Fortum Financial Statements Bulletin

JANUARY-DECEMBER 2022

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Financial results discussed in this Financial Statements Bulletin comprise the continuing operations of the Fortum Group. The Uniper segment has been reclassified as discontinued operations in the quarterly and accumulated tables including information for the comparative periods. As a result, continuing operations and discontinued operations are presented separately for the Fortum Group. Comparative period information for 2021 as well as for the first and second quarter of 2022 have been restated accordingly and can be found in the stock exchange release published on 6 October 2022. For further information, see notes 1 and 6.

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

Weathering through the European energy crisis – a year of decisive actions

October−December 2022, continuing operations

- Comparable EBITDA was EUR 895 (673) million
- Comparable operating profit was EUR 744 (519) million
- Operating profit was EUR -653 (547) million, mainly impacted by impairments and fair values changes in non-hedge-accounted derivatives.
- Comparable earnings per share were EUR 0.24 (0.41). Comparable earnings per share excluding Russia were EUR 0.42 (0.34)
- Earnings per share were EUR -0.68 (0.47).
- Cash flow from operating activities totalled EUR 607 (87) million
- On 23 November, Fortum's Extraordinary General Meeting resolved on a directed share issue without payment to the Finnish State-owned holding company Solidium Oy as part of the conditions of the EUR 2.35 billion bridge financing loan.
- On 21 December, the Uniper transaction was closed and Fortum received the total consideration of the share transaction of approximately EUR 0.5 billion, Uniper repaid the EUR 4 billion shareholder loan and released EUR 3.0 billion of the EUR 4.0 billion parent company guarantee. Uniper was deconsolidated and reclassified as discontinued operations in the third quarter on signing of the agreement in principle with the German Government.
- Additional impairments (pre-tax) of approximately EUR 990 million related to the Russia segment were recorded.

January−December 2022, continuing operations

- Comparable EBITDA was EUR 2,436 (2,016) million
- Comparable operating profit was EUR 1,871 (1,429) million
- Operating profit was EUR 1,277 (4,325) million, mainly impacted by changes in fair values of non-hedge-accounted derivatives, impairments related to the Russia segment and tax-exempt capital gains from divestments. In the comparison period, items affecting comparability included tax-exempt capital gains of EUR 2.68 billion.
- Comparable earnings per share were EUR 1.74 (1.23). Comparable earnings per share excluding Russia were EUR 1.21 (0.96).
- Earnings per share were EUR 1.14 (4.49). Earnings per share for Fortum, including discontinued operations, were EUR -2.72 (0.83).
- Cash flow from operating activities totalled EUR 2,104 (1,119) million.
- On 19 May, Fortum closed the sale of its 50% ownership in Fortum Oslo Varme AS for approximately EUR 1 billion. The agreement was signed on 22 March.
- On 22 July, Fortum, Uniper and the German Government agreed on a comprehensive stabilisation package to provide financial relief to Uniper. On 21 September, it was replaced, as Fortum, the German Government and Uniper signed a final agreement according to which Fortum fully divested its ownership in Uniper.
- Uniper was deconsolidated and reclassified as discontinued operations in the third quarter. On 21 December, the divestment of Uniper was completed.
- Impairments (pre-tax) totalling approximately EUR 1.7 billion related to the Russia segment were recorded.
- As Fortum's exit from Russia and the divestment process is ongoing, new Alternative Performance Measures (APMs) for continuing operations excluding Russia are introduced. For example Comparable EBITDA from continuing operations excluding Russia was EUR 2,025 (1,612) million, Comparable operating profit from continuing operations excluding Russia was EUR 1,611 (1,167) million and Financial net debt/comparable EBITDA excluding Russia was 0.6.
- Fortum's Board of Directors proposes a dividend of EUR 0.91 (1.14) per share and that the dividend be paid in two instalments.

Summary of outlook

- The Generation segment's Nordic generation hedges: approximately 75% at EUR 58 per MWh for 2023, and approximately 45% at EUR 42 per MWh for 2024.
- Capital expenditure, including maintenance but excluding acquisitions, is expected to be approximately EUR 700 million in 2023 (excluding the Russia segment).
- Fortum is updating its tax guidance to take into consideration the temporary windfall tax law on the energy sector in Finland. The Finnish Parliament adopted the legislation on temporary windfall tax on 27 February 2023. The tax becomes payable in 2024.
- The Fortum Board of Directors resolved on Fortum's new strategy at the beginning of March, 2023. The strategy includes new financial and sustainability targets. At the same time, Fortum is also launching a new business structure, operating model and Fortum Executive Management team. Please see the separate stock exchange release 'Fortum renews strategy to drive clean transition; new financial targets and dividend policy and more ambitious environmental targets'. A summary of Fortum's new strategy can be found in the section 'Events after the balance sheet date' of this Financial Statements Bulletin.

Key figures, continuing operations

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Reported				
Sales	2,736	2,171	8,804	6,422
Operating profit	-653	547	1,277	4,325
Share of profit/loss of associates and joint ventures	-295	21	-629	168
Net profit	-611	428	1,011	4,008
Net profit (after non-controlling interests)	-608	417	1,011	3,985
Earnings per share, EUR	-0.68	0.47	1.14	4.49
Net cash from operating activities	607	87	2,104	1,119

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Comparable				
EBITDA	895	673	2,436	2,016
Operating profit	744	519	1,871	1,429
Share of profit/loss of associates and joint ventures	-53	-4	-11	104
Net profit (after non-controlling interests)	216	361	1,550	1,091
Earnings per share, EUR	0.24	0.41	1.74	1.23

Key figures, continuing operations excl. Russia

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path. In the fourth quarter of 2022, Fortum introduced new APMs to provide additional financial information excluding Fortum's Russian operations. See also Note 1.

EUR million or as indicated	IV/2022	IV/2021 restated	2022	2021 restated
Comparable				
EBITDA	774	555	2,025	1,612
Operating profit	669	440	1,611	1,167
Share of profit/loss of associates and joint ventures	-68	-10	-40	42
Net profit (after non-controlling interests)	370	302	1,076	851
Earnings per share, EUR	0.42	0.34	1.21	0.96
Financial position				
Financial net debt/comparable EBITDA			0.6	N/A

Key figures, total of continuing and discontinued operations

EUR million	IV/2022	IV/2021	2022	2021
Reported				
Net profit (after non-controlling interests)	-608	842	-2,416	739
Earnings per share, EUR	-0.68	0.95	-2.72	0.83
Net cash from operating activities	607	1,576	-8,767	4,970
Comparable				
Net profit (after non-controlling interests)	216	693	-988	1,778
Earnings per share, EUR	0.24	0.78	-1.11	2.00

EUR million or as indicated	31 Dec 2022	31 Dec 2021
Financial position		
Financial net debt (at period-end)	1,084	789
Adjusted net debt (at period-end)	1,117	3,227
Financial net debt/comparable EBITDA, continuing operations	0.4	N/A
Financial net debt/comparable EBITDA, total	N/A	0.2

Fortum’s President and CEO Markus Rauramo:

“The year 2022 started with managing Uniper's liquidity challenges. These were a consequence of nervousness in the gas market - amid rapidly increasing and volatile gas prices resulting in significantly higher margining requirements for Uniper. Within a month, in February, Russia attacked Ukraine, marking the beginning of shock-like effects of the war and a full-blown energy crisis in Europe that drastically changed our operating environment.

At Fortum, we started tackling the issues one by one. Our immediate step was to halt all new activities in Russia; we would not do any new investment projects or provide any financing to our Russian subsidiaries. The decision to pursue a controlled exit from Russia was made in May. The divestment process has progressed and is still ongoing, but any major divestment in the Russian energy sector requires approval by the Russian Government Commission and the President. From a governance point of view, we have separated the management and steering of the Russian operations from the rest of the Group, simultaneously ensuring compliance with applicable laws and regulations, including sanctions. At the end of the year, we recorded additional impairments of approximately EUR 990 million related to our operations in Russia, amounting to a total of EUR 1.7 billion during the year.

The dramatic year also ended our five-year journey with Uniper. The energy crisis escalated during the summer when Russia decided to cut pipeline gas exports to Germany and most of Europe, causing massive losses to gas midstream companies. Particularly Uniper, as Germany’s largest importer of Russian gas, was hit severely. Therefore, a long-term solution to rescue Uniper was required and in September Fortum agreed to sell its ownership to the German State. The divestment was completed at the end of December. Fortum’s total pre-tax loss from the Uniper investment is slightly below EUR 6 billion. This outcome clearly is not what we wanted or had worked for over the past years, yet it was necessary and it provides a chance for a new beginning for Fortum.

Geopolitical tensions and gas curtailments also caused power prices to soar in the derivatives markets. Fortum’s hedged power volumes on the Nasdaq exchange were affected through the unprecedentedly rapidly increasing and historically high power future prices that led to unforeseen margining requirements. This put Fortum’s liquidity under pressure. In September, Fortum agreed with the Finnish State on a bridge financing facility of EUR 2.35 billion to be able to manage its liquidity position in case of further power price hikes during the winter period. In November, as a condition for the loan arrangement, Fortum’s Extraordinary General Meeting resolved on a directed share issue (1% of outstanding shares) to the Finnish State-owned holding company, Solidium, without payment. I am grateful that the Finnish Government came to our aid. Also elsewhere in Europe EU member states provided energy companies with massive liquidity support to manage their margining requirements.

Despite the tight situation at the end of the summer, we were able to manage our liquidity well. At the end of the year, our financial situation was solid as Uniper repaid its EUR 4 billion shareholder loan and we received the sales proceeds of EUR 0.5 billion from the divestment of our Uniper shares. For 2023, refinancing will be a key priority for us, and we aim to return to the bond markets to rebuild our financial flexibility. Strong financial discipline will be the hallmark of our decisions and actions going forward.

During 2022, we also saw rapid developments in the regulatory environment. EU institutions focused on finalising the extensive 'Fit for 55' legislative package the main effect of which was a revision of the EU's emissions trading system, ETS. It also has an ambition to tackle the energy crisis by, for example, introducing regulation on an emergency intervention to address high energy prices. On the flip side, there is a risk that uncoordinated and very different actions by member states could lead to distortions of competitiveness; Finland, for example, is enacting a national windfall tax, whereas Sweden is implementing the revenue cap in accordance with the EU regulation.

Furthermore, as an immediate reaction to the Russian invasion of Ukraine, the Commission published the 'REPowerEU' plan. It states the EU's intention to phase out its dependency on Russian fossil fuels, outlining a series of measures to deliver on this ambition.

While crisis measures are undoubtedly necessary, it is crucial that these interventions are temporary and separate from the long-term structural reform of the power market design, which has started in the EU. Overall, to secure investments in the energy transition in the longer term, the regulatory environment needs to be clear, predictable and reliable.

As much as I would like to say the storm is over and we will get back to normal, unfortunately the energy crisis is not over yet. For the short-term, uncertainty prevails. Many economists forecast that global growth will slow down in the face of elevated inflation, higher interest rates, reduced investments, and multidimensional disruption effects caused by Russia's invasion of Ukraine. Europe is highly dependent on energy imports and thus high prices and supply constraints are likely to continue. And, due to low liquidity on the derivative markets, we must be prepared for continued volatile and unpredictable commodity markets.

As our operating environment turned upside-down in the past year, over the recent months we have worked hard to realign the company and renew our strategy to the new realities. A strong focus on sustainability is at the heart of our strategy and our purpose – *To power a world where people, businesses and nature thrive together* – is our North Star. Our new financial targets further guide how we look at investments going forward and pursue our business priorities: Delivering reliable clean energy and Drive decarbonisation in industries.

The most recent example of how we aim to implement our new strategy is the Finnish Government's welcome decision to grant a new operating licence for both units at Fortum's Loviisa nuclear power plant until the end of 2050. This helps to fulfil our goal to provide reliable, firm capacity and stability which is crucial for maintaining the increasingly intermittent energy system and enabling the decarbonisation of industries. Continuing production at Loviisa is also an investment in providing the clean power Finland needs to meet its ambitious climate targets.

In our 2022 financial results, the Generation segment's solid performance was the main driver throughout the year. The segment benefitted from the higher power prices in the Nordics and was supported by very good physical optimisation. In the fourth quarter, the segment's comparable operating profit was very strong, though somewhat offset by lower hydro volumes.

Based on the solid results of Fortum's continuing operations in 2022, Fortum's Board of Directors is proposing to the Annual General Meeting a dividend of EUR 0.91 per share.

Most importantly, throughout this crisis and turbulence we have been running our power plants reliably and efficiently, providing energy to people and industries when they need it the most. We have also strengthened our customer service capabilities to better help our customers manage the energy crisis. Thus I would like to thank all our employees for their commitment and hard work and our customers for their business during the extremely tough year."

Uniper divestment

On 21 December, Fortum concluded the sale of its ownership in Uniper SE to the German State. On 19 December, the final agreements of the stabilisation package were signed between Fortum, the German Government and Uniper. All required approvals for the completion of the stabilisation package, including the State Aid clearances from the European Commission, were obtained.

On 21 September, Fortum, the German Government and Uniper signed an agreement in principle on a long-term solution that allowed the German State to take full control of Uniper. This final Uniper stabilisation framework agreement replaced the initial agreement between the same parties, signed in July 2022. After July, the European energy crisis escalated further and the severity of the situation made it apparent that the previously agreed stabilisation measures were insufficient and difficult to implement. By 21 September, Uniper had accumulated significant negative earnings amounting to billions of euros in gas-related losses, and it had become evident that the company, as privately-owned, was not able to fulfil its role as a critical energy provider of security of supply in Germany.

The Uniper Extraordinary General Meeting (EGM) was held on 19 December. The EGM resolved on the capital increase of Uniper, and all newly issued shares were subscribed by the German State for EUR 1.70 per share. After the equity capital increase, the German State acquired all of Fortum‘s approximately 293 million shares in Uniper SE for EUR 1.70 per share, a total consideration of approximately EUR 0.5 billion. In addition, Uniper repaid the shareholder loan of EUR 4.0 billion granted by Fortum. From the EUR 4.0 billion parent company guarantee facility that Fortum had granted to Uniper, a total of EUR 3.0 billion was released by year-end 2022. The remaining approximately EUR 1.0 billion, with a full German State back-to-back guarantee (indemnity), will be released by the end of June 2023 at the latest.

Further, as part of the signed package, Fortum has a right of first offer in case Uniper intends to divest all or parts of its Swedish hydro and nuclear assets until the end of 2026.

Following the change of control in Uniper to the German State, Fortum's representatives on Uniper's Supervisory Board resigned: Fortum's President and CEO Markus Rauramo, who was the Chair of the Supervisory Board, Fortum's CFO Bernhard Günther, Vice Chair of the Supervisory Board, as well as Fortum’s General Counsel Nora Steiner-Forsberg and Head of Fortum’s CEO Office Esa Hyvärinen.

In 2017, Fortum became a major shareholder in Uniper with a 46.65% ownership stake and a majority shareholder in 2019, eventually increasing its shareholding in Uniper to approximately 80%.

The total pre-tax loss from the Uniper investment in the legal Fortum entity owning the Uniper shares is slightly below EUR 6 billion, which is the net effect from the investments in Uniper SE shares of approximately EUR 7.2 billion, the sales proceeds of EUR 0.5 billion received, and dividends of approximately EUR 0.9 billion received during Fortum’s Uniper ownership.

IFRS restatement relating to discontinued operations

The agreement in principle signed on 21 September between Fortum, the German Government and Uniper, according to which Fortum fully divested its ownership in Uniper in December 2022, resulted in Fortum losing control of Uniper and consequently deconsolidating Uniper already in the third quarter of 2022. The divested businesses included all operations in Fortum’s Uniper segment.

In accordance with IFRS 5 Non-current Assets held for Sale and Discontinued operations, the Uniper segment is treated as discontinued operations in this Financial Statements Bulletin. In the third quarter of 2022, Fortum restated the comparative consolidated income statement, the consolidated statement of other comprehensive income, the consolidated cash flow statement and certain key ratios for the year 2021 and for the first and second quarter of 2022. In the Group’s segment information, the Uniper segment was reclassified as discontinued operations and the Generation segment was restated regarding Fortum's ownership in the Swedish nuclear operator OKG AB as an associated company instead of the earlier proportionate consolidation.

Financial results discussed in this Financial Statements Bulletin comprise the continuing operations of the Fortum Group.

Additional information related to Fortum’s disclosures on Russia, APMs

Russia’s attack war in Ukraine and its decision to use energy as a weapon fundamentally changed the geopolitical situation and operating environment for Fortum. Due to the circumstances, Fortum has consequently limited its disclosure on the Russian operations and operating environment in Russia compared to previous periods.

As Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, in the reporting of the fourth quarter of 2022, Fortum is introducing the following new Alternative Performance Measures (APMs): ‘Comparable EBITDA from continuing operations excl. Russia’, ‘Comparable operating profit from continuing operations excl. Russia’, ‘Comparable net profit from continuing operations excl. Russia’, ‘Comparable earnings per share from continuing operations excl. Russia’, and ‘Financial net debt/comparable EBITDA excl. Russia’ to provide additional financial performance indicators to support meaningful comparison of financials for Fortum's strategic businesses (Note 1 and 24).

Solidium's bridge financing loan to Fortum and directed share issue without payment to Solidium

In 2022, the Russian war in Ukraine and Russia’s decision to use energy as a weapon escalated to an energy crisis in Europe that also affected the Nordic power market. In August 2022, dramatically increased spot and futures power prices in the Nordics led to unprecedentedly high collateral requirements for utility companies that hedge their power sales on the market. At the end of August, Fortum’s collaterals tied up on the Nordic commodities exchange Nasdaq increased to record-high levels of approximately EUR 5 billion. As prices came down, net margin receivables decreased to EUR 2.9 billion at the end of September and were EUR 2.3 billion at the end of December.

In order to ensure sufficient liquidity buffers for potential further collateral requirements in case of rising and volatile power prices, Fortum agreed with its majority owner, the Finnish State, on a EUR 2.35 billion bridge financing loan provided by the State-owned holding company Solidium. The bridge financing, announced on 6 September, was put in place in accordance with the schedule and terms set by the Finnish State. Alternative financing for the equivalent amount and with more favourable terms than the bridge financing was not available on such short notice before the end of September due to the company's unresolved strategic matters.

According to the terms of the arrangement, the first tranche was to be drawn by 30 September 2022 at the latest in order for the loan facility to remain effective thereafter. Therefore, on 26 September, Fortum announced to draw down the first minimum tranche of EUR 350 million. To date, no further drawdowns have been made due to the company’s good liquidity position. The liquidity facility matures in September 2023, and the last required tranche may be drawn by 31 March 2023. The plan is to repay the drawn EUR 350 million amount and at the same time cancel the entire EUR 2,350 million bridge loan facility by the end of March 2023.

The bridge loan facility is linked to the six-month Euribor; the margin for the first six months is 10% and for the following six months 12%.

One condition subsequent of the drawdown of the loan, was a directed share issue, which entitled Solidium to subscribe up to 8.97 million new ordinary registered shares in Fortum. The directed share issue required approval by Fortum’s Extraordinary General Meeting (EGM) with a two-thirds majority of the shares and votes present. On 23 November, an EGM convened and resolved that the new shares, amounting to 1% of Fortum’s share capital, were issued without payment after the execution of the share issue. As a consequence, the shares under control of the Finnish State increased from 50.76% to 51.26%, correspondingly diluting the ownership of other shareholders.

The arrangement also contains restrictions regarding management remuneration. The remuneration to be paid to the Board of Directors will not be increased during 2022 and 2023. Members of Fortum’s Executive Management team will not be paid short- or long-term incentives under STI and LTI programmes accumulated in 2022 and 2023, and their salaries will not be increased during 2022 or 2023.

The arrangement does not include dividend restrictions.

In 2022, Fortum had sufficient liquid funds to meet current collateral requirements. In the latter part of 2022, the Nordic power prices declined from the record levels at the end of August and the market was less volatile. However, Fortum remained prepared for continued market turbulence, and drawing the first tranche in September ensured that it had access to the loan should the collateral requirements increase again during the winter. As an additional liquidity risk mitigation measure, Fortum has reduced its exposure on the Nasdaq Commodities exchange and increased the share of bilateral agreements.

In the longer term, Fortum calls for necessary regulatory changes to the EU EMIR (European Market Infrastructure Regulation), which sets the legal framework for margining and collateral requirements. The current implementation does not distinguish between requirements for pure financial counterparties and power generators that have lower risks, as they possess the power generation assets and thus the power generation. A review of the EMIR is essential to restore stability and predictability both for energy producers and users and to release power producers from unreasonable collateral requirements.

Financial results

Sales by segment

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Generation	1,344	953	3,655	2,869
City Solutions	409	427	1,282	1,302
Consumer Solutions	1,460	1,052	4,578	2,622
Other Operations	32	35	136	138
Netting of Nord Pool transactions	-917	-540	-2,312	-1,128
Eliminations	79	-22	435	-285
Total continuing operations excl. Russia	**2,407**	**1,906**	**7,774**	**5,519**
Russia	329	267	1,031	906
Eliminations	0	-1	-1	-2
Total continuing operations	**2,736**	**2,171**	**8,804**	**6,422**

Comparable EBITDA by segment

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Generation	692	470	1,765	1,287
City Solutions	69	119	177	317
Consumer Solutions	43	3	173	123
Other Operations	-30	-36	-90	-114
Total continuing operations excl. Russia	**775**	**555**	**2,025**	**1,612**
Russia	120	118	411	404
Total continuing operations	**895**	**673**	**2,436**	**2,016**

Comparable operating profit by segment

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Generation	650	428	1,600	1,123
City Solutions	32	73	28	135
Consumer Solutions	25	-17	97	52
Other Operations	-37	-44	-115	-142
Total continuing operations excl. Russia	**669**	**440**	**1,611**	**1,167**
Russia	75	80	260	261
Total continuing operations	**744**	**519**	**1,871**	**1,429**

Operating profit by segment

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Generation	607	397	1,403	1,066
City Solutions	199	14	719	2,671
Consumer Solutions	-921	113	-149	495
Other Operations	-60	-51	-6	-134
Total continuing operations excl. Russia	**-174**	**472**	**1,967**	**4,098**
Russia	-479	75	-690	227
Total continuing operations	**-653**	**547**	**1,277**	**4,325**

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

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Generation	-72	-13	-49	0
City Solutions	4	4	14	42
Consumer Solutions	-	-	-	-
Other Operations	0	0	-6	0
Total continuing operations excl. Russia	**-68**	**-10**	**-40**	**42**
Russia	16	5	30	62
Total continuing operations	**-53**	**-4**	**-11**	**104**

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

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Generation	-63	12	-194	64
City Solutions	4	4	14	42
Consumer Solutions	-	-	-	-
Other Operations	0	0	-6	0
Total continuing operations excl. Russia	**-59**	**16**	**-185**	**106**
Russia	-236	5	-443	62
Total continuing operations	**-295**	**21**	**-629**	**168**

October−December 2022

Sales were EUR 2,736 (2,171) million, mainly due to high power prices.

Comparable operating profit was EUR 744 (519) million. The improvement was mainly impacted by the higher achieved power price supported by strong physical optimisation which, however, was partly offset by lower hydro volumes in the Generation segment.

Operating profit for the period was impacted by EUR -1,397 (28) million of items affecting comparability, mainly deriving from impairments of EUR -550 million related to the Russia segment and EUR -808 million related to changes in fair values of non-hedge-accounted derivatives. (Note 4).

Comparable share of profits of associates and joint ventures was EUR -53 (-4) million (Note 12) mainly due to IFRS adjustments to nuclear provisions in co-owned nuclear companies. The share of profits of associates and joint ventures amounted to EUR -295 million including EUR -253 million of impairments related to Fortum's ownership in the Russian TGC-1 and joint ventures.

January−December 2022

Sales were EUR 8,804 (6,422) million driven by record-high power prices.

Comparable operating profit was EUR 1,871 (1,429) million. The main reason for the improvement was the higher achieved power price with strong physical and financial optimisation which, however, was partly offset by lower hydro volumes in the Generation segment.

Operating profit for the period was impacted by EUR -593 (2,897) million of items affecting comparability of which EUR -905 million were impairments related to fixed assets and goodwill for the Russia segment and EUR -393 million were changes in fair values of non-hedge-accounted derivatives. Items affecting comparability also included tax-exempt capital gains of EUR 785 million related to the divestments of the ownership in Fortum Oslo Varme AS, Recharge and Plugsurfing. In the comparison period, items affecting comparability included tax-exempt capital gains of EUR 2,350 million related to divestments of Stockholm Exergi Holding AB, a EUR 254 million gain from the sale of the district heating business in the Baltics and EUR 50 million gain from the sale of eight small hydropower plants in Sweden (Notes 4 and 13).

Comparable share of profits of associates and joint ventures was EUR -11 (104) million (Note 12). The share of profits of associates and joint ventures amounted to EUR -629 million and included EUR -475 million of impairments related to Fortum's ownership in the Russian TGC-1 and joint ventures.

Finance costs - net amounted to EUR -193 (-161) million. The change in finance cost - net relates mainly to foreign exchange gains from rouble receivables and the closing of rouble hedges and fair value changes, impairments and reversals of EUR -303 million recorded in 2022, which include expected credit losses of EUR 117 million related to Russian deposits and receivables, as well as EUR 171 million of write downs of other shares. Comparable finance costs - net amounted to EUR 155 (-127) million (Note 7).

Profit before income taxes was EUR 455 (4,332) million. Profit before taxes was impacted by the impairments related the Russian operations. In addition, items affecting comparability included tax-exempt capital gains of EUR 2,350 million in 2021. Comparable profit before income taxes was EUR 2,014 (1,405) million.

Income taxes for the period totalled EUR 556 (-325) million. Adjustments to income tax expense include EUR 746 million relating to onetime tax impact realised in Ireland mainly due to the Uniper divestment (Note 4). Comparable income taxes were EUR -454 (-290) million (Note 8).

Net profit was EUR 1,011 (4,008) million. Comparable net profit attributable to the owners of the parent was EUR 1,550 (1,091) million. Comparable net profit is adjusted for items affecting comparability, adjustments to the share of profit of associates and joint ventures, net finance costs, and income tax expenses (Notes 4.2 and 24).

Earnings per share for continuing operations were EUR 1.14 (4.49). Earnings per share for total Fortum, including the effect from discontinued operations, were EUR -2.72 (0.83). Comparable earnings per share for continuing operations were EUR 1.74 (1.23) and comparable earnings per share for total Fortum, including the effect from discontinued operations, were EUR -1.11 (2.00). Comparable earnings per share for continuing operations excluding Russia were EUR 1.21 (0.96) (Note 4).

For further details, see Segment reviews.

Financial position and cash flow

Cash flow

In 2022, net cash from operating activities increased by EUR 985 million to EUR 2,104 (1,119) million, mainly due to the improved comparable EBITDA as well as the change in working capital.

Net cash from investing activities, EUR 1,464 (-512) million, was positively impacted in 2022 by the EUR 2,500 (-2,500) million change in the shareholder loans to Uniper. In 2021, Fortum granted Uniper a shareholder loan of EUR 4,000 million of which EUR 2,500 million was drawn in 2021 and EUR 1,500 million in 2022. In December 2022, when

Fortum sold its ownership in Uniper and the transaction was closed, the EUR 4,000 million shareholder loan was repaid to Fortum. The consideration of EUR 498 million received for the sale of the Uniper shares is presented in the cash flow from discontinued operations.

The change in margin receivables was EUR -1,311 (-1,000) million. Capital expenditure amounted to EUR 534 (470) million. Divestment of shares and capital returns of EUR 1,156 (3,816) million mainly include the divestment of the 50% ownership in the district heating company Fortum Oslo Varme AS in Norway. Divestment of shares in the comparison period 2021 mainly include the divestments of the 50% stake in the Swedish district heating and cooling company Stockholm Exergi and the district heating business in the Baltics.

Net cash used in financing activities was EUR -4,686 (1,603) million. The net decrease in interest-bearing liabilities was EUR 3,637 (increase 2,500) million while the change in margin liabilities was EUR 150 (63) million.

The net decrease in liquid funds for continuing operations was EUR 1,119 (increase 2,211) million.

Liquid funds at the beginning of the period, EUR 7,592 million, included liquid funds of EUR 2,966 million held by Uniper. Net decrease in liquid funds for discontinued operations of EUR 2,563 million include the impact from the deconsolidation of Uniper offset by the consideration of EUR 498 million received for the shares in Uniper.

Assets

At the end of 2022, total assets amounted to EUR 23,642 (149,661) million. The decrease from December 2021 was related to the deconsolidation of Uniper in the third quarter of 2022.

Equity

Total equity amounted to EUR 7,737 (13,665 at the end of 2021 and 6,543 at the end of September 2022) million. Equity attributable to owners of the parent company totalled EUR 7,670 (12,131 at the end of 2021 and 6,466 at the end of September 2022) million. The change from December 2021 was mainly related to the net loss for the year of EUR 2,416 million of the total of continuing and discontinued operations, the EUR -1,189 million impact from the fair valuation of cash flow hedges and the dividend payment of EUR 1,013 million. A dividend of EUR 1.14 euro per share was paid on 6 April 2022.

Financing

Since the second half of 2021, the very volatile commodity markets with unprecedentedly high prices have required significantly higher collaterals related to power and gas on the commodities exchanges. To manage this price volatility and the high price levels, Fortum took precautionary financing measures to secure its liquidity position and financial flexibility. Despite these liquidity constraints, the Group managed its financial position and ended the year with a strong balance sheet. At the end of 2022, the ratio for financial net debt to comparable EBITDA for continuing operations was 0.4 times. At the end of 2022, the ratio for financial net debt to comparable EBITDA for continuing operations excluding Russia was 0.6 times.

At the end of 2022, financial net debt was EUR 1,084 (789) million. Adjusted net debt was EUR 1,117 (3,227) million.

At the end of 2022, the Group’s liquid funds totalled EUR 3,919 (7,592) million.

In January, Fortum signed a EUR 3,000 million revolving credit facility to manage especially Uniper’s liquidity situation around the turn of the year. In January, Fortum repaid the drawn amount of EUR 500 million of its EUR 800 million bilateral revolving credit facility.

In March, Fortum extended the maturity of its EUR 3,000 million revolving credit facility to July 2022. Additionally, Fortum repaid EUR 247 million of the nuclear waste fund loans totalling EUR 918 million after the repayment. The dividend, EUR 1,013 million, was paid on 6 April.

In May, in conjunction with the closing of the divestment of Fortum Oslo Varme AS in Norway, Fortum deconsolidated a related EUR 210 million shareholder loan from the City of Oslo.

In June, Fortum signed a new EUR 5,500 million revolving credit facility which consists of a EUR 3,100 million Liquidity revolving credit facility and a EUR 2,400 million Core revolving credit facility. Fortum drew EUR 2,000 million from the Liquidity revolving credit facility. The above-mentioned EUR 3,000 million revolving credit facility was cancelled and the EUR 1,750 million revolving credit facility was repaid and cancelled in June. Fortum also drew the total EUR 800 million amount of its bilateral revolving credit facility. Further, the remaining balance of EUR 450 million of the bridge loan was repaid.

