-1	62	2	3	-	-	3	-	86	4	152	70
Capital expenditure		52	77	20	36	114	58	14	15	258	-	13	11	471	197
Gross divestments of shares	6	0	-	0	-	0	-	10	-	13	-	0	-	24	-

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 have previously been presented as Other sales.
3) Sales in the fourth quarter include a one-off cumulative adjustment between power sales and other sales in Consumer Solutions segment.
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.
5) In IV/2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See Note 1.2 Summary of Uniper impacts to Fortum interim report.

Year-to-date

EUR million	Note	Generation[1] 2020	Generation[1] 2019	Russia 2020	Russia 2019	City Solutions[1] 2020	City Solutions[1] 2019	Consumer Solutions 2020	Consumer Solutions 2019	Uniper 2020	Uniper 2019	Other Operations 2020	Other Operations 2019	Total 2020	Total 2019
Income statement data by segment															
Power sales [1]		1,878	2,006	791	924	121	153	1,057	1,630	16,994	-	0	-	20,841	4,714
Heat sales		-	-	134	145	516	615	-	-	191	-	-	-	841	760
Gas sales [2]		84	91	-	-	1	3	139	132	22,176	-	-	-	22,400	226
Waste treatment sales		-	-	-	-	252	250	-	-	-	-	-	-	252	250
Other sales		44	44	4	2	185	178	70	73	5,154	-	140	115	5,598	413
Sales		**2,006**	**2,141**	**929**	**1,071**	**1,075**	**1,200**	**1,267**	**1,835**	**44,514**	**-**	**140**	**115**	**49,931**	**6,363**
Internal eliminations		-421	-259	-2	0	-64	-45	-2	3	0	-	-110	-86	-598	-387
Netting of Nord Pool transactions [3]														-317	-529
External sales		1,585	1,883	927	1,071	1,012	1,155	1,264	1,839	44,514	-	30	29	49,015	5,447
Comparable EBITDA		**886**	**939**	**394**	**469**	**239**	**308**	**153**	**141**	**856**	**-**	**-94**	**-91**	**2,434**	**1,766**
Depreciation and amortisation		-164	-145	-143	-153	-191	-188	-63	-62	-494	-	-35	-28	-1,090	-575
Comparable operating profit		**722**	**794**	**251**	**316**	**47**	**120**	**90**	**79**	**363**	**-**	**-129**	**-118**	**1,344**	**1,191**
Impairment charges and reversals		2	-3	-	-	-	-	-	-	0	-	-	-6	2	-8
Capital gains and other related items	6	0	3	1	1	723	5	0	-	-13	-	53	-2	765	7
Impact from acquisition accounting	4	-	-	0	-	-	-	-	-	-	-	-222	-	-222	-
Changes in fair values of derivatives hedging future cash flow		-12	-15	0	-	5	2	39	-59	-706	-	-	-	-675	-72
Other		0	-	-	-	-	-	-	-	386	-	-	-	386	-
Items affecting comparability [4]	4	-11	-14	1	1	728	7	39	-59	-333	-	-169	-8	255	-72
Operating profit		**711**	**780**	**252**	**317**	**775**	**127**	**129**	**20**	**29**	**-**	**-298**	**-126**	**1,599**	**1,118**
Share of profit/loss of associates and joint ventures	12	29	10	47	59	57	37	-	-	54	-	470	638	656	744
Finance costs - net [4]	7													-56	-134
Income taxes	8													-344	-221
Profit for the period														**1,855**	**1,507**
Gross investments / divestments by segment															
Gross investments in shares	6	70	13	48	66	114	9	0	-	3	-	3,572	18	3,807	106
Capital expenditure		158	247	43	67	219	314	57	55	624	-	34	30	1,135	713
Gross divestments of shares	6	171	12	0	-	895	2	10	-	69	-	81	16	1,226	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 have 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.
4) In IV/2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See Note 1.2 Summary of Uniper impacts to Fortum interim report.

Segment assets and liabilities

EUR million	Note	Generation 31 Dec 2020	Generation 31 Dec 2019	Russia 31 Dec 2020	Russia 31 Dec 2019	City Solutions 31 Dec 2020	City Solutions 31 Dec 2019	Consumer Solutions 31 Dec 2020	Consumer Solutions 31 Dec 2019	Uniper 31 Dec 2020	Uniper 31 Dec 2019	Other Operations 31 Dec 2020	Other Operations 31 Dec 2019	Total 31 Dec 2020	Total 31 Dec 2019
Non-interest-bearing assets		**5,780**	**5,461**	**2,020**	**2,637**	**3,512**	**3,780**	**780**	**939**	**20,646**	**-**	**270**	**237**	**33,009**	**13,054**
Participations in associates and joint ventures	12	961	838	577	681	612	584	-	-	729	-	33	4,331	2,912	6,435
Eliminations														-57	-107
Total segment assets		**6,742**	**6,299**	**2,597**	**3,319**	**4,123**	**4,364**	**780**	**939**	**21,375**	**-**	**303**	**4,568**	**35,863**	**19,381**
Interest-bearing receivables	13													3,000	1,035
Deferred tax assets														1,089	77
Other assets														15,550	1,437
Liquid funds														2,308	1,435
Total assets														**57,810**	**23,364**
Segment liabilities		**508**	**279**	**166**	**107**	**445**	**419**	**215**	**302**	**13,943**	**-**	**167**	**168**	**15,443**	**1,274**
Eliminations														-57	-107
Total segment liabilities														**15,386**	**1,168**
Deferred tax liabilities														952	885
Other liabilities														15,233	1,382
Total liabilities included in capital employed														**31,570**	**3,435**
Interest-bearing liabilities	14													10,662	6,694
Total equity														15,577	13,235
Total equity and liabilities														**57,810**	**23,364**
Number of employees		1,143	1,109	2,935	2,955	2,093	1,970	1,048	1,327	11,751	-	963	830	19,933	8,191

Segment assets and liabilities at 31 December 2019 included assets held for sale. See Note 6.3 Assets held for sale.

