



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Mørselskap i konsern: Ja
Konsernregnskap lagt ved: Ja

Regnskapsregler

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

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Knut Braathen
Dato for fastsettelse av årsregnskapet: 07.06.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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

Brønnøysundregistrene, 15.08.2023



Resultatregnskap

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekter		0	-1 000
Annen driftsinntekt	2	38 651 000	14 805 000
Sum inntekter		38 651 000	14 804 000
Kostnader			
Lønnskostnad	3	42 707 000	33 888 000
Av-og nedskrivning på varige driftsmidler	4	1 030 000	0
Annen driftskostnad	5	58 683 000	27 807 000
Sum kostnader		102 420 000	61 695 000
Driftsresultat		-63 769 000	-46 891 000
Finansinntekter og finanskostnader			
Inntekt investeringer datterselskap	6	554 860 000	1 041 780 000
Renteinntekt fra foretak i samme konsern	7,14	18 000	0
Sum finansinntekter		554 878 000	1 041 780 000
Rentekostnad til foretak i samme konsern	7,14	13 049 000	10 559 000
Annen rentekostnad		3 000	152 000
Annen finanskostnad		0	1 500 000
Annen finanskostnad i samme konsern	14	58 466 000	
Sum finanskostnader		71 518 000	12 211 000
Netto finans		483 360 000	1 029 569 000
Ordinært resultat før skattekostnad		419 591 000	982 678 000
Skattekostnad	8	94 240 000	23 123 000
Ordinært resultat etter skattekostnad		325 351 000	959 555 000
Årsresultat		325 351 000	959 555 000
Overføringer og disponeringer			
Annen egenkapital		325 351 000	959 555 000
Sum overføringer og disponeringer		325 351 000	959 555 000



Resultatregnskap

Beløp i: NOK	Note	2021	2020
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Balanse

Beløp i: NOK	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Varige driftsmidler			
Immaterielle eiendeler	4	27 114 000	0
Maskiner, inventar og kontormaskiner	4	6 261 000	0
Sum varige driftsmidler		33 375 000	0
Finansielle anleggsmidler			
Investering i datterselskap	6	6 140 292 000	1 618 520 000
Utsatt skattefordel	8	1 323 000	0
Andre langsiktige fordringer		58 632 000	58 632 000
Pensjon	13		1 399 000
Sum finansielle anleggsmidler		6 200 247 000	1 678 551 000
Sum anleggsmidler		6 233 622 000	1 678 551 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		478 000	7 000
Andre fordringer	11	9 990 000	762 000
Fordringer konsernselskap	10,14	581 860 000	1 984 399 000
Sum fordringer		592 328 000	1 985 168 000
Sum omløpsmidler		592 328 000	1 985 168 000
SUM EIENDELER		6 825 950 000	3 663 719 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2021	2020
Selskapskapital	9	101 001 000	101 000 000
Overkurs	9	2 092 675 000	1 360 857 000
Sum innskutt egenkapital		2 193 676 000	1 461 857 000
Opptjent egenkapital			
Annen egenkapital	9	385 520 000	1 062 338 000
Sum opptjent egenkapital		385 520 000	1 062 338 000
Sum egenkapital		2 579 196 000	2 524 195 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	13	964 000	0
Utsatt skatt	8	0	295 000
Sum avsetninger for forpliktelser		964 000	295 000
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		3 775 000	2 738 000
Sum annen langsiktig gjeld		3 775 000	2 738 000
Sum langsiktig gjeld		4 739 000	3 033 000
Kortsiktig gjeld			
Leverandørgjeld		20 549 000	380 000
Betalbar skatt	8	95 245 000	19 134 000
Skyldig offentlige avgifter		2 169 000	2 412 000
Kortsiktig konserngjeld	10,14	4 106 793 000	1 106 268 000
Annen kortsiktig gjeld	12	17 260 000	8 301 000
Sum kortsiktig gjeld		4 242 016 000	1 136 495 000
Sum gjeld		4 246 755 000	1 139 528 000
SUM EGENKAPITAL OG GJELD		6 825 951 000	3 663 723 000
POSTER UTENOM BALANSEN			
Garantistillelser	7	2 000 000	2 000 000



Brønnøysundregistrene

ÅRSREGNSKAP FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Journalnummer: 2022 579780

Enheten

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

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

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Konsernregnskap lagt ved: Ja

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Benyttet ved utarbeidelsen av
årsregnskapet til selskapet: Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av
årsregnskapet til konsernet: -

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Knut Braathen
Dato for fastsettelse av årsregnskapet: 07.06.2022

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Brønnøysundregistrene, 06.07.2022



Organisasjonsnr: 914 551 757
FORTUM CONSUMER SOLUTIONS AS

RESULTATREGNSKAP

Beløp i: NOK	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekter		0	-1 000
Annen driftsinntekt	2	38 651 000	14 805 000
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Kostnader			
Lønnskostnad	3	42 707 000	33 888 000
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Finansinntekter og finanskostnader			
Inntekt investeringer datterselskap	6	554 860 000	1 041 780 000
Renteinntekt fra foretak i samme konsern	7,14	18 000	0
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Skattekostnad		94 240 000	23 123 000
Ordinært resultat etter skattekostnad		325 351 000	959 555 000
Årsresultat		325 351 000	959 555 000
Overføringer og disponeringer			
Annen egenkapital		325 351 000	959 555 000
Sum overføringer og disponeringer		325 351 000	959 555 000



Organisasjonsnr: 914 551 757
FORTUM CONSUMER SOLUTIONS AS

BALANSE

Beløp i: NOK Note 2021 2020

BALANSE - EIENDELER

Anleggsmidler

Immaterielle eiendeler

Varige driftsmidler

Immaterielle eiendeler	4	27 114 000	0
Maskiner, inventar og kontormaskiner	4	6 261 000	0
Sum varige driftsmidler		33 375 000	0

Finansielle anleggsmidler

Investering i datterselskap	6	6 140 292 000	1 618 520 000
Utsatt skattefordel	8	1 323 000	0
Andre langsiktige fordringer		58 632 000	58 632 000
Pensjon	13		1 399 000
Sum finansielle anleggsmidler		6 200 247 000	1 678 551 000
Sum anleggsmidler		6 233 622 000	1 678 551 000

Omløpsmidler

Varer

Fordringer

Kundefordringer		478 000	7 000
Andre fordringer	11	9 990 000	762 000
Fordringer konsernselskap	10, 14	581 860 000	1 984 399 000
Sum fordringer		592 328 000	1 985 168 000
Sum omløpsmidler		592 328 000	1 985 168 000

SUM EIENDELER 6 825 950 000 3 663 719 000

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital

Selskapskapital	9	101 001 000	101 000 000
Overkurs	9	2 092 675 000	1 360 857 000
Sum innskutt egenkapital		2 193 676 000	1 461 857 000

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Annen egenkapital	9	385 520 000	1 062 338 000
Sum opptjent egenkapital		385 520 000	1 062 338 000

Sum egenkapital 2 579 196 000 2 524 195 000



Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	13	964 000	0
Utsatt skatt	8	0	295 000
Sum avsetninger for forpliktelser		964 000	295 000
Annen langsiktig gjeld			
Øvrig langsiktig gjeld		3 775 000	2 738 000
Sum annen langsiktig gjeld		3 775 000	2 738 000
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Sum gjeld		4 246 755 000	1 139 528 000
SUM EGENKAPITAL OG GJELD		6 825 951 000	3 663 723 000
POSTER UTENOM BALANSEN			
Garantistillelser	7	2 000 000	2 000 000



Organisasjonsnr: 914 551 757
FORTUM CONSUMER SOLUTIONS AS

NOTEOPPLYSNINGER - SELSKAP - alle poster oppgitt i hele tall

Note
1

Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk. Selskapet har videre fulgt relevante bestemmelser i Norsk Regnskaps Standard utarbeidet av Norsk Regnskaps Stiftelse.

Note
3

Antall årsverk i regnskapsåret
26.00

Note
3

Spesifisering av resultatregnskapet

Lønnskostnader

<u>Lønn</u>	<u>Årets</u>	<u>Fjorårets</u>
	28108000.00	25711000.00
<u>Folketrygdavgift</u>	<u>Årets</u>	<u>Fjorårets</u>
	4703000.00	3844000.00
<u>Pensjonskostnader</u>	<u>Årets</u>	<u>Fjorårets</u>
	1918000.00	1485000.00
<u>Andre ytelser</u>	<u>Årets</u>	<u>Fjorårets</u>
	7978000.00	2847000.00
<u>Sum lønnskostnader</u>	<u>Årets</u>	<u>Fjorårets</u>
	42707000.00	33888000.00

Mer om årsverk og lønn

Daglig leder har en resultatavhengig bonusavtale begrenset oppad til 30% av grunnlønn. Daglig leder har avtale om inntil 12 måneders etterlønn ved fratredelse på nærmere vilkår. Styreleder har ingen avtale om etterlønn ved fratredelse knyttet til vervet som styreleder for Fortum Consumer Solutions AS.

Note

Ekstraordinære inntekter og kostnader



<u>Sum</u>	<u>Beløp</u>	
Note		
4		
Varige driftsmidler og immaterielle eiendeler		
<u>Anskaffelseskost 01.01.</u>	<u>Varige driftsmidler</u>	<u>Immaterielle eiend.</u>
	0.00	0.00
<u>Tilgang i året</u>	<u>Varige driftsmidler</u>	<u>Immaterielle eiend.</u>
	3813000.00	2470000.00
<u>Avgang i året</u>	<u>Varige driftsmidler</u>	<u>Immaterielle eiend.</u>
	0.00	0.00
<u>Samlede av-/nedskrivn.</u>	<u>Varige driftsmidler</u>	<u>Immaterielle eiend.</u>
	741000.00	288000.00
<u>Balanseført verdi 31.12.</u>	<u>Varige driftsmidler</u>	<u>Immaterielle eiend.</u>
	3072000.00	2182000.00
<u>Økonomisk levetid</u>		<u>Immaterielle eiend.</u>
		5 år
<u>Avskrivningsplan</u>		<u>Immaterielle eiendeler</u>
		5 år

Anskaffelseskost - balanseførte lånekostnader, egentilvirkede anleggsmidler

Goodwill spesifisert for hvert enkelt virksomhetskjøp

Avskrivningsplan for goodwill som er lenger enn fem år - begrunnelse

Mer om varige driftsmidler/immaterielle eiendeler

Note

6

Konsern, tilknyttet selskap m.v.

Investering som regnskapsføres etter egenkapitalmetoden

Konsernregnskap

Morselskapet sitt navn

Forretningskontor for morselskapet

Begrunnelse for at datterselskap er utelatt fra konsolideringen



Konsern, tilknyttet selskap m.v. - fordringer og gjeld

Fordringer

<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
	581860000.00	1984399000.00

<u>Samlet beløp - tilknyttet selskap</u>	<u>Årets</u>	<u>Fjorårets</u>

<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>

Kortsiktig gjeld

<u>Samlet beløp - foretak i samme konsern</u>	<u>Årets</u>	<u>Fjorårets</u>
	4106793000.00	1106268000.00

<u>Samlet beløp - felles kontrollert virksomhet</u>	<u>Årets</u>	<u>Fjorårets</u>

<u>Pantstillelse</u>	<u>Beløp</u>

Note

Fordringer

Fordringer som forfaller senere enn ett år etter regnskapsårets slutt
58632000.00

Mer om fordringer

Innbetalt kapital Fortum Pensjonskasse

Note

<u>Beholdning av egne aksjer</u>	<u>Antall</u>	<u>Pålydende</u>	<u>Andel av aksjek.</u>

Erverv

Endringer i beholdning av aksjer i løpet av regnskapsåret

Avhendelse

Endringer i beholdning av aksjer i løpet av regnskapsåret

Samvirkeforetak

Vedtaksbestemmelser/årsmøtevedtak/forslag til vedtak om medlemskapskonti

Mer om aksjer

Note



Gjeld

Gjeld som forfaller til betaling mer enn fem år etter regnskapsårets slutt

Gjeld sikret ved pant eller lignende sikkerhet i eiendeler

Balanseført verdi av de pantsatte eiendeler

Summen av garantiforpliktelser som ikke er regnskapsført
2000000.00

Garantiforpliktelser som er sikret ved pant

Mer om gjeld

Note

Noteopplysninger ut over minimumskravene for små foretak

Selskapet er del av Fortum konsernet - ulitmate morselskap i Finlan som avlegger konsernregnskap. Konsernregnskap fra ulitmate morselskap er lastet opp som filvedlegg.



Admincontrol

List of Signatures Page 1/1

FCS Årsregnskap 2021.pdf

Name	Method	Signed at
Braathen, Knut	BANKID	2022-05-24 16:16 GMT+02
Lindbo, Jostein	BANKID_MOBILE	2022-05-24 14:46 GMT+02
Mikael Gösta Rönnblad	FTN (Aktia)	2022-05-24 14:22 GMT+02
Otnes, Frode	BANKID_MOBILE	2022-05-24 13:27 GMT+02



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External reference: 953D62A1A3144252828AADCB1EF37AE4



Fortum Consumer Solutions AS

Org.nr 914 551 757

Årsregnskap 2021

Resultatregnskap
Balanse
Kontantstrømoppstilling
Noter



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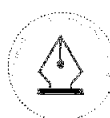
Fortum Consumer Solution AS

Organisasjons nr: 914 551 757

Resultatregnskap

Alle tall i hele tusen - '000

DRIFTSINNETEKTER OG DRIFTSKOSTNADER	Note	2021	2020
Driftsinntekter			
Salgsinntekt		0	-1
Annen driftsinntekt	2	38 651	14 805
Sum driftsinntekter		38 651	14 804
Driftskostnader			
Lønnskostnad	3	42 707	33 888
Av- og nedskrivning på varige driftsmidler	4	1 030	0
Annen driftskostnad	5	58 683	27 807
Sum driftskostnader		102 419	61 695
DRIFTSRESULTAT		-63 768	-46 891
FINANSINNETEKTER OG FINANSKOSTNADER			
Finansinntekter			
Inntekt investering i datterselskap	6	554 860	1 041 780
Renteinntekter fra foretak i samme konsern	7, 14	18	0
Sum finansinntekter		554 878	1 041 780
Finanskostnader			
Rentekostnader fra foretak i samme konsern	7, 14	13 049	10 559
Annen rentekostnad		3	152
Annen finanskostnad		0	1 500
Annen finanskostnad fra foretak i samme konsern	14	58 466	
Sum finanskostnader		71 518	12 211
NETTO FINANSKOSTNADER		483 360	1 029 568
ORDINÆRT RESULTAT FØR SKATTEKOSTNAD		419 592	982 677
Skattekostnad på ordinært resultat	8	94 240	23 123
ÅRSRESULTAT		325 352	959 554
OVERFØRINGER OG DISPONERINGER			
Overføring annen egenkapital		325 352	959 554
Sum overføringer og disponeringer		325 352	959 554



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Fortum Consumer Solutions AS

Organisasjons nr: 914 551 757

Balanse

Alle tall i hele tusen - '000

EIENDELER	Note	2021	2020
Anleggsregister			
Utsatt skattefordel	8	1 323	0
Immaterielle eiendeler	4	27 114	0
Sum immaterielle eiendeler		28 437	0
Maskiner, inventar, kontormaskiner	4	6 261	0
Sum varige driftsmidler		6 261	0
Investeringer i datterselskap	6	6 140 292	1 618 520
Pensjon	13	0	1 399
Andre langsiktige fordringer		58 632	58 632
Sum finansielle anleggsmidler		6 198 924	1 678 552
Sum anleggsmidler		6 233 623	1 678 552
Omløpsmidler			
Kundefordringer		478	7
Andre fordringer	11	9 990	762
Fordringer på konsernselskap	10, 14	581 860	1 984 399
Bankinnskudd, kontanter o.l	7	0	0
Sum omløpsmidler		592 328	1 985 169
SUM EIENDELER		6 825 951	3 663 721
EGENKAPITAL OG GJELD			
Egenkapital			
Selskapskapital	9	101 001	101 000
Overkurs	9	2 092 675	1 360 857
Sum innskutt egenkapital		2 193 676	1 461 857
Annen egenkapital	9	385 520	1 062 338
Sum opptjent egenkapital		385 520	1 062 338
Sum egenkapital		2 579 196	2 524 195
Gjeld			
Pensjonsforpliktelse	13	964	0
Utsatt skatt	8	0	295
Øvrig langsiktig gjeld		3 775	2 738
Sum Langsiktig gjeld		4 739	3 033
Kortsiktig gjeld			
Leverandørgjeld		20 549	380
Betalbar skatt	8	95 245	19 134
Skyldig offentlige avgifter		2 169	2 412
Kortsiktig gjeld til konsernselskap	10, 14	4 106 793	1 106 268
Annen kortsiktig gjeld	12	17 260	8 301
Sum kortsiktig gjeld		4 242 016	1 136 494
Sum Gjeld		4 246 755	1 139 526
SUM EGENKAPITAL OG GJELD		6 825 951	3 663 721

Oslo, 24.mai 2022

Knut Braathen
Daglig leder

Mikael Gösta Rönblad
Styrets leder

Jostein Lindbo
Styremedlem

Frode Otnes
Styremedlem



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Fortum Consumer Solutions AS

Organisasjons nr: 914 551 757

Kontantstrømoppstilling

Alle tall i hele tusen - '000	Noter	2021	2020
Kontantstrøm fra driften			
Årsresultat før skatt		419 592	982 677
Periodens betalte skatter	7	(19 134)	166
Av-/ nedskrivninger	3	1 030	-
Konsernbidrag ført som finansinntekt		(555 000)	(156 000)
Endring i konsernfordringer	9	1 801 539	(1 759 818)
Endring i kundefordringer		(470)	(7)
Endring i leverandørgjeld		20 170	(1 578)
Endring i pensjon		2 363	-
Endring i andre tidsavgrensingsposter		5 487	(47 363)
Netto kontantstrøm fra driften		1 675 577	(981 923)
Kontantstrøm fra investeringer			
Investering i varige driftsmidler	3	(34 405)	-
Investering i virksomhet / datterselskap	5	(4 521 772)	894 215
Investering i andre finansielle anleggsmidler	5	-	164 088
Langsiktig lån		-	19 255
Netto kontantstrøm fra investeringer		(4 556 178)	1 077 558
Kontantstrøm fra finansiering			
Endring innskutt kapital		1 091 987	-
Kortsiktig lån		3 769 880	-
Endring bankkonti tilknyttet konsernkontoordning	6, 9	(777 098)	(136 727)
Mottatt (avgitt) konsernbidrag	9	156 000	41 091
Utbytte		(1 360 169)	-
Netto kontantstrøm fra finansiering	6	2 880 601	(95 636)
Netto endring i likviditetsbeholdning		0	0
Likviditetsbeholdning 1.januar		0	0
Likviditetsbeholdning 31. desember	6	0	0



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Fortum Consumer Solutions AS

Organisasjons nr: 914 551 757

Regnskapsprinsipper

Generelt

Årsregnskapet er satt opp i samsvar med regnskapsloven og god regnskapsskikk. Selskapet har videre fulgt relevante bestemmelser i Norsk Regnskaps Standard utarbeidet av Norsk Regnskaps Stiftelse.

Driftsinntekter

Inntektsføring av varer og tjenester foretas ved levering.

Omløpsmidler og kortsiktig gjeld

Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter siste dag i regnskapsåret, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og antatt virkelig verdi (Laveste verdis prinsipp).

Kortsiktig gjeld balanseføres til nominelt mottatt beløp på etableringstidspunktet med tillegg av påløpte renter. Kortsiktig gjeld oppskrives ikke til virkelig verdi som følge av renteendringer.

Fordringer

Kundefordringer og andre fordringer føres opp i balansen til pålydende etter fradrag for avsetninger til pålitelig tap. Avsetning til påregnelig tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene. I tillegg gjøres det for øvrige kundefordringer en uspesifisert avsetning for å dekke antatt tap.

Anleggsmidler og langsiktig gjeld

Anleggsmidler omfatter eiendeler bestemt til varig eie og bruk for virksomheten. Anleggsmidler er vurdert til anskaffelseskost. Varige driftsmidler føres opp i balansen og avskrives over driftsmidlets forventede økonomiske levetid dersom denne er over 3 år og har en kostpris som overstiger kr 15 000. Vedlikehold av varige driftsmidler kostnadsføres løpende under driftskostnader. Påkostninger eller utbedringer tillegges driftsmidlets kostpris og avskrives i takt med driftsmiddelet. Varige driftsmidler nedskrives til virkelig verdi ved verdifall som forventes ikke å være av forbigående art. Nedskrivninger blir reversert når grunnlaget for nedskrivningen ikke lenger finnes å være til stede.

Aksjer og andeler i datterselskap og i tilknyttede selskaper

Definisjon av datterselskap fremgår av regnskapslovens § 1-3 og tilknyttet selskap i § 1-4. Aksjer i datterselskaper, tilknyttede selskaper og felleskontrollerte selskaper er oppført i balansen til kostpris. Investeringene er vurdert til anskaffelseskost av aksjene, med mindre nedskrivning har vært nødvendig.

Valuta

Pengeposter i utenlandsk valuta vurderes etter børskursen på valutaen etter kursnoteringen på den siste balansedagen i regnskapsåret.



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Skatt

Skattekostnaden i resultatregnskapet omfatter periodens betalbare skatt som blir utlignet og forfaller til betaling i neste regnskapsår i tillegg til endring i utsatt skatt. Utsatt skatt er beregnet med skattesatsen ved utgangen av regnskapsåret på grunnlag av skattereduserende og skatteøkende midlertidige forskjeller. I beregningen er det også medtatt ligningsmessig framførbart underskudd ved regnskapsårets utgang. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reversere i samme periode er utlignet og nettoført.

Eventuell utsatt skatt på merverdi i forbindelse med oppkjøp av datterselskap blir ikke utlignet.

Pensjoner

Selskapene i konsernet har ulike pensjonsordninger. Pensjonsordningene er generelt finansiert gjennom innbetalinger til forsikringselskaper eller pensjonskasser, fastsatt basert på periodiske aktuarberegninger. Konsernet har både innskuddsplaner og ytelsesplaner.

En innskuddsplan er en pensjonsordning hvor konsernet betaler faste bidrag til en separat juridisk enhet. Konsernet har ingen juridisk eller annen forpliktelse til å betale ytterligere bidrag hvis enheten ikke har nok midler til å betale alle ansatte ytelser knyttet til opptjening i inneværende og tidligere perioder. Innskuddene regnskapsføres som lønnskostnad når de forfaller.

Forskuddsbetalte innskudd bokføres som en eiendel i den grad innskuddet kan refunderes eller redusere fremtidige innbetalinger.

En ytelsesplan er en pensjonsordning som ikke er en innskuddsplan. Typisk er en ytelsesplan en pensjonsordning som definerer en pensjonsutbetaling som en ansatt vil motta ved pensjonering. Pensjonsutbetalingen er normalt avhengig av en eller flere faktorer slik som alder, antall år i selskapet og lønn.