During the third quarter, as spot and future power prices in the Nordics rose dramatically, Fortum's collateral requirements increased to a record-high level and Fortum drew the remaining EUR 1,100 million of the Liquidity revolving credit facility: EUR 600 million in July and EUR 500 million in August. Additionally, the EUR 2,400 million Core revolving credit facility was fully utilised with two drawdowns: EUR 1,000 million drawn in August and EUR 1,400 million in September. In September, Fortum repaid a maturing bond of EUR 1,000 million.

In September, in order to have preparedness for potentially even higher collateral requirements, Fortum signed a EUR 2,350 million bridge financing with the Finnish State-owned company Solidium. EUR 350 million of this facility has been drawn.

In November, Fortum repaid EUR 1,400 million part of the Core revolving credit facility and extended the EUR 800 million bilateral revolving credit facility to mature in December 2023. In December, Uniper repaid the shareholder loan of EUR 4,000 million to Fortum. Fortum repaid the remaining EUR 1,000 million of the Core revolving credit facility, EUR 2,000 million of the Liquidity credit facility and the full amount of the EUR 800 million bilateral revolving credit facility.

Fortum's liquidity significantly improved following the sale of Uniper shares and Uniper's repayment of the shareholder loan combined with declining Nordic power prices and release of collaterals. By the end of 2022, Fortum's total interest-bearing liabilities were EUR 7,785 million and liquid funds EUR 3,919 million. At the end of 2022, Fortum's total interest-bearing liabilities excluding Russia were EUR 7,581 million and liquid funds excluding Russia amounted to EUR 3,672 million.

Current loans, including EUR 1,629 million of the current portion of long-term loans, amounted to EUR 4,108 million. Short-term loans, EUR 2,479 million, include EUR 1,100 million of drawdowns from the Liquidity revolving credit facility, a EUR 350 million drawdown from the Solidium bridge financing facility, and use of commercial paper programmes of EUR 475 million (Note 15).

At the end of 2022, Fortum had undrawn committed credit facilities of EUR 7,200 million, including the Liquidity revolving credit facility of EUR 2,000 million (maturity in June 2023 with 6+6 months extension options by Fortum), the Core revolving credit facility of EUR 2,400 million (maturity in June 2025 with 1+1 year extension options by the lenders), the Solidium bridge financing facility of EUR 2,000 million (maturity in September 2023) and the bilateral EUR 800 million revolving credit facility (maturity in December 2023). In addition, Fortum has EUR 100 million committed overdraft limits that are valid until further notice.

On 3 August, S&P Global Ratings (S&P) affirmed Fortum's current BBB long-term credit rating with negative outlook following the announced stabilisation package to provide financial relief to Uniper. On 5 July, due to the Russian gas curtailment, S&P placed Fortum on CreditWatch Negative.

On 5 August, Fitch Ratings affirmed Fortum's long-term credit rating at BBB with negative outlook on Uniper's stabilisation package. On 23 June, Fitch changed Fortum's outlook from stable to negative.

Following the completion of the Uniper divestment and the announcement of Fortum's new strategy, the rating agencies are expected to revisit Fortum's ratings.

Segment reviews

Generation

Generation is responsible for Nordic power generation. The segment comprises CO_2-free nuclear, hydro and wind power generation, as well as power portfolio optimisation, trading, market intelligence, thermal power and global nuclear services. Due to the deconsolidation of Uniper, OKG is reported as an associated company instead of the earlier proportionate consolidation (Note 3).

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Reported				
Sales	1,344	953	3,655	2,869
- power sales	1,328	866	3,600	2,660
of which Nordic outright power sales*	848	625	2,461	1,937
- other sales	16	87	55	209
Operating profit	607	397	1,403	1,066
Share of profit/loss of associates and joint ventures**	-63	12	-194	64
Capital expenditure and gross investments in shares	80	76	234	175
Number of employees			1,155	1,116

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Comparable				
EBITDA	692	470	1,765	1,287
Operating profit	650	428	1,600	1,123
Share of profit/loss of associates and joint ventures**	-72	-13	-49	0
Return on net assets, %			27.0	19.0
Net assets (at period-end)			5,549	5,961

* Nordic outright power sales includes hydro and nuclear generation. It does not include thermal generation, minorities, customer business, or other purchases.
** Power plants are often built jointly with other power producers, and owners purchase power at cost. The share of profit/loss is mainly IFRS adjustments (e.g. accounting for nuclear-related assets and liabilities) and depreciations on fair value adjustments from historical acquisitions (Note 18 in the Consolidated Financial Statements 2021).

Power generation by source

TWh	IV/2022	IV/2021	2022	2021
Hydropower, Nordic	4.8	6.1	19.1	23.3
Nuclear power, Nordic	6.1	6.3	23.4	23.5
Thermal power, Nordic	0.3	-	0.3	0.0
Total	**11.3**	**12.4**	**42.9**	**46.8**

Nordic sales volumes

TWh	IV/2022	IV/2021	2022	2021
Nordic sales volume	14.1	14.2	50.9	54.1
of which Nordic outright power sales volume*	10.5	12.0	41.1	45.3

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

Achieved power price

EUR/MWh	IV/2022	IV/2021	2022	2021
Generation's Nordic achieved power price*	80.5	51.9	59.9	42.8

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

October−December 2022

The Generation segment's total power generation in the Nordic countries decreased due to lower hydropower volumes caused by lower inflow and lower hydro reservoir levels compared to the previous year. Nuclear volumes were also somewhat lower due to slightly longer nuclear maintenance outages, however, the effect was partly offset by TVO's third Olkiluoto power plant unit (OL3) test production. Thermal power volumes derived from the Meri-Pori coal condensing plant which was in commercial use in the fourth quarter. The segment's overall operational performance and load factor for nuclear generation were at a good level. CO_2-free generation accounted for 97% of the total power generation.

The achieved power price increased by EUR 28.6 per MWh, up by 55%, and was EUR 80.5 per MWh. The reasons for the increase in the achieved power price were very good physical optimisation, higher spot prices and a higher hedge price. While the spot power price increased by 59% in the Generation segment's power generation areas, the positive result effect of the higher achieved power price was somewhat dampened by the fairly high hedge levels and a hedge price below the level of the spot price. The price difference in Sweden between the system price and the SE2 -area spot price (Sundsvall) tightened significantly during the reporting period compared to previous quarters. This had a positive effect on the achieved power price compared to the reverse situation in the fourth quarter of 2021. In addition, as there continued to be low liquidity on the exchange for the SE2 -area price products, the hedge ratio in the SE2 -area was lower than the system price hedge ratio which, consequently, had a positive effect on the achieved power price compared to the fourth quarter of 2021.

The main reason for the 52% improvement of the comparable operating profit was the higher achieved power price, the effect of which was somewhat offset by lower hydro and nuclear volumes (Note 3).

Operating profit was affected by EUR -43 (-31) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives (Note 3).

Comparable share of profits of associates and joint ventures totalled EUR -72 (-13) million, including the share of profits of EUR -45 million from OKG resulting mainly from IFRS adjustments relating to the nuclear provision (Notes 3 and 12).

January−December 2022

The Generation segment's total power generation in the Nordic countries decreased due to lower hydropower volumes. This was caused by lower inflow in the segment's power generation areas and lower hydro reservoir levels during the year. The production volumes for nuclear were stable and remained almost at the same level as in 2021. CO_2-free generation accounted for 99% of the total power generation.

The achieved power price in the Generation segment increased by EUR 17.1 per MWh, up by 40%. The achieved power price increased due to the very successful physical and financial optimisation and higher spot prices. While the spot power price increased by 97% in the segment's power generation areas, the positive result effect of the higher achieved power price was dampened by the fairly high hedge levels and a hedge price below the level of the spot price. During most of the year, the achieved power price was also negatively impacted by the significant price difference in Sweden between the high system price and the lower SE2 -area spot price (Sundsvall). This situation eased during the fourth quarter. Due to low liquidity on the exchange for the SE2 -area price products, the hedge ratio in SE2 -area was lower than the system price hedge ratios and, consequently, negatively affected the achieved power price.

Comparable operating profit increased by 42%. The increase was mainly related to the higher achieved power price, partly offset by lower hydro volumes.

Operating profit was affected by EUR -197 (-57) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives (Note 3).

Comparable share of profits of associates and joint ventures totalled EUR -49 (0) million, including the share of profits of EUR -36 million from OKG (Notes 3 and 12).

On 1 February, Fortum and Uniper launched a joint organisation for the Nordic hydro and physical trading operations. Fortum took responsibility for Uniper's hydropower asset management in Sweden and the physical trading optimisation and dispatch activities in the Nordics. After the decision to fully divest its ownership in Uniper, it was

agreed to discontinue all strategic cooperation and to pursue development as two separate companies as of 1 December 2022. In hydropower, the discontinuation of the cooperation meant that some 160 Fortum employees re-joined Uniper in Sweden. In hydrogen, the development portfolio was divided between the two companies. The joint venture with Perstorp, Project Air, continues with Uniper.

On 3 March, Fortum announced its decision to apply for a new operating licence for both units at the nuclear power plant in Loviisa, Finland, until the end of 2050. On 16 February 2023, the Finnish Government granted a new operating licence for both units at Fortum's Loviisa nuclear power plant until the end of 2050. Over the course of the new licence period, the plant is expected to generate up to 170 terawatt hours of CO_2-free electricity. Investments related to the continuation of operations and lifetime extension will amount to an estimated EUR 1 billion until 2050. Over the past five years, Fortum has already invested approximately EUR 300 million in refurbishing the Loviisa power plant. The Loviisa power plant is the first nuclear power plant in Finland. The power plant has two units: unit 1 started operating in February 1977, and unit 2 in November 1980.

On 12 March, electricity generation of TVO's third Olkiluoto nuclear power plant unit (OL3) in Finland started. In June, the start of regular electricity generation was postponed from September to December. In October, damages were detected in the feedwater pumps located in OL3's turbine island. On 22 December, TVO announced that the investigation into the damage in Olkiluoto 3's feedwater pumps was mainly completed and the electricity test production continued on 27 December. In January 2023, production was again discontinued for a month for planned inspections of the impellers of the feedwater pumps and the next test production period started in February. According to TVO, regular electricity production is expected to start in April 2023. The total capacity of OL3 is 1,600 MW and once completed, it will produce approximately 14% of Finland's total electricity consumption (Note 16).

On 9 June, Fortum announced that it had, together with Gasgrid Finland, signed a Letter of Intent for Finland's first floating LNG terminal vessel FSRU, Exemplar, to be placed at Fortum's Inkoo port. Located on the south coast of Finland, Inkoo provides an optimal deep-water port at close proximity to the pipelines distributing gas mainly to industrial end-users in the Baltic region. Gasgrid Finland is leasing the floating LNG terminal vessel for a duration of 10 years and the capacity is sufficient for the gas needs of both Finland and Estonia. On 28 December, the floating LNG terminal vessel Exemplar arrived to Inkoo. Implemented under the leadership of Gasgrid Finland, the LNG floating terminal project will secure the supply of gas to industry, energy production and households and will safeguard Finland's security of supply from the winter of 2023 onwards. This solution also replaces the earlier Russian gas supplies through the Imatra entry point that were stopped in May.

In the third quarter of 2022, Fortum offered the Meri-Pori coal condensing power plant for peak-load reserve capacity until October 2023. On 16 September, the Finnish Energy Authority announced that Meri-Pori was not chosen to the reserve in the tendering process, so Fortum started preparing it for commercial use to help maintain security of supply in Finland during the ongoing energy crisis. In October, the power plant underwent a thorough annual outage to ensure availability of its full capacity of 560 MW if needed. Deployment of actual electricity generation depends on the situation in the power market, and, since December, Meri-Pori has participated in the spot market. The Meri-Pori plant is Finland's last coal-fired condensing plant. It was commissioned in 1994 and has been in the peak-load reserve system between June 2017 and June 2022.

On 17 October, Fortum announced that the company has started a two-year feasibility study to explore prerequisites for new nuclear in Finland and Sweden. Fortum will examine commercial, technological and societal, including political, legal and regulatory, conditions both for small modular reactors (SMRs) and conventional large reactors. Ventures in the nuclear industry will most likely involve partnership constellations, and the feasibility study will also explore the potential for service business offerings for new projects in Europe and hydrogen for industrial applications. Fortum has also announced the exploration of potential cooperation and collaboration opportunities regarding nuclear with the Finnish energy company Helen, the French Electricité de France (EDF) and the Swedish Kärnfull Next AB. Any potential investment decisions will be made at a later stage.

On 22 November, Fortum signed an agreement with Westinghouse Electric Company for the design, licensing, and supply of a new fuel type for the Loviisa power plant. The new fuel type is based on British Nuclear Fuel Limited's fuel that previously was supplied to the Loviisa power plant in 2001-2007 and used in parallel with the fuel supplied by the Russian TVEL in the early 2000s. Taking the new fuel into use is a multi-year project also requiring regulatory approvals. The fuel agreement with the Russian TVEL is valid until the end of the plant's current operating licences, i.e. 2027 and 2030.

City Solutions

City Solutions is responsible for sustainable solutions for urban areas. The segment comprises heating, cooling, waste-to-energy and other circular economy solutions, as well as solar power generation, services and development of new biomass-based businesses. The business operations are located in the Nordics, Poland and India.

EUR million	IV/2022	IV/2021	2022	2021
Reported				
Sales	409	427	1,282	1,302
- heat sales	135	208	505	612
- power sales	127	77	252	205
- waste treatment sales*	63	69	237	250
- other sales**	84	72	288	236
Operating profit	199	14	719	2,671
Share of profit/loss of associates and joint ventures	4	4	14	42
Capital expenditure and gross investments in shares	51	42	159	162
Number of employees			1,691	1,766

EUR million	IV/2022	IV/2021	2022	2021
Comparable				
EBITDA	69	119	177	317
Operating profit	32	73	28	135
Share of profit/loss of associates and joint ventures	4	4	14	42
Return on net assets, %			2.3	6.1
Net assets (at period-end)			1,760	2,456

* Waste treatment sales comprise gate fees and environmental construction services.
** Other sales mainly comprise operation, maintenance and other services, and the sales of recycled products and fuel.

Heat sales by country

TWh	IV/2022	IV/2021	2022	2021
Finland	0.9	1.0	2.8	3.1
Poland	1.2	1.3	3.5	3.8
Norway	-	0.6	0.8	1.8
Other countries	0.1	0.1	0.4	1.3
Total	**2.2**	**3.0**	**7.6**	**10.0**

Power sales by country

TWh	IV/2022	IV/2021	2022	2021
Finland	0.4	0.4	0.9	1.3
Poland	0.2	0.2	0.8	0.7
Other countries	0.0	0.1	0.1	1.3
Total	**0.6**	**0.7**	**1.8**	**3.3**

October−December 2022

Heat sales volumes decreased by 27% and power sales volumes decreased by 14%, mainly due to structural changes following the divestments of Fortum's 50% ownership in the Norwegian district heating company Fortum Oslo Varme as well as the 250-MW Pavagada II and 250-MW Rajasthan solar plants in India. The heat and power sales volumes were also impacted by slightly warmer weather.

Comparable operating profit decreased by 56%, or EUR 41 million, mainly as a result of higher fuel and CO_2 emission allowance prices as well as lower metal prices; the decrease was partly offset by higher power and heat prices. Comparable operating profit was further negatively affected by the divestments of the 50% ownership in the Norwegian district heating company Fortum Oslo Varme and the 250-MW Pavagada II and the 250-MW Rajasthan

solar plants in India; the effect was partly offset by a tax-exempt sales gain of EUR 5 million from the divestment of the Pavagada solar plant.

Operating profit was affected by EUR 168 (-59) million of items affecting comparability, mainly related to the fair value change of non-hedge-accounted derivatives. (Note 3).

Comparable share of profits of associates and joint ventures totalled EUR 4 (4) million.

January−December 2022

Heat sales volumes decreased by 24%, mainly due to structural changes following the divestment of the Baltic district heating business and the sale of Fortum's 50% ownership in the Norwegian district heating company Fortum Oslo Varme. Warmer weather conditions in all the heating areas also negatively affected the volumes. The power sales volumes decreased by 45%, mainly due to the divestments of the Baltic district heating business and the 250-MW Pavagada II and 250-MW Rajasthan solar plants in India as well as the sale of Fortum's 50% ownership in the Norwegian district heating company Fortum Oslo Varme. The power sales volumes were further impacted by lower power sales in Finland due to higher natural gas and CO_2 emission allowance prices that resulted in a change of fuel mix and lower produced power volumes.

Comparable operating profit decreased by 79%, or EUR 107 million, mainly as a result of clearly higher fossil fuel, pellet and CO_2 emission allowance prices as well as lower metal prices. The negative effect was partly offset by higher power and district heating sales prices. Comparable operating profit was also negatively affected by structural changes from the divestments of ownership in Fortum Oslo Varme, the Baltic district heating business and the 250-MW Pavagada II and 250-MW Rajasthan solar plants in India, the effects of which were partly offset by the tax-exempt sales gain of EUR 5 million from the divestment of the 250-MW Rajasthan solar plant in India. The profits from the Rajasthan solar park divestment were recognised in comparable operating profit and in two tranches. The first tranche − a tax-exempt sales gain of EUR 11 million − was recorded in the fourth quarter of 2021 and the second tranche – a tax-exempt sales gain of EUR 5 million – was recorded in the second quarter of 2022.

Operating profit was affected by EUR 690 (2,536) million of items affecting comparability, mainly related to the tax-exempt capital gain of EUR 638 million from the divestment of Fortum Oslo Varme and the fair value change of non-hedge-accounted derivatives. The comparison period includes a capital gain of EUR 2.4 billion from the sale of Stockholm Exergi Holding AB and a EUR 254 million capital gain from the sale of the district heating business in the Baltics (Note 3).

Comparable share of profits of associates and joint ventures totalled EUR 14 (42) million. The comparison period includes EUR 28 million of the share of profits from Stockholm Exergi. Fortum's 50% ownership was divested in September 2021 (Notes 3 and 12).

On 4 February, Fortum announced that it had won the right from Solar Energy Corporation of India (SECI) to build two solar power plants with a total capacity of 600 MW in Karnataka, India. On 16 March, Fortum participated in another solar auction in India and won the right from Gujarat Urja Vikas Nigam Limited (GUVNL) to build a 200-MW solar plant in Gujarat. These projects are planned to be developed together with a partner and are expected to be commissioned by 2024.

On 3 March, Fortum announced that it decided to discontinue the strategic assessment of its Polish district heating business. Fortum is evaluating alternatives for further decarbonisation of these assets in line with its carbon neutrality target. At the end of 2022, Fortum's coal-based capacity in Poland was 0.5 GW.

On 17 March, Fortum and Microsoft announced the world's largest collaboration to heat homes, services and businesses with sustainable waste heat from the new data centre in the Helsinki metropolitan area in Finland. The concept utilises Fortum's existing district heating infrastructure, the second largest in Finland, for heat capture and distribution. Fortum's district heating infrastructure in this area includes about 900 km of underground pipes that transfer heat to approximately 250,000 users. Once operational, approximately 60% of the area's heating will be generated by climate-friendly waste heat.

On 19 May, Fortum concluded the sale of its 50% ownership in the district heating company Fortum Oslo Varme AS in Norway to a consortium of institutional investors of Hafslund Eco, Infranode and HitecVision. The total consideration of the sale amounted to approximately EUR 1 billion on a cash and debt-free basis; as part of the transaction, Fortum

deconsolidated a related EUR 0.2 billion shareholder loan from the City of Oslo. Fortum recorded a tax-exempt capital gain of EUR 638 million in the City Solutions segment's second-quarter 2022 results.

In July, Fortum and GIG (Green Investment Group, a specialist green investor within Macquarie Asset Management), agreed to invest in a new waste-to-energy plant in Glasgow, Scotland, through a 50/50 joint venture. When fully commissioned, the plant will have an annual processing capacity of 350,000 tonnes of waste. The plant will have a power generation capacity of 45 MWe gross, corresponding to the average annual electricity consumption of approximately 90,000 homes.

Consumer Solutions

Consumer Solutions is responsible for the electricity and gas retail businesses in the Nordics, Poland and Spain, including related customer service and invoicing businesses. Fortum is the largest electricity retail business in the Nordics, with approximately 2.2 million customers across different brands in Finland, Sweden, Norway, Poland and Spain. The business provides electricity, as well as related value-added and digital services, mainly to retail customers.

EUR million	IV/2022	IV/2021	2022	2021
Reported				
Sales	1,460	1,052	4,578	2,622
- power sales	1,321	920	4,026	2,253
- gas sales	104	91	392	225
- other sales	35	41	161	144
Operating profit	-921	113	-149	495
Capital expenditure and gross investments in shares	20	19	71	68
Number of employees			1,179	1,176

EUR million	IV/2022	IV/2021	2022	2021
Comparable				
EBITDA	43	3	173	123
Operating profit	25	-17	97	52
Net assets (at period-end)			1,365	1,125

Sales volumes

TWh	IV/2022	IV/2021	2022	2021
Electricity	8.2	8.8	29.6	31.5
Gas*	1.3	1.8	4.8	6.0

* Not including wholesale volumes.

Number of customers

Thousands*	31 Dec 2022	31 Dec 2021
Electricity	2,130	2,120
E-mobility**	70	70
Gas	40	50
Total	**2,240**	**2,230**

* Rounded to the nearest 10,000.
** Measured as average monthly paying customers for the quarter.

October−December 2022

The electricity sales volume decreased by 7% and the gas sales volume in Poland decreased by 28%. Unprecedentedly high electricity and gas prices continued to lower demand as consumers actively reduced overall energy consumption. Total sales revenue increased by 39%, driven by significantly higher electricity and gas prices in the Nordics and Poland.

The number of customers grew by 40 000 during the fourth quarter, simultaneously as the overall customer satisfaction and recommendation rates continued to improve. To help support its customers to manage in the exceptional market situation of unprecedentedly high and volatile power prices, Fortum continued to expand the range of its product portfolio to meet its customers' needs.

Comparable operating profit increased by EUR 42 million and amounted to EUR 25 million. The result in the fourth quarter of 2021 was clearly negative, at EUR -17 million, due to higher electricity purchase costs and negative margins.

Operating profit was affected by EUR -945 (129) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives (Note 3).

January−December 2022

The electricity sales volume decreased by 6%, due to warmer weather in the Nordics compared to the clearly colder temperatures in the first and fourth quarters of 2021. The gas sales volume decreased by 20% as a consequence of higher than normal temperatures in Poland and the unprecedentedly high gas prices that continued to lower demand and overall energy consumption. The total sales revenue increased by 75%, driven by significantly higher electricity and gas prices in the Nordics and Poland.

Comparable operating profit increased by 87%, mainly due to higher electricity and gas sales margins and positive one-offs from gas storage sales. The positive effect was partly offset by higher costs and lower sales of value-added services. The result in the fourth quarter of 2021 was clearly negative due to higher electricity purchase costs and negative margins.

Customer activity with Fortum's customer service centres remained at a higher level throughout the year. In order to meet the higher customer demand, additional resources were assigned to handle the increased number of contacts. The overall customer satisfaction and recommendation rates continued to improve during the year, ensuring the business' competitiveness.

To help support its customers to manage in the exceptional market situation of unprecedentedly high and volatile power prices, Fortum continued to expand the range of its product portfolio to meet its customers' needs. Fortum also offers advice on electricity conservation and encourages smart consumption and moving consumption away from peak-hours to support the energy system as a whole. Support in more actively managing invoices and more flexible payment plans are also available.

Operating profit was affected by EUR -246 (443) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives (Note 3).

On 3 March, Fortum announced that it had decided to discontinue the strategic review of the electricity retail business Consumer Solutions and is continuing to develop the business as part of the Group.

Russia

The Russia segment comprises power and heat generation and sales in Russia. The segment includes Fortum's fully owned power plants, its joint ventures for renewable power generation and the joint ventures for power and heat sales, as well as Fortum's more than 29% holding in TGC-1. These joint ventures and the associated company are accounted for using the equity method.

EUR million	IV/2022	IV/2021	2022	2021
Reported				
Sales	329	267	1,031	906
- power sales	256	219	856	761
- heat sales	65	44	156	137
- other sales	8	4	19	8
Operating profit	-479	75	-690	227
Share of profit/loss of associates and joint ventures	-236	5	-443	62
Capital expenditure and gross investments in shares	37	23	62	83

Number of employees			2,724	2,627

EUR million	IV/2022	IV/2021	2022	2021
Comparable				
EBITDA	120	118	411	404
Operating profit	75	80	260	261
Share of profit/loss of associates and joint ventures	16	5	30	62
Return on net assets, %			11.3	12.9
Net assets (at period-end)			1,690	2,508

Power generation and heat production for the Russia segment

TWh	IV/2022	IV/2021	2022	2021
Russian power generation	7.6	7.7	28.6	28.6
Russian heat production	5.9	5.5	15.7	17.1

Following Russia's attack on Ukraine, Fortum decided in May 2022 to exit its Russia operations. A divestment process is ongoing. Due to existing Western sanctions on Russia and Russia's counter-sanctions, the Group's Russian operations are subject to significant foreign exchange transfer restrictions, which limit the access to cash flows and the ability to transfer funds, including potential dividend distributions, out of Russia. Fortum has stopped all new investment projects in Russia and monetary transfers to Russia and is not providing any new financing to its Russian subsidiaries.

October−December 2022

Power generation volumes were almost at the same level as in the fourth quarter of 2021. Heat production volumes increased due to colder weather in Chelyabinsk and Tyumen.

Sales increased mainly due to the stronger Russian rouble and higher heat tariffs and volumes, the effect of which was partly offset by expiry of Capacity Supply Agreement (CSA) payments of the Nyagan 1 production unit. The effect of the change in the Russian rouble exchange rate was EUR 66 million.

Comparable operating profit decreased by 6%. The effect of the expiry of the CSA period for the Nyagan 1 production unit was partly offset by the EUR 16 million positive effect from the change in the Russian rouble exchange rate and lower depreciation following impairments recognised in the first quarter. Furthermore, the results declined due to write downs related to equipment at the Nyagan and Chelyabinsk plants.

Operating profit was negatively affected by impairments of EUR 550 million related to property, plant and equipment for the Russia segment.

Comparable share of profits of associates and joint ventures totalled EUR 16 (5) million (Notes 3 and 12). The share of profits of associates and joint ventures was affected by impairments of EUR 253 million related to Fortum's ownership in TGC-1 and joint ventures (Notes 3 and 12).

January−December 2022

Power generation volumes remained unchanged. Heat production volumes decreased due to the Argayash CHP plant divestment and the warmer weather in Chelyabinsk and Tyumen in the first half of year.

Sales increased by 14% due to the stronger Russian rouble and higher power prices, partly offset by expiry of the CSA payments of the Nyagan 1 production unit and the divestment of the Argayash CHP plant. The effect of the change in the Russian rouble exchange rate was EUR 160 million.

Comparable operating profit was at the level of the previous year. The negative effect from the CSA expiry for Nyagan 1 was partly offset by the EUR 40 million effect of the change in the Russian rouble exchange rate, higher power prices and lower depreciation following impairments recognised in the first quarter. The comparison period includes a

EUR 17 million positive effect from the sale of the 116-MW CSA-backed solar power project to the Fortum-RDIF joint venture.

Operating profit was negatively affected by impairments of EUR 905 million related to intangible assets and property, plant and equipment for the Russia segment.

Comparable share of profits of associates and joint ventures totalled EUR 30 (62) million. The share of profits of associates and joint ventures was impacted by impairments of EUR 475 million related to Fortum's ownership in TGC-1 and joint ventures (Notes 3 and 12).

On 18 January, Fortum announced that a 1.3 GW portfolio of wind projects was to be transferred to a new joint venture. However, this wind portfolio is now part of the assets and operations that are subject to the ongoing divestment process following Fortum's decision for a controlled exit from Russia as a result of the Russia-Ukraine war. Fortum's ownership interest in the 1.3 GW portfolio is presented in other non-current assets and in interest-bearing liabilities.

On 3 May, following Russia's attack and the war in Ukraine and consequential geopolitical tensions, uncertainties and risks, Fortum announced pre-tax impairments related to the company's Russian operations recorded in its first-quarter 2022 results. On February 7 2023, Fortum announced it would record further impairments in the fourth quarter of 2022 results. Total Russian (pre-tax) impairments for the year 2022 amount to approximately EUR 1.7 billion

For further information, see the section 'Fortum in Russia' and Notes 4 and 13.

Discontinued operations (Uniper)

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Sales	-	47,948	128,102	106,127
Comparable operating profit	-	551	-4,747	1,107
Operating profit	-	1,465	-16,402	-4,913
Share of profit/loss of associates and joint ventures	-	18	71	23
Net profit from discontinued operations	-	576	-11,302	-4,121
Net profit from discontinued operations, attributable to the owners of the parent	-	425	-3,428	-3,246
Net cash from/used in operating activities	-	1,489	-10,870	3,851
Number of employees			-	11,494

On 21 September 2022, Fortum, the German Government and Uniper signed an agreement in principle according to which Fortum fully divests shares in Uniper SE to the German State and the German State takes full control of Uniper. This resulted in Fortum losing control of Uniper and the deconsolidation of Uniper in the third quarter of 2022. On 21 December, Fortum announced that the company had concluded the sale of its ownership in Uniper SE to the German State. Fortum received the total consideration of the share transaction of approximately EUR 0.5 billion and Uniper repaid the shareholder loan of EUR 4 billion granted by Fortum.

For further information on the transaction, see 'Uniper divestment' and on the deconsolidation of Uniper, see Note 6.

Capital expenditures, divestments and investments in shares

In the fourth quarter of 2022, capital expenditures and investments in shares totalled EUR 196 (172) million. Capital expenditures were EUR 190 (156) million (Notes 3 and 6).

In 2022, capital expenditures and investments in shares totalled EUR 558 (724) million. Capital expenditures were EUR 525 (443) million (Notes 3 and 6).

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts/started	Latest announced
Generation					
Pjelax-Böle and Kristinestad Norr, Finland	Wind	380		II/2024	22 Dec 2021

Generation

On 3 March 2021, Fortum announced a substantial investment in dam safety in Sweden for an extensive rebuild of the over 100-year-old Forshuvud hydropower plant. Fortum is investing more than SEK 450 million (approximately EUR 44 million) during 2021–2025. This investment guarantees safe operation of a power plant as a supplier of renewable electricity and balancing power for more weather-dependent types of power.

On 22 December 2021, Fortum announced an investment decision to construct the 380-MW Pjelax-Böle and Kristinestad Norr wind parks in Närpes and Kristinestad in Finland in partnership with the Finnish energy company Helen Ltd. Construction started in January 2022, and the wind parks are expected to be fully operational in the second quarter of 2024 at the latest. Fortum has a 60% majority and Helen a 40% minority ownership in the project; Fortum will consolidate the investment on its balance sheet. The total capital expenditure of the project is approximately EUR 360 million, of which Fortum's share is approximately EUR 216 million.