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

		Generation		Russia		City Solutions		Consumer Solutions		Uniper [2]	
EUR million	Note	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Comparable operating profit		**722**	**794**	**251**	**316**	**47**	**120**	**90**	**79**	**363**	**-**
Share of profit/loss of associates and joint ventures	12	29	10	47	59	57	37	-	-	54	-
Adjustment to share of profit/loss of associates and joint ventures		-45	-13	-	-	-	22	-	-	-	-
Comparable operating profit including share of profit of associates and joint ventures		**706**	**791**	**298**	**375**	**104**	**179**	**90**	**79**	**417**	**-**
Segment assets at the end of the period		6,742	6,299	2,597	3,319	4,123	4,364	780	939	21,375	-
Segment liabilities at the end of the period		508	279	166	107	445	419	215	302	13,943	-
Comparable net assets		**6,234**	**6,019**	**2,431**	**3,212**	**3,679**	**3,945**	**565**	**637**	**7,432**	**-**
Comparable net assets average [1]		**6,006**	**5,959**	**2,693**	**3,048**	**3,679**	**3,865**	**569**	**595**	**N/A**	**-**
Comparable return on net assets, %		**11.8**	**13.3**	**11.1**	**12.3**	**2.8**	**4.6**	**15.9**	**13.3**	**N/A**	**-**

1) Average net assets are calculated using the opening balance of the financial year and each quarter's closing value.
2) The Uniper segment was acquired on 31 March 2020. Comparable net assets average and Comparable return on net assets for the Uniper segment will be presented once information for full 12 months is available.

Segment assets and liabilities at 31 December 2019 included assets held for sale. See Note 6.3 Assets held for sale.

4. Items affecting comparability

EUR million	Note	IV/2020	IV/2019	2020	2019
Comparable operating profit		**928**	**398**	**1,344**	**1,191**
Impairment charges and reversals		4	0	2	-8
Capital gains and other related items	6	-16	-2	765	7
Impact from acquisition accounting		0	-	-222	-
Changes in fair values of derivatives hedging future cash flow		-605	5	-675	-72
Other		147	-	386	-
Items affecting comparability [1]		-470	3	255	-72
Operating profit		**458**	**401**	**1,599**	**1,118**

1) In IV/2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See Note 1.2 Summary of Uniper impacts to Fortum interim report.

Capital gains and other related items

Capital gains and other related items in I-IV/2020 included EUR 72 million gain from the divestment of Fortum Recharge AS; EUR 431 million gain from the divestment of the district heating business in Joensuu, Finland; and EUR 291 million gain from divestment of the district heating business in Järvenpää, Finland (see Note 6.2 Disposals); as well as Uniper acquisition-related costs of EUR 20 million (see Note 6.1 Acquisitions).

Impact from acquisition accounting

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

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

Other

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

In connection with the purchase price allocation for the Uniper acquisition, Fortum is required to assess the circumstances giving rise to items recognised in Uniper’s income statement during the one-year window from the acquisition date, and to reflect these in the acquisition date opening balance if they give more information on acquisition date fair values of assets or liabilities.

The following items presented in Items affecting comparability during II-III/2020 have been included in the opening balance 31 March 2020 and consequently reversed in the restated quarterly financials:

- Impairment charges of EUR 67 million recognised in the second quarter of 2020, mainly relating to continuing project delays in the Berezovskaya power plant unit 3 in Russia.
- Reversals of impairment charges of EUR 138 million recognised in the second quarter of 2020, mainly relating to two gas-fired power plants in Germany, which were returned to the market.

See Note 1.2 Summary of Uniper impacts to Fortum’s interim report and Note 1.3 Alternative performance measures (for changes made to Items affecting comparability in 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 7,354 million, Level 2: EUR 14,758 million, Level 3: EUR 98 million); and to total financial liabilities EUR 21,129 million (Level 1: EUR 7,248 million, Level 2: EUR 13,476 million, Level 3: EUR 405 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

	Level 1		Level 2		Level 3		Netting [1]		Total	
EUR million	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2020**	**31 Dec 2019**
In non-current assets										
Other investments [2]	75		43		70	75			188	75
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			52	9			-29	-8	23	1
Non-hedge accounting	1,030	10	1,563	27	138		-24	-16	2,707	21
Interest rate and currency derivatives										
Hedge accounting			170	154					170	154
Non-hedge accounting			46	2					46	2
Interest-bearing receivables	98				17	23			116	23
Total in non-current assets	**1,203**	**10**	**1,874**	**192**	**225**	**98**	**-53**	**-24**	**3,250**	**278**
In current assets										
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			185	101			-60	-59	125	42
Non-hedge accounting	2,851	315	5,090	306	6		-655	-547	7,292	74
Interest rate and currency derivatives										
Hedge accounting			26	9					26	9
Non-hedge accounting			89	7					89	7
Other receivables			62						62	
Interest-bearing receivables	432	281	46		5	34			483	315
Total in current assets	**3,283**	**596**	**5,498**	**423**	**11**	**34**	**-715**	**-606**	**8,077**	**446**
Total in assets	**4,486**	**606**	**7,372**	**615**	**237**	**132**	**-768**	**-630**	**11,326**	**724**

1) In Fortum, excluding Uniper, receivables to and liabilities from electricity and other commodity exchanges arising from standard derivative contracts with same delivery period are netted.
2) Other investments mainly include shares in unlisted companies.