Den balanseførte forpliktelsen knyttet til ytelsesplaner er nåverdien av de definerte ytelsene på balansedatoen minus virkelig verdi av pensjonsmidlene. Pensjonsforpliktelsen beregnes årlig av en uavhengig aktuar ved bruk av lineær opptjeningsmetode. Nåverdien av de definerte ytelsene bestemmes ved å diskontere estimerte fremtidige utbetalinger med renten på en obligasjon utstedt av et selskap med høy kredittverdighet i den samme valuta som ytelsene vil bli betalt og med en løpetid som er tilnærmet den samme som løpetiden for den relaterte pensjonsforpliktelsen.

Periodens estimatavik som skyldes ny informasjon eller endringer i de aktuarmessige forutsetningene føres løpende direkte mot egenkapitalen etter justering for utsatt skatt/utsatt skattefordel. Endringer i pensjonsplanens ytelser kostnadsføres eller inntektsføres løpende i resultatregnskapet. Pensjonskostnaden presenteres i sin helhet under drift, inklusive renteelement som beregnes med diskonteringsrenten på grunnlag av netto forpliktelse eller netto eiendel.

Kontantstrømoppstilling

Kontantstrømoppstilling er utarbeidet etter den indirekte metoden. Kontanter og kontantekvivalenter inkluderer kasse, bank og andre likvidbeholdninger samt kapitalplasseringer med forfall mindre enn 3 måneder fra anskaffelsestidspunktet.

Eierstyring og selskapsledelse

Selskapet er underlagt konsernets retningslinjer for eierstyring og selskapsledelse. Retningslinjene for eierstyring og selskapsledelse skal sikre tillit til selskapets styre og ledelse og legge grunnlaget for langsiktig verdiskapning til beste for aksjonærer, ansatte, andre interessenter og samfunnet for øvrig.



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For en mer fylldig beskrivelse vises det til Fortum konsernet sin årsrapport som er tilgjengelig på hjemmesidene til Fortum: www.Fortum.com



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Fortum Consumer Solutions AS
Organisasjons nr: 914 551 757
Noter
Alle tall i hele tusen - '000

Note 2 - Annen driftsinntekt

Driftsinntektene til selskapet stammer i hovedsak fra salg av konserninterne tjenester til selskap i samme konsern.

Note 3 - Lønnskostnader

Gjennomsnittlig antall ansatte i regnskapsåret har vært 26 personer sammenlignet med 17 personer i fjor.

Spesifikasjoner av lønnskostnader	I år	I fjor
Lønn	28 108	25 711
Arbeidsgiveravgift	4 703	3 844
Pensjonskostnader	1 918	1 485
Andre personalkostnader	7 978	2 847
Totalt	42 707	33 888

Ytelser til ledende personer og revisor (i 1 000 kr)

	I år	I fjor
Lønn og annen godtgjørelse til Daglig leder	3 052	2 598
Pensjonskostnader til Daglig leder	100	71
Honorar til revisor, ordinerer lovpålagt revisjon eks mva	170	216
Andre tjenester fra revisor	1 645	16

Daglig leder har en resultatavhengig bonusavtale begrenset oppad til 30% av grunnlønn. Daglig leder har avtale om inntil 12 måneders etterlønn ved fratredelse på nærmere vilkår. Styreleder har ingen avtale om etterlønn ved fratredelse knyttet til vervet som styreleder for Fortum Consumer Solutions AS.

Note 4 - Varige driftsmidler

	Innmaterielle eiendeler	Maskiner, inventar	Investering under utførelse	Totalt
Anskaffelseskost pr 1.1.2021	-	-	-	-
Tilgang	2 470	3 813	28 122	34 405
Avgang	-	-	-	-
Anskaffelseskost pr 31.12.2021	2 470	3 813	28 122	34 405
Akk. av/nedskr. pr 1.1.2021	-	-	-	-
Ordinære avskrivninger	288	741	-	1 030
Akk. av/nedskr. pr 31.12.2021	288	741	-	1 030
Balansført verdi pr 31.12.2021	2 182	3 072	28 122	33 375
Levetid	5 år	3 år		

Note 5 - Annen driftskostnad

Spesifikasjoner av andre driftskostnader	I år	I fjor
Konsernoverhead, kjøp av tjenester fra konsernselskap	11 225	9 859
Småanskaffelser, kontor kostnader, telefon mv.	1 519	1 588
Andre fremmedytelser, kjøp av eksterne tjenester	25 159	13 009
Andre driftskostnader	20 780	3 350
Sum annen driftskostnad	58 683	27 807

Note 6 - Investeringer i datterselskap

Datterselskap	By/Land	Kapital	Andel %	Egenkapital	Årsresultat	Verdi
Fortum Strøm AS	Oslo	228 512	100 %	439 974	628 467	959 192
Fortum Markets AS	Oslo	55 300	100 %	167 323	(42 042)	-
NorgesEnergi AS	Kristiansand	6 258	100 %	330 695	122 523	-
Hallingkraft AS	Ål	6 289	100 %	13 803	37 039	-
Fortum Tellier AS	Oslo	5 000	100 %	33 506	(12 187)	-
Fortum Kundesenter AS	Oslo	15 000	100 %	13 698	1 362	-
Gåta Energi AB	Sverige	7 500	100 %	182 756	25 863	221 052
Fortum Markets AB	Sverige	250 000	100 %	389 703	12 337	2 498 820
Fortum Energikundservice AB	Sverige	100	100 %	99	(1)	99
Kotimaan Energi Oy	Finland	8	100 %	10 704	(546)	78 107
Fortum Markets OY	Finland	5 000	100 %	135 755	(123)	1 284 391
Fortum Asiaskapalvelu OY	Finland	38	100 %	1 257	46	6 642
Fortum Marketing & Sales S.A.	Polen	69 748	100 %	1 844 114	1 509 764	1 091 990
Sum						6 140 292

Datterselskapene er oppført i balansen til anskaffelseskost. Stemmeandel er lik eierandel for alle datterselskaper. Aksjekapital, Egenkapital og Årsresultat for datterselskap i Sverige er oppgitt i SEK, for datterselskap i Finland i EUR og for datterselskap i Polen i Polske zloty. Samtlige aksjer eies av Fortum Forvaltning AS og selskapene inngår i det finske energikonsernet Fortum Oyj. Konsernets årsregnskap kan innhentes på hjemmesidene til Fortum: www.Fortum.com

Inntekt på investeringer i datterselskap

	I år	I fjor
Gevinst ved salg av aksjer i datterselskap		160 459
Utbytte fra datterselskap		725 321
Skattepliktig konsernbidrag fra datterselskap	555 000	156 000
Sum	555 000	1 041 779



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Note 7 - Bankinnskudd, kontanter mv.

Fortum konsernet har et konsernkontosystem i Nordea og Danske Bank. Et konsernkontosystem innebærer gjensidig solidaritetsansvar for deltakende selskaper. Morselskapet, Fortum Oyj, i konsernet sine bankkonti utgjør eneste direkte mellomværende med banken, mens tilgodehavende og gjeld på datterselskapenes konti betraktes som interne forhold. Fortum Consumer Solutions AS er en del av dette konsernkontosystemet. Pr 31.12.2021 er netto trekk med MNOK 328 på bankkonti som inngår i konsernkontosystem klassifisert som gjeld mot konsernselskap. Tilsvarende beløp pr 31.12.2020 var MNOK 1 105. Per 31. desember 2021 var inntestående på toppkonto mot Nordea 186 millioner Euro og mot Danske Bank 210 millioner Euro.

Selskapet har ingen budne midler pr 31.12.2021.

Forpliktelser knyttet til skattetrekk er dekket med bankgaranti pålydende TNOK 2 000 ovenfor Oslo kemnerkontor.

Bankgaranti gitt til fordel for:	Type	Beløp
Oslo kemnerkontor	Skattetrekk	2 000
Sum garantiforpliktelser		2 000

Note 8 - Skatt

Spesifikasjon av årets skattegrunnlag	I år	I fjor
Resultat før skattekostnad	419 592	982 677
Permanente forskjeller	8 770	(877 571)
Endringer midlertidige forskjeller	7 354	(18 442)
Estimatavvik ført mot egenkapital	(2 782)	308
Grunnlag skatt etter konsernbidrag	432 934	86 971

Spesifikasjon av årets skattekostnad	I år	I fjor
Betalbar skatt av alminnelig inntekt	95 245	19 134
Endring utsatt skatt i balansen	(1 618)	4 057
Utsatt sakt av estimatavvik pensjoner mot EK	612	(68)
Ordinær skattekostnad	94 240	23 123
Skattesats pr 31.12.	22 %	22 %

Utsatt skatt / utsatt skattefordel	2021	2020	Endring
Driftsmidler inkl goodwill	749	(133)	882
Pensjonspremie/-forpliktelse	(964)	1 399	(2 363)
Overtatt forpliktelser ved kjøp av virksomhet	-	74	(74)
Regnskapsmessige avsetninger	(5 799)	-	(5 799)
Grunnlag utsatt skatt / utsatt skattefordel	(6 013)	1 340	(7 354)
Utsatt skatt / - skattefordel	(1 323)	295	(1 618)
Skattesats utsatt skatt / skattefordel 31.12	22 %	22 %	

Avstemning av nominell skattesats	I år	I fjor
Resultat før skatt	419 592	982 677
Forventet skattekostnad etter skattesats	92 310	216 189
Effekt av ikke fradagsberettigede inntekter og kostnader	1 929	(193 066)
Skattekostnad	94 240	23 123
Effektiv skattesats	22 %	2 %

Selskapet har i 2021 mottatt konsernbidrag fra datterselskap med TNOK 555 000 som er bokført som finansinntekt og inkludert i resultat før skatt.

Note 9 - Egenkapital

	Aksjekapital	Overkurs	Armen egenkapital	Sum egenkapital
Egenkapital 31.12.2020	101 000	1 360 857	1 062 338	2 524 195
Utbytte	-	-360 169	-1 000 000	(1 360 169)
Kapitalinnskudd	1	1 091 986	-	1 091 987
Estimatavvik pensjon mot EK	-	-	-2 170	(2 170)
Årets resultat	-	-	325 352	325 352
Egenkapital 31.12.2021	101 001	2 092 675	385 520	2 579 196

Selskapet har 1000 aksjer hver pålydende kr 101 001, samlet aksjekapital utgjør kr 101 001 000. Selskapet har kun en aksjekasse. Samtlige aksjer eies av Fortum Holding B.V. og inngår i det finske energikonsernet Fortum Oyj.

Note 10 - Konsernmellomværende

Fordringer konsernselskaper	I år	I fjor
Kundefordringer konsernselskaper	3 901	3 708
Andre fordringer	22 959	420
Fordring konsernbidrag	555 000	1 980 270
Sum fordringer konsernselskaper	581 860	1 984 399

Kortsiktig gjeld konsernselskaper	I år	I fjor
Leverandørgjeld konsernselskaper	8 036	1 265
Trekk på bankkonti i konsernkontoordningen	327 905	1 105 003
Konserninternt gjeld	3 769 880	0
Påløpte konsern interne kostnader	972	0
Sum gjeld konsernselskaper	4 106 793	1 106 268



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Note 11 - Andre kortsiktige fordringer

Andre kortsiktige fordringer	I år	I fjor
Fordringer på ansatte	155	-121
Til gode merverdiavgift	6 246	360
Forskuddsbetalte kostnader	3 589	523
Sum andre kortsiktige fordringer	9 990	762

Note 12 - Annen kortsiktig gjeld

Annen kortsiktig gjeld	I år	I fjor
Skyldig lønn, feriepenger mv.	4 339	4 408
Påkjøpte kostnader	12 837	3 791
Annen kortsiktig gjeld	84	102
Sum annen kortsiktig gjeld	17 260	8 301

Note 13 - Pensjon

Fortum Consumer Solutions AS er pliktig til å ha pensjonsordninger for sine ansatte etter lov om tjenestepensjon. Selskapet har pensjonsordninger som tilfredsstiller kravene i loven og ordningene omfatter både ytelsesbasert og innskuddsbaserte pensjoner. Ytelsesplanene gir rett til definerte fremtidige ytelser. Disse er i hovedsak avhengig av antall opptjeningsår og lønnsnivå ved opprød pensjonsalder. Pensjonsordningene er enten organisert i egne pensjonskasser, gjennom forsikringselskap eller direkte fra selskapene.

	I år	I fjor
Nåverdi av opptjent pensjonsforpliktelse	5 850	3 355
Virkelig verdi på pensjonsmidler	(4 895)	(4 754)
Netto pensjonsforpliktelse (etter arbeidsgiveravgift)	964	(1 399)

Netto pensjonskostnad fremkommer på følgende måte:

Service kostnad	97	161
Netto rentekostnad	(33)	(21)
Administrasjonskostnader	20	20
Sum pensjonskostnader ytelsesplaner	85	160
Tilskuddsbaserte pensjonskostnader	1 833	1 325
Sum pensjonskostnader (inkludert i lønnskostnader)	1 918	1 485

Endring i balanseført forpliktelse

Balanseført verdi 1.1.	(1 399)	(1 156)
Endring estimatavvik pensjoner ført mot EK	2 782	(308)
Kostnad resultatført i året	85	160
Innbetaling til pensjonsordningen	(504)	95
Andre endringer		(190)
Balanseført verdi 31.12.	964	(1 399)

Pensjonsverdiene fordeler seg slik i balansen:

Gjeld pensjon / - fordring pensjon	964	-1 399
Netto balanseført forpliktelse	964	-1 399

Følgende økonomiske forutsetninger er lagt til grunn for beregningen:

Diskonteringsrente	1,90 %	1,70 %
Årlig lønnsvekst	3,50 %	2,00 %
G-regulering	2,50 %	1,75 %
Årlig regulering av pensjoner under utbetaling	1,75 %	1,00 %

Note 14 - Transaksjoner med nærstående

Fortum Consumer Solutions AS er et heleid datterselskap i Fortum konsernet med Fortum Oyj som konsernspiss. Selskapet både selger og kjøper varer og tjenester fra andre selskaper i konsernet. Alle transaksjoner er foretatt som en del av den ordinære virksomheten og med armlengdes avstand prinsipper. De vesentlige transaksjonene er som følger:

Resultat	Drifts inntekter	Drifts kostnader	Netto rente kostnader	Andre finansinntekter	Andre finanskostnader
Fortum Strøm AS	5 322			519 000	
NorgesEnergi AS	5 994				
Fortum forvaltning AS		3 230			
Fortum Sweden AB			2 524		
Fortum Sverige AB		3 533			
Fortum Markets AB	10 331				
Fortum Markets Oy	9 638				
Fortum Oyj		10 353	5 185		1 500
Andre konsernselskaper	7 240	(389)		36 000	
Balanse	Kunde fordringer	Andre fordringer	Leverandør gjeld	Annen gjeld	Konsernkonto gjeld
Fortum Strøm AS		519 000			
Fortum Sweden AB				2 498 918	
Fortum Oyj				1 270 962	327 905
Andre konsernselskaper	3 901	58 959	8 036	972	



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Til generalforsamlingen i Fortum Consumer Solutions AS

UAVHENGIG REVISORS BERETNING

Konklusjon

Vi har revidert Fortum Consumer Solutions AS' årsregnskap som består av balanse per 31. desember 2021, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettviseende bilde av selskapets finansielle stilling per 31. desember 2021, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

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side 2
Uavhengig revisors beretning -
Fortum Consumer Solutions AS

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimaterne og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Oslo, 24. mai 2022
Deloitte AS

Guro Magnetun Heimvik
statsautorisert revisor

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Mikael Gösta Rönnblad	FTN (Aktia)	2022-05-24 14:21 GMT+02
Otnes, Frode	BANKID_MOBILE	2022-05-24 13:29 GMT+02

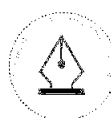


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**Årsberetning 2021
for
Fortum Consumer Solutions AS**

Foretaksnr. 914551757



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Vår virksomhet

Fortum Consumer Solutions AS har forretningskontor i Oslo kommune. Selskapet har ikke egen operativ virksomhet, men er et holdingselskap med eierskapet til datterselskaper i Fortums forretningsområde «Consumer Solutions». Forretningsområdet Consumer Solutions består av strømsalgsvirksomheter i Norge, Sverige, Finland, Polen og Spania samt virksomhet innen kunde- og fakturerings tjenester.

Selskapet har etablert styreansvarsforsikring som, innen rammene for forsikringsvilkårene, dekker det personlige erstatningsansvaret man kan pådra seg som styremedlem eller administrerende direktør i henhold til gjeldende rett.

Fortsatt drift

Årsoppgjøret er avlagt under forutsetning om fortsatt drift. Til grunn for antagelsen ligger selskapets resultater for 2021 og prognoser og strategiske planer for de kommende årene. Selskapet har en sunn økonomisk og finansiell stilling. Det har ikke inntruffet forhold etter regnskapsårets slutt som har betydning for det fremlagte årsregnskapet.

Helse, miljø og sikkerhet

Sykefraværet i selskapet var på totalt 0,8 % i regnskapsåret. Det har ikke forekommet alvorlige arbeidsuhell eller ulykker i løpet av året som har resultert i materielle skader eller alvorlige personskader. Selskapet gjennomfører regelmessige undersøkelser av engasjement og tilfredshet blant medarbeiderne. Resultat fra disse undersøkelsene er gode, og arbeidsmiljøet betraktes som godt.

Selskapet er ikke involvert i aktiviteter som belaster det ytre miljø.

Organisasjon og likestilling

Konsernet har innarbeidet en policy nedfelt i Fortums Code of Conduct, som sier at det ikke skal forekomme forskjellsbehandling grunnet kjønn eller diskriminering. Denne policyen kan en finne på hjemmesidene til Fortum; www.fortum.com. Alle ansatte må gjennomgå opplæring i denne policy.

Selskapet har målsetting om å rekruttere flere kvinner til selskapet, samt å øke andelen kvinner i styrer, samarbeidsorganer og i lederstillinger herunder toppledelsen. Selskapet har som rekrutterings- og personalpolicy at alle skal sikres like muligheter ved at man ikke forskjellsbehandler på grunnlag av kjønn, etnisitet, nasjonal opprinnelse, hudfarge, språk, religion eller livssyn.

Selskapet hadde 39 ansatte gjennom året 2021, og det er ikke gjennomført større endringer i organisasjonen gjennom året. Selskapet hadde en kvinneandel på 51 prosent blant sine ansatte ved utgangen av året. Selskapets styre bestod ved utgangen av året av 3 personer, alle menn.

Selskapet har 2,5% av sine ansatte i deltidsstilling, ingen av disse er menn.

For å kartlegge mulig ufrivillig deltid har en i utviklingssamtalene mellom leder og ansatt verifisert om deltidsansatte har deltidsstilling etter eget ønske.

I 2021 er det gjennomsnittlig tatt ut 8 antall uker i foreldrepermisjon, som fordeler seg slik:

Menn	11 uker
Kvinner	5 uker

Det er gjort en kartlegging sammen med tillitsvalgte i forhold til lønnsforskjeller basert på data fra 2021. Her er de ansatte delt inn i stillingsgrupper basert på stillinger som er vurdert i forhold til likt arbeid og lik verdi. Denne inndelingen er gjort basert på selskapets stillingskategorier og vurdering av hvilke stillinger som inngår i de forskjellige gruppene.

Kartleggingen inkluderer alle ansatte gjennom året. Totallønn omfatter i tillegg til fastlønn andre elementer som overtid, bonus og skattepliktige naturalytelser.

I tabellen nedenfor viser oversikten at kvinners totallønn er 49,3% av menns totallønn.

Forskjeller mellom avlønning mellom kvinner og menn som fremkommer i tabellen nedenfor påvirkes av forskjeller i ansettelsesforhold og erfaringer.



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Ansatt gruppe	Antall kvinner	Antall menn	Ratio kvinner / menn totallønn
Junior - nivå	8	3	166,6%
Mellom - nivå	11	11	127,4%
Senior - nivå	1	5	Menn høyere enn kvinner
Alle nivåer	20	19	49,3%

Vårt arbeid for likestilling og mot diskriminering

Selskapets arbeid for likestilling og mot diskriminering er forankret i selskapets strategi og policy som tar utgangspunkt i Fortum konsernet sin Code of Conduct. Fortum Code of Conduct oppdateres årlig, og alle ansatte i konsernet pålegges å gjennomføre årlig elektronisk opplæring i revidert versjon. Fortum Code of Conduct er tilgjengelig på alle språk der Fortum konsernet har virksomhet, og opplæring foregår på lokalt språk. I Code of Conduct er innarbeidet Fortum konsernets verdier om nysgjerrighet, ansvar, integritet og respekt, samt konsernets ledelsesprinsipper. Hensynet til likestilling og diskriminering er for øvrig innarbeidet i konsernets personalpolitikk.

Konsernet har som rekrutterings- og personalpolicy at alle skal ha like muligheter og at man ikke forskjellsbehandler på grunnlag av kjønn, etnisitet, nasjonal opprinnelse, hudfarge, seksuell legning, språk, religion eller livssyn.

Ansatte oppfordres til å til enhver tid varsle sin leder, HR avdeling eller konsernets Compliance avdeling. I tillegg til de interne rapporteringskanalene, er Fortums eksternt administrerte «SpeakUp-kanal» tilgjengelig for enhver (ansatte og eksterne interessenter) som foretrekker å uttrykke sine bekymringer anonymt. Denne kanalen finnes via fortum.com.

Selskapet har kontorlokaler i et nyoppført bygg fra 2019 som har universell utforming. Ansatte har tilgang til kantine med et stort og variert tilbud. Her er all mat merket med allergener og også f.eks. om eventuelt innhold av svinekjøtt.

Fortum konsernet er opptatt av ansattes generelle trivsel og balanse mellom arbeid og fritid. Det tilbys regelmessige globale aktiviteter og opplæring i temaer som trening, søvnkvalitet og riktig ernæring. Under pandemien med pålagt hjemmekontor, har ansatte svart på en pulse undersøkelse om trivsel, som ble sendt ut annenhver uke. Her ser vi at de aller fleste ansatte synes de får tilstrekkelig støtte og at det går fint å jobbe hjemmefra. I mars 2021 ble det gjennomført en større undersøkelse kalt «Future workmodel», hvor ansatte ble spurt om hvordan de foretrekker å jobbe når vi er tilbake til normal igjen etter pandemien.

74 % av ansatte i Fortum konsernet svarte at de foretrekker enten 100 % hjemmekontor, eller en blanding av hjemmekontor og kontor. Ut fra ansattes tilbakemeldinger er det etablert en framtidig jobb-modell med tilstedeværelse på kontoret minst to valgfrie dager i uken, og valgfritt ut over det.

Det er gjort flere kartlegginger av likestilling og diskriminering, samt arbeidsorganisering i løpet av 2021. I mai og november ble det sendt ut undersøkelser til hele Fortum-konsernet:

Mai (uke 20): Spørsmål som omhandler engasjement, lederskap, organisering av arbeidshverdagen og helse.

November (uke 46): Spørsmål som omhandler engasjement, lederskap, nysgjerrighet og lyst til å lære, organisering av arbeidshverdagen og jobbrotasjon.