City Solutions

In June 2021, Fortum announced the divestment of the 250-MW Pavagada II and the 250-MW Rajasthan solar power plants in India to Actis. The parties also signed an agreement targeting potential further investments in solar power plants in India. The total consideration for the divestment on a cash and debt-free basis, including the effect of deconsolidation of the net debt, amounted to approximately EUR 280 million. The sale of the 250-MW Pavagada II solar plant was concluded in October 2021, the first phase of the Rajasthan divestment in November 2021 and the second phase in May 2022.

On 16 May, Fortum concluded the sale of its 50% ownership in the district heating company Fortum Oslo Varme AS in Norway to a consortium of institutional investors of Hafslund Eco, Infranode and HitecVision. The signing of the transaction was announced on 22 March. The total consideration of the sale amounted to approximately EUR 1 billion on a cash and debt-free basis; as part of the transaction, Fortum deconsolidated a related EUR 0.2 billion shareholder loan from the City of Oslo. Fortum recorded a tax-exempt capital gain of EUR 638 million in the City Solutions segment's second-quarter results.

In July, Fortum and GIG (Green Investment Group, a specialist green investor within Macquarie Asset Management), agreed to invest in a new waste-to-energy plant in Glasgow, Scotland, through a 50/50 joint venture. When fully commissioned, the South Clyde Waste-to-Energy plant will have an annual processing capacity of 350,000 tonnes of waste per year. The plant will have a power generation capacity of 45 MWe gross, corresponding to the average annual electricity consumption of approximately 90,000 homes.

On 7 December, Fortum announced that the construction work and the gradual deployment tests of the company's new battery material recycling facility in Finland was completed according to plan. In June 2021, Fortum made an

investment decision to expand its lithium-ion battery recycling capacity by building a hydrometallurgical plant in Harjavalta. The commercial operations will begin after the commissioning period in the second quarter of 2023. The investment of approximately EUR 27 million will increase Fortum's hydrometallurgical recycling capacity and enable the production of battery chemicals.

Other Operations

On 1 September, Fortum divested its e-mobility business Plugsurfing to Fleetcor Technologies, Inc., a leading global business payments company. The transaction price was approximately EUR 75 million on a cash and debt-free basis and Fortum recorded a tax-exempt capital gain of EUR 61 million in Other Operations' third-quarter results.

On 18 August, Fortum closed the sale of its 30% ownership in Recharge AS (Recharge), a public charging point operator (CPO) for electric vehicles, to Infracapital, the infrastructure equity investment arm of M&G Plc. The transaction was originally announced on 10 June. After the transaction, Infracapital owns 100% of Recharge, which is the largest charging network in the Nordic region with more than 4,600 connectors at 830 locations. The transaction price was EUR 85 million, and Fortum recorded a tax-exempt capital gain of EUR 77 million in Other Operations' third-quarter results.

Russia

Due to the ongoing Russia-Ukraine war and the current geopolitical situation, Fortum has stopped all new investment projects in Russia.

Operating and regulatory environment

European power markets

Year 2022 goes down in history for Russia's brutal attack on Ukraine. As one of the consequences of the war, European energy markets have faced a shock that compares with the oil crisis in the 1970s. Some 25% of European gas supply was lost during the year, leading to a harsh situation that has tested the limits of European energy supply and energy markets. Europe has been able to cope with the loss of the majority of imported Russian pipeline gas, due to reduced energy demand and increased liquefied natural gas (LNG) imports.

According to preliminary statistics, power consumption in the Nordic countries was 103 (109) TWh during the fourth quarter of 2022. Power demand was clearly below the five-year average, due to mild temperatures in October and November combined with active price-induced demand reduction across various demand segments. In 2022, power consumption in the Nordics was 385 (402) TWh.

In Central Western Europe (Germany, France, Austria, Switzerland, Belgium and the Netherlands), power consumption in the fourth quarter of 2022 was 333 (371) TWh, according to preliminary statistics. In 2022, power consumption in Central Western Europe was 1,318 (1,366) TWh. Power demand in Continental Europe was below the five-year average, affected also by demand response due to the high electricity prices.

At the beginning of the fourth quarter of 2022, the Nordic hydro reservoirs were at 89 TWh, which is 12 TWh below the long-term average and 6 TWh higher than in the previous year. Inflow has been somewhat above normal, while hydro generation was slightly below normal level. At the end of 2022, the reservoir levels were at 79 TWh, which is 5 TWh below the long-term average and 6 TWh higher than in the previous year.

In the fourth quarter of 2022, power prices continued at high levels, albeit retreating somewhat from the previous quarter. The average system spot price in Nord Pool was EUR 136 (96) per MWh. The average area price in Finland was EUR 185 (115) per MWh, and in the SE3 area in Sweden (Stockholm) EUR 147 (108) per MWh. In the SE2 area in Sweden (Sundsvall), the average area price, however, set a new quarterly record at EUR 116 (45) per MWh. In Germany, the average spot price in the fourth quarter of 2022 was EUR 193 (179) per MWh.

In 2022, the average system spot price in Nord Pool was EUR 136 (62) per MWh. The average area price in Finland was EUR 154 (72) per MWh, in the SE3 area in Sweden (Stockholm) EUR 129 (66) per MWh, and in the SE2 area in

Sweden (Sundsvall) EUR 62 (43) per MWh. In Germany, the average spot price during 2022 was EUR 235 (97) per MWh.

At the end of February, the Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2023 was around EUR 86 per MWh and for 2024 around EUR 79 per MWh. The Nordic water reservoirs were at 59 TWh, which is about 2 TWh below the long-term average and 4 TWh higher than one year earlier. The German electricity forward price for the remainder of 2023 was around EUR 149 per MWh and for 2024 around EUR 153 per MWh.

European commodity markets

In the fourth quarter of 2022, gas demand in Central Western Europe was 524 (658) TWh and 1,867 (2,225) TWh during 2022. The Central Western European gas storage levels decreased only slightly: from 564 TWh at the beginning of the quarter to 532 TWh at the end of the quarter, which is 235 TWh higher than one year ago and 107 TWh higher than the five-year average (2017–2021).

The steep reduction in the Russian pipeline gas flows to Europe pushed European gas prices to unprecedented levels amid high volatility. The average gas front-month price (TTF) in the fourth quarter of 2022 was EUR 124 (97) per MWh. The average gas front-month price (TTF) for full-year 2022 was EUR 133 (48) per MWh. The 2023 forward price decreased from EUR 183 per MWh at the beginning of the quarter to EUR 88 per MWh at the end of the quarter, which is EUR 47 per MWh higher than one year earlier. At the beginning of 2022 the TTF forward price for 2023 delivery was at EUR 45 per MWh.

In the EUA (EU Allowance) markets, the price increased from EUR 67 per tonne at the beginning of the fourth quarter of 2022 to EUR 84 per tonne at the end of the year, which is EUR 3 per tonne higher than one year earlier. At the beginning of 2022, the EUA price was at EUR 85 per tonne. The average EUA price for full-year 2022 was EUR 81 per tonne.

The forward quotation for coal (ICE Rotterdam) for 2023 decreased from USD 287 per tonne at the beginning of the quarter to USD 185 per tonne at the end of the year, which is USD 98 per tonne above the price one year earlier. At the beginning of 2022, the forward quotation for coal (ICE Rotterdam) for 2023 delivery was at EUR 90 per tonne.

At the end of February, the TTF forward price for gas for the remainder of 2023 was EUR 53 per MWh. The forward quotation for EUAs for 2023 was at the level of EUR 97 per tonne. The forward price for coal (ICE Rotterdam) for the remainder of 2023 was USD 160 per tonne.

Regulatory environment

EU ETS revision finalised

On 18 December, the EU institutions reached a provisional agreement on the revision of the EU emissions trading directive (ETS). The revision will raise the ambition of the ETS and enlarge its scope significantly. The ETS emissions reduction target will be increased from 43% to 62% by 2030, compared to 2005, and the operation of the market stability reserve (MSR), the mechanism to balance the supply-demand of allowances, will be enhanced. The Commission will assess and, by end of 2026, will report on the possibility to include the municipal waste incineration sector in the ETS from 2028 onwards. Starting in 2027, a new emissions trading system (ETS2) will be established for private and public road transport and heating of buildings.

In February, the EU allowance price peaked for the first time at 100 euros. According to analyst assessments of the impact of the agreed reform, ETS will move from oversupply to significant tightness towards the end of the decade and beyond.

The revised ETS directive is largely in line with Fortum’s priorities, as Fortum has been calling for an increased ambition, strengthening of the MSR, inclusion of waste incineration to the ETS and enlarging the scope of ETS to heating of buildings.

EU power market design developing

The review of the European power market design represents the last major legislative file on climate and energy matters to be initiated by the Commission under the von der Leyen term. The consultation with stakeholders was

launched with some delay at the end of January 2022 and was closed on 13 February with possible subsequent delay on the issue of the legislative proposal. In the face of a political push for more radical changes in the key market design principles, including questioning of the marginal pricing, Fortum has cautioned against solving the current energy crisis through structural and untested changes to the market design and has stressed its preference for an evolutionary rather than a revolutionary approach.

The legislative proposal should be substantiated based on a thorough and robust impact assessment. Fortum recommends that a system needs' analysis be conducted as a way to determine the necessary level of firmness, variability and flexibility.

EMIR review started

When the energy crisis escalated in the summer of 2022, it also hit the energy commodity derivatives' markets with the risk of a systemic default payment effect on utilities. As a response, the Commission adopted a set of temporary measures to notably extend the range of collaterals and to introduce a circuit breaker mechanism for the power derivatives' exchanges to enable the suspension of trading if/when prices or transactions become too erratic. On 7 December, the Commission issued a revision of the EMIR (European Market Infrastructure Regulation) legislation with the view to improve the regulation by making structural changes to this core EU financial legislation and making some of the temporary measures permanent. Whilst welcome and needed, Fortum sees the revised proposal still insufficiently equipped to protect the power sector from systemic failure risks if a margining crisis similar to the one in August 2022 were to occur again.

National measures to support electricity consumers and related political discussion

Following the unprecedentedly high retail electricity prices in the summer of 2022, measures to support electricity consumers became a heavy political debate. Governments in Finland and Sweden agreed on several support measures to help consumers manage their electricity bills. The agreed Finnish measures include, e.g., reduced VAT and improvements in social support schemes. Recently approved instruments are temporary lump reimbursement of bills and prolonging of invoice payments. In Sweden, it was decided that Svenska Kraftnät's bottleneck income would be redistributed to compensate households and companies for higher energy bills. There is a growing pressure to lower VAT and electricity tax but the government has not yet made any further decisions. At the same time, electricity retail companies have voluntarily introduced new electricity products and contracts with lower fixed prices.

While Fortum supports addressing the concerns of electricity customers, the company prefers measures that do not distort competition amongst electricity market actors nor favour network owners over retailers or vice-versa. Any kind of a retail price cap would be difficult to implement without extensive government support for retailers. There is no net effect for retail companies from the governmental support measures, but required changes in the billing systems are time-consuming.

Windfall taxation in Finland for 2023

On 29 December, following a short public consultation process, the Finnish Government presented a draft windfall tax proposal (HE 320/2022 vp). The objective of the proposal is to implement the EU regulation 2022/1854 on revenue cap and solidarity contribution through a temporary national windfall tax on the electricity sector to tax the extraordinary profits generated in the energy crisis and to redistribute the means to consumers to support their high energy bills. While Fortum agrees with the objective of the proposal, the company finds the proposed taxation model problematic in many ways. The model deviates fundamentally from the EU's revenue cap model and is much more stringent compared to the EU regulation as it deviates in scope, tax basis and application time, and hence puts the Finnish electricity sector in a disadvantageous position, especially compared to Sweden which will implement the EU revenue cap in line with the EU regulation.

The tax applies to companies in the electricity sector within electricity generation, wholesale and partly retail sales in Finland. According to the proposal, the tax would be 30% of the companies' net profits generated from the aforementioned electricity operations in Finland exceeding a 10% return on equity in the fiscal year 2023. The Finnish corporate income tax is 20%; consequently, the total nominal tax rate would be 50% on net profits generated in the scope of the defined windfall tax. Based on the Government's latest estimates, it would cumulatively bring in temporary tax revenues of EUR 0.3-0.4 billion from industry participants during 2023. The Finnish Parliament adopted the legislation on temporary windfall tax on 27 February 2023. The tax becomes payable in 2024.

Fortum's electricity generation in Finland accounts for approximately one third of total Finnish electricity generation. Approximately 40% of Fortum's Nordic electricity generation and approximately 30% of its electricity customers are in Finland.

Revenue cap in Sweden to become effective 1 March 2023

The Swedish Government has presented a legislative proposal to implement the EU revenue cap legislation with effect from 1 March to 30 June 2023, in accordance with the EU regulation. The revenue cap is set at a power price of 180 EUR/MWh, as specified by the EU. Only realised revenues are proposed to be subject to the cap, meaning that hedges and other financial contracts can be subtracted from the realised spot prices. The Swedish Government estimates that the revenue cap will bring in a modest EUR 28 million in additional tax revenue.

Status of implementing the Swedish Governmental programme on nuclear and hydro

As communicated both in the governmental agreement and declaration, in January the Swedish Government has presented a legislative proposal to remove the barriers for new nuclear in the Swedish Environmental Act. The current legislation limits new nuclear to a maximum of 10 reactors at the three already existing nuclear sites. The new legislation will enable both large-scale nuclear and small modular reactors (SMRs) to be located at new sites. The proposed legislation will become effective on 1 March 2024.

In order to better safeguard existing hydropower plants, the Swedish Government has decided to pause the ongoing re-permitting process for one year. The time period will be used to analyse the consequences for the power system and to adjust the re-permitting process to safeguard the value of hydropower and ensure that the total production loss from the re-permitting process stays below 1.5 TWh, as specified in the so-called national plan for hydropower. Fortum owns and operates power plants in several of the rivers that are being handled early in this process. These plants will enter into court processes for updated permits at a later stage due to the time-out and the related production losses may be lower than initially estimated.

Key drivers and risks

Fortum's financial results are exposed to a number of financial, operational, strategic and sustainability-related risks. Fortum is exposed to these risks both directly and indirectly through its subsidiaries, associated companies and joint ventures. The principal associated companies and joint ventures are Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB, OKG AB and Kemijoki Oy. For more information, please see Fortum's annual report.

On 21 December, Fortum announced that it had completed the sale of its ownership in Uniper SE to the German State. The total loss from the Uniper divestment in the legal Fortum entity owning the Uniper shares was slightly below EUR 6 billion. For more information on the agreement and completion of the transaction, please see the section 'Uniper divestment' in this Financial Statements Bulletin.

Russia's attack on Ukraine in February 2022 has severely impacted Fortum's current and future businesses. The likelihood of a number of existing geopolitical risks that could negatively impact Fortum's businesses has increased, and in some cases the risks have fully or partly realised. Russia's counter sanctions on the EU have significantly affected the energy market, especially through the gas curtailments. A further widening of sanctions against Russia, and possible countermeasures, may impact current or future business relations. Continued curtailment of the physical supply of gas, coal, oil and other fuels from Russia could have follow-on implications, e.g. on Nordic power prices and volatility and the availability of Fortum's power plants. A further escalation of the war, although not currently seen as likely, could have severe implication, such as an increased risk of sabotage or direct attacks on, for example, energy infrastructure in Fortum's operating countries.

The unpredictable nature of sanctions and possible countermeasures by Russia continue to pose a significant risk for Fortum. The EU, US and UK are implementing a various range of sanctions towards Russia, targeting, for example, the financial and energy sectors. The sanctions imposed so far restrict the possibility to make cross-border payments from Fortum's Russian units, which affects repatriation of future dividends from the Russian operations, Fortum internal loan repayments and interest payments. Fortum is not making any further investments in Russia and existing contracts will not be renewed when they expire. The company is also pursuing a controlled exit from the Russian market with divestments of its Russian operations as the preferred path. In addition, Fortum does not provide any new financing to its Russian subsidiaries. The current geopolitical situation poses a risk to the controlled exit from Russia if

the divestments cannot be finalised or are severely delayed, which in turn might limit Fortum's access to capital markets, or if the outcome of a transaction materialises at a lower valuation of the business or, in an extreme case, expropriation of Fortum's Russian assets. Due to the increasingly complex operating environment and prolonged uncertainty regarding Fortum's Russian operations, Fortum has recorded total impairment charges in 2022 in the amount of approximately EUR 1.7 billion. The remaining value of the Russian net assets after the impairments totals approximately EUR 1.7 billion.

One of the key factors influencing Fortum's business performance is the Nordic electricity wholesale price. In the Nordics, power prices exhibit significant short- and long-term variations on the back of several factors, including, but not limited to, weather conditions, outage patterns in production and transmission lines, CO_2 emission allowance prices, commodity prices, and the supply-demand balance. The Russian invasion of Ukraine drove commodity prices to new record levels and further increased price volatility. As a consequence, the EU and its member states are taking action with temporary market interventions (e.g. price caps and windfall taxation). If made permanent, these market interventions may pose a risk to business performance. The value of the Fortum outright power generation portfolio increased in January−December 2022, which is generally positive for future earnings. However, the higher value combined with increased price volatility has led to a higher commodity price risk. An economic downturn, lower commodity prices, warm weather or wet hydrology could lead to significantly lower Nordic power prices, which would negatively impact earnings from Fortum's outright power production. Fortum hedges its exposure to commodity market prices and reports on the hedging levels and hedged prices of its outright power on a quarterly basis. For more information, please see 'Outlook' in this Financial Statements Bulletin.

Fortum is exposed to liquidity and refinancing risks primarily through the need to finance its business operations, including margining and collaterals issued for commercial activities. Higher and more volatile commodity prices increase the net margining payments toward clearing houses and clearing banks, mainly settled in cash. Fortum mitigates this risk by entering into OTC derivatives contracts directly with bilateral counterparties without margining requirements. Consequently, credit exposure from hedges with OTC counterparties has increased. In general, due to Fortum's net short position in Nordic power hedges the credit exposure tends to increase with the value of hedges if Nordic power prices decrease. In order to mitigate the related liquidity risk, Fortum signed a bridge financing arrangement with Solidium, fully owned by the Finnish State, in the third quarter of 2022. With the arrangement, the company ensured access to sufficient liquidity resources if Nordic power prices – and thus, collateral requirements – would have risen significantly again. For more information on the agreement, see 'Solidium's bridge financing loan to Fortum and directed share issue without payment to Solidium' in this Financial Statements Bulletin.

At the beginning of August, both S&P Global Ratings and Fitch rating agencies affirmed Fortum's BBB rating with Negative Outlook. Following the completion of the Uniper divestment and the announcement of Fortum's new strategy, the rating agencies are expected to revisit Fortum's ratings. A lowering of the credit ratings, in particular to below investment-grade level (BB+ or below), could trigger counterparties' rights to demand additional cash or non-cash collateral. Fortum targets to have a solid investment grade-rating of at least BBB. Fortum continues to constantly monitor all ratings-related developments and to regularly exchange information with the rating agencies.

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

Mitigating climate change, adapting to it and driving the transition to a lower-carbon economy is an integral part of Fortum's strategy. Climate-related risks are divided into two categories in accordance with the TCFD recommendations: transition risks and physical risks. The transition to a low-carbon economy poses a number of strategic and operative risks related to changes in energy and climate policy and regulation, technology development and the business environment in which Fortum operates. Related to physical risks, Fortum's entities are required to identify and assess their assets' resilience towards different acute and chronic physical climate-related risks within different Intergovernmental Panel on Climate Change (IPCC) climate scenarios, and create adaptation plans for the most material risks. Fortum is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and physical climate-related risks are reported accordingly in Fortum's TCFD report in Sustainability 2022 report.

For further information about Fortum's risks and risk management systems, see Fortum's Financial Statements for 2021 and Financial Statements for 2022, to be published in week 10 at the latest.

Fortum in Russia

Russia's attack war in Ukraine and its decision to use energy as a weapon fundamentally changed the geopolitical situation and operating environment for energy companies in Europe, increasing and materialising uncertainties and risks for Fortum. Throughout the crisis Fortum has focused on ensuring a secure energy supply to customers and managing the adverse effects of the crisis on the company's stakeholders. The company complies with all applicable laws and regulations, including sanctions, and prepares for various scenarios. Further information on risks is also in the section 'Key drivers and risks' of this Financial Statements Bulletin.

Pursuing a controlled exit from Russia

Soon after the war broke out, Fortum announced that it had stopped all new investment projects in Russia and would not provide any new financing to its Russian subsidiaries. In May, Fortum announced that it is preparing a controlled exit from the Russian market, with potential divestments of its Russian operations as the preferred path. Completing the exit is likely to take additional time, and there still are significant uncertainties – including regulatory approvals – related to the ongoing divestment process.

Governance of Fortum Russia division

Fortum's Russian operations are functioning on a "stand-alone" basis with e.g. separated IT systems. Governance has been segregated to support the planned exit phase, simultaneously ensuring compliance with applicable laws and regulations, including sanctions. Since spring 2022, there are no parent company representatives on the boards of the Russian subsidiaries and the head of Fortum's Russia division has stepped down from the Fortum Executive Management team. However, he continues to report to the Group CEO.

Due to existing sanctions imposed by Russia, the Group's Russian operations are subject to significant foreign exchange transfer restrictions, which limit the ability to transfer funds, including potential dividend distributions, out of Russia.

Fuel supply and sourcing from Russia

Soon after the war broke out, Fortum started taking measures to secure fuel supplies for its power plants outside of Russia. Fortum no longer buys coal, pellets, biomass, oil or gas from Russia for its power plants. Fortum has also stopped electricity imports from Russia. However, Fortum buys nuclear fuel for its Loviisa nuclear power plant in Finland from the Russian TVEL, as it is not possible to quickly change suppliers due to e.g. the required certification and permitting processes. The current supply contract is valid until the end of the current operating licences in 2027 (Loviisa 1) and 2030 (Loviisa 2). To diversify the company's fuel strategy, improve security of supply and ensure reliable electricity production at the Loviisa power plant, Fortum signed an agreement with Westinghouse Electric Company in November for the design, licensing and supply of a new fuel type for the Loviisa power plant. Taking the new fuel into use is a multi-year project also requiring regulatory approvals.

Fortum's operations and assets in Russia

Fortum's Russia segment comprises its subsidiary PAO Fortum, including shares in joint ventures and Fortum's shareholding in PAO TGC-1 (ownership of more than 29%). Fortum has seven power plants in Russia, mainly natural gas-fired power plants in the Urals and Western Siberia. Six of the plants produce both electricity and heat for the market, while one plant produces only electricity. At the end of 2022, total power generation capacity amounted to 4.7 gigawatts (GW) and heat production capacity to 7.6 GW. In 2022, PAO Fortum generated 28.6 terawatt-hours (TWh) of electricity and produced 15.7 TWh of heat. Fortum's Russia segment is also active in developing renewable power generation in Russia. The segment's wind and solar portfolio comprises 1.3 GW of operational CSA-backed (Capacity Supply Agreements) capacities.

Fortum has approximately 2,700 employees in Russia.

In its first-quarter 2022 results, following Russia's attack and the war in Ukraine and the consequential geopolitical tensions, uncertainties and risks, Fortum recorded impairments of approximately EUR 0.7 billion related to the Russia segment, i.e. fixed assets and goodwill for as well as Fortum's ownership in TGC-1 and renewables joint ventures. In

its fourth-quarter 2022 results, Fortum recorded additional impairments of approximately EUR 990 million related to the Russian segment. The impairments include changes in Russian rouble rate (Note 13).

Outlook

In the near term, the ongoing disruption of the energy sector is impacted by geopolitical tensions, the general negative economic outlook with high inflation and interest rates, tightening regulations and volatile commodity markets. In addition, in the short-term price elasticity to counter high electricity prices has an impact on power consumption.

In the long-term, electricity is expected to continue to gain a significantly higher share of total energy consumption. The electricity demand growth rate will largely be determined by classic drivers, such as macroeconomic and demographic development, but also increasingly by decarbonisation of energy intensive industrial, transport and heating sectors through direct electrification and green hydrogen.

Hedging

At the end of 2022, approximately 75% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 58 per MWh for 2023 (at the end of the third quarter of 2022: 65% at EUR 49 per MWh) and approximately 45% at EUR 42 per MWh for 2024 (at the end of the third quarter of 2022: 40% at EUR 38 per MWh).

The reported hedge ratios are based on the hedges and power generation forecasts of the Generation segment.

The reported hedge ratios may vary significantly, depending on Fortum's actions on the electricity derivatives markets. Hedges are mainly financial contracts, most of which are electricity derivatives quoted on Nasdaq Commodities and traded either on Nasdaq Commodities or with bilateral counterparties. As an additional liquidity risk mitigation measure, Fortum has reduced its exposure on the Nasdaq Commodities exchange and increased the share of bilateral agreements.

Capital expenditure

Fortum estimates its capital expenditure, including maintenance but excluding acquisitions and the Russia segment, to be approximately EUR 700 million in 2023, of which the share of maintenance capital expenditure is estimated to be approximately EUR 300 million, well below the level of depreciation.

Generation

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

Income taxation

In 2023, considering the temporary windfall tax law in Finland, the comparable effective income tax rate for Fortum is estimated to be in the range of 21−24% and excluding the windfall tax in Finland, in the range of 20−22%. In 2024, the comparable effective income tax rate for Fortum is estimated to be in the range of 19−21%. Fortum's comparable effective tax rate is impacted by the weight of the profit in different jurisdictions and differences in standard nominal tax rates in these jurisdictions. The tax rate guidance excludes items affecting comparability.

Sustainability

In this Financial Statements Bulletin, selected sustainability key performance indicators for continuing operations and continuing operations excluding Russia are disclosed. Comparative figures and information for the year 2021 have been restated to exclude Uniper as discontinued operations. Selected key performance indicators for discontinued operations are presented in separate tables.

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

Based on a materiality analysis, Fortum's sustainability priority areas are:

Climate and resources	Personnel and society	Governance
Biodiversity	Corporate citizenship	Business ethics and compliance
Circular economy and waste management	Diversity, equity, and inclusion	Corporate governance
Climate change and GHG emissions	Fair and attractive employer	Customer rights and satisfaction
Emissions to air, land, and water	Health, safety, and wellbeing	Innovation and digitalisation
Energy efficiency	Human rights and supply chains	Shared value creation
Secure and affordable energy supply	Just transition	
Water use and optimisation	Stakeholder engagement	

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

Sustainability targets

The Fortum Board of Directors resolved on Fortum's new strategy at the beginning of March, 2023. As part of this, Fortum's Sustainability targets have now been updated. A summary of Fortum's new strategy and key sustainability targets can be found in the section of 'Events after the balance sheet date' (Note 23).

In 2020, as part of the joint strategy with Uniper, Fortum aligned its climate targets with the goals of the Paris Agreement to be committed to carbon neutrality by 2050 at the latest. The target covered direct CO_2 emissions (Scope 1) and indirect CO_2 emissions (Scope 2 and 3). Fortum's roadmap to reduce emissions in Europe was also defined. Fortum committed to at least a 50% reduction in CO_2 emissions (Scope 1 and 2) in its European generation by 2030 (compared to base-year 2019) and to carbon neutrality (Scope 1 and 2) by 2035 at the latest. In December 2021, Fortum also committed to reduce Scope 3 greenhouse gas emissions by 35% by 2035 at the latest (compared to base year 2021).

Emission reduction targets and performance for continuing operations

Group emission reduction targets set in 2020 and 2021 are part of 2022 reporting and performance against the climate targets are presented in the table below.

Climate target	Scope	2022	2021 restated	Base-year	Base-year emissions	Change compared to base year %
Carbon neutrality by 2050 at the latest	Total Scope 1, 2 and 3 emissions, million tonnes CO_2-eq	30.2	31.7	-	-	-
At least a 50% reduction in CO_2 emissions in European generation by 2030	Scope 1 and 2 emissions in European generation, million tonnes CO_2	2.2	2.2	2019	2.9	-24
Reduction of Scope 3 GHG emissions by 35% by 2035 at the latest	Total Scope 3 emissions, million tonnes CO_2-eq	13.2	13.8	2021	13.8	-4

In 2022 Fortum's target was to develop a science-based strategy to measure and enhance the biodiversity impacts of the Group's operations and the new developments. This work was completed in 2022.

For Fortum, excellence in safety and caring about both its own employees and contractors is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. Fortum's safety targets for 2022 included Uniper and were measured as:

- Zero severe occupational accidents
- Total Recordable Injury Frequency (TRIF), for own personnel and contractors; the ambitious goal is <1.0 by the end of 2025
- Severity rate per TRI (i.e. number of lost days divided by number of Total Recordable Injuries), for own personnel and contractors: ≤11 in 2022

Fortum is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD). Fortum has a long-standing focus on mitigating climate change and adopted the reporting recommendations of the TCFD starting from the financial year 2019.

Fortum's Climate Lobbying Review was first published in December 2021 and updated in December 2022. The Review is publicly disclosed on Fortum's website. A summary of the review is also published as a part of Fortum's Sustainability report. In December 2022, Fortum also published its Lobbying Guidelines.

The table below shows Fortum's sustainability performance for continuing operations with selected key indicators.

Group sustainability performance for continuing operations

	IV/2022	IV/2021 restated	2022	2021 restated
Climate and resources				
Total CO_2 emissions, million tonnes	5.0	4.7	16.9	17.8
Total CO_2 emissions, excl. Russia, million tonnes	0.8	0.6	2.1	2.2
Specific CO_2 emissions from total energy production, gCO_2/kWh	191	170	184	175
Specific CO_2 emissions from total energy production, excl. Russia, gCO_2/kWh	64	43	45	39
Asset availability of power generation plants, %	90.6	91.3	90.3	90.3
Major environmental incidents*, no	0	-	2	-
Personnel and society				
Total Recordable Injury Frequency (TRIF), own personnel and contractors	1.5	2.7	2.7	3.1
Severity rate per TRI**, own personnel and contractors	19.3	13.3	12.0	13.1
Severe occupational accidents, no.	0	1	2	2
Safety eLearning***, %	13.9	-	91.2	-
Safety Leadership Programme for Executives****, %	36	-	96.3	-
Sickness-related absences, %	3.4	3.6	3.2	2.9

* Number of environmental incidents that resulted in significant harm to the environment (ground, water, air) or an environmental non-compliance with legal or regulatory requirements.
** Number of lost days divided by number of Total Recordable Injuries (TRI).
*** Completion rate. Training launched in the second quarter of 2022.
**** Completion rate. Training launched in the third quarter of 2022.