Financial liabilities

EUR million	Level 1 31 Dec 2020	Level 1 31 Dec 2019	Level 2 31 Dec 2020	Level 2 31 Dec 2019	Level 3 31 Dec 2020	Level 3 31 Dec 2019	Netting [1] 31 Dec 2020	Netting [1] 31 Dec 2019	Total 31 Dec 2020	Total 31 Dec 2019
In non-current liabilities										
Interest-bearing liabilities [2]			2,145	2,293					2,145	2,293
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			106	38			-29	-8	77	30
Non-hedge accounting	634	11	1,598	37	254		-24	-16	2,462	32
Interest rate and currency derivatives										
Hedge accounting			56	72					56	72
Non-hedge accounting			63	3					63	3
Total in non-current liabilities	**634**	**11**	**3,967**	**2,443**	**254**	**-**	**-53**	**-24**	**4,802**	**2,430**
In current liabilities										
Interest-bearing liabilities			497	281					497	281
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			304	143			-60	-59	244	84
Non-hedge accounting	2,545	334	5,612	328	10		-655	-547	7,512	115
Interest rate and currency derivatives										
Hedge accounting			14	4					14	4
Non-hedge accounting			167	49					167	49
Total in current liabilities	**2,545**	**334**	**6,594**	**805**	**10**	**-**	**-715**	**-606**	**8,434**	**533**
Total in liabilities	**3,179**	**345**	**10,561**	**3,248**	**264**	**-**	**-768**	**-630**	**13,236**	**2,963**

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

Net fair value amount of interest rate and currency derivatives is EUR 32 million, including assets of EUR 331 million and liabilities of EUR 299 million. Fortum has cash collaterals based on collateral agreements with some counterparties. At the end of December 2020, Fortum had received EUR 144 million from collateral agreements. The received cash was booked as a short-term liability.

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

Changes in fair value hierarchy Level 3

	1 Jan 2020	Acquisition of subsidiary companies	Purchases	Settlements	Gains / losses in income statement	Gains / losses in OCI	31 Dec 2020
On balance sheet, net							
Other investments	75	8	38			-51	70
Commodity derivatives, fair values		108	111	-15	178		382
Commodity derivative, day-1 gains and losses		-423	-85		7		-501
Interest-bearing receivables	57			-26	-9		22
Total on balance sheet, net	**132**	**-307**	**64**	**-41**	**176**	**-51**	**-27**

During 2020, no financial instruments were reclassified into, or out of Level 3.

6. Acquisitions, disposals and assets held for sale

6.1 Acquisitions

EUR million	IV/2020	IV/2019	2020	2019
Gross investments in shares in subsidiary companies	72	-	3,646	13
Gross investments in shares in associated companies and joint ventures	66	65	119	73
Gross investments in other shares	15	4	42	20
Total	**152**	**70**	**3,807**	**106**

Uniper acquisition in March 2020

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

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

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

Acquisition accounting

The purchase price allocation on the Uniper acquisition is being finalised and will be completed within the one-year window from the acquisition date, i.e. in the first quarter of 2021. In the fourth quarter of 2020 Fortum presents the preliminary purchase price allocation for the Uniper acquisition, which has resulted in adjustments to Uniper’s 31 March 2020 opening balance sheet. These adjustments have led to the restatement of the previous quarters in 2020. Restated quarterly financials are published as a separate release in connection with the publication of the Financial Statements bulletin.

Fair value adjustments were mainly made to property, plant and equipment and right-of-use assets, participations in associates and joint ventures, lease liabilities, other provisions, and deferred taxes. See Note 1.2 Summary of Uniper impacts to Fortum’s interim report. Excess of the acquisition value over Uniper’s net assets is presented as preliminary goodwill.

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.

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

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

Acquired net assets 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, is not fully comparable to Uniper's standalone balance sheet. Further, Fortum and Uniper are both co-owners in the Swedish nuclear company OKG AB. OKG AB is consolidated into Uniper Group as a subsidiary with a 45.5% minority representing Fortum's ownership in OKG AB. Fortum accounted for the shareholding in OKG AB as an associated company until 31 March 2020, and consolidated OKG AB as a subsidiary from 31 March 2020.

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

Acquisition-related costs of EUR 20 million are included in items affecting comparability in the consolidated income statement. See Note 4 Items affecting comparability.

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

Other acquisitions during 2020

During 2020 Fortum invested EUR 25 million (2019: 66) to the wind investment fund 50/50 owned by Fortum and RUSNANO in Russia.

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

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.

6.2 Disposals

EUR million	IV/2020	IV/2019	2020	2019
Gross divestments of shares in subsidiary companies	9	-	1,156	15
Gross divestments of shares in associated companies and joint ventures	3	-	31	10
Gross divestments of other investments	12	-	40	4
Total	**24**	**-**	**1,226**	**30**

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 acquired an 80% stake in Fortum's Nordic wind portfolio. The total consideration on a debt- and cash-free basis was approximately EUR 170 million. The transaction, excluding the Sørfjord wind park which was 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.

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

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 2020 include Schkopau lignite-fired power plant (Uniper segment) and Sørfjord wind park (Generation segment).

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

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

Assets held for sale at 31 December 2019 included the Nordic wind portfolio, excluding the Sørfjord wind park which was 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.

