Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	914 551 757
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	FORTUM CONSUMER SOLUTIONS AS
Forretningsadresse:	Askekroken 11 0277 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Knut Braathen
Dato for fastsettelse av årsregnskapet:	01.07.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 08.07.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		-1 000	0
Annen driftsinntekt	13	14 805 000	33 510 000
Sum inntekter		**14 804 000**	**33 510 000**
Kostnader			
Lønnskostnad	2	33 888 000	29 270 000
Av- og nedskrivning på varige driftsmidler	3	0	208 000
Annen driftskostnad	4,13	27 807 000	43 471 000
Sum kostnader		**61 695 000**	**72 949 000**
Driftsresultat		**-46 891 000**	**-39 439 000**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap	4	1 041 780 000	42 343 000
Sum finansinntekter		**1 041 780 000**	**42 343 000**
Rentekostnad til foretak i samme konsern	5,12	10 559 000	18 456 000
Annen rentekostnad		152 000	57 000
Annen finanskostnad		1 500 000	1 126 000
Sum finanskostnader		**12 211 000**	**19 639 000**
Netto finans		**1 029 569 000**	**22 704 000**
Ordinært resultat før skattekostnad		**982 678 000**	**-16 735 000**
Skattekostnad	6	23 123 000	-5 268 000
Ordinært resultat etter skattekostnad		**959 555 000**	**-11 467 000**
Årsresultat		**959 555 000**	**-11 467 000**
Overføringer og disponeringer			
Overføring til annen egenkapital		959 555 000	-11 467 000
Sum overføringer og disponeringer		**959 555 000**	**-11 467 000**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	6	0	3 763 000
Sum immaterielle eiendeler		**0**	**3 763 000**
Finansielle anleggsmidler			
Investering i datterselskap	4	1 618 520 000	2 616 735 000
Pensjon	11	1 399 000	1 156 000
Andre langsiktige fordringer		58 633 000	18 206 000
Sum finansielle anleggsmidler		**1 678 552 000**	**2 636 097 000**
Sum anleggsmidler		**1 678 552 000**	**2 639 860 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		7 000	0
Andre fordringer	9	763 000	4 224 000
Konsernfordringer	8,12	1 984 399 000	45 455 000
Sum fordringer		**1 985 169 000**	**49 679 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.	5	0	0
Sum bankinnskudd, kontanter og lignende		**0**	**0**
Sum omløpsmidler		**1 985 169 000**	**49 679 000**
SUM EIENDELER		**3 663 721 000**	**2 689 539 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			

Balanse

Beløp i: NOK	Note	2020	2019
Selskapskapital	7	101 000 000	100 000 000
Overkurs	7	1 360 857 000	1 256 123 000
Sum innskutt egenkapital		**1 461 857 000**	**1 356 123 000**
Opptjent egenkapital			
Annen egenkapital	7	1 062 338 000	102 544 000
Sum opptjent egenkapital		**1 062 338 000**	**102 544 000**
Sum egenkapital		**2 524 195 000**	**1 458 667 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	6	295 000	0
Sum avsetninger for forpliktelser		**295 000**	**0**
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		2 738 000	774 000
Sum annen langsiktig gjeld		**2 738 000**	**774 000**
Sum langsiktig gjeld		**3 033 000**	**774 000**
Kortsiktig gjeld			
Leverandørgjeld		380 000	1 957 000
Betalbar skatt	6	19 134 000	166 000
Skyldig offentlige avgifter		2 412 000	2 524 000
Kortsiktig konserngjeld	8,12	1 106 267 000	1 219 867 000
Annen kortsiktig gjeld	10	8 300 000	5 583 000
Sum kortsiktig gjeld		**1 136 493 000**	**1 230 097 000**
Sum gjeld		**1 139 526 000**	**1 230 871 000**
SUM EGENKAPITAL OG GJELD		**3 663 721 000**	**2 689 538 000**
POSTER UTENOM BALANSEN			
Garantistillelser	5	2 000 000	2 000 000

fortum
Finansiells 2020

Financials 2020 – Reader's guide

This report consists of the operating and financial review and the consolidated financial statements of Fortum Group, including the parent company financial statements. Other parts of Fortum's reporting entity include CEO's business review, corporate governance statement, remuneration report as well as tax footprint, which are published on Fortum's webpage. Sustainability reporting is an integrated part of Fortum's annual reporting and additional information on sustainability operations can be found on Forum's website in sustainability section.

Operating and financial review
This section includes description of Fortum's financial performance during 2020. Here you will also find a description of the risk management as well as information on sustainability and Fortum share performance.

Consolidated financial statements
Primary statements include Fortum's consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in total equity and cash flow statement.

Notes
The notes to the consolidated financial statements are grouped to six sections based on their nature. Use the note number list on the right side of the notes pages to navigate in the financial statements.

Key figures
Key figures consist of financial key figures, share key figures and operational key figures for 2019–2020. The financial key figures derive mainly from the primary statements. Segment key figures include information on segments.

Parent company financial statements
Here you can read the parent company financial statements including the primary statements, cash flow and notes to the financial statements.

Signatures for the operating and financial review and financial statements
The Board of Directors' and the CEO's signatures of the operating and financial review and financial statements are in this section.

Auditor's report
This section includes the audit report issued by Fortum Oyj's auditor, Deloitte Oy.

Key figures 2011–2020, operational key figures and quarterly financial information
Look here for financial key figures, share key figures, operational key figures and volume related key figures for 2011–2020 as well as capex and quarterly financial information for the years 2019 and 2020.

Investor information
Here you will find information on Fortum's Annual General Meeting, dividend payment, basic share information as well as details of the financial information available to shareholders in 2021.

Notes

1–3 Basis of preparation
These notes describe the basis of preparing the consolid
statements and consist of the accounting policies, critica
estimates and judgements and information about acquis
disposals.

4–5 Risks
In the Risks section you will find notes that disclose how
manages financial risks and capital risks.

6–13 Income statement
These notes provide supporting information for the incor

14–33 Balance sheet
These notes provide supporting information for the balar

34–36 Off balance sheet items
The notes in this section provide information on items th
included on the balance sheet.

37–39 Group structure and related parties
This section includes information on related party transa
after balance sheet date and the group companies of For

The following symbols show which amounts in the notes
the items in income statement, balance sheet and cash f

IS = Income statement
BS = Balance sheet
CF = Cash flow

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Financial performance and position

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

Key figures

EUR million	2020	2019	2018	Change 20/19
IS Sales	49,015	5,447	5,242	800%
Comparable EBITDA [1]	2,434	1,766	1,523	38%
IS Comparable operating profit	1,344	1,191	987	13%
IS Operating Profit	1,599	1,118	1,138	43%
- of sales %	3.3	20.5	21.7	
IS Share of profit of associates and joint ventures [1]	656	744	38	-12%
IS Profit before income tax	2,199	1,728	1,040	27%
- of sales %	4.5	31.7	19.8	
IS Earnings per share, EUR	2.05	1.67	0.95	23%
CF Net cash from operating activities [2]	2,555	1,575	804	62%
Shareholders' equity per share, EUR	14.58	14.61	13.33	0%
Financial net debt (at end of period) [3]	7,023	4,833	N/A	45%
Adjusted net debt (at end of period) [3]	9,784	4,978	N/A	97%
Interest-bearing net debt (at end of period) [3]	N/A	5,260	5,509	
Financial net debt/comparable EBITDA [1] [3]	2.9	N/A	N/A	
Comparable net debt/EBITDA [1] [3]	N/A	3.0	3.6	
Return on capital employed, % [3]	N/A	10.0	6.7	
Return on shareholders' equity, %	12.9	11.9	6.8	
Equity-to-assets ratio, %	27	57	54	

1) 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.
2) Change in net margin liabilities has been reclassified from operating cash flows to investing cash flows and to financing cash flows.
3) Following the consolidation of Uniper, Fortum has updated its definition of net debt and uses financial net debt and adjusted net debt.

See ‣ **Definitions of key figures**

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 o
plants, carried out the annual overhauls, and secured the construction and commissioning of new
without major disturbances. In the Nordics we commissioned both the 90-MW Kalax and 99-MW
parks, and in Russia we brought a total of 550 MWs of wind capacity to the market. At the same t
subsidiary Uniper's construction projects at Irsching and Scholven in Germany and the modernisa
Surgutskaya power plant in Russia are proceeding according to plan.

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

As part of our strategy execution in 2020, we continued to optimise our portfolio and decided t
district heating businesses in Joensuu and Järvenpää in Finland after a strategic review. The sales
recorded for these assets totalled EUR 722 million. The strategic reviews of our district heating as
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
commitment to climate neutrality by 2050 and tighter emissions reduction targets for 2030 was a
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 app
tighter targets will be translated into a substantially tighter EU emission trading system in the up
and the expansion of it is also on the table. This is something we for several years have been advo
we are very pleased with the development. This decision has also supported the price of CO_2 emis
allowances, which are trading around twice the price compared to a year ago. The hydrogen econ
several steps forward, with the EU Commission and several member states presenting their hydro
strategies. This is a very welcome development, as the role of hydrogen made from CO_2-free pow
key role in decarbonising the European economy, including many sectors that are hard to decarbo
heavy transport and some industrial processes.

The market conditions in 2020 were characterised, not only by the pandemic and market volati
even more so by the wet hydrology in the Nordics that pushed power prices heavily down. Toward
the year, CO_2 emission allowance and commodity prices started to recover, which was also reflec
increasing power prices. While 2020 was a rough year for many energy commodities, European ga
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
volumes especially in the fourth quarter. Our successful hedging significantly alleviated the effect
power prices. In the City Solutions segment, the result declined on warm weather and lo power
Consumer Solutions' results continued to improve. Despite the impact of the pandemic in the first
and the lower power margins, our Russia segment fared well operationally, and the result decline
extent due to the change in the Russian rouble exchange rate. Uniper's results generally follow a s
pattern with the first and fourth quarters being the strongest. As a result of the strong hedging a
in the power and gas business, the fourth-quarter 2020 results of the Uniper segment significantl
to Fortum's comparable operating profit.

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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.

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 1 April 2020, 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. by 31 March 2021.

At 31 December 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 Stateme
align with Uniper:

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

Uniper's energy trading and optimisation business accounts for more than 90% of the Uniper G
substantial portion of Uniper's sales arises from the physical assets and contract portfolio optimis
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 en
and deliver sustainable financial performance. Aligned with the goals of the Paris Agreement, For
carbon neutrality by 2050 with ambitious mid-term targets.

The updated strategy builds on four priorities: 'Transform own operations to carbon neutral', 'S
grow in CO_2-free power generation', 'Leverage strong position in gas to enable the energy transit
'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
  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
  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
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, t
approximately 5 GW. Measures for the reduction include the coal-fired plant closures in Germany
Uniper earlier in 2020 (and updated in December): 0.9 GW at the end of 2020, 1.5 GW by the end
further 0.5 GW by the end of 2025. The reduction also includes the closure of Uniper's 2.9 GW in th
end of 2025 and Fortum's previously announced commitment to discontinue the use of coal in Esp

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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'.

Comparability of information presented in tables

As the majority owner of Uniper, Fortum consolidated Uniper as a subsidiary as of 31 March 2020. Uniper is a separate reportable segment of Fortum. This entailed changes in Fortum's reporting structure, accounting policies, as well as definitions of certain key figures and reclassification of nuclear fund adjustment, among others. For additional information, see ▸ **Note 1** Significant accounting policies.

Fortum consolidated Uniper's income statement from 1.4.2020, which is the main reason for the change in the figures compared to the previous year. Financial results discussed in the operating and financial review are for Fortum, including Uniper unless otherwise stated.

Financial results

Sales by segment

EUR million	2020	20
Generation	2,006	2,
Russia	929	1,
City Solutions	1,075	1,2
Consumer Solutions	1,267	1,8
Uniper	44,514	
Other Operations	140	
Netting of Nord Pool transactions [1]	-317	-9
Eliminations	-598	-3
IS Total	**49,015**	**5,4**

1) Sales and purchases with Nord Pool Spot are netted at the Group level on an hourly basis and posted eith cost depending on whether Fortum is a net seller or net buyer during any particular hour.

Comparable EBITDA by segment

EUR million	2020	20
Generation	886	9
Russia	394	4
City Solutions	239	3
Consumer Solutions	153	
Uniper	856	
Other Operations	-94	
Total	**2,434**	**1,7**

Comparable operating profit by segment

EUR million	2020	20
Generation	722	7
Russia	251	1
City Solutions	47	
Consumer Solutions	90	
Uniper	363	
Other Operations	-129	-
IS Total	**1,344**	**1,**

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Operating profit by segment

EUR million	2020	2019	Change 20/19
Generation	711	780	-9%
Russia	252	317	-21%
City Solutions	775	127	510%
Consumer Solutions	129	20	545%
Uniper	29	-	100%
Other Operations	-298	-126	-136%
IS Total	**1,599**	**1,118**	**43%**

Share of profits of associated companies and joint ventures

EUR million	2020	2019	Change 20/19
Generation	29	10	188%
Russia	47	59	-21%
City Solutions	57	37	54%
Consumer Solutions	-	-	-
Uniper	54	-	100%
Other Operations	470	638	-
IS Total	**656**	**744**	**-12%**

For further information see ▸ **Note 6** Segment reporting.

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 (▸ **Note 1** and ▸ **Note 7**).

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 18**).

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 t
statement was 15.7% (2019: 12.8%). The comparable effective income tax rate (excluding the impa
of profit of associated companies and joint ventures as well as items affecting comparability, tax
and other major one-time income tax effects) was 23.8% (22.0%) (▸ **Note 12**).

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

Financial position and cash flow

EUR million	2020	2
Interest expense	-170	-
Interest income	111	
Other financial expenses - net	3	
IS Finance costs - net	**-56**	**-**
Financial net debt	7,023	4,
Adjusted net debt	9,784	4,

Cash flow

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

Net cash used in investing activities was EUR 2,140 (-118) million. Capital expenditures increased
million to EUR 1,101 (695) million. Acquisition of shares, net of liquid funds, amounted to EUR 1,80
from acquiring shares in Uniper. Divestment of shares, mainly from the divestments of the Joensu
Järvenpää district heating operations, amounted to EUR 1,244 million. Change in margin receivabl
522 (403) million. The non-cash collateral arrangement to release pledged cash from the Nordic p
in the first quarter of 2019 had a one-time positive impact of EUR 310 million presented in 'Change
interest-bearing receivables'. Operational cash flow and divestments more than covered the inve
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
loan of EUR 2,000 million and on 6 May 2020 a bridge loan of EUR 300 million to finance the acqu
Uniper shares. In 2019, Fortum issued new bonds totalling EUR 2.5 billion under the Euro Medium
(EMTN) programme. The total payments of long-term liabilities were EUR 507 (2,567) million inclu
repayment of bridge loan. Change in margin liabilities was EUR -623 (-47) million. The
was EUR 920 (806) million.

Assets

At the end of 2020, total assets amounted to EUR 57,810 (23,364) million. The increase
consolidation of Uniper. Liquid funds at the end of the period were EUR 2,308 (1,433) million.

Årsregnskap og regnskap for året 2020 for 914551757

Equity

Equity attributable to owners of the parent company totalled EUR 12,953 (12,982) million. The change 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

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. At the end of 2020, financial net debt was EUR 7,023 (4,833) million and adjusted net debt EUR 9,784 (4,978) million. Net debt according to the old definition was EUR 5,260 million at the end of 2019 (▸ **Note 26**).

At the end of 2020, the Group's liquid funds totalled EUR 2,308 (1,433) 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.

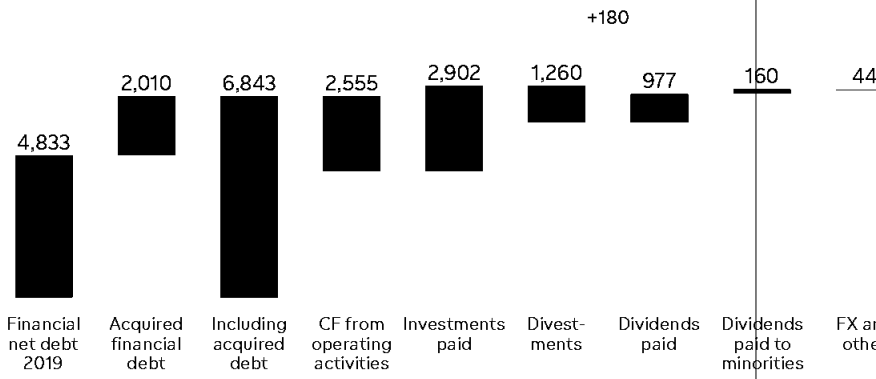
In January 2020 Fortum cancelled EUR 3,000 million, in June 2020 EUR 1,200 million and in August 350 million of facilities and the revolving credit facility maturing in November 2021. The facilities were for purchase of Uniper shares and liquidity purposes.

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.

Change in financial net debt 2020, EUR million



Årsregnskap regnskapsåret 2020 for 914551757

Operating and regulatory environment

European power markets

According to preliminary statistics, electricity consumption in the Nordic countries was 383 (394) TWh during 2020. The lower power demand in the Nordics was mainly related to mild weather. 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 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.

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 2020 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 2,119 (2,184) TWh during 2020. The central western European gas storage levels decreased from 539 TWh at the beginning of the year to 439 TWh at the end of the year, which is 8 TWh higher than the five-year average (2015–2019).

The average gas spot price (TTF) during 2020 was EUR 9.5 (13.5) per MWh. The 2021 forward price increased from EUR 16.4 per MWh at the beginning of the year to EUR 17.1 per MWh at the end of the year.

During 2020, European Emission Allowances (EUA) traded in the range of EUR 14-33 per tonne. The price increased from EUR 24.6 per tonne at the beginning of the year to EUR 32.7 per tonne at the end of the year.

The forward quotation for coal (ICE Rotterdam) for 2021 increased from USD 62.0 per tonne at the beginning of the year to USD 68.9 per tonne at the end of the year.

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-Mansiy western Siberia, where industrial production is dominated by the oil and gas industries, and in the area of the Urals, which is dominated by the metal industry. Uniper's Russian subsidiary Unipro P the Smolensk, Moscow, Sverdlovsk, and Krasnoyarsk regions, as well as in the Khanty-Mansiysk A District.

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

In 2020, the average electricity spot price, excluding capacity prices, was RUB 1,220 (1,289) per first price zone and by RUB 873 (892) in the second price zone. The spot price in the Urals hub wa (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 C are considerably higher than for capacities selected in Competitive Capacity Selection (CCS) auct Fortum's Russia segment's CSA capacity amounts to 2,368 MW, including 70 MW of solar and wi addition to this, Fortum's joint ventures for renewable power generation have 600 MW of operati capacity, as well as 495 MW under construction and 728 MW under development. Corresponding CSA capacity amounts to 2,455 MW.

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

Fortum's Russia segment's units	CSA starts	Higher CSA starts
Tyumen CHP 1, unit 2	1 Feb 2011	1 Oct 2016
Chelyabinsk CHP 3, unit 3	1 Jun 2011	1 Nov 2016
Nyagan, unit 1	1 Apr 2013	1 Jan 2018
Nyagan, unit 2	1 Dec 2013	1 Aug 2018
Nyagan, unit 3	1 Jan 2015	1 Jan 2021
Chelyabinsk CHP 4, unit 1	1 Dec 2015	1 Jan 2021
Chelyabinsk CHP 4, unit 2	1 Mar 2016	1 Jan 2021
Ulyanovsk [1]	1 Jan 2018	n/a
Bugulchansk [2]	Nov 2016 – Mar 2017	n/a
Pleshanovsk [2]	1 Mar 2017	n/a
Grachevsk [2]	1 Mar 2017	n/a

1) Wind CSA.
2) Solar CSA.

Årsregnskap regnskapsåret 2020 for 914551757

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]	1 Nov 2014	1 Nov 2020	31 Oct 2024
Surgutskaya-2 GRES-2, unit 1 [2]	Mar 2022	n/a	Feb 2038
Surgutskaya-2 GRES-2, unit 2 [2]	Dec 2026	n/a	Nov 2042
Surgutskaya-2 GRES-2, unit 4 [2]	Dec 2025	n/a	Nov 2041
Surgutskaya-2 GRES-2, unit 6 [2]	Sep 2024	n/a	Aug 2042

1) Currently under repair and not receiving CSA payments.
2) Modernisation CSA.

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 [1]	110	115	134	168	171	182	193	195
CCS auction price, tRUB/MW/month, second price zone [1]	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

1) 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.

Power consumption

TWh	2020	2
Nordic countries	383	
Russia	1,033	1,
Tyumen	86	
Chelyabinsk	36	
Russia Urals area	246	
Russia Siberia area [1]	209	

1) Reported from 2019 onwards.

Average prices

	2020	2
Spot price for power in Nord Pool power exchange, EUR/MWh	10.9	3
Spot price for power in Finland, EUR/MWh	28.0	4
Spot price for power in Sweden, SE3, Stockholm, EUR/MWh	21.2	3
Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh	14.4	3
Spot price for power in the First Price Zone of Russia, RUB/MWh [1]	1,220	1,
Spot price for power in the Second Price Zone of Russia, RUB/MWh [1] [4]	873	
Average capacity price for the Russia segment, tRUB/MW/month	608	
Average capacity price for the Uniper segment, tRUB/MW/month	261	
Spot price for power in Germany, EUR/MWh	30.4	3
Average regulated gas price in Urals region, RUB/1,000 m3	3,977	3,
Average capacity price for the Russia segment's CCS, tRUB/MW/month [2] [3]	156	
Average capacity price for the Russia segment's CSA, tRUB/MW/month [3]	1,058	1,
Average capacity price for the Uniper segment's CCS, tRUB/MW/month [2] [3]	136	
Average capacity price for the Uniper segment's CSA, tRUB/MW/month [3]	95	
Spot price for power (market price), Urals hub, RUB/MWh [1]	1,068	1,
CO_2, (ETS EUA), EUR/tonne CO_2	25	
Coal (ICE Rotterdam), USD/tonne	57	
Oil (Brent Crude), USD/bbl	43	

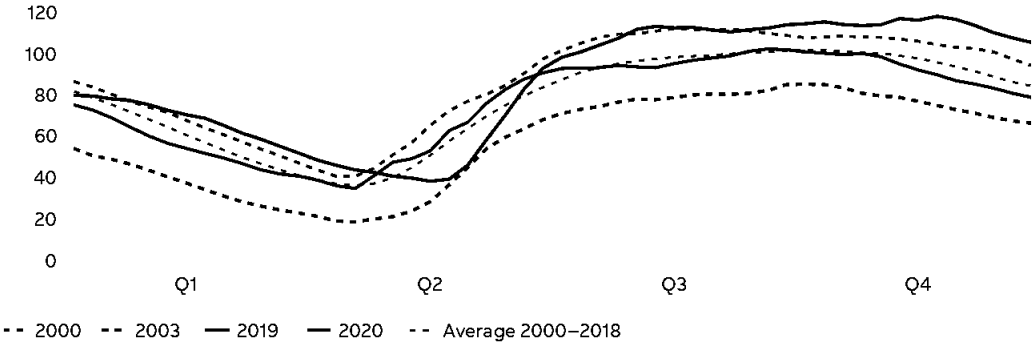
1) Excluding capacity tariff.
2) Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreem
3) Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumpt
4) Reported from 2019 onwards.

Årsregnskap regnskapsåret 2020 for 914551757

Water reservoirs

TWh	31 Dec 2020	31 Dec 2019	31 Dec 2018
Nordic water reservoirs level	105	79	74
Nordic water reservoirs level, long-term average	84	84	83

Nordic water reservoirs, energy content, TWh



Source: Nord Pool

Export/import

TWh (+ = import to, - = export from Nordic area)	2020	2019	2018
Export/import between Nordic area and Continental Europe+Baltics	-24	-8	-10
Export/import between Nordic area and Russia	3	8	8
Export/import Nordic area, total	-21	-	-2

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 decision is in line with the Commission's original proposal to reduce greenhouse gas emissions by by 2030 compared to 1990 level, increasing the ambition level from the current reduction target c

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

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

The key issue that will potentially have a large effect on the ETS and carbon price is the allocati target between the ETS and non-ETS sectors. In Fortum's view, the ETS sector should take the ma 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 e December, with an unprecedented bulk of 46,000 responses. The act has turned even more techn than expected, raising challenges for essential power technologies such as hydro, nuclear, natura hydrogen. The proposed criteria are of significant concern for the largely CO_2-free Nordic power g hydro and nuclear might not be taxonomy-aligned.

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

According to the EU taxonomy regulation, the final climate change delegated acts should have 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 stressed the need to include nuclear in the second wave of delegated acts due for adoption by ye

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

Årsregnskap 2020 for 914551757

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.

Segment reviews

Business model

Fortum is a European energy company with activities in more than 40 countries. We provide our customers with electricity, gas, heating and cooling as well as smart solutions to improve resource efficiency. Together with our subsidiary Uniper, we are the third largest producer of CO_2-free electricity in Europe. Fortum is the largest electricity retailer in the Nordic countries and one of the leading heat producers globally.

Fortum's organisation consists of four business divisions: Generation, Russia, City Solutions, and Consumer Solutions, and additionally Uniper as a segment. Fortum employs a diverse team of almost 20,000 energy-sector professionals.

Generation

Generation is responsible for Nordic power generation. The division comprises nuclear, hydro, wi power generation, as well as power portfolio optimisation, trading, industrial intelligence, and glo services. The segment does not include the Nordic hydro and nuclear power generation or the tra of Uniper. As of 31 March 2020, the segment includes Generation's proportionate share of OKG (

EUR million	2020	2
Sales	2,006	2,
- power sales	1,878	2,0
of which Nordic power sales [1]	1,478	1,5
- other sales	128	
Comparable EBITDA	886	9
Comparable operating profit	722	7
Operating profit	711	7
Share of profits of associates and joint ventures [2]	29	
Comparable net assets (at period-end)	6,234	6,
Comparable return on net assets, %	11.8	1
Capital expenditure and gross investments in shares	228	2
Number of employees	1,143	1,

1) The Nordic power sales income and volume includes hydro and nuclear generation, excluding minorities. include thermal generation, minorities, customer business or other purchases.
2) Power plants are often built jointly with other power producers, and owners purchase electric at cost i cost and production taxes. The share of profit/loss is mainly IFRS adjustments (e.g. accounting for nuclea and liabilities) and depreciations on fair-value adjustments from historical acquisitions (▸ Note 18).

The Generation segment's total power generation in the Nordic countries decreased, mainly due planned and some unplanned nuclear outages, the effect of which was almost offset by clearly hi 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% the fairly high hedge price and hedge level, the decline was minor compared to the 44% drop in sp prices in Fortum's power generation areas.

Comparable operating profit decreased by 9%. The negative impact of the lower achieved pow lower nuclear volumes was partly offset by the higher hydro volumes. Hydro volumes were somew long term average annual level. Comparable operating profit was also positively affected by EUR 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 'Char reporting' and ▸ **Note 6**).

The share of profits of associates and joint ventures totalled EUR 29 (10) million (▸ **Note 18**). The Swedish hydropower real-estate tax decreased from 1.0% to 0.5% in January 2020. In 2019, th amounted to EUR 40 million and in 2020 it was EUR 25 million.

Årsregnskap regnskapsåret 2020 for 914551757

Power generation by source

TWh	2020	2019	Change 20/19
Hydropower, Nordic	22.4	20.3	10%
Nuclear power, Nordic	21.0	23.5	-11%
Wind power, Nordic	0.4	0.4	0%
Thermal power, Nordic	0.1	0.2	-58%
Total	**43.9**	**44.4**	**-1%**

Nordic sales volume

TWh	2020	2019	Change 20/19
Nordic sales volume	51.4	51.3	0%
of which Nordic Power sales volume [1]	42.5	42.7	0%

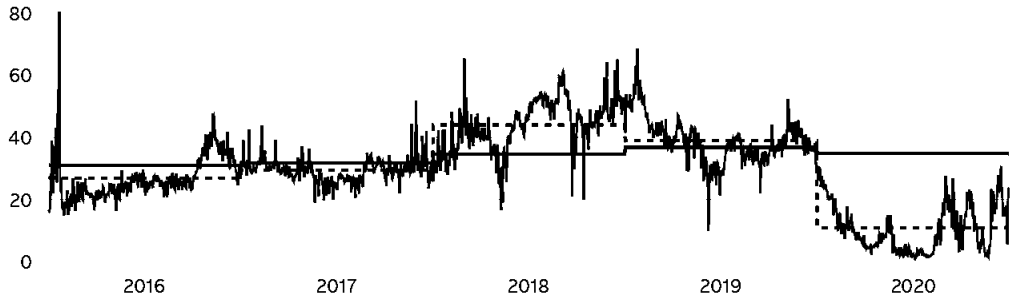
1) The Nordic power sales income and volume includes hydro and nuclear generation, excluding minorities. It does not include thermal generation, minorities, customer business or other purchases.

Sales price

EUR/MWh	2020	2019	Change 20/19
Generation's Nordic power price [1]	34.8	36.8	-5%

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

Nord Pool, power price, 2016–2020, EUR/MWh



— Fortum achieved - - Spot average — Spot price

Source: Nord Pool, Fortum

Russia

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

EUR million	2020	2
Sales	929	1,
- power sales	791	9
- heat sales	134	
- other sales	4	
Comparable EBITDA	394	4
Comparable operating profit	251	
Operating profit	252	
Share of profits of associates and joint ventures	47	
Comparable net assets (at period-end)	2,431	3,
Comparable return on net assets, %	11.1	1
Capital expenditure and gross investments in shares	91	
Number of employees	2,935	2,9

Power generation volumes declined by 8% and heat production volumes declined by 5%. The load among the highest in the Russian Federation according to market data published by the Wholesa Trading Administrator. Reduced oil production and lower overall economic activity following the C decisions and Covid-19 restrictions had an adverse effect on power demand especially in the first the year. Heat production volumes were negatively affected especially by the warmer weather in 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 pri 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 Russi lower power margins and volumes, as well as lower CSA payments, partly offset by higher heat ta counter the effects of Covid-19 focus was put on cost efficiency and securing good availability. Th change in the Russian rouble exchange rate was EUR -34 million. The decline in CSA payments is of the lower Government bond yields.

The share of profits of associates and joint ventures totalled EUR 47 (59) million, including the l profits of EUR 24 (54) million from TGC-1 and the share of profits EUR 18 (2) million from the joint renewables power generation (▸ **Note 18**).

Årsregnskap og bærekraftsårsrapport 2020 for 914551757

Key electricity, capacity and gas prices for Fortum Russia

	2020	2019	Change 20/19
Electricity spot price (market price), Urals hub, RUB/MWh	1,068	1,117	-4%
Average regulated gas price, Urals region, RUB/1,000 m³	3,977	3,910	2%
Average capacity price for CCS and other, tRUB/MW/month [1) 2)]	156	154	1%
Average capacity price for CSA, tRUB/MW/month [2)]	1,058	1,096	-3%
Average capacity price, tRUB/MW/month	608	624	-3%
Achieved power price for the Russia segment, RUB/MWh	1,940	1,990	-3%
Achieved power price for the Russia segment, EUR/MWh [3)]	23.4	27.3	-14%

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

Russian power generation and heat production

TWh	2020	2019	Change 20/19
Russian power generation	27.1	29.3	-8%
Russian heat production	16.4	17.3	-5%

City Solutions

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

EUR million	2020	2
Sales	1,075	1,2
- heat sales	516	
- power sales	121	
- waste treatment sales [1)]	252	2
- other sales [2)]	186	
Comparable EBITDA	239	
Comparable operating profit	47	
Operating profit	775	
Share of profits of associates and joint ventures	57	
Comparable net assets (at period-end)	3,679	3,9
Comparable return on net assets, %	2.8	
Capital expenditure and gross investments in shares	333	
Number of employees	2,093	1,9

1) Waste treatment sales comprise gate fees at waste treatment plants and environmental construction se
2) Other sales comprise mainly operation and maintenance services and fuel sales.

Heat sales volumes decreased by 11% as temperatures were clearly higher than normal throughou especially in the first quarter of 2020. The decline in the power sales volumes and part of the lowe volumes were related to the divestments of the Joensuu and Järvenpää district heating businesse

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

Operating profit was affected by EUR 728 (7) million of items affecting comparability, mainly th capital gains of EUR 431 million and EUR 291 million, respectively, from the divestments of the Joe Järvenpää district heating businesses (▸ **Note 6**).

The share of profits of associates and joint ventures totalled EUR 57 (37) million (▸ **Note 18**), EU million of which is related to the share of profit of Stockholm Exergi.

Årsregnskap regnskapsåret 2020 for 914551757

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.

Heat sales by country

TWh	2020	2019	Change 20/19
Finland	2.9	3.8	-23%
Poland	3.4	3.3	3%
Norway	1.5	1.7	-13%
Other countries	1.9	2.0	-5%
Total	**9.6**	**10.8**	**-11%**

Power sales by country

TWh	2020	2019	Change 20/19
Finland	1.0	1.6	-38%
Poland	0.6	0.6	0%
Other countries	1.4	1.0	40%
Total	**3.0**	**3.2**	**-6%**

Consumer Solutions

Consumer Solutions is responsible for the electricity and gas retail businesses in the Nordics, Pol including the customer service and invoicing businesses. Fortum is the largest electricity retail bu Nordics, with approximately 2.4 million customers across different brands in Finland, Sweden, No and Spain. The business provides electricity as well as related value-added and digital services.

EUR million	2020	2
Sales	1,267	1,8
- power sales	1,057	1,6
- gas sales	139	
- other sales	70	
Comparable EBITDA	153	
Comparable operating profit	90	
Operating profit	129	
Comparable net assets (at period-end)	565	
Capital expenditure and gross investments in shares	57	
Number of employees	1,048	1,

The electricity sales volumes decreased by 5%, mainly due to warmer weather in the Nordics in th Total sales revenue decreased by 31%. The gas volume increased by 20%, mainly due to an increa customers in Poland. The Covid-19 pandemic has increased market uncertainty especially in the s medium-sized enterprises' sector; so far, however, no major negative implications on the busines credit losses, have materialised. Despite these uncertainties, Consumer Solutions' competitivene strengthen, and the customer recommendation and employee engagement indices remained at a levels.

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

Operating profit was affected by EUR 39 (-59) million of items affecting comparability due to th change of non-hedge-accounted derivatives (▶ **Note 6**).

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

Årsregnskap Regnskapsåret 2020 for 914551757

Sales volumes

TWh	2020	2019	Change 20/19
Electricity	29.1	30.6	-5%
Gas [1]	4.9	4.1	20%

1) Not including wholesale volumes.

Number of customers

Thousands [1]	2020	2019	Change 20/19
Electricity	2,280	2,340	-3%
E-mobility [2]	60	-	100%
Gas	50	40	25%
Total	**2,390**	**2,380**	**0%**

1) Rounded to the nearest 10,000.
2) Measured as quarterly paying customers.

Uniper

*The Uniper segment comprises Fortum's majority ownership in Uniper, a subsidiary of Fortum. Ur leading international energy company with activities in more than 40 countries. Its business is the provision of energy and related services. Its main activities include power generation in Europe ar well as global energy trading and optimisation, which Uniper reports in three businesses – Europe Global Commodities, and Russian Power Generation – in its financial statements. The segment in proportionate share of OKG (▸ **Note 1**).*

EUR million	2020	2
Sales	44,514	
- power sales	16,994	
of which Nordic power sales [1]	373	
- heat sales	191	
- gas sales	22,176	
- other sales	5,154	
Comparable EBITDA	856	
Comparable operating profit	363	
Operating profit	29	
Share of profits of associates and joint ventures [2]	54	
Comparable net assets (at period-end)	7,432	
Capital expenditure and gross investments in shares	627	
Number of employees	11,75	

1) The Nordic power sales income and volume includes hydro and nuclear generation, excluding minorities. include thermal generation, minorities, customer business or other purchases.

During the last three quarters of 2020, the Continental European power markets were characteris lower demand, due to the Covid-19 pandemic. The European supply from renewable power gener robust level with high water reservoir levels in the Nordics. This resulted in lower power prices an spreads in Uniper's core markets, especially in the Nordics. However, given the optimisation and activities of the power generation fleet, and an increased focus on spot, intraday, and system-ser 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 and robust supply with some support from a more balanced market to the end of the year. This pr suppliers with the challenge of optimising the supply and sales portfolio, leading to unusual weak reporting period after a strong first quarter.

Årsregnskapsåret 2020 for 914551757

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 6**).

The share of profits of associates and joint-ventures totalled EUR 54 (-) million (▸ **Note 18**).

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.

Power generation by source

TWh	2020	2019	Change 20/19
Hydropower, Nordics	6.8	-	100%
Nuclear power, Nordics	7.6	-	100%
Hydropower, Central Europe	3.3	-	100%
Thermal power, Central Europe	22.1	-	100%
Thermal power, Russia	28.5	-	100%
Total	**68.3**	**-**	**100%**

Nordic sales volume

TWh	2020	2019	Change 20/19
Nordic sales volume	14.6	-	100%
of which Nordic outright power sales volume [1]	14.4	-	100%

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

Sales price

EUR/MWh	2020	2
Uniper's Nordic achieved power price [1]	26.0	
Average capacity price for Uniper CCS and other, tRUB/MW/month [2] [3]	136	
Average capacity price for Uniper CSA, tRUB/MW/month [3]	951	
Average capacity price for Uniper, tRUB/MW/month	261	
Achieved power price for Uniper in Russia, RUB/MWh	1,798	
Achieved power price for Uniper in Russia, EUR/MWh [4]	21.7	

1) Uniper's Nordic achieved power price includes hydro and nuclear generation. It does not include thermal minorities, customer business, or other purchases.
2) Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreen
3) Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumpt
4) Translated using the average exchange rate.

Uniper is an international energy company with operations in more than 40 countries. With more installed generation capacity, Uniper is among the largest global power generators. Approximate power generating capacity is gas-based, 30% coal-based, and 20% hydro- or nuclear-based. Its m include power generation in Europe and Russia as well as global energy trading and optimisation, 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 G substantial portion of Uniper's sales arises from the physical assets and contract portfolio optimi accounted for on a gross basis.

The Uniper business generally follows a seasonal pattern with the first and fourth quarters bein 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 qu consolidated Uniper's results into its income statement. The main reason for the change in the fig to the previous year is thus the consolidation of Uniper.

Uniper investment

Fortum is the majority owner of Uniper with an ownership of 76.1% (as of 31 December 2020) of th voting rights.

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second qu consolidated Uniper as a subsidiary into its income statement. The reason for the change in the fi compared to the previous year is thus the consolidation of Uniper. Fortum's first-quarter share of results is reported in the share of profits of associates and joint venture of 'Other operations'; see **reporting** and ▸ **Note 1**.

In 2017, Fortum announced a public takeover offer to buy shares in Uniper. In June 2018, the off and Fortum's ownership was 47.35%. At the end of 2018, Fortum's ownership in Uniper was 49.99 acquisition cost for the initial 49.99% stake in Uniper, including direct costs relating to the acquis 3,968 million (▸ **Note 3**).

On 8 October 2019, Fortum entered into agreements with Elliott and Knight Vinke to acquire ar stake of at least 20.5% in Uniper, increasing Fortum's share in Uniper to more than 70% and the to in Uniper to approximately EUR 6.5 billion. The transaction closed in two tranches. On 26 March 2 closed the first tranche of the transaction after receiving all necessary regulatory clearances. For shareholding in Uniper thereby increased to 69.6%. On 8 May 2020, Fortum closed the second an thereby increasing the ownership to 73.4%. In August 2020, Fortum increased its ownership in Un than 75%. On 31 December 2020, Fortum's ownership in Uniper was 76.1% (▸ **Note 3** and ▸ **Note 18**

Aksjeeierskap og utskrift av 2020 for 914551757

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

EUR million	2020	2019
Capital expenditure		
Intangible assets	124	75
Property, plant and equipment	1,010	638
Total	**1,135**	**713**
Gross investments in shares		
Subsidiaries	3,646	13
Associated companies and joint ventures	119	73
Other investments	42	20
Total	**3,807**	**106**

In 2020, capital expenditures and investments in shares totalled EUR 4,941 (819) million. Capital expenditures were EUR 1,135 (713) million (▸ **Note 3** and ▸ **Note 6**).

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

	Type	Electricity capacity MW	Heat capacity MW	Supp
Generation				
Sørfjord, Norway [1]	Wind	99		
Russia				
Solar [2]	Solar	116		
City Solutions				
Kivenlahti, Finland	Bio HOB [3]		58	
Suomenoja, Finland	Heat pump		20	
Rajasthan, India	Solar	250		
Uniper				
Datteln IV, Germany	Coal	1,052	380	
Berezovskaya 3, Russia	Lignite	754		
Irsching 6, Germany	Gas	300		
Scholven, Germany	Gas	137	125	
Killingholme and Grain, UK	Grid stability			Q4/2
Surgutskaya 1, Russia	Gas	20		
Surgutskaya 4, Russia	Gas	20		
Surgutskaya 6, Russia	Gas	20		

1) The Sørfjord wind park is part of the transaction with Credit Suisse Energy Infrastructure Partners and th took place in January 2021.
2) On 2 March 2021, Fortum announced it has decided to construct the solar power plant throug a joint ve established with RDIF.
3) Biofuel-fired heat-only boiler (HOB).

Generation

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

In December 2019, Fortum and Energy Infrastructure Partners AG (EIP, formerly Credit Suisse E Infrastructure Partners) signed an agreement whereby funds advised by EIP would acquire an 80 Fortum's Nordic wind portfolio. Fortum retained a 20% minority ownership in this wind power por continue to manage the construction and serve as the long-term asset manager for the wind port transaction was closed on 14 May 2020 (▸ **Note 3**). The Sørfjord wind park, commissione on 26 O 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 pow projects in Russia, almost 2 GW. Once operational, the wind and solar parks receive a guaranteed period of 15 years.

Årsregnskap regnskapsåret 2020 for 914551757

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 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 po
Saxony-Anhalt in eastern Germany, to Saale Energie GmbH, a subsidiary of Czech energy produce
owns the other 42%. The transfer of ownership will take place in October 2021.

Research and development

Sustainability is at the core of Fortum's strategy and, alongside Fortum's current businesses, the
carefully exploring and developing new sources of growth within renewable energy production.

Fortum's goal is to be at the forefront of energy technology and application development. To a
innovation and the commercialisation of new offerings, Fortum is strengthening its in-house inno
digitalisation efforts and building partnerships with leading global suppliers, technology and serv
and research institutions. Fortum makes direct and indirect investments in start-ups that have pr
innovations focused on connectivity, have disruptive potential and accelerate the transition towa
economy. Fortum also invests in technologies that support better utilisation of the current asset b
can create new markets and products for Fortum. The company is continuously looking for emerg
energy solutions and for solutions that increase resource and system efficiency.

The Group reports its R&D expenditure on a yearly basis. In 2020, Fortum's R&D expenditure wa
million, or 0.1% (1.2%) of sales.

	2020	2019	2
R&D expenditure, EUR million	56	67	
R&D expenditure, % of sales	0.1	1.2	

Changes in Group management

On 2 March 2020, Fortum announced that the President and CEO Pekka Lundmark had resigned f
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 Ti
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
Chief Financial Officer (CFO) and member of the Executive Management Team as of 1 February 2

Annual General Meeting 2020

Fortum's Annual General Meeting (AGM) 2020 was scheduled for 17 March 2020. On 16 March 20
Board of Directors decided to cancel the AGM due to the accelerated situation with the Covid-19
the consequent restrictions announced by the Finnish Government on that same day. The AGM 2
on Thursday, 23 April 2020.

Årsregnskap regnskapsåret 2020 for 914551757

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 11 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 11 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 reporting period

On 18 December 2020, the Board of Directors decided to commence the 2021-2023 long-term inc
plan for key employees and executives. The 2021-2023 LTI plan is part of Fortum's ongoing LTI pr
follows the same principles as the previous plan. The performance measures applied to the 2021-
will be based on the total shareholder return measured relative to the peer group comprising sele
utility and gas companies, as well as a target linked to the reduction of Fortum's coal-based powe
capacity in line with Fortum's coal-exit path, with a minimum level requiring exceeding the comm
ambition level. The 2021-2023 LTI plan will comprise approximately 150 participants, including the
Fortum Executive Management. The Board of Directors also decided to commence the 2021-2023
share (RS) plan as a supplement to the LTI programme and reserve shares that potentially will be
spring 2024. The maximum number of shares that may be delivered as a reward is expected to be
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 th
under its Employee Share Savings (ESS) programme. The ESS programme was established in Octo
the Board of Directors decides separately on the annual launch of each individual savings period.

Events after the balance sheet date

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

Key drivers and risks

Fortum's financial results are exposed to a number of financial, operational, strategic, and sustain
risks. Fortum is exposed to these risks both directly and indirectly through its subsidiaries, associ
companies, and joint ventures. The principal associated companies and joint ventures are Teollisu
Oyj (TVO), Forsmarks Kraftgrupp AB, Kemijoki Oy, TGC 1, and Stockholm Exergi AB. For more info
the risk exposures, please see each respective company's annual report.

On 26 March 2020, Fortum became the majority shareholder of Uniper. Fortum consolidated U
Fortum's balance sheet as of 31 March 2020, and the income statement from the second quarter.
Uniper remains a separate listed company operating under German law and regulations. Uniper h
management systems including a set of risk policies defining the risk management organisation p
processes, and responsibilities for managing risks. Therefore, Uniper does not directly apply the r
management systems applicable to Fortum's other divisions and corporate functions. The risk ma
systems of Uniper, including the key principles and processes, are materially in line with those of
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
annual report for 2020.

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

Årsregnskap, konsernregnskap 2020 for 914551757

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 renegotiated 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 a weakening credit metrics and 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 th accidents can occur. Any unwanted operational event (which could be caused by e.g. technical fa process error, natural disasters, sabotage, or terrorist attack) can endanger personal safety or lea environmental or physical damage, business interruptions and possible third-party liability. The c damage can be high especially in the Group's largest units.

Fortum's business activities involve the construction, modernisation, maintenance, and decom power plants or other energy industry facilities. There is a risk that construction costs exceed pla construction delays occur as the result of regulatory or permit issues, failure of key suppliers, bein obtain permits, or as a result of Covid-19 causing the discontinuation of the project. Asset project environmental, health, and safety risks. Asset project risks may realise both for Fortum's own ass projects carried out through joint ventures or associated companies. The most significant asset p 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 a governments across the world implemented drastic measures to contain the spread of the diseas impacts for Fortum have so far been limited, the exposure to risk and uncertainty in all risk catego increased compared to the 2019 year-end situation. If the Covid-19 pandemic continues longer th results in a more severe economic downturn than anticipated, results will be negatively impacted level for future years is lower. The main risk factors include lower commodity prices and decrease credit defaults and delayed payments, project delays and increased risk of operational incidents maintenance as a result of travel restrictions, absence of key personnel, as well as difficulties in o materials and spare parts.

Fortum is closely monitoring the development of the pandemic and its effects on our operation can quickly respond to changes and continue to ensure the safe and reliable delivery of electricity related services. For further details on Fortum's risks and risk management, see the ‣ **Risk manag** of the Operating and financial review and ‣ **Note 4** Financial risk management.

Outlook

Hedging

At the end of 2020, approximately 75% of the Generation segment's estimated Nordic power sale hedged at EUR 33 per MWh for 2021 and approximately 50% at EUR 31 per MWh for 2022.

At the end of 2020, approximately 90% of the Uniper segment's estimated Nordic power sales hedged at EUR 27 per MWh for 2021, approximately 65% at EUR 24 per MWh for 2022 and approx EUR 22 per MWh for 2023.

The reported hedge ratios are based on the hedges and power generation forecasts of the Gen segment and of the Uniper segment's Nordic generation. The underlying generation assets and d 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 electricity derivatives markets. Hedges are mainly financial contracts, most of them electricity de quoted on Nasdaq Commodities.

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Capital expenditure and divestments

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 regardin return and the CPI, which are used to calculate the CSA price for 2021. The CSA payments were re downwards, mainly due to the lower Government bond yield (6.3% for 2021 vs. 7.6% for 2020). In 2 Russia segment, the negative financial effect related to the ending of the CSA period of two produ expected to exceed the positive effect of three units entering the four-year period of higher CSA

Uniper

Excluding the potential effects from changes in the power generation mix, a EUR 1 per MWh chan Uniper segment's power sales price for the outright generation (hydro and nuclear, currently appr TWh) will result in an approximately EUR 25 million change in the segment's annual comparable o Uniper also has generation other than hydro and nuclear power, and the sensitivity for that gener 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 actual effective income tax rate on the income statement differs from the guided comparable effe tax rate range depending on capital gains, share of profits from associates and joint ventures, and fair valuations.

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

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Sustainability

Sustainability at Fortum

Introduction

This section covers Fortum's non-financial reporting in accordance with the Finnish Accounting Act 1336/1997, Securities Market Act 746/2012 and Limited Liability Companies Act 624/2006. The reporting scope includes Uniper, which Fortum has consolidated as a subsidiary as of 31 March 2020.

Indicators following the same calculation principles have been consolidated and are disclosed as one figure. In cases where the definitions currently differ, two KPIs are presented; one for Fortum, excluding Uniper, and one for Uniper. No historical figures have been restated.

Fortum Group's business model is described in the Segment review section on page 10.

Uniper is a listed company in Germany, and has its own sustainability processes, approach and standalone sustainability reporting. Uniper also prepares and publishes a Combined Separate Non-Financial Report in accordance with §§315c in conjunction with 289c to 289e of the German Commercial Code.

Material non-financial aspects

Fortum's non-financial reporting includes information on the four mandatory aspects defined in the Finnish Accounting Act. These are: environmental matters, social and personnel matters, respect for human rights, and prevention of corruption and bribery.

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. The assessment results of the two companies were combined with an equal weight in the end result.

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 20
committed to carbon neutrality by 2050 at the latest. The target covers direct CO_2 emissions (Sco
indirect CO_2 emissions (Scope 2 and 3). Fortum's roadmap to reduce emissions in Europe has also
Fortum is committed to at least 50% CO_2 emissions reduction (Scope 1 and 2) in its European gene
(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 d
for the reduction of Scope 3 GHG emissions, addressing the indirect emissions from fossil fuel sal
users.

Fortum has also set a target for biodiversity, addressing the year 2021. Fortum aims at conduct
of 12 major voluntary measures that improve the living conditions of species and strengthen popu
covering all countries where Fortum has hydropower production. The projects focus on threatene
habitats, in particular, and in 2021 are planned to include restoring aquatic and terrestrial habitats
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 p
efficient and interruption-free production. The new safety target is measured as Total Recordable
Frequency (TRIF), for own personnel and contractors, and the ambitious goal is to be below 1.0 by
2025. Fortum's Total Recordable Injury Frequency (TRIF) was 2.3 in 2020.

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

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

Group sustainability performance

	2020
Climate and resources	
Specific CO_2 emissions from total energy production [1], gCO_2/kWh	287
Energy availability of CHP plants [2], %	93.2
Asset availability of Uniper's power generation plants [3], %	75.0
Personnel and society	
Lost Time Injury Frequency (LTIF), own personnel and contractors [1]	1.3
Severe occupational accidents [1], no.	1

Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter o 2020. The
do not include Uniper for the first-quarter 2020. The figures for full-year 2019 do not include Unipe

1) 2020 figures include Uniper from the second-quarter 2020.
2) Excludes Uniper
3) 2020 figures include Uniper's power generation from gas and coal power plants from the second-quarte

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Other key sustainability performance indicators [1]

	2020	2019
Climate and resources		
Energy-efficiency improvement by 2020, baseline 2012, GWh/a	1,840	1,707
Major EHS incidents, no.	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 4.0	Level 3.0
GAP index, implementation of EHS minimum requirements, scale 1–5	Level 3.0	Level 3.0
Contractor safety improvement index, scale 1–5	Level 4.0	Level 2.0 [2]
Sickness-related absences, %	2.9	2.9 [3]

1) All figures excluding Uniper.
2) Reporting of the Contactor Safety Improvement index started in the second quarter of 2019.
3) The figure has been revised from the one presented in 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. The financial targets include a target for capital structure (financial net debt/comparable EBITDA below 2x) and two different hurdle rates for new investments (WACC +100 BPS for green investments and WACC +200 BPS for other investments). Accordingly, Fortum aims to provide good returns for its owners, and its dividend policy stipulates to pay a stable, sustainable, and over time increasing dividend.

Fortum is a significant economic actor in its operating countries. The most significant direct monetary flows of Fortum's operations come from revenue from customers, procurements of goods and services from suppliers, compensation to lenders, dividends to shareholders, growth and maintenance investments, employee wages and salaries, and taxes paid.

Fortum supports social development and wellbeing in its operating countries by, e.g., paying taxes. The tax benefits Fortum produces to society include not only corporate income taxes, but also several other taxes. Fortum's, excluding Uniper, approach to taxation and the principles that steer the tax management are presented in Fortum's Tax Principles disclosed on Fortum's website. Fortum publishes its tax footprint annually, and Uniper will publish its first tax footprint in spring 2021.

Fortum is included in several sustainability indices and has been assessed by many sustainability ratings; see the list on Fortum's website. Fortum's sustainability reporting covers functions under Fortum's operational control, including subsidiaries in all its operating countries, if not otherwise stated.

Sustainability risks and opportunities

Fortum's operations are exposed to risks, which, if materialised, can have adverse effects on the environment and on the safety and security of employees, contractors and neighbouring societies. Key sustainability risks, including climate-related risks, are reported to Fortum Executive Management and the Audit and Risk Committee as part of the annual review of material risks and uncertainties for Fortum Group. Fortum Group's risks are presented in the Risk management section in the Operating and financial review.

As a separate listed company, Uniper applies its own processes aligned with its enterprise risk management to systematically identify, assess and manage Environmental, Social and/or Governance (ESG) risks. In 2020 Uniper had no reportable ESG risks pursuant to Section 289c of the German Commercial Code. The impact of its net risks was below the reporting threshold.

Climate change and the need for decarbonisation and resource efficiency are changing the ene a profound way, and these changes also create new business opportunities for Fortum. Fortum ha itself, having invested about EUR 11 billion over the past six years to become Europe's third larges power generator and a significant player in gas. As such, Fortum is now well positioned to capture resulting from the energy transition, aimed at curbing climate change. To be successful, the energ must balance sustainability, affordability, and security of supply. It requires not only renewables, increasingly clean gas (e.g. hydrogen), energy storage, and other flexible solutions to provide sec and to decarbonise also industry, transportation, heating, and cooling. Fortum's updated strategi address and provide solutions for these very areas: Fortum aims to decarbonise its own operation strengthen and grow in CO_2-free power generation while leveraging its strong position in gas to e energy transition. At the same time, Fortum aims to provide industrial and infrastructure custome decarbonisation and environmental solutions, such as grid stability, waste-to-energy, and low-ca solutions, and to capture the opportunities in hydrogen as they become commercially available.

Sustainability governance and policies

As sustainability is an integral part of Fortum's strategy, the highest decision making on sustainal climate-related matters falls within the duties of the members of the Board of Directors, who shar responsibility in these matters.

Fortum Executive Management decides on the sustainability approach and Group-level sustain that guide annual planning. The Group's performance targets, including sustainability and climate targets, are approved by Fortum's Board of Directors. Fortum's line management is responsible fo implementation of Fortum Group's policies and instructions and for day-to-day sustainability mar improvement plans. Realisation of the safety targets (Lost Time Injury Frequency, own employees contractors combined) is a part of Fortum's short-term incentive (STI) programme. Fortum's long (LTI) programme includes a climate-related metric. In the 2020–2022 LTI plan, the target is relate reduction of CO_2 emissions aligned with Fortum's strategy. In the 2021–2023 LTI plan, the target i reduction of coal-fired power generation capacity in line with Fortum's coal-exit path. Both STI ar are applicable to Fortum, excluding Uniper. Uniper continues to follow its own STI and LTI plans.

The Uniper SE Management Board bears the overall responsibility for the adoption and implem Uniper's sustainability measures. Uniper's highest governance board, the Supervisory Board, mor fulfilment of Uniper's sustainability obligations. Three of Fortum's Executive Managers, including and CEO of Fortum, as well as one member of Fortum's Board of Directors are members of the Su Board.

Sustainability management at Fortum is strategy-driven and based on its Values, Code of Cond Code of Conduct, sustainability-related policies, and other Group policies and their specifying ins now, Uniper continues to have its own separate Code of Conduct and Supplier Code of Conduct. E companies' Codes of Conduct are based on similar fundaments and they establish the basic princ conduct that everyone must follow. They define how we treat each other, do business and engag world. The companies' Supplier Codes of Conduct, both based on the ten principles of UN Global outline the requirements for Fortum's and Uniper's suppliers and business partners.

