Brønnøysundregistrene

# ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2019 - GENERELL INFORMASJON

**Enheten**

| | |
|---|---|
| Organisasjonsnummer: | 885 361 102 |
| Organisasjonsform: | Aksjeselskap |
| Foretaksnavn: | FORTUM FORVALTNING AS |
| Forretningsadresse: | Askekroken 11<br>0277 OSLO |

**Regnskapsår**

| | |
|---|---|
| Årsregnskapets periode: | 01.01.2019 - 31.12.2019 |

**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: | Marit Nesheim Hauge |
| Dato for fastsettelse av årsregnskapet: | 02.09.2020 |

**Grunnlag for avgivelse**

År 2019: Årsregnskapet er elektronisk innlevert

År 2018: Tall er hentet fra elektronisk innlevert årsregnskap fra 2019

*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, 03.11.2021

# Resultatregnskap

| Beløp i: NOK | Note | 2019 | 2018 |
|---|---|---|---|
| **RESULTATREGNSKAP** | | | |
| **Inntekter** | | | |
| Annen driftsinntekt | 11 | 4 880 637 | |
| **Sum inntekter** | | **4 880 637** | |
| **Kostnader** | | | |
| Avskrivning | 3 | 107 266 | |
| Annen driftskostnad | 8 | 6 638 996 | 4 534 487 |
| **Sum kostnader** | | **6 746 262** | **4 534 487** |
| **Driftsresultat** | | **-1 865 625** | **-4 534 487** |
| **Finansinntekter og finanskostnader** | | | |
| Inntekt på andre investeringer | 11 | 67 302 288 | 264 912 800 |
| Annen finansinntekt | 11 | 6 693 006 | 4 114 457 |
| **Sum finansinntekter** | | **73 995 294** | **269 027 257** |
| Nedskrivning finansielle anleggsmidler | 10 | 181 000 000 | |
| Annen finanskostnad | 11 | 460 328 | 1 034 057 |
| **Sum finanskostnader** | | **181 460 328** | **1 034 057** |
| **Netto finans** | | **-107 465 034** | **267 993 200** |
| **Ordinært resultat før skattekostnad** | | **-109 330 659** | **263 458 713** |
| Skattekostnad på ordinært resultat | 7 | 19 845 734 | 61 089 035 |
| **Ordinært resultat etter skattekostnad** | | **-129 176 393** | **202 369 678** |
| **Årsresultat** | | **-129 176 393** | **202 369 678** |
| **Overføringer og disponeringer** | | | |
| Konsernbidrag | 2 | | -45 938 739 |
| Overføring til/fra annen egenkapital | 2 | 129 176 393 | -156 430 939 |
| **Sum overføringer og disponeringer** | | **129 176 393** | **-202 369 678** |

# Balanse

| Beløp i: NOK | Note | 2019 | 2018 |
|---|---|---|---|
| **BALANSE - EIENDELER** | | | |
| **Anleggsmidler** | | | |
| **Immaterielle eiendeler** | | | |
| **Varige driftsmidler** | | | |
| Maskiner, inventar og lignende | 3 | 11 339 923 | |
| **Sum varige driftsmidler** | | **11 339 923** | |
| **Finansielle anleggsmidler** | | | |
| Investering i datterselskap | 10 | 5 420 020 618 | 5 604 094 635 |
| Investeringer i aksjer og andeler | 10 | | |
| **Sum finansielle anleggsmidler** | | **5 420 020 618** | **5 604 094 635** |
| **Sum anleggsmidler** | | **5 431 360 541** | **5 604 094 635** |
| **Omløpsmidler** | | | |
| **Varer** | | | |
| **Fordringer** | | | |
| Andre fordringer | | 2 710 668 | 30 254 |
| Konsernfordringer | 5 | 852 745 433 | 930 669 956 |
| **Sum fordringer** | | **855 456 101** | **930 700 210** |
| **Investeringer** | | | |
| Andre markedsbaserte finansielle instrumenter | 11 | | 709 320 |
| **Sum investeringer** | | | **709 320** |
| **Sum omløpsmidler** | | **855 456 101** | **931 409 530** |
| **SUM EIENDELER** | | **6 286 816 642** | **6 535 504 164** |
| **BALANSE - EGENKAPITAL OG GJELD** | | | |
| **Egenkapital** | | | |
| **Innskutt egenkapital** | | | |

# Balanse

| Beløp i: NOK | Note | 2019 | 2018 |
|---|---|---|---|
| Aksjekapital | 2,6 | 757 000 000 | 757 000 000 |
| Annen innskutt egenkapital | 2 | 1 448 612 661 | 1 448 612 661 |
| **Sum innskutt egenkapital** | | **2 205 612 661** | **2 205 612 661** |
| | | | |
| **Opptjent egenkapital** | | | |
| Annen egenkapital | 2 | 3 990 078 280 | 4 119 807 944 |
| **Sum opptjent egenkapital** | | **3 990 078 280** | **4 119 807 944** |
| | | | |
| **Sum egenkapital** | | **6 195 690 941** | **6 325 420 605** |
| | | | |
| **Gjeld** | | | |
| **Langsiktig gjeld** | | | |
| Utsatt skatt | 7 | 259 582 | 156 050 |
| **Sum avsetninger for forpliktelser** | | **259 582** | **156 050** |
| **Annen langsiktig gjeld** | | | |
| | | | |
| **Sum langsiktig gjeld** | | **259 582** | **156 050** |
| | | | |
| **Kortsiktig gjeld** | | | |
| Leverandørgjeld | | 4 403 202 | 165 513 |
| Betalbar skatt | 7 | 19 586 152 | 66 328 439 |
| Kortsiktig konserngjeld | 5 | 247 116 | 93 573 657 |
| Annen kortsiktig gjeld | 10 | 66 629 649 | 49 859 900 |
| **Sum kortsiktig gjeld** | | **90 866 119** | **209 927 509** |
| | | | |
| **Sum gjeld** | | **91 125 701** | **210 083 559** |
| | | | |
| **SUM EGENKAPITAL OG GJELD** | | **6 286 816 642** | **6 535 504 164** |

# Financials 2019

# Financials 2019 – 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 letter, corporate governance statement, remuneration statement 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 2019. 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 2018–2019. 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.

**Proposal for the use of profit shown on the balance sheet**
The Board of Directors proposal for the dividend in 2019 is disclosed in this section.

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

**Key figures 2010–2019, 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 2010–2019 as well as capex and quarterly financial information for the years 2018 and 2019.

**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 2020.

## Notes

**1–3 Basis of preparation**
These notes describe the basis of preparing the consoli
statements and consist of the accounting policies, critic
estimates and judgements and information about acqui
disposals.

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

**6–14 Income statement**
These notes provide supporting information for the inco

**15–34 Balance sheet**
These notes provide supporting information for the bala

**35–37 Off balance sheet items**
The notes in this section provide information on items th
included on the balance sheet.

**38–40 Group structure and related parties**
This section includes information on related party trans
events after balance sheet date and the subsidiaries of

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

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

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# Financial performance and position

*Strong operational performance in 2019 – financial targets achieved*

## Key financial ratios [1)]

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Return on capital employed, % | 10.0 | 6.7 | 7.1 |
| Comparable net debt/EBITDA | 3.0 | 3.6 | 0.8 |

1) See ▸ **Definitions of key figures.**

## Key figures

| EUR million | 2019 | 2018 | 2017 | Change 19/18 |
|---|---|---|---|---|
| **IS** Sales | 5,447 | 5,242 | 4,520 | 4% |
| Comparable EBITDA | 1,766 | 1,523 | 1,275 | 16% |
| **IS** Comparable operating profit | 1,191 | 987 | 811 | 21% |
| **IS** Operating Profit | 1,110 | 1,138 | 1,158 | -2% |
| - of sales % | 20.4 | 21.7 | 25.6 | |
| **IS** Share of profit of associates and joint ventures | 744 | 38 | 148 | 1,858% |
| **IS** Profit before income tax | 1,728 | 1,040 | 1,111 | 66% |
| - of sales % | 31.7 | 19.8 | 24.6 | |
| **IS** Earnings per share, EUR | 1.67 | 0.95 | 0.98 | 76% |
| **CF** Net cash from operating activities | 2,015 | 804 | 993 | 151% |
| Shareholders' equity per share, EUR | 14.61 | 13.33 | 14.69 | 10% |
| Interest-bearing net debt (at end of period) | 5,260 | 5,509 | 988 | |
| Return on shareholders' equity, % | 11.9 | 6.8 | 6.6 | |
| Equity-to-assets ratio, % | 57 | 54 | 61 | |

During 2019, we continued our determined efforts to implement Fortum's strategy. We focused on operational excellence in all our operations, re-assessed parts of our district heating business, continued to build solar and wind power, reached an agreement to increase our shareholding in Uniper, and improved our financial results substantially. At year-end, we reached our long term 10% target for return on capital employed.

In June, we announced our intention to assess the strategic options for the district heating and cooling business in Estonia and in Joensuu, Finland. The assessment concluded in the divestment of the Joensuu operations on 10 January 2020, for approximately EUR 530 million, releasing cash, strengthening our balance sheet, and unlocking value. We are initiating an extended assessment that includes our district heating and cooling busir Baltic countries, in Poland, and in Järvenpää, Finland.

In October, our Uniper investment took a leap forward with our agreement to buy an additional s of 20%, in the company. In November, we received approval to close the transaction from the Russi Commission, subject to certain conditions. The clarification of these conditions is somewhat delaye recent change of the Russian Government. In December, we received approval from the Unites Stat confident to achieve closing during the first quarter of 2020. As announced previously, with closing adequate board representation in the Supervisory Board of Uniper reflecting our ownership. This na the chairmanship.

As the majority owner, Fortum will focus on cooperation and strategic alignment with Uniper. Ou companies are already well-positioned to drive forward the European energy transition. Together, b can benefit from a further aligned strategic focus to enable a carbon-neutral Europe by 2050. Durir transition, Europeans expect their energy companies to execute ambitious climate policies while co to provide electricity and heat at all times and at an affordable cost. The German Government's coa presented last week, reflects these requirements – coal-fired generation will be phased out by the the latest. Fortum stands for a strategy of decarbonisation, which of course also applies to our inve supports Uniper's decision to close down the company's old coal-fired units as the company's new plant Datteln 4 is taken into use. As long as coal has to be used to provide for security of supply in makes sense to use it in the most efficient and clean units.

We have continued our decarbonisation efforts during the year and will do so in the future. We h decided to tighten our climate target for specific $CO_2$ emissions by 10% to 180 $gCO_2/kWh$, applicab stand-alone fleet for the year 2020. We are building more solar and wind power while also utilising recycling' business model to release cash. This enables us to invest more with a limited equity expo major effort is our commitment to carbon-neutral district heating in Espoo, Finland, in the 2020s, a by our goal to discontinue the use of coal in Espoo in 2025. Other examples of work for a cleaner e in Finland include the sustainable decommissioning of the one-gigawatt Inkoo coal-fired power plar recycling rate of 92% of the material, placing the Meri-Pori coal-fired power plant into the Finnish n load reserve capacity system from July 2020, as well as the recent decisions of Fortum's associated Turun Seudun Energiantuotanto to close down the coal-fired unit Naantali 2. In Sweden, Fortum's jo Stockholm Exergi has decided to decommission its last coal-fired unit after this heating season.

The comparable operating profit for 2019 increased by more than EUR 200 million to EUR 1.2 bi driven by a clear result improvement in the Generation segment and also supported by improved re

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Consumer Solutions and Russia segments. In addition, our share of profits from associated companies and joint ventures increased to almost EUR 750 million, largely thanks to our share of Uniper's profits. Our focus on cash flow measures, together with the strong results in 2019, increased our cash flow to more than EUR 2 billion at year-end. Our comparable net debt-to-EBITDA at year-end was 3.0x. When adjusting the net debt with the impact of the divestment of the Joensuu district heat business in January 2020 and the announced sale of a 80% share of our Nordic wind portfolio, we also achieved our other long-term financial target of a comparable net debt-to-EBITDA ratio of around 2.5x. Maintaining strong cash flow and consistent deleveraging are also central for our credit rating. Fortum's key objective is to have a solid investment-grade rating of at least BBB to preserve financial flexibility and good access to capital markets after the Uniper transaction has been closed.

The fourth-quarter results were characterised by the strong improvement in the Generation segment, driven by clearly higher hydro volumes and good operational performance. The higher hedge price helped us achieve a higher power price, in spite of the clearly lower spot prices in the Nordics. All other operational segments also improved their results. In City Solutions, the result recovered after a disappointing third quarter. The hard work in Consumer Solutions continued to pay off with EBITDA increasing for the ninth consecutive quarter. In the Russia segment, the improvement in the heat business supported the results.

Based on Fortum's 2019 results, our financial position and the outlook for the coming years, Fortum's Board of Directors is proposing an unchanged dividend of EUR 1.10 per share for the calendar year 2019. With an earnings per share of EUR 1.67, the proposal corresponds to a pay-out ratio of 65.9%, which is within the 50%-80% range of our dividend policy.

## Financial results

### Sales by segment

| EUR million | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Generation | 2,141 | 1,842 | 16% |
| City Solutions | 1,200 | 1,110 | 8% |
| Consumer Solutions | 1,835 | 1,759 | 4% |
| Russia | 1,071 | 1,069 | 0% |
| Other Operations | 115 | 103 | 12% |
| Netting of Nord Pool transactions [1] | -529 | -516 | |
| Eliminations | -387 | -125 | |
| **IS Total** | **5,447** | **5,242** | **4%** |

1) Sales and purchases with Nord Pool Spot are netted at the 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.

### Comparable EBITDA by segment

| EUR million | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Generation | 939 | 763 | 23% |
| City Solutions | 309 | 310 | 0% |
| Consumer Solutions | 141 | 110 | 28% |
| Russia | 469 | 417 | 12% |
| Other Operations | -91 | -78 | -17% |
| **Total** | **1,766** | **1,523** | **16%** |

### Comparable operating profit by segment

| EUR million | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Generation | 794 | 628 | 26% |
| City Solutions | 121 | 135 | -10% |
| Consumer Solutions | 79 | 53 | 49% |
| Russia | 316 | 271 | 17% |
| Other operations | -119 | -99 | -20% |
| **IS Total** | **1,191** | **987** | **21%** |

### Operating profit by segment

| EUR million | 2019 | 2 |
|---|---|---|
| Generation | 771 | 7 |
| City Solutions | 127 | 1 |
| Consumer Solutions | 20 | |
| Russia | 317 | 2 |
| Other operations | -127 | - |
| **IS Total** | **1,110** | **1,1** |

### Share of profits of associated companies and joint

| EUR million | 2019 | 2 |
|---|---|---|
| Generation | 10 | - |
| City Solutions | 37 | |
| Consumer Solutions | 0 | |
| Russia | 59 | |
| Other operations | 63 | |
| **IS Total** | **74** | |

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

Fortum's sales increased by 4% and comparable operating improved by 21% and was EUR 1,191 (987) million. The hig and nuclear volumes and higher achieved power price in th segment as well as the improved performance in the Russ Consumer Solutions segments were the main contributors improvement.

Operating profit for the period was impacted by EUR -8 of items affecting comparability, mainly from the fair value non-hedge-accounted derivatives (▸ **Note 7**). In the third q Fortum recorded a capital gain of EUR 77 million from the 10% stake in Hafslund Produksjon.

The share of profit of associates and joint ventures was million. Fortum's share of Uniper's profits, EUR 62 (-2) mi Uniper's October-December 2018 and January-September

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and the impact on Uniper's results from the reinstatement of the UK capacity market in the fourth quarter of 2019, totalling EUR 601 (-2) million, as well as the fair value adjustments reversal according to the purchase price allocation of Uniper for 2019, EUR 31 (-) million (▸ **Note 3**). The share of profit of Uniper includes 'Non-operating results', EUR 392 (79) million. Co-owned nuclear companies accounted for EUR 16 (1) million, Stockholm Exergi for EUR 24 (61) million, including the EUR -22 million effect of the impairment booked in Stockholm Exergi relating to the early decommissioning of CHP6 (See Segment Review, City Solutions), and TGC-1 for EUR 54 (40) million (▸ **Note 19**).

Net finance expenses amounted to EUR 125 (136) million, of which net interest expenses were EUR 139 (114) million. Interest expenses include the remaining amortised cost of EUR 13 million due to the prepayment of the bridge financing for the acquisition of Uniper shares in 2018. Other financial expenses include the EUR 10 million cost for the new committed credit facilities related to the acquisition of an additional minimum stake of 20.5% in Uniper. Net finance expenses included a positive impact of EUR 40 million related to the regular nuclear technical update in Finland (▸ **Note 29**).

Profit before income taxes was EUR 1,728 (1,040) million.

Taxes for the period totalled EUR 221 (181) million. The effective income tax rate, according to the income statement, was 12.8% (17.5%). The comparable effective income tax rate, excluding the impact of the share of profit of associated companies and joint ventures as well as non-taxable capital gains, tax rate changes, and other major one-time income tax effects, was 22.4% (22.0%) (▸ **Note 13**).

The profit for the period was EUR 1,507 (858) million. Earnings per share were EUR 1.67 (0.95), of which EUR -0.07 (0.15) per share were related to items affecting comparability.

## Cash flow

In 2019, net cash from operating activities was strong and increased by EUR 1,211 million to EUR 2,015 (804) million, mainly impacted by a EUR 356 (-524) million change in settlements for futures on Nasdaq Commodities, the improved comparable EBITDA of EUR 1,766 (1,523) million, dividends received of EUR 239 (61) million, and a EUR -33 (-146) million change in working capital. The impact of the change of realised foreign exchange gains and losses was EUR 14 (231) million.

Net cash from investing activities was EUR -369 (-4,398) million. The comparison period in 2018 included the acquisition of Uniper shares. Capital expenditure increased by EUR 116 million to EUR 695 (579) million. Cash collaterals and restricted cash decreased by EUR 347 million, including the non-cash collateral arrangement in the first quarter to release pledged cash from the Nordic power exchange, which had a major positive impact of EUR 310 million. Consequently, cash flow before financing activities increased significantly to EUR 1,646 (-3,594) million.

Proceeds from long-term liabilities were EUR 2,805 (1,764) million, arising from the issuance of new bonds totalling EUR 2.5 billion under the Euro Medium Term Note (EMTN) programme and a bilateral loan of EUR 300 million. The proceeds from the issued bonds were used to repay the bridge financing of EUR 1,750 million related to the acquisition of Uniper shares in 2018 and repayment of a bond of EUR 750 million. The total payments of long-term liabilities were EUR 2,567 (586) million. The net increase in liquid funds was EUR 806 (-3,268) million.

Dividends received totalled EUR 239 (61) million, mainly related to dividends received from Uniper EUR 165 (-) million, Stockholm Exergi EUR 40 (39) million, Turun Seudun Energiantuotanto EUR 20 (10) million, and TGC-1 EUR 10 (7) million.

## Financial position and cash flow

| EUR million | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Interest expense | -167 | -148 | -13% |
| Interest income | 28 | 34 | -18% |
| Fair value gains and losses on financial instruments | 8 | -8 | 200% |
| Other financial expenses - net | 6 | -15 | 140% |
| **IS Finance costs - net** | **-125** | **-136** | **8%** |
| | | | |
| Interest-bearing liabilities | 6,694 | 6,093 | 10% |
| Less: Liquid funds | 1,435 | 584 | 146% |
| **Interest-bearing net debt** | **5,260** | **5,509** | **-5%** |

## Assets and capital employed

At the end of 2019, total assets amounted to EUR 23,364
million. Liquid funds at the end of the period increased to
(584) million. Capital employed was EUR 19,929 (18,170) r

## Equity

Equity attributable to owners of the parent company totall
(11,841) million. The dividend of EUR 1.10 per share for 20
approved by the 2019 Annual General Meeting (AGM) on
and paid on 4 April 2019. The increase in equity of EUR 1,
was mainly related to the net profit for the period of EUR
the positive impact from fair valuation of cash flow hedges
million, and the positive translation differences of EUR 253
offset by the dividend payment of EUR 977 million.

## Financing

Net debt decreased by EUR 249 million to EUR 5,260 (5,5
including lease liabilities of EUR 114 million. Interest-bearin
increased by EUR 601 million and liquid funds increased b
million. The dividend, EUR 977 million, was paid on 4 April

At the end of 2019, the Group's liquid funds, including c
of EUR 2 million relating to assets held for sale, totalled EU
million. Liquid funds include cash and bank deposits held b
of EUR 201 (317) million. At the end of 2019, Fortum had
committed credit facilities amounting to EUR 1,800 (1,800
which EUR 1,750 million is maturing in June 202
In the fo
2019, Fortum signed additional committed credit facilities
million for the acquisition of Uniper shares as announced o
2019 (▸ **Note 24**). On 7 January 2020, Fortum cancelled E
million of these new committed credit facilities.

On 19 February 2019, Fortum issued bonds with a tota
of EUR 2,500 million under its EMTN programme. The bon
in three tranches with the following maturities: EUR 1,000
a 0.875% fixed coupon maturing on 27 February 2023; EU
with a 1.625% fixed coupon maturing on 27 February 202
750 million with a 2.125% fixed coupon maturing on 27 Fe

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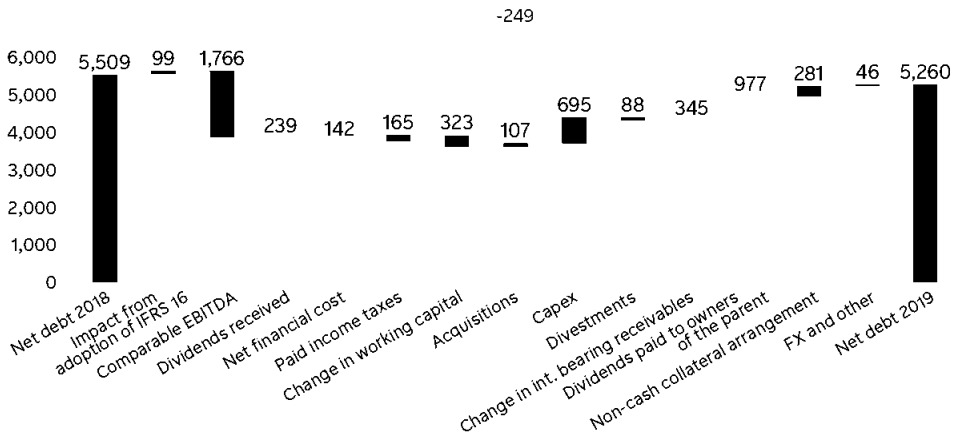
The proceeds from the issued bonds were used to repay the bridge financing of EUR 1,750 million related to the acquisition of the initial 49.99% stake in Uniper in 2018 and repayment of a 6% fixed-coupon bond of EUR 750 million, which resulted in a more balanced debt maturity profile. In April 2019, Fortum drew a five-year EUR 300 million bilateral financial loan.

Following Fortum's announcement to acquire an additional stake of more than 20.5% of Uniper's shares, Standard & Poor's and Fitch reviewed the credit rating of Fortum. In October 2019, Standard & Poor's placed Fortum's long-term credit rating of BBB on CreditWatch Negative. The short-term rating is at level A-2. In October 2019, Fitch Ratings placed Fortum's long-term credit rating of BBB and short-term credit rating of F2 on Rating Watch Negative. Both rating agencies are expected to update the credit ratings after the closing of the acquisition of at least an additional 20.5% of Uniper shares. Standard & Poor's have announced that they will likely consolidate Uniper into Fortum and link the issuer credit rating on Uniper to that of Fortum upon antitrust approval.

Fortum's key objective is to have a solid investment-grade rating of at least BBB, in order to preserve financial flexibility and good access to capital markets post-closing of the above-mentioned acquisition of Uniper shares, and to strengthen its financial profile longer term. This will provide appropriate financial stability and support to the enlarged group.

**Change in net debt during 2019, EUR million**




## Key figures

The comparable net debt-to-EBITDA ratio for 2019 was 3.0x (3.6x). The target is to steer the levera
the current net debt-to-EBITDA ratio towards the long-term over-the-cycle target of approximately
adjusting net debt with the impact of the divestment of the Joensuu district heating business and t
sale of a 80% share of our Nordic wind portfolio, Fortum's long-term target of around 2.5x was ach

Gearing was 40% (46%) and the equity-to-assets ratio was 57% (54%). Equity per share was EUR
Return on capital employed (ROCE) for 2019 was 10.0% (6.7%). Fortum targets a long-term over-the
on capital employed of at least 10%.

Fortum's key financial targets will be revisited in due course to ensure alignment with a commitm
solid investment grade rating of at least BBB.

# Operating and regulatory environment

## Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 392 (399) T
weather during the first quarter and slightly lower industrial demand caused a slight decrease in the
demand.

At the beginning of 2019, the Nordic water reservoirs were at 74 TWh, which is 10 TWh lower th
term average and 8 TWh lower than one year earlier. At the end of the year, the reservoirs were at
is 5 TWh below the long-term average and 5 TWh higher than one year earlier. In April 2019, the N
energy regulator (NVE) revised the Norwegian reservoir statistics. The reported reference levels an
deviations have been updated accordingly.

## Power consumption

| TWh | 2019 | 2018 |
|---|---|---|
| Nordic countries | 392 | 399 |
| Russia | 1,059 | 1,055 |
| Tyumen | 94 | 92 |
| Chelyabinsk | 35 | 35 |
| Russia Urals area | 260 | 260 |

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During 2019, the average system spot price in Nord Pool was EUR 38.9 (44.0) per MWh. The average area price in Finland was EUR 44.0 (46.8) per MWh and in Sweden (SE3, Stockholm) EUR 38.4 (44.5) per MWh.

In 2019, the average German spot price was EUR 37.7 (44.5) per MWh.

The market price of $CO_2$ emission allowances (EUA) showed some volatility during the year, but ended the year at the same price level as in the beginning of the year, at EUR 25 per tonne.

## Average prices

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Spot price for power in Nord Pool power exchange, EUR/MWh | 38.9 | 44.0 | 29.4 |
| Spot price for power in Finland, EUR/MWh | 44.0 | 46.8 | 33.2 |
| Spot price for power in Sweden, SE3, Stockholm, EUR/MWh | 38.4 | 44.5 | 31.2 |
| Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh | 37.9 | 44.2 | 30.8 |
| Spot price for power in European and Urals part of Russia, RUB/MWh [1] | 1,289 | 1,247 | 1,204 |
| Average capacity price, tRUB/MW/month | 624 | 609 | 535 |
| Spot price for power in Germany, EUR/MWh | 37.7 | 44.5 | 34.2 |
| Average regulated gas price in Urals region, RUB/1,000 $m^3$ | 3,910 | 3,801 | 3,685 |
| Average capacity price for old capacity (CCS), tRUB/MW/month [2] | 154 | 148 | 148 |
| Average capacity price for new capacity (CSA), tRUB/MW/month [2] | 1,096 | 1,075 | 899 |
| Spot price for power (market price), Urals hub, RUB/MWh [1] | 1,117 | 1,043 | 1,041 |
| $CO_2$, (ETS EUA), EUR/tonne $CO_2$ | 25 | 16 | 6 |
| Coal (ICE Rotterdam), USD/tonne | 61 | 92 | 84 |
| Oil (Brent Crude), USD/bbl | 64 | 72 | 55 |

1) Excluding capacity tariff.

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

## Water reservoirs

| TWh | 31 Dec 2019 | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|---|
| Nordic water reservoirs level | 79 | 74 | 86 |
| Nordic water reservoirs level, long-term average | 84 | 83 | 83 |

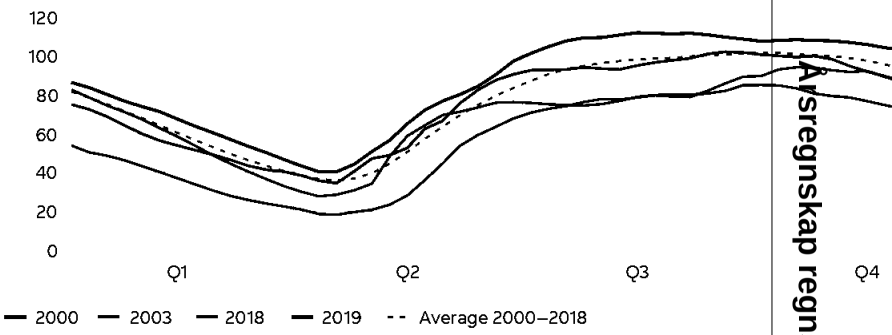
## Russia

Fortum operates mainly in the Tyumen and Khanty-Mansiysk area of Western Siberia, where indust
is dominated by the oil and gas industries, and in the Chelyabinsk area of the Urals, which is domina
metal industry. The Russian market is divided into two price zones and Fortum operates in the First
(European and Urals part of Russia).

According to preliminary statistics, Russian electricity consumption was 1,059 (1,056) TWh and
in the First Price Zone in 2019.

In 2019, the average electricity spot price, excluding capacity prices, was RUB 1,289 (1,247) per
First Price Zone and RUB 1,117 (1,043) per MWh in the Urals hub.

## Nordic water reservoirs, energy content, TWh




Source: Nord Pool

## Export/import

| TWh (+ = import to, - = export from Nordic area) | 2019 | 20 |
|---|---|---|
| Export/import between Nordic area and Continental Europe+Baltics | -[illegible] | - |
| Export/import between Nordic area and Russia | [illegible] | |
| Export/import Nordic area, total | | |

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## Regulatory environment

### New EU institutions with a strong focus on climate

Following the EU elections in May, the new Parliament took office. The Commission headed by President Ursula von der Leyen started at the beginning of December and, without delay, issued the first outline of its Green Deal.

The European Council, except Poland, endorsed the target of reaching EU economy-wide climate neutrality by 2050. Meanwhile, the Commission announced its intention to triple the budget of the Just Transition Fund to EUR 100 billion, with the target to ease the transformation in heavily fossil-reliant countries. Polish adherence will be reconsidered in the European Council in June 2020, whilst the 2050 EU economy-wide target will be part of the Climate Law due in February 2020.

Fortum welcomes the firm climate orientation of the new EU institutions.

### The European Green Deal emerging

In December, the European Commission published a Communication on the European Green Deal. It will be the new Commission's bold political initiative, aiming at EU economy-wide climate neutrality by 2050. The Commission is expected to launch up to 50 related initiatives during the next two years.

While, the Green Deal will not be solely about climate ambition, it is expected to deliver extensive growth for Europe bundling all EU policy areas and all sectors of society. The Green Deal comprises, among other things, energy supply, circular economy, ecosystems, biodiversity, and mainstreaming of sustainability in all EU policies.

Practically all energy and climate targets and policies will be subject to revision, and consequently, entail a regulatory risk. The Commission will present a Green Financing Strategy in autumn 2020 in order to enable the private sector to contribute to the financing of a green transition.

Fortum welcomes the Green Deal and considers sector integration and electrification as offering significant solutions and business opportunities to meet the ambitious goals of the Green Deal.

### Sustainable finance regulation adopted

In December, the European Council and Parliament reached an agreement on the taxonomy regulation of sustainable finance. The taxonomy creates a unified classification system for what can be considered sustainable investments. The regulation still needs to be formally approved by the Council and Parliament and is expected to enter into force by the end of 2022.

The regulation strongly leans towards renewable energy technologies. Nuclear and gas may qualify as 'transitional activities', depending on the outcome of the assessment that will be carried out by the Commission during 2020. The status of waste-to-energy is still open whilst the treatment of hazardous waste has been classified as sustainable.

As such, the objective of the sustainable finance initiative is in line with Fortum's strategy. Fortum has, however, strongly advocated for an approach based on $CO_2$ emissions and technology-neutrality in compliance with the Paris Agreement. There is a risk that if the taxonomy discriminates against some low-carbon technologies, the financing costs of such investments will increase in the future and result in unduly expensive decarbonisation.

### EIB's new energy lending policy approved

In November, the European Investment Bank (EIB) agreed on a new energy lending policy and confirmed the EIB's increased ambition in climate action and environmental sustainability. EIB will align all financing activities with the goals of the Paris Agreement from the end of 2020 and end financing for fossil fuel energy projects from the end of 2021.

The Sustainable Europe Investment Plan launched by the new Commission targets to unlock EUR 1 trillion of climate action and environmentally sustainable investments by 2030. The EIB will play a key role in this and will gradually turn into a climate bank. EIB will no longer consider new financing for fossil fuel energy projects, including gas. In addition, EIB set a new Emissions Performance Standard of 250g of $CO_2$/kWh for power and heat projects. This will replace the current 550g of $CO_2$/kWh standard. Nuclear and renewable energy projects continue to be eligible for funding. If in line with the EU waste hierarchy and national waste management plans, waste-to-energy projects are also eligible.

The new EIB lending policy is well in line with Fortum's strategy.

### German climate and coal phase-out legislation

In September 2019, the German Government released an
climate and energy package in order to meet the 2030 em
reduction target of 55% and carbon-neutrality by 2050. In
German Parliament approved the climate package. The pa
a national emissions trading system for the transport and
with carbon prices of EUR 25 in 2021 and EUR 55 in 2025
the higher costs for consumers and companies, the climat
includes subsidies for electric cars and tax incentives for g
electricity, and housing.

The climate protection law ("Klimaschutzgesetz") sets a
emission reduction targets for the period 2020–2030 for
energy, industry, transport, buildings, agriculture, waste m
and others.

In addition, the Government decided on a coal phase-o
on the earlier proposal and is committed to propose legisl
with the recommendations of the Coal Commission, and to
gas strategy including hydrogen. The coal phase-out legisl
approved by the federal cabinet on 29 January 2020 and i
to be completed in the first half of 2020. In the years 2020
the Government plans to carry out large-scale reviews of h
phaseout is progressing. The review will inform the decisio
the phase-out can be brought forward by three years, i.e.
could phase out coal as early as 2035. With regards to the
plant Datteln 4, owned by Uniper, the Government announ
to allow the commissioning of the plant while, at the same
less-efficient plants would be closed.

In Fortum's opinion, it would be essential to have the re
legislation become effective as soon as possible as the fir
the closure of hard coal plants are planned already for sun
the first plants are to be closed in 2022.

### Changed Swedish taxation resulted in new CHP
### to-energy taxes

In line with a broad political agreement made in January 2
new taxes of up to EUR 1.5 billion, legislation on the taxati

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incineration was approved by the Swedish Government on 4 December 2019. The tax level was set at SEK 75/tonne in 2020 and will increase to SEK 125/tonne by 2022.

As part of the tax change, the Government also passed a law to increase the tax for fossil-fuelled CHP plants, effective from August 2019. The Government has not specified the definition of a green tax, and additional taxes are likely to be presented during the spring of 2020.

### Swedish energy agreement collapses

In December, the Conservatives and Christian Democrats left the Swedish broad energy agreement made in 2016. The main reason was the ongoing disagreement on nuclear power, with the opposition wanting to update the agreement with more nuclear friendly wording. The collapse of the agreement will not have any major financial implications for Fortum as key elements in the original agreement, mainly tax reductions for hydro and nuclear power, have already been implemented. However, it will most likely result in increasing regulatory uncertainty, especially for nuclear power.

## Segment reviews

### Business model

Fortum's business activities cover the production and sales of electricity and heat, waste-to-energy and circular economy solutions, as well as energy-sector expert services and various consumer solutions. Fortum is the third largest power generator and the largest electricity retailer in the Nordic countries. Globally, the company is one of the leading heat producers. As two thirds of Fortum's power production is hydro and nuclear, the company is also among the lowest-emitting generators in Europe.

With core operations in 10 countries, Fortum employs a diverse team of more than 8,000 energy-sector professionals. Fortum has some 130 hydro power plants, 26 combined heat and power (CHP), condensing, and nuclear power plants, as well as four wind power parks and four solar power plants. Globally, the company supplies heat in 24 cities and towns and has five waste-to-energy plants. Fortum's key markets are the Nordic and Baltic countries, Russia, Poland, and India.

Fortum's business divisions are Generation, City Solutions, Consumer Solutions and Russia. Other Operations includes corporate functions, R&D and technology development projects, as well as Fortum's shareholding in Uniper SE.

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 Solutions 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 accordance with the new organisation structure.

### Generation

*Generation is responsible for Nordic power production. Th*
*comprises nuclear, hydro, wind, and thermal power produc*
*power portfolio optimisation, trading, industrial intelligenc*
*nuclear services.*

| EUR million | 2019 | 2 |
|---|---|---|
| Sales | 2,141 | 1,8 |
| - power sales | 2,006 | 1,7 |
| of which Nordic power sales [1] | 1,568 | 1,4 |
| - other sales | 135 | |
| Comparable EBITDA | 939 | 7 |
| Comparable operating profit | 794 | 6 |
| Operating profit | 771 | 7 |
| Share of profits of associates and joint ventures [2] | 1 | - |
| Comparable net assets (at period-end) | 6,147 | 6,4 |
| Comparable return on net assets, % | 12.8 | 1 |
| Capital expenditure and gross investments in shares | 266 | 2 |
| Number of employees | 1,100 | 1,0 |

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

2) Power plants are often built jointly with other power producers, and own
electricity at cost including interest cost and production taxes. The shar
is mainly IFRS adjustments (e.g. accounting for nuclear-related assets ar
depreciations on fair-value adjustments from historical acquisitions (▸N

The Generation segment's total power generation in the N
increased due to higher hydro and nuclear volumes. The hy
in the comparison period were low mainly due to the histo
levels in the third quarter of 2018. The segment's overall o
performance and the load factor for nuclear generation we
level. The nuclear load factor for the Fortum fleet and part
companies was at the highest level in Fortum's history wit
power plant setting a new production record. The $CO_2$-fre
accounted for 100% (100%) of the total power generation.

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The achieved power price in the Generation segment increased by EUR 2.2 per MWh, +6%, driven by higher hedge prices and successful optimisation of hydropower production, as well as higher first-quarter spot power prices.

Comparable operating profit increased by 26%, mainly due to higher hydro and nuclear volumes and the higher achieved power price.

Operating profit was affected by EUR -23 (108) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives. In the third quarter of 2018, Fortum recorded a capital gain of EUR 77 million from the sale of the 10% stake in Hafslund Produksjon (▸ **Note 6**).

The share of profits of associated companies and joint ventures totalled EUR 10 (-72) million (▸ **Note 19**).

The annual outages of the Loviisa nuclear power plant were managed well. The maintenance outages at Unit 1 and Unit 2 lasted 20 days and 26 days, respectively. Both units underwent a refuelling outage, during which approximately one quarter of the fuel was replaced.

In June 2019, Posiva decided to start construction of the encapsulation plant for spent nuclear fuel and start equipping the Onkalo final depository with systems needed for the final disposal. The start of the final disposal will still require licences to operate. In September 2019, the final disposal of spent nuclear fuel took a step forward, as the foundation stone for Posiva's encapsulation plant was laid at Onkalo, in Eurajoki, Finland. Posiva will dispose of the high-level nuclear waste of its owners, Fortum Power and Heat Oy (share of ownership 40%) and Teollisuuden Voima (TVO) (share of ownership 60%).

In December 2019, 440 MW of the production capacity of Fortum's Meri-Pori power plant was selected for inclusion in the Finnish national peak-load reserve capacity system from 1 July 2020 to 30 June 2022.

## Power generation by source

| TWh | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Hydropower, Nordic | 20.3 | 19.1 | 6% |
| Wind power, Nordic | 0.4 | 0.3 | 33% |
| Nuclear power, Nordic | 23.5 | 22.8 | 3% |
| Thermal power, Nordic | 0.2 | 0.1 | 100% |
| **Total** | **44.4** | **42.3** | **5%** |

## Nordic sales volume

| TWh | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Nordic sales volume | 51.3 | 48.4 | 6% |
| of which Nordic Power sales volume [1] | 42.7 | 40.5 | 5% |

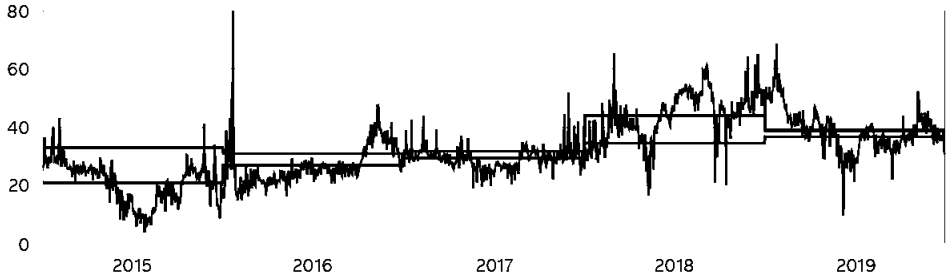
1) The Nordic power sales income and volume includes hydro, wind, and nuclear generation, excluding minorities. It does not include thermal generation, minorities, customer business or other purchases.

## Sales price

| EUR/MWh | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Generation's Nordic power price [1] | 36.8 | 34.6 | 6% |

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

## Nord Pool, power price, 2015–2019, EUR/MWh




Source: Nord Pool, Fortum

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## City Solutions

*City Solutions is responsible for developing sustainable solutions for urban areas into a growing business for Fortum. The segment comprises heating, cooling, waste-to-energy, biomass, and other circular economy solutions, as well as solar power production. 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.*

| EUR million | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Sales | 1,200 | 1,110 | 8% |
| - heat sales | 615 | 604 | 2% |
| - power sales | 153 | 134 | 14% |
| - waste treatment sales [1] | 250 | 211 | 18% |
| - other sales [2] | 181 | 161 | 12% |
| Comparable EBITDA | 309 | 310 | 0% |
| Comparable operating profit | 121 | 135 | -10% |
| Operating profit | 127 | 130 | -2% |
| Share of profits of associates and joint ventures | 37 | 74 | -50% |
| Comparable net assets (at period-end) | 3,892 | 3,794 | 3% |
| Comparable return on net assets, % | 4.7 | 5.5 | -15% |
| Capital expenditure and gross investments in shares | 322 | 242 | 33% |
| Number of employees | 1,970 | 2,017 | -2% |

1) Waste treatment sales comprise gate fees at waste treatment plants and environmental construction services.

2) Other sales comprise mainly operation and maintenance services and fuel sales.

Heat sales volumes were at the same level as in the previous year. Power sales volumes increased, mainly due to higher power volumes in the new unit in Naantali, Finland.

Comparable operating profit decreased by 10%. The main reason for the decline was the profit of EUR 26 million recorded in the third quarter of 2018 from the sale of a 54% share of Fortum's Indian solar portfolio, partly offset by the positive impact of one-time effects in the fourth quarter of 2019 and the strong result improvement during the year in the Norwegian heating and cooling business. The full-year comparable operating profit from the recycling and waste business was close to the level of the previous year. The cost synergies related to the Hafslund transaction materialised gradually during 2019, with targeted annual synergies of EUR 5–10 million expected to be achieved by the end of 2020.

Operating profit was affected by EUR 7 (-5) million of items affecting comparability, mainly related to capital gains and the fair value change of non-hedge-accounted derivatives (▸ **Note 6**).

The share of profits of associated companies and joint ventures totalled EUR 37 (74) million, the main part of which was related to the share of profit of Stockholm Exergi, EUR 24 (61) million and Turun Seudun Energiantuotanto EUR 13 (13) million (▸ **Note 19**).

In September 2019, Fortum announced, in line with Fortum's strategy and the target to achieve carbon-neutral district heating in Espoo during the 2020's, the intention to discontinue the use of coal in the Espoo district heating network by the end of 2025.

In December 2019, the Swedish Government decided to implement new taxes on fossil fuels used for heat production in CHP plants, taking effect from August 2019. Consequently, during 2019, the board of Stockholm Exergi decided to decommission the last coal-fired unit in Stockholm, CHP6, starting from the end of the 2019–2020 heating season. Fortum's share of profits from Stockholm Exergi was impacted by EUR -22 million related to the impairment booked in Stockholm Exergi's fourth-quarter 2019 results.

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 will record a tax-exempt capital gain of approximately EUR 430 million in the City Solutions segment's first-quarter 2020 results.

### Heat sales by country

| TWh | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Finland | 3.8 | 3.8 | 0% |
| Poland | 3.3 | 3.5 | -6% |
| Norway | 1.7 | 1.6 | 6% |
| Other countries | 2.0 | 1.9 | 5% |
| **Total** | **10.8** | **10.8** | **0%** |

### Power sales by country

| TWh | 2019 | 20 |
|---|---|---|
| Finland | 1.6 | |
| Poland | 0.6 | |
| Other countries | 1.0 | |
| **Total** | **3.2** | |

## Consumer Solutions

*Consumer Solutions is responsible for the electricity and g*
*businesses in the Nordics and Poland, including the custo*
*invoicing, and debt collection businesses. Fortum is the la*
*retail business in the Nordics, with approximately 2.4 millio*
*across different brands in Finland, Sweden, Norway, and P*
*business provides electricity as well as related value-adde*
*services.*

| EUR million | 2019 | 20 |
|---|---|---|
| Sales | 1,83 | 1,7 |
| - power sales | 1,63 | 1,5 |
| - other sales | 20 | 2 |
| Comparable EBITDA | 14 | 1 |
| Comparable operating profit | 7 | |
| Operating profit | 2 | |
| Comparable net assets (at period-end) | 64 | 6 |
| Capital expenditure and gross investments in shares | 5 | |
| Number of employees | 1,32 | 1,3 |

The electricity sales volumes increased by 1%, mainly due to sales to business customers, partly offset by the impact of weather in the first and fourth quarters and the reduced nu customers. The decrease in the number of customers was t more selective customer acquisition and retention approach the year, the market sentiment in the Nordics continued to with tough competition and high customer churn. However, integration and restructuring of Hafslund, Fortum has been its competitive position in the Nordics. Higher market prices the first quarter, was the main driver for the 5% increase in

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Comparable operating profit increased by 49%, mainly supported by higher sales margins. The higher sales margins are a result of the active development of the product and service portfolios following the Hafslund integration and subsequent development of the business. Part of the improvement was related to favourable market conditions in the first half of the year, temporarily increasing profitability in certain areas of the customer portfolio. The annual EUR 10 million cost synergies related to the Hafslund transaction, projected to materialise by the end of 2020, fully materialised already during 2019.

Operating profit was affected by EUR -59 (22) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives (▸ **Note 6**).

In August 2019, the Polish Price Freeze Act became effective. This had a EUR -1 million impact on the operating profit.

## Sales volumes

| TWh | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Electricity [1] | 30.6 | 30.4 | 1% |
| Gas [2] | 4.1 | 4.1 | 0% |

1) 2018 figure corrected from previously published.
2) Not including wholesale volumes.

## Number of customers

| Thousands [1] | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Electricity | 2,340 | 2,440 | -4% |
| Gas | 40 | 30 | 33% |
| **Total** | **2,380** | **2,470** | **-4%** |

1) Rounded to the nearest 10,000.

## Russia

*The Russia segment comprises power and heat generation and sales in Russia. The segment also includes Fortum's over 29% holding in TGC-1, which is an associated company and is accounted for using the equity method.*

| EUR million | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Sales | 1,071 | 1,069 | 0% |
| - power sales | 924 | 872 | 6% |
| - heat sales | 145 | 193 | -25% |
| - other sales | 2 | 4 | -50% |
| Comparable EBITDA | 469 | 417 | 12% |
| Comparable operating profit | 316 | 271 | 17% |
| Operating profit | 317 | 273 | 16% |
| Share of profits of associates and joint ventures | 59 | 36 | 64% |
| Comparable net assets (at period-end) | 3,205 | 2,789 | 15% |
| Comparable return on net assets, % | 12.3 | 10.3 | 19% |
| Capital expenditure and gross investments in shares | 133 | 117 | 14% |
| Number of employees | 2,955 | 2,941 | 0% |

In 2018, Fortum and STS Corporation established the Yustek joint venture for the heat distribution and supply in Chelyabinsk. The operations of the Yustek joint venture started in November 2018 and became fully operational in January 2019 by obtaining the single heat supplier status and related tariffs. Fortum has transferred the heat networks in Chelyabinsk and certain heat-only boilers with a capacity of 1,661 MW to the Yustek joint venture under a lease agreement. In 2018, the businesses transferred to the Yustek joint venture had a marginal annual effect on the comparable operating profit of the Russia segment.

Power generation volumes remained stable during the year. Heat production volumes decreased following the transfer of the heat distribution business in Chelyabinsk, including certain heat-only boilers,

## Russian power generation and heat production

| TWh | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Russian power generation | 29.3 | 29.6 | -1% |
| Russian heat production | 17.3 | 20.4 | -15% |

to the Yustek joint venture. The warmer weather in both th
and Tyumen areas also had a negative impact.

Sales remained stable. The negative effect of the transf
distribution business in Chelyabinsk to the Yustek joint ver
heat volumes due to the warmer weather in Chelyabinsk a
were offset by higher electricity prices, higher CSA payme
2, and the stronger Russian rouble.

Comparable operating profit increased by 17%, support
electricity margins, lower bad-debt provisions, and higher
CSA payments. The increase in CSA payments was relatec
receiving higher payments for the last years of the CSA pe
from the third quarter of 2018. The effect of the change ir
rouble exchange rate was EUR 4 million.

The share of profits of associated companies and joint
totalled EUR 59 (36) million, mainly related to the share of
1, EUR 54 (40) million, and the Yustek joint ventures in Ch
Tyumen, EUR 2 (1) million (▸ **Note 19**).

## Key electricity, capacity and gas prices for Fortum

| | 2019 | 20 |
|---|---|---|
| Electricity spot price (market price), Urals hub, RUB/MWh | 1,111 | 1,0 |
| Average regulated gas price, Urals region, RUB/1,000 m³ | 3,91 | 3,8 |
| Average capacity price for CCS and other, tRUB/MW/month [1)2)] | 15 | 1 |
| Average capacity price for CSA, tRUB/MW/month [2)] | 1,09 | 1,0 |
| Average capacity price, tRUB/MW/month | 62 | 6 |
| Achieved power price for Fortum in Russia, RUB/MWh | 1,990 | 1,8 |
| Achieved power price for Fortum in Russia, EUR/MWh [3)] | 27. | 2 |

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

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## Other Operations

*Other Operations comprises corporate functions, technology and innovation, internal and external ventures, R&D, as well as Fortum's shareholding in Uniper, which is consolidated as an associated company from 30 June 2018* (▸ **Note 3**).

| EUR million | 2019 | 2018 | Change 19/18 |
|---|---|---|---|
| Sales [1] | 115 | 103 | 12% |
| Comparable EBITDA | -91 | -78 | -17% |
| Comparable operating profit | -119 | -99 | -20% |
| Operating profit | -127 | -76 | -67% |
| Share of profits of associates and joint ventures | 638 | 0 | - |
| Comparable net assets (at period-end) | 4,356 | 4,023 | 8% |
| Capital expenditure and gross investments in shares | 49 | 4,003 | -99% |

1) Mainly internal sales.

## Uniper investment and purchase price allocation

In 2017, Fortum announced a public takeover offer to buy shares in Uniper. In June 2018, the offer was settled and Fortum's ownership was 47.12%. At the end of 2018, Fortum's ownership in Uniper was 49.99%. The total acquisition cost for the initial 49.99% stake in Uniper of EUR 3,968 million, including direct costs relating to the acquisition, is reported in 'Participations in associated companies and joint ventures'. The purchase price allocation was finalised during the second quarter of 2019. Uniper's balance sheet as of 30 June 2018 has been used as the starting point for the purchase price allocation; however, a fair value adjustment of EUR 613 million has been made for the acquired assets and liabilities. Fortum's share of the goodwill on Uniper's balance sheet, EUR 930 million, is derecognised, as it is not an identifiable asset according to IFRS. Potential future impairments of goodwill (existing as of 30 June 2018) booked by Uniper will therefore be reversed to Fortum's share of profits of associates and joint ventures. The fair value adjustments of EUR 613 million relates mainly to political and regulatory risks that are reflected in the fair value of certain generation and production assets. The fair value adjustment will be reversed to 'Share of profits of associates and joint ventures' over a period of 20 years, EUR 31 million annually. If Uniper reports negative impacts relating to these generation and production assets, Fortum will assess the potential need to use this fair value adjustment to reverse the negative impacts (▸ **Note 3**).

In May 2019, Uniper hosted its AGM. The AGM approved the proposed dividend of EUR 0.90 per share, which, for Fortum, corresponds to received dividends of EUR 165 million.

On 8 October 2019, Fortum announced it had entered into agreements with Elliott and Knight Vinke to acquire an additional stake of at least 20.5% in Uniper for approximately EUR 2.3 billion, increasing Fortum's share in Uniper to more than 70.5% (subject to regulatory clearances) and the total investment in Uniper to approximately EUR 6.2 billion, representing an average acquisition price of EUR 23.97 per share (▸ **Notes 3 and 19**).

In 2018, in connection with the acquisition of the initial stake of 49.99% in Uniper, Fortum already received unconditional merger clearance from the European Commission with no further clearance required in the EU for any further acquisitions. On 30 December 2019, Fortum received regulatory clearance in the United States for the transaction. On 14 November 2019, the Russian Government Commission for Monitoring Foreign Investments approved, subject to certain conditions, the closing of the acquisition. The clarification of these conditions is still ongoing. Closing of the transactions is still subject to customary merger control clearance in Russia, and is expected by the end of the first quarter of 2020.

Fortum will fully consolidate Uniper as a subsidiary in its financial statements from closing of the transaction. The transaction will be financed with existing cash resources and committed crec
that were syndicated to 13 banks in the fourth quarter of
Fortum's key objective is to have a solid investment-grade
least BBB, in order to preserve financial flexibility and goo
capital markets post-closing of the acquisition of an additi
at least 20.5% in Uniper, and to strengthen its financial pr
term. This will provide the appropriate financial stability ar
the enlarged group. As Uniper publishes its interim report
Fortum, Fortum's share of Uniper's results is accounted fo
lag of one quarter, with potential adjustments. Fortum's 20
Statements include Fortum's share of Uniper's October-De
and January-September 2019 results (▸ **Note 3**). Uniper wi
year 2019 results on 10 March 2020 and its first-quarter 2
7 May 2020.

On 30 January 2020, Uniper announced an ambitious p
for its German hard-coal-fired power production. The com
shut down a total of 1,500 MW of hard-coal capacity by t
and a further 1,400 MW by the end of 2025. The last rem
coal-fired power plant would be the 1,100-MW Datteln 4
that must be decommissioned in 2038, at the latest, acco
draft law on coal phase-outs in Germany.

## Financial results of Other Operations

Comparable operating profit declined, mainly as a result o
spend in Business Technology, including internal and exter
The investments in Valo Ventures and the related costs to
million.

The share of profits of associated companies and joint v
totalled EUR 638 (0) million (▸ **Note 19**). Fortum's share of
EUR 632 (-2) million, comprises Uniper's October-Decemb
January-September 2019 results and the impact from rein
the UK capacity market in the fourth quarter 2019, totallin

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million, as well as the fair value adjustments reversal according to the purchase price allocation of Uniper for 2019, EUR 31 (-) million (▸ **Note 3**). EUR 392 (79) million of non-operating results from Uniper are included in the share of profits (▸ **Note 19**).

## Capital expenditures, divestments and investments in shares

| EUR million | 2019 | 2018 |
|---|---|---|
| **Capital expenditure** | | |
| Intangible assets | 75 | 53 |
| Property, plant and equipment | 638 | 532 |
| **Total** | **713** | **584** |
| | | |
| **Gross investments in shares** | | |
| Subsidiaries | 13 | 36 |
| Associated companies and joint ventures | 73 | 4,041 |
| Other investments | 20 | 11 |
| **Total** | **106** | **4,088** |

In 2019, capital expenditures and investments in shares totalled EUR 819 (4,672) million, of which the Solberg acquisition from the Solberg-Blaiken asset swap amounted to EUR 36 million. Capital expenditures, excluding the impact of the Solberg-Blaiken asset swap, were EUR 683 (584) million (▸ **Note 6**). In 2018, investments in shares were mainly attributable to the purchase of Uniper shares.

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

| | Type | Electricity capacity MW | Heat capacity MW | Supply starts |
|---|---|---|---|---|
| **Generation** | | | | |
| Hydro plants in Sweden and Finland | Hydro | 14 | | 2019 |
| Hydro plants in Sweden and Finland | Hydro | ~15 | | 2020 |
| Sørfjord, Norway[1] | Wind | 97 | | Q4/2019 -Q3/2020 |
| Kalax, Finland | Wind | 90 | | Q1/2021 |
| **City Solutions** | | | | |
| Zabrze, Poland | CHP | 75 | 145 | 1 April 2019 |
| Kivenlahti, Finland | Bio HOB[2] | | 58 | 2020 |
| Suomenoja, Finland | Heat pump | | 20 | 2021 |
| Pavagada 2, India | Solar | 250 | | 5 August 2019 |
| Rajasthan, India | Solar | 250 | | Q4/2020 |
| **Russia** | | | | |
| Solar[3] | Solar | 116 | | 2021–2022 |

1) The Sørfjord wind park is part of the transaction with Credit Suisse Energy Infrastructure Partners and an 80% share will be sold once it is commissioned.

2) Biofuel-fired heat-only boiler (HOB).

3) Separate investment decision needed.

### Generation

Through its interest in TVO, Fortum is participating in the building of Olkiluoto 3 (OL3), a 1,600-MW nuclear power plant unit in Finland. OL3 is funded through external loans, share issues, and shareholder loans according to shareholder agreements between the owners and TVO. As a 25% shareholder in OL3, Fortum has committed to pro rata funding of the project. At the end of the reporting period, Fortum's outstanding loan receivables related to OL3 were EUR 170 million and the outstanding commitment was EUR 63 million. In March 2019, the Finnish Government granted an operating licence for OL3. According to the tim updated by plant supplier Areva-Siemens consortium in De 2019, the plant will start regular electricity generation in M (▸ **Note 37**).

In December 2019, Fortum and Credit Suisse Energy In Partners (CSEIP) signed an agreement whereby funds adv will acquire an 80% stake in Fortum's Nordic wind portfolio will continue to manage the construction and serve as long manager for the wind portfolio. The portfolio consists of th Nygårdsfjellet (32 MW, Norway), Ånstadblåheia (50 MW, N Solberg (76 MW, Sweden) wind parks as well as the Kalax Finland) wind park, which is under construction. The partie agreed that funds advised by CSEIP will invest in an 80% s Sørfjord (97 MW, Norway) wind park, once it is fully comm Part of the capacities are already operational and the rema expected to be commissioned by the end of the third quar In addition, Fortum and CSEIP have agreed on further coo and exclusivity on a new project in Sävar, Sweden (154 MW the ambition to build it at a later stage. The total consider divestment of the 80% stake on a debt- and cash-free bas to be approximately EUR 250 million, of which EUR 170 m to the first quarter of 2020. The transaction is subject to r approvals in the EU and is expected to close in the first qu The sale will have a minor positive effect on the generatio first-quarter 2020 comparable operating profit.

In May 2019, Fortum announced the restructuring of Fo Skellefteå Kraft's ownership in the two jointly owned Swed parks Solberg and Blaiken. Through an asset swap arrange became the sole owner of the 76-MW Solberg wind park a Kraft the sole owner of the 248-MW Blaiken wind park. Th acquisition related to the Solberg-Blaiken asset swap amo 36 million. The asset swap arrangement was finalised in A had a minor impact on Fortum's cash flow and results.

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In May 2019, Fortum made the investment decision to start construction of the 90-MW Kalax wind park in Närpes, Finland. The capital expenditure of the wind park is approximately EUR 90 million. The wind park is expected to be fully operational in the first quarter of 2021 at the latest. In October 2019, Fortum signed a 12-year power purchase agreement selling 70% of the power production of the Kalax wind park to Neste Corporation.

In January 2019, Fortum acquired all remaining C-shares of TVO, entitling it to 100% of the power production of the Meri-Pori coal condensing power plant, an increase from 67% previously. In December, 440 MW of the production capacity of Fortum's Meri-Pori power plant was selected for inclusion in the Finnish national peak-load reserve capacity system from 1 July 2020 to 30 June 2022.

### City Solutions

In December 2019, Fortum signed an agreement to sell its district heating business in Joensuu, Finland to Savon Voima Oyj. The total consideration on a debt- and cash-free basis was approximately EUR 530 million. The transaction was completed on 10 January 2020 and Fortum will record a tax exempt capital gain of approximately EUR 430 million in the City Solutions segment's first-quarter 2020 results. In June 2019, Fortum announced it would review and consider strategic options for the Joensuu and Estonian district heating businesses. The strategic review of the Estonian district heating business is still ongoing. An extended assessment that includes the district heating and cooling businesses in all Baltic countries, in Poland, and in Järvenpää, Finland, is also being initiated.