EUR million	31 Dec 2020	31 Dec 2019
Assets held for sale		
Intangible assets and property, plant and equipment and right-of-use assets	230	290
Deferred tax assets	9	0
Other non-current and current assets	96	15
Liquid funds	0	2
Total	**335**	**307**
Liabilities related to assets held for sale		
Interest-bearing liabilities	43	6
Deferred tax liabilities	33	20
Pension and asset retirement obligations	18	-
Other liabilities and provisions	112	25
Total	**206**	**52**

7. Finance costs - net

EUR million	IV/2020	IV/2019	2020	2019
Interest expense				
Borrowings	-43	-39	-186	-171
Leasing and other interest expenses	-4	-2	-12	-4
Capitalised borrowing costs	8	2	27	9
Total	**-38**	**-39**	**-170**	**-167**
Interest income				
Loan receivables and deposits	27	5	96	25
Leasing and other interest income	4	1	16	3
Total	**31**	**5**	**111**	**28**
Other financial expenses - net				
Return from Nuclear Funds, Nuclear fund adjustment and unwinding of discounts on provisions [1)]	-19	28	-26	-4
Fair value changes, impairments and reversals	11	2	29	8
Other financial expenses and income	-2	-9	0	1
Total	**-11**	**21**	**3**	**5**
Finance costs - net	**-18**	**-12**	**-56**	**-134**

1) In IV/2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See Note 1.2 Summary of Uniper impacts to Fortum interim report.

Interest expenses on borrowing in 2020 totalled EUR 186 million (2019: 171) including interest expenses on loans of EUR 160 million (2019: 134), and EUR 26 million (2019: 37) interest cost net from derivatives hedging the loan portfolio. Interest expenses from leases were EUR 9 million (2019: 3).

Interest income in 2020 of EUR 111 million (2019: 28) includes EUR 88 million (2019: 12) interest income from shareholder loan receivables and other loan receivables, and EUR 8 million (2019: 11) from deposits. Interest income from leases were EUR 12 million (2019: 0).

Return from Nuclear Funds include fund adjustment, 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 the period totalled EUR 344 million (2019: 221). The effective income tax rate according to the income statement was 15.7% (2019: 12.8%). 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 23.8 % (2019: 22.0%).

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

Dividends proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the company's shareholders at the Annual General Meeting. A dividend in respect of 2020 of EUR 1.12 per share, amounting to a total dividend of EUR 995 million based on the amount of shares registered as at 11 March 2021, is to be proposed at the planned Annual General Meeting on 28 April 2021.

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	31 Dec 2020	31 Dec 2019
Goodwill	1,069	612
Contract-based	534	-
Other	1,205	531
Total	**2,808**	**1,143**

Goodwill includes Uniper acquisition-related preliminary goodwill of EUR 515 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 included 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 increase in emission allowances.

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

Property, plant and equipment, and right-of-use assets amounted to EUR 19,367 million (31 Dec 2019: 10,123). Property, plant and equipment, and right-of-use assets included EUR 9,268 million from the acquisition of Uniper at 31 March 2020, mainly relating to machinery and equipment; and buildings and structures. The balance from Uniper included EUR 645 million of right-of-use assets. See more information in Note 6.1 Acquisitions.

Other changes during 2020 mainly relate to depreciation, divestments and translation differences, partly offset by capital expenditures and changes in nuclear asset retirement obligations.

12. Participations in associates and joint ventures

12.1 Participations in associates and joint ventures

EUR million	31 Dec 2020	31 Dec 2019
Uniper SE	-	4,306
Other associates and joint ventures	2,912	2,128
Total	**2,912**	**6,435**

At 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 consolidated balance sheet. Other associates and joint ventures included EUR 750 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	31 Dec 2020	31 Dec 2019
Opening balance 1 Jan	**6,435**	**5,978**
Acquisitions	750	-
Investments	119	73
Share of profit of associates and joint ventures	656	744
Dividend income received	-116	-239
Divestments and capital returns	-47	-27
Reclassifications	-4,663	-16
OCI items in associates and joint ventures	-183	-137
Translation differences and other adjustments	-40	59
Closing balance	**2,912**	**6,435**

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

12.2 Share of profit/loss of associates and joint ventures

EUR million	IV/2020	IV/2019	2020	2019
Uniper SE	-	98	469	632
TGC-1	-2	7	24	54
Stockholm Exergi AB	16	-6	46	24
Other associates and joint ventures	99	-34	117	34
Total	**113**	**65**	**656**	**744**

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 is preparing a new purchase price allocation which will be completed within the one-year window from the acquisition date. See Note 6.1 Acquisitions.

13. Interest-bearing receivables

EUR million	31 Dec 2020	31 Dec 2019
Interest-bearing receivables	2,804	1,035
Finance lease receivables	196	-
Total	**3,000**	**1,035**

	Carrying amount	Fair value	Carrying amount	Fair value
EUR million	**31 Dec 2020**	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2019**
Long-term loan receivables from associates and joint ventures	1,113	1,161	625	668
Non-current securities	98	98	-	-
Other long-term interest-bearing receivables	1,010	1,010	26	27
Total long-term interest-bearing receivables	**2,221**	**2,270**	**651**	**695**
Collateral arrangement securities	432	432	281	281
Other short-term interest-bearing receivables	151	151	103	103
Total short-term interest-bearing receivables	**582**	**582**	**384**	**384**
Total	**2,804**	**2,852**	**1,035**	**1,079**