Fortum's Sustainability Policy and Uniper's Health, Safety, Security and Environment (HSSE) an Policy Statement define the companies' ambitions and priorities for sustainability. Both companie policies and specifying instructions guiding the operations in the areas of environmental matters, personnel matters, human rights, and anti-corruption and bribery. The most important policies ar are described in the respective sections of this report.

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Fortum follows and respects the International Bill of Human Rights, the United Nations Convention on the Rights of the Child, and the core conventions of the International Labour Organisation (ILO). Additionally, Fortum recognises in its operations the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Chamber of Commerce's anti-bribery and anti-corruption guidelines, and the Bettercoal initiative's Code on responsible coal mining.

Fortum is a participant of the UN Global Compact initiative and the UN Caring for Climate initiative. Uniper follows the ten principles of the UN Global Compact, but is not a formal participant.

Business ethics

Zero tolerance for corruption and bribery is highlighted in both Fortum's and Uniper's Codes of Conduct and Supplier Codes of Conduct. In addition, separate instructions and guidelines have been created to address, e.g., anti-bribery, compliance management, safeguarding company assets, conflict of interest, anti-money laundering and competition law.

Fortum's Board of Directors has approved the company's Code of Conduct and Supplier Code of Conduct. Uniper's Code of Conduct and Supplier Code of Conduct have been approved by the Uniper Management Board.

The Codes of Conduct are regularly reviewed in order to ensure compliance with evolving company and regulatory requirements. Fortum's Code of Conduct and Supplier Code of Conduct were updated during 2020 and published in early 2021. Training on the updated Codes will be organised during 2021. The Code of Conduct online training is mandatory to all employees. Uniper's updated Code of Conduct was released in early 2020. Uniper seeks to make all compliance and Code of Conduct training mandatory to all employees starting in 2021. In addition, relevant individuals are regularly trained in policies and systems that prevent corruption.

Internal and external reporting channels are offered for reporting suspicions of misconduct. The channels are described in the Codes of Conduct and accessible on the companies' internal and external webpages. Suspected misconduct and measures related to ethical business practices and compliance with regulations are regularly monitored and assessed by Fortum's Audit and Risk Committee. Uniper's Compliance Management System includes quarterly compliance reports to the Uniper Management Board. Uniper's Audit and Risk Committee monitors compliance issues on a regular basis. Uniper Management Board's Compliance Commitment is published annually on the company's webpage in accordance with the German Governance Code.

During 2020, one case of corruption or bribery was confirmed in Fortum's operations, excluding Uniper. Two instances of alleged corruption and bribery were reported at Uniper during the year. One case is pending, the other was closed as unfounded.

Climate and resources

Fortum's key performance indicators for climate and resources are related to CO_2 emissions, secu energy efficiency, and major Environmental, Health and Safety (EHS) incidents.

Fortum's Sustainability Policy together with the Minimum Requirements for EHS Management s environmental management. Uniper has its HSSE & Sustainability Policy Statement and HSSE and Improvement Plan. Operational-level activities follow the requirements set forth in the ISO 14001 management standard, and 99.9% of Fortum's power and heat production worldwide has ISO 140 certification.

Energy

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

Fortum is also a large producer of district heat. The heat is mainly produced at natural gas-fired efficient combined heat and power (CHP) plants. In addition, Uniper operates a large commoditie business and has natural gas storage sites, which play an important role in ensuring a secure and supply.

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

In 2020, Fortum's power generation was 142.1 TWh and heat and steam production 2.6 TWh. 4 Fortum's total power generation was CO_2-free. In Europe, 73% of the power generation was CO_2-f for power and heat generation and capacities also include figures from Fortum's share in associat and joint ventures that sell their production to the owners at cost.

Fortum uses various fuels, such as natural gas, uranium, coal, lignite, waste-derived fuels and b produce electricity, heat and steam. The most significant fuel used was natural gas.

An uninterrupted and reliable energy supply is critical for society to function. With planned prev maintenance and condition monitoring, Fortum ensures that the power plants operate reliably to electricity and heat customers need. In the exceptional conditions caused by the Covid-19 pande top priority was to maintain business continuity. This goal was well achieved; there were no interr Fortum's energy production due to the pandemic. Maintenance outages were, in general, also imp scheduled with careful planning and special measures to protect own and contractors' employees some cases, the duration of maintenance periods was extended to reduce the number of workers same time.

Uniper's definition for asset availability differs from that of the rest of the Fortum Group. The e availability of Fortum's CHP plants, excluding Uniper, excludes planned maintenance outages, wh asset availability for power production includes planned outages in addition to unplanned technic unavailability. In 2020, the energy availability of Fortum's CHP plants, excluding Uniper, was, on a and the asset availability of Uniper's gas and coal-fired power production plants was, on average, Uniper, the figure (75.0%) was for the time period of consolidation as a subsidiary, i.e. the second quarters 2020 only.

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Climate

In December 2020, Fortum Group committed to carbon neutrality by 2050 at the latest, in line with the goals of the Paris Agreement. Fortum's priority is to transform its own operations to carbon neutral by continuously strengthening and growing in CO_2-free power generation and by decarbonising its carbon-emitting energy production fleet.

In 2020, Fortum's direct CO_2 emissions were 48.7 Mt. 63% of CO_2 emissions originated from Russian power and heat production. Of the total CO_2 emissions, 17.5 Mt were within the EU emissions trading system (ETS). The estimate for Fortum's free emission allowances in 2020 is 0.9 Mt.

Fortum's total CO_2 emissions [1] (million tonnes, Mt)	2020	2019	2018
Total emissions	48.7	19.1	20.1
Emissions subject to ETS	17.5	2.1	2.5
Free emission allowances	0.9	0.7	0.8
Emissions not subject to ETS in Europe	0.7	0.7	0.7
Emissions in Russia	30.5	16.3	16.9

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 full years 2018 and 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.

EHS incidents

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 that of the rest of the Fortum Group, Uniper's EHS incidents are currently not included in the reporting.

Water and biodiversity

Fortum uses large volumes of water at various types of power plants and in district heating networks. The majority of water is used for cooling. In most cases, power plants do not consume water – the water is discharged back to the same water system from where it was withdrawn.

Fortum's operations in e.g. hydropower generation impact biodiversity. Fuel procurement and flue-gas emissions may also have a negative impact on biodiversity. On the other hand, increasing CO_2-free production mitigates the biodiversity loss caused by climate change. Fortum's Biodiversity Manual and Biodiversity Action Plan define the company's approach to biodiversity management, excluding Uniper. Fortum has set a new Group target for biodiversity for 2021: number of major voluntary measures enhancing biodiversity ≥12. The measures planned for 2021 are primarily related to hydropower generation in Sweden, Finland and Germany.

Personnel and society

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

Personnel

Fortum places a significant emphasis on an open and trusting corporate culture and highlights sy
way feedback on employees' performance and engagement. Diversity and equal opportunity are
contribute to competitiveness and innovation. Fortum and Uniper Values and Codes of Conduct f
foundation for all daily work. For Fortum, the People Policy and Leadership Principles guide perso
matters, excluding Uniper. For Uniper, the Uniper Way builds corporate culture and describes the
and guiding statements for leadership, teamwork and individual contribution. Uniper defined a ne
Strategy in 2020 to support the journey towards a green future.

Fortum's operations are mainly based in the Nordic countries, Central Europe, the UK, Russia, P
Baltic Rim area. The total number of employees at the end of 2020 was 19,933.

Group personnel statistics [1]	2020	2(
Number of employees, 31 December	19,933	8,
Average number of employees	19,988	8,2
Total amount of employee benefits, EUR million	1,195	4
Departure turnover, % (of permanent employees)	7.4	1
Permanent employees, %	94.8	9
Full-time employees, %	98.2	97.
Female employees, %	27	
Females in management, %	27 [3]	

1) Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter of 2020. T
2020 do not include Uniper for the first-quarter 2020. The figures for full years 2018 and 2019 do not incl
2) Figure includes only permanent, not temporary, employees.
3) Calculation principle changed due to alignment with Uniper.

Occupational safety

For Fortum, excellence in safety is the foundation of the company's business and an absolute pre
efficient and interruption-free production. Fortum strives to be a safe workplace for the employee
and service providers who work for the company. For Fortum, the Sustainability Policy, the Minim
Requirements for EHS Management and more detailed EHS manuals steer the work. For Uniper, t
important tools guiding safety efforts are the HSSE & Sustainability Policy Statement and the HSS
Sustainability Improvement Plan. A certified OHSAS 18001 or ISO 45001 safety management syst
98.8% of Fortum's power and heat production worldwide.

New tools were implemented in 2020 to improve occupational safety in pandemic conditions. F
excluding Uniper, created a concept for virtual safety walks to replace physical visits at the sites,
to reinforce positive safety behaviour and raise safety awareness. In addition, guidelines for safe
were issued, including tips on how to ensure fire safety at home as well as paying attention to erg

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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 conducted 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.

In 2020, Fortum, excluding Uniper, launched new mandatory online training addressing the most important safety requirements expressed in the updated Safety and Security Handbook. In addition, online courses were offered in chemical safety and the use of safety walks to support the safety culture. More than 200 managers participated in training on how to conduct a virtual safety walk utilising a smartphone. Uniper provides safety leadership training to all newly hired senior managers and to current senior managers as a periodic refresher.

Personnel wellbeing

Fortum's goal regarding workplace wellbeing activities is to promote the health and occupational safety of employees and the functionality of the work community. Employees have access to a wide range of services, from medical check-ups to exercise and coaching programmes also addressing stress management and mental wellbeing.

In 2020, the company's efforts focused on safeguarding personnel from the Covid-19 pandemic and supporting their physical and mental wellbeing in the exceptional conditions. At the beginning of the pandemic, coordination teams consisting of senior management were established in both Fortum and Uniper to closely monitor the development of the pandemic and its effects on the companies' operations and personnel, and to agree on related actions.

Examples of measures to combat the Covid-19 pandemic include remote working in those positions in which a physical presence is not required, as well as on-site work with special arrangements, such as staggered arrival, breaks and lunch, maintaining physical distance, use of face masks and enhanced cleaning.

Travel restrictions have been in place since March 2020. Several measures have been implemented to support employees working remotely; examples include cloud-based IT solutions and HR processes that support flexible, mobile work arrangements. Also virtual wellbeing services and events have been offered to employees. More than 80% of Fortum personnel, excluding Uniper, felt that they are well informed and supported when working remotely, according to an employee survey.

In 2020, the percentage of sickness-related absences was 2.9. The figure excludes Uniper.

Society

Customer satisfaction

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

One of Fortum's top priorities at the beginning of the Covid-19 pandemic was to ensure interru
customer service while enabling employees in call centres to shift to remote work as swiftly as po
support this, several new technical solutions were implemented successfully, and the company w
maintain good quality services for customers during this major change in ways of working.

Supply chain

Fortum and Uniper expect their business partners to act responsibly and to comply with the requ
forth in their respective Codes of Conduct and Supplier Codes of Conduct. Fortum assesses the p
its business partners with supplier qualification and supplier audits. In 2020, Fortum, excluding Ur
conducted a total of four on-site supplier audits in India, Indonesia, China and Finland. Due to the
pandemic and travel restrictions, the possibilities to conduct on-site supplier audits have been lim
March 2020. Consequently, Fortum, excluding Uniper, conducted two remote audits in 2020: one
supplier and one of a Dutch supplier. Uniper applies its own processes for ESG Due Diligence and
Counterparty. Both companies are members of the Bettercoal Initiative and use the Bettercoal to
sustainability in the coal supply chain.

Human rights

Fortum follows and respects internationally recognised human rights, which are includ in the ke
rights treaties. Respect for human rights is expressed in both Fortum's and Uniper's Codes of Con
Supplier Codes of Conduct. The UN Guiding Principles on Business and Human Rights are taken in
own operations and in supply chain management.

Fortum, excluding Uniper, conducts a human rights assessment for investment projects – espe
operating areas – and also for new countries where Fortum plans to expand the sales of products
In 2020, five of these assessments were made.

Uniper annually performs a worldwide assessment, which is based on a combination of econom
indexes, to map key potential country-specific issues that may directly affect the company. The a
findings contribute to the implementation of modified due diligence requirements and mitigation
such as the inclusion of specific contract clauses.

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Corporate citizenship

Fortum, excluding Uniper, launched a Corporate Social Responsibility (CSR) programme to steer its support to society and co-operation with local communities. The programme's focus areas, aligned with the company's strategic targets, are Climate, People and Material Revolution. A new CSR programme Governance Model Group Instruction was approved. Steering of CSR activities was concentrated to a Fortum-wide Steering Group.

During the Covid-19 pandemic, Fortum has supported local communities, e.g. by providing face masks to local communities, including health care workers in Russia, Poland, Latvia and India. Uniper provided 5,100 face masks for public transportation customers in Düsseldorf, Germany. Fortum also supported charity organisations in order to help its local communities during the pandemic. In addition, Fortum engages in collaboration with universities through different research and development projects. In 2020, Fortum's, excluding Uniper, support for activities promoting the common good totalled approximately EUR 2.5 million. In addition, the grants awarded by Fortum and Neste Foundation (earlier Fortum Foundation), not part of Fortum Group, totalled EUR 612,500.

Risk management

Risk management framework and objectives

The Group Risk Policy provides a risk management framework for Fortum, the purpose of which is to support business in managing risks effectively and to ensure compliance with relevant regulations. The Group Risk Policy includes an overview of Fortum's risk management systems consisting of the general principles of risk management, the main features of the risk management process and responsibilities for managing and controlling risks within the Group.

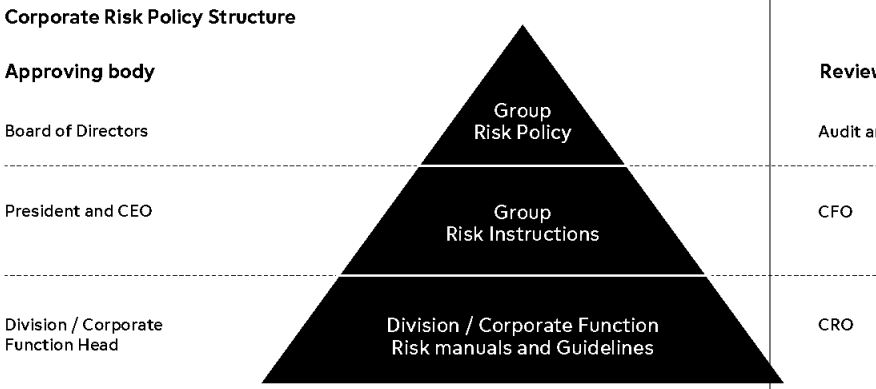
The risk management systems have been designed to support Fortum's Board of Directors, Audit and Risk Committee, Fortum's Executive Management as well as the operative business in fulfilling their duties in relation to risk management. The objectives of the risk management systems are to:

- support Fortum Executive Management (FEM) in the development of the strategy,
- support business in strategy execution,
- support business in achieving agreed targets within acceptable risk levels so that the Group's ability to meet financial commitments is not compromised,
- ensure the understanding of the Group's material risks and uncertainties , and
- the prevention of accidents that can have a severe effect on the health and safety of employees or third parties, and incidents that can have a material impact on Fortum's assets, reputation or the environment.

Risk management organisation

Fortum's Board of Directors approves the Group Risk Policy and the President and CEO approves Fortum, excluding Uniper, risk instructions covering commodity market risks, counterparty credit risks, and operational risks as well as instructions for compliance management, EHS management, treasury and the governance framework for cyber and information security risks all of which are aligned with the Group Risk Policy. Fortum's Divisions and Corporate Functions, issue risk manuals and guidelines as needed which detail how the Group Risk Policy and relevant risk instructions are implemented within their organisations.

Corporate Risk Policy Structure



Uniper remains a separate listed company operating under German law and regulations with its o management systems including a set of risk policies which define the risk management organisat processes and responsibilities for managing risks. Uniper does therefore not directly apply the ris systems applicable to Fortum's other Divisions and Corporate Functions. The risk management sy Uniper including the key risk management principles and processes are materially in line with tho Fortum. The target is to further align the risk management systems going forward. For more infor Uniper's risk management systems, please see Uniper's annual report.

Risk Governance

The main principle is that risks are managed at source meaning that each Division and Corporate as well as Uniper's Management Board, is responsible for managing risks that arise within their bu operations.

Fortum's Audit and Risk Committee (ARC) is responsible for monitoring the efficiency of the co management systems and for annually reviewing the Group Risk Policy and the Group's material r uncertainties. Corporate Risk Management, a function headed by the Chief Risk Officer (CRO) rep CFO, provides instructions, methods and tools which support the Divisions and Corporate Functio Uniper, in running an efficient risk management process. Corporate Risk Management responsi assessing and reporting on the maturity of risk management in Divisions and Corporate functions providing independent monitoring and reporting of the Group's material risk exposures to Fortum Management (FEM), the ARC and the Board of Directors. Risk control functions and controllers in monitor and report risks to the CRO.

Uniper, a separate listed company operating under German law and regulations, is consolidated balance sheet and income statement, and reported as a separate segment. Four out of the six sha representatives on the Supervisory Board have been appointed by Fortum. Any changes to the ris systems which are considered to be material within the governance framework of Uniper are revi Audit and Risk Committee of Uniper and informed to the Supervisory Board of Uniper.

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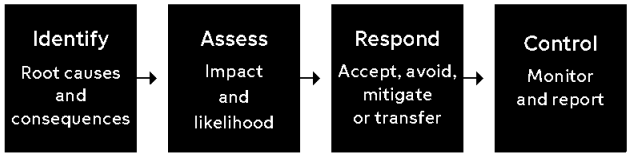
Risk management process

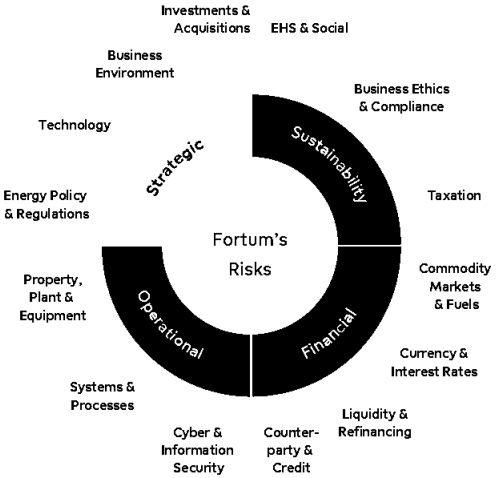


Uniper operates a separate risk management process from the rest of Fortum which follow similar principles.

Both risk management processes are designed to support effective risk management and ensure that risks are regularly monitored and followed-up. The risk management processes consist of identification, risk assessment, response and control processes and procedures. Identification is regularly carried out according to a structured process which includes analysis of root causes of the risk and consequences should the risk materialise. Risks are assessed in terms of impact and likelihood or probability of the risk realising. Impact is primarily assessed in monetary terms in relation to forecasted earnings and / or cash flows, but also in terms of health and safety, environment and reputation where relevant. Identified risks have a risk owner responsible for implementing actions to respond to the risk. Risk responses can be to accept, avoid, mitigate or transfer the risk. Risk control processes and procedures, which include validating, monitoring, aggregating and reporting risks, are designed to ensure compliance with relevant external regulations and recommendations as well as with internal policies, instructions, manuals and guidelines. This includes strict controls to ensure that risk exposures remain within approved limits and mandates related to, for example, credit and market risks.

Risk factors

Fortum is exposed to a number of financial, operational, strategic, and sustainability-related risks both directly and indirectly through its subsidiaries, associated companies, and joint ventures. The associated companies and joint ventures have their own risk management systems. The principal associated companies and joint ventures are TVO, Forsmarks Kraftgrupp AB, Kemijoki Oy, TGC-1, and Stockholm Exergi AB. For more information about these indirect risk exposures, please see each respective company's annual report.



Strategic risks

The main strategic risks are that energy policy, regulation, technology or the business environme ways that have not been foreseen and prepared for. Future energy market and regulatory scenar the impact of these to Fortum's business, are continuously assessed and analysed.

Risks which could hinder Fortum in executing its strategy are continuously assessed, monitored as part of the strategy work.

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Business Environment

Fortum operates in a global business environment and is therefore exposed to political and other risks which affect the macroeconomic development and consumer behaviour in the markets where Fortum operates. As operations expand to new geographical regions, markets and businesses, the operating environment becomes more complex and these risks may increase. The current trend of nationalistic policies and protectionism may lead to trade restrictions or imposed sanctions which in turn could affect demand for Fortum's products and services, asset values and financing. Fortum continuously monitors how the business environment develops in its operating countries in order to be able to react quickly to market shifts and changes in consumer behaviour.

Investment and acquisition risks

Fortum is the majority shareholder of Uniper, a separate listed company operating under German regulation, with an ownership of 76.1% as per 31 December 2020. The companies have initiated strategic alignment and 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. The benefits from these and other areas of co-operation are estimated to be in the range of MEUR 50-100 annually materialising during the period 2023 to 2025. The ability of Fortum to deliver on its strategic targets and achieve the expected benefits depends on successful strategy execution and co-operation between the two companies.

Fortum has ruled out a domination and profit & loss transfer agreement or squeeze out of minority shareholders at least until the end of 2021, with Uniper continuing as a separate listed company operating under German regulation under these circumstances. In the event that such steps would be made at a later stage, and if that would lead to a potential full merger of the companies, it would entail both increased risks and opportunities. The risks and opportunities related to the potential integration of business operations could include. creating a common culture, realizing cost and revenue synergy benefits, combining operating models of the two companies, and motivating and keeping key personnel during the integration phase.

Fortum is continuously assessing its' business portfolio and evaluates opportunities for acquisitions, investments and divestments primarily in the Nordic, EU and Russian markets. As part of the updated strategy, Fortum has announced a number of growth areas for future investments including a sizeable renewables portfolio. Even if Fortum is able to identify candidates for acquisition or investment, it may be difficult to complete transactions. Competition for acquisitions or greenfield investments could limit Fortum's ability to grow or could raise the prices and make them less attractive to Fortum. Furthermore, Fortum 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 ongoing Covid-19 pandemic has led to increased uncertainty about macroeconomic development and possible impact on future regulation. As a result, there may currently be less potential investors which could lead to planned divestments being postponed or not being carried out as planned.

Risks related to acquisitions, divestments and investments are managed as part of the investment process. The Investment Manual includes requirements for risk identification, assessment and action plans for mitigating identified risks before investment decisions are made. It also sets requirements to follow-up risks in projects and acquisitions. Risks in large projects are mitigated through contract structures and insurance coverage. Partner risk assessments are performed before entering into joint ventures or other material partnership agreements. There is also a country entry process which includes a country risk assessment before decisions to enter into a new market can be made.

Energy policy and regulation risks

The energy sectors is heavily influenced by national and EU-level energy policies and regulations. strategy has been developed based on scenarios of the future development of the regulatory env both existing and potential new businesses and market areas. The overall complexity and possibl changes in the various operating countries pose a risk if Fortum is not able to anticipate, identify those changes efficiently.

Fortum maintains an active dialogue with different bodies and stakeholders involved in the dev laws and regulations in order to manage these risks and proactively contribute to the developmen and climate policy and regulatory framework.

EU, Nordics and UK

Fortum has to manage risks related to both EU regulation and national regulation in the countries operate. Key risks related to the future energy, circular economy and climate policy framework de listed below.

- Reaching the established (EU and national) decarbonization targets requires that all CO_2 fre production technologies are treated equally in legislation and that there is political accepta play a role in decarbonization. Despite being CO_2 free production technologies, there is a ris technologies are preferred for reasons other than their CO_2 footprint, leading to uneven pla between different production forms.
- Growing acceptability issues relating to various energy forms and energy technologies crea and risks for planned investments. Increasing and broadening sustainability requirements e context of the EU Sustainable Finance taxonomy could lead to a situation where a big part c free or low carbon energy production is classified as non-sustainable which might lead to hi costs for new investments. Similarly, there is a risk that technologies or activities not regarc sustainable in the context of taxonomy will be excluded from the EU and national financing
- National climate policies or steering mechanisms that exceed the EU climate targets can lea overlaps. Policy overlaps risk diluting the EU emissions trading system (the ETS) and creatin based on uncoordinated national non-market-based carbon reduction mechanisms. This in to inefficiencies for Fortum in execution of its strategy. In addition, lower carbon prices may decreased profitability of carbon-free assets.
- In the context of national climate strategies several countries have decided to phase out ce production technologies such as coal and nuclear. In case such political decisions are done offering sufficient compensation to investors/asset owners there is a risk of lost earnings as dismantling costs. Following the coal exit law in Germany coming into effect in August 2020 paths and conditions are now largely determined in most European countries where Fortum plants. Consequently the financial uncertainty which existed for Uniper around such exits ha significantly. The residual risk in Germany stems from the coal exist law having agreed revie which could result in the German government deciding to shorten the runtime of Datteln 4. Netherlands, the Dutch government is proposing additional measures for coal-fired plants a the Urgenda Verdict to achieve the greenhouse gas reduction targets. These measures for c power production restrictions could affect the Maasvlakte3 plant for the years 2021 to 2024 compensation by the Dutch government is expected.

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- National investment schemes and support systems for new renewable energy production such as offshore wind may lower the profitability of incumbent electricity production and lead to market distortions.
- Tightening emission standards, restrictions or taxation of waste incineration and increasing tax burden on heating fuels can also negatively impact Fortum's targeted earnings in the future.

The inter-linkage of these issues create uncertainty as changes in policies in one area could undermine the effects of policy changes in other areas.

Russia

Fortum's business in Russia is exposed to political, economic and social uncertainties and risks resulting from changes in regulation, legislation, economic and social upheaval and other similar factors. Among the more significant risks are those arising from the establishment or enforcement of foreign exchange restrictions, which could effectively prevent Fortum from repatriating profits or liquidating assets, and changes in tax regulations or enforcement mechanisms, which could substantially reduce or eliminate any revenues derived from operations and reduce significantly the value of assets related to such operations.

The ongoing political tensions between the EU, U.S. and Russia and the unpredictable nature of the threat of sanctions pose a risk for Fortum. Transactions from Russian units, Uniper's global trading business, as well as Uniper's financing of the Nord Stream 2 project, are the main sources of potential sanctions risk. The imposition of any further sanctions, may have a direct and indirect impact on the business environment and may negatively affect the operations and value of certain investments in Russia. Fortum actively monitors the situation in order to ensure continued compliance with prevailing rules and applicable sanctions laws.

The main energy policy-related risks in Russia are linked to the development of the whole energy sector which to a large extent is regulated. Regulated sectors are inherently exposed to a risk of regulatory changes which could affect Fortum's operations.

Technology risks

Fortum's strategy includes investing in new or not yet commercially viable technologies, such as hydrogen production, which will support the transition towards a future low-carbon economy as well as developing circular economy solutions, bio-economy, other renewable energy concepts and innovative solutions for its customers There are risks inherent in investing in new technologies including if and when these will become economically viable and protecting intellectual property rights. Technology risks are managed by assessing and monitoring the viability of new technology throughout its development cycle, and selectively developing and investing in a diversified portfolio of projects consisting of different technologies.

Sustainability risks

Corporate social responsibility and sustainable development are integral parts of Fortum's strategy. Fortum gives balanced consideration to economic, environmental and social responsibility aspects. Changes to laws, regulations and the business environment, including the views of our main stakeholder, can pose a risk if not identified and managed effectively. In order to identify and manage these risks, Fortum endorses a number of international voluntary charters, standards and guidelines in the area of sustainability, conducts stakeholder surveys annually in order to identify the most material issues for our stakeholders, engages with non-governmental organisations and has defined internal policies and instructions on how to conduct business.

Environmental, health and safety and social risks

Operating power and heat generation plants, gas transmission and storage facilities and circular services involves the usage, storage and transportation of fuels and materials, including hazardou can have adverse effects on the environment and expose personnel, contractors and third parties risks. Assessment of environmental risks and preparedness to operate in exceptional and emerge follows legislative requirements as well as the requirements in the environmental management st 14001). The same approach, based on the requirements in the operational health and safety stand 18001 or ISO 45001), applies to risks related to occupational health and safety and how to operate situations.

Environmental, health and safety (EHS) risks as well as social risks related to the supply chain a through supplier qualification as well as internal and external audits and risk assessments includi country risk assessments. Corrective and preventive actions are implemented when necessary. E risks related to investments are evaluated in accordance with Fortum's Investment Manual. Envir and liabilities in relation to past actions have been assessed and, where necessary, provisions hav for future remedial costs. As a separate listed company Uniper applies its own processes aligned enterprise risk management to systematically identify, assess and manage Environmental, Social Governance (ESG) risks.

Tax risk

Tax risk refers to the risk associated with changes, errors or disagreements in the interpretation o tax laws, changes in operations, long-term profitability or changes in tax laws in one or multiple c could result in increased charges or financial loss. Fortum operates in a number of countries and i exposed to these events in multiple countries. These risks may materialise through a tax authority process followed by a legal process in one or multiple jurisdictions with a court confirmin valid in local or EU law or tax treaties. In case multiple countries are involved, it may result in a mutual agr process defining the final stand in the case. A legal process may result in a tax assessment of dec income recognition or applicable tax rate on withholding in a business transaction. Risk may mate a revaluation of tax related assets, so called deferred tax assets, and liabilities due to changes in tax law.

Fortum manages tax-related uncertainties by targeting tax predictability for the business opera operating countries. As risk mitigation actions, we have identified simplifying legal structures, imp management, seeking strategic clearance from tax authorities, improving transparency improvin and reviewing accountabilities and responsibilities.

Business ethics and compliance risks

Fortum's operations are subject to laws, rules and regulations set forth by the relevant authorities and other regulatory bodies in all markets in which Fortum operates. Fortum aims to comply with laws, rules and regulations, but the ability to operate in certain countries may be affected by futu local laws and regulations.

Since Fortum trades financial instruments, it is exposed to risks arising from the implementatio amendment of financial market regulations and directives that affect Fortum, such as the Europe Infrastructure Regulation (EMIR), the Regulation on Energy Market Integrity and Transparency (R Markets in Financial Instruments Directive (MiFiD II). Potential changes to existing financial marke could significantly increase administrative burdens and result in the need for additional liquidity.

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Fortum's operations in a variety of jurisdictions expose Fortum to various legal risks. These mainly comprise risks arising from threatened or pending legal proceedings regarding contract and price adjustments in connection with long-term supply or sales contracts, energy law and regulatory issues, licensing matters, liabilities arising from acquired companies as well as supplier disputes or disputes related to investment agreements.

Fortum systematically identifies, assesses, mitigates and reports compliance risks including risks related to business ethics as part of the risk management process. Effective internal controls are a key mitigating activity and have been implemented to prevent the possibilities of unauthorised activities or non-compliance with relevant policies and instructions. Furthermore, continuous training and communication play a key role in increasing the awareness and ensuring the understanding of the importance of business ethics and compliance in the organisation. Regular trainings include mandatory e-learnings to ensure coverage throughout the organisation.

Uniper has a separate Code of Conduct and Supplier Code of Conduct from the rest of the Fortum Group, both of which stress the importance of business ethics for all employees, contractors and partners. Zero tolerance for corruption and bribery is highlighted in the Codes of Conduct and Supplier Codes of Conduct. In addition, separate instructions and guidelines have been created to address e.g. anti-bribery, compliance management, safeguarding company assets, conflict of interest, anti-money laundering and competition law. Both companies have procedures for anti-corruption including prevention, oversight, reporting and enforcement based on the requirements prescribed in international legislation. The Supplier Codes of Conduct set sustainability requirements for suppliers of goods and services. The Supplier Codes of Conduct are based on the ten principles of the United Nations Global Compact.

Financial risks

Commodity market and fuel risks

Fortum's business is exposed to fluctuations in prices and availability of commodities used in the production, transmission and sales of energy products. The main exposure is toward electricity prices and volumes, gas prices and volumes, prices of emissions and prices and availability of fuels. Fortum hedges its exposure to commodity market risks in order to reduce volatility in cash flow and to increase the predictability of future results. For further information on hedge ratios, sensitivities and outstanding derivatives contracts, see ‣ **Note 4** Financial risk management.

Electricity price and volume risks

Fortum is exposed to electricity market price movements and volume changes mainly through its power and heat generation.

In the Nordics and central European countries, market 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 amount of electricity demand. Electricity price risks in the Nordics and central European markets are mainly hedged by entering into electricity derivatives contracts on exchanges such as the Nasdaq Commodities exchange or the European Energy Exchange as well as directly with counterparties active in the energy and financial markets.. The ability to efficiently implement hedging strategies is dependent on a well-functioning and liquid derivatives market. There is a risk of decreasing liquidity of especially Nordic electricity derivatives on the Nasdaq Commodities exchange. Alternatives including use of OTC derivative contracts and correlated products traded on other exchanges are used to mitigate this risk. The Generation segment and Uniper segment have separate hedging strategies covering several years in the short to medium term. Hedging strategies are continuously evaluated as electricity and other commodity market prices, the hydrological balance and other relevant parameters change. Hedging of the Generation segment's power sales is performed in EUR on a Nordic level covering both Finland and Sweden, and the currency component of these hedges in the Swedish entity is currently not hedged. Uniper's Nordic power hedging is performed only in Sweden and the currency component of these hedges in the Swedish entity is hedged.

In Russia, electricity and capacity prices are the main source of market risk. Capacity from new
under capacity supply agreements where the price is set by the Russian Federation to ensure the
investments. Capacity from old units has been sold until 2024 via capacity supply auctions which
been conducted.

Electricity price exposure is partly mitigated through regulated fixed-price bilateral agreement
majority of electricity sales is exposed to spot price risk. In the short-term, electricity prices and
mainly impacted by changes in industrial demand, gas prices and weather-driven demand change
of the Covid-19 pandemic and temporary restrictions in the oil and gas industry following the OPE
closure of many factories and industries caused a significant decline oil production, followed by lo
consumption.

Gas prices and volumes

Long-term gas supply contracts of Uniper generally include the possibility for the customer and t
adapt contractual terms to changed market conditions.

This entails the major risk for Uniper that suppliers will impose conditions that are detrimental.
the risk, negotiations are conducted by the most experienced employees utilizing all available inte
external expertise.

A deterioration in the economic situation or upheavals in the market for LNG could lead to a lo
planned utilization of the long-term capacity booked in the regasification plants in Uniper's LNG
make it necessary to set up provisions for onerous contracts over the entire remaining booking pe
strives to further increase the utilization of this booked capacity and thus improve the revenue sit

Emission and environmental value risks

The European Union and the United Kingdom have emissions trading schemes to reduce the amo
emissions. In addition to the emissions trading schemes, there are other trading schemes in envir
values in place in Sweden, Norway and Poland. Part of Fortum's power and heat generation is sub
requirements of these schemes. There is currently no trading scheme in Russia for emissions or o
environmental values. However, Russia has announced intentions to comply with the Paris Agree
is uncertainty related to how and when a possible carbon market could be implemente

The main factors influencing the prices of CO_2 emission allowances and other environmental va
political decisions and the supply and demand balance. Fortum hedges its exposure to these pric
through the use of CO_2 derivatives and environmental certificates.

Fuel price and volume risks

Power and heat generation requires use of fuels that are purchased on global or local markets. Th
used by Fortum are natural gas, uranium, coal, various biomass-based fuels and waste. The main
fuels that are traded on global markets such as coal and natural gas, is the uncertainty of price. Pr
affected by demand and supply imbalances that can be caused by, e.g. increased demand growth
countries, natural disasters or supply constraints in countries experiencing political or social unre
that are sourced on local or regional markets, such as bio-fuels, the volume risk in terms of availab
material of appropriate quality is more significant as there may be a limited number of suppliers.
current sanctions, there are also risks related to imported fuels from Russia.

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The exposure to fuel price risk is mitigated through fixed- price physical delivery contracts or derivative contracts. The main fuel source for heat and power generation in Russia is natural gas which is partially regulated limiting the price risk exposure. Long-term gas supply contracts are concluded with gas suppliers to ensure gas availability for power plants.

Liquidity and refinancing risks

Fortum's business is capital intensive and there is a constant need to ensure efficient financing. Fortum maintains a diversified financing structure in terms of debt maturity profile, debt instruments and geographical markets. Liquidity and refinancing risks are managed through a combination of cash positions and committed credit facility agreements. The credit risk of cash positions has been mitigated by diversifying the deposits to high-credit quality financial institutions and issuers of corporate debt.

Fortum Corporation is currently rated BBB with a negative outlook by both Fitch and Standard & Poor's (S&P) rating agencies. The key risk factors which could lead to a weakening credit metrics and potentially trigger 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 credit ratings, in particular to below investment grade level (BB+ or below) could affect access to the capital markets and increase the costs of new financing.

Uniper, a separate listed company operating under German laws and regulations, is currently also rated BBB with a negative outlook by S&P. The negative outlook on Uniper's rating reflect the negative outlook on the BBB rating of Fortum, which serves as a cap for Uniper's rating. A downgrade of Fortum's rating could lead to a corresponding downgrade of Uniper's rating. A downgrade from the current BBB investment grade rating to BBB- or below could negatively affect Uniper's liquidity as it would trigger counterparties' – particularly in the trading business – right to demand additional collateral which would need to be provided via liquid assets or bank guarantees. The related risk is measured, monitored and managed against a given limit.

Fortum is targeting to maintain at least its current rating and to strengthen its financial profile and to improve its business risk profile. Fortum and Uniper maintain an active dialogue with credit rating agencies to ensure understanding of Fortum and Uniper's aligned strategy and planned measures which target to achieve a financial and business profile that supports the current rating.

Currency and interest rate risks

Fortum's debt portfolio consists of interest-bearing liabilities and derivatives on a fixed- and floating-rate basis with differing maturity profiles. Fortum is exposed to cash flow risk from changes in interest rates mainly from interest-bearing liabilities and derivatives on a fixed- and floating rate basis. Additionally changes in general interest rate levels may have an impact on discount rates of various provisions like pension provisions and asset retirement obligations causing changes in amount of interest-bearing debt and finance net, but without a cash flow impact. Fortum manages the interest rate exposure through a duration mandate of the loan portfolio excluding leasing liabilities and provisions, and cash flow at risk limit. Fortum uses different types of financing contracts and interest rate derivative contracts to manage the interest rate exposure and evaluates and develops the strategies in order to find an optimal balance between risk and financing cost.

Fortum has cash flows, assets and liabilities in currencies other than EUR and is therefore expo
fluctuations in exchange rates. Currency exposures are divided into transaction exposures (foreig
exposures relating to contracted cash flows and balance sheet items where changes in exchange
an impact on earnings and cash flows) and translation exposure (foreign exchange exposure that
profits and balance sheets in foreign entities are consolidated at the Group level).

The main translation exposure is toward EUR/Russian Rouble ("RUB"), EUR/Swedish Krona ("SE
EUR/British Pound Sterling ("GBP"), arising from Fortum's extensive operations in Russia, Sweden
Kingdom. Fluctuations of the RUB, SEK and the GBP against the EUR could have an adverse effec
results and equity when consolidating and translating results and net assets in Russian, Swedish
affiliates into euros. Translation exposures in the Fortum Group are generally not hedged as the n
these assets are considered to be long-term strategic holdings.

Transaction exposure arises mainly from physical and financial trading of commodities, existing
investments, external and internal financing and shareholder loans within the Group. Fortum hed
transaction exposures on a local level in the reporting currency of each legal entity in order to avo
differences in the profit and loss statement. An exception is the Generation segment's hedging o
Sweden where the currency component is currently not hedged.

Centralised treasury functions in Uniper and the rest of the Fortum Group separately coordinat
management and execute external hedges consisting of currency derivative contracts, which are
against the underlying future cash flow according to maturity. Derivatives are used exclusively to
foreign exchange risks, not for proprietary trading.

Counterparty and credit risks

Fortum is exposed to counterparty risk whenever there is a contractual arrangement with an exte
counterparty including customers, suppliers, partners, banks, clearing houses and trading counte

Credit risk exposures relating to financial derivative instruments are often volatile and include
replacement risk and the settlement risk. Exchange-traded derivatives are cleared through centra
parties (CCPs) or through clearing banks while OTC derivative contracts are concluded directly w
different counterparties including energy wholesalers and retailers, utilities, trading companies, e
companies, industrial end-users and financial institutions active in the financial and energy marke

Due to the financing needs and management of liquidity, Fortum has counterparty credit expos
number of banks and financial institutions. The majority of the exposure is toward Fortum's key re
banks, which are highly creditworthy institutions. Fortum also has exposure to the Russian financ
terms of deposits with financial institutions as well as to banks that provide guarantees for suppli
contracting parties. Deposits in Russia have been concentrated to the most creditworthy state-ow
controlled banks as well as affiliates of the key relationship banks.

Credit risk exposures relating to customers, suppliers and trading partners is spread across a w
industrial counterparties, energy companies, government and municipal entities, utilities, small bu
housing associations and private individuals over a range of geographic regions. The risk of credit
electricity and heat sales business in Russia is deemed higher than in Fortum's other operating co

In order to manage counterparty credit risk, Fortum has routines and processes to identify, ass
exposure. Credit checks are performed before entering into commercial obligations and exposure
for larger individual counterparties. Creditworthiness is monitored through the use of internal and
sources so that mitigating actions can be taken when needed. Mitigating actions include demand
such as guarantees, managing payment terms and contract length, and the use of netting agreem

Årsregnskap og revisjonsberetning 2020 for 914551757

Operational risks
Operational risks are unexpected events which can lead to negative monetary, safety, environmental or reputational impacts as a result of inadequate or failed internal processes, systems or equipment, or from external events.

People and Process Risks
People risks include an inability to attract and retain the right competences, risks due to the loss of special skills and risks due to errors on the part of employees who have not been sufficiently trained or who are not sufficiently qualified. Specifically, in its commodity trading business, Uniper has particular expertise and key persons which - in case they were to leave - could have a tangible impact on Uniper Global Commodities earnings potential, business continuation, innovation and development. In order to reduce people risks, Fortum invests in the development and distribution of skills and succession planning. In addition, the existing compensation system for employees is regularly reviewed and adjusted.

Process risks are mainly caused by design failures or human errors. Mitigation includes process automation, testing and education. Process-related risks are assessed and controls for the most relevant risks are defined and implemented as part of the internal controls framework. IT-system risk management is based on an IT Service Lifecycle Model, and related processes and practices which has been developed using reference frameworks such as COBIT and ITIL. Business continuity plans are in place for business critical processes.

Property, plant and equipment
Operational events at power and heat generation, gas storage and distribution, fuel handling and recycling and waste facilities can lead to environmental and physical damages, business interruption, clean-up costs and third party liabilities Property, plant and equipment risks are primarily managed through condition monitoring and maintenance planning. In addition, Fortum's industrial assets are covered by insurance policies for property damage and business interruption risks which mitigates the impact of internal and external events should they occur.

Hydro power
Fortum has large number of hydro power plants and dams in the Nordics and Germany. A dam breach is a serious accident with the threat of possible significant damage downstream. A long-term programme is in place for improving the surveillance of the condition of dams and for securing the discharge capacity in extreme flood situations. Third-party liabilities from dam failures are strictly the plant owner's responsibility. Together with other hydro power producers, Fortum has a shared dam liability insurance programme in place that covers Finnish and Swedish dam failure liabilities up to SEK 10,000 million.

Nuclear power
Fortum owns and operates the Loviisa nuclear power plant and is the owner of OKG AB which owns three nuclear power reactors in Sweden, of which one is in operation. Additionally, Fortum has minority interests in two Finnish and two Swedish nuclear power companies. Any severe accident or nuclear release in nuclear power plants could lead to high costs, environmental damages and third-party liabilities. At the Loviisa power plant, the assessment and improvement of nuclear safety is a continuous process performed under the supervision of the Radiation and Nuclear Safety Authority of Finland (STUK).

Owners of nuclear facilities in Finland and Sweden have statutory liabilities for damages resulti accidents occurring in those nuclear facilities and for accidents involving any radioactive substan to the operation of those facilities. Third-party liability relating to nuclear accidents is strictly the operator's responsibility and must be covered by insurance. In Finland, as the operator of the Lov plant, Fortum has a statutory liability insurance policy of 600M SDR (Special Drawing Right) equiv approximately EUR 700 million. In Sweden, legislation requires that operators of nuclear power pl liability insurance or other financial cover in the amount equivalent to EUR 1.2 billion per incident.

In both Finland and Sweden, the future costs of the final disposal of spent fuel, the managemen intermediate-level radioactive waste and the decommissioning of the radioactive part of the nucl are provided for by a state-established fund to which nuclear power plant operators finance. Con these funds should be sufficient to fully cover expected costs for handling all the produced radioa but the possibility exists that future costs could exceed currently estimated fund provisions. If thi occur, Fortum, would be responsible for any such excess costs in relation to its share of operation

Asset project risks
Fortum's business activities involve construction, modernisation, maintenance and decommission plants or other energy industry facilities. There is a risk that construction costs exceed planned c construction delays occur as the result of regulatory or permit issues, failure of key suppliers, be obtain permits or as a result of Covid-19 discontinuing the project. Asset projects also face enviro health and safety risks. Asset project risks may realise both for Fortum's own assets projects, or p out through joint ventures or associated companies. The most significant of these asset projects below.

Managing asset project risk is an integral part of every project. Project managers are responsib that project-related risks which may lead to delays, increased costs, negative impacts to the env which could jeopardise the health and safety of personnel and contractors are identified and asse actions are taken to minimise such risks.

Datteln 4: Permitting risk
Since May 30, 2020, the coal-fired power plant Datteln 4 with a net electrical output of approxima is in commercial operation. Construction and operation are based on the currently granted immis permit from the district government of Münster and the project-based development pl No. 105 Datteln. However, the project continues to be the subject of several administrative law suits. If, as pending legal proceedings, the permit is revoked, or the development plan is declared ineffective risk that all investments made to date will have to be written off and planned earnings cannot be coal exit law which entered into force in August 2020 has also not changed the potential for this p

Nord Stream 2: Project Failure Risk
Uniper is involved in financing the Nord Stream 2 project. As part of this financing, there is a defa receivables from Nord Stream 2 AG, particularly in the event the project cannot be completed suc main risk for the completion of the project are actual and potential US sanctions. Curren sanction been imposed on a pipelay vessel and its owner. Nord Stream 2 AG confirmed repeatedly that the to complete the project.

Olkiluoto 3 project delay risk
In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3) shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing som capacity. Olkiluoto 3 EPR (OL3 EPR), currently under construction, was procured as a fixed-price t from a consortium formed by Areva GmbH, Areva NP SAS and Siemens AG. As stipulated in the p the consortium companies have joint and several liability for the contractual obligations. Accordin schedule regular electricity production starts in February 2022.

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The risk related to the planned completion refers to a situation in which commercial use cannot be launched as planned, which leads to additional costs of electricity for Fortum. During 2020, several risk management measures related to the OL3 EPR project have been executed to improve TVO's readiness to commission the OL3 EPR plant. For more information about these measures, please see TVO's annual report.

Cyber and information security risks

Fortum's business operations and customer related services are dependent on well-functioning IT, communications and information management systems and processes. Due to the nature of the business, large amounts of data are processed, often in real-time, and used for operating critical infrastructure including power stations and gas storage facilities, decision-making, serving customers and in internal and external communication and reporting. Like all operators of critical infrastructure, Fortum is increasingly exposed to cyber security risks, including risks related to information and operational technology systems, digitalisation and privacy. Also, physical attacks against Issuer's assets are possible and can have material impacts.

Securing information and availability of the systems are essential for Fortum. Cyber and physical security risks, including risks related to information, operation technology (OT) and digitalisation, are managed in collaboration with business and other support functions. There are cyber security instructions and procedures in place which set requirements for managing and mitigating cyber security risks.

Support functions and outsourcing partners are responsible for identifying and mitigating operational IT/OT security related risks as well as managing IT/OT security incidents. Business is responsible for business continuity planning and IT functions are responsible for IT service continuity.

Climate-related risks

Mitigating climate change, adapting to it and driving the transition to a lower-carbon economy is an integral part of Fortum's strategy.

As a result, Fortum has committed to ambitious climate targets and to be carbon-neutral as a Group by 2050 at the latest in line with the goals of the Paris Agreement.

Management of climate-related risks is integrated into Fortum's and Uniper's respective risk management frameworks and follows the same governance and processes as for other material risk and uncertainties, Risks are regularly identified and assessed through a structured process. Risk owners are assigned for managing the risks and they are regularly reported and followed-up in various management teams and expert forums. In Fortum, excluding Uniper, there is a specific review of the key climate-related risks by a group of experts from selected functions. These risks are reported to FEM and the ARC as part of the annual review of material risks and uncertainties for the Fortum Group.

Climate-related risks are divided into two categories; transition risks and physical risks. The identified physical risks are generally found in the operational risk category whereas transition risks are generally part of the strategic risk category. As Uniper currently does not apply the same approach to climate-related risks, the transition risks and physical risks described below have been assessed for Fortum, excluding Uniper.

Transition risks

Fortum's strategy is to a large extent built on taking advantage of the opportunities associated w
transition to a low-carbon economy and successfully mitigating the risks. The transition to a low c
economy poses a number of strategic risks related to changes in energy and climate policy and re
technology development and the business environment in which Fortum operates. Additionally, F
and reputation can be negatively impacted by changes in stakeholder perception about Fortum's
deliver on its strategy.

The key risks related to climate policy and regulation include national climate policies or steerin
that exceed EU targets for greenhouse gas reduction, renewable energy production and energy e
can lead to overlapping or inefficient mechanisms such as diluting the EU emissions trading syste
tighter restrictions on incineration and burning of various fuels and a more regulated electricity m
context of national climate strategies, several countries have decided to phase out certain energy
technologies such as coal and nuclear. In case such political decisions are done without offering s
compensation there is a risk of write-offs, impairments or early retirement of existing assets as w
and dismantling costs. Fortum favours a market-based approach to decarbonisation with CO_2 pri
tool and clear criteria for capacity remuneration in case such mechanisms are implemented. Addi
increased demand flexibility is needed to cope with the expected increase in intermittent renewa

The transition to a low-carbon economy also poses risks if there emerge new, disruptive techno
create cheap sources of flexibility or storage in the energy market. Additionally, if there is an acce
in the cost of renewable energy, it could decrease the value of existing conventional power and h
assets. Fortum continuously monitors technology development and invests into a broad portfolio
technologies. Fortum aims to grow a sizeable renewables portfolio, focusing on wind and solar pr
Europe, and therefore monitors the price development of renewables and evaluates both divestm
investment opportunities to optimise the portfolio with the aim of lower carbon emissions. As par
updated strategy, Fortum is targeting to invest in hydrogen and clean gas solutions. Technologica
could prevent or slow-down the growth of hydrogen negatively impacting any such investments a
the decarbonisation of natural gas and industrial sectors.

Climate-change may affect the demand and supply of energy products due to consumer behav
changing weather patterns. This could lead to, e.g. lower and more volatile electricity and gas pri
negatively affect the revenues of power generation assets. Energy efficiency measures and warm
may also impact the demand for heating to a larger extent than currently expected.

Increasing and broadening sustainability requirements, e.g. in the context of the EU Sustainabl
taxonomy, could lead to a situation where a big part of Fortum's CO_2 free or low carbon energy pr
classified as non-sustainable which might lead to higher capital costs for new investments. Addit
a risk of increasing activity by NGOs which could affect key stakeholder perception. Fortum's exp
risks is increasing as a result of the consolidation of Uniper as a subsidiary with coal and gas-fire
generation assets. In order to mitigate these risks, Fortum focuses on the sustainability impacts o
business decisions, communicating transparently about strategy implementation to key stakehol
a broad base of investors and flexibility in financing. The aligned strategy for the Fortum Group in
commitment to reduce its' coal exposure and reach a carbon neutral European generation by 203
and reducing CO_2 emissions in European generation with at least 50% by 2030.

Årsregnskap og regnskapsåret 2020 for 914551757

Physical risks

Fortum's operations and assets are exposed to external events, the frequency and magnitude of which may increase as a result of climate change. Changes in precipitation, inflows and temperatures may affect hydropower production as well as bioenergy supply and availability. Intense storms with, e.g. flash floods could increase the risk of dam breaches as well as causing local damages and production outages. Warmer weather may also lead to a need for new cooling or process water sources and extreme warm and dry summer periods could result in forest fires which potentially damage assets or lead to grid outages restricting power supply. Fortum adapts its operations to the changing climate and takes it into consideration in production and maintenance planning and in evaluating growth and investment projects. Climate change scenarios are. taken into account in long-term dam safety investments so that extreme flooding situations can be managed.

Covid-19 Risks

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. As a result, the exposure to risk and uncertainty in all risk categories has increased compared to the 2019 year-end situation. There has been a certain stabilisation and partial recovery of commodity prices in the three last quarters, but market prices for electricity remain lower than at the beginning of 2020 due to lower commodity prices and European demand as well as the extremely wet, warm, and windy winter in the Nordics during the first quarter. Fortum's hedges, especially for the year 2021, will offer some protection against short-term fluctuations in electricity and other commodity market prices, but if the Covid-19 pandemic continues longer than expected or results in a more severe economic downturn than anticipated, results will be negatively impacted, as the hedge level for future years is lower.

Additionally, there is an increased risk of credit defaults caused by the abrupt shut-down of soc parts of the world. Fortum has OTC derivative contracts with a number of energy wholesalers and utilities, trading companies, energy companies, industrial end-users and financial institutions acti energy and financial markets. Fortum also has credit exposure toward customers and suppliers co industrial counterparties, energy companies, government and municipal entities, utilities, small bu housing associations and private individuals, over a range of geographic regions. Credit defaults h had a significant impact, but if the pandemic continues for a longer period of time without extens support schemes for affected businesses, we expect to see increased default rates and delayed p customers, especially in the small and medium businesses in high-risk sectors and from non-inves counterparties that have been weakened economically by the pandemic. Fortum applies the expe loss model when recognising loss allowances for expected credit losses on financial assets. A sim applied when making credit value adjustments to the fair value of derivatives contracts. The mode been reviewed taking into account the ongoing Covid-19 pandemic. There is no significant increas losses due to Covid-19, however, the probability of defaults used in the expected credit loss mode increased compared to before the pandemic, resulting in slightly higher loss allowances and cred adjustments.

Operational risks have also increased due to the pandemic. Travel restrictions, risk of prolonge key personnel, and difficulties in obtaining key materials, spare parts, and resources from our sup the risk of operational incidents or prolonged maintenance periods. So far, the risks have been mi through the activation of business continuity plans and a review of the timing and prioritisation of work. Although there have been some delays impacting maintenance periods and projects, there significant incidents that have impacted Fortum's operations. However, the longer the Covid-19 p continues, the higher the risk of such incidents in the future.

Fortum is closely monitoring the development of the pandemic and its effects on our operation can quickly respond to changes and continue to ensure the safe and reliable delivery of energy an services.

Årsregnskap regnskapsåret 2020 for 914551757

Fortum share and shareholders

Fortum Corporation's shares have been listed on Nasdaq Helsinki since 18 December 1998. The trading code is FORTUM (until 25 January 2017: FUM1V). Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finland Ltd which also maintains the official share register of Fortum Corporation.

Share key figures

EUR	2020	2019	2018
Earnings per share	2.05	1.67	0.95
Cash flow per share	2.88	2.27	0.91
Equity per share	14.58	14.61	13.33
Dividend per share	1.12[1)]	1.10	1.10
Payout ratio, %	54.6[1)]	65.9	115.8
Dividend yield, %	5.7[1)]	5.0	5.8

1) Board of Directors' proposal for the planned Annual General Meeting 28 April 2021.

For full set of share key figures, see the section ▸ **Key figures** in the Financial Statements.

Shareholders value, share price performance and volumes

Fortum's mission is to deliver excellent value to its shareholders. Fortum's share price has appreciated approximately 42% during the last five years, while Dow Jones European Utility Index has increased 26%. During the same period Nasdaq Helsinki Cap index has increased 36%. During 2020 Fortum's share price depreciated approximately 10%, while Dow Jones European Utility index increased approximately 8% and Nasdaq Helsinki Cap index increased approximately 10%.

In 2020, a total of 647.9 million (2019: 372.3) Fortum Corporation shares, totalling EUR 11,142 million, were traded on Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2020 was EUR 23.46, the lowest EUR 12.25, and the volume-weighted average EUR 17.20. The closing quotation on the last trading day of the year 2020 was EUR 19.70 (2019: 22.00). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 17,499 million (2019: 19,542).

In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boat, Cboe and Turquoise, and on the OTC market. During 2020, approximately 68% (2019: 73%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

Share capital

Fortum Corporation has one class of shares. By the end of 2020, a total of 888,294,465 shares (20
888,294,465) had been issued. Each share entitles the holder to one vote at the Annual General M
shares entitle holders to an equal dividend. At the end of 2020 Fortum Corporation's share capita
entirety and entered in the trade register, was EUR 3,046,185,953.00.