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. Fortum received a score of "B" in the CDP Climate Change 2022 rating. In the MSCI ESG Ratings assessment, Fortum received a "BBB" rating in 2021. Fortum has also participated in the ISS ESG Corporate Rating in 2022, where Fortum received a "Prime B-" rating. In 2022, Fortum was awarded Gold EcoVadis Medal. In 2022, Fortum has also been rated 62 points out of a maximum 100 points by Moody's ESG Solutions. In addition, Fortum is listed on the Nasdaq Helsinki exchange and is included in the STOXX Global ESG Leaders, OMX Sustainability Finland, and ECPI® indices. Fortum has been certified as a Nasdaq's ESG Transparency Partner.

Climate and resources

Fortum's key performance indicators for climate and resources are related to CO_2 emissions, security of supply, and major environmental incidents. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard, and 100% of Fortum's power and heat production worldwide has ISO 14001 certification.

Fortum's power generation in the Nordic countries is mainly based on CO_2-free hydro and nuclear power. A minor share of Fortum's power generation is currently based on solar and wind. Fortum has also generation of district heating and cooling in Finland and in Poland. In Europe, heat is mainly produced at energy-efficient combined heat and power (CHP) plants. In addition, Fortum offers industrial and infrastructure solutions, e.g., waste-to-energy, as well as energy sales. In the Russian operations, Fortum has mainly natural gas-fired generation.

In 2022, Fortum's direct CO_2 emissions were 16.9 (17.8) Mt. 87% of CO_2 emissions originated from Russian power and heat production. Of the total CO_2 emissions, 1.6 (1.5) Mt were within the EU and UK emissions trading system (ETS). The estimate for Fortum's free emission allowances in 2022 is approximately 0.2 (0.2) Mt .

In 2022, Fortum's power generation was 72.8 TWh and excluding Russia 44.2 TWh. 59% of Fortum's total power generation was CO_2-free. In Europe, 97% of the power generation was CO_2-free. Fortum's coal-based capacity totalled 0.7 GW at the year-end 2022 and generation 1.2 TWh. Russia exited coal on 1 November 2022. Excluding Russia the coal-based generation was 1.1 TWh. The share of coal of Fortum's revenues was 3% and excluding Russia 4%. The share of fossil fuels of Fortum's generation-based revenues was 12% and excluding Russia 6%.

Fortum's direct CO_2 emissions (million tonnes, Mt)	IV/2022	IV/2021 restated	2022	2021 restated
Total emissions	5.0	4.7	16.9	17.8
Emissions subject to ETS	0.7	0.5	1.6	1.5
Free emission allowances	-	-	0.2	0.2
Emissions not subject to ETS in Europe	0.1	0.2	0.5	0.7
Emissions in Russia	4.2	4.1	14.8	15.6

In 2022, Fortum's specific CO_2 emissions from total energy production were 184 (175) gCO_2/kWh. Specific CO_2 emissions from power generation were 180 gCO_2/kWh and excluding Russia 25.4 gCO_2/kWh. An uninterrupted and reliable energy supply is critical for society to function. In 2022, the asset availability of Fortum's gas-fired and coal-fired power plants was, on average, 90.3 (90.3)%.

In 2022, the definition of major environmental incidents was revised. The figure now includes environmental incidents that resulted in causing significant harm to the environment (ground, water, air) and environmental non-compliances with legal or regulatory requirements. In 2022, there were two major environmental incidents, which occurred in Fortum's hydropower operations in Sweden, and in the Recycling & Waste operations in Finland.

Personnel and society

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

Fortum strives to be a safe workplace for the employees, contractors and service providers who work for the company. A certified ISO 45001 safety management system covers 100% of Fortum's power and heat production worldwide.

In 2022, Fortum's TRIF (Total Recordable Injury Frequency) for own personnel and contractors was 2.7 (3.1). The severity rate per TRI for own personnel and contractors was 12.0 (13.1), which did not meet the set target. Fortum's LTIF (Lost Time Injury Frequency) for own personnel and contractors was 1.6 (2.2). Fortum strives for zero severe occupational accidents. In 2022, there were 2 (2) severe occupational accidents in the operations, one of them resulted in fatality. A Fortum employee at customer's power plant in Rwanda fell down from 7 meters when installing barricading around removed floor grating. Corrective actions including, e.g., improvements in the permit to work process and clarifications in the authorities to issue and follow orders have been implemented.

Fortum's goal regarding workplace wellbeing activities is to promote the health and occupational safety of employees and the functionality of the work community. In 2022, Fortum's percentage of sickness-related absences was 3.2 (2.9).

Fortum's performance regarding reputation and customer satisfaction is monitored annually through the One Fortum Survey. In 2022, the combined reputation index of all stakeholder groups based on the One Fortum Survey decreased to 63 points (71), on a scale of 0–100. Fortum's overall reputation weakened among all stakeholder groups, but the declines were mainly driven by stakeholder views in Finland. The customer satisfaction index (CSI) varied depending on the business area between 60 and 83 points (58–83), on a scale of 0–100.

Fortum expects its business partners to act responsibly and to comply with the requirements set forth in the Code of Conduct and Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier qualification, supplier audits and with a Know Your Counterparty process. In 2022, Fortum conducted five on-site and one remote supplier audit in China, India and in Thailand. The Covid-19 pandemic and local restrictions continued to challenge possibilities to conduct on-site supplier audits. Fortum is a member of the Bettercoal initiative and uses the Bettercoal tools to improve sustainability in the coal supply chain. Fortum supports and participates in the development of Solar Stewardship Initiative (SSI) together with other industry actors and organizations. Through the SSI, the sector is striving to establish the mechanisms to increase traceability and sustainability of solar products, components, and raw materials.

Discontinued operations (Uniper)

The following tables presents selected key performance indicators for discontinued operations:

	2022*	2021
Climate and resources		
Total GHG emissions, Scope 1-3, million CO_2-eq tonnes	145.8	158.1
Specific CO_2 emissions from total energy production, gCO_2/kWh	454	428
Asset availability of power generation plants**, %	70.3	78.0
Major environmental incidents***, no.	0	-
Personnel and society		
Total Recordable Injury Frequency (TRIF), own personnel and contractors	1.6	1.5
Severity rate per TRI****, own personnel and contractors	19.9	18.7
Severe occupational accidents, no.	1	1
Sickness-related absences, %	5.0	4.1

* The figures are for I-III 2022 as Uniper was deconsolidated at 30 September 2022. The figure for Total GHG emissions is for full year 2022 as Scope 2 and 3 emissions have been calculated only for full year 2022.
** Excluding Unipro, Russia
*** Number of environmental incidents that resulted in significant harm to the environment (ground, water, air) or an environmental non-compliance with legal or regulatory requirements. Uniper did not report the figure in 2021.
**** Number of lost days divided by number of Total Recordable Injuries (TRI).

Direct CO_2 emissions (million tonnes, Mt)	2022*	2021
Total emissions	41.2	50.9
Emissions subject to ETS	19.0	27.5
Free emission allowances	-	0.3
Emissions not subject to ETS in Europe	0.03	0.05
Emissions in Russia	22.1	23.4

* The figures are for I-III 2022 as Uniper was deconsolidated at 30 September 2022.

Legal actions

There were no material changes in the ongoing legal actions during the fourth quarter of 2022. For further information on legal actions, see Note 21.

Shares and share capital

Fortum shares on Nasdaq Helsinki

January−December 2022	No. of shares traded	Total value EUR	High EUR	Low EUR	Average EUR*	Last EUR
FORTUM	560,774,550	8,499,837,139	27.18	8.86	15.18	15.54

* Volume weighted average.

	31 December 2022	31 December 2021
Market capitalisation, EUR billion	13.9	23.8
Number of shareholders	192,968	202,961
Finnish State holding, %	51.3	50.8
Nominee registrations and direct foreign shareholders, %	26.8	25.8
Households, %	10.8	12.4
Financial and insurance corporations, %	2.1	1.7
Other Finnish investors, %	9.1	9.3

In addition to Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, Cboe and Turquoise, and on the OTC market. In 2022, approximately 74% of Fortum's shares were traded on markets other than Nasdaq Helsinki (source Bloomberg).

On 31 December 2022, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 897,264,465. Fortum Corporation does not hold any of the company's own shares.

On 23 November, the Extraordinary General Meeting resolved, in accordance with the proposal of the Board of Directors, on a directed share issue without payment to the Finnish State-owned holding company Solidium Oy. In accordance with the resolution, Solidium subscribed 8,970,000 new ordinary registered shares in Fortum, which corresponded to approximately 1% of all shares outstanding in Fortum. As a consequence, the shares under control of the State of Finland increased from 50.76% to 51.26%.

Group personnel

Fortum's operations are mainly based in the Nordic countries, Poland and Russia. The total number of employees at the end of 2022 was 7,712 (19,140), and number of employees excluding Russia was 4,988.

At the end of 2022, the Generation segment had 1,155 (1,116) employees, the City Solutions segment 1,691 (1,766), the Consumer Solutions segment 1,179 (1,176), Other Operations 963 (961) and the Russia segment 2,724 (2,627).

Changes in Group Management

As of 1 September, the head of Fortum's Russia division, Alexander Chuvaev, stepped down from his position as member of Fortum's Executive Management team. Mr Chuvaev continues in his position as Head of the Russia division and reports to the President and CEO, Markus Rauramo.

On 16 December, Fortum announced that as part of the company's ongoing strategy process, Bernhard Günther, who has served as CFO since February 2021 and was Fortum's lead in the joint project to explore a potential integration of Uniper into Fortum, asked to step down as CFO. Tiina Tuomela, CFO of Uniper, will return to Fortum and assume the CFO position and become a member of the Executive Management Team at the latest at the beginning of April 2023. Bernhard Günther will remain CFO and a member of Fortum's Executive Management team until Tiina Tuomela joins.

Annual General Meeting 2022

On 28 March, the Annual General Meeting of Fortum Corporation (AGM) was held at the company headquarters in Espoo, Finland, under special arrangements. The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January−31 December 2021 and discharged from liability all the persons who had served as members of the Board of Directors and as President and CEO during the year 2021.

The AGM resolved that a dividend of EUR 1.14 per share be paid for the financial year that ended on 31 December 2021. The dividend was paid on 6 April 2022.

Further, the AGM approved the Remuneration Report for the company's governing bodies for 2021. The resolution was advisory.

The AGM approved the annual fees for the Chair, Deputy Chair and other members of the Board of Directors as follows:

- for the Chair EUR 88,800 per year,
- for the Deputy Chair EUR 63,300 per year,
- for a Member EUR 43,100 per year, and
- for the Chair of the Audit and Risk Committee: EUR 63,300 per year, provided that he/she does not simultaneously act as Chair or Deputy Chair of the Board of Directors.

In addition fixed fees were approved for the Committee work as follows:

- for a Member of the Audit and Risk Committee EUR 3,000 per year,
- for the Chair of the Nomination and Remuneration Committee EUR 5,000 per year,
- for a Member of the Nomination and Remuneration Committee EUR 2,000 per year,
- for the Chair of any additional Committee established by a Board decision EUR 5,000 per year, and
- for a Member of any additional Committee established by a Board decision EUR 2,000 per year.

The meeting fee payable to a Board member, also for Committee meetings will be EUR 800 for each meeting, or EUR 1,600 if the member travels to the meeting outside his/her country of residence. When a member participates in the meeting via remote connection, or for the decisions that are confirmed without convening a meeting, the meeting fee will be EUR 800. The travel expenses of Board members are compensated in accordance with the company's travel policy. The annual fee for the Board work of the Board members will be paid in company shares and in cash in such a way that approximately 40% of the amount of the annual fee will be payable in shares acquired on behalf and in the name of the Board members, and the remainder in cash. The company will pay the costs and the transfer tax related to the purchase of the company shares. The shares will be acquired on behalf and in the name of the Board members within two weeks following the publication of the company's first-quarter 2022 interim report. If share purchases cannot be carried out within the aforementioned schedule due to a reason related to the company or a Board member, the shares will be acquired later, or the annual fee will be paid fully in cash. The meeting fees and the fixed fees for the Committee work will be paid fully in cash.

The AGM resolved that the Board of Directors will consist of nine members. Veli-Matti Reinikkala was elected as Chair and Anja McAlister as Deputy Chair. Luisa Delgado, Essimari Kairisto, Teppo Paavola, Philipp Rösler and Annette Stube were re-elected as members. Ralf Christian and Kimmo Viertola were elected as new members.

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

The AGM authorised the Board of Directors to decide on the repurchase and disposal of the company's own shares, up to 20,000,000 shares, which corresponded to approximately 2.25 per cent of all the shares in the company on 28 March 2022. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorisation. These authorisations cancelled the authorisations resolved by the AGM 2021 and will be effective until the next Annual General Meeting and in any event for no longer than a period of 18 months. This authorisation has not been used by 1 March 2023.

The AGM 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. By 1 March 2023, EUR 209,000 of this authorisation has been used.

Board decisions

At its meeting held after the Annual General Meeting, Fortum's Board of Directors elected, among its members, Veli-Matti Reinikkala as Chair and Luisa Delgado, Anja McAlister and Kimmo Viertola as members of the Nomination and Remuneration Committee. Furthermore, the Board elected Essimari Kairisto as Chair and Teppo Paavola, Philipp Rösler, Annette Stube, and Ralf Christian as members of the Audit and Risk Committee.

Shareholders' Nomination Board

On 15 September, Maija Strandberg, Senior Ministerial Adviser, Financial Affairs, Prime Minister's Office, Ownership Steering Department (Chair), Risto Murto, President and CEO, Varma Mutual Pension Insurance Company, Jouko Pölönen, President and CEO, Ilmarinen Mutual Pension Insurance Company, and Veli-Matti Reinikkala, Chair of Fortum's Board of Directors, were appointed to Fortum Shareholders' Nomination Board. Elo Mutual Pension Insurance Company did not exercise its right to appoint a representative, and therefore the right was transferred to Ilmarinen Mutual Pension Insurance Company.

Extraordinary General Meeting 2022

On 23 November, the Extraordinary General Meeting (EGM) of Fortum Corporation was held at the Helsinki House of Culture, Finland.

The EGM resolved, in accordance with the proposal of the Board of Directors, on a directed share issue without payment to the Finnish State-owned holding company Solidium Oy. In accordance with the resolution, Solidium was entitled to subscribe up to 8,970,000 new ordinary registered shares in Fortum, which corresponds to approximately 1% of all shares outstanding in Fortum. As a consequence, the shares under control of the State of Finland increased from 50.76% to 51.26%.

On 25 November, the 8,970,000 new shares issued by the company were registered with the Finnish trade register. The total amount of shares outstanding in the company after the registration of the new shares is 897,264,465. The new shares carry full shareholder rights, including the right to dividend, as of the registration date.

Other major events during the fourth quarter of 2022

On 29 December, the Finnish Government published its law proposal (HE 320/2022 vp) for a temporary windfall tax in the electricity sector. The law intends to implement EU's Council Regulation 2022/1854 on revenue cap and solidarity contribution as an emergency intervention to address high energy prices. This model deviates from the models proposed in other European countries. The tax applies to companies in the electricity sector within electricity generation, wholesale and partly retail sales in Finland. Pursuant to the law, the tax is 30% of the companies' net profits generated from the above listed electricity operations in Finland exceeding a 10% return on equity in the fiscal year 2023. The Finnish Parliament adopted the legislation on temporary windfall tax on 27 February 2023.The tax becomes payable in 2024. Fortum has assessed the law's financial impacts on the company's comparable effective income tax rate. For more information, see 'Outlook' in this Financial Statements Bulletin.

Events after the balance sheet date

On 27 January 2023, the Shareholders' Nomination Board of Fortum submitted its proposals to Fortum's Board of Directors for the 2023 Annual General Meeting concerning the number of the Board members, the members to be nominated to the Board of Directors, and the election of the Chair and Deputy Chair, as well as the remuneration to be paid to the Board members.

On 16 February 2023, the Finnish Government granted a new operating license for both units at Fortum's Loviisa nuclear power plant until the end of 2050. Over the course of the new licence period, the plant is expected to generate up to 170 terawatt hours of CO_2-free electricity. Investments related to the continuation of operations and lifetime extension will amount to an estimated EUR 1 billion until 2050. Over the past five years, Fortum has already invested approximately EUR 300 million in refurbishing the Loviisa power plant. The Loviisa power plant is the first nuclear power plant in Finland. The power plant has two units: unit 1 started operating in February 1977, and unit 2 in November 1980.

At the beginning of March 2023, the Fortum Board of Directors resolved on Fortum's new strategy. Fortum's strategic priorities are to deliver reliable clean energy and drive decarbonisation in industries in the Nordics.

The strategy includes new financial and sustainability targets:

- Updated financial guidance to ensure credit rating of at least BBB and optimal financial flexibility for future growth: long-term financial net debt-to-comparable EBITDA of 2.0–2.5 times.

- Disciplined growth in clean energy with capital expenditure of up to EUR 1.5 billion during 2023–2025. Investment hurdles of project WACC + 150–400 basis points will be applied and evaluated against the company's climate and biodiversity targets.

- Renewed dividend policy with payout ratio of 60–90% of comparable EPS. Fortum's Board of Directors proposes a dividend of EUR 0.91 per share for the year 2022 corresponding to a pay-out of 75% based on comparable EPS for continuing operations of EUR 1.21 (excluding Russian operations).

- Tightened sustainability and decarbonisation ambitions with updated targets to reach carbon neutrality already by 2030, exit coal by the end of 2027, target for specific emissions and commitment to SBTi (1.5°C) and biodiversity targets. Fortum is already taking steps to reach the new environmental targets and examples of these include the Loviisa nuclear plant lifetime extension, increasing the use on hydro power and the ongoing decarbonisation projects in district heating.

As part of the new strategy, Fortum is also launching a new business structure, operating model and Fortum Leadership Team (FLT). The new business structure mirrors the key value drivers in Fortum's clean generation portfolio, strong sales and trading capabilities and customer orientation.

From 31 March, 2023, the Fortum Leadership Team will consist of the following members:

- Markus Rauramo, President and CEO
- Mikael Lemström, Executive Vice President, Hydro Generation
- Petra Lundström, Executive Vice President, Nuclear Generation
- Peter Strannegård, Executive Vice President, Renewables and Decarbonisation,
- Simon-Erik Ollus, Executive Vice President, Corporate Customers and Markets
- Mikael Rönnblad, Executive Vice President, Consumer Solutions
- Tiina Tuomela, CFO
- Nebahat Albayrak, Executive Vice President, Sustainability and Corporate Relations
- Eveliina Dahl, Executive Vice President, People and Procurement
- Nora Steiner-Forsberg, Executive Vice President, Legal, General Counsel
- Bernhard Günther, Chief Transformation Officer (CTO), Transformation and IT

Following the new strategy and business structure, Fortum is also revising its financial segment reporting. As of the beginning of 2023 Fortum will report its financial performance in the following reporting segments:

- The Generation segment will include the Hydro Generation, Nuclear Generation, Corporate Customers and Markets and Renewables and Decarbonisation business units.

- The Consumer Solutions segment includes the Consumer Solutions business unit.

- The Other segment includes the Circular Solutions business unit, Innovation and Venturing activities, enabling functions and corporate management.

Fortum will continue to consolidate and report its Russian operations as a separate segment for the time being; however, Fortum will continue to assess the basis for consolidation in the coming quarters. Fortum is committed to exiting the Russian market and a divestment is being pursued.

Fortum will publish restated quarterly segment financials for 2022 before publication of the first quarter 2023 results on 11 May 2023.

Dividend distribution proposal

The distributable funds of Fortum Corporation as at 31 December 2022 amounted to EUR 6,291,275,608, including the profit for the financial period 2022 of EUR 1,542,734,239. 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 that a dividend of EUR 0.91 per share be paid for the financial year 2022. The dividend will be paid in two instalments.

Based on the number of shares registered as at 1 March 2023, the total amount of dividend would be EUR 816, 510,663. The Board of Directors proposes that the remaining part of the distributable funds be retained in the shareholders' equity.

The first dividend instalment of EUR 0.46 per share would be paid to shareholders who on the record date of the first dividend instalment 17 April 2023 are recorded in the Company's shareholders' register held by Euroclear Finland Oy. The Board of Directors proposes that the first dividend instalment be paid on 24 April 2023.

The second dividend instalment of EUR 0.45 per share would be paid to the shareholders who on the record date of the second dividend instalment 2 October 2023 are recorded in the Company's shareholders' register held by Euroclear Finland Oy. The Board of Directors proposes that the second dividend instalment be paid on 10 October 2023.

The Board of Directors further proposes that the Annual General Meeting be authorised to resolve, if necessary, on a new record date and date of payment for the second dividend instalment, should the rules of Euroclear Finland Oy or statutes applicable to the Finnish book-entry system be amended or should other rules binding upon the Company so require.

Annual General Meeting 2023

Fortum's Annual General Meeting 2023 is planned to be held on 13 April 2023 and the possible dividend-related dates are:

- The ex-dividend date of the first dividend instalment: 14 April 2023
- The record date of the first dividend instalment: 17 April 2023
- The payment date of the first dividend instalment: 24 April 2023

- The ex-dividend date of the second dividend instalment: 29 September 2023
- The record date of the second dividend instalment: 2 October 2023
- The payment date of the second dividend instalment: 10 October 2023

Espoo, 1 March 2023

Fortum Corporation
Board of Directors

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The Board of Directors has approved Fortum's 2022 Financial Statements and Fortum's auditors have issued their unqualified Audit Report for 2022 on 1 March 2023. The Financial Statements Bulletin has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The Financial Statements Bulletin is unaudited.

Financial calendar in 2023

Fortum's Financial Statements and Operating and Financial Review for 2022 will be published during week 10 at the latest.

Fortum will publish three interim reports in 2023:

- January-March on 11 May 2023
- January-June on 4 August 2023
- January-September on 2 November 2023

Distribution:

Nasdaq Helsinki
Key media
www.fortum.com

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

The Financial Statements Bulletin is unaudited.

Condensed consolidated income statement

EUR million	Note	IV/2022	IV/2021 restated*	2022	2021 restated*
Sales	3	2,736	2,171	8,804	6,422
Other income		29	26	101	91
Materials and services		-1,532	-1,216	-5,350	-3,419
Employee benefits		-134	-134	-504	-496
Depreciation and amortisation	3	-151	-154	-566	-587
Other expenses		-204	-175	-615	-582
Comparable operating profit	3	**744**	**519**	**1,871**	**1,429**
Items affecting comparability	3, 4	-1,397	28	-593	2,897
Operating profit	3	**-653**	**547**	**1,277**	**4,325**
Share of profit/loss of associates and joint ventures	3, 12	-295	21	-629	168
Interest expense		-115	-40	-179	-154
Interest income		31	7	87	25
Other financial items - net		-526	6	-101	-32
Finance costs - net	7	-610	-26	-193	-161
Profit before income tax		**-1,559**	**542**	**455**	**4,332**
Income tax expense	8	947	-114	556	-325
Net profit from continuing operations		**-611**	**428**	**1,011**	**4,008**
Attributable to:					
Owners of the parent		-608	417	1,011	3,985
Non-controlling interests		-4	11	0	23
Net profit from discontinued operations	6.4	**-**	**576**	**-11,302**	**-4,121**
Attributable to:					
Owners of the parent	6.4	-	425	-3,428	-3,246
Non-controlling interests	6.4	-	150	-7,874	-875
Net profit, total Fortum		**-611**	**1,003**	**-10,290**	**-114**
Attributable to:					
Owners of the parent		-608	842	-2,416	739
Non-controlling interests		-4	162	-7,874	-852
Earnings per share for profit attributable to the equity owners of the company (EUR per share)					
Basic, continuing operations		-0.68	0.47	1.14	4.49
Basic, discontinued operations		-	0.48	-3.86	-3.65
Basic, total Fortum		-0.68	0.95	-2.72	0.83

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

** Comparative information for I-II/2022 and I-IV/2021 was restated following the classification of Uniper segment as discontinued operations in III/2022. For further information, see Note 1 Significant accounting policies, Note 2 Critical accounting estimates and judgements and Note 6 Acquisitions, disposals, assets held for sale and discontinued operations.*

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
Comparable operating profit		**744**	**519**	**1,871**	**1,429**
Impairment charges and reversals		-550	-5	-905	-35
Capital gains and other related items		5	-1	785	2,673
Changes in fair values of derivatives hedging future cash flow		-808	40	-393	264
Other		-45	-6	-80	-6
Items affecting comparability	3, 4	-1,397	28	-593	2,897
Operating profit		**-653**	**547**	**1,277**	**4,325**

See Note 24 Definitions and reconciliations of key figures.

Condensed consolidated statement of comprehensive income

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Net profit, total Fortum	**-611**	**1,003**	**-10,290**	**-114**
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges				
Fair value gains/losses [1]	2,659	-466	-2,594	-1,231
Transfers to income statement	121	29	1,102	119
Transfers to inventory/property, plant and equipment	-1	-2	1	1
Deferred taxes	-560	89	292	223
Net investment hedges				
Fair value gains/losses	17	4	37	-5
Deferred taxes	-3	-1	-7	1
Exchange differences on translating foreign operations [2]	-450	-47	-82	97
Share of other comprehensive income of associates and joint ventures	0	3	41	8
Other changes	-	-3	-	-13
	1,782	**-395**	**-1,209**	**-799**
Items that will not be reclassified to profit or loss in subsequent periods:				
Remeasurement of investments	-8	-9	-15	-7
Actuarial gains/losses on defined benefit plans	26	11	50	22
Actuarial gains/losses on defined benefit plans in associates and joint ventures	7	0	7	30
	25	**3**	**42**	**45**
Other comprehensive income/expense for the period from continuing operations, net of deferred taxes	**1,807**	**-392**	**-1,168**	**-754**
Other comprehensive income/expense for the period from discontinued operations, net of deferred taxes	-	-80	701	357
Total comprehensive income/expense for the period	**1,195**	**531**	**-10,757**	**-510**
Total comprehensive income/expense for total Fortum attributable to:				
Owners of the parent	1,203	405	-3,337	185
Non-controlling interests	-8	126	-7,420	-695
	1,195	**531**	**-10,757**	**-510**

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

Condensed consolidated balance sheet

EUR million	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	10	657	2,167
Property, plant and equipment and right-of-use assets	11	7,266	19,049
Participations in associates and joint ventures	12	1,249	2,461
Shares in Nuclear Waste Funds	16	966	3,515
Other non-current assets		628	570
Deferred tax assets		933	2,149
Derivative financial instruments	5	343	17,096
Long-term interest-bearing receivables	14	624	2,392
Total non-current assets		**12,668**	**49,399**
Current assets			
Inventories		465	2,275
Derivative financial instruments	5	1,486	65,392
Short-term interest-bearing receivables	14	660	715
Income tax receivables		71	161
Margin receivables	15	2,607	9,163
Trade and other receivables		1,767	14,856
Liquid funds	15	3,919	7,592
Total current assets		**10,975**	**100,155**
Assets held for sale	6	**-**	**108**
Total assets		**23,642**	**149,661**
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,046	3,046
Share premium		73	73
Retained earnings		6,467	10,062
Other equity components		-1,916	-1,050
Total		**7,670**	**12,131**
Non-controlling interests		67	1,534
Total equity		**7,737**	**13,665**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	15	3,658	8,701
Derivative financial instruments	5	756	16,657
Deferred tax liabilities		152	827
Nuclear provisions	16	966	3,891
Other provisions	17	118	4,108
Pension obligations, net	18	13	1,190
Other non-current liabilities		121	397
Total non-current liabilities		**5,784**	**35,771**
Current liabilities			
Interest-bearing liabilities	15	4,127	8,519
Derivative financial instruments	5	3,973	71,947
Other provisions	17	13	2,299
Margin liabilities	15	352	985
Trade and other payables		1,657	16,477
Total current liabilities		**10,122**	**100,226**
Total liabilities		**15,905**	**135,997**
Total equity and liabilities		**23,642**	**149,661**

Condensed consolidated statement of changes in total equity

			Retained earnings		Other equity components					
EUR million	Share capital	Share premium	Retained earnings	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associates and joint ventures	Owners of the parent	Non-controlling interests	Total equity
Total equity 1 January 2022	**3,046**	**73**	**12,830**	**-2,768**	**-1,138**	**34**	**54**	**12,131**	**1,534**	**13,665**
IS Net profit, total Fortum			-2,416					-2,416	-7,874	-10,290
Translation differences				-112	40	1	-5	-75	-6	-82
Other comprehensive income			209		-1,189	-146	45	-1,082	-4	-1,086
OCI related to discontinued operations				-152	105	284	-1	236	465	701
Total comprehensive income for the period			-2,208	-264	-1,044	139	39	-3,337	-7,420	-10,757
Cash dividend			-1,013					-1,013	-23	-1,036
Disposal of subsidiary companies			16					16	6,104	6,119
Transactions with non-controlling interests			-127					-127	-122	-249
Other			1					1	-6	-5
BS Total equity 31 December 2022	**3,046**	**73**	**9,499**	**-3,031**	**-2,182**	**172**	**93**	**7,670**	**67**	**7,737**
Total equity 1 January 2021	**3,046**	**73**	**13,097**	**-2,948**	**-158**	**-175**	**18**	**12,953**	**2,624**	**15,577**
IS Net profit, total Fortum			739					739	-852	-114
Translation differences				77	2	2		81	16	97
Other comprehensive income					-887	11	38	-838	-13	-851
OCI related to discontinued operations				103	-94	196	-1	204	154	357
Total comprehensive income for the period			739	180	-980	209	37	185	-695	-510
Cash dividend			-995					-995	-171	-1,166
Transactions with non-controlling interests			-15					-15	-221	-236
Other			3					3	-3	0
BS Total equity 31 December 2021	**3,046**	**73**	**12,830**	**-2,768**	**-1,138**	**34**	**54**	**12,131**	**1,534**	**13,665**

Translation differences

Translation of financial information from subsidiaries in foreign currency is done using the average rate for the income statement and the end rate for the balance sheet. The exchange rate differences arising from translation (mainly related to SEK and RUB) to EUR are recognised in equity. For information regarding exchange rates used, see Note 1.5 Key exchange rates used in consolidated financial statements.

Cash flow hedges

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

Cash dividends

A dividend for 2021 of EUR 1.14 per share, amounting to a total of EUR 1,013 million, was decided in the Annual General Meeting on 28 March 2022. The dividend was paid on 6 April 2022. See Note 9 Dividend per share.

Share capital

On 6 September 2022, Fortum announced that it had agreed with the Finnish State on a EUR 2.35 billion bridge financing arrangement. On 26 September 2022, Fortum announced to draw the first tranche of the liquidity facility, EUR 350 million. As a condition in the agreement following the first draw down, the Finnish State-owned holding company, Solidium Oy, was entitled to subscribe 8,970,000 new ordinary registered shares in Fortum in a directed share issue, without payment. The share issue to Solidium Oy was resolved in the Extraordinary General Meeting on 23 November 2022 and the new shares were registered with the Finnish trade register on 25 November 2022. The new shares carry full shareholder rights, including the right to dividend, as of the registration date. The total amount of shares outstanding in the company after the registration of the new shares is 897,264,465. As a consequence, the shares under the control of the State of Finland has increased from 50.76% to 51.26%.