In May 2019, Fortum announced its plan to construct a new 20-MW heat pump unit at the Suomenoja power plant in Espoo, Finland, to produce carbon-neutral district heating and to replace fossil fuel-based heat production. The unit is planned for commissioning in spring 2021 and will, together with the Kivenlahti bio-HOB, increase the share of Espoo's carbon-neutral district heating production in 2022 to over 50%. The final investment decision to build the unit was made in the fourth quarter of 2019.

In March 2019, Fortum announced that it had won the right from Solar Energy Corporation of India to build a 250-MW solar power plant in Rajasthan, India. Commissioning of the plant is expected in the fourth quarter of 2020.

In June 2018, Fortum won the right to build a 250-MW solar power plant in the Pavagada solar park in Karnataka, India. The capital expenditure was approximately EUR 160 million. The plant was fully commissioned by 5 August 2019.

In June 2018, Fortum signed an agreement to sell a 54% share of its solar power company operating four solar power plants in India to UK Climate Investments (40%) and Elite Alfred Berg (14%). In April 2019, Elite Alfred Berg used its option to buy an additional 2% from Fortum.

In 2015, Fortum decided to build a new multi-fuel CHP plant in Zabrze, Poland. The new plant is primarily fuelled by refuse-derived fuel (RDF) and coal; however, it is also able to use a mixture of fuels. The new plant has a production capacity of 145 MW of heat and 75 MW of electricity and replaces the existing purely coal-fired units in Zabrze and Bytom. Commissioning was somewhat delayed from the original plan and commercial operations started on 1 April 2019.

### Russia

In April 2019, the Ministry of Energy of the Russian Federation selected Fortum and Energy Sales Company Vostok's 50/50 joint venture as the guaranteed electricity retail supplier to 1.5 million customers in the Chelyabinsk region as of 1 July 2019. The decision was made based on an auctioning process held in March 2019. In the auction, the joint venture committed to a 100% reimbursement of the RUB 4.8 billion debt of Chelyabenergosbyt, corresponding to approximately EUR 66 million. The transaction required a limited equity investment from Fortum, as the joint venture financed the major part of the reimbursement with external debt. For Fortum, the net impact of the reimbursement was substantially lower due to the fact that Fortum was the single largest creditor, with EUR 11 million of the debt.

In June 2019, Fortum won the right to build 5.6 MW of solar capacity in Russian CSA auctions, in addition to the 110 MW won in June 2018. The power plants are to be commissioned during the years 2021–2022.

In June 2018, the Fortum-Rusnano wind investment fund (50/50 joint venture) won the right to build 823 MW of wind capacity in a CSA auction. The wind parks were to be commissioned during t
2019–2023. During the fourth quarter of 2018, the wind i
made an investment decision on a 100-MW wind farm. Po
and capacity supply is expected to start during the first ha

In June 2017, the Fortum-Rusnano wind investment fun
right to build 1,000 MW of wind capacity in a CSA auction
parks were to be commissioned during the years 2018–20
fourth quarters of 2017, 2018, and 2019, the wind investm
investment decisions on a 50-MW, a 200-MW, and a 250
farm, respectively. On 1 January 2019, the 50-MW wind fa
operation. Power production and capacity supply at the 20
farm is expected to start during the first half of 2020 and
MW wind farm during the fourth quarter of 2020.

The investment decisions related to the renewable capa
Fortum and the Fortum-Rusnano wind investment fund in
and 2019 are made on a case-by-case basis. Fortum's ma
commitment is RUB 15 billion. In the longer term, Fortum
maintain an asset-light structure.

## Research and development

Sustainability is at the core of Fortum's strategy and, along
current businesses, the company is carefully exploring and
new sources of growth within renewable energy productio

Fortum's goal is to be at the forefront of energy techno
and application development. To accelerate innovation and
commercialisation of new offerings, Fortum is strengthenin
innovation and digitalisation efforts and building partnersh
leading global suppliers, technology and service companie
institutions. Fortum makes direct and indirect investments
that have promising new innovations focused on connectiv
disruptive potential and accelerate the transition towards a
economy. Fortum also invests in technologies that support
utilisation of the current asset base and that can create ne
products for Fortum. The company is continuously looking
clean energy solutions and for solutions that increase reso
system efficiency.

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The Group reports its R&D expenditure on a yearly basis. In 2019, Fortum's R&D expenditure was EUR 67 (56) million, or 1.2% (1.1%) of sales.

| | 2019 | 2018 | 2017 | Change 19/18 |
|---|---|---|---|---|
| R&D expenditure, EUR million | 67 | 56 | 53 | 20% |
| R&D expenditure, % of sales | 1.2 | 1.1 | 1.2 | |

## Changes in Group management

In August 2019, Fortum announced that Marco Ryan, a member of Fortum's Board of Directors, resigned from the Board following his appointment at the energy company BP. Fortum's Shareholders' Nomination Board evaluated the Board of Directors' ability to function and concluded that the Board had full capacity to continue in its remaining composition until the 2020 Annual General Meeting.

## Annual General Meeting 2019

Fortum Corporation's Annual General Meeting on 26 March 2019 adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January-31 December 2018, and discharged from liability the members of the Fortum Board of Directors and the President and CEO for the year 2018.

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share for the financial year that ended on 31 December 2018. The record date for the dividend payment was 28 March 2019 and total dividends of EUR 977 million were paid on 4 April 2019.

The Annual General Meeting confirmed the remuneration for Board service for the upcoming term as follows: EUR 75,000 per year for the Chairman, EUR 57,000 per year for the Deputy Chairman, EUR 40,000 per year for a Member, and EUR 57,000 per year for the Board member acting as the Chairman of the Audit and Risk Committee if he or she is not simultaneously acting as Chairman or Deputy Chairman of the Board. In addition, a fee of EUR 600 will be paid for each Board meeting and Board Committee meeting. For Board members living outside Finland in Europe, the fee for each meeting will be doubled, and for Board members living outside Europe, the fee for each meeting will be tripled. For Board members living in Finland, the fee for each Board and Board Committee meeting will be doubled for meetings held outside Finland and tripled for meetings held outside Europe. For Board and Committee meetings held as a telephone conference, the basic meeting fee will be paid to all members. No fee will be paid for decisions made without a separate meeting.

The Annual General Meeting decided that the number of the members in the Board of Directors will be nine. Mr. Matti Lievonen was elected as Chairman, Klaus-Dieter Maubach as Deputy Chairman, and Ms Eva Hamilton, Mr. Kim Ignatius, Ms Essimari Kairisto, Ms Anja McAlister, Mr. Veli-Matti Reinikkala, Mr. Marco Ryan and Mr. Philipp Rösler as Members. In August 2019, Marco Ryan resigned from the Board following his appointment at the energy company BP.

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

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and disposal of the company's own shares up to maximum of 20,000,000 shares, which corresponds to approximately 2.25% of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorisation. It was also decided that own shares cannot be repurchased or disposed for the purposes of the company's incentive and remuneration schemes. These authorisations cancelled the authorisations resolved by the Annual General Meeting of 2018 and they will be effective until the next Annual General Meeting and in any event no longer than for a period of 18 months. The authorisations have not been used as of 5 February 2020.

The Annual General Meeting authorised the Board of Directors to decide on contributions in the total maximum amount of EUR 500,000 for charitable or similar purposes, and to decide on the recipients, purposes and other terms of the contributions. The authorisation will be effective until the next Annual General Meeting. The authorisation has not been used as of 5 February 2020.

## Board decisions

At the meeting held after the Annual General Meeting 201
Board of Directors elected to the Nomination and Remune
Committee Matti Lievonen as Chairman and Eva Hamilton
Maubach and Anja McAlister as members. Furthermore, th
elected to the Audit and Risk Committee Kim Ignatius as C
Essimari Kairisto, Veli-Matti Reinikkala, Marco Ryan and Ph
members.

## Shareholders Nomination Board

On 3 October 2019, Mr. Kimmo Viertola, Director General
Minister's Office, Ownership steering department (Chairm
Jouko Pölönen, President and CEO, Ilmarinen Mutual Pensi
Company, and Mr. Risto Murto, President and CEO, Varma
Pension Insurance Company were appointed to Fortum's S
Nomination Board. In addition, the Chairman of Fortum's B
Directors, Mr. Matti Lievonen, is a member of the Shareho
Nomination Board.

On 31 January 2020, Fortum's Shareholders' Nominatio
submitted its proposals to Fortum's Board of Directors for
Annual General Meeting concerning the number of the Bo
the members to be nominated to the Board of Directors, a
of the Chairman and Deputy Chairman. The Shareholders'
Board did not reach a unanimous proposal, and consequen
make a proposal for the remuneration paid to the Board o
their following term of office.

## Other major events during the reporting p

On 19 December 2019, the Board of Directors decided to
the 2020–2022 long-term incentive (LTI) plan for key emp
executives. The Board of Directors also decided to update
and conditions of the LTI programme, valid for the plans c
as of the beginning of 2020, to include more precise malus
clawback clauses. The 2020–2022 LTI plan is part of Fortu
LTI programme and otherwise follows the same principles
previous plan. The 2020–2022 LTI plan will comprise appr

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participants, including the members of Fortum Executive Management. The Board of Directors also decided to establish a Restricted Share programme, as a supplement to the LTI programme, and reserve shares that potentially will be allocated under the 2020–2022 plan. 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 maximum number of shares that may be delivered as a reward is expected to be 660,000 shares for the 2020–2022 LTI plan and 60,000 shares for the 2020–2022 Restricted Share plan.

On 11 October 2019, the Board of Directors decided to establish an Employee Share Savings (ESS) programme and launch the savings period for the year 2020 under that programme. The shares for the ESS programme will be purchased from the market quarterly after Fortum's interim reports have been published. Dividends paid for the shares will be reinvested in additional shares to be purchased from the market after the dividend payment. The Board of Directors will annually decide on the potential launch of each individual savings period. The ESS programme participants will, as a gross reward, be granted one matching share for each two purchased savings shares after approximately three years from the beginning of the savings period. The total amount of all savings for the 2020 savings period may not exceed EUR 6 million. More than 40% of the eligible employees took the opportunity to invest in the first ESS plan.

## Events after the balance sheet date

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

On 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 will record a tax-exempt capital gain of approximately EUR 430 million in the City Solutions segment's first-quarter 2020 results.

## Key drivers and risks

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

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

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

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

For Fortum's Russian business, the key drivers are econ
the rouble exchange rate, regulation of the heat business,
further development of the electricity and capacity marke
profitability driver is the received capacity payments base
contracts and Competitive Capacity Selection (CCS) auctio
part of Fortum's generation capacity built after 2007 is en
payments for approximately 10 years after commissioning
unit (approximately 15 years for renewable generation). Th
capacity payments vary, depending on the age, location, t
of the plant, as well as on seasonality and availability. The
are adjusted for, among other factors, the weighted averag
capital (WACC), the consumer price index (CPI), and re-exa
earnings from the electricity-only (spot) market (one ever
years after commissioning of a unit). In addition, thermal p
entitled to clearly higher CSA payments starting approxim
after commissioning.

For further details on Fortum's risks and risk manageme
the ▸ **Risk management** section of the Operating and finar
and ▸ **Note 4** Financial risk management.

## Outlook

### Hedging

At the end of 2019, approximately 75% of the Generation
estimated Nordic power sales volume was hedged at EUR
for 2020, and approximately 40% at EUR 33 per MWh for

The reported hedge ratios may vary significantly, deper
Fortum's actions on the electricity derivatives markets. He
mainly financial contracts, most of them electricity derivat
Nasdaq Commodities.

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## Capital expenditure and divestments

Fortum currently estimates its capital expenditure, including maintenance but excluding acquisitions, to be approximately EUR 700 million (previously expected to be less than EUR 600–650 million) in 2020. This includes approximately EUR 200 million of solar and wind investments, which are subject to the capital recycling business model. The maintenance capital expenditure in 2020 is estimated to be approximately EUR 300 million, well below the level of depreciation.

## Nordic market

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

During the fourth quarter of 2019 the gas price was at a low level, and also the front-year gas price decreased. Coal prices decreased, EUA prices developed sideways, and oil prices increased.

At the end of January 2020, the forward quotation for coal (ICE Rotterdam) for the remainder of 2020 was around USD 53 per tonne and the market price for EUAs for 2020 at the level of EUR 24 per tonne. The Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2020 was around EUR 20 per MWh and for 2021 around EUR 27 per MWh. In Germany, the electricity forward price for the remainder of 2020 was around EUR 36 per MWh and for 2021 around EUR 41 per MWh. The Nordic water reservoirs were about 6 TWh above the long-term average and 13 TWh higher than one year earlier.

## 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 production portfolio, as well as currency fluctuations. Excluding the potential effects from changes in the power generation mix, a 1 EUR/MWh change in the Generation segment's Nordic power sales achieved price will result in an approximately EUR 45 million change in Fortum's annual comparable operating profit. The achieved power price also includes the results of optimisation of Fortum's hydro and nuclear production, as well as operations in the physical and financial commodity markets.

In June 2018, the Swedish Parliament adopted new hydro legislation effective 1 January 2019. The new legislation states that the power industry shall create a joint hydropower fund to finance major parts of the required environmental actions. Consequently, a fund has been established with a total financial cap of SEK 10 billion to be paid over a 20-year period. All major utilities will contribute to the fund based on their share of Swedish hydropower production. Fortum's share of the fund's total financing is 23%. In addition to the new legislation, the Government issued an ordinance that came into force on 11 January 2019 to establish a national prioritisation plan for the revision of hydropower permits.

In June 2018, the Swedish Administrative Court of Appeal gave its decisions on Fortum Sverige AB's hydropower production-related real-estate tax assessments for the years 2009–2014. The court decisions were not in Fortum's favour. Fortum applied for the right to appeal from the Supreme Administrative Court, but did not receive permission to appeal. As the Administrative Court, the Administrative Court of Appeal in Stockholm, and the Supreme Administrative Court have handled only the arguments concerning state aid, the case concerning the other legal arguments has now been transferred back to the Administrative Court. The disputed amount, excluding interest for the time period, totals approximately SEK 510 million (approximately EUR 49 million). Moreover, Fortum's Swedish companies have appeals for 2011–2016 pending before the Administrative Court relating to the real-estate tax rate for their hydropower plants and referring to the same legal grounds. Fortum has paid the real-estate tax in accordance with the legislation. If the final court decision is unfavourable to Fortum, it will not impact Fortum's results. In December 2018, Fortum Sverige AB filed a complaint to the EU Commission regarding the Swedish real-estate tax for hydropower plants for 2017 and prior years. Fortum has asked the Commission to investigate whether the Swedish legislation regarding the real-estate tax for hydropower plants and the Swedish court decisions are in line with EU state aid rules.

According to the Swedish Government's budget proposa
years, presented in September 2016, the Swedish hydropow
tax will decrease from 2.8% to 0.5%. The tax is being reduc
in January 2017 to 2.2%; in January 2018 to 1.6%; in Januar
and in January 2020 to 0.5%. In 2018, the tax was EUR 65 
EUR 40 million, and in 2020 it is expected to be approximat
million. In addition to the decrease in the tax rate, the hydro
estate tax values, which are linked to electricity prices, were
2019. The real-estate tax values are updated every six year

## City Solutions

In City Solutions, growth in cash flow and earnings is main
through investments in new plants and through acquisition
fuel cost, $CO_2$ prices, availability, taxation and regulatory c
flexibility and efficiency of the plants, as well as gate fees
waste are the key drivers for profitability, but power prices
conditions also affect profitability. Fortum aims to create 
with potential for sizeable profit contribution, e.g. within th
waste and recycling and the bio-economy.

The development of Fortum Oslo Varme's business ope
estimated to require one-time integration-related costs an
over the coming years. The cost synergies materialised gra
2019, with targeted annual synergies of EUR 5–10 million
achieved by the end of 2020.

In March 2019, Fortum announced that it had won the
Solar Energy Corporation of India to build a 250-MW solar
in Rajasthan, India. The solar park will be entitled to a fixed
2.48 INR/kWh for 25 years. Commissioning of the plant is
the fourth quarter of 2020.

In June 2018, Fortum won the right to build a 250-MW
plant in the Pavagada solar park in Karnataka, India. The c
expenditure was approximately EUR 160 million and the s
entitled to a fixed tariff of 2.85 INR/kWh for 25 years. The
commissioned by 5 August 2019.

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## Consumer Solutions

Competition in the Nordic electricity retail market is expected to remain challenging, with continued pressure on sales margins and customer churn. To counter the market challenges and to create a solid foundation for competitive operations, Consumer Solutions will continue its cost spend in developing new digital services for consumers.

## Russia

In the Russia segment, capacity payments based on CSA contracts are a key driver for earnings growth, as capacity payments based on CSA contracts are considerably higher than for CCS auctions. Currently, Fortum's CSA capacity amounts to 2,368 MW. In February 2019, the System Administrator of the wholesale market published data from 2018 regarding the WACC and the CPI, which were used to calculate the CSA price for 2019. The CSA payments were revised downwards to reflect the lower bond rates and upwards due to the lower earnings from the electricity-only-market. The net impact of the adjustments was a minor increase of the CSA payments for 2019.

In addition, thermal power plants are entitled to clearly higher CSA payments starting approximately six years after commissioning. In 2020, no such increase in CSA payments is expected for the Fortum generation fleet.

Fortum's other Russian generation capacity, totalling 2,560 MW, is allowed to participate in the CCS auctions. The long-term CCS auctions for the years 2018–2021 were held in 2015, 2016, and 2017. All Fortum plants offered in the auctions were selected. The nominal CCS price was 111 tRUB/MW/month for 2018, 110 tRUB/MW/month for 2019, 115 tRUB/MW/month for 2020, and 134 tRUB/MW/month for 2021. The CCS auctions for 2022–2024 were held in August 2019. The nominal CCS price was 168 tRUB/MW/month for 2022, 171 tRUB/MW/month for 2023, and 182 tRUB/MW/month for 2024. The CCS auction for 2025 is expected to be held in February 2020. Fortum has also obtained so-called "forced mode status", i.e. it receives payments with a higher rate, for some of the units at the Argayash power plant. "Forced mode status" was obtained for 195 MW for the years 2018–2019, for 175 MW for the year 2020, and for 105 MW for the year 2021.

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

In June 2018, the Fortum-Rusnano wind investment fund (Fortum's ownership 50%) won the right to build 823 MW of wind capacity in a CSA auction. The wind parks were to be commissioned during 2019–2023 and will receive a guaranteed CSA price corresponding to approximately RUB 7,000–8,000 per MWh for a period of 15 years. In December 2018, the wind investment fund made an investment decision on a 100-MW wind farm.

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. In the fourth quarters of 2017, 2018, and 2019, the wind investment fund made investment decisions on a 50-MW, 200-MW, and 250-MW wind farm, respectively.

The Russian Government increased the gas price by 1.4% in July 2019. Fortum estimates the gas price to be increased by 3% in July 2020.

## Other Operations

For information on the financial impact of the Uniper shareholding, please see ▸ **Notes 3 and 19**.

## Income taxation

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

In Belgium, Fortum has received income tax assessments for the years 2008–2012. The tax authorities disagree with the tax treatment of Fortum EIF NV, which was later merged into Fortum Project Finance NV. Fortum finds the tax authorities' interpretation to be inconsistent with the local regulation and has appealed the decisions. The Court of First Instance in Antwerp rejected Fortum's appeal for the years 2008 a
June 2014. Fortum found the decision unjustifiable and a
Court of Appeal. In January 2016, Fortum received a favo
from the Court of Appeal in Antwerp in which the Court
the tax authorities' interpretation and the tax assessmen
nullified. The tax authorities disagreed with the decision
appeal to the Supreme Court (Hof van Cassatie) in March
2019, the Advocate General at the Supreme Court issue
which was in favour of Fortum Project Finance. In May 20
Supreme Court, however, annulled the decision of the Co
of Antwerp and referred the case back to the Court of Ap
for full retrial. Fortum's appeals concerning 2009–2012 a
and Fortum expects the remaining years to follow the fir
for 2008. Based on legal analysis and a supporting legal
provision has been accounted for. The amount of additio
is EUR 36 million for the year 2008, EUR 27 million for 20
million for 2010, EUR 21 million for 2011, and EUR 15 mi
The tax has already been paid.

In March 2018, the Swedish Supreme Administrative Co
not to grant leave to appeal to Fortum with respect to the
deduction cases relating to the years 2009–201. The unf
decision of the Administrative Court of Appeal from June 2
remains in force. The additional tax and interest in total SE
million (EUR 122 million), was paid in 2016 and booked as
second-quarter 2017 results. There are strong grounds to
these decisions of the Administrative Court of Appeal and
Administrative Court violate EU law and fundamental right
law. On these grounds, Fortum filed a summons application
2018 to the District Court of Stockholm in which damages
from the Swedish state in these cases. Fortum also filed a
to initiate a mutual agreement procedure betwe Sweden
Netherlands for the year 2012 (▸ **Note 37**).

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# Sustainability

## Sustainability at Fortum

Fortum gives balanced consideration in its operations to climate and resource issues, as well as its impacts on personnel and society. Fortum conducted a sustainability materiality analysis in 2019 and the renewed sustainability priority areas are the following:

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

The Group-level sustainability targets are linked to the main sustainability priority areas and emphasise Fortum's role in society. They measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, employee wellbeing, and the security of power and heat production. Targets are set annually and are based on continuous operational improvement. A new target in 2019 is the Contractor safety improvement index.

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

### Group sustainability targets and performance 2019

| | Target | 2019 | 2018 |
|---|---|---|---|
| **Climate and resources** | | | |
| Specific $CO_2$ emissions from total energy production as a five-year average, g/kWh | ≤200 | 186 | 186 |
| Energy-efficiency improvement by 2020, baseline 2012, GWh/a | ≥1,900 | 1,707 | 1,637 |
| Major EHS incidents, no. [1] | ≤18 | 11 | 18 |
| Energy availability of CHP plants, % | ≥95.0 | 95.9 | 96.4 |
| **Personnel and society** | | | |
| Reputation index, based on One Fortum Survey | ≥73.0 | 72.3 | 72.5 |
| Customer satisfaction index (CSI), based on One Fortum Survey | 70–74 | 54–80 | 63–83 |
| Lost Workday Injury Frequency (LWIF), own personnel and contractors | ≤1.7 | 1.7 | 1.8 |
| Severe occupational accidents, no. | 0 | 1 | 4 |
| Quality of investigation process of occupational accidents, major EHS incidents and near misses | Level 3.0 | Level 3.0 | Level 3.0 |
| GAP index, implementation of EHS minimum requirements | Level 3.0 | Level 3.0 | Level 2.0 |
| Contractor safety improvement index | Level 2.0 | Level 2.0 [2] | - |
| Sickness-related absences, % | ≤2.5 | 3.0 | 2.8 |

1) The figure does not include the exceedances caused by possible changes in permit limits in Russia.

2) The reporting of the Contactor safety improvement index started in the second quarter of 2019. The figure is still excluding City Solutions' solar power sites.

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. Fortum measures financial performance with return on capital employed (long-term target: at least 10%) and capital structure (long-term target: comparable net debt/EBITDA around 2.5x).

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 shareholde maintenance investments, employee wages and salaries, an

Fortum supports social development and wellbeing in it countries by e.g. paying taxes. The tax benefits Fortum pr society include not only corporate income taxes, but also s taxes. In 2019, Fortum's taxes borne were EUR 397 (299) publishes its tax footprint annually.

Fortum is listed on the Nasdaq Helsinki exchange and is in the STOXX Global ESG Leaders, OMX Sustainability Finl Euronext Vigeo Eurozone 120, Euronext Vigeo Europe 120 Gender Equality indices. Fortum is also ranked in category Climate Change 2019 rating, and it has received a rating A ESG Ratings assessment in 2019, and a Prime Status (B-) i ESG Corporate Rating. In June 2019, Fortum became a co FTSE4Good Index Series.

Fortum's sustainability reporting covers all functions un operational control, including subsidiaries in all countries o The figures for power and heat generation, capacities and include also figures from Fortum's share in associated com joint ventures that sell their production to the owners at co

In the Financial Statements, Uniper is treated as an assoc company and Stockholm Exergi as a joint venture and both are consolidated with the equity method. Stockholm Exergi are not included in Fortum's sustainability targets and indica descriptions of management practices. Stockholm Exergi's a sustainability information are available in the companies' su reports that can be found on the companies' own web page

## Sustainability risks and opportunities

Fortum's operations are exposed to risks, which if material adverse effects on the environment and on the safety and employees, contractors and neighbouring societies. Key su

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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 the Group. These risks are presented in the Risk management section in the Operating and financial review. Climate change and the need for decarbonisation and resource efficiency are changing the energy industry in a profound way, and these changes also create new business opportunities for Fortum.

## Sustainability governance and policies

Sustainability management at Fortum is strategy-driven and is based on the company's Values, the Code of Conduct, the Supplier Code of Conduct, the Sustainability Policy and other Group policies and their specifying instructions. As sustainability is an integral part of Fortum's strategy, the highest decision making on sustainability and climate-related matters falls within the duties of the members of the Board of Directors, who share joint responsibility in these matters.

Fortum Executive Management decides on the sustainability approach and Group-level sustainability targets that guide annual planning. The Group's performance targets, including sustainability and climate-related targets, are ultimately approved by Fortum's Board of Directors. Fortum's line management is responsible for the implementation of the Group's policies and instructions and for day-to-day sustainability management. Realisation of the safety targets is a part of Fortum's short-term incentive system.

Fortum is a participant of the UN Global Compact initiative and the UN Caring for Climate initiative. Fortum respects and supports 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 and OECD Due Diligence Guidance for Responsible Business Conduct, the International Chamber of Commerce's anti-bribery and anti-corruption guidelines, and the Bettercoal initiative's Code on responsible coal mining.

### Fortum's main internal policies and instructions guiding sustainability

| | | Climate and resources | Personnel and society | |
|---|---|---|---|---|
| | Economic matters | Environmental matters | Social and employee matters | Human rights |
| Values | x | x | x | x |
| Code of Conduct | x | x | x | x |
| Supplier Code of Conduct | x | x | x | x |
| Disclosure Policy | x | | x | |
| Group Risk Policy | x | x | x | x |
| Sustainability Policy (including environmental, and health and safety policies) | x | x | x | x |
| Minimum Requirements for EHS Management | | x | x | x |
| Biodiversity Manual | | x | | |
| Group Manual for Sustainability Assessment | | x | x | x |
| Human Resources Policy | | | x | x |
| Leadership Principles | | | x | x |
| Accounting Manual | x | x | x | |
| Investment Manual | x | x | x | |
| Tax Principles | x | | x | |
| Group Instructions for Anti-Bribery | x | | x | |
| Group Instructions for Safeguarding Assets | x | | x | |
| Group Instructions for Conflicts of Interest | x | | x | |
| Anti-Money-Laundering Manual | x | | x | |
| Compliance Guidelines for Competition Law | x | | x | |
| Security Guidelines | | x | x | x |
| Policy for Sponsoring and Donations | x | | x | x |
| Group Instructions for Compliance Management | x | x | x | x |

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## Business ethics

The Fortum Code of Conduct and Fortum Supplier Code of Conduct define how we treat others, engage in business, safeguard corporate assets, and how Fortum expects suppliers and business partners to operate. Fortum's Board of Directors is responsible for the company's mission and values and has approved the Fortum Code of Conduct. Fortum has zero tolerance for corruption and fraud and does not award donations to political parties or political activities, religious organisations, authorities, municipalities or local administrations.

In addition to internal reporting channels, Fortum employees and partners can report suspicions of misconduct confidentially by using the "SpeakUp" channel on Fortum's internal and external web pages.

Suspected misconduct and measures related to ethical business practices and compliance with regulations are regularly reported to the Audit and Risk Committee.

No cases of corruption or bribery were confirmed in 2019.

## Climate and resources

Fortum's Group-level targets for climate and resources are related to $CO_2$ emissions, energy efficiency, secure supply of electricity and heat for customers, and major Environmental, Health and Safety (EHS) incidents.

The Group Sustainability Policy together with the Minimum Requirements for EHS Management steer Fortum's environmental management. Investments, acquisitions and divestments are assessed based on the sustainability assessment criteria defined in the Group's Investment Manual. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard, and 99.8% (99.9%) of Fortum's power and heat production worldwide has ISO 14001 certification.

### Energy

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

In 2019, Fortum's power generation was 76.3 (74.6) TWh and heat production 26.4 (29.8) TWh. 59% (57%) of the total power generation was $CO_2$-free. In Europe, 96% (96%) of the power generation was $CO_2$-free. Investments in $CO_2$-free production were EUR 401 (278) million. Investments in hydro, wind and solar power and bioenergy totalled EUR 344 (180) million.

Fortum has a Group-level target to achieve annual energy-efficiency improvements of ≥1,900 GWh by 2020 compared to 2012. Fortum achieved 1,707 GWh/a by the end of 2019.

The main fuels that Fortum uses to produce electricity and heat are natural gas, uranium, coal, waste-derived fuels and biomass fuels. The most significant fuel was natural gas, which accounted for 63% (63%) of the total fuel consumption. The next highest fuel use was uranium 20% (21%). Coal accounted for 10% (8%) of the total fuel use, and waste-derived fuels and biomass fuels 3% (4%) and 3% (3%), respectively. Russia accounted for 99% of the use of natural gas and 57% of the use of coal.

An uninterrupted and reliable energy supply is critical for society to function. With planned preventive maintenance and condition monitoring, Fortum ensures that the power plants operate reliably to produce the electricity and heat customers need. The energy availability of the company's CHP plants in 2019 was, on average, 95.9% (96.4%), outperforming the target of ≥95.0%.

### Climate

Fortum expects the concern about climate change to increase the demand for low-carbon production and energy-efficient solutions and products. Fortum aims to mitigate climate change by investing in $CO_2$-free energy production and by improving energy and resource efficiency. Fortum is also adapting its operations to climate change in production planning and in the assessment of growth projects and investments.

In 2019, Fortum's direct $CO_2$ emissions were 19.1 (20.1 of $CO_2$ emissions originated from Russian power plants. Di emissions decreased primarily because of the decreased p production. Of the total $CO_2$ emissions, 2.1 (2.5) Mt were emissions trading scheme (ETS). The estimate for Fortum's allowances in 2019 is 0.7 (0.8) Mt.

| Fortum's total $CO_2$ emissions (million tonnes, Mt) | 2019 |
|---|---|
| Total emissions | 19.1 |
| Emissions subject to ETS | 2.1 |
| Free emission allowances | 0.7 |
| Emissions in Russia | 16.3 |

In 2019, Fortum's specific carbon dioxide emissions from t production were 189 (192) g/kWh. The specific $CO_2$ emiss energy production as a five-year average were 176 (186) better than Fortum's Group target of ≤200 g/kWh.

### Circular economy

Fortum's aim is to promote resource efficiency improvemen transition towards a more extensive circular economy. Reso and maximising the added value of waste and biomass are the environmental approach, as defined in the Group Sustai

In 2019, Fortum received about 1.6 (1.6) million tonnes hazardous waste and about 600,000 (600,000) tonnes of waste from customers. As much of the waste stream as p recycled, recovered or reused. Waste that is unsuitable for reuse as a material is incinerated in Fortum's waste-to-ene the Nordic countries, Lithuania and Poland.

### Emissions

Fortum's activities cause various emissions to air. In additi dioxide ($CO_2$) emissions, these include flue-gas emissions,

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dioxide ($SO_2$), nitrogen oxide ($NO_x$) and particle emissions. All power plants operate in compliance with their air emission limits.

| Fortum's flue-gas emissions (1,000 tonnes) | 2019 | 2018 | 2017 |
|---|---|---|---|
| Sulphur dioxide emissions | 14.9 | 16.8 | 18.8 |
| Nitrogen oxide emissions | 24.8 | 26.1 | 26.4 |
| Particle emissions | 11.7 | 9.6 | 15.8 |

Fortum's target regarding major EHS incidents is to have no more than 18 major EHS incidents annually. Major EHS incidents are monitored, reported and investigated, and corrective actions are implemented. In 2019, there were 11 (18) major EHS incidents in Fortum's operations. The major EHS incidents included three fires, two environmental non-compliances, four leaks, one explosion, and one INES (International Nuclear Event Scale) level 1 incident. The major EHS incidents did not have significant environmental impacts.

### Water and biodiversity

Fortum uses large volumes of water at various types of power plants and in district heating networks. 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 withdrew a total of 2,100 (2,100) million $m^3$ of water in production operations; 94% of this amount was used as cooling water.

Fortum's main impacts on biodiversity are related to hydropower production. 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.

### Radioactive waste

In 2019, 21.9 (20.3) tonnes of spent nuclear fuel was removed from Loviisa power plant's reactors in Finland. High-level radioactive spent fuel is stored in an interim storage at the Loviisa power plant site. The final disposal of the high-level radioactive spent fuel originating at the Loviisa power plant is scheduled to begin at Olkiluoto in Eurajoki in the 2040s.

## Personnel and society

Fortum's Group-level targets for personnel and society are related to operational and occupational safety, employee wellbeing, as well as reputation and customer satisfaction.

### Personnel

The Group Human Resources Policy is based on the company's Values, Leadership Principles and Code of Conduct. The HR Policy guides the daily work in the company, and the implementation of the policy is followed up regularly through the employee engagement survey, the annual performance and development discussions, as well as other feedback practices.

Fortum's operations are mainly based in the Nordic countries, Russia, Poland and the Baltic Rim area. The total number of employees at the end of 2019 was 8,191 (8,286).

| Group personnel statistics | 2019 | 2018 | 2017 |
|---|---|---|---|
| Number of employees, 31 December | 8,191 | 8,286 | 8,785 |
| Average number of employees | 8,248 | 8,767 | 8,507 |
| Total amount of employee benefits, EUR million | 480 | 459 | 423 |
| Departure turnover, % (of permanent employees) | 11.2 | 16.1 | 10.5 |
| Permanent employees, % | 96.8 | 95.9 | 95.2 |
| Full-time employees, % (of permanent employees) | 97.7 | 98.2 | 98.1 |
| Female employees, % | 32 | 32 | 32 |
| Females in management, % | 30 | 30 | 29 |

### Occupational safety

For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. Fortum strives to be a safe workplace for the employees, contractors and service providers who work for the company. The Group Sustainability Policy, the Minimum Requirements for EHS Management and more detailed Group-level EHS manuals steer the wor
OHSAS 18001 or ISO 45001 safety management system
(97.0%) of Fortum's power and heat production worldwide.

In 2019, Fortum's Lost Workday Injury Frequency (LWIF
personnel and contractors was 1.7 (1.8), achieving the set
(≤1.7). In 2019, there was one occupational violence case i
was classified as severe accident. The Group target for 20
severe occupational accidents.

In 2019, the quality of investigation process of occupati
major EHS incidents, and serious near misses was at the le
achieving the set target level (3.0).

In 2019, the GAP index was at the level 3.0 (2.0), achiev
target level (3.0). The GAP index measures how well the G
minimum requirements are realised at the power plant leve

Fortum is continuing its efforts to improve contractor s
it systematically assesses contractor safety performance a
supplier qualification and during work. In 2019, contractor
improved significantly, and the Contractor safety improver
was at the level of 2.0, achieving the set target level (2.0).
assessment had not yet covered all Fortum operations. Th
safety improvement index measures how well Fortum has
implement measures targeting improvements in contracto

In 2019, Fortum introduced a "Safety walks" training pr
Fortum's top management. The programme pays special a
management's role in improving the safety culture. It inclu
and practical training in the necessary personal leadership
focused on systems and structures that support the trans
the safety culture.

### Personnel wellbeing

Fortum's goal with workplace wellbeing activities is to pro
and occupational safety of employees and the functionalit
community. In 2019, the Energise Your Day wellbeing prog
expanded to the former Hafslund companies in Finland, Sw
and Poland, and is now under way in all Fortum operating

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In 2019, the percentage of sickness-related absences was 3.0 (2.8), which did not meet the target level of ≤2.5. Sickness absences increased especially in Russia and Norway.

## Society

### Customer satisfaction

Fortum's targets for reputation and customer satisfaction are monitored annually. In the One Fortum Survey in 2019, the combined company reputation index among key stakeholder groups was 72.3 (72.5) points, on a scale of 0–100, which did not meet the target of ≥73.0 points.

The Group-level target (70–74 points, on a scale of 0–100) for customer satisfaction was achieved among all business areas with two exceptions: retail electricity sales and EV charging solutions for both consumers and businesses.

### Supply chain

Fortum's total purchasing volume in 2019 was EUR 3.8 (3.7) billion, and Fortum had about 14,000 suppliers of goods and services. Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier qualification and supplier audits. In 2019, Fortum conducted a total of 14 (13) supplier audits in Poland, Russia, India, China, Indonesia and Vietnam. In addition, one coal supplier in Kazakhstan was assessed against the Bettercoal Code by a third party.

### Human rights

Fortum's goal is to operate in accordance with the UN Guiding Principles on Business and Human Rights and to apply these principles in company's own operations as well as in country and partner risk assessments and supplier audits.

A human rights assessment is carried out for investment projects – especially in new operating areas – and also for new countries where Fortum plans to expand the sales of products and services. In 2019, 6 (7) of these assessments were made.

In 2019, there were no grievances related to human rights filed through Fortum's formal grievance channels, nor were there any grievances carried over from the previous year.

### Corporate citizenship

Fortum's operations impact the local communities where the power plants are located, and the company engages in many kinds of collaboration with local stakeholders. According to Fortum's Policy for Sponsoring and Donations, the company's sponsorships focus on the wellbeing of children and youth, renewable energy projects, R&D and innovations supporting Fortum's strategy. In addition, Fortum sponsors projects related to recycling, recovery and reuse. Fortum also engages in collaboration with universities through different research and development projects. In 2019, Fortum's support for activities promoting the common good totalled about EUR 2.7 (3.8) million. In addition, the grants awarded by Fortum Foundation, not part of Fortum Group, totalled about EUR 660,000 (680,000).

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# Risk management

## Risk management framework and objectives

Fortum's Risk Management framework is described in the Group Risk Policy and supporting documents. The Group Risk Policy includes an overview of Fortum's risk management systems consisting of the general principles of risk management and the main features of the risk management process. The objectives of the risk management systems are to;

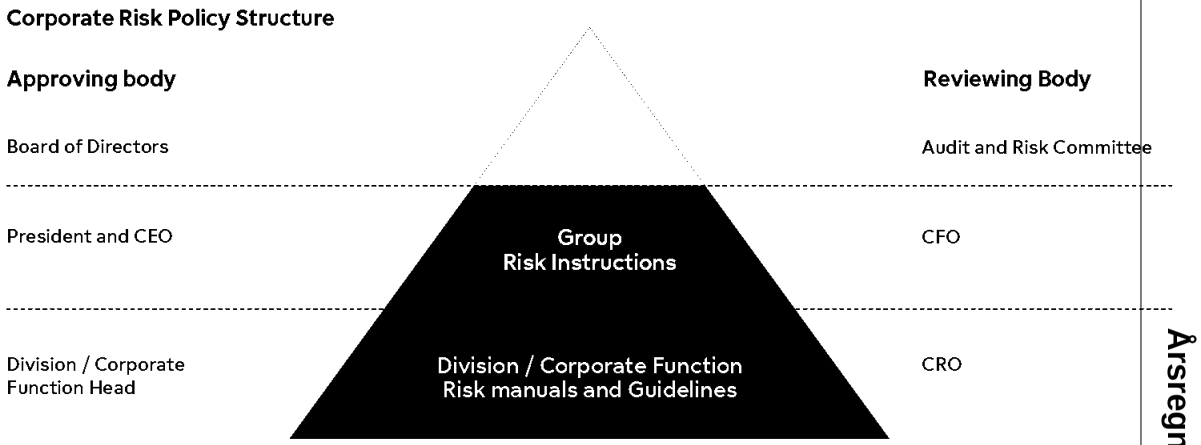
- support the development of the Group strategy,
- support strategy execution,
- support the achievement of agreed targets within acceptable risk levels so that the Group's ability to meet financial commitments is not compromised,
- ensure the understanding of material risks and uncertainties affecting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

## Risk management organisation

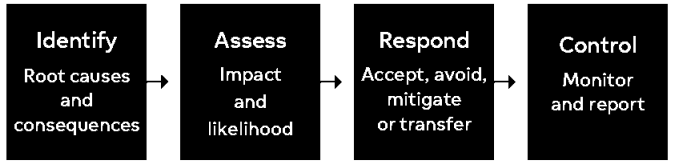
The main principle is that risks are managed at source meaning that each Division and Corporate Function Head is responsible for managing risks that arise within their business operations. However, certain risks, such as currency, interest rate, liquidity and refinancing risks, are managed centrally.

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

### Corporate Risk Policy Structure




### Risk management process




Fortum's risk management process is designed to support t
of agreed targets by ensuring that risk management activiti
consistent with the general principles of risk management a
are monitored and followed-up in a prudent manner. The ma
risk management process consist of event identification, ris
risk response and risk control. Identification is regularly carr
according to a structured process and risks are assessed in
impact and likelihood according to a Group-common metho
is assessed not only in monetary terms, but also in terms of
safety, environment and reputation. All risks have risk owne
responsible for implementing actions to respond to the risk
can be to accept, avoid, mitigate or transfer the risk. Risk co
which include monitoring and reporting of risks, are designe
compliance with approved instructions, manuals and guideli
ensure that risk exposures remain within approved limits an

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Fortum's Board of Directors approves the Group Risk Policy and the CEO approves Group Risk Instructions covering commodity market risks, counterparty credit risks, and operational risks. Fortum also has other Group policies and instructions covering e.g. compliance, privacy, sustainability, treasury and cyber and information security risks which are aligned with the Group Risk Policy. There are risk mandates or limits defined for commodity market risks, counterparty credit risks and financial risks. Divisions and Corporate Functions issues risk manuals and guidelines as needed which detail how the Group Risk Instructions are implemented.

## Risk factors

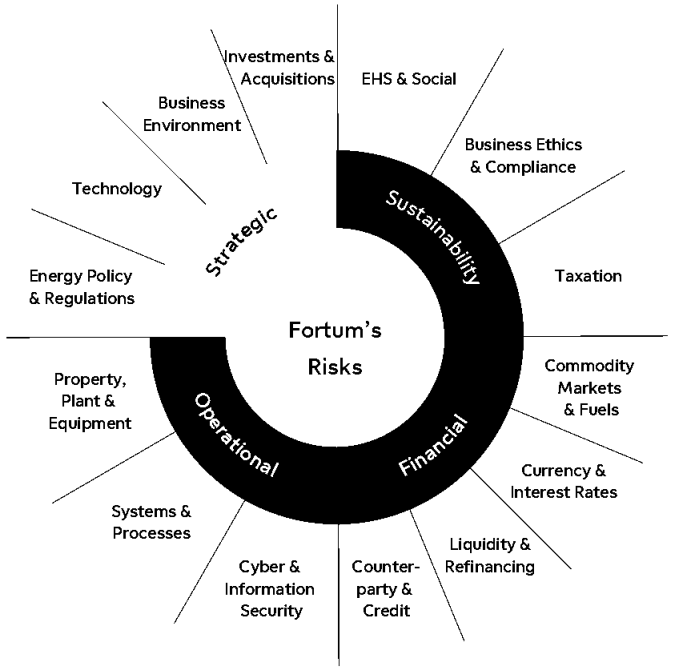
### Strategic risks

The main strategic risks are that energy policy, regulation, technology or the business environment develop in ways that have not been foreseen and prepared for. Future energy market and regulation scenarios, including the impact of these to Fortum's business, are continuously assessed and analysed. It is part of Fortum's strategy to, in the long-term, build options to broaden the base of revenues into new businesses, technologies and markets.

Risks which could hinder Fortum in executing its strategy are continuously assessed, monitored and reported as part of the strategy work. These risks include an inability to identify and carry out successful investments and acquisitions with the related project and integration risks.

### 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 this risk may increase. The current trend of increasingly nationalistic policies and protectionism may lead to more trade restrictions which in




turn could affect demand for Fortum's products and servic
continuously monitors how the business environment deve
operating countries in order to be able to react quickly to
and changes in consumer behaviour.

### Investment and acquisition risks

Fortum's strategy includes growth of operations in new bu
technologies and geographies. This includes an increasing
partly-owned companies and joint ventures where Fortum
necessarily have full operational control. Fortum is expose
of risks indirectly through these companies and joint ventu
are monitored and followed-up through Fortum's represen
respective company Board of Directors and through exper
The principal associated companies and joint ventures are
Kraftgrupp AB, Kemijoki Oy, OKG AB, Stockholm Exergi AB
Teollisuuden Voima Oyj and Uniper SE. The most significan
Uniper SE due to its size, complexity and the phase of the
For more information about the risk exposures of these co
please see each respective company's annual report and c
disclosures.

Fortum's recent and current investments, as well as any
investment or acquisition, including possible future partne
risk such as:

- increased overall operating complexity and requirements
  management, personnel and other resources,
- inability to understand the value drivers and their uncert
  investments or potential acquisition targets,
- inability to manage complex integrations of companies w
  cultures and processes, including possibly uncooperative
- inability to understand and manage new markets and ju
  different cultural, ethical and legal frameworks,
- inability to understand and manage sustainability risks a
  issues related to new businesses, markets and technolog

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These risks 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, and 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 business 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 the various operating countries pose a risk if Fortum is not able to anticipate, identify and manage those changes efficiently.

Fortum maintains an active dialogue with the bodies involved in the development of laws and regulations in order to manage these risks and proactively contribute to the development of the energy policy and regulatory framework.

### Nordic/EU

Fortum's strategy in the power and heat sectors is based on a market-driven development, which would mean more interconnections and competition supported by increasing policy harmonization. Even if the Nordic power market has a long tradition of harmonization, national policies vary considerably when it comes to e.g. taxation, permitting, subsidies and market model meaning that Fortum has to manage risks related to both EU regulation and national regulation. Potential risks related to the future energy, circular economy and climate policy framework include;

- increasing policy costs and uncoordinated national mechanisms hindering an integrated, flexible and dynamic power market,
- overlapping national carbon policies diluting the EU ETS and carbon price despite the ETS reform,
- increasing cost burden for hydro power in Finland, driven by fish obligations, grid costs and real estate taxation,
- unbalanced implementation of the EU Water Framework directive in Sweden leading to lower production volumes,
- stricter sustainability requirements for forest biomass leading to reduced availability and increasing costs,
- implementation of national waste incineration taxes or restrictive measures affecting the operational environment or the competitiveness of the waste-to-energy business as part of overall circular economy promotion,
- acceptability issues related to different fuels or technologies (bio, waste, nuclear, wind, CCS etc.) potentially limiting or slowing down new investments either in power production or transmission grids,
- substantial retroactive changes and/or discontinuation of prevailing CHP support schemes in the Baltic countries and Poland or deteriorating competitiveness of CHP due to fuel tax increases,
- undue heavy-touch price-regulation of district heating in order to enhance the affordability and other social aspects of protecting the end-customers.

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. The current economic sanctions may be enlarged and/or extended having direct and indirect impacts on the business environment. The main energy policy-related risks in Russia are linked to the development of the whole energy sector, part of which, is liberalised, like the wholesale elect
while other parts, like gas, heat, and retail electricity, are r
sectors are inherently exposed to a risk of regulatory char
could affect Fortum's operations.

## Technology risks

Fortum's strategy includes developing or acquiring new te
well as digitalising the business. Fortum's R&D and innovat
focus on the development of the energy system towards a
low-carbon economy and developing circular economy sol
economy, other renewable energy concepts and innovative
for its customers. New technologies expose Fortum to risk
intellectual property rights, data privacy and viability of te
Technology risks are managed by assessing and monitorin
of new technology throughout its development cycle, and
developing and investing in a diversified portfolio of projec
of different technologies.

## Sustainability risks

Corporate social responsibility and sustainable development
parts of Fortum's strategy. Fortum gives balanced conside
economic, environmental and social responsibility. Change
regulations and the business environment can pose a risk
and managed effectively and the same applies to changes
main stakeholders. In order to identify and manage these
endorses a number of international voluntary charters, sta
guidelines in the area of sustainability, conducts stakehold
annually in order to identify the most material issues for ou
and has defined internal policies and instructions on how t
business. Divisions and Corporate Functions identify and a
sustainability risks related to their operations and define m
actions. Corporate Sustainability executes oversight as par
Group's risk management process.

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### Environmental, health and safety and social risks

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

Environmental, health and safety (EHS) risks as well as social risks related to Fortum's supply chain are evaluated through supplier qualification as well as internal and external audits and risk assessments including partner and country risk assessments. Corrective and preventive actions are implemented when necessary. EHS and social risks related to investments are evaluated in accordance with Fortum's Investment Manual. Environmental risks and liabilities in relation to past actions have been assessed and, where necessary, provisions have been made for future remedial costs.

### Tax risk

Fortum operates in a number of countries and is therefore exposed to changes in and conflicts between local and international taxation. Political pressure has resulted in numerous new laws and rules with unclear wording and wide scope creating differences in how tax authorities interpret new rules. This has led to a tax environment with increased tax burden and poor clarity of tax consequences. Clarity and predictability around how our operations are taxed has decreased due to the changing regulation. In addition, new regulation creates material volume of new complex compliance work.

Fortum aims to identify simple and cost-efficient solutions to manage taxes in a sustainable manner. Fortum's tax principle is that tax is a consequence of business and that compliance with tax rules and legislation and transparency result in a correct tax contribution. This principle leaves no room for artificial or other aggressive solutions. Fortum is continuously following the development of tax related issues and their impact on the Group and maintains an active dialogue with tax authorities in unclear cases. Tax-related issues are communicated openly both internally and externally and Fortum's tax footprint is published annually.

### Business ethics and compliance risks

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

Fortum's Code of Conduct enhances the understanding of the importance of business ethics for all Fortum employees, contractors and partners. Prevention of corruption is one of the Code of Conduct's focus areas. Fortum has procedures for anti-corruption including prevention, oversight, reporting and enforcement based on the requirements prescribed in international legislation. Fortum's supplier code of conduct sets sustainability requirements for suppliers of goods and services. The Supplier Code of Conduct is based on the principles of the United Nations Global Compact and is divided into four sections: business principles including anti-corruption, human rights, labour standards and environment.

Fortum systematically identifies, assesses, mitigates and reports compliance risks including risks related to business ethics. Internal controls are implemented to prevent the possibilities of unauthorised activities or non-compliance with Group policies and instructions. Fortum's rolling compliance programme includes a risk-based prioritisation of the development and implementation of mitigating actions. Training and communication play a key role in increasing the awareness in the organisation.

## Financial risks

### Commodity market and fuel risks

Fortum's business is exposed to fluctuations in prices and
of commodities used in the production and sales of energ
The main exposure is toward electricity prices and volume
of emissions and prices and availability of fuels. Fortum he
exposure to commodity market risks in accordance with a
Hedging Guidelines and Mandates. For further informatio
ratios, exposures, sensitivities and outstanding derivatives
see ▸ **Note 4** Financial risk management.

#### Electricity price and volume risks

In competitive electricity markets, such as the Nordpool s
exchange in the Nordic region, the wholesale price of elec
determined as the balance between supply and demand.
term factors affecting electricity prices and volumes on th
market include hydrological conditions, temperature, wind,
allowance prices, fuel prices, economic development, tran
capacity and the import/export situation.

Electricity price risks are mainly hedged by entering int
derivatives contracts on the Nasdaq Commodities exchan
to implement hedging strategies is dependent on a well-f
liquid derivatives market. There is a risk of decreasing liqui
Nasdaq Commodities exchange, and alternatives including
derivative contracts and products traded on other exchan
to mitigate this risk. Hedging strategies are continuously e
electricity and other commodity market prices, the hydrol
and other relevant parameters change. In 2019, the mode
evaluating hedging strategies and reporting risk were dev
cover more parameters and improve the use of specially
data. Hedging of the Generation segment's power sales is
in EUR on a Nordic level covering both Finland and Swede
currency component of these hedges in the Swedish entit

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not hedged. In Russia, electricity and capacity prices are the main source of market risk. Electricity price exposure is partly mitigated through regulated fixed-price bilateral agreements, but the majority of electricity sales is exposed to spot price risk. Capacity from newer units is sold under capacity supply agreements where the price is set by the Russian Federation to ensure the return on investments. Capacity from old units has been sold until 2024 via capacity supply auctions which have already been conducted.

### Emission and environmental value risks

The European Union has an emissions trading scheme to reduce the amount of $CO_2$ emissions. In addition to the emissions trading scheme, there are other trading schemes in environmental values in place in Sweden, Norway and Poland. Part of Fortum's power and heat generation is subject to requirements of these schemes. There is currently no trading scheme in Russia for emissions or other environmental values. However, Russia has announced intentions to comply with the Paris Agreement, but there is uncertainty related to how and when a possible carbon market could be implemented.

The main factors influencing the prices of $CO_2$ emission allowances and other environmental values are political decisions and the supply and demand balance. Fortum hedges its exposure to these prices and volumes 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. The main fuels used by Fortum are natural gas, uranium, coal, various biomass-based fuels and waste. The main risk factor for fuels that are traded on global markets such as coal and natural gas, is the uncertainty in price. Prices are largely affected by demand and supply imbalances that can be caused by, e.g. increased demand growth in developing countries, natural disasters or supply constraints in countries experiencing political or social unrest. For fuels that are sourced on local or regional markets, such as bio-fuels, the volume risk in terms of availability of the raw material of appropriate quality is more significant as there may be a limited number of suppliers. Due to the current sanctions, there are also risks related to imported fuels from Russia.

In the Nordic market, exposure to fuel prices is limited due to Fortum's flexible generation capacity which allows for switching between different fuels according to prevailing market conditions. The remaining 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.

## 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's access to and cost of financing is dependent on having an investment-grade rating. The current investment in Uniper has increased Fortum's leverage, and with the announced increase in ownership, there is an increased risk of downgrade in the credit rating which could negatively impact Fortum's access to cost-efficient financing. After the closing of transaction, through which an additional minimum of 20.5% share in Uniper will be acquired, Fortum's key objective is to maintain an investment-grade rating and to strengthening its financial profile longer term. Fortum maintains an active dialogue with credit rating agencies to ensure understanding of Fortum's strategy and planned measures which target to achieve a financial and business profile that supports a solid investment grade rating.

## Currency and interest rate risks

Fortum's debt portfolio consists of interest-bearing liabiliti
derivatives on a fixed- and floating-rate basis with differin
profiles. Fortum manages the duration of the debt portfoli
use of different types of financing contracts and interest r
contracts such as interest rate swaps.

Fortum's currency exposures are divided into transactio
(foreign exchange exposures relating to contracted cash fl
balance sheet items where changes in exchange rates will
impact on earnings and cash flows) and translation exposu
exchange exposure that arises when profits and balance s
foreign entities are consolidated at the Group level). The m
that material transaction exposures should be hedged whi
exposures are not hedged, or are hedged selectively. An e
the Generation segment's hedging of power sales in Swed
the currency component is currently not hedged. The main
exposures toward the EUR/RUB, EUR/SEK and EUR/NOK a
continuously. Changes in these currency rates affect Fortu
and equity when translating results and net assets to euro

## Counterparty and credit risks

Fortum is exposed to counterparty risk whenever there is
arrangement with an external counterparty including custo
suppliers, partners, banks, clearing houses and trading cou

Credit risk exposures relating to financial derivative inst
often volatile. The majority of commodity derivatives are e
and cleared through clearing houses such as Nasdaq Clea
through clearing banks. During 2019, Nasdaq Clearing AB
implementation of its risk management enhancement prog
to reduce the risk of member defaults. In addition, the tren
use of futures contracts instead of forward contracts is de
credit exposure toward clearing houses. Derivatives contra
entered into directly with external counterparties and such
limited to high-credit-quality counterparties active on the
commodity markets.

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

Credit risk exposures relating to customers is spread across a wide range of industrial counterparties, small businesses and private individuals over a range of geographic regions. The majority of exposure is to the Nordic market, Poland and Russia. The risk of non-payment in the electricity and heat sales business in Russia is higher than in the Nordic market. In order to manage counterparty credit risk, Fortum has routines and processes to identify, assess and control exposure. Credit checks are performed before entering into commercial obligations and exposure limits are set for larger individual counterparties. Creditworthiness is monitored through the use of internal and external sources so that mitigating actions can be taken when needed. Mitigating actions include demanding collateral, such as guarantees, managing payment terms and contract length, and the use of netting agreements.

## 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.

## Systems and Process Risks

System and 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

Property, plant and equipment risks are primarily managed through monitoring and maintenance planning. In addition, Fortum's industrial assets are covered by a Group Master Policy covering property damage and business interruption risks which mitigates the impact of internal and external events should they occur.

### Combined heat and power (CHP) and recycling and waste

Operational events at CHP and recycling and waste facilities, or in the storage and transportation of fuels, waste and materials can lead to physical damages, business interruption, and environmental, health and safety and social impacts. Leakage and contamination of the surrounding environment could lead to clean-up costs and third-party liabilities. An explosion or fire at a facility could cause damages to the plant or third-parties and lead to possible business interruption. These risks are mitigated by condition monitoring, preventive maintenance and other operational improvements as well as competence development of personnel operating the plants. Furthermore, requirements for incoming waste are clearly specified and samples are tested for selected waste deliveries.

### Hydro power

Operational events at hydro power generation facilities can lead to physical damages, business interruptions, and third-party liabilities. 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 the Loviisa nuclear power plant, and has min
in two Finnish and two Swedish nuclear power companies.
power plant, the assessment and improvement of nuclear
continuous process performed under the supervision of th
Nuclear Safety Authority of Finland (STUK).

Third-party liability relating to nuclear accidents is stric
operator's responsibility and must be covered by insuranc
operator of the Loviisa power plant, Fortum has a statutor
insurance policy of 600M SDR (Special Drawing Right) anc
of insurance policies are in place for the operators where F
minority interest.

### Wind and Solar

Fortum is involved in the construction, development and o
of several wind and solar power production projects in the
Russia and in India. Operational incidents during both cons
operational phases can lead to accidents, delays in commi
business interruption. These risks are mitigated as part of
planning and through maintenance and continuous training
involved in constructing and operating the plant.

## Cyber and information security risks

Fortum's business operations and customer related serv
dependent on well-functioning IT and information manage
and processes. Due to the nature of the business large an
are processed and used for decision-making, serving custo
internal and external communication and reporting. Securi
and availability of the systems are essential for Fortum. Cy
risks, including risks related to information, operation tech
and digitalisation, are managed centrally by Corporate Sec
collaboration with Divisions and Corporate Functions, espe
Business Technology function. The Group's cyber security
model, instructions and procedures set requirements for m
mitigating cyber security risks.

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The Business Technology function, other 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. Divisions are 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. Successfully managing climate-related risks and opportunities is a key element in delivering on the strategy.

Management of climate-related risks is integrated into Fortum's risk management framework and follows the same governance and processes as Fortum's other material risk and uncertainties. Climate-related risks are identified and assessed by the various business areas through an annual bottom-up process. Risk owners are assigned for managing the risks and they are regularly reported and followed-up in business area and division management teams. In 2019, Fortum emphasized climate-related risks as part of the process including a specific top-down review of climate-related risks by Group experts. The key climate-related risks are reported to FEM and the ARC as part of the annual review of material risks and uncertainties for the Group.

Climate-related risks can be 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 longer-term and part of the strategic risk category

## Transition risks

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

One of the key risks is that the transition develops faster and with policy tools or technologies that have not been anticipated or planned for. The key risks related to climate policy and regulation include the revision of the EU targets for greenhouse gas reduction, renewable energy and energy efficiency leading to overlapping or inefficient mechanisms, tighter restrictions on incineration and burning of various fuels and a more regulated electricity market due to the increase in intermittent renewable production. Fortum favours a market-based approach to decarbonisation with $CO_2$ pricing as a key tool and clear criteria for capacity remuneration. Fortum supports the use of waste and sustainable biomass as part of the EU circular economy. Additionally, increased flexibility in demand is needed to cope with the expected increase in intermittent renewable production.