I den første av nevnte undersøkelser ble det stilt spørsmål om hvorvidt de ansatte føler seg likt behandlet uavhengig av alder, etnisitet, seksuell orientering, kjønn og utdanning. Her svarer de ansatte at de ikke opplever en forskjellsbehandling basert på alder, etnisitet og kjønn og seksuell orientering. Det er heller ingen av de ansatte som svarer at de opplever forskjellsbehandling basert på kjønn og utdanning.

I tillegg til de nevnte undersøkelser, sendes det også ut en kvartalsvis medarbeiderundersøkelse for å finne ut hva ansatte tenker rundt bl.a. samarbeid internt i organisasjonen, åpen og ærlig kommunikasjon, tillit til ledelsen etc. Vi har alltid åpne kommentarer og oppfordrer alle ansatte til å skrive hva de tenker rundt alle spørsmål. Vi gjør også kontinuerlig vurdering av medarbeiderundersøkelser for å sikre god kvalitet.

Disse undersøkelsene har blant annet bidratt til at vi holder månedlige møter for hele organisasjonen, for å sikre at alle får viktig informasjon samtidig, samt skape lik forståelse for vår overordnede strategi. Alle ansatte har i disse møtene mulighet for å stille anonyme spørsmål, noe som har fungert veldig godt.

Vi har også på bakgrunn av disse undersøkelsene utviklet en ny onboarding prosess, slik at alle nyansatte skal få den samme innføringen når de starter hos oss.

I 2021 innførte selskapet en ny rekrutteringsprosess for å bidra til økt inkludering og ubevisst diskriminering.

Seleksjonsprosessen er gjort mer objektiv, ved å innføre konkrete screening-spørsmål og tester. I tillegg har vi testet å gjennomføre noen utvalgsprosesser helt anonymt, det vil si uten å kjenne verken alder, kjønn eller navn på kandidatene.

Gjennom året har vi også uformelle møter med tillitsvalgte, har vi etablerte fora der vi diskuterer arbeidsmiljø fra ulike vinkler.

Noter for Fortum Consumer Solutions AS

Organisasjonsnr. 914551757



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- Månedlige nordiske samarbeidsmøter, mellom alle tillitsvalgte i Norden og HR.
- Månedlige samarbeidsmøter med HR og tillitsvalgte i Norge

I disse fora drøftes medarbeiderundersøkelser og medarbeidermotivasjon jevnlig. I tillegg er kvaliteten og frekvensen av kommunikasjon til tillitsvalgte og til medarbeidere oppe til dialog og med ønske om tilbakemeldinger og kontinuerlige forbedringer. I 2021 var temaer som medarbeiderkommunikasjon, endringsledelse og sykefraværutvikling tema i de fleste møter, for å sikre ivaretagelse i pandemi og som forberedelse til mulige endringer i konsernet.

I 2022 vil selskapet se ytterligere på analyse av lønnsforskjeller og eventuelle tiltak som kan iverksettes. Dette kan gjøres årlig sammen med de tillitsvalgte inkludert i det lokale lønnsoppgjøret. Videre vil vi implementere den nye onboarding prosessen som ble utviklet i 2021.

Fortumkonsernet har ytterligere satt mangfold, rettferdighet og inkludering på agenda 2022. De finske selskapene i Fortum konsernet deltok i en undersøkelse om dette i 2021, og funn fra denne undersøkelsen skal implementeres i hele konsernet i løpet av 2022. Det vil bli interne arrangementer og opplæring som involverer ledere, ledergrupper og ansatte i løpet av året. Arrangementene vil også legge vekt på å øke bevisstheten rundt ubevisst atferd, og hvordan redusere sannsynligheten for å ubevisst bidra til diskriminering. Målet er å få ledere i Fortum til å i enda større grad bidra til inkludering.

Fretidig utvikling

Strømselskapene eiet av Fortum Consumer Solutions AS har ca 2,2 million person- og bedriftskunder i Norge, Sverige, Finland, Polen og Spania. Strømproduktene markedsføres under flere merkenavn, herunder Fortum Markets, Fortum Strøm, NorgesEnergi, Göta Energi og Kotimaan Energia.

Fortum Oyj annonserte ved sin Capital Markets Day i desember 2020 at konsernet ville sette i gang et større arbeid med å vurdere eierskap og struktur til forretningsområdet Consumer Solutions. Dette arbeidet ble påbegynt mot slutten av 2020, konklusjonen av arbeidet ble at Consumer Solutions fortsatt skal være en del av Fortum framover. Dette ble kommunisert i Mars 2022.

Resultat, investeringer, finansiering og likviditet

Årsresultatet for regnskapsperioden ble MNOK 325,4 (sammenlignet med forrige år MNOK 959,6).

Kontantstrøm fra operasjonelle aktiviteter utgjorde for 2021 MNOK 1 675,6 (-981,9). Selskapets driftsresultat i 2021 utgjorde MNOK 63,8 og avviker fra kontantstrøm fra operasjonelle aktiviteter blant annet som en følge økning på konserninterne fordringer på MNOK 1 801,5.

Kontantstrøm fra investeringer utgjorde for 2021 MNOK -4 556,2 (1 077,6). Endringen knyttes til kjøp av aksjer i konsernselskaper i Finland, Sverige og Polen.

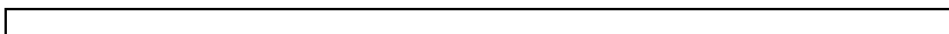
Selskapets finansielle stilling er tilfredsstillende. Selskapets har tilgang på likviditet ved behov gjennom tilknytningen til konsernkontosystemet og hadde per 31.12 MNOK 328 i trekk på bankkonti tilknyttet denne ordningen. Totalkapitalen var ved utgangen av året MNOK6 826 og egenkapitalandelen var 38 % og anses tilfredsstillende.

Kredittrisikoen anses som lav, da de fleste kundefordringer er relatert til konserninterne kunder. Selskapet bruker ikke finansielle instrumenter, og har heller ingen vesentlig finansiell risiko.



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Årsresultat og disponeringer

Styret foreslår følgende disponering av årsresultatet:

Overføringer til annen egenkapital	TNOK 325 352
Totalt	TNOK 325 352

Oslo, 24.mai 2022

Mikael Gösta Rönblad
Styrets leder

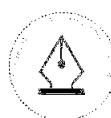
Frode Otnes
Styremedlem

Jostein Lindbo
Styremedlem

Knut Braathen
Daglig leder

Noter for Fortum Consumer Solutions AS

Organisasjonsnr. 914551757



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Finansiāls 2021

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Financials 2021 – Reader's guide

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

Operating and financial review

This section includes description of Fortum's financial performance during 2021. Here you will also find a description of the risk management as well as information on sustainability and Fortum share performance.

Consolidated financial statements

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

Key figures

Key figures consist of financial key figures, share key figures and operational key figures for 2020-2021. The financial key figures derive mainly from the primary statements. Segment key figures include information on segments.

Auditor's report

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

Notes

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

Signatures for the operating and financial review and financial statements

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

Investor information

Here you will find information on Fortum's Annual General Meeting, dividend payment, basic share information as well as details of the financial information available to shareholders in 2022.

Notes

1-3 Basis of preparation

These notes describe the basis of preparing the consolidated statements and consist of the accounting policies, critical estimates and judgements and information about acquisition

4-5 Risks

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

6-13 Income statement

These notes provide supporting information for the income statement.

14-34 Balance sheet

These notes provide supporting information for the balance sheet.

35-37 Off balance sheet items

The notes in this section provide information on items that are not on the balance sheet.

38-40 Group structure and related parties

This section includes information on related party transactions on the balance sheet date and the group companies of the Fortum group.

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

IS = Income statement

BS = Balance sheet

CF = Cash flow

Financial statements and operating and financial review 2021

Reader's guide

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Financial performance and position

Outstanding performance under extraordinary and volatile market conditions

Key figures

EUR million	2021	2020	2019	Change 21/20
Reported				
IS Sales	112,400	49,015	5,447	129%
IS Operating Profit	-588	1,599	1,118	-137%
- of sales %	-0.5	3.3	20.5	-71%
IS Share of profit of associates and joint ventures ¹⁾	192	656	744	-113%
IS Profit before income tax	-289	2,199	1,728	
- of sales %	-0.3	4.5	31.7	
IS Net profit	-114	1,855	N/A	-106%
IS Net profit (after non-controlling interests)	739	1,823	N/A	-59%
IS Earnings per share, EUR	0.83	2.05	1.67	-60%
CF Net cash from operating activities	4,970	2,555	1,575	95%

EUR million	2021	2020	2019	Change 21/20
Comparable				
EBITDA ¹⁾	3,817	2,434	1,766	57%
IS Operating profit	2,536	1,344	1,191	89%
Share of profit of associates and joint ventures ¹⁾	154	656	N/A	-77%
Net profit (after non-controlling interests) ²⁾	1,778	1,483	N/A	20%
Earnings per share, EUR ²⁾	2.00	1.67	N/A	20%

EUR million

	2021	2020
Shareholders' equity per share, EUR	13.66	14.58
Financial net debt (at end of period) ³⁾	789	7,023
Adjusted net debt (at end of period) ³⁾	3,227	9,784
Financial net debt/comparable EBITDA ^{1) 3)}	0.2	2.9
Return on shareholders' equity, %	-0.8	12.9
Equity-to-assets ratio, %	9	27

¹⁾ Comparable EBITDA is defined as an alternative performance measure and used as a component in the capital structure target. Comparable EBITDA: In 2020 Comparable EBITDA includes contribution from Uniper for the period of 1 April to 31 December 2020, consolidated as a subsidiary from 31 March 2020. Until 31 of March 2020 Uniper's contribution to the income statement was recognized as profit/loss of associates and joint ventures. Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in 2021.

²⁾ In 2021, Fortum introduced two new performance measures: comparable net profit and comparable earnings per share.

³⁾ Following the consolidation of Uniper, Fortum has updated its definition of net debt and uses financial net debt and adjusted net debt.

See ► Definitions and reconciliations of key figures.

Financial performance and position Sustainability Risk management

Fortum share and s

2021 was in many ways an extraordinary year in the energy business. We have experienced a rare combination of circumstances leading to unprecedented developments in the commodity market. During these turbulent times Fortum Group held course. We successfully continued the implementation of our strategy with active portfolio rotation and accelerated decarbonisation, and produced another great set of operative results.

After the drop in 2020, energy consumption in our market areas increased as economies recovered, and societies learned to cope with the Covid-19 pandemic. Market conditions were characterised by colder weather during the first half of the year, below normal European wind and Nordic hydro conditions as well as increasing EU emission allowance prices. It was gas that was in the driver's seat for the energy commodities. Lower-than-average gas storage levels coupled with tight LNG and pipeline supplies caused unprecedented volatility and a price rally in the second half of the year in Europe.

The higher power and gas prices have clearly impacted both our business and results in many ways. Both our Uniper and Generation segments significantly contributed to the Group's comparable operating profit, which increased by 89%. Uniper's gas business benefitted from the extraordinary market developments with volatile and rising prices despite additional liquidity requirements while the Generation segment significantly gained from the higher power prices supported by successful physical and financial optimisation. In the fourth quarter, the segment's achieved power price reached its highest quarterly level since 2009. Record-high nuclear and higher hydro volumes also contributed to the upsurge. The results of our Russia segment were supported by sales gains and higher power prices. Our City Solutions segment also produced a sound result improvement especially in power and heat sales year-on-year. Whilst large parts of the business benefitted from these developments, Consumer Solutions suffered from high electricity purchase costs due to the very high power prices in the fourth quarter and the intensifying competition in the Nordic market.

The extremely volatile commodity markets with record-high gas prices in December also caused a sharp increase in the margining requirements of Uniper's trading business. At the beginning of 2022, Uniper took precautionary financing measures including credit arrangements from Fortum and the German state-owned KfW Bank to ensure liquidity and financial flexibility, and to manage any further market volatility. These efforts were positively noted as S&P Global Ratings rating agency in January 2022 affirmed Fortum's and Uniper's long-term ratings of BBB with a stable outlook.

In this turbulent operating environment, we have kept our strategic priorities clear. Our goals for 2021 were to strengthen the balance sheet, to further decarbonise our portfolio and to drive profitable growth while balancing it with our dividend and financial position.

Actions taken during the year included the divestments of mainly district heating assets such as Stockholm Exergi (50%) and the Baltic district heating business as well as the 500 megawatts of solar power capacity in India. The total consideration recorded for divested assets amounted to more than EUR 4 billion in 2021, securing a strong balance sheet and bringing our financial net debt-to-comparable EBITDA to 0.2 times, significantly below our set target level of <2 times.

We also continued working towards our climate targets to be carbon neutral in our European generation at the latest by 2035 and in all operations by 2050. Within less than one year, we have been able to announce accelerated coal phase-out of six of our coal-fired power plants in Germany and the UK compared to the original timetable. In Russia, our Cheyabinsk CHP-2 plant is transitioning from the use of coal to gas, ending the use of coal in the Fortum Russia segment by the end of 2022. Towards the end of the year, we also set a reduction target for the Group's indirect emissions, i.e. Scope 3, which is -35% by 2035.

At the same time, we strengthened our position in CO₂-free power generation. Over the year, we commissioned a total of almost 600 MW of new wind and solar capacity in Russia and announced our first joint wind power project of 380

MW in Finland together with Uniper. In addition, we have won the right to build a total of 2 GW of wind capacity in the coming years in national auctions.

2021 was also the year in which Fortum and Uniper grew closer together. We announced new cooperation three strategic areas of Nordic hydro and physical trading optimisation, wind and solar development, as hydrogen with the ambition to create value for both companies, and, in particular, for our customers. We management changes and announced more diverse leadership teams at both Fortum and Uniper.

As a group, our strategy execution will continue with the same determination and focus this year. We drive profitable growth and to further deepen the cooperation between Fortum and Uniper. Today we have announced the decision to submit an application for a new operating licence for our nuclear power plant in Finland. In addition to financial, political and societal aspects, the EU taxonomy was a key factor that we account when preparing the decision – it is central in guiding investments towards sustainable and clear

Based on the solid results of 2021 and the outlook for future years, Fortum's Board of Directors is proposing Annual General Meeting a dividend of EUR 1.14 per share for the financial year 2021. The proposal is in Fortum's dividend policy to pay a stable, sustainable, and over time increasing dividend.

Changes in reporting

In 2021, Fortum introduced two new Alternative Performance Measures (APM) to provide additional financial performance indicators that better reflect the underlying profitability.

- Comparable net profit
 - Comparable earnings per share
- Comparable net profit is shown after non-controlling interest and adjusted for items affecting comparability adjustments to share of profit of associates and joint ventures, net finance costs, income tax expenses, controlling interest. Comparable earnings per share is calculated from comparable net profit.

See > Note 7 and > Definitions and reconciliations of key figures.

Financial results

Sales by segment

EUR million	2021	2020
Generation	2,895	2,895
Russia	906	906
City Solutions	1,302	1,302
Consumer Solutions	2,622	1,214
Uniper	105,992	44,514
Other Operations	138	138
Netting of Nord Pool transactions ¹⁾	-1,128	-3
Eliminations	-33	-3
IS Total	112,400	49,000

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

Comparable EBITDA by segment

EUR million	2021	2020	Change 21/20
Generation	1,299	886	47%
Russia	404	394	2%
City Solutions	317	239	33%
Consumer Solutions	123	153	-20%
Uniper	1,789	856	109%
Other Operations	-114	-94	-21%
Total	3,817	2,434	57%

Comparable operating profit by segment

EUR million	2021	2020	Change 21/20
Generation	1,110	722	54%
Russia	261	251	4%
City Solutions	135	47	186%
Consumer Solutions	52	90	-43%
Uniper	1,120	363	209%
Other Operations	-142	-129	-10%
IS Total	2,536	1,344	89%

Operating profit by segment

EUR million	2021	2020	Change 21/20
Generation	1,054	711	48%
Russia	227	252	-10%
City Solutions	2,671	775	245%
Consumer Solutions	495	129	283%
Uniper	-4,901	29	-16,885%
Other Operations	-134	-298	55%
IS Total	-588	1,599	-137%

Share of profits of associated companies and joint ventures

EUR million	2021
Generation	36
Russia	62
City Solutions	42
Consumer Solutions	-
Uniper	51
Other Operations	0
IS Total	192

Comparable share of profits of associated companies and joint ventures

EUR million	2021
Generation	11
Russia	62
City Solutions	42
Consumer Solutions	35
Uniper	0
Other Operations	0
Total 1)	150

1) Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparability adjustments in 2021.

For further information see ▶ Note 6.

Sales were EUR 112,400 (49,015) million due to record high commodity prices.

Comparable operating profit was EUR 2,536 (1,344) million. A strong performance in an exceptional market enabled the highest comparable operating profit in Fortum's history following volatile commodity prices. The strong performance in the Generation segment was supported by the consolidation of Uniper as a subsidiary. Additionally, the Uniper segment's gas business could take profit from extraordinarily volatile market fundamentals. Earnings increased in the Generation segment due to the power price and higher nuclear and hydro volumes. In the first quarter of 2020, Uniper was consolidated as an associated company.

Financial performance and position

Sustainability

Risk management

Fortum share and s

Operating profit for the period was impacted by EUR -3,124 (255) million of items affecting comparability, mainly due to changes in fair values of non-hedge-accounted derivatives of EUR -5,424 (-675) million almost entirely related to the Uniper segment. Items affecting comparability also includes the tax-exempt capital gains of EUR 2,681 million, the main part of which is related to the divestment of the 50% ownership in Stockholm Exergi Holding AB and the divestment of the Baltic district heating operations (► Note 7).

Comparable share of profits of associates and joint ventures was EUR 154 (656) million (► Note 18). The comparison period includes the comparable share of profit from Uniper of EUR 502 million based on Uniper's fourth-quarter 2019 and first-quarter 2020 results.

Finance costs – net, i.e. net finance income, amounted to EUR 107 (-56) million. Comparable finance costs - net amounted to EUR -38 (-103) million. The change mainly relates to the positive effect of changes in discount rates on Other provisions in the Uniper segment.

Profit before income taxes was EUR -289 (2,199) million. Comparable profit before income taxes was EUR 2,651 (1,897) million.

Income taxes for the period totalled EUR 175 (tax income) (-344) million. Comparable income tax expenses were EUR -605 (-299) million (► Note 12).

Net profit was EUR -114 (1,855) million. Comparable net profit was EUR 1,778 (1,483) million after the deduction of adjusted non-controlling interest. Comparable net profit is adjusted for items affecting comparability, adjustments to share of profit of associates and joint ventures, net finance costs, and income tax expenses. The alternative performance measure (APM) 'comparable net profit' was introduced in the first quarter of 2021 to better reflect the underlying profitability (► Note 7.2 and ► Definitions and reconciliations of key figures).

Earnings per share were EUR 0.83 (2.05) and comparable earnings per share were EUR 2.00 (1.67).

Financial position and cash flow

EUR million	2021	2020	Change 21/20
Interest expense	-202	-170	19%
Interest income	156	111	40%
Other financial items - net	154	3	-5,250%
IS Finance costs - net	107	-56	293%
Financial net debt	789	7,023	89%
Adjusted net debt	3,227	9,784	67%

Cash flow

In 2021, net cash from operating activities increased by EUR 2,415 million to EUR 4,970 (2,555) million. Working capital was impacted by operational liquidity measures in the Uniper segment, which are done increased margin receivables in investing activities.

Net cash used in investing activities was EUR 5,727 (2,140) million. Capital expenditure increased by EUR 1,178 (1,101) million. Acquisition of shares, net of liquid funds, was EUR 294 (1,801) million. Acquisitions mainly relates to the acquisition of Uniper shares. Divestment of shares and capital returns of EUR 1 million mainly include the divestments of the 50% ownership in Stockholm Exergi Holding AB and the divestment in the Baltics. In 2020, divestment of shares mainly included the divestment of the Joensuu and district heating operations. The change in margin receivables was EUR -7,964 (-552) million as a result of commodity prices.

The negative change of EUR 7,964 (552) million in margin receivables in net cash used in investing activities offset by the positive change of EUR 649 (-623) million in margin liabilities in the cash flow from financing Cash flow before financing activities was EUR -756 (415) million.

Net cash from financing activities was EUR 6,013 (505) million. The net increase in long-term liabilities 1,124 (2,062) million while the increase in short-term liabilities was EUR 5,364 (207) million. The increase in liabilities is mainly related to the use of commercial paper programmes and revolving credit facilities, which manage the increased margin receivables. In 2020, Fortum drew a term loan of EUR 2,000 million and EUR 300 million to finance the acquisition of shares in Uniper. (For additional information, see the Financial dividend, EUR 995 million, was paid on 7 May 2021. The change in margin liabilities was EUR 649 mainly due to higher commodity prices. The net increase in liquid funds was EUR 5,256 (920) million (►

Assets

At the end of 2021, total assets amounted to EUR 149,661 (57,810) million. The increase from December relates to derivative financial instruments in the Uniper segment as a result of the higher commodity prices at the end of 2021 were EUR 7,592 (2,308) million.

Equity

Total equity amounted to EUR 13,665 (15,577) million. Equity attributable to owners of the parent company EUR 12,131 (12,953) million. The change from December 2020 was mainly related to the net profit for the period of EUR 739 million offset by the EUR -980 million impact from fair valuation of cash flow hedges and the dividend of EUR 995 million.

Financing

At the end of 2021, financial net debt was EUR 789 (7,023) million and adjusted net debt EUR 3,227 (9,784) million († Note 27).

At the end of 2021, the Group's liquid funds totalled EUR 7,592 (2,308) million. Liquid funds include EUR 2,966 (289) million held by the Uniper segment.

At the end of 2021, Fortum had undrawn committed credit facilities of EUR 400 million.

In May, Fortum repaid a maturing bond of EUR 500 million and in December 2021 Fortum prepaid EUR 1,550 million of a EUR 2,000 million bridge loan maturing in October 2022. Additionally, in October 2021 Fortum cancelled the remaining revolving credit facility that was part of the facility for the purchase of Uniper shares and liquidity purposes, EUR 1,350 million, with the original maturity date in November 2021.

In December, following the surge in commodity prices Fortum extended the credit facility agreement with Uniper, originally signed in September, to EUR 8,000 million comprising tranches for both a shareholder loan and a parent company guarantee. Both Fortum (EUR 1,750 million) and Uniper (EUR 1,800 million) withdrew their core revolving credit facilities as precautionary measures to secure sufficient liquidity for possible further increases and volatility in commodity prices and consequent additional requirement of collateral payments. In addition, Fortum signed new bilateral financing agreements to further strengthen the liquidity position. These agreements consisted of a EUR 400 million bank loan (maturing in September 2024), a EUR 500 million bank loan (maturing in June 2023 with an extension option of eight months) and a revolving credit facility of EUR 800 million (maturing in December 2022 with an extension option of one year), of which EUR 500 million was drawn as of 31 December 2021. Also in December, Uniper extended the existing EUR 400 million bank loan, maturing in September 2022, to mature in March 2023 and signed a new EUR 150 million bank loan with maturity in January 2024.