Condensed consolidated cash flow statement

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
Cash flow from operating activities					
IS Net profit from continuing operations		**-611**	**428**	**1,011**	**4,008**
Adjustments:					
Income tax expense		-947	114	-556	325
Finance costs - net		610	26	193	161
Share of profit/loss of associates and joint ventures	12	295	-21	629	-168
Depreciation and amortisation	3	151	154	566	587
Operating profit before depreciations (EBITDA)		**-502**	**701**	**1,842**	**4,913**
Items affecting comparability	3, 4	1,397	-28	593	-2,897
Comparable EBITDA		**895**	**673**	**2,436**	**2,016**
Non-cash and other items		112	-46	153	-74
Interest received		57	7	84	25
Interest paid		-52	-21	-201	-147
Dividends received		10	0	18	72
Income taxes paid		-12	-57	-167	-279
Funds from operations		**1,011**	**557**	**2,322**	**1,613**
Change in working capital		-404	-470	-219	-494
Net cash from operating activities, continuing operations		**607**	**87**	**2,104**	**1,119**
Cash flow from investing activities, continuing operations					
Capital expenditures	3	-208	-139	-534	-470
Acquisitions of shares [1)]	6	-7	-16	-35	-282
Proceeds from sales of property, plant and equipment		1	0	4	2
Divestments of shares and capital returns	6	0	84	1,156	3,816
Shareholder loans to associated companies and joint ventures	14	7	-10	50	-33
Change in margin receivables		1,090	-181	-1,311	-1,000
Change in other interest-bearing receivables and other [2)]	14	3,938	-1,714	2,134	-2,545
Net cash from/used in investing activities, continuing operations		**4,822**	**-1,976**	**1,464**	**-512**
Cash flow before financing activities, continuing operations		**5,429**	**-1,889**	**3,568**	**608**
Cash flow from financing activities, continuing operations					
Proceeds from long-term liabilities	15	0	2,747	2,421	2,809
Payments of long-term liabilities	15	-2,415	-1,556	-5,888	-2,153
Change in short-term liabilities	15	-2,725	1,110	-170	1,844
Dividends paid to the owners of the parent	9	0	0	-1,013	-995
Dividends paid to non-controlling interests		0	-4	-19	-14
Change in margin liabilities		-396	-274	150	63
Other financing items		0	51	-168	50
Net cash from/used in financing activities, continuing operations		**-5,536**	**2,075**	**-4,686**	**1,603**
Net increase(+)/decrease(-) in liquid funds, continuing operations		**-107**	**185**	**-1,119**	**2,211**
Cash flow from discontinued operations					
Net cash from/used in operating activities, discontinued operations		-	1,489	-10,870	3,851
Net cash from/used in investing activities, discontinued operations [3)]		498	-1,033	-2,450	-5,215
Net cash from/used in financing activities, discontinued operations		-	708	10,757	4,409
Net increase(+)/decrease(-) in liquid funds, discontinued operations	6.4	**498**	**1,165**	**-2,563**	**3,045**
Cash flow, total Fortum					
Total net cash from/used in operating activities		607	1,576	-8,767	4,970
Total net cash from/used in investing activities		5,320	-3,009	-985	-5,727
Total net cash from/used in financing activities		-5,536	2,783	6,070	6,013
Net increase(+)/decrease(-) in liquid funds, total Fortum		**392**	**1,350**	**-3,682**	**5,256**
Liquid funds at the beginning of the period	15	**3,638**	**6,240**	**7,592**	**2,308**
Foreign exchange differences and expected credit loss allowance in liquid funds		-111	2	7	29
Liquid funds at the end of the period	15	**3,919**	**7,592**	**3,919**	**7,592**

1) From I/2022, acquisition of additional shares in Uniper are presented in cash flow from financing activities to better reflect the requirements of IAS 7 Statement of cash flows. Until IV/2021 acquisition of additional shares in Uniper were presented in cash flow from investing activities. Comparatives have not been restated.
2) In 2021 Fortum granted Uniper a shareholder loan of EUR 4,000 million of which EUR 2,500 million was drawn in 2021 and EUR 1,500 million in 2022. In December 2022, as part of the closing of the Uniper transaction, the EUR 4,000 million shareholder loan was fully repaid to Fortum.
3) The consideration received for the Uniper shares, EUR 498 million, is presented in cash flow from discontinued operations in IV/2022.

Additional cash flow information

Change in working capital

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Change in interest-free receivables, decrease(+)/increase(-)	-803	-822	-352	-633
Change in inventories, decrease(+)/increase(-)	-170	19	-201	2
Change in interest-free liabilities, decrease(-)/increase(+)	569	333	335	137
CF Total	**-404**	**-470**	**-219**	**-494**

Capital expenditure in cash flow

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Capital expenditure	190	156	525	443
Change in not yet paid investments, decrease(+)/increase(-)	20	-16	14	30
Capitalised borrowing costs	-2	-1	-5	-3
CF Total	**208**	**139**	**534**	**470**

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 35 million during 2022 (2021: 282). For additional information, see Note 6.1 Acquisitions. From I/2022, acquisition of additional shares in Uniper are presented in cash flow from financing activities to better reflect the requirements of IAS 7 Statement of cash flows. Until IV/2021 acquisition of additional shares in Uniper were presented in cash flow from investing activities. Comparatives have not been restated.

Divestment of shares in cash flow

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Proceeds from sales of subsidiaries, net of cash disposed	1	82	1,070	915
Proceeds from sales and capital returns of associates and joint ventures	-1	2	86	2,901
CF Total	**0**	**84**	**1,156**	**3,816**

During 2022, Fortum completed the divestment of the e-mobility business Plugsurfing, the 30% stake in the public charging operator Recharge AS and the 50% ownership in the district heating company Fortum Oslo Varme AS in Norway. During 2021, Fortum completed the divestment of the 50% stake in the Swedish district heating and cooling company Stockholm Exergi, the district heating business in the Baltics, the Pavagada II and the Rajasthan solar power plants in India, the 80% stake in the Sørfjord wind park in Norway and eight small hydropower plants in Sweden. For further information, see Note 6.2 Disposals.

On 21 December 2022 Fortum completed the divestment of Uniper. The consideration of the share transaction of EUR 498 million is presented in the cash flow from discontinued operations.

Change in financial net debt

EUR million	Note	Continuing operations [1] 2022	Fortum total [2] 2021
Financial net debt, beginning of the period		**789**	**7,023**
Uniper's net financial position in Uniper's Interim financial report		1,969	-
Internal shareholder loans to Uniper and OKG		2,764	-
Reversal of purchase price allocation		-187	-
Uniper impact total on Financial net debt, beginning of the period		4,546	-
Net cash flow:			
Comparable EBITDA		2,436	3,817
Non-cash and other items		153	1,506
Paid net financial costs and dividends received		-99	-3
Income taxes paid		-167	-493
Change in working capital		-219	144
Capital expenditures		-534	-1,178
Acquisitions		-35	-294
Divestments and proceeds from sale of property, plant and equipment		1,160	3,883
Change in interest-bearing receivables		2,183	-174
Dividends to the owners of the parent		-1,013	-995
Dividends to non-controlling interests		-19	-171
Other financing activities		-168	43
Net cash flow ('-' increase in financial net debt)		3,679	6,084
Consideration received for Uniper shares		498	-
Foreign exchange rate differences and other changes		-74	-150
Financial net debt, end of the period	15	**1,084**	**789**

1) Items included in Net cash flow for 2022 are based on continuing operations.
2) Items included in Net cash flow for 2021 are based on continuing and discontinued operations (total), as the balance sheet has not been restated.

Capital risk management

The Fortum Board of Directors resolved on Fortum's new strategy at the beginning of March, 2023. The strategy includes new financial and sustainability targets. See Note 23 Events after the balance sheet date.

The long-term financial targets until 31 December 2022 were:

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

Comparable EBITDA is defined as an alternative performance measure and used as a component in the capital structure target 'Financial net debt-to-Comparable EBITDA'.

On 14 March 2022, S&P placed Fortum's and Uniper's BBB ratings on CreditWatch Negative. On 16 May 2022, S&P resolved the CreditWatch and affirmed Fortum's BBB rating with negative outlook. However, Uniper's long-term credit rating was downgraded by one notch from BBB to BBB-, also with negative outlook.

On 17 March 2022, Fitch Ratings affirmed its long-term credit rating for Fortum to BBB with stable outlook.

On 5 July 2022, due to the Russian gas curtailment, S&P again placed Fortum's and Uniper's credit ratings on CreditWatch Negative. On 29 July 2022, following the announcements of the agreement with the German Government on Uniper's stabilisation package, S&P resolved Uniper's CreditWatch Negative by affirming the BBB- rating with negative outlook. Due to the strong governmental support, S&P now considers Uniper a "government-related entity", which enabled Uniper to retain its investment grade rating, despite an overall weaker stand-alone credit quality. The negative outlook of Uniper's rating reflects prevailing uncertainty around gas flows, which in S&P's view may

necessitate an increase of the government package and the fact that details of the stabilisation package are still to be approved.

On 3 August 2022, S&P affirmed Fortum's current BBB long-term credit rating with negative outlook. S&P assesses that the support package for Uniper will prevent further incremental costs for Fortum and considers Fortum's financial exposure as capped. According to S&P, the negative outlook reflects Fortum's exposure to Uniper until the European Commission has approved the support package and the longer-term uncertainties about the company's strategy.

On 5 August 2022, Fitch Ratings affirmed Fortum's current long-term credit rating at BBB with negative outlook. According to Fitch, the affirmation mainly reflects the rating agency's view that Fortum is well-shielded from the losses incurred by Fortum's German subsidiary Uniper, following Uniper's stabilisation package that was agreed with the German State.

Following the September announcement that Fortum will fully divest Uniper to the German State, the rating agencies commented that the divestment of the Uniper stake was regarded as credit positive for Fortum, as it will improve the company's financial and risk profile. However, the rating agencies concluded that it was premature to determine the full effect of the Uniper divestment on Fortum's rating. Now that the Uniper divestment has been completed, the rating agencies are expected to update their ratings as Fortum also has published its new strategy.

Fortum's objective is to have a solid investment grade rating of at least BBB to preserve financial flexibility and good access to capital markets.

Financial net debt/comparable EBITDA

EUR million	Note	Fortum total [1)] 2021	Continuing operations 2022
+ Interest-bearing liabilities		**17,220**	**7,785**
- BS Liquid funds		**7,592**	**3,919**
- Non-current securities		111	-
- Collateral arrangement securities		549	527
- Securities in interest-bearing receivables		**660**	**527**
- BS Margin receivables		9,163	2,607
+ BS Margin liabilities		985	352
+/- Net margin liabilities/receivables		**-8,179**	**-2,255**
Financial net debt	15	**789**	**1,084**
IS Operating profit		-588	1,277
+ IS Depreciation and amortisation		1,281	566
EBITDA		**693**	**1,842**
- IS Items affecting comparability		3,124	593
Comparable EBITDA		**3,817**	**2,436**
Financial net debt/comparable EBITDA		**0.2**	**0.4**

1) 2021 figures based on continuing and discontinued operations (total).

Financial net debt/comparable EBITDA excl. Russia

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, and in IV/2022 Fortum introduced new APMs to provide additional financial information excluding Fortum's Russian operations. See also Note 1 Significant accounting policies.

EUR million	Continuing operations 2022
Financial net debt	1,084
- Interest-bearing liabilities, Russia	204
+ Liquid funds, Russia	247
Financial net debt excl. Russia	**1,127**
Comparable EBITDA from continuing operations excl. Russia	**2,025**
Financial net debt/comparable EBITDA excl. Russia	**0.6**

Financial net debt adjusted with Uniper receivable/comparable EBITDA

In III/2022 Fortum introduced a new APM 'Financial net debt adjusted with Uniper receivable' to include the EUR 4 billion shareholder loan receivable from Uniper that was repaid upon completion of the transaction to divest Uniper to the German State. On 21 December 2022, the transaction was completed and Fortum received the total consideration of the share transaction of approximately EUR 0.5 billion and Uniper repaid the EUR 4 billion shareholder loan. Consequently, this APM is no longer presented in IV/2022.

Key figures

Continuing operations

EUR million or as indicated	IV/2022	IV/2021 restated	2022	2021 restated
Reported				
IS Sales	2,736	2,171	8,804	6,422
IS Operating profit	-653	547	1,277	4,325
IS Share of profit/loss of associates and joint ventures	-295	21	-629	168
IS Net profit	-611	428	1,011	4,008
IS Net profit (after non-controlling interests)	-608	417	1,011	3,985
Earnings per share (basic), EUR	-0.68	0.47	1.14	4.49
CF Net cash from operating activities	607	87	2,104	1,119
Capital expenditure and gross investments in shares	197	172	558	724
Capital expenditure	190	156	525	443

EUR million or as indicated	IV/2022	IV/2021 restated	2022	2021 restated
Comparable				
EBITDA	895	673	2,436	2,016
IS Operating profit	744	519	1,871	1,429
Share of profit/loss of associates and joint ventures	-53	-4	-11	104
Net profit (after non-controlling interests)	216	361	1,550	1,091
Earnings per share (basic), EUR	0.24	0.41	1.74	1.23

Continuing operations excl. Russia

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, and in IV/2022 Fortum introduced new APMs to provide additional financial information excluding Fortum's Russian operations. See also Note 1 Significant accounting policies.

EUR million or as indicated	IV/2022	IV/2021 restated	2022	2021 restated
Comparable				
EBITDA	774	555	2,025	1,612
Operating profit	669	440	1,611	1,167
Share of profit/loss of associates and joint ventures	-68	-10	-40	42
Net profit (after non-controlling interests)	370	302	1,076	851
Earnings per share, EUR	0.42	0.34	1.21	0.96
Financial position				
Financial net debt/comparable EBITDA, continuing operations			0.6	N/A

Continuing and discontinued operations (total)

EUR million or as indicated	IV/2022	IV/2021 restated	2022	2021 restated
Reported				
Net profit (after non-controlling interests)	-608	842	-2,416	739
Earnings per share, EUR	-0.68	0.95	-2.72	0.83
Net cash from operating activities	607	1,576	-8,767	4,970
Number of employees			7,712	19,140
Comparable				
Net profit (after non-controlling interests)	216	693	-988	1,778
Earnings per share, EUR	0.24	0.78	-1.11	2.00

EUR million or as indicated	31 Dec 2022	31 Dec 2021
Financial position		
Financial net debt, at period-end	1,084	789
Adjusted net debt, at period-end	1,117	3,227
Financial net debt/comparable EBITDA, continuing operations	0.4	N/A
Financial net debt/comparable EBITDA, total	N/A	0.2
Equity per share, EUR	8.55	13.66
Average number of shares, 1,000 shares	889,204	888,294
Diluted adjusted average number of shares, 1,000 shares	889,204	888,294
Number of registered shares, 1,000 shares	897,264	888,294

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

1.1 Basis of preparation

The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021.

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

Part of Fortum's business operations are seasonal, with the comparable operating profit usually being higher for the first and fourth quarter of the year.

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

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

1.2 Impact of Uniper deconsolidation on consolidated financial statements

Uniper SE, a German listed company, was acquired in March 2020. Uniper is a leading international energy company with activities in more than 40 countries. Its business is the secure provision of energy and related services. Its main activities include power generation in Europe and Russia as well as global energy trading and optimisation.

Discontinued operations

Fortum lost control of Uniper on the signing of the agreement in principle to sell the shares in Uniper SE to the German State on 21 September 2022. Thus, Uniper was deconsolidated at 30 September 2022. Uniper had been a separate reportable segment in Fortum's consolidated financial statements, which resulted in Uniper being classified as discontinued operations in III/2022. The transaction was completed on 21 December 2022. See also Note 2 Critical accounting estimates and judgements.

Fortum's consolidated income statement and cash flow statement were modified in III/2022 to include discontinued operations disclosure as required by IFRS 5 Non-current assets held for sale and discontinued operations. Comparatives for I-II/2022 and I-IV/2021 were restated and a separate stock exchange release with restated comparatives was issued on 6 October 2022. Discontinued operations in I-III/2022 and 2021 include Fortum's former subsidiary Uniper SE and its consolidated group companies.

Income statement information in the following notes to the condensed consolidated interim financial statements include only continuing operations, unless otherwise specified. Uniper was deconsolidated at 30 September 2022, and thus Uniper's balance sheet items are not included on Fortum's 31 December 2022 consolidated balance sheet. Consolidated balance sheet at 31 December 2021 included Uniper.

Joint ownership in the Swedish nuclear company OKG AB

Fortum and Uniper are co-owners in the Swedish nuclear company OKG Aktiebolag (OKG AB), with Fortum owning 45.5%. Fortum accounted for the shareholding in OKG AB as a subsidiary from 31 March 2020 to 30 September 2022, with the results of the company being split between the Uniper segment and the Generation segment according to ownership. On deconsolidation of Uniper at 30 September 2022, OKG AB was reclassified as an associated company. The reclassification resulted in the restatement of the Generation segment's I-II/2022 and 2021 financials.

Group impact from Uniper deconsolidation

On deconsolidation of Uniper at 30 September 2022, Fortum recorded EUR 28.0 billion one-time, non-cash positive effect. The amount consists of the net effect from the deconsolidation of Uniper's assets, liabilities and non-controlling interest, and the book value of Uniper-related goodwill and other fair value adjustments made on acquisition; as well as certain items previously recognised in other comprehensive income, mainly foreign exchange differences, that are reclassified to profit and loss on disposal. See also Note 6.4 Discontinued operations.

1.3 Alternative performance measures

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

Fortum uses APMs, such as Comparable operating profit and Comparable EBITDA, in the financial target setting and forecasting, management's follow-up of financial performance of segments and the Group, as well as for the allocation of resources in the Group's performance management process. Items affecting comparability are excluded from Comparable operating profit and Comparable EBITDA and disclosed separately in Fortum's consolidated income statement to support the transparency of underlying business performance when comparing results between periods. See Note 4 Comparable operating profit and comparable net profit and Note 24 Definitions and reconciliations of key figures.

Fortum's long-term financial target for capital structure is Financial net debt to comparable EBITDA (see Capital risk management and Note 24 Definitions and reconciliations of key figures).

In III/2022 Fortum introduced a new APM 'Financial net debt adjusted with Uniper receivable' to include the EUR 4 billion shareholder loan receivable from Uniper that was repaid upon completion of the transaction to divest Uniper to the German State. On 21 December 2022, the transaction was completed and Fortum received the total consideration of the share transaction of approximately EUR 0.5 billion and Uniper repaid the EUR 4 billion shareholder loan. Consequently, this APM is no longer presented in IV/2022.

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, and in IV/2022 Fortum introduced the following new APMs 'Comparable EBITDA from continuing operations excl. Russia', 'Comparable operating profit from continuing operations excl. Russia', 'Comparable net profit from continuing operations excl. Russia', 'Comparable earnings per share from continuing operations excl. Russia', and 'Financial net debt/comparable EBITDA excl. Russia' to provide additional financial performance indicators to support meaningful comparison of financials for Fortum's strategic businesses. See also Note 24 Definitions and reconciliations of key figures.

1.4 Accounting policies

The same accounting policies that were applied in the preparation of the consolidated financial statements for the year ended 31 December 2021, have been applied in these condensed interim financial statements. New standards, amendments and interpretations effective from 1 January 2022 have not had a material impact on Fortum's consolidated financial statements.

1.5 Key exchange rates used in consolidated financial statements

The balance sheet date rate is based on the exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of daily closing rates from the European Central Bank. The European Central Bank stopped publishing rouble (RUB) rates from 2 March 2022. From 2 March 2022, the daily spot rate at 17:15 EET from the market has been used.

Key exchange rates used in consolidated financial statements:

Average rate	Jan-Dec 2022	Jan-Sep 2022	Jan-June 2022	Jan-Mar 2022	Jan-Dec 2021	Jan-Sep 2021	Jan-June 2021	Jan-Mar 2021
United Kingdom (GBP)	0.8528	0.8472	0.8424	0.8364	0.8596	0.8636	0.8680	0.8739
Norway (NOK)	10.1026	10.0070	9.9817	9.9247	10.1633	10.2280	10.1759	10.2584
Poland (PLN)	4.6861	4.6724	4.6354	4.6230	4.5652	4.5473	4.5374	4.5457
Russia (RUB)	73.6173	76.6455	85.0393	99.1783	87.1527	88.5335	89.5502	89.6675
Sweden (SEK)	10.6296	10.5274	10.4796	10.4807	10.1465	10.1528	10.1308	10.1202
United States (USD)	1.0530	1.0638	1.0934	1.1217	1.1827	1.1962	1.2053	1.2048

Balance sheet date rate	31 Dec 2022	30 Sep 2022	30 June 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	30 June 2021	31 Mar 2021
United Kingdom (GBP)	0.8869	0.8830	0.8582	0.8460	0.8403	0.8605	0.8581	0.8521
Norway (NOK)	10.5138	10.5838	10.3485	9.7110	9.9888	10.1650	10.1717	9.9955
Poland (PLN)	4.6808	4.8483	4.6904	4.6531	4.5969	4.6197	4.5201	4.6508
Russia (RUB)	77.8998	59.3288	56.4004	91.5833	85.3004	84.3391	86.7725	88.3175
Sweden (SEK)	11.1218	10.8993	10.7300	10.3370	10.2503	10.1683	10.1110	10.2383
United States (USD)	1.0666	0.9748	1.0387	1.1101	1.1326	1.1579	1.1884	1.1725

2. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021. However, the Russia-Ukraine war has fundamentally changed the geopolitical situation; and given the uncertainty and risks arising from the geopolitical situation, there may be future effects on the consolidated financial statements arising from more volatile global economy and especially commodity markets. These factors can affect the carrying amounts of assets and liabilities, the amount and timing of earnings recognition, as well as cash flows.

Russia’s attack on Ukraine in February 2022 has severely impacted Fortum’s current and future businesses. The main impacts on Fortum’s 2022 financials include the events that led to the divestment of Uniper to the German State for EUR 0.5 billion; the severe liquidity constrains caused by significantly higher collaterals related to power and gas on the commodities exchanges, which required additional financing measures; as well as the overall impact of the war on Fortum’s Russian operations.

Uniper divestment to the German State

Following the war in Ukraine, particularly Uniper segment’s business and financial risk profiles significantly deteriorated in 2022, mainly due to Russian gas curtailments and commodity price volatility, which significantly increased margining requirements and liquidity needs. Following the war in Ukraine, particularly the Uniper segment’s business and financial risk profiles significantly deteriorated in 2022, mainly due to Russian gas curtailments and commodity price volatility, which significantly increased margining requirements and liquidity needs. In July 2022, Fortum and Uniper reached out to the German Government to agree on a long-term solution for Uniper.

On 21 September 2022, Fortum, the German Government and Uniper signed an agreement in principle allowing the German State to take full control of Uniper. This final Uniper agreement in principle replaced the initial agreement between the same parties, signed in July 2022. After July, the European energy crisis escalated further and the severity of the situation made it apparent that the previously agreed stabilisation measures were insufficient and

difficult to implement. By 21 September 2022, Uniper had accumulated significant negative earnings amounting to billions of euros in gas-related losses, and it had become evident that the company, as privately-owned, was not able to fulfil its role as a critical energy provider of security of supply in Germany.

The transaction was completed on 21 December 2022. Under the agreement, Uniper issued new ordinary registered shares, which the German State subscribed at a nominal value of EUR 1.70 per share. At completion of the equity capital increase, the German State bought all of Fortum‘s approximately 293 million shares in Uniper SE for EUR 1.70 per share, i.e. for a total of EUR 0.5 billion; and Uniper repaid the EUR 4 billion shareholder loan. Out of the EUR 4.0 billion parent company guarantee facility that Fortum had granted to Uniper, a total of EUR 3.0 billion was released by year-end 2022. The remaining, approximately EUR 1.0 billion, with a full German State back-to-back guarantee (indemnity), will be released latest at the end of June 2023.

The signing of the agreement in principle with the German Government on 21 September 2022 triggered a control assessment as required by IFRS 10 Consolidated financial statements. Management concluded that Fortum’s rights are no longer substantive as it does not have practical ability to use control over Uniper. The loss of control was impacted by the signing of the agreement in principle and the significant financial support to Uniper through the KfW Bank’s bridge financing. In the judgement of the management, the overall effect of that financing, combined with the agreement in principle, was such that the German Government was in practice subsequently able to approve or reject the most important decisions in relation to the business of Uniper. Consequently, control was assessed to have been lost and Uniper was deconsolidated at 30 September 2022. In addition, Uniper was presented as discontinued operations from III/2022 in accordance with IFRS 5 Non-current assets held for sale and discontinued operations as management was committed to fully disposing of Uniper SE’s shares, and Uniper had been a separate reportable segment and a significant component of Fortum Group. See also Note 1 Significant accounting policies.

Deferred tax assets at 31 December 2022 include EUR 706 million recognised in IV/2022 relating to a one-time tax impact realised in Ireland, which resulted in increased deferred tax assets on tax loss carry forward. The deferred tax asset mainly relates to impacts caused by the Uniper divestment, and the utilisation is subject to future taxable income in Ireland.

Liquidity

The energy crisis in Europe has resulted in the very volatile commodity markets with unprecedentedly high prices that have required significantly higher collaterals related to power and gas on the commodities exchanges. In the latter part of 2022, the Nordic power prices declined from the record levels at the end of August and the market was less volatile. However, Fortum remained prepared for continued market turbulence, and has taken precautionary financing measures to secure its liquidity position and financial flexibility. On 6 September 2022 Fortum signed a EUR 2,350 million bridge financing with Finnish State-owned company, Solidium. According to loan terms, in order to keep the facility effective for the one year period, on 26 September 2022, Fortum announced to draw EUR 350 million under this facility. On 21 December 2022, Uniper repaid its EUR 4 billion shareholder loan and Fortum received the sales proceeds of EUR 0.5 billion from the divestment of Uniper shares. At the end of the year, Fortum’s financial situation was solid, Fortum Group had undrawn committed credit facilities amounting to EUR 7,200 million, as well as EUR 100 million committed overdraft limits that are valid until further notice. See also Note 15 Interest-bearing net debt.

Geopolitical uncertainties and impacts on Russian operations

Due to the sanctions imposed by the Russian Federation, Fortum’s Russian subsidiaries are subject to foreign exchange transfer restrictions, which currently limit the transfer of funds, such as potential dividend distributions, into the EU. The sanctions currently do not, however, restrict Fortum from exercising its voting rights at the general meetings of the Russian subsidiaries. Hence, Fortum’s Russian subsidiaries continue to be consolidated as subsidiaries at 31 December 2022. However, the cash and cash equivalents held by Fortum’s Russia segment in Russia, a total of EUR 247 million, are not available to the other group companies.

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, however there are no decisions and these processes might take some time and are subject to regulatory approvals. See also section ‘Key drivers and risks’.

In I/2022, Fortum recorded impairments of EUR 445 million on non-current Russian assets. In IV/2022, due to increased uncertainty regarding the future of the Russian operation, the Russian non-current assets were further impaired by EUR 778 million. Total impairment charges in 2022 for the Russia CGU amount to EUR 1,697 million (pre

tax), including EUR 905 million impairment of intangible assets and property, plant and equipment, EUR 475 million impairment of participations in associates and joint ventures, EUR 145 million expected credit losses on Russian deposits and receivables, as well as EUR 171 million write down of other shares. Total impairments in 2022 include the impact from the strengthened rouble rate from I/2022 to IV/2022. The remaining book value of Russia segment's net assets is approximately EUR 1.7 billion at 31 December 2022 (31 Dec 2021: 2.5). The book value is based on the assumption that the controlled exit can be executed, and that other assumptions made by management realise as expected. The carrying amount of the Russia CGU is equal to its recoverable amount, meaning that any detrimental future changes may cause further impairment. See Note 13 Impairment of non-current assets.

3. Segment information

Fortum's reportable segments under IFRS are Generation, City Solutions, Consumer Solutions and Russia. Other Operations includes corporate functions, R&D and technology development projects. Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, and in IV/2022 Fortum introduced new APMs to provide additional financial information excluding the Russia segment. Hence, a new subtotal for continuing operations excluding Russia was introduced in segment information tables. See also Note 1 Significant accounting policies and Note 24 Definitions and reconciliations of key figures. The Uniper segment was classified as discontinued operations in III/2022. See also Note 1 Significant accounting policies and Note 6 Acquisitions, disposals, assets held for sale and discontinued operations.

Fortum and Uniper are co-owners in the Swedish nuclear company OKG Aktiebolag (OKG AB), with Fortum owning 45.5%. Fortum accounted for the shareholding in OKG AB as a subsidiary from 31 March 2020 to 30 September 2022, with the results of the company being split between the Uniper segment and the Generation segment according to ownership. On deconsolidation of Uniper at 30 September 2022, OKG AB was reclassified as an associated company. The reclassification resulted in the restatement of the Generation segment's 2021 financials.

Quarter

EUR million	Note	Generation [1] IV/2022	Generation [1] IV/2021 restated	City Solutions [1] IV/2022	City Solutions [1] IV/2021	Consumer Solutions IV/2022	Consumer Solutions IV/2021	Other Operations IV/2022	Other Operations IV/2021	Total continuing operations excl. Russia IV/2022	Total continuing operations excl. Russia IV/2021	Russia IV/2022	Russia IV/2021	Total continuing operations IV/2022	Total continuing operations IV/2021
Income statement data by segment															
Power sales [1]		1,328	866	127	77	1,321	920	0	0	2,776	1,863	256	219	3,032	2,082
Heat sales		-	-	135	208	-	-	-	-	135	208	65	44	200	252
Gas sales		-	77	-	-	104	91	-	-	104	168	-	-	104	168
Waste treatment sales		-	0	63	69	-	-	-	-	63	69	-	-	63	69
Other sales		16	10	84	72	35	41	32	35	168	159	8	4	176	162
Sales		**1,344**	**953**	**409**	**427**	**1,460**	**1,052**	**32**	**35**	**3,246**	**2,467**	**329**	**267**	**3,575**	**2,734**
Internal eliminations		148	13	-39	-3	-2	-8	-28	-24	79	-22	0	-	79	-23
Netting of Nord Pool transactions [2]										-917	-540			-917	-540
IS External sales		1,492	966	370	424	1,458	1,044	5	12	2,407	1,906	329	267	2,736	2,171
							-								
Comparable EBITDA		**692**	**470**	**69**	**119**	**43**	**3**	**-30**	**-36**	**775**	**555**	**120**	**118**	**895**	**673**
IS Depreciation and amortisation		-42	-42	-38	-46	-19	-19	-7	-8	-106	-115	-45	-39	-151	-154
IS **Comparable operating profit**		**650**	**428**	**32**	**73**	**25**	**-17**	**-37**	**-44**	**669**	**440**	**75**	**80**	**744**	**519**
Impairment charges and reversals		-	-	0	-	-	-	-	-	0	-	-550	-5	-550	-5
Capital gains and other related items		0	0	4	0	0	0	1	-1	5	-1	0	0	5	-1
Changes in fair values of derivatives hedging future cash flow		-23	-31	164	-59	-945	129	-	-	-804	40	-4	0	-808	40
Other		-20	-	-	-	-	-	-24	-6	-44	-6	-1	-	-45	-6
IS Items affecting comparability	4	-43	-31	168	-59	-945	129	-23	-7	-843	33	-554	-5	-1,397	28
IS **Operating profit**		**607**	**397**	**199**	**14**	**-921**	**113**	**-60**	**-51**	**-174**	**472**	**-479**	**75**	**-653**	**547**
Comparable share of profit/loss of associates and joint ventures	4, 12	-72	-13	4	4	-	-	0	0	-68	-10	16	5	-53	-4
IS Share of profit/loss of associates and joint ventures	12	-63	12	4	4	-	-	0	0	-59	16	-236	5	-295	21
Gross investments / divestments by segment															
Gross investments in shares [3]	6	0	4	1	0	0	-	5	10	6	14	0	1	6	16
Capital expenditure		80	72	49	42	20	19	4	3	153	135	37	21	190	156
Gross divestments of shares	6	-	0	4	286	0	0	0	0	4	286	0	0	4	286

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the difference between average contract price and realised spot price. Power sales contains realised result from commodity derivatives, which have not had hedge accounting status under IFRS 9, but have been considered operatively as hedges.
2) Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.
3) From I/2022, acquisition of additional shares in Uniper are not included in gross investments in shares. For additional information, see Note 6.1 Acquisitions.