The transition to a low-carbon economy also poses risks if there emerge new, disruptive technologies that create cheap sources of flexibility or storage in the energy market. Additionally, if there is an accelerated decline in the cost of renewable energy, it could decrease the value of existing conventional power and heat generation assets. Fortum continuously monitors technology development and invests into a broad portfolio of innovative technologies. Fortum also monitors the price development of renewables and evaluates both divestment and investment opportunities to optimise the portfolio with the aim of lower carbon emissions.

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

Stakeholder views on sustainability may lead to stricter demands by shareholders. Stricter definitions of sustainable finance set by the EU may also make it more difficult to access financing. Additionally, there is a risk of increasing activity by NGOs which could affect key stakeholder perception. Fortum's investment in Uniper is currently increasing the exposure to these risks. In order to mitigate these risks, Fortum focuses on the sustainability impacts of strategy and business decisions, communicating transparently about strategy im
to key stakeholders, ensuring a broad base of investors an
financing including a diversified bond portfolio.

## Physical risks

Fortum's operations and assets are exposed to external ev
frequency and magnitude of which may increase as a resu
change. Changes in precipitation, inflows and temperature
hydropower production as well as bioenergy supply and av
Intense storms with, e.g. flash floods could increase the ris
breaches as well as causing local damages and production
Warmer weather may also lead to a need for new cooling
water sources and extreme warm and dry summer periods
in forest fires which potentially damage assets or lead to g
restricting power supply. Fortum adapts its operations to t
climate and takes it into consideration in production and n
planning and in evaluating growth and investment projects
change scenarios are, e.g. taken into account in the long-t
investment program so that extreme flooding situations ca

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# 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 | 2019 | 2018 | 2017 |
|---|---|---|---|
| Earnings per share | 1.67 | 0.95 | 0.98 |
| Cash flow per share | 2.27 | 0.91 | 1.12 |
| Equity per share | 14.61 | 13.33 | 14.69 |
| Dividend per share | 1.10 [1)] | 1.10 | 1.10 |
| Payout ratio, % | 65.9 [1)] | 115.8 | 112.2 |
| Dividend yield, % | 5.0 [1)] | 5.8 | 6.7 |

1) Board of Directors' proposal for the planned Annual General Meeting 17 March 2020.

For full set of share Key figures 2010–2019, 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 22% during the last five years, while Dow Jones European Utility Index has increased 14%. During the same period Nasdaq Helsinki Cap index has increased 37%. During 2019 Fortum's share price appreciated approximately 15%, while Dow Jones European Utility index increased 26% and Nasdaq Helsinki Cap index increased 15%.

In 2019, a total of 372.3 million (2018: 474.7) Fortum Corporation shares, totalling EUR 7,467 million, were traded on Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2019 was EUR 22.50, the lowest EUR 18.09, and the volume-weighted average EUR 20.14. The closing quotation on the last trading day of the year 2019 was EUR 22.00 (2018: 19.10 ). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 19,542 million (2018: 16,966).

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 2019, approximately 73% (2018: 68%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

## Share capital

### Share capital

| | 2019 | | 2 |
|---|---|---|---|
| EUR million | Number of shares | Share capital | Number shar |
| Registered shares at 1 January | 888,294,465 | 3,046 | 888,367,0 |
| Cancellation of treasury shares | - | - | 72,5 |
| Registered shares at 31 December | 888,294,465 | 3,046 | 888,294,4 |

Fortum Corporation has one class of shares. By the end of 2019, 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 2019 Fortum Corporation's share capital, entirety and entered in the trade register, was EUR 3,046,185,953.00.

In the merger of Länsivoima Oyj (former Lounais-Suomen Sähkö Oy) to Fortum Corporation in 20 shareholders of Länsivoima Oyj that did not produce their share certificates and did not request the to be registered in the book-entry system, received their respective shares of Fortum Corporation a consideration to a joint book-entry account opened on their behalf (the "Joint Account"). The Annua Meeting 2018 of Fortum Corporation decided, that the rights to all such shares entered in the Joint to the rights attached to such shares that had not been requested to be registered in the book-ent to the decision by the Annual General Meeting 2018, were forfeited. In addition to the shares, the r to such shares, such as undrawn dividend, were forfeited. The provisions applicable to treasury sha company were applied to the forfeited shares. On 17 December 2018, Board of Directors decided t these 72,580 Fortum shares owned by the company without decreasing the share capital. The canc entered in the Trade Register on 21 December 2018.

## Shareholders

At the end of 2019 the Finnish State owned 50.76% of the company's shares. The Finnish Parliamen authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less t the share capital and voting rights.

The proportion of nominee registrations and direct foreign shareholders was 30.5% (2018: 30.8%

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## Shareholders, 31 December 2019

| Shareholders | No. of shares | Holding % |
|---|---|---|
| Finnish State | 450,932,988 | 50.76 |
| Ilmarinen Mutual Pension Insurance Company | 11,773,000 | 1.33 |
| Varma Mutual Pension Insurance Company | 8,921,167 | 1.00 |
| The Finnish Social Insurance Institution | 7,030,896 | 0.79 |
| Kurikan Kaupunki | 6,203,500 | 0.70 |
| The State Pension Fund | 4,600,000 | 0.52 |
| Elo Mutual Pension Insurance Company | 4,530,000 | 0.51 |
| OP-Finland | 2,867,011 | 0.32 |
| Danske Invest Finnish Equity Fund | 2,150,000 | 0.24 |
| Schweizerische Nationalbank | 2,029,745 | 0.23 |
| Säästöpankki Kotimaa Mutual Fund | 1,222,017 | 0.14 |
| Nordea Pro Finland Fund | 1,161,013 | 0.13 |
| OP-Henkivakuutus Ltd. | 909,824 | 0.10 |
| Finnish Cultural Foundation | 821,611 | 0.09 |
| Nominee registrations and direct foreign ownership [1] | 268,856,293 | 30.27 |
| Other shareholders in total | 114,285,400 | 12.87 |
| **Total number of shares** | **888,294,465** | **100.00** |

1) Excluding Schweizerische Nationalbank

| By shareholder category | % of total amount of shares |
|---|---|
| Finnish shareholders | |
| Corporations | 1.30 |
| Financial and insurance institutions | 1.72 |
| General government | 55.80 |
| Non-profit organisations | 1.21 |
| Households | 9.48 |
| Non-Finnish shareholders | 30.50 |
| **Total** | **100.00** |

## Breakdown of share ownership, 31 December 2019

| Number of shares owned | No. of shareholders | % of shareholders | No. of shares |
|---|---|---|---|
| 1–100 | 42,657 | 32.97 | 2,159,339 |
| 101–500 | 48,493 | 37.48 | 12,845,972 |
| 501–1,000 | 18,443 | 14.26 | 13,578,106 |
| 1,001–10,000 | 18,745 | 14.49 | 48,643,484 |
| 10,001–100,000 | 961 | 0.74 | 21,245,211 |
| 100,001–1,000,000 | 68 | 0.02 | 19,012,711 |
| 1,000,001–10,000,000 | 10 | 0.01 | 40,715,349 |
| over 10,000,000 | 2 | 0.00 | 462,705,988 |
| | **129,379** | **100.00** | **620,906,160** |
| In the joint book-entry account and in special accounts on 31 December | | | 596 |
| Nominee registrations | | | 267,387,709 |
| **Total** | | | **888,294,465** |

## Management shareholding 31 December 2019

At the end of 2019, the President and CEO and other members of the Fortum Executive Management 263,002 shares (2018: 193,227) representing approximately 0.03% (2018: 0.02%) of the total shares i

A full description of the shareholdings and interests in long-term incentive schemes of the Presid and other members of the Fortum Executive Management is shown in ▸ **Note 11** Employee benefits remuneration.

## Authorisations from the Annual General Meeting 2019

In 2019, 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 c to approximately 2.25% of all the shares in the company. The authorisation is effective for a period from the resolution of the General Meeting. The authorisation had not been used by the end of 201

## Dividend policy

The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, s by the company's long-term strategy that aims at increasing earnings per share and thereby the divid 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 target is to pay a stable, sust time increasing dividend, in the range of 50–80% of earnings per share, excluding one-off items.

Årsregnskap regnskapsåret 2019 for 885361102

## Dividend distribution proposal

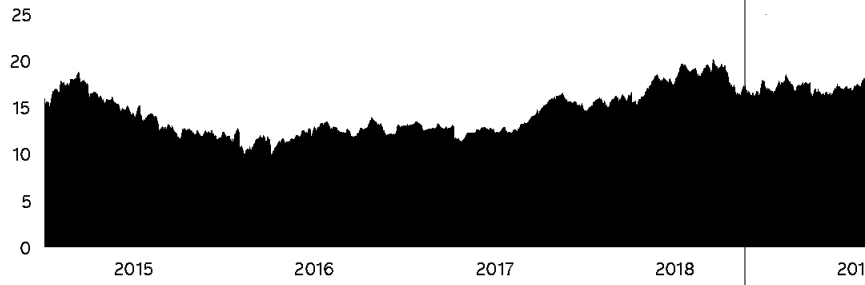
The distributable funds of Fortum Corporation as at 31 December 2019 amounted to EUR 4,219,128,198.51 including the profit of the financial period 2019 of EUR 213,409,797.80. The company's liquidity is good and the dividend proposed by the Board of Directors will not compromise the company's liquidity.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for 2019.

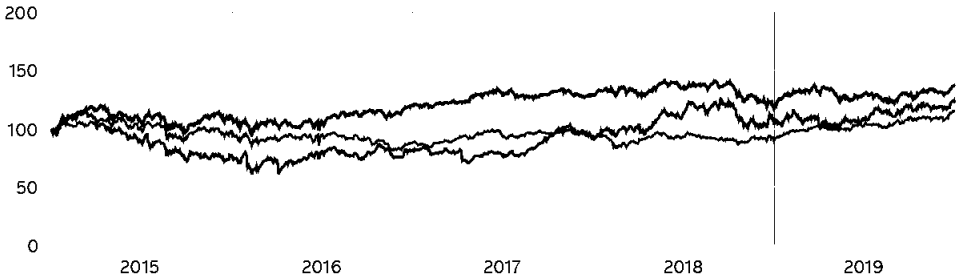
Based on the number of registered shares as at 5 February 2020 the total amount of dividend would be EUR 977,123,911.50. The Board of Directors proposes, that the remaining part of the distributable funds be retained in the shareholders' equity.

The Annual General Meeting will be held on 17 March 2020 at 11:00 EET at Finlandia Hall in Helsinki.

**Market capitalisation, EUR billion**

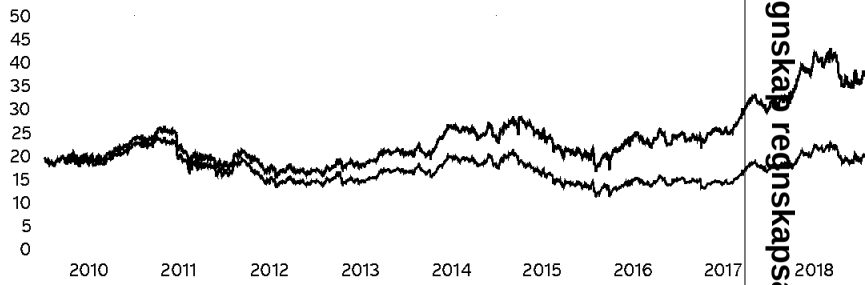



**Share quotations, index 100 = quote on 2 January 2015**




— Fortum — OMXHCap — DJ STOXX

**Total shareholder return, EUR**




— Fortum's share price, (EUR 22.00)
— Fortum's total shareholder return, EUR 43.96 (dividends reinvested)

Årsregnskap regnskapsåret 2019 for 885361102

# Consolidated income statement

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| Sales | 6 | 5,447 | 5,242 |
| Other income | 9 | 110 | 130 |
| Materials and services | 10 | -2,721 | -2,795 |
| Employee benefits | 11 | -480 | -459 |
| Depreciation and amortisation | 6, 17, 18 | -575 | -536 |
| Other expenses | 9 | -591 | -594 |
| **Comparable operating profit** | 6 | **1,191** | **987** |
| Items affecting comparability | 7 | -81 | 151 |
| **Operating profit** | 6 | **1,110** | **1,138** |
| Share of profit of associates and joint ventures | 6, 19 | 744 | 38 |
| Interest expense | | -167 | -148 |
| Interest income | | 28 | 34 |
| Fair value gains and losses on financial instruments | 8 | 8 | -8 |
| Other financial expenses - net | | 6 | -15 |
| Finance costs - net | 12 | -125 | -136 |
| **Profit before income tax** | | **1,728** | **1,040** |
| Income tax expense | 13 | -221 | -181 |
| **Profit for the year** | | **1,507** | **858** |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent | | 1,482 | 843 |
| Non-controlling interests | | 25 | 15 |
| | | **1,507** | **858** |
| **Earnings per share for profit attributable to the equity owners of the company (EUR per share)** | 14 | | |
| Basic | | 1.67 | 0.95 |

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

| EUR million | Note | 2019 |
|---|---|---|
| **Comparable operating profit** | | **1,191** |
| Impairment charges | | |
| Capital gains and other | | |
| Changes in fair values of derivatives hedging future cash flow | 8 | |
| Nuclear fund adjustment | | |
| **Items affecting comparability** | 6, 7 | |
| **Operating profit** | | **1,110** |

See ▸ **Definitions for key ratios**

Årsregnskap regnskapsåret 2019 for 885361102

# Consolidated statement of comprehensive income

| EUR million | Notes | 2019 | 2018 |
|---|---|---|---|
| **Profit for the year** | | **1,507** | **858** |
| | | | |
| **Other comprehensive income** | | | |
| | | | |
| **Items that may be reclassified to profit or loss in subsequent periods:** | | | |
| Cash flow hedges | | | |
| Fair value gains/losses in the year | | 82 | -778 |
| Transfers to income statement | | 635 | 15 |
| Transfers to inventory/property, plant and equipment | | -4 | -2 |
| Deferred taxes | | -151 | 162 |
| Net investment hedges | | | |
| Fair value gains/losses in the year | | -24 | 32 |
| Deferred taxes | | 5 | -6 |
| Exchange differences on translating foreign operations | 4.6 | 259 | -525 |
| Share of other comprehensive income of associates and joint ventures | 19 | 72 | -37 |
| Other changes | | 5 | 0 |
| | | **877** | **-1,141** |
| | | | |
| **Items that will not be reclassified to profit or loss in subsequent periods:** | | | |
| Actuarial gains/losses on defined benefit plans | 31 | -21 | 3 |
| Actuarial gains/losses on defined benefit plans in associates and joint ventures | | -208 | 43 |
| | | **-229** | **46** |
| | | | |
| **Other comprehensive income for the year, net of deferred taxes** | | **649** | **-1,094** |
| **Total comprehensive income for the year** | | **2,155** | **-236** |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | 2,120 | -239 |
| Non-controlling interests | | 36 | 3 |
| | | **2,155** | **-236** |

Other comprehensive income (OCI) includes items of income and expense that are recognised in equity ar recognised in the consolidated income statement. They include unrealised items, such as fair value gains a on financial instruments hedging future cash flows. These items will be realised in the Consolidated incom when the underlying hedged items is recognised. OCI also includes gains and losses on fair valuation of otl investments, actuarial gains and losses from defined benefit plans, items on comprehensive income in ass companies and translation differences.

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

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

Årsregnskap regnskapsåret 2019 for 885361102

# Consolidated balance sheet

| EUR million | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 17 | 1,143 | 1,087 |
| Property, plant and equipment and right-of-use assets | 18 | 10,123 | 9,981 |
| Participations in associates and joint ventures | 19 | 6,435 | 5,978 |
| Share in State Nuclear Waste Management Fund | 29 | 813 | 899 |
| Other non-current assets | 20 | 151 | 139 |
| Deferred tax assets | 28 | 77 | 70 |
| Derivative financial instruments | 4 | 180 | 229 |
| Long-term interest-bearing receivables | 21 | 651 | 683 |
| **Total non-current assets** | | **19,571** | **19,065** |
| | | | |
| **Current assets** | | | |
| Inventories | 22 | 230 | 233 |
| Derivative financial instruments | 4 | 131 | 326 |
| Short-term interest-bearing receivables | 21 | 384 | 409 |
| Income tax receivables | 28 | 133 | 172 |
| Trade and other receivables | 23 | 1,176 | 1,620 |
| Deposits and securities (maturity over three months) | | 76 | 29 |
| Cash and cash equivalents | | 1,356 | 557 |
| Liquid funds | 24 | 1,433 | 584 |
| **Total current assets** | | **3,486** | **3,344** |
| | | | |
| **Assets held for sale** | 3 | **307** | **-** |
| | | | |
| **Total assets** | | **23,364** | **22,409** |

| EUR million | Note | 31 Dec 20 |
|---|---|---|
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | 25 | 3,0 |
| Share premium | | |
| Retained earnings | | 9,9 |
| Other equity components | | -1 |
| **Total** | | **12,9** |
| Non-controlling interests | 26 | 2 |
| **Total equity** | | **13,2** |
| | | |
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Interest-bearing liabilities | 27 | 6,1 |
| Derivative financial instruments | | 1 |
| Deferred tax liabilities | 2 | 8 |
| Nuclear provisions | 2 | 8 |
| Other provisions | 3 | |
| Pension obligations | 3 | 1 |
| Other non-current liabilities | 3 | 1 |
| **Total non-current liabilities** | | **8,3** |
| | | |
| **Current liabilities** | | |
| Interest-bearing liabilities | 2 | 5 |
| Derivative financial instruments | | 2 |
| Trade and other payables | 3 | 9 |
| **Total current liabilities** | | **1,7** |
| | | |
| **Liabilities related to assets held for sale** | | |
| | | |
| **Total liabilities** | | **10,1** |
| | | |
| **Total equity and liabilities** | | **23,3** |

Årsregnskap regnskapsåret 2019 for 885361102

# Consolidated statement of changes in total equity

| | | | | Retained earnings | | Other equity components | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **EUR million** | **Note** | **Share capital** | **Share premium** | **Retained earnings and other funds** | **Translation of foreign operations** | **Cash flow hedges** | **Other OCI items** | **OCI items associates and joint ventures** | **Owners of the parent** | **Non-controlling interests** |
| **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 | 14 | | | -977 | | | | | -977 | -23 |
| Other | | | | -2 | | | | | -2 | 4 |
| **BS Equity 31 December 2019** | | **3,046** | **73** | **12,441** | **-2,459** | **-70** | **60** | **-108** | **12,982** | **252** |
| **BS Equity 31 December 2017** | | **3,046** | **73** | **12,062** | **-2,187** | **-40** | **70** | **24** | **13,048** | **239** |
| Impact from change in accounting principle (IFRS 9 and 15) | | | | 7 | | | | | 7 | |
| **Equity 1 January 2018** | | **3,046** | **73** | **12,069** | **-2,187** | **-40** | **70** | **24** | **13,055** | **239** |
| Net profit for the year | | | | 843 | | | | | 843 | 15 |
| Translation differences | | | | | -519 | 0 | 1 | -1 | -518 | -7 |
| Other comprehensive income | | | | 0 | | -599 | 28 | 6 | -564 | -5 |
| Total comprehensive income for the year | | | | 843 | -519 | -598 | 29 | 6 | -239 | 3 |
| Cash dividend | 14 | | | -977 | | | | | -977 | -6 |
| Other | | | | 2 | | | | | 2 | 0 |
| **BS Equity 31 December 2018** | | **3,046** | **73** | **11,937** | **-2,705** | **-638** | **99** | **30** | **11,841** | **236** |

## Translation differences

Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are recognised in equity. Translation differences impacted equity attributable to owners of the parent company with EUR 253 million during 2019 (2018: -518). Translation differences are mainly related to RUB and SEK. Part of this translation exposure has been hedged and the foreign currency hedge result, amounting to EUR -14 million (2018: 24), is included in other OCI items.

For information regarding exchange rates used, see ▸ **Note 1** Significant accounting policies. For information about translation exposure see ▸ **Note 4.6** Interest rate risk and currency risk.

## Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, E
(2018: -598), mainly relates to fair valuation of derivatives, such as futures and forwards, hedging e
price for future transactions, where hedge accounting is applied. When electricity price is higher (lo
hedging price, the impact on equity is negative (positive).

## Cash dividends

A dividend for 2018 was decided in the Annual General Meeting on 26 March 2019 and paid on 4 .
See ▸ **Note 14** Earnings and dividend per share.

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# Consolidated cash flow statement

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| **Profit for the year** | | **1,507** | **858** |
| **Adjustments:** | | | |
| Income tax expense | | 221 | 181 |
| Finance costs - net | | 125 | 136 |
| Share of profit of associates and joint ventures | | -744 | -38 |
| Depreciation and amortisation | | 575 | 536 |
| **Operating profit before depreciations (EBITDA)** | | **1,685** | **1,674** |
| Items affecting comparability | | 81 | -151 |
| **Comparable EBITDA** | | **1,766** | **1,523** |
| Non-cash flow items | | -1 | -90 |
| Interest received | | 29 | 23 |
| Interest paid | | -177 | -171 |
| Dividends received | | 239 | 61 |
| Realised foreign exchange gains and losses | | 14 | 231 |
| Income taxes paid | | -165 | -94 |
| Other items | | -13 | -9 |
| **Funds from operations** | | **1,691** | **1,474** |
| Change in settlements for futures | | 356 | -524 |
| Change in working capital | | **-33** | -146 |
| **Net cash from operating activities** | | **2,015** | **804** |
| | | | |
| **Cash flow from investing activities** | | | |
| Capital expenditures | 17, 18 | -695 | -579 |
| Acquisitions of shares | 6 | -107 | -4,088 |
| Proceeds from sales of fixed assets | | 35 | 38 |
| Divestments of shares | | 53 | 259 |
| Shareholder loans to associated companies and joint ventures | | 9 | -24 |
| Change in cash collaterals and restricted cash | | 311 | -36 |
| Change in other interest-bearing receivables | | 25 | 31 |
| **Net cash used in investing activities** | | **-369** | **-4,398** |

| EUR million | Note | 20 |
|---|---|---|
| **Cash flow before financing activities** | | **1,6** |
| | | |
| **Cash flow from financing activities** | | |
| Proceeds from long-term liabilities | | 2,8 |
| Payments of long-term liabilities | | -2,5 |
| Change in short-term liabilities | | - |
| Dividends paid to the owners of the parent | 14 | -9 |
| Dividends paid to non-controlling interests | | - |
| Other financing items | | |
| **Net cash from/used in financing activities** | | **-8** |
| | | |
| **Total net increase(+)/decrease(-) in liquid funds** | | **8** |
| | | |
| **Liquid funds at the beginning of the year** | | **5** |
| Foreign exchange differences in liquid funds | | |
| **Liquid funds at the end of the year** [1] | 2 | **1,4** |

1) Includes cash balances of EUR 2 million relating to assets held for sale at 31 December 2019. See ▸ **Note 3** Acqui ons, dispos for sale.

Realised foreign exchange gains and losses relate mainly to financing of Fortum's Russian and Swe h subsidia that the Group's main external financing currency is EUR. The foreign exchange gains and losses a se from roll exchange contracts hedging these internal loans as major part of the forwards are entered into wit hort mat than twelve months.

In Fortum's cash flow statement the daily cash settlements for futures are shown in cash flow from erating a the changes in cash collaterals for forwards are included in cash flow from investing activities. The ily cash se included in trade and other receivables and the cash collaterals are included in the short-term inter t-bearing see ▸ **Note 21** Interest-bearing receivables for additional information.

Capital expenditures in cash flow do not include not yet paid investments. Capitalised borrowing c s are pres interest paid.

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## Change in net debt

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| **Net debt 1 January** | | **5,509** | **988** |
| Impact from change in accounting principle (IFRS 16 and IFRS 9) | | 99 | 1 |
| Foreign exchange rate differences | | -51 | 15 |
| Comparable EBITDA | | 1,766 | 1,523 |
| Non-cash flow items | | -1 | -90 |
| Paid net financial costs | | -142 | 77 |
| Dividends received | | 239 | 61 |
| Income taxes paid | | -165 | -94 |
| Change in settlements for futures and working capital | | 323 | -670 |
| Capital expenditures | | -695 | -579 |
| Acquisitions | | -107 | -4,088 |
| Divestments and proceeds from sale of fixed assets | | 88 | 298 |
| Shareholder loans to associated companies | | 9 | -24 |
| Change in other interest-bearing receivables | | 336 | -5 |
| Dividends to the owners of the parent | | -977 | -977 |
| Dividends to non-controlling interests | | -23 | -5 |
| Other financing activities | | -4 | -7 |
| Net cash flow (- increase in net debt) | | 646 | -4,580 |
| Impact of non-cash collateral arrangement | | 281 | - |
| Fair value change of bonds, amortised cost valuation, acquired debt and other changes | | 68 | -75 |
| **Net debt 31 December** | 27 | **5,260** | **5,509** |

# Additional cash flow information

## Change in working capital

| EUR million | 2019 | 2018 |
|---|---|---|
| Change in interest-free receivables, decrease(+)/increase(-) | 63 | -186 |
| Change in inventories, decrease(+)/increase(-) | 4 | -3 |
| Change in interest-free liabilities, decrease(-)/increase(+) | -100 | 43 |
| **CF Total** | **-33** | **-146** |

## Capital expenditure in cash flow

| EUR million | Note | 2 |
|---|---|---|
| Capital expenditure | 6 | 7 |
| Change in not yet paid investments, decrease(+)/increase(-) | | |
| Capitalised borrowing costs | | |
| **CF Total** | | **6** |

Capital expenditures for intangible assets and property, plant and equipment were in 2019 EUR 71 584). Capital expenditure in cash flow in 2019 EUR 695 million (2018: 579) is including payments re expenditure made in previous year i.e. change in trade payables related to investments EUR -9 milli and excluding capitalised borrowing costs EUR -9 million (2018: -10), which are presented in interes

See also information about the investments by segments and countries in ▸ **Note 6** Segment rep

## Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 107 million during 2019 (2018: 4,088 of shares during 2018 include mainly the acquisition of shares in Uniper SE. For further information Acquisitions, disposals and assets held for sale.

## Divestment of shares in cash flow

| EUR million | Note | 2 |
|---|---|---|
| Proceeds from sales of subsidiaries, net of cash disposed | | |
| Proceeds from sales of associates and joint ventures | 19, | |
| Proceeds from sales of other investments | | |
| **CF Total** | | |

During 2019 there were no material divestments. For further information regarding divestments du ▸ **Note 3** Acquisitions and disposals and assets held 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.

The operations of Fortum Corporation and its subsidiaries (together the Fortum Group) focus on the Nordic and Baltic countries, Russia and Poland. Fortum's activities cover generation and sale of electricity, generation, distribution and sale of heat, and energy-related expert services. In addition Fortum has major shareholdings including a 49.99% participation in Uniper SE.

These financial statements were approved by the Board of Directors on 5 February 2020.

## 1.2 Basis of preparation

The consolidated financial statements of Fortum Group for the year ended 31 December 2019 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) 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.

### 1.2.1 Measures for performance

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

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

Items classified as Items affecting comparability include accounting effects from valuation according to IFRS not arising from the performance of business operations. Such items include fair valuation of financial derivatives hedging future cash flows where hedge accounting is not applied according to IFRS 9, Financial Instruments; and the effects from accounting for Fortum's share of the State Nuclear Waste Fund where the asset on the balance sheet cannot exceed the related provision according to IFRIC 5, Rights to Interests Arising from Dec Restoration and Environmental Rehabilitation Funds. Further, business performance of operations ca compared from one period to another without adjusting for one-time items relating to capital gains impairments and transaction costs arising from acquisitions. Such items are also treated as Items a comparability. According to IFRS 3, Business Combinations, transaction costs related to the acquist subsidiary shares are recognised in the consolidated income statement. Such costs are presented i and other within Items affecting comparability. The main business performance measurements have consistently since 2005.

Definitions are presented in the section ▸ **Definitions of key figures**.

## 1.3 Principles for consolidation

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

Fortum Group was formed in 1998 by using the pooling-of-interests method for consolidating Fo and Heat Oy and Fortum Oil and Gas Oy (the latter demerged to Fortum Oil Oy and Fortum Heat a 1 May 2004). In 2005 Fortum Oil Oy (current Neste Oyj) was separated from Fortum by distributing shares to Fortum's shareholders and by selling the remaining 15%. This means that the acquisition Power and Heat Oy and Fortum Heat and Gas Oy has been eliminated against the share capital of 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 i or has rights to, variable returns from its involvement with the entity and has the ability to affect th through its power over the entity.

Acquisition of subsidiaries are accounted for using the acquisition method. The consideration tra measured as the aggregate of acquisition date fair values of assets given and liabilities incurred or a Identifiable assets acquired and liabilities assumed are measured initially at acquisition date fair valu of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the assets of the subsidiary acquired, the difference is recognised directly in the consolidated income s

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and consolidated from the date that control ceases.

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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.

The Fortum Group subsidiaries are disclosed in ▸ **Note 40** Subsidiaries by segment on 31 December 2019.

### 1.3.2 Associates

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's interests in associated companies are accounted for using the equity method of accounting. See ▸ **Note 19** Participations in associated companies and joint ventures.

### 1.3.3 Joint ventures

Joint ventures are arrangements in which the Group has joint control. Joint ventures are accounted for using the equity method of accounting. See ▸ **Note 19** Participations in associated companies and joint ventures.

### 1.3.4 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the equity of the owners of the parent company. Non-controlling interests are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. See ▸ **Note 26** Non-controlling interests.

## 1.4 Foreign currency transactions and translation

### 1.4.1 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.

### 1.4.2 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 financial income or expenses, except when deferred to equity as qualifying cash flow hedges. Translation differences o assets through other comprehensive income are included in Other equity components in equity.

### 1.4.3 Group companies

Income statement and cash flow statement of subsidiaries, whose functional currencies are not eur translated into euro using the average exchange rates; whereas the balance sheets of such subsidia translated into euro using the closing exchange rates on the balance sheet date. On consolidation, differences arising from the translation of the net investment in foreign entities, and of borrowings currency instruments designated as hedges for such investments, are taken to equity. When a forei sold, such exchange differences are recognised in the consolidated income statement as part of th on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated 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 Ba closing date. The annual average exchange rate is calculated as an average of each month's end rat European Central Bank and the end rate of the previous year.

**Key exchange rates in Fortum's consolidated financial statements**

| | | Average rate | | Balance shee |
|---|---|---|---|---|
| | Currency | 2019 | 2018 | 31 Dec 2019 |
| Sweden | SEK | 10.5572 | 10.2591 | 10.4468 |
| Norway | NOK | 9.8524 | 9.6432 | 9.8638 |
| Poland | PLN | 4.2992 | 4.2614 | 4.2568 |
| Russia | RUB | 72.7949 | 73.8035 | 69.9563 |

### 1.4.4 Associates and joint ventures

The Group's interests in associated companies and joint ventures are accounted for by the equity m Associates and joint ventures, whose measurement and reporting currencies are not euro are trans Group reporting currency using the same principles as for subsidiaries.

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## 1.5 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 |
|---|---|---|---|
| Segment reporting | 6 | Segment reporting | IFRS 8, IFRS 15 |
| Revenue recognition | 6, 23 | Segment reporting and Trade and other receivables | IFRS 15 |
| Government grants | 18 | Property, plant and equipment and Right-of-use Assets | IAS 20 |
| Share-based payments | 11 | Employee benefits and Board remuneration | IFRS 2 |
| Income taxes | 28 | Income taxes on the balance sheet | IAS 12 |
| Joint arrangements | 19 | Participations in associated companies and joint ventures | IFRS 11, IAS 28, IFRS 12 |
| Investments in associates | 19 | Participations in associated companies and joint ventures | IAS 28, IFRS 12 |
| Other shares and participations | 15, 20 | Financial assets and liabilities by categories and Other non-current assets | IAS 32, IAS 36, IFRS 9 |
| Intangible assets | 17 | Intangible assets | IAS 38 |
| Tangible assets | 18 | Property, plant and equipment and Right-of-use Assets | IAS 16, IAS 36, IAS 40 |
| Leases | 34 | Leases | IFRS 16 |
| Inventories | 22 | Inventories | IAS 2 |
| Earnings per share | 14 | Earnings and dividend per share | IAS 33 |
| Pensions and similar obligations | 31 | Pension obligations | IAS 19 |
| Decommissioning obligations for the nuclear plant and spent fuel | 29 | Nuclear related assets and liabilities | IFRIC 5 |
| Provisions | 30 | Other provisions | IAS 37 |
| Contingent liabilities | 36 | Pledged assets and contingent liabilities | IAS 37 |
| Financial instruments | 4, 15, 16 | 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 |
| Liquid funds | 24 | Liquid funds | IAS 7 |
| Borrowings | 27 | Interest-bearing liabilities | IFRS 9 |

## 1.6 New accounting standards, amendments and interpretations

Fortum adopted IFRS 16, Leases on 1 January 2019. Other new standards, amendments and interp
effective from 1 January 2019 did not have a material impact on Fortum's consolidated financial sta

| IFRS 16 Leases | |
|---|---|
| Nature of change | IFRS 16 Leases replaced IAS 17 Leases and specifies how to recognise, measure, present a leases. The standard provides a single lessee accounting model, requiring lessees to reco liabilities for most leases on the balance sheet as the distinction between operating and f removed. For lessors, there are no significant changes. |
| Date of adoption and transition method | Fortum adopted IFRS 16 on 1 January 2019 using the modified retrospective method. In ac the IFRS 16 transition guidance, comparatives were not restated. Right-of-use assets were equal to the value of lease liabilities, adjusted by the amount of any prepaid or accrued lea recognised on the balance sheet before initial application.<br><br>IFRS 16 allows certain practical expedients to simplify the initial adoption of IFRS 16, as we ongoing application of IFRS 16. On adoption, Fortum adjusted the right-of-use assets by t onerous lease contract provisions recognised on the consolidated balance sheet. In accord 37, Provisions, Contingent Liabilities and Contingent Assets. On an ongoing basis, Fortum exemption of not recognising short-term leases and leases of low value assets in the con sheet. |

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Impact

The adoption of IFRS 16 had the following impact on the consolidated opening balance sheet:

**Consolidated balance sheet**

| EUR million | 31 Dec 2018 (IAS 17) | Capitalisation of leases | Other | 1 Jan 2019 (IFRS 16) |
|---|---|---|---|---|
| Property, plant and equipment and right-of-use assets | 9,981 | 96 | | 10,077 |
| Other non-current assets | 139 | | -1 | 138 |
| **Total assets** | **22,409** | **96** | **-1** | **22,504** |
| Interest-bearing liabilities | 6,093 | 99 | | 6,192 |
| Other provisions | 91 | | -3 | 88 |
| Trade and other payables | 1,058 | | -1 | 1,057 |
| **Total equity and liabilities** | **22,409** | **99** | **-4** | **22,504** |

Reconciliation of lease liabilities and operating lease commitments on transition is presented below:

| EUR million | |
|---|---|
| **Operating lease commitments 31 December 2018** | **216** |
| Leases not yet commenced but to which Fortum is committed | -41 |
| Leases with variable payments not included in the measurement of lease liabilities | -16 |
| Exempted from recognition | -12 |
| Discounting effect | -28 |
| Other changes | -20 |
| **Lease liabilities 1 January 2019** | **99** |

The majority of right-of-use assets are office buildings and land areas. No new leases were identified as leases according to IFRS 16.

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was 1.9%.

See ▸ **Note 34** Leases for lease accounting policy and required ongoing disclosures.

## Other new standards and interpretations

### Physical settlement of contracts to buy or sell a non-financial item (IFRS 9)

In March 2019, IFRIC published an agenda decision on Physical settlement of contracts to buy or s
financial item (IFRS 9). The decision clarifies how an entity applies IFRS 9 to fixed price contracts to
non-financial item that are fair valued through profit or loss even though the contract is physically s
published agenda decision discusses the presentation of these contracts in the income statement a
have an impact to net profit.

For Fortum the amount of contracts within the scope of the agenda decision is limited. Majority
physical contracts are used for own expected purchase, sale or usage requirements and therefore a
valued ("own use exemption" under IFRS 9). Physical contracts to buy or sell a non-financial item ar
through income statement when fair value option to off-set accounting mismatch is used, or when
exemption or hedge accounting cannot be applied. Effects are treated as changes in fair values of
hedging future cash flow and adjusted to sales and materials and services, EUR -31 million and EUR
respectively, when calculating Fortum's alternative performance measures.

### New standards, amendments and interpretations effective from 1 January 2020

Other new standards, amendments and interpretations issued by the balance sheet date and effec
1 January 2020, or later, are not expected to have a material impact on Fortum's consolidated finar
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 |
| Assigned values and useful lives determined for intangible assets and property, plant and equipment acquired in a business combination | 17, 18 | 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 | 17, 18 | 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 | 19 | Participations in associated companies and joint ventures |
| Assumptions and estimates regarding future tax consequences | 28 | Income taxes on the balance sheet |
| Assumptions made to determine long-term cash flow forecasts of estimated costs for provision related to nuclear production | 29 | Nuclear related assets and liabilities |
| Assumptions made when estimating provisions | 30 | Other provisions |
| Assumptions used to determine future pension obligations | 31 | Pension obligations |

# 3 Acquisitions, disposals and assets held for s

## ACCOUNTING POLICIES

### ASSETS HELD FOR SALE

Assets or disposal groups are classified as assets held for sale if their carrying amounts will be recovered pri
a sale transaction rather than through continuing use. For this to be the case, the asset, or the disposal grou
available for immediate sale in its present condition subject only to terms that are usual and customary for sa
assets or disposal groups, and the sale must be highly probable. These assets, or in the case of disposal grou
liabilities, are presented separately on the consolidated balance sheet and measured at the lower of the carr
fair value less costs to sell. Assets classified as held for sale, or included in a disposal group classified as held
depreciated.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: UNIPER PURCHASE PRICE ALLOCATION

Preparing purchase price allocation requires management to make judgements when determining the fair va
and liabilities acquired. In Uniper transaction the purchase price allocation has been based on publicly availa
since Uniper is a listed company and a competitor of Fortum. Due to the unique circumstances, preparing the
allocation has required management judgement.

## 3.1 Acquisitions

| EUR million | 20 |
|---|---|
| Gross investments in shares in subsidiary companies | |
| Gross investments in shares in associated companies and joint ventures | |
| Gross investments in other shares | |
| **Total** | 1 |

### 3.1.1 Uniper investment

In September 2017, Fortum signed a transaction agreement with E.ON under which E.ON had the r
to tender its 46.65% shareholding in Uniper SE into Fortum's public takeover offer. In November 20
launched a voluntary public takeover offer ("offer") to all Uniper shareholders. On 8 January 2018, E
tender its shares to Fortum's offer. In February 2018, Fortum announced that shareholders represe
the shares in Uniper had accepted the offer. The completion of Fortum's offer was subject to severa
and regulatory approvals. The final regulatory decisions were received 15 June 2018. In line with th

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regulatory approvals, Fortum is allowed to purchase additional shares up to 50% of shares and voting rights in Uniper. The final settlement of the offer took place on 26 June 2018.

The shareholders who tendered their shares to Fortum's offer were paid EUR 21.31 per share. The shareholders also benefitted from Uniper's dividend that was paid following the Annual General Meeting in early June 2018. Fortum paid a total consideration of EUR 3.7 billion for all shares tendered. The total consideration was financed with existing cash resources of EUR 1.95 billion and bridge loan financing from committed credit facilities of EUR 1.75 billion. On 26 June 2018, Fortum closed the Uniper offer and became the company's largest shareholder with 47.35% of the shares. Since then Fortum acquired additional shares in Uniper and held 49.99% of the shares at 31 December 2018. There has been no change in the ownership during 2019.

On 8 October 2019, Fortum entered into agreements to acquire all the shares held by funds managed by Elliott Management Corporation and its affiliates ("Elliott") and Knight Vinke Energy Advisors Limited and its affiliates ("Knight Vinke"), a total in excess of 20.5%. Fortum will pay approximately EUR 2.3 billion for the combined shareholding, corresponding to EUR 29.93 per share. Upon closing of the transactions, Fortum's share in Uniper will increase to more than 70.5% and the total investment in Uniper to approximately EUR 6.2 billion, representing an average acquisition price of EUR 23.97 per share. On 30 December 2019, Fortum received regulatory clearance in the United States for the transaction. Closing of the transaction is still subject to customary merger control clearances in Russia, and is expected by the end of the first quarter of 2020. Fortum will fully consolidate Uniper as a subsidiary in its financial statements from closing of the transaction.

Uniper is an international energy company with activities in Europe, Russia and other markets worldwide. Uniper's businesses are well aligned with Fortum's core competencies. The company operates power plants in Europe and Russia, with a total installed generation capacity of around 36 gigawatts, and it runs extensive energy trading operations as well as maintains gas storage facilities in Germany, Austria and the UK.

In 2018, Uniper's sales totaled EUR 78.2 billion and adjusted EBITDA was EUR 1.5 billion. Uniper employs around 12,000 people and had total assets of EUR 51 billion at the end of 2018. Uniper is listed on the Frankfurt stock exchange.

Fortum consolidates Uniper as an associated company from 30 June 2018 with three months time lag. For additional information see ▸ **Note 19** Participations in associated companies and joint ventures.

| **Uniper purchase price allocation** | **EUR million** |
|---|---|
| Total acquisition cost | 3,968 |
| | |
| Acquired net assets at 30 June 2018 | 5,512 |
| Fortum's share of goodwill on the balance sheet of Uniper at 30 June 2018 | -930 |
| Fair value adjustment at 30 June 2018 | -613 |
| **Fair value of the acquired net assets at 30 June 2018** | **3,968** |

The purchase price allocation was finalised during Q2/2019. Uniper's balance sheet at 30 June 2 as the starting point for the purchase price allocation, however a fair value adjustment of EUR 613 been made for the acquired assets and liabilities. The total acquisition cost including direct costs re acquisition, EUR 3,968 million, is reported in the 'Participations in associates and joint ventures'.

Fortum's share of the goodwill on Uniper's balance sheet, EUR 930 million, is derecognised as it identifiable asset according to IFRS. Potential future impairments of goodwill (existing at 30 June 20 Uniper will thereby be reversed to Fortum's share of profits of associates and joint ventures.

Fair value adjustment, EUR 613 million, relates mainly to political and regulatory risks that are ref fair value of certain generation and production assets. The fair value adjustment will be reversed to profits of associates and joint ventures over a period of 20 years from 1 January 2019, approximate million on annual basis. If Uniper reports negative impacts relating to these generation and product Fortum will assess potential need to use this fair value adjustment to reverse these negative impact remaining fair value adjustment post tax at 31 December 2019 amounted to EUR 582 million.

Preparing purchase price allocation requires management to make judgements when determinin value of the assets and liabilities acquired. In Uniper transaction the purchase price allocation has b on publicly available information since Uniper is a listed company and a competitor of Fortum. Due circumstances, preparing the purchase price allocation has required management judgement.

For information about Fortum's share of profit from Uniper, see ▸ **Note 19** Participations in assoc companies and joint ventures. See also ▸ **Note 35** Capital and other commitments.

### 3.1.2 Acquisitions of subsidiary companies 2019

In May 2019, Fortum announced the restructuring of Fortum's and Skellefteå Kraft's ownership in t owned Swedish wind parks Solberg and Blaiken. Through an asset swap arrangement, Fortum beca sole owner of the 76-MW Solberg wind park and Skellefteå Kraft the sole owner of the 2[illegible]3-MW Bl park. Both the investments in Solberg and divestment of Blaiken includes shares and assets. The as arrangement was finalised in August 2019 and had only a minor impact on Fortum's cashflow and

### 3.1.3 Acquisitions of subsidiary companies 2018

In August 2018, Fortum acquired all shares of three independent Latvian heat producers SIA BK En Energy & Communication and SIA Sprino as well as the shares of SIA Lake Development. The acquir companies will continue to deliver heat to Daugavpil's municipal district heating company AS Daug Siltumtikli.

In October 2018, Fortum acquired the metal recycling business in Fincumet Group. In the transa acquired shares in three companies: Fincumet Oy, Niemen Romukauppa Oy and NJS-Pa[illegible]tti Oy.

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### 3.1.4 Other share transactions

In April 2017, Fortum and RUSNANO, a Russian state-owned development company, signed a 50/50 investment partnership in order to secure the possibility of a Russian Capacity Supply Agreement (CSA) wind portfolio in Russia. The wind investment fund 50/50 owned by Fortum and RUSNANO was awarded 1,000 MW wind capacity in Russian wind CSA auction in June 2017. The investments decisions will be made on a case-by-case basis within the total mandate of the wind investment fund. Fortum's equity stake in the wind investment fund totals a maximum of RUB 15 billion (EUR 214 million). The amount is invested over time (within approximately 5 years) as it is subject to positive investment decisions. During 2019 Fortum invested EUR 66 million (2018: 61) in the fund.

## 3.2 Disposals

| EUR million | 2019 | 2018 |
|---|---|---|
| Gross divestments of shares in subsidiary companies | 15 | 147 |
| Gross divestments of shares in associated companies and joint ventures | 10 | 160 |
| Gross divestments of other investments | 4 | 0 |
| **Total** | **30** | **306** |

### 3.2.1 Disposals of subsidiary companies

During 2019 there were no material divestments.

On 20 December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP are to acquire an 80% stake in Fortum's Nordic wind portfolio. The total consideration of the divestment of the 80% stake on a debt- and cash-free basis is expected to be approximately EUR 250 million (including Sørfjord wind park which is still under construction), of which EUR 170 million is related to the first quarter of 2020. The transaction is subject to regulatory approvals in the EU and is expected to close in the first quarter of 2020. The sale will have a minor positive effect on the Generation segment's first-quarter 2020 comparable operating profit.

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. See ▸ **Note 39** Events after the balance sheet date for additional information.

On 31 August 2018, Fortum sold a 54% share of its solar power company operating four solar power plants in India to UK Climate Investments (40%) and Elite Alfred Berg (14%). In line with Fortum's 'capital recycling' business model, the result from the transaction, EUR 26 million, is recognised in Other operations' Comparable operating profit. The total consideration from the divestment on a debt- and cash-free basis, including the effect of deconsolidating Fortum's minority part of the net debt, is EUR 147 million. In April 2019, Elite Alfred Berg used their option to buy an additional 2% from Fortum.

### Divestments of shares in subsidiaries - Impact on financial position

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

### 3.2.2 Other disposals

In August 2019, the restructuring of Fortum's and Skellefteå Kraft's ownership in the two jointly ow wind parks Solberg and Blaiken was finalised. See ▸ **Note 3.1.1** Aquisitions of subsidiary companies additional information.

In June 2018, Fortum sold its 10% ownership in Hafslund Produksjon Holding AS to Svartisen Ho Norwegian company owned by the Finnish energy companies Vantaan Energia Oy, Oy Turku Energi Ab and Oulun Seudun Sähkö. As part of the restructuring of the Hafslund ownership in 2017, Fortu ownership in Hafslund Produksjon. The sales price for the shares was EUR 160 million an Fortum b gain of EUR 77 million in the Generation segment 2018 results.

## 3.3 Assets held for sale

At 31 December 2019 assets relating to the disposal of Fortum's share in the Nordic wind portfolio, e Sørfjord wind park which is still under construction, (Generation segment) and assets relating to the d district heating business in Joensuu, Finland (City Solutions segment), have been classified as assets h

| EUR million |
|---|
| **Assets held for sale** |
| Intangible assets, property, plant and equipment and right-of-use assets |
| Other non-current and current assets |
| Liquid funds |
| **Total** |
| |
| **Liabilities related to assets held for sale** |
| Lease liabilities |
| Deferred tax liabilities |
| Other liabilities and provisions |
| **Total** |

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# 4 Financial risk management

Fortum's risk management framework, objectives, organisation 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).

## 4.1 Commodity market and fuel risks

Fortum's business is exposed to fluctuations in prices and volume of commodities used in the production and sales of energy products. The main exposure is toward electricity prices and volumes, prices of emissions and prices and availability of fuels. Fortum hedges its exposure to commodity market risks in accordance with approved Hedging Guidelines and Mandates.

## 4.2 Electricity price and volume risk

Electricity price risk in the Nordic region is mainly hedged by entering into electricity derivatives contracts on Nasdaq Commodities exchange. The main objective of hedging is to reduce the effect of electricity price volatility on earnings. Hedging strategies cover several years in the short to medium term and are executed within approved mandates. These 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. The currency component of these hedges in the Swedish entity is currently not hedged.

Fortum's sensitivity to the Nordic electricity market price is dependent on the hedge level for a given time period. As per 31 December 2019, approximately 75% of the Generation segment's estimated Nordic power sales volume was hedged for the calendar year 2020 with a price 34 EUR/MWh and approximately 40% for the calendar year 2021 with a price 33 EUR/MWh. Assuming no changes in production volumes, hedge ratios or cost structure a 1 EUR/MWh change in the market price of electricity would affect Fortum's 2020 comparable operating profit by approximately EUR 11 million and for 2021 by approximately EUR 27 million. The volume used in this sensitivity analysis is 45 TWh which includes the electricity production sold to the spot market in Sweden and Finland in the Generation segment without minority owner's shares of electricity or other pass-through sales, and excluding the volume of Fortum's coal-condensing generation. This volume is heavily dependent on price level, the hydrological situation, the length of annual maintenance periods and availability of power plants. Sensitivity is calculated only for electricity market price movements. Hydrological conditions, temperature, wind, $CO_2$ allowance prices, fuel prices, economic development, transmission capacity and the import/export situation all affect the electricity price on short-term basis and effects of individual factors cannot be separated.

In Russia, electricity prices are the main sources of market risk. The electricity price is highly corr
the gas price. Exposure is partly mitigated through regulated fixed-price bilateral agreements, but t
electricity sales is exposed to spot price risk.

### 4.2.1 Sensitivity arising from financial instruments according to IFRS 7

Sensitivity analysis shows the sensitivity arising from financial electricity derivatives as defined in IF
derivatives are used for hedging purposes within Fortum. Sensitivities are calculated based on 31 D
(31 December 2018) position. Positions are actively managed in the day-to-day business operations
the sensitivities vary from time to time. Sensitivity analysis includes only the market risks arising fro
i.e. the underlying physical electricity sales and purchases are not included. Sensitivity is calculated
assumption that electricity forward and futures quotations in Nasdaq Commodities and in EEX wou
EUR/MWh for the period Fortum has derivatives.

### Sensitivity according to IFRS 7

| +/- 1 EUR/MWh change in electricity forward and futures quotations, EUR million | Effec | 20 |
|---|---|---|
| Effect on Profit before income tax | -/ | |
| Effect on Equity | -/ | |

### 4.2.2 Electricity derivatives

The tables below disclose the Group's electricity derivatives used mainly for hedging electricity pric
values represent the values disclosed on the balance sheet.

See also ▸ **Note 15** Financial assets and liabilities by categories for accounting principles and bas
estimations and ▸ **Note 8** Fair value changes of derivatives and underlying items in income statemen

### Electricity derivatives by instrument 2019

| | Volume, TWh | | | | Fair value, EUR | |
|---|---|---|---|---|---|---|
| | Under 1 year | 1–5 years | Over 5 years | Total | Positiv | Negat |
| Electricity derivatives | 31 | 22 | 0 | 53 | 46 | 5 |
| **Total** | | | | | | |
| Netting against electricity exchanges [1] | | | | | -37 | -3 |
| **Total** | | | | | 9 | 1 |

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### Electricity derivatives by instrument 2018

| | Volume, TWh | | | | Fair value, EUR million | | |
|---|---|---|---|---|---|---|---|
| | Under 1 year | 1–5 years | Over 5 years | Total | Positive | Negative | Net |
| Electricity derivatives | 29 | 26 | 0 | 55 | 848 | 1,712 | -864 |
| **Total** | | | | | | | |
| Netting against electricity exchanges [1] | | | | | -701 | -701 | 0 |
| **Total** | | | | | **147** | **1,011** | **-864** |

1) Receivables and liabilities against electricity exchanges arising from standard derivative contracts with same delivery period are netted.

### Maturity analysis of commodity derivatives

Amounts in the table are fair values.

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Under 1 year | 1–5 years | Over 5 years | Total | Under 1 year | 1–5 years | Over 5 years | Total |
| Electricity derivatives, liabilities | 147 | 52 | 0 | **199** | 706 | 305 | 0 | **1,011** |
| Electricity derivatives, assets | 82 | 13 | 0 | **95** | 94 | 53 | 0 | **147** |
| Other commodity derivatives, liabilities | 52 | 11 | 0 | **63** | 77 | 13 | 0 | **90** |
| Other commodity derivatives, assets | 34 | 10 | 0 | **44** | 116 | 24 | 0 | **140** |

## 4.3 Fuel price risks

Exposure to fuel prices is limited due to Fortum's flexible generation capacity, which allows for switching between different fuels according to prevailing market conditions. The remaining exposure to fuel price risk is mitigated through fixed-price physical delivery contracts or derivative contracts, such as coal and gas derivatives. These derivatives are included in the table above as part of "Other commodity derivatives".

## 4.4 Emission allowance price and volume risk

Part of Fortum's power and heat generation is subject to requirements of emission trading schemes. Fortum hedges its exposure to emission prices and volumes through the use of $CO_2$ futures. Most of these $CO_2$ futures are own use contracts valued at cost and some are treated as derivatives in the accounts included in the table above as part of "Other commodity derivatives".

## 4.5 Liquidity and refinancing risk

Fortum's business is capital intensive and the Group has a diversified loan portfolio mainly consistin term financing denominated in EUR. Long-term financing is primarily raised by issuing bonds under Medium Term Note programme as well as through bilateral and syndicated loan facilities from a var financial institutions.

Financing is primarily raised on parent company level and distributed internally through various i financing arrangements. For example Fortum's Russian operations are financed via intra group inter RUB denominated loans. The internal RUB loan receivables are hedged via external forward contrac the currency exposure for the internal lender. On 31 December 2019, 89% (2018: 95%) of the Grou external financing was raised by the parent company Fortum Corporation.

On 31 December 2019, the total interest-bearing debt was EUR 6,688 million (2018: 6,093). Interest- was EUR 5,260 million (2018: 5,509) including EUR 4 million relating to assets held for sale at 31 Decem

Fortum manages liquidity and refinancing risks through a combination of cash positions and com facility agreements with its core banks. The Group shall at all times have access to cash, marketabl unused committed credit facilities including overdrafts, to cover all loans maturing within the next t period. However, cash/marketable securities and unused committed credit facilities shall always am EUR 500 million.

On 31 December 2019, loan maturities for the coming twelve-month period amounted to EUR 5 (2018: 1,086). Liquid funds amounted to EUR 1,433 million (2018: 584).

In the fourth quarter of 2019, Fortum signed new committed credit facilities of an additional EUR the purchase of Uniper shares announced on 8 October 2019. At the end of December 2019, the c undrawn credit facilities amounted to EUR 10.1 billion (Dec 31 2018: 1.8). On 7 January 2020, Fortu EUR 3 billion of these new committed credit facilities.

### Maturity of loans

| EUR million |
|---|
| 2020 |
| 2021 |
| 2022 |
| 2023 |
| 2024 |
| 2025 and later |
| **Total** |

For more information on loans, see ▸ **Note 27** Interest-bearing liabilities.

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## Maturity of undiscounted lease liabilities

| EUR million | 2019 |
|---|---|
| Due within a year | 20 |
| Due after one year and within five years | 52 |
| Due after five years | 65 |
| **Total** | **137** |

For more information on leases, see ▸ **Note 34** Leases.

## Liquid funds, major credit lines and debt programmes 2019

| EUR million | Total facility | Drawn amount | Available amount |
|---|---|---|---|
| **Liquid funds** | | | |
| Cash and cash equivalents | | | 1,357 |
| Deposits and securities over 3 months | | | 76 |
| **Total** | | | **1,433** |
| of which in Russia (PAO Fortum) | | | 201 |
| **Committed credit lines** | | | |
| EUR 1,750 million syndicated credit facility | 1,750 | - | 1,750 |
| EUR 8,300 million syndicated credit facility [1] | 8,300 | - | 8,300 |
| Bilateral overdraft facilities | 50 | - | 50 |
| **Total** | **10,100** | **0** | **10,100** |
| | | | |
| **Debt programmes (uncommitted)** | | | |
| Fortum Corporation, CP programme EUR 1,000 million | 1,000 | 10 | 990 |
| Fortum Corporation, CP programme SEK 10,000 million | 957 | 0 | 957 |
| Fortum Corporation, EMTN programme EUR 8,000 million | 8,000 | 4,196 | 3,804 |
| **Total** | **9,957** | **4,206** | **5,751** |

1) In the fourth quarter of 2019, Fortum signed new committed credit facilities of an additional EUR 8.3 billion for the purchase of Uniper shares announced on 8 October 2019. On 7 January 2020, Fortum cancelled EUR 3.0 billion of these new committed credit facilities.

## Liquid funds, major credit lines and debt programmes 2018

| EUR million | Total facility | Dra amou |
|---|---|---|
| **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 | |
| Bilateral overdraft facilities | 50 | |
| **Total** | **1,800** | |
| | | |
| **Debt programmes (uncommitted)** | | |
| Fortum Corporation, CP programme EUR 500 million | 1,000 | 1 |
| Fortum Corporation, CP programme SEK 5,000 million | 975 | |
| Fortum Corporation, EMTN programme EUR 8,000 million | 8,000 | 2,4 |
| **Total** | **9,975** | **2,6** |

Liquid funds amounted to EUR 1,433 million (2018: 584), including PAO Fortum's cash and bank de amounting to EUR 201 million (2018: 317).

See also ▸ **Note 24** Liquid funds.

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### Maturity analysis of interest-bearing liabilities and derivatives

Amounts disclosed below are non-discounted expected cash flows (future interest payments and amortisations) of interest-bearing liabilities and interest rate and currency derivatives excluding leases.

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Under 1 year | 1–5 years | Over 5 years | Total | Under 1 year | 1–5 years | Over 5 years | Total |
| Interest-bearing liabilities | 661 | 3,207 | 3,333 | 7,201 | 1,212 | 3,616 | 1,792 | 6,620 |
| Interest rate and currency derivatives liabilities | 4,163 | 807 | 91 | 5,061 | 3,665 | 682 | 16 | 4,363 |
| Interest rate and currency derivatives receivables | -4,117 | -821 | -99 | -5,037 | -3,736 | -726 | -20 | -4,482 |
| **Total** | **707** | **3,193** | **3,325** | **7,225** | **1,141** | **3,572** | **1,788** | **6,501** |

On the balance sheet date, the average rate of outstanding currency and interest rate derivatives done in SEK and RUB was 10.534 and 71.230, respectively.

## 4.6 Interest rate risk and currency risk

### 4.6.1 Interest rate risk

Fortum risk mandates state that the average duration of the net debt portfolio shall always be kept within a range of 12 and 36 months and that the flow risk i.e. changes in interest rates shall not affect the net interest payments of the Group by more than EUR 50 million for the next rolling 12-month period. Within these mandates, strategies are evaluated and developed in order to find an optimal balance between risk and financing cost.

On 31 December 2019, the average duration of the net debt portfolio (including derivatives) was 2.6 years (2018: 1.6). Approximately 65% (2018: 79%) of the debt 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 net interest cost estimate and the worst-case scenario estimate for Fortum's net debt portfolio for the coming 12 months, was EUR 10 million (2018: 13).

The average interest rate for the portfolio consisting mainly of EUR loans and including derivatives was 1.6% at the balance sheet date (2018: 1.7%). Part of the external loans EUR 787 million (2018: 686) have been swapped to RUB and the average interest cost for these loans, including cost for hedging the RUB, was 7.8% at the balance sheet date (2018: 8.3%). The average interest rate on loans and derivatives on balance sheet date, 31 December 2019, was 2.3% (2018: 2.4%). Average interest rate on loans and derivatives for 2019 was 2.7% (2018: 3.0%).

The average interest rate on deposits and securities excluding Russian deposits on 31 December 2019 was -0.13% (2018: -0.11%). Liquid funds held by PAO Fortum amounted to EUR 201 million (2018: 317) and the average interest rate for this portfolio was 3.9% at the balance sheet date.

### 4.6.2 Currency risk

Fortum's policy is to hedge major transaction exposures on a local level in the reporting currency of entity in order to avoid exchange differences in the profit and loss statement. These exposures are with forward contracts. An exception is the Generation segment's hedging of power sales in Swede currency component is currently not hedged.