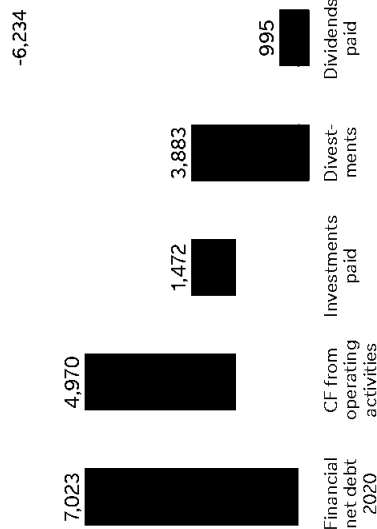
After year-end 2021, in January 2022, Uniper signed a EUR 2,000 million short-term revolving credit facility with the German state-owned KfW-Bank (maturing in April 2022). Fortum signed a EUR 3,000 million revolving credit facility (maturing in April 2022 with an extension option of three months). These facilities have not been used.

In the fourth quarter of 2021, Fortum's total interest-bearing loans increased by EUR 4,486 million to EUR 16,144 million. Current loans, including the EUR 1,731 million current portion of long-term loans, amounted to EUR 8,389 million. In order to manage the higher margin requirements short-term loans increased by EUR 2,847 million from EUR 3,811 million at the end of September to EUR 6,658 million at the end of the year. These short-term liquidity needs were mainly covered by commercial paper programmes and the use of the revolving credit facilities. The use of commercial papers increased by EUR 895 million from EUR 2,234 million at the end of September to EUR 3,129 million.

In June 2021, Fitch revised its long-term rating for Fortum to BBB, with a stable outlook (previously BBB with a negative outlook). The short-term rating is at the level F2. In July 2021, S&P Global Ratings revised its long-term rating for Fortum to BBB, with a stable outlook (previously BBB with a negative outlook). The short-term rating is at the level A-2.

In September 2021, S&P Global Ratings reaffirmed Uniper's BBB rating and stable outlook. In July 2021, S&P Global Ratings also revised its long-term rating for Uniper to BBB, with a stable outlook (previously BBB with a negative outlook). In January 2022, S&P Global Ratings affirmed both Fortum's and Uniper's rating of BBB with a stable outlook.

Change in financial net debt during 2021, EUR million



Operating and regulatory environment

European power markets

Year 2021 turned out to be the complete opposite of year 2020, with European gas, carbon and power breaking record-high levels in both day-ahead and forward products. A cold winter and spring 2021, in conjunction with a pipeline gas flow from Russia to Europe, led to a significant increase in gas consumption of gas in the power and industrial sectors in Asia, lower pipeline gas flows from Russia to Europe and below normal European wind conditions all contributed to unprecedentedly high gas and consequently power prices. Towards the end of 2021, high Continental European power prices also increasingly influenced prices in the Nordics, further supported by continuing low precipitation in the Nordics and new interconnector Nordics to Germany and the UK.

According to preliminary statistics, power consumption in the Nordic countries was 404 (359) TWh in 2021, an increase of 13% compared to 2020. Higher power demand in the Nordics, was mainly caused by colder weather but also supported by a slight increase in industrial demand.

In central western Europe (Germany, France, Austria, Switzerland, Belgium, and the Netherlands), power consumption in 2021 was 1,359 (1,316) TWh according to preliminary statistics. This is in line with the previous year, with the level of power demand.

Financial performance and position

Sustainability

Risk management

Fortum share and s

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 classical drivers, such as macroeconomic and demographic development, but also increasingly by decarbonising the industrial, transport and heating sectors through direct electrification and green hydrogen.

At the beginning of 2021, the Nordic water reservoirs were at 105 TWh, which is 21 TWh above the long-term average. During 2021, the Nordic precipitation and inflow was below normal while hydro power utilization remained high, which decreased the water reservoirs compared to normal. At the end of 2021, the reservoirs were at 73 TWh, which is 11 TWh below the long-term average and 32 TWh lower than one year earlier.

In 2021, the average system spot price in Nord Pool was EUR 62.3 (10.9) per MWh. The average area price in Finland was EUR 72.3 (28.0) per MWh, in the SE3 area in Sweden (Stockholm) EUR 66.0 (21.2) per MWh, and in the SE2 area in Sweden (Sundsvall) EUR 42.6 (14.4) per MWh. In Germany, the average spot price during 2021 was EUR 96.8 (30.5) per MWh.

At the end of February 2022, the Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2022 was around EUR 69 per MWh and for 2023 around EUR 48 per MWh. The Nordic water reservoirs were at 55 TWh, which is about 5 TWh below the long-term average and 14 TWh lower than one year earlier. The German electricity forward price for the remainder of 2022 was around EUR 225 per MWh and for 2023 around EUR 148 per MWh.

European commodity markets

In 2021, gas demand in central western Europe was 2,218 (2,111) TWh. The central western European gas storage levels decreased from 439 TWh at the beginning of the year to 293 TWh at the end of 2021, which is 146 TWh lower than in 2020 and 129 TWh lower than the five-year average (2017-2021).

Tightness in the gas market has lifted European gas prices to unprecedented levels. During 2021 the average gas spot price (TTF) was EUR 47 (9) per MWh. The 2022 forward price increased from EUR 16 per MWh at the beginning of the year to EUR 79 per MWh at the end of 2021.

In 2021, there were also strong gains in the EUA market. The price increased from EUR 34 per tonne at the beginning of the year to EUR 81 per tonne at the end of 2021, which is EUR 56 per tonne higher than the average price in 2020. For the full year of 2021, the average EUA price was EUR 54 per tonne.

In 2021, there was an increase in coal prices. The forward quotation for coal (ICE Rotterdam) for 2022 increased from USD 72 per tonne at the beginning of the year to USD 99 per tonne at the end of 2021, which is USD 37 per tonne above the average price in 2020.

At the end of February 2022, the TTF forward price for gas for the remainder of 2022 was EUR 102 per MWh. The forward quotation for EUA's for 2022 was at the level of EUR 85 per tonne. The forward price for coal (ICE Rotterdam) for the remainder of 2022 was USD 204 per tonne.

Russian power market

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

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

According to preliminary statistics, Russian power consumption in 2021 was 1,090 (1,033) TWh. The increase in consumption resulted from the economic recovery.

In 2021, the average electricity spot price, excluding capacity prices, was RUB 1,405 (1,220) per MWh in the first price zone, RUB 935 (873) in the second price zone, and RUB 1,221 (1,068) per MWh in the Urals hub.

The Russian Government increased the gas price by 3% in July 2021.

In Russia, capacity payments based on Capacity Supply Agreements (CSA) are a key driver for earnings. CSA payments are considerably higher than for capacities selected in Competitive Capacity Selection (CCS). Currently, Fortum's Russia segment's CSA capacity amounts to 1,926 MW, including 70 MW of solar capacity. These capacities do not include those related to the joint ventures. Correspondingly, Uniper's CSA capacity amounts to 800 MW.

Thermal power plants are entitled to clearly higher CSA payments starting approximately six years after commissioning (see tables below). In 2021, there was an increase in CSA payments for three units of Fortum's segment's generation fleet and for one unit of Fortum's Uniper segment's generation fleet. Also, the CSA payments for the units can receive CCS payments from CCS auctions. See the corresponding changes in the table below.

Fortum's Russia segment's units

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

1) Wind CSA.

2) Solar CSA.

Fortum's Uniper segment's units	CSA starts	Higher CSA starts	CSA ends
Surgutskaya-2 GRES-2, unit 7	1 May 2011	1 May 2017	31 Jul 2021
Surgutskaya-2 GRES-2, unit 8	1 Jun 2011	1 Jun 2017	31 Aug 2021
Shaturskaya GRES, unit 7	1 Oct 2010	1 Oct 2016	31 Dec 2020
Yavinskaya GRES, unit 5	1 Jan 2011	1 Jan 2017	31 Dec 2020
Berezovskaya GRES, unit 3 ¹⁾	1 Nov 2014	1 Nov 2020	31 Oct 2024
Surgutskaya-2 GRES-2, unit 1 ²⁾	Apr 2022	n/a	Feb 2038
Surgutskaya-2 GRES-2, unit 2 ²⁾	Dec 2026	n/a	Nov 2042
Surgutskaya-2 GRES-2, unit 3 ²⁾	Dec 2027	n/a	Nov 2043
Surgutskaya-2 GRES-2, unit 4 ²⁾	Dec 2025	n/a	Nov 2041
Surgutskaya-2 GRES-2, unit 6 ²⁾	Sep 2024	n/a	Aug 2040

1) Started receiving CSA payments from 1 May 2021 when returning to the market after repairs.
2) Modernisation CSA 2.

Fortum's Russia segment's generation capacity not receiving CSA payments, a total of 2,697 MW, is allowed to participate in the annual CCS auctions. Uniper's generation capacities allowed to participate in the CCS auction totalled 10,445 MW. The next CCS auction, for the year 2027, is expected to be held in November 2023.

Year	2020	2021	2022	2023	2024	2025	2026
CCS auction price, tRUB/MW/month, first price zone ¹⁾	115	134	168	171	182	193	195
CCS auction price, tRUB/MW/month, second price zone ¹⁾	191	225	264	267	279	303	299
Fortum's Russia segment							
Selected in CCS auction, MW, first price zone	2,331	2,848	3,451	3,904	3,904	4,351	4,852
Fortum's Uniper segment							
Selected in CCS auction, MW, first price zone	7,190	8,829	8,035	8,035	7,225	6,427	5,617
Selected in CCS auction, MW, second price zone	1,600	1,600	1,600	1,600	2,400	2,400	2,400

1) Excluding inflation.

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

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

In the June 2018 and 2019 CSA auctions, Fortum won the right to build 110 MW and 6 MW of solar capacity. power plants will receive a guaranteed CSA price for a period of 15 years, corresponding to approximately RUB 14,000 per MWh, respectively. In December 2021, 78 MW of the capacity was commissioned and the remaining part will be commissioned in the second half of 2022.

In September 2021 in the most recent CSA auction, Fortum announced that the Fortum-Rusnano wind investment fund won annual CSA remuneration in the range of RUB 16.9-23.8 billion for new wind power generation capacity corresponding to wind capacity of approximately 430-630 MW per annum (a maximum of 1.4 GW); the capacity to be commissioned during the years 2025-2027. The number of gigawatts ultimately to be constructed is subject to investment decisions. The projects will be covered by CSAs for a period of 15 years from commissioning. The nominal price is expected to be in the range of RUB 2,600-4,200 per MWh during the CSA period. The price is inflation adjusted.

Together with its joint ventures in Russia, Fortum is the largest player on the renewable energy market in Russia. Fortum's wind and solar portfolio of approximately 3.4 GW projects. Of the wind and solar power plants and projects in the Fortum's portfolio, 1.2 GW are operational, 0.3 GW are under construction, and 1.9 GW are under development.

Power consumption

TWh	2020	2021	2022	2023	2024	2025	2026
Nordic countries	404	404	404	404	404	404	404
Central western Europe ¹⁾	1,359	1,359	1,359	1,359	1,359	1,359	1,359
Central western Europe gas demand ¹⁾	2,218	2,218	2,218	2,218	2,218	2,218	2,218
Russia	1,090	1,090	1,090	1,090	1,090	1,090	1,090
Tyumen	96	96	96	96	96	96	96
Chelyabinsk	36	36	36	36	36	36	36
Russia Urals area	256	256	256	256	256	256	256
Russia Siberia area	217	217	217	217	217	217	217

1) Reported from 2020 onwards.

Average prices

	2021	2020	2019
Spot price for power in Nord Pool power exchange, EUR/MWh	62.3	10.9	38.9
Spot price for power in Finland, EUR/MWh	72.3	28.0	44.0
Spot price for power in Sweden, SE3, Stockholm, EUR/MWh	66.0	21.2	38.4
Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh	42.6	14.4	37.9
Spot price for power in the First Price Zone of Russia, RUB/MWh ¹⁾	1,405	1,220	1,289
Spot price for power in the Second Price Zone of Russia, RUB/MWh ¹⁾	935	873	882
Average capacity price for the Russia segment, tRUB/MW/month	584	608	624
Average capacity price for the Uniper segment, tRUB/MW/month	293	261	-
Spot price for power in Germany, EUR/MWh	96.8	30.4	37.7
Average regulated gas price in Urals region, RUB/1,000 m ³	4,077	3,977	3,910
Average capacity price for the Russia segment's CCS, tRUB/MW/month ^{2) 3)}	170	156	154
Average capacity price for the Russia segment's CCS, tRUB/MW/month ³⁾	1,174	1,058	1,096
Average capacity price for the Uniper segment's CCS, tRUB/MW/month ^{2) 3)}	160	136	-
Average capacity price for the Uniper segment's CCS, tRUB/MW/month ³⁾	1,488	951	-
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	1,221	1,068	1,117
CO ₂ (ETS EUA), EUR/tonne CO ₂	54	25	25
Oil (ICE Rotterdam), USD/tonne	117	50	61
Oil (Brent Crude), USD/bbl	71	43	64
Spot price for gas (TTF), EUR/MWh ⁴⁾	47	9	-

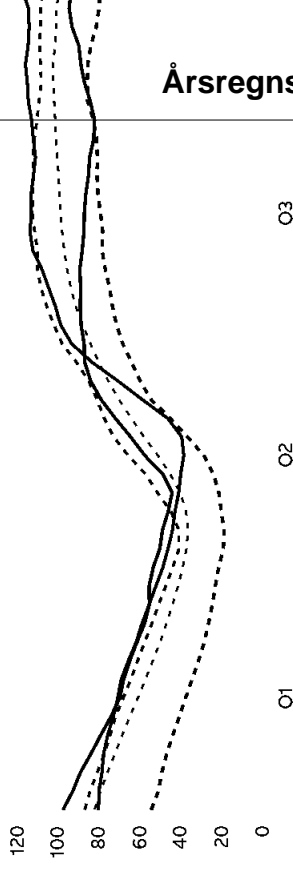
1) Excluding capacity tariff.
 2) Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreements.
 3) Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumption.
 4) Reported from 2020 onwards.

Water reservoirs and gas storage levels

TWh	31 Dec 2021	31 Dec 2020	1
Nordic water reservoirs level	73	73	1
Nordic water reservoirs level, long-term average	84	84	4
Central western European gas storage levels ¹⁾	293	293	4

1) Reported from 2020 onwards.

Nordic water reservoirs, energy content, TWh



-- 2000 -.- 2003 — 2020 - - - 2021 - - - Average

Source: Nord Pool

Export/import

TWh (+ = import to, - = export from Nordic area)
 Export/import between Nordic area and Continental Europe+Baltics
 Export/import between Nordic area and Russia
 Export/import Nordic area, total

2021	2020
-290	-290
9	9
-2	-2

Regulatory environment

EU taxonomy rules on nuclear and gas published

At the beginning of December 2021, the first Climate Delegated Act under the EU taxonomy framework on climate change was officially approved by the Council and the European Parliament. At the end of December 2021, the European Commission issued the long-awaited draft Complementary Delegated Act covering nuclear and gas and the final Act was published in February 2022. In the Act both gas and nuclear energy are classified as transitional activities under strict conditions. The Act is subject to a four-month scrutiny period, extendable by two months, during which the Parliament and the Council can either reject or adopt the Act.

Fortum has consistently advocated for a science-based and technology-neutral taxonomy. In broad terms, we welcome the Complementary Delegated Act, as it recognises the contribution of nuclear energy to drive climate mitigation, but we recognise that it leaves several issues open for interpretation. It is also unfortunate that the majority of existing nuclear is not included, as was recommended by both the Commission's own research centre and the Finnish and Swedish governments. We welcome the recognition of natural gas as a transitional fuel but consider the proposed criteria too restrictive. These criteria will make necessary investments in additional gas-fired power plants more difficult in countries where flexible gas is needed for the security of supply.

EU's gas market package published

In December, the Commission adopted a set of legislative proposals to decarbonise the EU gas market by facilitating the uptake of renewable and low carbon gases, including hydrogen, and to ensure security of energy supply for all citizens in Europe. The proposal largely extends the existing rules that are currently applied to natural gas to cover also hydrogen.

Gas is confirmed to act as a bridging technology and thus the proposal supports the planning and investment security of the respective industries – at least until 2049. Simultaneously, the proposed criteria in the EU taxonomy are highly restrictive for gas. Regarding energy prices, the Commission supports a market-driven approach; however, it suggests member states to, if needed, use voluntary measures based on the Commission's Toolbox Communication (see the next section) in order to keep consumer prices at reasonable level. The proposals support the non-discriminatory treatment of market participants and propose unbundling principles for both gas and hydrogen networks.

However, several ambiguities still need to be addressed, e.g. the clarification of technology neutrality in hydrogen production and the methodology to calculate the greenhouse gas emission reduction of low-carbon gases. Further, clarification is needed regarding the discussed controversial 'additionality principle' related to the Renewable Energy Directive (meaning that the corresponding capacity for renewable generation must be added specifically for each newly installed hydrogen production plant (electrolysis)).

EU not to intervene in the energy market despite the price crisis

Unprecedentedly high energy prices have triggered a debate among the EU institutions. The European Commission published its Toolbox Communication in October with the objective to help member states tackle the high energy prices. This toolbox outlined a number of measures that member states can implement to protect vulnerable consumers and industries within the existing regulatory framework.

Although the energy price crisis was discussed at the EU level on multiple occasions during the fourth quarter of 2021, the Commission, together with a broad coalition of member states, highlighted free/market-driven competitive markets without any need to intervene in the market. The impact of soaring and persistent high energy prices start to be visible in the real economy, and several small- and medium-sized enterprises, including suppliers, have already been significantly affected. The exceptional commodity price situation is also putting pressure on utilities with large trading portfolios (including Uniper), as they face clearly higher collateral requirements and consequently need to secure additional liquidity reserves.

New German government with ambitious climate goals started

"The Traffic Light Coalition", the new German Government formed by Social Democrats, Liberals, and Greens, officially started under the leadership of Chancellor Olaf Scholz. The coalition agreement sets very ambitious climate targets and requires heavy investments to implement those targets (e.g. a target to reach an 80% share of renewable energy by 2030). Renewable energies shall be expanded massively while the coal exit is intended to be completed by 2030. The crucial role of natural gas for security of supply is well recognized; at the same time, the Government faces pressure because the goal of climate neutrality must be achieved in 2045. The Government supports the hydrogen economy which is important especially to enable decarbonisation of the industry sector.

Nord Stream 2 halted

Following the invasion of Russia on Ukraine, the German government halted the certification process of Nord Stream 2 on 22 February 2022, and the US has put Nord Stream 2 AG, which is a Swiss subsidiary of Gazprom, under sanction on 23 February 2022.

For comments on the geopolitical uncertainty due to Russia's invasion on Ukraine, imposed sanctions on future sanctions and counter sanctions and their possible impacts on Fortum Group's Russian business please see section 'Events after the balance sheet date'.

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Proposal for Swedish hydrogen strategy published

In November 2021, the Swedish Energy Agency presented a proposal on a national hydrogen strategy. The strategy focuses on "colour-blind" fossil-free hydrogen with a target to have 5 GW of installed electrolyser capacity by 2030 and an additional 10 GW of capacity by 2045.

According to the proposal, the use of hydrogen should contribute to the transition to a fossil-free economy and at the same time strengthen security of supply in the electricity system. Hydrogen must be used where it is economically efficient and creates the highest system value. Sweden should be an international frontrunner and exporter of climate-friendly products and services based on hydrogen that lower emissions abroad.

The strategy is currently being processed in the Ministry of Infrastructure, but it is still unclear when it will be adopted as the official Swedish hydrogen strategy.

Lack of firm power production in the south of Sweden increases market turmoil

In Sweden, the electricity price differences between the four internal price areas significantly increased in 2021. The increased volatility and lack of balanced and sufficient power supply in southern Sweden has caused many retailers to stop offering fixed price contracts to their customers. It has also triggered the transmission system operator, Svenska Kraftnät, to announce that more firm dispatchable power must be added to the system and that transmission capacity from north to south needs to be increased.

Finnish river basin management plans approved

In December 2021, the Finnish Government approved the river basin management plans that will guide the future licencing and operation of all industrial plants in the neighbourhood of watercourses. The plans are based on the classification of water bodies and propose measures to reach the desired status of water bodies by 2027.

The proposed measures, e.g. minimum flow requirement, may reduce the regulating hydropower capacity provided by hydropower by up to 20%. Therefore, the hydropower generators consider the government's decision to pose a significant risk to the operation of the electricity system.

Fortum is committed to the goals of the plans, including reaching good water status. However, due to severe shortcomings in the classification of water bodies, Fortum has appealed to the Supreme Administrative Court regarding the Oulujoki watercourse and the Klobbfjärden sea area around the Lovisa nuclear power plant. Court processes are expected to take several years.

Government permit granted for the final repository for spent nuclear fuel – Posiva applies for operating permit for final disposal in Finland

In August 2021, the Swedish Government decided to extract the interim storage decision from SKB's Kärrbränslehantering AB) comprehensive final repository system application. Only the increased storage interim storage facility was given the go-ahead at that time. In line with the licensing process, the case decided by the Swedish Land and Environmental Court, and a building and operation permit on the interim facility is expected in June/July 2022. The Government decision made in August 2021 created uncertainty to the process to have a legally enforceable building and operation permit for the interim storage facility by the end of 2023, when maximum capacity under the current license will be reached. If a legally enforceable decision is not in place by the end of 2023, nuclear operators will not be able to store more spent fuel, and therefore electricity supply disruptions in the spring of 2024 still remains. In January 2022, the new Swedish Government decided to give the go-ahead to the final repository for spent nuclear fuel in Forsmark in Osthammar and an encapsulation plant in Oskarshamn.

In Finland, the nuclear waste management organisation Posiva Oy announced the submission of the operating license for the encapsulation and final disposal facility (ONKALO®) to the Finnish Ministry of Affairs and Employment in December 2021. Posiva will dispose of the high-level nuclear waste of its own (share of ownership 40%) and Teollisuuden Voima Oyj (TVO) (share of ownership 60%).

Segment reviews

Business model

Fortum is a European energy company with activities in more than 40 countries. We provide our customers electricity, gas, heating and cooling as well as smart solutions to improve resource efficiency. Together with our subsidiary Uniper, we are the third largest producer of CO₂-free electricity in Europe. Fortum is the largest retailer in the Nordic countries and one of the leading heat producers globally.

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

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Generation

Generation is responsible for Nordic power generation. The division comprises CO₂-free nuclear, hydro and wind, power generation, as well as power portfolio optimisation, trading, market intelligence, thermal power for the capacity reserve, and global nuclear services. The division does not include the Nordic hydro and nuclear power generation or the trading activities of Uniper. As of 31 March 2020, the division includes Generation's proportionate share of OKG (► Note 1).