Year-to-date

EUR million	Note	Generation [1] 2022	Generation [1] 2021 restated	City Solutions [1] 2022	City Solutions [1] 2021	Consumer Solutions 2022	Consumer Solutions 2021	Other Operations 2022	Other Operations 2021	Total continuing operations excl. Russia 2022	Total continuing operations excl. Russia 2021	Russia 2022	Russia 2021	Total continuing operations 2022	Total continuing operations 2021
Income statement data by segment															
Power sales [1]		3,600	2,660	252	205	4,026	2,253	0	0	7,878	5,118	856	761	8,734	5,879
Heat sales		-	-	505	612	-	-	-	-	505	612	156	137	661	749
Gas sales		-	167	-	1	392	225	-	-	392	393	-	-	392	393
Waste treatment sales		0	0	237	250	-	-	-	-	237	250	-	-	237	250
Other sales		55	42	288	235	161	144	136	138	639	559	19	8	659	567
Sales		**3,655**	**2,869**	**1,282**	**1,302**	**4,578**	**2,622**	**136**	**138**	**9,651**	**6,932**	**1,031**	**906**	**10,682**	**7,837**
Internal eliminations		645	-140	-75	-29	-30	-14	-106	-102	435	-285	0	-	434	-286
Netting of Nord Pool transactions [2]										-2,312	-1,128			-2,312	-1,128
IS External sales		4,299	2,729	1,207	1,273	4,549	2,608	30	36	7,774	5,519	1,031	906	8,804	6,422
Comparable EBITDA		**1,765**	**1,287**	**177**	**317**	**173**	**123**	**-90**	**-114**	**2,025**	**1,612**	**411**	**404**	**2,436**	**2,016**
IS Depreciation and amortisation		-165	-164	-148	-182	-75	-71	-25	-28	-415	-445	-151	-142	-566	-587
IS Comparable operating profit		**1,600**	**1,123**	**28**	**135**	**97**	**52**	**-115**	**-142**	**1,611**	**1,167**	**260**	**261**	**1,871**	**1,429**
Impairment charges and reversals		-	-	0	-	-	-	-	-	0	-	-905	-35	-905	-35
Capital gains and other related items		0	50	643	2,608	0	0	142	14	785	2,672	0	1	785	2,673
Changes in fair values of derivatives hedging future cash flow		-177	-107	47	-72	-246	443	-	-	-376	264	-17	0	-393	264
Other		-20	-	1	-	-	-	-33	-6	-52	-6	-28	-	-80	-6
IS Items affecting comparability	4	-197	-57	690	2,536	-246	443	109	8	356	2,931	-949	-34	-593	2,897
IS Operating profit		**1,403**	**1,066**	**719**	**2,671**	**-149**	**495**	**-6**	**-134**	**1,967**	**4,098**	**-690**	**227**	**1,277**	**4,325**
Comparable share of profit/loss of associates and joint ventures	4, 12	-49	0	14	42	-	-	-6	0	-40	42	30	62	-11	104
IS Share of profit/loss of associates and joint ventures	12	-194	64	14	42	-	-	-6	0	-185	106	-443	62	-629	168
Gross investments / divestments by segment															
Gross investments in shares [3]	6	3	7	4	2	0	-	21	237	29	245	4	36	33	281
Capital expenditure		231	168	155	161	71	68	10	15	467	396	58	47	525	443
Gross divestments of shares	6	-	129	1,213	3,870	0	0	150	19	1,363	4,017	1	18	1,365	4,034

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the difference between average contract price and realised spot price. Power sales contains realised result from commodity derivatives, which have not had hedge accounting status under IFRS 9, but have been considered operatively as hedges.
2) Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.
3) From I/2022, acquisition of additional shares in Uniper are not included in gross investments in shares. For additional information, see Note 6.1 Acquisitions.

Segment assets and liabilities

		Generation		City Solutions		Consumer Solutions		Other Operations		Russia		Uniper [1]	Total	
EUR million	**Note**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
Non-interest-bearing assets		5,347	5,545	2,128	2,874	1,801	1,496	238	283	1,614	1,923	27,137	11,128	39,258
BS Participations in associates and joint ventures	12	937	1,032	77	74	-	-	25	32	211	678	644	1,249	2,461
Eliminations													-373	-386
Total segment assets		**6,283**	**6,577**	**2,204**	**2,949**	**1,801**	**1,496**	**263**	**315**	**1,825**	**2,601**	**27,781**	**12,004**	**41,333**
Interest-bearing receivables	14												1,284	3,107
BS Deferred tax assets													933	2,149
Other assets													5,502	95,481
BS Liquid funds													3,919	7,592
BS Total assets													**23,642**	**149,661**
Segment liabilities		**734**	**616**	**445**	**492**	**436**	**371**	**199**	**190**	**135**	**93**	**22,435**	**1,949**	**24,196**
Eliminations													-373	-386
Total segment liabilities													**1,576**	**23,810**
BS Deferred tax liabilities													152	827
Other liabilities													6,392	94,140
Total liabilities included in capital employed													**8,120**	**118,777**
Interest-bearing liabilities	15												7,785	17,220
BS Total equity													7,737	13,665
BS Total equity and liabilities													**23,642**	**149,661**
Number of employees		1,155	1,116	1,691	1,766	1,179	1,176	963	961	2,724	2,627	11,494	7,712	19,140

1) As Uniper was deconsolidated at 30 September 2022, Uniper's balance sheet items are not included on Fortum's 31 December 2022 consolidated balance sheet. Consolidated balance sheet at 31 December 2021 included Uniper.

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

EUR million	Note	Generation 31 Dec 2022	Generation 31 Dec 2021 restated	City Solutions 31 Dec 2022	City Solutions 31 Dec 2021	Consumer Solutions 31 Dec 2022	Consumer Solutions 31 Dec 2021	Russia 31 Dec 2022	Russia 31 Dec 2021
Comparable operating profit		**1,600**	**1,123**	**28**	**135**	**97**	**52**	**260**	**261**
Comparable share of profit/loss of associates and joint ventures	4, 12	-49	0	14	42	-	-	30	62
Comparable operating profit including comparable share of profit/loss of associates and joint ventures		**1,551**	**1,123**	**42**	**177**	**97**	**52**	**290**	**323**
Segment assets at the end of the period		6,283	6,577	2,204	2,949	1,801	1,496	1,825	2,601
Segment liabilities at the end of the period		734	616	445	492	436	371	135	93
Comparable net assets		**5,549**	**5,961**	**1,760**	**2,456**	**1,365**	**1,125**	**1,690**	**2,508**
Comparable net assets average [1)]		**5,739**	**5,925**	**1,833**	**2,915**	**1,068**	**746**	**2,570**	**2,516**
Comparable return on net assets, %		**27.0**	**19.0**	**2.3**	**6.1**	**9.1**	**6.9**	**11.3**	**12.9**

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

4. Comparable operating profit and comparable net profit

4.1 Reconciliation of operating profit to comparable operating profit

Quarter

EUR million	Unadjusted IV/2022	Unadjusted IV/2021 restated	Impairment charges and reversals IV/2022	Impairment charges and reversals IV/2021 restated	Capital gains and other related items IV/2022	Capital gains and other related items IV/2021 restated	Changes in fair values of derivatives hedging future cash flow IV/2022	Changes in fair values of derivatives hedging future cash flow IV/2021 restated	Other IV/2022	Other IV/2021 restated	Reported IV/2022	Reported IV/2021 restated
Sales	3,021	1,468	-	-	-	-	-285	703	-	-	2,736	2,171
Other income	-110	11	-	-	-5	1	144	14	-	-	29	26
Materials and services	-2,444	-459	-	-	-	-	892	-757	20	-	-1,532	-1,216
Employee benefits	-134	-134	-	-	-	-	-	-	-	-	-134	-134
Depreciation and amortisation	-700	-159	550	5	-	-	-	-	-	-	-151	-154
Other expenses	-286	-181	-	-	-	1	57	-	25	6	-204	-175
IS **Comparable operating profit**			**550**	**5**	**-5**	**1**	**808**	**-40**	**45**	**6**	**744**	**519**
IS Items affecting comparability			-550	-5	5	-1	-808	40	-45	-6	-1,397	28
IS **Operating profit**	**-653**	**547**									**-653**	**547**

Year-to-date

EUR million	Unadjusted 2022	Unadjusted 2021 restated	Impairment charges and reversals 2022	Impairment charges and reversals 2021 restated	Capital gains and other related items 2022	Capital gains and other related items 2021 restated	Changes in fair values of derivatives hedging future cash flow 2022	Changes in fair values of derivatives hedging future cash flow 2021 restated	Other 2022	Other 2021 restated	Reported 2022	Reported 2021 restated
Sales	8,827	6,234	-	-	-	-	-23	188	-	-	8,804	6,422
Other income	734	2,773	-	-	-785	-2,673	153	-9	-1	-	101	91
Materials and services	-5,576	-2,976	-	-	-	-	206	-443	20	-	-5,350	-3,419
Employee benefits	-504	-496	-	-	-	-	-	-	-	-	-504	-496
Depreciation and amortisation	-1,471	-622	905	35	-	-	-	-	-	-	-566	-587
Other expenses	-734	-589	-	-	-	1	57	-	61	6	-615	-582
IS **Comparable operating profit**			**905**	**35**	**-785**	**-2,673**	**393**	**-264**	**80**	**6**	**1,871**	**1,429**
IS Items affecting comparability			-905	-35	785	2,673	-393	264	-80	-6	-593	2,897
IS **Operating profit**	**1,277**	**4,325**									**1,277**	**4,325**

Impairment charges and reversals

Impairment charges and reversals of previously recognised impairments are adjusted from depreciation and amortisation and presented in items affecting comparability. Impairments in 2022 include EUR 905 million impairment in the Russia segment. Impairments were recognised against goodwill, and property, plant and equipment. The change in impairments of EUR 550 compared to I-III/2022 comes from a further impairment charge of EUR 535 million, as well as the change in the rouble rate. See Note 13 Impairment of non-current assets. Impairments in 2021 included a tax-deductible non-cash impairment of EUR 35 million in connection with the sale of the Argayash CHP plant in the Russia segment.

Capital gains and other related items

Capital gains and other related items in 2022 includes EUR 638 million gain from the sale of the 50% ownership in the district heating company Fortum Oslo Varme AS in Norway, EUR 77 million gain from the sale of the 30% ownership in the public charging point operator for electric vehicles Recharge AS, as well as EUR 61 million gain from the sale of the e-mobility business Plugsurfing. Capital gains and other related items in 2021 included EUR 2,350 million gain from the sale of the 50% stake in the Swedish district heating and cooling company, Stockholm Exergi Holding AB, EUR 254 million gain from the sale of the district heating business in the Baltics, and EUR 50 million gain from the sale of eight small hydropower plants in Sweden (see Note 6.2 Disposals).

Changes in fair values of derivatives hedging future cash flow

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

4.2 Reconciliation from operating profit to comparable net profit

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
IS **Operating profit**		**-653**	**547**	**1,277**	**4,325**
IS Items affecting comparability	4.1	1,397	-28	593	-2,897
IS **Comparable operating profit**		**744**	**519**	**1,871**	**1,429**
IS Share of profit/loss of associates and joint ventures		-295	21	-629	168
Adjustments to share of profit/loss of associates and joint ventures	12	243	-26	618	-65
Comparable share of profit/loss of associates and joint ventures		-53	-4	-11	104
IS Finance costs - net		-610	-26	-193	-161
Adjustments to finance costs - net	7	201	-5	348	34
Comparable finance costs - net		-409	-31	155	-127
Comparable profit before income tax		**282**	**484**	**2,014**	**1,405**
IS Income tax expense		947	-114	556	-325
Adjustments to income tax expense		-1,018	5	-1,010	34
Comparable income tax expense		-71	-109	-454	-290
IS Non-controlling interests		4	-11	0	-23
Adjustments to non-controlling interests		1	-2	-11	-1
Comparable non-controlling interests		4	-13	-11	-24
Comparable net profit from continuing operations		**216**	**361**	**1,550**	**1,091**
Comparable net profit from discontinued operations	6.4	-	332	-2,538	687
Comparable net profit, total Fortum		**216**	**693**	**-988**	**1,778**
Comparable earnings per share, continuing operations EUR	24	**0.24**	**0.41**	**1.74**	**1.23**
Comparable earnings per share, discontinued operations EUR	24	**-**	**0.37**	**-2.86**	**0.77**
Comparable earnings per share, total Fortum, EUR	24	**0.24**	**0.78**	**-1.11**	**2.00**

Comparable share of profit/loss of associates and joint ventures

Share of profit/loss of associates and joint ventures is adjusted for significant items, similar to adjustments made to arriving at comparable net profit. In 2022, the share of profits of associates and joint ventures include EUR 414 million impairments related to Fortum's ownership in the Russian TGC-1 and EUR 62 million of impairments of the renewables joint ventures in Russia. The change in impairments of EUR 253 compared to I-III/2022 comes from a further impairment charge of EUR 243 million in IV/2022, as well as the change in the rouble rate. See Note 13 Impairment of non-current assets.

Comparable finance costs - net

Finance costs – net are adjusted for e.g. nuclear-related items recognised in other financial items - net, fair value changes on financial items, as well as impairment charges and reversals of previously recorded impairment charges on financial items. In 2022, Finance costs – net include expected credit losses of EUR 117 million on Russian deposits and receivables, as well as EUR 171 million write down of other shares. See Note 7 Finance costs – net.

Comparable income tax expense

Income tax expense is adjusted for tax impacts on items affecting comparability, adjustments to finance costs – net, tax rate changes and other onetime adjustments. In 2022, adjustments to income tax expense include EUR 746 million relating to onetime tax impact realised in Ireland mainly due to the Uniper divestment. See Note 8 Income taxes.

4.3 Reconciliation of income statement alternative performance measures excluding Russia

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, and in IV/2022 Fortum introduced new APMs to provide additional financial information excluding Fortum's Russian operations. See also Note 1 Significant accounting policies.

Comparable net profit from continuing operations excl. Russia

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
Comparable net profit from continuing operations	4	216	361	1,550	1,091
- Comparable operating profit, Russia	3	75	80	260	261
- Comparable share of profit/loss of associates and joint ventures, Russia	3	16	5	30	62
- Comparable finance costs - net, Russia		-301	-7	324	-25
- Comparable income tax expense, Russia		57	-19	-138	-55
- Comparable non-controlling interests, Russia		-1	-1	-2	-4
Comparable net profit from continuing operations excl. Russia		**370**	**302**	**1,076**	**851**
Comparable earnings per share from continuing operations excl. Russia, EUR	24	**0.42**	**0.34**	**1.21**	**0.96**

See also Note 24 Definitions and reconciliations of key figures.

5. Financial risk management

See Fortum Group's consolidated financial statements for the year ended 31 December 2021 for current financial risk management objectives and policies.

Fair value hierarchy information

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

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

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

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

See also accounting policies in the consolidated financial statements 2021, in Note 15 Financial assets and liabilities by fair value hierarchy.

Financial assets

	Level 1		Level 2		Level 3		Netting [1]		Total	
EUR million	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**	**31 Dec 2022**	**31 Dec 2021**
In non-current assets										
Other investments [2]	-	71	-	46	543	99			543	216
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			54	62				-9	54	53
Non-hedge accounting	85	5,136	58	11,708	57	207	-30	-96	170	16,955
Interest rate and currency derivatives										
Hedge accounting			116	54					116	54
Non-hedge accounting			3	34					3	34
Interest-bearing receivables	-	111			31	36			31	147
Total in non-current assets	**85**	**5,318**	**231**	**11,904**	**631**	**342**	**-30**	**-105**	**917**	**17,460**
In current assets										
Derivative financial instruments										
Commodity derivatives										
Hedge accounting	781	50	542	572			-546	-207	777	416
Non-hedge accounting	1,129	22,876	252	45,575	9	326	-796	-4,028	594	64,750
Interest rate and currency derivatives										
Hedge accounting			23	57					23	57
Non-hedge accounting			92	170					92	170
Other receivables			-	13					-	13
Interest-bearing receivables	527	596			7	4			535	600
Total in current assets	**2,437**	**23,522**	**909**	**46,387**	**16**	**330**	**-1,342**	**-4,235**	**2,021**	**66,006**
Total in assets	**2,522**	**28,840**	**1,140**	**58,291**	**648**	**672**	**-1,372**	**-4,340**	**2,938**	**83,465**

1) Receivables and liabilities from electricity and other commodity standard derivative contracts against exchanges with same delivery period are netted in Fortum, except in Uniper-segment included in 31 Dec 2021 balances.
2) Other investments mainly include shares in unlisted companies.

Financial liabilities

	Level 1		Level 2		Level 3		Netting [1]		Total	
EUR million	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
In non-current liabilities										
Interest-bearing liabilities [2]			580	1,669					580	1,669
Derivative financial instruments										
Commodity derivatives										
Hedge accounting			390	257				-9	390	248
Non-hedge accounting	38	4,874	234	11,336	4	259	-30	-96	246	16,373
Interest rate and currency derivatives										
Hedge accounting			121	27					121	27
Non-hedge accounting			-	8					-	8
Total in non-current liabilities	**38**	**4,874**	**1,324**	**13,298**	**4**	**259**	**-30**	**-105**	**1,336**	**18,326**
In current liabilities										
Interest-bearing liabilities			527	549					527	549
Derivative financial instruments										
Commodity derivatives										
Hedge accounting	2,672	420	1,240	2,721			-546	-207	3,366	2,934
Non-hedge accounting	883	20,316	465	52,531	1	86	-796	-4,028	553	68,905
Interest rate and currency derivatives										
Hedge accounting			3	4					3	4
Non-hedge accounting			51	103					51	103
Total in current liabilities	**3,555**	**20,736**	**2,286**	**55,908**	**1**	**86**	**-1,342**	**-4,235**	**4,500**	**72,496**
Total in liabilities	**3,593**	**25,610**	**3,610**	**69,205**	**5**	**345**	**-1,372**	**-4,340**	**5,836**	**90,822**

1) Receivables and liabilities from standard electricity and other commodity derivative contracts against exchanges with same delivery period are netted in Fortum, except in Uniper segment included in 31 Dec 2021 balances.
2) Fair valued part of bonds when hedge accounting is applied (fair value hedge).

Changes in fair value hierarchy's total asset include EUR 198,092 million and changes in fair value hierarchy's total liabilities include EUR 215,846 million in I-III/2022 from the deconsolidation of Uniper at 30 September 2022.

At the end of December 2022, the net fair value of commodity derivatives was EUR -2,960 million, including assets of EUR 1,594 million and liabilities of EUR 4,554 million (EUR -6,225 million in December 2021, including assets of EUR 82 billion and liabilities of EUR 88 billion). The change from December 2021 mainly relates to deconsolidation of Uniper which was dampened by impacts from increased commodity market prices affecting the continuing operations.

Net fair value amount of interest rate and currency derivatives was EUR 61 million, including assets of EUR 235 million and liabilities of EUR 175 million. Fortum has cash collaterals based on collateral agreements with some counterparties. At the end of December 2022, Fortum had received EUR 64 million from collateral agreements. The received cash was booked as a short-term liability.

Regarding derivative financial instruments, see Note 4 Comparable operating profit and comparable net profit. Regarding the interest-bearing receivables and liabilities, see Note 14 Interest-bearing receivables, Note 15 Interest-bearing net debt and Note 20 Pledged assets and contingent liabilities.

The increase in other investments in fair value hierarchy level 3 mainly relate to the 1.3 GW portfolio of wind projects in Russia. Uniper's fair valued long-term gas supply contracts accounted for as derivatives, EUR 3,529 million, were transferred from level 2 to level 3 during the reporting period due to changed market situation affecting the inputs used to determine the credit value adjustment. Uniper deconsolidation decreased total level 3 fair values by EUR 1,416 million. There were no other transfers out of level 3. Gains and losses of level 3 items in consolidated income statement are presented mainly in items affecting comparability. See note 4 Comparable operating profit and comparable net profit.

Changes in fair value hierarchy Level 3

	1 Jan 2022	Purchases	Sales	Settle-ments	Gains / losses in income statement	Transfers and additions into level 3	Gains / losses in OCI	Disposal of subsidiary companies	31 Dec 2022
On balance sheet, net									
Other investments	99	19	-17		-126	572	-2	-2	543
Commodity derivatives, fair values	765		135	-104	-1,903	3,529	-1	-2,360	61
Commodity derivative, day-1 gains and losses	-575	2		24	-397			946	-
Interest-bearing receivables	40			-4	3				39
Total on balance sheet, net	**329**	**21**	**118**	**-84**	**-2,423**	**4,101**	**-3**	**-1,416**	**643**

6. Acquisitions, disposals, assets held for sale and discontinued operations

6.1 Acquisitions

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Gross investments in shares in subsidiary companies	0	0	0	210
Gross investments in shares in associated companies and joint ventures	3	3	14	39
Gross investments in other shares	3	13	19	31
Total	**6**	**16**	**33**	**281**

There were no material acquisitions in 2022. Acquisition of subsidiary shares in 2021 mainly related to the acquisition of Uniper shares. From I/2022, acquisition of additional shares in Uniper are not included in gross investments in shares. This reflects the change in presentation in the cash flow where the acquisition of additional shares are from I/2022 presented in cash flow from financing activities to better reflect the requirements of IAS 7 Statement of cash flows. Until IV/2021 acquisition of additional shares in Uniper were presented in cash flow from investing activities. Comparatives have not been restated.

6.2 Disposals

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Gross divestments of shares in subsidiary companies	4	286	1,279	1,136
Gross divestments of shares in associated companies and joint ventures	0	1	86	2,898
Total	**4**	**286**	**1,365**	**4,034**

Disposals during 2022

On 21 September 2022, Fortum, the German Government and Uniper signed an agreement in principle allowing the German State to take full control of Uniper and Uniper was deconsolidated. On 21 December 2022, the transaction was completed and Fortum received the consideration of the share transaction of EUR 498 million and Uniper repaid the EUR 4 billion shareholder loan. The consideration received for the shares is presented in the cash flow from discontinued operations in IV/2022. See also Note 1 Significant accounting policies, Note 2 Critical accounting estimates and judgements and Note 6.4 Discontinued operations.

On 1 September 2022, Fortum announced that it had concluded the sale of its e-mobility business Plugsurfing to Fleetcor Technologies, Inc., a leading global business payments company. The transaction price was approximately EUR 75 million on a cash and debt free basis and Fortum recorded a tax-exempt capital gain of EUR 61 million in the Other Operations' third quarter 2022 results.

On 18 August 2022, Fortum concluded the sale of its 30% ownership in Recharge AS, a public charging point operator for electric vehicles, to Infracapital, the infrastructure equity investment arm of M&G Plc. The transaction price was approximately EUR 85 million. Fortum recorded a tax-exempt capital gain of EUR 77 million in Other Operations' third quarter 2022 results.

On 19 May 2022, Fortum announced that it had concluded the sale of its 50% ownership in the district heating company Fortum Oslo Varme AS in Norway to a consortium of institutional investors of Hafslund Eco, Infranode and HitecVision. The total consideration of the sale amounted to approximately EUR 1 billion on a cash- and debt-free basis; and as part of the transaction, Fortum deconsolidated a related EUR 210 million shareholder loan from the City of Oslo. Fortum recorded a tax-exempt capital gain of EUR 638 million in the City Solutions segment's second quarter 2022 results.

In May 2022, the second phase of the Rajasthan divestment was concluded and a tax-exempt sales gain of EUR 5 million was recorded in comparable operating profit in City Solutions segment's second quarter 2022 results.

Disposals during 2021

On 22 June 2021, Fortum announced that it had signed an agreement to divest the 250-MW Pavagada II and the 250-MW Rajasthan solar power plants in India to Actis. The total consideration from the divestment on a debt and cash-free basis, including the effect of deconsolidating of the net debt amounted to approximately EUR 280 million. The sale of Pavagada II was concluded in October 2021 and the first phase of Rajasthan divestment in November 2021. Fortum recorded a tax-exempt sales gain of EUR 11 million in the fourth quarter 2021 comparable operating profit of the City Solutions segment.

On 20 September 2021, Fortum concluded the sale of its 50% ownership in the Swedish district heating and cooling company Stockholm Exergi Holding AB (publ) to a consortium of European institutional investors of APG, Alecta, PGGM, Keva, and AXA. The total consideration of the sale amounted to SEK 29.5 billion (approximately EUR 2.9 billion). Fortum recorded a tax-exempt capital gain of EUR 2,350 million in the City Solutions segment's third quarter 2021 results.

On 12 March 2021, Fortum announced that it had signed an agreement to sell its district heating business in the Baltics to Partners Group. On 2 July 2021, Fortum concluded the sale. The total consideration of the sale amounted to approximately EUR 710 million. Fortum recorded a tax-exempt capital gain of EUR 254 million in the City Solutions segment's third quarter 2021 results.

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

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

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

6.3 Assets held for sale

Assets held for sale at 31 December 2021 included EUR 108 million of Uniper SE's assets held for sale relating to an equity investment in Javelin, UK and the Öresundverket power plant in Malmö, Sweden.

6.4 Discontinued operations

Uniper segment has been classified as discontinued operations in III/2022. See also Note 1 Significant accounting policies and Note 2 Critical accounting estimates and judgments. Financial performance and cash flow information for the discontinued operations is presented until 30 September 2022. The transaction was completed on 21 December 2022, and the consideration received for the shares of EUR 498 million is presented in cash flow from discontinued operations in IV/2022.

Financial performance

The result from discontinued operations is disclosed on one line on the face of the consolidated income statement. The following table presents breakdown of income statement information for discontinued operations. The effects of eliminations from internal sales and purchases have been included in the discontinued operations. The net financial costs are based on the historical financial costs in the separate companies.

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Sales	-	47,948	128,102	106,127
Other income	-	5,413	22,508	12,289
Materials and services	-	-46,820	-132,287	-101,889
Employee benefits	-	-317	-709	-1,065
Depreciation and amortisation	-	-192	-573	-694
Other expenses	-	-5,481	-21,788	-13,661
Comparable operating profit	**-**	**551**	**-4,747**	**1,107**
Deconsolidation effect	-	-	27,966	-
Items affecting comparability	-	914	-39,621	-6,021
Operating profit	**-**	**1,465**	**-16,402**	**-4,913**
Share of profit/loss of associates and joint ventures	-	18	71	23
Finance costs - net	-	102	-1,052	269
Profit before income tax	**-**	**1,586**	**-17,383**	**-4,621**
Income tax expense	-	-1,010	6,081	500
Net profit from discontinued operations	**-**	**576**	**-11,302**	**-4,121**
Attributable to:				
Owners of the parent	-	425	-3,428	-3,246
Non-controlling interests [1)]	-	150	-7,874	-875
Earnings per share, discontinued operations, EUR	-	0.48	-3.86	-3.65
Comparable net profit from discontinued operations	-	332	-2,538	687
Comparable earnings per share, discontinued operations, EUR	-	0.37	-2.86	0.77

1) Non-controlling interest is not calculated on the Deconsolidation effect as the deconsolidation effect is calculated based on Fortum's share of Uniper's net assets.

Cash flow information

In the cash flow statement, the net cash flows attributable to the operating, investing and financing activities of the discontinued operations are disclosed separately. The consideration received for the shares of Uniper, EUR 498 million, is presented in net cash from/used in investing activities of the discontinued operations in IV/2022. Net cash from/used in investing activities in 2022 is presented net of liquid funds due to the deconsolidation of Uniper. Liquid funds of Uniper were EUR 2,248 million at 30 September 2022.

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Net cash from/used in operating activities	-	1,489	-10,870	3,851
Net cash from/used in investing activities	498	-1,033	-2,450	-5,215
Net cash from/used in financing activities	-	708	10,757	4,409
Total net decrease/increase in liquid funds	**498**	**1,164**	**-2,563**	**3,045**

Deconsolidation effect

On deconsolidation of Uniper at 30 September 2022, Fortum recorded EUR 28.0 billion one-time, mainly non-cash positive effect that is included in 2022 in net profit from discontinued operations in the consolidated income statement. The amount consists of the net effect from the consideration received for the shares, EUR 498 million; Uniper's negative net assets divested resulting in a positive impact to the deconsolidation effect of EUR 26 658 million; as well as certain items previously recognised in other comprehensive income, EUR 810 million, mainly foreign exchange differences, that are reclassified to Income statement on disposal.

EUR million	30 Sep 2022
Intangible assets	1,224
Property, plant and equipment and right-of-use assets	9,638
Participations in associates and joint ventures	671
Derivative financial instruments, net	-18,017
Deferred taxes, net	7,595
Margin receivables, net	8,763
Interest-bearing receivables	860
Other non-current and current assets	21,070
Liquid funds	2,248
Non-controlling interests	6,237
Interest-bearing liabilities	-20,391
Provisions	-30,281
Pension obligations, net	-516
Nuclear provisions	-2,696
Other liabilities	-13,063
Net assets divested	**-26,658**
Consideration received for the shares	498
Items recycled to Income statement	810
Deconsolidation effect	**27,966**

Fortum's total pre-tax loss from the Uniper investment was slightly below EUR 6 billion which is the net effect from the investments in Uniper shares during 2018-2022 of approximately EUR 7.2 billion, the sales proceeds of EUR 0.5 billion received and dividends of approximately EUR 0.9 billion received during the Uniper ownership.