Translation exposures in the Fortum Group are generally not hedged as the majority of these ass considered to be long-term strategic holdings. In Fortum this means largely entities operating in Sw Norway and Poland, whose base currency is not euro.

The currency risk relating to transaction exposures is measured using absolute EUR equivalent ar each currency. The mandate for the open transaction exposure is EUR 50 million. On 31 December transaction exposure, excluding Generation segment's EUR/SEK exposure, was EUR 1 million (2018 translation exposure on 31 December 2019 was EUR 8,292 million (2018: 7,723).

Had EUR been 5% weaker/stronger on closing date, then the impact from transaction exposure t loss statement would have been EUR +0.04/-0.04 million (2018: +0.3/-0.3 million) and impact from exposure to group's equity EUR +414/-414 million (2018: +386/-386 million).

### Group Treasury's transaction exposure

| | 2019 | | | 2018 | |
|---|---|---|---|---|---|
| EUR million | Net Position | Hedge | Open | Net Position | Hed |
| RUB | 570 | -570 | 0 | 54 | -5 |
| SEK | 1,439 | -1,440 | -1 | 96 | -9 |
| PLN | 439 | -439 | 1 | 36 | -3 |
| NOK | 245 | -244 | 0 | 29 | -2 |
| INR | 132 | -132 | 0 | 9 | - |
| USD | -147 | 147 | 0 | -11 | 1 |
| Other | -4 | 5 | 1 | -1 | |
| **Total** | **2,674** | **-2,673** | **1** | **2,13** | **-2,1** |

Transaction exposure is defined as already contracted or forecasted foreign exchange dependent it cash flows. Transaction exposure is divided into balance sheet exposure and cash flow exposure. Ba exposure reflects currency denominated assets and liabilities for example loans, deposits and accou payable in currencies other than the company's base currency. Cash flow exposure reflects future f or contracted currency flows in foreign currency deriving from business activities such as sales, pur investments. Net foreign exchange differences from transaction exposure are entered under financ

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or expense when related to financial items or when related to accounts receivable/payable entered under items included in operating profit. Conversion differences related to qualifying cash flow hedges are deferred to equity.

Fortum's policy is to hedge balance sheet exposures in order to avoid exchange rate differences in the income statement. The Group's balance sheet exposure mainly relates to financing of non-euro subsidiaries and the fact that the Group's main external financing currency is EUR. For derivatives hedging this balance exposure Fortum does not apply hedge accounting, because they have a natural hedge in the income statement. Realized cash flows from derivatives however cause impact in group's consolidated cash flow statement. In 2019 positive effect was 14 million (2018: 231).

Contracted cash flow exposures shall be hedged to reduce volatility in future cash flows. These hedges normally consist of currency derivative contracts, which are matched against the underlying future cash flow according to maturity. Fortum has currency cash flow hedges both with and without hedge accounting treatment under IFRS. Those currency cash flow hedges, which do not qualify for hedge accounting are mainly hedging electricity derivatives. Unrealised hedges create volatility in the operating profit.

### Group translation exposure

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| EUR million | Net Investment | Hedge | Open | Net Investment | Hedge | Open |
| RUB | 2,612 | -222 | 2,391 | 2,364 | -144 | 2,220 |
| SEK | 3,964 | -144 | 3,821 | 3,704 | -244 | 3,460 |
| NOK | 1,662 | - | 1,662 | 1,625 | - | 1,625 |
| PLN | 266 | - | 266 | 291 | - | 291 |
| Other | 154 | - | 154 | 128 | - | 128 |
| **Total** | **8,656** | **-365** | **8,292** | **8,111** | **-388** | **7,723** |

Translation exposure position includes net investments in foreign subsidiaries and associated companies. Exchange differences arising from the translation of the net investment in foreign entities are taken to equity. The net effect of exchange differences on equity attributable to equity holders mainly from RUB and SEK was EUR 253 million in 2019 (2018: -518). Part of this translation exposure has been hedged and the foreign currency hedge result amounted to EUR -14 million in 2019 (2018: 24).

### Interest rate and currency derivatives by instrument 2019

| | Notional amount Remaining lifetimes | | | | Fair valu | |
|---|---|---|---|---|---|---|
| EUR million | Under 1 year | 1–5 years | Over 5 years | Total | Positive | Negat |
| Forward foreign exchange contracts | 3,925 | 359 | - | 4,284 | 11 | |
| Interest rate swaps | - | 2,715 | 1,525 | 4,240 | 153 | |
| Interest rate and currency swaps | 104 | 263 | - | 367 | 8 | |
| **Total** | **4,029** | **3,337** | **1,525** | **8,891** | **172** | **1** |
| Of which long-term | | | | | 156 | |
| Short-term | | | | | 16 | |

### Interest rate and currency derivatives by instrument 2018

| | Notional amount Remaining lifetimes | | | | Fair valu | |
|---|---|---|---|---|---|---|
| EUR million | Under 1 year | 1–5 years | Over 5 years | Total | Positiv | Negat |
| Forward foreign exchange contracts | 3,240 | 310 | - | 3,550 | 4 | |
| Interest rate swaps | 1,515 | 2,242 | 225 | 3,982 | 15 | |
| Interest rate and currency swaps | 383 | 265 | - | 648 | 6 | |
| **Total** | **5,137** | **2,817** | **225** | **8,179** | **26** | |
| Of which long-term | | | | | 15 | |
| Short-term | | | | | 11 | |

## 4.7 Credit risk

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

Credit risk exposures relating to financial derivative instruments are often volatile. The majority o derivatives are exchange-traded and cleared through clearing houses such as Nasdaq Clearing AB clearing banks. Derivatives contracts are also entered into directly with external counterparties and are limited to high-credit-quality counterparties active on the financial or commodity markets. Curre interest rate derivative counterparties are limited to investment grade banks and financial institutio agreements, which include netting clauses and in some cases Credit Support Annex agreements, a with most of these counterparties. Commodity derivative counterparties are limited to those consid creditworthy. Master agreements, such as ISDA, FEMA and EFET, which include netting clauses, are the majority of the counterparties.

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Due to the financing needs and management of liquidity, Fortum has counterparty credit exposure toward a number of banks and financial institutions. The majority of the exposure is toward Fortum's key relationship banks, which are highly creditworthy institutions. Fortum also has exposure to the Russian financial sector in terms of deposits with financial institutions as well as to banks that provide guarantees for suppliers and contracting parties. Deposits in Russia have been concentrated to the most creditworthy state-owned or controlled banks. The creditworthiness of banks and financial institutions is monitored so that mitigating actions can be taken as ratings or the financial situation changes. The development of economic sanctions against Russia is followed as part of the monitoring process.

Credit risk relating to customers is spread across a wide range of industrial counterparties, small businesses and private individuals over a range of geographic regions. The majority of exposure is to the Nordic market, Poland and Russia. The credit risk in the electricity and heat sales business in Russia is higher than in the Nordic market.

### 4.7.1 Credit quality of major financial assets

Fortum recognises the loss allowance for expected credit losses on financial assets classified to amortised cost category at each reporting date. Impairment requirements are based on an expected credit loss (ECL) model which replaced the incurred loss model of IAS 39. The impairment model is applied to financial assets such as trade receivables, loan receivables and restricted cash given as collateral for commodity exchanges. Expected credit loss is calculated on an individual contract basis for deposits, commercial papers and loan receivables. No impairment loss is recognised on cash in bank accounts. 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. A change of credit rating from investment to non-investment grade constitues 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 2019. The loss allowance for deposits, commercial papers and loan receivables totalled EUR 1 million on 31 December 2019. Amounts for interest-bearing receivables including bank deposits and derivative financial instruments recognised as assets are presented by counterparties.

### Credit quality of major financial assets

| | 2019 | | |
|---|---|---|---|
| EUR million | Carrying amount | of which past due | Carr am |
| **Investment grade receivables** | | | |
| Deposits, commercial papers and cash in bank accounts | 1,099 | - | |
| Fair values of interest rate and currency derivatives | 172 | - | |
| Fair values of electricity and other commodity derivatives | 4 | - | |
| **Total investment grade receivables** | **1,275** | **-** | |
| **Energy exchange receivables** | | | |
| Fair value of derivatives on Nasdaq Commodities | 54 | - | |
| Fair value of derivatives on European Energy Exchange AG | 0 | - | |
| Fair value of derivatives on the Polish Power Exchange | 4 | - | |
| **Total energy exchange receivables** | **58** | **-** | |
| **Associates and joint venture receivables** | | | |
| Loan receivables | 625 | - | |
| Fair values of electricity and other commodity derivatives | 4 | - | |
| **Total associates and joint venture receivables** | **629** | **-** | |
| **Other receivables** | | | |
| Investments in commercial papers | 156 | - | |
| Russian deposits with non-investment grade banks | 60 | - | |
| Restricted cash mainly given as collateral for commodity exchanges | 65 | - | |
| Receivable from SIBUR related to divested shares of OOO Tobolsk CHP | 57 | - | |
| Loan and other interest bearing receivables | 6 | - | |
| Fair values of electricity and other commodity derivatives | 72 | - | |
| **Total other receivables** | **416** | **-** | |
| **Total** | **2,378** | **-** | 2 |

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## Deposits and securities

The following tables present bank deposits, commercial papers and fair values of derivatives by rating classes.

| EUR million | 2019 | 2018 |
|---|---|---|
| **Counterparties with external credit rating from Standard & Poor's, Fitch and/or Moody's Investment grade ratings** | | |
| AAA | - | - |
| AA+/AA/AA- | 198 | 62 |
| A+/A/A- | 545 | 30 |
| BBB+/BBB/BBB- | 356 | 76 |
| **Total investment grade ratings** | **1,099** | **168** |
| | | |
| **Non-investment grade ratings** | | |
| BB+/BB/BB- | 60 | 260 |
| B+/B/B- | - | - |
| Below B- | - | - |
| **Total non-investment grade ratings** | **60** | **260** |
| | | |
| **Counterparties without external credit rating from Standard & Poor's, Fitch or Moody's** | | |
| Government or municipality | - | - |
| Fortum Rating 5 - Lowest risk | 156 | 46 |
| Fortum Rating 4 - Low risk | - | - |
| Fortum Rating 3 - Normal risk | - | - |
| Fortum Rating 2 - High risk | - | - |
| Fortum Rating 1 - Highest risk | - | - |
| No rating | - | - |
| **Total non-rated counterparties** | **156** | **46** |
| | | |
| **Total** | **1,315** | **474** |

In addition, cash in other bank accounts totalled EUR 118 million on 31 December 2019 (2018: 110).

See ▸ **Note 24** Liquid funds.

## Interest rate and currency derivatives

| | 2019 | | |
|---|---|---|---|
| EUR million | Receivables | Netted amount [1] | Receivabl |
| **Counterparties with external credit rating from Standard & Poor's, Fitch and/or Moody's Investment grade ratings** | | | |
| AAA | - | - | |
| AA+/AA/AA- | 14 | 0 | |
| A+/A/A- | 137 | 15 | 1 |
| BBB+/BBB/BBB- | 20 | 10 | |
| **Total investment grade ratings** | **172** | **24** | **2** |
| | | | |
| **Total associates and joint ventures** | **-** | **-** | |
| | | | |
| **Counterparties without external credit rating from Standard & Poor's, Fitch or Moody's** | **-** | **-** | |
| **Total** | **172** | **24** | **2** |

1) The netted amount includes the cash received in accordance with Credit Support Annex agreements EUR 65 million (2018: 75)

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### Electricity, coal, gas and oil derivatives and $CO_2$ emission allowances treated as derivatives

| EUR million | 2019 Receivables | 2019 Netted amount | 2018 Receivables | 2018 Netted amount |
|---|---|---|---|---|
| **Counterparties with external credit rating from Standard & Poor's, Fitch and/or Moody's Investment grade ratings** | | | | |
| AAA | - | - | - | - |
| AA+/AA/AA- | 1 | 1 | - | - |
| A+/A/A- | 3 | 1 | 56 | 60 |
| BBB+/BBB/BBB- | 0 | 0 | 2 | 2 |
| **Total investment grade ratings** | **4** | **2** | **58** | **62** |
| **Non-investment grade ratings** | | | | |
| BB+/BB/BB- | 0 | 0 | 0 | 0 |
| B+/B/B- | 2 | 0 | - | - |
| Below B- | - | - | - | - |
| **Total non-investment grade ratings** | **2** | **0** | **0** | **0** |
| **Total associates and joint ventures** | **4** | **0** | **22** | **0** |
| **Counterparties without external credit rating from Standard & Poor's, Fitch or Moody's** | | | | |
| Government or municipality | 2 | 0 | 12 | 0 |
| Fortum Rating 5 - Lowest risk | 21 | 19 | 12 | 1 |
| Fortum Rating 4 - Low risk | 9 | 3 | 13 | 5 |
| Fortum Rating 3 - Normal risk | 13 | 11 | 3 | 1 |
| Fortum Rating 2 - High risk | 0 | 0 | 3 | 3 |
| Fortum Rating 1 - Highest risk | 0 | 0 | - | - |
| No rating | 24 | 18 | 10 | 3 |
| **Total non-rated counterparties** | **69** | **51** | **53** | **13** |
| **Total** | **79** | **53** | **133** | **75** |

For derivatives, the receivable is the sum of the positive fair values, i.e. the gross amount. Netted amount includes negative fair values where a valid netting agreement is in place with the counterparty. When the netted amount is less than zero, it is not included. In cases where a parent company guarantee is in place, the exposure is shown on the issuer of the guarantee.

All counterparties for currency and interest rate derivatives and the majority of counterparties fo have an external rating from Standard & Poor's, Fitch and/or Moody's credit agencies. The above ra Standard & Poor's and Fitch rating categories. For those counterparties only rated by Moody's, the translated to the equivalent Standard and Poor's and Fitch rating category. For counterparties rated one rating agency, the lowest of the ratings is used.

In the commodity derivatives and commercial paper market, there are a number of counterparti by Standard & Poor's, Fitch or Moody's. For these counterparties, Fortum assigns an internal rating. rating is based on external credit ratings from other credit agencies. The rating from Bisnode is use counterparties and for other counterparties the rating from Dun & Bradstreet is used. Governments companies are typically not rated, and are shown separately. This rating category does not include owned by governments or municipalities. Counterparties that have not been assigned a rating by th credit agencies and small consumers are in the "No rating" category.

# 5 Capital risk management

Fortum updated its strategy and reconfirmed the dividend policy and long-term financial targets in 2018. The update was a continuation of the strategy execution towards Fortum's vision "for a clear strategy aims at strengthening Fortum's competitiveness and ensuring a benchmark portfolio for th

Fortum has undergone a remarkable transformation in recent years, starting with the exit from t power distribution business. This has enabled stronger focus on power and heat generation, throug investment in Uniper, and growth in sustainable bio and waste-based combined heat and power ge Furthermore, Fortum has created a solid base in solar and wind power, expanded in the consumer s the recycling and waste business.

Pursuing operational excellence and increased flexibility as well as ensuring value creation from i portfolio optimization are the key priorities. Benchmark performance is essential for long-term comp For the next 2–3 years, Fortum prioritises profit creation from the current business portfolio. This w through operational excellence and increased flexibility. All sources of flexibility, both flexible genera and the demand response of large customers and consumers, will be needed to balance the high d volatile renewable generation. Operational excellence and increased flexibility will contribute to imp financial performance and cash flows to create additional financial headroom. In addition, Fortum w prioritise and scrutinize capital expenditure. Through these measures, the target is to steer leverage net debt to EBITDA ratio towards the long-term target ratio of around 2.5 times.

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Over the recent years Fortum has made several sizeable investments and aims to further improve its financial performance by ensuring value creation from them. The investment in Uniper, currently accounted for as an associated company, will contribute to Fortum's financial performance both through Fortum's share of Uniper's result and its dividend. As Uniper's largest shareholder, Fortum's ambition is to increase value for both companies and their stakeholders.

In addition, Fortum continues to review its business portfolio in line with its strategic priorities emphasising $CO_2$-free assets, flexibility, and low operating cost to fit the changing business environment. Fortum will also drive focused growth in the power value chain and seek to build options for significant new businesses for the future.

Financial targets give guidance on Fortum's view of the company's long-term value creation potential, its growth strategy and business activities. The long-term over-the-cycle financial targets are Return on capital employed, ROCE at least 10% and Comparable net debt to EBITDA around 2.5 times. These measures are considered as Alternative Performance Measures.

The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy that aims at increasing earnings per share and thereby the dividend. When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans. Fortum Corporation's target is to pay a stable, sustainable and over time increasing dividend, in the range of 50–80% of earnings per share, excluding one-off items.

Following Fortum's announcement to acquire an additional stake of more than 20.5% of Uniper's shares, Standard & Poor's and Fitch reviewed the credit rating of Fortum. In October 2019, Standard & Poor's placed Fortum's long-term credit rating of BBB on CreditWatch Negative. The short-term rating is at level A-2. In October 2019, Fitch Ratings placed Fortum's long-term credit rating of BBB and short-term credit rating of F2 on Rating Watch Negative. Both rating agencies are expected to update the credit ratings after the closing of the acquisition of at least an additional 20.5% of Uniper shares.

Fortum's key objective is to have a solid investment-grade rating of at least BBB, to preserve financial flexibility and good access to capital markets post-closing of the above mentioned acquisition of Uniper shares, and to strengthen its financial profile longer term. This will provide appropriate financial stability and support to the enlarged group.

Fortum's key financial targets will be revisited in due course to ensure alignment with a commitment to retain a solid investment grade rating of at least BBB.

## Comparable net debt/EBITDA ratio

| EUR million | Note | 20 |
|---|---|---|
| Interest-bearing liabilities | | 6,6 |
| Less: Liquid funds [1] | | 1,4 |
| **Net debt** | 27 | **5,2** |
| | | |
| Operating profit | | 1,1 |
| Add: Depreciation and amortisation | | 5 |
| **EBITDA** | | **1,6** |
| Less: Items affecting comparability | | - |
| **Comparable EBITDA** | | **1,7** |
| | | |
| **Comparable net debt/EBITDA** | | |

1) Net debt is calculated as interest-bearing liabilities minus liquid funds without deducting interest-bearing receivables amount million (2018: 1,092).

## Return on capital employed, %

| EUR million | Note | 20 |
|---|---|---|
| **Profit before income tax** | | **1,7** |
| Interest expenses | | 1 |
| Other financial expenses | | |
| **+Interest and other financial expenses** | | **1** |
| **Profit before taxes + interest and other financial expenses** | | **1,9** |
| | | |
| **Capital employed** | | |
| **Total assets** | | **23,3** |
| Total liabilities | | 10,1 |
| - Interest-bearing liabilities | | 6,6 |
| **- Total interest-free liabilities** | | **3,4** |
| **Capital employed** | | **19,9** |
| **Capital employed at the end of previous period** | | **18,1** |
| **Average capital employed** | | **19,0** |
| | | |
| **Return on capital employed, %** | | **10.** |

See ▸ **Definitions of key figures**.

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# 6 Segment reporting

## SIGNIFICANT ACCOUNTING POLICIES

### REVENUE RECOGNITION

Fortum's operations comprise electricity, heating, cooling and waste management services. Revenue streams can be divided into four groups: power sales to wholesale markets, power sales to retail customers, heating sales and waste treatment sales.

Revenue is recognized when goods are transferred or services are performed, i.e. when (or as) 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 is presented net of rebates, discounts, value-added tax and selective taxes, such as electricity tax.

The accounting policies for the different revenue streams are described below.

### POWER SALES TO WHOLESALE MARKETS

Physical electricity trades to Nord Pool or other wholesale markets are made either the day before delivery or during the same day, hence contract duration is very short. Transaction price is the spot price, there are no variable elements. Electricity sales are recognised on delivery at the price defined in Nord Pool or other wholesale market. 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, 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 resp
delivering the whole service, even when heat is being produced by a third party, and is acting as a principal f
well. There is only one performance obligation, which is to stand-ready to supply heat to the customer. The fe
the customer generally comprise a fixed monthly charge and a variable fee based on the volume of heat supp
promise is to stand ready to deliver heat, the fixed and variable components are recognised based on the fee
from the customer. In Russia, Baltics and Poland there are also areas where Fortum operates only the heat pr
facilities while some third party is responsible for the distribution of heat. In these areas the performance ob
supply heat and revenue is recognised based on the volume of heat that Fortum is entitled to charge from th

### WASTE TREATMENT SALES

Majority of revenue from waste management services arises from fees charged for receiving waste from cus
gate fees). The fee is usually determined based on the volume of waste received, there are no variable eleme
Fortum is required to treat the waste and this performance obligation is satisfied when treatment has been p
Transportation of the waste forms another performance obligation. Fees for waste treatment and transporta
separately agreed in the contract and correspond to the price that would be charged for these services sepa
for transportation service is recognised when the service has been provided.

Waste treatment sales include also various types of soil and landfill site projects, which mostly take place
sites. Fees charged are invoiced based on payment schedules agreed with the customer. The customer obta
the construction work simultaneously when the construction work proceeds, and therefore project revenues
over time. Progress of the construction is best measured either through costs incurred, or the completed are
construction site.

### COSTS FOR OBTAINING CUSTOMERS

Incremental costs for obtaining new customers as well as renewing existing customer contracts in Consumer
division are capitalised as intangible asset and amortised over the expected contract duration.

### NETTING AND INTER-SEGMENT TRANSACTIONS

Generation segment sells its production to Nord Pool and Consumer Solutions segment buys its electricity fr
Eliminations of sales include eliminations of sales and purchases with Nord Pool that are netted at Group leve
basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any par
segment sales, expenses and results for the different business segments are affected by intragroup deliverie
eliminated on consolidation. Inter-segment transactions are based on commercial terms.

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## 6.1 Business structure

Fortum's business divisions are Generation, City Solutions, Consumer Solutions and Russia. Other Operations includes corporate functions, R&D and technology development projects, as well as Fortum's shareholding in Uniper SE.

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 Solutions segment. These were included in Other Operations until 31 December 2018. The Russian wind and solar operations continue as a part of the Russia segment. Fortum has restated its 2018 comparative segment reporting figures in accordance with the new organisation structure.

## 6.2 Segment structure

Fortum discloses segment information in a manner consistent with internal reporting to Fortum's Bo Directors and Fortum Executive Management, led by the President and CEO. Fortum segments are the type of business operation, combined with one segment based on geographical area. Fortum's segments are the business divisions Generation, City Solutions, Consumer Solutions and Russia.

### Description of reportable segments:

**Group**

Divisions: Generation | City Solutions | Consumer Solutions | Russ

Reporting segments:

**Generation**

Generation is responsible for Nordic power production. The segment comprises nuclear, hydro, wind, and thermal power production, as well as power portfolio optimisation, trading, industrial intelligence, and global nuclear services.

**City Solutions**

City Solutions is responsible for developing sustainable solutions for urban areas into a growing business for Fortum. The segment comprises heating, cooling, waste-to-energy, biomass, and other circular economy solutions, as well as solar power production. 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.

**Consumer Solutions**

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

**Russi**

The Russia segment comprises power ar generation and sales in Russia. The segm includes Fortum's over 29% holding in TG an associated company and is accounted the equity method.

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## 6.3 Definitions for segment information

Fortum's segment information discloses the financial measurements 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. These measurements that are considered as Alternative Performance Measures, such as Comparable operating profit and Comparable return on net assets, have been used consistently since 2005. See ▸ **Note 1** Significant accounting policies.

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

## 6.4 Segment information

### Consolidated income statement

| | | Generation [1] | | City Solutions [1] | | Consumer Solutions | | Russia | | Other Operations | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EUR million** | **Note** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **20** |
| Power sales [2] | | 2,006 | 1,771 | 153 | 134 | 1,630 | 1,547 | 924 | 872 | 0 | 0 | 4,7 |
| Heat sales | | 0 | 0 | 615 | 604 | 0 | 0 | 145 | 193 | 0 | 0 | 7 |
| Waste treatment sales | | 0 | 0 | 250 | 211 | 0 | 0 | 0 | 0 | 0 | | 2 |
| Other sales | | 135 | 71 | 181 | 161 | 206 | 212 | 2 | 4 | 115 | 10 | 6 |
| **Sales** | | **2,141** | **1,842** | **1,200** | **1,110** | **1,835** | **1,759** | **1,071** | **1,069** | **115** | **10** | **6,3** |
| Internal eliminations | | -259 | 2 | -45 | -37 | 3 | -11 | 0 | 0 | -86 | -7 | -3 |
| Netting of Nord Pool transactions [3] | | | | | | | | | | | | -5 |
| **IS External sales** | | **1,883** | **1,844** | **1,155** | **1,073** | **1,839** | **1,748** | **1,071** | **1,069** | **29** | **2** | **5,4** |
| **Comparable EBITDA** | | **939** | **763** | **309** | **310** | **141** | **110** | **469** | **417** | **-91** | **-7** | **1,7** |
| **IS** Depreciation and amortisation | | -145 | -135 | -188 | -175 | -62 | -57 | -153 | -147 | -28 | -2 | -5 |
| **IS Comparable operating profit** | | **794** | **628** | **121** | **135** | **79** | **53** | **316** | **271** | **-119** | **-9** | **1,1** |
| Impairment charges | 7 | -3 | -4 | 0 | 0 | 0 | 0 | 0 | 0 | -6 | | |
| Capital gains and other | 7 | 3 | 77 | 5 | -1 | 0 | 0 | 1 | 2 | -2 | 2 | |
| Changes in fair values of derivatives hedging future cash flow | 7, 8 | -15 | 79 | 2 | -4 | -59 | 22 | 0 | 0 | 0 | | - |
| Nuclear fund adjustment | 7, 29 | -9 | -45 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| **IS** Items affecting comparability | 7 | -23 | 108 | 7 | -5 | -59 | 22 | 1 | 2 | -8 | 2 | - |
| **IS Operating profit** | | **771** | **736** | **127** | **130** | **20** | **75** | **317** | **273** | **-127** | **-7** | **1,1** |
| **IS** Share of profit/loss of associates and joint ventures | 19, 29 | 10 | -72 | 37 | 74 | 0 | 0 | 59 | 36 | 638 | | 7 |
| **IS** Finance costs - net | | | | | | | | | | | | -1 |
| **IS** Income taxes | | | | | | | | | | | | -2 |
| **IS Profit for the year** | | | | | | | | | | | | **1,5** |

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) Power sales contains realised result from commodity derivatives, which have not had hedge accounting status under IFRS 9, but have been considered operatively as hedges.

3) Sales and purchases with Nord Pool are netted at 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.

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## Segment assets and liabilities

| EUR million | Note | Generation 2019 | Generation 2018 | City Solutions 2019 | City Solutions 2018 | Consumer Solutions 2019 | Consumer Solutions 2018 | Russia 2019 | Russia 2018 | Other Operations 2019 | Other Operations 2018 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Non-interest-bearing assets | | 6,433 | 6,861 | 3,728 | 3,582 | 942 | 1,044 | 2,630 | 2,408 | 192 | 173 | 13,9 |
| **BS** Participations in associates and joint ventures | 19, 29 | 838 | 854 | 584 | 641 | 0 | 0 | 681 | 495 | 4,331 | 3,988 | 6,4 |
| Eliminations | | | | | | | | | | | | -1 |
| **Total segment assets** | | **7,271** | **7,715** | **4,312** | **4,223** | **942** | **1,044** | **3,311** | **2,903** | **4,523** | **4,161** | **20,2** |
| Interest-bearing receivables | 21 | | | | | | | | | | | 1,0 |
| **BS** Deferred tax assets | 28 | | | | | | | | | | | |
| Other assets | | | | | | | | | | | | 5 |
| **BS** Liquid funds | 24 | | | | | | | | | | | 1,4 |
| **Total assets** | | | | | | | | | | | | **23,3** |
| | | | | | | | | | | | | |
| **Segment liabilities** | | **1,124** | **1,230** | **419** | **429** | **302** | **396** | **107** | **114** | **167** | **138** | **2,1** |
| Eliminations | | | | | | | | | | | | -1 |
| **Total segment liabilities** | | | | | | | | | | | | **2,0** |
| **BS** Deferred tax liabilities | 28 | | | | | | | | | | | 8 |
| Other liabilities | | | | | | | | | | | | 5 |
| **Total liabilities included in capital employed** | | | | | | | | | | | | **3,4** |
| Interest-bearing liabilities | 27 | | | | | | | | | | | 6,6 |
| **BS** Total equity | | | | | | | | | | | | 13,2 |
| **Total equity and liabilities** | | | | | | | | | | | | **23,3** |

Segment assets and liabilities include assets held for sale. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

## Gross investments / divestments

| EUR million | Note | Generation 2019 | Generation 2018 | City Solutions 2019 | City Solutions 2018 | Consumer Solutions 2019 | Consumer Solutions 2018 | Russia 2019 | Russia 2018 | Other Operations 2019 | Other Operations 2018 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross investments in shares | 19, 3 | 13 | 14 | 9 | 33 | 0 | 0 | 66 | 63 | 18 | 3,97 | 1 |
| Capital expenditure | 17, 18 | 247 | 248 | 313 | 209 | 55 | 47 | 67 | 54 | 31 | 20 | 7 |
| Gross divestments of shares | 3 | 12 | 160 | 2 | 147 | 0 | 0 | 0 | 0 | 16 | 3 | |

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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 2019 | Generation 2018 | City Solutions 2019 | City Solutions 2018 | Consumer Solutions 2019 | Consumer Solutions 2018 | Russia 2019 | Russia 2018 | Other |
|---|---|---|---|---|---|---|---|---|---|---|
| Comparable operating profit | | 794 | 628 | 121 | 135 | 79 | 53 | 316 | 271 | -1 |
| Share of profit/loss of associates and joint ventures | 19 | 10 | -72 | 37 | 74 | 0 | 0 | 59 | 36 | 6 |
| Adjustment to share of profit/loss of associates and joint ventures [1] | | -13 | 94 | 22 | 0 | 0 | 0 | 0 | 0 | -4 |
| **Comparable operating profit including share of profit of associates and joint ventures** | | **791** | **650** | **179** | **209** | **79** | **53** | **375** | **307** | |
| Segment assets at the end of the year | | 7,271 | 7,715 | 4,312 | 4,223 | 942 | 1,044 | 3,311 | 2,903 | 4,5 |
| Segment liabilities at the end of the year | | 1,124 | 1,230 | 419 | 429 | 302 | 396 | 107 | 114 | 1 |
| **Comparable net assets** | | **6,147** | **6,485** | **3,892** | **3,794** | **640** | **648** | **3,205** | **2,789** | **4,3** |
| **Comparable net assets average** [2] | | **6,190** | **6,019** | **3,823** | **3,808** | **602** | **671** | **3,041** | **2,976** | **4,1** |
| **Comparable return on net assets, %** | | **12.8** | **10.8** | **4.7** | **5.5** | **13.2** | **7.8** | **12.3** | **10.3** | |

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.

Segment assets and liabilities include assets held for sale. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

## Employees

| | Generation 2019 | Generation 2018 | City Solutions 2019 | City Solutions 2018 | Consumer Solutions 2019 | Consumer Solutions 2018 | Russia 2019 | Russia 2018 | Other Operations 2019 | Other Operations 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of employees 31 Dec | 1,109 | 1,091 | 1,970 | 2,017 | 1,327 | 1,399 | 2,955 | 2,941 | 830 | 83 | 8,1 |
| Average number of employees | 1,122 | 1,107 | 1,979 | 1,994 | 1,379 | 1,473 | 2,942 | 3,378 | 825 | 81 | 8,2 |

## 6.5 Group-wide disclosures

The Group's operating segments operate mainly in the Nordic countries, Russia, Poland and other parts of the Baltic Rim area. Generation operates mainly in Finland and Sweden; Consumer Solutions operates mainly in the Nordic countries and Poland; whereas City Solutions operates in all of these geographical areas except Russia. Other countries include mainly Estonia, Latvia, Lithuania and India. 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 | |
|---|---|
| Nordic | 3,7 |
| Russia | 1,0 |
| Poland | 3 |
| Other countries | 2 |
| **IS Total** | **5,4** |

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

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### Capital expenditure by country

| EUR million | 2019 | 2018 |
|---|---|---|
| Finland | 199 | 215 |
| Sweden | 114 | 89 |
| Norway | 115 | 97 |
| Russia | 67 | 54 |
| Poland | 47 | 86 |
| Other countries | 171 | 43 |
| **Total** | **713** | **584** |

### Segment assets by country

| EUR million | 2019 | 2018 |
|---|---|---|
| Finland | 4,130 | 4,589 |
| Sweden | 4,125 | 4,202 |
| Norway | 1,605 | 1,622 |
| Russia | 2,630 | 2,408 |
| Poland | 671 | 645 |
| Other countries and eliminations | 656 | 488 |
| **Non-interest bearing assets** | **13,817** | **13,955** |
| **BS** Participations in associates and joint ventures | 6,435 | 5,978 |
| **Total** | **20,252** | **19,933** |

Segment assets in Finland include EUR 169 million (2018: 590) settlements paid for futures. Segment assets and liabilities include assets held for sale. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

### Number of employees on 31 December by country

| | 2019 | 2018 |
|---|---|---|
| Finland | 2,234 | 2,238 |
| Sweden | 985 | 981 |
| Norway | 660 | 667 |
| Russia | 2,955 | 2,941 |
| Poland | 560 | 754 |
| Other countries | 797 | 705 |
| **Total** | **8,191** | **8,286** |

# 7 Items affecting comparability

| EUR million | 2( |
|---|---|
| Impairment charges | |
| Capital gains and other | |
| Changes in fair values of derivatives hedging future cash flow | - |
| Nuclear fund adjustments | |
| **IS Total** | - |

Fortum uses Alternative performance measures (APMs) in the financial target setting and forecastin management's follow up of financial performance of segments and the Group as well as allocation c the Group's performance management process. The business performance of the operations cannc from one period to another without adjusting for items affecting comparability and therefore they a from Comparable operating profit and Comparable EBITDA. The main business performance measu been used consistently since 2005.

Definitions are presented in the section ▸ **Definitions of key figures**.

### Impairment charges

Impairment charges are recognised in items affecting comparability and include impairment charge provisions (mainly dismantling). Impairment charges are adjusted from depreciation and amortisatio impairment charges during 2019 amounted to EUR -8 million (2018: -4).

### Capital gains and other

Capital gains and other include capital gains and transaction costs from acquisitions, which are adju other income and other expenses, respectively. Capital gains and other in 2019 amounted to EUR 7 102). The comparison year includes the capital gain of EUR 77 million from the sale of Fortum's 10% Hafslund Produksjon Holding AS and EUR 26 million from the sale of Espoo head office. For more in regarding disposals of shares, see ▸ **Note 3** Acquisitions, disposals and assets held for sale.

### Fair value changes on derivatives

Changes in the fair values of financial derivative instruments hedging future cash flows that do not hedge accounting, or own use exemption cannot be applied, or physical contracts to buy or sell a n item, which are fair value using fair value option to offset accounting mismatch, are recognised in it comparability. This is done to improve the understanding of the financial performance when compa from one period to another. For more information regarding fair value changes of derivatives, see ▸ value changes of derivatives and underlying items in income statement.

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**Nuclear waste management fund adjustment**

Nuclear fund adjustment includes effects from the accounting principle of Fortum's part of the State Nuclear Waste Management Fund where the assets on the balance sheet cannot exceed the nuclear related provisions according to IFRIC 5. As long as the Fund is overfunded from an IFRS perspective, the effects to the operating profit from this adjustment will be positive if the provisions increase more than the Fund and negative if actual value of the fund increases more than the provisions. In addition adjustments are made for accounting effects from valuation according to IFRS.

The nuclear cost estimates and technical plan was updated during 2019 which led to a decrease in provision of EUR 100 million. The reduced provision led to negative nuclear fund adjustment of EUR 54 million. The periodisation of the fund target led to a positive fund adjustment of EUR 51 million which is booked as an interest-free receivable.

Fortum reassessed assumptions used for all nuclear related assets and liabilities during 2018. The increase of the nuclear provision for the Loviisa nuclear power plant in Finland lead to recognition of an additional share of the Finnish nuclear fund. The increase of the provision due to the reassessment and the additional share in the fund were both included in Items affecting comparability in 2018. The net profit impact from all these nuclear related adjustments was close to zero.

For more information regarding nuclear waste management, see ▸ **Note 29** Nuclear related assets and liabilities.

# 8 Fair value changes of derivatives and underlying items in income statement

Fair value changes in operating profit presented below are arising from financial derivatives hedgin
flows where hedge accounting is not applied according to IFRS 9 and the ineffectiveness from cash
Table includes also fair value changes from physical contracts to buy or sell a non-financial items, w
valued through income statement when fair value option to off-set accounting mismatch is used, or
exemption or hedge accounting cannot be applied.

Fair value changes of currency derivatives in net financial expenses arise mainly from balance sh
without hedge accounting status according to IFRS 9, because they are natural hedges of loans and
Fair value change of interest rate hedges without hedge accounting is EUR -2 million (2018: -8).

| EUR million | 2( |
|---|---|
| **In operating profit** | |
| Fair value changes from derivatives not getting hedge accounting status | |
| Electricity derivatives | |
| Currency derivatives | |
| Other commodity derivatives | - |
| **Total effect in operating profit** | - |
| | |
| **In finance costs** | |
| Exchange gains and losses on loans and receivables [1] | |
| Fair value changes of derivatives not getting hedge accounting status | |
| Cross currency interest rate derivatives [1] | |
| Foreign currency derivatives [1] | -1 |
| Rate difference on forward contracts | |
| Currency derivatives | - |
| Interest rate derivatives | |
| Fair value change of hedging derivatives in fair value hedge relationship | |
| Fair value change of hedged items in fair value hedge relationship | - |
| Total [2] | - |
| **Total effect in finance costs** | |
| **Total effect on profit before income tax** | - |

1) Exchange gains and losses on loans, receivables and derivatives totaling EUR 0 million (2018: -1).

2) Including fair value gains and losses on hedged financial instruments and foreign currency and interest rate derivatives EUR 1
See also ▸ **Note 12** Finance costs - net.

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# 9 Other income and other expenses

## ACCOUNTING POLICIES

### OTHER INCOME

Revenue from activities outside normal operations is reported in other income. This includes recurring items, such as rental income and subsidies and non-recurring items, such as insurance compensation. In addition, profits from the capital recycling business model are presented in other income, because the business results are realised through divesting the shareholding, either partially or totally.

### 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.

## 9.1 Other income

| EUR million | 2019 | 2018 |
|---|---|---|
| Rental income | 23 | 12 |
| Insurance compensation | 8 | 1 |
| Subsidies | 28 | 47 |
| Other items | 54 | 71 |
| **IS Total** | **110** | **130** |

In 2018, other included a profit of EUR 26 million from the partial sale of Fortum's solar power company in India according to the 'capital recycling' business model. See also ▸ **Note 3** Acquisitions, disposals and assets held for sale.

## 9.2 Other expenses

| EUR million | 2019 | 2018 |
|---|---|---|
| Operation and maintenance costs | 134 | 130 |
| Property taxes | 71 | 109 |
| IT and telecommunication costs | 94 | 77 |
| Other items | 292 | 278 |
| **IS Total** | **591** | **594** |

The major components recorded in other expenses are the external operation and maintenance cos
and heat plants. Property taxes include taxes relating to directly owned hydropower production of
(2018: 65). Other includes expenses relating to properties and other operative expenses.

## Principal auditor's fees

| EUR million | 2 |
|---|---|
| Audit fees | |
| Audit-related assignments | |
| Tax assignments | |
| Other assignments | |
| **Total** | |

Deloitte Oy is the appointed auditor until the next Annual General Meeting in 2020. Audit fees inclu
audit of the consolidated financial statements, review of interim reports, as well as fees for the aud
Corporation and its subsidiaries. Audit-related assignments include fees for assurance of sustainabi
and other assurance and associated services related to the audit. Tax assignments inclu fees for
services. Other assignments consist of advisory services.

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# 10 Materials and services

| EUR million | 2019 | 2018 |
|---|---|---|
| Materials | 2,200 | 2,296 |
| Materials purchased from associates and joint ventures | 369 | 372 |
| Transmission costs | 42 | 41 |
| External services | 110 | 86 |
| **IS Total** | **2,721** | **2,795** |

Materials consists mainly of coal, gas and nuclear fuels used for producing power and heat.

Materials purchased from associates and joint ventures consist of nuclear and hydropower purchased at production cost (including interest costs and production taxes) and purchased steam.

Total materials and services include production taxes of EUR 60 million (2018: 62), including hydro power related property taxes of EUR 13 million (2018: 13). Taxes related to nuclear and hydro production are included in taxes paid through purchases from associates and joint ventures.

See ▸ **Note 19** Participations in associated companies and joint ventures.

# 11 Employee benefits and Board remuneration

| EUR million | 2( |
|---|---|
| Wages and salaries | 3 |
| Pensions | |
| Defined contribution plans | |
| Defined benefit plans | |
| Social security costs | |
| Share-based incentives [1] | |
| Other employee costs | |
| **IS Total** | **4** |

1) Share-based incentives increased in 2019 mainly due to the higher earnings outcome from settled plans.

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

The remuneration policy is determined by the Board of Directors. The Nomination and Remunera Committee of the Board of Directors discusses, assesses and makes recommendations and propos Board of Directors on the remuneration policy, remuneration of the President and CEO and the Fort Management; and company-wide incentive arrangements for senior management and key personne as monitors these plans annually. Additionally, the Committee contributes to the Group's nominatio proposing to the Board of Directors any nominations regarding the members of Fortum Executive M

For further information on pensions see ▸ **Note 31** Pension obligations.

## 11.1 Short-term incentives (STI)

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

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

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

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## 11.2 Share-based long-term incentives (LTI)

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

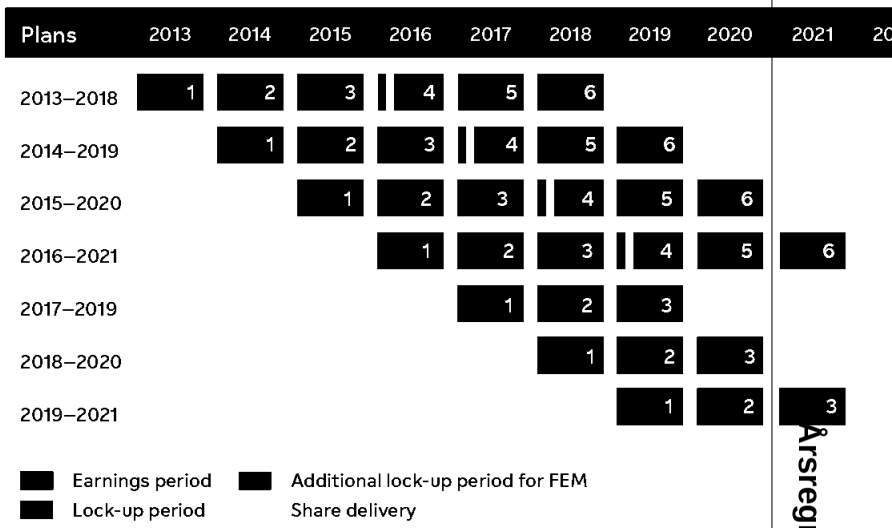
Fortum's LTI programme provides participants with the opportunity to earn company shares. Under the LTI programme and subject to the decision of the Board of Directors, a new LTI plan commences annually. The Board of Directors approves participation of the Fortum Executive Management members in each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

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

For LTI plans commencing in 2013 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. For other participants the lock-up period is one year. 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 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.

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 and for the transactions settled in shares in the equity. 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 2019 was EUR 14 million (2018: 14), including EUR 7 million (2018: 8) recorded in equity.




At year end 2019 approximately 160 key employees are participants in at least one of the six on LTI plans (plans 2014–2019, 2015–2020, 2016–2021, 2017–2019, 2018–2020 and 2019–2021).

### Shares granted

| | Plan 2016–2021 | Plan 2015–2020 | Pla 2014–201 |
|---|---|---|---|
| Grant date | 21 Feb 2019 | 13 Feb 2018 | 3 Feb 201 |
| Grant price, EUR | 19.33 | 17.04 | 14.2 |
| Number of shares granted | 293,534 | 73,377 | 92,32 |
| Number of shares subsequently forfeited or released from lock-up and other changes | -21,415 | -71,498 | -92,15 |
| Number of shares under lock-up 31 December 2019 | 272,119 | 1,879 | 17 |

In addition to the shares granted above, share rights have been granted to participants that will rec payments instead of shares after the lock-up period. The gross amount of share rights outstanding the year 2019 for plan 2016–2021 was 148,040, for plan 2015–2020 18,310, for plan 2014–2019 plan 2013–2018 32,066 share rights.

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## 11.3 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. Persons included in Fortum's long-term incentive schemes are not eligible to be members of this fund. Members of the personnel fund are the permanent and fixed-term employees of the Group. The membership of employees joining the company starts at the beginning of the next month after the employment relationship has been ongoing for five months. An employee is entitled to make withdrawals right from the beginning of the membership. The membership in the fund terminates when the member has received his/her share of the fund in full.

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 amount available for withdrawal (maximum 15% of the tied amount) is decided each year by the council of the fund and it is paid to members who want to exercise their withdrawal rights.

The fund's latest financial year ended at 30 April 2019 and the fund then had a total of 2,280 members (2018: 2,233). At the end of April 2019 Fortum contributed EUR 2.4 million (2018: 2.0) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2018. The combined amount of members' shares in the fund was EUR 20 million (2018: 19).

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

## 11.4 The President and CEO and the Fortum Executive Management remuneration

The Fortum Executive Management (FEM) consists of ten 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

| | 2019 | | 2018 |
|---|---|---|---|
| EUR thousand | Pekka Lundmark, President and CEO | Other FEM members | Pekka Lundmark, President and CEO |
| Salaries and fringe benefits | 1,057 | 3,382 | 1,048 |
| Performance bonuses [1] | 200 | 661 | 228 |
| Share-based incentives [1)2)] | 898 | 3,506 | 297 |
| Pensions (statutory) | 207 | 748 | 250 |
| Pensions (voluntary) | 265 | 647 | 252 |
| Social security expenses | 39 | 344 | 36 |
| **Total** | **2,666** | **9,287** | **2,112** |

1) Based on estimated amounts.

2) Share-based incentives increased in 2019 mainly due to the higher earnings outcome from settled plans.

The annual contribution for the President and CEO Pekka Lundmark's pension arrangement is 25% salary. The annual salary consists of base salary and fringe benefits. The President and CEO's retire 63. In case his assignment is terminated before the retirement age, the President and CEO is entitle benefits accrued in the arrangement.

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 t have defined contribution arrangements, the maximum pension premium percentage can be 25% o salary. Members, who have joined Fortum prior to 1 January 2009, are participating in defined bene arrangements, where the benefit is 60–66% of the final pensionable salary with the pension provid insurance company or Fortum's Pension Fund.

A pension liability of EUR 824 thousand (2018: 624) related to the defined benefit plans for FEM been recognised on the balance sheet. The additional pension arrangement for the President and C 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 en salary for the notice period (6 months) and a severance pay equal to 12 months' salary. Other FEM termination compensation is equal to 6 to 12 months' salary.

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## Number of shares delivered to the management

The table below shows the number of shares delivered during 2019 and 2018 to the President and CEO and other FEM members under the LTI arrangements. Shares delivered under the plans are subject to a lock-up period under which they cannot be sold or transferred to a third party.

| | 2019 [2] | 2018 [3] |
|---|---|---|
| **FEM members at 31 December 2019** | | |
| Pekka Lundmark, CEO | 25,765 | 6,453 |
| Arun Aggarwal (member of FEM from 17 Oct 2018) | - | - |
| Alexander Chuvaev [1] | 33,522 | 15,930 |
| Per Langer | 5,057 | 1,621 |
| Risto Penttinen | 6,232 | 1,767 |
| Markus Rauramo | 11,137 | 2,103 |
| Arto Räty | 4,931 | - |
| Mikael Rönnblad | 3,435 | - |
| Sirpa-Helena Sormunen | 6,012 | 1,879 |
| Tiina Tuomela | 7,206 | 2,117 |
| **Former FEM members** | | |
| Kari Kautinen (member of FEM until 30 September 2018) | N/A | 2,059 |
| **Total** | **103,297** | **33,929** |

1) Estimated number of shares after local tax and tax related deductions. Due to local legislation, share rights will be paid in cash instead of shares after the three-year lock-up period.

2) Share delivery based on share plan 2016–2021.

3) Share delivery based on share plan 2015–2020.

## 11.5 Board of Directors and management shareholding

On 31 December 2019, the members of the Board of Directors owned a total of 8,540 shares (2018: 8,540), which corresponds to 0.00% (2018: 0.00%) of the company's shares and voting rights.

## Number of shares held by members of the Board of Directors

| | 2 |
|---|---|
| **Board members at 31 December 2019** | |
| Matti Lievonen, Chairman | 1,5 |
| Klaus-Dieter Maubach, Deputy Chairman | |
| Eva Hamilton | |
| Kim Ignatius | 4,0 |
| Essimari Kairisto | |
| Anja McAlister | |
| Veli-Matti Reinikkala | 3,0 |
| Philipp Rösler | |
| **Total** | **8,5** |

The President and CEO and other members of the FEM owned a total of 263,002 shares (2018: 19 corresponds to approximately 0.03% (2018: 0.02%) of the company's shares and voting rights.

## Number of shares held by members of the Fortum Executive Management

| | 2 |
|---|---|
| **FEM members at 31 December 2019** | |
| Pekka Lundmark | 92,9 |
| Arun Aggarwal | |
| Alexander Chuvaev | 22,0 |
| Per Langer | 38,2 |
| Risto Penttinen | 18,5 |
| Markus Rauramo | 45,2 |
| Arto Räty | 4,9 |
| Mikael Rönnblad | 3,4 |
| Sirpa-Helena Sormunen | 12,6 |
| Tiina Tuomela | 24,8 |
| **Total** | **263,0** |

## 11.6 Board remuneration

The Board of Directors comprises five to ten members who are elected at the Annual General Meet year term of office, which expires at the end of the first Annual General Meeting following the elect of 2019 the Board of Directors consists of eight members.

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The Annual General meeting confirms the yearly compensation for the Board of Directors. Board members are not offered any long-term incentive benefits or participation in other incentive schemes. There are no pension arrangements for the Board members. Social security costs EUR 11 thousand (2018: 11) have been recorded for the fees in accordance with local legislation in respective countries.

### Fees for the Board of Directors

| EUR thousand | 2019 | 2018 |
|---|---|---|
| Chairman | 75 | 75 |
| Deputy Chairman | 57 | 57 |
| Chairman of the Audit and Risk Committee [1] | 57 | 57 |
| Members | 40 | 40 |

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 meeting attended. A meeting fee of EUR 600 is paid for Board and Committee meetings. For Board members living outside Finland in Europe, the meeting fee is EUR 1,200; for Board members living outside Europe, the meeting fee is EUR 1,800. For Board and Committee meetings held as a telephone conference, the meeting fee is paid as EUR 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 travel policy.

### Compensation for the Board of Directors

| EUR thousand | 2019 | 2018 |
|---|---|---|
| **Board members at 31 December 2019** | | |
| Matti Lievonen, Chairman from 28 March 2018 | 89 | 80 |
| Klaus-Dieter Maubach, Deputy Chairman from 28 March 2018 | 71 | 54 |
| Eva Hamilton | 54 | 54 |
| Kim Ignatius, Chairman of the Audit and Risk Committee | 67 | 65 |
| Essimari Kairisto (member of the board from 28 March 2018) | 56 | 42 |
| Anja McAlister | 59 | 60 |
| Veli-Matti Reinikkala | 58 | 54 |
| Philipp Rösler (member of the board from 26 March 2019) | 44 | N/A |
| **Former Board members** | | |
| Sari Baldauf (Chairman until 28 March 2018) | N/A | 20 |
| Heinz-Werner Binzel (member of the board until 26 March 2019) | 12 | 54 |
| Marco Ryan (member of the board from 26 March 2019 to 1 August 2019) | 19 | N/A |
| **Total** | **529** | **483** |

# 12 Finance costs - net

| EUR million | Note | 20 |
|---|---|---|
| Interest expense | | |
| Borrowings | | -1 |
| Other interest expense | | |
| Capitalised borrowing costs | 18 | |
| **Total** | | **-1** |
| | | |
| Interest income | | |
| Loan receivables and deposits | | |
| Other interest income | | |
| **Total** | | |
| | | |
| Fair value gains and losses on financial instruments | 8 | |
| Fair value change of interest rate derivatives not getting hedge accounting status | | |
| Fair value change of hedging derivatives in fair value hedge relationship | | |
| Fair value change of hedged items in fair value hedge relationship | | - |
| Rate difference on forward contracts | | |
| Fair value gains and losses on other investments | | |
| **Total** | | |
| | | |
| Exchange gains and losses | | |
| Loans and receivables | | |
| Cross currency interest rate derivatives | | |
| Foreign currency derivatives | | -1 |
| Write down of loan receivables | 2 | |
| Interest income on share of State Nuclear Waste Management Fund | 2, 3 | |
| Unwinding of discount on nuclear provisions | 2 | |
| Unwinding of discount on other provisions | 30, 3 | - |
| Other financial income | | |
| Other financial expenses | | - |
| **Total** | | |
| **IS Finance costs - net** | | **-1** |

Interest expenses include interest expenses on interest-bearing loans, interest on interest rate and and forward points on forward foreign exchange contracts hedging loans and receivables. Interest EUR 167 million (2018: 148). Interest expenses in 2019 include the remaining amortised cost of EU due to the prepayment of the bridge financing for the acquisition of Uniper shares in 201

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Interest income were EUR 28 million (2018: 34) including EUR 12 million (2018: 12) from shareholders' loans to co-owned Swedish nuclear companies, and EUR 11 million (2018: 17) from deposits and commercial papers.

Fair value gain and losses were EUR 8 million (2018: -8). Fair value gains and losses on financial instruments include change in clean price of interest rate and cross-currency swaps not getting hedge accounting and fair value changes of interest rate derivatives in hedge relationship and hedged items. Accrued interest on these derivatives is entered in interest expenses of borrowings. Fair value gains and losses include also rate difference from forward contracts hedging loans and receivables without hedge accounting.

Exchange gains and losses were net zero including exchange rate differences arising from valuation of foreign currency loans and receivables and exchange rate differences from forward foreign exchange contracts and interest rate and currency swaps.

Unwinding of discount on nuclear provisions were EUR 7 million (2018: 11) including in 2019 the positive impact of EUR 40 million related to the regular nuclear technical update in Finland and in 2018 positive effect from changes in assumptions of EUR 49 million due to the adjustment to past unwinding of interest. For additional information see Note 29 Nuclear related assets and liabilities.

Other financial income EUR 17 million (2018: 11) includes EUR 8 million from a receivable from SIBUR (2018: 10), a Russian gas processing and petrochemicals company regarding divested shares of OOO Tobolsk CHP and EUR 6 million, which was returned from Nasdaq default fund in 2019. Other financial expenses were EUR 15 million (2018: 26) including EUR 10 million cost for the new committed credit facilities related to the acquisition of an additional minimum stake of 20.5% in Uniper and in 2018 EUR 20 million cost regarding replenishment to Nasdaq default fund.

### Interest rate and currency derivatives in finance costs - net

| EUR million | 2019 | 2018 |
|---|---|---|
| **Interest rate and cross currency swaps** | | |
| Interest expenses on borrowings | 20 | 27 |
| Exchange rate difference from derivatives | 30 | 8 |
| Rate difference in fair value gains and losses on financial instruments [1] | 25 | -32 |
| **Total fair value change of interest rate derivatives in finance costs - net** | **75** | **3** |
| | | |
| **Forward foreign exchange contracts** | | |
| Interest expenses on borrowings | -57 | -52 |
| Exchange rate difference from derivatives | -120 | 91 |
| Rate difference in fair value gains and losses on financial instruments | -1 | 3 |
| **Total fair value change of currency derivatives in finance costs - net** | **-178** | **42** |
| **Total** | **-103** | **45** |

1) Fair value gains and losses on financial instruments include fair value changes from interest rate swaps not getting hedge accounting amounting to EUR -2 million (2018: -8) and fair value change of hedging derivatives in fair value hedge relationship to EUR 27 million (2018: -24).

# 13 Income tax expense

## 13.1 Profit before tax

| EUR million | 20 |
|---|---|
| Finnish companies | 3 |
| Swedish companies | 3 |
| Russian companies | 3 |
| Other companies [1] | 7 |
| **IS Total** | **1,7** |

1) Includes share of profits from Uniper of EUR 632 million (2018: -2).

Profit before tax split by country represents the respective countries' part of the profit before tax f Group according to IFRS, i.e. based on the same accounting principles as for the Consolidated Finar Statements. This means that the respective country profits include such items as for example share associates and effects of accounting for nuclear provisions, which are not included in taxable profit subsidiaries.

## 13.2 Major components of income tax expense by major countries

| EUR million | 20 |
|---|---|
| **Current taxes** | |
| Finnish companies | - |
| Swedish companies | - |
| Russian companies | - |
| Other companies | - |
| **Total** | **-2** |
| **Deferred taxes** | |
| Finnish companies | - |
| Swedish companies | |
| Russian companies | |
| Other companies | |
| **Total** | |
| **Adjustments recognised for current tax of prior periods** | |
| Finnish companies | |
| Swedish companies | |
| Russian companies | |
| Other companies | |
| **Total** | |
| **IS Income tax expense** | **-2** |

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## 13.3 Income tax rate

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

| EUR million | 2019 | % | 2018 | % |
|---|---|---|---|---|
| Profit before tax | 1,728 | | 1,040 | |
| Tax calculated at nominal Finnish tax rate | -346 | 20.0 | -208 | 20.0 |
| Tax rate changes | -3 | 0.2 | 17 | -1.6 |
| Differences in tax rates and regulations | -62 | 3.6 | 6 | -0.6 |
| Tax exempt capital gains | 2 | -0.1 | 15 | -1.5 |
| Expenses not deductible for tax purposes | -8 | 0.4 | -13 | 1.3 |
| Share of profit of associates and joint ventures | 220 | -12.7 | 7 | -0.7 |
| Taxes related to dividend distributions | -17 | 1.0 | -14 | 1.4 |
| Changes in tax valuation allowance related to not recognised tax losses | -5 | 0.3 | 11 | -1.0 |
| Other items | 1 | -0.1 | -2 | 0.2 |
| Adjustments recognised for taxes of prior periods | -3 | 0.2 | 0 | 0.0 |
| **IS Income tax expense** | **-221** | **12.8** | **-181** | **17.5** |

### Key tax indicators:

- The weighted average applicable income tax rate for 2019 is 23.6% (2018: 19.4%)
- The effective income tax rate in the income statement for 2019 is 12.8% (2018: 17.5%)
- The comparable effective income tax rate (excluding the share of profits from associates and joint ventures as well as tax exempt capital gains, tax rate changes and other major one time income tax effects) for 2019 is 22.4% (2018: 22.0%).

See ▸ **Definitions of key figures**.

The major items affecting the effective income tax rate are as follows:
Share of profit of associates and joint ventures during 2019 reduced the effective income tax rate with 12.7%, main item being the share of profit from Uniper EUR 632 million. This share of profit has also largely impacted the difference in tax rates and regulations increasing the rate with 3.6% overall.

Effective income tax rate impacted by gains or losses on sale of shares. In many countries like in Finland, Sweden, Netherlands and Norway income on capital gains and losses is treated as tax exempt. The purpose of this is to tax the operative income of the company and avoid taxing the same income twice in case of the sale of the shares. Taxation of capital gains or losses is in line with the taxation of dividend income.

Fortum has had tax audits ongoing during 2019. 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 r Belgium 2008–2012 tax audits.

For further information regarding the ongoing tax appeals see ▸ **Note 37** Legal actions and offici

During 2019 entities primarily in Sweden and Belgium used a portion of the deferred tax asset re loss carry forwards.

Fortum has a material deferred tax liability owing to its investments in non-current assets. These depreciated more rapidly for tax than for accounting purposes resulting in lower current tax payme of an asset's lifetime and higher tax payments at the end of its lifetime. This difference results in a liability.

See also ▸ **Note 28** Income taxes on the balance sheet.