Long-term interest-bearing receivables from associated companies and joint ventures, EUR 1,113 million (31 Dec 2019: 625), include EUR 964 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 included interest-bearing receivables of EUR 1,634 million and finance lease receivables of 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	31 Dec 2020	31 Dec 2019
+ Interest-bearing liabilities	**10,662**	**6,694**
- Liquid funds	**2,308**	**1,435**
- Non-current securities	98	-
- Collateral arrangement securities	432	281
- Securities in interest-bearing receivables	**530**	**281**
- Margin receivables	1,132	177
+ Margin liabilities	331	32
+ Net margin liabilities	**-801**	**-145**
Financial net debt	**7,023**	**4,833**
+ Pension obligations	**1,520**	**125**
+ Other asset retirement obligations	821	20
- Share of Finnish and Swedish Nuclear Waste Funds	3,445	813
+ Nuclear provisions	3,866	813
+ Nuclear provisions net of assets in Nuclear Waste Funds	421	-
+ Total provisions net of assets in Nuclear Waste Funds	**2,762**	**145**
Adjusted net debt	**9,784**	**4,978**

In 2020, Fortum updated the definition of net debt and started to use financial net debt and adjusted net debt 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. Prior to change of definition, 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.

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

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

Net debt 31 December 2019

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

1) See Note 6.3 Assets held for sale.

Interest-bearing liabilities

EUR million	31 Dec 2020	31 Dec 2019
Loans	9,607	6,580
Lease liabilities	1,055	108
Total	**10,662**	**6,688**

Interest-bearing liabilities included loans of EUR 557 million and lease liabilities of EUR 1,018 million from the acquisition of Uniper at 31 March 2020. See more information in Note 6.1 Acquisitions.

Loans

EUR million	Carrying amount 31 Dec 2020	Fair value 31 Dec 2020	Carrying amount 31 Dec 2019	Fair value 31 Dec 2019
Bonds	4,258	4,521	4,251	4,478
Loans from financial institutions	2,576	2,638	362	378
Reborrowing from the Finnish State Nuclear Waste Management Fund [1]	1,145	1,210	1,185	1,250
Other long-term interest-bearing liabilities	447	488	304	346
Total long-term loans [2]	**8,425**	**8,857**	**6,102**	**6,452**
Collateral arrangement liability	432	432	281	281
Other short-term interest-bearing liabilities	750	750	197	197
Total short-term loans	**1,182**	**1,182**	**478**	**478**
Total	**9,607**	**10,039**	**6,580**	**6,930**

1) The reborrowing from the Finnish State Nuclear Waste Management Fund includes the part relating to Loviisa nuclear power plant as well as borrowing done through TVO.
2) Includes current portion of long-term liabilities of EUR 534 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. On 21 December 2020, Fortum drew a ten-year SEK 814 million (EUR 80 million) bilateral loan.

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 1.5% at the balance sheet date (31 Dec 2019: 2.3%). Part of the external loans, EUR 634 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 6.2% at the balance sheet date (31 Dec 2019: 7.8%).

Maturity of loans

EUR million	31 Dec 2020
2021 [1]	1,717
2022	3,055
2023	1,120
2024	320
2025	20
2026 and later	3,375
Total	**9,607**

1) Cash received as collateral based on collateral agreements, amounting to EUR 144 million, has been recognised as a short-term liability.

Maturity of undiscounted lease liabilities

EUR million	31 Dec 2020
Due within a year	170
Due after one year and within five years	406
Due after five years	828
Total	**1,404**

Liquid funds

EUR million	31 Dec 2020	31 Dec 2019
Deposits and securities with maturity more than 3 months	410	76
Cash and cash equivalents	1,898	1,356
Total [1]	**2,308**	**1,433**

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 2,107 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 2,308 million (31 Dec 2019: 1,433). Liquid funds include EUR 289 million held by Uniper. Russian subsidiaries held EUR 244 million (2019: 201) of liquid funds in the form of cash and bank deposits.

Liquid funds included EUR 1,328 million from the acquisition of Uniper at 31 March 2020. See Note 6.1 Acquisitions for additional information.

Committed credit facilities

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

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

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.

Fortum has aligned accounting policies and assumptions used for nuclear related assets and liabilities as of 31 December 2020. The alignment resulted in an increase in nuclear provisions. The increase in the nuclear provisions for Loviisa and Barsebäck nuclear power plants leads to recognition of an additional share of the Nuclear funds. As of 31 December 2020, Fortum still has EUR 441 million in unrecognised nuclear waste fund assets for Loviisa and Barsebäck. In the Income statement the alignment resulted in a positive net impact in Q4 in other financial expenses of EUR 12 million. The accounting policies and assumptions have also been aligned for the respective balances of the co-owned nuclear companies. The total impact of the alignment to share of profits from associated companies and joint ventures in Q4 was EUR 47 million, net of tax.

15.1 Nuclear related assets and liabilities for consolidated nuclear power plants

EUR million	31 Dec 2020	31 Dec 2019
Carrying values on the balance sheet		
Nuclear provisions	3,866	813
Fortum's share of the Nuclear Waste Funds	3,445	813
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds in Finland and Sweden	3,886	1,180
Share of fund not recognised on the balance sheet	441	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 3,053 million compared to 31 December 2019, totalling EUR 3,866 million at 31 December 2020. The increase is mainly driven by the acquisition of Uniper and changes in assumptions.

Fortum's share of the Nuclear Waste Funds are from an IFRS perspective overfunded by EUR 441 million, since Fortum's share of the Funds on 31 December 2020 was EUR 3,886 million and the carrying value on the balance sheet was EUR 3,445 million. The Fund on Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, other financial expenses are adjusted positively if the provisions increase more than the Fund, and negatively if the provision decreases below the actual value of the fund.