Shareholders

At the end of 2020 the Finnish State owned 50.76% of the company's shares. The Finnish Parliam
authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less
the share capital and voting rights.

The proportion of nominee registrations and direct foreign shareholders was 24.2% (2019: 30.5

Shareholders, 31 December 2020

Shareholders	No. of sha
Finnish State	450,932,9
Ilmarinen Mutual Pension Insurance Company	14,681,0
Varma Mutual Pension Insurance Company	8,621,
Elo Mutual Pension Insurance Company	7,679,
The Finnish Social Insurance Institution	7,030,8
Kurikan Kaupunki	6,203,5
The State Pension Fund	4,600,0
OP-Finland	2,292,0
Danske Invest Finnish Equity Fund	2,250,0
Nordea Bank Abp	1,988,3
Schweizerische Nationalbank	1,772,
Mandatum Life Insurance Company Ltd.	1,504,
OP-Henkivakuutus Ltd.	1,436,7
Säästöpankki Korko Plus Mutual Fund	1,265,8
Nominee registrations and direct foreign ownership [1)]	213,460,
Other shareholders in total	162,574,
Total	**888,294,4**

1) Excluding Schweizerische Nationalbank

Årsregnskap regnskapsåret 2020 for 914551757

By shareholder category	% of total amount of shares
Finnish shareholders	
Corporations	2.29
Financial and insurance institutions	2.24
General government	56.57
Non-profit organisations	1.50
Households	13.16
Non-Finnish shareholders	24.24
Total	**100.00**

Breakdown of share ownership, 31 December 2020

Number of shares owned	No. of shareholders	% of shareholders	No. of shares	% of total amount of shares
1-100	79,926	39.19	3,814,834	0.43
101-500	73,119	35.85	18,774,960	2.11
501-1,000	24,308	11.92	17,956,092	2.02
1,001-10,000	25,137	12.32	65,336,522	7.36
10,001-100,000	1,354	0.66	30,637,906	3.45
100,001-1,000,000	92	0.05	23,891,053	2.69
1,000,001-10,000,000	15	0.01	49,890,281	5.62
over 10,000,000	2	0.00	465,613,988	52.42
	203,953	**100.00**	**675,915,636**	**76.09**
In the joint book-entry account and in special accounts on 31 December			596	0.00
Nominee registrations			212,378,233	23.91
Total			**888,294,465**	**100.00**

Management shareholding 31 December 2020

At the end of 2020, the President and CEO and other members of the Fortum Executive Manageme
281,308 shares (2019: 263,002) representing approximately 0.03% (2019: 0.03%) of the total shares in th
A full description of the shareholdings and interests in long-term incentive schemes of the Pres
and other members of the Fortum Executive Management is shown in ‣ **Note 10** Employee benefit
remuneration.

Authorisations from the Annual General Meeting 2020

In 2020, the Annual General Meeting decided to authorise the Board of Directors to decide on the
and disposal of the company's own shares up to a maximum number of 20,000,000 shares, which
to approximately 2.25% of all the shares in the company. These authorisations are effective until t
General Meeting and, in any event, for a period no longer than 18 months. These authorisations h
used as per 11 March 2021.

Dividend policy

The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, s
company's long-term strategy that aims at increasing earnings and cash flow and thereby the dividen
proposing the dividend, the Board of Directors looks at a range of factors, including the macro environ
sheet strength as well as future investment plans. Fortum Corporation's dividend policy is to pay a stal
and over time increasing dividend.

Årsregnskap regnskapsåret 2020 for 914551757

Dividend distribution proposal

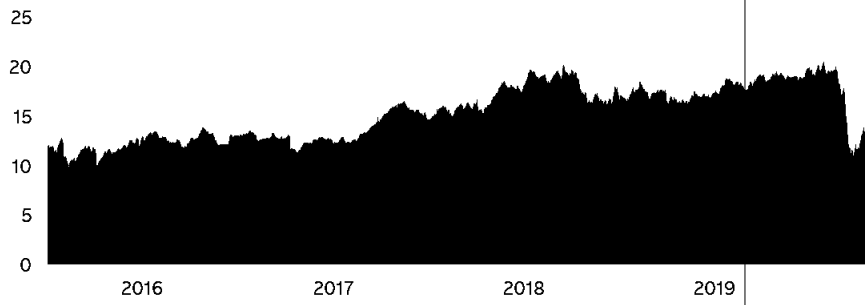
The distributable funds of Fortum Corporation as at 31 December 2020 amounted to EUR 4,915,857,735 including the profit of the financial period 2020 of EUR 1,678,521,550. The company's liquidity is good and the dividend proposed by the Board of Directors will not compromise the company's liquidity.

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

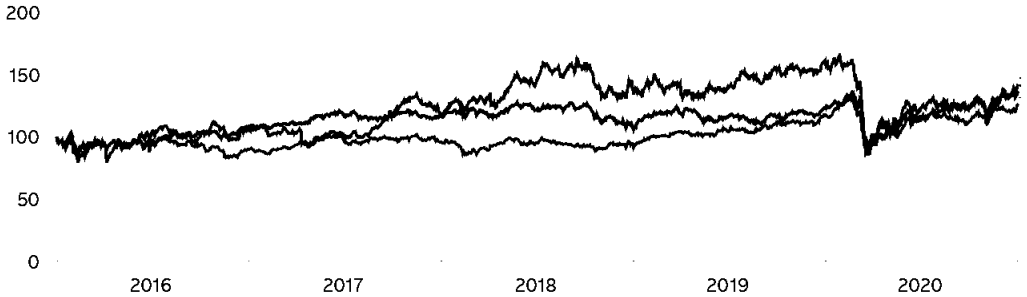
Based on the number of registered shares as at 11 March 2021 the total amount of dividend would be EUR 994,889,801. The Board of Directors proposes, that the remaining part of the distributable funds be retained in the shareholders' equity.

The Annual General Meeting is planned to take place on 28 April 2021 at 14:00 EEST.

Market capitalisation, EUR billion

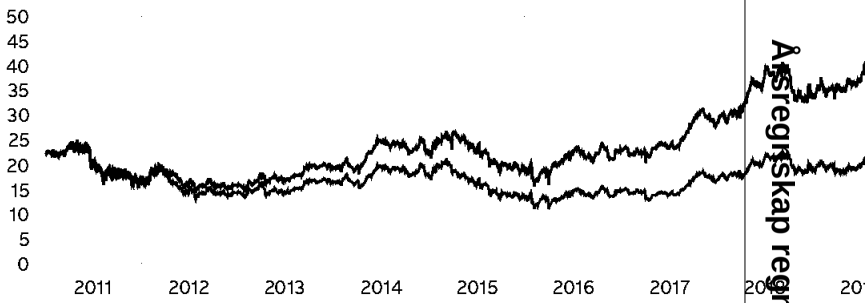


Share quotations, index 100 = quote on 4 January 2016



— Fortum — OMXHCap — DJ STOXX

Total shareholder return, EUR



— Fortum's share price, (EUR 19.70)
— Fortum's total shareholder return, EUR 40.09 (dividends reinvested)

Årsregnskap regnskapsåret 2020 for 914551757

Consolidated income statement

EUR million	Note	2020	2019
Sales	6	49,015	5,447
Other income	8	4,802	110
Materials and services	9	-44,298	-2,721
Employee benefits	10	-1,195	-480
Depreciation and amortisation	6, 16, 17	-1,090	-575
Other expenses	8	-5,890	-591
Comparable operating profit	6	**1,344**	**1,191**
Items affecting comparability [1]	7	255	-72
Operating profit	6	**1,599**	**1,118**
Share of profit of associates and joint ventures	6, 18	656	744
Interest expense		-170	-167
Interest income		111	28
Other financial expenses - net		3	5
Finance costs - net [1]	11	-56	-134
Profit before income tax		**2,199**	**1,728**
Income tax expense	12	-344	-221
Profit for the year		**1,855**	**1,507**
Attributable to:			
Owners of the parent		1,823	1,482
Non-controlling interests		32	25
		1,855	**1,507**
Earnings per share for profit attributable to the equity owners of the company (EUR per share)	13		
Basic		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	202
Comparable operating profit		**1,34**
Impairment charges and reversals		
Capital gains and other related items		76
Impact from acquisition accounting		-22
Changes in fair values of derivatives hedging future cash flow		-67
Other		38
Items affecting comparability [1]	6, 7	25
Operating profit		**1,59**

1) In 2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial e Comparatives have been reclassified accordingly. See ▸ **Note 1.7** Summary of Uniper acquisition impact t financial statements.

See ▸ **Definitions for key figures**

Årsregnskap regnskapsåret 2020 for 914551757

Consolidated statement of comprehensive income

EUR million	Note	2020	2019
Profit for the year		**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		-155	82
Transfers to income statement		45	635
Transfers to inventory/property, plant and equipment		2	-4
Deferred taxes		21	-151
Net investment hedges			
Fair value gains/losses		48	-24
Deferred taxes		-8	5
Exchange differences on translating foreign operations	4.3	-524	259
Share of other comprehensive income of associates and joint ventures	18	-250	72
Transfer to income statement due to impact from acquisition accounting		222	-
Other changes		-70	5
		-667	**877**
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of investments		-28	-
Actuarial gains/losses on defined benefit plans	30	-244	-21
Actuarial gains/losses on defined benefit plans in associates and joint ventures		67	-208
		-205	**-229**
Other comprehensive income/expense for the year, net of deferred taxes		**-873**	**649**
Total comprehensive income for the year		**982**	**2,155**
Total comprehensive income attributable to:			
Owners of the parent		1,052	2,120
Non-controlling interests		-70	36
		982	**2,155**

Other comprehensive income (OCI) includes items of income and expense that are recognised in equit recognised in the consolidated income statement. They include unrealised items, such as fair value ga losses on financial instruments hedging future cash flows. These items will be realised in the Consolida statement when the underlying hedged items is recognised. OCI also includes gains and losses on fair other investments, actuarial gains and losses from defined benefit plans, items on comprehensive inc associated companies and translation differences.

Fair valuation of cash flow hedges mainly relates to fair valuation of derivatives, such as futures and forwa electricity price for future transactions, where hedge accounting is applied. When electricity price is highe the hedging price, the impact on equity is negative (positive).

Translation differences from translation of foreign entities, mainly RUB and SEK.

Årsregnskap regnskapsåret 2020 for 914551757

Consolidated balance sheet

EUR million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	16	2,808	1,143
Property, plant and equipment and right-of-use assets	17	19,367	10,123
Participations in associates and joint ventures	18	2,912	6,435
Shares in Nuclear Waste Funds	28	3,445	813
Other non-current assets	19	479	151
Deferred tax assets	27	1,089	77
Derivative financial instruments	14, 15	2,946	180
Long-term interest-bearing receivables	20	2,402	651
Total non-current assets		**35,448**	**19,571**
Current assets			
Inventories	21	1,396	230
Derivative financial instruments	14, 15	7,531	131
Short-term interest-bearing receivables	20	598	384
Income tax receivables	27	156	133
Margin receivables	26	1,132	177
Trade and other receivables	22	8,906	999
Liquid funds	23	2,308	1,433
Total current assets		**22,027**	**3,486**
Assets held for sale	3	335	307
Total assets		**57,810**	**23,364**

EUR million	Note	31 Dec 2020
EQUITY		
Equity attributable to owners of the parent		
Share capital	24	3,046
Share premium		73
Retained earnings		10,149
Other equity components		-316
Total		**12,953**
Non-controlling interests	25	2,624
Total equity		**15,577**
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities	26	8,785
Derivative financial instruments	14, 15	2,657
Deferred tax liabilities	27	952
Nuclear provisions	28	3,866
Other provisions	29	3,452
Pension obligations, net	30	1,520
Other non-current liabilities	31	344
Total non-current liabilities		**21,576**
Current liabilities		
Interest-bearing liabilities	26	1,877
Derivative financial instruments	14, 15	7,937
Other provisions	29	780
Margin liabilities	26	331
Trade and other payables	32	9,525
Total current liabilities		**20,451**
Liabilities related to assets held for sale	3	206
Total liabilities		**42,233**
Total equity and liabilities		**57,810**

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Consolidated statement of changes in total equity

EUR million	Note	Share capital	Share premium	Retained earnings	Retained earnings	Translation of foreign operations	Cash flow hedges	Other equity components: Other OCI items	OCI items associates and joint ventures	Owners of the parent	Non-controlling interests
Total equity 1 January 2020		**3,046**	**73**	**12,441**	**-2,459**	**-70**	**60**	**-108**	**12,982**	**252**
Net profit for the year				1,823					1,823	32
Translation differences					-490	-1	-3	2	-492	-32
Other comprehensive income						-87	-231	40	-279	-70
Total comprehensive income for the year				1,823	-490	-88	-235	42	1,052	-70
Cash dividend	13			-977					-977	-160
Changes due to business combinations	3								-	2,847
Impact from acquisition accounting	7			-84				84	-	-
Transactions with non-controlling interests				-107					-107	-247
Other				2					2	1
BS Total equity 31 December 2020		**3,046**	**73**	**13,097**	**-2,948**	**-158**	**-175**	**18**	**12,953**	**2,624**
Total equity 1 January 2019		**3,046**	**73**	**11,937**	**-2,705**	**-638**	**99**	**30**	**11,841**	**236**
Net profit for the year				1,482					1,482	25
Translation differences					247	7	0	-1	253	6
Other comprehensive income						561	-40	-136	385	5
Total comprehensive income for the year				1,482	247	568	-40	-137	2,120	36
Cash dividend	13			-977					-977	-23
Other				-2					-2	4
BS Total equity 31 December 2019		**3,046**	**73**	**12,441**	**-2,459**	**-70**	**60**	**-108**	**12,982**	**252**

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 fr transl related to RUB and SEK) to EUR are recognised in equity.

For information regarding exchange rates used, see ‣ **Note 1** Significant accounting policies. For information about translation exposure see ‣ **Note 4.3** Interest rate risk and currency risk.

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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 7** 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 13** Earnings and 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 ‣ **Note 3** Acquisitions, disposals and assets held for sale.

Consolidated cash flow statement

EUR million	Note	2020	2019
Cash flow from operating activities			
Profit for the year		**1,855**	**1,507**
Adjustments:			
Income tax expense		344	221
Finance costs - net		56	134
Share of profit/loss of associates and joint ventures		-656	-744
Depreciation and amortisation		1,090	575
Operating profit before depreciations (EBITDA)		**2,688**	**1,693**
Items affecting comparability		-255	72
Comparable EBITDA		**2,434**	**1,766**
Non-cash and other items [1]		293	-83
Interest received		46	29
Interest paid		-208	-177
Dividends received		121	239
Income taxes paid		-267	-165
Funds from operations		**2,419**	**1,608**
Change in working capital		136	-33
Net cash from operating activities		**2,555**	**1,575**
Cash flow from investing activities			
Capital expenditures	16, 17	-1,101	-695
Acquisitions of shares	6	-1,801	-107
Proceeds from sales of property, plant and equipment		16	35
Divestments of shares and capital returns		1,244	53
Shareholder loans to associated companies and joint ventures		-44	9
Change in margin receivables [2]		-552	403
Change in other interest-bearing receivables [1]		98	420
Net cash from/used in investing activities		**-2,140**	**118**

EUR million	Note	202
Cash flow before financing activities		**41**
Cash flow from financing activities		
Proceeds from long-term liabilities		2,56
Payments of long-term liabilities		-50
Change in short-term liabilities		20
Dividends paid to the owners of the parent	13	-97
Dividends paid to non-controlling interests		-16
Change in margin liabilities [2]		-62
Other financing items		-
Net cash from/used in financing activities		**50**
Net increase(+)/decrease(-) in liquid funds		**92**
Liquid funds 1 January		**1,43**
Foreign exchange differences in liquid funds		-4
Liquid funds 31 December [3]	23	**2,30**

1) In 2020, nuclear fund-related payments and repayments have been reclassified from cash flo from ope to cash flow from investing activities. Comparatives have been reclassified accordingly. See **Note** 1.7 Su acquisition impact to consolidated financial statements.
2) In 2020, in order to align with the presentation of net debt and to better to reflect the nature these ite reclassified in the consolidated cash flow statement the change in net margin liabilities from perating c the change in margin receivables is presented in investing cash flows, and the change in margin liabilitie 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** disposals and assets held for sale.

Capital expenditures in cash flow do not include not yet paid investments. Capitalised borrowing sts are p interest paid.

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Change in net debt

From I/2020 Fortum updated the definition of net debt to align it with Uniper. See further details in ‣ **Note 26** Interest-bearing liabilities.

EUR million	Note	2020
Net debt 1 January		**5,260**
Collateral arrangement securities		-281
Net margin liabilities		-145
Financial net debt 1 January		**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 31 December	26	**7,023**

Excludes financial net debt relating to assets held for sale at 31 December 2020, see ‣ **Note 3** Acquisitions, disposals and assets held for sale.

Additional cash flow information

Change in working capital

EUR million	2020
Change in interest-free receivables, decrease(+)/increase(-)	-1,10
Change in inventories, decrease(+)/increase(-)	40
Change in interest-free liabilities, decrease(-)/increase(+)	83
CF Total	**13**

Capital expenditure in cash flow

EUR million	Note	2020
Capital expenditure	16, 17	1,13
Change in not yet paid investments, decrease(+)/increase(-)		-
Capitalised borrowing costs	17	-2
CF Total		**1,10**

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 1,801 million during 2020 (2019: 107 mainly the acquisition of shares in Uniper SE. For further information see ‣**Note 3** Acquisitions, dis assets held for sale.

Divestment of shares in cash flow

EUR million	Note	2020
Proceeds from sales of subsidiaries, net of cash disposed	3	1,15
Proceeds from sales and capital returns of associates and joint ventures	18, 3	4
Proceeds from sales of other investments	3	4
CF Total		**1,24**

During 2020 Fortum completed the divestment of the district heating business in Järvenpää and Finland, the 80% stake in the Nordic wind portfolio and the 60% stake in the public charging point electrical vehicles in the Nordics. For further information, see ‣ **Note 3** Acquisitions and disposals a for sale.

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1 Significant accounting policies

1.1 Basic information

Fortum Corporation (the company) is a Finnish public limited liability company domiciled in Espoo, Finland. Fortum's shares are traded on Nasdaq Helsinki. Fortum is a European energy company with activities in more than 40 countries. We provide our customers with electricity, gas, heating and cooling as well as smart solutions to improve resource.

These financial statements were approved by the Board of Directors on 11 March 2021. The Financial Statements are also published in accordance with the European Single Electronic Format (ESEF) reporting requirement. The audit firm, Deloitte Oy, has provided an independent auditor's reasonable assurance report on Fortum's ESEF Financial Statements in accordance with ISAE 3000 (Revised). The ESEF report is available at https://www.fortum.com/about-us/investors/reports-and-presentations.

1.2 Basis of preparation

The consolidated financial statements of Fortum Group for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union. The consolidated financial statements also comply with Finnish accounting principles and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities (including derivative instruments) that are valued at fair value through profit and loss or other comprehensive income.

The figures in the consolidated 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. Unless otherwise indicated, all amounts are presented in millions of euro (EUR million).

1.3 Principles for consolidation

These consolidated financial statements comprise of the parent company, subsidiaries, joint ventures and associated companies.

Fortum Group was formed in 1998 by using the pooling-of-interests method for consolidating Fortum Power and Heat Oy and Fortum Oil and Gas Oy (the latter demerged to Fortum Oil Oy and Fortum Heat and Gas Oy 1 May 2004). In 2005 Fortum Oil Oy (current Neste Oyj) was separated from Fortum by distributing 85% of its shares to Fortum's shareholders and by selling the remaining 15%. This means that the acquisition cost of Fortum Power and Heat Oy and Fortum Heat and Gas Oy has been eliminated against the share capital of the companies. The difference has been entered as a decrease in shareholders' equity.

1.3.1 Subsidiaries

Subsidiaries are defined as companies over which Fortum has control. Control exists when Fortum is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. See ‣ **Note 3** Acquisitions, disposals and assets held for sale.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, subsidiaries' accounting policies have been changed to ensure consistency with the policies the Group has adopted.

Certain subsidiaries and associated companies are not included in the consolidated financial st
materiality grounds. These companies are accounted for outside the scope of IFRS 9 and measure
adjustments for any loss allowance.

Fortum Group subsidiaries are disclosed in ‣ **Note 39** Group companies by segment. Group hol
companies owned via subsidiaries is based on the Fortum Corporation ownership % in the direct s
times the ownership % of the direct subsidiary in the indirect subsidiary / associate / joint venture

1.3.2 Associates

Associated companies are entities over which the Group has significant influence but not control,
accompanying a shareholding of between 20% and 50% of the voting rights. The Group's interest
companies are accounted for using the equity method of accounting. See ‣ **Note 18** Participations
companies and joint ventures.

1.3.3 Joint ventures

Joint ventures are arrangements in which the Group has joint control. Joint ventures are accounte
equity method of accounting. See ‣ **Note 18** Participations in associated companies and joint vent

1.3.4 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the equity of the owners o
company. Non-controlling interests are generally initially measured at the non-controlling interes
proportionate share of the fair value of the acquiree's identifiable net assets. Changes in non-con
due to changes in ownership interest of a subsidiary are accounted for as equity transactions. Sub
acquisition, the carrying amount of non-controlling interests is the amount of those interests at in
recognition plus the non-controlling interests' share of subsequent changes in equity. See ‣ **Note**
controlling interests.

1.4 Measures for performance

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

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

Items classified as Items affecting comparability include accounting effects from valuation acc
not arising from the performance of business operations. Such items include fair value changes o
derivatives hedging future cash flows where hedge accounting is not applied and fair value chang
contracts accounted for as derivatives according to IFRS 9, Financial Instruments.

Further, business performance of operations cannot be compared from one period to another w
adjusting for one-time items relating to capital gains and other related items, such as transaction
from acquisitions; impacts from acquisition accounting; significant impairments and reversals of i
well as other miscellaneous non-operating items, such as restructuring and cost management exp
items are also treated as Items affecting comparability.

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According to IFRS 3, Business Combinations, transaction costs related to the acquisitions of subsidiary shares are recognised in the consolidated income statement. Such costs are presented in Capital gains and other within Items affecting comparability.

Following the consolidation on Uniper's income statement in 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 the definitions of existing items, as well as one new category (Other) for other non-operating items.

Further, Nuclear fund adjustment was reclassified 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 7** Items affecting comparability. Definitions are presented in the section ▸ **Definitions of key figures.**

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. See ▸ **Note 26** Interest-bearing liabilities for details. Fortum also updated its long-term financial target to be financial net debt / comparable EBITDA below 2x. See ▸ **Note 5** Capital risk management.

1.5 Foreign currency transactions and translation

1.5.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the company's functional and presentation currency.

1.5.2 Transactions and balances

Transactions denominated in foreign currencies are translated using the exchange rate at the date of transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date are translated using the balance sheet date exchange rate. Exchange rate differences are recognised in the consolidated income statement. Net exchange differences relating to financing components are recognised in the income consolidated statement, except when deferred to equity as qualifying cash flow hedges. Translation differences on financial assets through other comprehensive income are included in Other equity components in equity.

1.5.3 Group companies

Income statement and cash flow statement of subsidiaries, whose functional currencies are not e
translated into euro using the average exchange rates; whereas the balance sheets of such subsi
translated into euro using the closing exchange rates on the balance sheet date. On consolidatio
rate differences arising from the translation of net investment in foreign entities, as well as borro
other currency instruments designated as hedges for such investments, are taken to equity. Whe
operation is sold, such exchange differences are recognised in the consolidated income statemer
gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign ent
as assets and liabilities of the foreign entity and translated at closing rate.

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

Key exchange rates used in consolidated financial statements

		Average rate		Balance she
	Currency	2020	2019	31 Dec 2020
United Kingdom	GBP	0.8897	0.8773	0.8990
Norway	NOK	10.7228	9.8524	10.4703
Poland	PLN	4.4430	4.2992	4.5597
Russia	RUB	82.7248	72.7949	91.4671
Sweden	SEK	10.4848	10.5572	10.0343
United States	USD	1.1422	1.1214	1.2271

1.5.4 Associates and joint ventures

Associates and joint ventures, whose measurement and reporting currencies are not e, are tra
the Group reporting currency using the same principles as for subsidiaries.

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1.6 Other significant accounting policies

Fortum describes other significant accounting policies in conjunction with the relevant disclosure information. The table below lists significant accounting policies and the financial statement note where they are presented, as well as the relevant IFRS standard.

Accounting policy	Note		IFRS standard
Subsidiaries	3	Acquisitions, disposals and assets held for sale	IFRS 3, IFRS 10
Assets held for sale	3	Acquisitions, disposals and assets held for sale	IFRS 5
Financial instruments	4, 14, 15	Financial risk management, Financial assets and liabilities by categories and Financial assets and liabilities by fair value hierarchy	IAS 32, IFRS 7, IFRS 9, IFRS 13
Segment reporting	6	Segment reporting	IFRS 8, IFRS 15
Revenue recognition	6, 22	Segment reporting and Trade and other receivables	IFRS 15
Other income	8	Other income and other expenses	IFRS 15
Research and development costs	8	Other income and other expenses	IAS 38
Share-based payments	10	Employee benefits and Board remuneration	IFRS 2
Earnings per share	13	Earnings and dividend per share	IAS 33
Other shares and participations	14, 19	Financial assets and liabilities by categories and Other non-current assets	IAS 32, IAS 36, IFRS 9
Fair value measurement	15	Financial assets and liabilities by fair value hierarchy	IFRS 13
Intangible assets	16	Intangible assets	IAS 38
Government grants	17	Property, plant and equipment and Right-of-use Assets	IAS 20
Tangible assets	17	Property, plant and equipment and Right-of-use Assets	IAS 16, IAS 36, IAS 40
Joint arrangements	18	Participations in associated companies and joint ventures	IFRS 11, IAS 28, IFRS 12
Investments in associates	18	Participations in associated companies and joint ventures	IAS 28, IFRS 12
Inventories	21	Inventories	IAS 2
Trade receivables	22	Trade and other receivables	IFRS 9
Liquid funds	23	Liquid funds	IAS 7
Borrowings	26	Interest-bearing liabilities	IFRS 9
Income taxes	27	Income taxes on the balance sheet	IAS 12
Decommissioning obligation	28	Nuclear related assets and liabilities	IFRIC 5
Provisions	29	Other provisions	IAS 37
Pensions and similar obligations	30	Pension obligations	IAS 19
Leases	33	Leases	IFRS 16
Contingent liabilities	35	Pledged assets and contingent liabilities	IAS 37

1.7 Summary of Uniper acquisition impact on consolidated financial statements

1.7.1 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 mana
Management Corporation and its affiliates ("Elliott") and Knight Vinke Energy Advisors Limited ar
("Knight Vinke"). The transaction was closed in two tranches. Control over Uniper was acquired o
2020 upon closing of the first tranche of the agreement, 19.6% of the shares. A liability for the ma
of shares in the second tranche, 3.8% of the shares, was recognised on the acquisition date. The s
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
tranche. On 31 March 2020, Fortum consolidated the balance sheet of Uniper. The income statem
from 26 March 2020 to 31 March 2020 was not material. See ‣ **Note 3.1** Acquisitions. In August 20
stake in Uniper exceeded 75%, and was 76.1% on 31 December 2020.

Fortum consolidated Uniper's results into its income statement from 1 April 2020. Income state
have been classified in accordance with Fortum's income statement categorisation and, as such,
fully comparable to Uniper's standalone income statement. Further, reporting of both the Uniper
the Generation segment are impacted by adjustments for the joint ownership in the Swedish nucl
OKG AB. See paragraph below.

1.7.2 Purchase price accounting on 31 March 2020

The purchase price allocation is being finalised and will be completed within the one-year window
acquisition date, i.e. by 31 March 2021.

In these financial statements, Fortum presents the preliminary purchase price allocation for the
acquisition, which has resulted in adjustments to Uniper's 31 March 2020 opening balance sheet.

Fair value adjustments made to Uniper's 31 March 2020 opening balance sheet mainly relate to
plant and equipment and right-of-use assets, participations in associates and joint ventures, leas
other provisions, and deferred taxes. Increase in the value of property, plant and equipment resul
additional depreciation (EUR 11 million in 2020); and increase in the value of the lease liability (due
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 circumst
rise to items recognised in Uniper segment's income statement during the one-year window from
date, and to reflect these in the acquisition date opening balance if they give more information on
date fair values of assets or liabilities. This has led to certain one-time adjustments to Uniper segm
income statement, which are now reflected in the acquisition date opening balance sheet on 31 M
Total impact on Comparable operating profit is EUR +68 million, and Items affecting comparabilit
million in 2020.

Excess of the acquisition value over the fair value of Uniper's net assets, EUR 515 million, is prel
goodwill. See ‣ **Note 3.1** Acquisitions.

1.7.3 Alignment of accounting policies and presentation

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

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

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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 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:

- 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 26** Interest-bearing liabilities for details.
- 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 1.4** Measures for performance for details.
- 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 (in 2019, presented as change in settlements for futures) 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.
- 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.

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

1.7.4 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 3.1** Acquisitions and ‣ **Note 26** Interest-bearing liabilities.

1.7.5 Segment reporting

Following the consolidation of Uniper as a subsidiary on 31 March 2020, Fortum revised its report
and reports Uniper as a separate segment. Until 31 March 2020 Fortum's share of Uniper's associ
results was presented in Other operations. See ‣ **Note 6** Segment reporting.

Fortum previously accounted for Uniper as an associated company with a three-month time lag
published the annual report before Uniper's financial information was available. From the first qua
Fortum revised its financial reporting schedule and publishes annual and interim reports after Uni
first quarter results therefore included Fortum's share of Uniper's results from 1 October 2019 to 3
See ‣ **Note 18** Participations in associated companies and joint ventures.

Reporting of both the Uniper segment, and the Generation segment are impacted by adjustme
ownership in the Swedish nuclear company, OKG AB. See paragraph above.

1.7.6 One-time impact from acquisition accounting

Consolidation of an associated company results includes recording a share of the associated com
comprehensive income (OCI). If an associated company is either divested or becomes a subsidiar
that these previously recorded OCI items are reclassified inside equity either via the consolidated
statement or directly to retained earnings, depending on the nature of the OCI item. Reclassificat
have an impact on total equity.

The above reclassification resulted in a one-time, non-cash income statement impact of EUR -2
March 2020 when Uniper became Fortum's subsidiary. This amount represented a part of Fortum
Uniper's OCI for the time when Uniper was an associated company, with no impact to Fortum's to
amount mainly related to exchange rate differences arising from the translation of foreign operat
by Uniper. See ‣ **Note 7** Items affecting comparability

1.8 New accounting standards, amendments and interpretations

New accounting standards, amendments and interpretations effective from 1 January 2020 did no
material impact on Fortum's consolidated financial statements.

New accounting standards, amendments and interpretations issued by the balance sheet date
from 1 January 2021, or later, are not expected to have a material impact on Fortum's consolidated
statements.

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2 Critical accounting estimates and judgements

The preparation of IFRS consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities existing at the balance sheet date, as well as the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results and timing may differ from these estimates.

The table below lists the areas where management's accounting estimates and judgements are most critical to reported results and financial position; as well as where to find more information on the areas of critical accounting estimate and judgement.

Critical accounting estimates and judgements	Note
Judgement used in the purchase price allocation of the acquisition of Uniper shares	3. Acquisitions, disposals and assets held for sale
Judgement used in determining the valuation of certain financial instruments	14. Financial assets and liabilities by categories 15. Financial assets and liabilities by fair value hierarchy
Assigned values and useful lives determined for intangible assets and property, plant and equipment acquired in a business combination	16, 17. Intangible assets; Property, plant and equipment and right-of-use assets
Assumptions related to impairment testing of property, plant and equipment and intangible assets as well as associated companies and joint ventures	16, 17. Intangible assets; Property, plant and equipment and right-of-use assets
Judgement used when assessing the nature of Fortum's interest in its investees, when considering the classification of Fortum's joint arrangements, as well as commitments arising from these arrangements	18. Participations in associated companies and joint ventures
Estimates used for the recognition and measurement of deferred tax assets	27. Income taxes on the balance sheet 36. Legal actions and official proceedings
Assumptions made to determine long-term cash flow forecasts of estimated costs for provision related to nuclear production	28. Nuclear related assets and liabilities
Assumptions made when estimating provisions	29. Other provisions
Assumptions used to determine future pension obligations	30. Pension obligations
Assumptions used to determine the lease liability	33. Leases
Judgement used in accounting for price-adjustment clauses contained in long-term contracts	34. Capital and other commitments

Impact of Covid-19 on consolidated financial statements

Fortum has considered the potential impact of the Covid-19 pandemic on its business operations, 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 a governments across the world implemented drastic measures to contain the spread of the diseas the exposure to risk and uncertainty in all risk categories has increased compared to the 2019 yea situation. There has been a certain stabilisation and partial recovery of commodity prices in the th quarters, but market prices for electricity remain lower than at the beginning of 2020 due to lowe prices and European demand as well as the extremely wet, warm, and windy winter in the Nordics first quarter. Fortum's hedges, especially for the year 2021, will offer some protection against sho fluctuations in electricity and other commodity market prices, but if the Covid-19 pandemic contir than expected or results in a more severe economic downturn than anticipated, results will be neg impacted, as the hedge level for future years is lower.

Additionally, there is an increased risk of credit defaults caused by the abrupt shut-down of soc parts of the world. Fortum has OTC derivative contracts with a number of energy wholesalers and utilities, trading companies, energy companies, industrial end-users and financial institutions acti energy and financial markets. Fortum also has credit exposure toward customers and suppliers co industrial counterparties, energy companies, government and municipal entities, utilities, small bu housing associations and private individuals, over a range of geographic regions. Credit defaults h had a significant impact, but if the pandemic continues for a longer period of time without extens support schemes for affected businesses, we expect to see increased default rates and delayed p customers, especially in the small and medium businesses in high-risk sectors and from non-inves counterparties that have been weakened economically by the pandemic. Fortum applies the expe loss model when recognising loss allowances for expected credit losses on financial assets. A sim applied when making credit value adjustments to the fair value of derivatives contracts. The mode been reviewed taking into account the ongoing Covid-19 pandemic. There is no significant increas losses due to Covid-19, however, the probability of defaults used in the expected credit loss mode increased compared to before the pandemic, resulting in slightly higher loss allowances and cred adjustments.

Fortum has further assessed whether there are any indications for impairment based on interna sources of information, such as the effects of the Covid-19. Fortum does not currently foresee tha would have such long-term effects that it would impact the overall values of its non-current asset property, plant and equipment and intangible assets. See ‣ **Note 16** Intangible assets for details o impairment testing.

Discount rates for pension plans were updated to reflect the fall in interest rates, which led to a increase in pension provisions during 2020. See ‣ **Note 30** Pension obligations.

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3 Acquisitions, disposals and assets held for sale

ACCOUNTING POLICIES

SUBSIDIARIES

Acquisition of subsidiaries are accounted for using the acquisition method. The consideration transferred is measured as the aggregate of acquisition date fair values of acquired net assets. Identifiable assets acquired and liabilities assumed are measured initially at acquisition date fair values, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. See ▸ **Note 1.3** Principles for consolidation.

ASSETS HELD FOR SALE

Assets or disposal groups are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset, or the disposal group, must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or disposal groups, and the sale must be highly probable. These assets, or in the case of disposal groups, assets and liabilities, are presented separately on the consolidated balance sheet and measured at the lower of the carrying amount and fair value less costs to sell. Assets classified as held for sale, or included in a disposal group classified as held for sale, are not depreciated.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS: UNIPER PURCHASE PRICE ALLOCATION

Preparing purchase price allocation requires management to make judgements when determining the fair value of the assets acquired and liabilities assumed. In the Uniper transaction, determining the fair values of property, plant and equipment and right-of-use assets, lease liabilities, provisions, contingent liabilities and long-term purchase obligations has required management judgement.

3.1 Acquisitions

EUR million	2020	2019
Gross investments in shares in subsidiary companies	3,646	13
Gross investments in shares in associated companies and joint ventures	119	73
Gross investments in other shares	42	20
Total	**3,807**	**106**

3.1.1 Acquisitions of subsidiary companies 2020

Uniper acquisition in March 2020

On 8 October 2019, Fortum entered into agreements to acquire all the shares held by funds mana
Management Corporation and its affiliates ("Elliott") and Knight Vinke Energy Advisors Limited ar
("Knight Vinke"). The transaction was closed in two tranches. Control over Uniper was acquired o
2020 upon closing of the first tranche of the agreement, 19.6% of the shares. A liability for the ma
of shares in the second tranche, 3.8% of the shares, was recognised on the acquisition date. The s
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 conside
combined shareholding was EUR 2.6 billion, which increased Fortum's total investment in Uniper
billion.

EUR million	
Acquisition of shares	
Liquid funds in acquired companies	
Acquisition of shares in cash flow	
Interest-bearing liabilities in acquired companies	
Other financial net debt in acquired companies	
Gross investments in shares	

Acquisition accounting

The purchase price allocation on the Uniper acquisition is being finalised and will be completed w
year window from the acquisition date, i.e. by 31 March 2021. The preliminary purchase price alloc
Uniper acquisition has resulted in adjustments to Uniper's 31 March 2020 opening balance sheet.
adjustments were mainly made to property, plant and equipment and right-of-use asse, particip
associates and joint ventures, lease liabilities, other provisions, and deferred taxes. See **Note 1.7**
Uniper acquisition impact to consolidated financial statements. Excess of the acquisition value ov
assets is presented as preliminary goodwill.

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

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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 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 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. line items have been classified in accordance with Fortum's balance sheet categorisation and, as fully comparable to Uniper's standalone balance sheet. Further, Fortum and Uniper are both co-o Swedish nuclear company OKG AB. OKG AB is consolidated into Uniper Group as a subsidiary wit minority representing Fortum's ownership in OKG AB. Fortum accounted for the shareholding in O associated company until 31 March 2020, and consolidated OKG AB as a subsidiary from 31 March

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

Acquisition-related costs of EUR 20 million are included in items affecting comparability in the c income statement. See ‣ **Note 7** Items affecting comparability.

Preparing a purchase price allocation requires management to make judgements when determ values of the assets acquired and liabilities assumed. The preliminary purchase price allocation m when analyses are conducted and further information becomes available. Any adjustments to the the assets acquired and liabilities assumed will impact the preliminary estimate of goodwill. These may be material. Fortum expects to conduct further analysis to assess the fair values of items suc plant and equipment, provisions, contingent liabilities and long-term purchase obligations.

See ‣ **Note 6** Segment reporting for Uniper's impact on Fortum's consolidated income statemen

3.1.2 Acquisitions of subsidiary companies 2019

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

3.1.3 Other share transactions

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

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

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3.2 Disposals

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

3.2.1 Disposals of subsidiary companies

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 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 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 2020 results.

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

During 2019 there were no material divestments.

Divestments of shares in subsidiaries - Impact on financial position

EUR million	20
Gross divestments of shares in subsidiary companies	1,
Intangible assets and property, plant and equipment	3
Other non-current and current assets	
Liquid funds	
Interest-bearing loans	-2
Other liabilities and provisions	
Net assets divested	1
Reclassified to participations in associates and joint ventures	
Result from transaction	7

3.2.2 Other disposals

In August 2019, the restructuring of Fortum's and Skellefteå Kraft's ownership in the two jointly o wind parks Solberg and Blaiken was finalised. See ‣ **Note 3.1.2** Acquisitions of subsidiary compani additional information.

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3.3 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.

EUR million	31 Dec 20
Assets held for sale	
Intangible assets and property, plant and equipment and right-of-use assets	2
Deferred tax assets	
Other non-current and current assets	
Liquid funds	
Total	3
Liabilities related to assets held for sale	
Interest-bearing liabilities	
Deferred tax liabilities	
Pension and asset retirement obligations	
Other liabilities and provisions	
Total	2

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4 Financial risk management

Fortum's risk management framework, objectives, organization and processes as well as a description of strategic, sustainability, financial and operational risks can be found in the Risk management section of the Operating and financial review (OFR).

Uniper was consolidated to Fortum as a subsidiary as of March 31, 2020 and Uniper is a separate reportable segment of Fortum. Additionally, Uniper is a separate listed company operating under German laws and regulations with its own risk management systems including a set of risk policies defining the risk management organisation principles, processes and responsibilities. Uniper does not directly apply the risk management systems applicable to other Fortum segments, however its key risk management principles and processes are materially similar.

4.1 Commodity market and fuel risks

Fortum's business is exposed to fluctuations in prices and availability of commodities used in the production, transmission and sales of energy products. The main exposure is toward electricity prices and volumes, gas prices and volumes, prices of emissions and prices and availability of fuels. Fortum hedges its exposure to commodity market risks in order to reduce volatility in cash flow and to increase the predictability of future results.

Risk management for commodity hedging and trading activities is based on general standards in the industry and involves the segregation of duties as well as daily calculation, monitoring and reporting of results, positions and risks. Instructions and guidelines, and controls are in place to ensure exposures are kept within approved limits and mandates. Hedging involves the use of derivative financial instruments as well as fixed-price physical delivery contracts.

The derivatives are also entered into for proprietary trading purposes. This takes place exclusively in the compliance with tight internal and regulatory restrictions.

4.1.1. Sensitivity arising from commodity derivatives according to IFRS 7

Sensitivity analysis shows the sensitivity arising from financial commodity derivatives as defined in IFRS 7. Sensitivities are presented with most descriptive measure about the risk management and usage of derivatives in Uniper segment and other Fortum's segments.

Fortum, excluding Uniper

In Fortum, excluding Uniper, derivatives are used for hedging purposes with hedge accounting applied to most hedging strategies. Sensitivities in the table below are calculated based on the electricity position as of 31 December 2020 (31 December 2019). Positions are actively managed in the day-to-day business operations and therefore the sensitivities vary from time to time. Sensitivity analysis includes only the market risks arising from derivatives i.e. the underlying physical electricity sales and purchases are not included. Sensitivity is calculated with the assumption that electricity forward and futures quotations would change 1 EUR/MWh for the period Fortum, excluding Uniper, has derivatives.

Sensitivity according to IFRS 7

+/- 1 EUR/MWh change in electricity forward and futures quotations, EUR million	Effect
Effect on profit before income tax	-/+
Effect on equity	-/+

Uniper

In Uniper, derivatives are used mainly for hedging, but also for proprietary trading purposes. Hedg
is not applied in Uniper for commodity derivatives.

Commodity price risks in Uniper are measured based on a value-at-risk approach with 95% con
and take into account the amount of open position as well as the prices, their volatility and the liq
respective markets. Value-at-risk figures are supplemented by stop-loss and volume based indica
necessary, additional portfolio-specific restrictions are set.

Based on the current Uniper portfolio, as of December 2020, the calendar year based, weighted
which takes market liquidities into account and ignores correlations between years, was EUR 463
financial and physical commodity positions covering next three years.

4.1.2. Electricity price and volume risk

Electricity price and volume risk in the Nordic region is the largest commodity market risk exposu
The exposure arising from outright power production (hydro and nuclear production assets) is ma
entering into electricity derivatives contracts on exchanges such as Nasdaq Commodities exchar
European Energy Exchange as well as directly with counterparties active in the energy and financ
The main objective of hedging is to reduce the effect of electricity price volatility on cash flows ar
the predictability of future results. The Generation segment and Uniper have separate hedging st
covering several years in the short to medium term. These hedging strategies are executed within
mandates and are continuously evaluated as electricity and other commodity market prices, the h
balance and other relevant parameters change.

Generation segment's hedging for power sales is performed in EUR on a Nordic level covering
and Sweden. The currency component of these hedges in the Swedish entity is currently not hedg
segment's sensitivity to the Nordic electricity market price is dependent on the hedge level for a
period. As per 31 December 2020, approximately 75% of the Generation segment's estimated Nor
sales volume was hedged for the calendar year 2021 with a price 33 EUR/MWh and approximately
calendar year 2022 with a price 31 EUR/MWh.

Uniper segment's power hedging is performed in EUR only in Sweden as there is no electricity
other Nordic countries. The currency exposure in the Swedish entity is hedged according to a sep
strategy. Uniper segment's sensitivity to the Nordic electricity price is dependent on the hedge le
time period. The Uniper segment's Nordic generation hedges as per 31 December 2020 was appr
at 27 EUR/MWh for 2021, and approximately 65% at 24 EUR/MWh for 2022.

In the Russia segment, electricity prices are the main sources of market risk. The electricity pric
correlated with the gas price. Exposure is partly mitigated through regulated fixed-price bilateral
but the majority of electricity sales is exposed to spot price risk. There are no derivative contract
segment.

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4.1.3 Electricity derivatives

The table below discloses the Fortum Group's electricity derivatives subject to hedge accounting, which are used for hedging electricity price risk. The fair values represent the values disclosed on the balance sheet. See also ‣ **Note 14** Financial assets and liabilities by categories for accounting principles and ‣ **Note 15** Financial assets and liabilities by fair value hierarchy for basis of fair value estimations.

Electricity derivatives by instrument 2020

	Volume, TWh				Fair value, EUR million		
	Under 1 year	**1-5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**	**Net**
Electricity derivatives	28	28	1	58	237	410	-173
Netting against electricity exchanges [1]					-89	-89	-
Total					**148**	**321**	**-173**

Electricity derivatives by instrument 2019 [2]

	Volume, TWh				Fair value, EUR million		
	Under 1 year	**1-5 years**	**Over 5 years**	**Total**	**Positive**	**Negative**	**Net**
Electricity derivatives	29	20		49	110	181	-71
Netting against electricity exchanges [1]					-67	-67	-
Total					**43**	**115**	**-71**

1) Receivables and liabilities against electricity exchanges arising from standard derivative contracts with same delivery period are netted.
2) Table has been revised from previously published to include only those electricity derivatives for which hedge accounting is applied. Previously published table also includes electricity derivatives for which hedge accounting is not applied.

4.2 Liquidity and refinancing risk

Liquidity and refinancing risks are managed through a combination of cash positions and committed credit and other facility agreements with the core banks. Maturity profile of loans is monitored to ensure that there is all times access to adequate liquidity for investments, loan maturities and margining required for commodity trading and hedging activities. Uniper has its own independent treasury organization to manage the liquidity and refinancing risks. Cash pools of Uniper are not combined with the cash pools of its ultimate parent company Fortum Corporation and there was no intra-group financing between the companies as of 31 December 2020.

Fortum's business is capital intensive and it has a diversified loan portfolio mainly consisting of financing denominated in EUR. Long-term financing is primarily raised by issuing bonds under For Corporation's Euro Medium Term Note programme as well as through bilateral and syndicated loa from a variety of different financial institutions.

In Fortum financing is primarily raised on parent company level and funds are distributed intern various internal financing arrangements. For example operations of PAO Fortum are mainly financ and intra-group long-term RUB denominated loans. The internal RUB loan receivables are hedged derivative contracts offsetting the currency exposure for the parent company.

On 31 December 2020, 85% (2019: 89%) of the Group's total external loans was raised by the pa Fortum Corporation, and remaining 6% by Uniper and 9% by other subsidiaries. However Uniper S financing for Uniper companies.

In 2020, Fortum updated the definitions of net debt and started to use financial net debt and ad debt when following indebtedness of the Group. At the end of 2020, financial net debt of Fortum, 7,023 million and adjusted net debt EUR 9,784 million. The previously used net debt EUR 5,260 mi of 2019 included interest-bearing loans, lease liabilities and liquid funds.

On 31 December 2020, loan maturities of Fortum, for the coming twelve-month period amounte million (2019: 551). Liquid funds of Fortum amounted to EUR 2,308 million (2019: 1,433). Liquid fun 289 million held by Uniper. Russian subsidiaries held EUR 244 million (2019: 201) of liquid funds in cash and bank deposits.

Maturity of loans

EUR million
2021
2022
2023
2024
2025
2026 and later
Total

For more information on loans, see ‣ **Note 26** Interest-bearing liabilities.

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Liquid funds, major credit lines and debt programmes 2020

EUR million	Total facility	Drawn amount	Available amount
Liquid funds			
Fortum Corporation			2,019
Uniper			289
Total			**2,308**
of which in Russia			244
Committed credit lines			
Fortum Corporation, EUR 1,750 million syndicated credit facility	1,750	-	1,750
Fortum Corporation, EUR 1,450 million syndicated credit facility[1)]	1,450	-	1,450
Uniper, EUR 1,800 million syndicated credit facility	1,800	-	1,800
Fortum Corporation, Bilateral overdraft facilities	100	-	100
Total	**5,100**	**-**	**5,100**
Debt programmes (uncommitted)			
Fortum Corporation, CP programme EUR 1,000 million	1,000	120	880
Fortum Corporation, CP programme SEK 10,000 million	997	75	921
Uniper, CP programme EUR 1,800 million	1,800	65	1,735
Fortum Corporation, EMTN programme EUR 8,000 million	8,000	4,195	3,805
Uniper, Debt Issuance programme EUR 2,000 million	2,000	-	2,000
Total	**13,797**	**4,455**	**9,341**

Liquid funds, major credit lines and debt programmes 2019

EUR million	Total facility
Liquid funds	
Cash and cash equivalents	
Deposits and securities over 3 months	
Total	
of which in Russia (PAO Fortum)	
Committed credit lines	
EUR 1,750 million syndicated credit facility	1,750
EUR 8,300 million syndicated credit facility[1)]	8,300
Bilateral overdraft facilities	50
Total	**10,100**
Debt programmes (uncommitted)	
Fortum Corporation, CP programme EUR 1,000 million	1,000
Fortum Corporation, CP programme SEK 10,000 million	957
Fortum Corporation, EMTN programme EUR 8,000 million	8,000
Total	**9,957**

1) In 2019, Fortum signed committed credit facilities of EUR 8.3 billion for the purchase of Uniper shares an October 2019 and for the liquidity purposes. At the end of 2020 Fortum had EUR 2.0 billion drawn and outs the facilities and EUR 1.45 billion available. The rest of the facilities (EUR 4.85 billion) was either repaid or 2020. For further information, see ▸**Note 23** Liquid funds and ▸**Note 26** Interest-bearing liabilities.

Maturity analysis of interest-bearing loans and derivative liabilities

	2020				2019	
EUR million	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years
Interest-bearing loans	1,856	4,912	3,711	10,479	661	3,207
Commodity derivatives	8,523	3,715	37	12,275	1,146	206
Interest rate and currency derivatives	181	82	37	300	53	53
Cash outflows of interest-bearing loans and derivatives	**10,560**	**8,709**	**3,785**	**23,053**	**1,860**	**3,466**

Interest-bearing loans are non-discounted expected cash flows including future interest payment amortisations. For derivative contracts that are settled in cash or another financial instrument, th represent the fair value of the derivative liability before any offsetting of assets and liabilities in th sheet. Commodity purchase contracts with physical settlement included within the scope of IFRS use transactions") are presented at the contractually agreed settlement amount.

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4.3 Interest rate risk and currency risk

4.3.1 Interest rate risk

Fortum is exposed to cash flow risk from changes in interest rates mainly from interest-bearing liabilities and derivatives on a fixed- and floating rate basis. Additionally changes in general interest rate level may have impact on discount rates of various provisions like pension provisions and asset retirement obligations causing changes in amount of adjusted net debt and finance costs without cash flow impact.

Fortum manages the interest rate exposure through a duration target of the loan portfolio (excluding leasing liabilities and provisions), and cash flow at risk limit. Fortum uses different types of financing contracts and interest rate derivative contracts to manage the interest rate exposure and evaluates and develops the strategies in order to find an optimal balance between risk and financing cost.

On 31 December 2020, the duration of the Fortum's loan portfolio (including derivatives) was 2.0 years (2019: 2.6). Approximately 76% (2019: 65%) of the loan portfolio was on a floating rate basis or fixed rate loans maturing within the next 12-month period. The flow risk, measured as the difference between the base case interest cost estimate and the worst-case scenario estimate for Fortum's loan portfolio for the coming 12 months, was EUR 16 million (2019: 10).

The average interest rate for the total loan portfolio including derivatives in finance costs was 1.5% at the balance sheet date (2019: 2.3%). Part of the external loans EUR 634 million (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 (2019: 7.8%). The average interest rate of EUR loans was 0.9 % (2019: 0.9%).

4.3.2 Currency risk

Fortum's policy is to hedge major transaction exposures on a local level in the reporting currency of each legal entity in order to avoid exchange differences in the profit and loss statement. An exception is Generation segment's hedging of power sales in Sweden where the currency component is currently not hedged. Fortum Treasury and Uniper Treasury manage each own risks centrally by executing internal and external currency deals to mitigate the currency risk. Derivatives are used to hedge existing foreign exchange risks, not for proprietary trading.

Fortum transaction exposure, excluding Uniper

	2020			2019		
EUR million	**Net Position**	**Hedge**	**Open**	**Net Position**	**Hedge**	**Open**
RUB	455	-455	0	570	-570	-
SEK	1,825	-1,825	1	1,439	-1,440	-1
PLN	417	-416	2	439	-439	1
NOK	84	-82	2	245	-244	-
INR	86	-86	0	132	-132	-
USD	-87	89	1	-147	147	-
Other	-4	4	0	-4	5	1
Total	**2,777**	**-2,771**	**6**	**2,674**	**-2,673**	**1**

Fortum has cash flows, assets and liabilities in currencies other than EUR and is therefore expose fluctuations in exchange rates. Currency exposures are divided into transaction exposures (foreig exposures relating to contracted or estimated cash flows and balance sheet items where change rates will have an impact on earnings and cash flows) and translation exposure (foreign exchange arises when profits and balance sheets in foreign entities are consolidated).

Transaction exposures arise mainly from physical and financial trading of commodities, existing investments, external and internal financing and shareholder loans. Contracted cash flow exposu hedged to reduce volatility in future cash flows. These hedges normally consist of currency deriva which are matched against the underlying future cash flow according to maturity. Fortum has cur hedges both with and without hedge accounting treatment under IFRS. Those currency cash flow which hedge accounting is not applied are mainly hedging commodity derivatives and create vola operating profit. There was no significant ineffectiveness arising from cash flow hedges in 2020.

As of 31 December 2020 Fortum, excluding Uniper, the one day value at risk (VAR) with 99% co loans, receivables and derivatives was EUR 1.4 million (2019: 2.2) in income statement and EUR 2.4 1.5) in equity. Income statement sensitivity resulted mainly from flows in SEK and NOK and equity mainly from flows in RUB, SEK and PLN. For Uniper one day VAR with 99% confidence from transl deposits and borrowings in foreign currency and derivatives was EUR 18.4 million and resulted pri positions in GBP, USD and SEK.

Translation exposure position includes net investments in foreign subsidiaries and associated c Translation exposures in Fortum are generally not hedged as the majority of these assets are con long-term strategic holdings. In Fortum, this means mainly entities operating in Sweden, Russia a base currency is not euro.

Exchange differences arising from the translation of the net investment in foreign entities are t The net effect of exchange differences on equity attributable to equity holders mainly from RUB a EUR -492 million in 2020 (2019: 253). Part of this translation exposure has been hedged and the n of foreign currency hedges were -238 million in 2020 (2019: -365). The foreign currency hedge res to EUR 53 million in 2020 (2019: -14). There was no significant ineffectiveness arising from net inv hedges in 2020.

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Interest rate and currency derivatives by instrument 2020

	Notional amount Remaining lifetimes				Fair value		
EUR million	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Hedge accounting							
Foreign exchange derivatives	304	88	-	392	4	5	-1
Interest rate swaps	825	1,875	1,675	4,375	154	61	93
Cross currency swaps	14	261	-	275	38	3	35
Non-hedge accounting							
Foreign exchange derivatives	7,991	1,743	-	9,734	135	228	-93
Interest rate swaps	-	20	-	20	-	0	0
Cross currency swaps	-	24	-	24	-	1	-1
Total	**9,134**	**4,010**	**1,675**	**14,819**	**331**	**299**	**32**
Of which long-term					216	118	98
Short-term					115	181	-66

Interest rate and currency derivatives by instrument 2019

	Notional amount Remaining lifetimes				Fair value		
EUR million	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Hedge accounting							
Foreign exchange derivatives	280	97	-	376	3	5	-2
Interest rate swaps	-	2,696	1,525	4,221	153	53	100
Cross currency swaps	104	263	-	367	8	17	-9
Non-hedge accounting							
Foreign exchange derivatives	3,645	263	-	3,908	9	52	-43
Interest rate swaps	-	19	-	19	-	-	-
Cross currency swaps	-	-	-	-	-	-	-
Total	**4,029**	**3,337**	**1,525**	**8,891**	**172**	**127**	**45**
Of which long-term					156	74	82
Short-term					16	53	-37

4.4 Credit risk

Fortum is exposed to counterparty risk whenever there is a contractual arrangement with an exte counterparty.