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# 14 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 the parent company by the weighted average number of ordinary shares in issue during the year, excluding ordinary 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 until they have been approved by the Company's shareholders at the Annual General Meeting.

## 14.1 Earnings per share

### Earnings per share, basic

| | 2019 | 2018 |
|---|---|---|
| **IS** Profit attributable to owners of the parent (EUR million) | 1,482 | 843 |
| Weighted average number of shares (thousand) | 888,294 | 888,312 |
| Basic earnings per share (EUR) | 1.67 | 0.95 |

In the merger of Länsivoima Oyj (former Lounais-Suomen Sähkö Oy) to Fortum Corporation in 2000, those shareholders of Länsivoima Oyj that did not produce their share certificates and did not request their rights to be registered in the book-entry system, received their respective shares of Fortum Corporation as merger consideration to a joint book-entry account opened on their behalf (the "Joint Account"). The Annual General Meeting 2018 of Fortum Corporation decided, that the rights to all such shares entered in the Joint Account and to the rights attached to such shares that had not been requested to be registered in the book-entry system prior to the decision by the Annual General Meeting 2018, were forfeited. In addition to the shares, the rights attached to such shares, such as undrawn dividend, were forfeited. The provisions applicable to treasury shares held by the company were applied to the forfeited shares. On 17 December 2018, Board of Directors decided to cancel all these 72,580 Fortum shares owned by the company without decreasing the share capital. The cancellation was entered in the Trade Register on 21 December 2018. In 2018 these shares had minor impact on weighted average number of shares.

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

## 14.2 Dividend per share

Dividends proposed by the Board of Directors are not recognised in the financial statements until th
approved by the Company's shareholders at the Annual General Meeting.

A dividend in respect of 2019 of EUR 1.10 per share, amounting to a total dividend of EUR 977 r
the amount of shares registered as at 5 February 2020, is to be proposed at the planned Annual G
on 17 March 2020. These Financial statements do not reflect this dividend.

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.

A dividend for 2017 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided
General Meeting on 28 March 2018 and the dividend was paid on 10 April 2018.

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# 15 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 and 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 and loss category.

Financial assets are presented as non-current assets unless they are held for trading, expected to be realized 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. Gains and losses from derecognitionof the asset are recognised in profit and loss.

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets at fair value through profit and loss include financial assets held for trading in the short term, financial assets designated upon initial recognition irrevocably as fair value through profit and loss and financial assets mandatorily recognised at fair value through profit and loss according to IFRS 9. Fortum has also elected to classify equity investments (i.e. other investments) irrevocably as financial assets at fair value through profit and loss. These are mainly comprised of shares in unlisted companies. 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 investments designated at fair value through other comprehensive income are not subject to impairme and are never recycled to profit and loss. Dividends received are recognised in profit and loss.

Fortum currently does not have material other investments that have been irrevocably classified as financ value through other comprehensive income.

### DERECOGNITION

Fortum derecognises financial assets when the rights to receive cash flows from the assets have expired or substantially transferred the risks and rewards of the assets outside of the Group.

### IMPAIRMENT

Fortum recognizes an allowance for expected credit losses (ECL) according to IFRS 9 for financial assets mea amortised cost. See further information on ECL in ▸ **Note 4.7.1** Credit quality of major financial assets and in ▸ and other receivables.

Financial assets measured at fair value through profit or loss are not included in ECL assessment as they measured at fair value which takes into account expected credit losses. A financial asset is written off when reasonable expectation of recovering the contractual cash flows.

### FINANCIAL LIABILITIES

All financial liabilities are recognised initially at fair value. In the case of loans and borrowings and payables, i transaction costs are deducted. In subsequent periods, all non-derivative financial liabilities are stated at am any difference between proceeds (net of transaction costs) and the redemption value is recognised as intere period of the borrowing using the effective interest rate method.

Derivative financial instruments entered into by the Group, that are not designated as hedging instrumen as liabilities at fair value through profit and loss. Amortisation of the effective interest rate and gains and los are recognised in the statement of profit and loss.

Group's financial liabilities include trade and other payables, loans and borrowings and derivative financia Borrowings or portion of borrowings being hedged with a fair value hedge are recognised at fair value throug Derecognition of financial liabilities takes place when the Group has fulfilled the contractual obligations.

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## ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities. The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements ("own use exemption"). Such contracts are not within the scope of IFRS 9. Physical contracts to buy or sell a non-financial item, which are fair valued using the fair value option to off-set accounting mismatch, or where own use exemption or hedge accounting cannot be applied are fair valued through income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss 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 (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 (for instance 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 (for example, 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 equ in the income statement when the forecast transaction is ultimately also recognised in the income statemen forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equit recognised in the income statement.

Fortum hedges its exposure to commodity market risks and applies hedge accounting by risk component accounting is applied to Nordic electricity price risk, where the Nordic area priced physical electricity deliver divided into three risk components: (1) system price risk, (2) electricity price area difference risk (EPAD) and ( For each of these separate risk components there are specific derivative contracts available, which each are hedge without any ineffectiveness for the associated risk component.

## FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in t statement, together with any changes in the fair value of the hedged asset or liability that are attributable to

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of for which the effective interest method is used is amortised to profit and loss for the period to maturity.

## NET INVESTMENT HEDGING IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss rela ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equ the income statement when the foreign operation is disposed of.

## DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments hedging future cash flows do not qualify for hedge accounting. Fair value cha commodity derivative instruments are recognised in items affecting comparability in the income statement, value changes of interest rate and currency derivative instruments are recognised in finance costs – net.

Financial assets and liabilities in the tables below are split into categories in accordance with IFRS 9. The c further divided into classes which are the basis for valuing a respective asset or liability. Further information the Notes mentioned in the table.

See ▸ **Note 1.6** Physical settlement of contracts to buy or sell non-financial item (IFRS 9)

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## Financial assets by category 2019

| EUR million | Note | Amortised cost | Fair value through profit and loss: Hedge accounting, fair value hedges | Fair value through profit and loss: Non-hedge accounting | Fair value through profit and loss: Other financial assets | Fair value through other comprehensive income: Cash flow hedges |
|---|---|---|---|---|---|---|
| **Financial instruments in non-current assets** | | | | | | |
| Other non-current assets | 20 | 75 | | | 75 | |
| Derivative financial instruments | 4 | | | | | |
| Electricity derivatives | | | | 12 | | 1 |
| Interest rate and currency derivatives | | | 153 | 2 | | 1 |
| Other commodity future and forward contracts | | | | 10 | | |
| Long-term interest-bearing receivables | 21 | 628 | | | 23 | |
| **Financial instruments in current assets** | | | | | | |
| Derivative financial instruments | 4 | | | | | |
| Electricity derivatives | | | | 40 | | 42 |
| Interest rate and currency derivatives | | | | 7 | | 9 |
| Other commodity future and forward contracts | | | | 34 | | |
| Trade receivables | 23 | 736 | | | | |
| Short-term interest-bearing receivables | 21 | 69 | | | 315 | |
| Liquid funds | 24 | 1,433 | | | | |
| **Total** | | **2,941** | **153** | **105** | **413** | **53** |

## Financial assets by category 2018

| EUR million | Note | Amortised cost | Fair value through profit and loss: Hedge accounting, fair value hedges | Fair value through profit and loss: Non-hedge accounting | Fair value through profit and loss: Other financial assets | Fair value through other comprehensive income: Cash flow hedges |
|---|---|---|---|---|---|---|
| **Financial instruments in non-current assets** | | | | | | |
| Other non-current assets | 20 | 90 | | | 49 | |
| Derivative financial instruments | 4 | | | | | |
| Electricity derivatives | | | | 52 | | 1 |
| Interest rate and currency derivatives | | | 122 | 4 | | 26 |
| Other commodity future and forward contracts | | | | 24 | | |
| Long-term interest-bearing receivables | 21 | 642 | | | 41 | |
| **Financial instruments in current assets** | | | | | | |
| Derivative financial instruments | 4 | | | | | |
| Electricity derivatives | | | | 84 | | 10 |
| Interest rate and currency derivatives | | | | 97 | | 19 |
| Other commodity future and forward contracts | | | | 116 | | 0 |
| Trade receivables | 23 | 800 | | | | |
| Short-term interest-bearing receivables | 21 | 379 | | | 30 | |
| Liquid funds | 24 | 584 | | | | |
| **Total** | | **2,495** | **122** | **377** | **120** | **56** |

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## Financial liabilities by category 2019

| MEUR | Note | Amortised cost | Fair value through profit and loss: Hedge accounting, fair value hedges | Fair value through profit and loss: Non-hedge accounting | Fair value through profit and loss: Other financial liabilities | Fair value through other comprehensive income: Net investment and Cash flow hedges | Lease liabilities |
|---|---|---|---|---|---|---|---|
| **Financial instruments in non-current liabilities** | | | | | | | |
| Interest-bearing liabilities | 27 | 3,736 | 2,293 [1] | | | | 89 |
| Derivative financial instruments | 4 | | | | | | |
| Electricity derivatives | | | | 22 | | 30 | |
| Interest rate and currency derivatives | | | 25 | 3 | | 47 | |
| Other commodity future and forward contracts | | | | 11 | | | |
| **Financial instruments in current liabilities** | | | | | | | |
| Interest-bearing liabilities | 27 | 270 | | | 281 | | 19 |
| Derivative financial instruments | 4 | | | | | | |
| Electricity derivatives | | | | 62 | | 85 | |
| Interest rate and currency derivatives | | | | 49 | | 4 | |
| Other commodity future and forward contracts | | | | 52 | | | |
| Trade payables | 33 | 316 | | | | | |
| Other liabilities | 33 | 168 | | | | | |
| **Total** | | **4,490** | **2,318** | **199** | **281** | **166** | **108** |

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

## Financial liabilities by category 2018

| MEUR | Note | Amortised cost | Fair value through profit and loss: Hedge accounting, fair value hedges | Fair value through profit and loss: Non-hedge accounting | Fair value through other comprehensive income: Cash flow hedges |
|---|---|---|---|---|---|
| **Financial instruments in non-current liabilities** | | | | | |
| Interest-bearing liabilities | 27 | 4,077 | 930 [1] | | |
| Derivative financial instruments | 4 | | | | |
| Electricity derivatives | | | | 70 | 235 |
| Interest rate and currency derivatives | | | 25 | 2 | 16 |
| Other commodity future and forward contracts | | | | 13 | |
| **Financial instruments in current liabilities** | | | | | |
| Interest-bearing liabilities | 27 | 1,086 | | | |
| Derivative financial instruments | 4 | | | | |
| Electricity derivatives | | | | 65 | 641 |
| Interest rate and currency derivatives | | | | 45 | 1 |
| Other commodity future and forward contracts | | | | 77 | 0 |
| Trade payables | 33 | 334 | | | |
| Other liabilities | 33 | 212 | | | |
| **Total** | | **5,709** | **955** | **272** | **893** |

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

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# 16 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 some commodity derivatives traded in active markets (such as publicly traded electricity options, coal, gas and oil futures) are market quotes at the closing date.

### FAIR VALUES UNDER LEVEL 2 MEASUREMENT HIERARCHY

The fair value of financial instruments including electricity derivatives traded in active markets is based on 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. In fair valuation, credit spread has not been adjusted, as quoted market prices of the instruments used are believed to be consistent with the objective of a fair value measurement.

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. Commodity derivatives are generally cleared through exchanges such as for example NASDAQ Commodities and financial derivatives done with creditworthy financial institutions with investment grade ratings.

### FAIR VALUES UNDER LEVEL 3 MEASUREMENT HIERARCHY

Investments in unlisted shares classified as other investments for which the fair value can't be reliably measured. Fair value gains and losses of other investments are booked through profit and loss.

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## Financial assets

| EUR million | Note | Level 1 2019 | Level 1 2018 | Level 2 2019 | Level 2 2018 | Level 3 2019 | Level 3 2018 | Netting [1] 2019 | Netting [1] 2018 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **In non-current assets** | | | | | | | | | | |
| Other investments | 20 | 0 | 0 | | | 75 | 49 | | | |
| Derivative financial instruments | 4 | | | | | | | | | |
| Electricity derivatives | | | | | | | | | | |
| Hedge accounting | | | | 9 | 23 | | | -8 | -22 | |
| Non-hedge accounting | | | | 26 | 146 | | | -15 | -94 | |
| Interest rate and currency derivatives | | | | | | | | | | |
| Hedge accounting | | | | 154 | 149 | | | | | 1 |
| Non-hedge accounting | | | | 2 | 4 | | | | | |
| Other commodity future and forward contracts | | | | | | | | | | |
| Non-hedge accounting | | 10 | 29 | 1 | | | | -1 | -5 | |
| Interest-bearing receivables | | | | | | 23 | 41 | | | |
| **In current assets** | | | | | | | | | | |
| Derivative financial instruments | 4 | | | | | | | | | |
| Electricity derivatives | | | | | | | | | | |
| Hedge accounting | | | | 101 | 93 | | | -59 | -87 | |
| Non-hedge accounting | | 1 | 2 | 304 | 585 | | | -265 | -502 | |
| Interest rate and currency derivatives | | | | | | | | | | |
| Hedge accounting | | | | 9 | 19 | | | | | |
| Non-hedge accounting | | | | 7 | 97 | | | | | |
| Other commodity future and forward contracts | | | | | | | | | | |
| Non-hedge accounting | | 314 | 203 | 2 | | | | -282 | -8 | |
| Interest-bearing receivables | | 281 | | | | 34 | 30 | | | 3 |
| **Total** | | **606** | **234** | **615** | **1,116** | **132** | **120** | **-630** | **-79** | **7** |

1) Receivables to and liabilities from electricity and other commodity exchanges arising from standard derivative contracts with same delivery period are netted.

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## Financial liabilities

| EUR million | Note | Level 1 2019 | Level 1 2018 | Level 2 2019 | Level 2 2018 | Level 3 2019 | Level 3 2018 | Netting [1] 2019 | Netting [1] 2018 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|
| **In non-current liabilities** | | | | | | | | | | |
| Interest-bearing liabilities [2] | 27 | | | 2,293 | 930 | | | | | 2,2 |
| Derivative financial instruments | 4 | | | | | | | | | |
| Electricity derivatives | | | | | | | | | | |
| Hedge accounting | | | | 38 | 257 | | | -8 | -22 | |
| Non-hedge accounting | | | | 37 | 163 | | | -15 | -94 | |
| Interest rate and currency derivatives | | | | | | | | | | |
| Hedge accounting | | | | 72 | 42 | | | | | |
| Non-hedge accounting | | | | 3 | 2 | | | | | |
| Other commodity future and forward contracts | | | | | | | | | | |
| Non-hedge accounting | | 11 | 18 | 0 | 0 | | | -1 | -5 | |
| **In current liabilities** | | | | | | | | | | |
| Interest-bearing liabilities | 27 | | | 281 | | | | | | 2 |
| Derivative financial instruments | 4 | | | | | | | | | |
| Electricity derivatives | | | | | | | | | | |
| Hedge accounting | | | | 143 | 724 | | | -59 | -8 | |
| Non-hedge accounting | | | 1 | 328 | 566 | | | -265 | -50 | |
| Interest rate and currency derivatives | | | | | | | | | | |
| Hedge accounting | | | | 4 | 1 | | | | | |
| Non-hedge accounting | | | | 49 | 45 | | | | | |
| Other commodity future and forward contracts | | | | | | | | | | |
| Non-hedge accounting | | 334 | 158 | | 7 | | | -282 | -8 | |
| **Total** | | **345** | **177** | **3,248** | **2,737** | **0** | **0** | **-630** | **-79** | **2,9** |

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

Net fair value amount of interest rate and currency derivatives is EUR 45 million, including assets EUR 172 million and liabilities EUR 127 million. Fortum has cash collaterals based on Credit Support Annex agreements with s counterparties. At the end of December 2019 Fortum had received EUR 65 million from Credit Support Annex agreements. The received cash has been booked as short-term interest-bearing liability.

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# 17 Intangible assets

## ACCOUNTING POLICIES

Intangible assets, except goodwill, are stated at the historical cost less accumulated amortisation and impairment losses. They are amortised on a straight-line method 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 yearly 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 tested annually for impairment and 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.

## COMPUTER SOFTWARE

Acquired computer software licences are capitalised on the basis of the costs incurred when bringing the software into use. Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

## TRADEMARKS AND LICENSES

Trademarks and licences are shown at historical cost less accumulated amortisation and impairment losses, as applicable. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (15–20 years).

## CONTRACTUAL CUSTOMER RELATIONSHIPS

Contractual customer relationships acquired in a business combination are recognised at fair value on acquisition date. The contractual customer relations have a finite useful life and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected duration of the customer relationship.

## COSTS FOR OBTAINING CUSTOMERS

Incremental costs for obtaining new customers as well as renewing existing customer contracts are capitalised as intangible assets and amortised over the expected contract duration.

## EMISSION ALLOWANCES

The Group accounts for emission allowances based on currently valid IFRS standards where purchased emiss
are accounted for as intangible assets at cost, whereas emission allowances received free of charge are acco
nominal value. For $CO_2$ emissions from power and heat production, a provision is recognised. $CO_2$ emission c
returning emission allowances. To the extent that the Group already holds allowances to cover emission cost
is measured at the carrying amount of those allowances. Any shortfall of allowances held over the obligation
current market value of allowances. The emission cost is recognised in the income statement within material
The sales gains and losses of emission allowances not used for covering the obligation from $CO_2$ emissions, a
other income.

## IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

The individual assets' carrying values are reviewed continuously to determine whether there is any indication
An asset's carrying amount is written down immediately to its recoverable amount if it is greater than the es
recoverable amount.

In addition, impairment needs are assessed and documented once a year in connection with the long-term
process. Indications for impairment are analysed separately by each division as they are different for each bu
include risks such as changes in electricity and fuel prices, regulatory/political changes relating to energy tax
regulations etc. Impairment testing needs to be performed if any of the impairment indications exists. Assets
indefinite useful life and goodwill, are not subject to amortisation and are tested annually for impairment.

Value in use is determined by discounting the future cash flows expected to be derived from an asset. If it
estimate the cash flows generated by an individual asset, the impairment testing is performed on a cash-ger
Fortum defines the cash-generating unit (CGU) as the smallest business area where the tested assets gener
that are independent of the cash flows generated by other assets in other business areas. Goodwill is allocat
generating unit or lowest level of groups of cash-generating units that benefit from the synergies of the acqu
Cash flow projections are based on the most recent long-term forecast that has been approved by managem
Board of Directors. Cash flows arising from future investments such as new plants are excluded unless proje
started. The cash outflow needed to complete the started projects is included.

Non-financial assets other than goodwill that suffered an impairment charge are reviewed for possible rev
impairment at each reporting date.

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## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSIGNED VALUES AND USEFUL LIVES IN ACQUISITIONS

In an acquisition acquired intangible and tangible assets are fair valued and their remaining useful lives are determined. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable. Different assumptions and assigned lives could have a significant impact on the reported amounts.

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

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS RELATED TO IMPAIRMENT TESTING

The Group has significant carrying values in property, plant and equipment, intangible assets and participations in associated companies and joint ventures which are tested for impairment according to the accounting policy described in the notes. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations are based on estimated future cash flows from most recent approved long-term forecast. Preparation of these estimates requires management to make assumptions relating to future expectations. Assumptions vary depending on the business the tested assets are in. For power and heat generation business the main assumptions relate to the estimated future operating cash flows and the discount rates that are used in calculating the present value.

Estimates are also made in an acquisition when determining the fair values and remaining useful lives of acquired intangible and tangible assets.

| | Goodwill | | Other intangible assets | | |
|---|---|---|---|---|---|
| **EUR million** | **2019** | **2018** | **2019** | **2018** | **20** |
| **Cost 1 January** | **588** | **613** | **869** | **796** | **1,4** |
| Translation differences and other adjustments | 24 | -27 | 0 | -21 | |
| Acquisition of subsidiary companies | 0 | 0 | 12 | 22 | |
| Capital expenditure | 0 | 0 | 75 | 53 | |
| Changes in emissions rights | 0 | 0 | 14 | 16 | |
| Disposals | 0 | 0 | -43 | -24 | - |
| Sale of subsidiary companies | 0 | 0 | 0 | -6 | |
| Transfer to assets held for sale [1] | 0 | - | -12 | - | - |
| Reclassifications | 0 | 3 | 40 | 35 | |
| **Cost 31 December** | **612** | **588** | **954** | **869** | **1,5** |
| | | | | | |
| **Accumulated depreciation 1 January** | **0** | **0** | **370** | **325** | **3** |
| Translation differences and other adjustments | 0 | 0 | -1 | -12 | |
| Acquisition of subsidiary companies | 0 | 0 | 0 | [illegible] | |
| Disposals | 0 | 0 | -43 | -2[illegible] | - |
| Sale of subsidiary companies | 0 | 0 | 0 | [illegible] | |
| Transfer to assets held for sale [1] | 0 | - | -1 | | |
| Reclassifications | 0 | 0 | 14 | | |
| Depreciation for the period | 0 | 0 | 84 | 8[illegible] | |
| **Accumulated depreciation 31 December** | **0** | **0** | **422** | **37[illegible]** | **4** |
| **BS Carrying amount 31 December** | **612** | **588** | **531** | **49[illegible]** | **1,1** |

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

### Goodwill in groups of cash-generating units

| **EUR million** | **20** |
|---|---|
| Consumer Solutions | 2 |
| City Solutions | 2 |
| Russia | 1 |
| **Total** | **6** |

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## Other intangible assets

Other intangible assets include capitalised sales commissions for customer acquisition with a carrying amount totalling EUR 79 million at the end of 2019 (2018: 63). The carrying amount consists of capitalised sales commission costs totalling EUR 186 million (2018: 111) and accumulated depreciations totalling EUR 108 million (2018: 49).

Other items in other intangible assets include customer contracts, costs for software products and software licenses, bought emission rights and emission rights received free of charge, which are recognised to the lower of fair value and historical cost.

## Impairment testing

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. The assumptions are determined by management as part of the long-term forecasting process for the Fortum Group.

| 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 |

The cash flows used in determining the value in use for each cash generating unit are based on the most recent long-term forecasts and are determined in local currency. The period covered by cash flows is related to the useful lives of the assets being reviewed for impairment. The growth rate used to extrapolate the cash flow projections until the end of assets' useful lives is in line with the assumed inflation. In Russia the generation capacity built after 2007 under the Russian Government's Capacity Supply Agreements receives guaranteed capacity payments for a period of 10 years after commissioning.

The discount rate takes into account the risk profile of the country in which the cash flows are generated. There have not been any major changes in the discount rate components or in the methods used to determine them. The long-term pre-tax discount rate used were: City Solutions 7.3%, Consumer Solutions 5.2%-7% depending on location and Russia 11.4%.

The net operating assets of the CGUs and group of CGUs with allocated goodwill are tested yea
impairment. The tested net operating assets include both the goodwill and fair value adjustments a
acquisition. At 31 December 2019, the recoverable values were greater than their carrying values a
impairments were booked.

The Group has considered the sensitivity of key assumptions as part of the impairment testing. V
any consequential effect of the change on the other variables has also been considered. The calcula
sensitive to changes in estimated future EBITDA levels and changes in discount rate.

Management estimates that a reasonably possible change in the discount rate used or in future
not cause the carrying amount to exceed its recoverable amount in any of the tested units.

Based on the sensitivity analysis done, if the estimated future EBITDA were 10% lower than mana
estimates or pre-tax discount rate applied was 10% higher than the one used, the Group would not
recognise impairment losses for tested items.

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# 18 Property, plant and equipment and right-of-use assets

## ACCOUNTING POLICIES

Property, plant and equipment comprise mainly power and heat producing buildings and machinery, waterfall rights, district heating network and buildings and machinery as well as landfill sites and treatment areas used in waste treatment operations. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses as applicable in the consolidated balance sheet. Historical cost includes expenditure that is directly attributable to the acquisition of an item and capitalised borrowing costs. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

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

Additionally the cost of an item of property, plant and equipment includes the estimated cost of its dismantlement, removal or restoration.

See ▸ **Note 30** Other provisions for information about asset retirement obligations, ▸ **Note 29**, Nuclear related assets and liabilities, for information about provisions for decommissioning nuclear power plants and ▸ **Note 34**, Leases, for information about right-of-use assets.

Land, water areas and waterfall rights are not depreciated since they have indefinite useful lives. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Hydro power plant buildings, structures and machinery | 40–50 years |
| Thermal power plant buildings, structures and machinery | 25 years |
| Nuclear power plant buildings, structures and machinery | 25 years |
| CHP power plant buildings, structures and machinery | 15–25 years |
| Recycling and waste treatment facility buildings, structures and machinery | 15–40 years |
| Solar and Wind power plant structures and machinery | 25 years |
| District heating network | 30–40 years |
| Other buildings and structures | 20–40 years |
| Other tangible assets | 20–40 years |
| Other machinery and equipment | 3–20 years |
| Other non-current investments | 5–10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each closing date. A amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than recoverable amount. See further information on the impairment testing in ▸ **Note 17** Intangible assets.

## GOVERNMENT GRANTS

Grants from the government are recognised at their fair value when there is a reasonable assurance that the received and the Group will comply with all attached conditions. Government grants relating to costs are def recognised in the income statement over the period necessary to match them with the costs that they are in compensate. Government grants relating to the purchase of property, plant and equipment are deducted fro cost of the asset and are recognised as income by reducing the depreciation charge of the asset they relate

## BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are a cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Quali assets that necessarily take a substantial period of time to get ready for their intended use or sa

All other borrowing costs are recognised in profit or loss in the period in which they are incurr

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| EUR million | Land and waterfall rights 2019 | Land and waterfall rights 2018 | Buildings, plants and structures 2019 | Buildings, plants and structures 2018 | Machinery and equipment 2019 | Machinery and equipment 2018 | Other tangible assets 2019 | Other tangible assets 2018 | Advances paid and construction in progress 2019 | Advances paid and construction in progress 2018 | 20 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost 31 December** | **2,591** | **2,694** | **3,851** | **3,805** | **7,979** | **8,335** | **170** | **163** | **631** | **626** | **15,2** |
| Impact from change in accounting principle (IFRS 16) [1] | 27 | - | 57 | - | 12 | - | 0 | - | 0 | - | |
| **Cost 1 January** | **2,617** | **2,694** | **3,908** | **3,805** | **7,992** | **8,335** | **170** | **163** | **631** | **626** | **15,3** |
| Translation differences and other adjustments | -55 | -104 | 114 | -208 | 253 | -328 | -1 | -3 | 6 | -82 | 3 |
| Acquisition of subsidiary companies | 0 | 0 | 1 | 3 | 3 | 8 | 5 | 0 | 4 | 1 | |
| Capital expenditure | 12 | 1 | 8 | 5 | 181 | 3 | 2 | 0 | 435 | 522 | 6 |
| Additions and decreases in right-of-use assets | 4 | - | 25 | - | 3 | - | 0 | - | 0 | - | |
| Nuclear asset retirement cost | 0 | 0 | 0 | 0 | -14 | 16 | 0 | 0 | 0 | 0 | - |
| Disposals | -1 | 0 | -29 | -33 | -85 | -30 | -3 | 0 | 0 | 0 | -1 |
| Sale of subsidiary companies | -4 | -1 | -22 | -3 | -1 | -132 | 0 | 0 | 0 | 0 | - |
| Transfer to assets held for sale [2] | -6 | - | -71 | - | -250 | - | -14 | - | -30 | - | -3 |
| Reclassifications | 11 | 1 | 170 | 281 | 386 | 107 | 42 | 9 | -627 | -436 | - |
| **Cost 31 December** | **2,578** | **2,591** | **4,103** | **3,851** | **8,467** | **7,979** | **201** | **170** | **419** | **631** | **15,7** |
| | | | | | | | | | | | |
| **Accumulated depreciation 1 January** | **0** | **0** | **1,678** | **1,629** | **3,427** | **3,349** | **135** | **133** | **0** | | **5,2** |
| Translation differences and other adjustments | 0 | 0 | 28 | -86 | 83 | -177 | -1 | -2 | 0 | | 1 |
| Acquisition of subsidiary companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Disposals | 0 | 0 | -27 | -33 | -54 | -29 | -3 | 0 | 0 | | - |
| Sale of subsidiary companies | 0 | 0 | -18 | 0 | -1 | 0 | 0 | 0 | 0 | | - |
| Transfer to assets held for sale [2] | 0 | - | -27 | - | -64 | - | -2 | - | 0 | | - |
| Depreciation for the period | 2 | 0 | 130 | 113 | 356 | 340 | 3 | 3 | 0 | | 4 |
| Reclassifications | 0 | 0 | 0 | 54 | -4 | -55 | 1 | 1 | 0 | | |
| **Accumulated depreciation 31 December** | **1** | **0** | **1,765** | **1,678** | **3,745** | **3,427** | **132** | **135** | **0** | | **5,6** |
| **BS Carrying amount 31 December** | **2,577** | **2,591** | **2,339** | **2,173** | **4,721** | **4,552** | **68** | **35** | **419** | **631** | **10,1** |

1) See additional information in ▸**Note 1** Significant accounting policies and ▸**Note 34** Leases.
2) 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 139 million (2018: 158). See ▸**Note 36** Pledged assets and contingent liabilities.

Borrowing costs of EUR 9 million were capitalised in 2019 (2018: 10). The interest rate used for capitalisation varied between 2%-7% (2018: 2%-6%).

## Capitalised borrowing costs

| EUR million | Buildings, plants and structures 2019 | Buildings, plants and structures 2018 | Machinery and equipment 2019 | Machinery and equipment 2018 | Advances paid and construction in progress 2019 | Advances paid and construction in progress 2018 | 20 |
|---|---|---|---|---|---|---|---|
| **1 January** | **56** | **59** | **146** | **175** | **12** | **1** | **2** |
| Translation differences and other adjustments | 5 | -6 | 17 | -20 | 0 | - | |
| Increases / disposals | 0 | 0 | 1 | 0 | 8 | 1 | |
| Sale of subsidiary companies | 0 | 0 | 0 | -4 | 0 | | |
| Transfer to assets held for sale[1] | 0 | - | -2 | - | 0 | | |
| Reclassification | 1 | 3 | 8 | 6 | -17 | - | |
| Depreciation | -2 | 0 | -8 | -11 | 0 | 0 | - |
| **31 December** | **59** | **56** | **162** | **146** | **3** | **1** | **2** |

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

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# 19 Participations in associated companies and joint ventures

## ACCOUNTING POLICIES

The Group's interests in associated companies and jointly controlled entities are accounted for using the equity method of accounting. Assets acquired and liabilities assumed in the investment in associates or joint ventures are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the associate or joint venture acquired, the difference is recognised directly in the income statement.

The Group's share of its associates or joint ventures post-acquisition profits or losses after tax and the expenses related to the adjustments to the fair values of the assets and liabilities assumed are recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group's share of post-acquisition adjustments to associates or joint ventures equity that has not been recognised in the associates or joint ventures income statement, is recognised directly in 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 interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

If more recent information is not available, the share of the profit of certain associated or joint venture 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's interest in its investees and when considering the classification of Fortum's joint arrangements. In the classification, 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 associated companies and joint ventures for impairment. See ▸ **Note 17** Intangible assets for more information.

## 19.1 Principal associated companies and joint ventures

| | OKG AB | Forsmarks Kraftgrupp AB | Kemijoki Oy | Uniper SE | TGC-1 | TVO |
|---|---|---|---|---|---|---|
| Nature of the relationship | Co-owned nuclear company | Co-owned nuclear company | Co-owned hydro company | International energy company (listed) | Energy company (listed) | Co-ow nu com |
| Classification | Associated company | Associated company | Associated company | Associated company | Associated company | ve |
| Segment | Generation | Generation | Generation | Other Operations | Russia | Gener |
| Domicile | Sweden | Sweden | Finland | Germany | Russia | Fi |
| Ownership interest, % [1] | 46 | 26 | 58 | 49.99 | 29 | |
| Votes, % | 46 | 26 | 28 | 49.99 | 29 | |

1) Kemijoki and TVO have different series of shares. The ownership interest varies due to the changes in equity assigned to the series. The ownership interests for 2018 for Kemijoki Oy and TVO were 58% and 25%, respectively.

### Shareholdings in power production companies

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

Fortum has material shareholdings in such power production companies (mainly nuclear and hyd consolidated using equity method either as associated companies (OKG AB, Forsmarks Kraftgrupp Kemijoki Oy) or in some cases as joint ventures (Teollisuuden Voima Oyj (TVO)).

In Sweden nuclear production company shareholdings are 45.5% ownership of the shares in OKG 25.5% ownership of the shares in Forsmarks Kraftgrupp AB. Excluding non-controlling interests in t Fortum's participation in the companies are 43.4% and 22.2% respectively, which reflects the share produced that Fortum can sell further to the market. The minority part of the electricity purchased further to each minority owner according to their respective shareholding and treated as pass-throu

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In Finland Fortum has an ownership in power production company TVO that has three series of shares which entitle the shareholders to electricity produced in the different power plants owned by TVO.

Shares in series A entitle to electricity produced in nuclear power plants Olkiluoto 1 and 2 and Fortum owns 26.6% of these shares. Series B entitles to electricity in the nuclear power plant presently being built, Olkiluoto 3, and Fortum's ownership in this share series is 25%. Series C entitles to electricity produced in TVO's share of the coal condensing power plant Meri-Pori. Fortum acquired on 1 January 2019 all remaining C-shares of TVO and owns now 100% of these shares. The Meri-Pori power plant is mainly used in Fingrid's capacity reserve and as back-up capacity. The Meri-Pori power plant is accounted for as a joint operation in Fortum.

See also Associated companies in ▸ **Note 37** Legal actions and official proceedings and Joint operations in the accounting principles in ▸ **Note 18** Property, plant and equipment and right-of-use assets.

The most significant hydro production company shareholding is 63.8% of the hydro shares and 26.7% of the monetary shares in Kemijoki Oy. Each owner of hydro shares is entitled to the hydropower production in proportion to its hydro shareholding.

## Shareholding in Uniper

During 2018 Fortum acquired 49.99% of the shares in Uniper, see ▸ **Note 3** Acquisitions, disposals and assets held for sale. As Uniper is a listed company and publishes its interim reports later than Fortum, Fortum's share of Uniper's results is accounted for with a time-lag of one quarter with potential adjustments.

## Shareholdings in other principal associated companies and joint ventures

Fortum has also other shareholdings in listed companies such as Territorial Generating Company 1 (TGC-1). The shareholding in TGC-1 is accounted for as an associated company as Fortum has representatives in the Board of Directors of the company. The share of profit of TGC-1 is accounted for based on previous quarter information since updated interim information is not normally available.

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

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03.11.2021 kl 14:25 Brønnøysundregistrene

## Summarised financial information of the principal associated companies in 2019

| EUR million | OKG AB | Forsmarks Kraftgrupp AB | Kemijoki Oy | Uniper SE group | TGC-1 group |
|---|---|---|---|---|---|
| **Balance sheet** | **31 Dec 2018** | **31 Dec 2018** | **31 Dec 2018** | **30 Sept 2019** | **30 Sept 2019** |
| Non-current assets | 683 | 2,473 | 474 | 23,917 | 2,162 |
| Current assets | 230 | 388 | 4 | 16,728 | 312 |
| Non-current liabilities | 827 | 2,704 | 295 | 12,507 | 395 |
| Current liabilities | 73 | 124 | 131 | 16,012 | 152 |
| Equity | 13 | 33 | 52 | 12,125 | 1,926 |
| Attributable to the owners of the parent | 13 | 33 | 52 | 11,547 | 1,775 |
| Attributable to NCI | 0 | 0 | 0 | 578 | 152 |
| **Statement of comprehensive income** | **1 Jan 2018 - 31 Dec 2018** | **1 Jan 2018 - 31 Dec 2018** | **1 Jan 2018 - 31 Dec 2018** | **1 Oct 2018 - 30 Sept 2019** | **1 Oct 2018 - 30 Sept 2019** |
| Sales | 289 | 536 | 48 | 77,895 | 1,357 |
| Profit or loss | 1 | -1 | -5 | 1,085 | 176 |
| Attributable to the owners of the parent | 1 | -1 | -5 | 1,107 | 173 |
| Attributable to NCI | 0 | 0 | 0 | -22 | 3 |
| Total comprehensive income | 1 | -1 | -5 | 856 | 178 |
| Attributable to the owners of the parent | 1 | -1 | -5 | 850 | 175 |
| Attributable to NCI | 0 | 0 | 0 | 6 | 3 |
| **Reconciliation to carrying amount in Fortum Group** | | | | | |
| Group's interest in the equity of the associate 1 January 2019 | 6 | 9 | 33 | 5,512 | 421 |
| Change in share of profit and OCI items | 0 | 0 | -3 | 473 | 54 |
| Dividends received | 0 | 0 | 0 | -165 | -10 |
| Translation differences and other adjustments | 0 | 0 | 0 | 0 | 56 |
| **Group's interest in the equity of the associate 31 December 2019** | **6** | **8** | **30** | **5,820** | **523** |
| Fair values on acquisitions and different accounting principles [1] | -6 | 77 | 153 | -1,514 | -18 |
| **Carrying amount 31 December 2019** | **0** | **86** | **182** | **4,306** | **505** |
| **Market value of listed shares [2]** | | | | **5,399** | **209** |

1) Impact of different accounting principles include mainly IFRS adjustments for Nuclear liabilities and assets, capitalised borrowing costs and for Uniper the derecognition of goodwill in Uniper's balance sheet and fair value adjustment for the acquired assets and liabilities. For additional information about the Uniper purchase price allocation, see ▸**Note 3** Acquisitions, disposals and assets held for sale. 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 29** Nuclear related assets and liabilities.

2) The market quotation for the TGC-1 share is affected by the low liquidity of the TGC-1 shares in the Russian stock exchanges. During 2019 trading volumes of TGC-1 shares in relation to the number of shares of the company were approximately 19% (2018: 11%).

## Summarised financial information of the principal associated companies in 2018

| EUR million | OKG AB | Forsmarks Kraftgrupp AB | Kemijoki Oy | Uniper SE group |
|---|---|---|---|---|
| **Balance sheet** | **31 Dec 2017** | **31 Dec 2017** | **31 Dec 2017** | **30 Sept 2018** |
| Non-current assets | 581 | 2,336 | 472 | 33,21 |
| Current assets | 273 | 412 | 8 | 27,31 |
| Non-current liabilities | 760 | 2,603 | 352 | 21,07 |
| Current liabilities | 82 | 112 | 71 | 27,81 |
| Equity | 13 | 34 | 57 | 11,63 |
| Attributable to the owners of the parent | 13 | 34 | 57 | 11,02 |
| Attributable to NCI | 0 | 0 | 0 | 60 |
| **Statement of comprehensive income** | **1 Jan 2017– 31 Dec 2017** | **1 Jan 2017– 31 Dec 2017** | **1 Jan 2017– 31 Dec 2017** | **1 July 2018- 30 Sept 2018** |
| Sales | 426 | 637 | 42 | 17,09 |
| Profit or loss | 1 | -1 | -11 | |
| Attributable to the owners of the parent | 1 | -1 | -11 | - |
| Attributable to NCI | 0 | 0 | 0 | |
| Total comprehensive income | 1 | -1 | -11 | -1 |
| Attributable to the owners of the parent | 1 | -1 | -11 | |
| Attributable to NCI | 0 | 0 | 0 | -1 |
| **Reconciliation to carrying amount in Fortum Group** | | | | |
| Group's interest in the equity of the associate 1 January 2018 | 6 | 9 | 41 | |
| Change in share of profit and OCI items | 0 | 0 | -7 | |
| Dividends received | 0 | 0 | 0 | |
| Acquired net assets | 0 | 0 | 0 | 5,51 |
| Translation differences and other adjustments | 0 | 0 | 0 | |
| **Group's interest in the equity of the associate 31 December 2018** | **6** | **9** | **33** | **5,51** |
| Fair values on acquisitions and different accounting principles | -6 | 82 | 155 | |
| Difference compared to acquisition price | - | - | - | -1,54 |
| **Carrying amount 31 December 2018** | **0** | **90** | **188** | **3,96** |
| **Market value of listed shares** | | | | **4,13** |

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## Summarised financial information of the principal joint ventures in 2019 and 2018

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **EUR million** | **TVO Oyj group** | **Stockholm Exergi AB group** | **TVO Oyj group** | **Stockholm** |
| **Balance sheet** | **30 Sept 2019** | **31 Dec 2019** | **30 Sept 2018** | |
| Non-current assets | 7,200 | 2,541 | 7,231 | |
| Current assets | 669 | 305 | 420 | |
| of which cash and cash equivalents | 203 | 0 | 115 | |
| Non-current liabilities | 5,466 | 1,356 | 5,108 | |
| of which non-current interest-bearing liabilities | 4,472 | 983 | 4,033 | |
| Current liabilities | 636 | 365 | 776 | |
| of which current financial liabilities | 514 | 223 | 603 | |
| Equity | 1,767 | 1,126 | 1,767 | |
| Attributable to the shareholders of the company | 1,767 | 1,125 | 1,767 | |
| Attributable to NCI | 0 | 1 | 0 | |
| **Statement of comprehensive income** | **1 Oct 2018–30 Sept 2019** | **1 Jan 2019–31 Dec 2019** | **1 Oct 2017–30 Sept 2018** | **1 Jan 20** |
| Sales | 287 | 658 | 338 | |
| Depreciation and amortisation | -46 | -199 | -55 | |
| Interest income | 13 | 0 | 12 | |
| Interest expense | -36 | -18 | -44 | |
| Income tax expense or income | 0 | -11 | 0 | |
| Profit or loss | 29 | 41 | -10 | |
| Other comprehensive income | -18 | -17 | 7 | |
| Total comprehensive income | 10 | 24 | -2 | |
| Attributable to the shareholders of the company | 10 | 24 | -2 | |
| **Reconciliation to carrying amount in Fortum Group** | | | | |
| Group's interest in the equity of the joint venture 31 December | 448 | 602 | 280 | |
| Impact from change in accounting principle (IFRS 9) | - | - | 145 | |
| Group's interest in the equity of the joint venture 1 January | 448 | 602 | 425 | |
| Change in share of profit and OCI items | 1 | 12 | -1 | |
| Dividends received | 0 | -40 | 0 | |
| Investments | 0 | 0 | 25 | |
| Divestments and capital returns | 0 | 0 | -2 | |
| Translation differences and other adjustments | 2 | -11 | 0 | |
| **Group's interest in the equity of the joint venture 31 December** | **451** | **563** | **448** | |
| Fair values on acquisitions and different accounting principles [1] | -9 | -63 | -9 | |
| **Carrying amount 31 December** | **442** | **500** | **439** | |

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 according to equity method. T basis for r as for Loviisa power plant, see accounting principles in ▸**Note 29** Nuclear related assets and liabilities.

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## 19.2 Participations and shares of profits in associated companies and joint ventures

### Participations in associated companies and joint ventures on the balance sheet

| EUR million | 2019 | 2018 |
|---|---|---|
| Principal associates | 5,079 | 4,649 |
| Principal joint ventures | 942 | 973 |
| Other associates | 65 | 60 |
| Other joint ventures | 348 | 295 |
| **BS Total** | **6,435** | **5,978** |

### Changes in participation during the year

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **EUR million** | **Associated companies** | **Joint ventures** | **Associated companies** | **Joint ventures** |
| **Historical cost** | | | | |
| Historical cost 31 December | 4,549 | 831 | 680 | 598 |
| Impact from change in accounting principle (IFRS 9) | - | - | 20 | 145 |
| Historical cost 1 January | 4,549 | 831 | 699 | 743 |
| Translation differences and other adjustments | 27 | 12 | -33 | -17 |
| Investments | 0 | 75 | 3,969 | 97 |
| Reclassifications | -1 | 0 | -3 | 20 |
| Divestments and capital returns | 0 | -29 | -83 | -12 |
| **Historical cost 31 December** | **4,576** | **889** | **4,549** | **831** |
| | | | | |
| **Equity adjustments** | | | | |
| Equity adjustments 1 January | 160 | 437 | 190 | 432 |
| Translation differences and other adjustments | 29 | -11 | -29 | -19 |
| Share of profits of associates and joint ventures | 696 | 48 | -32 | 71 |
| Reclassifications | -11 | -4 | 41 | 0 |
| Divestments | 0 | 2 | 0 | 0 |
| Dividends received | -176 | -63 | -10 | -51 |
| OCI items associates and joint ventures | -130 | -8 | 1 | 5 |
| **Equity adjustments 31 December** | **569** | **401** | **160** | **437** |
| | | | | |
| **Carrying amount at 31 December** | **5,144** | **1,290** | **4,709** | **1,269** |

During 2019 Fortum received EUR 239 million (2018: 61) in dividends from associates and joint ventures of which EUR 165 million (2018:0) was received from Uniper and EUR 40 million (2018: 39) was received from Stockholm Exergi.

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

### Share of profit of associates and joint ventures

| EUR million | 2 |
|---|---|
| Principal associates | |
| Uniper SE | 6 |
| OKG AB | |
| Forsmarks Kraftgrupp AB | |
| Kemijoki Oy | |
| TGC-1 | |
| **Principal associates, total** | **6** |
| Principal joint ventures | |
| Stockholm Exergi AB | |
| TVO Oyj | |
| **Principal joint ventures, total** | |
| Other associates | |
| Other joint ventures | |
| **IS Total** | **7** |

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

#### Uniper

Uniper's share of profit is based on reported Net income/loss attributable to shareholder of Unipe impact from Non-operating results e.g. fair value measurement of derivative financial instruments w subject to volatility. Non-operating results impacted the share of profits in 2019 with EUR 392 milli Fortum's 2019 share of profits from Uniper include Fortum's share of Uniper's Q4 2018 and Q1-Q3 and the impact from reinstatement of UK capacity market in October 2019, as well as EUR 31 millio the fair value adjustment. The remaining fair value adjustment post tax at 31 December 2019 amou 582 million. See more information in ▸ **Note 3** Acquisitions, disposals and assets held for sale.

#### Other associates and joint ventures

In 2019 the share of profit from Stockholm Exergi includes the EUR -22 million effect of the impairm Stockholm Exergi relating to the early decommissioning of combined heat and power (CHP) plant 6,

Fortum reassessed assumptions used for all nuclear related assets and liabilities at 31 December Assumptions were changed for the respective balances of the co-owned nuclear companies in Finla Sweden, i.e. Teollisuuden Voima Oyj (TVO), Oskarshamn Kraft Grupp AB (OKG), and Forsmarks Kraf AB. The total impact of the change to share of profit from these associated companies and joint ve

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EUR -37 million, net of tax, and including additional nuclear waste liability related to legacy waste obligations for Swedish nuclear. The net profit impact from all these nuclear related adjustments was close to zero. For additional information see ▸ **Note 29** Nuclear related assets and liabilities.

### 19.3 Transactions and balances

#### Associated company transactions

| EUR million | 2019 | 2018 |
|---|---|---|
| Sales to associated companies | 1 | 0 |
| Interest income on loan receivables to associated companies | 12 | 12 |
| Purchases from associated companies | 259 | 256 |

Purchases from associated companies include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

#### Associated company balances

| EUR million | 2019 | 2018 |
|---|---|---|
| **Receivables from associated companies** | | |
| Long-term interest-bearing loan receivables | 564 | 581 |
| Trade receivables | 0 | 1 |
| **Liabilities to associated companies** | | |
| Long-term loan payables | 1 | 0 |
| Trade payables | 0 | 2 |

For more info about interest-bearing receivables from associated companies, see ▸ **Note 21** Interest-bearing receivables.

#### Joint venture transactions

| EUR million | 2019 | 2018 |
|---|---|---|
| Sales to joint ventures | 23 | 39 |
| Purchases from joint ventures | 113 | 124 |

Purchases from joint ventures include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

#### Joint venture balances

| EUR million | 2 |
|---|---|
| **Receivables from joint ventures** | |
| Long-term interest-bearing loan receivables | |
| Trade receivables | |
| Other receivables | |
| **Liabilities to joint ventures** | |
| Long-term loan payables | 2 |
| Trade payables | |
| Other payables | |

For more info about interest-bearing receivables from joint ventures, see ▸ **Note 21** Interest-bearing

## 20 Other non-current assets

| EUR million | 2 |
|---|---|
| Other investments | |
| Interest-free receivables | |
| **BS Total** | 1 |

Other investments, i.e. shares which are not classified as associated companies or joint ventures, c
of shares in unlisted companies of EUR 75 million (2018: 49). This includes Fortum's indirect shareh
Fennovoima of EUR 33 million (2018: 33).

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# 21 Interest-bearing receivables

| EUR million | 2019 Carrying amount | 2019 Fair value | 2018 Carrying amount | 2018 Fair value |
|---|---|---|---|---|
| Long-term loan receivables from associated companies | 564 | 599 | 581 | 601 |
| Long-term loan receivables from joint ventures | 61 | 69 | 60 | 68 |
| Other long-term interest bearing receivables | 26 | 27 | 43 | 43 |
| **BS Total long-term interest-bearing receivables** | **651** | **695** | **683** | **712** |
| Collateral arrangement securities | 281 | 281 | - | - |
| Other short-term interest-bearing receivables | 103 | 103 | 409 | 409 |
| **BS Total short-term interest-bearing receivables** | **384** | **384** | **409** | **409** |
| **Total** | **1,035** | **1,079** | **1,092** | **1,121** |

Long-term interest-bearing receivables include receivables from associated companies and joint ventures of EUR 625 million (2018: 641). These receivables include EUR 558 million (2018: 575) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership.

During Q1 2019 Fortum entered into a non-cash collateral arrangement to release pledged cash from Nordic power exchange. Fortum has borrowed securities which have replaced pledged cash. At the end of December 2019 Fortum booked a short-term interest-bearing receivable of EUR 281 million and a corresponding short-term liability. See ▸ **Note 27** Interest-bearing liabilities.

Other interest-bearing receivables include EUR 57 million (2018: 70) from SIBUR, a Russian gas processing and petrochemicals company regarding divested shares of OOO Tobolsk CHP.

Short-term interest-bearing receivables include EUR 65 million (2018: 379) restricted cash mainly given as collateral for commodity exchanges. The European Market Infrastructure Regulation (EMIR) came into force in 2016 requiring fully-backed guarantees.

For further information regarding credit risk management, see ▸ **Note 4.7** Credit risk.

## Interest-bearing receivables

| EUR million | Effective interest rate, % | Carrying amount 2019 | Repricing: Under 1 year | Repricing: 1–5 years | Repricing: Over 5 years | Fair value 2019 | Carrying amount 2018 | Fair value 2018 |
|---|---|---|---|---|---|---|---|---|
| Long-term loan receivables | 1.8 | 651 | 607 | 21 | 23 | 668 | 683 | 712 |
| Short-term receivables | 1.1 | 384 | 384 | | | 384 | 409 | 409 |
| **Total** | **1.6** | **1,035** | **991** | **21** | **23** | **1,052** | **1,092** | **1,121** |

# 22 Inventories

## ACCOUNTING POLICIES

Inventories mainly consist of fuels consumed in the production process or in the rendering of services. Inven
at the lower of cost and net realisable value being the estimated selling price for the end product, less applic
selling expenses and other production costs. Cost is determined using the first-in, first-out (FIFO) method.

Inventories which are acquired primarily for the purpose of trading are stated at fair value less selling exp

| EUR million | 2 |
|---|---|
| Nuclear fuel | |
| Coal | |
| Oil | |
| Biofuels | |
| Materials and spare parts | |
| Other inventories | |
| **BS Total** | **2** |

Write-downs in inventories amounted to EUR 4 million (2018: 6).

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# 23 Trade and other receivables

## ACCOUNTING POLICIES

Trade receivables include revenue based on an estimate of electricity, heat and cooling already delivered but not yet measured and not yet invoiced.

Impairment losses for trade receivables are calculated according to the expected credit loss (ECL) model. An allowance is made on the balance sheet for the expected future credit losses and remains on the balance sheet until it is written off as a credit loss. Allowances may remain on the balance sheet for several years pending the outcome of collection processes and court proceedings. Write-off policies differ by country depending on local legislation and assessment of recovery possibilities. For large trade receivables, ECL is calculated for the individual customer based on the probability of default and expected recovery rate. These estimates are based on the customer's rating and adjusted if there are indications of decreased creditworthiness, e.g. based on payment behaviour. ECL for trade receivables from small customers are calculated on portfolio basis by country and business segment. The credit loss allowances are based on historical analysis of losses when possible, or on average default rates for customers based on externally available information. These rates are adjusted if there are any forward-looking indicators showing changes in expected credit losses. Trade receivables overdue more than 180 days are generally considered to be credit-impaired and allowances are made for the full amount, adjusted for expected recovery rates.

| EUR million | 2019 | 2018 |
|---|---|---|
| Trade receivables | 736 | 800 |
| Accrued interest income | 1 | 1 |
| Accrued income and prepaid expenses | 106 | 59 |
| Cash settlements for futures | 177 | 592 |
| Other receivables | 156 | 168 |
| **BS Total** | **1,176** | **1,620** |

Accrued income and prepaid expenses include the receivable of EUR 51 million related to the periodisation of the Finnish nuclear waste management fund target, for additional information see ▸ **Note 29** Nuclear relates assets and liabilities. Cash settlements for futures has decreased mainly due to lower electricity prices for the hedging period. Futures are cash settled daily on Nasdaq Commodities exchange.

## Trade receivables

### Ageing analysis of trade receivables

| | 2019 | | | 2018 |
|---|---|---|---|---|
| EUR million | Gross | Expected credit loss allowance | Expected credit loss rate, % | Gross | Expec credit l allowa |
| Not past due | 653 | 3 | 0 | 712 | |
| Past due 1–30 days | 58 | 2 | 3 | 63 | |
| Past due 31–90 days | 18 | 5 | 28 | 17 | |
| Past due 91–180 days | 11 | 5 | 45 | 15 | |
| Past due more than 181 days | 95 | 84 | 88 | 77 | |
| **Total** | **836** | **99** | **12** | **885** | |

### Changes in expected credit loss allowance

| EUR million | 20 |
|---|---|
| **1 January** | |
| Expected credit loss allowance recognised during the period | |
| Write-offs | |
| Translation differences and other changes | |
| **31 December** | |

The majority of impaired trade receivables EUR 72 million (2018: 61) relate to the Russia segmen

### Trade receivables by currency (Gross)

| EUR million | 20 |
|---|---|
| EUR | 2 |
| SEK | 1 |
| RUB | 2 |
| NOK | 1 |
| PLN | |
| Other | |
| **Total** | 8 |

Trade receivables are arising from a large number of customers mainly in EUR, SEK, RUB and NOK concentration of risk.

For further information regarding credit risk management and credit risks, see ▸ **Counterparty ris** Operating and financial review and ▸ **Note 4.7** Credit risk.

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# 24 Liquid funds

## ACCOUNTING POLICIES

Cash and cash equivalents in Liquid funds include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with maturities of three months or less. Deposits and securities with maturity more than 3 months include fixed term deposits and commercial papers with maturity more than three months but less than twelve months. Deposits and securities are measured at amortised cost.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash collaterals or otherwise restricted cash are treated as short-term interest-bearing receivables.

| EUR million | 2019 | 2018 |
|---|---|---|
| Cash at bank and in hand | 118 | 203 |
| Deposits and securities with maturity under 3 months | 1,239 | 353 |
| **Cash and cash equivalents** | **1,356** | **556** |
| Deposits and securities with maturity more than 3 months | 76 | 29 |
| **BS Total** [1] | **1,433** | **584** |

1) Excluding cash balances of EUR 2 million relating to assets held for sale at 31 December 2019. See ▸ **Note 3** Acquisitions, disposals and assets held for sale.

Liquid funds consists of deposits and cash in bank accounts amounting to EUR 893 million and commercial papers of EUR 540 million. The average interest rate on deposits and securities excluding Russian deposits on 31 December 2019 was -0.13% (2018: -0.11%). Liquid funds held by PAO Fortum amounted to EUR 201 million (2018: 317), of which EUR 151 million (2018: 316) was held as bank deposits. The average interest rate for this portfolio was 3.9% at the balance sheet date.

Liquid funds totalling EUR 1,099 million (2018: 168) are placed with counterparties that have an investment grade rating. In addition, EUR 334 million (2018: 416) have been placed with counterparties separately reviewed and approved by the Group's credit control department.

In the fourth quarter of 2019, Fortum signed new committed credit facilities of an additional EUR 8.3 billion for the purchase of Uniper shares announced on 8 October 2019. At the end of December 2019, the committed and undrawn credit facilities amounted to EUR 10.1 billion (Dec 31 2018: 1.8). On 7 January 2020, Fortum cancelled EUR 3 billion of these new committed credit facilities.

For further information regarding credit risk management and credit risks, see ▸ **Note 4.7** Credit risk.

# 25 Share capital

| | 2019 | | 20 |
|---|---|---|---|
| **EUR million** | **Number of shares** | **Share capital** | **Number of sha** |
| Registered shares 1 January | 888,294,465 | 3,046 | 888,367,0 |
| Cancellation of Treasury shares | - | - | 72,5 |
| Registered shares 31 December | 888,294,465 | 3,046 | 888,294,4 |

Fortum Corporation has one class of shares. By the end of 2019, a total of 888,294,465 shares hac Each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders dividend. At the end of 2019 Fortum Corporation's share capital, paid in its entirety and entered in register, was EUR 3,046,185,953.00.

In the merger of Länsivoima Oyj (former Lounais-Suomen Sähkö Oy) to Fortum Corporation in 20 shareholders of Länsivoima Oyj that did not produce their share certificates and did not request the to be registered in the book-entry system, received their respective shares of Fortum Corporation a consideration to a joint book-entry account opened on their behalf (the "Joint Account"). The Annua Meeting 2018 of Fortum Corporation decided, that the rights to all such shares entered the Joint to the rights attached to such shares that had not been requested to be registered in the book-ent to the decision by the Annual General Meeting 2018, were forfeited. In addition to the shares, the r to such shares, such as undrawn dividend, were forfeited. The provisions applicable to treasury sha company were applied to the forfeited shares. On 17 December 2018, Board of Directors decided t these 72,580 Fortum shares owned by the company without decreasing the share capital. The canc entered in the Trade Register on 21 December 2018.

Fortum Corporation's shares are listed on Nasdaq Helsinki. The trading code is FORTUM, FUM1V u 2017). Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finla

Details on the President and CEO and other members of the Fortum Executive Management Team' and interest in the equity incentive schemes is presented in ▸ **Note 11** Employee benefits and Board

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### 25.1 Authorisations from the Annual General Meeting 2019

On 26 March 2019, 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. It was also decided that the repurchases or disposals could not be made for the purposes of the company's incentive and remuneration schemes. The authorisation cancelled the authorisation resolved by the Annual General Meeting of 2018. 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 2019.

### 25.2 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.

# 26 Non-controlling interests

### Principal non-controlling interests

| EUR million | | 2019 | 2018 |
|---|---|---|---|
| PAO Fortum Group | Russia | 34 | 33 |
| AS Fortum Tartu Group | Estonia | 37 | 37 |
| Fortum Oslo Varme AS Group | Norway | 166 | 152 |
| Other | | 16 | 14 |
| **BS Total** | | **252** | **236** |

# 27 Interest-bearing liabilities

### Net debt

| EUR million | Net debt 2019 | Classified as assets held for sale [1] | BS To 20 |
|---|---|---|---|
| Interest-bearing liabilities | 6,694 | -6 | 6,6 |
| Liquid funds | 1,435 | -2 | 1,4 |
| **Net debt** | **5,260** | **-4** | **5,2** |

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

Net debt is calculated as interest-bearing liabilities less liquid funds without deducting interest-bear amounting to EUR 1,035 million (2018: 1,092). Interest-bearing receivables mainly consist of shareh partly owned nuclear companies regarded as long-term financing. For more information see ▸ **Note** bearing receivables.

### Interest-bearing liabilities

| EUR million | 20 |
|---|---|
| Loans | 6,5 |
| Lease liabilities [1] | 1 |
| **Total** | **6,6** |

1) Excludes lease liabilities of EUR 6 million relating to assets held for sale at 31 December 2019. See ▸ **Note 3** Acqu tions, dispo held for sale.