In the fourth quarter of 2020, Nuclear fund adjustment in the consolidated income statement was reclassified from Items affecting comparability to Other financial expenses, net. This change does not impact Comparable operating profit. Further, in the consolidated cash flow statement, nuclear fund-related payments and repayments have been reclassified from cash flow from operating activities to cash flow from investment activities. Comparatives have been reclassified accordingly.

Legal liability for Loviisa nuclear power plant

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

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

Fortum's share in the Finnish Nuclear Waste Management Fund

According to the Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in connection with the decision of size of the legal liability. Based on the law, Fortum applied for a periodisation of the fund target, due to a change in the legal liability. The application was approved by the Ministry of Economic Affairs and Employment and the funding target for 2021 was confirmed at EUR 1,168 million in November 2020.

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed annually. See Note 14 Interest-bearing net debt and Note 19 Pledged assets and contingent liabilities.

OKG and Barsebäck nuclear power plants in Sweden

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

Nuclear waste fees and guarantees are normally updated every three years by governmental decision after a proposal from the Swedish Radiation Safety Authority (SSM). From September 2018, the proposal is prepared by the National Debt Office. The proposal is based on cost estimates done by SKB and the license holders. An updated technical plan for nuclear waste management was decided by SKB in September 2019 and was handed in to SSM in the end of III/2019. In December 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 for each unit of a nuclear power plant. The fee is calculated in relation to the energy delivered and set as an amount of öre (1 öre = SEK 0,01) per kWh delivered. For Barsebäck, which have no units in operation, the fee is determined as a fixed fee in SEK per year.

15.2 Nuclear power plants in associated companies and joint ventures

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

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

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

	31 Dec 2020	31 Dec 2019
Carrying values with Fortum assumptions		
Nuclear provisions	3,674	4,973
Share of the Nuclear Waste Fund	3,406	4,403
of which Fortum's net share consolidated with equity method	-59	-202
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds	880	1,426
Receivables from the waste fund that are overfunded (underfunded) from an IFRS perspective	14	-78
of which TVO overfunded	73	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 (Plant Supplier) formed by Areva GmbH, Areva NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations.

In March 2018, TVO signed a comprehensive Global Settlement Agreement (GSA) with the OL3 EPR plant supplier consortium companies Areva NP, Areva GmbH, and Siemens AG, as well as with the Areva Group parent company Areva SA, which is wholly owned by the French State. The agreement entered into force at the end of March 2018. In the GSA, the plant supplier consortium companies committed to ensuring that the funds dedicated to the completion of the OL3 EPR project are sufficient and cover all applicable guarantee periods. Consequently, a trust mechanism was set up funded by Areva companies to secure the funds required to cover Areva's costs for the completion of the OL3 EPR project. During the period under review the trust has been replenished in accordance with the terms of the agreement. During the accounting period, TVO has recognised receivables from the Plant Supplier amounted to the accumulated compensation until the end of the accounting period in accordance with the GSA. The EUR 240 million compensation decreases the historical costs of property, plant, and equipment in the balance sheet.

The Finnish Government granted an operating license for the plant unit in March 2019. TVO submitted on 8 April 2020 a permission application to STUK for nuclear fuel loading of the OL3 EPR nuclear power plant 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 finalise the project until the end of the guarantee period. TVO continues negotiations with the Areva–Siemens consortium on the terms for project completion.

16. Other provisions

EUR million	31 Dec 2020	31 Dec 2019
Supplier- and customer-related	948	-
Asset retirement	821	20
Power production-related	643	-
Gas distribution-related	378	-
Environmental remediation and similar	261	49
Personnel-related	247	-
Other	933	32
Total	**4,232**	**100**

Other provisions included EUR 3,935 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- and customer-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 mortality.

Pension obligations included 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	31 Dec 2020	31 Dec 2019
Present value of defined benefit obligation	4,636	529
Fair value of plan assets	3,117	406
Net defined benefit liability	**1,518**	**123**
Of which Germany	1,350	-
Presented on the balance sheet as follows:		
Pension obligations, net	1,520	125
Pension assets in Other non-current assets	2	2

Discount rates

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

%	31 Dec 2020	31 Dec 2019
Germany	0.8	-
United Kingdom	1.5	-
Finland	0.3	0.8

18. Capital and other commitments

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

Capital commitments

EUR billion	31 Dec 2020	31 Dec 2019
Property, plant and equipment and intangible assets	0.8	0.3

Increase in capital commitments is mainly from the acquisition of Uniper (EUR 0.7 billion at 31 March 2020).

Long-term purchase commitments

Fortum has long-term contractual purchase obligations of approximately EUR 113.1 billion at 31 December 2020 (of which EUR 6.3 billion is due within one year). Increase in long-term purchase commitments is mainly from the acquisition of Uniper (EUR 110.0 billion 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.

Other commitments

Teollisuuden Voima Oyj (TVO) is building Olkiluoto 3, the nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At 31 December 2020, Fortum had EUR 232 million (2019: 170) outstanding receivables regarding Olkiluoto 3, and is additionally committed to providing at maximum EUR 100 million. TVO shareholder loan is classified as participation in joint ventures. For more information, see Note 15 Nuclear related assets and liabilities.