EUR million Reported	2021	2020	Change 21/20
Sales	2,899	2,006	45%
- power sales	2,690	1,878	43%
of which Nordic outright power sales ¹⁾	1,937	1,478	31%
- other sales	209	128	63%
Operating profit	1,054	711	48%
Share of profits of associates and joint ventures ²⁾	36	29	26%
Capital expenditure and gross investments in shares	175	228	-23%
Number of employees	1,116	1,143	-2%

EUR million Comparable

2021	2020	Change 21/20	
EBITDA	886	47%	
Operating profit	722	54%	
Share of profits of associates and joint ventures ^{2),3)}	13	-16%	
Return on net assets, % ³⁾	18.0	48%	
Net assets (at period-end)	6,336	6,234	2%

1) The Nordic power sales income and volume includes hydro and nuclear generation, excluding minorities. It does not include thermal generation, minorities, customer business or other purchases.
 2) Power plants are often built jointly with other power producers, and owners purchase electricity at cost including interest cost and production taxes. 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).
 3) Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in 2021.

The Generation segment's total power generation in the Nordic countries increased driven especially by higher nuclear volumes but also by higher hydro volumes, the effect of which was partly offset by the sale of a majority share of Fortum's Nordic wind assets. The availability for nuclear generation was at a good level throughout the year with annual production records in the Loviisa (Finland), Oskarshamn 3 and Forsmark (Sweden) nuclear power plants. The CO₂-free generation accounted for 100% of the total power generation.

The achieved power price in the Generation segment increased by EUR 8 per MWh, up 23%. The achieved spot power price increased by 183% in Generation segment's power generation areas, the positive result higher achieved power price was dampened by the fairly high hedge levels and a hedge price below the spot price as well as the achieved power price being well above the spot price in comparison period. Comparable operating profit increased by 54%. The increase was mainly related to the higher achieved volume of nuclear and hydro volumes contributed to the increase. Comparable operating profit included 36 million from the consolidation of the Generation segment's proportionate share of OKG (► Note 6). Operating profit was affected by EUR -56 (-1) million of items affecting comparability, mainly related to change of non-hedge-accounted derivatives. It also included the tax-exempt capital gain of EUR 50 million divestment of eight small hydropower plants in Sweden (► Note 6).

Comparable share of profits of associates and joint ventures totalled EUR 11 ('13) million (► Note 6) in January 2021, Fortum announced that it had finished the construction of two new wind parks in the in Finland and Sørfjord in Norway which subsequently started generating CO₂-free energy for the Nordic wind parks are part of the transaction concluded in 2020 with Energy Infrastructure Partners AG (EIP), a ownership is 20%.

In March 2021, Fortum announced a substantial investment in dam safety in Sweden for an extensive over 100-year-old Forshuvud hydropower plant. Fortum is investing more than SEK 450 million (approximately million) during 2021-2025. This investment guarantees an extended lifetime for the power plant as a sustainable renewable electricity and balancing power for more weather-dependent types of power.

In April 2021, Fortum announced its second pilot project for the use of batteries as energy storage at plants in Landaforsen, Sweden. Out-of-service batteries from plug-in hybrid cars and other batteries, a hydro power turbines and the batteries.

In September 2021, Fortum and Uniper agreed on long-term external and internal collaboration in nuclear decommissioning services. The objective for the complementary capabilities is to develop a wider customer reach a stronger market position, and ensure excellent performance in the Oskarshamn and Forsmark decommissioning projects in Sweden.

In September 2021, Fortum submitted its Environmental Impact Assessment (EIA) Report for the Loviisa nuclear power plant in Finland to the Ministry of Economic Affairs and Employment (MEAE). The report contains of the environmental impacts of the potential lifetime extension of the nuclear power plant or alternative decommissioning of it, as well as the environmental impacts of Posiva Oy's final disposal facility ONKALO intermediate-level waste. In January 2022, MEAE gave its informed conclusion on the Loviisa nuclear power Environmental Impact Assessment report and stated that it meets the requirements of the EIA legislation alternatives examined were not found to have such significant adverse environmental impacts that could be accepted, prevented or mitigated to an acceptable level.

On 16 December 2021, the Radiation and Nuclear Safety Authority in Finland (STUK) granted Teollisuuden Voima Oyj (TVO) permission to make the Olkiluoto 3 EPR (OL3) reactor critical and to conduct low power tests. Consequently, Finland's fifth nuclear reactor was started and it reached first criticality on 21 December 2021. Electricity generation starts in March 2022, and regular electricity generation is expected to start in July 2022 (► Note 29).

On 22 December 2021, Fortum announced the first investment by the joint team of Fortum and Uniper for wind and solar businesses in Europe. Fortum decided to construct the 380-MW Pjelaž-Böle and Kristinestad Norr wind parks in Närpes and in 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 at the latest in the second quarter of 2024. Fortum has a 60% majority and Helen holds a 40% minority ownership in the project. The total capital expenditure of the projects is approximately EUR 360 million, of which Fortum's share is EUR 216 million.

Power generation by source

TWh	2021	2020	Change 21/20
Hydropower, Nordic	23.3	22.4	4%
Nuclear power, Nordic	23.5	21.0	12%
Wind power, Nordic	-	0.4	-100%
Thermal power, Nordic	0.0	0.1	-95%
Total	46.8	43.9	7%

Nordic sales volume

TWh	2021	2020	Change 21/20
Nordic sales volume	54.1	51.4	5%
of which Nordic Power sales volume ¹⁾	45.3	42.5	7%

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

Sales price

EUR/MWh	2021	2020	Change 21/20
Generation's Nordic achieved power price ¹⁾	42.8	34.8	23%

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

Nord Pool, power price, 2017-2021, EUR/MWh

250
200
150
100
50
0

— Fortum achieved - - Spot average — Spot price

The spot price was 310 EUR/MWh on 21 December 2021.
Source: Nord Pool, Fortum



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Russia

The Russia segment comprises power and heat generation and sales in Russia. The segment includes Fortum's fully owned power plants and its joint ventures for building and operating approximately 3.4 GW of renewable power generation and for power and heat sales, as well as Fortum's more than 29% holding in TGC-1. These joint ventures and associated company are accounted for using the equity method. The segment does not include Uniper's Russian subsidiary Unipro.

EUR million Reported	2021	2020	Change 21/20
Sales	906	929	-2%
- power sales	761	791	-4%
- heat sales	137	134	2%
- other sales	8	4	87%
Operating profit	227	252	-10%
Share of profits of associates and joint ventures	62	47	33%
Capital expenditure and gross investments in shares	83	91	-9%
Number of employees	2,627	2,935	-10%

EUR million Comparable	2021	2020	Change 21/20
EBITDA	404	394	2%
Operating profit	261	251	4%
Share of profits of associates and joint ventures	62	47	33%
Return on net assets, %	12.9	11.1	16%
Net assets (at period-end)	2,508	2,431	3%

Power generation volumes increased by 6% due to higher consumption as a result of the economic recovery in 2021. Heat production volumes increased by 4% due to colder weather in the Chelyabinsk and Tyumen areas. This positive effect was partly offset by the Argavash CHP plant divestment in the second quarter.

Sales decreased by 2%, or EUR -23 million, due to the weaker Russian rouble during the first half of 2021. This impact was partly offset by higher power prices and volumes. The effect of the change in the Russian rouble exchange rate was EUR -48 million.

Comparable operating profit increased by 4%, or EUR 10 million. The EUR 17 million positive effect of 116-MW CSA-backed solar power project to the Fortum-RDIF joint venture and higher power prices more than offset the effect of the change in the Russian rouble exchange rate of EUR -14 million. The net effect of the change was slightly negative, the changes derived from three units entering the four-year period of high payments, the CSA period expiry for two units, as well as corrections to the CSA prices as a result of low payments. The divestment of the Argavash coal-fired CHP plant only had a minor effect on comparable operating profit. Operating profit was affected by a tax-deductible non-cash impairment of EUR 35 million in connection with Argavash CHP plant divestment.

Comparable share of profits of associates and joint ventures totalled EUR 62 (47) million, including the profits of EUR 33 (24) million from TGC-1, and the share of profits of EUR 23 (18) million from the joint ventures renewables power generation (► Note 6 and ► Note 18). The share of profits from the joint ventures for power generation in 2021 includes a EUR 11 million gain from the transfer of the Kalmikia wind power plant from Fortum-Rusnano wind investment fund to the Fortum-RDIF joint venture. The share of profits for the joint renewables power generation in 2020 includes a EUR 9 million gain from the transfer of the Rostov wind plant from the Fortum-Rusnano wind investment fund to the Fortum-RDIF joint venture (► Note 3).

In March 2021, Fortum announced its decision to construct the largest solar power plant in Kalmikia Russia through a joint venture established with RDIF. In December 2021, 78 MW of the capacity was commissioned and the remaining capacity will be commissioned in the second half of 2022. These capacities relate to held in 2018 and 2019.

In March 2021, Fortum sold its 116-MW CSA-backed solar power project to the joint venture with RDIF. In June 2021, the Fortum-Rusnano wind investment fund sold its 200-MW Kalmikia wind parks to the joint venture.

In July 2021, Fortum signed an agreement to sell its Argavash coal-fired CHP plant to AO OCS Rusat Utilities. In September 2021, the transaction was concluded. Following the decision earlier in 2021 to transfer Chelyabinsk CHP-2, this transaction will allow Fortum's Russia division to discontinue its use of coal by and reduce annual CO₂ emissions by approximately 2 million tonnes.

In September 2021, the Fortum-Rusnano wind investment fund (joint venture, Fortum's ownership 50%) construction of wind power parks with a total capacity of 237 MW in the Samara region in Russia.

In September 2021, Fortum announced that the Fortum-Rusnano wind investment fund was awarded remuneration for 15 years in the range of RUB 16.9-23.8 billion (inflation adjusted) for new wind power Russian renewables' auction. This corresponds to wind capacity of approximately 430-530 MW per annum of 1.4 GW) to be commissioned during years 2025-2027. The average nominal price is expected to be RUB 2,600-4,200 per MWh (inflation adjusted) during the CSA period.

During 2021, Fortum signed several Memorandums of Understanding (MoU) regarding renewable energy sales in Russia with Novatek, Magnitogorsk Iron and Steel Works, Baker Hughes, and Shell. MoU's were also signed with Electroshield Samara and Sberbank for the supply of wind power in the Samara region and with Mosenergosbyt for the supply of wind power to Sberbank's offices in Nizhny Novgorod. The new agreements support Fortum's strategy to partner with industrial and infrastructure customers to help them reduce their own emissions.

Key electricity, capacity and gas prices for Fortum Russia

	2021	2020	Change 21/20
Electricity spot price (market price), Urals hub, RUB/MWh	1,221	1,068	14%
Average regulated gas price, Urals region, RUB/1,000 m ³	4,077	3,977	3%
Average capacity price for CCS and other, tRUB/MWh/month ^{1) 2)}	170	156	9%
Average capacity price for CSA, tRUB/MWh/month ²⁾	1,174	1,058	11%
Average capacity price, tRUB/MWh/month	584	608	-4%
Achieved power price for the Russia segment, RUB/MWh	2,018	1,940	4%
Achieved power price for the Russia segment, EUR/MWh ³⁾	23.2	23.4	-1%

1) Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreements.

2) Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumption.

3) Translated using the average exchange rate.

Russian power generation and heat production

	2021	2020	Change 21/20
TWh	28.6	27.1	6%
Russian power generation	17.1	16.4	4%
Russian heat production			

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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. The segment has also included Fortum's 50% holding in Stockholm Exergi Holding AB, which was a joint venture accounted for using the equity method. Stockholm Exergi Holding AB was divested in September 2021. The segment does not include the operations of Fortum's subsidiary Uniper.

EUR million	2021	2020	Change 21/20
Reported			
Sales	1,302	1,075	21%
- heat sales	612	516	19%
- power sales	205	121	70%
- waste treatment sales ¹⁾	250	252	-1%
- other sales ²⁾	236	186	27%
Operating profit	2,671	775	245%
Share of profits of associates and joint ventures	42	57	-26%
Capital expenditure and gross investments in shares	162	333	-51%
Number of employees	1,766	2,093	-16%
EUR million	2021	2020	Change 21/20
Comparable			
EBITDA	317	239	33%
Operating profit	135	47	187%
Share of profits of associates and joint ventures	42	57	-26%
Return on net assets, %	6.1	2.8	118%
Net assets (at period-end)	2,456	3,679	-33%

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

Heat sales volumes increased by 4% as temperatures were colder than usual especially during the first and fourth quarter of the year. This positive effect was partly offset by the divestment of the Baltic district heating business. The power sales volumes increased by 10%, mainly supported by a different production mix in the Finnish heat business and the commissioning of the new 250 MW solar power plant in Rajasthan, India. This positive effect was partly offset by the divestment of the Baltic district heating business.

Comparable operating profit increased by 187% mainly as a result of higher heat sales volumes in all heating areas, higher power prices, and higher Norwegian heat prices due to the price link between heat and power prices. Comparable operating profit increased also due to Solar including the total tax-exempt sales gains from the divestment of the 250-MW Pavagada II solar plant and the 250-MW Rajasthan solar plant in India from which EUR 1.1 million was recorded in the fourth quarter of 2021 and the rest is expected to be recorded during the first half of 2022. The profits

from the Pavagada and Rajasthan solar park divestments are recognised in comparable operating profit result was positively affected by operational improvements in the Recycling and Waste Solutions.

Operating profit was affected by EUR 2.536 (728) million of items affecting comparability, mainly relating to exempt capital gains of EUR 2.350 million from the sale of the 50% ownership in Stockholm Exergi Holding AB of EUR 254 million from the sale of the district heating business in the Baltics partly offset by the fair value hedge-accounted derivatives. († Note 6).

Comparable share of profits of associates and joint ventures totalled EUR 42 (57) million, EUR 28 (46) million, which is related to the share of profit of Stockholm Exergi until September 2021. († Note 6 and † Note 1)

In March 2021, Fortum announced that it had signed an agreement to sell its district heating business Partners Group. In July 2021, Fortum concluded the sale. The total consideration of the sale amounted EUR 710 million.

In June 2021, Fortum made the investment decision to expand its lithium-ion battery recycling capacity new state-of-the-art hydrometallurgical plant in Hartjavalta, Finland. The investment of approximately EUR 100 million will increase Fortum's hydrometallurgical recycling capacity and enable the production of sustainable battery materials. The new facility will be able to efficiently recover scarce metals from old electric vehicle lithium-ion battery recycling various waste fractions derived throughout the battery supply chain.

In June 2021, Fortum announced that it had signed an agreement to divest the 250-MW Pavagada II MW Rajasthan solar power plants in India to Actis. The parties also signed an agreement targeting potential investments in solar power plants in India. The total consideration for the divestment on a debt and cash including the effect of deconsolidation of the net debt, amounted to approximately EUR 280 million. The MW Pavagada II solar plant was concluded in October and the first phase of the Rajasthan plant in November. In September 2021, Fortum concluded the sale of its 50% ownership in the Swedish district heating company Stockholm Exergi Holding AB to a consortium comprising APG, Alecia, PGGM, Key, and AX. Consideration of the sale amounted to SEK 29.5 billion (approximately EUR 2.9 billion).

Heat sales by country

TWh	2021	2020
Finland	3.0	3.0
Poland	3.8	3.8
Norway	1.8	1.8
Other countries	1.3	1.3
Total	10.0	10.0

Power sales by country

TWh	2021	2020
Finland	1.5	1.5
Poland	0.7	0.7
Other countries	1.5	1.5
Total	3.5	3.5

Consumer Solutions

Consumer Solutions is responsible for the electricity and gas retail businesses in the Nordics, Poland, and Spain, including the 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	2021	2020	Change 21/20
Reported			
Sales	2,622	1,267	107%
- power sales	2,253	1,057	113%
- gas sales	225	139	61%
- other sales	144	70	106%
Operating profit	495	129	283%
Capital expenditure and gross investments in shares	68	57	19%
Number of employees	1,176	1,048	12%

EUR million	2021	2020	Change 21/20
Comparable			
EBITDA	123	153	-20%
Operating profit	52	90	-42%
Net assets (at period-end)	1,125	565	99%

The electricity sales volumes increased by 8% mainly due to clearly colder weather in the Nordics during the first and the fourth quarter and increased enterprise customer sales. Total sales revenue increased by 107%, driven by increased volumes and clearly higher prices in the Nordics. The gas sales volumes increased by 22%, mainly due to an increase in enterprise customers in Poland. Several new digital services were launched during the year, and new enterprise contracts were signed with customers in the energy, food processing, real estate, and retail industries.

Comparable operating profit decreased by 42%, mainly due to the high electricity purchase costs resulting from the high and volatile electricity market prices in the third and the fourth quarter and a reduction in the number of customers. Required additional electricity volumes were acquired in the spot market at prices that were clearly higher than the agreed customer prices, resulting in higher electricity purchase costs and negative margins. The negative effect was partially offset by increased unit margins resulting from active development and improvement of the service offerings. Operating profit was affected by EUR 443 (39) million of items affecting comparability, due to the fair value change of non-hedge-accounted derivatives († Note 6).

Sales volumes

TWh	2021	2020
Electricity	31.5	29.2
Gas ¹⁾	6.0	6.0

¹⁾ Not including wholesale volumes.

Number of customers

Thousands ¹⁾	2021	2020
Electricity	2,120	2,120
E-mobility ²⁾	70	70
Gas	50	50
Total	2,230	2,230

¹⁾ Rounded to the nearest 10,000.

²⁾ Measured as quarterly paying customers.

Financial performance and position

Sustainability

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Uniper

The Uniper segment comprises Fortum's majority ownership in Uniper, a subsidiary of Fortum. Uniper is a leading international energy company with activities in more than 40 countries. Its business is the secure provision of energy and related services. Its main activities include power generation in Europe and Russia as well as global energy trading and optimisation, which Uniper reports in three businesses – European Generation, Global Commodities, and Russian Power Generation – in its financial statements. Approximately 50% of the power generating capacity is gas-based, 25% coal-based, approximately 15% hydro- or nuclear-based, and 10% is other. The segment includes Uniper's proportionate share of OKG (► Note 1).

Comparable operating profit amounted to EUR 1,120 (363) million. Predominantly Uniper's gas business from the extraordinary market developments with volatile and rising prices, despite additional capital received in the first quarter of 2020, Uniper was consolidated as an associated company.

The result of the European Generation business was driven by the commissioning of the Datteln 4 coal plant at the end of May 2020 and the return to regular commercial operation of the Irsching 4 and 5 gas plants in the fourth quarter of 2020. In addition, higher revenues from the UK capacity market and higher volumes in the nuclear business, due to higher availability, contributed to the improved result. This positive more than offset by the lower result in the Dutch steam business stemming from outages in the third quarter and nuclear provisions in the fourth quarter. In addition, in the fossil business, the exceptionally positive margin from the previous year could not be repeated.

The Global Commodities business benefitted from improved results in the international portfolio, driven by unusual weather conditions in North America and Asian operations especially in the first quarter. The power activity in Asia was partly offset by a negative contribution from the trading of power and carbon and res deliveries phasing earnings into 2022 and affecting the result of the fourth quarter. Despite the already strong performance in 2020, the result of the gas business further improved benefiting from extraordinary market with volatile and rising gas prices especially during the second half of 2021.

The Russian Power Generation business was at almost the same level as in the previous year. The payments for four units at the Shaturskaya, Surgutskaya, and Yavinskaya power plants were more than payments from the commissioning of the Berezovskaya 3 power plant unit in May 2021 as well as by higher volumes on the electricity market.

Operating profit was affected by EUR -6,021 (-333) million of items affecting comparability, mainly related to 5,688 (-706) million of fair value change of non-hedge-accounted derivatives (► Note 6). The Uniper segment flows are largely hedged with forward sell contracts; however as hedge accounting is not applied for most of unrealised changes in the fair values of these derivative instruments are presented in items affecting comparability. Comparable share of profits of associates and joint ventures totalled EUR 39 (38) million (► Note 6 and ► Note 7). In March 2021, amendments to the Russian Strategic Investment Law were approved. Based on the allowed to own 100% of Uniper, the majority owner of Unipro PJSC. In July 2021, Fortum withdrew its application for merger control approval from the Russian Federal Antimonopoly Service under the Commission further analyse the requirements of the scope and content of the filing process.

In April 2021, the German Federal Network Agency accepted the bid from the 757-MW Wilhelmshaven as part of the second round of auctions for the closure of hard-coal-fired power plants. Power generation ended in December 2021, one year earlier than previously announced. Uniper plans to establish a German plant for hydrogen in Wilhelmshaven, including an import terminal for green ammonia ('ammonia cracker') and electrolysis plant in connection with the terminal. Uniper is working on a feasibility study and a final investment decision has been made.

In 2021, Uniper started legal proceedings on the Dutch coal phase-out law for the intended 2030 coal plant to provide appropriate compensation for investments made. Uniper also has the ambition to convert the site into an ecosystem for sustainable energy production.

In April 2021, Uniper published a stock exchange release ('ad-hoc') with a positive update of its earnings for 2021.

In July 2021, the German Federal Network Agency confirmed the essential status of the Havelde 4 power plant as a reserve power plant until the end of September 2022. Also, in July 2021, the German Federal

EUR million Reported	2021	2020	Change 21/20
Sales	105,992	44,514	138%
- power sales	28,365	16,994	67%
of which Nordic outright power sales ¹⁾	644	373	73%
- heat sales	437	191	129%
- gas sales	59,577	22,176	169%
- other sales	17,612	5,154	242%
Operating profit	-4,901	29	-16,885%
Share of profits of associates and joint ventures	51	54	-5%
Capital expenditure and gross investments in shares	683	639	7%
Number of employees	11,494	11,751	-2%

EUR million Comparable	2021	2020	Change 21/20
EBITDA	1,789	856	109%
Operating profit	1,120	363	209%
Share of profits of associates and joint ventures ²⁾	39	38	2%
Net assets (at period-end)	4,971	7,432	-33%

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

²⁾ Comparable share of profitability of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in 2021.

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter of 2020, consolidated Uniper's results into its income statement. In the first quarter of 2020, Uniper was consolidated as an associated company into Fortum's income statement, presented in the Other segment. The main reason for the change in cumulative figures and in comparison to the year 2020 is thus the consolidation of Uniper.

Power generation volumes were supported by better availability of the thermal fleet, the commissioning of Datteln 4 in the second quarter of 2020, and the return to commercial operation of the gas-fired Irsching 4 and 5 generating units. Additionally, nuclear volumes increased due to higher availability.

Agency accepted the bid from the 345-MW Scholven C power plant as part of the third round of auctions for the closure of hard-coal-fired power plants. The commercial power generation at the plant will end as early as the end of October 2022, slightly earlier than previously announced.

In August 2021, the Higher Administrative Court of North Rhine-Westphalia (OVG) declared in three parallel proceedings that the City of Datteln's 2014 development plan for the Datteln 4 hard-coal-fired power plant are invalid at the request of the City of Waltrop, BUND NRW, and four private individuals. Specifically, the OVG held that the City of Datteln's development plan is based on a deficient regional plan. The court did not admit an appeal. Uniper is a joint party to the proceedings as the permit owner and thus has the right to appeal. In October 2021, Uniper filed complaints against the non-admission of the appeal in relation to the judgements. The City of Datteln, as the direct defendant in the proceedings, has also filed non-admission complaints.