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| EUR million | 2019 | 2018 |
|---|---|---|
| Bonds | 4,251 | 1,746 |
| Loans from financial institutions | 329 | 1,799 |
| Reborrowing from the Finnish State Nuclear Waste Management Fund | 1,145 | 1,158 |
| Lease liabilities | 89 | - |
| Other long-term interest-bearing liabilities | 304 | 303 |
| **BS Total long-term interest-bearing liabilities** | **6,118** | **5,007** |
| Current portion of long-term bonds | 0 | 750 |
| Current portion of loans from financial institutions | 33 | 48 |
| Current portion of other long-term interest-bearing liabilities | 40 | 5 |
| Commercial paper liabilities | 10 | 207 |
| Current portion of lease liabilities | 19 | - |
| Collateral arrangement liability | 281 | - |
| Other short-term interest-bearing liabilities | 187 | 76 |
| **BS Total short-term interest-bearing liabilities** | **570** | **1,086** |
| **Total** | **6,688** | **6,093** |

## Loans

| EUR million | Effective interest rate, % | Carrying amount 2019 | Repricing: Under 1 year | Repricing: 1–5 years | Repricing: Over 5 years | Fair value 2019 | Carrying amount 2018 | Fair value 2018 |
|---|---|---|---|---|---|---|---|---|
| Bonds | 2.3 | 4,251 | 96 | 2,539 | 1,616 | 4,478 | 2,496 | 2,629 |
| Loans from financial institutions | 1.3 | 362 | 307 | 39 | 16 | 378 | 1,847 | 1,901 |
| Reborrowing from the Finnish State Nuclear Waste Management Fund | 0.5 | 1,185 | 1,185 | | | 1,250 | 1,158 | 1,218 |
| Other long-term loans [1] | 3.3 | 304 | 202 | | 102 | 346 | 309 | 351 |
| **Total long-term loans [2]** | **1.9** | **6,102** | **1,790** | **2,578** | **1,734** | **6,452** | **5,810** | **6,099** |
| Collateral arrangement liability | 0.8 | 281 | 281 | | | 281 | - | - |
| Commercial paper liabilities | 0.2 | 10 | 10 | | | 10 | 207 | 207 |
| Other short-term loans | 2.6 | 187 | 187 | | | 187 | 76 | 76 |
| **Total short-term loans** | **1.5** | **478** | **478** | | | **478** | **283** | **283** |
| **Total [3]** | **1.9** | **6,580** | **2,268** | **2,578** | **1,734** | **6,930** | **6,093** | **6,382** |

1) Includes loans from Finnish pension institutions of EUR 33 million (2018: 38) and other loans of EUR 271 million (2018: 270).

2) Including current portion of long-term debt of EUR 73 million (Dec 31 2018: 803).

3) The average interest rate on loans and derivatives on 31 December 2019 was 2.3% (2018: 2.4%).

The interest-bearing debt increased in 2019 by EUR 595 million to EUR 6,688 million (2018: 6,093). of short-term financing increased with EUR 195 million, and at the end of the year the amount of sh financing EUR 478 million (2018: 283) included 65 million (2018: 75) from Credit Support Annex ag

During the first quarter of 2019 Fortum issued new bonds under its Euro Medium Term Note (EM programme with a total nominal amount of EUR 2.5 billion: EUR 1.0 billion, four-year bond with 0.87 coupon and two EUR 750 million bonds for seven- and ten-years with 1.625%/ 2.125% fixed coupo

In March 2019, Fortum repaid maturing bond of EUR 750 million and prepaid the bridge loan of drawn in June 2018 for the financing of the shares in Uniper.

The amount of reborrowing from the Finnish State Nuclear Waste Management Fund and TVO w by EUR 27 million to EUR 1,185 million. Further Fortum signed a five-year EUR 300 million bilateral agreement which was drawn at the beginning of April 2019.

During the first quarter of 2019 Fortum entered into a non-cash collateral arrangement to releas from Nordic power exchange. At end of December Fortum booked a short-term interest-bearing de million to the lender of the securities, which are included in interest-bearing receivables. See ▸ **Note** bearing receivables.

The average interest rate for the portfolio consisting mainly of EUR loans was 1.6% at the balanc (2018: 1.7%). Part of the external loans EUR 787 million (2018: 686) have been swapped to RUB an interest cost for these loans including cost for hedging the RUB was 7.8% at the balance sheet date The average interest rate on total loans and derivatives at the balance sheet date was 2.1% (2018:

For more information, see ▸ **Note 4** Financial risk management ▸ **Note 34** Leases and ▸ **Note 36** and contingent liabilities.

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## Reconciliation of interest-bearing liabilities

| 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: Exchange rate differences | Non-cash changes: Lease liabilities | Non-cash changes: Fair value changes and amortised cost |
|---|---|---|---|---|---|---|---|---|
| Bonds | 2,496 | | 2,496 | 1,729 | | -2 | | 28 |
| Loans from financial institutions | 1,848 | | 1,848 | -1,497 | | -3 | | 14 |
| Reborrowing from the Finnish State Nuclear Waste Management Fund | 1,158 | | 1,158 | 27 | | | | |
| Lease liabilities [3] | - | 99 | 99 | -15 | | | 25 | |
| Other interest-bearing liabilities | 592 | | 592 | -88 | 281 | -3 | | |
| **Total** | **6,093** | **99** | **6,192** | **156** | **281** | **-8** | **25** | **42** |

1) See ▸**Note 1** Significant accounting policies and ▸**Note 34** Leases.
2) Repayments and borrowings.
3) Excludes 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.

| EUR million | 31 Dec 2017 | Cash flow from financing activities [1] | Non-cash changes: Divestments | Non-cash changes: Exchange rate differences | Non-cash changes: Fair value changes and amortised cost |
|---|---|---|---|---|---|
| Bonds | 2,943 | -413 | | -13 | 21 |
| Loans from financial institutions | 283 | 1,571 | | -10 | 4 |
| Reborrowing from the Finnish State Nuclear Waste Management Fund | 1,129 | 29 | | | |
| Other interest-bearing liabilities | 530 | 126 | -58 | -6 | |
| **Total** | **4,885** | **1,313** | **-58** | **-29** | **7** |

1) Repayments and borrowings.

## 27.1 Bond issues

| Issued/Maturity | Interest basis | Interest rate, % | Effective interest, % | Currency | Nominal value mill. |
|---|---|---|---|---|---|
| **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 | 1,000 |
| 2019/2023 | Fixed | 0.875 | 0.996 | EUR | 1,000 |
| 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 | 1,000 |
| 2013/2043 | Fixed | 3.500 | 3.719 | EUR | 100 |
| **Total outstanding carrying amount 31 December 2019** | | | | | |

1) EMTN = Euro Medium Term Note

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# 28 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 AN ESTIMATES REGARDING FUTURE TAX CONSEQUENCES

Fortum has deferred tax assets and liabilities which are expected to be realised through the income stateme extended periods of time in the future. In calculating the deferred tax items, Fortum is required to make cert and estimates regarding the future tax consequences attributable to differences between the carrying amou liabilities as recorded in the financial statements and their tax basis.

Assumptions made include the expectation that future operating performance for subsidiaries will be con historical levels of operating results, recoverability periods for tax loss carry-forwards will not change, and th laws and rates will remain unchanged into foreseeable future. Fortum believes that it has prudent assumptio its deferred tax balances.

Assumptions and estimates regarding uncertain tax positions are supported by external legal counsel or

If the actual final outcome (regarding tax disputes) would differ negatively from management's estimates Group would need to increase the income tax liability by EUR 11 million at 31 December 2019. For additional i regarding tax disputes, see ▸ **Note 37** Legal actions and official proceedings.

### 28.1 Deferred income taxes on the balance sheet

| | 2019 | | | |
|---|---|---|---|---|
| **EUR million** | **1 Jan** | **Change** | **31 Dec** | **1 Jan** |
| **BS** Deferred tax assets | 70 | 7 | 77 | 73 |
| **BS** Deferred tax liabilities | -720 | -144 | -865 | -822 |
| **Net deferred taxes** | **-651** | **-137** | **-788** | **-749** |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offs assets against current tax liabilities and when the deferred income taxes relate to the sa fiscal a

Årsregnskap regnskapsåret 2019 for 885361102

## 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 Jan 2019** | **-106** | **-788** | **20** | **-15** | **169** | **70** | **-1** |
| Charged to income statement | -5 | -30 | 0 | 1 | 19 | -5 | 35 |
| Charged to other comprehensive income | 7 | 1 | 5 | 0 | -156 | 0 | -2 |
| Exchange rate differences, reclassifications and other changes | 1 | -29 | 1 | -3 | 0 | -1 | 6 |
| Acquisitions and disposals | -1 | -1 | 0 | 0 | 0 | 0 | 0 |
| Transfer to assets held for sale [1] | 0 | 24 | 0 | 0 | 0 | -2 | -1 |
| **31 Dec 2019** | **-104** | **-823** | **25** | **-17** | **33** | **63** | **36** |

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

## Movement in deferred tax assets and liabilities 2018

| EUR million | Intangible assets | Property, plant and equipment | Pension obligations | Provisions | Derivative financial instruments | Tax losses and tax credits carry-forward | Other |
|---|---|---|---|---|---|---|---|
| **31 Dec 2017** | **-101** | **-806** | **21** | **7** | **35** | **116** | **-20** |
| Impact from change in accounting principle (IFRS 15) | -3 | - | - | - | - | - | - |
| **1 Jan 2018** | **-104** | **-806** | **21** | **7** | **35** | **116** | **-20** |
| Charged to income statement | 0 | -24 | 0 | -23 | -7 | -42 | 10 |
| Charged to other comprehensive income | 0 | 0 | -2 | 0 | 159 | 0 | 5 |
| Exchange rate differences, reclassifications and other changes | 3 | 41 | -1 | 1 | -18 | -3 | 4 |
| Acquisitions and disposals | -5 | 1 | 0 | 0 | 0 | 0 | 0 |
| **31 Dec 2018** | **-106** | **-788** | **20** | **-15** | **169** | **70** | **-1** |

Retained earnings when distributed as dividends are subject to withholding tax (e.g. Russia) or distribution tax (e.g. Estonia). Provision has been made for these taxes only to extent that it is expected that these earnings will the foreseeable future. At the end of the year deferred income tax liabilities of EUR 13 million (2018:32) have been recognised for the withholding tax and other taxes that would be payable on the distributions.

Change in deferred taxes 2019 and 2018 are mainly related to change in derivative financial instruments through other comprehensive income.

Årsregnskap regnskapsåret 2019 for 885361102

### 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.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **EUR million** | **Tax losses** | **Deferred tax asset** | **Tax losses** | **Deferred tax asset** |
| Losses without expiration date | 171 | 36 | 197 | 43 |
| Losses with expiration date | 170 | 29 | 110 | 28 |
| **Total** | **340** | **65** | **307** | **70** |

Deferred tax assets of EUR 14 million (2018: 10) have not been recognised in the consolidated financial statements, because the realisation is not probable. The major part of the unrecognised tax asset relates to loss carry-forwards that are unlikely to be used in the foreseeable future.

## 28.2 Income tax receivables

| **EUR million** | **2019** | **2018** |
|---|---|---|
| Sweden | 0 | 41 |
| Belgium | 114 | 114 |
| Other | 19 | 17 |
| **Total** | **133** | **172** |

Income tax receivables reflect payments of corporate income tax done in relation to the year 2019 as well as payments according to received tax audit assessments in relation to previous years.

The income tax receivable in Sweden in 2018 of EUR 41 million relate to overpayment of preliminary income tax.

In Belgium, Fortum has in previous years received income tax assessments for the years 2008–2012. The additional taxes of EUR 114 million have been paid during prior years and based on supporting legal opinions has been booked as an income tax receivable.

See ▸ **Note 37** Legal actions and official proceedings.

Årsregnskap regnskapsåret 2019 for 885361102

# 29 Nuclear related assets and liabilities

## ACCOUNTING POLICIES

Fortum owns Loviisa nuclear power plant in Finland. In Fortum's consolidated balance sheet, Share in the State Nuclear Waste Management Fund and the Nuclear provisions relate to Loviisa nuclear power plant. Fortum's nuclear related provisions and the related part of the State Nuclear Waste Management Fund are both presented separately on the balance sheet. Fortum's share in the State Nuclear Waste Management Fund is accounted for according to IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds which states that the fund assets are measured at the lower of fair value or the value of the related liabilities since Fortum does not have control or joint control over the State Nuclear Waste Management Fund. The Nuclear Waste Management Fund is managed by governmental authorities. The related provisions are the provision for decommissioning and the provision for disposal of spent fuel.

The fair values of the provisions are calculated according to IAS 37 by discounting the separate future cash flows, which are based on estimated future costs and actions already taken. The initial net present value of the provision for decommissioning (at the time of commissioning the nuclear power plant) has been included in the investment cost and is depreciated over the estimated operating time of the nuclear power plant. Changes in the technical plans etc., which have an impact on the future cash flow of the estimated costs for decommissioning, are accounted for by discounting the additional costs to the current point in time. The increased asset retirement cost due to the increased provision is added to property, plant and equipment and depreciated over the remaining estimated operating time of the nuclear power plant. For power plant units taken from use the increase is taken to income statement.

The provision for spent fuel covers the future disposal costs for fuel used until the end of the accounting period. Costs for disposal of spent fuel are expensed during the operating time based on fuel usage. The impact of the possible changes in the estimated future cash flow for related costs is recognised immediately in the income statement based on the accumulated amount of fuel used until the end of the accounting period. The related interest costs due to unwinding of the provision is recognised in the corresponding period.

The timing factor is taken into account by recognising the interest expense related to discounting the nuclear provisions. The interest on the State Nuclear Waste Management Fund assets is presented as financial income.

Fortum's actual share of the State Nuclear Waste Management Fund, related to Loviisa nuclear power plant, is higher than the carrying value of the Fund on the balance sheet. The legal nuclear liability should, according to the Finnish Nuclear Energy Act, be fully covered by payments and guarantees to the State Nuclear Waste Management Fund. The legal liability is not discounted while the provisions are, and since the future cash flow is spread over a very long time horison, the difference between the legal liability and the provisions are material.

The annual fee to the Fund is based on changes in the legal liability, the interest income generated in the State Nuclear Waste Management Fund and incurred costs of taken actions.

Fortum also has minority interests in nuclear power companies, i.e. Teollisuuden Voima Oyj (TVO) in Finlar Aktiebolag (OKG) and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are classi associated companies and joint ventures and are consolidated with equity method. Both the Finnish and the companies are non-profit making, i.e. electricity production is invoiced to the owners at cost including depre costs and production taxes accounted for according to local GAAP. Accounting policies of the associates reg assets and liabilities have been changed where necessary to ensure consistency with the policies adopted by

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS MA ESTIMATING PROVISIONS RELATED TO NUCLEAR PRODUCTION

The provision for future obligations for nuclear waste management including decommissioning of Fortum's n plant and related spent fuel is based on long-term cash flow forecasts of estimated future costs. The main as technical plans, timing, cost estimates and discount rate. The technical plans, timing and cost estimates are governmental authorities.

Any changes in the assumed discount rate would affect the provision. If the discount rate used would be l provision would increase. Fortum has contributed cash to the State Nuclear Waste Management Fund based discounted legal liability, which leads to that the increase in provision would be offset by an increase in the re Fortum's part of the State Nuclear Waste Management Fund on the balance sheet. The total effect on the in would be positive since the decommissioning part of the provision is treated as an asset retirement obligatio will prevail as long as the legal obligation to contribute cash to the State Nuclear Waste Management Fund is discounted liability and IFRS is limiting the carrying value of the assets to the amount of the provision since F have control or joint control over the fund.

Based on the Nuclear Energy Act in Finland, Fortum has a legal obligation to fully fund the legal liability de governmental authorities, for decommissioning of the power plant and disposal of spent fuel through the Sta Management Fund.

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

Arsregnskapsregnskapsarket 2019 for 885361102

## 29.1 Nuclear related assets and liabilities for 100% owned nuclear power plant, Loviisa

| EUR million | 2019 | 2018 |
|---|---|---|
| **Carrying values on the balance sheet** | | |
| **BS** Nuclear provisions | 813 | 899 |
| **BS** Share in State Nuclear Waste Management Fund | 813 | 899 |
| Short term receivable from the State Nuclear Waste Management Fund | 51 | - |
| | | |
| **Legal liability and actual share of the State Nuclear Waste Management Fund** | | |
| Liability for nuclear waste management according to the Nuclear Energy Act | 1,214 | 1,180 |
| Funding obligation target | 1,135 | 1,180 |
| Fortum's share in the State Nuclear Waste Management Fund | 1,180 | 1,153 |
| Share of the fund not recognised on the balance sheet | 316 | 254 |

### Legal liability for Loviisa nuclear power plant

Finnish nuclear operators have submitted updated technical plan and cost estimates to the Ministry of Economic Affairs and Employment in June 2019. The legal liability on 31 December 2019, decided by the Ministry of Economic Affairs and Employment in November 2019, was EUR 1,214 million.

The legal liability is based on a cost estimate, which is done every year, and a technical plan, which is made every third year. The cost estimate and technical plan was updated in 2019. The legal liability is determined by assuming that the decommissioning would start at the beginning of the year following the assessment year. The provisions are based on the same cash flows for future costs as the legal liability, but the legal liability is not discounted to net present value.

### Fortum's share in the State Nuclear Waste Management 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 in November 2019 confirming the fund target at EUR 1,135 million.

### Nuclear provisions

| EUR million | 20 |
|---|---|
| **BS 1 January** | 8 |
| Additional provisions | |
| Provision used | - |
| Provision reversed | -1 |
| Unwinding of discount | |
| **BS 31 December** | 8 |
| Fortum's share in the State Nuclear Waste Management Fund | 8 |

### Nuclear provision and fund accounted according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spen carrying value of the nuclear provisions, calculated according to IAS 37, decreased by EUR 86 millio 31 December 2018, totalling EUR 813 million on 31 December 2019. The decrease in provision dur arising from the updated cost estimate. The decrease was EUR 100 million, of which the part relatin was recognised immediately to the income statement and the part relating to decommissioning wa property, plant and equipment. The reduced provision led to negative nuclear fund adjustment of E and positive effect to other financial expenses - net of EUR 40 million. The periodisation of the func positive fund adjustment of EUR 51 million, but did not have any impact on the provision. The increa in 2018 is mainly arising from changes in assumptions used for the provision.

The carrying value of the Fund on the balance sheet cannot exceed the carrying value of the nuc according to IFRIC 5. The Fund is from an IFRS perspective overfunded with EUR 316 million, since of the Fund on 31 December 2019 was EUR 1,180 million, while the carrying value of the fund on t sheet was EUR 813 million and the short-term receivable from the fund EUR 51 million, see ▸ **Note** other receivables.

Fortum's share of the Finnish Nuclear Waste Management Fund in Fortum's balance sheet can in be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from perspective, the effects to operating profit from this adjustment will be positive if the provisions inc than the Fund and negative if actual value of the fund increases more than the provisions. This acco is not included in Comparable operating profit in Fortum's financial reporting. For more information Items affecting comparability.

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### 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 27** Interest-bearing liabilities and ▸ **Note 36** Pledged assets and contingent liabilities.

## 29.2 Nuclear power plants in associated companies and joint ventures

OKG, Forsmark and TVO are non-profit making companies, i.e. electricity production is invoiced to the owners at cost including depreciations, interest costs and production taxes. Invoiced cost is accounted for according to local GAAP. In addition to the invoiced electricity production cost, Fortum makes IFRS adjustments to comply with Fortum's accounting principles. These adjustments include also Fortum's share of the companies' nuclear waste funds and nuclear provisions. During 2018, assumptions for nuclear provision were also changed for the respective balances of the co-owned nuclear companies in Finland and Sweden, i.e. Teollisuuden Voima, (TVO), Oskarshamn Kraftgrupp AB (OKG) and Forsmark Kratgrupp AB. The total impact of the change to share of profit from these associated companies and joint ventures was EUR -37 million, net of tax, and including additional nuclear waste liability related to legacy waste obligations for Swedish nuclear. The net profit impact from all these nuclear-related adjustments is close to zero.

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

### TVO's total nuclear related assets and liabilities (100%)

| EUR million | 2019 | 2018 |
|---|---|---|
| **Carrying values on TVO's balance sheet** | | |
| Nuclear provisions | 1,041 | 1,016 |
| Share of the State Nuclear Waste Management Fund | 1,041 | 1,016 |
| **of which Fortum's net share consolidated with equity method** | **0** | **0** |
| **TVO's legal liability and actual share of the State Nuclear Waste Management Fund** | | |
| Liability for nuclear waste management according to the Nuclear Energy Act | 1,471 | 1,506 |
| Share of the State Nuclear Waste Management Fund | 1,506 | 1,471 |
| Share of the fund not recognised on the balance sheet | 465 | 455 |

TVO's legal liability, provision and share of the fund are based on the same principles as described above for Loviisa nuclear power plant. Both the technical plan and cost estimate update in 2019, had a small impact on Fortum's share in TVO's nuclear related assets and liabilities.

TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective c
EUR 465 million (of which Fortum's share EUR 124 million), since TVO's share of the Fund on 31 De
was EUR 1,506 million and the carrying value on the balance sheet was EUR 1,041 million.

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from th
according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ow
more information in ▸ **Note 27** Interest-bearing liabilities.

### OKG's and Forsmark's total nuclear related assets and liabilities (100%)

| EUR million | 20 |
|---|---|
| **OKG's and Forsmark's nuclear related assets and liabilities** [1] | |
| Nuclear provisions | 3,9 |
| Share in the State Nuclear Waste Management Fund | 3,3 |
| **Net amount** | **-5** |
| **of which Fortum's net share consolidated with equity method** | **-2** |

1) Accounted for according to Fortum's accounting principles. Companies' statutory financial statements are not prepared acco

In Sweden Svensk Kärnbränslehantering AB (SKB), a company owned by the nuclear operators, take
nuclear waste management related activities on behalf of nuclear operators. SKB receives its fundir
Swedish State Nuclear Waste Management Fund, which in turn is financed by the nuclear operators

Nuclear waste fees and guarantees are updated every third year by governmental decision after
from Swedish Radiation Safety Authority (SSM). From September 2018 onwards the proposal is pre
National Debt Office. The proposal is based on cost estimates done by SKB and the licence holders
technical plan for nuclear waste management was decided by SKB in September 2019 and was har
in the end of September. In December 2017 the Swedish government decided the waste fees and g
years 2018–2020. Nuclear waste fees are currently based on future costs with the assumed lifetim
(40 years in previous decision) for each unit of a nuclear power plant.

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered
unexpected events.

For more information regarding Fortum's guarantees given on behalf of nuclear associated comp
see ▸ **Note 36** Pledged assets and contingent liabilities.

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# 30 Other provisions

## ACCOUNTING POLICIES

Provisions for environmental obligations, asset retirement obligations, legal claims and other obligations are recognised when the Group has a present legal or constructive obligation as a result of past events to a third party, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Increase in the provision due to the passage of time is recognised as interest expense.

## ENVIRONMENTAL PROVISIONS

Environmental provisions are recognised, based on the current interpretation of environmental laws and regulations, when it is probable that a present obligation has arisen and the amount of such liability can be reliably estimated. Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do contribute to current or future revenues, are expensed as incurred.

Environmental provisions include provisions for obligations to cover landfills and clean-up obligations for contaminated land areas. Provisions are determined based on the surface area of the landfill site, remaining land area to be landscaped or otherwise cleaned-up, and the unit cost of conducting the coverage and clean-up activities in the future.

Environmental provisions are also recognised for aftercare and monitoring obligations arising from landfill permit holder's requirement to take into account potential danger to health or the environment posed by a landfill site for a period of at least 30, up to 60, years after the coverage. The aftercare and monitoring provision is determined on the basis of estimated costs and estimated number of years of filling the landfill.

## ASSET RETIREMENT OBLIGATIONS

Asset retirement obligation is recognised either when there is a contractual obligation towards a third party or a legal obligation, and the amount can be reliably estimated. Obligating event is, e.g. when a plant is built on a leased land with an obligation to dismantle and remove the asset in the future; or when a legal obligation towards Fortum changes. The asset retirement obligation is recognised as part of the cost of an item of property, plant and equipment when the asset is put in service. Costs are depreciated over the remainder of the asset's useful life.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS MADE WHEN ESTIMATING PROVISIONS

Provisions for present obligations require management to assess the best estimate of the expenditure neede present obligation at the end of the reporting period. The actual amount and timing of the expenditure migh estimates made.

| | 2019 | | | 2018 | |
|---|---|---|---|---|---|
| **EUR million** | **Environ-mental** | **Other** | **Total** | **Environ-mental** | **Oth** |
| **1 January** | **41** | **65** | **106** | **43** | |
| Increase in provisions | 3 | 14 | 17 | 0 | |
| Provisions used | -1 | -22 | -23 | 0 | - |
| Unused provisions reversed | -1 | -3 | -4 | 0 | |
| Transfer to assets held for sale [1] | -1 | 0 | -1 | 0 | |
| Exchange rate differences and other changes | 8 | -2 | 6 | -1 | |
| **31 December** | **49** | **52** | **101** | **41** | |
| Of which current provisions [2] | 0 | 13 | 13 | 0 | |
| **BS** Of which non-current provisions | 49 | 38 | 87 | 41 | |

1) See ▸ **Note 3** Acquisitions, disposals and assets held for sale.
2) Included in trade and other payables on the consolidated balance sheet, see ▸ **Note 33** Trade and other payables

Environmental provisions include mainly provisions for obligations to cover and monitor landfills, as contaminated land areas. The majority of the provision is estimated to be used within 10–15 years.

Dismantling provisions for the Finnish coal fired power plants are included in Other provisions.

For provisions for decommissioning, and provision for disposal of spent fuel for nuclear productio see ▸ **Note 29** Nuclear related assets and liabilities.

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# 31 Pension obligations

## ACCOUNTING POLICIES

The Group companies have various pension schemes in accordance with the local conditions and practises in the countries in which they operate. The schemes are generally funded through payments to insurance companies or the Group's pension funds as determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

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. The net interest is presented in financial items and the rest of the income statement effect as pension cost.

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 that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, market yields on government bonds are used instead. The plan assets for pensions are valued at market value. The liability recognised on the balance sheet is the defined benefit obligation at the closing date less the fair value of plan assets. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit 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 benefits plans are recognised when the settlement occurs.

## 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

In Finland statutory pension benefits (as determined in Employee's Pension Act /TyEL) provide the
pension coverage for old age, disability and death of a family provider. The benefits are insured wit
company and determined to be defined contribution plans.

In addition the Group has additional old-age and survivors pension benefits arranged with the F
Pension Fund. The Fortum Pension Fund is a closed fund managed by a Board, consisting of both e
employees' representatives. The Fund is operating under regulation from Financial Supervisory Aut
The liability has to be fully covered according to the regulations. The national benefit obligation rela
defined benefit plans is calculated so that the promised benefit is fully funded until retirement. Afte
the benefits payable are indexed yearly with TyEL-index. The promised benefit is defined in the rule
mostly 66% at a maximum of the salary basis. The salary basis is an average of the ten last years' s
are indexed with a common salary index to the accounting year.

### Sweden

In Sweden the Group operates several defined benefit and defined contribution plans like the gene
plan and the PA-KL and PA-KFS plans that are eligible for employees within companies formerly ow
municipalities. The defined benefit plans are fully funded and have partly been financed through Fo
pension fund and partly through insurance premiums. The pension arrangements comprise normal
pension, complementary retirement pensions, survivors' pension and disability pension. The most s
pension plan is the ITP-plan for white-collar employees in permanent employment (or temporary em
a certain waiting period), who fulfil the age conditions. To qualify for a full pension the employee mu
projected period of pensionable service, from the date of entry until retirement age, of at least 30 y

The Swedish pension fund is managed by a Board, consisting of both employers' and employees'
representatives. The fund is operating under regulation from Swedish Financial Supervisory Authori
County Administrative Board and governed by Swedish law (no. 1967:531). The fund constitutes a s
employers' defined benefit pension plan liability and the fund has no obligations in relation to pensi
The employer must have a credit insurance from PRI Pensionsgaranti Mutual Insurance Company fo
The liability does not have to be fully covered by the fund according to the regulations.

The part of the ITP multiemployer pension plan that is secured by paying pension premiums to A
Fortum's case the collective family pension, is accounted for as a defined contribution plan due to t

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consistent and reliable basis to allocate assets or liabilities to the participating entities within the ITP insurance. The reason for this is that it is not possible to determine from the terms of the plan to which extent a surplus or a deficit will affect future contributions.

### Norway

Group companies operate both defined contribution and defined benefit plans. Some defined benefit schemes offer benefits common for municipalities in Norway and some are private pension schemes. Benefits include old age pensions, disability pension and survivor's pension, including pension benefits from the National Insurance Scheme (Folketrygden). The schemes are fully funded within the rules set out in the Norwegian insurance legislation.

The majority of the defined benefit plans are closed, either private plans or public plans, that are operated by the Fortum Pension Fund. The Fortum Pension Fund was established in 2018 and the participants were transferred there from the Hafslund and Infratek's Pension Fund. The Group has also a closed public defined benefit plan operated by Oslo Pensjonsforsikring AS. In addition, the Group has defined benefit plans with various insurance companies.

### Pension arrangements in other countries

Pension arrangements in Russia include payments made to the state pension fund. These arrangements are treated as defined contribution plans. The Russian (in addition to the defined contribution plans) and Polish companies participate in certain defined benefit plans, defined by collective agreements, which are unfunded and where the company meets the benefit payment obligation as it falls due. The benefits provided under these arrangements include, in addition to pension payments, one-time benefits paid in case of employee mortality or disability as well as lump sum payments for anniversary and financial support to honoured workers and pensioners.

In other countries the pension arrangements are done in accordance with the local legislation and practice, mostly being defined contribution plans.

## Main risks relating to defined benefit plans – Finland and Sweden

### Overall risks

Finland - If the return of the fund's assets is not enough to cover the raise in liability and benefit pa
the financial year then the employer funds the deficit with contributions unless the fund has sufficie

Sweden - As the pension fund is separated from the funding companies Fortum is not obliged to
additional contributions to the pension fund in any case of deficit. However if the assets decrease t
than the liability according to Swedish GAAP, Fortum's credit insurance cost from PRI will increase.

### Change in discount rate

Finland - The discount rate which is used to calculate the defined benefit obligation (according to IF
on the value of corporate bond yields as at reporting date. A decrease in yields increases the benef
that is offset by increase in the value of fixed income holdings.

### Investment and volatility risk

Finland - The pension fund's board accepts yearly an Investment Plan, which is based on an externa
analysis. The assets are allocated to stocks and stock funds, fixed income instruments and real esta
investments are diversified into different asset classes and to different asset managers falling into
regulation of the Financial Supervisory Authority.

Sweden - The pension fund operation is regulated by law and supervised by central administrativ
(Finansinspektionen and the County Administrative Board). The pension fund board decides yearly
asset allocation and a risk management model that stipulates a maximum acceptable market value
assets. The major assets are fixed income instruments, stock index funds and cash.

### Risks relating to assumptions used

Actuarial calculations use assumptions for future inflation and salary levels and longevity. Should th
outcome differ from these assumptions, this might lead to higher liability.

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## Movement in the net defined benefit liability

| EUR million | Defined benefit obligation 2019 | Defined benefit obligation 2018 | Fair value of plan assets 2019 | Fair value of plan assets 2018 | Net defined benefit asset(-)/liability(+) 2019 | Net defined benefit asset(-)/liability(+) 2018 |
|---|---|---|---|---|---|---|
| **1 January** | **483** | **501** | **-386** | **-401** | **97** | **101** |
| **Included in consolidated income statement** | | | | | | |
| Current service cost | 6 | 8 | | | 6 | 9 |
| Past service cost | -1 | -1 | | | -1 | -1 |
| Settlements | 0 | -4 | 0 | 2 | 0 | -1 |
| Net interest [1] | 10 | 9 | -7 | -7 | 2 | 2 |
| | **14** | **13** | **-6** | **-4** | **7** | **9** |
| **Included in OCI** | | | | | | |
| Remeasurement gains(-)/losses(+) | 50 | -8 | -26 | 2 | 25 | -6 |
| Actuarial gains/losses arising from changes in financial assumptions | 52 | -12 | | | 52 | -12 |
| Actuarial gains/losses arising from experience adjustments | -2 | 4 | | | -2 | 4 |
| Return on plan assets (excluding amounts included in net interest expense) | | | -26 | 2 | -26 | 2 |
| Exchange rate differences | -2 | -7 | 1 | 5 | 0 | -2 |
| | **49** | **-15** | **-24** | **7** | **24** | **-8** |
| **Other** | | | | | | |
| Contributions paid by the employer | | | -2 | -1 | -2 | -1 |
| Benefits paid | -17 | -17 | 13 | 13 | -4 | -4 |
| **31 December** | **529** | **483** | **-406** | **-386** | **123** | **97** |
| Present value of funded defined obligation | | | | | 524 | 480 |
| Fair value of plan assets | | | | | -406 | -386 |
| **Funded status** | | | | | **119** | **94** |
| Present value of unfunded obligation [2] | | | | | 5 | 3 |
| **Net liability arising from defined benefit obligation** | | | | | **123** | **97** |
| Pension assets included in other non-current assets on the balance sheet | | | | | 2 | 1 |
| **BS** Pension obligations on the balance sheet | | | | | 125 | 98 |

1) Net interest is presented among financial items in income statement, the rest of costs related to defined benefit plans are included in staff costs (row defined benefits plans in the staff cost specification in ▸**Note 11** Employee benefits and Board remuneration).

2) The unfunded obligation relates to arrangements in Russia and Poland.

At the end of 2019 a total of 836 (2018: 833) Fortum employees are included in defined benefit plans providing pension benefits. During 2019 pensions or related benefits were paid to a total of 3,665 (2018: 3,375) persons. Contributions expected to be paid during year 2020 are EUR 3 million.

## Fair value of plan assets

| EUR million | 2 |
|---|---|
| Equity instruments | 1 |
| Debt instruments | 1 |
| Cash and cash equivalents | |
| Real estate [1] | |
| Investment funds | |
| Company's own ordinary shares | |
| Other assets | |
| **Total** | 4 |

1) Of which EUR 1 million (2018: 1) occupied by the Group.

When the pension plan has been financed through an insurance company, a specification of the pla not been available. In these cases the fair value of plan assets has been included in other assets.

The actual return on plan assets in Finland, Sweden and Norway totalled EUR 32 million (2018: 5

## Amounts recognised on the balance sheet by country 2019

| EUR million | Finland | Sweden | Norwa | Ot countr |
|---|---|---|---|---|
| Present value of funded obligations | 283 | 180 | 6 | |
| Fair value of plan assets | -244 | -104 | -5 | |
| **Deficit(+)/surplus(-)** | **39** | **76** | | |
| Present value of unfunded obligations | **-** | **-** | | |
| **Net asset(-)/liability(+) on the balance sheet** | **39** | **76** | | |
| Pension asset included in non-current assets | 0 | 0 | | |
| **BS** Pension obligations on the balance sheet | 39 | 76 | | |

## Amounts recognised on the balance sheet by country 2018

| EUR million | Finland | Sweden | Norwa | Ot countr |
|---|---|---|---|---|
| Present value of funded obligations | 269 | 147 | 6 | |
| Fair value of plan assets | -233 | -102 | -5 | |
| **Deficit(+)/surplus(-)** | **37** | **45** | **1** | |
| Present value of unfunded obligations | - | - | | |
| **Net asset(-)/liability(+) on the balance sheet** | **37** | **45** | **1** | |
| Pension asset included in non-current assets | 0 | 0 | | |
| **BS** Pension obligations on the balance sheet | 37 | 45 | 1 | |

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### The principal actuarial assumptions used

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| % | Finland | Sweden | Norway | Finland | Sweden | Norway |
| Discount rate | 0.80 | 1.20 | 2.20 | 1.60 | 2.30 | 2.60 |
| Future salary increases | 1.60 | 2.80 | 2.25 | 1.70 | 2.90 | 2.75 |
| Future pension increases | 1.60 | 1.80 | 1.24 | 1.80 | 1.90 | 1.33 |
| Rate of inflation | 1.30 | 1.80 | 1.50 | 1.50 | 1.90 | 1.50 |

The discount rate in Finland is based on high quality European corporate bonds with maturity that best reflects the estimated term of the defined benefit pension plans. The discount rate in Sweden is based on yields on Swedish covered bonds with maturity that best reflects the estimated term of the defined benefit pension plans. The covered bonds in Sweden are considered high quality bonds as they are secured with assets. The discount rate in Norway is based on high-quality corporate bonds (covered bonds - OMF).

### The life expectancy is the expected number of years of life remaining at a given age

| Longevity at age 65 | Finland | Sweden | Norway |
|---|---|---|---|
| 45 – male | 22 | 23 | 23 |
| 45 – female | 27 | 25 | 27 |
| 65 – male | 21 | 22 | 21 |
| 65 – female | 25 | 24 | 24 |

The discount, inflation and salary growth rates used are the key assumptions used when calculating defined benefit obligations. Effects of 0.5 percentage point change in the rates to the defined benefit obligation on 31 December 2019, holding all other assumptions stable, are presented in the table below.

### Sensitivity of defined benefit obligation to changes in assumptions

| | Impact to the pension obligation increase(+)/decrease(-) | | |
|---|---|---|---|
| Change in the assumption | Finland | Sweden | Norway |
| 0.5% increase in discount rate | -7% | -11% | -8% |
| 0.5% decrease in discount rate | 8% | 12% | 10% |
| 0.5% increase in benefit | 7% | 10% | 7% |
| 0.5% decrease in benefit | -6% | -9% | -6% |
| 0.5% increase in salary growth rate | 1% | 2% | 3% |
| 0.5% decrease in salary growth rate | -1% | -2% | -3% |

The methods used in preparing the sensitivity analysis did not change compared to the previous pe
in mortality basis so that life expectancy increases by one year would increase the net liability in Fi
and Norway with EUR 20 million (17%).

### Maturity profile of the undiscounted defined benefit obligation for Finland, Sweden and Norway as of 31 December 2019

| EUR million | Future b |
|---|---|
| Maturity under 1 year | |
| Maturity between 1 and 5 years | |
| Maturity between 5 and 10 years | |
| Maturity between 10 and 20 years | |
| Maturity between 20 and 30 years | |
| Maturity over 30 years | |

The weighted average duration of defined benefit obligation in Finland, Sweden and Norway at the
2019 is 17 years.

## 32 Other non-current liabilities

| EUR million | 2 |
|---|---|
| Connection fees | |
| Other non-current liabilities | |
| **BS Total** | 1 |

Connection fees include refundable fees paid by the customer when connected to distric heating r
Finland. Connection fees were refundable until 2013.

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# 33 Trade and other payables

| EUR million | 2019 | 2018 |
|---|---|---|
| Trade payables | 316 | 334 |
| Accrued expenses and deferred income | | |
| Accrued personnel expenses | 97 | 103 |
| Accrued interest expenses | 80 | 98 |
| Contract liabilities | 31 | 40 |
| Other accrued expenses and deferred income | 42 | 80 |
| Other liabilities | | |
| VAT liability | 54 | 34 |
| Current tax liability | 64 | 30 |
| Advances received | 78 | 110 |
| Current provisions [1] | 13 | 14 |
| Other liabilities | 168 | 214 |
| **BS Total** | **943** | **1,058** |

1) See ▸ **Note 30** Other provisions.

Contract liabilities comprise mainly of project and waste management services that are invoiced but not delivered at the reporting date.

The management considers that the amount of trade and other payables approximates fair value.

# 34 Leases

## ACCOUNTING POLICIES

The Group leases mainly office buildings and land areas. Until 31 December 2018, the Group's leases were cla operating leases under the previous accounting standard, IAS 17 Leases; from 1 January 2019, the Group reco with the exception of short-term (i.e. lease term less than 12 months) and low value leases, in line with IFRS 1 right-of-use assets with a corresponding lease liability at the date at which the leased asset is available for us See ▸ **Note 1** Significant accounting policies for information on the change in lease accounting policy.

A contract is, or contains a lease if the Group has the right to control the use of an identified asset for a p exchange for consideration. When determining the lease term, the Group assesses the probability of exercis termination options over the non-cancellable period by considering all relevant facts and circumstances.

Right-of-use assets and lease liabilities are initally recognised on the consolidated balance sheet at future payments over the lease term. Lease payments are discounted to present value using an effective interest ra assets are depreciated on a straight-line basis over the lease term, and reviewed periodically for indication o

When the future lease payments are revised due to changes in index-linked considerations or the lease te the right-of-use asset and the corresponding lease liability is remeasured. Any differences arising in reasses recognised in the consolidated income statement.

Interest expense on lease liabilities is presented within Interest expense in the consolidated income state consolidated cash flow statement, the principal portion of the lease payment is presented under Payments o liabilities, and the interest portion as Interest paid under Funds from operations. Variable lease payments, as leases not capitalised due to exemptions in the standard, are presented in Other expenses.

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## Amounts recognised in consolidated financial statements

| EUR million | 2019 |
|---|---|
| **In consolidated Income Statement** | |
| Depreciation | -18 |
| Interest expense on lease liabilities | -3 |
| | |
| **On consolidated balance sheet** | |
| Additions to right-of-use assets | 38 |
| Of which land | 8 |
| Of which buildings, plants and structures | 27 |
| Of which machinery and equipment | 4 |
| Carrying amount of right-of-use assets | 114 |
| Of which land | 33 |
| Of which buildings, plants and structures | 70 |
| Of which machinery and equipment | 11 |
| Lease liabilities | 108 |
| | |
| **In consolidated cash flow statement** | |
| Cash outflow for leases | -18 |

### Lease commitments

The Group has EUR 22 million off-balance sheet future commitments for leases that have not commenced on 31 December 2019.

See ▸ **Note 1** Significant accounting policies, ▸ **Note 4** Financial risk management, ▸ **Note 18** Property, plant and equipment and right-of-use assets, and ▸ **Note 27** Interest-bearing liabilities for more information.

# 35 Capital and other commitments

### Capital commitments

| EUR million | 20 |
|---|---|
| Property, plant and equipment | 2 |

Capital commitments are off-balance sheet capital expenditures contracted for at the balance shee

### Other commitments

On 8 October 2019, Fortum entered into agreements to acquire all the shares in Uniper SE held b managed by Elliott Management Corporation and its affiliates (Elliott) and Knight Vinke Energy A and its affiliates (Knight Vinke), a total shareholding in excess of 20.5%. The transaction will be fi with existing cash resources and committed credit facilities underwritten by Barclays Bank PLC. I agreements Fortum has committed to paying the acquisition price of EUR 2.3–2.6 billion depend amount of shares acquired.

Fortum has committed to provide a maximum of EUR 85 million to Voimaosakeyhtiö SF for its pa the Fennovoima nuclear power project in Finland. Furthermore, Fortum's remaining direct commitm the construction of a waste-to-energy combined heat and power plant (CHP) in Kaunas, Lithuania is at maximum. The investment is made through Kauno Kogeneracinė Jėgainė (KKJ), a joint venture ov with Lietuvos Energija.

Fortum has also commited to provide a maximum of EUR 7 million to a joint venture with Numali Limited (NRL) and Chempolis to build and operate a biorefinery in Assam, India.

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 owne At end of December 2019, Fortum had EUR 170 million (2018: 170) outstanding receivables regard 3 and is additionally committed to provide at maximum EUR 63 million. TVO shareholder loan is cla participation in joint ventures.

In June 2018, the Swedish Government approved the legislation regarding Sweden's national stra implementation of the EU's Water Framework Directive. The largest hydro industry companies will c common hydro-power fund to finance large parts of the environmental actions needed. The fund w financial cap of SEK 10 billion to be paid over a 20-year period, and the largest operators will contri fund proportionately based on their respective market share of hydro-power production. Fortum's s the funds' total financing.

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# 36 Pledged assets and contingent liabilities

## ACCOUNTING POLICIES

### 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.

| EUR million | 2019 | 2018 |
|---|---|---|
| Pledged assets on own behalf | | |
| For debt | | |
| Pledges | 288 | 288 |
| Real estate mortgages | 137 | 137 |
| For other commitments | | |
| Pledges | 309 | 346 |
| Real estate mortgages | 2 | 21 |
| Pledged assets on behalf of others | | |
| Pledges | 33 | 31 |
| Contingent liabilities on own behalf | | |
| Other contingent liabilities | 25 | 167 |
| On behalf of associates and joint ventures | | |
| Guarantees | 875 | 622 |

## 36.1 Pledged assets 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 (2018: 269).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (2018: 96) as a security for an external loan. Real estate mortgages have also been given for loan from Fortum's pension fund for EUR 41 million (2018: 41).

See ▸ **Note 27** Interest-bearing liabilities for related interest-bearing liabilities.

## 36.2 Pledged assets for other commitments

Pledges include restricted cash of EUR 21 million (2018: 346) and securities of EUR 281 million (20 trading of electricity, gas and $CO_2$ emission allowances in Nasdaq Commodities, Intercontinental Ex European Energy Exchange (EEX) and Polish Power Exchange (TGE). See ▸ **Note 21** Interest-bearing

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 2 million (2 as a security to the Finnish State Nuclear Waste Management Fund for the uncovered part of the le and unexpected events relating to future costs for decomissioning and disposal of spent fuel in Lov power plant. According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in fu Nuclear Waste Management Fund to cover the legal liability. Any uncovered legal liability relates to the payments to the fund. The size of the securities given is updated yearly in the second quarter b decisions regarding the legal liabilities and the funding target which are determined at the end of th year. See ▸ **Note 29** Nuclear related assets and liabilities.

## 36.3 Pledged assets on behalf of others

Pledged assets on behalf of others consist of restricted cash of EUR 33 million (2018: 31) posted a toward Nasdaq Clearing AB covering Fortum's required contribution to the Commodity Market Defa (default fund). The default fund is a mutualized fund whereby all participants on the Nordic power e Nasdaq Commodities) post collateral in relation to their exposure on the market in order to cover p by members which may cause losses exceeding the members' own collateral. See ▸ **Note 21** Interes receivables.

## 36.4 Contingent liabilities on own behalf

On 1 January 2019, Fortum acquired all remaining C-shares of TVO entitling to the power productio Meri-Pori coal condensing power plant. Fortum is now entitled to 100% of the power production of guarantee amounted to EUR 125 million in December 2018 until the guarantee was released on 1 J The Meri-Pori power plant is mainly used in Fingrid's capacity reserve and as back-up capacity.

## 36.5 Guarantees on behalf of associates and joint ventures

Guarantees on behalf of associated companies and joint ventures mainly consist of guarantees relat associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). Gu been given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounting to SEK 8,239 million (EU (2018: 526). There are two types of guarantees given. The Financing Amount is given to cover Fort the uncovered part in the Nuclear Waste Fund, assuming no further production and that no further

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fees are paid in. The uncovered amount is calculated by the authorities and is based on the difference between the expected costs and the funds to cover these costs at the time of the calculation. The Supplementary Amount constitutes a guarantee for deficits that can arise as a result of unplanned events. The amounts for the guarantees are updated every third year by governmental decision. The Financing Amount given by Fortum on behalf of Forsmarks Kraftgrupp AB and OKG AB is SEK 5,695 million (EUR 545 million) and the Supplementary Amount is SEK 2,544 million (EUR 244 million).

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounts to EUR 21 million (2018: 36). The guarantee covers the unpaid legal liability due to periodisation as well as risks for unexpected future costs.

Fortum has minority shares in legal companies owning nuclear power plants in Finland and Sweden. Fortum consolidates these companies according to the equity method meaning that Fortum's share of the assets and liabilities are netted to the balance sheet. For information regarding nuclear related assets and liabilities of Loviisa nuclear power plant as well as Swedish and Finnish nuclear production companies where Fortum has a minority shareholding see ▸ **Note 29** Nuclear related assets and liabilities.

The guarantees given to the Russian Wind fund have been relased during Q4 2019 (2018: EUR 48 million).

### 36.6 Other contingent liabilities

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a contingent liability, based on the Finnish Companies Act's (734/1978) Chapter 14a Paragraph 6, with Neste Oyj following the demerger of Fortum Oil and Gas Oy in 2004.

# 37 Legal actions and official proceedings

## 37.1 Group companies

### Tax cases in Finland

No tax cases with material impact in Finland.

### Tax cases in Sweden

**Cases relating to Swedish interest deductions**

In March 2018, the Swedish Supreme Administrative Court decided not to grant Fortum leave to ap
respect to the interest deduction cases relating to the years 2009–2012. The unfavourable decisio
Administrative Court of Appeal from June 2017 therefore remains in force. The additional tax and in
in total SEK 1,175 million (EUR 122 million), was paid in 2016 and booked as a cost in 2017. There a
grounds to argue that the aforementioned decisions of the Administrative Court of Appeal and the
Administrative Court violate EU law and fundamental rights under EU law. On these grounds, Fortu
December 2018 filed a summons application to the District Court of Stockholm in which damages a
from the Swedish state in these cases. Moreover, Fortum has filed a request to initiate a mutual agr
procedure between Sweden and the Netherlands for the year 2012.

### Cases relating to the Swedish hydro real estate tax

Fortum Sverige AB has through an appeal process in Swedish courts claimed that the property tax
hydropower plants shall be lowered to the normal 0,5 percent of the tax assessment value. The cas
the years 2009–2014 and includes several legal arguments for the claim including state aid argume
Sverige AB did not receive a permission to appeal from the Supreme Administrative Court in this ma
Administrative Court, the Administrative Court of Appeal in Stockholm and the Supreme Administra
handled only the arguments concerning state aid, the case has now been transferred back to the A
Court concerning the other legal arguments. The disputed amount, excluding interest for the time p
approximately SEK 510 million (approximately EUR 49 million).

Moreover, Swedish Fortum companies have appeals for 2011–2016 pending before the Administ
relating to the property tax rate for their hydropower plants referring to the same legal grounds. Fo
the real estate tax in accordance with the legislation. If the final court decision would be favourab
this would not have any result impact for Fortum.

Fortum Sverige AB has in December 2018 filed a complaint to the EU commission regarding the
property tax for hydropower plants regarding 2017 and prior years. Fortum has asked the commiss
investigate whether the Swedish legislation regarding the property tax for hydropower plants and t
court decisions are in line with EU state aid rules.

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### Tax cases in Belgium

Fortum has received income tax assessments in Belgium for the years 2008, 2009, 2010, 2011 and 2012. The tax authorities disagree with the tax treatment of Fortum EIF NV which was later merged into Fortum Project Finance NV. Fortum finds the tax authorities interpretation not to be based on the local regulation and has appealed the decisions. In June 2014, the court of First instance in Antwerp rejected Fortum's appeal for the years 2008 and 2009. Fortum found the decision unjustifiable and appealed to the Court of Appeal.

In January 2016, Fortum received a favourable decision from the Court of Appeal in Antwerp in which the Court disagreed with the tax authorities' interpretation and the tax assessment for 2008 was nullified. The tax authorities disagreed with the decision and filed an appeal to the Supreme Court (Hof van Cassatie) in March 2016. In April 2019, the Advocate General at the Supreme Court issued his opinion which was in favour of Fortum Project Finance. He dismissed the arguments made by the Belgian State and confirmed the judgment of the Court of Appeal of Antwerp.

In May 2019, the Supreme Court, however, annulled the decision of the Court of Appeal of Antwerp and referred the case back to the Court of Appeal of Ghent for full retrial. Fortum's appeals concerning 2009–2012 are still pending and Fortum expects the remaining years to follow the final decision for 2008. Fortum has made an assessment supported by legal opinions not to recognise a provision. The amount of additional tax claimed is approximately EUR 36 million for the year 2008, approximately EUR 27 million for the year 2009, approximately EUR 15 million for the year 2010, approximately EUR 21 million for the year 2011 and approximately EUR 15 million for the year 2012. The tax has already been paid.

For critical accounting estimates regarding uncertain tax positions, see ▸ **Note 28** Income taxes on the balance sheet. See also ▸ **Note 13** Income tax expense.

### Other legal actions and official proceedings

In addition to the litigations described above, some Group companies are involved in other routine tax and other disputes incidental to their normal conduct of business. Based on the information currently available, management does not consider the liabilities arising out of such litigations likely to be material to the Group's financial position.

## 37.2 Associated companies

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity.

OL3 was procured as a fixed-price turnkey project from a consortium (Supplier) formed by AREVA GmbH, AREVA NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations. In accordance with the Supplier's schedule updated in November 2018, regular electricity generation at the plant unit will commence in January 2020. According to the Supplier, nuclear fuel will be loaded into the reactor in June 2019 and the first connection to the grid takes place in October 2019. According to the Supplier's plant ramp-up program the unit will produce 2–4 TWh of electric power levels, during the period of time between the first connection to the grid and the start of reg production.

According to the comprehensive settlement agreement signed in March 2018, TVO and the Sup withdrew the pending arbitration proceedings under the International Chamber of Commerce (ICC) respect to costs and losses incurred in relation to delays in the construction of the OL3 EPR projec the ICC tribunal confirmed the arbitration settlement by a consent award, and the arbitration proce terminated. The parties also withdrew the pending appeals in the General Court of the European U

The settlement agreement between TVO and the plant supplier consortium companies Areva NP and Siemens AG as well as with Areva Group parent company Areva SA, a company wholly owned b State, concerning the completion of the OL3 EPR project and related disputes entered into force la

The settlement agreement stipulates that:

- In order to provide and maintain adequate and competent technical and human resources for the of the OL3 EPR project, Areva will source the necessary additional resources from Framatome S.A majority owner is Electricité de France (EDF). The supplier consortium companies undertake that dedicated to the completion of the OL3 EPR project will be adequate and will cover all applicable periods, including setting up a trust mechanism funded by Areva companies to secure the financi of completion of the OL3 EPR project.
- The turnkey principle of the OL3 EPR plant contract and the joint and several liability of the suppl companies remain in full force. The agreement also noted the plant supplier's schedule at the tim agreement was signed, according to which regular electricity production in the unit will commenc The ICC arbitration concerning the costs and losses caused by the delay of the OL3 EPR project i financial compensation of EUR 450 million to be paid to TVO in two installments by the supplier c companies.
- In the event that the supplier consortium companies fail to complete the OL3 EPR project by the they will pay a penalty to TVO for such delay in an amount which will depend on the actual time c the OL3 EPR project and may not exceed EUR 400 million.

TVO received the first payment of EUR 328 million of the settlement amount in March 2018 at t force of the settlement agreement. In December 2019, the Supplier paid the second instalment of compensation amounting to EUR 122 million. The amount corresponding to the total settlement am entered as property, plant and equipment in the TVO Group balance sheet.

In December 2019, TVO received an updated schedule for the commissioning of the OL3 EPR pl the Supplier. According to the received information, nuclear fuel will be loaded into the reactor in Ju first connection to the grid will take place in November 2020, and the start of regular electricity pro OL3 EPR nuclear power plant unit will take place in March 2021.

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# 38 Related party transactions

### 38.1 The Finnish State and companies owned by the Finnish State

At the end of 2019, the Finnish State owned 50.76% of the Company's shares (2018: 50.76%). The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no 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 length basis.

### 38.2 Board of Directors and Fortum Executive Management

The key management personnel of the Fortum Group are the members of Fortum Executive Management and the Board of Directors. Fortum has not been involved in any material transactions with members of the Board of Directors or Fortum Executive Management. No loans exist to any member of the Board of Directors or Fortum Executive Management at 31 December 2019. The total compensation (including pension benefits and social costs) for the key management personnel for 2019 was EUR 12 million (2018: 9).

See ▸ **Note 11** Employee benefits and Board remuneration for further information on the Board of Directors and Fortum Executive Management remuneration and shareholdings.

### 38.3 Associated companies and joint ventures

In the ordinary course of business, Fortum engages in transactions with associated companies, joint ventures and other related parties. These transactions are on the same commercial terms as they would be with third parties, except for some associates and joint ventures, as noted below.

Fortum owns shareholdings in associated companies and joint ventures which own hydro and nuclear power plants. Under consortium agreements, each owner is entitled to electricity in proportion to its share of ownership, or based on other agreement. In turn, each owner is liable for an equivalent portion of costs, regardless of output. These associated companies and joint ventures are not profit making since the owners purchase electricity at production cost, including interest costs and production taxes.

For further information on transactions and balances with associated companies and joint ventures, see ▸ **Note 19** Participations in associated companies and joint ventures.

### 38.4 Pension funds

The Fortum pension funds in Finland, Sweden and Norway are stand-alone legal entities which manage pension assets related to part of the pension coverage in these countries. Fortum has not paid contributions to the pension funds in 2019. In 2018, Fortum paid a capital contribution of EUR 3 million to the newly established pension fund in Norway. The assets in the pension fund in Finland include Fortum shares representing 0.04% (2018: 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 (2018: 41).

# 39 Events after the balance sheet date

### Disposal of district heating business, Joensuu, Finland

On 10 January 2020, Fortum concluded the sale of its district heating business in Joensuu, Finland, Voima Oyj, as announced on 20 December 2019. The total consideration of the sale on a debt- and basis was approximately EUR 530 million and the cash was received at the completion of the divest January 2020. Fortum will record a tax-exempt capital gain of approximately EUR 430 million in the segment's first-quarter 2020 results.