7. Finance costs - net

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Interest expense				
Borrowings	-117	-39	-181	-154
Leasing and other interest expenses	-1	-1	-3	-4
Capitalised borrowing costs	2	1	5	3
IS Total	**-115**	**-40**	**-179**	**-154**
Interest income				
Loan receivables and deposits	30	6	58	23
Leasing and other interest income	1	1	29	2
IS Total	**31**	**7**	**87**	**25**
Other financial items - net				
Return from nuclear fund, nuclear fund adjustment and unwinding of nuclear provisions	-4	4	-71	-35
Fair value changes, impairments and reversals	-197	1	-303	1
Unwinding of discounts on other provisions and pension obligations	10	1	7	0
Other financial expenses and income	-335	0	266	2
IS Total	**-526**	**6**	**-101**	**-32**
IS Finance costs - net	**-610**	**-26**	**-193**	**-161**

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
IS Finance costs - net	**-610**	**-26**	**-193**	**-161**
Adjustments to finance costs - net				
Return from nuclear fund, nuclear fund adjustment and unwinding of nuclear provisions	4	-4	71	35
Fair value changes, impairments, reversals and other adjustments [1)]	197	-1	276	-1
Comparable finance costs - net	**-409**	**-31**	**155**	**-127**

1) Other adjustments in 2022 include EUR 27 million interest income from tax authorities on refunded tax payment.

Interest expenses on borrowings in 2022 totalled EUR 181 million (2021: 154) including interest expenses on loans of EUR 194 million (2021: 130), and EUR -12 million (2021: 24) interest cost – net from derivatives hedging the loan portfolio.

Interest income in 2022 of EUR 87 million (2021: 25) includes EUR 44 million (2021: 13) interest income from shareholder loan receivables and other loan receivables, and EUR 14 million (2021: 10) from deposits. Interest income from leases and other interest income EUR 29 million (2021: 2) include EUR 27 million interest income from tax authorities on refunded tax payment. See Note 8 Income taxes and Note 21 Legal actions and official proceedings.

Return from nuclear fund, nuclear fund adjustment and unwinding of nuclear provisions relate to Loviisa nuclear plant.

Fair value changes, impairments and reversals EUR -303 million in 2022 include expected credit losses of EUR -117 million on Russian deposits and receivables, as well as EUR -171 million write down of other shares.

Other financial expenses and income EUR 266 million in 2022 include mainly foreign exchange gains from Russian rouble receivables and closing of Russian rouble hedges.

8. Income taxes

Income taxes during 2022 totalled EUR 556 million (tax income) (2021: 325 tax expense). The effective income tax rate according to the income statement was -122.1% (2021: 7.5%), which was mainly impacted by items affecting comparability due to the divestment of Uniper. The comparable effective income tax rate was 22.4% (2021: 22.2%).

Change in deferred taxes from 31 December 2021 is mainly due to the deconsolidation of Uniper at 30 September 2022 resulting in the decrease of net deferred tax assets by EUR 1,794 million. Other changes in 2022 include the recognition of EUR 706 million deferred tax assets on tax loss carry forwards in Ireland related to impacts mainly caused by the Uniper divestment; and the net increase in deferred tax asset on derivatives of EUR 357 million due to decrease in the net fair value of the unrealised commodity derivatives caused by high commodity market prices.

Fortum has paid taxes in previous years regarding ongoing tax disputes related to years 2008-2012 and had recognised a receivable of EUR 113 million on the consolidated balance sheet at 31 December 2021. In June 2022, the Antwerp Court of First Instance, Belgium, ruled in favour of Fortum on the 2009-2012 income tax assessments, and in September 2022, the Belgian tax authorities refunded Fortum the paid taxes amounting to EUR 78 million. The amount for the year 2008, EUR 36 million, continues to be recognised on the balance sheet. For additional information, see Note 21 Legal actions and official proceedings.

9. Dividend per share

The Board of Directors proposes that a dividend of EUR 0.91 per share be paid for the financial year 2022. The dividend will be paid in two instalments. Based on the number of shares registered as at 1 March 2023, the total amount of dividend would be EUR 817 million. These Financial statements do not reflect this dividend.

A dividend for 2021 of EUR 1.14 per share, amounting to a total of EUR 1,013 million, was decided in the Annual General Meeting on 28 March 2022. The dividend was paid on 6 April 2022.

A dividend for 2020 of EUR 1.12 per share, amounting to a total of EUR 995 million, was decided in the Annual General Meeting on 28 April 2021. The dividend was paid on 7 May 2021.

10. Intangible assets

EUR million	31 Dec 2022	31 Dec 2021
Goodwill	250	1,021
Contract-based	-	514
Other	408	632
BS Total	**657**	**2,167**

Changes in goodwill include EUR 515 million and changes in contract-based and other intangible assets include EUR 709 million from the deconsolidation of Uniper at 30 September 2022. Other changes in goodwill in 2022 mainly relate to EUR 167 million impairment charge (see Note 13 Impairment of non-current assets) and divestments.

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

Property, plant and equipment, and right-of-use assets amounted to EUR 7,266 million (31 Dec 2021: 19,049). Changes in property, plant and equipment, and right-of-use assets in 2022 include EUR 9,638 million from the deconsolidation of Uniper at 30 September 2022. Other changes in 2022 mainly relate to EUR 736 million impairment charge (see Note 13 Impairment of non-current assets), translation differences, divestments, as well as depreciation; partly offset by capital expenditure.

12. Participations in associates and joint ventures

12.1 Participations in associates and joint ventures

Changes in participations in associates and joint ventures

EUR million	31 Dec 2022	31 Dec 2021
Opening balance 1 January	**2,461**	**2,912**
Investments	14	44
Share of profit of associates and joint ventures	-557	192
Dividend income received	-37	-113
Divestments and capital returns [1)]	-29	-569
Disposal of subsidiary companies	-636	-
Reclassifications	-67	-58
OCI items in associates and joint ventures	41	38
Translation differences and other adjustments	59	14
BS Closing balance	**1,249**	**2,461**

1) Divestments and capital returns in 2021 mainly related to the sale of Stockholm Exergi AB, for additional information see Note 6.2 Disposals.

Changes during the reporting period include Uniper until 30 September 2022. Changes in Disposal of subsidiary companies and Reclassifications in 2022 include EUR -671 million from the deconsolidation of Uniper at 30 September 2022.

Fortum and Uniper are co-owners in the Swedish nuclear company OKG Aktiebolag (OKG AB), with Fortum owning 45.5%. Fortum accounted for the shareholding in OKG AB as a subsidiary from 31 March 2020 to 30 September 2022. On deconsolidation of Uniper at 30 September 2022, OKG AB was reclassified as an associated company.

In 2022, the share of profits of associates and joint ventures include EUR 414 million impairments related to Fortum's ownership in the Russian TGC-1 and EUR 62 million of impairments of the renewables joint ventures in Russia. See Note 13 Impairment of non-current assets.

12.2 Share of profit/loss of associates and joint ventures

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path. Therefore, TGC-1 is no longer classified as a principal associated company at 31 December 2022.

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Principal associates				
Forsmark Kraftgrupp AB	-15	14	-78	40
Kemijoki Oy	-5	3	-1	-1
OKG AB	-35	-4	-99	28
Principal joint ventures				
TVO Oyj	-3	-	-13	-3
Other associates	-219	-1	-420	33
Other joint ventures	-17	10	-17	72
IS Share of profit/loss of associates and joint ventures	**-295**	**21**	**-629**	**168**

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
IS Share of profit/loss of associates and joint ventures	**-295**	**21**	**-629**	**168**
Adjustments to share of profit/loss of associates and joint ventures	243	-26	618	-65
Comparable share of profit/loss of associates and joint ventures	**-53**	**-4**	**-11**	**104**

13. Impairment of non-current assets

The carrying values of goodwill, other intangible assets, property, plant and equipment, right-of-use assets, participations in associates and joint ventures, and non-financial investments are reviewed regularly for indication of impairment. Impairment testing is performed if there is an indication of impairment; and the asset is written down to its recoverable amount if its carrying amount is greater than the estimated recoverable amount. See Note 19 Impairment testing in the 2021 consolidated financial statements for further information on the accounting policy and assumptions related to impairment testing.

Impairment testing at 31 March 2022

On 24 February 2022, Russia started a widespread invasion into Ukraine. As a consequence, the US, the EU and the UK, amongst others, imposed sanctions targeting Russia's ability to access capital and financial markets, sanctioning numerous individuals and banks; as well as trading in general. The war, the resulting sanctions, and the impact on business operations was considered as an impairment indicator, which triggered impairment testing on the Russia and the Unipro cash-generating units (CGU) at 31 March 2022.

For goodwill, other intangible assets, property, plant and equipment, and right-of-use assets, Fortum uses value in use to establish the recoverable amount of CGUs. Value in use is determined by discounting future cash flows expected to be derived from a group of assets. In order to reflect the uncertainty related to the Russia-Ukraine geopolitical situation at 31 March 2022, Fortum used the expected cash flow approach with three different probability-weighted cash flow scenarios prepared by the management: the base scenario with 40% weighting, as well as two different downside scenarios, each with 30% weighting. Cash flows used for annual impairment testing at the previous year end were based on the most likely scenario. In addition, Fortum updated the discount rate for Russia CGUs. Discount rate from 11% to 31% was applied on a reducing scale over the cash flow period, with higher discount rate in the first three years (31 Dec 2021: 11.7%).

The recoverable amount of the Russian associate TGC-1 was based on fair value less costs of disposal using two different probability-weighted scenarios prepared by the management. The scenarios were consistent with external sources of information, the recoverable amount corresponding to fair value hierarchy level 3.

The recoverable amounts of the Russia (Russia segment) and Unipro (Uniper segment) CGUs were below the respective book values resulting in EUR 445 million impairment charge in the Russia CGU, and EUR 555 million impairment charge in the Unipro CGU in I/2022. Unipro CGU was reclassified as discontinued operations in III/2022.

Impairment was recognised against goodwill, property, plant and equipment and participations in associates and joint ventures.

Impairment testing at 31 December 2022

Fortum is pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, however there are no decisions and these processes might take some time and are subject to regulatory approvals. Fortum generally uses value in use to establish the recoverable amount of CGUs. However, in connection with the annual impairment testing as of 31 December 2022, management concluded that due to the increasingly complex operating environment and prolonged uncertainty regarding the future of its Russian operations, fair value less costs of disposal is now more appropriate method to establish the recoverable amount of the Russia CGU. Fair value less costs of disposal for the Russia CGU was determined by an external party and is based on discounted cash flow model using 12.8% to 13.9% discount rate. Management made an additional risk adjustment to account for market restrictions. The valuation method is consistent with external sources of information, the recoverable amount corresponding to fair value hierarchy level 3. Management estimates that value in use method would not give a higher value to the Russia CGU.

The recoverable amount of the Russian associate TGC-1 was based on fair value less costs of disposal using quoted market price, the recoverable amount corresponding to fair value hierarchy level 2.

The recoverable amount of the Russia CGU (Russia segment) was below the book value resulting in EUR 778 million impairment charge in the Russia CGU in IV/2022. Impairments were recognised against property, plant and equipment and participations in associates and joint ventures. Total impairment charges in 2022 for the Russia CGU amount to EUR 1,697 million, including EUR 905 million impairment of intangible assets and property, plant and equipment, EUR 475 million impairment of participations in associates and joint ventures, EUR 145 million expected credit losses on Russian deposits and receivables, as well as EUR 171 million write down of other shares. Total impairments in 2022 include the impact from the strengthened rouble rate from I/2022 to IV/2022. The remaining book value of Russia segment's net assets is approximately EUR 1.7 billion at 31 December 2022 (31 Dec 2021: 2.5). The book value is based on the assumption that the controlled exit can be executed, and that other assumptions made by management realise as expected. The carrying amount of the Russia CGU is equal to its recoverable amount, meaning that any detrimental future changes may cause further impairment.

See also Note 2 Critical accounting estimates and judgements.

14. Interest-bearing receivables

EUR million	31 Dec 2022	31 Dec 2021
Interest-bearing receivables	1,281	2,971
Finance lease receivables	3	136
Total	**1,284**	**3,107**

EUR million	Carrying amount 31 Dec 2022	Fair value 31 Dec 2022	Carrying amount 31 Dec 2021	Fair value 31 Dec 2021
Long-term loan receivables from associates and joint ventures	593	612	1,138	1,185
Non-current securities	-	-	111	111
Other long-term interest-bearing receivables	31	31	1,024	1,024
Total long-term interest-bearing receivables	**624**	**643**	**2,273**	**2,320**
Collateral arrangement securities	527	527	549	549
Other short-term interest-bearing receivables	130	130	149	149
Total short-term interest-bearing receivables	**657**	**657**	**698**	**698**
Total	**1,281**	**1,301**	**2,971**	**3,018**

Changes in interest-bearing receivables from 31 December 2021 are mainly due to the deconsolidation of Uniper at 30 September 2022.

Long-term interest-bearing receivables from associated companies and joint ventures, EUR 593 million (31 Dec 2021: 1,138), include EUR 498 million from Swedish nuclear companies, Forsmarks Kraftgrupp AB and OKG AB (31 Dec 2021: 955 Forsmarks Kraftgrupp AB and Ringhals AB), which are mainly funded with shareholder loans, pro rata to each shareholder's ownership.

15. Interest-bearing net debt

Financial net debt and adjusted net debt

EUR million	31 Dec 2022	31 Dec 2021
+ Interest-bearing liabilities	**7,785**	**17,220**
- BS Liquid funds	**3,919**	**7,592**
- Non-current securities	-	111
- Collateral arrangement securities	527	549
- Securities in interest-bearing receivables	**527**	**660**
- BS Margin receivables	2,607	9,163
+ BS Margin liabilities	352	985
+/- Net margin liabilities/receivables	**-2,255**	**-8,179**
Financial net debt	**1,084**	**789**
+ BS Pension obligations	**13**	**1,190**
+ Other asset retirement obligations	19	872
- BS Share of Finnish and Swedish Nuclear Waste Funds	966	3,515
+ BS Nuclear provisions	966	3,891
+ Nuclear provisions net of assets in Nuclear Waste Funds	0	375
+ Total provisions net of assets in Nuclear Waste Funds	**33**	**2,438**
Adjusted net debt	**1,117**	**3,227**

Fortum has a collateral arrangement to release cash from the Nordic Power Exchange. This arrangement is presented with equal amounts, EUR 527 million (31 Dec 2021: 549), as a short-term interest-bearing liability and an interest-bearing receivable.

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

Interest-bearing liabilities

EUR million	31 Dec 2022	31 Dec 2021
Non-current loans	3,558	7,756
Current loans	4,108	8,389
Total loans	**7,666**	**16,144**
Non-current lease liabilities	100	945
Current lease liabilities	19	130
Total lease liabilities	**119**	**1,075**
Total	**7,785**	**17,220**

Loans

EUR million	Carrying amount 31 Dec 2022	Fair value 31 Dec 2022	Carrying amount 31 Dec 2021	Fair value 31 Dec 2021
Bonds	2,634	2,569	3,705	3,919
Loans from financial institutions	1,519	1,545	4,183	4,222
Reborrowing from the Finnish State Nuclear Waste Management Fund [1]	918	938	1,165	1,213
Other long-term interest-bearing liabilities	115	126	433	463
Total long-term loans [2]	**5,187**	**5,178**	**9,487**	**9,817**
Collateral arrangement liability	527	527	549	549
Other short-term interest-bearing liabilities	1,952	1,952	6,109	6,109
Total short-term loans	**2,479**	**2,479**	**6,658**	**6,658**
Total	**7,666**	**7,657**	**16,144**	**16,475**

1) The reborrowing from the Finnish State Nuclear Waste Management Fund includes the part relating to Loviisa nuclear power plant as well as borrowing done through TVO.
2) Includes current portion of long-term liabilities of EUR 1,629 million (31 Dec 2021: 1,731).

Changes in interest-bearing liabilities from 31 December 2021 are mainly due to the deconsolidation of Uniper at 30 September 2022.

In January 2022, Fortum repaid the drawn amount of EUR 500 million of its EUR 800 million bilateral revolving credit facility. In March 2022, Fortum repaid EUR 247 million of the nuclear waste fund loans totalling EUR 918 million after the repayment.

In June 2022, Fortum drew EUR 800 million of its EUR 800 million bilateral revolving credit facility. Fortum signed a new EUR 5,500 million revolving credit facility which consists of a EUR 3,100 million Liquidity revolving credit facility and a EUR 2,400 million Core revolving credit facility. Fortum drew EUR 2,000 million from the Liquidity revolving credit facility and at the same time repaid and cancelled the EUR 1,750 million revolving credit facility. The remaining balance of the bridge loan, EUR 450 million, was prepaid in June 2022.

In July 2022, Fortum executed the second drawdown of EUR 600 million from the Liquidity revolving credit facility. In August 2022, Fortum drew the remaining EUR 500 million from the Liquidity revolving credit facility and furthermore drew EUR 1,000 million from the Core revolving facility.

In September 2022, Fortum utilised the remaining part, EUR 1,400 million, of the Core revolving credit facility. Fortum repaid a maturing bond of EUR 1,000 million in September 2022. Additionally, Fortum signed a EUR 2,350 million bridge financing facility with Finnish State-owned company Solidium. Fortum drew EUR 350 million from the Solidium bridge financing facility in September 2022.

In November 2022, Fortum repaid EUR 1,400 million part of the Core revolving credit facility and Fortum used the one year extension option of the EUR 800 million bilateral revolving credit facility to mature in December 2023. In December 2022, Uniper repaid the shareholder loan of EUR 4,000 million to Fortum. Fortum repaid the remaining EUR 1,000 million of the Core revolving credit facility, EUR 2,000 million of the Liquidity credit facility and the EUR 800 million bilateral revolving credit facility was fully repaid in December 2022.

Current loans, EUR 4,108 million (31 Dec 2021: 8,389), include the current portion of long-term loans, EUR 1,629 million (31 Dec 2021: 1,731), and short-term loans EUR 2,479 million (31 Dec 2021: 6,658).

Current portion of long-term loans, EUR 1,629 million, consist of maturing bonds and loans from financial institutions. Maturing bonds include EUR 1,000 million bond maturing in February 2023 and EUR 90 million Swedish krona bond maturing in June 2023. Maturing loans from financial institutions include EUR 500 million loan maturing in June 2023 (with 8-month extension option by Fortum).

Short-term loans, EUR 2,479 million, include EUR 1,100 million drawdowns from Liquidity revolving credit facility, a EUR 350 million drawdown from Solidium bridge financing facility and use of commercial paper programmes of EUR 475 million.

The average interest rate for the portfolio of EUR loans was 3.1% at the balance sheet date (31 Dec 2021: 0.6%). The average interest rate on total loans and derivatives was 3.9% at the balance sheet date (31 Dec 2021: 1.3%).

Interest-bearing liabilities of EUR 7,785 million include EUR 204 million interest-bearing liabilities relating to Fortum's Russian operations, which consists of EUR 199 million loans and EUR 5 million lease liabilities.

Maturity of loans

EUR million	31 Dec 2022
2023	4,108
2024	717
2025	7
2026	730
2027	17
2028 and later	2,087
Total	**7,666**

Loans maturing in 2023 include EUR 1,090 million bond repayments, EUR 1,100 million drawn amount of the revolving credit facility, EUR 500 million bilateral loan repayment, EUR 350 million Solidium bridge financing repayment and EUR 475 million commercial papers. Maturities in 2023 also include EUR 592 million loans with no contractual due date.

Maturity of undiscounted lease liabilities

EUR million	31 Dec 2022
Due within a year	18
Due after one year and within five years	53
Due after five years	57
Total	**128**

Liquid funds

EUR million	31 Dec 2022	31 Dec 2021
Deposits and securities with maturity more than 3 months	147	47
Cash and cash equivalents	3,771	7,545
BS Total	**3,919**	**7,592**

Changes in liquid funds from 31 December 2021 are mainly due to the deconsolidation of Uniper at 30 September 2022.

At the end of the reporting period, the Group's liquid funds totalled EUR 3,919 million (31 Dec 2021: 7,592). Liquid funds include EUR 247 million relating to Fortum's Russian operations (31 Dec 2021: 300). These funds are not available to the other Group companies as payment transactions with the Russian Federation are subject to general restrictions.

Liquid funds totalling EUR 3,600 million (31 Dec 2021: 7,342) are placed with counterparties that have an investment grade credit rating.

Committed credit facilities

At the end of the reporting period, Fortum had undrawn committed credit facilities of EUR 7,200 million, including the Liquidity revolving credit facility of EUR 2,000 million (maturity in June 2023 with 6+6 months extension options by Fortum), the Core revolving credit facility of EUR 2,400 million (maturity in June 2025 with 1+1 year extension options by the lenders), the Solidium bridge financing facility of EUR 2,000 million (maturity in September 2023) and the EUR 800 million bilateral revolving credit facility (maturity in December 2023). In addition, Fortum has EUR 100 million committed overdraft limits that are valid until further notice.

The EUR 3,000 million revolving credit facility with maturity in July 2022 was cancelled in June 2022 and the EUR 1,750 million revolving credit facility with maturity in June 2023 was repaid and cancelled in June 2022.

16. Nuclear-related assets and liabilities

Fortum owns Loviisa nuclear power plant in Finland. On Fortum's consolidated balance sheet from 30 September 2022 onwards, Share in the Nuclear Waste Fund and the Nuclear provisions relate to Loviisa nuclear power plant. Comparatives include also Barsebäck Kraftbolag AB and OKG Aktiebolag AB (OKG).

Fortum and Uniper are co-owners in the Swedish nuclear company OKG Aktiebolag (OKG AB), with Fortum owning 45.5%. Fortum accounted for the shareholding in OKG AB as a subsidiary from 31 March 2020 to 30 September 2022. On deconsolidation of Uniper at 30 September 2022, OKG AB was reclassified as an associated company. Uniper’s 100% ownership in Barsebäck Kraftbolag AB was also deconsolidated. Fortum also has minority interests in other nuclear power companies, i.e. Teollisuuden Voima Oyj (TVO) in Finland and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are classified as associated companies and joint ventures and are consolidated with equity method. Both the Finnish and the Swedish companies are non-profit making, i.e. electricity production is invoiced to the owners at cost according to local GAAP.

In Finland and Sweden nuclear operators are legally obligated for the decommissioning of the plants and the disposal of spent fuel (nuclear waste management). In both countries, the nuclear operators are obligated to secure the funding of nuclear waste management by paying to government managed nuclear waste funds. The nuclear operators also have to give securities to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plant and the disposal of spent fuel.

16.1 Nuclear-related assets and liabilities for consolidated nuclear power plants

EUR million	31 Dec 2022	31 Dec 2021
Carrying values on the balance sheet		
BS Nuclear provisions	966	3,891
BS Fortum's share of the Nuclear Waste Funds	966	3,515
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds in Finland and Sweden	1,148	3,924
Share of fund not recognised on the balance sheet	182	408

Nuclear provision and fund accounted for according to IFRS

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

The carrying value of nuclear provisions, calculated according to IAS 37, decreased by EUR 2,924 million compared to 31 December 2021, totalling EUR 966 million at 31 December 2022. The decrease is mainly due to the deconsolidation of Uniper at 30 September 2022. Cost estimate and technical plan updates did not have a significant effect on Fortum’s financials.

Fortum's share of the Nuclear Waste Funds are from an IFRS perspective overfunded by EUR 182 million, since Fortum's share of the Funds on 31 December 2022 was EUR 1,148 million and the carrying value on the balance sheet was EUR 966 million. The Fund on Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, other financial items are adjusted positively if the provisions increase more than the Fund, and negatively if the provision decreases below the actual value of the fund.

Legal liability for Loviisa nuclear power plant

The legal liability on 31 December 2022, decided by the Ministry of Economic Affairs and Employment in December 2022, was EUR 1,197 million.

The legal liability is based on a cost estimate, which is updated every year; and a technical plan, which is updated every three years. The legal liability is determined by assuming that the decommissioning would start at the beginning of the year following the assessment year and discounting is not applied in determining the amount. Finnish nuclear operators submitted updated technical plan and cost estimates to the Ministry of Economic Affairs and Employment in June 2022. The decision on the updated legal liability from the Ministry of Economic Affairs and Employment was received in December 2022.

Fortum's share in the Finnish Nuclear Waste Management Fund

According to the Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2022 is EUR 1,197 million.

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed annually. See Note 15 Interest-bearing net debt and Note 20 Pledged assets and contingent liabilities.

16.2 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. Invoiced cost is accounted according to local GAAP. In addition to the invoiced electricity production cost, Fortum makes IFRS adjustments to comply with Fortum's accounting principles. These adjustments include also Fortum's share of the companies' nuclear waste funds and nuclear provisions.

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

TVO's total nuclear-related assets and liabilities (100%)

EUR million	31 Dec 2022	31 Dec 2021
Carrying values in TVO with Fortum assumptions		
Nuclear provisions	1,620	1,713
Share of the State Nuclear Waste Management Fund	1,157	1,159
Net amount	**-463**	**-554**
of which Fortum's net share consolidated with equity method	**-116**	**-139**
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	1,840	1,816
Share in the State Nuclear Waste Management Fund	1,436	1,451
Share of the fund not recognised on the balance sheet	279	292

TVO's legal liability, provision and share of the fund are based on same principles as described above for Loviisa nuclear power plant. The liabilities and shares in the Fund are calculated and recorded separately for OL1/OL2 plant units and OL3 plant unit, as the corresponding total cost estimates are prepared separately. The updated technical plan did not have a material impact on Fortum’s share in TVO’s nuclear related assets and liabilities.

The difference between TVO's share in the State Nuclear Waste Management Fund and the carrying value of the TVO's share in the Fund is due to IFRIC 5, which requires that the carrying amount of the share in the State Nuclear Waste Management Fund is the lower of fair value or the value of the related liability. On 31 December 2022 the OL1/OL2 plant units' share in the Fund is higher than the provision according to IFRS. The OL3 plant unit's share in the Fund is on the other hand lower than the provision according to IFRS. TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective overfunded by EUR 279 million (of which Fortum's share is

EUR 74 million), since TVO's share of the Fund on 31 December 2022 was EUR 1,436 million and the carrying value on the consolidated balance sheet with Fortum assumptions was EUR 1,157 million.

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in Note 15 Interest-bearing net debt.

OKG's and Forsmark's total nuclear-related assets and liabilities (100%)

EUR million	31 Dec 2022	31 Dec 2021
OKG's and Forsmark's nuclear-related assets and liabilities with Fortum assumptions [1]		
Nuclear provisions	4,641	2,634
Share in the State Nuclear Waste Management Fund	3,200	2,397
Net amount	**-1,441**	**-237**
of which Fortum's net share consolidated with equity method	**-456**	**-76**

1) Comparatives do not include OKG AB as it is included in the comparatives of consolidated nuclear power plants. Comparatives include Uniper's minority ownership of Forsmark, which is now deconsolidated.

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

Nuclear waste fees and guarantees are normally updated every three years by governmental decision after a proposal from the Swedish Radiation Safety Authority (SSM). The proposal is based on cost estimates done by SKB and the license holders. An updated technical plan for nuclear waste management was decided by SKB in December 2022. In December 2020, the Swedish government decided the waste fees and guarantees for year 2021 only, and in January 2022 for 2022-2023. Nuclear waste fees paid by licensees with a unit/units that are still in operation are currently based on future costs with the assumed lifetime of 50 years for each unit of a nuclear power plant. The fee is calculated in relation to the energy delivered and set as an amount of öre (1 öre = SEK 0.01) per kWh delivered.

Status of TVO's Olkiluoto 3 project in Finland

Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. Olkiluoto 3 (OL3), currently under test production phase, was procured as a fixed-price turnkey project from a consortium (Plant Supplier) formed by Areva GmbH, Areva NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations.

In March 2018, TVO signed a comprehensive settlement agreement with the plant supplier consortium companies Areva NP, Areva GmbH, and Siemens AG as well as with Areva Group parent company Areva SA, a company wholly owned by the French State. The settlement agreement was amended with agreements signed in June 2021. The supplier consortium companies committed to ensuring that the funds dedicated to the completion of the OL3 project will be adequate and will cover all applicable guarantee periods, including setting up a trust mechanism funded by Areva companies to secure the financing of the costs of completing the OL3 project. During the period under review, the fund, which was previously replenished in July 2021, has been used to cover costs incurred to the Areva companies for the completion of the OL3 project in accordance with the settlement agreement.

On 12 March 2022, OL3 was connected to the national grid and electricity production started. The electricity power level was gradually increased to approximately 850 megawatts, until the production tests were interrupted on 26 April 2022 due to the boron pumps unexpectedly switching on. Simultaneously, a leak in the generator's cooling system was observed. Foreign material detached from the steam guide plates was found in the turbine's steam reheater in May 2022, which required repair work. The work was completed on 8 August 2022. TVO communicated on 11 August 2022 that a turbine automation update of approximately two weeks would be carried out. The test production continued on 28 August 2022 with tests at a 60% power level. On 6 September 2022, STUK granted permission to increase OL3's power level to over 60% and from thereon to 100%. According to STUK, the production tests and investigations conducted so far showed that OL3 has worked safely, and that increasing the plant unit's power level can be continued. Tests at an 80% power level were started on 9 September 2022. Tests at full power, approximately 1,600 megawatts, were started on 30 September 2022. Test production was interrupted on 18 October 2022 due to

damage detected in the internals of feedwater pumps in OL3's turbine island. Test production continued on 27 December 2022 after investigations into the damage were mainly completed.

According to latest information received from the Plant Supplier, OL3's regular electricity production is to start in April 2023. The Plant Supplier is obliged to complete the plant unit in accordance with the plant contract and settlement agreements.

17. Other provisions

EUR million	31 Dec 2022	31 Dec 2021
Supplier- and customer-related	-	2,893
Asset retirement	19	872
Power production-related	-	653
Gas distribution-related	-	354
Environmental remediation and similar	41	253
Personnel-related	-	368
Other	70	1,013
Total	**130**	**6,406**
BS Of which current provisions	13	2,299
BS Of which non-current provisions	118	4,108

Change in other provisions from 31 December 2021 is mainly due to the deconsolidation of Uniper at 30 September 2022.

18. Pension obligations

Fortum Group has a number of pension schemes in accordance with local conditions and practices in the countries in which it operates, including defined benefit plans where the pension obligation is based on actuarial calculations using assumptions for discount rate, future salary and pension increases, inflation and mortality.

Changes during 2022 mainly relate to deconsolidation of Uniper at 30 September 2022, as well as changes in discount rates and fair value of plan assets.

Net defined benefit liability

EUR million	31 Dec 2022	31 Dec 2021
Present value of defined benefit obligation	267	4,437
Fair value of plan assets	280	3,290
Net defined benefit liability	**-13**	**1,146**
Of which Germany	-	1,051
Presented on the balance sheet as follows:		
BS Pension obligations, net	13	1,190
Pension assets in Other non-current assets	27	44

Discount rates

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

%	31 Dec 2022	31 Dec 2021
Germany	-	1.2
United Kingdom	-	2.0
Finland	3.8	1.0

19. Capital and other commitments

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

Capital commitments

EUR billion	31 Dec 2022	31 Dec 2021
Property, plant and equipment and intangible assets	0.4	1.0

Change in capital commitments from 31 December 2021 is mainly due to the deconsolidation of Uniper at 30 September 2022.