In August 2021, Uniper announced the decisions to accelerate the coal phase-out in the UK by closing one 500-MW unit of the Ratcliffe hard coal-fired power plant as early as at the end of September 2022 and the closure of the remaining three units by the end of September 2024 at the latest.

In September 2021, Fortum and Uniper announced cooperation in offering nuclear decommissioning and dismantling services for nuclear companies. See further details in the Generation segment.

In September 2021, Uniper announced that it was exploring the opportunity of restarting the Happurg pumped storage power plant. The plant has an output of 160 MW and can store water with energy for approximately 850 MWh of electricity making it the largest pumped storage power plant in Bavaria. With effect from the end of September, Uniper transferred its shares in the Schkopau power plant near Halle/Saale, the last investment in a lignite-fired power plant in the European portfolio. The sale follows the company's strategic goal of accelerating the phase-out of coal-fired power generation and becoming climate-neutral in Europe by 2035.

In October, after a strategic review, Uniper announced plans to fundamentally restructure its Engineering business, which has a total of 1,100 employees mainly located in Germany and the United Kingdom. Under the plans, the future engineering competencies will be solely focused on operating Uniper's own assets and on the growth priorities of decarbonization and green customer solutions.

In October 2021, Uniper published a stock exchange release ('ad-hoc') with a positive update of its earnings guidance for 2021.

In December 2021, Uniper announced that the Staudinger 5 power plant had been awarded the contract by the BNetzA and that commercial electricity generation would therefore be discontinued by the end of May 2023 at the latest and the power plant would be shut down.

In December 2021, Novatek and Uniper announced that they had signed a term-sheet on the long-term supply of low-carbon ammonia. Up to 1.2 million tonnes will be delivered to Uniper customers in Germany and northwestern Europe in the future.

For further information, see Uniper's year-end 2021 results published on 23 February 2022.

Power generation by source

TWh	2021
Hydropower, Nordics	8.1
Nuclear power, Nordics	12.9
Hydropower, Central Europe	4.9
Thermal power, Central Europe	40.9
Thermal power, Russia	43.2
Total	110.0

Nordic sales volume

TWh	2021
Nordic sales volume	21.4
of which Nordic outright power sales volume ¹⁾	21.0

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

Sales price

EUR/MWh	2021
Uniper's Nordic achieved power price ¹⁾	30.7
Average capacity price for Uniper CCS and other, tRUB/MWh/month ^{2) 3)}	167
Average capacity price for Uniper CSA, tRUB/MWh/month ³⁾	1,488
Average capacity price for Uniper, tRUB/MWh/month ⁴⁾	293
Achieved power price for Uniper in Russia, RUB/MWh ^{4) 5)}	1,643
Achieved power price for Uniper in Russia, EUR/MWh ^{4) 5)}	18.8

¹⁾ Uniper's Nordic achieved power price includes hydro and nuclear generation. It does not include thermal generation, minorities, or other purchases.

²⁾ Including capacity receiving payments under "forced mode status", regulated tariffs, and bilateral agreements.

³⁾ Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs, and own consumption.

⁴⁾ Comparable prices changed from previously reported.

⁵⁾ Translated using the average exchange rate.

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In July 2021, Fortum signed an agreement to sell its Argayash coal-fired CHP plant to AO JSC Rusatom Smart Utilities. In September 2021, the transaction was concluded. Following the decision earlier in 2021 to transition to gas at Cheyabinsk CHP-2, this transaction will allow the Russia Division to discontinue its use of coal by the end of 2022 and reduce annual CO₂ emissions by approximately 2 million tonnes.

In September 2021, Fortum announced that the Fortum-Rusnano wind investment fund was awarded annual CSA remuneration in the range of RUB 16.9–23.8 billion (inflation adjusted) for new wind power generation in the latest Russian renewables' auction. This corresponds to wind capacity of approximately 430–530 MW per annum (a maximum of 1.4 GW) to be commissioned during years 2025–2027. The number of gigawatts ultimately to be constructed is subject to separate investment decisions. The average nominal price is expected to be in the range of RUB 2,600–4,200 per MWh (inflation adjusted) during the 15-year CSA period from commissioning.

The investment decisions related to the solar and wind capacities won by Fortum and the Fortum-Rusnano wind investment fund in the Russian CSA auctions in 2017, 2018, 2019, and 2021 are made on a case-by-case basis. Fortum's maximum equity commitment is RUB 15 billion.

City Solutions

In March 2021, Fortum announced that it had signed an agreement to sell its district heating business in the Baltics to Partners Group. In 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.

In March 2021, Fortum commissioned 150 MW of the 250-MW Rajasthan solar park in India. The remaining 100 MW was commissioned in May 2021.

In June 2021, Fortum made the investment decision to expand its lithium-ion battery recycling capacity by building a new state-of-the-art hydrometallurgical plant in Harjavalta, Finland. The investment, estimated at EUR 24 million, will increase Fortum's hydrometallurgical recycling capacity and enable the production of sustainable battery chemicals. The plant is expected to be taken into operation in 2023. In March, Fortum's hydrometallurgical battery recycling operations were shortlisted for the EU's Innovation Fund for low-carbon technologies.

In 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 parties also signed an agreement targeting potential further investments in solar power plants in India. The total consideration for the divestment on a debt- and cash-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 and the first phase of the Rajasthan divestment in November.

In September 2021, Fortum concluded the sale of its 50% ownership in the Swedish district heating and cooling company Stockholm Exergi Holding AB to a consortium comprising 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.

Uniper

In February 2020, Uniper signed an agreement to sell its 58% stake in Schkopau, a lignite-fired power plant in Saxony-Anhalt in eastern Germany, to Saale Energie GmbH, a subsidiary of the Czech energy producer EPH, which owns 42%. The transfer of ownership took place on 1 October 2021.

Other Operations

In June 2021, Fortum signed an agreement to sell a majority share of its carbon removal startup Puro earth a multinational financial services company. The partnership will create a shared ownership structure designed to accelerate Puro earth's global growth and long-term market development. Puro earth is the first market-ready carbon removal from the atmosphere that is verifiable and tradable through an open, online platform.

Research and development

Sustainability is at the core of Fortum's strategy and, alongside Fortum's current businesses, the company is exploring and developing new sources of growth within clean energy solutions.

Fortum's goal is to be at the forefront of energy technology and application development. To accelerate and the commercialization of new offerings, Fortum is strengthening its in-house innovation and digitalization building partnerships with leading global suppliers, technology and service companies, and research institutions. Fortum makes direct and indirect investments in start-ups that have promising new innovations focused on decarbonization, clean gas or accelerate the transition towards a circular economy. Fortum also invests in technologies that support better utilization of the current asset base and that can create new markets and products for Fortum. The company is continuously looking for emerging clean energy solutions and for solutions that increase resource efficiency.

The Group reports its R&D expenditure on a yearly basis. In 2021, Fortum's R&D expenditure was EUR 61 million, or 0.1% (0.1%) of sales.

R&D expenditure, EUR million	2021	2020
R&D expenditure, % of sales	61	56
	0.1	0.1

Changes in Group management

In February 2021, Bernhard Günther started as Chief Financial Officer (CFO) and member of Fortum's Management.

In March 2021, Klaus-Dieter Maubach, member of Fortum's Board of Directors, announced his resignation from the Board, as he had been elected the CEO of Uniper. Fortum's Shareholders' Nomination Board evaluated the Board's ability to function and concluded, based on the recommendation of the Board of Directors, that the Board has full capacity to continue in its current composition until the 2021 Annual General Meeting (AGM).

In March 2021, Tiina Tuomela was appointed the new CFO of Uniper and consequently stepped down from her position at Fortum. Simon-Erik Ollus, was appointed Executive Vice President of Fortum's Generation and member of Fortum's Executive Management with immediate effect.

In March 2021, Nebahat Albayrak was appointed Senior Vice President Corporate Affairs, Safety, and member of Fortum's Executive Management. Ms Albayrak assumed the role on 1 June 2021. She stepped down from her position at Fortum on 1 June 2021. She was replaced by Ms Rätty, who retired at the end of October 2021.

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In April 2021, Sirpa-Helena Sormunen was appointed as Uniper's new General Counsel and Chief Compliance Officer and Risto Penttinen was appointed as Uniper's new Executive Vice President, Strategy, Corporate Development and M&A. Nora Steiner-Forsberg was appointed Fortum's General Counsel and member of Fortum's Executive Management, and Evelina Dahl was appointed Senior Vice President, People and Procurement and member of Fortum's Executive Management. All appointments were effective as of 1 May 2021.

Mr Günther, Mr Ollus, Ms Albayrak, Ms Steiner-Forsberg, and Ms Dahl report to President and CEO Markus Rauramo. In November 2021, Arun Aggarwal, Senior Vice President, Business Technology left his position at Fortum. He was succeeded by Sanna Pekari, M.Sc. (Civil Eng.), MBA. Sanna Pekari is not a member of the Fortum Management Team but is reporting directly to the President and CEO, Markus Rauramo.

Annual General Meeting 2021

The AGM of Fortum Corporation was held on 28 April 2021. The AGM adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January-31 December 2020 and discharged from liability for the year 2020 all persons who acted as members of the Board of Directors and as President and CEO during the year 2020.

The AGM decided that a dividend of EUR 1.12 per share be paid for the financial year that ended on 31 December 2020. The record date was 30 April 2021, and the dividend of EUR 995 million was paid on 7 May 2021.

The AGM supported the Remuneration Report for the company's governing bodies.

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

The AGM decided that the Board of Directors will consist of seven members. Mr Veli-Matti Reinikkala was elected as chair, Ms Anja McAlister as deputy chair, and Ms Essimari Kairisto, Mr Teppo Paavola, Mr Philipp Rösler, and Ms Annette Stube were re-elected as members. Ms Luisa Delgado was elected as a new member.

In addition, Deloitte Oy was re-elected as the auditor with Jukka Vattulainen, APA, as the responsible 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 corresponds to approximately 2.25 % of all the shares in the company. Only the unrestricted equity of the company can be used to repurchase own shares on the basis of the authorisation. These authorisations cancelled the authorisation resolved by the AGM of 2020 and will be effective until the next AGM and in any event no longer than for a period of 18 months. These authorisations have not been used as per 2 March 2022.

The AGM authorised the Board of Directors to decide on contributions of a maximum 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 AGM. As per 2 March 2022, a contribution of 300,000 euros of this authorisation has been used.

Board decisions

At the meeting held after the AGM 2021, Fortum's Board of Directors elected to the Nomination and Remuneration Committee: Veli-Matti Reinikkala as chair and Luisa Delgado and Anja McAlister as members.

Furthermore, the Board elected to the Audit and Risk Committee: Essimari Kairisto as chair and Teppo Philipp Rösler, and Annette Stube as members.

Shareholders' Nomination Board

On 6 September 2021, Mr Kimmo Viertola, Director General, Prime Minister's Office, Ownership steering (Chairman), Mr Jouko Pölonen, President and CEO, Ilmarinen Mutual Pension Insurance Company, and Mr Jarmo Murto, President and CEO, Varma Mutual Pension Insurance Company were appointed to Fortum's Shareholders' Nomination Board. In addition, Veli-Matti Reinikkala, the Chairman of Fortum's Board of Directors is a member of the Shareholders' Nomination Board.

Other major events during the reporting period

On 30 September 2021, Fortum's Board of Directors decided to launch the savings period for year 2022. The Employee Share Savings (ESS) programme. The ESS programme was established in October 2019; the Directors decides separately on the annual launch of each individual savings period. The total amount of the 2022 savings period may not exceed EUR 6 million.

On 17 December 2021, Fortum's Board of Directors decided to commence the 2022-2024 long-term plan for key employees and executives. The 2022-2024 LTI plan is part of Fortum's ongoing LTI programme follows the same principles as the previous plan. The performance measures applied to the 2022-2024 plan are based on the total shareholder return measured relative to the peer group comprising selected European companies, as well as a target linked to the reduction of absolute CO₂ emissions based on fossil fleet re-equipment of the Group's European generation portfolio. The rewards related to the 2022-2024 LTI plan will be paid in 2025, assuming that the performance targets are achieved. The 2022-2024 LTI plan will comprise a maximum of approximately 140 participants, including the members of Fortum Executive Management. The Board also decided to commence the 2022-2024 restricted share (RS) plan as a supplement to the LTI programme. The maximum amount of shares of the RS plan to be delivered in spring 2025. The maximum amount of shares of the RS plan and delivered as a reward is expected to be approximately 620 000 shares for the 2022-2024 LTI plan and for the 2022-2024 RS plan.

On 20 December 2021, Fortum Group announced to have set a reduction target for Scope 3 indirect emissions as part of its ambitious decarbonisation agenda. The target is to reduce Scope 3 indirect emissions by 2035 at the latest, compared to the base year 2021. Fortum and Uniper account resellers in the Scope 3 indirect emissions. The Scope 3 target confirms the Group-level commitment to achieve carbon neutrality at the latest by 2050 and is in line with the objectives of the Paris Agreement. In December 2021, Fortum announced that in European power generation it is committed to reduce CO₂ emissions (Scope 1 and 2) by 50% by 2030 (base year 2019) and to be carbon neutral at the latest by 2035.

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Key drivers and risks

For comments on the geopolitical uncertainty due to Russia's invasion on Ukraine, imposed sanctions and possible future sanctions and counter sanctions and their possible impacts on Fortum Group's Russian business and assets, please see section 'Events after the balance sheet date'.

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

Fortum is the majority shareholder of Uniper. However, Uniper remains a separate listed company operating under German law and regulations and with its own risk management systems. As per the end of the fourth quarter 2021, credit risk, market risk, legal and regulatory risk, financial risk, and asset project risk are the major sources of uncertainty for Uniper's financial performance. During the fourth quarter the key commodity prices Uniper is exposed to significantly increased, with the short- to mid-term gas future prices reaching unprecedented levels. Although this development is positive for Uniper's earnings, the cash flow risks have increased as especially the margining requirements from Uniper's hedges have grown, and the risk of further margin calls has increased in light of elevated market volatility. For more information about Uniper's risk management systems and risk exposures, please see Uniper's Annual report for 2021.

The increasing geopolitical tensions pose a risk for the Fortum Group, the impacts of which have been assessed. The increasing geopolitical tensions and further escalation could, for example lead to curtailments of physical gas deliveries to Uniper which may require Uniper to source gas in the market at higher prices. In addition, counterparties of the Fortum Group could become subject to sanctions, which may impact current or future business relations. Fortum is actively monitoring the situation in order to ensure continued compliance with prevailing rules and applicable sanctions laws. Moreover, Germany has halted the certification of the Nord Stream 2 gas pipeline for time being. Uniper is currently analysing potential effects of the halted certification process on its financial position, net assets, and operational results. Both Fortum and Uniper are continuing to monitor the situation closely and constantly preparing adapted mitigation measures to minimise the impact of an escalation to Fortum Group.

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, CO₂ emission allowance prices, fuel prices, and the supply-demand balance. Fortum uses hedging in order to limit the exposure to fluctuations in power prices and reports on the hedging levels quarterly (see 'Outlook').

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

Fortum is exposed to liquidity and refinancing risks primarily through the need to finance the Group's business operations, including margining and collaterals issued for commercial activities. As a result of the recent volatility increase in commodity prices, the cash flow risk related to margin calls on the Group's hedges has increased. In the fourth quarter, further mitigating actions were taken to increase liquidity and reduce the positions exposed to margin calls.

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

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

During 2020 and 2021, the Covid-19 pandemic resulted in new and partly unexpected risks as societal restrictions governments across the world implemented drastic measures to contain the spread of the disease. Although for Fortum have so far been limited, and the situation compared to the end of 2020 has improved, the risks of prolonged pandemic cannot be ruled out. The main risk factors include lower commodity prices, decreased increased risk of credit defaults and delayed payments, project delays, and increased risk of operational in prolonged maintenance as a result of travel restrictions, absence of key personnel, as well as difficulties in materials and spare parts. Fortum is closely monitoring the development of the pandemic and its potential for further information about Fortum's risks and risk management systems. see the > Risk management the Operating and financial review and > Note 4.

Outlook

Hedging

At the end of 2021, approximately 75% of the Generation segment's estimated Nordic power sales volumes at EUR 34 per MWh for 2022 (at the end of the third quarter of 2021: 65% at EUR 32 per MWh) and approximately EUR 31 per MWh for 2023 (at the end of the third quarter of 2021: 40% at EUR 31 per MWh).

At the end of 2021, approximately 80% of the Uniper segment's estimated Nordic power sales volumes at EUR 18 per MWh for 2022 (at the end of the third quarter of 2021: 85% at EUR 22 per MWh) and approximately EUR 18 per MWh for 2023 (at the end of the third quarter of 2021: 55% at EUR 21 per MWh) and approximately EUR 30 per MWh for 2024.

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

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

Capital expenditure

Fortum estimates its capital expenditure, including maintenance but excluding acquisitions, to be approximately 1,500 million in 2022, of which the share of maintenance capital expenditure is estimated to be approximately 1,000 million, well below the level of depreciation.

Generation

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

Russia

In the Russia segment, the financial effect of the CSAs is expected to be negative in 2022, due to the impact of the expiry of the CSA period of one generation unit, partly offset by a higher bond yield.

For comments on the geopolitical uncertainty due to Russia's invasion on Ukraine, imposed sanctions and possible future sanctions and counter sanctions and their possible impacts on Fortum Group's Russian business and assets, please see section 'Events after the balance sheet date'.

Uniper

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

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

Income taxation

In 2022, the comparable effective income tax rate (excluding items affecting comparability) for Fortum is estimated to be in the range of 22-25%. Following the consolidation of Uniper, the weight of the profit in different jurisdictions has resulted in an upward trend in the lower end of the range of the tax rate guidance currently driven by the higher nominal tax rates in the Group's major operating countries.

Possible impacts, if any, of a global minimum tax as stated in the proposed EU directive from 20 December 2021, are not taken into account in this guidance.

Events after the balance sheet date

On 24 February 2022, Russia started a widespread invasion into Ukraine. As a consequence, the US, the UK amongst others have imposed sanctions targeting Russia's ability to access capital and financial markets, sanctioning numerous individuals and banks; as well as trading in general. These sanctions and possible sanctions as well as further reactions by the US, the EU and the UK could impact Fortum's operations in the region. Meanwhile, uninterrupted gas supply from Russia to Europe has continued. Fortum's Russian operations are running normally.

Given the uncertainty and risks arising from the geopolitical situation, including imposed sanctions and economic lives of assets; as well as on the commodity prices and related margining requirements in Europe value of Fortum's Russian assets, including the exposure in the Nord Stream 2 pipeline project, was approximately 5.5 billion as of 31 December 2021. Fortum is currently assessing the impact of recent developments and measures, and specifically the following:

- Germany has halted the certification of the gas pipeline Nord Stream 2, while the US has sanctioned Stream 2 AG, its subsidiaries and the CEO. Fortum has, within its Uniper segment, a financial liability of approximately EUR 1 billion related to the Nord Stream 2 pipeline project.
- The Russian rouble (RUB) has depreciated significantly from the closing rate as of 31 December 2021. As a result, it has a negative translation impact on Fortum Group's earnings, assets and liabilities measured in RUB.
- The above-mentioned events have led to an increase in European commodity prices and corresponding margining outflows for the Fortum Group. Due to the de-risking and financing measures taken, Fortum actively monitors the situation in order to ensure continued compliance with prevailing rules and sanctions laws.

See the Risk management section in the Operating and financial review.

On 18 January 2022, Fortum announced that 1.3 GW portfolio of wind projects is being transferred from RUSNANO wind investment fund (50/50 joint venture) to a joint venture recently established with Bank Group. The joint venture of Fortum-Rusnano wind investment fund will be dissolved.

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Introduction

This section covers Fortum's non-financial reporting in accordance with the Finnish Accounting Act 1336/1997, Securities Market Act 746/2012 and Limited Liability Companies Act 624/2006. It also includes disclosures prepared in accordance with the EU Taxonomy Regulation Delegated Act of 6 July 2021. The reporting scope includes Uniper, which Fortum has consolidated as a subsidiary as of 31 March 2020.

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

Fortum Group's business model is described in » Note 6.

Uniper is a listed company in Germany and has its own sustainability processes, approach, and standalone interim and annual sustainability reporting. Uniper also prepares and publishes a Combined Separate Non-Financial Report in accordance with §315c in conjunction with §289c to §289e of the German Commercial Code. Uniper stand-alone disclosures prepared in accordance with the EU Taxonomy Regulation Delegated Act of 6 July 2021 are included in Uniper's Combined Separate Non-Financial Report.

Material non-financial aspects

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

Fortum reassessed its material topics in 2021. The materiality analysis was based on internal and external stakeholder surveys, including some 800 respondents, and an extensive desktop review of potential business impact with regard to regulation and expectations of capital markets. The desktop review also included an assessment of peers' material sustainability aspects and media analysis as well as an analysis of the correlation between the topics and the UN sustainable development goals (SDGs).

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

Climate and resources

Climate change and GHG emissions
Emissions to air, land, and water
Energy efficiency
Circular economy and waste management
Biodiversity
Secure and affordable energy supply
Water use and optimisation

Personnel and society

Health, safety, and wellbeing
Diversity, equity, and inclusion
Fair and attractive employer
Human rights
Stakeholder engagement
Just transition
Corporate citizenship

Governance

Business ethics and conduct
Corporate governance
Innovation and digitalisation
Shared value creation
Customer rights and satisfaction

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

Sustainability targets

Fortum updated its climate targets aligned with the goals of the Paris Agreement in December 2020 and carbon neutrality by 2050 at the latest. The target covers direct CO₂ emissions (Scope 1) and indirect CO₂ emissions (Scope 2 and 3). Fortum's roadmap to reduce emissions in Europe has also been defined. Fortum is committed to at least a 50% reduction in CO₂ emissions (Scope 1 and 2) in its European generation by 2030 (compared to 2019), and to be carbon neutral (Scope 1 and 2) by 2035 at the latest.

Scope 3 emissions play a significant role in Fortum's total emissions. In December 2021, Fortum committed to reduce Scope 3 greenhouse gas emissions by 35% by 2035 at the latest (compared to base-year 2020).

Fortum had a target for biodiversity to conduct a minimum of 12 major voluntary measures that improve conditions of species and strengthen populations, covering all countries where Fortum has major power production. The projects focus on threatened species or habitats, in particular, and in 2021 included restoring terrestrial habitats, improving fish migration and migratory fish populations, and combating invasive species.

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 performance is measured as Total Recordable Injury Frequency (TRIF), for own personnel and contractors, and the aim is to reduce TRIF by 10% by the end of 2025. Fortum also had a target for Lost Time Injury Frequency (LTIF), for own personnel and contractors: ≤1.2 in 2021.

Both Fortum and Uniper are supporters 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. Uniper disclosed its first TCFD report for 2021 as part of its non-financial reporting. Fortum executed a review of its lobbying activities and practices during 2021. The review was published in December 2021 and is publicly disclosed on Fortum's website. The summary of the review will also be published as a part of Fortum's Sustainability Report in 2022 and thereafter on a yearly basis.