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# 40 Subsidiaries by segment on 31 December 2019

C = City Solutions
CS = Consumer Solutions
G = Generation
R = Russia
O = Other Operations

1) New company
2) Shares held by the parent company

| Company name | Domicile | Segment | Group holding, % |
|---|---|---|---|
| Böle Vindkraft Ab/Oy | Finland | G | 100.0 |
| Ekopartnerit Turku Oy | Finland | C | 51.0 |
| Fincumet Oy | Finland | C | 100.0 |
| Fortum Asiakaspalvelu Oy [2] | Finland | CS | 100.0 |
| Fortum Assets Oy | Finland | O | 100.0 |
| Fortum Growth Oy | Finland | C | 100.0 |
| Fortum Heat and Gas Oy [2] | Finland | C,O | 100.0 |
| Fortum Heat Estonia Oy [1] | Finland | C | 100.0 |
| Fortum Joensuu Oy [1, 2] | Finland | C | 100.0 |
| Fortum Markets Oy [2] | Finland | CS | 100.0 |
| Fortum Norm Oy [2] | Finland | O | 100.0 |
| Fortum Power and Heat Holding Oy | Finland | G | 100.0 |
| Fortum Power and Heat Oy [2] | Finland | CS,C,G,O,R | 100.0 |
| Fortum Real Estate Oy [2] | Finland | O | 100.0 |
| Fortum Recharge Oy [1] | Finland | O | 100.0 |
| Fortum Waste Solutions Oy [2] | Finland | C | 100.0 |
| Kalax Vindkraft Ab/Oy | Finland | G | 100.0 |
| Koillis-Pohjan Energiantuotanto Oy | Finland | G | 100.0 |
| Kotimaan Energia Oy | Finland | CS | 100.0 |
| Kristinestad-Tjöck Vindpark Ab [1] | Finland | G | 100.0 |
| Molpe Vindkraft Ab/Oy | Finland | G | 100.0 |
| Närpes Vindkraft Ab/Oy | Finland | G | 100.0 |
| Niemen Romukauppa Oy | Finland | C | 100.0 |
| Nordic Wind Oy [1] | Finland | G | 100.0 |
| Oy Pauken Ab | Finland | O | 100.0 |
| Oy Tersil Ab | Finland | O | 100.0 |
| Oy Tertrade Ab | Finland | O | 100.0 |
| Pjelax Vindkraft Ab/Oy | Finland | G | 100.0 |
| Poikel Vindkraft Ab/Oy | Finland | G | 100.0 |
| Barry Danmark ApS | Denmark | O | 100.0 |
| Fortum Energi A/S | Denmark | CS | 100.0 |

| Company name | Domicile | Segment |
|---|---|---|
| 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 |
| Fortum France S.A.S | France | G |
| Fortum Deutschland SE | Germany | O |
| Fortum Service Deutschland GmbH | Germany | C |
| Plugsurfing GmbH | Germany | O |
| Fortum Carlisle Limited | Great Britain | C |
| Fortum Energy Ltd | Great Britain | O |
| Fortum Glasgow Limited | Great Britain | C |
| Fortum O&M(UK) Limited | Great Britain | C |
| IVO Energy Limited | Great Britain | G |
| Fortum Insurance Ltd | Guernsey | O |
| Fortum Charge & Drive India Private Limited [1] | India | O |
| Fortum India Private Limited [2] | India | C |
| Fortum Solar India Private Limited | India | C |
| Fortum Solar Plus Private Limited | India | C |
| PT Fortum Energy Solution [1] | Indonesia | C |
| Fortum Finance Ireland Designated Activity Company [2] | Ireland | O |
| Fortum Global Finance Designated Activity Company [1] | Ireland | O |
| Fortum P&H Ireland Limited | Ireland | O |
| Fortum Participation Ltd | Ireland | 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 |
| Ånstadblåheia Vindpark AS | Norway | G |
| Fortum Consumer Solutions AS | Norway | CS |

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| Company name | Domicile | Segment | Group holding, % |
|---|---|---|---|
| Fortum Fiber AS [1] | Norway | C | 60.0 |
| Fortum Forvaltning AS | Norway | O | 100.0 |
| Fortum Hedging AS | Norway | G | 100.0 |
| Fortum Kundesenter AS | Norway | CS | 100.0 |
| Fortum Markets AS | Norway | CS | 100.0 |
| Fortum Oslo Varme AS | Norway | C | 50.0 |
| Fortum Recharge AS [1] | Norway | O | 100.0 |
| Fortum Tellier AS | Norway | CS | 100.0 |
| Fortum Waste Solutions Norway AS | Norway | C | 100.0 |
| Fredrikstad EnergiSalg AS | Norway | CS | 100.0 |
| Hafslund Strøm AS | Norway | CS | 100.0 |
| Hallingkraft AS | Norway | CS | 100.0 |
| Nordic Wind Norway AS [1] | Norway | G | 100.0 |
| NorgesEnergi AS | Norway | CS | 100.0 |
| Nygårdsfjellet Vindpark AS | Norway | G | 100.0 |
| Oslo Energi AS | Norway | CS | 100.0 |
| Solvencia AS | Norway | CS | 100.0 |
| Sørfjord Vindpark AS | Norway | G | 100.0 |
| AMB Energia Sprzedaż Sp. z o.o. | Poland | CS | 100.0 |
| Fortum Customer Services Polska Sp. z o.o. | Poland | CS | 100.0 |
| Fortum Marketing and Sales Polska S.A. | Poland | CS | 100.0 |
| Fortum Markets 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 |
| Joint Stock Company Chelyabenergoremont | Russia | R | 100.0 |
| Fortum-New Generation 2 Limited Liability Company [1] | Russia | R | 100.0 |
| Fortum-New Generation 4 Limited Liability Company [1] | Russia | R | 100.0 |
| Fortum-New Generation 5 Limited Liability Company [1] | Russia | R | 100.0 |
| LLC Bugulchanskaya Solar power station | Russia | R | 100.0 |
| PAO Fortum | Russia | R | 98.2 |
| Ural Heat Networks Company Joint Stock Company | Russia | R | 100.0 |
| HQ Services Limited | Rwanda | C | 49.0 |
| Escandinava de Electricidad S.L.U | Spain | CS | 100.0 |
| Blybergs Kraftaktiebolag | Sweden | G | 66.7 |
| Brännälven Kraft AB | Sweden | G | 67.0 |
| Bullerforsens Kraft Aktiebolag | Sweden | G | 88.0 |

| Company name | Domicile | Segment |
|---|---|---|
| Energibolaget i Sverige Holding AB | Sweden | CS |
| Energikundservice Sverige AB | Sweden | CS |
| Fortum 1 AB | Sweden | R |
| Fortum Energy AB | Sweden | CS |
| Fortum Fastigheter AB | Sweden | O |
| Fortum Markets AB | Sweden | CS |
| Fortum Produktionsnät AB | Sweden | G |
| Fortum Recharge AB [1] | Sweden | O |
| Fortum Sverige AB | Sweden | C,G,O |
| Fortum Sweden AB [2] | 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 |
| Mellansvensk Kraftgrupp Aktiebolag | Sweden | G |
| Nord Wind Sweden AB [1] | Sweden | G |
| Nordgroup Waste Management AB | Sweden | C |
| Oreälvens Kraftaktiebolag | Sweden | G |
| Sävar Vindkraft AB | Sweden | G |
| Solberg Vindkraft AB | Sweden | G |
| Uddeholm Kraft Aktiebolag | Sweden | G |
| Värmlandskraft-OKG-delägarna Aktiebolag | Sweden | G |
| VG Power Tools AB | Sweden | C |
| VG Power Turbo AB | Sweden | C |
| FB Generation Services B.V. | The Netherlands | O |
| Fortum 2 B.V. | The Netherlands | O |
| Fortum 3 B.V. | The Netherlands | G |
| Fortum Charge & Drive B.V. | The Netherlands | O |
| Fortum Finance B.V. | The Netherlands | O |
| Fortum H&C B.V. [1] | The Netherlands | O |
| Fortum Holding B.V. [2] | The Netherlands | C,O,CS |
| Fortum Hydro B.V. | The Netherlands | O |
| Fortum India B.V. | The Netherlands | C |
| Fortum Power Holding B.V. | The Netherlands | O |
| Fortum Russia B.V. | The Netherlands | R |
| Fortum Russia Holding B.V. | The Netherlands | O |
| Fortum SAR B.V. | The Netherlands | O |
| Fortum Star B.V. | The Netherlands | O |
| Nordic Wind B.V. [1] | The Netherlands | G |
| PolarSolar B.V. | The Netherlands | C |
| Valo Ventures I LP Fund | USA | O |

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# Financial key figures

Fortum has adopted the IFRS 16 standard from 1 January 2019 onwards. Fortum has applied the transition relief for not restating the comparative figures from 2018. See additional information in ▸ **Note 1** Significant accounting policies.

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 | 2019 | 2018 | Change 19/18% |
|---|---|---|---|
| **Income statement** | | | |
| Sales | 5,447 | 5,242 | 4 |
| EBITDA [1] | 1,685 | 1,674 | 1 |
| Comparable EBITDA | 1,766 | 1,523 | 16 |
| Operating profit | 1,110 | 1,138 | -2 |
| - of sales % | 20.4 | 21.7 | |
| Comparable operating profit | 1,191 | 987 | 21 |
| Share of profit of associates and joint ventures | 744 | 38 | 1,858 |
| Profit before income tax | 1,728 | 1,040 | 66 |
| - of sales % | 31.7 | 19.8 | |
| Profit for the period | 1,507 | 858 | 76 |
| - of which attributable to owners of the parent | 1,482 | 843 | 76 |
| **Financial position and cash flow** | | | |
| Capital employed | 19,929 | 18,170 | 10 |
| Interest-bearing net debt | 5,260 | 5,509 | -5 |
| Capital expenditure and gross investments in shares | 819 | 4,672 | -82 |
| - of sales % | 15.0 | 89.1 | |
| Capital expenditure | 713 | 584 | 22 |
| Net cash from operating activities | 2,015 | 804 | 151 |

| EUR million or as indicated | 2019 | 2018 |
|---|---|---|
| **Key ratios** | | |
| Return on capital employed, % | 10.0 | 6.7 |
| Return on shareholders' equity, % | 11.9 | 6.8 |
| Interest coverage | 8.0 | 10.0 |
| Interest coverage including capitalised borrowing costs | 7.5 | 9.2 |
| Funds from operations/interest-bearing net debt, % | 32.2 | 26.8 |
| Gearing, % | 40 | 46 |
| Comparable net debt/EBITDA | 3.0 | 3.6 |
| Equity-to-assets ratio, % | 57 | 54 |
| **Other data** | | |
| Dividends | 977 [2] | 977 |
| Research and development expenditure | 67 | 56 |
| - of sales % | 1.2 | 1.1 |
| Average number of employees | 8,248 | 8,767 |

1) EBITDA is defined as Operating profit + Depreciation and amortisation.
2) Board of Directors' proposal for the planned Annual General Meeting on 17 March 2020.

See ▸ **Definitions of key figures**.

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# Share key figures

| EUR million or as indicated | 2019 | 2018 | Change 19/18% |
|---|---|---|---|
| **Data per share** | | | |
| Earnings per share | 1.67 | 0.95 | 76 |
| Cash flow per share | 2.27 | 0.91 | 149 |
| Equity per share | 14.61 | 13.33 | 10 |
| Dividend per share | 1.10 [1] | 1.10 | 0 |
| Payout ratio, % | 65.9 [1] | 115.8 | |
| Dividend yield, % | 5.0 [1] | 5.8 | |
| Price/earnings ratio (P/E) | 13.2 | 20.1 | |
| **Share prices** | | | |
| At the end of the period | 22.00 | 19.10 | |
| Average | 20.06 | 19.10 | |
| Lowest | 18.09 | 16.43 | |
| Highest | 22.50 | 22.91 | |
| **Other data** | | | |
| Market capitalisation at the end of the period, EUR million | 19,542 | 16,966 | |
| **Trading volumes** [2] | | | |
| Number of shares, 1,000 shares | 372,272 | 474,705 | |
| In relation to weighted average number of shares, % | 41.9 | 53.4 | |
| Number of shares, 1,000 shares | 888,294 | 888,294 | |
| Number of shares excluding own shares, 1,000 shares | N/A | N/A | |
| Average number of shares, 1,000 shares | 888,294 | 888,312 | |
| Diluted adjusted average number of shares, 1,000 shares | 888,294 | 888,312 | |

1) Board of Directors' proposal for the Annual General Meeting on 17 March 2020.

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 2019, approximately 73% (2018: 68%) 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 | 2019 | 2018 |
|---|---|---|
| Generation | 2,141 | 1,842 |
| - of which internal | 259 | -2 |
| City Solutions | 1,200 | 1,110 |
| - of which internal | 45 | 37 |
| Consumer Solutions | 1,835 | 1,759 |
| - of which internal | -3 | 11 |
| Russia | 1,071 | 1,069 |
| - of which internal | 0 | 0 |
| Other Operations | 115 | 103 |
| - of which internal | 86 | 79 |
| Eliminations and Netting of Nord Pool transactions | -916 | -641 |
| **Total** | **5,447** | **5,242** |

| Comparable operating profit by segment, EUR million | 2019 | 2018 |
|---|---|---|
| Generation | 794 | 628 |
| City Solutions | 121 | 135 |
| Consumer Solutions | 79 | 53 |
| Russia | 316 | 271 |
| Other Operations | -119 | -99 |
| **Comparable operating profit** | **1,191** | **987** |
| Impairment charges | -8 | -4 |
| Capital gains and other | 7 | 102 |
| Changes in fair values of derivatives hedging future cash flow | -72 | 98 |
| Nuclear fund adjustment | -9 | -45 |
| **Operating profit** | **1,110** | **1,138** |

| Comparable EBITDA by segment, EUR million | 2019 | 2018 |
|---|---|---|
| Generation | 939 | 763 |
| City Solutions | 309 | 310 |
| Consumer Solutions | 141 | 110 |
| Russia | 469 | 417 |
| Other Operations | -91 | -78 |
| **Total** | **1,766** | **1,523** |

| Depreciation and amortisation by segment, EUR million | 2019 |
|---|---|
| Generation | 145 |
| City Solutions | 188 |
| Consumer Solutions | 62 |
| Russia | 153 |
| Other Operations | 28 |
| **Total** | **575** |

| Share of profit of associates and joint ventures by segment, EUR million | 2019 |
|---|---|
| Generation | 10 |
| City Solutions | 37 |
| Russia | 59 |
| Other Operations | 638 |
| **Total** | **744** |

| Capital expenditure by segment, EUR million | 2019 |
|---|---|
| Generation | 247 |
| City Solutions | 313 |
| Consumer Solutions | 55 |
| Russia | 67 |
| Other Operations | 31 |
| **Total** | **713** |

| Gross investments in shares by segment, EUR million | 2019 |
|---|---|
| Generation | 13 |
| City Solutions | 9 |
| Consumer Solutions | 0 |
| Russia | 66 |
| Other Operations | 18 |
| **Total** | **106** |

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| Gross divestments of shares by segment, EUR million | 2019 | 2018 |
|---|---|---|
| Generation | 12 | 160 |
| City Solutions | 2 | 147 |
| Consumer Solutions | 0 | 0 |
| Russia | 0 | 0 |
| Other Operations | 16 | 0 |
| **Total** | **30** | **306** |

| Comparable net assets by segment, EUR million | 2019 | 2018 |
|---|---|---|
| Generation | 6,147 | 6,485 |
| City Solutions | 3,892 | 3,794 |
| Consumer Solutions | 640 | 648 |
| Russia | 3,205 | 2,789 |
| Other Operations | 4,356 | 4,023 |
| **Total** | **18,239** | **17,739** |

| Comparable return on net assets by segment, % | 2019 | 2018 |
|---|---|---|
| Generation | 12.8 | 10.8 |
| City Solutions | 4.7 | 5.5 |
| Consumer Solutions | 13.2 | 7.8 |
| Russia | 12.3 | 10.3 |
| Other Operations | 1.4 | -5.8 |

| Average number of employees by segment | 2019 | 2018 |
|---|---|---|
| Generation | 1,122 | 1,107 |
| City Solutions | 1,979 | 1,994 |
| Consumer Solutions | 1,379 | 1,473 |
| Russia | 2,942 | 3,378 |
| Other Operations | 825 | 814 |
| **Total** | **8,248** | **8,767** |

Årsregnskap regnskapsåret 2019 for 885361102

# 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 comparablity | Comparable EBITDA is representing the underlying cash flow generated by the total Group and segments. Used as a component in the capital structure target of Comparable net debt /EBITDA. | ▸ **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 + capital gains and other + changes in fair values of derivatives hedging future cash flow + nuclear fund adjustment | Component used in calculating comparable operating profit and comparable EBITDA. | Income statement |
| Impairment charges | Impairment charges and related provisions (mainly dismantling), which are adjusted from depreciation and amortisation. | Component used in calculating comparable operating profit and comparable EBITDA. | Income statement |
| Capital gains and other | Capital gains and transaction costs from acquisitions, which are adjusted from other income and other expenses, respectively. Profits from the capital recycling business model are presented in comparable operating profit because the business results are realised through divesting the shareholding, either partially or totally. | Component used in calculating comparable operating profit and comparable EBITDA. | Income statement |

| Business performance | Definition | Reason to use the measure |
|---|---|---|
| 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. |
| Nuclear fund adjustment | Effects from the accounting of Fortum's part of the Finnish Nuclear Waste Fund where the asset on the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5, which are adjusted from materials and services. In addition adjustments are made for accounting effects from valuation according to IFRS. | Component used in calculating comparable operating profit and comparable EBITDA. |
| Comparable return on net assets, % | $\frac{\text{Comparable operating profit + share of profit (loss) in associated companies and joint ventures + adjustment for share of profit of associated companies and joint ventures}}{\text{Comparable net assets average}} \times 100$ | 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 of associated companies and joint ventures | Adjustment for material items affecting comparability. | Share of profit of associates and joint ventures is included in profit component in the comparable RONA calculation and the adjustments are done based on similar components as in Items affecting comparability. |
| Comparable net assets | Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows). | Comparable net assets is a component in Comparable return on net assets calculation where return on capital allocated directly to the businesses is measured. |

Årsregnskap regnskapsåret 2019 for 885361102

| Capital structure | Definition | Reason to use the measure | Reconciliation |
|---|---|---|---|
| Comparable net debt / EBITDA | Interest-bearing net debt / Comparable EBITDA | Financial targets give guidance on Fortum's view of the company's long-term value creation potential, its growth strategy and business activities. Comparable net debt to EBITDA is one of the Fortum's long-term over-the-cycle financial targets measuring the capital structure of the Group. | ▸ **Note 5** Capital risk management |
| Interest-bearing net debt | Interest-bearing liabilities - liquid funds | Interest-bearing net debt is used in the follow-up of the indebtedness of the group i.e. capital structure especially as a component in the long-term over-the-cycle financial target of Comparable net debt / EBITDA in the Group. | ▸ **Note 27** Interest-bearing liabilities |
| Return on capital employed (ROCE), % | Profit before taxes + interest and other financial expenses / Capital employed average x 100 | Return on capital employed (ROCE) is a long-term over the cycle financial ratio measuring the profitability and how efficiently invested capital is used. It gives guidance on company's long-term value creation potential, its growth strategy and business activities. | ▸ **Note 5** Capital risk management |
| Capital employed | Total assets - total non-interest bearing liabilities | Capital employed is the book value of the invested capital and it is used as a component when calculating the Return of capital employed in the group. | ▸ **Note 5** Capital risk management |

## Other key figures

### Share based key figures

| | |
|---|---|
| Earnings per share (EPS) | Profit for the period - non-controlling interests / Average number of shares during the period |
| Cash flow per share | Net cash from operating activities / Average number of shares during the period |
| Equity per share | Shareholders' equity / Number of shares at the end of the period |
| Payout ratio, % | Dividend per share / Earnings per share x 100 |
| Dividend yield, % | Dividend per share / Share price at the end of the period x 100 |
| Price/earnings (P/E) ratio | Share price at the end of the period / Earnings per share |
| Average share price | Amount traded in euros during the period / 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 |

Årsregnskap regnskapsåret 2019 for 885361102

## Other key figures

| | |
|---|---|
| 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 a certain point of time due to legal requirements. |
| Gross investments in shares | Investments in subsidiary shares, shares in associated companies and joint ventures and other investments. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company. |
| Return on shareholders' equity (ROE), % | $\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$ |
| Gearing, % | $\frac{\text{Interest-bearing net debt}}{\text{Total equity including non-controlling interests}} \times 100$ |
| Equity-to-assets ratio, % | $\frac{\text{Total equity including non-controlling interests}}{\text{Total assets}} \times 100$ |
| Interest coverage | $\frac{\text{Operating profit}}{\text{Net interest expenses}}$ |
| Interest coverage including capitalised borrowing costs | $\frac{\text{Operating profit}}{\text{Net interest expenses - capitalised borrowing costs}}$ |
| Average number of employees | Based on monthly average for the whole period |

## Definitions for tax figures

| | | |
|---|---|---|
| Effective income tax rate, % | = | $\frac{\text{Income tax expense}}{\text{Profit before income tax}}$ |
| Comparable effective income tax rate, % | = | $\frac{\text{Income tax expense - effects from tax rate changes and major one time income tax effects}}{\text{Profit before income tax decreased by profits from associated companies and joint ventures as well as tax exempt capital gains or losses}}$ |
| 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. |

Årsregnskap regnskapsåret 2019 for 885361102

# Parent company financial statements, Finnish GAAP (FAS)

## Income statement

| EUR million | Note | 2019 | 2018 |
|---|---|---|---|
| Sales | 2 | 82 | 82 |
| Other income | 3 | 7 | 8 |
| Employee benefits | 4 | -37 | -36 |
| Depreciation, amortisation and write-downs | 8 | -8 | -8 |
| Other expenses | | -84 | -78 |
| **Operating loss** | | **-40** | **-33** |
| Financial income and expenses | 6 | 4 | 751 |
| **Loss/profit before appropriations** | | **-35** | **719** |
| Group contributions received [1] | | 286 | 85 |
| **Profit before income tax** | | **251** | **803** |
| Income tax expense | 7 | -37 | -5 |
| **Profit for the year** | | **213** | **798** |

1) Taxable profits transferred from Finnish subsidiaries.

## Balance sheet

| EUR million | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 8 | 24 | 23 |
| Property, plant and equipment | 8 | 12 | 10 |
| Shares in Group companies | 8 | 16,702 | 16,725 |
| Interest-bearing receivables from Group companies | 8 | 2,952 | 2,954 |
| Interest-bearing receivables from associated companies | 8 | 1 | 1 |
| Other non-current assets | 8 | 0 | 0 |
| Derivative financial instruments | 13, 14 | 160 | 157 |
| Deferred tax assets | | 5 | 1 |
| **Total non-current assets** | | **19,857** | **19,870** |
| **Current assets** | | | |
| Other current receivables from Group companies | 9 | 314 | 99 |
| Other current receivables from associated companies | 9 | 0 | 0 |
| Derivative financial instruments | 13, 14 | 126 | 167 |
| Other current receivables | 9 | 10 | |
| Deposits and securities (maturity over three months) | | 70 | |
| Cash and cash equivalents | | 1,095 | |
| Liquid funds | | 1,165 | |
| **Total current assets** | | **1,614** | |
| **Total assets** | | **21,471** | |
| **EQUITY** | | | |
| **Shareholders' equity** | 10 | | |
| Share capital | | 3,046 | |
| Share premium | | 2,822 | |
| Hedging reserve | | -20 | |
| Retained earnings | | 4,025 | |
| Profit for the year | | 213 | |
| **Total equity** | | **10,087** | |
| **Provisions for liabilities and charges** | | **0** | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| External interest-bearing liabilities | 11, 13, 14 | 5,414 | |
| Interest-bearing liabilities to Group companies | | 5,240 | |
| Interest-bearing liabilities to associated companies | | 293 | |
| Derivative financial instruments | 13, 14 | 78 | |
| Other non-current liabilities | | 23 | |
| **Total non-current liabilities** | | **11,048** | |
| **Current liabilities** | | | |
| External interest-bearing liabilities | 11 | 136 | |
| Trade and other payables to Group companies | 12 | 10 | |
| Trade and other payables to associated companies | 12 | 9 | |
| Derivative financial instruments | 13, 14 | 63 | |
| Trade and other payables | 12 | 118 | |
| **Total current liabilities** | | **336** | |
| **Total liabilities** | | **11,384** | |
| **Total equity and liabilities** | | **21,471** | |

Årsregnskap regnskapsåret 2019 for 885361102

## Cash flow statement

| EUR million | 2019 | 2018 |
|---|---|---|
| **Cash flow from operating activities** | | |
| **Profit for the year** | **213** | **798** |
| **Adjustments:** | | |
| Income tax expense | 37 | 5 |
| Group contributions | -286 | -85 |
| Finance costs - net | -4 | -751 |
| Depreciation, amortisation and write-downs | 8 | 8 |
| **Operating profit before depreciation (EBITDA)** | **-32** | **-24** |
| | | |
| Non-cash flow items | 0 | 0 |
| Interest and other financial income received | 26 | 18 |
| Interest and other financial expenses paid | -97 | -104 |
| Dividends received | 87 | 796 |
| Group contributions received | 85 | 157 |
| Realised foreign exchange gains and losses | 37 | 16 |
| Income taxes paid | -3 | -6 |
| **Funds from operations** | **102** | **853** |
| | | |
| Other short-term receivables increase(-)/decrease(+) | -12 | 9 |
| Other short-term payables increase(+)/decrease(-) | -1 | -4 |
| Change in working capital | -13 | 4 |
| **Net cash from operating activities** | **90** | **857** |
| | | |
| **Cash flow from investing activities** | | |
| Capital expenditures | -8 | -16 |
| Acquisition of shares and capital contributions in subsidiaries | 0 | 0 |
| Capital returns | 0 | 0 |
| Proceeds from sales of fixed assets | 0 | 0 |
| Change in interest-bearing receivables and other non-current assets | -2 | -2,744 |
| **Net cash used in investing activities** | **-11** | **-2,760** |
| | | |
| **Cash flow before financing activities** | **79** | **-1,903** |

| EUR million | 2019 |
|---|---|
| **Cash flow from financing activities** | |
| Proceeds from long-term liabilities | 2,808 |
| Payment of long-term liabilities | -2,540 |
| Change in cashpool liabilities | 1,838 |
| Change in short-term liabilities | -201 |
| Dividends paid | -977 |
| **Net cash from/used in financing activities** | **927** |
| | |
| **Net increase(+)/decrease(-) in liquid funds** | **1,006** |
| | |
| **Liquid funds at the beginning of the year** | **159** |
| **Liquid funds at the end of the year** | **1,165** |

Årsregnskap regnskapsåret 2019 for 885361102

# 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 2019 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.

Finnish Accounting Board issued new requirements for accounting of financial derivatives on 13 December 2016 (KILA 1963/2016), whereby Fortum Oyj chose to apply IAS 39 standard in statutory financial statements. Fortum Oyj applied IFRS 9 Financial Instruments standard from 1 Jan 2018 for derivative instruments and hedge accounting.

Accounting principles of financial derivatives, see ▸ **Note 4** Financial risk management, ▸ **Note 15** Financial assets and liabilities by categories and ▸ **Note 16** 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. estimated future cash flows generated by a non-current asset are expected to be permanently low balance of the carrying amount, an adjustment to the value must be made to write-down the differ expense. If the basis for the write-down can no longer be justified at the balance sheet date, it mus

### 1.6 Intangible assets and Property, plant and equipment

The balance sheet value of intangible assets and property, plant and equipment consists of historic depreciation and possible impairments. Intangible assets and Property, plant and equipment are de straight-line depreciation based on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

| | |
|---|---|
| Buildings and structures | 15–40 years |
| 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 Group' fund. Costs for pension fund are recorded in the income statement based on contributions paid pur 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 the is booked to the balance sheet.

### 1.9 Provisions

Foreseeable future expenses and losses that have no corresponding revenue to which Fortum is co obliged to settle, and whose monetary value can be reasonably assessed, are entered as expenses statement and included as provisions on the balance sheet.

Årsregnskap/regnskapsåret 2019 for 885361102

## 2 Sales by market area

| EUR million | 2019 | 2018 |
|---|---|---|
| Finland | 53 | 52 |
| Other countries | 29 | 30 |
| **Total** | **82** | **82** |

## 3 Other income

| EUR million | 2019 | 2018 |
|---|---|---|
| Rental and other income | 7 | 8 |
| **Total** | **7** | **8** |

## 4 Employee benefits

| EUR million | 2019 | 2018 |
|---|---|---|
| Personnel expenses | | |
| Wages, salaries and remunerations | 29 | 26 |
| Indirect employee costs | | |
| Pension costs | 5 | 6 |
| Other indirect employee costs | 1 | 1 |
| Other personnel expenses | 3 | 3 |
| **Total** | **37** | **36** |

| EUR thousand | 2019 Pekka Lundmark, President and CEO | 2018 Pekka Lundmark, President and CEO |
|---|---|---|
| **Compensation for the President and CEO** | | |
| Salaries and fringe benefits | 1,057 | 1,048 |
| Performance bonuses [1] | 200 | 228 |
| Share-based incentives [1,2] | 898 | 297 |
| Pensions (statutory) | 207 | 250 |
| Pensions (voluntary) | 265 | 252 |
| Social security expenses | 39 | 36 |
| **Total** | **2,666** | **2,112** |

1) Based on estimated amounts

2) Share-based incentives increased in 2019 mainly due to the higher earnings outcome from settled plans.

| EUR thousand | 2019 |
|---|---|
| **Compensation for the Board of Directors** | **529** |

The compensation above is presented on accrual basis. Paid salaries and remunerations for the Pre
Pekka Lundmark were EUR 2,213 thousand (2018: 1,594).

For the President and CEO Pekka Lundmark the retirement age of old-age pension is 63. The pe
obligations are covered through insurance company.

Board members are not in an employment relationship or service contract with Fortum, and they
the opportunity to participate in Fortum's STI or LTI programme, nor does Fortum have a pension p
can opt to take part in. The compensation of the board members is not tied to the sustainability pe
the Group.

See ▸ **Note 11** Employee benefits and Board remuneration and ▸ **Note 31** Pension obligations in t
Consolidated financial statements.

| | 2019 |
|---|---|
| Average number of employees | 268 |

## 5 Auditor's fees

| EUR thousand | 2019 |
|---|---|
| Audit fees | 614 |
| Audit-related assignments | 73 |
| Tax assignments | 3 |
| **Total** | **690** |

Deloitte Oy is the appointed auditor until the next Annual General Meeting, to be held in 2020. Auc
fees for the audit of the consolidated financial statements, review of the interim reports as well as t
the audit of Fortum Oyj. Audit related assignments include fees for assurance of sustainability repo
assurance and associated services related to the audit. Tax assignments include fees for tax advice

Årsregnskap regnskapsåret 2019 for 885361102

## 6 Financial income and expenses

| EUR million | 2019 | 2018 |
|---|---|---|
| Dividend income from group companies | 87 | 796 |
| Dividend income from associated companies and other companies | 0 | 0 |
| Interest and other financial income from group companies | 32 | 16 |
| Write-downs of participations in group companies | -22 | 0 |
| Write-downs of participations in associated companies | 0 | -2 |
| Write-downs of loan receivables | 0 | -17 |
| Interest and other financial income | 0 | 0 |
| Exchange rate differences | 1 | 37 |
| Changes in fair values of derivatives | -7 | 1 |
| Interest and other financial expenses to group companies | -6 | -2 |
| Interest and other financial expenses | -80 | -78 |
| **Total** | **4** | **751** |
| | | |
| Interest income | 27 | 17 |
| Interest expenses | -75 | -75 |
| **Interest costs - net** | **-48** | **-58** |

## 7 Income tax expense

| EUR million | 2019 | 2018 |
|---|---|---|
| Taxes on regular business operations | -20 | -12 |
| Taxes on group contributions | 57 | 17 |
| **Total** | **37** | **5** |
| | | |
| Current taxes for the year | 36 | 5 |
| Current taxes for prior periods | 0 | 0 |
| Changes in deferred tax | 1 | 0 |
| **Total** | **37** | **5** |

## 8 Non-current assets

### Intangible assets

| EUR million | |
|---|---|
| **Cost 1 January 2019** | |
| Additions | |
| Disposals | |
| **Cost 31 December 2019** | |
| | |
| **Accumulated depreciation 1 January 2019** | |
| Disposals | |
| Depreciation for the year | |
| **Accumulated depreciation 31 December 2019** | |
| | |
| **Carrying amount 31 December 2019** | |
| Carrying amount 31 December 2018 | |

### Property, plant and equipment

| EUR million | Buildings and structures | Machinery and equipment | Advances paid and construction in progress |
|---|---|---|---|
| **Cost 1 January 2019** | **0** | **10** | **4** |
| Additions and transfers between categories | 0 | 1 | 3 |
| Disposals | 0 | -1 | 0 |
| **Cost 31 December 2019** | **0** | **10** | **7** |
| | | | |
| **Accumulated depreciation 1 January 2019** | **0** | **4** | **0** |
| Disposals | 0 | -1 | - |
| Depreciation for the year | 0 | 2 | - |
| **Accumulated depreciation 31 December 2019** | **0** | **5** | **0** |
| | | | |
| **Carrying amount 31 December 2019** | **0** | **5** | **7** |
| Carrying amount 31 December 2018 | 0 | 5 | 4 |

Årsregnskap regnskapsåret 2019 for 885361102

## Investments

| EUR million | Shares in Group companies | Participation in associated companies | Receivables from Group companies | Receivables from associated companies | Other non-current assets | Total |
|---|---|---|---|---|---|---|
| **Cost 1 January 2019** | **17,847** | **6** | **2,954** | **17** | **8** | **20,831** |
| Additions [1] | 0 | 0 | 58 | 0 | 0 | 59 |
| Disposals | 0 | - | -60 | - | - | -60 |
| **Cost 31 December 2019** | **17,847** | **6** | **2,952** | **17** | **8** | **20,830** |
| **Accumulated write-downs 1 January 2019** | **1,123** | **6** | **0** | **15** | **8** | **1,152** |
| Impairment charges | 22 | 0 | - | 0 | 0 | 22 |
| **Accumulated write-downs 31 December 2019** | **1,145** | **6** | **0** | **15** | **8** | **1,174** |
| **Carrying amount 31 December 2019** | **16,702** | **0** | **2,952** | **1** | **0** | **19,656** |
| Carrying amount 31 December 2018 | 16,725 | 0 | 2,954 | 1 | 0 | 19,680 |

1) Additions regarding shares comprise acquisitions of shares and capital contributions and reclassification between other non-current assets and shares in Group companies.

## 9 Other current receivables

| EUR million | 2019 | 2018 |
|---|---|---|
| **Other current receivables from group companies** | | |
| Trade receivables | 9 | 10 |
| Group contribution and other receivables | 286 | 85 |
| Accrued income and prepaid expenses | 18 | 5 |
| **Total** | **314** | **99** |
| **Other current receivables** | | |
| Trade receivables | 0 | 0 |
| Other receivables | 4 | 0 |
| Accrued income and prepaid expenses | 6 | 10 |
| **Total** | **10** | **10** |

See ▸ **Note 4.5** Liquidity and refinancing risk in the Consolidated financial statements.

## 10 Changes in shareholders' equity

| EUR million | Share capital | Share premium | Hedging reserve | Retaine earning |
|---|---|---|---|---|
| **1 January 2019** | **3,046** | **2,822** | **-11** | **5,00** |
| Cash dividend | - | - | - | -97 |
| Change in hedging reserve | - | - | -9 | |
| Profit for the year | - | - | - | 21 |
| **31 December 2019** | **3,046** | **2,822** | **-20** | **4,23** |
| **1 January 2018** | **3,046** | **2,822** | **-11** | **5,18** |
| Cash dividend | - | - | - | -97 |
| Change in hedging reserve | - | - | 1 | |
| Profit for the year | - | - | - | 79 |
| **31 December 2018** | **3,046** | **2,822** | **-11** | **5,00** |

| EUR million | 2019 |
|---|---|
| **Distributable funds** | |
| Retained earnings 31 December | 4,239 |
| Hedging reserve | -20 |
| **Total** | **4,219** |

Årsregnskap regnskapsåret 2019 for 885361102

## 11 Interest-bearing liabilities

| EUR million | 2019 | 2018 |
|---|---|---|
| **External interest-bearing liabilities** | | |
| Bonds | 4,251 | 1,746 |
| Loans from financial institutions | 311 | 1,775 |
| Other long-term interest-bearing debt | 852 | 865 |
| **Total long-term interest-bearing debt** | **5,414** | **4,386** |
| Current portion of long-term bonds | 0 | 750 |
| Current portion of loans from financial institutions | 26 | 42 |
| Current portion of other long-term interest-bearing debt | 34 | 0 |
| Other short-term interest-bearing debt | 76 | 283 |
| **Total short-term interest-bearing debt** | **136** | **1,074** |
| **Total** [1] | **5,550** | **5,460** |

### Maturity of external interest-bearing liabilities

| EUR million | 2019 |
|---|---|
| 2020 | 136 |
| 2021 | 520 |
| 2022 | 1,033 |
| 2023 | 1,093 |
| 2024 | 300 |
| 2025 and later | 2,468 |
| **Total** [1] | **5,550** |

See ▸ **Note 4.5** Liquidity and refinancing risk and ▸ **Note 27** Interest-bearing liabilities in the Consolidated financial statements.

| EUR million | 2019 | 2018 |
|---|---|---|
| **External interest-bearing liabilities due after five years** | | |
| Bonds | 1,616 | 97 |
| Other long-term liabilities | 852 | 865 |
| **Total** [1] | **2,468** | **962** |

| EUR million | 2019 | 2018 |
|---|---|---|
| **Other interest-bearing liabilities due after five years** | | |
| Interest-bearing liabilities to associated companies | 293 | 293 |
| **Total** | **293** | **293** |

1) Excludes liabilities to Group and associated companies.

Non-discounted cash flows of interest-bearing liabilities and their maturities, see ▸ **Note 13** Financial derivatives.

## 12 Trade and other payables

| EUR million | 2019 |
|---|---|
| **Trade and other payables to group companies** | |
| Trade payables | 1 |
| Deposits from group companies and other liabities | 9 |
| Accruals and deferred income | 0 |
| **Total** | **10** |
| | |
| **Trade and other payables to associated companies** | |
| Accruals and deferred income | 9 |
| **Total** | **9** |
| | |
| **Trade and other payables** | |
| Trade payables | 14 |
| Other liabilities | 35 |
| Accruals and deferred income | 69 |
| **Total** | **118** |

## 13 Financial derivatives

### Interest rate and currency derivatives by instrument 2019

| | Notional amount Remaining lifetimes | | | | Fair valu | |
|---|---|---|---|---|---|---|
| EUR million | Under 1 year | 1–5 years | Over 5 years | Total | Positiv | Negat |
| Forward foreign exchange contracts | 10,489 | 716 | 0 | 11,205 | 12 | |
| Interest rate swaps | 0 | 2,715 | 1,525 | 4,240 | 15 | |
| Interest rate and currency swaps | 104 | 263 | | 367 | | |
| **Total** | **10,592** | **3,694** | **1,525** | **15,811** | **28** | **1** |
| Of which long-term | | | | | 16 | |
| Short-term | | | | | 12 | |

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### Interest rate and currency derivatives by instrument 2018

| | Notional amount Remaining lifetimes | | | | Fair value | | |
|---|---|---|---|---|---|---|---|
| EUR million | Under 1 year | 1–5 years | Over 5 years | Total | Positive | Negative | Net |
| Forward foreign exchange contracts | 8,523 | 786 | | 9,309 | 99 | 83 | 15 |
| Interest rate swaps | 1,515 | 2,242 | 225 | 3,982 | 159 | 70 | 88 |
| Interest rate and currency swaps | 383 | 265 | | 648 | 66 | 0 | 66 |
| **Total** | **10,420** | **3,293** | **225** | **13,938** | **324** | **154** | **170** |
| Of which long-term | | | | | 157 | 51 | 106 |
| Short-term | | | | | 167 | 103 | 64 |

### Maturity analysis of interest-bearing liabilities and derivatives

Amounts disclosed below are non-discounted expected cash flows (future interest payments and amortisations) of interest-bearing liabilities and interest rate and currency derivatives.

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| EUR million | Under 1 year | 1–5 years | Over 5 years | Total | Under 1 year | 1–5 years | Over 5 years | Total |
| Interest-bearing liabilities | 269 | 3,151 | 2,995 | 6,415 | 1,192 | 3,582 | 1,437 | 6,211 |
| Interest rate and currency derivatives liabilities | 10,734 | 1,169 | 90 | 11,994 | 8,946 | 1,159 | 16 | 10,121 |
| Interest rate and currency derivatives receivables | -10,818 | -1,186 | -100 | -12,103 | -9,037 | -1,203 | -21 | -10,260 |
| **Total** | **185** | **3,135** | **2,986** | **6,306** | **1,101** | **3,538** | **1,433** | **6,072** |

Interest-bearing liabilities include loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj with balance value of EUR 1,185 million (2018: 1,158). These loans are renewed yearly and the related interest payments are calculated for ten years in the table above.

## 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 t
significance of the inputs used in making the measurements. For further information look accountin
Fortum consolidated accounts ▸ **Note 16** Financial assets and liabilities by fair value hierarchy.

### Derivatives in financial assets

| | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|
| EUR million | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **In non-current assets** | | | | | | |
| Derivative financial instruments | | | | | | |
| Interest rate and currency derivatives | | | | | | |
| Hedge accounting | | | 155 | 149 | | |
| Non-hedge accounting | | | 5 | 8 | | |
| **In current assets** | | | | | | |
| Derivative financial instruments | | | | | | |
| Interest rate and currency derivatives | | | | | | |
| Hedge accounting | | | 13 | 21 | | |
| Non-hedge accounting | | | 113 | 146 | | |
| **Total** | | | **286** | **324** | | |

### Derivatives and liabilities at fair value in financial liabilities

| | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|
| EUR million | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| **In non-current liabilities** | | | | | | |
| Interest-bearing liabilities [1] | | | 2,293 | 930 | | |
| Derivative financial instruments | | | | | | |
| Interest rate and currency derivatives | | | | | | |
| Hedge accounting | | | 73 | 43 | | |
| Non-hedge accounting | | | 5 | 8 | | |
| **In current liabilities** | | | | | | |
| Derivative financial instruments | | | | | | |
| Interest rate and currency derivatives | | | | | | |
| Hedge accounting | | | 5 | 5 | | |
| Non-hedge accounting | | | 58 | 98 | | |
| **Total** | | | **2,434** | **1,083** | | |

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

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Net fair value amount of interest rate and currency derivatives is EUR 146 million (2018: 170), including assets EUR 286 million (2018: 324) and liabilities EUR 140 million (2018: 154). Fortum Corporation has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of December 2019 Fortum Corporation had received EUR 65 million (2018: 75) from Credit Support Annex agreements. The received cash has been booked as a short-term interest-bearing liability.

## 15 Contingent liabilities and other commitments

| EUR million | 2019 | 2018 |
|---|---|---|
| **On own behalf** | | |
| Other contingent liabilities | 1 | 2 |
| | | |
| **On behalf of group companies** | | |
| Guarantees [1] | 566 | 113 |
| | | |
| **On behalf of associated companies** | | |
| Guarantees on behalf of Swedish associated companies | 819 | 532 |
| **Total** | **1,385** | **647** |

1) Excludes parent company guarantee to acquire Uniper shares. See Guarantees on behalf of group companies below.

### Guarantees on behalf of group companies

On 8 October 2019, Fortum entered into agreements to acquire all the shares in Uniper SE held by funds managed by Elliott Management Corporation and its affiliates (Elliott) and Knight Vinke Energy Advisors Limited and its affiliates (Knight Vinke), a total shareholding in excess of 20.5%. The transaction will be financed with existing cash resources and committed credit facilities underwritten by Barclays Bank PLC. In the said agreements Fortum has committed to paying the acquisition price of EUR 2.3–2.6 billion (depending on the number of shares acquired), for which Fortum Oyj has provided a parent company guarantee. See ▸ **Note 3** Acquisitions, disposals and assets held for sale in the Consolidated financial statements.

### Operating lease commitements

| EUR million | 2019 | 2018 |
|---|---|---|
| **Operating lease commitments** | | |
| Due within a year | 7 | 8 |
| Due after one year and within five years | 17 | 28 |
| Due after 5 years | 9 | 14 |
| **Total** | **33** | **49** |

## 16 Related party transactions

See ▸ **Note 38** Related party transactions in the Consolidated financial statements.

### Investments in group companies, associated companies and other holdings

| | | No. of shares units |
|---|---|---|
| **Investments in group companies** | | |
| Fortum Waste Solutions Oy | Finland | 3,520,800 |
| Fortum Asiakaspalvelu Oy | Finland | 10,010 |
| Fortum Heat and Gas Oy | Finland | 2,000,000 |
| Fortum Heat Estonia Oy | Finland | 91,197,543 |
| Fortum Joensuu Oy | Finland | 91,197,543 |
| Fortum Markets Oy | Finland | 24,039 |
| Fortum Norm Oy | Finland | 250 |
| Fortum Power and Heat Oy | Finland | 91,197,543 |
| Fortum Real Estate Oy | Finland | 2,000,000 |
| Fortum India Private Ltd | India | 1 |
| Fortum Finance Ireland Designated Activity Company | Ireland | [illegible]000 |
| Fortum Sweden AB | Sweden | [illegible],000 |
| Fortum Holding B.V. | The Netherlands | [illegible],062 |
| | | |
| **Investments in associated companies** | | |
| Wello Oy | Finland | 1,1[illegible],000 |
| | | |
| **Other holdings** | | |
| AW-Energy Oy | Finland | 2,85[illegible],688 |
| Clic Innovation Oy | Finland | 100 |
| East Office of Finnish Industries Oy | Finland | 1 |
| Prototype Carbon Fund | USA | N/A |

## 17 Events after the balance sheet date

On 10 January 2020, Fortum concluded the sale of its district heating business in Joensuu, Finland, Voima Oyj, as announced on 20 December 2019. The total consideration of the sale on a debt- and was approximately EUR 530 million and the cash was received at the completion of the investment 2020.

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# Proposal for the use of the profit shown on the balance sheet

The distributable funds of Fortum Corporation as at 31 December 2019 amounted to EUR 4,219,128,198.51 including the profit of the financial period 2019 of EUR 213,409,797.80. 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 1.10 per share be paid for 2019.

Based on the number of registered shares as at 5 February 2020 the total amount of dividend wo 977,123,911.50. The Board of Directors proposes, that the remaining part of the distributable funds the shareholders' equity.

**Signatures for the operating and financial review and financial statements**

Espoo, 5 February 2020

Matti Lievonen | Klaus-Dieter Maubach | Eva Hamilton | Kim Ignatius

Essimari Kairisto | Anja McAlister | Veli-Matti Reinikkala | Philipp Rösler

Pekka Lundmark
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, 2019. 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 u
auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financia
section of our report.

We are independent of the parent company and of the group companies in accordance with the
requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our o
responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the p
and group companies are in compliance with laws and regulations applicable in Finland regarding th
and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation
The non-audit services that we have provided have been disclosed in note 9 to the consolidated fin
statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a b
opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in
the financial statements of the current period. These matters were addressed in the context of our
financial statements as a whole, and in forming our opinion thereon, and we do not provide a separ
these matters.

We have also addressed the risk of management override of internal controls. This includes cons
whether there was evidence of management bias that represented a risk of material misstatement

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Uniper investment**<br>Refer to notes 2, 3 and 19.<br>• On 26 June 2018, Fortum closed the Uniper SE (Uniper) offer and became the company's largest shareholder. Fortum holds 49.99% of the shares as of 31 December 2019.<br>• Fortum consolidates Uniper as an associated company from 30 June 2018. The total Uniper investment, approximately EUR 4.0 billion, is reported in the 'Participations in associated companies and joint ventures'.<br>• Purchase price allocation was finalised during Q2/2019.<br>• In Uniper transaction the purchase price allocation has been based on publicly available information since Uniper is a listed company and a competitor of Fortum. Due to the unique circumstances, preparing the purchase price allocation has required management judgement.<br>• Due to the size, Fortum´s investment in Uniper may have significant effect on Fortum´s financial reporting. | • We have assessed management´s approach according to which the purchase price allocation has been accounted in the financial statements as well as the management judgement applied in preparing the purchase price allocation in line with IFRS.<br>• We have reviewed the management procedures and methodology in determining the fair value of the net assets acquired and preparing the purchase price allocation. We have challenged the management judgement relating to the key assumptions used in the valuation applied together with our valuation specialist.<br>• We have tested the application of the valuation model used as well as the mathematical accuracy of the cash flow projections on a sample basis.<br>• We have assessed the accounting treatment of the purchase price allocation in line with IFRS supported by our IFRS specialists and we have evaluated the accounting principles of the purchase price allocation. We assessed the adequacy of related disclosures in the financial statements. |

| Key audit matter | How our audit addressed the key audit matte |
|---|---|
| **Valuation of fixed assets and goodwill**<br>Refer to Notes 2, 17 and 18.<br>• The consolidated balance sheet includes property, plant and equipment amounting to EUR 10 123 million and goodwill amounting to EUR 612 million.<br>• The main assumptions used in the valuation of energy 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.<br>• Estimates are also made in an acquisition when determining the fair values and remaining useful lives of acquired intangible and tangible assets.<br>• 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.<br>• The assumptions used in the valuation of the balances in question require management judgment.<br>• This matter is a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2). | • We have evaluated the process how manag assessed the indicators for potential impai performed audit procedures on impairmen to material cash generating units.<br>• We have obtained entity's impairment test documentation for goodwill and energy pro and tested and evaluated the rationale of k applied by management on a sample basis commodity price forecasts, profit and cash terminal values, foreign exchange rates an of discount rates.<br>• We have compared, that the forecasts use impairment testing calculations are based forecast approved by management.<br>• We challenged management's assumption with reference to historical data and, where external benchmarks.<br>• We assessed the models used for the impai and carried out our testing for the sensitivi<br>• We assessed the adequacy of related discl financial statements. |

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Fair value measurement of derivatives and hedge accounting**<br>Refer to Notes 4, 7, 8, 15 and 16.<br>• In Fortum's consolidated financial statements total derivative assets amounts to EUR 311 million and total derivative liabilities amounts to EUR 389 million. The net effect of changes in fair values of derivatives hedging future cash flow amounts to EUR -72 million in items affecting comparability in the consolidated income statement and the cash flow hedges in other equity components amount to EUR -70 million.<br>• The fair value and changes in fair values of derivative financial instruments may have significant impacts on Fortum´s financial statements. Fortum's business is exposed to fluctuations in prices and volume of commodities used in the production and sales of energy products. The main exposure is toward energy prices. Electricity price risk is hedged by entering into electricity derivative contracts. Fortum uses derivative instruments to reduce the effect of electricity price volatility. | • Our audit procedures included an assessment of internal controls over the hedge accounting documentation and effectiveness testing, measurement of fair value measures, and evaluating the methodologies, inputs, judgments made and assumptions used by management in determining fair values.<br>• For Fortum's fair valuation models, we evaluated rationale of the models and accounting treatment applied. We have compared the assumptions used by management in valuation against externally available market data.<br>• We have assessed the existence and completeness of outstanding derivative contracts as of 31 December 2019 by requesting confirmations from the counterparties.<br>• We have assessed that financial instruments included in hedge relationships are accounted for in accordance with IFRS 9.<br>• We have assessed the adequacy of the presentation for derivative financial instruments and hedge accounting applied in the financial statements. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Nuclear related assets and liabilities**<br>Refer to Notes 2 and 29.<br>• Nuclear related provisions and Fortum's share of the Finnish Nuclear Waste Management Fund in Fortum's balance sheet amount to EUR 813 million.<br>• Fortum's nuclear related provisions and the related part of the Finnish State Nuclear Waste Management Fund are both presented separately in the balance sheet as disclosed in note 29.<br>• Fortum's share in the Finnish State Nuclear Waste Management Fund 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.<br>• 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.<br>• We have assessed the assumptions and judgments made and adopted by the management in the accounting for the nuclear waste provisions and share in state nuclear waste management fund which have been based on current legislation and decisions set by Finnish State Nuclear Waste Management Fund.<br>• 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 consolidat statements that give a true and fair view in accordance with International Financial Reporting Stanc as adopted by the EU, and of financial statements that give a true and fair view in accordance with regulations governing the preparation of financial statements in Finland and comply with statutory The Board of Directors and the President and CEO are also responsible for such internal control as is necessary to enable the preparation of financial statements that are free from material misstaten due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are resp assessing the parent company's and the group's ability to continue as a going concern, disclosing, a matters relating to going concern and using the going concern basis of accounting. The financial st prepared using the going concern basis of accounting unless there is an intention to liquidate the p 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 statement as a whc from material misstatement, whether due to fraud or error, and to issue an auditor's rep that incl opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit con accordance with good auditing practice will always detect a material misstatement when exists. M can arise from fraud or error and are considered material if, individually or in the aggrega, they co be expected to influence the economic decisions of users taken on the basis of the financial statem

As part of an audit in accordance with good auditing practice, we exercise professional judgmen professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to design and perform audit procedures responsive to those risks, and obtain audit evidence that is appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement r fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentiona misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedu appropriate in the circumstances, but not for the purpose of expressing an opinion on the effecti parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting e related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO use of the basis of accounting and based on the audit evidence obtained, whether a material uncertainty ex

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events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- 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 13 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 Fin prior to the date of this auditor's report, and the Financials is expected to be made available to us a

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 inf identified above and, in doing so, consider whether the other information is materially inconsistent financial statements or our knowledge obtained in the audit, or otherwise appears to be materially respect to the Operating and Financial Review, our responsibility also includes considering whether 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 inforr financial statements and the Operating and Financial Review has been prepared in accordance with laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the auditor´s report, we conclude that there is a material misstatement of this other information, we are 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 Directo the use of the profit shown on the balance sheet is in compliance with the Limited Liability Compar support that the Board of Directors of the parent company and the President and CEO should be d liability for the financial period audited by us.

Espoo, 5 February 2020

Deloitte Oy
Audit Firm

Reeta Virolainen
Authorised Public Accountant (KHT)

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# Financial key figures

## Comparability of information presented in tables

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 segment wa 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 the 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 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Income statement** | | | | | | | | | | |
| Sales total Fortum | 6,296 | 6,161 | 6,159 | 5,309 | 4,751 | 3,702 | 3,632 | 4,520 | 5,242 | 5,447 |
| Sales continuing operations | | | | | 4,088 | 3,459 | 3,632 | 4,520 | 5,242 | 5,447 |
| EBITDA total Fortum [1)] | 2,271 | 3,008 | 2,538 | 2,129 | 3,954 | 4,640 | 1,006 | 1,623 | 1,674 | 1,685 |
| EBITDA continuing operations | | | | | 1,673 | 196 | 1,006 | 1,623 | 1,674 | 1,685 |
| Comparable EBITDA total Fortum | 2,396 | 2,374 | 2,416 | 1,975 | 1,873 | 1,265 | 1,015 | 1,275 | 1,523 | 1,766 |
| Comparable EBITDA continuing operations | | | | | 1,457 | 1,102 | 1,015 | 1,275 | 1,523 | 1,766 |
| Operating profit total Fortum | 1,708 | 2,402 | 1,874 | 1,508 | 3,428 | 4,245 | 633 | 1,158 | 1,138 | 1,110 |
| - of sales % | 27.1 | 39.0 | 30.4 | 28.4 | 72.2 | 114.7 | 17.4 | 25.6 | 21.7 | 20.4 |
| Operating profit continuing operations | | | | | 1,296 | -150 | 633 | 1,158 | 1,138 | 1,110 |
| - of sales % | | | | | 31.7 | -4.3 | 17.4 | 25.6 | 21.7 | 20.4 |
| Comparable operating profit total Fortum | 1,833 | 1,802 | 1,752 | 1,403 | 1,351 | 922 | 644 | 811 | 987 | 1,191 |
| Comparable operating profit continuing operations | | | | | 1,085 | 808 | 644 | 811 | 987 | 1,191 |
| Share of profit/loss of associates and joint ventures total Fortum | 62 | 91 | 23 | 178 | 149 | 20 | 131 | 148 | 38 | 744 |
| Profit before income tax total Fortum | 1,615 | 2,228 | 1,586 | 1,398 | 3,360 | 4,088 | 595 | 1,111 | 1,040 | 1,728 |
| - of sales % | 25.7 | 36.2 | 25.8 | 26.3 | 70.7 | 110.4 | 16.4 | 24.6 | 19.8 | 31.7 |
| Profit before income tax continuing operations | | | | | 1,232 | -305 | 595 | 1,111 | 1,040 | 1,728 |
| - of sales % | | | | | 30.1 | -8.8 | 16.4 | 24.6 | 19.8 | 31.7 |
| Profit for the period total Fortum | 1,354 | 1,862 | 1,512 | 1,212 | 3,161 | 4,142 | 504 | 882 | 858 | 1,507 |
| - of which attributable to owners of the parent | 1,300 | 1,769 | 1,416 | 1,204 | 3,154 | 4,138 | 496 | 866 | 843 | 1,482 |
| Profit for the period continuing operations | | | | | 1,089 | -228 | 504 | 882 | 858 | 1,507 |
| - of which attributable to owners of the parent | | | | | 1,081 | -231 | 496 | 866 | 843 | 1,482 |

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## Financial key figures

| EUR million or as indicated | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Financial position and cash flow** | | | | | | | | | | |
| Capital employed total Fortum | 16,124 | 17,931 | 19,420 | 19,183 | 17,918 | 19,870 | 18,649 | 18,172 | 18,170 | 19,929 |
| Interest-bearing net debt | 6,826 | 7,023 | 7,814 | 7,793 | 4,217 | -2,195 | -48 | 988 | 5,509 | 5,260 |
| Interest-bearing net debt without Exergi financing | | | | 6,658 | 3,664 | N/A | N/A | N/A | N/A | N/A |
| Capital expenditure and gross investments in shares total Fortum | 1,249 | 1,482 | 1,574 | 1,020 | 843 | 669 | 1,435 | 1,815 | 4,672 | 819 |
| - of sales % | 19.8 | 24.1 | 25.6 | 19.2 | 17.7 | 18.1 | 39.5 | 40.2 | 89.1 | 15.0 |
| Capital expenditure and gross investments in shares continuing operations | | | | | 695 | 625 | 1,435 | 1,815 | 4,672 | 819 |
| Capital expenditure total Fortum | 1,222 | 1,408 | 1,558 | 1,005 | 774 | 626 | 591 | 690 | 584 | 713 |
| Capital expenditure continuing operations | | | | | 626 | 582 | 591 | 690 | 584 | 713 |
| Net cash from operating activities total Fortum | 1,437 | 1,613 | 1,382 | 1,548 | 1,762 | 1,381 | 621 | 993 | 804 | 2,015 |
| Net cash from operating activities continuing operations | | | | | 1,406 | 1,228 | 621 | 993 | 804 | 2,015 |
| **Key ratios** | | | | | | | | | | |
| Return on capital employed total Fortum, % | 11.6 | 14.8 | 10.2 | 9.0 | 19.5 | 22.7 | 4.0 | 7.1 | 6.7 | 10.0 |
| Return on shareholders' equity total Fortum, % | 15.7 | 19.7 | 14.6 | 12.0 | 30.0 | 33.4 | 3.7 | 6.6 | 6.8 | 11.9 |
| Interest coverage total Fortum | 13.7 | 10.5 | 7.6 | 6.7 | 19.9 | 27.6 | 4.6 | 8.7 | 10.0 | 8.0 |
| Interest coverage including capitalised borrowing costs total Fortum | 10.0 | 8.5 | 5.7 | 5.3 | 15.7 | 21.5 | 4.1 | 7.8 | 9.2 | 7.5 |
| Funds from operations/interest-bearing net debt total Fortum, % | 20.5 | 21.5 | 19.9 | 18.8 | 42.9 | -59.7 | -1,503.4 | 83.9 | 26.8 | 32.2 |
| 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 |
| Gearing, % | 78 | 69 | 73 | 77 | 39 | -16 | 0 | 7 | 46 | 40 |
| Comparable net debt/EBITDA total Fortum | 2.8 | 3.0 | 3.2 | 3.9 | 2.3 | -1.7 | 0.0 | 0.8 | 3.6 | 3.0 |
| Comparable net debt/EBITDA without Exergi financing | | | | 3.4 | 2.0 | N/A | N/A | N/A | N/A | N/A |
| Equity-to-assets ratio, % | 40 | 44 | 43 | 43 | 51 | 61 | 62 | 61 | 54 | 57 |
| **Other data** | | | | | | | | | | |
| Dividends | 888 | 888 | 888 | 977 | 1,155 | 977 | 977 | 977 | 977 | 977 [2] |
| Research and development expenditure | 30 | 38 | 41 | 49 | 41 | 47 | 52 | 53 | 56 | 67 |
| - of sales % | 0.5 | 0.6 | 0.7 | 0.9 | 1.0 | 1.4 | 1.4 | 1.2 | 1.1 | 1.1 |
| Average number of employees total Fortum | 11,156 | 11,010 | 10,600 | 9,532 | 8,821 | 8,193 | 7,994 | 8,507 | 8,767 | 8,248 |
| Average number of employees continuing operations | | | | | 8,329 | 8,009 | 7,994 | 8,507 | 8,767 | 8,248 |

1) EBITDA is defined as Operating profit + Depreciation and amortisation.

2) Board of Directors' proposal for the planned Annual General Meeting on 17 March 2020.

See ▸ **Definitions of key figures**.