Credit risk exposures relating to financial derivative instruments are often volatile and include b replacement risk and the settlement risk. Exchange-traded derivatives are cleared through centra parties (CCPs) or through clearing banks while over-the-counter (OTC) derivative contracts are co directly with a number of different counterparties including energy wholesalers and retailers, utili companies, energy companies, industrial end-users and financial institutions active in the financia markets. Currency and interest rate derivative counterparties are limited to investment grade ban financial institutions. ISDA Master agreements, which include netting clauses and in some cases C Annex agreements, are in place with most of these counterparties. The majority of commodity de counterparties have investment-grade or comparable ratings. Master agreements, such as ISDA, EFET, which include netting clauses, are in place with the majority of the counterparties.

Due to the financing needs and management of liquidity, Fortum has counterparty credit expos number of banks and financial institutions in the form of deposits and towards corporate issuers o papers, mainly in the Nordic market. The majority of the exposure is towards Fortum's key relatio which are highly creditworthy institutions. Investments in commercial papers were all with invest issuers at 31 December 2020. Fortum also has exposure to the Russian financial sector in terms of financial institutions as well as to banks that provide guarantees for suppliers and contracting pa in Russia have been concentrated to the most creditworthy state-owned or controlled banks as w of key relationship banks. The creditworthiness of banks and financial institutions is monitored so mitigating actions can be taken as ratings or the financial situation changes.

Credit risk relating to customers, suppliers and trading partners is spread across a wide range o counterparties, energy companies, government and municipal entities, utilities, small businesses, associations and private individuals over a range of geographic regions. The majority of exposure of trade receivables from the sale of electricity, gas and heat in the Nordic market, continental Eu Russia. The credit risk in the electricity and heat sales business in Russia is deemed to be higher t Nordic and continental European market.

4.4.1 Credit quality of major financial assets

Fortum recognises the loss allowance for expected credit losses on financial assets classified to a category at each reporting date. The impairment model is applied to financial assets such as trad deposits, commercial papers and loan and other interest-bearing receivables. Please se ›Note 2 other receivables for details on expected credit losses recognised for trade receivables.

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Expected credit loss is calculated on an individual contract basis for deposits, commercial papers and loan and other interest-bearing receivables. No impairment loss is recognised on cash in bank accounts since expected credit loss is immaterial due to low risk of default. The expected credit losses according to this model are based on assessment of the individual counterparty's risk of default. The risk of default is evaluated at each reporting date based on credit ratings to determine if credit risk has increased significantly. Whenever possible, the risk of default is derived from available market data (liquid credit default swaps or liquid debt instruments) which ensures that forward-looking information is considered. If there are no publicly available market data, an internal credit rating is applied. The value of collateral and other measures taken to reduce credit risk (e.g., credit default insurance) is included in the calculation of expected credit losses in the "loss given default" ratio.

A financial asset with an investment-grade rating is assumed to have low credit risk. A change of credit rating from investment to non-investment grade constitutes a significant increase in credit risk. If the credit risk on the financial asset has not increased significantly since the initial recognition, loss allowance equals to 12 month ECL. If the credit risk on the financial asset has increased significantly since initial recognition, loss allowance equals to the lifetime expected credit losses. There have been no significant increases in credit risk during 2020.

The loss allowance for interest-bearing receivables totalled EUR 7 million on 31 December 2020 (2019: 1). Amounts for interest-bearing receivables including bank deposits and derivative financial instruments recognised as assets are presented by counterparties in the following table.

All counterparties for currency and interest rate derivatives and the majority of counterparties for bank deposits have an external rating from Standard & Poor's, Fitch and/or Moody's credit agencies. For counterparties rated by more than one rating agency, the lowest of the ratings is used to determine if it is investment grade.

In the commodity derivatives and commercial paper market, there are a number of counterparties not rated by Standard & Poor's, Fitch or Moody's. For these counterparties, Fortum assigns an internal rating. The internal rating categories that are considered to be comparable to investment grade have similar financial metrics or display historical default rates which correspond to investment grade companies rated by Standard & Poor's, Fitch or Moody's.

Credit quality of major financial assets

	2020	
EUR million	Carrying amount	of which past due
Receivables with investment grade or comparable rating		
Deposits, commercial papers and cash in bank accounts	2,107	-
Fair values of interest rate and currency derivatives	331	-
Fair values of derivatives on exchanges	3,795	-
Fair values of commodity derivatives	5,638	-
Loan and other interest-bearing receivables	995	-
Lease receivables	196	-
Total receivables with investment grade or comparable rating	**13,062**	**-**
Receivables with non-investment grade or comparable rating		
Deposits, commercial papers and cash in bank accounts	94	-
Fair values of commodity derivatives	711	-
Loan and other interest-bearing receivables	58	-
Receivable from SIBUR related to divested shares of OOO Tobolsk CHP	23	-
Total receivables with non-investment grade or comparable rating	**886**	**-**
Other receivables [1]		
Loan receivables from associates and joint ventures	1,150	-
Restricted cash mainly given as collateral for commodity exchanges	48	-
Cash in other bank accounts	107	-
Total other receivables	**1,305**	**-**
Total	**15,253**	**-**

1) Other receivables include financial assets which have not been divided to investment-grade and non-inv
comparable ratings.

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Financial instruments subject to master netting agreements:

The following tables present the recognised financial instruments that are offset, or subject to enforceable master netting arrangements and other similar agreements but not offset. The column 'net amount' shows the impact on the Group's balance sheet if all netting rights were exercised.

Netting agreements for financial assets and liabilities 2020

EUR million	Gross amount	Gross amount netted in the balance sheet [1]	**Net amounts presented in the balance sheet**	Conditional netting amount (netting agreements)	Financial collateral received /pledged	**Net amount**
Financial assets						
Interest-rate and currency derivatives	331	0	**331**	87	109	**135**
Commodity derivatives	10,939	793	**10,146**	5,290	-100	**4,956**
Trade receivables	7,115	0	**7,115**	3,692	0	**3,424**
Total	**18,386**	**793**	**17,593**	**9,069**	**9**	**8,515**
EUR million						
Financial liabilities						
Interest-rate and currency derivatives	299	0	**299**	87	3	**209**
Commodity derivatives	11,088	793	**10,295**	5,290	151	**4,854**
Trade payables	7,126	0	**7,126**	3,692	0	**3,434**
Total	**18,513**	**793**	**17,720**	**9,069**	**154**	**8,497**

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

Netting agreements for financial assets and liabilities 2019

EUR million	Gross amount	Gross amount netted in the balance sheet [1]	**Net amounts presented in the balance sheet**	Conditional netting amount (netting agreements)	Financ collate receiv /pledg
Financial assets					
Interest-rate and currency derivatives	172	0	**172**	76	
Commodity derivatives	817	679	**139**	61	
Trade receivables	736	0	**736**	0	
Total	**1,725**	**679**	**1,046**	**137**	
EUR million					
Financial liabilities					
Interest-rate and currency derivatives	127	0	**127**	76	
Commodity derivatives	941	679	**262**	61	
Trade payables	316	0	**316**	0	
Total	**1,383**	**679**	**705**	**137**	

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

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5 Capital risk management

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', as well as
- 'Partner with industrial and infrastructure customers'.

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 coal-fired plant closures in Germany announced by Uniper in 2020: 0.9 GW at the end of 2020, 1.5 GW by 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.

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 partly be built on our own balance sheet and partly using the 'build-operate-transfer' business model.

Further, Fortum aims to 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 expected to bring 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 creating value for both companies and their shareholders.

Financial targets, dividend policy, and 2021 guidance for capital expenditure

Following the consolidation of Uniper, Fortum's business profile changed. In 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, in connection with its strategy update, the Group also updated its financial targets. 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, defined as Alternative Performance Measure.
- Hurdle rates for new investments based on weighted average cost of capital ("WACC")
  - +100 basis points for green investments
  - +200 basis points for other investments

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

The estimated annual capital expenditure for the whole Fortum Group, including Uniper, for 202 approximately EUR 1,400 million, including maintenance and excluding acquisitions. The share of estimated to be EUR 700 million.

Standard & Poor's long-term credit rating for Fortum is BBB with Negative Outlook. Fitch Rating credit rating for Fortum is BBB with Negative Outlook.

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

Financial net debt/comparable EBITDA ratio

EUR million	N
+Interest-bearing liabilities	
- Liquid funds	
- Non-current securities	
- Collateral arrangement securities	
- Securities in interest-bearing receivables	
- Margin receivables	
+ Margin liabilities	
+ Net margin liabilities	
Financial net debt	
Operating profit	
+ Depreciation and amortisation	
EBITDA	
- Items affecting comparability	
Comparable EBITDA	
Financial net debt/comparable EBITDA	

See ▸ **Definitions of key figures**.

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

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6 Segment reporting

SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

Fortum's operations comprise the provision of gas, electricity, heating and cooling as well global energy trading and optimisation and waste management services. Revenue streams can be divided into five groups: gas sales, power sales to wholesale markets, power sales to retail customers, heating sales and waste treatment sales. Revenue is recognised when goods are transferred or services are performed, i.e. when a performance obligation is satisfied and control of the good or service underlying the particular performance obligations is transferred to the customer. Revenue is shown at the price that Fortum expects to be entitled to and it is presented net of rebates, discounts, value-added tax and selective taxes, such as electricity tax. Revenues also include the surcharge mandated by the German Renewable Energy Sources Act in the Uniper segment. Revenues include effects from physically settled contracts for which own use exemption cannot be used according to IFRS 9, see ‣ **Note 7** Items affecting comparability. Accounting policies for the different revenue streams are described below.

POWER SALES TO WHOLESALE MARKETS AND THROUGH BILATERAL CONTRACTS

Physical electricity trades to wholesale markets are made at a spot price and thus there are no variable elements. Electricity sales are recognised on delivery at the price defined in wholesale market. Fortum is also selling power to industrial customers and municipalities through bilateral contracts. These contracts can include fixed price components that are recognised in line with the customer's actual consumption profile, when the nature of the performance obligation is to deliver power instead of standing-ready to deliver power. When Fortum is acting as an agent in electricity trade by granting access to Nord Pool power trading system, Fortum presents the bilateral trades between Fortum and the customer on a net basis and only the service fee is recorded as revenue.

POWER SALES TO RETAIL CUSTOMERS

Fortum's contracts with consumer and business customers cover electricity sales, while the distribution service is delivered by the transmission company operating the local network. There is only one performance obligation, which is to stand-ready to supply electricity to the customer. The transaction price generally includes both a fixed monthly charge and a variable fee based on the volume of electricity supplied. As Fortum's promise is to stand ready to deliver electricity, the fixed and variable components are recognised based on the fees chargeable from the customer. If automated meter reading is not available, electricity consumption between the last meter reading and the end of the month is estimated.

HEAT SALES

In many areas the district heating service covers both the distribution and sale of heat. Fortum is usually responsible for delivering the whole service, even when heat is being produced by a third party, and is acting as a principal for heat sales as well. There is only one performance obligation, which is to stand-ready to supply heat to the customer. The fees charged from the customer generally comprise a fixed monthly charge and a variable fee based on the volume of heat supplied. As Fortum's promise is to stand ready the fixed and variable components are recognised based on the fees chargeable from the custo Baltics and Poland there are also areas where Fortum operates only the heat production faciliti third party is responsible for the distribution of heat. In these areas the performance obligation heat and revenue is recognised based on the volume of heat that Fortum is entitled to charge f customer.

GAS SALES

Revenues are generated from sales of gas via traded markets, as well as to industrial customer and include hedges settled through physical delivery, which are recognised when delivery take control is transferred to the customer. Gas sales include also revenues earned from the transpo Contracts generally contain one performance obligation for which the entire transaction price i

For physically settled transactions that are in the scope of IFRS 15 (own-use transactions), re recognised based on contract prices, as these reflect the economic character of the transactio contractually agreed consideration amounts. If IFRS 15 provides for a different method, for exa constraint on variable considerations is applicable, contract prices are adjusted accordingly.

Gas contracts can also include fixed price components that are recognised in line with the c actual consumption profile, when the nature of the performance obligation is to deliver gas inst standing-ready to deliver gas.

WASTE TREATMENT SALES

Majority of revenue from waste management services arises from fees charged for receiving w customers (i.e. gate fees). The fee is usually determined based on the volume of waste received variable elements in pricing. Fortum is required to treat the waste and this performance obligat when treatment has been performed. Transportation of the waste forms another performance Fees for waste treatment and transportation services are separately agreed in the contract and the price that would be charged for these services separately. Revenue for transportation servi recognised when the service has been provided.

Waste treatment sales include also various types of soil and landfill site projects, which mos at customer sites. Fees charged are invoiced based on payment schedules agreed with the cus customer obtains the benefit of the construction work simultaneously when the construction w and therefore project revenues are recognised over time. Progress of the construction is best r through costs incurred, or the completed area of the construction site.

NETTING AND INTER-SEGMENT TRANSACTIONS

Generation and City Solution segments sell their electricity production to Nord Pool and Consu segment buys its electricity from Nord Pool. For these segments eliminations of sales include e sales and purchases with Nord Pool that are netted at Group level on an hourly basis and poste revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour. In sales, expenses and results for the different business segments are affected by intra-group deli are eliminated on consolidation. Inter-segment transactions are based on commercial terms.

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Fortum anticipates revenues of EUR 922 million (2019: 15) from unsatisfied performance obligations, mostly relating to gas and bilateral electricity contracts. Of this total, EUR 234 million is attributable to 2021 (2019: EUR 14 million to 2020) and EUR 688 million to years after 2021 (2019: EUR 1 million to years after 2020).

6.1 Business structure

Fortum's reportable segments 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.

As Fortum has previously accounted for Uniper as an associated company with three-month time lag (see ‣ **Note 18** 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 1.7** Summary of Uniper acquisition impact to consolidated financial statements.

6.2 Segment structure

Fortum discloses segment information in a manner consistent with internal reporting to Fortum's Directors and Fortum Executive Management, led by the President and CEO. Fortum segments ar type of business operation, combined with one segment based on geographical area and one seg a separately listed sub group. Fortum's reportable segments are the business divisions Generatio Solutions, Consumer Solutions and Uniper.

6.3 Definitions for segment information

Fortum's segment information discloses the financial measurements used in financial target setti forecasting, management's follow up of financial performance and allocation of resources in the C performance management process. See ‣ **Note 1.4** Measures for performance.

Segment reporting is based on the same accounting policies as Fortum Group.

Description of reportable segments:

Reportable segments

Group

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.

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.

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.

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.

Uniper

The Uniper segment comprises Fortum's majority ownership in Uniper, a subsidiar of Fortum. Uniper is a leading internation energy company with activities in more than 40 countries. Its business is the secu provision of energy and related services. main activities include power generation Europe and Russia as well as global energ trading and optimisation, which Uniper reports in three businesses – European Generation, Global Commodities and Russian Power Generation – in its financia statements. The segment includes Uniper proportionate share of OKG.

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6.4 Segment information

Consolidated income statement

		Generation [1]		Russia		City Solutions [1]		Consumer Solutions		Uniper [2]		Other Operations [2]	
EUR million	**Note**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Power sales [3]		1,878	2,006	791	924	121	153	1,057	1,630	16,994	-	0	-
Heat sales		-	-	134	145	516	615	-	-	191	-	-	-
Gas sales		84	91	-	-	1	3	139	132	22,176	-	-	-
Waste treatment sales		-	-	-	-	252	250	-	-	-	-	-	-
Other sales		44	44	4	2	185	178	70	74	5,154	-	140	115
Sales		**2,006**	**2,141**	**929**	**1,071**	**1,075**	**1,200**	**1,267**	**1,835**	**44,514**	**-**	**140**	**115**
Internal eliminations		-421	-259	-2	-	-64	-45	-2	3	-0	-	-110	-86
Netting of Nord Pool transactions [4]													
IS External sales		**1,585**	**1,883**	**927**	**1,071**	**1,012**	**1,155**	**1,264**	**1,839**	**44,514**	**-**	**30**	**29**
Comparable EBITDA		886	939	394	469	239	308	153	141	856	-	-94	-91
IS Depreciation and amortisation		**-164**	**-145**	**-143**	**-153**	**-191**	**-188**	**-63**	**-62**	**-494**	**-**	**-35**	**-28**
IS Comparable operating profit		**722**	**794**	**251**	**316**	**47**	**120**	**90**	**79**	**363**	**-**	**-129**	**-118**
Impairment charges and reversals	7	2	-3	-	-	-	-	-	-	-0	-	-	-6
Capital gains and other related items	7	0	3	1	1	723	5	0	-	-13	-	53	-2
Impact from acquisition accounting	7	-	-	0	-	-	-	-	-	-	-	-222	-
Changes in fair values of derivatives hedging future cash flow	7	-12	-15	0	-	5	2	39	-59	-706	-	-	-
Other		0	-	-	-	-	-	-	-	386	-	-	-
IS Items affecting comparability [5]	7	-11	-14	1	1	728	7	39	-59	-333	-	-169	-8
IS Operating profit		**711**	**780**	**252**	**317**	**775**	**127**	**129**	**20**	**29**	**-**	**-298**	**-126**
IS Share of profit/loss of associates and joint ventures	18, 28	29	10	47	59	57	37	-	-	54	-	470	538
IS Finance costs - net													
IS Income taxes													
IS Profit for the year													

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and the realised spot price.
2) 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. Fortum's first-quarter share of Uniper's results is reported in the sh associates and joint venture of 'Other operations'; see ▸ **Note** 1.
3) Power sales in Fortum, excluding Uniper, contains realised result from commodity derivatives, which have not had hedge accounting status under IFRS 9, but have been considered operatively as hedges.
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 whether Fortum is a net seller or net buyer during any particular hour.
5) In 2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See ▸ **Note** 1.7 Summary of Uniper acquisition impact to consolidated fi statements.

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Segment assets and liabilities

		Generation		Russia		City Solutions		Consumer Solutions		Uniper		Other Operations	
EUR million	**Note**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Non-interest-bearing assets		**5,780**	**5,461**	**2,020**	**2,637**	**3,512**	**3,780**	**780**	**939**	**20,646**	**-**	**270**	**237**
BS Participations in associates and joint ventures	18, 28	961	838	577	681	612	584	-	-	729	-	33	4,331
Eliminations													
Total segment assets		**6,742**	**6,299**	**2,597**	**3,319**	**4,123**	**4,364**	**780**	**939**	**21,375**	**-**	**303**	**4,568**
Interest-bearing receivables	20												
BS Deferred tax assets	27												
Other assets													
BS Liquid funds	23												
Total assets													
Segment liabilities		**508**	**279**	**166**	**107**	**445**	**419**	**215**	**302**	**13,943**	**-**	**167**	**168**
Eliminations													
Total segment liabilities													
BS Deferred tax liabilities	27												
Other liabilities													
Total liabilities included in capital employed													
Interest-bearing liabilities	26												
BS Total equity													
Total equity and liabilities													

Segment assets and liabilities at 31 December 2019 included assets held for sale. See ‣ **Note 3** Acquisitions, disposals and assets held for sale.

Gross investments / divestments

		Generation		Russia		City Solutions		Consumer Solutions		Uniper		Other Operations	
EUR million	**Note**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Gross investments in shares	18, 3	70	13	48	66	114	9	0	-	3	-	3,572	18
Capital expenditure	16, 17	158	247	43	67	219	314	57	55	624	-	34	30
Gross divestments of shares	3	171	12	0	-	895	2	10	-	69	-	81	16

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

EUR million	Note	Generation 2020	Generation 2019	Russia 2020	Russia 2019	City Solutions 2020	City Solutions 2019	Consumer Solutions 2020	Consumer Solutions 2019	Uniper [3] 2020	20
Comparable operating profit		**722**	**794**	**251**	**316**	**47**	**120**	**90**	**79**	**363**	
Share of profit/loss of associates and joint ventures	18	29	10	47	59	57	37	-	-	54	
Adjustment to share of profit/loss of associates and joint ventures [1]		-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 year		6,742	6,299	2,597	3,319	4,123	4,364	780	939	21,375	
Segment liabilities at the end of the year		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 [2]		**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) See ▸ Definitions of key figures.
2) Average net assets are calculated using the opening balance of the financial year and each quarter's closing value.
3) The Uniper segment was acquired on 31 March 2020. Comparable net assets average and Comparable return on net assets for the Uniper segment 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 3** Acquisitions, disposals and assets held for sale.

Employees

	Generation 2020	Generation 2019	Russia 2020	Russia 2019	City Solutions 2020	City Solutions 2019	Consumer Solutions 2020	Consumer Solutions 2019	Uniper 2020	Uniper 2019	Other Operations 2020	Other Operations 2019
Number of employees 31 December	1,143	1,109	2,935	2,955	2,093	1,970	1,048	1,327	11,751	-	963	830
Average number of employees	1,163	1,122	2,969	2,942	2,051	1,979	1,216	1,379	11,629	-	959	825

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6.5 Group-wide disclosures

The Group's operating segments operate mainly in the Nordic countries, Germany, United Kingdom, Russia, the Netherlands and the Baltic Rim area.

The Group's domicile is Finland.

The table below presents sales by geographical area based on customer location. Assets, capital expenditure and personnel are reported where assets and personnel are located. Participations in associates and joint ventures are not presented by location since these companies may have business in several geographical areas.

Due to the large number of customers and the variety of business activities, there is no individual customer whose business volume is material to Fortum's total business volume.

Sales by geographical area based on customer location

EUR million	2020	2019
Nordics	4,754	3,740
Germany	12,223	52
United Kingdom	9,618	26
Other central western Europe	17,790	51
Russia	1,610	1,071
Other	3,021	506
IS Total	**49,015**	**5,447**

Nordic power production is not presented by country since Nordic power production is mainly sold through Nord Pool.

Capital expenditure by country

EUR million	2020	2019
Finland	160	199
Germany	279	0
Russia	158	67
Sweden	186	114
United Kingdom	89	11
Norway	71	115
Other countries	191	207
Total	**1,135**	**713**

Non-current assets by country

EUR million	20
Finland	3,
Germany	5,1
Russia	4,
Sweden	8,0
United Kingdom	8
Other and eliminations	3,6
Total	**25,0**

Non-current assets include intangible assets, property, plant and equipment and right-of-use ass
participations in associates and joint ventures.

Number of employees on 31 December by country

	20
Finland	2,3
Germany	4,9
Russia	7,4
Sweden	1,7
United Kingdom	1,0
Other	2,1
Total	**19,9**

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7 Items affecting comparability

EUR million	2020	2019
Impairment charges and reversals	2	-8
Capital gains and other related items	765	7
Impact from acquisition accounting	-222	-
Changes in fair values of derivatives hedging future cash flow	-675	-72
Other	386	-
IS Total [1]	**255**	**-72**

1) In 2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See ▸ **Note 1.7** Summary of Uniper acquisition impact to consolidated financial statements.

Fortum uses Alternative performance measures (APMs) in the financial target setting and forecasting, management's follow up of financial performance of segments and the Group as well as allocation of resources in the Group's performance management process. The business performance of the operations cannot be compared from one period to another without adjusting for items affecting comparability and therefore they are excluded from Comparable operating profit and Comparable EBITDA. See ▸ **Note 1.4** Measures for performance for changes made to Items affecting comparability in 2020. Definitions are presented in the section ▸ **Definitions of key figures**.

Capital gains and other related items

Capital gains and other related items include capital gains and transaction costs from acquisitions, which are adjusted from other income and other expenses, respectively.

Capital gains and other related items in 2020 included EUR 72 million gain from the divestment of Fortum Recharge AS; EUR 431 million gain from the divestment of the district heating business in Joensuu, Finland; and EUR 291 million gain from divestment of the district heating business in Järvenpää, Finland; as well as Uniper acquisition-related costs of EUR 20 million. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

Impact from acquisition accounting

Consolidation of an associated company results includes recording a share of the associated com comprehensive income (OCI). If an associated company is either divested or becomes a subsidiar that these previously recorded OCI items are reclassified inside equity either via the consolidated statement or directly to retained earnings, depending on the nature of the OCI item. Reclassificat have an impact on total equity.

The above reclassification resulted in a one-time, non-cash income statement impact of EUR -2 March 2020 when Uniper became Fortum's subsidiary. This amount represented a part of Fortum Uniper's OCI for the time when Uniper was an associated company, with no impact to Fortum's to amount mainly related to exchange rate differences arising from translation of foreign operations Uniper. Fortum's share of Uniper's non-recyclable other comprehensive income, EUR -84 million, reclassified to retained earnings. See Consolidated statement of changes in equity.

Changes in fair values of derivatives hedging future cash flow

Unrealised changes in the fair values of financial derivative instruments hedging future cash flows qualify for hedge accounting and physical contracts that are treated as derivatives are recognise affecting comparability. For additional information, see ▸ **Note 14** Financial assets and liabilities b

Impacts from settlement of physical contracts that have been treated as derivatives are adj and materials and services to reflect the contract pricing as opposed to market pricing ("contract adjustment").

Adjustments are needed to improve the understanding of the financial performance when c results from one period to another.

Other

Other includes restructuring expenses, adjustments to certain provisions, and reversals of tempo in current assets.

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Reconciliation of operating profit to comparable operating profit, 2020

EUR million	Unadjusted	Impairment charges and reversals	Capital gains and other related items	Impact from acquisition accounting	Changes in fair values of derivatives hedging future cash flow	Other	Reported
Sales	42,517				6,499		49,015
Other income	10,517	0	-784		-4,679	-252	4,802
Materials and services	-38,286				-5,805	-208	-44,298
Employee benefits	-1,206					11	-1,195
Depreciation and amortisation	-1,092	-1				3	-1,090
Other expenses	-10,851		20	222	4,659	60	-5,890
IS Comparable operating profit	**-**	**-2**	**-765**	**222**	**675**	**-386**	**1,344**
IS Items affecting comparability	-	2	765	-222	-675	386	255
IS Operating profit	**1,599**						**1,599**

Reconciliation of operating profit to comparable operating profit, 2019

EUR million	Unadjusted	Impairment charges and reversals	Capital gains and other related items	Impact from acquisition accounting	Changes in fair values of derivatives hedging future cash flow	Other	Reported
Sales	5,418				29		5,447
Other income	122		-12		0		110
Materials and services	-2,764				43		-2,721
Employee benefits	-480						-480
Depreciation and amortisation	-583	8					-575
Other expenses	-596		6				-591
IS Comparable operating profit	**-**	**8**	**-7**	**-**	**72**	**-**	**1,191**
IS Items affecting comparability	-	-8	7		-72		-72
IS Operating profit	**1,118**						**1,118**

8 Other income and other expenses

ACCOUNTING POLICIES

In Uniper segment realised gains and losses on non-hedge accounted commodity derivatives a gross within other operating income and expenses. These consist of gains and losses represen hedging result on derivative financial instruments for which hedge accounting according to IFR applied and to limited extent transactions conducted in connection with proprietary trading.

Income and loss from exchange rate differences reported within other operating income and e consist primarily of realised and unrealised gains and losses from the translation of foreign cur receivables and liabilities in Uniper segment.

8.1 Other income

EUR million	20
Realised gains on non-hedge accounted derivatives	3,9
Gains on exchange rate differences	6
Other	
IS Total	**4,8**

8.2 Other expenses

EUR million	20
Realised losses on non-hedge accounted derivatives	4,3
Losses on exchange rate differences	5
IT and telecommunication costs	2
Other	1
IS Total	**5,8**

The major components recorded in other are the external operation and maintenance costs of po plants, expenses relating to properties and other operative expenses.

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Auditors' fees

EUR million	2020	2019
Deloitte		
Audit fees	2.6	2.3
Audit-related assignments	0.3	0.3
Tax assignments	0.2	-
Other assignments	0.2	0.8
Total	**3.3**	**3.4**
PwC		
Audit fees	11.3	-
Audit-related assignments	0.5	-
Tax assignments	0.1	-
Other assignments	1.2	-
Total [1]	**13.1**	**-**

1) PwC fees are presented for the period after consolidating Uniper as a subsidiary on 31 March 2020.

Deloitte Oy is the appointed auditor until the next Annual General Meeting in 2021. Audit fees include fees for the audit of the consolidated financial statements, review of interim reports, as well as fees for the audit of Fortum Corporation and its subsidiaries. Audit-related assignments include fees for assurance of sustainability reporting, and other assurance and associated services related to the audit. Tax assignments include fees for tax advice services. Other assignments consist of advisory services.

PricewaterhouseCoopers GmbH Wirtschaftsprüfingsgesellschaft ("PwC Germany") is the appointed auditor of the subsidiary Uniper SE.

9 Materials and services

EUR million	2020	2019
Materials	43,377	2,569
Transmission costs	532	42
External services	389	110
IS Total	**44,298**	**2,721**

Materials consists mainly of coal, gas and nuclear fuels.

Materials include EUR 624 million (2019: 259) purchased from associates and joint ventures consisting of nuclear and hydropower purchased at production cost (including interest costs and production taxes) and purchased steam. See ▸ **Note 37** Related party transactions.

10 Employee benefits and Board remuneratio

EUR million	20
Wages and salaries	9
Pensions	
Defined contribution plans	
Defined benefit plans	
Social security costs	
Share-based incentives	
Other employee costs	
IS Total	**1,1**

The compensation package for Fortum employees consists of salaries, fringe benefits, short-term profit sharing paid to the Personnel Fund (in Finland) and share-based long-term incentives.

For further information on pensions see ▸ **Note 30** Pension obligations.

10.1 Short-term incentives (STI)

Fortum's STI programme is designed to support the achievement of the Group's financial and oth targets on an annual basis. As a main principle, all employees are covered by the programme or a a business specific or a comparable local variable pay arrangement.

The Board of Directors determines the performance criteria and award levels for the Fortum Ex Management. The awards are based on the achievement of Group financial performance, division individual targets. The target incentive opportunity is 20% and the maximum incentive opportunit annual base salary. The Board of Directors assesses the performance of the President and CEO ar members of the Fortum Executive Management on a regular basis.

Awards for other employees are based on a combination of Group, divisional, functional and pe targets. The targets are set in annual performance discussions held at the beginning of the year. the STI programme are paid solely in cash.

10.2 Share-based long-term incentives (LTI)

The purpose of Fortum's share-based long-term incentive programme is to support the delivery o long-term performance, align the interests of management with those of shareholders and suppo committing and retaining key individuals.

Fortum's LTI programme provides participants with the opportunity to earn company shares. U programme, and subject to the decision of the Board of Directors, a new LTI plan commences ann Board of Directors approves participation of the Fortum Executive Management members in each commencing LTI plan. Subject to a decision by the Board of Directors, the President and CEO is au decide on individual participants and potential maximum awards for other participants than the F Executive Management in accordance with the nomination guidelines approved by the Board of D Participation in the LTI plan precludes the individual from being a member in the Fortum Personne

Each LTI plan begins with a three-year earnings period, during which participants may earn sha performance criteria set by the Board of Directors are fulfilled. If the minimum performance criter no shares will be awarded. If performance is exceptionally good and the targets approved by the Directors are achieved, the combined gross value of all variable compensation cannot exceed 120 person's annual salary in any calendar year. After the earnings period has ended and the relevant other employment-related expenses have been deducted, participants are paid the net balance in shares.

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For LTI plans commencing in 2015 to 2016, any shares awarded to Fortum Executive Management members are subject to a three-year lock-up period. Subject to a decision by the Board of Directors, the lock-up period can be reduced to one year for those Fortum Executive Management members whose aggregate ownership of Fortum shares is greater than or equal to their annual salary. If the value of the shares decreases or increases during the lock-up or retention period, the participant will carry the potential loss or gain. For LTI plans commencing in 2017 and later, the share awards will not be subject to a minimum lock-up period. However, Fortum Executive Management members aggregate ownership of Fortum shares has to be greater than or equal to their annual salary. Those members, whose aggregate ownership of Fortum shares does not yet fulfil the shareholding requirement are required to retain at least 50% of the shares received until the required level of shareholding is met.

Board of Directors decided in December 2019 to establish a Restricted Share programme as of the beginning of 2020 to supplement the current LTI programme. The Restricted Share programme will follow the main terms and conditions of the general LTI programme with the exception that the allocated shares will be delivered after the three-year plan period independent of performance measures, subject to continued employment. The Restricted Share programme is designated for special purposes defined by the Board of Directors, such as retention.

The Board of Directors has the right to revise the targets set in the incentive plans, deviate from the payment based on achievement of the set earnings criteria, or to discontinue any ongoing incentive plan.

The share plans under the LTI arrangement are accounted for as partly equity- and partly cash-settled arrangements. The earned reward that the participants receive in shares is accounted for as an equity-settled transaction. For participants receiving cash only, the total arrangement is accounted for as cash-settled transaction. The reward is recognised as an expense during the earnings period with a corresponding increase in the liabilities for transactions settled in cash, and a corresponding increase in equity for the transactions settled in shares. The social charges related to the arrangement payable by the employer are accrued as a liability. The LTI liability including social charges at the end of the year 2020 was EUR 12 million (2019: 14), including EUR 8 million (2019: 7) recorded in equity.

At year end 2020 approximately 160 key employees are participants in at least one of the on-going LTI plans.

Uniper has historically had cash-settled performance plans. At the year end 2020 Uniper did not have any such plans ongoing.

Shares granted

The following table presents the changes in number of share rewards during 2020 (for LTI plans 2

	2
1 January	1,717
Granted	630
Settled	-434
Expired or forfeited	-310
31 December	**1,603**

At the year end 2020, for plans started before 2017, number of shares under lock-up was 64,465 s

10.3 Employee share savings programme (ESS)

Fortum's employee share savings (ESS) programme was launched in 2020. The objective of the ES is to motivate Fortum employees to invest and retain ownership in the company and to align the e interests with its shareholders.

The ESS programme includes annually commencing savings periods during which the employee proportion of their salaries and purchase Fortum shares with the accrued savings.

For the 2020 savings period that commenced on 1 January 2020, participants will, as a gross re granted one matching share for each two purchased savings shares after approximately three ye beginning of the savings period. The prerequisites for receiving matching shares are that the part the purchased savings shares until the end of the holding period, and that his or her employment before the end of the holding period.

Each plan consists of one-year savings period followed by two-year holding period. Shares are the accumulated savings at the market price quarterly after the release of Fortum's interim report programme is accounted for as an equity-settled transaction, and the cost related to matching sh recognised as expense during the vesting period.

10.4 Uniper's Supervisory Board virtual shares

Supervisory Board members of Uniper SE receive a component of 20% of their compensation in th variable compensation. That compensation is granted as a right to a future payment in the form o The virtual shares are used purely for calculation purposes and do not confer on the beneficiary a of shareholder rights - particularly voting rights or dividend rights. To determine the number of vi the variable compensation from the previous year is divided in January by the volume-weighted a price of Uniper SE from the last 60 trading days prior to 1 January of the reporting year. After four years, the virtual shares are multiplied by the average share price of Uniper SE from the last 60 tr prior to 1 January of the fourth calendar year and increased by the amount of dividends paid to sh each share of Uniper SE over the previous four years. The variable compensation is paid within th after the end of the four-year period and is limited to 200% of the allocation amount. The plan is s

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10.5 Fortum Personnel Fund

The Fortum Personnel Fund (for employees in Finland only) has been in operation since 2000. The Board of Directors determines the criteria for the fund's annual profit-sharing bonus. Members of the personnel fund are the permanent and fixed-term employees of the Group.

The profit-sharing received by the fund is distributed equally between the members. Each employee's share is divided into a tied amount and an amount available for withdrawal. It is possible to transfer a maximum of 15% of capital from the tied amount to the amount available for withdrawal each year.

The fund's latest financial year ended at 30 April 2020 and the fund then had a total of 2,379 members (2019: 2,280). At the end of April 2020 Fortum contributed EUR 1.7 million (2019: 2.4) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2019. The combined amount of members' shares in the fund was EUR 18 million (2019: 20).

The contribution to the personnel fund is expensed as it is earned.

10.6 The President and CEO and the Fortum Executive Management remuneration

The Fortum Executive Management (FEM) consists of nine members, including the President and CEO. The following table presents the total remuneration of the President and CEO and the FEM and takes into account the changes in FEM during the year. The expenses are shown on accrual basis.

Management remuneration

	2020			2019	
EUR thousand	**Markus Rauramo, President and CEO from 1 July 2020** [2]	**Pekka Lundmark, President and CEO until 1 July 2020**	**Other FEM members** [2]	**Pekka Lundmark, President and CEO**	**Other FEM members**
Salaries and fringe benefits	808	521	3,195	1,057	3,382
Performance bonuses [1]	82	-	472	200	661
Share-based incentives [1]	249	94	2,553	898	3,506
Pensions (statutory)	140	82	599	207	748
Pensions (voluntary)	158	132	593	265	647
Social security expenses	31	18	279	39	344
Total	**1,467**	**848**	**7,691**	**2,666**	**9,287**

1) Based on estimated amounts.
2) In addition to the information provided in the above table, the estimated compensation for the membership in the Supervisory Board of Uniper SE for the President and CEO Markus Rauramo was EUR 101 thousands, and for other FEM members, EUR 181 thousand. This compensation is for the period that Uniper has been consolidated as subsidiary.

The annual contribution for the President and CEO Markus Rauramo's pension arrangement is 20% of the annual fixed compensation. The annual fixed compensation consists of base salary and fringe benefits. The President and CEO's retirement age is determined in accordance with the Finnish Employees' Pension Act. In case his assignment is terminated before the retirement age, the President and CEO is entitled to retain the benefits accrued in the arrangement. The annual contribution for the President and CEO Pekka Lundmark's pension arrangement was 25% of the annual salary. The annual salary consisted of base salary and fringe benefits.

For the other members of the FEM, the retirement age varies between 62 and 65. According to
all new supplementary pension arrangements are defined contribution plans. For the members of
have defined contribution arrangements, the maximum pension premium percentage can be 25%
salary. For members joining the FEM after the end of the year 2016, as well as for those current m
whom the premium has been below 20% of the annual salary, the pension premium is 20% of the a
salary as of 1 January 2017. Finnish FEM members, who have joined Fortum prior to 1 January 2009
participating in defined benefit pension arrangements, where the benefit is 60–66% of the final p
salary with the pension provided by an insurance company or Fortum's Pension Fund.

A pension liability of EUR 1,283 thousand (2019: 824) related to the defined benefit plans for FE
has been recognised on the balance sheet. The additional pension arrangement for the President
defined contribution pension plan and thus no liability has been recognised on the balance sheet.

In the event that Fortum decides to give notice of termination to the President and CEO, he is e
salary for the notice period (6 months) and a severance pay equal to 6 months' salary. For other F
the notice period for both parties is six months, and in case the company terminates the contract
entitled to the salary for the notice period and a severance pay equal to 6 months' salary, except
member who is entitled to a payment of 18 months' salary in case of notice by the company.

Number of shares delivered to the management

The table below shows the number of shares delivered to the President and CEO and other FEM r
the LTI arrangements. FEM members whose aggregate ownership of Fortum shares does not yet
shareholding requirement are required to retain at least 50% of the shares received until the requ
shareholding is met.

	20
FEM members at 31 December 2020	
Markus Rauramo, CEO from 1 July 2020	12
Arun Aggarwal	4
Alexander Chuvaev [1]	36
Per Langer	5
Risto Penttinen	6
Arto Räty	5
Mikael Rönnblad	6
Sirpa-Helena Sormunen	6
Tiina Tuomela	7
Former FEM members	
Pekka Lundmark (CEO until 1 July 2020)	28
Total	**119**

1) Estimated number of shares after local tax and tax related deductions. Due to local legislation share righ
cash instead of shares.
2) Share delivery based on share plans 2017-2019.
3) Share delivery based on share plan 2016-2021.

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10.7 Board of Directors and management shareholding

On 31 December 2020, the members of the Board of Directors owned a total of 9,540 shares (2019: 8,540), which corresponds to 0.00% (2019: 0.00%) of the company's shares and voting rights.

Number of shares held by members of the Board of Directors

	2020	2019
Board members at 31 December 2020		
Matti Lievonen, Chairman	4,500	1,500
Veli-Matti Reinikkala, Deputy Chairman	5,000	3,000
Eva Hamilton	40	40
Essimari Kairisto	-	-
Klaus-Dieter Maubach	-	-
Anja McAlister	-	-
Teppo Paavola	-	N/A
Philipp Rösler	-	-
Annette Stube	-	N/A
Former Board members		
Kim Ignatius	N/A	4,000
Total	**9,540**	**8,540**

The President and CEO and other members of the FEM owned a total of 281,308 shares (2019: 263,002), which corresponds to approximately 0.03% (2019: 0.03%) of the company's shares and voting rights.

Number of shares held by members of the Fortum Executive Management

	2020	2019
FEM members at 31 December 2020		
Markus Rauramo	72,949	45,272
Arun Aggarwal	4,461	-
Alexander Chuvaev	54,602	22,053
Per Langer	44,155	38,248
Risto Penttinen	30,559	18,587
Arto Räty	10,592	4,931
Mikael Rönnblad	10,356	3,435
Sirpa-Helena Sormunen	21,195	12,668
Tiina Tuomela	32,439	24,877
Former FEM members		
Pekka Lundmark	N/A	92,931
Total	**281,308**	**263,002**

10.8 Board remuneration

The Board of Directors comprises five to ten members who are elected at the Annual General Meeting for a one-year term of office, which expires at the end of the first Annual General Meeting following the election. The Board of Directors consists of nine members at the end of 2020.

The Annual General meeting confirms the yearly compensation for the Board of Directors. Boar
not offered any long-term incentive benefits or participation in other incentive schemes. There ar
arrangements for the Board members. Social security costs EUR 6 thousand (2019: 11) have been
the fees in accordance with local legislation in respective countries.

Fees for the Board of Directors

EUR thousand	2
Chairman	
Deputy Chairman	
Chairman of the Audit and Risk Committee [1]	
Members	

1) If not Chairman or Deputy Chairman simultaneously.

Every member of the Board of Directors receives a fixed yearly fee and additional fees for each m
attended.

A meeting fee of EUR 600 is paid for Board and Committee meetings. For Board members living
Finland in Europe, the meeting fee is EUR 1,200; for Board members living outside Europe, the me
EUR 1,800. For Board and Committee meetings held as a telephone conference, the meeting fee i
600 to all members. No fee is paid for decisions made without a separate meeting.

Board members are entitled to travel expense compensation in accordance with the company's

Compensation for the Board of Directors

EUR thousand	2
Board members at 31 December 2020	
Matti Lievonen, Chairman	
Veli-Matti Reinikkala, Deputy Chairman from 23 April 2020	
Eva Hamilton	
Essimari Kairisto, Chairman of the Audit and Risk Committee from 23 April 2020	
Klaus-Dieter Maubach, Deputy Chairman until 23 April 2020 [1]	
Anja McAlister	
Teppo Paavola (member of the board from 23 April 2020)	
Philipp Rösler (member of the board from 26 March 2019)	
Annette Stube (member of the board from 23 April 2020)	
Former Board members	
Heinz-Werner Binzel (member of the board until 26 March 2019)	
Kim Ignatius (Chairman of the Audit and Risk Committee and member of the board until 23 April 2020)	
Marco Ryan (member of the board from 26 March 2019 to 1 August 2019)	
Total	

1) In addition to the information provided in the above table, the estimated compensation for th members Supervisory Board of Uniper SE for Klaus-Dieter Maubach was EUR 157 thousand. This compe ation is f Uniper has been consolidated as subsidiary.

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11 Finance costs – net

EUR million	Note	2020	2019
Interest expense			
Borrowings		-186	-171
Leasing and other interest expenses		-12	-4
Capitalised borrowing costs	17	27	9
Total		**-170**	**-167**
Interest income			
Loan receivables and deposits		96	25
Leasing and other interest income		16	3
Total		**111**	**28**
Other financial expenses - net			
Return from Nuclear Funds, Nuclear fund adjustment and unwinding of discounts on provisions [1]	28, 29, 30	-26	-4
Fair value changes, impairments and reversals	20	29	8
Other financial expenses and income		0	1
Total		**3**	**5**
IS Finance costs - net		**-56**	**-134**

1) In 2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See ▸ **Note** 1.7 Summary of Uniper acquisition impact to consolidated financial statements.

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) include 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. For additional information see ▸ **Note 28** Nuclear related assets and liabilities.

Interest rate and currency derivatives in finance costs – net

EUR million	2
Interest rate and cross currency swaps	
Interest expenses on borrowings	
Exchange rate difference from derivatives	
Rate difference in fair value gains and losses on financial instruments [1]	
Total fair value change of interest rate derivatives in finance costs - net	
Foreign exchange derivatives	
Interest expenses on borrowings	
Exchange rate difference from derivatives	
Rate difference in fair value gains and losses on financial instruments	
Total fair value change of currency derivatives in finance costs - net	
Total	

1) Fair value gains and losses on financial instruments include fair value changes from interest rate swaps n accounting status amounting to EUR 0 million (2019: -2) and fair value change of hedging derivatives in fa relationship to EUR -2 million (2019: 27).

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12 Income tax expense

12.1 Profit before tax

EUR million	2020	2019
Finnish companies	1,088	303
German companies [1]	269	592
Russian companies	403	312
Swedish companies	-65	383
Other companies	504	138
IS Total	**2,199**	**1,728**

1) Includes share of profits from associates related to Uniper, EUR 469 million (2019: 632), and impact from acquisition accounting, EUR -222 million (2019: 0).

Profit before tax by country represents the respective countries' part of total profit before tax for Fortum Group according to IFRS, based on the same accounting principles as consolidated financial statements. This means that the respective country's profits include such items as share of profits from associates, and effects of accounting for nuclear provisions, which are not included in taxable profits in the local subsidiaries.

12.2 Major components of income tax expense by major countries

EUR million	2020	2019
Current taxes		
Finnish companies	-35	-40
German companies	-81	-2
Russian companies	-84	-51
Swedish companies	30	-79
Other companies	-52	-61
Total	**-222**	**-233**
Deferred taxes		
Finnish companies	-32	-15
German companies	-23	-
Russian companies	-12	-6
Swedish companies	-81	6
Other companies	25	30
Total	**-123**	**15**
Adjustments recognised for current tax of prior periods		
Finnish companies	1	-2
German companies	1	-
Russian companies	-	-
Swedish companies	-1	-
Other companies	1	-1
Total	**2**	**-3**
IS Income tax expense	**-344**	**-221**

12.3 Income tax rate

The table below explains the difference between the theoretical enacted tax rate in Finland comp rate in the consolidated income statement.

EUR million	2020	%	2
Profit before tax	2,199		1,
Tax calculated at nominal Finnish tax rate	-440	20.0	-3
Differences in tax rates in other jurisdictions	-52	2.4	
Tax rate changes	4	-0.2	
Tax exempt capital gains	167	-7.6	
Impact of acquisition accounting	-70	3.2	
Tax exempt income and other non-deductible expenses	24	-1.1	
Share of profit of associates and joint ventures	189	-8.6	2
Taxes related to dividend distributions	-24	1.1	
Tax effects of changes in value and non-recognition of deferred taxes	-129	5.9	
Other items	-16	0.7	
Adjustments recognised for taxes of prior periods	3	-0.1	
IS Income tax expense	**-344**	**15.7**	**-**

Key tax indicators:

- The weighted average applicable income tax rate for 2020 is 22.1% (2019: 23.6%)
- The effective income tax rate in the income statement for 2020 is 15.7% (2019: 12.8%)
- The comparable effective income tax rate (excluding the share of profits from associates and j as well as items affecting comparability, tax exempt capital gains, tax rate changes and other income tax effects) for 2020 is 23.8% (2019: 22.0%).

See ▸ **Definitions of key figures.**

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The major items affecting the effective income tax rate are as follows:

- Share of profit of associates and joint ventures during 2020 reduced the effective income tax rate by 8.6% (2019: -12.7%), the main impact being from Uniper, EUR 469 million (2019: 632).
- This share of profit has also largely impacted by the difference in tax rates in other jurisdictions, increasing the rate by 2.4% (2019: 3.6%) overall.
- The one-time tax-free capital gains mainly relate to the sale of the district heating businesses in Joensuu and Järvenpää, Finland.
- The impact from acquisition accounting related to the one time, non taxable impact when Uniper became Fortum's subsidiary on 31 March 2020. See ▸ **Note 7** Items affecting comparability.
- The tax impact from the non-recognition of deferred taxes in line with the accounting policy.

Fortum has had ongoing tax audits during 2020. Based on earlier audits, Fortum has received income tax assessments in Belgium for the years 2008-2012. In previous years, Fortum has appealed all assessments received. Based on legal analysis, no provision has been accounted for in the financial statements related to Belgium 2008-2012 tax audits, therefore additional taxes of EUR 114 million that have been paid during prior years has been booked as an income tax receivable.

For further information regarding the ongoing tax appeals see ▸ **Note 36** Legal actions and official proceedings.

During 2020, entities primarily in Belgium, Ireland and Russia used a portion of the deferred tax asset relating to tax loss carry forwards.

13 Earnings and dividend per share

ACCOUNTING POLICIES

EARNINGS PER SHARE
Basic earnings per share is calculated by dividing the net profit attributable to the owners of th company by the weighted average number of ordinary shares in issue during the year, excludin shares purchased by the Group and held as treasury shares.

DIVIDENDS
Dividends proposed by the Board of Directors are not recognised in the financial statements ur been approved by the company's shareholders at the Annual General Meeting.

13.1 Earnings per share

Earnings per share, basic

	20
IS Profit attributable to owners of the parent (EUR million)	1,8
Weighted average number of shares (thousand)	888,2
Basic earnings per share (EUR)	2

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

13.2 Dividend per share

A dividend in respect of 2020 of EUR 1.12 per share, amounting to a total dividend of EUR 995 mill the amount of shares registered as at 11 March 2021, is to be proposed at the planned Annual Ger on 28 April 2021. These Financial statements do not reflect this dividend.

A dividend for 2019 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided General Meeting on 23 April 2020 and 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 General Meeting on 26 March 2019 and the dividend was paid on 4 April 2019.

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14 Financial assets and liabilities by categories

ACCOUNTING POLICIES

FINANCIAL ASSETS
Fortum classifies its financial assets in the following categories according to IFRS 9: financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The classification is made at initial recognition and depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for the financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of the principal and interest on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. When the SPPI criteria is not met, financial assets are classified to fair value through profit or loss category.

Financial assets are presented as non-current assets unless they are held for trading, expected to be realised within 12 months at the closing date or they have a maturity of under 12 months at closing date. These are classified as current assets.

FINANCIAL ASSETS AT AMORTISED COST
Fortum measures financial assets at amortised cost when the financial asset is included in the held-to-collect business model with fixed or determinable payments that are payments of amount outstanding or interest on it. They arise when the Group provides money, goods or services directly to a debtor. Financial assets at amortised cost include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at amortised cost are subject to impairment using expected credit loss (ECL) model. Gains and losses from derecognition of the asset are recognised in profit and loss.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS
Financial assets at fair value through profit or loss include financial assets held for trading in the short term, financial assets designated upon initial recognition irrevocably as fair value through profit or loss and financial assets mandatorily recognised at fair value through profit or loss according to IFRS 9. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Gains and losses arising from changes in the fair value are included in the income statement in the period in which they arise.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Other equity investments designated at fair value through other comprehensive income are not subject to impairment assessment and accumulated reserves are not recycled to profit or loss upon derecognition. Dividends received are recognised in profit and loss.

Investments designated at fair value through other comprehensive income mainly consist of other equity investments coming from the acquisition of Uniper which the Group has elected to designate irrevocably at fair value through other comprehensive income.

DERECOGNITION
Fortum derecognises financial assets when the rights to receive cash flows from the assets hav when it has substantially transferred the risks and rewards of the assets outside of the Group.

IMPAIRMENT
Fortum recognises an allowance for expected credit losses (ECL) according to IFRS 9 for financ measured at amortised cost. See further information on ECL in ‣ **Note 4.4.1** Credit quality of ma assets and in ‣ **Note 22** Trade and other receivables.
Financial assets measured at fair value through profit or loss are not included in ECL assessmen already measured at fair value. A financial asset is written-off when there is no reasonable expe recovering the contractual cash flows.

FINANCIAL LIABILITIES
All financial liabilities are recognised initially at fair value. In the case of loans and borrowings a incurred transaction costs are deducted. In subsequent periods, all financial liabilities, except d financial liabilities which the Group has at initial recognition irrevocably designated at fair value or loss, are stated at amortised cost; any difference between proceeds (net of transaction cost redemption value is recognised as interest cost over the period of the borrowing using the effe rate method.

Derivative financial instruments entered into by the Group, that are not designated as hedgi are classified as liabilities at fair value through profit and loss. Amortisation of the effective inte gains and losses of liabilities are recognised in the income statement.

Group's financial liabilities include trade and other payables, loans and borrowings and deriv instruments. Borrowings or portion of borrowings being hedged with a fair value hedge are rec value through profit or loss. Derecognition of financial liabilities takes place when the Group ha contractual obligations.

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
Within the ordinary course of business the Group routinely enters into sale and purchase transa commodities. Contracts that were entered into and continue to be held for the purpose of rece of the commodity in accordance with the Group's expected sale, purchase or usage requiremen within the scope of IFRS 9 ("own use exemption"). Physical contracts to buy or sell a non-financ are fair valued using the fair value option to off-set accounting mismatch, or where own use ex hedge accounting cannot be applied are fair valued through the income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered in subsequently remeasured at their fair value. Gains and losses resulting from the initial fair value of a derivative ("day one" gains and losses) are eliminated against the corresponding derivative liability, if the initial fair value is determined based on valuation model with input parameters th unobservable from active markets. For derivatives whose initial fair value is evidenced by a quo active market for an identical contract or based on a valuation technique that uses only data fro markets, gains and losses from the initial measurement are accounted for similarly to gains or l subsequent measurement.

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The method of recognising the resulting gain or loss on the subsequent measurement depends on whether the derivative is designated as a hedging instrument eligible for hedge accounting, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of the fair value of recognised assets or liabilities, or unrecognised firm commitments (fair value hedge); or (3) hedges of net investments in foreign operations.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, whether the hedged item is one or several risk components separately or in aggregation, as well as its risk management objective and strategy for undertaking various hedge transactions. When applying hedge accounting the Group also documents its assessment, of whether the derivatives that are used in hedging transactions are meeting the hedge accounting effectiveness criteria: (1) there is an economic relationship between the hedged item and the hedging instrument, (2) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (3) the hedge ratio of the hedging relationship is the same as applied in the risk management. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective by assessing the prospective capacity of the derivatives in offsetting changes in fair values or cash flows of hedged items. Hedge accounting is discontinued only when the hedging relationship ceases to meet the hedge effectiveness criteria.

CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. Gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit and loss (e.g. when the forecasted sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (e.g. inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in the income statement when the forecast transaction is ultimately also recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

Fortum hedges its exposure to commodity market risks and applies hedge accounting by risk components. Hedge accounting is applied to Nordic electricity price risk, where the Nordic area priced physical electricity delivery is commonly divided into three risk components: (1) system price risk, (2) electricity pri difference risk (EPAD) and (3) currency risk. For each of these separate risk components there a derivative contracts available, which each are being a highly effective hedge for the associated component.

FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are the income statement, together with any changes in the fair value of the hedged asset or liabili attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carryin hedged item for which the effective interest method is used is amortised to profit or loss for th maturity of the hedged item.

NET INVESTMENT HEDGING IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedge loss on the hedging instrument relating to the effective portion of the hedge is recognised in eq or loss relating to the ineffective portion is recognised immediately in the income statement. G accumulated in equity are included in the income statement when the foreign operation is disp

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments hedging future cash flows do not qualify for hedge accounting. F changes of these commodity derivative instruments are recognised in items affecting compara income statement, whereas fair value changes of interest rate and currency derivative instrume recognised in finance costs - net.

Financial assets and liabilities in the tables below are split into categories in accordance with categories are further divided into classes which are the basis for valuing a respective asset or Further information can be found in the Notes mentioned in the table.