For more information on other commitments, see Note 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 pledged EUR 495 million (31 Dec 2019: 281) of securities and cash for trading of electricity, gas and CO2 emission allowances, and EUR 275 million (31 Dec 2019: 137) of other real estate mortgages. The increase in securities for trading of electricity, gas and CO_2 emission allowances during 2020 is due to increased margin requirements for trading derivatives, and from the acquisition of Uniper at 31 March 2020; 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 exposure, in addition to dispute under public law, this in particular includes legal actions and proceedings on contract amendments and price adjustments initiated in response to market upheavals and the changed economic situation in the gas and electricity sectors (also as a consequence of the energy transition) and concerning anticompetitive and fraudulent practices, as well as general commercial contract disputes.

The aforementioned proceedings include several court and arbitration proceedings with major customers and major suppliers, also initiated in some instances by the Group, concerning contract amendments 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 applied, and of the contracts in their entirety is in dispute. Long-term LNG and gas procurement contracts generally include the option for producers and importers to adjust the terms in line with changed market conditions. On this basis, the Group is currently involved in court and arbitration proceedings and continuously conducts extensive negotiations with producers. The possibility of further legal disputes cannot be excluded. Applying the provisions of IAS 37.92, Fortum is making no additional disclosures on the proceedings presented or on the associated risks or measures taken, particularly because such disclosure could prejudice their outcome.

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

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

Tax cases in Belgium

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

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

21. Related party transactions

Related parties are described in more detail in the consolidated financial statements for the year ended 31 December 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 were excluded from 31 March 2020 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.

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

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	IV/2020	IV/2019	2020	2019
Sales	48	8	201	24
Purchases	266	98	624	373
Other income	29	-	89	-
Interest income on loan receivables	5	3	15	12

Balances with associates and joint ventures

EUR million	31 Dec 2020	31 Dec 2019
Long-term interest-bearing loan receivables	1,113	625
Trade and other receivables	307	86
Long-term loan payables	293	294
Trade and other payables	340	24

In addition, Fortum has long-term purchase commitments of approximately EUR 2.0 billion at 31 December 2020 from associates and joint ventures.

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 Financial net debt to Comparable EBITDA.	Key ratios after cash flow statement
Comparable operating profit	Operating profit - items affecting comparability	Comparable operating profit is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Income statement
Items affecting comparability	Impairment charges and reversals + capital gains and other related items + impact from acquisition accounting + changes in fair values of derivatives hedging future cash flow + other	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Impairment charges and reversals	Impairment charges and related provisions (mainly dismantling), as well as the reversal of previously recorded impairment charges. Impairment charges are adjusted from depreciation and 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
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, %	Comparable operating profit + share of profit /loss in associates and joint ventures + adjustment for share of profit /loss in associates and joint ventures Comparable net assets average	x 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 the 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 - non-interest-bearing liabilities - provisions (non-interest-bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows).		Comparable net assets is a component in Comparable return on net assets calculation where return on capital allocated directly to the businesses is measured.	Note 3 Segment information

Capital structure	Definition	Reason to use the measure	Reconciliation
Financial net debt / comparable EBITDA	Financial net debt Comparable EBITDA	Financial net debt to Comparable EBITDA is Fortum's long-term financial target for capital structure since December 2020.	Key ratios after cash flow statement
Comparable net debt / EBITDA	Interest-bearing net debt Comparable EBITDA	Comparable net debt to EBITDA was the capital structure target of the Group until Q1 2020.	N/A
Financial net debt	Interest-bearing liabilities - liquid funds - securities in interest-bearing receivables + net margin liabilities	In Q1 2020 Fortum updated the definition of net debt. Financial net debt is used in the follow-up of the indebtedness of the group and it is a component in the capital structure target of Financial net debt to Comparable EBITDA since December 2020.	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	In Q1 2020 Fortum updated the definition of net debt. Adjusted net debt is 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,%	$\frac{\text{Income tax expense}}{\text{Profit before income tax}}$	x 100
Comparable effective income tax rate,%	$\frac{\text{Income tax expense – effects from tax rate changes - taxes on items affecting comparability - other major onetime tax effects}}{\text{Profit before income tax - share on profits from associated companies and joint ventures - items affecting comparability}}$	x 100

Market conditions and achieved power prices

Power consumption

TWh	IV/2020	IV/2019	2020	2019
Nordic countries	104	108	383	392
Russia	283	286	1,033	1,059
Tyumen	22	25	86	94
Chelyabinsk	10	9	36	35
Russia Urals area	66	69	246	260
Russia Siberia area	57	58	209	211

Average prices

	IV/2020	IV/2019	2020	2019
Spot price for power in Nord Pool power exchange, EUR/MWh	13.8	38.6	10.9	38.9
Spot price for power in Finland, EUR/MWh	32.7	43.5	28.0	44.0
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	25.6	38.5	21.2	38.4
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	15.1	37.5	14.4	37.9
Spot price for power in the First Price Zone of Russia, RUB/MWh 1)	1,204	1,232	1,220	1,289
Spot price for power in the Second Price Zone of Russia, RUB/MWh 1)	825	817	873	892
Average capacity price for the Russia segment, tRUB/MW/month	654	684	608	624
Average capacity price for the Uniper segment, tRUB/MW/month	292	-	261	-
Spot price for power in Germany, EUR/MWh	38.8	36.6	30.4	37.7
Average regulated gas price in Urals region, RUB/1000 m^3	4,016	3,937	3,977	3,910
Average capacity price for the Russia segment's CCS, tRUB/MW/month 2) 3)	166	166	156	154
Average capacity price for the Russia segment's CSA, tRUB/MW/month 3)	1,129	1,186	1,058	1,096
Average capacity price for the Uniper segment's CCS, tRUB/MW/month 2) 3)	147	-	136	-
Average capacity price for the Uniper segment's CSA, tRUB/MW/month 3)	1,047	-	951	-
Spot price for power (market price), Urals hub, RUB/MWh 1)	1,074	1,081	1,068	1,117
CO_2, (ETS EUA), EUR/tonne CO_2	28	25	25	25
Coal (ICE Rotterdam), USD/tonne	58	57	50	61
Oil (Brent Crude), USD/bbl	45	62	43	64

1) Excluding capacity tariff.
2) Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreements.
3) Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumption.