Årsregnskap regnskapsåret 2019 for 885361102

# Share key figures

| EUR or as indicated | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Data per share** | | | | | | | | | | |
| Earnings per share total Fortum | 1.46 | 1.99 | 1.59 | 1.36 | 3.55 | 4.66 | 0.56 | 0.98 | 0.95 | 1.67 |
| Earnings per share continuing operations | | | | | 1.22 | -0.26 | 0.56 | 0.98 | 0.95 | 1.67 |
| Earnings per share discontinued operations | - | - | - | - | 2.33 | 4.92 | - | - | - | - |
| Diluted earnings per share total Fortum | 1.46 | 1.99 | 1.59 | 1.36 | 3.55 | 4.66 | 0.56 | 0.98 | 0.95 | 1.67 |
| Diluted earnings per share continuing operations | | | | | 1.22 | -0.26 | 0.56 | 0.98 | 0.95 | 1.67 |
| Diluted earnings per share discontinued operations | - | - | - | - | 2.33 | 4.92 | - | - | - | - |
| Cash flow per share total Fortum | 1.62 | 1.82 | 1.56 | 1.74 | 1.98 | 1.55 | 0.70 | 1.12 | 0.91 | 2.27 |
| Cash flow per share continuing operations | | | | | 1.38 | 1.38 | 0.70 | 1.12 | 0.91 | 2.27 |
| Equity per share | 9.24 | 10.84 | 11.30 | 11.28 | 12.23 | 15.53 | 15.15 | 14.69 | 13.33 | 14.61 |
| Dividend per share | 1.00 | 1.00 | 1.00 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 | 1.10 [1] |
| Extra dividend | | | | | 0.20 | - | - | - | | |
| Payout ratio, % | 68.5 | 50.3 | 62.9 | 80.9 | 36.6 | 23.6 | 196.4 | 112.2 | 115.8 | 65.9 [1] |
| Dividend yield, % | 4.4 | 6.1 | 7.1 | 6.6 | 7.2 | 7.9 | 7.5 | 6.7 | 5.8 | 5.0 [1] |
| Price/earnings ratio (P/E) | 15.4 | 8.3 | 8.9 | 12.2 | 5.1 | 3.0 | 26.1 | 16.8 | 20.1 | 13.2 |
| **Share prices** | | | | | | | | | | |
| At the end of the period | 22.53 | 16.49 | 14.15 | 16.63 | 17.97 | 13.92 | 14.57 | 16.50 | 19.10 | 22.00 |
| Average | 19.05 | 19.77 | 15.66 | 15.11 | 17.89 | 16.29 | 13.56 | 15.28 | 19.10 | 20.06 |
| Lowest | 17.18 | 15.53 | 12.81 | 13.10 | 15.13 | 12.92 | 10.99 | 12.69 | 16.43 | 18.09 |
| Highest | 22.69 | 24.09 | 19.36 | 18.18 | 20.32 | 21.59 | 15.74 | 18.94 | 22.91 | 22.50 |
| **Other data** | | | | | | | | | | |
| Market capitalisation at the end of the period, EUR million | 20,015 | 14,649 | 12,570 | 14,774 | 15,964 | 12,366 | 12,944 | 14,658 | 16,966 | 19,542 |
| **Trading volumes** [2] | | | | | | | | | | |
| Number of shares, 1,000 shares | 493,375 | 524,858 | 494,765 | 465,004 | 454,796 | 541,858 | 611,572 | 582,873 | 474,705 | 372,272 |
| In relation to weighted average number of shares, % | 55.5 | 59.1 | 55.7 | 52.3 | 51.2 | 61.0 | 68.8 | 65.6 | 53.4 | 41.9 |
| Number of shares, 1,000 shares | 888,367 | 888,367 | 888,367 | 888,367 | 888,367 | 888,367 | 888,367 | 888,367 | 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 | 888,367 | 888,312 | 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 | 888,367 | 888,312 | 888,294 |

1) Board of Directors' proposal for the planned Annual General Meeting on 17 March 2020.

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. In 2019, approximately 73% (2018: shares were traded on markets other than the Nasdaq Helsinki Ltd.

See ▸ **Definitions of key figures**.

Årsregnskap regnskapsåret 2019 for 885361102

# 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 were c 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 AB (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 consolid 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 segmen 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) and 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 re 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 Soluti 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 accordance with organisation structure.

See more information in ▸ **Note 6** Segment reporting.

| **Sales by segment, EUR million** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 2,702 | 2,481 | 2,415 | 2,252 | 2,156 | 1,722 | 1,657 | 1,677 | 1,842 |
| - of which internal | -281 | -24 | 296 | 69 | 85 | 83 | 15 | 15 | -2 |
| City Solutions | | | | 1,516 | 1,332 | 1,187 | 782 | 1,015 | 1,110 |
| - of which internal | | | | 87 | 34 | -13 | 1 | 19 | 37 |
| Heat | 1,770 | 1,737 | 1,628 | | | | | | |
| - of which internal | -8 | 8 | 18 | | | | | | |
| Consumer Solutions | | | | | | | 668 | 1,097 | 1,759 |
| - of which internal | | | | | | | 2 | 3 | 11 |
| Electricity Sales | 1,798 | 900 | 722 | | | | | | |
| - of which internal | 158 | 95 | 55 | | | | | | |
| Russia | 804 | 920 | 1,030 | 1,119 | 1,055 | 893 | 896 | 1,101 | 1,069 |
| - of which internal | - | - | - | - | 0 | 0 | 0 | 0 | 0 |
| Other Operations | 51 | 108 | 137 | 63 | 58 | 114 | 92 | 102 | 103 |
| - of which internal | 169 | 115 | -66 | 54 | 44 | 75 | 61 | 67 | 79 |
| Distribution | 963 | 973 | 1,070 | 1,064 | | | | | |
| - of which internal | 18 | 15 | 37 | 19 | | | | | |
| Eliminations and Netting of Nord Pool transactions | -1,792 | -958 | -843 | -706 | -513 | -458 | -463 | -470 | -641 |
| **Total for continuing operations** | **6,296** | **6,161** | **6,159** | **5,309** | **4,088** | **3,459** | **3,632** | **4,520** | **5,242** |
| Discontinued operations | | | | | 751 | 274 | | | |
| Eliminations[1] | | | | | -89 | -31 | | | |
| **Total** | | | | | **4,751** | **3,702** | **3,632** | **4,520** | **5,242** |

1) Sales to and from discontinued operations.

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## Segment key figures

| Comparable operating profit by segment, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 1,298 | 1,201 | 1,146 | 859 | 877 | 561 | 417 | 478 | 628 |
| City Solutions | | | | 109 | 104 | 108 | 64 | 98 | 135 |
| Heat | 275 | 278 | 271 | | | | | | |
| Consumer Solutions | | | | | | | 48 | 41 | 53 |
| Electricity Sales | 11 | 27 | 39 | | | | | | |
| Russia | 8 | 74 | 68 | 156 | 161 | 201 | 191 | 296 | 271 |
| Other Operations | -66 | -73 | -92 | -54 | -57 | -63 | -77 | -102 | -99 |
| Distribution | 307 | 295 | 320 | 332 | | | | | |
| **Comparable operating profit** | **1,833** | **1,802** | **1,752** | **1,403** | **1,085** | **808** | **644** | **811** | **987** |
| Impairment charges | | | | | | -918 | 27 | 6 | -4 |
| Capital gains and other | 93 | 284 | 155 | 61 | 305 | 22 | 38 | 326 | 102 |
| Changes in fair values of derivatives hedging future cash flow | | | | | | | -65 | 14 | 98 |
| Nuclear fund adjustment | | | | | | | -11 | 1 | -45 |
| Other items affecting comparability[1] | -218 | 316 | -33 | 45 | -94 | -62 | | | |
| **Operating profit, continuing operations** | **1,708** | **2,402** | **1,874** | **1,508** | **1,296** | **-150** | **633** | **1,158** | **1,138** |
| Discontinued operations | | | | | 2,132 | 4,395 | | | |
| **Operating profit** | | | | | **3,428** | **4,245** | **633** | **1,158** | **1,138** |

1) 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 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 1,398 | 1,310 | 1,260 | 1,007 | 998 | 680 | 527 | 603 | 763 |
| City Solutions | | | | 211 | 204 | 209 | 186 | 262 | 310 |
| Heat | 462 | 471 | 481 | | | | | | |
| Consumer Solutions | | | | | | | 55 | 57 | 110 |
| Electricity Sales | 13 | 29 | 40 | | | | | | |
| Russia | 94 | 148 | 189 | 258 | 304 | 267 | 312 | 438 | 417 |
| Other Operations | -56 | -66 | -83 | -49 | -49 | -53 | -64 | -83 | -78 |
| Distribution | 485 | 482 | 529 | 548 | | | | | |
| **Total for continuing operations** | **2,396** | **2,374** | **2,416** | **1,975** | **1,457** | **1,102** | **1,015** | **1,275** | **1,523** |
| Discontinued operations | | | | | 416 | 163 | | | |
| **Total** | | | | | **1,873** | **1,265** | **1,015** | **1,275** | **1,523** |

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## Segment key figures

| Depreciation and amortisation, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 100 | 109 | 114 | 148 | 121 | 118 | 110 | 125 | 135 |
| City Solutions | | | | 102 | 100 | 101 | 121 | 163 | 175 |
| Heat | 187 | 193 | 210 | | | | | | |
| Consumer Solutions | | | | | | | 7 | 16 | 57 |
| Electricity Sales | 2 | 2 | 1 | | | | | | |
| Russia | 86 | 108 | 121 | 150 | 147 | 117 | 123 | 142 | 147 |
| Other Operations | 10 | 7 | 9 | 5 | 8 | 10 | 13 | 18 | 22 |
| Distribution | 178 | 187 | 209 | 216 | | | | | |
| **Total for continuing operations** | **563** | **606** | **664** | **621** | **377** | **346** | **373** | **464** | **536** |
| Discontinued operations | | | | | 150 | 50 | | | |
| **Total** | | | | | **526** | **395** | **373** | **464** | **536** |

| Share of profit of associates and joint ventures by segment, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | -25 | 3 | -12 | 4 | -14 | -111 | -34 | -1 | -72 |
| City Solutions | | | | 91 | 88 | 59 | 76 | 80 | 74 |
| Heat | 31 | 19 | 20 | | | | | | |
| Electricity Sales | 1 | 2 | 0 | | | | | | |
| Russia | 8 | 30 | 27 | 46 | 35 | 32 | 38 | 31 | 36 |
| Other Operations | 28 | 23 | -20 | 32 | 37 | 40 | 51 | 38 | 0 |
| Distribution | 19 | 14 | 8 | 4 | | | | | |
| **Total for continuing operations** | **62** | **91** | **23** | **178** | **146** | **20** | **131** | **148** | **38** |
| Discontinued operations | | | | | 3 | 0 | | | |
| **Total** | | | | | **149** | **20** | **131** | **148** | **38** |

| Capital expenditure by segment, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 97 | 131 | 190 | 179 | 197 | 187 | 196 | 174 | 248 |
| City Solutions | | | | 123 | 86 | 105 | 109 | 170 | 209 |
| Heat | 304 | 297 | 464 | | | | | | |
| Consumer Solutions | | | | | | | 3 | 7 | 47 |
| Electricity Sales | 0 | 5 | 1 | | | | | | |
| Russia | 599 | 670 | 568 | 435 | 340 | 285 | 201 | 152 | 54 |
| Other Operations | 9 | 16 | 11 | 12 | 3 | 6 | 83 | 187 | 26 |
| Distribution | 213 | 289 | 324 | 255 | | | | | |
| **Total for continuing operations** | **1,222** | **1,408** | **1,558** | **1,005** | **626** | **582** | **591** | **690** | **584** |
| Discontinued operations | | | | | 147 | 44 | | | |
| **Total** | | | | | **774** | **626** | **591** | **690** | **584** |

Årsregnskap regnskapsåret 2019 for 885361102

## Segment key figures

| Gross investments in shares by segment, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 25 | 17 | - | 2 | 2 | 16 | 7 | 90 | 14 |
| City Solutions | | | | 11 | 37 | 23 | 698 | 386 | 33 |
| Heat | 1 | 32 | 10 | | | | | | |
| Consumer Solutions | | | | | | | 117 | 486 | 0 |
| Russia | - | 24 | - | 0 | 27 | 0 | 0 | 125 | 63 |
| Other Operations | 1 | 1 | 6 | 2 | 4 | 4 | 22 | 39 | 3,977 |
| Distribution | 0 | - | - | 0 | | | | | |
| **Total for continuing operations** | **27** | **74** | **16** | **15** | **69** | **43** | **844** | **1,125** | **4,088** |
| Discontinued operations | | | | | 0 | 0 | | | |
| **Total** | | | | | **69** | **43** | **844** | **1,125** | **4,088** |

| Gross divestments of shares by segment, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 0 | 3 | 102 | 79 | 67 | 0 | 0 | 0 | 160 |
| City Solutions | | | | 11 | 446 | 27 | 33 | 0 | 147 |
| Heat | 52 | 203 | 269 | | | | | | |
| Consumer Solutions | | | | | | | 1 | 55 | 0 |
| Electricity Sales | - | 16 | 2 | | | | | | |
| Russia | 43 | 23 | - | - | 0 | 0 | 127 | 0 | 0 |
| Other Operations | 6 | 0 | 0 | - | 2 | - | 0 | 687 | 0 |
| Distribution | 46 | 323 | 37 | 52 | | | | | |
| **Total for continuing operations** | **147** | **568** | **410** | **142** | **515** | **27** | **161** | **742** | **306** |
| Discontinued operations | | | | | 2,681 | 6,369 | | | |
| **Total** | | | | | **3,196** | **6,395** | **161** | **742** | **306** |

| Comparable net assets by segment, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | | | | | | 5,931 | 5,815 | 5,672 | 6,485 |
| City Solutions | | | | | | 2,182 | 2,873 | 3,728 | 3,794 |
| Consumer Solutions | | | | | | | 154 | 638 | 648 |
| Russia | | | | | | 2,561 | 3,284 | 3,161 | 2,789 |
| Other Operations | | | | | | 258 | 514 | 276 | 4,023 |
| **Total for continuing operations** | | | | | | **10,932** | **12,641** | **13,474** | **17,739** |

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Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards. Net assets until 2015 are disclosed below.

| Net assets by segment, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 [1] |
|---|---|---|---|---|---|---|
| Generation | 5,806 | 6,247 | 6,389 | 6,355 | 6,001 | 5,913 |
| City Solutions | | | | 2,295 | 2,112 | 2,170 |
| Heat | 4,182 | 4,191 | 4,286 | | | |
| Electricity Sales | 210 | 11 | 51 | | | |
| Russia | 2,817 | 3,273 | 3,848 | 3,846 | 2,597 | 2,561 |
| Other Operations | 29 | 208 | 158 | 295 | 496 | 291 |
| Distribution | 3,683 | 3,589 | 3,889 | 3,745 | | |
| **Total for continuing operations** | **16,727** | **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, % | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 22.3 | 19.9 | 18.5 | 13.8 | 14.2 | 9.5 | 6.9 | 8.4 | 10.8 |
| City Solutions | | | | 8.7 | 8.7 | 7.9 | 5.9 | 5.5 | 5.5 |
| Heat | 7.7 | 7.4 | 7.0 | | | | | | |
| Consumer Solutions | | | | | | | 44.3 | 11.7 | 7.8 |
| Electricity Sales | 9.3 | 33.5 | 203.1 | | | | | | |
| Russia | 0.7 | 3.5 | 2.7 | 5.2 | 5.6 | 8.2 | 8.0 | 10.1 | 10.3 |
| Distribution [1] | 9.3 | 8.6 | 8.8 | 8.8 | 9.3 | | | | |

1) Classified as discontinued operations from 2014 onwards.

| Return on net assets by segment, % | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 [1] |
|---|---|---|---|---|---|---|
| Generation | 19.5 | 24.6 | 18.7 | 14.5 | 13.6 | -8.5 |
| City Solutions | | | | 9.7 | 19.1 | 7.7 |
| Heat | 8.4 | 9.9 | 8.8 | | | |
| Electricity Sales | 38.4 | 4.2 | 152.3 | | | |
| Russia | 2.4 | 3.5 | 3.0 | 5.2 | 5.6 | 8.3 |
| Distribution [2] | 9.7 | 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.

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03.11.2021 kl 14:25 Brønnøysundregistrene

## Segment key figures

| Average number of employees | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 1,891 | 1,873 | 1,896 | 1,900 | 1,685 | 1,389 | 1,064 | 1,036 | 1,107 |
| City Solutions | | | | 2,051 | 1,913 | 1,458 | 1,529 | 1,807 | 1,994 |
| Heat | 2,482 | 2,682 | 2,354 | | | | | | |
| Consumer Solutions | | | | | | | 877 | 1,180 | 1,473 |
| Electricity Sales | 538 | 510 | 515 | | | | | | |
| Russia | 4,555 | 4,436 | 4,301 | 4,245 | 4,196 | 4,180 | 3,814 | 3,710 | 3,378 |
| Other Operations | 592 | 607 | 661 | 550 | 536 | 983 | 711 | 774 | 814 |
| Distribution | 1,098 | 902 | 873 | 786 | | | | | |
| **Total for continuing operations** | **11,156** | **11,010** | **10,600** | **9,532** | **8,329** | **8,009** | **7,994** | **8,507** | **8,767** |
| Discontinued operations | | | | | 492 | | | | |
| **Total** | | | | | **8,821** | | | | |

Årsregnskap regnskapsåret 2019 for 885361102

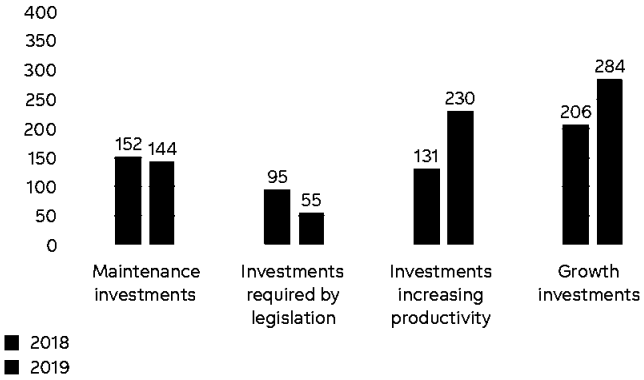
# Capital expenditure [1)]

| | Finland | | Sweden | | Russia | | Poland | | Norway | | Other countries | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EUR million** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **201** |
| **Generation** | | | | | | | | | | | | | |
| Hydropower | 12 | 20 | 56 | 59 | | | | | 0 | 0 | | | 6 |
| Nuclear power | 57 | 99 | | 0 | | | | | 0 | 0 | | | 5 |
| Windpower | 22 | 2 | 32 | 9 | | | | | 56 | 51 | | | 11 |
| Fossil-based electricity | 7 | | | 0 | | | | | 0 | 0 | | | |
| Other | 4 | 8 | 1 | 1 | | | | | 0 | 0 | | | |
| **Total Generation** | **102** | **128** | **89** | **68** | | | | | **56** | **51** | | | **24** |
| **City Solutions** | | | | | | | | | | | | | |
| Fossil-based heat | 2 | 5 | | 0 | | | 5 | 7 | 0 | 0 | 0 | 0 | |
| Renewable, of which | 39 | 34 | 7 | 6 | | | 14 | 52 | 9 | 9 | 162 | 24 | 23 |
| waste | 19 | 20 | 7 | 6 | | | 14 | 52 | 9 | 9 | 17 | 5 | 6 |
| biofuels | 20 | 15 | 0 | 0 | | | 0 | 0 | 0 | 0 | 2 | 0 | 2 |
| solar | | | | | | | | | | | 143 | 19 | 14 |
| other | 1 | 0 | 0 | 0 | | | 0 | 0 | 0 | 0 | | | |
| District heat network | 17 | 14 | 0 | 0 | | | 16 | 18 | 27 | 16 | 3 | 11 | 6 |
| Other | 3 | 7 | 2 | 1 | | | 2 | 1 | 1 | 0 | 4 | 3 | 1 |
| **Total City Solutions** | **62** | **60** | **9** | **6** | | | **38** | **78** | **36** | **26** | **169** | **38** | **31** |
| **Consumer Solutions** | | | | | | | | | | | | | |
| Other | 15 | 9 | 14 | 14 | | | 9 | 8 | 17 | 16 | | | 5 |
| **Total Consumer Solutions** | **15** | **9** | **14** | **14** | | | **9** | **8** | **17** | **16** | **0** | **0** | **5** |
| **Russia** | | | | | | | | | | | | | |
| Fossil-based electricity | | | | | 49 | 28 | | | | | | | 4 |
| Fossil-based heat | | | | | 18 | 22 | | | | | | | 1 |
| Renewable-based electricity, wind | | | | | 0 | 5 | | | | | | | |
| **Total Russia** | | | | | **67** | **54** | | | | | | | **6** |
| **Other** | | | | | | | | | | | | | |
| Other | 20 | 17 | 2 | 1 | | | 0 | 0 | 5 | 4 | 3 | 4 | 3 |
| **Total Other** | **20** | **17** | **2** | **1** | | | **0** | **0** | **5** | **4** | **3** | **4** | **3** |
| **Total** | **199** | **215** | **114** | **89** | **67** | **54** | **47** | **86** | **115** | **97** | **172** | **115** | **71** |
| **Of which investments in $CO_2$ free production** | **112** | **135** | **88** | **67** | **0** | **5** | **0** | **0** | **0** | **51** | **162** | **99** | **40** |

1) Includes capital expenditure to both intangible assets and property, plant and equipment.

Årsregnskap regnskapsåret 2019 for 885361102

**Fortum classifies investments in four main categories, EUR million**




## Generation

Fortum invested EUR 111 million (2018: EUR 62 million) into wind power production in the Nordics. The largest wind power investment was EUR 52 million to the Sørfjord wind park in Norway. The wind investments also include the EUR 30 million Solberg fixed asset acquisition that is part of the Blaiken-Solberg wind park ownership swap. In Finland, Fortum invested EUR 57 million (2018: 99) into the Loviisa nuclear power plant. Fortum additionally invested EUR 68 million (2018: 79) into hydro production, mainly maintenance, legislation and productivity investments. Investments in $CO_2$ free production were EUR 236 million (2018: 240).

## City Solutions

The largest investment project in 2019 was EUR 140 million to the Pavagada solar plant in India. Maintenance, legislation and productivity investments totalled EUR 157 million (2018: 89). This amount consists mainly of investments in district heat networks and plants as well as the maintenance of existing CHP plants and measures defined by legal requirements. Investments in $CO_2$ free production were EUR 165 million (2018: 34).

## Consumer Solutions

Investments in Consumer solutions totalled EUR 55 million (2018: 47). The amount consists mainly of sales commissions for customer acquisition that are capitalised starting from the implementation of IFRS 15 in 2018 and new product development costs.

## Russia

Investments to the Russia division were EUR 67 million (20
consisted mainly of maintenance, legislation and productiv
Investments in $CO_2$ free production were EUR 0 million (20

## Other

Investments in Other segment were EUR 31 million (2018:
consisted mainly of IT investments and investments into in
ventures. Other operations invested in Charge and Drive E
(2018: 9), mainly charging stations in Norway.

Årsregnskap regnskapsåret 2019 for 885361102

# 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 (Ex (previously AB Fortum Värme samägt med Stockholms stad), in the the consolidated financial statements. From 1 January 2014 onwards Exergi is treated as a joint venture and thus consolidated with equity method. Before company was consolidated as a subsidiary with 50% minority interest.

## Production

| Fortum's total power and heat production in EU and Norway, TWh | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Power generation | 53.7 | 55.3 | 53.9 | 47.4 | 50.1 | 50.2 | 47.5 | 46.6 | 44.7 |
| Heat production | 26.1 | 22.0 | 18.5 | 10.4 | 8.2 | 6.4 | 7.1 | 8.6 | 9.4 |

| Fortum's total power and heat production in Russia, TWh | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Power generation | 16.1 | 17.4 | 19.2 | 20.0 | 23.3 | 25.7 | 25.5 | 26.3 | 29.6 |
| Heat production | 26.0 | 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 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Hydro and wind power | 22.0 | 21.0 | 25.2 | 18.1 | 22.4 | 25.1 | 20.8 | 20.9 | 19.4 |
| Nuclear power | 22.0 | 24.9 | 23.4 | 23.7 | 23.8 | 22.7 | 24.1 | 23.0 | 22.8 |
| Thermal power | 8.3 | 7.2 | 3.0 | 3.4 | 1.8 | 1.0 | 1.4 | 1.6 | 1.3 |
| **Total** | **52.3** | **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, % | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Hydro and wind power | 42 | 40 | 49 | 40 | 46 | 51 | 45 | 46 | 45 |
| Nuclear power | 42 | 47 | 45 | 52 | 50 | 47 | 52 | 51 | 52 |
| Thermal power | 16 | 13 | 6 | 8 | 4 | 2 | 3 | 3 | 3 |
| **Total** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** | **100** |

Årsregnskap regnskapsåret 2019 for 885361102

| Power generation capacity by segment, MW | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 9,728 | 9,752 | 9,702 | 9,475 | 9,063 | 8,046 | 8,039 | 7,862 | 7,867 |
| Heat | 1,600 | 1,670 | 1,569 | | | | | | |
| City Solutions | | | | 793 | 803 | 743 | 760 | 775 | 788 |
| Russia | 2,785 | 3,404 | 3,404 | 4,250 | 4,758 | 4,903 | 4,482 | 4,794 | 4,912 |
| Other Operations | | | | | | | 53 | 292 | 157 |
| **Total** | **14,113** | **14,826** | **14,675** | **14,518** | **14,624** | **13,692** | **13,334** | **13,722** | **13,724** |

| Heat production capacity by segment, MW | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 250 | 250 | 250 | 250 | 0 | | | | |
| Heat | 10,448 | 10,375 | 8,785 | | | | | | |
| City Solutions | | | | 4,317 | 3,936 | 3,915 | 3,818 | 4,671 | 4,780 |
| Russia | 13,796 | 14,107 | 13,396 | 13,466 | 13,466 | 12,696 | 9,920 | 10,094 | 10,229 |
| **Total** | **24,494** | **24,732** | **22,431** | **18,033** | **17,402** | **16,611** | **13,738** | **14,765** | **15,009** |

| Fortum's power generation capacity by type and area, MW | Finland | | Sweden | | Russia | | Poland | | Other | | Tot |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Hydropower | 1,553 | 1,548 | 3,124 | 3,124 | 0 | 0 | 0 | 0 | 0 | 0 | 4,677 |
| Nuclear power | 1,487 | 1,485 | 1,334 | 1,334 | 0 | 0 | 0 | 0 | 0 | 0 | 2,821 |
| Combined heat and power | 452 | 452 | 9 | 9 | 4,858 | 4,843 | 233 | 186 | 137 | 139 | 5,689 |
| Condensing power | 565 | 376 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 565 |
| Wind power | 0 | 0 | 75 | 75 | 35 | 35 | 0 | 0 | 84 | 84 | 194 |
| Solar power | 0 | 0 | 0 | 0 | 35 | 35 | 0 | 0 | 250 | 0 | 285 |
| **Total** | **4,057** | **3,860** | **4,542** | **4,542** | **4,928** | **4,912** | **233** | **186** | **471** | **223** | **14,230** |

| Fortum's heat production capacity by area, MW | Finland | | Sweden | | Russia | | Poland | | Other | | Tot |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 |
| Heat | 2,002 | 1,993 | 35 | 35 | 8,437 | 10,229 | 941 | 782 | 1,834 | 1,971 | 13,249 |

Årsregnskap regnskapsåret 2019 for 885361102

## Sales

| Fortum's total power and heat sales in EU and Norway, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Power sales | 3,110 | 2,868 | 2,700 | 2,462 | 2,344 | 1,921 | 1,893 | 2,244 | 2,922 |
| Heat sales | 1,309 | 1,278 | 1,201 | 538 | 468 | 423 | 449 | 524 | 615 |

| Fortum's total power and heat sales in Russia, EUR million | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Power sales | 505 | 590 | 713 | 822 | 758 | 661 | 691 | 837 | 872 |
| Heat sales | 287 | 324 | 300 | 290 | 285 | 228 | 199 | 258 | 193 |

| Fortum's total power sales by area, TWh | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Finland | 30.7 | 24.6 | 21.6 | 23.4 | 21.6 | 22.3 | 22.8 | 22.5 | 23.1 |
| Sweden | 28.3 | 29.4 | 30.1 | 23.3 | 28.2 | 29.8 | 28.8 | 30.8 | 29.7 |
| Norway | | | | | | | 1.5 | 7.2 | 15.3 |
| Russia | 18.7 | 20.2 | 23.3 | 25.6 | 26.5 | 29.4 | 29.5 | 30.5 | 34.1 |
| Other countries | 3.2 | 3.6 | 3.8 | 4.3 | 3.8 | 2.8 | 2.1 | 2.9 | 1.8 |
| **Total** | **80.9** | **77.8** | **78.8** | **76.6** | **80.1** | **84.3** | **84.7** | **93.9** | **104** |

| Fortum's total heat sales by area, TWh | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Finland | 9.6 | 8.5 | 5.8 | 5.5 | 3.2 | 3.1 | 3.6 | 3.9 | 3.8 |
| Russia | 26.8 | 26.7 | 26.4 | 24.1 | 26 | 25.4 | 20.7 | 19.8 | 20.7 |
| Sweden | 10.9 | 8.5 | 8.5 | - | - | - | 0.1 | 0.3 | 0.3 |
| Poland | 4 | 4.3 | 4.3 | 4.1 | 3.4 | 3.4 | 3.6 | 3.7 | 3.5 |
| Other countries | 3.6 | 3.4 | 2.9 | 3.1 | 2.8 | 1.2 | 1.4 | 2.2 | 3.2 |
| **Total** | **54.9** | **51.4** | **47.9** | **36.8** | **35.4** | **33.2** | **29.4** | **29.9** | **31.5** |

| Volume of distributed electricity in distribution networks, TWh | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|
| Finland | 10 | 9.5 | 9.8 | 9.5 | 2.8 | - | - | - | - |
| Sweden | 15.2 | 14.2 | 14.4 | 14.1 | 13.7 | 6.4 | - | - | - |
| Norway | 2.5 | 2.3 | 2.4 | 2.5 | 1.1 | - | - | - | - |
| Estonia | 0.2 | 0.1 | 0 | - | - | - | - | - | - |
| **Total** | **27.9** | **26.1** | **26.6** | **26.1** | **17.6** | **6.4** | **-** | **-** | **-** |

Årsregnskap regnskapsåret 2019 for 885361102

# Quarterly financial information

Note: Quarterly financial information is unaudited.

## Selected data based on quarterly consolidated income statement

| EUR million | Q1/2018 | Q2/2018 | Q3/2018 | Q4/2018 | 2018 | Q1/2019 | Q2/2019 | Q3/2019 | Q4/2019 |
|---|---|---|---|---|---|---|---|---|---|
| **IS Sales** | **1,585** | **1,087** | **971** | **1,599** | **5,242** | **1,690** | **1,144** | **1,060** | **1,553** |
| **Comparable EBITDA** | **538** | **282** | **230** | **473** | **1,523** | **545** | **372** | **295** | **552** |
| **IS Comparable operating profit** | **405** | **153** | **96** | **333** | **987** | **408** | **232** | **153** | **399** |
| **IS Operating profit** | **482** | **256** | **91** | **309** | **1,138** | **358** | **184** | **124** | **444** |
| **IS** Share of profit/loss of associates and joint ventures | 47 | 24 | 12 | -44 | 38 | 111 | 461 | 106 | 65 |
| **IS** Finance costs - net | -36 | -39 | -58 | -4 | -136 | -46 | 7 | -32 | -55 |
| **IS Profit before income tax** | **493** | **241** | **45** | **261** | **1,040** | **424** | **652** | **198** | **455** |
| **IS** Income tax expense | -94 | -25 | 1 | -64 | -181 | -65 | -45 | -25 | -88 |
| **IS Profit for the period** | **400** | **215** | **46** | **197** | **858** | **359** | **607** | **173** | **367** |
| **IS** Non-controlling interests | -16 | 1 | 5 | -5 | -15 | -19 | 0 | 5 | -10 |
| **IS Profit for the period, owners of the parent** | **384** | **216** | **51** | **192** | **843** | **341** | **607** | **178** | **356** |
| | | | | | | | | | |
| **Earnings per share for profit attributable to the equity owners of the company (EUR per share)** | | | | | | | | | |
| Basic | 0.43 | 0.24 | 0.05 | 0.22 | 0.95 | 0.38 | 0.69 | 0.20 | 0.40 |

Årsregnskap regnskapsåret 2019 for 885361102

## Quarterly sales by segment

| EUR million | Q1/2018 | Q2/2018 | Q3/2018 | Q4/2018 | 2018 | Q1/2019 | Q2/2019 | Q3/2019 | Q4/2019 |
|---|---|---|---|---|---|---|---|---|---|
| Generation [1] | 498 | 427 | 360 | 557 | 1,842 | 601 | 500 | 458 | 583 |
| City Solutions [1] | 381 | 193 | 178 | 359 | 1,110 | 405 | 228 | 200 | 366 |
| Consumer Solutions | 547 | 326 | 332 | 555 | 1,759 | 669 | 346 | 311 | 510 |
| Russia | 336 | 228 | 200 | 305 | 1,069 | 298 | 239 | 229 | 306 |
| Other Operations [1] | 23 | 24 | 25 | 31 | 103 | 26 | 28 | 29 | 32 |
| Netting of Nord Pool transactions [2] | -161 | -92 | -105 | -157 | -516 | -192 | -99 | -100 | -139 |
| Eliminations | -39 | -19 | -17 | -50 | -125 | -117 | -98 | -67 | -105 |
| **IS Total** | **1,585** | **1,087** | **971** | **1,599** | **5,242** | **1,690** | **1,144** | **1,060** | **1,553** |

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.

## Quarterly comparable operating profit by segments

| EUR million | Q1/2018 | Q2/2018 | Q3/2018 | Q4/2018 | 2018 | Q1/2019 | Q2/2019 | Q3/2019 | Q4/2019 |
|---|---|---|---|---|---|---|---|---|---|
| Generation | 220 | 151 | 69 | 188 | 628 | 223 | 191 | 140 | 239 |
| City Solutions | 88 | -21 | 4 | 64 | 135 | 92 | -15 | -36 | 80 |
| Consumer Solutions | 17 | 11 | 7 | 17 | 53 | 26 | 19 | 16 | 19 |
| Russia | 104 | 37 | 40 | 89 | 271 | 99 | 69 | 53 | 94 |
| Other Operations | -24 | -26 | -24 | -26 | -99 | -32 | -32 | -21 | -34 |
| **IS Comparable operating profit** | **405** | **153** | **96** | **333** | **987** | **408** | **232** | **153** | **398** |
| Impairment charges | 0 | 0 | 0 | -4 | -4 | -3 | 0 | -6 | 0 |
| Capital gains and other | 26 | 76 | 1 | -1 | 102 | 3 | 3 | 3 | -2 |
| Changes in fair values of derivatives hedging future cash flow | 54 | 49 | -8 | 2 | 98 | -46 | -5 | -27 | 5 |
| Nuclear fund adjustment | -4 | -22 | 2 | -21 | -45 | -5 | -46 | 0 | 42 |
| **IS Operating profit** | **482** | **256** | **91** | **309** | **1,138** | **358** | **184** | **124** | **444** |

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

Årsregnskap regnskapsåret 2019 for 885361102

# Investor information

Fortum 2019 reporting entity comprises CEO's Business Review, Financials, Corporate Governance Statement and Remuneration Statement, Tax footprint as well as Susatainability.

## Annual General Meeting 2020

The Annual General Meeting 2020 of Fortum Corporation will be held on Tuesday, 17 March 2020, starting at 11:00 EET at Finlandia Hall, address: Mannerheimintie 13 e, Helsinki, Finland. The reception of shareholders who have registered for the meeting will commence at 9.30 EET.

## Payment of dividends

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pays a dividend of EUR 1.10 per share for 2019, totalling approximately EUR 977 million based on the registered shares as of 1 February 2020. The possible dividend related dates planned for 2020 are:

- the ex-dividend date 18 March 2020,
- the record date for dividend payment 19 March 2020 and
- the dividend payment date 26 March 2020.

## Financial information in 2020

Fortum will publish three interim reports in 2020:

- January–March interim report on 29 April
- January–June half year financial review on 17 July, and
- January–September on 29 October.

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 closed and silent period of 30 days prior to publishing its results.

## Fortum share basics

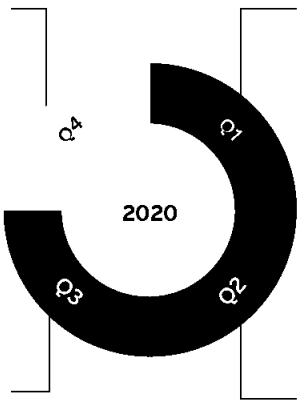
Listed on Nasdaq Helsinki
Trading ticker: FORTUM
Number of shares, 5 February 2020: 888,294,465
Sector: Utilities

## Fortum's activities in capital markets during 2019

Fortum's Investor Relations activities cover equity and fixed-income markets to ensure full and fa
of the Company's shares, access to funding sources and stable bond pricing. The key task of Inv
Relations is to provide correct, adequate and up-to-date information regularly and equally to all
participants. By doing this, Investor Relations aims to minimise the investor's risk and reduce the
volatility. Investors and analysts primarily are met on a regular basis in Europe and North Americ

In 2019, Fortum met approximately 230 professional equity investors individually or in group
and at investor conferences and maintained regular contact with equity research analysts at inve
banks and brokerage firms.

**Interim Report January–September 2020,** 29 October




**Interim Report January–June 2020,** 17 July

**Financial Statement Bulletin 2019,** 6 Feb
**Financial Statement**
Latest week 8

**Annual General Mee**
17 March
**Interim Report January–March 202**

Årsregnskap regnskapsåret 2019 for 885361102

Deloitte.

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Til generalforsamlingen i Fortum Forvaltning AS

UAVHENGIG REVISORS BERETNING

**Uttalelse om revisjonen av årsregnskapet**

*Konklusjon*

Vi har revidert Fortum Forvaltning AS' årsregnskap som viser et underskudd på kr 129 176 393. Årsregnskapet består av balanse per 31. desember 2019, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noteopplysninger 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 2019, og av dets resultater og kontantstrømmer 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 omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende 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 internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Penneo Dokumentnøkkel: XSQNM-BPHKW-ZBN41-36WWO-7UBEJ-CUEME

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Registrert i Foretaksregisteret Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

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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.

*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 internkontroll.
- 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 andre lovmessige krav**

*Konklusjon om årsberetningen*

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen og i redegjørelsene om foretaksstyring og samfunnsansvar om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

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Deloitte.



*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 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, 31 august 2020
Deloitte AS

**Reidar Ludvigsen**
statsautorisert revisor

Penneo Dokumentnøkkel: XSQNM-BPHKW-ZBN41-36WWO-7UBEJ-CUEME

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**Reidar Ludvigsen**
**Statsautorisert revisor**
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Årsberetning Fortum Forvaltning AS 2019.pdf

**Signers:**

| *Name* | *Method* | *Date* |
|---|---|---|
| Marit Nesheim Hauge | BANKID_MOBILE | 2020-08-31 20:53 GMT+2 |
| TIMO TAPANI KARTTINEN | FTN (Nordea) | 2020-09-01 05:59 GMT+2 |
| SUSANNE JONSSON | BANKID | 2020-09-01 08:58 GMT+2 |

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**Fortum Forvaltning AS**

## Årsberetning 2019

**Virksomhetens art**
Selskapets virksomhet omfatter hovedsaklig investering og forvaltning av eierskap i andre foretak og virksomheter med tilknytning til Fortum konsernets virksomheter i Norge. Selskapet har forretningsadresse i Oslo.

**Utvikling i resultat og stilling**
Etter styrets oppfatning gir resultatregnskapet og balansen et tilfredsstillende uttrykk for utviklingen gjennom året og stillingen ved årets utgang.

I juli 2019 gjennomførte Fortum Forvaltning AS 100% salg av sine aksjer i to av vindselskapene - Nygårdsfjellet Vindpark AS og Ånstadblåheia Vindpark AS til Nordic Wind Norway AS.

**Fortsatt drift**
I samsvar med regnskapslovens § 3-3 bekreftes det at forutsetningen om fortsatt drift er lagt til grunn ved utarbeidelsen av regnskapet.

**Arbeidsmiljø og personale**
Selskapet har ingen ansatte. Det har således ikke vært sykefravær, skader eller ulykker i 2019.

**Ytre miljø**
Selskapet forurenser ikke det ytre miljø.

**Finansiell risiko**
Selskapet har ikke rentebærende gjeld. Selskapets fremtidige utvikling er knyttet til kursutviklingen på selskapets investeringer.

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**Disponering av årets resultat**
Styret foreslår følgende disponering av årets underskudd kr 129 176 393:

| | | |
|---|---|---|
| Overført fra annen egenkapital | kr | 129 176 393 |
| Sum disponert | kr | 129 176 393 |

Oslo, 31.august 2020

| | | |
|---|---|---|
| Timo Karttinen<br>Styrets leder | Susanne Jonsson<br>styremedlem /daglig leder | Marit Nesheim Hauge<br>styremedlem |

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FF_Årsregnskap 2019.pdf

**Signers:**

| *Name* | *Method* | *Date* |
|---|---|---|
| Marit Nesheim Hauge | BANKID_MOBILE | 2020-08-31 20:54 GMT+2 |
| TIMO TAPANI KARTTINEN | FTN (Nordea) | 2020-09-01 05:58 GMT+2 |
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# Fortum Forvaltning AS

**Org.nr 885 361 102**

## Årsregnskap 2019

Resultatregnskap
Balanse
Kontantstrømoppstilling
Noter

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**Fortum Forvaltning AS**
Org.nr: 885 361 102

## Resultatregnskap 01.01 - 31.12

| | Note | 2019 | 2018 |
|---|---|---|---|
| **DRIFTSINNTEKTER** | | | |
| Driftsinntekter | 11 | 4,880,637 | - |
| **DRIFTSKOSTNADER** | | | |
| Ordinære avskrivninger | 3 | 107,266 | - |
| Annen driftskostnad | 8 | 6,638,996 | 4,534,487 |
| Sum driftskostnader | | 6,746,262 | 4,534,487 |
| **DRIFTSRESULTAT** | | **-1,865,625** | **-4,534,487** |
| **FINANSINNTEKTER OG FINANSKOSTNADER** | | | |
| Inntekt på andre investeringer | 11 | 67,302,288 | 264,912,800 |
| Annen finansinntekt | 11 | 6,693,006 | 4,114,457 |
| Nedskrivning finansielle anleggsmidler | 10 | -181,000,000 | - |
| Annen finanskostnad | 11 | -460,328 | -1,034,057 |
| Netto finansposter | | -107,465,034 | 267,993,200 |
| **ORDINÆRT RESULTAT FØR SKATTEKOSTNAD** | | **-109,330,659** | **263,458,713** |
| Skattekostnad på ordinært resultat | 7 | 19,845,734 | 61,089,035 |
| **ÅRSRESULTAT** | | **-129,176,393** | **202,369,678** |
| **Overføringer:** | | | |
| Konsernbidrag | 2 | - | 45,938,739 |
| Overføringer annen egenkapital | 2 | -129,176,393 | 156,430,939 |
| Sum disponert | | -129,176,393 | 202,369,678 |

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**Fortum Forvaltning AS**

Org.nr: 885 361 102

**BALANSE**

**Eiendeler pr 31.12.**

| | Note | 2019 | 2018 |
|---|---|---|---|
| **ANLEGGSMIDLER** | | | |
| **Varige driftsmidler** | | | |
| Maskiner, inventar, og lignende | 3 | 11,339,923 | - |
| Sum varige driftsmidler | | 11,339,923 | - |
| **Finansielle anleggsmidler** | | | |
| Aksjer i datterselskaper | 10 | 5,420,020,618 | 5,604,094,635 |
| Investeringer i aksjer og andeler | 10 | - | - |
| Sum finansielle anleggsmidler | | 5,420,020,618 | 5,604,094,635 |
| **Sum anleggsmidler** | | **5,431,360,541** | **5,604,094,635** |
| **OMLØPSMIDLER** | | | |
| **Fordringer** | | | |
| Andre fordringer | | 2,710,668 | 30,254 |
| Andre fordringer, konsern | 5 | 852,745,433 | 930,669,956 |
| Finansielle eiendeler | 12 | - | 709,320 |
| Sum fordringer | | 855,456,101 | 931,409,530 |
| **Sum omløpsmidler** | | **855,456,101** | **931,409,530** |
| **SUM EIENDELER** | | **6,286,816,642** | **6,535,504,164** |

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**Fortum Forvaltning AS**

Org.nr: 885 361 102

**BALANSE**

**Egenkapital og Gjeld pr 31.12.**

| | Note | 2019 | 2018 |
|---|---|---|---|
| **EGENKAPITAL** | | | |
| **Innskutt egenkapital** | | | |
| Aksjekapital | 2,6 | 757,000,000 | 757,000,000 |
| Annen innskutt egenkapital | 2 | 1,448,612,661 | 1,448,612,661 |
| Sum innskutt egenkapital | | 2,205,612,661 | 2,205,612,661 |
| **Opptjent egenkapital** | | | |
| Annen egenkapital | 2 | 3,990,078,280 | 4,119,807,944 |
| Sum opptjent egenkapital | | 3,990,078,280 | 4,119,807,944 |
| **Sum egenkapital** | | **6,195,690,941** | **6,325,420,605** |
| **GJELD** | | | |
| **Annen langsiktig gjeld** | | | |
| Utsatt skatt | 7 | 259,582 | 156,050 |
| Sum annen langsiktig gjeld | | 259,582 | 156,050 |
| **Kortsiktig gjeld** | | | |
| Leverandørgjeld | | 4,403,202 | 165,513 |
| Leverandørgjeld, konsern | | 247,116 | 267,387 |
| Betalbar skatt | 7 | 19,586,152 | 66,328,439 |
| Annen kortsiktig gjeld | 10 | 66,629,649 | 49,859,900 |
| Annen kortsiktig gjeld, konsern | 5 | - | 93,306,270 |
| Sum kortsiktig gjeld | | 90,866,119 | 209,927,509 |
| **Sum gjeld** | | **91,125,701** | **210,083,559** |
| **SUM EGENKAPITAL OG GJELD** | | **6,286,816,642** | **6,535,504,164** |

Oslo, 31.08.2020

Timo T Karttinen
Styrets leder

Susanne Jonsson
Styremedlem / Daglig leder

Marit Nesheim Hauge
Styretmedlem

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**Fortum Forvaltning AS**

**Kontantstrømoppstilling**
**01.01 - 31.12**

| | 2019 | 2018 |
|---|---|---|
| **Kontantstrømmer fra operasjonelle aktiviteter** | | |
| Resultat før skatt | -109,330,659 | 263,458,713 |
| Betalt skatt | -66,328,440 | -92,338,283 |
| Ordinære avskrivninger | 107,266 | - |
| Nedskrivning finansielle eiendeler | 181,000,000 | - |
| - Gevinst/tap salg av aksjer | 18,498,539 | - |
| Endring i kundefordringer, leverandørgjeld og fordring konsernselskap | -73,962,128 | -269,242,784 |
| Endring i andre tidsavgrensningsposter | 1,200,000 | - |
| **Netto kontantstrøm fra operasjonelle aktiviteter** | **-48,815,422** | **-98,122,354** |
| **Kontantstrømmer fra investeringsaktiviteter** | | |
| Investeringer i varige driftsmidler | -11,447,189 | - |
| Investering i aksjer og andeler | -209,744,583 | -366,736,069 |
| Salg av aksjer og andeler | 193,120,061 | - |
| **Netto kontantstrøm fra investeringsaktiviteter** | **-28,071,711** | **-366,736,069** |
| **Kontantstrømmer fra finansieringsaktiviteter** | | |
| Mottatt konsernbidrag | 380,999,092 | 517,434,650 |
| Utbetaling av konsernbidrag | -93,306,270 | -144,107,458 |
| Utbytte | - | -500,000,000 |
| **Netto kontantstrøm fra finansieringsaktiviteter** | **287,692,822** | **-126,672,808** |
| Netto endring i konsernkontoordning | 210,805,689 | -591,531,231 |
| Innskudd konsernkonto 01.01 | 549,670,864 | 1,141,202,095 |
| **Innskudd konsernkonto 31.12** | **760,476,553** | **549,670,864** |

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**Fortum Forvaltning AS**
Org.nr: 885 361 102

## Note 1 Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven av 1998 og god regnskapsskikk.

**Hovedregel for vurdering og klassifisering av eiendeler og gjeld**
Eiendeler bestemt til varig eie eller bruk er klassifisert som anleggsmidler. Andre eiendeler er klassifisert som omløpsmidler. Fordringer som skal tilbakebetales innen et år er klassifisert som omløpsmidler. Ved klassifisering av kortsiktig og langsiktig gjeld er tilsvarende kriterier lagt til grunn.

Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi.

Anleggsmidler vurderes til anskaffelseskost, men nedskrives til gjenvinnbart beløp dersom dette er lavere enn bokført verdi, og verdifallet forventes ikke å være forbigående. Anleggsmidler med begrenset økonomisk levetid avskrives planmessig.

Langsiktig gjeld og kortsiktig gjeld er vurdert til pålydende beløp.

**Valuta**
Pengeposter i utenlandsk valuta omregnes til balansedagens kurs.

**Aksjer og andeler klassifisert som anleggsmidler**
Aksjer og andeler i datterselskap klassifisert som anleggsmidler er vurdert etter kostmetoden. Investeringene nedskrives til virkelig verdi ved verdifall som forventes ikke å være forbigående. Mottatt utbytte fra selskapene inntektsføres som finansinntekt.

Andel av resultat ved deltakelse i Joint Venture resultatføres. Investeringene nedskrives til virkelig verdi ved verdifall som forventes ikke å være forbigående.

**Fordringer**
Kundefordringer og andre fordringer er oppført til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringer.

**Bankinnskudd, kontanter og lignende**
Bankinnskudd, kontanter ol. inkluderer kontanter, bankinnskudd og andre betalingsmidler med forfallsdato som er kortere enn tre måneder fra anskaffelse.

**Skatt**
Skattekostnaden sammenstilles med regnskapsmessig resultat før skatt. Skatt knyttet til egenkapitaltransaksjoner føres mot egenkapitalen. Skattekostnaden består av betalbar skatt (skatt på årets direkte skattepliktige inntekt) og endring i netto utsatt skatt. Utsatt skatt er beregnet med 22 % av midlertidige forskjeller mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet. Utsatt skattefordel balanseføres på bakgrunn av at den utsatte skattefordelen kan nyttiggjøres gjennom konsernstrukturen.

**Kontantstrømoppstilling**
Kontantstrømoppstillingen er utarbeidet etter den indirekte metode.

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**Fortum Forvaltning AS**
Org.nr: 885 361 102

## Note 2 Egenkapital

**Spesifikasjon av egenkapital:**

| | Aksjekapital | Annen innskutt egenkapital | Annen egenkapital | Sum |
|---|---|---|---|---|
| **Egenkapital pr 01.01.** | **757,000,000** | **1,448,612,661** | **4,119,807,944** | **6,325,420,605** |
| Årets resultat | | | -129,176,393 | **-129,176,393** |
| Endring virkelig verdi finansielle eiendeler ført mot egenkapitalen, netto etter skatt | | | -553,270 | **-553,270** |
| **Egenkapital pr 31.12.** | **757,000,000** | **1,448,612,661** | **3,990,078,280** | **6,195,690,941** |

## Note 3 Driftsmidler og avskrivninger

| | Varige driftsmidler | Anlegg under utførelse | Sum |
|---|---|---|---|
| **Anskaff.-kostnad 01.01** | - | - | - |
| Årets tilgang | 6,435,930 | 5,011,259 | **11,447,189** |
| Årets avgang | - | - | - |
| **Anskaff.-kostnad 31.12** | **6,435,930** | **5,011,259** | **11,447,189** |
| *Akk. Av- og nedskrivninger 1.1.* | - | - | - |
| *Årets av-/nedskrivninger* | 107,266 | - | 107,266 |
| Akk. Av- og nedskrivninger 31.12 | 107,266 | - | 107,266 |
| **Bokført 31.12** | **6,328,665** | **5,011,259** | **11,339,923** |
| Årets avskrivning | - | - | - |
| Årets nedskrivning | - | - | - |
| Økonomisk levetid | 3-4 år | - | |
| Avskrivningssats | 25-33 % | - | |

## Note 4 Fordringer og gjeld

**Fordringer med forfall senere enn ett år etter balansedato**
Ingen av selskapets fordringer forfaller senere enn ett år etter balansedato.

**Gjeld med forfall senere enn fem år etter balansedato**
Selskapet har ikke gjeld som forfaller senere enn fem år etter balansedato.

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**Fortum Forvaltning AS**
Org.nr: 885 361 102

## Note 5 Mellomværende med selskap i samme konsern

| Fordringer | | 2019 | 2018 |
|---|---|---|---|
| Innskudd konsernkontosystem | Kortsiktig | 760,476,553 | 549,670,864 |
| Solvencia AS | Konsernbidrag | 32,000,000 | 35,621,000 |
| NorgesEnergi AS | Konsernbidrag | 28,111,000 | 118,092,292 |
| Hafslund Strøm AS | Konsernbidrag | 26,927,000 | 97,923,800 |
| Fortum Oslo Varme AS | Kortsiktig | 1,751,209 | - |
| Hafslund Strøm AS | Kortsiktig | 991,707 | - |
| Fortum Kundesenter AS | Kortsiktig | 887,316 | - |
| Fortum Tellier AS | Kortsiktig | 887,316 | - |
| Fortum Consumer Solutions | Kortsiktig | 330,569 | - |
| Fortum Markets AS | Kortsiktig | 208,780 | - |
| Fortum Hedging AS | Kortsiktig | 173,983 | - |
| Fortum Tellier AS | Konsernbidrag | - | 28,166,000 |
| Fortum Hedging AS | Konsernbidrag | - | 87,000,000 |
| Hallingkraft AS | Konsernbidrag | - | 6,046,000 |
| Fredrikstad EnergiSalg AS | Konsernbidrag | - | 8,150,000 |
| Sum | | 852,745,433 | 930,669,956 |

| Gjeld | | 2019 | 2018 |
|---|---|---|---|
| Ånstadblåheia Vindpark AS | Konsernbidrag | - | 27,376,104 |
| Sørfjord Vindpark AS | Konsernbidrag | - | 6,269,466 |
| Fortum Markets AS | Konsernbidrag | - | 59,660,700 |
| Sum | | - | 93,306,270 |

## Note 6 Aksjekapital og aksjonærinformasjon

| Aksjekapitalen består av: | Antall | Pålydende | Bokført |
|---|---|---|---|
| Aksjer | 757,000 | 1,000 | 757,000,000 |

| Aksjene eies av: | Antall | Andel | Stemmeandel |
|---|---|---|---|
| Fortum Holding B.V. (Nederland) | 757,000 | 100% | 100% |

Konsernregnskap utarbeides av morselskapet i konsernet, Fortum Oyj, Espoo, Finland, og kan fås ved henvendelse til selskapets kontor.

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## Note 7 Skatt

| **Årets skattekostnad fordeler seg på:** | **2019** | **2018** |
|---|---|---|
| Betalbar skatt | 19,586,152 | 66,328,439 |
| Betalbar skatt på konsernbidrag | - | -5,239,404 |
| Endring i utsatt skattefordel | 103,532 | 156,050 |
| Utsatt skatt ført mot egenkapitalen | 156,050 | -156,050 |
| **Sum skattekostnad** | **19,845,734** | **61,089,035** |

| ***Beregning av årets skattegrunnlag:*** | **2019** | **2018** |
|---|---|---|
| Resultat før skattekostnad | -109,330,659 | 263,458,713 |
| Resultatført mottatt konsernbidrag | -87,038,000 | -264,912,800 |
| Skattefri gevinst salg aksjer | 18,498,539 | - |
| Andre permanente forskjeller | 40,002 | 2,145,785 |
| Endring i midlertidige forskjeller | -1,179,920 | - |
| Nedskrivning av finansielle eiendeler | 181,000,000 | - |
| Avgitt(-)/Mottatt konsernbidrag | 87,038,000 | 287,692,822 |
| Årets skattegrunnlag | 89,027,962 | 288,384,520 |
| | | |
| Betalbar skatt utgjør 22%/23 % av grunnlag: | 19,586,152 | 66,328,439 |
| Skyldig betalbar skatt | 19,586,152 | 66,328,439 |

| **Oversikt over midlertidige forskjeller:** | **2019** | **2018** |
|---|---|---|
| Anleggsmidler | 1,179,920 | - |
| Finansielle eiendeler | - | 709,320 |
| Sum | 1,179,920 | 709,320 |
| | | |
| Utsatt skatteforpliktelse/(Utsatt skattefordel ) (22%/22%) | 259,582 | 156,050 |

Ordinær skattesats er uendret fra 1.1.2019, 22% pr. 1.1.2019 og 22% pr. 1.1.2020. Satsen pr 1.1.2020 er benyttet for å beregne utsatt skatt pr 31.12.2019.

| **Avstemming fra nominell til faktisk skattesats:** | **2019** | **2018** |
|---|---|---|
| Resultat før skatt | -109,330,659 | 263,458,713 |
| Forventet inntektsskatt etter nominell skattesats (22%/23%) | -24,052,745 | 60,595,504 |
| *Skatteeffekten av følgende poster:* | | |
| Nedskrivning av finansielle eiendeler | 39,820,000 | - |
| Permanente forskjeller | 4,078,479 | 493,531 |
| Skattekostnad | 19,845,734 | 61,089,035 |
| Effektiv skattesats | -18.2 % | 23.2 % |

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## Note 8 Ansatte, godtgjørelser mv

Selskapet har ikke hatt ansatte i 2019. Det er ikke utbetalt lønn eller godtgjørelse til daglig leder eller selskapets styre. Det er heller ikke gitt lån eller stilt sikkerhet til daglig leder eller leder for styret.

Honorar til revisor fordeler seg som følger mellom ordinær revisjon og bistandsoppgaver:

| | 2019 | 2018 |
|---|---|---|
| Ordinær revisjon | 161,686 | 32,450 |
| Annen bistand | - | 406,378 |
| Sum kostnadsført | 161,686 | 438,828 |

Beløpene er oppgitt eksl. mva.

## Note 9 Bundne bankinnskudd

Selskapet har ingen bundne bankinnskudd.

## Note 10 Investering i datterselskap og i andre aksjer og andeler

***Investering i datterselskap***

| Selskapsnavn | Antall aksjer | Eierandel | Bokført verdi | Bokført egenkapital |
|---|---|---|---|---|
| Fortum Consumer Solutions AS | 1,000 | 100% | 5,212,775,323 | 1,458,666,555 |
| Sørfjord Vindpark AS [1] | 1 | 100% | 199,645,294 | 200,619,656 |
| Fortum Waste Solutions Norway AS | 7,000 | 100% | 7,600,000 | 7,985,177 |
| Sum | | | 5,420,020,618 | 1,667,271,388 |

[1] Det er avsatt et betinget vederlag på EUR 5 millioner i forbindelse med kjøp av aksjene i Sørfjord Vindpark AS. Avsetningen er bokført som "Annen kortsiktig gjeld."

I 2019 er aksjene i Nygårdsfjellet Vindpark AS og Ånstadblåheia Vindpark avhendet. Totalt tap ved avhendelsen var NOK 18 498 539, jfr note 11.

***Investering i andre selskaper***

| Selskapsnavn | Antall aksjer/andeler | Eierandel | Bokført verdi | Bokført andel egenkapital |
|---|---|---|---|---|
| Fortum Nordkraft Vind DA | 1 | 50% | -37,173 | -37,173 |
| Sum | | | -37,173 | -37,173 |

[1] Andel av underskudd i Fortum Nordkraft Vind DA, NOK 1 237 173, er kostnadsført, jfr note 11.

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## Note 11 Poster som er slått sammen i regnskapet

| Driftsinntekter | 2019 | 2018 |
|---|---|---|
| Leieinntekter | 3,802,634 | - |
| Salg av tjenester | 1,078,003 | - |
| **Sum driftsinntekter** | **4,880,637** | **-** |

| Inntekt på andre investeringer | 2019 | 2018 |
|---|---|---|
| Gevinst / (tap) salg aksjer | -18,498,539 | - |
| Inntekt / (kostnad) fra deltakelse i JV | -1,237,173 | - |
| Resultatført konsernbidrag | 87,038,000 | 264,912,800 |
| **Sum finansinntekter** | **67,302,288** | **264,912,800** |

| Finansinntekter | 2019 | 2018 |
|---|---|---|
| Renteinntekt konsern | 6,693,006 | 4,114,457 |
| **Sum finansinntekter** | **6,693,006** | **4,114,457** |

| Finanskostnader | 2019 | 2018 |
|---|---|---|
| Annen rentekostnad | -428 | -262,725 |
| Agiotap | -459,900 | -771,333 |
| **Sum finanskostnader** | **-460,328** | **-1,034,057** |

## Note 12 Finansielle eiendeler

Selskapet har inngått avtaler om valutasikring i 2019. Pr 31.12.2019 hadde selskapet en urelaisert tap på NOK 153.

Årets endring i virkelig verdi er ført direkte mot egenkapitalen etter fradrag for utsatt skatt, jfr note 2.

## Note 13 Heldelser etter balansedagen

Med bakgrunn i utbruddet av det nye coronaviruset og Covid-19 følger selskapet 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). Fortum Forvaltning forventer i liten grad å bli påvirket av coronaviruset, men gitt de raske endringene på tidspunktet, er det vanskelig å presisere de faktiske slutteffektene dette vil medføre.

Selskapets virksomhet omfatter hovedsaklig investeringer og forvaltning av eierskap i andre foretak og virksomheter tilknyttet Fortum konsernet virksomheter i Norge. Selskapet og konsernet har solid økonomi og ser ikke noen større risiko for selskapets finansielle situasjon.

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