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Financial assets by category 2020

EUR million	Note	Amortised cost	Fair value through profit or loss: Hedge accounting, fair value hedges	Fair value through profit or loss: Non-hedge accounting	Fair value through profit or loss: Other financial assets	Fair value through other comprehensive income: Net investment and Cash flow hedges	Fair value through other comprehensive income: Other equity investments	Lease receivables	To
Financial instruments in non-current assets									
Other non-current assets	19	291			70		118		
Derivative financial instruments									
Commodity derivatives				2,707		23			
Interest rate and currency derivatives	4		134	46		36			
Long-term interest-bearing receivables	20	2,106			116			181	
Financial instruments in current assets									
Derivative financial instruments									
Commodity derivatives				7,292		125			
Interest rate and currency derivatives	4		20	89		6			
Trade receivables	22	7,115							
Other receivables	22	1,728			62				
Short-term interest-bearing receivables	20	145			437			16	
Liquid funds	23	2,262			46				
Total		**13,646**	**154**	**10,133**	**732**	**190**	**118**	**196**	

Financial assets by category 2019

EUR million	Note	Amortised cost	Fair value through profit or loss: Hedge accounting, fair value hedges	Fair value through profit or loss: Non-hedge accounting	Fair value through profit or loss: Other financial assets	Fair value through other comprehensive income: Net investment and Cash flow hedges	To
Financial instruments in non-current assets							
Other non-current assets	19	75			75		
Derivative financial instruments							
Commodity derivatives				22		1	
Interest rate and currency derivatives	4		153	2		1	
Long-term interest-bearing receivables	20	628			23		
Financial instruments in current assets							
Derivative financial instruments							
Commodity derivatives				74		42	
Interest rate and currency derivatives	4			7		9	
Trade receivables	22	736					
Other receivables [1]	22	263					
Short-term interest-bearing receivables	20	69			315		
Liquid funds	23	1,433					
Total		**3,204**	**153**	**105**	**413**	**53**	

1) Table has been revised from previously published to include Other receivables.

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Financial liabilities by category 2020

EUR million	Note	Amortised cost	Fair value through profit or loss: Hedge accounting, fair value hedges	Fair value through profit or loss: Non-hedge accounting	Fair value through profit or loss: Other financial liabilities	Fair value through other comprehensive income: Net investment and Cash flow hedges	Lease liabilities	Total
Financial instruments in non-current liabilities								
Interest-bearing liabilities	26	5,746	2,145 [1]				894	
Derivative financial instruments								
Commodity derivatives				2,462		77		
Interest rate and currency derivatives	4		25	63		30		
Financial instruments in current liabilities								
Interest-bearing liabilities	26	1,284			432		161	
Derivative financial instruments								
Commodity derivatives				7,512		244		
Interest rate and currency derivatives	4		10	167		4		
Trade payables	32	7,126						
Other liabilities	32	972						
Total		**15,128**	**2,180**	**10,203**	**432**	**356**	**1,055**	

1) Fair valued part of bond in fair value hedge relationship.

Financial liabilities by category 2019

EUR million	Note	Amortised cost	Fair value through profit or loss: Hedge accounting, fair value hedges	Fair value through profit or loss: Non-hedge accounting	Fair value through profit or loss: Other financial liabilities	Fair value through other comprehensive income: Net investment and Cash flow hedges	Lease liabilities	Total
Financial instruments in non-current liabilities								
Interest-bearing liabilities	26	3,736	2,293 [1]				189	
Derivative financial instruments								
Commodity derivatives				33		30		
Interest rate and currency derivatives	4		25	3		47		
Financial instruments in current liabilities								
Interest-bearing liabilities	26	270			281		19	
Derivative financial instruments								
Commodity derivatives				114		85		
Interest rate and currency derivatives	4			49		4		
Trade payables	32	316						
Other liabilities	32	168						
Total		**4,490**	**2,318**	**199**	**281**	**166**	**208**	

1) Fair valued part of bond in fair value hedge relationship.

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15 Financial assets and liabilities by fair value hierarchy

ACCOUNTING POLICIES

Fair value measurements are classified using a fair value hierarchy i.e. Level 1, Level 2 and Level 3 that reflects the significance of the inputs used in making the measurements.

FAIR VALUES UNDER LEVEL 1 MEASUREMENT HIERARCHY

The fair value of financial assets and liabilities classified as Level 1 is based on unadjusted quoted prices in active markets at the closing date. Level 1 consist e.g. commodity derivatives traded in active markets.

FAIR VALUES UNDER LEVEL 2 MEASUREMENT HIERARCHY

The fair value of financial assets and liabilities classified as Level 2 is based on observable input parameters, which are other than quoted prices.

The fair value of financial instruments traded in active markets in Level 2 is calculated using prices derived from quoted market prices at the closing date. Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the closing date. Fair values of options are determined by using option valuation models. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The counterparty credit risk has been taken into account when determining fair value. The credit risk is determined based on a portfolio valuation in a bilateral approach covering both Fortum's own credit risk (debt value adjustment) and the credit risk of the corresponding counterparty (credit value adjustment).

The Group bases the calculation on existing market conditions at each closing date. Financial instruments used in Fortum are standardised products that are either cleared via exchanges or widely traded in the market. Credit risk from trading commodity derivatives is mitigated by clearing trades through exchanges or by limiting trades to OTC counterparties considered to be creditworthy, or secured by credit worthy guarantees. Financial derivatives are traded with credit worthy financial institutions with investment grade ratings.

FAIR VALUES UNDER LEVEL 3 MEASUREMENT HIERARCHY

The fair value of financial assets and liabilities classified as Level 3 is based on unobservable input parameters.

Level 3 consist mainly investments in unlisted shares classified as other investments for which the fair value can't be reliably measured and derivative financial instrument for which the fair value has been determined using valuation techniques with unobservable inputs. The input parameters of Level 3 of the fair value hierarchy for equity investments are specified taking into account economic developments and available industry and corporate data. The counterparty credit risk has been adjusted when determining the fair value.

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Financial assets

		Level 1		Level 2		Level 3		Netting [1]		Tota
EUR million	**Note**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
In non-current assets										
Other investments	19	75	0	43		70	75			188
Derivative financial instruments										
Commodity derivatives										
Hedge accounting	4			52	9			-29	-8	23
Non-hedge accounting		1,030	10	1,563	27	138		-24	-16	2,707
Interest rate and currency derivatives	4									
Hedge accounting				170	154					170
Non-hedge accounting				46	2					46
Interest-bearing receivables		98				17	23			116
In current assets										
Derivative financial instruments										
Commodity derivatives										
Hedge accounting	4			185	101			-60	-59	125
Non-hedge accounting		2,851	315	5,090	306	6		-655	-547	7,292
Interest rate and currency derivatives	4									
Hedge accounting				26	9					26
Non-hedge accounting				89	7					89
Other receivables				62						62
Interest-bearing receivables		432	281	46		5	34			483
Total		**4,486**	**606**	**7,372**	**615**	**237**	**132**	**-768**	**-630**	**11,326**

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

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Financial liabilities

EUR million	Note	Level 1 2020	Level 1 2019	Level 2 2020	Level 2 2019	Level 3 2020	Level 3 2019	Netting [2] 2020	Netting [2] 2019	Tot 2020
In non-current assets										
Interest-bearing liabilities [1]	26			2,145	2,293					2,145
Derivative financial instruments										
Commodity derivatives										
Hedge accounting	4			106	38			-29	-8	77
Non-hedge accounting		634	11	1,598	37	254		-24	-16	2,462
Interest rate and currency derivatives	4									
Hedge accounting				56	72					56
Non-hedge accounting				63	3					63
In current liabilities										
Interest-bearing liabilities	26			497	281					497
Derivative financial instruments										
Commodity derivatives										
Hedge accounting	4			304	143			-60	-59	244
Non-hedge accounting		2,545	334	5,612	328	10		-655	-547	7,512
Interest rate and currency derivatives	4									
Hedge accounting				14	4					14
Non-hedge accounting				167	49					167
Total		**3,179**	**345**	**10,561**	**3,248**	**264**	**-**	**-768**	**-630**	**13,236**

1) Fair valued part of bonds in fair value hedge relationship.
2) In Fortum, excluding Uniper, receivables and liabilities from electricity and other commodity exchanges arising against standard derivative contracts with same delivery period are netted.

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

Impact from first time consolidation of Uniper to total financial assets in the fair value hierarchy table on 31 March 2020 was EUR 22,210 million (Level 1: EUR 7,354 million, Level 2: EUR 14,758 million, Level 3: E 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 more information in ▸ **Note 1** Significant accounting policies, and for consolidation impacts of Uniper, see more information in ▸ **Note 3** Acquisitions, disposals and assets held for sale.

During 2020 there has been no transfers between Level 1 and Level 2, nor transfers into or out of Level 3.

Changes in fair value hierarchy Level 3

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

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16 Intangible assets

16.1 Intangible assets

ACCOUNTING POLICIES
Intangible assets, except goodwill, are stated at historical cost less accumulated amortisation and impairment losses; and amortised on a straight-line basis over their expected useful lives.

GOODWILL
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets and tested annually for impairment. Goodwill on acquisition of associates and joint ventures is included in investments in associates and joint ventures and is tested for impairment as part of the overall balance. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

CONTRACT-BASED INTANGIBLE ASSETS
Majority of contract-based intangible assets are concession rights in Germany, which are valued at amortised costs. The remaining useful life of concession rights is approximately 30 years.

EMISSION ALLOWANCES
Intangible assets include CO2 emission allowances for covering emissions caused by power and heat production. CO2 emission allowances received free of charge are accounted at nominal value. Purchases of CO2 emissions allowances meeting the IFRS 9 "own use"-criteria, are accounted for at contracted purchase price. Purchases of CO2 emission allowances, which have failed to meet the "own use" –criteria, and are thus accounted for as derivatives, are recognised at market price applicable at the time of delivery.

CO2 emission costs are settled by returning the emission allowances. The obligation for CO2 emission costs is presented in Other payables. To the extent that the Group already holds allowances to cover the emission costs, the obligation is measured at the carrying amount of those allowances. Any shortfall of allowances needed to cover the settlement obligation is valued at the current market value of allowances.

The emission cost is recognised in the income consolidated statement within materials and services.

RESEARCH AND DEVELOPMENT COSTS
Research and development costs are recognised as expense as incurred and included in other expenses in the consolidated income statement. If development costs are expected to generate future income, they are capitalised as intangible assets and depreciated over the period of the income streams.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSIGNED VALUES AND LIVES IN ACQUISITIONS
In an acquisition acquired intangible and tangible assets are fair valued and their remaining usef determined. Management believes that the assigned values and useful lives, as well as the unde assumptions, are reasonable. Different assumptions and assigned lives could have a significant reported amounts.

The Group has significant carrying values in property, plant and equipment, intangible assets participations in associated companies and joint ventures which are tested for impairment acco accounting policy.

Intangible assets

	Goodwill		Contract-based		Other	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Cost 1 January	**612**	**588**	**-**	**-**	**954**	**869**
Translation differences and other adjustments	-58	24	-	-	-54	-
Acquisition of subsidiary companies	515	-	1,349	-	773	12
Capital expenditure	-	-	-	-	124	75
Changes in emission rights	-	-	-	-	257	14
Disposals	-	-	-	-	-14	-43
Sale of subsidiary companies	-	-	-	-	-4	-
Transfer to assets held for sale [1]	-	-	-22	-	-	-12
Reclassifications	-	-	-	-	15	40
Cost 31 December	**1,069**	**612**	**1,328**	**-**	**2,050**	**954**
Accumulated depreciation 1 January	**-**	**-**	**-**	**-**	**422**	**370**
Translation differences and other adjustments	-	-	-1	-	-15	-1
Acquisition of subsidiary companies	-	-	809	-	324	-
Disposals	-	-	-	-	-14	-43
Sale of subsidiary companies	-	-	-	-	-3	-
Transfer to assets held for sale [1]	-	-	-22	-	-	-1
Reclassifications	-	-	-8	-	1	14
Depreciation for the year	-	-	15	-	130	84
Accumulated depreciation 31 December	**-**	**-**	**794**	**-**	**846**	**422**
BS Carrying amount 31 December	**1,069**	**612**	**534**	**-**	**1,205**	**531**

1) See ▸ Note 3 Acquisitions, disposals and assets held for sale.

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Goodwill included EUR 515 million from the acquisition of Uniper at 31 March 2020 and excluded 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. Other intangible assets included EUR 980 million from the acquisition of Uniper at 31 March 2020. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

Goodwill in groups of cash-generating units

Goodwill is allocated to operating segments corresponding to groups of cash-generating units that benefit from the synergies of the acquired goodwill.

EUR million	2020	2019
Uniper	515	-
Consumer Solutions	214	228
City Solutions	205	208
Russia	134	176
Total	**1,069**	**612**

Other intangible assets

Other intangible assets include emission allowances amounting to EUR 540 million (2019: 36), as well as customer contracts, and costs for software products and software licenses.

16.2 Impairment testing

Uniper segment was not included in the annual impairment testing as at 31 December 2020 as the pu allocation of the Uniper acquisition is still ongoing, which means that the values assigned to identifiec liabilities, as well as goodwill, at 31 December 2020 are still preliminary (see ▸ Note 3 Acquisitions, dis assets held for sale). Further, there have been no indication of impairment. Uniper segment is subjec impairment indication review, and will be tested for impairment in the 2021 annual impairment testing

ACCOUNTING POLICIES

The carrying values of goodwill, other intangible assets, property, plant and equipment, right-o and non-financial investments are reviewed regularly for indication of impairment.

Indications of impairment are business-specific and are thus analysed separately by each segr include risks, such as changes in electricity and fuel prices, regulatory/political risks relating to er price regulations, and limitations to the life time of assets.

Impairment testing is performed if there is an indication of impairment; and the asset is writter recoverable amount if its carrying amount is greater than the estimated recoverable amount.

In addition, goodwill and other intangible assets that have an indefinite useful life, and as suc subject to amortisation, are tested annually for impairment, even if there is no indication of imp Impairment testing is performed and documented annually in connection with the long-term fore process.

Annual impairment testing is performed on a cash-generating unit level. Fortum defines cash unit as the smallest group of assets that generate cash flows that are independent of the cash flc by other assets.

Goodwill is allocated to groups of cash-generating units that benefit from the synergies of the goodwill.

Fortum uses value in use to establish the recoverable amount of cash-generating units. Value in determined by discounting future cash flows expected to be derived from group of assets. The ca of group of cash generating units comprises net operating assets, including goodwill and fair va adjustments arising from acquisitions.

Non-financial assets, other than goodwill, that have been impaired in the past are reviewed fo reversal of impairment at each reporting date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS RELATED IMPAIRMENT TESTING

Impairment testing is forward-looking and requires management to make certain assumptions, below.

The recoverable amounts of cash-generating units are determined by value in use calculation calculations are based on estimated discounted future cash flows in local currency from most r term forecast approved by management and the Board of Directors, covering an explicit foreca years. The explicit forecast period is longer than five years as significant assets used by the bus power plants, have useful lives exceeding 20 years. Cash flow projections beyond the explicit fo are estimated by extrapolating projections using a steady or declining growth rate.

The period covered by cash flows is related to the useful lives of the assets being reviewed The growth rate used to extrapolate the cash flow projections until the end of assets' useful liv with the assumed inflation. Cash flows arising from future investments, such as new plants, are e unless projects have been started, in which case the cash outflow needed to complete the starte included. In Russia, the generation capacity built after 2007 under the Russian Government's Capaci Agreements receives guaranteed capacity payments for a period of 10 years after commissioning.

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The discount rates reflect current assessments of the time value of money and relevant market risk premiums specific to each cash generating unit, reflecting risks and uncertainties for which the future cashflow estimates have not been adjusted.

Preparation of these cash flow estimates requires management to make assumptions relating to future expectations. Assumptions vary depending on the business the tested assets are in.

Key assumptions used in impairment testing are presented below, as well as the basis for determining the value of each assumption. Assumptions are based on internal and external data that are consistent with observable market information, when applicable.

Key assumptions	Basis for determining the value for key assumptions
Power market development, recycling and waste solutions market development	Historical analysis and prospective forecasting
Regulation framework	Current market setup and prospective forecasting (e.g. CSA mechanism in Russia)
Utilisation of power plants and treatment facilities	Past experience, technical assessment and forecasted market development
Forecasted maintenance investments	Past experience, technical assessment and planned maintenance work
Discount rate	Mostly market based information

Annual impairment testing

Annual impairment testing was performed as at 31 December 2020. The table below presents long-term pre-tax discount rates used in impairment testing by cash generating units:

Discount rate %	2020	2019
Consumer Solutions [1]	5.1-6.3	5.2-7.0
City Solutions	4.8	7.3
Russia	11.8	11.4

1) Discount rate depends on location and type of business.

The change in discount rates is due to declining interest rates and a more detailed assessment of discount rate components by underlying business.

At 31 December 2020, the recoverable values were greater than their carrying values and therefore no impairments were booked.

The Group has considered the sensitivity of key assumptions as part of the impairment testing. When doing this, any consequential effect of the change on the other variables has also been considered. The calculations are most sensitive to changes in estimated future EBITDA levels, and changes in discount rate.

Management estimates that no reasonably possible change in the discount rate used, or in future earnings would cause the carrying amount to exceed its recoverable amount in any group of cash generating units.

17 Property, plant and equipment and right-o assets

ACCOUNTING POLICIES

Property, plant and equipment mainly include power and heat production-related buildings, str machinery, waterfall rights, and other buildings and machinery.

Property, plant and equipment are stated at historical cost less accumulated depreciation ar losses on the consolidated balance sheet. Historical cost includes expenditure that is directly a the acquisition of an item. Borrowing costs are included in the cost of qualified assets. Addition an item of property, plant and equipment includes the estimated cost of its dismantlement, ren restoration when there is a contractual obligation towards a third party, or a legal obligation.

Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the da acquisition.

See ▸ **Note 29** Other provisions for information about asset retirement obligations, ▸ **Note 28** related assets and liabilities, for information about provisions for decommissioning nuclear pov ▸ **Note 33** Leases, for information about right-of-use assets.

Land, water areas and waterfall rights are not depreciated since they have indefinite useful li

Depreciation on other assets is calculated using the straight-line method to allocate their cos residual values over their estimated useful lives, as follows:

- Buildings and structures: 10-50 years
- Machinery and equipment: 3-65 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate as appropriate, only when it is probable that future economic benefits associated with the item wi Group and the cost of the item can be measured reliably. All other repairs and maintenance exp charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each An asset's carrying amount is written down to its recoverable amount if the asset's carrying am than its estimated recoverable amount. See further information on the impairment testing in ▸ I Intangible assets.

GOVERNMENT GRANTS

Government grants are recognised at their fair value when there is a reasonable assurance tha be received and the Group will comply with all attached conditions. Government grants are eith and recognised in the income statement to match with the related costs, or deducted from the cost of the asset.

BORROWING COSTS

Borrowing costs directly attributable to the construction of qualifying assets are added to the c assets. Qualifying assets are assets that take a substantial time to get ready for their intended

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	Land and waterfall rights		Buildings and structures		Machinery, equipment and other		Advances paid and construction in progress		Tota
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
Cost 1 January	**2,578**	**2,617**	**4,103**	**3,908**	**8,667**	**8,162**	**419**	**631**	**15,768**
Translation differences and other adjustments	219	-55	-259	114	-213	252	-41	6	-294
Acquisition of subsidiary companies	1,636	-	6,414	1	22,825	8	3,088	4	33,963
Capital expenditure [1]	6	12	35	8	335	184	668	435	1,045
Additions to right-of-use assets	-	8	97	27	57	4	-	-	154
Decreases in right-of-use assets	-	-4	-60	-2	-29	-1	-	-	-90
Nuclear asset retirement cost	-	-	-	-	172	-14	-	-	172
Disposals	-1	-1	-51	-29	-191	-89	-23	-	-267
Sale of subsidiary companies	-1	-4	-89	-22	-117	-2	-2	-	-209
Transfer to assets held for sale [2]	-3	-6	-126	-71	-1,375	-264	-	-30	-1,504
Reclassifications	4	11	336	170	2,154	428	-2,507	-627	-14
Cost 31 December	**4,436**	**2,578**	**10,400**	**4,103**	**32,285**	**8,667**	**1,602**	**419**	**48,723**
Accumulated depreciation 1 January	**1**	**-**	**1,765**	**1,678**	**3,877**	**3,562**	**-**	**-**	**5,644**
Translation differences and other adjustments	7	-	-68	28	110	82	12	-	61
Acquisition of subsidiary companies	265	-	4,124	-	18,679	-	1,263	-	24,331
Disposals	-1	-	-48	-27	-179	-57	-8	-	-236
Sale of subsidiary companies	-	-	-39	-18	-53	-1	-	-	-92
Decreases in right-of-use assets	-	-	-3	-	-29	-	-	-	-32
Transfer to assets held for sale [2]	-	-	-118	-27	-1,156	-66	-	-	-1,274
Depreciation for the year	7	2	164	130	774	359	1	-	946
Reclassifications	-	-	160	-	959	-3	-1,111	-	8
Accumulated depreciation 31 December	**280**	**1**	**5,936**	**1,765**	**22,983**	**3,877**	**157**	**-**	**29,357**
BS Carrying amount 31 December	**4,156**	**2,577**	**4,464**	**2,339**	**9,302**	**4,790**	**1,445**	**419**	**19,367**

1) Includes EUR 39 million of other asset retirement costs.
2) See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

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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 ▸ **Note 3** Acquisitions, disposals and assets held for sale.

Property, plant and equipment that are subject to restrictions in the form of real estate mortgages amount to EUR 380 million (2019: 139). See ▸ **Note 35** Pledged assets and contingent liabilities.

Borrowing costs of EUR 27 million were capitalised in 2020 (2019: 9). The interest rate used for capitalising borrowing costs varied from 2% to 5% (2019: 2%-7%). For constructions financed by the Group, a uniform rate may be used based on interest rates of financial liabilities, including leases.

Property, plant and equipment includes right-of-use assets from leases in which Fortum acts as the lessee. See ▸ **Note 33** Leases.

18 Participations in associated companies an ventures

ACCOUNTING POLICIES

The Group's interests in associated companies and jointly controlled entities are accounted for equity method of accounting. Assets acquired and liabilities assumed in the investment in asso ventures are measured initially at their fair values at the acquisition date. The excess of the cos over the fair value of the Group's share of the identifiable net assets acquired is recorded as go

The Group's share of its associates or joint ventures post-acquisition profits or losses after ta expenses related to the adjustments to the fair values of the assets and liabilities assumed are the income statement. The cumulative post-acquisition movements are adjusted against the ca of the investment. The Group's share of post-acquisition adjustments to associates or joint ven that has not been recognised in the associate's or joint venture's income statement, is recognis Group's shareholder's equity, and against the carrying amount of the investment.

When the Group's share of losses in an associate or a joint venture equals or exceeds its inte associate or joint venture, including any other unsecured receivables, the Group does not recog losses, unless it has incurred obligations or made payments on behalf of the associate or joint v

Material unrealised gains on transactions between the Group and its associates or joint vent eliminated to the extent of the Group's interest in the associate or joint venture. Material unrea also eliminated, unless the transaction provides evidence of an impairment of the asset transfe Accounting policies of associates or joint ventures have been changed where necessary to ens with the policies adopted by the Group.

If more recent information is not available, the share of the profit of certain associated or joir companies is included in the consolidated accounts based on the latest available information.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management is required to make significant judgements when assessing the nature of Fortum' investees and when considering the classification of Fortum's joint arrangements. In the classif emphasis has been put on decision making, legal structure and financing of the arrangements.

Management judgement is required when testing the carrying amounts for participations in a companies and joint ventures for impairment. See ▸ **Note 16** Intangible assets for more informa

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18.1 Principal associated companies and joint ventures

	Forsmarks Kraftgrupp AB	Kemijoki Oy	TGC-1	TVO Oyj	Stockholm Exergi AB
Nature of the relationship	Co-owned nuclear company	Co-owned hydro company	Energy company (listed)	Co-owned nuclear company	Power and heat company
Classification	Associated company	Associated company	Associated company	Joint venture	Joint venture
Segment	Generation	Generation	Russia	Generation	City Solutions
Domicile	Sweden	Finland	Russia	Finland	Sweden
Ownership interest, % [1]	34	58	30	26	50
Votes, %	34	28	30	26	50

1) Kemijoki and TVO have different series of shares. The ownership interest varies due to the changes in equity assigned to the different share series. The ownership interests for 2019 for Kemijoki Oy and TVO were 58% and 28%, respectively.

Shareholding in Uniper and OKG

On 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. 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, and consolidated OKG AB as a subsidiary from 31 March 2020. See also ‣**Note 1.7** Summary of Uniper acquisition impact to consolidated financial statements.

Shareholdings in power production companies

Power plants are often built jointly with other power producers. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership, or other agreements, and each owner is liable for an equivalent portion of costs. The production companies are not profit making, since the owners purchase electricity at production cost, including interest cost and production taxes. The share of profit of these companies is mainly IFRS adjustments (e.g. accounting for nuclear related assets and liabilities) and depreciations on fair value adjustments from historical acquisitions since the companies are not profit making under local accounting principles.

Fortum has material shareholdings in such power production companies (mainly nuclear and hydro) that are consolidated using equity method either as associated companies (Forsmarks Kraftgrupp AB and Kemijoki Oy) or as joint venture (Teollisuuden Voima Oyj (TVO)).

In Sweden, nuclear production company shareholding is 34.0% ownership of the shares in Fors
Kraftgrupp AB. Excluding non-controlling interests in the subsidiaries, Fortum's participation in th
29.7%, which reflects the share of electricity produced that Fortum can sell further to the market.
part of the electricity purchased is invoiced further to each minority owner according to their resp
shareholding and treated as pass-through.

In Finland, Fortum has an ownership in power production company TVO that has two series of s
entitle the shareholders to electricity produced in the different power plants owned by TVO. Shar
entitle to electricity produced in nuclear power plants Olkiluoto 1 and 2 and Fortum owns 26.6% o
Series B entitles to electricity in the nuclear power plant presently being built, Olkiluoto 3, and For
ownership in this share series is 25%. The C series shares entitling to electricity generated at Mer
invalidated in 2020, as Fortum acquired all remaining C shares on 1 January 2019.

See also Associated companies in ‣**Note 28** Nuclear related assets and liabilities.

The most significant hydro production company shareholding is 63.8% of the hydro shares and
monetary shares in Kemijoki Oy. Each owner of hydro shares is entitled to the hydropower produc
proportion to its hydro shareholding.

Shareholdings in other principal associated companies and joint ventures

Fortum has also other shareholdings in listed companies, such as Territorial Generating Company
shareholding in TGC-1 is accounted for as an associated company as Fortum has representatives
Directors of the company. The share of profit of TGC-1 is accounted for based on previous quarte
since updated information as at 31 December is not available for financial statements.

In Sweden, Fortum has a 50% ownership in Stockholm Exergi AB (publ) that is co-owned with th
Stockholm through Stockholms Stadshus AB. Stockholm Exergi produces district heating, district
electricity, and supplies heat and cooling to customers in the Stockholm area.

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Summarised financial information of the principal associated companies in 2020

EUR million	Forsmarks Kraftgrupp AB	Kemijoki Oy	TGC-1 group
Balance sheet	**31 Dec 2019**	**31 Dec 2019**	**30 Sept 2020**
Non-current assets	2,641	480	1,699
Current assets	423	6	211
Non-current liabilities	2,889	316	238
Current liabilities	141	118	1,725
Equity	34	52	1,498
Attributable to the owners of the parent	34	52	1,379
Attributable to NCI	-	-	120
	1 Jan 2019 - 31 Dec 2019	**1 Jan 2019 - 31 Dec 2019**	**1 Oct 2019 - 30 Sept 2020**
Statement of comprehensive income			
Sales	543	53	1,077
Profit or loss	-	1	42
Attributable to the owners of the parent	-	1	50
Attributable to NCI	-	-	-8
Total comprehensive income	-	1	40
Attributable to the owners of the parent	-	1	48
Attributable to NCI	-	-	-8
Reconciliation to carrying amount in Fortum Group			
Group's interest in the equity of the associate 1 January	8	30	523
Change in share of profit and OCI items	-	-	25
Dividends received	-	-	-14
Translation differences and other adjustments	3	-	-124
Group's interest in the equity of the associate 31 December	**12**	**30**	**409**
Fair values on acquisitions and different accounting principles [1]	444	151	-5
Carrying amount 31 December	**456**	**181**	**404**
Market value of listed shares [2]			**141**

1) Impact of different accounting principles include mainly IFRS adjustments for Nuclear liabilities and assets, capitalised borrowing costs and fair value adjustment for the acquired assets and liabilities. Fortum records its share of nuclear related assets and liabilities in its nuclear associated companies according to equity method. The basis for recognition is similar as for Loviisa power plant, see accounting principles in ▸Note 28 Nuclear related assets and liabilities.
2) The market quotation is impacted by the limited free float of TGC-1 share.

Summarised financial information of the principal associated companies in 2019

EUR million	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Uniper S grou
Balance sheet	**31 Dec 2018**	**31 Dec 2018**	**31 Dec 2018**	**30 Sept 20**
Non-current assets	683	2,473	474	23,9
Current assets	230	388	4	16,7
Non-current liabilities	827	2,704	295	12,5
Current liabilities	73	124	131	16,0
Equity	13	33	52	12,1
Attributable to the owners of the parent	13	33	52	11,5
Attributable to NCI	-	-	-	5
	1 Jan 2018 - 31 Dec 2018	**1 Jan 2018 - 31 Dec 2018**	**1 Jan 2018 - 31 Dec 2018**	**1 Oct 2018 30 Sept 20**
Statement of comprehensive income				
Sales	289	536	48	77,8
Profit or loss	1	-1	-5	1,0
Attributable to the owners of the parent	1	-1	-5	1,1
Attributable to NCI	-	-	-	-
Total comprehensive income	1	-1	-5	8
Attributable to the owners of the parent	1	-1	-5	8
Attributable to NCI	-	-	-	
Reconciliation to carrying amount in Fortum Group				
Group's interest in the equity of the associate 1 January	6	9	33	5,5
Change in share of profit and OCI items	-	-	-3	4
Dividends received	-	-	-	-1
Translation differences and other adjustments	-	-	-	
Group's interest in the equity of the associate 31 December	**6**	**8**	**30**	**5,8**
Fair values on acquisitions and different accounting principles	-6	77	153	-1,5
Carrying amount 31 December	**-**	**86**	**182**	**4,3**
Market value of listed shares				**5,3**

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Summarised financial information of the principal joint ventures

	2020		2019	
EUR million	**TVO Oyj group**	**Stockholm Exergi AB group**	**TVO Oyj group**	**Stockholm**
Balance sheet	**31 Dec 2020**	**31 Dec 2020**	**30 Sept 2019**	
Non-current assets	7,691	2,663	7,200	
Current assets	490	274	669	
of which cash and cash equivalents	161	1	203	
Non-current liabilities	5,599	1,461	5,466	
of which non-current interest-bearing liabilities	4,569	1,023	4,472	
Current liabilities	539	316	636	
of which current financial liabilities	429	173	514	
Equity	2,043	1,161	1,767	
Attributable to the shareholders of the company	2,043	1,160	1,767	
Attributable to NCI	-	1	-	
	1 Jan 2020 - 31 Dec 2020	**1 Jan 2020 - 31 Dec 2020**	**1 Oct 2018 - 30 Sept 2019**	
Statement of comprehensive income				
Sales	275	589	287	
Depreciation and amortisation	-45	-144	-46	
Interest income	12	-	13	
Interest expense	-40	-18	-36	
Income tax expense or income	-	-22	-	
Profit or loss	-	84	29	
Other comprehensive income	-22	-14	-18	
Total comprehensive income	-22	70	10	
Attributable to the shareholders of the company	-22	70	10	
Reconciliation to carrying amount in Fortum Group				
Group's interest in the equity of the joint venture at 1 January	462	563	448	
Change in share of profit and OCI items	-	35	1	
Dividends received	-	-41	-	
Investments	63	-	-	
Translation differences and other adjustments	-6	24	2	
Group's interest in the equity of the joint venture 31 December	**518**	**580**	**451**	
Fair values on acquisitions and different accounting principles [1]	3	-61	-9	
Carrying amount 31 December	**521**	**519**	**442**	

1) Impact of different accounting principles include mainly IFRS adjustments for Nuclear liabilities and assets and capitalised borrowing costs. Fortum records its share of nuclear related assets and liabilities in its nuclear associated companies a equity method. The basis for recognition is similar as for Loviisa power plant, see accounting principles in ▸**Note 28** Nuclear related assets and liabilities.

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18.2 Participations in and share of profits from associated companies and joint ventures

Participations in associated companies and joint ventures on the balance sheet

EUR million	2020	2019
Principal associates	1,041	5,079
Principal joint ventures	1,039	942
Other associates	474	65
Other joint ventures	358	348
BS Total	**2,912**	**6,435**

Participations in associated companies and joint ventures include EUR 750 million from the acquisition of Uniper at 31 March 2020. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

Changes in participation during the year

	2020		2019	
EUR million	**Associated companies**	**Joint ventures**	**Associated companies**	**Joint ventures**
1 January	5,144	1,290	4,709	1,268
Acquisitions	742	9	-	-
Investments	3	116	-	75
Share of profit of associates and joint ventures	559	97	696	48
Dividend income received	-61	-56	-176	-63
Divestments and capital returns	-26	-22	-	-27
Reclassifications	-4,666	3	-12	-4
OCI items in associates and joint ventures	-174	-8	-130	-8
Translation differences and other adjustments	-14	-25	58	1
31 December	**1,508**	**1,404**	**5,144**	**1,290**

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

During 2020 Fortum received EUR 116 million (2019: 239) in dividends from associates and joint ventures of which EUR 41 million (2019: 40) was received from Stockholm Exergi. 2019 includes dividends of EUR 165 million received from Uniper SE.

For information about investments and divestments of shares in associated companies, see ▸**Note 3** Acquisitions, disposals and assets held for sale.

Share of profit of associates and joint ventures

EUR million	202
Principal associates	
Forsmarks Kraftgrupp AB	4
Kemijoki Oy	
TGC-1	2
Principal associates, total	**6**
Principal joint ventures	
Stockholm Exergi AB	4
TVO Oyj	
Principal joint ventures, total	**0**
Other associates [1]	49
Other joint ventures	1
IS Total	**65**

1) Includes share of profit of EUR 469 million from Uniper SE (2019: 632).

There are no unrecognised share of losses of associated companies and joint ventures.

Uniper
Fortum previously accounted for Uniper as an associated company with a three-month time lag a published the annual report before Uniper's financial information was available. As of the first qua Fortum revised its financial reporting schedule and publishes annual and interim report after Uni first quarter results included Fortum's share of Uniper's results from 1 October 2019 to 31 March 2

Fortum's share of Uniper's IV/2019 profits, EUR 162 million, included a reversal of the adjustme Fortum already made in IV/2019 related to the impact from the reinstatement of the UK capacity also made a reversal of EUR 389 million (after tax) related to the negative impact of Uniper's IV/2 impairments.

Fortum's share of Uniper's I/2020 profits, EUR 307 million, included a reversal of EUR 31 million related to the negative impact of Uniper's I/2020 impairments.

Other associates and joint ventures
In 2019 the share of profit from Stockholm Exergi included the EUR -22 million effect of the impair in Stockholm Exergi relating to the early decommissioning of combined heat and power (CHP) pla

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19 Other non-current assets

EUR million	2020	2019
Other investments	224	75
Interest-free receivables	255	75
BS Total	**479**	**151**

Other investments mainly include certain subsidiaries that are not included in the consolidated financial statements on materiality grounds, accounted for outside the scope of IFRS 9 and measured at cost (see ▸ **Note 39** Group companies by segment); as well as shares in unlisted companies.

Interest-free receivables mainly include prepaid expenses.

Other investments included EUR 152 million, and interest-free receivables EUR 190 million from the acquisition of Uniper at 31 March 2020. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

20 Interest-bearing receivables

EUR million	20
Interest-bearing receivables	2,8
Finance lease receivables	
Total	**3,0**

	2020		
EUR million	Carrying amount	Fair value	Carry amo
Long-term loan receivables from associates and joint ventures	1,113	1,161	6
Non-current securities	98	98	
Other long-term interest-bearing receivables	1,010	1,010	
Total long-term interest-bearing receivables	**2,221**	**2,270**	
Collateral arrangement securities	432	432	
Other short-term interest-bearing receivables	151	151	
Total short-term interest-bearing receivables	**582**	**582**	3
Total	**2,804**	**2,852**	**1,0**

Long-term interest-bearing receivables include receivables from associated companies and joint EUR 1,113 million (2019: 625). These receivables include EUR 964 million from Swedish nuclear com Forsmarks Kraftgrupp AB and Ringhals AB (2019: 558 from Swedish nuclear companies OKG AB Kraftgrupp AB), which are mainly funded with shareholder loans, pro rata each shareholder's own

Interest-bearing receivables included interest-bearing receivables of EUR 1,634 million and fina receivables of EUR 206 million from the acquisition of Uniper at 31 March 2020. See ▸ **Note 3** Acqu disposals and assets held for sale.

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21 Inventories

ACCOUNTING POLICIES

Inventories are stated at the lower of cost and net realisable value being the estimated selling price for the end product, less applicable variable selling expenses and other production costs. Cost is generally determined using the weighted average cost method.

Inventories which are acquired for the purpose of buying and selling commodities in the near future, generating profit from the fluctuation in market price, are stated at fair value less cost to sell.

EUR million	2020	2019
Raw materials and supplies	671	180
Goods purchased for resale	583	-
Other	141	50
BS Total	**1,396**	**230**

Raw materials and supplies mainly consist of fuels consumed in the production process, or in the rendering of services; and include, in particular, coal, uranium and nuclear fuel rods. Goods purchased for resale include gas and coal inventories. Other mainly consists of work in progress and finished goods.

Inventories stated at fair value less costs to sell total EUR 45 million.

Inventories included EUR 1,565 million from the acquisition of Uniper on 31 March 2020. See ‣ **Note 3** Acquisitions, disposals and assets held for sale.

22 Trade and other receivables

ACCOUNTING POLICIES

Trade receivables include revenue based on an estimate of electricity, gas, heat and cooling alr
but not yet measured and not yet invoiced.

Impairment losses for trade receivables are calculated according to the expected credit loss
Loss allowances on trade receivables are measured at an amount equal to lifetime expected cr

An allowance is made on the balance sheet for the expected future credit losses and remains
balance sheet until it is written off as a credit loss or reversed. Allowances may remain on the b
for several years pending the outcome of collection processes and court proceedings. Write-of
by country depending on local legislation and assessment of recovery possibilities. For large tra
receivables, ECL is calculated for the individual customer based on the estimated probability o
expected recovery rate for the customer. These estimates are derived from available market da
possible, or based on the customer's rating. Adjustments are made if there are indications of de
creditworthiness, e.g. based on payment behaviour. ECL for trade receivables from small custo
calculated on portfolio basis by country and business segment. The credit loss allowances are b
historical analysis of losses when possible, or on average default rates for customers based on
available information. These rates are adjusted if there are any forward-looking indicators show
expected credit losses. Trade receivables overdue more than 180 days are generally considered
impaired and allowances are made for the full amount, adjusted for expected recovery rates.

EUR million	2
Trade receivables	
Other	1
BS Total	**8**

Other category includes other operating assets, accrued income and prepaid expenses.

Trade and other receivables included EUR 7,236 million from the acquisition of Uniper at 31 Mar
‣ **Note 3** Acquisitions, disposals and assets held for sale.

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Trade receivables

Ageing analysis of trade receivables

	2020			2019		
EUR million	**Gross**	**Expected credit loss allowance**	**Expected credit loss rate, %**	**Gross**	**Expected credit loss allowance**	**Expected credit loss rate, %**
Not past due	6,988	6	0	653	3	0
Past due 1-30 days	60	3	4	58	2	3
Past due 31-90 days	21	7	31	18	5	28
Past due 91-180 days	18	4	20	11	5	45
Past due more than 181 days	206	159	77	95	84	88
Total	**7,293**	**178**	**2**	**836**	**99**	**12**

Changes in expected credit loss allowance

EUR million	**2020**	**2019**
1 January	**99**	**85**
Expected credit loss allowance recognised during the year	17	7
Write-offs	-51	-2
Acquisition of subsidiary companies	127	-
Translation differences and other changes	-14	9
31 December	**178**	**99**

The majority of impaired trade receivables relate to the Russia and Uniper segments.

Trade receivables by currency (Gross)

EUR million	**2020**	**2019**
EUR	5,867	219
GBP	433	-
USD	377	-
RUB	274	204
SEK	126	118
PLN	102	95
NOK	86	175
Other	28	25
Total	**7,293**	**836**

Trade receivables are arising from a large number of customers mainly in EUR, GBP, USD and RUB mitigating the concentration of risk.

For further information regarding credit risk management and credit risks, see ▸ **Counterparty and credit risks** in the Operating and financial review and ▸ **Note 4.4** Credit risk.

23 Liquid funds

ACCOUNTING POLICIES

Cash and cash equivalents in Liquid funds include cash in hand, deposits held at call with banks short-term, highly liquid investments with original maturities of three months or less. Cash and equivalents, deposits and commercial papers are measured at amortised cost. Fixed-term secu measured at fair value through profit and loss.

Drawn amount of bank overdrafts are shown within borrowings in current liabilities on the ba Trading-related cash collaterals are included in margin receivables and otherwise restricted ca short-term interest-bearing receivables.

EUR million	**20**
Cash at bank and in hand	8
Deposits and securities with maturity under 3 months	1,0
Cash and cash equivalents	**1,8**
Deposits and commercial papers with maturity more than 3 months	3
Securities, fixed-term with maturity more than 3 months	
Deposits and securities, maturity over 3 months but less than 12 months	**4**
BS Total [1]	**2,3**

1) Excluded cash balances of EUR 2 million relating to assets held for sale at 31 December 2019. See ▸ Note disposals and assets held for sale.

At the end of the reporting period, the Group's liquid funds totalled EUR 2,308 million (2019: 1,433 include EUR 289 million held by Uniper. Russian subsidiaries held EUR 244 million (2019: 201) of lic the form of cash and bank deposits.

Liquid funds included EUR 1,328 million from the acquisition of Uniper at 31 March 2019. See ▸ N Acquisitions, disposals and assets held for sale.

Liquid funds totalling EUR 2,107 million (2019: 1,099) are placed with counterparties that have a grade credit rating.

At the end of the reporting period, Fortum had undrawn committed credit facilities amounting t million. The undrawn facilities include EUR 1,450 million revolving credit facility, maturing in Nove (with an option to extend the maturity by one year), EUR 1,750 million revolving credit facility mat 2023, and Uniper's revolving credit facility of EUR 1,800 million, which matures in September 2025 the revolving credit facilities, Fortum has EUR 100 million of committed overdraft limits that are v further notice.

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

For further information regarding credit risk management and credit risks, see ▸ **Note 4.4** Credi

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24 Share capital

	2020	2019
Number of registered shares 1 January and 31 December	888,294,465	888,294,465
Share capital, EUR million, 1 January and 31 December	3,046	3,046

Fortum Corporation has one class of shares. By the end of 2020, a total of 888,294,465 shares had been issued. Each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2020 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

Fortum Corporation's shares are listed on Nasdaq Helsinki. The trading code is FORTUM (FUM1V until 25 January 2017). Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finland Ltd.

Details on the President and CEO and other members of the Fortum Executive Management Team's shareholdings and interest in the equity incentive schemes is presented in ▸ **Note 10** Employee benefits and Board remuneration.

24.1 Authorisations from the Annual General Meeting 2020

On 23 April 2020, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase and disposal of the company's own shares up to a maximum of 20,000,000 shares, which corresponds to approximately 2.25% of all the shares in the company. The authorisation cancelled the authorisation resolved by the Annual General Meeting of 2019. The authorisation is effective until the next Annual General Meeting and, in any event, for a period no longer than 18 months. The authorisation had not been used by the end of 2020.

24.2 Convertible bond loans and bonds with warrants

Fortum Corporation has not issued any convertible bonds or bonds with attached warrants, which would entitle the bearer to subscribe for Fortum shares. The Board of Directors of Fortum Corporation has no unused authorisations from the General Meeting of shareholders to issue convertible bond loans or bonds with warrants or increase the company's share capital.

25 Non-controlling interests

Principal non-controlling interests

EUR million		20
Uniper	Germany	2,4
Fortum Oslo Varme AS Group	Norway	
Other		
BS Total		**2,6**

EUR million
Sales
Profit for the period
Dividends paid to non-controlling interests
Total cash flows
Current assets
Current liabilities
Current net assets
Non-current assets
Non-current liabilities
Non-current net assets
Net assets
of which attributable to non-controlling interests
Ownership interests held by non-controlling interests (%)

1) Uniper's income statement and cash flow information are included from 1 April 2020.

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26 Interest-bearing liabilities

Financial net debt and adjusted net debt

EUR million	2020	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**

Net debt

EUR million	Net debt 2019	Classified as assets held for sale [1]	BS Total 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 3 Acquisitions, disposals and assets held for sale.

In 2020, Fortum updated the definition of net debt and started to use financial net debt and adjus when following indebtedness of the Group. The previously used net debt included interest-bearin liabilities and liquid funds.

Margin receivables and liabilities (settlement of futures) are included in Financial net debt. Prio definition, fluctuations in commodity prices have caused an asymmetric impact to net debt as the 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 arr presented with equal amounts as a short-term interest-bearing liability and an interest-bearing re Previously only the liability of the arrangement was included in net debt, but now collateral arrang 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 wast included in adjusted net debt.

Interest-bearing liabilities

EUR million	20
Loans	9,6
Lease liabilities	1,0
Total	**10,6**

EUR million	20
Bonds	3,7
Loans from financial institutions	2,5
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,
Lease liabilities	8
Other long-term interest-bearing liabilities	4
BS Total long-term interest-bearing liabilities	**8,7**
Current portion of long-term bonds	5
Current portion of loans from financial institutions	
Current portion of other long-term interest-bearing liabilities	
Commercial paper liabilities	2
Current portion of lease liabilities	
Collateral arrangement liability	4
Other short-term interest-bearing liabilities	4
BS Total short-term interest-bearing liabilities	**1,8**
Total	**10,6**

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Loans

EUR million	Effective interest rate, %	Carrying amount 2020	Repricing: Under 1 year	Repricing: 1-5 years	Repricing: Over 5 years	Fair value 2020	Carrying amount 2019	Fair value 2019
Bonds	2.5	4,258	602	2,023	1,633	4,521	4,251	4,478
Loans from financial institutions	0.9	2,576	2,570	6	-	2,638	362	378
Reborrowing from the Finnish State Nuclear Waste Management Fund	0.5	1,145	1,145	-	-	1,210	1,185	1,250
Other long-term loans	2.6	447	229	-	218	488	304	346
Total long-term loans [1)]	**1.7**	**8,425**	**4,546**	**2,029**	**1,851**	**8,857**	**6,102**	**6,452**
Collateral arrangement liability	0.7	432	432	-	-	432	281	281
Commercial paper liabilities	0.2	260	260	-	-	260	10	10
Other short-term loans	0.4	490	490	-	-	490	187	187
Total short-term loans	**0.5**	**1,182**	**1,182**	**-**	**-**	**1,182**	**478**	**478**
Total [2)]	**1.6**	**9,607**	**5,728**	**2,029**	**1,851**	**10,039**	**6,580**	**6,930**

1) Includes current portion of long-term loans of EUR 534 million (2019: 73).
2) The average interest rate on loans and derivatives was 1.5% (2019: 2.3%).

The interest-bearing liabilities increased in 2020 by EUR 3,974 million to EUR 10,662 million (2019: 6,688). The amount of short-term financing increased by EUR 704 million, and at the end of the year the amount of short-term financing was EUR 1,182 million (2019: 478).

Interest-bearing liabilities included interest-bearing loans of EUR 557 million and lease liabilities of EUR 1,018 million from the acquisition of Uniper at 31 March 2020. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

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 (2019: 0.9%). The average interest rate on total loans and derivatives was 1.5% at the balance sheet date (2019: 2.3%). Part of the external loans, EUR 634 million (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 (2019: 7.8%).

For more information, see ▸ **Note 4** Financial risk management ▸ **Note 33** Leases and ▸ **Note 35** Pledged assets and contingent liabilities.

Reconciliation of interest-bearing liabilities

EUR million	1 Jan 2020	Acquisition of subsidiary companies	Cash flow from financing activities [2]	Non-cash changes: Non-cash collateral arrangement	Non-cash changes: Valuation differences/ Change in consolidation	Lease liabilities [3]
Bonds	4,251				7	
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,185		-40			
Financial and other interest-bearing liabilities	1,144	557	2,414	151	-61	
Lease liabilities	108	1,018	-105		-5	38
Total	**6,688**	**1,575**	**2,269**	**151**	**-60**	**38**

EUR million	31 Dec 2018	Impact from change in accounting policy (IFRS 16) [1]	1 Jan 2019	Cash flow from financing activities [2]	Non-cash changes: Non-cash collateral arrangement	Non-cash changes: Valuation differences/ Change in consolidation	Lease liabilities [3]
Bonds	2,496		2,496	1,729		26	
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,158		1,158	27			
Financial and other interest-bearing liabilities	2,440		2,440	-1,585	281	8	
Lease liabilities	-	99	99	-15			25
Total	**6,093**	**99**	**6,192**	**156**	**281**	**34**	**25**

1) See ▸ **Note 1** Significant accounting policies and ▸ **Note 33** Leases.
2) Repayments and borrowings.
3) Excluded lease liabilities of EUR 6 million relating to assets held for sale at 31 December 2019. See ▸**Note 3** Acquisitions, disposals and assets held for sale.

Bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal value million
Fortum Corporation EUR 8,000 million EMTN Programme [1]					
2011/2021	Fixed	4.000	4.123	EUR	500
2012/2022	Fixed	2.250	2.344	EUR	,000
2019/2023	Fixed	0.875	0.996	EUR	,000
2019/2026	Fixed	1.625	1.638	EUR	750
2019/2029	Fixed	2.125	2.247	EUR	750
2013/2023	Floating	Stibor 3M+1.13		SEK	,000
2013/2043	Fixed	3.500	3.719	EUR	100
Total outstanding carrying amount 31 December 2020					

1) EMTN = Euro Medium Term Note

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27 Income taxes on the balance sheet

ACCOUNTING POLICIES

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement, because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided in full, using the balance sheet approach on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the closing date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are set off against deferred tax liabilities if they relate to income taxes levied by the same taxation authority.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not be reversed in the foreseeable future.

The Group recognises liabilities for anticipated tax dispute issues based on estimates of whether additional taxes will be due. No provision will be recognised in the financial statements if Fortum considers the claims unjustifiable. Therefore, if taxes regarding ongoing tax disputes have to be paid before final court decisions, they will be booked as a receivable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS AND ESTIMATES REGARDING FUTURE TAX CONSEQUENCES

Fortum has deferred tax assets and liabilities which are expected to be realised through the income statement over the extended periods of time in the future. In calculating the deferred tax items, Fortum is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Assumptions made include the expectation that future operating performance for subsidiarie consistent with historical levels of operating results, recoverability periods for tax loss carry-fo change, and that existing tax laws and rates will remain unchanged into foreseeable future. For that it has prudent assumptions in developing its deferred tax balances.

Assumptions and estimates regarding uncertain tax positions are supported by external lega expert opinion.

If the actual final outcome (regarding tax disputes) would differ negatively from managemen with 10%, the Group would need to increase the income tax liability by EUR 11 million at 31 Dece additional information regarding tax disputes, see ‣**Note 36** Legal actions and official proceedi

27.1 Deferred income taxes on the balance sheet

	2020			2
EUR million	**1 Jan**	**Change**	**31 Dec**	**1 Jan**
BS Deferred tax assets	77	1,013	1,089	70
BS Deferred tax liabilities	-865	-87	-952	-720
Net deferred taxes	**-788**	**926**	**138**	**-651**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to of assets against current tax liabilities and when the deferred income taxes relate to the same fiscal

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Movement in deferred tax assets and liabilities 2020

EUR million	Intangible assets	Property, plant and equipment and right-of-use assets	Pension obligations	Provisions	Derivative financial instruments	Tax losses and tax credits carry-forward	Other
1 January 2020	**-104**	**-823**	**25**	**-17**	**33**	**63**	**36**
Charged to income statement	-10	-123	-8	-141	197	25	-84
Charged to other comprehensive income	-	-3	135	-	27	-	-1
Exchange rate differences, reclassifications and other changes	6	122	238	177	3	12	-281
Acquisitions and disposals [1]	-133	-447	159	1,254	-323	73	28
Transfer to assets held for sale [1]	-	46	-7	-	-	-5	-10
31 December 2020	**-241**	**-1,228**	**542**	**1,273**	**-63**	**168**	**-312**

1) Acquisition and disposals included EUR 579 million from the acquisition of Uniper at 31 March 2020. See ▸**Note 3** Acquisition, disposals and assets held for sale.

Movement in deferred tax assets and liabilities 2019

EUR million	Intangible assets	Property, plant and equipment and right-of-use assets	Pension obligations	Provisions	Derivative financial instruments	Tax losses and tax credits carry-forward	Other
1 January 2019	**-106**	**-788**	**20**	**-15**	**169**	**70**	**-1**
Charged to income statement	-5	-30	-	1	19	-5	35
Charged to other comprehensive income	7	1	5	-	-156	-	-2
Exchange rate differences, reclassifications and other changes	1	-29	1	-3	-	-1	6
Acquisitions and disposals	-1	-1	-	-	-	-	-
Transfer to assets held for sale [1]	-	24	-	-	-	-2	-1
31 December 2019	**-104**	**-823**	**25**	**-17**	**33**	**63**	**36**

1) See ▸**Note 3** Acquisition, disposals and assets held for sale.

Retained earnings when distributed as dividends are subject to withholding tax (e.g. Russia). Provision has been made for these taxes only to extent that it is expected that these earnings will be remitted in the foreseeab the end of the year 2020, deferred income tax liabilities of EUR 10 million (2019:13) have been recognised for the withholding tax and other taxes that would be payable on the distributions.

Fortum historically had a material deferred tax liability owing to its investments in non-current assets. These assets are depreciated more rapidly for tax than for accounting purposes resulting in lower current tax payn start of an asset's lifetime and higher tax payments at the end of its lifetime. This difference results in a deferred tax liability. This position has changed with the acquisition on Uniper who historically has a material deferr owing to its operations.

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Deferred income tax assets recognised for tax loss carry-forwards

Deferred income tax assets are recognised for tax loss carry-forward to the extent that realisation of the related tax benefit through future profits is probable. The recognised tax assets relate to losses carry-forward with no expiration date and partly with expiry date as described below.

	2020		2019	
EUR million	**Tax losses**	**Deferred tax asset**	**Tax losses**	**Deferred tax asset**
Losses without expiration date [1]	789	137	171	36
Losses with expiration date	166	31	170	29
Total	**955**	**168**	**340**	**65**

1) In 2020, includes tax losses of EUR 588 million and deferred tax asset of EUR 94 million from the acquisition of Uniper on 31 March 2020.

Unrecognised deferred tax

Deferred tax assets are not recognised on the balance sheet for loss carry-forwards of EUR 468 million (2019: 65) because the realisation is not probable. The deferred tax impact of these losses would be EUR 78 million (2019: 16). The major part of the unrecognised tax asset relates to loss carry-forwards that are unlikely to be used in the foreseeable future. The increase is mainly due to Uniper acquisition on 31 March 2020.

No deferred tax assets are recognised in respect of temporary differences of EUR 2,437 million (2019: 39). The increase is mainly due to Uniper becoming Fortum's subsidiary on 31 March 2020.

No deferred tax liabilities were recognised on temporary differences of EUR 374 million (2019: 344) for investments in subsidiaries, branches, and associates and joint arrangements to the extent that Fortum can control the reversal effect, and it is probable that temporary differences will not be reversed in the foreseeable future.

27.2 Income tax receivables

EUR million	**2020**	**2019**
Belgium	113	114
Other	43	19
BS Total	**156**	**133**

Income tax receivables reflect payments of corporate income tax in relation to the year 2020, as well as payments according to received tax audit assessments in relation to previous years.

In Belgium, Fortum has received income tax assessments for the years 2008–2012. Additional taxes of EUR 114 million have been paid during prior years, and based on a supporting legal opinion, booked as an income tax receivable.

See ▸**Note 36** Legal actions and official proceedings.

28 Nuclear related assets and liabilities

ACCOUNTING POLICIES

Fortum owns Loviisa nuclear power plant in Finland, and through the acquisition of Uniper, OKG (OKG) and Barsebäck Kraft AB (Barsebäck) nuclear power companies in Sweden. Fortum and U owners in the Swedish nuclear company OKG AB. In Fortum's consolidated balance sheet, Shar Waste Funds and the Nuclear provisions relate to Loviisa, OKG and Barsebäck nuclear power p nuclear related provisions and the related part of the Nuclear Waste Funds are both presented the balance sheet.

Fortum's shares in the Nuclear Waste Funds are accounted for according to IFRIC 5, Rights t arising from decommissioning, restoration and environmental rehabilitation funds which states assets are measured at the lower of fair value or the value of the related liabilities since Fortum control or joint control over the Nuclear Waste Funds. The Nuclear Waste Funds are managed governmental authorities. The related provisions are the provision for decommissioning and th disposal of spent fuel.