Group sustainability performance

	2021	2020
Climate and resources		
Total CO ₂ emissions ¹⁾ , million tonnes	68.7	48.7
Specific CO ₂ emissions from total energy production ¹⁾ , gCO ₂ /kWh	312	287
Asset availability of power generation plants ²⁾ , %	80.8	-
Major voluntary measures enhancing biodiversity, no.	13	-
Personnel and society		
Total Recordable Injury Frequency (TRIF), own personnel and contractors ¹⁾	2.2	2.3
Lost Time Injury Frequency (LTIF), own personnel and contractors ¹⁾	1.5	1.3
Severe occupational accidents ¹⁾ , no.	3	1
Sickness-related absences, %	3.6	2.9 *

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

1) 2020 figures include Uniper from the second-quarter 2020.
 2) The calculation principle changed due to alignment with Uniper. Therefore, the figure for 2020 is not available. The 2021 figure includes power generation from gas- and coal-fired power plants.
 * The figure does not include Uniper.

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. The financial targets include a target for capital structure (financial net debt/comparable EBITDA below 2x) and two different hurdle rates for new investments (WACC +100 BPS for green investments and WACC +200 BPS for other investments). Accordingly, Fortum aims to provide good returns for its owners, and its dividend policy stipulates to pay a stable, sustainable, and over time increasing dividend.

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

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

Fortum is included in several sustainability indices and has been assessed by many sustainability ratings. The list is published on Fortum's website. Fortum's sustainability reporting covers functions under Fortum's operational control, including subsidiaries in all its operating countries, unless otherwise stated.

Sustainability risks and opportunities

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

As a separate listed company, Uniper applies its own processes aligned with its enterprise risk management. Uniper systematically identify, assess, and manage Environmental, Social and Governance (ESG) risks. Uniper's processes include assessing external and internal ESG risks, including climate-related risks. In 2021, Uniper reported ESG risks pursuant to Section 289c of the German Commercial Code. The impact of its net risk is reported in the reporting threshold.

Climate change and the need for decarbonisation and resource efficiency are changing the energy industry in profound way, and these changes also create new business opportunities for Fortum. Fortum has transitioned from being a significant investor in gas to become Europe's third largest CO₂-free power generator. Fortum is now well positioned to capture opportunities resulting from the energy transition, including opportunities aimed at curbing climate change. To be successful, the energy transition must balance sustainability, affordability, and security of supply. It requires not only renewables, but also increasingly clean gas (e.g. hydrogen), energy storage, and other flexible solutions to provide security of supply and to decarbonise industry, transportation, and heating. Fortum's strategic priorities address and provide solutions for these very areas: Fortum aims to decarbonise its operations and to strengthen and grow in CO₂-free power generation while leveraging its strong position in gas. At the same time, Fortum aims to provide industrial and infrastructure customers with decarbonisation and environmental solutions, such as grid stability, waste-to-energy, and low-carbon industrial solutions, and to capture the opportunities in hydrogen as they become commercially viable.

Sustainability governance and policies

As sustainability is an integral part of Fortum's strategy, the highest decision making on sustainability and related matters falls within the duties of the members of the Board of Directors, who share joint responsibility in the annual planning. The Group's performance targets, including sustainability and climate-related targets, are set by Fortum's Board of Directors. Fortum's line management is responsible for the implementation of Fortum's instructions and for day-to-day sustainability management and improvement plans.

The Uniper SE Management Board bears the overall responsibility for the adoption and implementation of sustainability measures. Uniper's Chief Sustainability Officer (CSO) reports periodically to the Supervisory Board, which is Fortum's highest governance board, also responsible for the oversight and fulfilment of Uniper's sustainability obligations. Four of Fortum's Executive Managers, including the President of Fortum, are members of Uniper's Supervisory Board.

Realisation of the safety target (LTIF, own employees and contractors combined) was a part of Fortum's Incentive (STI) programme in 2021. In the 2022 STI programme, the safety target contains the severity rate of Recordable Injuries (TRI) of own employees and contractors combined and the execution rate of safety lead. Fortum's long-term incentive (LTI) programme includes a climate-related metric. In the 2021-2023 LTI plan, the target is related to the reduction of absolute CO₂ emissions in the European fossil fuel-based operations.

review addressing the Group's European generation portfolio and a pathway developed to reach Fortum Group's 2030 and 2035 climate targets. Uniper continues to follow its own STI and LTI plans. However, the safety metric (severity rate per TR) in the STI 2022 programme and the climate-related metric in the 2022-2024 LTI plan are applicable to both companies. Scaling of STI and LTI metrics are company-specific.

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

Fortum follows and respects the International Bill of Human Rights, the United Nations Convention on the Rights of the Child, and the core conventions of the International Labour Organisation (ILO). Fortum also recognises in its operations the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Chamber of Commerce's anti-bribery and anti-corruption guidelines, and the Bettercoal initiative's Code on responsible coal mining. Fortum is a participant of the UN Global Compact initiative and the UN Caring for Climate initiative. Uniper also follows the ten principles of the UN Global Compact, but is not a formal participant.

Business ethics

Zero tolerance for corruption and bribery is highlighted in both Fortum's and Uniper's Codes of Conduct and Supplier Codes of Conduct. In addition, separate instructions and guidelines have been created to address various topics, including but not limited to anti-bribery, compliance management, safeguarding company assets, conflict of interest, anti-money laundering, and competition law.

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

The Codes of Conduct are regularly reviewed in order to ensure compliance with evolving company and regulatory requirements. Fortum's updated Code of Conduct and Supplier Code of Conduct were published in early 2021 and training on the updated Codes was organised during the year. The Code of Conduct online training, launched in November 2021, is mandatory for all employees. Uniper's updated Code of Conduct was published in early 2020, and a new compliance eLearning module was introduced for all Uniper employees in 2021. In addition, relevant individuals are regularly trained in policies and systems that help to prevent corruption.

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

During 2021, two new cases of corruption or bribery were confirmed in Fortum's operations and one was closed as unfounded.

Climate and resources

Fortum's key performance indicators for climate and resources are related to CO₂ emissions, security of biodiversity, and major Environmental, Health and Safety (EHS) incidents.

Fortum's Sustainability Policy together with the Minimum Requirements for EHS Management steer the management. Uniper has an HSSE & Sustainability Policy Statement and a HSSE and Sustainability Management Operational-level activities follow the requirements set forth in the ISO 14001 environmental management. 100% of Fortum's power and heat production worldwide has ISO 14001 certification.

Energy

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

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

Fortum wants to enable the energy transition by providing a reliable and affordable supply of low-carbon the future, the energy system – and Fortum's asset portfolio – will be based on renewable energy, increased gas (e.g. hydrogen), and nuclear power. In addition, Fortum will continue to offer industrial and infrastructure gas (e.g. waste-to-energy, grid stability services, as well as energy sales and storage).

In 2021, Fortum's power generation was 188.1 (142.1) TWh and heat and steam production was 33.4 (29.4) TWh. Fortum's total power generation was CO₂-free. In Europe, 64% of the power generation was CO₂-free. The power and heat generation and capacities also include figures from Fortum's share in associated companies and ventures that sell their production to the owners at cost.

Fortum uses various fuels, such as natural gas, uranium, coal, lignite, waste-derived fuels, and biomass to produce electricity, heat, and steam. The most significant fuel used in 2021 was natural gas.

An uninterrupted and reliable energy supply is critical for society to function. With planned preventive and condition monitoring, Fortum ensures that the power plants operate reliably to produce for its customers need. The exceptional conditions caused by the Covid-19 pandemic continued in 2021. During challenging times Fortum's top priorities were to ensure the health and safety of its employees and to maintain business continuity. During the year, there were no interruptions in Fortum's energy production pandemic. Maintenance outages were, in general, also implemented as scheduled with careful planning measures to protect the health of own and contractors' employees. In some cases, the duration of maintenance was extended to reduce the number of workers on site at the same time.

In 2021, the asset availability of Fortum's gas- and coal-fired power plants was, on average, 80.8%. The availability of Fortum's power generation includes planned outages in addition to unplanned technical unavailability.

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Climate and greenhouse gas emissions

Fortum Group has committed to carbon neutrality by 2050 at the latest, in line with the goals of the Paris Agreement. Fortum's priority is to transform its own operations to carbon neutral by continuously strengthening and growing in CO₂-free power generation and by decarbonising its carbon-emitting energy production fleet.

In 2021, Fortum's direct CO₂ emissions were 68.7 (48.7) Mt. 57% of CO₂ emissions originated from Russian power and heat production. Of the total CO₂ emissions, 28.9 (17.5) Mt were within the EU and UK emissions trading system (ETS). The estimate for Fortum's free emission allowances in 2021 is approximately 0.4 (0.9) Mt.

Fortum's total CO₂ emissions ¹⁾ (million tonnes, Mt)

	2021	2020	2019
Total emissions	68.7	48.7	19.1
Emissions subject to ETS	28.9	17.5	2.1
Free emission allowances	0.4	0.9	0.7
Emissions not subject to ETS in Europe	0.7	0.7	0.7
Emissions in Russia	39.0	30.5	16.3

¹⁾ Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter of 2020. The figures for 2020 do not include Uniper for the first-quarter 2020. The figures for full year 2019 do not include Uniper.

Fortum's greenhouse gas emissions are defined and reported according to the Greenhouse Gas (GHG) Protocol guidelines. In 2021, Fortum's direct Scope 1 GHG emissions were 69.0 (49.0) million CO_{2-eq} tonnes, indirect market-based Scope 2 GHG emissions 0.8 (0.8) million CO_{2-eq} tonnes, and indirect location-based Scope 2 GHG emissions 0.7 (0.6) million CO_{2-eq} tonnes.

During 2021, Fortum together with Uniper conducted an in-depth review of the Scope 3 GHG emissions inventory. Where possible, also the accounting methodologies of indirect Scope 3 GHG emissions were aligned with Fortum. As part of the review, and to offer a full transparency of the emissions, Scope 3 category 11 was expanded to include not only emissions from the use of fossil fuels sold to end-users, but also sold to resellers. This expansion of the accounting scope resulted in a significant increase of Scope 3 category 11 emissions.

In 2021, Scope 3 GHG emissions were estimated to be about 120 million CO_{2-eq} tonnes. Fortum's non-financial reporting does not include Scope 3 categories 5 and 10 in the calculation of total greenhouse gas emissions. These Scope 3 categories are disclosed in Fortum's Sustainability Report. The majority of Fortum's Scope 3 GHG emissions are caused by the use of fossil fuels sold both to end-users and resellers (2021: 79 million CO_{2-eq} tonnes). In addition, the Group's Scope 3 emissions originate from the procurement of fuels, transportation and distribution, electricity retail to customers, purchased goods and services, and from capital goods, i.e., investments.

Fortum's Scope 1 GHG emissions accounted for about 36% of total GHG emissions, Scope 2 GHG emissions accounted for less than 1%, and Scope 3 GHG emissions accounted for about 63%.

In 2021, Fortum's specific CO₂ emissions from total energy production were 312 (287) gCO₂/kWh.

In 2021, Fortum, excluding Uniper, achieved annual energy-efficiency improvements of 179 GWh/a.

EHS incidents

Major EHS incidents are monitored, reported, and investigated, and corrective actions are implemented. There were eight (16) major EHS incidents in Fortum's operations, excluding Uniper. The major EHS incidents were two (6) fires, one (0) explosion, three (8) leaks or spills, one (1) environmental non-compliance, and one (International Nuclear Event Scale) level 1 incident. The major EHS incidents did not have significant impacts. As Uniper's definitions of major EHS incidents vary from the rest of the Fortum Group, Uniper's are currently not included in the reporting.

Water and biodiversity

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

In 2021, Fortum achieved its biodiversity target of conducting a minimum of 12 major voluntary measures for biodiversity. A total of 13 major measures were implemented. Fortum's operations, for example in hydro generation, can impact local biodiversity. Fuel procurement and flue-gas emissions may also have a net biodiversity. On the other hand, increasing CO₂-free production mitigates the biodiversity loss caused by change, which is globally one of the greatest threats to biodiversity. Fortum has a Biodiversity Manual and an Action Plan in place to define the company's approach to biodiversity management. The Biodiversity Manual was revised in 2021 and now also includes Uniper's biodiversity actions. The Biodiversity Manual however, Fortum's, excluding Uniper, approach to biodiversity. During 2022, Fortum's target is to develop a science strategy to measure and enhance the biodiversity impacts of the Group's operations and the new development.

Personnel and society

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

Personnel

Fortum places a significant emphasis on an open and trusting corporate culture and highlighting systematic feedback on employees' performance and engagement. Diversity and equal opportunity are seen to contribute to competitiveness and innovation.

Fortum and Uniper Values and Codes of Conduct form the foundation for all daily work. Fortum's Policy and Leadership Principles guide personnel-related matters, excluding Uniper. For Uniper, the Uniper describes the core elements and guiding statements for leadership, teamwork and individual contribution.

the basis for the corporate culture. In 2021, Fortum and Uniper started together analysing their existing cultures, related strengths and improvement potential, as well as identifying potential roadblocks impacting further cooperation. The analysis investigates the companies' values, what kinds of principles guide their work, and what the companies have in common.

Fortum's operations are mainly based in the Nordic countries, Central Europe, the UK, Russia, and Poland. The total number of employees at the end of 2021 was 19,140.

Group personnel statistics	2021	2020 ¹⁾	2019
Number of employees, 31 December	19,140	19,933	8,191
Average number of employees	19,796	17,304 ⁴⁾	8,248
Total amount of employee benefits, EUR million	1,561	1,195	480
Departure turnover, % (of permanent employees)	11.2	7.4	11.2
Permanent employees, %	93.0	94.8	96.8
Full-time employees, %	96.5	98.2	97.7 ²⁾
Female employees, %	28	27	32
Females in management, %	27	27 ³⁾	30

1) Fortum consolidated Uniper as a subsidiary into its income statement from the second quarter of 2020.
 2) Figure includes only permanent, not temporary, employees.
 3) Calculation principle changed due to alignment with Uniper.
 4) 2020 comparative figure was revised to reflect the consolidation of Uniper from March 31, 2020.

Occupational safety

For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. Fortum strives to be a safe workplace for the employees, contractors, and service providers who work for the company. For Fortum, the Sustainability Policy, the Minimum Requirements for EHS Management, and more detailed EHS manuals steer the work. For Uniper, the most important tools guiding safety efforts are the HSSE & Sustainability Policy Statement and the HSSE and Sustainability Improvement Plan. A certified ISO 45001 safety management system covers 99.3% of Fortum's power and heat production worldwide.

In 2021, Fortum launched new Safety Ground Rules to help keep safety on everyone's agenda at all times and to support the improvement of Fortum's safety performance. Fortum's divisions have also started work on roadmaps towards safety excellence during 2021–2025 and will continue to plan their activities in line with the new Safety Ground Rules and targets.

In 2021, Fortum together with Uniper focused on initiating the alignment of several key safety processes. These included, e.g., key safety performance indicators, contractor EHS management, and sharing of information on injury-related investigations and learnings. Uniper was also included in the Group's incident notification system. The alignment of processes and the implementation of a joint safety culture will continue in 2022. This is supported by the joint Executive Safety Leadership trainings and safety eLearning applicable for all of the Group's employees.

In 2021, Fortum's TRIF for own personnel and contractors was 2.2 (2.3), and the LTIF for own personnel and contractors was 1.5 (1.3). Thus, Fortum did not meet the set target for LTIF (≤1.2). Fortum strives for zero severe occupational accidents. In 2021, there were three (1) severe occupational accidents in the operations, one resulting in a fatality. The fatally injured person was working for a contractor company to reconstruct a guardhouse at Unipro's power plant site in Russia. A safe and healthy working environment is a priority for Fortum, and the Group will continue to do its utmost to improve safety performance.

Personnel wellbeing

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

In 2021, the company's efforts concentrated on safeguarding personnel from the Covid-19 pandemic to their physical and mental wellbeing in the exceptional conditions. The wellbeing programmes highlighted their physical and mental health. Managers were supported in leading employees' wellbeing to mental energy, resilience, and physical health. Managers were supported in leading employees' wellbeing to challenging period. Coordination teams established at the beginning of the pandemic at both Fortum and its companies' operations and personnel, and to agree on related actions.

Examples of measures to combat the Covid-19 pandemic include remote working in those positions in physical presence is not required and a hybrid work model, in which the work week is divided between remote work days and practiced during such periods when the pandemic situation allows this. On-site work with special arrangements, such as staggered arrival, breaks and lunch, maintaining physical distance, masks, and enhanced cleaning.

Fortum, excluding Uniper, deployed a strategic initiative, Workforce 2.0, covering both long-term character adaptations and actions related to the company's ways of working. Managers and employees were term adaptations and actions related to the company's ways of working. Managers and employees were Hybrid Work Model principles, including the expected changes in managers' leadership style. The initiative continued throughout 2021 and collaborated partly with Uniper's equivalent initiative called NANO – New Travel restrictions set at the start of the pandemic were eased for a short period in the autumn but were into use when the pandemic situation worsened towards the end of the year. Several measures have been improved to support employees working remotely; examples include cloud-based IT solutions and that support flexible, mobile work arrangements. Also virtual wellbeing services and events have been employees. According to an employee survey, 94% of respondents feel that they are managing their own work role.

In 2021, Fortum's percentage of sickness-related absences was 3.6.

Society

Reputation and customer satisfaction

Fortum's performance regarding reputation and customer satisfaction, excluding Uniper, is monitored at the One Fortum Survey. In 2021, the combined reputation index of all stakeholder groups based on the Survey decreased slightly to 70.5 (72.5) points, on a scale of 0–100. Fortum's overall reputation decreased among most of the stakeholder groups. Among NGOs the result remained stable. The customer satisfaction varied depending on the business area between 58 and 83 points (61–81), on a scale of 0–100.

Interruption-free customer service during the Covid-19 pandemic was ensured by enabling employees to work remotely. To support this, modern IT solutions were used successfully, and the company was able to provide good quality services for customers.

Supply chain

Fortum and Uniper expect their business partners to act responsibly and to comply with the requirements in their respective Codes of Conduct and Supplier Codes of Conduct. Fortum assesses the performance of

partners with supplier qualification and supplier audits. In 2021, Fortum, excluding Uniper, conducted four on-site supplier audits in China and in India. Due to the Covid-19 pandemic and travel restrictions, the possibilities to conduct on-site supplier audits have been very limited. Uniper applies its own processes for ESG Due Diligence and Know Your Counterparty. Both companies are members of the Bettercoal initiative and use the Bettercoal tools to improve sustainability in the coal supply chain.

Human rights

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

Fortum, excluding Uniper, conducts a human rights assessment for investment projects – especially in new operating areas – and also for new countries where Fortum plans to expand the sales of products and services. In 2021, two new country assessments were made.

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

Corporate citizenship

Fortum, excluding Uniper, continued to steer its support to society and cooperation with local communities through its Corporate Social Responsibility (CSR) programme. The programme's focus areas, aligned with the company's strategic targets, are Climate, People, and Material Revolution. Steering of CSR activities is concentrated to a Fortum-wide Steering Group.

In 2021, Fortum continued to support charity organisations in order to help its local communities during the Covid-19 pandemic. In addition, Fortum engages in collaboration with universities through different research and development projects. In 2021, Fortum's, excluding Uniper, support for activities promoting the common good totalled approximately EUR 1.8 (2.5) million. In addition, the grants awarded by Fortum and Neste Foundation (earlier Fortum Foundation), not part of Fortum Group, totalled EUR 701,250 (612,500).

EU taxonomy

Introduction

The EU Taxonomy Regulation is a classification system for defining economic activities that can be considered environmentally sustainable. The regulation provides specific key performance indicators (KPIs) that entities are required to report for their environmentally sustainable economic activities. The regulation is being implemented with a phased entry into force with simplified reporting requirements.

The EU Taxonomy Regulation establishes six environmental objectives, two of which, the climate change mitigation and adaptation criteria, were published on 4 June 2021 in the Climate Delegated Act. The Complementary Climate Delegated Act on certain nuclear energy and gas activities was published on 2 February 2022. The Delegated Act for the remaining four environmental objectives will be published in 2022.

Fortum's disclosure has been prepared in accordance with the EU Taxonomy Regulation Delegated Act. For the financial year ending on 31 December 2021, Fortum reports the proportion of Taxonomy eligible and Taxonomy non-eligible activities in relation to the three KPIs (Sales, Operating expenses and Capital Expenditure). Reporting on Taxonomy alignment will be done for the financial year ending on 31 December 2022. The report includes Fortum's subsidiaries consolidated to the Group as of 31 December 2021.

Economic activities

In 2021, Fortum classified its economic activities to eligible and non-eligible corresponding to economic activities described in the Climate Delegated Act. Fortum's business operations were evaluated according to the economic activities listed in Annex I (climate change mitigation) and Annex II (climate change adaptation) related NACE codes provided in these descriptions. The review was done at power plant or individual business level. Fortum assessed climate change mitigation to be the most relevant objective against which the eligible economic activities were reviewed.

Eligible economic activities

Eligible economic activity is an activity that is described in the Climate Delegated Act, Annex I. Fortum's eligible activities are:

- Electricity generation from hydropower
- Storage of electricity
- District heating/cooling distribution
- Material recovery from non-hazardous waste
- Production of heat/cool from bioenergy
- Production of heat/cool using waste heat
- Electricity generation from wind power

Non-eligible economic activities

Non-eligible economic activity does not correspond to any activity description provided in the Climate Delegated Act. Fortum's non-eligible activities include electricity and commodities trading, fossil-based power and heat engineering services related to non-renewable assets, as well as administrative overheads.

In addition, Fortum has economic activities that are not currently covered by the EU Taxonomy, such as energy and natural gas, as well as waste-to-energy and circular economy activities.

Investments in renewable energy through partnerships

Fortum's investments in renewables, such as wind and solar power, are mainly done through joint ventures. Fortum to efficiently utilise its key competences to develop, construct and operate power plants, whilst new renewables investments by either partially or fully divesting completed power plants to partnerships (ventures and associates) or other forms of cooperation. This means that wind and solar power are mainly capital expenditure KPI during the construction phase, but not in the sales and operating expenses KPIs.

KPIs for climate change mitigation

Below are the proportions of eligible and non-eligible activities of the Sales, Operating expenses, and Capital expenditure for Fortum Group for the financial year ending 31 December 2021.

	Total EUR million	Eligible %	Non-eligible* %
Sales	112,400	2	98
Operating expenses	1,809	11	89
Capital expenditure	1,391	23	77

* Includes non-eligible activities, activities currently not covered by the taxonomy, as well as the impact from divestments made during 2021.

The most significant eligible economic activity in Fortum Group is electricity generation from hydropower with an installed capacity of 8.4 GW (18% of total capacity) in the Nordics and Germany. While the construction of new hydropower plants is not currently planned, several maintenance and modernisation projects for the existing portfolio are expected in the future.

Definitions of the KPIs

Sales is based on the sales reported on Fortum's consolidated income statement (► Note 6). Fortum has significant trading-related (non-eligible) sales, which explains the considerably low proportion of eligible sales.