Water reservoirs

TWh	31 Dec 2020	31 Dec 2019
Nordic water reservoirs level	105	79
Nordic water reservoirs level, long-term average	84	84

Export/import

TWh (+ = import to, - = export from Nordic area)	IV/2020	IV/2019	2020	2019
Export / import between Nordic area and Continental Europe + Baltics	-6	-1	-24	-8
Export / import between Nordic area and Russia	1	2	3	8
Export / import Nordic area, Total	-5	1	-21	0

Power market liberalisation in Russia

%	IV/2020	IV/2019	2020	2019
Share of power sold at the liberalised price	79%	79%	77%	80%

Achieved power prices

	IV/2020	IV/2019	2020	2019
Generation segment's Nordic achieved power price, EUR/MWh	35.2	37.6	34.8	36.8
Uniper segment's Nordic achieved power price, EUR/MWh	27.4	-	26.0	-
Russia segment's achieved power price, RUB/MWh	2,056	2,003	1,940	1,990
Russia segment's achieved power price, EUR/MWh 1)	22.5	28.2	23.4	27.3
Uniper segment's achieved power price in Russia, RUB/MWh	1,890	-	1,798	-
Uniper segment's achieved power price in Russia, EUR/MWh 1)	20.6	-	21.7	-

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	IV/2020	IV/2019	2020	2019
Power generation in Nordics	16.9	12.7	59.2	45.5
Power generation in other European countries	10.1	0.3	26.7	1.3
Power generation in Russia	17.9	7.4	55.6	29.3
Power generation in other countries	0.1	0.1	0.6	0.2
Total	**45.1**	**20.5**	**142.1**	**76.3**

Heat production

TWh	IV/2020	IV/2019	2020	2019
Heat production in Nordics	1.6	2.9	5.1	6.3
Heat production in other European countries	2.5	0.9	7.1	2.8
Heat production in Russia	6.7	6.0	17.4	17.3
Total	**10.8**	**9.8**	**29.6**	**26.4**

Power generation capacity by segment

MW	31 Dec 2020	31 Dec 2019
Generation [1)]	8,163	8,220
Russia	4,928	4,928
City Solutions	988	1,082
Uniper	36,218	-
Total	**50,297**	**14,230**

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

Heat production capacity by segment

MW	31 Dec 2020	31 Dec 2019
Russia	8,437	8,437
City Solutions	4,057	4,812
Uniper	7,017	-
Total	**19,511**	**13,249**

Power generation by source in the Nordic area

TWh	IV/2020	IV/2019	2020	2019
Hydro and wind power	9.0	5.9	29.6	20.7
Nuclear power	7.6	6.3	28.6	23.5
Thermal power	0.2	0.5	1.0	1.4
Total	**16.9**	**12.7**	**59.2**	**45.5**

Power generation by source in the Nordic area

%	IV/2020	IV/2019	2020	2019
Hydro and wind power	53	46	50	45
Nuclear power	45	50	48	52
Thermal power	1	4	2	3
Total	**100**	**100**	**100**	**100**

Power generation by source in other European countries

TWh	IV/2020	IV/2019	2020	2019
Hydro and wind power	0.9	-	3.3	-
Thermal power	9.2	0.4	23.4	1.3
Total	**10.1**	**0.4**	**26.7**	**1.3**

Power generation by source in other European countries

%	IV/2020	IV/2019	2020	2019
Hydro and wind power	9	-	12	-
Thermal power	91	100	88	100
Total	**100**	**100**	**100**	**100**

Power sales

EUR million	IV/2020	IV/2019	2020	2019
Power sales in Nordics	802	799	2,494	2,877
Power sales in other European countries [1)]	6,251	49	16,226	186
Power sales in Russia	407	249	1,411	924
Power sales in other countries	4	5	19	8
Total	**7,464**	**1,102**	**20,150**	**3,995**

1) Including commodity trading.

Heat sales

EUR million	IV/2020	IV/2019	2020	2019
Heat sales in Nordics	82	129	271	390
Heat sales in other European countries	153	74	410	228
Heat sales in Russia	54	57	145	145
Total	**289**	**259**	**825**	**763**

Power sales by area

TWh	IV/2020	IV/2019	2020	2019
Finland	6.2	5.9	23.1	23.1
Sweden	13.2	8.9	44.7	31.5
Russia	21.5	8.8	68.3	33.8
Norway	4.0	4.4	13.8	15.0
Germany [1)]	123.8	-	338.8	-
United Kingdom	5.8	-	13.0	-
Netherlands	2.2	-	6.3	-
Other countries	2.2	0.7	8.1	2.5
Total	**178.8**	**28.8**	**516.0**	**105.8**

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	IV/2020	IV/2019	2020	2019
Russia	6.7	6.0	17.4	16.9
Finland	0.8	1.2	2.9	3.8
Norway	0.5	0.6	1.5	1.7
Poland	1.2	1.1	3.4	3.3
Germany	1.0	-	2.4	-
United Kingdom	-	-	0.0	-
Netherlands	1.0	-	2.3	-
Other countries	0.6	0.6	1.9	1.9
Total	**11.8**	**9.5**	**31.7**	**27.6**