The fair values of the provisions are calculated according to IAS 37 by discounting the separa flows, which are based on estimated future costs and actions already taken. The initial net pres the provision for decommissioning (at the time of commissioning the nuclear power plant) has in the investment cost and is depreciated over the estimated operating time of the nuclear pow Changes in the technical plans etc., which have an impact on the future cash flow of the estima decommissioning, are accounted for by discounting the additional costs to the current point in increased asset retirement cost due to the increased provision for decommissioning is added t plant and equipment and depreciated over the remaining estimated operating time of the nucle plant. For power plant units taken from use the increase is recognised immediately in the incom

The provision for spent fuel covers the future disposal costs for fuel used until the end of the period. Costs for disposal of spent fuel are expensed during the operating time based on fuel u impact of the possible changes in the estimated future cash flow for related costs is recognised in the income statement based on the accumulated amount of fuel used until the end of the acc period. The related interest costs due to unwinding of the provision is recognised in other finan net.

The interest income and possible fair valuation effects on the Nuclear Waste Funds assets a other financial expenses, net.

Fortum's actual share of the Nuclear Waste Funds can be higher than the carrying value of th balance sheet. The legal nuclear liability should be fully covered by payments and guarantees t Waste Fund in Finland. The same applies in Sweden for the nuclear power plants that are taken operation. For Swedish nuclear power plants in operation the nuclear liability should be fully co end of the plants operating lifetimes. The difference between the legal liability and provisions c per power plant, as the legal liability in Finland is not discounted while the provisions are and in legal liability is based on different assumptions than the provisions.

The annual fees to the Fund are based on changes in the legal liability, the return generated i Waste Fund and incurred costs of taken actions.

Fortum also has minority interests in nuclear power companies, including Teollisuuden Voima Finland and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are cla associated companies and joint ventures and are consolidated with equity method. Both the Fi Swedish companies are non-profit making, i.e. electricity production is invoiced to the owners a according to local GAAP. Accounting policies of the associates regarding nuclear assets and lia been changed where necessary to ensure consistency with the policies adopted by the Group.

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CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS MADE WHEN ESTIMATING PROVISIONS RELATED TO NUCLEAR PRODUCTION

The provision for future obligations for nuclear waste management including decommissioning of Fortum's nuclear power plants and related spent fuel is based on long-term cash flow forecasts of estimated future costs. The main assumptions are technical plans, timing, cost estimates and discount rate. The technical plans, timing and cost estimates are approved by governmental authorities.

Any changes in the assumed discount rate would affect the provision. If the discount rate used would be lowered, the provision would increase. For the power plants where the actual Share of the Nuclear Waste Fund is higher than the provision an increase in provisions would be offset by an increase in the recorded share of Fortum's part of the Nuclear Waste Funds on the balance sheet. The total effect on the income statement would be positive since the decommissioning part of the provision is treated as an asset retirement obligation. This situation will prevail as long as the actual Share of the Nuclear Waste Fund is higher than recognised in the balance sheet and IFRS is limiting the carrying value of the assets to the amount of the provision since Fortum does not have control or joint control over the fund.

Based on Finnish and Swedish laws, Fortum has legal obligations to fully fund the legal liabilities decided by the governmental authorities, for decommissioning of the power plants and disposal of spent fuel through the Nuclear Waste Funds.

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

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 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 was EUR 47 million, net of tax.

28.1 Nuclear related assets and liabilities for consolidated nuclear power plants

EUR million	2
Carrying values on the balance sheet	
BS Nuclear provisions	3
BS Fortum's share of the Nuclear Waste Funds	3
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds in Finland and Sweden	3
Share of fund not recognised on the balance sheet	
Short-term receivable from the Nuclear Waste Fund	

Nuclear provision and fund accounted according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of sp
carrying value of the nuclear provisions, calculated according to IAS 37, increased by EUR 3,053 m
compared to 31 December 2019, totalling EUR 3,866 million at 31 December 2020. The increase is
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 4
Fortum's share of the Funds on 31 December 2020 was EUR 3,886 million and the carrying value o
sheet was EUR 3,445 million. The Fund on Fortum's balance sheet can at maximum be equal to th
the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the
expenses, net, is adjusted positively if the provisions increase more than the Fund, and negatively
provision decreases below the actual value of the fund.

During 2020 Nuclear fund adjustment in the consolidated income statement was reclassified fr
affecting comparability to Other financial expenses, net. This change does not impact comparabl
profit. Further, in the consolidate cash flow statement, nuclear fund-related payments and repayr
been reclassified from cash flow from operating activities to cash flow from investment activities.
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 Employm
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
updated every three years. The legal liability is determined by assuming that the decommissionin
the beginning of the year following the assessment year and discounting is not applied - determ
amount.

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Fortum's share in the Finnish Nuclear Waste Fund

According to 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.

Nuclear provisions

EUR million	2020	2019
1 January	**813**	**899**
Increase in provisions	476	10
Acquisition of subsidiary companies	2,412	-
Provision used	-155	-29
Provision reversed	-	-100
Unwinding of discount	62	32
Exchange rate differences	258	-
BS 31 December	**3,866**	**813**
Fortum's share in the Nuclear Waste Fund	3,445	813

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. See ‣ **Note 26** Interest-bearing liabilities and ‣ **Note 35** 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.

28.2 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 c
Invoiced cost is accounted for according to local GAAP. In addition to the invoiced electricity proc
Fortum makes IFRS adjustments to comply with Fortum's accounting principles. These adjustmen
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 com
as Fortum's net share.

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

EUR million	20
Carrying values with Fortum assumptions [1]	
Nuclear provisions	3,6
Share of the Nuclear Waste Funds	3,4
of which Fortum's net share consolidated with equity method	-
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds	8
Receivables from the waste fund that are overfunded (underfunded) from an IFRS perspective	
TVO's share of the fund not recognised in the balance sheet	

1) Accounted for according to Fortum's accounting principles.

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

TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective
with EUR 274 million (of which Fortum's share EUR 73 million).

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from
according to certain rules. Fortum is using the right to reborrow funds through TVO based on its c
more information in ‣ **Note 26** Interest-bearing liabilities.

Forsmark's provision and share of the fund are based on same principles as described above fo
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)
shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing som
capacity. Olkiluoto 3 EPR (OL3 EPR), currently under construction, was procured as a fixed-price t
from a consortium (Plant Supplier) formed by Areva GmbH, Areva NP SAS and Siemens AG. As sti
plant contract, the consortium companies have joint and several liability for the contractual obliga

In March 2018, TVO signed a comprehensive Global Settlement Agreement (GSA) with the OL3
supplier consortium companies Areva NP, Areva GmbH, and Siemens AG, as well as with the Arev
company Areva SA, which is wholly owned by the French State. The agreement entered into force
March 2018. In the GSA, the plant supplier consortium companies committed to ensuring that the
dedicated to the completion of the OL3 EPR project are sufficient and cover all applicable guaran

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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 on 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.

Nuclear related guarantees

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered liability and unexpected events.

For more information regarding Fortum's guarantees given on behalf of nuclear companies, see ‣ **Note 35** Pledged assets and contingent liabilities.

29 Other provisions

ACCOUNTING POLICIES

Provisions are recognised when the Group has a present legal or constructive obligation as a re
events to a third party, it is probable that an outflow of resources will be required to settle the c
the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to
obligation at the reporting date using a discount rate that reflects current market assessment c
value of money. When risk is not covered in the estimated cash flows, the discount rate also inc
specific to the obligation.

Increase in the provision due to the passage of time, and changes in provisions due to chang
rates are recognised as interest expense in the consolidated income statement. Changes in pro
for changes in asset retirement obligations, are recognised in the consolidated income stateme

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations for the decommissioning or dismantling of property, plant and equ
recognised either when there is a contractual obligation towards a third party, or a legal obligat
obligation is generally based on detailed cost estimates validated by external experts.

The asset retirement obligation is recognised as part of the cost of an item of property, plant
equipment when the asset is put in service. Costs are depreciated over the remainder of the as
Changes in asset retirement obligations are recognised in property, plant and equipment on th
balance sheet; unless the item of property, plant and equipment has already been fully depreci
changes are recognised in the consolidated income statement.

ONEROUS CONTRACT PROVISIONS

An onerous contract provision is recognised for a contract under which the unavoidable costs o
obligations under the contract exceed the economic benefits expected to be received under it.
costs is the lower of the excess obligation from the performance under the contract, and any p
penalties or compensation arising in the event of non-performance.

ENVIRONMENTAL PROVISIONS

Environmental provisions are recognised based on the current interpretation of environmental
regulations when it is probable that a present obligation has arisen, and the amount of such liab
reliably estimated. The obligation is generally based on detailed cost estimates validated by ex

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CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS MADE WHEN ESTIMATING PROVISIONS

Provisions for present obligations require management judgment in determining whether it is probable that an outflow of economic benefits will be required to settle the obligation. Estimation is required in determinin the obligation as the amount recognised as a provision is based on the best estimate of unavoidable costs required to settle the obligation at the end of the reporting period. When estimating unavoidable costs, mana required to consider a range of possible outcomes and their associated probabilities, risks and uncertainties surrounding the events and circumstances as well as making assumptions of the timing of payment. Estimat required in determining the rate used to discount provisions to present value. Changes in estimates of timing or amounts of costs required to settle the obligation may become necessary as time passes and/or more ac information becomes available.

EUR million	Supplier- and customer-related	Asset retirement	Power production-related	Gas distribution-related	Environmental remediation and similar	Personnel-related	Other
1 January 2020	**-**	**20**	**-**	**-**	**49**	**-**	**32**
Acquisition of subsidiary companies	861	757	630	402	207	298	780
Increase in provisions	300	44	14	14	23	22	176
Provisions used	-178	-	-	-3	-10	-6	-57
Unused provisions reversed	-34	-	-	-37	-8	-66	-33
Exchange rate differences and other changes	-1	-3	-1	2	-	-1	13
Unwinding of discounting	-	3	-	-	-	-	22
31 December 2020	**948**	**821**	**643**	**378**	**261**	**247**	**933**
BS Of which current provisions	322	26	-	81	13	70	268
BS Of which non-current provisions	626	795	643	297	248	177	665

Provisions for asset retirement obligations consist of obligations for conventional and renewable energy power plants, including the conventional plant components in the nuclear power segment, that are based on legal agreements and public regulations; as well as provisions for environmental improvements at gas storage facilities. The majority of the provision is estimated to be used within 46 years.

Provisions for supplier- and customer-related obligations include EUR 0.5 billion (2019: 0) of onerous contract provisions for long-term infrastructure purchase contracts used in the gas storage business. See ‣ **Note 34** other commitments.

Power production-related provisions consist mainly of provisions from the hydroelectric power business. The majority of the provision is estimated to be used within 62 years.

Gas distribution-related provisions consist mainly of onerous contract provisions for gas transportation and regasification. The majority of the provision is estimated to be used within 6 years.

Environmental provisions mainly include provisions for redevelopment and water protection measures, the rehabilitation of contaminated sites, and other environmental improvement measures. The majority of the pro estimated to be used within 23 years.

Personnel-related provisions mainly include provisions for performance-based compensation components, long-service bonus obligations, in-kind obligations, restructuring and other deferred personnel costs. The ma provision is estimated to be used within 42 years.

Other includes EUR 0.3 billion (2019: 0) provisions for risk-related contingencies, as well as a number of individually immaterial items.

Other provisions included EUR 3,935 million from the acquisition of Uniper on 31 March 2020. See ‣ **Note 3** Acquisitions, disposals and assets held for sale.

For provisions for decommissioning, and provision for disposal of spent fuel for nuclear production, see ‣ **Note 28** Nuclear related assets and liabilities.

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30 Pension obligations

ACCOUNTING POLICIES

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through various pension vehicles including payments to insurance companies, Group's pension funds and other separate arrangements. The Group has both defined benefit and defined contribution plans.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement as to spread the service cost over the service lives of employees. Current and past service cost, as well as gains or losses from settlements are reported under personnel costs. The net interest is reported in financial items.

The defined benefit obligation is calculated annually on the balance sheet date and is measured as the present value of the estimated future cash flows using interest rates of high-quality corporate bonds, or similar, that have terms to maturity approximating to the terms of the related pension liability. The plan assets for pensions are valued at market value. The net liability recognised on the balance sheet is the defined benefit obligation at the closing date less the fair value of plan assets.

Any net asset position that might arise from offsetting the present value of the defined benefit obligations against the corresponding fair value of plan assets is recognised taking into account the applicable asset restrictions. Such an asset position is reported in Other non-current assets on the balance sheet.

In the case of a plan amendment, curtailment or settlement (each a "plan event") occurring in a defined benefit plan during an annual reporting period, the current service cost and the net interest on the net liability or asset are remeasured for the remainder of the reporting period after the plan event. The actuarial assumptions applicable as of the date of the plan event is be used as the basis for such remeasurement. When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in the present value of the defined benefit obligation that relates to past service, or the gain or loss related to a curtailment is recognised immediately in profit or loss. Gains or losses on settlements of defined benefit plans are recognised when the settlement occurs.

Remeasurements of the net defined benefit liability or asset include actuarial gains and losses that may arise especially from differences between estimated and actual variations in underlying assumptions about demographic and financial variables; and, additionally, from developments in these assumptions as of each reporting date. Additionally included is the difference between the actual return on plan assets and the interest income on plan assets contained in the net interest result, as well as any change in the effect of the asset ceiling, excluding amounts already included in net interest. Remeasurement results and related deferred taxes are recognised in full in the period in which they occur and are reported in the statement of comprehensive income.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS USED TO DETERMINE FUTURE PENSION OBLIGATIONS

The present value of the pension obligations is based on actuarial calculations that use several assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Fortum's pension arrangements

Finland

The statutory pension benefits (as determined in Employee's Pension Act /TyEL) in Finland provic employees pension coverage for old age, disability and death of a family provider. The benefits ar an insurance company, and determined to be defined contribution plans.

In addition the Group has historical old-age and survivor pension benefits with the Fortum Pens covering a limited number of people. The Fortum Pension Fund is a closed fund managed by a Boa of both employers' and employees' representatives. The promised benefit is defined in the rules c mostly at a maximum of 66% of the salary basis. The salary basis is an average of the ten last yea which are indexed by a common salary index to the accounting year. After retirement the benefits indexed yearly with the TyEL-index.

The Fund is operating under the regulation from the Financial Supervisory Authority (FSA). The be fully covered according to the regulations. The national benefit obligation related to the define is calculated so that the promised benefit is fully funded until retirement.

Germany

The majority of active and former employees are covered by occupational benefit plans in additio retirement benefits. The benefits offered under these plans primarily include retirement, disability benefits.

The majority of the reported pension obligation for the active employees arises from the "BAS the "Zukunftssicherung" plan, that have been closed to the new hires since 2008. The only plan o hires is a defined contribution-oriented benefit plan, which is based on "units of capital".

The benefit expense for all these plans is dependent on compensation, and is determined at dif percentage rates based on the ratio between compensation and the contribution limit in the statu retirement pension system. The plans contain different interest rate assumptions. Up to and incl December 2018, fixed interest rate assumptions had applied for both the "BAS-Plan" and the "Zukunftssicherung" plan. From 1 January 2019, the pension units established have earned interes is linked to market rates and hedged by applying guaranteed minimum interest rates and a maxin per year. Pension units granted through 31 December 2018 remain unchanged by this adjusted int calculation. The units of capital established under the open defined contribution-oriented benefit interest at the average yield of long-term government bonds of the Federal Republic of Germany fiscal year.

Future pension increases at a rate of 1% per year are guaranteed for certain individuals includin number of active employees. For the remaining eligible individuals, pensions are adjusted mostly rate of inflation, usually in a three-year cycle.

Pension plans are funded through designated pension vehicles that are legally distinct from the addition, plan assets are funded in form of "Pensionskassen" and a Group-wide pension fund as w form of a Contractual Trust Arrangement (CTA).

United Kingdom

The Group operates three pension plans in the United Kingdom, one defined contribution plan an benefit plans. The defined benefit plans were closed for new hires from 2005 and 2008, respectiv closure of these plans, new hires have been joining the open defined contribution plan.

Benefit payments under the existing defined benefit pension plans are adjusted for inflation as the United Kingdom Retail Price Index ("RPI") through specified increases (limited to a fixed maxi

Plan assets are administered by a trust which is independent from the group.

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The Pension Regulator in the United Kingdom requires a valuation of the funding of pension plans in the United Kingdom to be performed at least once every three years. The last valuation on 31 March 2019 showed a technical funding deficit of GBP 26 million (EUR 30 million) for which a deficit repair plan has been agreed.

Main risks relating to defined benefit plans

Typical risk factors for defined benefit plans are changes in discount rates, risks related to other actuarial assumptions, as well as investment and volatility risks.

Change in discount rate

The discount rate used to calculate the defined benefit obligation (according to IFRS) depends on the value of corporate bond yields as at the reporting date. A decrease in yields increases the benefit obligation that is often only partially offset by an increase in the value of fixed income holdings.

Risk related to other actuarial assumptions

Assumptions for future inflation, salary levels and mortality are used for actuarial calculations. Should the actual outcome differ from these assumptions, the liability may increase.

Investment and volatility risk

Pension plan assets are allocated to different asset classes based on the statutory legislation or investment strategy of the corresponding pension plan. Depending on the pension plan, underlying investment management plans are updated on a regular basis. If the return of the fund's assets is not enough to cover the raise in liability and benefit payments over the financial year, then, in certain legislations, the employer has to fund the deficit with contributions, unless the fund has sufficient covering.

Movement in the net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net
EUR million	**2020**	**2019**	**2020**	**2019**	
1 January	**529**	**483**	**-406**	**-386**	
Included in consolidated income statement					
Current service cost	52	6	-	-	
Past service cost	11	-1	-	-	
Net interest [1]	50	10	-36	-7	
	112	14	-35	-6	
Included in OCI					
Remeasurement gains(-)/losses(+)	820	50	-366	-26	
Actuarial gains/losses arising from changes in financial assumptions	835	52	-	-	
Actuarial gains/losses arising from experience adjustments	-16	-2	-	-	
Return on plan assets (excluding amounts included in net interest expense)	-	-	-366	-26	
Exchange rate differences	-9	-2	8	-1	
	811	49	-358	-24	
Other					
Contributions paid by the employer	-	-	-59	-2	
Benefits paid	-66	-17	61	13	
Acquisitions of subsidiary companies	3,288	-	-2,343	-	
Transfer to assets held for sale	-38	-	22	-	
31 December	**4,636**	**529**	**-3,117**	**-406**	
Present value of funded defined obligation					
Fair value of plan assets					
Funded status					
Present value of unfunded obligation [2]					
Net liability arising from defined benefit obligation					
Pension assets included in other non-current assets on the balance sheet					
BS Pension obligations on the balance sheet					

1) Net interest is presented in financial items in the income statement, the rest of costs related to defined b included in staff costs (row defined benefits plans in the staff cost specification in ▸ **Note 10** Employee be remuneration).
2) The unfunded obligation mainly relates to Germany.

Pension obligations included EUR 953 million from the acquisition of Uniper at 31 March 2020, ma pension obligations in Germany.

Contributions expected to be paid during 2021 total EUR 59 million.

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Fair value of plan assets

EUR million	2020 Quoted	2020 Unquoted	2020 Total	2019 Quoted	2019 Unquoted	2019 Total
Equity instruments	972	177	1,149	145	8	152
Debt instruments	947	174	1,120	69	105	174
Cash and cash equivalents	-	156	156	-	47	47
Real estate	-	228	228	-	14	14
Investment funds	105	-	105	2	-	2
Other assets	-	359	359	-	16	16
Total	**2,023**	**1,094**	**3,117**	**216**	**190**	**406**

A specification of plan assets has not been available for pension plans financed through an insurance company. In these cases, the fair value of plan assets has been included in other assets.

Plan assets in the United Kingdom are invested in investment funds ("pooled funds") that are not listed in an active market.

Derivatives used to hedge the risks have been allocated to the respective asset classes.

The actual return on plan assets totalled EUR 405 million (2019: 32).

Amounts recognised on the balance sheet by country 2020

EUR million	Finland	Germany	United Kingdom	Other countries	Total
Present value of funded obligations	294	3,396	655	256	4,600
Fair value of plan assets	-242	-2,074	-642	-159	-3,117
Deficit(+)/surplus(-)	**51**	**1,322**	**12**	**98**	**1,483**
Present value of unfunded obligations	-	28	-	7	35
Net asset(-)/liability(+) on the balance sheet	**51**	**1,350**	**12**	**105**	**1,518**
Pension asset included in non-current assets	-	-	-	2	2
BS Pension obligations on the balance sheet	51	1,350	12	106	1,520

Amounts recognised on the balance sheet by country 2019

EUR million	Finland	Germany	United Kingdom	Other countries	Total
Present value of funded obligations	283	-	-	241	524
Fair value of plan assets	-244	-	-	-162	-406
Deficit(+)/surplus(-)	**39**	**-**	**-**	**80**	**119**
Present value of unfunded obligations	-	-	-	5	5
Net asset(-)/liability(+) on the balance sheet	**39**	**-**	**-**	**84**	**123**
Pension asset included in non-current assets	-	-	-	2	2
BS Pension obligations on the balance sheet	39	-	-	85	125

The principal actuarial assumptions used

%	2020 Finland	2020 Germany	2020 United Kingdom	201 Finland	Ger
Discount rate	0.30	0.80	1.50	0.80	
Future salary increases	1.50	2.30	2.60	1.60	
Future pension increases	1.60	1.80	2.70	1.60	
Rate of inflation	1.30	1.80	2.80	1.30	

The discount rate in Finland is based on high quality European corporate bonds with maturity tha the estimated term of the defined benefit pension plans. The discount rate in Germany is based o on high-quality EURO corporate bonds available at the end of the respective fiscal year, and take the average duration of the respective underlying benefit obligations. The United Kingdom discou based on currency-specific returns on high-quality corporate bonds available at the end of the res year and takes into account the average duration of the respective underlying obligations.

The discount, inflation, salary growth and pension growth rates, as well as mortality are the key when calculating defined benefit obligations. Changes in the key actuarial assumptions would lea following changes in the present value of the defined benefit obligations:

Sensitivity of defined benefit obligation to changes in assumptions

Change in the assumption	the p increas
0.5% increase in discount rate	
0.5% decrease in discount rate	
0.5% increase in benefit	
0.5% decrease in benefit	
0.5% increase in salary growth rate	
0.5% decrease in salary growth rate	
10% increase in mortality	
10% decrease in mortality	

A 10% decrease in mortality would result in higher life expectancy of beneficiaries, depending of t individual beneficiary. At the end of 2020, the life expectancy of a 63-year-old male retiree would approximately one year, if mortality were to decrease by 10%.

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The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are included in the computation unchanged. Potential correlation effects between the individual actuarial assumptions are not taken into account when computing sensitivities. When considering sensitivities, it must be noted that the change in the present value of the defined benefit obligations resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

Maturity profile of the undiscounted defined benefit obligation on 31 December 2020

EUR million	Future benefit payments
Maturity under 1 year	92
Maturity between 1 and 5 years	405
Maturity between 5 and 10 years	621
Maturity between 10 and 20 years	1,490
Maturity between 20 and 30 years	1,397
Maturity over 30 years	1,571

The weighted average duration of defined benefit obligation at 31 December 2020 is 22 years.

31 Other non-current liabilities

EUR million	20
Contract liabilities	
Connection fees	
Other	
BS Total	**3**

Connection fees include refundable fees paid by the customer when connected to district heating Finland. Connection fees were refundable until 2013. Other non-current liabilities included EUR 26 the acquisition of Uniper on 31 March 2020. See ‣ **Note 3** Acquisitions, disposals and assets held f

32 Trade and other payables

EUR million	20
Trade payables	7,
Accrued expenses and deferred income	
Accrued personnel expenses	
Accrued interest expenses	
Contract liabilities	5
Other accrued expenses and deferred income	
Other liabilities	
VAT liability	
Current tax liability	3
Advances received	
Other	9
BS Total	**9,5**

Contract liabilities comprise mainly of project and waste management services that are invoiced l delivered at the reporting date. Other accrued expenses and deferred income includes the liabilit million related to the periodisation of the Finnish nuclear waste management fund targets. For add information see ‣ **Note 28** Nuclear related assets and liabilities. Trade and other payables include million from the acquisition of Uniper on 31 March 2020. See ‣ **Note 3** Acquisitions, disposals and sale.

The management considers that the amount of trade and other payables approximates fair val

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33 Leases

ACCOUNTING POLICIES

LESSEE ACCOUNTING

The Group leases mainly gas storage facilities, office buildings and land areas. The Group recognises all leases, with the exception of short-term (i.e. lease term less than 12 months) and low value leases as right-of-use assets with a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Right-of-use assets and lease liabilities are initially recognised on the consolidated balance sheet at future fixed lease payments over the lease term. Lease payments are discounted to present value. Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life of the leased asset if shorter; and reviewed periodically for indication of impairment.

When the future lease payments are revised due to changes in index-linked considerations or the lease term changes, the right-of-use asset and the corresponding lease liability is remeasured. Any differences arising on reassessments are recognised in the consolidated income statement.

Interest expense on lease liabilities is presented within Interest expense in the consolidated income statement. In the consolidated cash flow statement, the principal portion of the lease payment is presented under Payments of long-term liabilities, and the interest portion as Interest paid under Funds from operations. Variable lease payments, as well as costs for leases not capitalised due to exemptions in the standard, are expensed to consolidated income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ESTIMATES TO DETERMI
LIABILITY

Calculation of the lease liability requires certain assumption based input factors. The main estir
related to the lease term, the discount rate, as well as the determination whether a contract co

In determining the lease term, management considers all facts and circumstances that creat
incentive to exercise an extension option, or not to exercise a termination option. Extension op
included in the lease term if the lease is reasonably certain to be extended. The lease term is re
underlying circumstances are significantly changing.

Lease payments are discounted to present value using an incremental borrowing rate. The ir
borrowing rate is determined based on reasonable third party financing conditions considering
the lease term and the currency of cash flows.

A contract is or contains a lease if the Group has the right to control the use of an identified a
period of time in exchange for a consideration. A capacity portion of an asset is an identified as
physically distinct, or if the Group has the right to use substantially all the capacity of the asset
lease term.

LESSOR ACCOUNTING

Leases in which the Group acts as the lessor and substantially all the risks and rewards arising
the leased asset are transferred to the lessee are classified as finance leases. Finance lease rec
relate to certain electricity delivery contracts.

In this type of lease, the present value of the minimum lease payments is recorded as a recei
income from such arrangements is recognised over the lease term, using the effective interest

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33.1 Amounts recognised in consolidated financial statements

Lessee

EUR million	2020	2019
In consolidated Income Statement		
Depreciation	-123	-18
Of which land	-4	-2
Of which buildings and structures	-68	-12
Of which machinery and equipment	-52	-4
Interest expense on lease liabilities	-9	-3
Expense relating to short-term leases within Other expenses	-92	-1
Income from subleasing right-of-use assets	17	-
On consolidated balance sheet		
Additions to right-of-use assets	154	38
Of which land	1	8
Of which buildings and structures	97	27
Of which machinery and equipment	57	4
Acquisition of subsidiary companies	645	-
Of which land	42	-
Of which buildings and structures	512	-
Of which machinery and equipment	91	-
Carrying amount of right-of-use assets	726	114
Of which land	69	33
Of which buildings and structures	573	70
Of which machinery and equipment	84	11
Lease liabilities	1,055	108
In consolidated cash flow statement		
Cash outflow for leases	-257	-18

Right-of-use assets included EUR 645 million and lease liabilities EUR 1,018 million from the acquisition of Uniper on 31 March 2020. See ‣ **Note 3** Acquisitions, disposals and assets held for sale.

Maturity of undiscounted lease liabilities

EUR million	
Due within one year	
Due after one year and within five years	
Due after five years	
Total	

Lessor

EUR million	20
In consolidated income statement	
Interest income from finance lease	
Rental income from operating lease	
On consolidated balance sheet	
Lease receivables	1
Current	
Non-current	
Maturity analysis of undiscounted lease payments - Finance leases	
Due within 1 year	
Due in 1 to 2 years	
Due in 2 to 3 years	
Due in 3 to 4 years	
Due in 4 to 5 years	
Due in more than 5 years	
Total undiscounted lease payments	1
Interest component	

Finance lease receivables included EUR 206 million from the acquisition of Uniper on 31 March 20
‣ **Note 3** Acquisitions, disposals and assets held for sale.

33.2 Lease commitments

Possible additional lease payments amounting to EUR 224 million were not included in the measu
liabilities on 31 December 2020.
See ‣ **Note 4** Financial risk management, ‣ **Note 17** Property, plant and equipment and right-of-
‣ **Note 26** Interest-bearing liabilities for more information.

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34 Capital and other commitments

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

34.1 Capital commitments

EUR billion	2020	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 on 31 March 2020). Capital commitments at 31 December 2020 include Uniper segment's commitments of EUR 0.6 billion, mainly related to outstanding investments in connection with new power plant construction projects and the expansion and modernisation of existing generation assets.

34.2 Long-term purchase commitments

EUR billion	Due within one year	Due after one year	Total
Gas	5.3	100.5	105.7
Electricity	0.1	0.1	0.2
Transportation and storage	0.7	5.6	6.3
Other	0.2	0.6	0.8

Increase in long-term purchase commitments is mainly from the acquisition of Uniper (EUR 110.0 billion on 31 March 2020).

Gas
Gas for supplying industrial customers is usually procured by means of long-term purchase contracts with major international producers of natural gas. Such contracts are generally take-or-pay in nature. The prices paid for natural gas are 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 change accordingly. In the absence of agreement on a pricing review, a neutral board of arbitration makes the final binding decision. Financial obligations arising from these contracts are calculated based on the same principles that govern internal budgeting. Further, the take-or-pay conditions in the individual contracts are also considered in the calculations.

Electricity
Contractual obligations for the purchase of electricity relate in part to purchases from resellers ar
utilities, especially those under procurement contracts for the wholesale portfolio.

Transportation and storage
Purchase commitments for transportation and storage are for long-term commitments for contra
capitalised on the balance sheet as they do not meet the definition of a lease. Purchase commitm
any onerous part of the commitment that is included in provisions. See ▸ **Note 29** Other provision

34.3 Other commitments to associates and joint ventures
Teollisuuden Voima Oyj (TVO) is building Olkiluoto 3, the nuclear power plant, which is funded thr
loans, share issues and shareholder loans according to shareholders' agreement between the ow
end of December 2020, Fortum had EUR 232 million (2019: 170) outstanding receivables regarding
and is additionally committed to providing at maximum EUR 100 million. TVO shareholder loan is
participation in joint ventures. For more information, see ▸ **Note 28** Nuclear related assets and liab

34.4 Other commitments
Fortum has committed to providing financing to Voimaosakeyhtiö SF for its participation in the Fe
nuclear power project in Finland. Remaining commitment, EUR 76 million, is to be paid within 9 ye

In June 2018, the Swedish Government approved the legislation regarding Sweden's national st
implementation of the EU's Water Framework Directive. The largest hydro industry companies wi
common hydro-power fund to finance large parts of the environmental actions needed. The fund
financial cap of SEK 10 billion to be paid over a 20-year period, and the largest operators will cont
fund proportionately based on their respective market share of hydro-power production. Fortum'
of the funds' total financing.

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35 Pledged assets and contingent liabilities

ACCOUNTING POLICIES

PLEDGED ASSETS
Pledged assets are given to a lender as security for a loan, trading or other commitment. If the borrower or trading party is unable to make the agreed payments, the lender can use the pledged assets to mitigate its losses. Pledged assets at Fortum mostly consist of securities and real estate mortgages.

CONTINGENT LIABILITIES
A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is only confirmed by one or more doubtful future events; or when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be reliably estimated.

35.1 Pledged assets

EUR million	2020	2019
For debt		
Pledges	291	288
Real estate mortgages	275	137
For other commitments		
Pledges	498	309
Real estate mortgages	105	2
Pledged assets on behalf of others	42	33

For debt
Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the Fund. Fortum has pledged shares in Kemijoki Oy as a security. The value of the pledged shares amounts to EUR 269 million (2019: 269).

Real estate mortgages include mainly mortgages given for Solar operations in India amounting to EUR 139 million (2019: 0) and mortgages given for Fortum Tartu in Estonia amounting to EUR 96 million (2019: 96). See ▸ **Note 26** Interest-bearing liabilities for related interest-bearing liabilities.

For other commitments
Pledges include securities and cash of EUR 495 million (2019: 281) for trading mainly in Nasdaq Commodities. See ▸ **Note 20** Interest-bearing receivables.

Real estate mortgages include EUR 105 million (2019: 2) of real estate mortgages for the liability to the Finnish State Nuclear Waste Management Fund. These are given as a security for the uncovered part of the legal liability and unexpected events relating to future costs for decommissioning and disposal of spent fuel in Loviisa nuclear power plant. According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Any uncovered legal liability relates of the payments to the fund. The size of the securities given is updated yearly in the second quart the decisions regarding the legal liabilities and the funding target which are determined at the en previous year. See ▸ **Note 28** Nuclear related assets and liabilities.

35.2 Contingent liabilities
In relation to divestment of shareholdings, Fortum has entered into indemnification agreements, the customary representations and warranties, as well as environmental damage and tax conting obligations that may exist are covered in the first instance by provisions of the companies sold be itself is required to make any payments. Moreover, the Fortum Group has commitments under wh joint and several liability arising from its interests in civil-law companies, non-corporate commerc and consortia in which it participates.

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a contingent liability, based on t Companies Act's (734/1978) Chapter 14a Paragraph 6, with Neste Oyj following the demerger of F Gas Oy in 2004.

35.3 Guarantees relating to Nuclear operations
With respect to the activities of the Swedish nuclear power plants, the companies of the Swedish have issued guarantees for OKG, Forsmark and Barsebäck to governmental authorities in accorda Swedish law. There are two types of guarantees given. The Financing Amount is given to cover Fo the uncovered part in the Nuclear Waste Fund, assuming no further production and that no furthe waste fees are paid in. The uncovered amount is calculated by the authorities and is based on the 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 unplanne amounts for the guarantees are updated every third year by governmental decision. In addition, t responsible for all costs related to the disposal of low-level radioactive waste.

Owners of nuclear facilities in Finland and Sweden have statutory liabilities for damages resulti accidents occurring in those nuclear facilities and for accidents involving any radioactive substan to the operation of those facilities. Third-party liability relating to nuclear accidents is strictly the operator's responsibility and must be covered by insurances.

In Finland, as the operator of the Loviisa power plant, Fortum has a statutory liability insurance 600 million, approximately EUR 700 million (Special Drawing Right).

In Sweden, the Swedish Parliament passed a law on 1 July 2010 that requires the operator of a n plant in operation to have a liability insurance or other financial cover in the amount equivalent to per incident. The conditions enabling this new law to take effect were not yet in place at 31 Decem Nevertheless, the Swedish government decided to increase the insured amount from 1 January 20 amending the existing legislation. Accordingly, the liability per incident at 31 December 2020 is he limited to SDR 1,000 million, approximately EUR 1.2 billion.

The necessary insurance for the affected nuclear power plants have been purchased. Same typ policies are in place also for the operators where Fortum has minority interest.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste M Fund amounts to EUR 26 million (2019: 21). The guarantee covers the unpaid legal liability due to p well as risks for unexpected future costs.

For information regarding nuclear related assets and liabilities see ▸ **Note 28** Nuclear related as liabilities.

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36 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

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.

For critical accounting estimates regarding uncertain tax positions, ▸ **Note 27** Income taxes on the balance sheet. See also ▸ **Note 12** Income tax expense.

37 Related party transactions

37.1 The Finnish State and companies owned by the Finnish State

At the end of 2020, the Finnish State owned 50.76% of the company's shares (2019: 50.76%). The
Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corpo
less than 50.1% of the share capital and voting rights.

All transactions between Fortum and other companies owned by the Finnish State are on arm's

37.2 Board of Directors and Fortum Executive Management

The key management personnel of the Fortum Group are the members of Fortum Executive Mana
the Board of Directors.

Fortum has not been involved in any material transactions with members of the Board of Direct
Executive Management. No loans exist to any member of the Board of Directors or Fortum Execu
Management at 31 December 2020.

The total compensation (including pension benefits and social costs) for the key management
2020 was EUR 11 million (2019: 12). See ▸ **Note 10** Employee benefits and Board remuneration for
information on the Board of Directors and Fortum Executive Management remuneration and shar

37.3 Associated companies and joint ventures

In the ordinary course of business, Fortum engages in transactions with associated companies, jo
and other related parties. These transactions are on the same commercial terms as they would be
parties, except for some associates and joint ventures, as noted below.

Fortum owns shareholdings in associated companies and joint ventures which own hydro and
plants. Under consortium agreements, each owner is entitled to electricity in proportion to its sha
ownership, or based on other agreement. In turn, each owner is liable for an equivalent portion of
regardless of output. These associated companies and joint ventures are not profit making since
purchase electricity at production cost, including interest costs and production taxes. See ▸ **Note**
Participations in associated companies and joint ventures.

On 31 March 2020, Uniper SE was reclassified from an associated company to a subsidiary. Tra
Uniper Group companies are presented until 31 March 2020, but balances with Uniper Group com
excluded from 31 March 2020 since Uniper was consolidated as a subsidiary. In addition balances
Uniper Group's related parties that have become Fortum Group's related parties through the acq
disclosed from 31 March 2020. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

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

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Transactions with associates and joint ventures

	Associated Companies		Joint Ventures		Other related parties		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Sales	147	1	51	23	3	-	201	24
Interest income on loan receivables and other income	92	12	3	-	9	-	104	12
Purchases	443	260	130	113	51	-	624	373

Balances with associates and joint ventures

	Associated Companies		Joint Ventures		Other related parties		Total	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Receivables								
Long-term interest-bearing loan receivables	874	564	82	61	157	-	1,113	625
Trade and other receivables	98	-	183	86	26	-	307	86
Liabilities								
Long-term loan payables	-	1	293	293	-	-	293	294
Trade and other payables	94	-	150	24	96	-	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.

See also ▸ **Note 28** Nuclear related assets and liabilities and ▸ **Note 35** Pledged assets and contingent liabilities for details on commitments related to associates and joint ventures.

37.4 Pension funds

The Fortum pension funds in Finland, Germany, Russia, Sweden, the United Kingdom and Norway are stand-alone legal entities which manage pension assets related to part of the pension coverage in these countries. In 2020, Fortum paid a total of EUR 59 million (2019: 2) direct contribution to these pension plans. See ▸ **Note 30** Pension obligations.

The assets in the pension fund in Finland include Fortum shares representing 0.04% (2019: 0.04%) of the company's outstanding shares. Real estate mortgages have been given for a loan from Fortum's Finnish pension fund for EUR 41 million (2019: 41).

38 Events after the balance sheet date

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

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39 Group companies by segment

G = Generation
R = Russia
C = City Solutions
CS = Consumer Solutions
U = Uniper
O = Other Operations

1) Shares held by the parent company
2) Subsidiary not consolidated due to materiality grounds (valued at cost)
3) Associated company or joint venture valued at cost due to materiality grounds

Group holding % for companies owned via subsidiaries is based on the Fortum Corporation ownership % in the direct subsidiary times the ownership % of the direct subsidiary in the indirect subsidiary/associate /joint venture as of 31 December 2020.

Subsidiaries by segment

Entity Name	Domicile	Segment	Group holding, %
Böle Vindkraft Ab/Oy	Finland	G	100.0
CrisolteQ Oy	Finland	C	100.0
Ekopartnerit Turku Oy	Finland	C	51.0
Fincumet Oy	Finland	C	100.0
Fortum Asiakaspalvelu Oy	Finland	CS	100.0[1]
Fortum Assets Oy	Finland	O	100.0
Fortum Clean Oy	Finland	O	100.0[1]
Fortum Future Oy	Finland	O	100.0
Fortum Growth Oy	Finland	C	100.0
Fortum Heat and Gas Oy	Finland	C,O	100.0[1]
Fortum Heat Estonia Oy	Finland	C	100.0
Fortum Markets Oy	Finland	CS	100.0[1]
Fortum Norm Oy	Finland	O	100.0[1]
Fortum Power and Heat Holding Oy	Finland	G	100.0
Fortum Power and Heat Oy	Finland	C,CS,G,O,R	100.0[1]
Fortum Real Estate Oy	Finland	O	100.0[1]
Fortum Waste Solutions Oy	Finland	C	100.0[1]
Katajamäen Tuulivoima Oy	Finland	G	100.0
Koillis-Pohjan Energiantuotanto Oy	Finland	G	100.0
Kotimaan Energia Oy	Finland	CS	100.0
Kristinestad-Tjöck Vindpark Ab	Finland	G	100.0
Molpe Vindkraft Ab/Oy	Finland	G	100.0
Närpes Vindkraft Ab/Oy	Finland	G	100.0
Niemen Romukauppa Oy	Finland	CS	100.0
Oy Pauken Ab	Finland	O	
Oy Tersil Ab	Finland	O	
Oy Tertrade Ab	Finland	O	
Pjelax Vindkraft Ab/Oy	Finland	G	
Poikel Vindkraft Ab/Oy	Finland	G	
Uniper Global Commodities Canada Inc.	Canada	U	
Uniper Trading Canada Ltd.	Canada	U	
Barry Danmark ApS	Denmark	O	
Fortum Waste Solutions A/S	Denmark	C	
Fortum Waste Solutions OW A/S	Denmark	C	
AS Anne Soojus	Estonia	C	
AS Fortum Tartu	Estonia	C	
AS Tartu Joujaam	Estonia	C	
AS Tartu Keskkatlamaja	Estonia	C	
Fortum CFS Eesti OU	Estonia	O	
Fortum Eesti AS	Estonia	C	
Barry France SAS	France	O	
Fortum France S.A.S	France	G	
Liqvis France SASU	France	U	
BauMineral GmbH	Germany	U	
Deutsche Flüssigerdgas Terminal beschränkt haftende oHG	Germany	U	
DFTG-Deutsche Flüssigerdgas Terminal Gesellschaft mit beschränkter Haftung	Germany	U	
Donau-Wasserkraft Aktiengesellschaft	Germany	U	
Etzel Gas-Lager GmbH & Co. KG	Germany	U	
Fortum Deutschland SE	Germany	O	
Fortum Service Deutschland GmbH	Germany	C,G	
Freya Bunde-Etzel GmbH & Co. KG	Germany	U	
Freya Bunde-Etzel Verwaltungsgesellschaft mbH	Germany	U	
Gemeinschaftskraftwerk Irsching GmbH	Germany	U	
Hydropower Evolutions GmbH	Germany	U	
Induboden GmbH & Co. Industriewerte OHG	Germany	U	
Kokereigasnetz Ruhr GmbH	Germany	U	
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	U	
Kraftwerk Schkopau GbR	Germany	U	
Liqvis GmbH	Germany	U	
LNG Terminal Wilhelmshaven GmbH	Germany	U	
Lubmin-Brandov Gastransport GmbH	Germany	U	
Mainkraftwerk Schweinfurt Gesellschaft mit beschränkter Haftung	Germany	U	
METHA-Methanhandel GmbH	Germany	U	
Mittlere Donau Kraftwerke Aktiengesellschaft	Germany	U	

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Entity Name	Domicile	Segment	Group holding, %
Obere Donau Kraftwerke Aktiengesellschaft	Germany	U	35.4[2]
Plugsurfing GmbH	Germany	O	100.0
RGE Holding GmbH	Germany	U	76.1
Rhein-Main-Donau GmbH	Germany	U	58.9
RMD-Consult GmbH	Germany	U	76.1
RuhrEnergie GmbH, EVR	Germany	U	76.1
Uniper Anlagenservice GmbH	Germany	U	76.1
Uniper Beteiligungs GmbH	Germany	U	76.1
Uniper Energy Sales GmbH	Germany	U	76.1
Uniper Energy Storage GmbH	Germany	U	76.1
Uniper Exploration & Production GmbH	Germany	U	76.1
Uniper Financial Services GmbH	Germany	U	76.1
Uniper Global Commodities SE	Germany	U	76.1
Uniper Holding GmbH	Germany	U	76.1
Uniper HR Services Hannover GmbH	Germany	U	76.1
Uniper Hydrogen GmbH	Germany	U	76.1[2]
Uniper International Holding GmbH	Germany	U	76.1
Uniper IT GmbH	Germany	U	76.1
Uniper Kraftwerke GmbH	Germany	U	76.1
Uniper Market Solutions GmbH	Germany	U	76.1[2]
Uniper Renewables GmbH	Germany	U	76.1[2]
Uniper Risk Consulting GmbH	Germany	U	76.1
Uniper Ruhrgas International GmbH	Germany	U	76.1
Uniper SE	Germany	U	76.1
Uniper Solar 1 WHV GmbH	Germany	U	76.1[2]
Uniper Systemstabilität GmbH	Germany	U	76.1
Uniper Technologies GmbH	Germany	U	76.1
Uniper Wärme GmbH	Germany	U	76.1[2]
Untere Iller AG	Germany	U	45.6
Fortum Insurance Ltd	Guernsey	O	100.0
Uniper Hungary Energetikai Kft.	Hungary	U	76.1
Fortum Charge & Drive India Private Limited	India	O	100.0
Fortum India Private Limited	India	C	100.0[1]
Fortum Solar India Private Limited	India	C	100.0
Fortum Solar Plus Private Limited	India	C	100.0
Uniper India Private Ltd.	India	U	76.1[2]
PT Fortum Energy Solution	Indonesia	C	95.0
Fortum eNext Ireland Ltd	Ireland	C	100.0
Fortum Finance Ireland Designated Activity Company	Ireland	O	100.0[1]
Fortum Global Finance Designated Activity Company	Ireland	O	100.0
Fortum P&H Ireland Limited	Ireland	O	100.0

Entity Name	Domicile	Segment
Fortum Participation Ltd	Ireland	C,O
Fortum Jelgava, SIA	Latvia	C
Fortum Latvia SIA	Latvia	C
SIA Fortum Daugavpils	Latvia	C
SIA Lake Development	Latvia	C
UAB Fortum Heat Lietuva	Lithuania	C
UAB Fortum Klaipeda	Lithuania	C
UAB Joniskio energija	Lithuania	C
UAB Svencioniu energija	Lithuania	C
UPT Global Alternatives S.C.S. SICAV-SIF	Luxembourg	U
Ergon Holdings Ltd	Malta	U
Ergon Insurance Ltd	Malta	U
E.ON Benelux Geothermie B.V. (in liquidation)	Netherlands	U
Fortum 2 B.V.	Netherlands	O
Fortum 3 B.V.	Netherlands	G
Fortum Charge & Drive B.V.	Netherlands	O
Fortum Finance B.V.	Netherlands	O
Fortum H&C 1 B.V.	Netherlands	O
Fortum H&C B.V.	Netherlands	O
Fortum Holding B.V.	Netherlands	,CS,G,O
Fortum Hydro B.V.	Netherlands	O
Fortum India B.V.	Netherlands	C
Fortum Power Holding B.V.	Netherlands	O
Fortum Russia B.V.	Netherlands	R
Fortum SAR B.V.	Netherlands	C
Fortum Star B.V.	Netherlands	O
PolarSolar B.V.	Netherlands	C
Uniper Benelux CCS Project B.V.	Netherlands	U
Uniper Benelux Holding B.V.	Netherlands	U
Uniper Benelux N.V.	Netherlands	U
Uniper Energy Trading NL Staff Company B.V.	Netherlands	U
Uniper Gas Transportation and Finance B.V.	Netherlands	U
Uniper Infrastructure Asset Management B.V.	Netherlands	U
Uniper Ruhrgas BBL B.V.	Netherlands	U
Uniper Technologies B.V.	Netherlands	U
E.ON Ruhrgas Nigeria Limited	Nigeria	U
Fortum Consumer Solutions AS	Norway	CS
Fortum Fiber AS	Norway	C
Fortum Forvaltning AS	Norway	CS,G,O
Fortum Hedging AS	Norway	G
Fortum Kundesenter AS	Norway	CS

Årsregnskap regnskapsåret 2020 for 914551757

Entity Name	Domicile	Segment	Group holding, %
Fortum Markets AS	Norway	CS	100.0
Fortum Oslo Varme AS	Norway	C	50.0
Fortum Plastics Recycling Norway AS	Norway	C	100.0
Fortum Strøm AS	Norway	CS	100.0
Fortum Tellier AS	Norway	CS	100.0
Fortum Waste Solutions Norway AS	Norway	C	100.0
Hallingkraft AS	Norway	CS	100.0
NorgesEnergi AS	Norway	CS	100.0
Oslo Energi AS	Norway	CS	100.0
Sørfjord Vindpark AS	Norway	G	100.0
Fortum Marketing and Sales Polska S.A.	Poland	CS	100.0
Fortum Network Częstochowa Sp. z o.o.	Poland	C	100.0
Fortum Network Płock Sp. z o.o.	Poland	C	100.0
Fortum Network Wrocław Sp. z o.o.	Poland	C	100.0
Fortum Power and Heat Polska Sp. z o.o.	Poland	C,CS	100.0
Fortum Silesia SA	Poland	C	100.0
Fortum Sprzedaż Sp. z o.o.	Poland	CS	100.0
Rejonowa Spółka Ciepłownicza Sp. z o.o.	Poland	C	100.0
Fortum-New Generation 2 Limited Liability Company	Russia	R	100.0
Fortum-New Generation 3 Limited Liability Company	Russia	R	100.0
Fortum-New Generation 5 Limited Liability Company	Russia	R	98.2
Joint Stock Company Chelyabenergoremont	Russia	R	100.0
LLC Bugulchanskaya Solar power station	Russia	R	98.2
OOO Agro-industrial Park «Siberia»	Russia	U	63.7[2)]
OOO Unipro Engineering	Russia	U	63.7[2)]
PAO Fortum	Russia	R	98.2
PAO Unipro	Russia	U	63.7
Uniper NefteGaz LLC	Russia	U	76.1[2)]
Ural Heat Networks Company Joint Stock Company	Russia	R	98.2
HQ Services Limited	Rwanda	C	49.0
Uniper Energy Trading Srbija d.o.o. - u Likvidaciji	Serbia	U	76.1[2)]
Uniper Energy Asia Pacific Pte. Ltd.	Singapore	U	76.1[2)]
Uniper Energy Southern Africa (Pty) Ltd.	South Africa	U	76.1[2)]
Escandinava de Electricidad S.L.U	Spain	CS	100.0
Barsebäck Kraft AB	Sweden	U	76.1[2)]
Blåsjön Kraft AB	Sweden	G,U	88.0
Blåsjön Nät AB	Sweden	G,U	88.0
Blybergs Kraftaktiebolag	Sweden	G	66.7
Brännälven Kraft AB	Sweden	G,U	81.5
Bullerforsens Kraft Aktiebolag	Sweden	G	88.0
Energikundservice Sverige AB	Sweden	CS	100.0

Entity Name	Domicile	Segment
Fortum 1 AB	Sweden	R
Fortum Energy AB	Sweden	CS
Fortum Fastigheter AB	Sweden	O
Fortum Markets AB	Sweden	CS
Fortum Miljö AB	Sweden	O
Fortum Produktionsnät AB	Sweden	G
Fortum Ren AB	Sweden	O
Fortum Skott AB	Sweden	O
Fortum Sverige AB	Sweden	C,G,O
Fortum Sweden AB	Sweden	O
Fortum Vind Norr AB	Sweden	G
Fortum Waste Solutions AB	Sweden	C
Fortum Waste Solutions Holding AB	Sweden	C
Göta Energi AB	Sweden	CS
Kolbäckens Kraft KB	Sweden	U
Mellansvensk Kraftgrupp Aktiebolag	Sweden	G,U
Nordgroup Waste Management AB	Sweden	C
OKG Aktiebolag	Sweden	G;U
Oreälvens Kraftaktiebolag	Sweden	G
Sävar Vindkraft AB	Sweden	G
Stensjön Kraft AB	Sweden	G,U
Sydkraft AB	Sweden	U
Sydkraft Försäkring AB	Sweden	U
Sydkraft Hydropower AB	Sweden	U
Sydkraft Nuclear Power AB	Sweden	U
Sydkraft Thermal Power AB	Sweden	U
Uddeholm Kraft Aktiebolag	Sweden	G
Värmlandskraft-OKG-delägarna Aktiebolag	Sweden	G
Uniper Energy DMCC	United Arab Emirates	U
Uniper Energy Fujairah FZE	United Arab Emirates	U
Uniper Energy Services MENA DMCC	United Arab Emirates	U
Fortum Carlisle Limited	United Kingdom	C
Fortum Energy Ltd	United Kingdom	O
Fortum Glasgow Limited	United Kingdom	C
Fortum O&M(UK) Limited	United Kingdom	C
Holford Gas Storage Limited	United Kingdom	U
IVO Energy Limited	United Kingdom	G
Uniper Energy Limited	United Kingdom	U
Uniper Energy Trading UK Staff Company Limited	United Kingdom	U
Uniper Global Commodities London Ltd.	United Kingdom	U
Uniper Global Commodities UK Limited	United Kingdom	U

Entity Name	Domicile	Segment	Group holding, %
Uniper Holdings Limited	United Kingdom	U	76.1[2]
Uniper Technologies Limited	United Kingdom	U	76.1
Uniper UK Corby Limited	United Kingdom	U	76.1
Uniper UK Cottam Limited	United Kingdom	U	76.1[2]
Uniper UK Gas Limited	United Kingdom	U	76.1
Uniper UK Ironbridge Limited	United Kingdom	U	76.1
Uniper UK Limited	United Kingdom	U	76.1
Uniper UK Trustees Limited	United Kingdom	U	76.1[2]
Greanex LLC	USA	U	38.8[2]
Uniper Global Commodities North America LLC	USA	U	76.1
Valo Ventures I LP Fund	USA	O	99.0

Associated companies and joint ventures by segment

Entity Name	Country	Segment	Group holding %
Chempolis Oy	Finland	C	33.9
Kemijoki Oy	Finland	G	28.3
Keuruun Sähkö Oy	Finland	O	35.1
Posiva Oy	Finland	G	40.0
Sallila Energia Oy	Finland	O	46.0
Teollisuuden Voima Oyj	Finland	G	25.8
Turun Seudun Energiantuotanto Oy	Finland	C	53.5
Turun Seudun Kaukolämpö Oy	Finland	C	30.0
Wello Oy	Finland	O	18.6[1]
RAG-Beteiligungs-Aktiengesellschaft	Austria	U	22.8
SOCAR-UNIPER LLC	Azerbaijan	U	32.3[3]
BIOPLYN Třeboň spol. s r.o.	Czech Republic	U	18.8[3]
Solar Energy s.r.o.	Czech Republic	U	19.0[3]
E.ON Perspekt GmbH	Germany	U	22.8[3]
Energie-Pensions-Management GmbH	Germany	U	22.8[3]
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung	Germany	U	38.0[3]
Grüne Quartiere GmbH	Germany	U	38.0[3]
Kraftwerk Buer GbR	Germany	U	38.0[3]
Assam Bio Refinery Private Limited	India	C	49.6
India Uniper Power Services Private Limited	India	U	38.0[3]
PT Jakarta Solusi Lestari	Indonesia	C	56.0
AS Jelgavas Siltumtīklu uzņēmums	Latvia	C	27.6
AB Klaipėdos energija	Lithuania	C	19.6
UAB Kauno Kogeneracinė Jėgainė	Lithuania	C	49.0

Entity Name	Country	Segment
B.V. NEA	Netherlands	U
BBL Company V.O.F.	Netherlands	U
India Sun B.V.	Netherlands	C
Nordic Wind B.V.	Netherlands	G
Yustek Holding B.V.	Netherlands	R
Fortum Nordkraft Vind DA	Norway	G
Linnvasselv Kraftlag SA	Norway	G
OF Energi AS	Norway	C
Recharge AS	Norway	O
Fortum-New Generation 4 Limited Liability Company	Russia	R
Kurgan Plant of Energy Technologies Limited Liability	Russia	R
OOO E.ON Connecting Energies	Russia	U
TGC1 Territorial Generating Company 1	Russia	R
Ural energy retail LLC	Russia	R
Wind Power Assets Management LLC	Russia	R
AB Svafo	Sweden	G,U
Ångefallen Kraft AB	Sweden	G
Bergeforsens Kraftaktiebolag	Sweden	U
Forsmarks Kraftgrupp Aktiebolag	Sweden	G,U
Horrmundsvalla Kraftaktiebolag	Sweden	G
Kärnkraftsäkerhet & Utbildning AB	Sweden	G,U
Klåvbens AB	Sweden	U
Ringhals AB	Sweden	U
SQC Swedish Qualification Centre AB	Sweden	G,U
Stockholm Exergi Holding AB (publ)	Sweden	C
Svensk Kärnbränslehantering AB	Sweden	G,U
Tåsans Kraftaktiebolag	Sweden	G
Väsa Kraftaktiebolag	Sweden	G
Vattenkraftens Miljöfond Sverige AB	Sweden	G,U
Vaultige AB	Sweden	U
Javelin Global Commodities Holdings LLP	United Kingdom	U
Exporting Commodities International LLC	USA	U

Årsregnskap regnskapsåret 2020 for 914551757

Financial key figures

For information of Alternative Performance Measures used by Fortum, see ▸ **Definitions of key figures** and ▸ **Note 1** Significant accounting policies.