Other commitments

Teollisuuden Voima Oyj (TVO) is building Olkiluoto 3, the nuclear power plant funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At 31 December 2022, Fortum had EUR 232 million (31 Dec 2021: 232) outstanding receivables regarding Olkiluoto 3, and is additionally committed to providing at maximum EUR 100 million. TVO shareholder loan is classified as participation in joint ventures. For more information, see Note 16 Nuclear-related assets and liabilities.

For more information on other commitments, see Note 35 Capital and other commitments of the consolidated financial statements 2021.

20. Pledged assets and contingent liabilities

Fortum has issued direct and indirect guarantees and warranties on own behalf and on behalf of associated companies and joint ventures, which may obligate Fortum to make payments on the occurrence of certain events. For the Swedish nuclear companies there are two types of guarantees given. The Financing Amount is given to cover Fortum's share of the uncovered part in the Nuclear Waste Fund, assuming no further production and that no further nuclear waste fees are paid in. The uncovered amount is calculated by the authorities and is based on the difference between the expected costs and the funds to cover these costs at the time of the calculation. The Supplementary Amount constitutes a guarantee for deficits that can arise as a result of unplanned events.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Ministry of Economic Affairs and Employment amounts to EUR 136 million (31 Dec 2021: 122). The guarantee covers the unpaid legal liability due to periodisation, as well as risks for unexpected future costs. For more information, see Note 16 Nuclear-related assets and liabilities.

Further, Fortum has pledged shares in Kemijoki Oy as a security for the reborrowing from the Finnish State Nuclear Waste Management Fund for the Loviisa nuclear power plant part, amounting to EUR 689 million (31 Dec 2021: 876). Fortum has also pledged real estate mortgages in Pyhäjoki hydro plant as security for the uncovered part of the legal nuclear liability to the Ministry of Economic Affairs and Employment amounting to EUR 126 million (31 Dec 2021: 81).

In 2021 Fortum signed an EUR 8 billion credit facility agreement with Uniper comprising tranches for both a shareholder loan and a parent company guarantee. The shareholder loan, EUR 4 billion, was repaid on 21 December 2022 on completion of the transaction to sell Uniper to the German State. Out of the EUR 4.0 billion parent company guarantee facility that Fortum had granted to Uniper, a total of EUR 3.0 billion was released by year-end 2022. The remaining, approximately EUR 1.0 billion, with a full German State back-to-back guarantee (indemnity), will be released latest at the end of June 2023.

On 14 March 2022, S&P placed Fortum’s and Uniper’s BBB ratings on CreditWatch Negative. On 16 May 2022, S&P resolved the CreditWatch and affirmed Fortum’s BBB rating with negative outlook. However, Uniper’s long-term credit rating was downgraded by one notch from BBB to BBB-, also with negative outlook. On 5 July 2022, S&P again

placed Fortum's and Uniper's credit ratings on CreditWatch Negative. On 29 July 2022, following the announcements of the agreement with the German Government on Uniper's stabilisation package, S&P resolved Uniper's CreditWatch Negative by affirming the BBB- rating with negative outlook. On 3 August 2022, S&P affirmed Fortum's current long-term rating of BBB with negative outlook. Following the September announcement that Fortum will fully divest Uniper to the German State, the rating agencies commented that the divestment of the Uniper stake was regarded as credit positive for Fortum, as it will improve the company's financial and risk profile. However, the rating agencies concluded that it was premature to determine the full effect of the Uniper divestment on Fortum's rating. Now that the Uniper divestment has been completed, the rating agencies are expected to update their ratings as Fortum also has published its new strategy. A lowering of credit ratings, in particular, to below investment grade level would trigger counterparties' rights to demand additional cash or non-cash collateral. See also section 'Capital risk management'.

For more information, see Note 36 Pledged assets and contingent liabilities of the consolidated financial statements 2021.

21. Legal actions and official proceedings

Various routine court actions, arbitration proceedings, tax and regulatory investigations and proceedings are currently pending against entities of the Group, and further actions or proceedings may be instituted or asserted in the future.

Tax cases in Belgium

On 29 June 2022, the Antwerp Court of First Instance, Belgium, ruled in favour of Fortum on the company's income tax assessments in Belgium for the years 2009-2012. The decision concerned Fortum's Belgian financing company, Fortum EIF NV, which financed Fortum's Swedish subsidiary, Fortum 1 AB, in the acquisition of Russian operations in 2008, currently operating as PAO Fortum. The Belgian tax authorities argued that Fortum EIF should not benefit from the notional interest deduction regime in Belgium.

In accordance with the court ruling, Belgian tax authorities have in III/2022 refunded Fortum the paid taxes amounting to EUR 78 million. These taxes had been recognised on the balance sheet as income tax receivable. In IV/2022, the Belgian tax authorities refunded the related interest amounting to EUR 27 million. The interest had been recognised as accrued income in III/2022.

Considering Fortum's income tax assessment in Belgium for the year 2008, on 16 June 2020, the Court of Appeal of Ghent ruled in favour of Fortum, and in September 2020 the Belgian tax authorities filed an appeal to the Supreme Court. The additional taxes claimed for 2008 amount to EUR 36 million and have been recognised as income tax receivable.

22. Related party transactions

Related parties are described in more detail in the consolidated financial statements for the year ended 31 December 2021. Uniper was classified as discontinued operations in III/2022, and I-II/2022 and 2021 comparatives have been restated. This means that in the table below, Uniper SE's transactions with its related parties are excluded. Fortum and Uniper are no longer related parties. See also Note 1 Significant accounting policies and Note 6 Acquisitions, disposals, assets held for sale and discontinued operations.

Transactions with associates, joint ventures and other related parties

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Sales	33	-	74	20
Purchases	110	25	438	379
Other income	2	1	4	20
Interest income on loan receivables	3	3	12	13

Balances with associates, joint ventures and other related parties

EUR million	31 Dec 2022	31 Dec 2021
Long-term interest-bearing loan receivables	593	1,138
Trade and other receivables	87	110
Long-term loan payables	229	228
Short-term loan payables	-	131
Trade and other payables	53	114

Other related parties are entities that are not consolidated on materiality grounds. For more information, see Note 1 Significant accounting policies of the consolidated financial statements 2021. Change in balances with associates, joint ventures and other related parties from 31 December 2021 is mainly due to the deconsolidation of Uniper at 30 September 2022.

Other transactions with related parties

At the end of 2021, the Finnish State owned 50.76% of Fortum's shares. On 6 September 2022, Fortum announced that it had agreed with the Finnish State on a EUR 2.35 billion bridge financing arrangement. On 26 September 2022, Fortum announced to draw the first tranche of the liquidity facility, EUR 350 million. The bridge loan facility is linked to the six-month Euribor; the margin for the first six months is 10% and for the following six months 12%. As a condition in the agreement following the first draw down, the Finnish State-owned holding company, Solidium Oy, was entitled to subscribe 8,970,000 new ordinary registered shares in Fortum in a directed share issue, without payment. The share issue to Solidium Oy was resolved in the Extraordinary General Meeting on 23 November 2022 and the new shares were registered with the Finnish trade register on 25 November 2022. The new shares carry full shareholder rights, including the right to dividend, as of the registration date. As a consequence, the proportion of shares under the control of the State of Finland has increased to 51.26%.

On 18 January 2022, Fortum announced that 1.3 GW portfolio of wind projects is being transferred to a new joint venture. However, this wind portfolio is now part of the assets and operations that are subject to the ongoing divestment process following Fortum’s decision for a controlled exit from Russia as a result of the Russia-Ukraine war. Fortum’s ownership interest in the 1.3 GW portfolio is presented in other non-current assets and in interest-bearing liabilities.

In June 2021, the Fortum-Rusnano wind investment fund sold the 200-MW Kalmykia wind parks to the Fortum-Russian Direct Investment Fund (RDIF) joint venture. Fortum recorded a gain of EUR 11 million from the transfer in the share of profits from associates and joint ventures.

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

23. Events after the balance sheet date

On 16 February 2023, the Finnish Government granted a new operating license for both units at Fortum’s Loviisa nuclear power plant until the end of 2050. Over the course of the new licence period, the plant is expected to generate up to 170 terawatt hours of CO_2-free electricity. Investments related to the continuation of operations and lifetime extension will amount to an estimated EUR 1 billion until 2050. Over the past five years, Fortum has already invested approximately EUR 300 million in refurbishing the Loviisa power plant. The Loviisa power plant is the first nuclear power plant in Finland. The power plant has two units: unit 1 started operating in February 1977, and unit 2 in November 1980.

At the beginning of March 2023, the Fortum Board of Directors resolved on Fortum’s new strategy. Fortum’s strategic priorities are to deliver reliable clean energy and drive decarbonisation in industries in the Nordics. The strategy includes new financial and sustainability targets:

- Updated financial guidance to ensure credit rating of at least BBB and optimal financial flexibility for future growth: long-term financial net debt-to-comparable EBITDA of 2.0–2.5 times.
- Disciplined growth in clean energy with capital expenditure of up to EUR 1.5 billion during 2023–2025. Investment hurdles of project WACC + 150–400 basis points will be applied and evaluated against the company's climate and biodiversity targets.
- Renewed dividend policy with payout ratio of 60–90% of comparable EPS. Fortum's Board of Directors proposes a dividend of EUR 0.91 per share for the year 2022 corresponding to a pay-out of 75% based on comparable EPS for continuing operations of EUR 1.21 (excluding Russian operations).
- Fortum has brought forward its target to reach carbon neutrality to 2030 (Scopes 1, 2, 3) and will exit all coal already by the end of 2027. To reach carbon neutrality, Fortum is committed to setting emission reduction targets based on the climate science (SBTi 1.5°C), assuming Russia exit. To measure progress, mid-point targets have been set for specific emissions at below 20 g CO_2/kWh for total energy production and at below 10 g CO_2/kWh for power generation by 2028.
- Fortum is also committing to an ambitious biodiversity target to have no net loss of biodiversity (excluding any aquatic impacts) from existing and new operations (Scopes 1, 2) from 2030 onwards. In addition, the company will reduce its negative dynamic terrestrial impacts in upstream Scope 3 by 50% by 2030 (base-year 2021). Fortum will continue local initiatives, especially in hydropower production, and is committed to develop a science-based methodology to assess the company's aquatic impacts during 2023.
- Fortum is already taking steps to reach the environmental targets and examples of these include the Loviisa nuclear plant lifetime extension, increasing the use on hydro power and the ongoing decarbonisation projects in district heating.

At the beginning of March 2023, the Fortum Board of Directors resolved on revising the financial segment reporting to match the new business structure and strategy. As of the beginning of 2023, Fortum will report its financial performance in the following reporting segments:

- The Generation segment will include the Hydro Generation, Nuclear Generation, Corporate Customers and Markets and Renewables and Decarbonisation business units.
- The Consumer Solutions segment includes the Consumer Solutions business unit.
- The Other segment includes the Circular Solutions business unit, Innovation and Venturing activities, enabling functions and corporate management.

Fortum will continue to consolidate and report its Russian operations as a separate segment for the time being; however, Fortum will continue to assess the basis for consolidation in the coming quarters. Fortum is committed to exiting the Russian market and a divestment is being pursued.

Fortum will publish restated quarterly segment financials for 2022 before publication of the first quarter 2023 results on 11 May 2023.

24. Definitions and reconciliations of key figures

Alternative performance measures

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable EBITDA	Operating profit + depreciations and amortisations - items affecting comparability	Comparable EBITDA is representing the underlying cash flow generated by the total Group and segments. Used as a component in the capital structure target of Financial net debt to Comparable EBITDA.	Key ratios after cash flow statement
Comparable operating profit	Operating profit - items affecting comparability	Comparable operating profit is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Income statement
Items affecting comparability	Impairment charges and reversals + capital gains and other related items + changes in fair values of derivatives hedging future cash flow + other	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Impairment charges and reversals	Impairment charges and related provisions (mainly dismantling), as well as the reversal of previously recorded impairment charges. Impairment charges are adjusted from depreciation and amortisation, and reversals from other income.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Capital gains and other related items	Capital gains and transaction costs from acquisitions, which are adjusted from other income and other expenses respectively. Profits are reported in comparable operating profit, if this reflects the business model.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Changes in fair values of derivatives hedging future cash flow	Effects from financial derivatives hedging future cash flows where hedge accounting is not applied or own use exemption cannot be used according to IFRS 9 and are adjusted from other income or expense to sales and materials and services respectively when calculating Fortum's alternative performance measures.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Other	Restructuring and cost management expenses, and other miscellaneous non-operating items, which are adjusted mainly from materials and services or other expenses.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable share of profit/loss of associates and joint ventures	Share of profit/loss of associates and joint ventures +/- significant adjustments for share of profit /loss in associates and joint ventures.	Component used in calculating comparable net profit and comparable return on net assets.	Note 4 Comparable operating profit and comparable net profit
Comparable finance costs – net	Finance costs – net +/- return from nuclear funds, nuclear fund adjustment and unwinding of nuclear provisions +/- fair value changes on financial items +/- impairment charges and reversals of previously recorded impairment charges on financial items and other one-time adjustments.	Component used in calculating comparable net profit.	Note 4 Comparable operating profit and comparable net profit
Comparable profit before income tax	Comparable operating profit +/- comparable share of profit/loss of associates and joint ventures +/- comparable finance costs – net.	Subtotal in comparable net profit calculation.	Note 4 Comparable operating profit and comparable net profit
Comparable income tax expense	Income tax expense excluding taxes on items affecting comparability, adjustments to finance costs – net, tax rate changes and other onetime adjustments.	Component used in calculating comparable net profit.	Note 4 Comparable operating profit and comparable net profit
Comparable net profit	Comparable operating profit +/- comparable share of profit/loss of associates and joint ventures +/- comparable finance costs - net +/- comparable income tax expense +/- comparable non-controlling interests.	Comparable net profit is used to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.	Note 4 Comparable operating profit and comparable net profit
Comparable earnings per share	$\frac{\text{Comparable net profit}}{\text{Average number of shares during the period}}$	Comparable earnings per share is used to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.	Note 4 Comparable operating profit and comparable net profit
Comparable return on net assets, %	$\frac{\text{Comparable operating profit + comparable share of profit /loss in associates and joint ventures}}{\text{Comparable net assets average}} \times 100$	Comparable return on net assets is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Note 3 Segment information
Adjustment for Share of profit/loss in associates and joint ventures	Adjustment for material items affecting comparability	Share of profit/loss in associates and joint ventures is included in profit component in the comparable return on net assets calculation and the adjustments are done based on similar components as in Items affecting comparability.	Note 3 Segment information
Comparable net assets	Non-interest-bearing assets - non-interest-bearing liabilities - provisions (non-interest-bearing assets and liabilities do not include finance-related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows).	Comparable net assets is a component in Comparable return on net assets calculation where return on capital allocated directly to the businesses is measured.	Note 3 Segment information

Capital structure	Definition	Reason to use the measure	Reference to reconciliation
Financial net debt / comparable EBITDA	Financial net debt / Comparable EBITDA	Financial net debt to Comparable EBITDA is Fortum's long-term financial target for capital structure.	Key ratios after cash flow statement
Financial net debt	Interest-bearing liabilities - liquid funds - securities in interest-bearing receivables +/- net margin liabilities/receivables	Financial net debt is used in the follow-up of the indebtedness of the group and it is a component in the capital structure target of Financial net debt to Comparable EBITDA.	Note 15 Interest-bearing net debt
Adjusted net debt	Financial net debt + underfunded pension obligations and asset retirement obligations, net of share in nuclear waste funds	Adjusted net debt is used in the follow-up of the indebtedness of the group.	Note 15 Interest-bearing net debt

Alternative performance measures excluding Russia

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable EBITDA from continuing operations excl. Russia	Comparable EBITDA from continuing operations - comparable EBITDA, Russia	Comparable EBITDA from continuing operations excluding Russia is representing the underlying cash flow generated by the total Group, excluding Russian operations. Used as a component in the capital structure target of Financial net debt to Comparable EBITDA excl. Russia.	Note 24 Definitions and reconciliations of key figures
Comparable operating profit from continuing operations excl. Russia	Comparable operating profit - comparable operating profit, Russia	Comparable operating profit from continuing operations excluding Russia is an additional financial performance indicator to support meaningful comparison of financials for Fortum's strategic businesses.	Note 4 Comparable operating profit and comparable net profit
Comparable net profit from continuing operations excl. Russia	Comparable net profit from continuing operations - comparable share of profit/loss of associates and joint ventures, Russia, - comparable finance costs - net, Russia, - comparable income tax expense, Russia, - comparable non-controlling interests, Russia.	Comparable net profit from continuing operations excluding Russia is an additional financial performance indicator to support meaningful comparison of financials for Fortum's strategic businesses.	Note 4 Comparable operating profit and comparable net profit
Comparable earnings per share from continuing operations excl. Russia	Comparable net profit from continuing operations excl. Russia / Average number of shares during the period	Comparable earnings per share from continuing operations excluding Russia is an additional financial performance indicator to support meaningful comparison of financials for Fortum's strategic businesses.	Note 4 Comparable operating profit and comparable net profit

Capital structure	Definition	Reason to use the measure	Reference to reconciliation
Financial net debt/comparable EBITDA excl. Russia	Financial net debt excl. Russia / Comparable EBITDA from continuing operations excl. Russia	Financial net debt/comparable EBITDA excluding Russia is an additional financial performance indicator to support meaningful comparison of the capital structure for Fortum's strategic businesses.	Key ratios after cash flow statement
Financial net debt excl. Russia	Financial net debt - Interest-bearing liabilities, Russia + Liquid funds, Russia	Financial net debt excluding Russia is an additional financial performance indicator to support meaningful comparison in the follow-up of the indebtedness of the group and it is a component in the calculation of Financial net debt to Comparable EBITDA excluding Russia.	Key ratios after cash flow statement

Other key figures

Share based key figures

Earnings per share (EPS)

$$\frac{\text{Profit for the period - non-controlling interests}}{\text{Average number of shares during the period}}$$

Equity per share

$$\frac{\text{Shareholder's equity}}{\text{Number of shares at the end of the period}}$$

Other key figures

Capital expenditure

Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain usage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.

Gross investments in shares

Investments in subsidiary shares, shares in associated companies and joint ventures and other investments. Investments in subsidiary shares are net of liquid funds and grossed with interest-bearing liabilities and other items included in financial net debt in the acquired company.

Tax key figures

Effective income tax rate, %

$$\frac{\text{Income tax expense}}{\text{Profit before income tax}} \times 100$$

Comparable effective income tax rate, %

$$\frac{\text{Comparable income tax}}{\text{Comparable profit before income tax excluding comparable share of profit/loss from associated companies and joint ventures}} \times 100$$

Reconciliations of alternative performance measures

Comparable EBITDA

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
IS Operating profit		-653	547	1,277	4,325
+ IS Depreciation and amortisation		151	154	566	587
EBITDA		-502	701	1,842	4,913
- IS Items affecting comparability	4	1,397	-28	593	-2,897
Comparable EBITDA		**895**	**673**	**2,436**	**2,016**

Comparable operating profit

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
IS Operating profit		-653	547	1,277	4,325
- IS Items affecting comparability	4	1,397	-28	593	-2,897
IS Comparable operating profit	4	**744**	**519**	**1,871**	**1,429**

Items affecting comparability

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
Impairment charges and reversals		-550	-5	-905	-35
Capital gains and other related items	6	5	-1	785	2,673
Changes in fair values of derivatives hedging future cash flow		-808	40	-393	264
Other		-45	-6	-80	-6
IS Items affecting comparability	4	**-1,397**	**28**	**-593**	**2,897**

Comparable net profit

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
IS Net profit		-611	428	1,011	4,008
- IS Items affecting comparability	4	1,397	-28	593	-2,897
- Adjustments to share of profit/loss of associates and joint ventures	12	243	-26	618	-65
- Adjustments to finance costs - net	7	201	-5	348	34
- Adjustments to income tax expenses		-1,018	5	-1,010	34
- IS Non-controlling interests		4	-11	0	-23
- Adjustments to non-controlling interests		1	-2	-11	-1
Comparable net profit from continuing operations	4	**216**	**361**	**1,550**	**1,091**
Comparable net profit from discontinued operations		-	332	-2,538	687
Comparable net profit, total Fortum		**216**	**693**	**-988**	**1,778**

Comparable earnings per share

	Note	IV/2022	IV/2021 restated	2022	2021 restated
Comparable net profit from continuing operations, EUR million	4	216	361	1,550	1,091
Average number of shares during the period, 1 000 shares		892,811	888,294	889,204	888,294
Comparable earnings per share from continuing operations, EUR		**0.24**	**0.41**	**1.74**	**1.23**
Comparable net profit from discontinued operations, EUR million	4	-	332	-2,538	687
Average number of shares during the period, 1 000 shares		-	888,294	889,204	888,294
Comparable earnings per share from discontinued operations, EUR		**-**	**0.37**	**-2.86**	**0.77**
Comparable net profit, EUR million	4	216	693	-988	1,778
Average number of shares during the period, 1 000 shares		892,811	888,294	889,204	888,294
Comparable earnings per share, total Fortum, EUR		**0.24**	**0.78**	**-1.11**	**2.00**

Financial net debt and adjusted net debt

EUR million	Note	31 Dec 2022	31 Dec 2021
+ Interest-bearing liabilities		**7,785**	**17,220**
- BS Liquid funds		**3,919**	**7,592**
- Non-current securities		-	111
- Collateral arrangement securities		527	549
- Securities in interest-bearing receivables		**527**	**660**
- BS Margin receivables		2,607	9,163
+ BS Margin liabilities		352	985
+/- Net margin liabilities/receivables		**-2,255**	**-8,179**
Financial net debt	15	**1,084**	**789**
+ BS Pension obligations		**13**	**1,190**
+ Other asset retirement obligations		19	872
- BS Share of Finnish and Swedish Nuclear Waste Funds		966	3,515
+ BS Nuclear provisions		966	3,891
+ Nuclear provisions net of assets in Nuclear Waste Funds		0	375
+ Total provisions net of assets in Nuclear Waste Funds		**33**	**2,438**
Adjusted net debt		**1,117**	**3,227**

See Note 15 Interest-bearing net debt.

Financial net debt/comparable EBITDA

EUR million	Note	Fortum total [1] 2021	Continuing operations 2022
+ Interest-bearing liabilities		**17,220**	**7,785**
- BS Liquid funds		**7,592**	**3,919**
- Non-current securities		111	-
- Collateral arrangement securities		549	527
- Securities in interest-bearing receivables		**660**	**527**
- BS Margin receivables		9,163	2,607
+ BS Margin liabilities		985	352
+/- Net margin liabilities/receivables		**-8,179**	**-2,255**
Financial net debt	15	**789**	**1,084**
IS Operating profit		-588	1,277
+ IS Depreciation and amortisation		1,281	566
EBITDA		**693**	**1,842**
- IS Items affecting comparability		3,124	593
Comparable EBITDA		**3,817**	**2,436**
Financial net debt/comparable EBITDA		**0.2**	**0.4**

1) 2021 figures based on continuing and discontinued operations (total).

Reconciliations of alternative performance measures excluding Russia

Comparable EBITDA from continuing operations excl. Russia

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
Comparable EBITDA from continuing operations	3	895	673	2,436	2,016
- Comparable EBITDA, Russia	3	120	118	411	404
Comparable EBITDA from continuing operations excl. Russia	3	**774**	**555**	**2,025**	**1,612**

Comparable operating profit from continuing operations excl. Russia

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
IS Comparable operating profit from continuing operations		744	519	1,871	1,429
- Comparable operating profit, Russia	3	75	80	260	261
Comparable operating profit from continuing operations excl. Russia	3	**669**	**440**	**1,611**	**1,167**

Comparable net profit from continuing operations excl. Russia

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
Comparable net profit from continuing operations	4	216	361	1,550	1,091
- Comparable operating profit, Russia		75	80	260	261
- Comparable share of profit/loss of associates and joint ventures, Russia	3	16	5	30	62
- Comparable finance costs - net, Russia		-301	-7	324	-25
- Comparable income tax expense, Russia		57	-19	-138	-55
- Comparable non-controlling interests, Russia		-1	-1	-2	-4
Comparable net profit from continuing operations excl. Russia		**370**	**302**	**1,076**	**851**

Comparable earnings per share from continuing operations excl. Russia

EUR million	Note	IV/2022	IV/2021 restated	2022	2021 restated
Comparable net profit from continuing operations excluding Russia		370	302	1,076	851
Average number of shares during the period, 1 000 shares		892,811	888,294	889,204	888,294
Comparable earnings per share from continuing operations excl. Russia, EUR		**0.42**	**0.34**	**1.21**	**0.96**

Financial net debt/comparable EBITDA excl. Russia

EUR million	Continuing operations 2022
Financial net debt	1,084
- Interest-bearing liabilities, Russia	204
+ Liquid funds, Russia	247
Financial net debt excl. Russia	**1,127**
Comparable EBITDA from continuing operations excl. Russia	**2,025**
Financial net debt/comparable EBITDA excl. Russia	**0.6**

Interest-bearing liabilities excl. Russia

EUR million	2022
Interest-bearing liabilities	7,785
- Interest-bearing liabilities, Russia	204
Interest-bearing liabilities excl. Russia	**7,581**

Liquid funds excl. Russia

EUR million	2022
Liquid funds	3,919
- Liquid funds, Russia	247
Liquid funds excl. Russia	**3,672**

Market conditions and achieved power prices

Power consumption

TWh	IV/2022	IV/2021	2022	2021
Nordic countries	103	109	385	402

Average prices	IV/2022	IV/2021	2022	2021
Spot price for power in Nord Pool power exchange, EUR/MWh	135.6	96.2	135.9	62.3
Spot price for power in Finland, EUR/MWh	184.8	115.0	154.0	72.3
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	146.7	107.8	129.2	66.0
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	115.7	44.5	61.9	42.6
Spot price for power in Germany, EUR/MWh	192.8	178.9	235.4	96.8
CO_2, (ETS EUA next Dec), EUR/tonne CO_2	78	69	81	54
Coal (ICE Rotterdam front month), USD/tonne	234	159	279	117
Oil (Brent front month), USD/bbl	89	80	99	71
Gas (TTF front month), EUR/MWh	124	97	133	47

Hydro reservoir TWh	31 Dec 2022	31 Dec 2021
Nordic hydro reservoir level	79	73
Nordic hydro reservoir level, long-term average	84	84

Export/import

TWh (+ = import to, - = export from Nordic area)	IV/2022	IV/2021	2022	2021
Export / import between Nordic area and Continental Europe + Baltics	-8	-11	-35	-29
Export / import between Nordic area and Russia	0	3	4	9
Export / import Nordic area, Total	-8	-8	-31	-20

Achieved power prices

	IV/2022	IV/2021	2022	2021
Generation segment's Nordic achieved power price, EUR/MWh	80.5	51.9	59.9	42.8

Fortum's production and sales volumes

Power generation

TWh	IV/2022	IV/2021 restated	2022	2021 restated
Nordic countries	11.5	12.6	43.5	47.9
Other European countries	0.2	0.3	0.8	1.1
Other countries	-	0.1	-	0.5
Total continuing operations excl. Russia	**11.7**	**12.8**	**44.2**	**49.4**
Russia	7.6	7.7	28.6	28.6
Total continuing operations	**19.3**	**20.5**	**72.8**	**78.0**

Heat production

TWh	IV/2022	IV/2021 restated	2022	2021 restated
Nordic countries	1.0	1.9	4.1	5.5
Other European countries	0.4	0.3	1.2	2.3
Total continuing operations excl. Russia	**1.4**	**2.2**	**5.3**	**7.8**
Russia	5.9	5.5	15.7	17.1
Total continuing operations	**7.3**	**7.7**	**20.9**	**24.9**

Power generation capacity by segment

MW	31 Dec 2022	31 Dec 2021 restated
Generation	8,041	8,041
City Solutions	535	559
Total continuing operations excl. Russia	**8,576**	**8,600**
Russia	4,672	4,672
Total continuing operations	**13,248**	**13,272**

Heat production capacity by segment

MW	31 Dec 2022	31 Dec 2021 restated
City Solutions	2,135	3,026
Russia	7,613	7,613
Total continuing operations	**9,748**	**10,639**

Power generation by source in the Nordic area

TWh	IV/2022	IV/2021 restated	2022	2021 restated
Hydro power	4.8	6.1	19.1	23.3
Nuclear power	6.1	6.3	23.4	23.5
Thermal power	0.6	0.1	0.9	1.0
Total continuing operations	**11.5**	**12.6**	**43.5**	**47.9**

Power generation by source in the Nordic area

%	IV/2022	IV/2021 restated	2022	2021 restated
Hydro power	42	49	44	49
Nuclear power	53	50	54	49
Thermal power	5	1	2	2
Total continuing operations	**100**	**100**	**100**	**100**

Power generation by source in other European countries

TWh	IV/2022	IV/2021 restated	2022	2021 restated
Thermal power	0.2	0.3	0.8	1.1
Total continuing operations	**0.2**	**0.3**	**0.8**	**1.1**

Power generation by source in other European countries

%	IV/2022	IV/2021 restated	2022	2021 restated
Thermal power	100	100	100	100
Total continuing operations	**100**	**100**	**100**	**100**

Power sales

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Nordic countries	1,800	1,282	5,444	3,602
Other European countries	167	98	643	325
Other countries	1	2	3	24
Total continuing operations excl. Russia	**1,968**	**1,382**	**6,090**	**3,950**
Russia	256	219	856	761
Total continuing operations	**2,224**	**1,601**	**6,947**	**4,712**

Heat sales

EUR million	IV/2022	IV/2021 restated	2022	2021 restated
Nordic countries	68	163	325	403
Other European countries	66	67	202	240
Total continuing operations excl. Russia	**134**	**230**	**527**	**643**
Russia	65	44	156	137
Total continuing operations	**199**	**274**	**683**	**780**

Power sales by area

TWh	IV/2022	IV/2021 restated	2022	2021 restated
Finland	5.6	6.1	21.5	23.0
Sweden	6.8	8.4	27.3	32.1
Norway	3.2	3.7	11.3	13.7
Other countries	1.1	0.9	4.5	4.2
Total continuing operations excl. Russia	**16.8**	**19.1**	**64.7**	**73.0**
Russia	8.5	8.6	32.0	32.5
Total continuing operations	**25.2**	**27.8**	**96.7**	**105.5**

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

Heat sales by area

TWh	IV/2022	IV/2021 restated	2022	2021 restated
Finland	0.9	1.0	2.8	3.1
Norway	-	0.6	0.8	1.8
Poland	1.2	1.3	3.5	3.8
Other countries	0.1	0.1	0.4	1.3
Total continuing operations excl. Russia	**2.2**	**3.0**	**7.6**	**10.0**
Russia	5.9	5.4	15.6	17.0
Total continuing operations	**8.1**	**8.5**	**23.2**	**27.0**