EUR million or as indicated	2020	2019	Change 20/19 %
Income statement			
Sales	49,015	5,447	800
EBITDA	2,688	1,693	59
Comparable EBITDA	2,434	1,766	38
Operating profit	1,599	1,118	43
- of sales %	3.3	20.5	
Comparable operating profit	1,344	1,191	13
Share of profit/loss of associates and joint ventures	656	744	-12
Profit before income tax	2,199	1,728	27
- of sales %	4.5	31.7	
Profit for the period	1,855	1,507	23
- of which attributable to owners of the parent	1,823	1,482	23
Financial position and cash flow			
Capital employed	26,239	19,929	
Financial net debt [1]	7,023	4,833	45
Adjusted net debt [1]	9,784	4,978	97
Interest-bearing net debt [1]	N/A	5,260	
Capital expenditure and gross investments in shares	4,941	819	503
- of sales %	10.1	15.0	
Capital expenditure	1,135	713	59
Net cash from operating activities	2,555	1,575	62

EUR million or as indicated	2020	20
Key ratios		
Return on shareholders' equity, %	12.9	1
Interest coverage	27.3	
Interest coverage including capitalised borrowing costs	18.6	
Funds from operations/interest-bearing net debt, %	N/A	3
Gearing, % [1]	45	
Equity-to-assets ratio, %	27	
Financial net debt/comparable EBITDA [2]	2.9	
Comparable net debt/EBITDA [2]	N/A	
Return on capital employed, % [2]	N/A	1
Other data		
Dividends	995 [3]	9
Research and development expenditure	56	
- of sales %	0.1	
Average number of employees	19,988	8,2

1) Following the consolidation of Uniper, Fortum has updated its definition of net debt and uses financial ne adjusted net debt. As a consequence, the definition of gearing has been updated.
2) Comparable EBITDA is defined as an alternative performance measure and used as a component in the c target 'Financial net debt-to-Comparable EBITDA'. In 2020 Comparable EBITDA includes contribution fro period of 1 April to 31 December 2020 since Uniper was consolidated as a subsidiary from 31 March 2020 March 2020 Uniper's contribution to the income statement was recognised in the Share of profit/loss of joint ventures.
3) Board of Directors' proposal for the planned Annual General Meeting on 28 April 2021.

See ▸ **Definitions of key figures.**

Årsregnskap Årsregnskapsåret 2020 for 914551757

Share key figures

EUR or as indicated	2020	2019	Change 20/19 %
Data per share			
Earnings per share	2.05	1.67	23
Cash flow per share	2.88	2.27	27
Equity per share	14.58	14.61	0
Dividend per share	1.12[1]	1.10	2
Payout ratio, %	54.6[1]	65.9	
Dividend yield, %	5.7[1]	5.0	
Price/earnings ratio (P/E)	9.6	13.2	
Share prices			
At the end of the period	19.70	22.00	
Average	17.20	20.06	
Lowest	12.25	18.09	
Highest	23.46	22.50	
Other data			
Market capitalisation at the end of the period, EUR million	17,499	19,542	
Trading volumes[2]			
Number of shares, 1 000 shares	647,869	372,272	
In relation to weighted average number of shares, %	72.9	41.9	
Number of shares, 1 000 shares	888,294	888,294	
Number of shares excluding treasury shares, 1 000 shares	N/A	N/A	
Average number of shares, 1 000 shares	888,294	888,294	
Diluted adjusted average number of shares, 1 000 shares	888,294	888,294	

1) Board of Directors' proposal for the Annual General Meeting on 28 April 2021.
2) Trading volumes in the table represent volumes traded on Nasdaq Helsinki. In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boat, Cboe and Turquoise, and on the OTC market as well. During 2020, approximately 68% (2019: 73%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

See ▸ **Definitions of key figures**.

Segment key figures

Sales by segment, EUR million	2020	2019
Generation	2,006	2,141
- of which internal	421	259
Russia	929	1,071
- of which internal	2	-
City Solutions	1,075	1,200
- of which internal	64	45
Consumer Solutions	1,267	1,835
- of which internal	2	-3
Uniper	44,514	-
- of which internal	0	-
Other Operations	140	115
- of which internal	110	86
Eliminations and Netting of Nord Pool transactions	-916	-916
Total	**49,015**	**5,447**

Comparable operating profit by segment, EUR million	2020	2019
Generation	722	794
Russia	251	316
City Solutions	47	120
Consumer Solutions	90	79
Uniper	363	-
Other Operations	-129	-118
Comparable operating profit	**1,344**	**1,191**
Impairment charges and reversals	2	-8
Capital gains and other related items	765	7
Impact from acquisition accounting	-222	-
Changes in fair values of derivatives hedging future cash flow	-675	-72
Other	386	-
Operating profit	**1,599**	**1,118**

Comparable EBITDA by segment, EUR million	20
Generation	8
Russia	3
City Solutions	2
Consumer Solutions	1
Uniper	8
Other Operations	-
Total	**2,4**

Depreciation and amortisation, EUR million	20
Generation	1
Russia	1
City Solutions	
Consumer Solutions	
Uniper	4
Other Operations	
Total	**1,0**

Share of profit of associates and joint ventures by segment, EUR million	20
Generation	
Russia	
City Solutions	
Uniper	
Other Operations	4
Total	**6**

Capital expenditure by segment, EUR million	20
Generation	1
Russia	
City Solutions	2
Consumer Solutions	
Uniper	6
Other Operations	
Total	**1,1**

Årsregnskap regnskapsåret 2020 for 914551757

Gross investments in shares by segment,

EUR million	2020	2019
Generation	70	13
Russia	48	66
City Solutions	114	9
Consumer Solutions	-	-
Uniper	3	-
Other Operations	3,572	18
Total	**3,807**	**106**

Gross divestments of shares by segment,

EUR million	2020	2019
Generation	171	12
Russia	-	-
City Solutions	895	2
Consumer Solutions	10	-
Uniper	69	-
Other Operations	81	16
Total	**1,226**	**30**

Comparable net assets by segment,

EUR million	2020	2019
Generation	6,234	6,019
Russia	2,431	3,212
City Solutions	3,679	3,945
Consumer Solutions	565	637
Uniper	7,432	-
Other Operations	136	4,400
Total	**20,477**	**18,214**

Comparable return on net assets by segment,

%	20
Generation	1
Russia	-
City Solutions	
Consumer Solutions	1
Uniper [1]	N

1) 2020 for Uniper segment is calculated based on cumulative figures from 1 April 2020. Comparable return
the Uniper segment will be presented once information for full 12 months is available.

Average number of employees	20
Generation	1,
Russia	2,9
City Solutions	2,
Consumer Solutions	1,
Uniper	11,6
Other Operations	9
Total	**19,9**

Årsregnskap regnskapsåret 2020 for 914551757

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.	Note 5 Capital risk management
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

Business performance	Definition	Reason to use the measure
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.
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.
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.
Comparable return on net assets, %	$\frac{\text{Comparable operating profit + share of profit/loss in associates and joint ventures + adjustment for share of profit/loss in associates and joint ventures}}{\text{Comparable net assets average}} \times 100$	Comparable return on net assets is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.
Adjustment for Share of profit/loss in associates and joint ventures	Adjustment for material items affecting comparability.	Share of profit/loss in associates and joint ventures is included in profit component in the comparable return on net assets calculation and the adjustments are done based on similar components as in Items affecting comparability.

Årsregnskap regnskapsåret 2020 for 914551757

Capital structure	Definition	Reason to use the measure	Reconciliation
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 6 Segment reporting
Financial net debt / comparable EBITDA	$\frac{\text{Financial net debt}}{\text{Comparable EBITDA}}$	Financial net debt to comparable EBITDA is Fortum's long-term financial target for capital structure since December 2020.	Note 5 Capital risk management
Comparable net debt / EBITDA	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$	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 26 Interest-bearing liabilities

Capital structure	Definition	Reason to use the measure
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.
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.
Return on capital employed (ROCE), %	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$	Until Q1 2020 return on capital employed (ROCE) was a long-term over the cycle financial ratio target measuring the profitability and how efficiently invested capital was used.
Capital employed	Total assets - total non-interest-bearing liabilities	Capital employed is the book value of the invested capital and it was used as a component when calculating the Return of capital employed in the group.

See ▸ **Note 1.4** Measures for performance and ▸ **Note 7** Items affecting comparability

Årsregnskap regnskapsåret 2020 for 914551757

Other key figures

Share based key figures

Earnings per share (EPS)	$\frac{\text{Profit for the period - non-controlling interests}}{\text{Average number of shares during the period}}$
Cash flow per share	$\frac{\text{Net cash from operating activities}}{\text{Average number of shares during the period}}$
Equity per share	$\frac{\text{Shareholders' equity}}{\text{Number of shares at the end of the period}}$
Payout ratio, %	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Dividend yield, %	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$
Price/earnings (P/E) ratio	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Average share price	$\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
Market capitalisation	Number of shares at the end of the period x share price at the end of the period
Trading volumes	Number of shares traded during the period in relation to the weighted average number of shares during the period
Funds from operations (FFO)	Net cash from operating activities before change in working capital
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.

Årsregnskap regnskapsåret 2020 for 914551757

Other key figures

EBITDA	Operating profit + depreciations and amortisations
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.
Return on shareholders' equity (ROE), %	Profit for the year / Total equity average x 100
Gearing, %	Financial net debt (until 2019 interest-bearing net debt) / Total equity including non-controlling interests x 100
Equity-to-assets ratio, %	Total equity including non-controlling interests / Total assets x 100
Interest coverage	Operating profit / Net interest expenses
Interest coverage including capitalised borrowing costs	Operating profit / Net interest expenses - capitalised borrowing costs
Average number of employees	Based on monthly average for the whole period

Definitions for tax figures

Effective income tax rate,%	Income tax expense / Profit before income tax x 100
Comparable effective income tax rate, %	Income tax expense – effects from tax rate changes - taxes on items affecting comparability - other major onetime tax effects / Profit before income tax - share on profits from associated companies and joint ventures - items affecting comparability x 100
Weighted average applicable income tax rate	Sum of the proportionately weighted share of profits before taxes of each group operating country multiplied with an applicable nominal tax rate of the respective countries.

Parent company financial statements, Finnish GAAP (FAS)

Income statement

EUR	Note	2020	2019
Sales	2	115,411,878	82,296,856
Other income	3	6,973,020	7,009,833
Employee benefits	4	-44,908,024	-37,413,190
Depreciation, amortisation and write-downs	8	-8,582,395	-7,558,508
Other expenses		-107,095,843	-84,081,721
Operating loss		**-38,201,364**	**-39,746,730**
Financial income and expenses	6	1,514,790,424	4,291,445
Profit/loss before appropriations		**1,476,589,060**	**-35,455,285**
Group contributions received [1]		233,438,000	286,059,000
Profit before income tax		**1,710,027,060**	**250,603,715**
Income tax expense	7	-31,505,510	-37,193,917
Profit for the year		**1,678,521,550**	**213,409,798**

1) Taxable profits transferred from Finnish subsidiaries.

Balance sheet

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	8	34,662,194	24,418,353
Property, plant and equipment	8	7,334,897	11,925,952
Shares in Group companies	8	16,201,939,149	16,702,395,633
Interest-bearing receivables from Group companies	8	5,045,167,286	2,952,175,763
Interest-bearing receivables from associated companies	8	1,415,476	1,327,005
Other non-current assets	8	110,000	110,000
Derivative financial instruments	13, 14	186,647,390	160,060,936
Deferred tax assets		6,348,686	4,572,153
Total non-current assets		**21,483,625,079**	**19,856,985,795**
Current assets			
Other current receivables from Group companies	9	248,621,578	313,509,394
Other current receivables from associated companies		40,920	245
Derivative financial instruments	13, 14	210,402,684	126,024,632
Other current receivables	9	22,182,143	
Deposits and securities (maturity over three months)		363,372,670	
Cash and cash equivalents		1,348,674,226	
Liquid funds		1,712,046,896	
Total current assets		**2,193,294,222**	
Total assets		**23,676,919,300**	
EQUITY			
Shareholders' equity	10		
Share capital		3,046,185,953	
Share premium		2,821,690,902	
Hedging reserve		-24,202,381	
Retained earnings		3,261,538,565	
Profit for the year		1,678,521,550	
Total equity		**10,784,734,590**	
Provisions for liabilities and charges		**[illegible]636,509**	
LIABILITIES			
Non-current liabilities			
External interest-bearing liabilities	11, 13, 14	7,0[illegible],135,440	
Interest-bearing liabilities to Group companies		4,3[illegible],630,712	
Interest-bearing liabilities to associated companies		[illegible],355,523	
Derivative financial instruments	13, 14	[illegible],935,077	
Other non-current liabilities		[illegible],936,234	
Total non-current liabilities		**11,78[illegible],992,985**	
Current liabilities			
External interest-bearing liabilities	11	[illegible]8,108,111	
Trade and other payables to Group companies	12	[illegible],346,824	
Trade and other payables to associated companies	12	[illegible],018,710	
Derivative financial instruments	13, 14	1[illegible],628,492	
Trade and other payables	12	1[illegible],453,079	
Total current liabilities		**1,10[illegible],555,216**	
Total liabilities		**12,89[illegible],548,202**	
Total equity and liabilities		**23,676,919,300**	

Årsregnskap regnskapsår 01.01.2020-31.12.2020 914551757

Cash flow statement

EUR 1,000	2020	2019
Cash flow from operating activities		
Profit for the year	1,678,522	213,410
Adjustments:		
Income tax expense	31,506	37,194
Group contributions	-233,438	-286,059
Finance costs - net	-1,514,790	-4,291
Depreciation, amortisation and write-downs	8,582	7,559
Operating profit before depreciation (EBITDA)	**-29,619**	**-32,187**
Non-cash flow items	2,623	-73
Interest and other financial income received	34,970	25,604
Interest and other financial expenses paid	-51,724	-96,577
Dividends received	1,129,720	87,000
Group contributions received	286,059	84,518
Realised foreign exchange gains and losses	-75,092	36,924
Income taxes paid	-35,403	-2,720
Funds from operations	**1,261,534**	**102,489**
Other short-term receivables increase(-)/decrease(+)	-915	-11,908
Other short-term payables increase(+)/decrease(-)	19,729	-1,038
Change in working capital	18,814	-12,946
Net cash from operating activities	**1,280,348**	**89,543**
Cash flow from investing activities		
Capital expenditures	-13,215	-8,448
Acquisition of shares and capital contributions in subsidiaries	-8	-8
Proceeds from sales of shares	921,162	-
Proceeds from sales of property, plant and equipment	148	21
Change in interest-bearing receivables and other non-current assets	-2,092,580	-2,287
Net cash used in investing activities	**-1,184,492**	**-10,722**
Cash flow before financing activities	**95,856**	**78,821**

EUR 1,000	2020
Cash flow from financing activities	
Proceeds from long-term liabilities	2,455,419
Payment of long-term liabilities	-366,156
Change in cash pool liabilities	-882,562
Change in short-term liabilities	222,360
Dividends paid	-977,408
Net cash from financing activities	**451,653**
Net increase(+)/decrease(-) in liquid funds	**547,508**
Liquid funds 1 January	**1,164,539**
Liquid funds 31 December	**1,712,047**

Årsregnskap regnskapsåret 2020 for 914551757

Notes to the Parent Company Financial Statements, FAS

1 Accounting policies and principles

The financial statements of Fortum Oyj for the year ended 31 December 2020 are prepared in accordance with Finnish Accounting Standards (FAS).

1.1 Sales
Sales include sales revenue from actual operations and exchange rate differences on trade receivables, less discounts and indirect taxes such as value added tax.

1.2 Other income
Other income includes gains on the sales of property, plant and equipment and shareholdings, as well as all other operating income not related to the sales of products or services, such as rents.

1.3 Foreign currency items and derivative instruments
Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the financial net in the income statement.

Fortum Oyj enters into derivative contracts mainly for hedging foreign exchange and interest rate exposures in Fortum Group.

Fortum Oyj applies IFRS 9 Financial Instruments standard for derivative instruments and hedge accounting in statutory financial statements. Accounting principles on financial derivatives, see ▸ **Note 4** Financial risk management, ▸ **Note 14** Financial assets and liabilities by categories and ▸ **Note 15** Financial assets and liabilities by fair value hierarchy in the Consolidated financial statements.

1.4 Income taxes
Income taxes presented in the income statement consist of accrued taxes for the financial year and tax adjustments for prior years.

1.5 Shares in group companies
The balance sheet value of shares in group companies consists of historical costs less write-downs. If the estimated future cash flows generated by a non-current asset are expected to be permanently lower than the carrying amount, an adjustment to the value is made to write-down the difference as an expense. If the basis for the write-down can no longer be justified at the balance sheet date, it is reversed.

1.6 Intangible assets and Property, plant and equipment
The balance sheet value of intangible assets and property, plant and equipment consists of histo
depreciation and possible write-downs. Intangible assets and Property, plant and equipment are
using straight-line depreciation based on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

Machinery and equipment	3 – 15 years
Intangible assets	5 – 10 years

1.7 Pension expenses
Statutory pension obligations are covered through a compulsory pension insurance policy or Grou
pensionfund. Costs for pension fund are recorded in the income statement based on contribution
to the Finnish pension laws and regulations.

1.8 Long-term incentive schemes
Costs related to the Fortum long-term incentive plans are accrued over the earnings period and th
liabilityis booked to the balance sheet.

1.9 Provisions
Foreseeable future expenses and losses that have no corresponding revenue to which Fortum is
obliged to settle, and whose monetary value can be reasonably assessed, are entered as expense
income statement and included as provisions on the balance sheet.

2 Sales by market area

EUR 1,000	2
Finland	56,
Other countries	58,
Total	**115,**

3 Other income

EUR 1,000	2
Rental and other income	6,
Total	**6,**

Årsregnskap regnskapsåret 2020 for 914551757

4 Employee benefits

EUR 1,000	2020	2019
Personnel expenses		
Wages, salaries and remunerations	35,938	28,940
Indirect employee costs		
Pension costs	5,129	4,812
Other indirect employee costs	1,188	920
Other personnel expenses	2,654	2,741
Total	**44,908**	**37,413**

	2020		2019
EUR 1,000	Markus Rauramo, President and CEO from 1 July 2020	Pekka Lundmark, President and CEO until 1 July 2020	Pekka Lundmark, President and CEO
Compensation for the President and CEO			
Salaries and fringe benefits	808	521	1,057
Performance bonuses [1]	82	-	200
Share-based incentives [1]	249	94	898
Pensions (statutory)	140	82	207
Pensions (voluntary)	158	132	265
Social security expenses	31	18	39
Total	**1,467**	**848**	**2,666**

1) Based on estimated amounts.

EUR 1,000	2020	2019
Compensation for the Board of Directors	593	529

The compensation above is presented on accrual basis. Paid salaries and remunerations for the President and CEO Markus Rauramo were EUR 808 thousand, and for the former President and CEO Pekka Lundmark EUR 1,899 thousand (2019: 2,213).

For the President and CEO Markus Rauramo the retirement age is determined in accordance with the Finnish Employees' Pension Act. The pension obligations are covered through insurance company.

Board members are not in an employment relationship or service contract with Fortum, and they are not given the opportunity to participate in Fortum's STI or LTI programme, nor does Fortum have a pension plan that they can opt to take part in. The compensation of the board members is not tied to the sustainability performance of the Group.

See ▸ **Note 10** Employee benefits and Board remuneration and ▸ **Note 30** Pension obligations in the Consolidated financial statements.

	2020	2019
Average number of employees	329	268

5 Auditor's fees

EUR 1,000	2
Audit fees	
Audit-related assignments	
Tax assignments	
Total	

Deloitte Oy is the appointed auditor until the next Annual General Meeting, to be held in 2021. Audi fees for the audit of the consolidated financial statements, review of the interim reports as well as t audit of Fortum Oyj. Audit related assignments include fees for assurance of sustainability reportin assurance and associated services related to the audit. Tax assignments include fees for tax advice

6 Financial income and expenses

EUR 1,000	2
Dividend income from group companies	1,129
Interest and other financial income from group companies	39
Interest and other financial income from associated companies	
Gains on sale of shares	420
Write-downs of participations in group companies	
Interest and other financial income	1,
Exchange rate differences	1
Changes in fair values of derivatives	-4,
Interest and other financial expenses to group companies	-2,
Interest and other financial expenses	-71,
Total	**1,514,**
Interest income	35
Interest expenses	-68
Interest costs - net	**-32,**

7 Income tax expense

EUR 1,000	2
Taxes on regular business operations	-15
Taxes on group contributions	46,
Total	**31,**
Current taxes for the period	32
Current taxes for prior periods	
Changes in deferred tax	-
Total	**31,**

Årsregnskap regnskapsåret 2020 for 914551757

8 Non-current assets

Intangible assets

EUR 1,000	Total
Cost 1 January 2020	**48,465**
Additions	16,725
Disposals	-16
Cost 31 December 2020	**65,174**
Accumulated depreciation 1 January 2020	**24,047**
Disposals	-8
Depreciation for the year	6,473
Accumulated depreciation 31 December 2020	**30,512**
Carrying amount 31 December 2020	**34,662**
Carrying amount 31 December 2019	24,418

Property, plant and equipment

EUR 1,000	Machinery and equipment	Advar paid construc in progr
Cost 1 January 2020	**9,593**	**6,**
Additions and transfers between categories	1,205	
Disposals	-296	-3,
Cost 31 December 2020	**10,502**	**3,**
Accumulated depreciation 1 January 2020	**4,564**	
Disposals	-155	
Depreciation for the year	2,092	
Accumulated depreciation 31 December 2020	**6,502**	
Carrying amount 31 December 2020	**4,000**	**3,**
Carrying amount 31 December 2019	5,029	6,

Investments

EUR 1,000	Shares in Group companies	Participation in associated companies	Receivables from Group companies	Receivables from associated companies	Ot non-curr ass
Cost 1 January 2020	**17,847,406**	**5,656**	**2,952,176**	**16,60**	**8,**
Additions [1]	5		2,092,992	8	
Disposals	-500,461				
Cost 31 December 2020	**17,346,950**	**5,656**	**5,045,168**	**16,69**	**8,**
Accumulated write-downs 1 January 2020	**1,145,010**	**5,656**	**-**	**15,27**	**7,**
Accumulated write-downs 31 December 2020	**1,145,010**	**5,656**	**-**	**15,27**	**7,**
Carrying amount 31 December 2020	**16,201,940**	**-**	**5,045,168**	**1,41**	
Carrying amount 31 December 2019	16,702,396	-	2,952,176	1,32	

1) Additions regarding shares comprise acquisitions of shares and capital contributions and reclassificatio non-current assets and shares in Group companies.

Årsregnskap regnskapsåret 2020 for 914551757

9 Other current receivables

EUR 1,000	2020	2019
Other current receivables from group companies		
Trade receivables	12,209	9,285
Group contribution and other receivables	233,438	286,059
Accrued income and prepaid expenses	2,974	18,165
Total	**248,621**	**313,509**
Other current receivables		
Trade receivables	79	38
Other receivables	3,289	3,845
Accrued income and prepaid expenses	18,814	5,638
Total	**22,182**	**9,521**

See ▸ **Note 4.2** Liquidity and refinancing risk in the Consolidated financial statements.

10 Changes in shareholders' equity

EUR 1,000	Share capital	Share premium	Hedging reserve	Retained earnings	Total
1 January 2020	**3,046,186**	**2,821,691**	**-19,534**	**4,238,662**	**10,087,004**
Cash dividend				-977,124	-977,124
Change in hedging reserve			-4,668		-4,668
Profit for the year				1,678,522	1,678,522
31 December 2020	**3,046,186**	**2,821,691**	**-24,202**	**4,940,060**	**10,783,734**
1 January 2019	**3,046,186**	**2,821,691**	**-10,987**	**5,002,377**	**10,859,265**
Cash dividend				-977,124	-977,124
Change in hedging reserve			-8,547		-8,547
Profit for the year				213,410	213,410
31 December 2019	**3,046,186**	**2,821,691**	**-19,534**	**4,238,662**	**10,087,004**

EUR 1,000	2020	2019
Distributable funds		
Retained earnings 31 December	4,940,060	4,238,662
Hedging reserve	-24,202	-19,534
Total	**4,915,858**	**4,219,128**

11 Interest-bearing liabilities

EUR 1,000	2
External interest-bearing loans	
Bonds	3,758,
Loans from financial institutions	2,450,
Other long-term interest-bearing loans	851
Total long-term interest-bearing loans	**7,060,**
Current portion of long-term bonds	499,
Current portion of loans from financial institutions	13,
Current portion of other long-term interest-bearing loans	
Other short-term interest-bearing loans	304,
Total short-term interest-bearing loans	**818,**
Total [1]	**7,878,**

Maturity of external interest-bearing loans

EUR 1,000
2021
2022
2023
2024
2025
2026 and later
Total [1]

See ▸ **Note 4.2** Liquidity and refinancing risk and ▸ **Note 26** Interest-bearing liabilities in the Consolid statements.

EUR 1,000	2
External interest-bearing loans due after five years	
Bonds	1,631,
Other long-term loans	936,
Total [1]	**2,568,**

EUR 1,000	2
Other interest-bearing loans due after five years	
Interest-bearing loans to associated companies	293,
Total	**293,**

1) Excludes loans to Group and associated companies.

Non-discounted cash flows of interest-bearing loans and their maturities, see ▸ **Note 13** Financial

Årsregnskap regnskapsåret 2020 for 914551757

12 Trade and other payables

EUR 1,000	2020	2019
Trade and other payables to group companies		
Trade payables	1,615	823
Deposits from group companies and other liabilities	29,616	9,383
Accruals and deferred income	116	98
Total	**31,347**	**10,304**
Trade and other payables to associated companies		
Accruals and deferred income	4,019	8,915
Total	**4,019**	**8,915**
Trade and other payables		
Trade payables	25,370	13,982
Other liabilities	6,137	35,121
Accruals and deferred income	102,945	68,518
Total	**134,453**	**117,621**

13 Financial derivatives

Interest rate and currency derivatives by instrument 2020

	Notional amount Remaining lifetimes				Fair value		
EUR 1,000	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Hedge accounting							
Foreign exchange derivatives	450,201	177,048	-	627,249	8,802	9,114	-312
Interest rate swaps	825,000	1,874,658	1,675,000	4,374,658	153,721	61,068	92,653
Cross currency swaps	14,056	261,341	-	275,397	38,182	3,087	35,095
Non-hedge accounting							
Foreign exchange derivatives	9,529,153	572,978	-	10,102,131	196,345	111,668	84,677
Interest rate swaps	-	19,932	-	19,932	-	259	-259
Cross currency swaps	-	23,656	-	23,656	-	1,367	-1,367
Total	**10,818,410**	**2,929,613**	**1,675,000**	**15,423,023**	**397,050**	**186,563**	**210,487**
Of which long-term					186,647	71,935	114,712
Short-term					210,403	114,628	95,775

Interest rate and currency derivatives by instrument 2019

	Notional amount Remaining lifetimes				Fair va	
EUR 1,000	Under 1 year	1-5 years	Over 5 years	Total	Positive	Neg
Hedge accounting						
Foreign exchange derivatives	438,813	189,413	-	628,226	7,393	
Interest rate swaps	-	2,695,723	1,525,000	4,220,723	152,799	52
Cross currency swaps	103,797	262,897	-	366,694	7,831	1
Non-hedge accounting						
Foreign exchange derivatives	10,049,868	526,596	-	10,576,464	118,063	62
Interest rate swaps	-	19,145	-	19,145	-	
Cross currency swaps	-	-	-	-	-	
Total	**10,592,477**	**3,693,774**	**1,525,000**	**15,811,251**	**286,086**	**14**
Of which long-term					160,061	7
Short-term					126,025	62

Maturity analysis of interest-bearing loans and derivative liabilities

Interest-bearing loans are non-discounted expected cash flows including future interest payment amortisations. Interest rate and currency derivatives represent the fair value of the derivative liab balance sheet.

	2020				2019		
EUR 1,000	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	O y
Interest-bearing loans	948,619	4,642,160	2,998,928	8,589,707	268,803	3,150,366	2,994
Interest rate and currency derivatives	114,628	35,084	36,851	186,564	62,693	56,919	2
Cash outflows of interest-bearing loans and derivatives	**1,063,247**	**4,677,245**	**3,035,778**	**8,776,270**	**331,497**	**3,207,285**	**3,01**

Interest-bearing loans include loans from the State Nuclear Waste Management Fund and Teollis Oyj of EUR 1,145 million (2019: 1,185). These loans are renewed yearly and the related interest pay calculated for ten years in the table above.

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14 Derivatives and liabilities by fair value hierarchy

Fair value measurements are classified using a fair value hierarchy, i.e. Level 1, Level 2 and Level 3 that reflects the significance of the inputs used in making the measurements. For further information see accounting principles in Fortum consolidated accounts ‣ **Note 15** Financial assets and liabilities by fair value hierarchy.

Derivatives in financial assets

	Level 1		Level 2		Level 3		Total	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
In non-current assets								
Derivative financial instruments								
Interest rate and currency derivatives								
Hedge accounting			171,797	155,401			171,797	155,401
Non-hedge accounting			14,851	4,660			14,851	4,660
In current assets								
Derivative financial instruments								
Interest rate and currency derivatives								
Hedge accounting			28,868	12,622			28,868	12,622
Non-hedge accounting			181,535	113,403			181,535	113,403
Total			**397,050**	**286,086**			**397,050**	**286,086**

Derivatives and liabilities at fair value in financial liabilities

	Level 1		Level 2		Level 3	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
In non-current liabilities						
Interest-bearing liabilities [1]			2,145,032	2,293,192		2,14
Derivative financial instruments						
Interest rate and currency derivatives						
Hedge accounting			56,525	72,929		5
Non-hedge accounting			15,410	4,789		1
In current liabilities						
Derivative financial instruments						
Interest rate and currency derivatives						
Hedge accounting			16,703	4,915		1
Non-hedge accounting			97,926	57,778		9
Total			**2,331,595**	**2,433,603**		**2,33**

1) Fair valued part of bond in the fair value hedge relationship.

Net fair value amount of interest rate and currency derivatives is EUR 210 million (2019: 146), inclu EUR 397 million (2019: 286) and liabilities, EUR 187 million (2019: 140). Fortum Corporation has cas based on Credit Support Annex agreements with some counterparties. At the end of December 2 Corporation had received EUR 109 million (2019: 65) from Credit Support Annex agreements. The has been booked as a short-term interest-bearing liability.

Årsregnskap regnskapsåret 2020 for 914551757

15 Contingent liabilities and other commitments

EUR 1,000	2020	2019
On own behalf		
Other contingent liabilities	438	956
On behalf of group companies		
Guarantees	1,330,784	565,510
On behalf of associated companies		
Guarantees on behalf of associated companies	359,497	818,527
Total	**1,690,719**	**1,384,993**

Operating lease commitments

EUR 1,000	2020	2019
Operating lease commitments		
Due within one year	7,884	6,887
Due after one year and within five years	19,322	16,588
Due after 5 years	7,093	9,062
Total	**34,299**	**32,537**

16 Related party transactions

See ▸ **Note 37** Related party transactions in the Consolidated financial statements.

Investments in group companies, associated companies and other holdings

		No. of s
Investments in group companies		
Fortum Waste Solutions Oy	Finland	3,52
Fortum Asiakaspalvelu Oy	Finland	1
Fortum Heat and Gas Oy	Finland	2,00
Fortum Markets Oy	Finland	2
Fortum Norm Oy	Finland	
Fortum Power and Heat Oy	Finland	91,19
Fortum Real Estate Oy	Finland	2,00
Fortum Holding B.V.	Netherlands	6
Fortum India Private Ltd	India	
Fortum Finance Ireland Designated Activity Company	Ireland	2
Fortum Sweden AB	Sweden	1,00
Investments in associated companies		
Wello Oy	Finland	1,10
Other holdings		
AW-Energy Oy	Finland	2,85
Clic Innovation Oy	Finland	
East Office of Finnish Industries Oy	Finland	
Prototype Carbon Fund	USA	

17 Events after the balance sheet date

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

Årsregnskap regnskapsåret 2020 for 914551757

Signatures for the operating and financial review and financial statements

Espoo, 11 March 2021

Matti Lievonen

Veli-Matti Reinikkala

Eva Hamilton

Teppo Paavola

Essimari Kairisto

Anja McAlister

Klaus-Dieter Maubach

Philipp Rösler

Annette Stube

Markus Rauramo
President and CEO

Auditor's report

To the Annual General Meeting of Fortum Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortum Oyj (business identity code 1463611-4) for the year ended 31 December, 2020. The financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in total equity, consolidated cash flow statement and notes to the consolidated financial statements, including a summary of significant accounting policies, as well as the parent company's, income statement, balance sheet, cash flow statement and notes to the financial statements.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities
auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financ
section of our report.

We are independent of the parent company and of the group companies in accordance with th
requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our
responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the
company and group companies are in compliance with laws and regulations applicable in Finland
these services, and we have not provided any prohibited non-audit services referred to in Article
regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in n
consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a
opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance
the financial statements of the current period. These matters were addressed in the context of ou
financial statements as a whole, and in forming our opinion thereon, and we do not provide a sepa
on these matters.

We have also addressed the risk of management override of internal controls. This includes co
whether there was evidence of management bias that represented a risk of material misstatemen

Key audit matter

Provisional acquisition accounting for Uniper

Refer to notes 1, 2 and 3.

- At the beginning of the financial year 2020 Fortum held 49,99% of Uniper's shares, and Uniper was consolidated as an associated company in Fortum Group.
- Fortum acquired all Uniper shares held by the funds managed by Elliott Management Corporation and Knight Vinke Energy Advisors Limited, and their affiliates, and on 31 March 2020, Uniper was consolidated as a subsidiary. After the transaction, Fortum's consolidated stake in Uniper was 73.4%, and the total investment in Uniper EUR 6.5 billion. See Note 1.7.
- In the consolidated financial statements 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. The Fair value adjustments were mainly related to property, plant and equipment and right-of-use assets, participations in associates and joint ventures, lease liabilities, other provisions, and deferred taxes. Excess of the acquisition value over the fair value of Uniper's net assets, EUR 515 million, is preliminary goodwill. See Note 1.7.2 and 3.
- The preliminary Uniper purchase price allocation is being finalized and will be completed within the one-year window from the acquisition date, by 31 March 2021.

How our audit addressed the key audit matter

- As part of our audit procedures we obtained understanding on the approach adopted by the management, when considering the provisional purchase price allocation in the financial accounting in accordance with IFRS 3. Furthermore, we evaluated the significant estimates, assumptions and judgment applied by management.
- Our audit procedures involved e.g.:
  - We have read through the relevant contracts and the minutes of the meetings of the Board of Directors, in order to identify the contractual terms, which would potentially have an impact on accounting of the transaction;
  - We have audited the purchase consideration to supporting documentation;
  - We have evaluated, utilizing Deloitte's valuation experts, if management's approach and the valuation methods used by Fortum's advisors are adequate and in compliance with the requirements as set by IFRS-standards: and
  - Benchmarking the key market parameters used by the management to external data, such as comparing the applied discount rate to comparable discount rates applied in the industry.

Key audit matter

- Preparing a purchase price allocation requires management judgement 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.
- We consider acquisition as a key audit area due to its size and required judgement both from the accounting and the auditing perspective. Identification and valuation of the assets and liabilities are included in judgmental areas. Values of assets are determined by using the future cash flows and estimated profit before tax.

How our audit addressed the key a

- With our IFRS specialists we have accounting treatment and accoun of the purchase price allocation in with IFRS.
- We have assessed the appropriatene statement disclosures related to prel purchase price allocation.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment and goodwill Refer to Notes 2, 16 and 17. • The consolidated balance sheet includes property, plant and equipment amounting to EUR 18 641 million (EUR 10 009 million) and goodwill amounting to EUR 1 069 million (EUR 612 million). • At the end of each reporting period management has to assesses whether there is any indication that asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Goodwill is subject to annual impairment test. • The main assumptions used in the valuation of energy and heat production property, plant and equipment and goodwill relate to the estimated future operating cash flows and the discount rates that are used in calculating the present value. • The potential indicators for impairment are among other things changes in electricity and fuel prices, regulatory/political changes relating to energy taxes and price regulations. • The assumptions used in the valuation of the balances in question require management judgment. • Estimates are also made in an acquisition when determining the fair values and remaining useful lives of acquired intangible and tangible assets. • This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).	• We have evaluated the process how management has assessed the indicators for potential impairment. We have performed audit procedures on impairment models relating to material cash generating units. • We have obtained entity's impairment testing documentation for goodwill and energy production assets and tested and evaluated the rationale of key assumptions applied by management on a sample basis, including commodity price forecasts, profit and cash flow forecasts, terminal values, foreign exchange rates and the selection of discount rates. • We have compared, that the forecasts used in the impairment testing calculations are based on forecasts approved by management. • We challenged management's assumptions and judgments with reference to historical data and, where applicable, external benchmarks. • We assessed the models used in the impairment testing and carried out our testing for the sensitivity calculations. • We assessed the adequacy of related disclosures in the financial statements.

Key audit matter	How our audit addressed the key a
Fair value measurement of derivative financial instruments and hedge accounting Refer to Notes 4, 7, 14 and 15 • Assets related to derivative financial instruments in Fortum's consolidated balance sheet amount to EUR 10,477 million (EUR 311 million) and liabilities to EUR 10,594 million (EUR 389 million). Changes in the fair value of derivatives hedging future cash flows in items affecting the comparability of the income statement amount to EUR -675 million (EUR -72 million) and cash flow hedges in other equity components to EUR -158 million (EUR -70 million). • The fair values of derivatives and their changes may have a material effect on Fortum's financial statements. Fortum's business is exposed to fluctuations in prices and availability of commodities used in the production, transmission and sales of energy products. The main exposure is toward electricity prices and volumes, gas prices and volumes, prices of emissions and prices and availability of fuels. Fortum hedges its exposure to commodity market risks in order to reduce volatility in cash flow and to increase the predictability of future results.	• Our audit procedures included the of Fortum's internal controls relate derivative transactions, hedging a the determination of fair values. • We have assessed the appropriate valuation models used by Fortum, assumptions used in the models. V validated model input data with ob external information. • We have conducted audit procedu the existence and completeness o derivative contracts. • We have assessed the appropriate hedge accounting application acc requirements of IFRS 9. • We have assessed the appropriate of derivatives in the consolidated statements.

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Key audit matter	How our audit addressed the key audit matter
Shares in Nuclear Waste Funds and Nuclear provisions Refer to Notes 2 and 28. • Fortum's balance sheet includes Nuclear related provisions amounting to EUR 3 866 million (EUR 813 million) and Fortum's share of the Nuclear Waste Management Fund amounting to EUR 3 445 million (EUR 813 million). • Fortum's nuclear related provisions and the related part of the Nuclear Waste Management Fund are both presented separately in the balance sheet as disclosed in note 28. • Fortum's share in the Nuclear Waste Management Funds is accounted for according to IFRIC 5 which states that the fund assets are measured at the lower of fair value or the value of the related liabilities. • Due to complexity and materiality, the accounting treatment for nuclear decommissioning is complex and requires application of special accounting practice and management judgment when forming estimates for the basis of accounting such as technical plans, timing, cost estimates and discount rate.	• We have assessed Fortum's accounting manual and principles for Nuclear Decommissioning Accounting, whether they are in line with IFRS accounting principles. • We have assessed the assumptions and judgments made and adopted by the management in the accounting for the nuclear waste provisions and share in nuclear waste management fund which have been based on current legislation and submitted by authorities. • We assessed the adequacy of related disclosures in the financial statements.

Responsibilities of the Board of Directors and the President and CEO for the Fina Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolid statements that give a true and fair view in accordance with International Financial Reporting Sta as adopted by the EU, and of financial statements that give a true and fair view in accordance wit regulations governing the preparation of financial statements in Finland and comply with statutor requirements. The Board of Directors and the President and CEO are also responsible for such int they determine is necessary to enable the preparation of financial statements that are free from m misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are res assessing the parent company's and the group's ability to continue as a going concern, disclosing matters relating to going concern and using the going concern basis of accounting. The financial prepared using the going concern basis of accounting unless there is an intention to liquidate the company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a w from material misstatement, whether due to fraud or error, and to issue an auditor's report that in opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit co accordance with good auditing practice will always detect a material misstatement when it exists Misstatements can arise from fraud or error and are considered material if, individually or in the a could reasonably be expected to influence the economic decisions of users taken on the basis of statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgme maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether error, design and perform audit procedures responsive to those risks, and obtain audit evid sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a mat misstatement resulting from fraud is higher than for one resulting from error, as fraud may i collusion, forgery, intentional omissions, misrepresentations, or the override of internal con
- Obtain an understanding of internal control relevant to the audit in order to design audit pro are appropriate in the circumstances, but not for the purpose of expressing an opinion on th effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accou and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO use concern basis of accounting and based on the audit evidence obtained, whether a material exists related to events or conditions that may cast significant doubt on the parent compan group's ability to continue as a going concern. If we conclude that a material uncertainty ex required to draw attention in our auditor's report to the related disclosures in the financial s such disclosures are inadequate, to modify our opinion. Our conclusions are based on the au obtained up to the date of our auditor's report. However, future events or conditions may ca company or the group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 16.3.2006, and our appointment represents a total period of uninterrupted engagement of 15 years.

Other information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the Operating and Financial Review and the information included in the Financials, but does not include the financial statements and our auditor´s report thereon. We have obtained the Operating and Financial Review prior to the date of this auditor's report, and the Financials is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to Operating and Financial Review, our responsibility also includes considering whether the Operating and Financial Review has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the Operating and Financial Review is consistent with the information in the financial statements and the Operating and Financial Review has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor´s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Direct
the use of the profit shown on the balance sheet is in compliance with the Limited Liability Compa
support that the Board of Directors of the parent company and the President and CEO should be
from liability for the financial period audited by us.

Espoo, 11 March 2021

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Financial key figures

Comparability of information presented in tables

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from 1 April 2020, consolidated Uniper's results into its income statement. In 2019 and in the first quarter of 2020, Uniper was consolidated as a company into Fortum's income statement.

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 Dire 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 t update, Fortum updated its long-term financial target to be Financial net debt/comparable EBITDA below 2x. For more information, see ▸ **Note 5** Capital risk management.

Fortum announced the sale of Swedish Distribution business in March 2015. After the divestment of the Swedish Distribution business Fortum has no electricity distribution operations and therefore Distribution segme as discontinued operations in 2015, with restatement of year 2014, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in Stockholm Exergi AB (previously AB Fortum Värme samägt med Stockholms stad), in the consolidated financial statements. From 1 January 2014 onwards Exergi is treated as a joint venture and thus consolidated with equity method. Before t company was consolidated as a subsidiary with 50% minority interest.

Fortum adopted IFRS 16 on 1 January 2019, and IFRS 9 and IFRS 15 on 1 January 2018. Fortum applied the transition relief for not restating the comparatives of 2018 and 2017, respectively.

In 2019, Fortum classified certain assets as held for sale. These assets and the related liabilities are included in segment assets and liabilities at 31 December 2019.

For information of Alternative Performance Measures used by Fortum, see ▸ **Definitions of key figures** and ▸ **Note 1** Significant accounting policies.

EUR million or as indicated	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Income statement										
Sales total Fortum	6,161	6,159	5,309	4,751	3,702	3,632	4,520	5,242	5,447	49,015
Sales continuing operations				4,088	3,459	3,632	4,520	5,242	5,447	49,015
EBITDA total Fortum	3,008	2,538	2,129	3,954	4,640	1,006	1,623	1,674	1,693	2,688
EBITDA continuing operations				1,673	196	1,006	1,623	1,674	1,693	2,688
Comparable EBITDA total Fortum	2,374	2,416	1,975	1,873	1,265	1,015	1,275	1,523	1,766	2,434
Comparable EBITDA continuing operations				1,457	1,102	1,015	1,275	1,523	1,766	2,434
Operating profit total Fortum	2,402	1,874	1,508	3,428	4,245	633	1,158	1,138	1,118	1,599
- of sales%	39.0	30.4	28.4	72.2	114.7	17.4	25.6	21.7	20.5	3.3
Operating profit continuing operations				1,296	-150	633	1,158	1,138	1,118	1,599
- of sales%				31.7	-4.3	17.4	25.6	21.7	20.5	3.3
Comparable operating profit total Fortum	1,802	1,752	1,403	1,351	922	644	811	987	1,191	1,344
Comparable operating profit continuing operations				1,085	808	644	811	987	1,191	1,344
Share of profit/loss of associates and joint ventures total Fortum	91	23	178	149	20	131	148	38	744	656
Profit before income tax total Fortum	2,228	1,586	1,398	3,360	4,088	595	1,111	1,040	1,728	2,199
- of sales%	36.2	25.8	26.3	70.7	110.4	16.4	24.6	19.8	31.7	4.5
Profit before income tax continuing operations				1,232	-305	595	1,111	1,040	1,728	2,199
- of sales%				30.1	-8.8	16.4	24.6	19.8	31.7	4.5
Profit for the period total Fortum	1,862	1,512	1,212	3,161	4,142	504	882	858	1,507	1,855
- of which attributable to owners of the parent	1,769	1,416	1,204	3,154	4,138	496	866	843	1,482	1,823
Profit for the period continuing operations				1,089	-228	504	882	858	1,507	1,855
- of which attributable to owners of the parent				1,081	-231	496	866	843	1,482	1,823

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EUR million or as indicated	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Financial position and cash flow										
Capital employed total Fortum	17,931	19,420	19,183	17,918	19,870	18,649	18,172	18,170	19,929	26,239
Financial net debt									4,833	7,023
Adjusted net debt									4,978	9,784
Interest-bearing net debt	7,023	7,814	7,793	4,217	-2,195	-48	988	5,509	5,260	N/A
Interest-bearing net debt without Exergi financing			6,658	3,664	N/A	N/A	N/A	N/A	N/A	N/A
Capital expenditure and gross investments in shares total Fortum	1,482	1,574	1,020	843	669	1,435	1,815	4,672	819	4,941
- of sales%	24.1	25.6	19.2	17.7	18.1	39.5	40.2	89.1	15.0	10.1
Capital expenditure and gross investments in shares continuing operations				695	625	1,435	1,815	4,672	819	4,941
Capital expenditure total Fortum	1,408	1,558	1,005	774	626	591	690	584	713	1,135
Capital expenditure continuing operations				626	582	591	690	584	713	1,135
Net cash from operating activities total Fortum	1,613	1,382	1,548	1,762	1,381	621	993	804	1,575	2,555
Net cash from operating activities continuing operations				1,406	1,228	621	993	804	1,575	2,555
Key ratios										
Return on capital employed total Fortum, %	14.8	10.2	9.0	19.5	22.7	4.0	7.1	6.7	10.0	N/A
Return on shareholders' equity total Fortum, %	19.7	14.6	12.0	30.0	33.4	3.7	6.6	6.8	11.9	12.9
Interest coverage total Fortum	10.5	7.6	6.7	19.9	27.6	4.6	8.7	10.0	8.0	27.3
Interest coverage including capitalised borrowing costs total Fortum	8.5	5.7	5.3	15.7	21.5	4.1	7.8	9.2	7.5	18.6
Funds from operations/interest-bearing net debt total Fortum,%	21.5	19.9	18.8	42.9	-59.7	-1,503.4	83.9	26.8	32.2	N/A
Funds from operations/interest-bearing net debt without Exergi financing total Fortum,%			22.1	49.3	N/A	N/A	N/A	N/A	N/A	N/A
Gearing, %	69	73	77	39	-16	0	7	46	40	45
Financial net debt/comparable EBITDA										2,9
Comparable net debt/EBITDA total Fortum	3.0	3.2	3.9	2.3	-1.7	0.0	0.8	3.6	3.0	N/A
Comparable net debt/EBITDA without Exergi financing			3.4	2.0	N/A	N/A	N/A	N/A	N/A	N/A
Equity-to-assets ratio, %	44	43	43	51	61	62	61	54	57	27
Other data										
Dividends	888	888	977	1,155	977	977	977	977	977	995[1)]
Research and development expenditure	38	41	49	41	47	52	53	56	67	56
- of sales%	0.6	0.7	0.9	1.0	1.4	1.4	1.2	1.1	1.1	0.1
Average number of employees total Fortum	11,010	10,600	9,532	8,821	8,193	7,994	8,507	8,767	8,248	19,988
Average number of employees continuing operations				8,329	8,009	7,994	8,507	8,767	8,248	19,988

1) Board of Directors' proposal for the planned Annual General Meeting on 28 April 2021.

See ▸ **Definitions of key figures.**

Årsregnskap regnskapsåret 2020 for 914551757

Share key figures

EUR or as indicated	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Data per share										
Earnings per share total Fortum	1.99	1.59	1.36	3.55	4.66	0.56	0.98	0.95	1.67	2.05
Earnings per share continuing operations				1.22	-0.26	0.56	0.98	0.95	1.67	2.05
Earnings per share discontinued operations	-	-	-	2.33	4.92	-	-	-	-	
Diluted earnings per share total Fortum	1.99	1.59	1.36	3.55	4.66	0.56	0.98	0.95	1.67	2.05
Diluted earnings per share continuing operations				1.22	-0.26	0.56	0.98	0.95	1.67	2.05
Diluted earnings per share discontinued operations	-	-	-	2.33	4.92	-	-	-	-	
Cash flow per share total Fortum	1.82	1.56	1.74	1.98	1.55	0.70	1.12	0.91	2.27	2.88
Cash flow per share continuing operations				1.38	1.38	0.70	1.12	0.91	2.27	2.88
Equity per share	10.84	11.30	11.28	12.23	15.53	15.15	14.69	13.33	14.61	14.58
Dividend per share	1.00	1.00	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.12 [1]
Extra dividend				0.20	-	-	-			
Payout ratio, %	50.3	62.9	80.9	36.6	23.6	196.4	112.2	115.8	65.9	54.6 [1]
Dividend yield, %	6.1	7.1	6.6	7.2	7.9	7.5	6.7	5.8	5.0	5.7 [1]
Price/earnings ratio (P/E)	8.3	8.9	12.2	5.1	3.0	26.1	16.8	20.1	13.2	9.6
Share prices										
At the end of the period	16.49	14.15	16.63	17.97	13.92	14.57	16.50	19.10	22.00	19.70
Average	19.77	15.66	15.11	17.89	16.29	13.56	15.28	19.10	20.06	17.20
Lowest	15.53	12.81	13.10	15.13	12.92	10.99	12.69	16.43	18.09	12.25
Highest	24.09	19.36	18.18	20.32	21.59	15.74	18.94	22.91	22.50	23.46
Other data										
Market capitalisation at the end of the period, EUR million	14,649	12,570	14,774	15,964	12,366	12,944	14,658	16,966	19,542	17,499
Trading volumes [2]										
Number of shares, 1 000 shares	524,858	494,765	465,004	454,796	541,858	611,572	582,873	474,705	372,272	647,869
In relation to weighted average number of shares, %	59.1	55.7	52.3	51.2	61.0	68.8	65.6	53.4	41.9	72.9
Number of shares, 1 000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,367	888,294	888,294	888,294
Number of shares excluding own shares, 1 000 shares	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average number of shares, 1 000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,367	888,312	888,294	888,294
Diluted adjusted average number of shares, 1 000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,367	888,312	888,294	888,294

1) Board of Directors' proposal for the planned Annual General Meeting on 28 April 2021
2) Trading volumes in the table represent volumes traded on Nasdaq Helsinki. In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boat, Cboe and Turquoise, and on the OTC marke 2020, approximately 68% (2019: 73%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

See ▸ **Definitions of key figures.**

Årsregnskap regnskapsåret 2020 for 914551757

Segment key figures

Fortum renewed its business structure as of 1 March 2014. The reorganisation lead to a change in Fortum's external financial reporting structure as previously separately reported segments Heat and Electricity Sales wer into one segment: Heat, Electricity Sales and Solutions.

Fortum has applied new IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements from 1 January 2014. The effect of applying the new standards to Fortum Group financial information relates to Stockh (publ) (previously AB Fortum Värme samägt med Stockholm Stad), that is treated as a joint venture and thus consolidated with equity method from 1 January 2014 onwards. Before the change the company was consolida subsidiary with 50% minority interest.

Fortum announced the sale of Swedish Distribution business in March 2015. After the divestment of the Swedish Distribution business Fortum does not have any distribution operations and therefore Distribution segm treated as discontinued operations in 2015 with restatement of year 2014, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Fortum reorganised its operating structure as of 1 April 2016. The business divisions are: Generation (mainly the former Power and Technology); City Solutions (mainly the former Heat, Electricity Sales and Solutions) ar Because of the minor financial impact, the comparable segment information for 2015 was not restated.

As of 1 March 2017, the City Solutions division was divided into two divisions: City Solutions and Consumer Solutions, both reported as separate reporting segments. Fortum has restated its 2016 comparison segment r figures in accordance with the new organisation structure.

In November 2018, Fortum announced that the solar and wind businesses were reorganised and the wind operations became a business area within the Generation segment and the solar operations within the City Sol segment. Previously these were included in Other Operations. The Russian wind and solar operations continue as a part of the Russia segment. Fortum has restated its 2018 comparative segment reporting figures in acc the new organisation structure.

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 c is presented in Other operations.

See more information in ▸ **Note 6** Segment reporting.

Sales by segment, EUR million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**201**
Generation	2,481	2,415	2,252	2,156	1,722	1,657	1,677	1,842	2,14
- of which internal	-24	296	69	85	83	15	15	-2	25
Russia	920	1,030	1,119	1,055	893	896	1,101	1,069	1,07
- of which internal	-	-	-	-	-	-	-	-	
City Solutions			1,516	1,332	1,187	782	1,015	1,110	1,20
- of which internal			87	34	-13	1	19	37	4
Heat	1,737	1,628							
- of which internal	8	18							
Consumer Solutions						668	1,097	1,759	1,83
- of which internal						2	3	11	-
Electricity Sales	900	722							
- of which internal	95	55							
Uniper									
- of which internal									
Other Operations	108	137	63	58	114	92	102	103	11
- of which internal	115	-66	54	44	75	61	67	79	8
Distribution	973	1,070	1,064						
- of which internal	15	37	19						
Eliminations and Netting of Nord Pool transactions	-958	-843	-706	-513	-458	-463	-470	-641	-91
Total for continuing operations	**6,161**	**6,159**	**5,309**	**4,088**	**3,459**	**3,632**	**4,520**	**5,242**	**5,44**
Discontinued operations				751	274				
Eliminations [1]				-89	-31				
Total				**4,751**	**3,702**	**3,632**	**4,520**	**5,242**	**5,44**

1) Sales to and from discontinued operations.

Årsregnskap regnskapsåret 2020 for 914551757

Comparable operating profit by segment, EUR million	2011	2012	2013	2014	2015	2016	2017	2018	2019
Generation	1,201	1,146	859	877	561	417	478	628	79
Russia	74	68	156	161	201	191	296	271	31
City Solutions			109	104	108	64	98	135	12
Heat	278	271							
Consumer Solutions						48	41	53	7
Electricity Sales	27	39							
Uniper									
Other Operations	-73	-92	-54	-57	-63	-77	-102	-99	-11
Distribution	295	320	332						
Comparable operating profit	**1,802**	**1,752**	**1,403**	**1,085**	**808**	**644**	**811**	**987**	**1,19**
Impairment charges and reversals					-918	27	6	-4	-
Capital gains and other related items	284	155	61	305	22	38	326	102	
Impact from acquisition accounting									
Changes in fair values of derivatives hedging future cash flow						-65	14	98	-7
Nuclear fund adjustment [1]						-11	1	-45	
Other									
Other items affecting comparability [2]	316	-33	45	-94	-62				
Operating profit, continuing operations	**2,402**	**1,874**	**1,508**	**1,296**	**-150**	**633**	**1,158**	**1,138**	**1,11**
Discontinued operations				2,132	4,395				
Operating profit				**3,428**	**4,245**	**633**	**1,158**	**1,138**	**1,11**

1) In 2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives for 2019 have been reclassified accordingly. See ▸ **Note** 1.7 Summary of Uniper acquisition impact to consol statements.
2) Other items affecting comparability comprise Changes in fair values of derivatives hedging future cash flow and Nuclear fund adjustment.

Comparable EBITDA by segment, EUR million	2011	2012	2013	2014	2015	2016	2017	2018	2019
Generation	1,310	1,260	1,007	998	680	527	603	763	93
Russia	148	189	258	304	267	312	438	417	46
City Solutions			211	204	209	186	262	310	30
Heat	471	481							
Consumer Solutions						55	57	110	14
Electricity Sales	29	40							
Uniper									
Other Operations	-66	-83	-49	-49	-53	-64	-83	-78	-9
Distribution	482	529	548						
Total for continuing operations	**2,374**	**2,416**	**1,975**	**1,457**	**1,102**	**1,015**	**1,275**	**1,523**	**1,76**
Discontinued operations				416	163				
Total				**1,873**	**1,265**	**1,015**	**1,275**	**1,523**	**1,76**

Årsregnskap regnskapsåret 2020 for 914551757

Depreciation and amortisation, EUR million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Generation	109	114	148	121	118	110	125	135	14
Russia	108	121	150	147	117	123	142	147	15
City Solutions			102	100	101	121	163	175	18
Heat	193	210							
Consumer Solutions						7	16	57	6
Electricity Sales	2	1							
Uniper									
Other Operations	7	9	5	8	10	13	18	22	2
Distribution	187	209	216						
Total for continuing operations	**606**	**664**	**621**	**377**	**346**	**373**	**464**	**536**	**57**
Discontinued operations				150	50				
Total				**526**	**395**	**373**	**464**	**536**	**57**

Share of profit of associates and joint ventures by segment, EUR million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Generation	3	-12	4	-14	-111	-34	-1	-72	1
Russia	30	27	46	35	32	38	31	36	5
City Solutions			91	88	59	76	80	74	3
Heat	19	20							
Electricity Sales	2	-							
Uniper									
Other Operations	23	-20	32	37	40	51	38	0	63
Distribution	14	8	4						
Total for continuing operations	**91**	**23**	**178**	**146**	**20**	**131**	**148**	**38**	**74**
Discontinued operations				3	0				
Total				**149**	**20**	**131**	**148**	**38**	**74**

Capital expenditure by segment, EUR million	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Generation	131	190	179	197	187	196	174	248	24
Russia	670	568	435	340	285	201	152	54	6
City Solutions			123	86	105	109	170	209	31
Heat	297	464							
Consumer Solutions						3	7	47	5
Electricity Sales	5	1							
Uniper									
Other Operations	16	11	12	3	6	83	187	26	3
Distribution	289	324	255						
Total for continuing operations	**1,408**	**1,558**	**1,005**	**626**	**582**	**591**	**690**	**584**	**71**
Discontinued operations				147	44				
Total				**774**	**626**	**591**	**690**	**584**	**71**

Årsregnskap regnskapsåret 2020 for 914551757

Gross investments in shares by segment, EUR million	2011	2012	2013	2014	2015	2016	2017	2018	2019
Generation	17	-	2	2	16	7	90	14	1
Russia	24	-	0	27	0	0	125	63	6
City Solutions			11	37	23	698	386	33	9
Heat	32	10							
Consumer Solutions						117	486	0	
Uniper									
Other Operations	1	6	2	4	4	22	39	3,977	1
Distribution	-	-	0						
Total for continuing operations	**74**	**16**	**15**	**69**	**43**	**844**	**1,125**	**4,088**	**10**
Discontinued operations				-	-				
Total				**69**	**43**	**844**	**1,125**	**4,088**	**10**

Gross divestments of shares by segment, EUR million	2011	2012	2013	2014	2015	2016	2017	2018	2019
Generation	3	102	79	67	0	0	0	160	1
Russia	23	-	-	0	0	127	0	0	
City Solutions			11	446	27	33	0	147	
Heat	203	269							
Consumer Solutions						1	55	0	
Electricity Sales	16	2							
Uniper									
Other Operations	0	0	-	2	-	0	687	0	1
Distribution	323	37	52						
Total for continuing operations	**568**	**410**	**142**	**515**	**27**	**161**	**742**	**306**	**3**
Discontinued operations				2,681	6,369				
Total				**3,196**	**6,395**	**161**	**742**	**306**	**3**

Comparable net assets by segment, EUR million	2015	2016	2017	2018	2019
Generation	5,931	5,815	5,672	6,485	6,01
Russia	2,561	3,284	3,161	2,789	3,21
City Solutions	2,182	2,873	3,728	3,794	3,94
Consumer Solutions		154	638	648	63
Uniper					
Other Operations	258	514	276	4,023	4,40
Total for continuing operations	**10,932**	**12,641**	**13,474**	**17,739**	**18,21**

Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards. Net assets until 2015 are disclosed below.

Årsregnskap regnskapsåret 2020 for 914551757

Net assets by segment, EUR million	2011	2012	2013	2014	2015 [1]
Generation	6,247	6,389	6,355	6,001	5,913
City Solutions			2,295	2,112	2,170
Heat	4,191	4,286			
Electricity Sales	11	51			
Russia	3,273	3,848	3,846	2,597	2,561
Other Operations	208	158	295	496	291
Distribution	3,589	3,889	3,745		
Total for continuing operations	**17,519**	**18,621**	**16,537**	**11,206**	**10,934**
Net assets related to discontinued operations				2,615	
Total				**13,820**	**10,934**

1) Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards.

Comparable return on net assets by segment, %	2011	2012	2013	2014	2015	2016	2017	2018	2019
Generation	19.9	18.5	13.8	14.2	9.5	6.9	8.4	10.8	13.
Russia	3.5	2.7	5.2	5.6	8.2	8.0	10.1	10.3	12.
City Solutions			8.7	8.7	7.9	5.9	5.5	5.5	4.
Heat	7.4	7.0							
Consumer Solutions						44.3	11.7	7.8	13.
Electricity Sales	33.5	203.1							
Uniper [1]									
Distribution [2]	8.6	8.8	8.8	9.3					

1) 2020 for the Uniper segment is calculated based on cumulative figures from 1 April 2020. Comparable return on net assets for the Uniper segment will be presented once information for full 12 months is available.
2) Classified as discontinued operations from 2014 onwards.

Return on net assets by segment, %	2011	2012	2013	2014	2015 [1]
Generation	24.6	18.7	14.5	13.6	-8.5
City Solutions			9.7	19.1	7.7
Heat	9.9	8.8			
Electricity Sales	4.2	152.3			
Russia	3.5	3.0	5.2	5.6	8.3
Distribution [2]	13.7	9.1	9.3	73.6	

1) Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards.
2) Classified as discontinued operations from 2014 onwards.

Financial key figures | Share key figures | Segment key figures | Capital expenditure | Operatio

Average number of employees	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Generation	1,873	1,896	1,900	1,685	1,389	1,064	1,036	1,107	1,12
Russia	4,436	4,301	4,245	4,196	4,180	3,814	3,710	3,378	2,94
City Solutions			2,051	1,913	1,458	1,529	1,807	1,994	1,97
Heat	2,682	2,354							
Consumer Solutions						877	1,180	1,473	1,37
Electricity Sales	510	515							
Uniper									
Other Operations	607	661	550	536	983	711	774	814	82
Distribution	902	873	786						
Total for continuing operations	**11,010**	**10,600**	**9,532**	**8,329**	**8,009**	**7,994**	**8,507**	**8,767**	**8,24**
Discontinued operations				492					
Total				**8,821**					

Capital expenditure

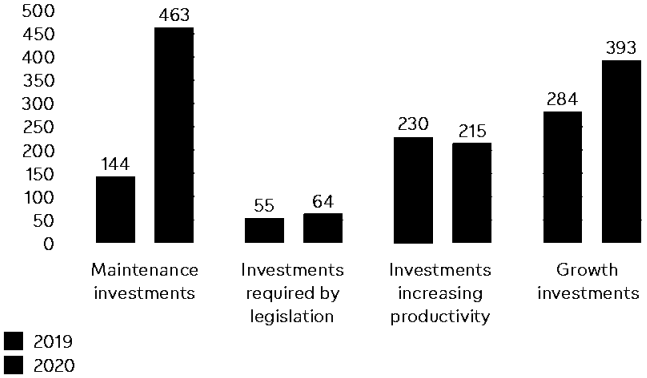
Capital expenditure by type and segment [1)]

	Finland		Sweden		Norway		Russia		Germany		United Kingdom		Other countries	
EUR million	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Generation														
Hydropower	16	12	54	56										
Nuclear power	49	57												
Renewable-based electricity, wind	3	22		32	27	56								
Fossil-based electricity		7												
Other	3	4	7	1	0	0								
Total	**70**	**102**	**61**	**89**	**27**	**56**								
Russia														
Fossil-based electricity							25	49						
Fossil-based heat							14	18						
Renewable-based electricity, wind							4							
Total							**43**	**67**						
City Solutions														
Fossil-based heat		2				0							7	5
Fossil-based electricity														
Renewable, of which	36	39	7	7	5	9					1	11	107	166
waste	20	19	7	7	5	9					1	11	7	21
biofuels	9	20											2	2
solar													98	143
other	8	1												
District heat network	10	17			19	27							17	19
Other	4	3	2	2		1			0	0		0	3	6
Total	**49**	**62**	**9**	**9**	**24**	**36**			**0**	**0**	**1**	**11**	**134**	**195**
Consumer Solutions														
Other	16	15	14	14	19	17							8	9
Total	**16**	**15**	**14**	**14**	**19**	**17**							**8**	**9**
Uniper														
Hydropower			34						19					
Nuclear power			50											
Fossil-based electricity			13				115		214		86		44	
Fossil-based heat									4					
Global commodities investments									23		1			
Other									19		1		1	
Total			**97**				**115**		**279**		**88**		**45**	
Other														
Other	23	20	6	2	2	5							3	3
Total	**23**	**20**	**6**	**2**	**2**	**5**							**3**	**3**
Segments total	**160**	**199**	**186**	**114**	**71**	**115**	**159**	**67**	**279**	**0**	**89**	**11**	**191**	**207**
Of which investments in CO_2 free production	**84**	**112**	**138**	**88**	**27**	**56**	**4**	**0**	**19**	**0**	**0**	**0**	**100**	**145**

1) Includes capital expenditure to both intangible assets and property, plant and equipment.

Årsregnskap regnskapsåret 2020 for 914551757

Fortum classifies investments in four main categories, EUR million



Generation

Fortum invested EUR 30 million (2019: 111) into wind power production in the Nordics. The largest wind power investment was EUR 27 million to the Sørfjord wind park in Norway. In Finland, Fortum invested EUR 49 million (2019: 57) into the Loviisa nuclear power plant. Fortum additionally invested EUR 69 million (2019: 68) into hydro production, mainly maintenance, legislation and productivity investments. Investments in CO_2 free production were EUR 149 million (2019: 236).

Russia

Investments to the Russia division were EUR 43 million (2019: 67). They consisted mainly of maint
legislation and productivity projects. Investments in CO_2 free production were EUR 4 million (2019

City Solutions

The largest investment project in 2020 was EUR 98 million to the Jaisalmer solar plant in India. Ma
legislation and productivity investments totalled EUR 112 million (2019: 157). This amount consists
investments in district heat networks and plants as well as the maintenance of existing CHP plant
measures defined by legal requirements. Investments in CO_2 free production were EUR 116 million

Consumer Solutions

Investments in Consumer solutions totalled EUR 57 million (2019: 55). The amount consists mainly
commissions for customer acquisition that are capitalised starting from the implementation of IFR
product development costs.

Uniper

Investments by Uniper totalled EUR 624 million. Maintenance, legislation and productivity investm
EUR 378 million. Investments in CO_2 free production were EUR 103 million.

Other

Investments in Other segment were EUR 34 million (2019: 31). They consisted mainly of IT investm
investments into internal ventures.

Årsregnskap regnskapsåret 2020 for 914551757

Operational key figures

Note: Operational key figures are unaudited

Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in Stockholm Exergi AB (E (previously AB Fortum Värme samägt med Stockholms stad), in the consolidated financial statements. From 1 January 2014 onwards Exergi is treated as a joint venture and thus consolidated with equity method. Before t company was consolidated as a subsidiary with 50% minority interest. Uniper sales and production volumes are disclosed from 1 April 2020 onwards.

Production

Fortum's total power and heat production in Nordics, TWh	2011	2012	2013	2014	2015	2016	2017	2018
Power generation								
Heat production								

Fortum is disclosing total power and heat production in Nordics instead of EU and Norway from 2019 onwards. Power and heat production in EU and Norway until 2018 are disclosed below.

Fortum's total power and heat production in EU and Norway, TWh	2011	2012	2013	2014	2015	2016	2017	2018 [1]
Power generation	55.3	53.9	47.4	50.1	50.2	47.5	46.6	44.7
Heat production	22.0	18.5	10.4	8.2	6.4	7.1	8.6	9.4

1) Fortum is disclosing total power and heat production in Nordics instead of EU and Norway from 2019 onwards.

Fortum's total power and heat production in other European countries, TWh	2011	2012	2013	2014	2015	2016	2017	2018
Power generation								
Heat production								

1) Disclosed from 2019 onwards.

Fortum's total power and heat production in Russia, TWh	2011	2012	2013	2014	2015	2016	2017	2018
Power generation	17.4	19.2	20.0	23.3	25.7	25.5	26.3	29.6
Heat production	25.4	24.8	24.2	26.4	25.8	20.7	20.0	20.4

Fortum's power generation by source, total in the Nordic area, TWh	2011	2012	2013	2014	2015	2016	2017	2018
Hydro and wind power	21.0	25.2	18.1	22.4	25.1	20.8	20.9	19.4
Nuclear power	24.9	23.4	23.7	23.8	22.7	24.1	23.0	22.8
Thermal power	7.2	3.0	3.4	1.8	1.0	1.4	1.6	1.3
Total	**53.1**	**51.6**	**45.2**	**48.0**	**48.8**	**46.2**	**45.4**	**43.5**

Fortum's power generation by source, total in the Nordic area, %	2011	2012	2013	2014	2015	2016	2017	2018
Hydro and wind power	40	49	40	46	51	45	46	45
Nuclear power	47	45	52	50	47	52	51	52
Thermal power	13	6	8	4	2	3	3	3
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Årsregnskapsregnskapsarkiv 2020 for 914551757

Fortum's power generation by source, total in other European countries, TWh	2011	2012	2013	2014	2015	2016	2017	2018
Hydro and wind power								
Thermal power								
Total								

1) Disclosed from 2019 onwards.

Fortum's power generation by source, total in other European countries, %	2011	2012	2013	2014	2015	2016	2017	2018
Hydro and wind power								
Thermal power								
Total								

1) Disclosed from 2019 onwards.

Power generation capacity by segment, MW	2011	2012	2013	2014	2015	2016	2017	2018
Generation	9,752	9,702	9,475	9,063	8,046	8,039	7,862	7,867
Heat	1,670	1,569						
City Solutions			793	803	743	760	775	788
Russia	3,404	3,404	4,250	4,758	4,903	4,482	4,794	4,912
Uniper								
Other Operations						53	292	457
Total	**14,826**	**14,675**	**14,518**	**14,624**	**13,692**	**13,334**	**13,722**	**13,724**

Heat production capacity by segment, MW	2011	2012	2013	2014	2015	2016	2017	2018
Generation	250	250	250	-	-	-	-	-
Heat	10,375	8,785						
City Solutions			4,317	3,936	3,915	3,818	4,671	4,780
Russia	14,107	13,396	13,466	13,466	12,696	9,920	10,094	9,229
Uniper								
Total	**24,732**	**22,431**	**18,033**	**17,402**	**16,611**	**13,738**	**14,765**	**13,009**

	Finland		Sweden		Russia		Germany		United Kingdom		Netherlands		Other	
Fortum's power generation capacity by type and area, MW	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Hydropower	1,553	1,553	4,895	3,124	-	-	1,991	-	-	-	-	-	-	-
Nuclear power	1,487	1,487	3,361	1,334	-	-	-	-	-	-	-	-	-	-
Combined heat and power	375	452	455	9	3,497	4,858	3,222	-	-	-	525	-	355	370
Condensing power	565	565	1,162	-	12,151	-	6,383	-	6,401	-	1,070	-	428	-
Wind power	-	-	-	75	35	35	-	-	-	-	-	-	101	84
Solar power	-	-	-	-	35	35	-	-	-	-	-	-	250	250
Total	**3,980**	**4,057**	**9,873**	**4,542**	**15,718**	**4,928**	**11,596**	**-**	**6,401**	**-**	**1,595**	**-**	**1,134**	**704**

	Finland		Norway		Russia		Germany		Poland		Netherlands		Other	
Fortum's heat production capacity by area, MW	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Heat	1,417	2,002	888	1,032	11,010	8,437	3,061	-	941	941	1,133	-	1,061	837

Årsregnskap regnskapsåret 2020 for 914551757

Sales

Fortum's total power and heat sales in Nordics, EUR million	2011	2012	2013	2014	2015	2016	2017	2018
Power sales								
Heat sales								

Fortum is disclosing total power and heat sales in Nordics instead of EU and Norway from 2019 onwards. Power and heat production in EU and Norway until 2018 are disclosed below.

Fortum's total power and heat sales in EU and Norway, EUR million	2011	2012	2013	2014	2015	2016	2017	2018 [1]
Power sales	2,868	2,700	2,462	2,344	1,921	1,893	2,244	2,922
Heat sales	1,278	1,201	538	468	423	449	524	615

1) Fortum is disclosing total power and heat sales in Nordics instead of EU and Norway from 2019 onwards.

Fortum's total power and heat sales in other European countries, EUR million	2011	2012	2013	2014	2015	2016	2017	2018
Power sales [2]								
Heat sales								

1) Disclosed from 2019 onwards.
2) Including commodity trading.

Fortum's total power and heat sales in Russia, EUR million	2011	2012	2013	2014	2015	2016	2017	2018
Power sales	590	713	822	758	661	691	837	872
Heat sales	324	300	290	285	228	199	258	193

Fortum's total power sales by area, TWh	2011	2012	2013	2014	2015	2016	2017	2018
Finland	24.6	21.6	23.4	21.6	22.3	22.8	22.5	23.1
Sweden	29.4	30.1	23.3	28.2	29.8	28.8	30.8	29.7
Norway						1.5	7.2	15.3
Russia	20.2	23.3	25.6	26.5	29.4	29.5	30.5	34.1
Germany [1]								
United Kingdom								
Netherlands								
Other countries	3.6	3.8	4.3	3.8	2.8	2.1	2.9	1.8
Total	**77.8**	**78.8**	**76.6**	**80.1**	**84.3**	**84.7**	**93.9**	**104.0**

1) Including commodity trading.

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

Årsregnskap regnskapsåret 2020 for 914551757

Fortum's total heat sales by area, TWh	2011	2012	2013	2014	2015	2016	2017	2018
Finland	8.5	5.8	5.5	3.2	3.1	3.6	3.9	3.8
Russia	26.7	26.4	24.1	26.0	25.4	20.7	19.8	20.7
Norway								
Sweden	8.5	8.5	-	-	-	0.1	0.3	0.3
Poland	4.3	4.3	4.1	3.4	3.4	3.6	3.7	3.5
Germany								
United Kingdom								
Netherlands								
Other countries	3.4	2.9	3.1	2.8	1.2	1.4	2.2	3.2
Total	**51.4**	**47.9**	**36.8**	**35.4**	**33.2**	**29.4**	**29.9**	**31.5**

Volume of distributed electricity in distribution networks, TWh	2011	2012	2013	2014	2015
Finland	9.5	9.8	9.5	2.8	
Sweden	14.2	14.4	14.1	13.7	6.4
Norway	2.3	2.4	2.5	1.1	
Estonia	0.1	-			
Total	**26.1**	**26.6**	**26.1**	**17.6**	**6.4**

Årsregnskap regnskapsåret 2020 for 914551757

Quarterly financial information

Note: Quarterly financial information is unaudited.

Selected data based on quarterly consolidated income statement

EUR million	I/2019	II/2019	III/2019	IV/2019	2019	I/2020	II/2020	III/2020	IV/202
IS Sales	**1,690**	**1,144**	**1,060**	**1,553**	**5,447**	**1,357**	**12,330**	**14,049**	**21,27**
Comparable EBITDA	**545**	**372**	**295**	**552**	**1,766**	**543**	**512**	**132**	**1,24**
IS Comparable operating profit	**408**	**232**	**153**	**398**	**1,191**	**393**	**203**	**-179**	**92**
IS Operating profit [1]	**363**	**230**	**124**	**401**	**1,118**	**603**	**539**	**-1**	**45**
IS Share of profit/loss of associates and joint ventures	111	461	106	65	744	479	39	25	11
IS Finance costs - net [1]	-51	-39	-32	-12	-134	-67	3	27	-1
IS Profit before income tax	**424**	**652**	**198**	**454**	**1,728**	**1,014**	**581**	**51**	**55**
IS Income tax expense	-65	-45	-25	-88	-221	-76	-178	51	-14
IS Profit for the period	**359**	**607**	**173**	**367**	**1,507**	**938**	**403**	**103**	**41**
IS Non-controlling interests	-19	0	5	-10	-25	-9	-63	71	-3
IS Profit for the period, owners of the parent	**341**	**607**	**178**	**356**	**1,482**	**930**	**340**	**174**	**37**
Earnings per share for profit attributable to the equity owners of the company (EUR per share)									
Basic	0.38	0.69	0.20	0.40	1.67	1.05	0.38	0.19	0.4

1) In 2020, Nuclear fund adjustment was reclassified from Items affecting comparability to Other financial expenses, net. Comparatives have been reclassified accordingly. See ▸ **Note 1.7** Summary of Uniper acquisition impact to consolidated f statements.

Quarterly sales by segment

EUR million	I/2019	II/2019	III/2019	IV/2019	2019	I/2020	II/2020	III/2020	IV/202
Generation [1]	601	500	458	583	2,141	574	450	441	54
Russia	298	239	229	306	1,071	317	202	172	23
City Solutions [1]	405	228	200	366	1,200	342	212	184	33
Consumer Solutions	669	346	311	510	1,835	424	237	235	37
Uniper	-	-	-	-	-	-	11,365	13,159	19,99
Other Operations [1]	26	28	29	32	115	34	34	34	3
Netting of Nord Pool transactions [2]	-192	-99	-100	-1,369	-529	-83	-54	-74	-10
Eliminations	-117	-98	-68	-105	-387	-250	-115	-102	-13
IS Total	**1,690**	**1,144**	**1,060**	**1,553**	**5,447**	**1,357**	**12,330**	**14,049**	**21,27**

1) Sales, both internal and external, includes effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.
2) Sales and purchases with Nord Pool Spot is 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.

Årsregnskap regnskapsåret 2020 for 914551757

Quarterly comparable operating profit by segments

EUR million	I/2019	II/2019	III/2019	IV/2019	2019	I/2020	II/2020	III/2020	IV/202
Generation	223	191	140	239	794	235	173	136	17
Russia	99	69	53	94	316	99	37	40	7
City Solutions	92	-15	-36	80	120	58	-15	-36	4
Consumer Solutions	26	19	16	19	79	32	19	18	2
Uniper	-	-	-	-	-	-	24	-310	64
Other Operations	-32	-31	-21	-34	-118	-31	-34	-27	-3
IS Comparable operating profit	**408**	**232**	**153**	**398**	**1,191**	**393**	**203**	**-179**	**92**
Impairment charges and reversals	-3	0	-6	0	-8	-	-1	-1	
Capital gains and other related items	3	3	3	-2	7	413	69	299	-1
Impact from acquisition accounting	-	-	-	-	-	-222	-	-	
Changes in fair values of derivatives hedging future cash flow	-46	-5	-27	5	-72	19	154	-242	-60
Other	-	-	-	-	-	-	115	123	14
IS Operating profit	**363**	**230**	**124**	**401**	**1,118**	**603**	**539**	**-1**	**45**

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

Investor information

Fortum 2020 reporting entity comprises CEO's Business Review, Financials, Corporate Governance Statement and Remuneration Report, Tax footprint as well as Sustainability.

Annual General Meeting 2021

The Annual General Meeting 2021 of Fortum Corporation will be held on Wednesday, 28 April 2021, starting at 14:00 EET.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pays a dividend of EUR 1.12 per share for 2020, totalling approximately EUR 995 million based on the registered shares as of 11 March 2021. The possible dividend related dates planned for 2021 are:

- the ex-dividend date 29 April 2021,
- the record date for dividend payment 30 April 2021 and
- the dividend payment date 7 May 2021.

Financial information in 2021

Fortum will publish three interim reports in 2021:

- January–March Interim Report on 12 May
- January–June Half-year Financial Report on 17 August, and
- January–September Interim Report on 12 November.

The reports are published at approximately 9:00 EET in Finnish and English, and are available on Fortum's website at www.fortum.com/investors

Fortum's management hosts regular press conferences, targeted at analysts and the media. Webcasts of these conferences are available online at ›**www.fortum.com/investors**. Management also gives interviews on a one-on-one and group basis. Fortum observes silent period of 30 days prior to publishing its results.

Fortum share basics

Listed on Nasdaq Helsinki
Trading ticker: FORTUM
Number of shares, 11 March 2021: 888,294,465
Sector: Utilities

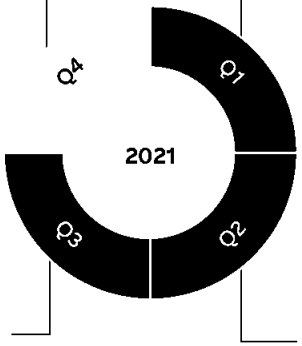
Fortum's activities in capital markets during 2020

Fortum's Investor Relations activities cover equity and fixed-income markets to ensure full and valuation of the company's shares, access to funding sources and stable bond pricing. The key Investor Relations is to provide correct, adequate and up-to-date information regularly and equ market participants. By doing this, Investor Relations aims to minimise the investor's risk and re share's volatility. Investors and analysts primarily are met on a regular basis in Europe and Nort

In 2020, Fortum met approximately 550 professional equity investors individually or in group and at investor conferences, mostly virtually, and maintained regular contact with equity resea at investment banks and brokerage firms.

Interim Report January–September 2021, 12 November

Financial Statement Bulletin 2020, 12 Ma
Financial Statement
Latest week 11



January–June Half-year Financial Report 2021,
17 August

Annual General Mee
28 April
Interim Report
January–March 202

Årsregnskap regnskapsåret 2020 for 914551757

Admincontrol

List of Signatures

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Name	Method	Signed at
Lindbo, Jostein	BANKID_MOBILE	2021-07-01 19:00 GMT+02
Mikael Gösta Rönnblad	FTN (Aktia)	2021-07-01 18:08 GMT+02
Otnes, Frode	BANKID_MOBILE	2021-07-01 16:43 GMT+02
Braathen, Knut	BANKID	2021-07-01 16:33 GMT+02

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Fortum Consumer Solutions AS

Org.nr 914 551 757

Årsregnskap 2020

Resultatregnskap
Balanse
Kontantstrømoppstilling
Noter

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Fortum Consumer Solution AS
Organisasjons nr: 914 551 757
Resultatregnskap
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DRIFTSINNTEKTER OG DRIFTSKOSTNADER	**Note**	**2020**	**2019**
Driftsinntekter			
Salgsinntekt		-1	0
Annen driftsinntekt	13	14,805	33,510
Sum driftsinntekter		14,804	33,510
Driftskostnader			
Lønnskostnad	2	33,888	29,270
Av- og nedskrivning på varige driftsmidler	3	0	208
Annen driftskostnad	4, 13	27,807	43,471
Sum driftskostnader		61,695	72,949
DRIFTSRESULTAT		-46,891	-39,439
FINANSINNTEKTER OG FINANSKOSTNADER			
Finansinntekter			
Inntekt investering i datterselskap	4	1,041,780	42,343
Sum finansinntekter		1,041,780	42,343
Finanskostnader			
Rentekostnader fra foretak i samme konsern	5, 12	10,559	18,456
Annen rentekostnad		152	57
Annen finanskostnad		1,500	1,126
Sum finanskostnader		12,211	19,640
NETTO FINANSKOSTNADER		1,029,568	22,703
ORDINÆRT RESULTAT FØR SKATTEKOSTNAD		982,677	-16,736
Skattekostnad på ordinært resultat	6	23,123	-5,268
ÅRSRESULTAT		959,554	-11,468
OVERFØRINGER OG DISPONERINGER			
Overføring annen egenkapital		959,554	-11,468
Sum overføringer og disponeringer		959,554	-11,468

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Fortum Consumer Solutions AS
Organisasjons nr: 914 551 757
Balanse
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EIENDELER	Note	2020	2019
Anleggsregister			
Utsatt skattefordel	6	0	3,763
Sum immaterielle eiendeler		**0**	**3,763**
Investeringer i datterselskap	4	1,618,520	2,616,735
Pensjon	11	1,399	1,156
Andre langsiktige fordringer		58,632	18,206
Sum finansielle anleggsmidler		**1,678,552**	**2,636,098**
Sum anleggsmidler		**1,678,552**	**2,639,860**
Omløpsmidler			
Kundefordringer		7	0
Andre fordringer	9	762	4,224
Fordringer på konsernselskap	8, 12	1,984,399	45,455
Bankinnskudd, kontanter o.l	5	0	0
Sum omløpsmidler		**1,985,169**	**49,678**
SUM EIENDELER		**3,663,721**	**2,689,539**
EGENKAPITAL OG GJELD			
Egenkapital			
Selskapskapital	7	101,000	100,000
Overkurs	7	1,360,857	1,256,123
Sum innskutt egenkapital		**1,461,857**	**1,356,123**
Annen egenkapital	7	1,062,338	102,544
Sum opptjent egenkapital		**1,062,338**	**102,544**
Sum egenkapital		**2,524,195**	**1,458,667**
Gjeld			
Utsatt skatt	6	295	
Øvrig langsiktig gjeld		2,738	774
Sum Langsiktig gjeld		**3,033**	**774**
Kortsiktig gjeld			
Leverandørgjeld		380	1,957
Betalbar skatt	6	19,134	166
Skyldig offentlige avgifter		2,412	2,524
Kortsiktig gjeld til konsernselskap	8, 12	1,106,268	1,219,867
Annen kortsiktig gjeld	10	8,301	5,583
Sum kortsiktig gjeld		**1,136,494**	**1,230,098**
Sum Gjeld		**1,139,526**	**1,230,872**
SUM EGENKAPITAL OG GJELD		**3,663,721**	**2,689,539**

Oslo, __._____ 2021

Knut Braathen
Daglig leder

Mikael Gösta Rönblad
Styrets leder

Jostein Lindbo
Styremedlem

Frode Otnes
Styremedlem

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Fortum Consumer Solutions AS
Organisasjons nr: 914 551 757
Kontantstrømoppstilling

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Kontantstrøm fra driften			
Årsresultat før skatt		982,677	(16,736)
Periodens betalte skatter	7	166	9,496
Av-/ nedskrivninger	3	-	208
Konsernbidrag ført som finansinntekt		(156,000)	(41,091)
Endring i konsernmellomværende	9	(1,759,818)	(4,848)
Endring i kundefordringer		(7)	-
Endring i leverandørgjeld		(1,578)	582
Endring i andre tidsavgrensningsposter		(47,363)	(5,234)
Netto kontantstrøm fra driften		(981,922)	(57,622)
Kontantstrøm fra investeringer			
Investering i varige driftsmidler	3	-	4,469
Investering i virksomhet / datterselskap	5	894,215	1,891
Investering i andre finansielle anleggsmidler	5	164,088	(639)
Langsiktig lån		19,255	
Netto kontantstrøm fra investeringer		**1,077,558**	**5,722**
Kontantstrøm fra finansiering			
Endring bankkonti tilknyttet konsernkontoordning	6, 9	(136,727)	(48,718)
Mottatt (avgitt) konsernbidrag	9	41,091	100,618
Netto kontantstrøm fra finansiering	6	**(95,636)**	**51,900**
Netto endring i likviditetsbeholdning		0	0
Likviditetsbeholdning 1.januar		0	0
Likviditetsbeholdning 31. desember	6	0	0

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Fortum Consumer Solutions AS
Organisasjons nr: 914 551 757
Regnskapsprinsipper

Generelt
Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk. Selskapet har videre fulgt relevante bestemmelser i Norsk Regnskaps Standard utarbeidet av Norsk Regnskaps Stiftelse.

Driftsinntekter
Inntektsføring av varer og tjenester foretas ved levering.

Omløpsmidler og kortsiktig gjeld

Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter siste dag i regnskapsåret, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi (Laveste verdis prinsipp).
Kortsiktig gjeld balanseføres til nominelt mottatt beløp på etableringstidspunktet med tillegg av påløpte renter. Kortisiktig gjeld oppskrives ikke til virkelig verdi som følge av renteendringer.

Fordringer

Kundefordringer og andre fordringer føres opp i balansen til pålydende etter fradrag for avsetninger til pålitelig tap. Avsetning til påregnelig tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Anleggsmidler og langsiktig gjeld

Anleggsmidler omfatter eiendeler bestemt til varig eie og bruk for virksomheten. Anleggsmidler er vurdert til anskaffelseskost. Varige driftsmidler føres opp i balansen og avskrives over driftsmidlets forventede økonomiske levetid dersom denne er over 3 år og har en kostpris som overstiger kr 15 000. Vedlikehold av varige driftsmidler kostnadsføres løpende under driftskostnader. Påkostninger eller utbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmiddelet. Varige driftsmidler nedskrives til virkelig verdi ved verdifall som forventes ikke å være av forbigående art. Nedskrivinger blir reversert når grunnlaget for nedskrivingen ikke lenger finnes å være til stede.

Aksjer og andeler i datterselskap og i tilknyttede selskaper

Definisjon av datterselskap fremgår av regnskapslovens § 1-3 og tilknyttet selskap i § 1-4. Aksjer i datterselskaper, tilknyttede selskaper og felleskontrollerte selskaper er oppført i balansen til kostpris. Investeringene er vurdert til anskaffelseskost av aksjene, med mindre nedskrivning har vært nødvendig.

Valuta
Pengeposter i utenlandsk valuta vurderes etter børskursen på valutaen etter kursnoteringen på den siste balansedagen i regnskapsåret.

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Skatt

Skattekostnaden i resultatregnskapet omfatter periodens betalbare skatt som blir utlignet og forfaller til betaling i neste regnskapsår i tillegg til endring i utsatt skatt. Utsatt skatt er beregnet med skattesatsen ved utgangen av regnskapsåret på grunnlag av skattereduserende og skatteøkende midlertidige forskjeller. I beregningen er det også medtatt ligningsmessig framførbart underskudd ved regnskapsårets utgang. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet og nettoført.
Eventuell utsatt skatt på merverdi i forbindelse med oppkjøp av datterselskap blir ikke utlignet.

Pensjoner

Selskapene i konsernet har ulike pensjonsordninger. Pensjonsordningene er generelt finansiert gjennom innbetalinger til forsikringsselskaper eller pensjonskasser, fastsatt basert på periodiske aktuarberegninger. Konsernet har både innskuddsplaner og ytelsesplaner.

En innskuddsplan er en pensjonsordning hvor konsernet betaler faste bidrag til en separat juridisk enhet. Konsernet har ingen juridisk eller annen forpliktelse til å betale ytterligere bidrag hvis enheten ikke har nok midler til å betale alle ansatte ytelser knyttet til opptjening i inneværende og tidligere perioder. Innskuddene regnskapsføres som lønnskostnad når de forfaller. Forskuddsbetalte innskudd bokføres som en eiendel i den grad innskuddet kan refunderes eller redusere fremtidige innbetalinger.
En ytelsesplan er en pensjonsordning som ikke er en innskuddsplan. Typisk er en ytelsesplan en pensjonsordning som definerer en pensjonsutbetaling som en ansatt vil motta ved pensjonering. Pensjonsutbetalingen er normalt avhengig av en eller flere faktorer slik som alder, antall år i selskapet og lønn.

Den balanseførte forpliktelsen knyttet til ytelsesplaner er nåverdien av de definerte ytelsene på balansedatoen minus virkelig verdi av pensjonsmidlene. Pensjonsforpliktelsen beregnes årlig av en uavhengig aktuar ved bruk av lineær opptjeningsmetode. Nåverdien av de definerte ytelsene bestemmes ved å diskontere estimerte fremtidige utbetalinger med renten på en obligasjon utstedt av et selskap med høy kredittverdighet i den samme valuta som ytelsene vil bli betalt og med en løpetid som er tilnærmet den samme som løpetiden for den relaterte pensjonsforpliktelsen.

Periodens estimatavvik som skyldes ny informasjon eller endringer i de aktuarmessige forutsetningene føres løpende direkte mot egenkapitalen etter justering for utsatt skatt/utsatt skattefordel. Endringer i pensjonsplanens ytelser kostnadsføres eller inntektsføres løpende i resultatregnskapet. Pensjonskostnaden presenteres i sin helhet under drift, inklusive renteelement som beregnes med diskonteringsrenten på grunnlag av netto forpliktelse eller netto eiendel.

Kontantstrømoppstilling

Kontantstrømoppstilling er utarbeidet etter den indirekte metoden. Kontanter og kontantekvivalenter inkluderer kasse, bank og andre likvidbeholdninger samt kapitalplasseringer med forfall mindre enn 3 måneder fra anskaffelsestidspunktet.

Eierstyring og selskapsledelse

Selskapet er underlagt konsernets retningslinjer for eierstyring og selskapsledelse. Retningslinjene for eierstyring og selskapsledelse skal sikre tillit til selskapets styre og ledelse og legge grunnlaget for langsiktig verdiskapning til beste for aksjonærer, ansatte, andre interessenter og samfunnet for øvrig.

For en mer fyldig beskrivelse vises det til Fortum konsernet sin årsrapport som er tilgjengelig på hjemmesidene til Fortum: www.Fortum.com

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Fortum Consumer Solutions AS
Organisasjons nr: 914 551 757
Noter
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Note 2 - Lønnskostnader

Gjennomsnittlig antall ansatte i regnskapsåret har vært 17 personer sammenlignet med 15 personer i fjor.

	Spesifikasjoner av lønnskostnader	**I år**	**I fjor**
1.1	Lønn	25,711	19,355
1.2	Arbeidsgiveravgift	3,844	3,508
1.3	Pensjonskostnader	1,485	1,140
1.4	Andre personalkostnader	2,847	5,267
	Totalt	**33,888**	**29,270**

Ytelser til ledende personer og revisor (i 1 000 kr)	**I år**	**I fjor**
Lønn og annen godtgjørelse til Daglig leder	2,598	2,494
Pensjonskostnader til Daglig leder	71	70
Honorar til revisor, ordinær lovpålagt revisjon eks mva	216	388
Andre tjenester fra revisor	16	

Daglig leder har en resultatavhengig bonusavtale begrenset oppad til 30% av grunnlønn. Daglig leder har avtale om inntil 12 måneders etterlønn ved fratredelse på nærmere vilkår. Styreleder har ingen avtale om etterlønn ved fratredelse knyttet til vervet som styreleder for Fortum Consumer Solutions AS.

Note 3 - Annen driftskostnad

	Spesifikasjoner av andre driftskostnader	**I år**	**I fjor**
3.1	Konsernoverhead, kjøp av tjenester fra konsernselskap	9,859	254
3.2	Småanskaffelser, kontorkostnader, telefon mv.	1,588	2,176
3.3	Andre fremmedytelser, kjøp av eksterne tjenester	13,009	35,708
3.4	Andre driftskostnader	3,350	5,333
	Sum annen driftskostnad	**27,807**	**43,471**

Note 4 - Investeringer i datterselskap

Datterselskap	**By/Land**	**Kapital**	**Andel %**	**Egenkapital**	**Årsresultat**	**Verdi**
Fortum Strøm AS	Oslo	228,512	100%	411,481	348,208	959,092
Fortum Hedging AS	Oslo	50,000	100%	614,108	(5,235)	360,169
Fortum Markets AS	Oslo	105,734	100%	143,299	(54,056)	-
NorgesEnergi AS	Kristiansand	6,258	100%	306,871	245,114	-
Hallingkraft AS	Ål	6,289	100%	12,766	6,449	-
Fortum Tellier AS	Oslo	5,000	100%	29,079	(4,980)	-
Fortum Kundesenter AS	Oslo	15,000	100%	15,721	2,436	-
Oslo Energi AS	Oslo	100	100%	27	(51)	100
Gøta Energi AB	Sverige	7,500	100%	506,893	57,371	221,052
Kotimaan Energi Oy	Finland	8	100%	3,023	(2,882)	78,107
Sum						1,618,520

Datterselskapene er oppført i balansen til anskaffelseskost. Stemmeandel er lik eierandel for alle datterselskaper. Aksjekapital, Egenkapital og Årsresultat for datterselskap i Sverige er oppgitt i SEK og for datterselskap i Finland i EUR.
Samtlige aksjer eies av Fortum Forvaltning AS og selskapene inngår i det finske energikonsernet Fortum Oyj.
Konsernets årsregnskap kan innhentes på hjemmesidene til Fortum: www.Fortum.com

Inntekt på investeringer i datterselskap	**I år**	**I fjor**
Gevinst ved salg av aksjer i datterselskap	160,459	(639)
Utbytte fra datterselskap	725,321	1,890
Skattepliktig konsernbidrag fra datterselskap	156,000	41,091
Sum	**1,041,779**	**42,343**

Utbytte fra datterselskap utgjør inneværende år et høyere beløp enn inntjeningen i eierperioden og er bokført som reduksjon i balanseført verdi. Total mottatt utbytte er TNOK 1 824 280, hvorav TNOK 754 264 er bokført som finansinntekt og resterende beløp TNOK 1 070 006 er bokført som reduksjon av anskaffelseskost.

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Note 5 - Bankinnskudd, kontanter mv.

Fortum konsernet har et konsernkontosystem i Nordea og Dankse Bank. Et konsernkontosystem innebærer gjensidig solidaritetansvar for deltakende selskaper. Morselskapet, Fortum Oyj, i konsernet sine bankkonti utgjør eneste direkte mellomværende med banken, mens tilgodehavende og gjeld på datterselskapenes konti betraktes som interne forhold. Fortum Consumer Solutions AS er en del av dette konsernkontosystemet. Pr 31.12.2020 er netto trekk med MNOK 1 105 på bankkonti som inngår i konsernkontosystem klassifisert som gjeld mot konsernselskap. Tilsvarende beløp pr 31.12.2019 var MNOK 1 216. Per 31. desember 2020 var innestående på toppkonto mot Nordea 186 millioner Euro og mot Danske Bank 210 millioner Euro.

Selskapet har ingen budne midler pr 31.12.2020.

Forpliktelser knyttet til skattetrekk er dekket med bankgaranti pålydende TNOK 2 000 ovenfor Oslo kemnerkontor.

Bankgaranti gitt til fordel for:	**Type**	**Beløp**
Oslo kemnerkontor	Skattetrekk	2,000
Sum garantiforpliktelser		**2,000**

Note 6 - Skatt

Spesifikasjon av årets skattegrunnlag	**I år**	**I fjor**
Resultat før skattekostnad	982,677	(16,736)
Permanente forskjeller	(906,514)	(1,151)
Endringer midlertidige forskjeller	(18,442)	16,556
Estimatavvik ført mot egenkapital	308	2,087
Grunnlag skatt etter konsernbidrag	**86,971**	**756**

Spesifikasjon av årets skattekostnad		
Betalbar skatt av alminnelig inntekt	19,134	166
Utsatt saktt av estimatavvik pensjoner mot EK	(68)	(459)
Endring utsatt skatt i balansen	4,057	(3,642)
For lite/mye betalt skatt tidligere år		(1,333)
Ordinær skattekostnad	**23,123**	**-5,268**
Skattesats pr 31.12.	22%	22%

Utsatt skatt / utsatt skattefordel	**2020**	**2019**	**Endring**
+Driftsmilder inkl goodwill	(133)	(166)	33
+ Pensjonspremie/-forpliktelse	1,399	1,156	243
+ Overtatt forpliktelser ved kjøp av virksomhet	74	118	(44)
+ Avskåret rentefradrag til fremføring		(18,211)	18,211
= Grunnlag utsatt skatt / utsatt skattefordel	1,340	(17,102)	18,442
Utsatt skatt / - skattefordel	295	(3,763)	4,057
Skattesats utsatt skatt / skattefordel 31.12	22%	22%	

Avstemning av nominell skattesats	**I år**	**I fjor**
Resultat før skatt	982,677	-16,736
Forventet skattekostnad etter skattesats	216,189	(3,682)
Effekt av ikke fradragsberettigede inntekter og kostnader	(199,433)	(253)
Effekt for mye/lite betalt skatt tidligere år		-1,333
Skattekostnad	**23,123**	**-5,268**
Effektiv skattesats	**2%**	**31%**

Selskapet har i 2020 mottatt konsernbidrag fra datterselskap med TNOK 49 000 som er bokført som finansinntekt og inkludert i resultat før skatt.

Note 7 - Egenkapital

	Aksjekapital	**Overkurs**	**Annen egenkapital**	**Sum egenkapital**
Egenkapital 31.12.2019	100,000	1,256,123	102,544	1,458,667
Kapitalinnskudd	1000	104,734		105,734
Estimatavvik pensjon mot EK			240	240
Årets resultat			959,554	959,554
Egenkapital 31.12.2020	**101,000**	**1,360,857**	**1,062,338**	**2,524,195**

Selskapet har 1000 aksjer hver pålydende kr 101 000, samlet aksjekapital utgjør kr 101 000 000. Selskapet har kun en aksjeklasse. Samtlige aksjer eies av Fortum Forvaltning AS og inngår i det finske energikonsernet Fortum Oyj.

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Note 8 - Konsernmellomværende

	Fordringer konsernselskaper	**I år**	**I fjor**
9.1	Kundefordringer konsernselskaper	3,709	4,364
9.2	Andre fordringer	420	0
9.3	Fordring konsernbidrag	1,980,270	41,091
	Sum fordringer konsernselskaper	**1,984,399**	**45,455**

	Kortsiktig gjeld konsernselskaper		
9.4	Leverandørgjeld konsernselskaper	1,265	2,926
9.5	Trekk på bankkonti i konsernkontoordningen	1,105,003	1,215,618
9.6	Påløpte konsern interne kostnader	0	1,323
	Sum gjeld konsernselskaper	**1,106,268**	**1,219,867**

Note 9 - Andre kortsiktige fordringer

	Andre fordringer	**I år**	**I fjor**
10.1	Fordringer på ansatte	(121)	15
10.2	Til gode merverdiavgift	360	503
10.3	Forskuddsbetalte kostnader	523	3,705
	Sum Andre fordringer	**762**	**4,224**

Note 10 - Annen kortsiktig gjeld

	Annen kortsiktig gjeld	**I år**	**I fjor**
11.1	Skyldig lønn, feriepenger mv.	4,408	5,306
11.3	Påløpte kostnader	3,791	277
11.2	Annen kortsiktig gjeld	102	1
	Sum annen kortsiktig gjeld	**8,301**	**5,583**

Note 11 - Pensjon

Fortum Consumer Solutions AS er pliktig til å ha pensjonsordninger for sine ansatte etter lov om tjenestepensjon. Selskapet har pensjonsordninger som tilfredsstiller kravene i loven og ordningene omfatter både ytelsesbasert og innskuddsbaserte pensjoner. Ytelsesplanene gir rett til definerte fremtidige ytelser. Disse er i hovedsak avhengig av antall opptjeningsår og lønnsnivå ved oppnåd pensjonsalder. Pensjonsordningene er enten organisert i egne pensjonskasser, gjennom forsikringsselskap eller direkte fra selskapene.

	I år	**I fjor**
Nåverdi av opptjent pensjonsforpliktelse i fondsbaserte ordninger	3,355	3,719
Virkelig verdi på pensjonsmidler	(4,754)	(4,875)
Netto pensjonsforpliktelse (etter arbeidsgiveravgift)	**(1,399)**	**(1,156)**
Netto pensjonskostnad fremkommer på følgende måte:		
Service kostnad	161	186
Netto rentekostnad	(21)	19
Administrasjonskostnader	20	-
Sum pensjonskostnader ytelsesplaner	**160**	**205**
Tilskuddsbaserte pensjonskostnader	1,325	935
Sum pensjonskostnader (inkludert i kloønskostnader)	1,485	**1140**
Endring i balanseført forpliktelse		
Balanseført verdi 1.1.	(1,156)	725.4
Endring estimatavvik pensjoner ført mot EK	(308)	(2,087)
Kostnad resultatført i året	160	205
Innbetaling til pensjonsordningen	95	
Andre endringer	(190)	
Balanseført verdi 31.12.	**(1,399)**	**(1,156)**
Pensjonsverdiene fordeler seg slik i balansen:		
Gjeld pensjon / - fordring pensjon	(1,399)	(1,156)
Netto balanseført forpliktelse	**(1,399)**	**(1,156)**
Følgende økonomiske forutsetninger er lagt til grunn for beregningen:		
Diskonteringsrente	1.70%	2.20%
Årlig lønnsvekst	2.00%	2.00%
G-regulering	1.75%	2.00%
Årlig regulering av pensjoner under utbetaling	1.00%	1.25%

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Note 12 - Transaksjoner med nærstående

Fortum Consumer Solutions AS er et heleid datterselskap i Fortum konsernet med Fortum Oyj som konsernspiss. Selskapet både selger og kjøper varer og tjenester fra andre selskaper i konsernet. Alle transaksjoner er foretatt som en del av den ordinære virksomheten og med armlengdes avstand prinsipper. De vesentlige transaksjonene er som følger:

Resultat	Drifts inntekter	Drifts kostnader	Netto rente kostnader	Andre finansinntekte	Andre finanskostnad
Fortum Strøm AS	1,479			49,000	
NorgesEnergi AS	2,315				
Göta Energi AB	1,746				
Fortum forvaltning AS		2,112			
Fortum Tellier AS		2,593			
Fortum Sverige AB		2,859			
Fortum Markets AB	3,145				
Fortum Markets AS	1,011				
Fortum Markets Oy	2,775				
Fortum Oyj		6,270	10,559		1,500
Andre konsernselskaper	2,261	154			

Balanse	Kunde fordringer	Andre fordringer	Leverandør gjeld	Annen gjeld	Konsernkonto gjeld
Fortum Strøm AS		49,000			
Fortum Markets AB	3,145				
Fortum Oyj					1,105,003
Andre konsernselskaper	564	421	493	772	

Note 13 - Covid-19

Med bakgrunn i utbruddet av Covid-19 har Fortum Consumer Solutions AS følgt utviklingen nøye for å minimere eller eliminere virkningen dette vil ha på selskapets virksomhet. Selskapet følger retningslinjene til myndighetene, Folkehelseinstituttet, WHO og ECDC (Europeisk sentrum for forebyggende og kontroll av sykdommer).

Selskapet har hatt mindre konsekvenser og Covid 19 påvirker ikke selskapets videre drift. Selskapet leverer interne tjenester til konsernselskaper i Norge. Konsernet og selskap i konsernet har en solid økonomi og har ikke hatt betalingsproblem grunnet Covid-19.

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Årsberetning 2020
for

Fortum Consumer Solutions AS

Foretaksnr. 914551757

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Årsberetning 2020

Virksomhetens art

Fortum Consumer Solutions AS har forretningskontor i Oslo kommune. Selskapet har ikke egen operativ virksomhet, men er et holdingsselskap med eierskapet til datterselskaper i Fortums forretningsområde «Consumer Solutions». Forretningsområdet Consumer Solutions består av strømsalgsvirksomheter i Norge, Sverige, Finland og Polen samt virksomhet innen kunde- og faktureringstjenester.

Fortsatt drift
Årsoppgjøret er avlagt under forutsetning om fortsatt drift. Til grunn for antagelsen ligger selskapets resultater for 2020 og prognoser og strategiske planer for de kommende årene. Selskapet har en sunn økonomisk og finansiell stilling. Det har ikke inntruffet forhold etter regnskapsårets slutt som har betydning for det fremlagte årsregnskapet.

Arbeidsmiljø og likestilling
Sykefraværet i selskapet var på totalt 2,7 % i regnskapsåret. Det har ikke forekommet alvorlige arbeidsuhell eller ulykker i løpet av året som har resultert i materielle skader eller alvorlige personskader. Selskapet gjennomfører regelmessige undersøkelser av engasjement og tilfredshet blant medarbeiderne. Resultat fra disse undersøkelsene er gode, og arbeidsmiljøet betraktes som godt.

Selskapet følger Fortum konsernets «Code of Conduct» og personalpolicy om at alle skal sikres like muligheter ved at man ikke forskjellsbehandler på grunnlag av kjønn, etnisitet, nasjonal opprinnelse, hudfarge, språk, religion eller livssyn. Selskapet har 25 ansatte, 14 kvinner og 11 menn. Selskapets styre består av tre menn.

Miljørapport
Selskapet er ikke involvert i aktiviteter som belaster det ytre miljø.

Fremtidig utvikling
Strømselskapene eiet av Fortum Consumer Solutions AS har ca 1,1 million person- og bedriftskunder i Norge, Sverige og Finland. Strømproduktene markedsføres under flere merkenavn, herunder Fortum Markets, Fortum Strøm, NorgesEnergi, Göta Energi og Kotimaan Energia.

Energisektoren står foran betydelige endringer i rammevilkårene i årene fremover. Innføring av nye automatiske målere (AMS) for alle nettkunder og en nasjonal elhub vil gjøre skillet mellom monopol og konkurranseutsatt virksomhet enda tydeligere. Strømsalgsvirksomheten har en annen verdikjede og et annet geografisk nedslagsfelt enn Fortums øvrige virksomhet, og Fortum Consumer Solutions vil fortsette arbeidet med å rendyrke forretningsmodellen, styrke konkurransekraften, samt gjøre virksomheten rustet til å møte framtidige endringer i markedet.

Fortum Oyj annonserte ved sin Capital Markets Day i desember 2020 at konsernet ville sette i gang et større arbeid med å vurdere eierskap og struktur til forretningsområdet Consumer Solutions. Dette arbeidet ble påbegynt mot slutten av 2020 og er forventet sluttført høsten 2021.

Resultat, investeringer, finansiering og likviditet
Årsresultatet for regnskapsperioden ble MNOK 959,6 (-11,5).

Kontantstrøm fra operasjonelle aktiviteter utgjorde for 2020 MNOK -981,9 (-57,6). Selskapets driftsresultat i 2020 utgjorde MNOK -46,9 og avviker fra kontantstrøm fra operasjonelle aktiviteter blant annet som en følge av redusert trekk på konsernkonto med MNOK 136,7 og økning på konserninterne fordringer på MNOK 1 939,1.

Kontantstrøm fra investeringer utgjorde for 2020 MNOK 1 077,6 (5,7). Utbytte og konsernbidrag fra datterselskap utgjorde MNOK 883,1 (43,0) og gevinst fra salg av samtlige aksjer i Solvencia AS utgjorde 160,5 MNOK

Selskapets finansielle stilling er tilfredsstillende. Selskapets har tilgang på likviditet ved behov gjennom tilknytningen til konsernkontosystemet og hadde per 31.12 MNOK 1 105 i trekk på bankkonti tilknyttet denne ordningen. Totalkapitalen var ved utgangen av året MNOK 3 663 og egenkapitalandelen var 69 % og anses tilfredsstillende.

Kredittrisikoen anses som lav, da de fleste kundefordringer er relatert til konserninterne kunder. Selskapet bruker ikke finansielle instrumenter, og har heller ingen vesentlig finansiell risiko.

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Årsberetning 2020

Årsresultat og disponeringer
Styret foreslår følgende disponering av årsresultatet:

Overføringer til annen egenkapital	TNOK 959 554
Totalt	**TNOK 959 554**

Oslo, 1.juli 2021

Mikael Gösta Rönnblad
Styrets leder

Frode Otnes
Styremedlem

Jostein Lindbo
Styremedlem

Knut Braathen
Daglig leder

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Til generalforsamlingen i Fortum Consumer Solutions AS

UAVHENGIG REVISORS BERETNING

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Fortum Consumer Solutions AS' årsregnskap som viser et overskudd på kr 959 554 000. Årsregnskapet består av balanse per 31. desember 2020, resultatregnskap for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon består av årsberetningen, men inkluderer ikke årsregnskapet og revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Penneo Dokumentnøkkel: Y6GWW-XGAHG-1W2G0-HVNS3-VKQOG-CABB8

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Revisors oppgaver og plikter ved revisjonen av årsregnskapet
Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

Vi kommuniserer med dem som har overordnet ansvar for styring og kontroll blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav
Konklusjon om årsberetningen
Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon
Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon

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Deloitte.

eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Oslo 1. juli 2021
Deloitte AS

Guro Magnetun Heimvik
statsautorisert revisor

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