Capital expenditure consists of additions to property, plant and equipment, intangible assets, right-of-use assets, as well as additions through business combinations. See ► Note 3, ► Note 16, ► Note 17, and ► Note 34.

Operating expenses consist of direct non-capitalised costs that are necessary to ensure the continued functioning of property, plant and equipment. These expenses include repairs and maintenance, building term rentals and similar costs, as well as other direct expenditures relating to the day-to-day servicing of the

Methodology for calculating KPIs

The financial data used for calculating the EU taxonomy KPIs has been retrieved from Fortum's financial statements based on the same data and Group accounting principles (see Notes to the consolidated financial statements) as Fortum's consolidated financial statements for the year ending 31 December 2021. Appropriately, the data has been implemented to eliminate the risk of double counting.

- Financial data has been allocated to eligible economic activities as follows:
- Majority of electricity sales has been allocated to eligible activities based on production volume.
- Other sales and operating expenses data is available in the source systems at the cost centre-level corresponding to individual sites. These cost centres have been allocated to eligible economic activities.
- Each significant capital expenditure investment project has been allocated to eligible economic activities.

Financial performance and position

Sustainability

Risk management

Fortum share and s

Risk management

Risk management framework and objectives

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

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

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

Risk management organisation

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

Uniper is a separate listed company operating under German law and regulations with its own risk management systems, including risk policies which define the risk management organisation principles, processes and responsibilities. Uniper does therefore not directly apply the risk management systems applicable to Fortum's other Divisions and Corporate Functions. The risk management systems of Uniper, including the key risk management principles and processes, are materially in line with those of the rest of Fortum Group. The target is to further align the risk management systems in the future. For more information about Uniper's risk management systems, please see Uniper's annual report.

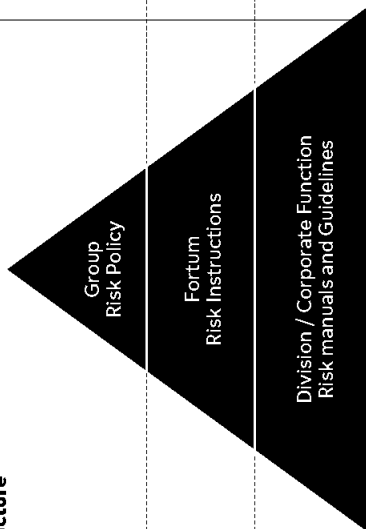
Corporate Risk Policy Structure

Approving body

Board of Directors

President and CEO

Division / Corporate Function Head



Risk Governance

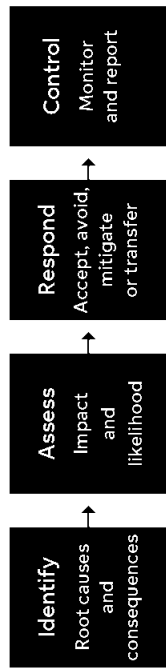
The main principle is that risks are managed at source, meaning that each Division and Corporate Function, as well as Uniper's Management Board, is responsible for managing risks that arise within their business or Fortum's Audit and Risk Committee (ARC) is responsible for monitoring the efficiency of the company management systems, and for annually reviewing the Group Risk Policy and the Group's material risks uncertainties. Corporate Risk Management, a function headed by the Chief Risk Officer (CRO), provides methods and tools which support the Divisions and Corporate Functions, excluding Uniper, in running a management process. Corporate Risk Management is responsible for assessing and reporting on the management in Divisions and Corporate Functions and for providing independent monitoring and reporting on the Group's material risk exposures to Fortum Executive Management (FEM), the ARC and the Board of Directors. Uniper, a separate listed company operating under German law and regulations, is consolidated to Fortum's financial statements, and reported as a separate segment. Four out of the six shareholders of Fortum's Supervisory Board are from Fortum. Fortum also has a representative in Uniper's Audit and Risk Committee. Changes to the risk management systems, which are considered to be material within the governance framework, are reviewed by the Audit and Risk Committee of Uniper and informed to the Supervisory Board.

Principle of continuous improvement

Risk management is developed in accordance with the principle of continuous improvement, aiming at an optimised and continuously developing risk management process. The maturity level of the risk management process is annually assessed with a self-assessment procedure, and Corporate Risk Management determines goals for the development of risk management based on the results of the assessment.

In accordance with Fortum's values, the importance of risk management is raised by increasing the personnel's risk awareness and highlighting the positive features of risk-aware decision-making. Risk management at Fortum is continuously supporting and improving the application of Fortum's values in decision-making.

Risk management process

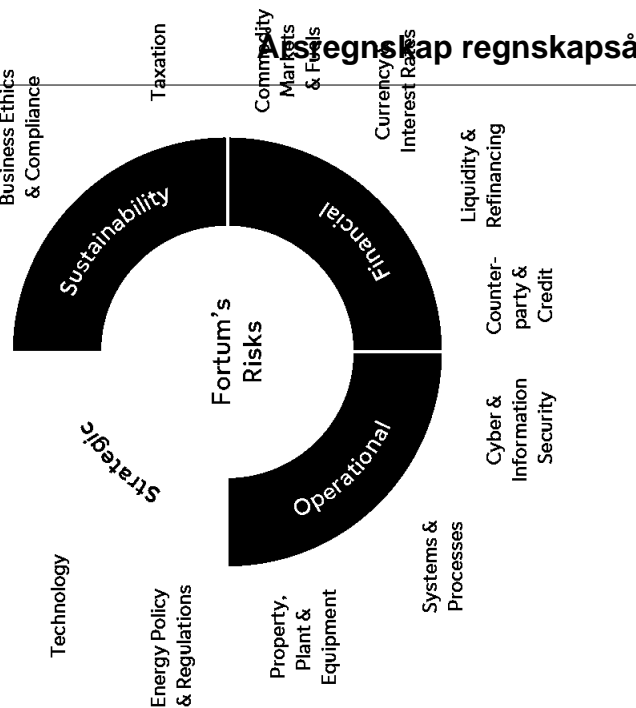


The risk management process consists of risk identification, risk assessment, response, and control processes and procedures. Uniper operates a separate risk management process from the rest of Fortum but is materially in line with Fortum's process and follows similar principles.

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

Risk factors

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



Strategic risks

The main strategic risks are that energy policy, regulation, technology or the business environment have not been foreseen and prepared for. Future energy market and regulation scenarios, in relation to Fortum's business, are continuously analysed.

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

Business Environment

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

Investment and acquisition risks

Fortum is the majority shareholder of Uniper, a separate listed company operating under German regulation, with an ownership of 78.0% as per 31 December 2021. The companies have initiated strategic alignment and agreed to cooperate in a number of areas including physical trading and optimisation of Nordic hydro operations, jointly developing a portfolio of solar and wind projects in Europe, and a joint growth strategy in hydrogen. Positive annual cash impact on a consolidated group basis is estimated to be approximately EUR 100 million. More than EUR 50 million of these annual benefits are gradually materialising by the end of 2023, reaching full annual impact in 2025. The ability of Fortum to deliver on its strategic targets and achieve the expected benefits depends on successful strategy execution and cooperation between the two companies.

Uniper is continuing as a separate listed company operating under German regulation and it that would change and if it would lead to a potential full merger of the companies, it may entail both increased risks and opportunities. The risks and opportunities related to the potential integration of business operations could include creating a common culture, realising cost and revenue synergy benefits, combining operating models of the two companies, and motivating and keeping key personnel during the integration phase.

Fortum is continuously assessing its' business portfolio and evaluates opportunities for acquisitions, investments and divestments primarily in the Nordic, EU and Russian markets. As part of the updated strategy, Fortum has announced several of growth areas for future investments including a sizeable renewables portfolio. Even if Fortum is able to identify candidates for acquisition or investment, it may be difficult to complete transactions. Competition for acquisitions or greenfield investments could limit Fortum's ability to grow, or could raise the prices and make them less attractive to Fortum. Furthermore, Fortum has concluded the strategic review of the heating and cooling businesses in the Baltics and its 50% stake in Stockholm Exergi by selling these assets. The ongoing Covid-19 pandemic and especially energy market volatility have led to increased uncertainty about macroeconomic development and possible impact on future regulation. As a result, there may currently be less potential investors, which could lead to planned divestments being postponed, or not being carried out as planned.

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

Energy policy and regulation risks

The energy sectors are heavily influenced by national and EU-level energy policies and regulations. Fortum's strategy has been developed based on scenarios of the future development of the regulatory environment in both existing and

operating new businesses and market areas. The overall complexity and possible regulatory changes in operating countries pose a risk if Fortum is not able to identify, anticipate and manage those changes effectively. Fortum maintains an active dialogue with different bodies and stakeholders involved in the development of policies and regulations in order to manage these risks and to proactively contribute to the development and climate policy and regulatory framework in line with Fortum Group's strategic objectives.

EU, Nordics and UK

Fortum has to manage risks related to both EU regulation, and national regulation in the countries where Fortum has operations. Key risks related to the future development of energy and climate policies and circular economy-related regulatory framework development are listed below.

- Reaching the established (EU and national) decarbonisation targets requires that all CO₂ free energy technologies are treated equally in legislation, and that there is political acceptance for them. The technologies are preferred for reasons other than their CO₂ footprint, leading to uneven situational different production forms.
- Growing acceptability issues relating to various energy forms and energy technologies create uncertainty for planned investments. Increasing sustainability requirements, e.g. in the context of the EU Finance taxonomy could lead to a situation where a big part of Fortum's CO₂ free or low carbon energy production is classified as non-sustainable and excluded from the EU and national financing schemes. This might lead to higher capital costs for new investments.
- National climate policies or steering mechanisms that exceed, or are overlapping the EU climate policy, diluting the EU emissions trading system (ETS) and creating inefficiencies based on uncoordinated market-based carbon reduction mechanisms. In addition, lower carbon price may lead to decreased carbon-free assets.
- In the context of national climate strategies, several countries have decided to phase-out certain energy production technologies, such as coal and nuclear. In case such political decisions are taken with sufficient compensation to investors/asset owners, there is a risk of lost earnings, as well as diminished market value. Following the coal exit law in Germany that came into effect in August 2020, the coal exit paths, a phase-out of coal has been largely determined in most European countries where Fortum operates. Consequently, the financial uncertainty which existed for Uniper around such exits was reduced. Following the adoption of the more ambitious 2030 national climate target, further changes in the phase out legislation can be expected. For example, the new German government may decide to approve additional measures for coal-fired plants as a result of the Urgenda Verdict to achieve the runtime of Datteln 4, including the associated financial conditions. In the Netherlands, the Dutch government has approved additional measures for coal-fired power production restrictions after the Maastricht gas reduction targets. These measures for coal-fired power production restrictions affect the Maastricht gas production for the years 2022 to 2024 but entitle Uniper for compensation by the Dutch government. National investment schemes and selective support systems for new renewable energy production have already implemented offshore wind support system in Sweden, may lower the profitability of production and lead to market distortions because of increased grid costs since producers pay a higher price for electricity than the grid costs. Fortum may suffer also from lower electricity prices since, all else equal, production would not be profitable will come online.
- Tightening emission standards, restrictions, or taxation of waste incineration; and increasing tax burden on heating fuels can also negatively impact Fortum's targeted earnings in the future.

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

Russia

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

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

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

For comments on the geopolitical uncertainty due to Russia's invasion on Ukraine, imposed sanctions and possible future sanctions and counter sanctions and their possible impacts on Fortum Group's Russian business and assets, please see ▶ Note 39.

Technology risks

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

Sustainability risks

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

Environmental, health and safety and social risks

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

Environmental, health and safety (EHS) risks as well as social risks related to the supply chain are evaluated through counterparty risk assessment, country risk assessment, supplier qualification as well as internal and external audits. Corrective and preventive actions are implemented when necessary. EHS and social risks are evaluated through risk assessments and investments. Environmental risks and liabilities in relation to past actions have been assessed and, where provisions have been made for future remedial costs. Mitigating climate change, adapting to it and driving innovation to a lower-carbon economy is an integral part of Fortum's strategy. Management of climate-related transition risks are discussed in detail under the heading Climate-related risks. As a separate listed company, Fortum applies its own processes aligned with its enterprise risk management to systematically identify, assess and manage Environmental, Social and or Governance (ESG) risks.

Tax risk

Tax risk refers to the risk associated with uncertainties, errors, failure in controls or disagreements in the interpretation of applicable tax laws and tax authority guidance, changes in operations, long-term profitability, changes in fiscal policies in one or multiple countries which could result in increased charges or financial loss. Fortum operates in a number of countries and is therefore exposed to these events in multiple countries. These risks may arise from a tax authority-initiated process followed by a legal process in one or multiple jurisdictions with a court case, or from the interpretation of local or EU law or tax treaties. In case multiple countries are involved, it may result in a complex legal process defining the final stand in the case. A legal process may result in a tax assessment agreement recognition or applicable tax rate on withholding in a business transaction. Risk may materialise through the revaluation of tax-related assets, so called deferred tax assets, and liabilities due to changes in tax rates or operational changes. Fortum manages tax-related uncertainties by systematic planning and risk mitigating targeted tax planning. Fortum operations in all our operating countries. In order to do so, Fortum has specific tax principles and procedures in place. The Board of Directors and tax governance guidance setting the frame for tax management. As concrete tax actions, we have identified simplifying legal structures, moving towards digital solutions in data management, compliance, seeking strategic clearance from tax authorities, improving transparency towards stakeholders, and clarifying accountabilities and responsibilities.

Business ethics and compliance risks

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

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

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

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

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

Financial risks

Commodity market and fuel risks

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

Electricity price and volume risks

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

In the Nordics and central European countries, market prices and, consequently, the amount of profitable production exhibit significant variation, for instance due to weather conditions, outage patterns in production and transmission lines, CO₂ allowance prices, fuel prices, as well as the amount of electricity demand. Electricity price risks in the Nordics and central European markets are mainly hedged by entering electricity derivatives contracts on exchanges such as the Nasdaq Commodities or the European Energy Exchange, as well as directly with counterparties active in the energy markets. The ability to efficiently implement hedging strategies is dependent on a well-functioning and liquid derivatives

market. There is a risk of decreasing liquidity of especially Nordic electricity derivatives on the Nasdaq C OTC derivative contracts and correlated products traded on other exchanges, are used to mitigate this risk. Generation segment and the Uniper segment have separate hedging strategies covering several years medium-term. Hedging strategies are continuously evaluated as electricity and other commodity market hydrological balance and other relevant parameters change. Hedging of the Generation segment's power performed in EUR on a Nordic level, covering both Finland and Sweden, and the currency component of the Swedish entity is currently not hedged. Uniper segment's Nordic power hedging is performed only on the currency component of these hedges in the Swedish entity is hedged.

In Russia, electricity and capacity prices are the main source of market risk. Capacity from newer units capacity supply agreements where the price is set by the Russian Federation to ensure the return on investment. Capacity from old units has been sold until 2025 via capacity supply auctions which have already been Electricity price exposure is partly mitigated through regulated fixed-price bilateral agreements, but the electricity sales is exposed to spot price risk. In the short-term, electricity prices and volumes are mainly changes in industrial demand, gas prices and weather-driven demand changes.

Emission and environmental value risks

The EU and the United Kingdom have emissions trading schemes to reduce the amount of CO₂ emissions to the emissions trading schemes, there are other trading schemes in environmental values in place in the EU and Poland. Part of Fortum's power and heat generation is subject to requirements of these schemes. There is no trading scheme in Russia for emissions or other environmental values. However, Russia has announced a scheme to comply with the Paris Agreement, but there is uncertainty related to how and when a possible carbon tax will be implemented.

The main factors influencing the prices of CO₂ emission allowances and other environmental values are decisions, and the supply and demand balance. Fortum hedges its exposure to these prices and volumes through use of CO₂ derivatives and environmental certificates.

Fuel and gas prices and volume risks

Power and heat generation requires use of fuels that are purchased on global or local markets. The main fuels for Fortum are natural gas, uranium, coal, various biomass-based fuels and waste. The main risk factor for Fortum is the uncertainty in price. Prices are largely affected by global market conditions, such as coal and natural gas, is the uncertainty in price. Prices are largely affected by demand and supply imbalances that can be caused by, e.g., increased demand growth in developing countries, disasters or supply constraints in countries experiencing political or social unrest. For fuels that are sourced from regional markets, such as biofuels, the volume risk in terms of availability of the raw material is more significant as there may be a limited number of suppliers. Due to the current sanctions, there are a number of imported fuels from Russia. The increasing geopolitical tensions and further escalation could, e.g., lead to import restrictions on Russia. The increasing geopolitical tensions and further escalation could, e.g., lead to import restrictions on Russia. The increasing geopolitical tensions and further escalation could, e.g., lead to import restrictions on Russia. Both Fortum and Uniper continue to monitor the situation closely and prepare constantly adapted mitigation measures to minimise the impact of an escalation to Fortum Group.

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

Financial performance and position Sustainability Risk management Fortum share and dividends

Long-term gas supply contracts of Uniper generally include the possibility for the customer and the supplier to adapt contractual terms to changed market conditions. This entails the major risk for Uniper that suppliers will impose conditions that are detrimental. In order to limit the risk, negotiations are conducted by the most experienced employees utilising all available internal and external expertise.

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

Liquidity and refinancing risks

Fortum's business is exposed to liquidity and refinancing risks primarily through the need to finance the Group's business operations, including margining and collaterals issued for trading and hedging activities. Higher commodity prices increase the net margining payments which are mainly settled in cash. Fortum maintains a diversified financing structure in terms of debt maturity profile, debt instruments and geographical markets. Liquidity and refinancing risks are managed through a combination of cash positions and committed credit facility agreements. The credit risk of cash positions has been mitigated by diversifying the deposits to high-credit quality financial institutions and issuers of corporate debt.

Fortum Corporation is currently rated BBB with a stable outlook by both Fitch and S&P Global Ratings rating agencies. The key risk factors which could lead to a weakening credit metrics and potentially trigger rating downgrade include a persistent decline in European and Russian power prices, lower-than-expected amounts received from planned divestments, increase in leverage, deterioration of the geopolitical situation or high market volatility. A lowering of credit ratings, in particular to below investment grade level (BB+ or below) could affect access to the capital markets and increase the cost of new financing.

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

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

Currency and interest rate risks

Fortum's debt portfolio consists of interest-bearing liabilities and derivatives on a fixed- and floating-rate basis with differing maturity profiles. Fortum is exposed to cash flow risk from changes in interest rates mainly from interest-bearing liabilities and derivatives on a fixed- and floating rate basis. Additionally changes in general interest rate levels may have an impact on discount rates of various provisions like pension provisions and asset retirement obligations causing changes in the amount of interest-bearing debt and financial costs, but without a cash flow impact. Fortum manages the interest rate exposure through a duration mandate of the loan portfolio excluding leasing liabilities and

provisions, and cash flow at risk limit. Fortum uses different types of financing contracts and interest rate contracts to manage the interest rate exposure and evaluates and develops the strategies in order to find a balance between risk and financing cost.

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

The main translation exposure is toward EUR/Russian Rouble (RUB), EUR/Swedish Krona (SEK) and Pound Sterling (GBP), arising from Fortum's extensive operations in Russia, Sweden and the United Kingdom. Fluctuations of the RUB, SEK and the GBP against the EUR could have an adverse effect on future results when consolidating and translating results and net assets in Russian, Swedish and UK affiliates into euro exposures in the Fortum Group are generally not hedged as the majority of these assets are considered strategic holdings.

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


Centralised treasury functions in Uniper and the Fortum Corporation separately coordinate currency risk and execute external hedges consisting of currency derivative contracts, which are matched against the future cash flow according to maturity. Derivatives are used exclusively to hedge existing foreign exchange proprietary trading.

Counterparty and credit risks

Fortum is exposed to counterparty risk whenever there is a contractual arrangement with an external counterparty including customers, suppliers, partners, banks, clearing houses and trading counterparties. Following geopolitical tensions, counterparties of the Fortum Group could become subject to sanctions, which may affect or future business relations. Fortum actively monitors the situation in order to ensure continuous compliance with prevailing rules and applicable sanctions laws.

Credit risk exposures-related hedging and trading arise through the use of physical derivative contracts and derivative instruments. The credit risk exposures are volatile and include both the replacement risk and risk. Exchange-traded derivatives are cleared through central clearing parties (CCPs) or through clearing OTC derivative contracts are concluded directly with a number of different counterparties, including energy and retailers, utilities, trading companies, industrial end-users and financial institutions active in the financial markets.

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

 OPERATING AND FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS	SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS	AUDITOR'S REPORT	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION
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<p>Credit risk exposures relating to customers and suppliers are spread across a wide range of industrial counterparties, energy companies, government and municipal entities, utilities, small businesses, housing associations and private individuals over a range of geographic regions. The risk of credit losses in the electricity and heat sales business in Russia is deemed higher than in Fortum's other operating countries.</p> <p>Fortum has routines and processes to identify, assess and control exposure. Credit checks are performed before entering or renewing commercial obligations and exposure limits are set for larger individual counterparties as well as for counterparty groups. Creditworthiness is monitored through the use of internal and external sources so that mitigating actions can be taken when needed. Mitigating actions include demanding collateral, such as guarantees, managing contract terms and contract length, and the use of netting agreements.</p>					<p>Nuclear power</p> <p>Fortum owns and operates the Loviisa nuclear power plant and is the owner of OKG AB which owns three power reactors in Sweden, of which one is in operation. Additionally, Fortum has minority interests in two Swedish nuclear power companies. Any severe accident or nuclear release in nuclear power plants high costs, environmental damages and third-party liabilities. Both in Finland and Sweden, the assessment of improvement of nuclear safety is a continuous process performed under the supervision of the Radiation Safety Authority of Finland (STUK) and the Swedish Radiation Safety Authority (SSM) in Sweden.</p> <p>Owners of nuclear facilities in Finland and Sweden have statutory liabilities for damages resulting from occurring in those nuclear facilities, and for accidents involving any radioactive substance connected to those facilities. Third-party liability related to nuclear accidents is strictly under the plant operator's responsibility. Third-party liability insurance, or other financial cover. In Finland, as the operator of the Loviisa power plant statutory liability insurance policy of SDR 600 million (Special Drawing Right) equivalent to approximately 600 million SEK. In Sweden, legislation requires that operators of nuclear power plants have a liability insurance or other the amount equivalent to EUR 1.2 billion per incident. As the renewed Nuclear liability law has come into force at the beginning of the year 2022, both in Finland and Sweden, legislation requires that operators of nuclear power plants have a liability insurance or other financial cover in the amount equivalent to EUR 1.2 billion per incident.</p> <p>In both Finland and Sweden, the future costs of the final disposal of spent fuel, the management of low and intermediate-level radioactive waste and the decommissioning of the radioactive part of the nuclear power plant provided for by a state-established fund to which nuclear power plant operators finance. Contributions to the fund should be sufficient to fully cover expected costs for handling all the produced radioactive waste, but there exists that future costs could exceed currently estimated fund provisions. If this were to occur, Fortum, v. v. v. is responsible for any such excess costs in relation to its share of operations and assets.</p>	<p>Operational risks</p> <p>Operational risks are unexpected events which can lead to negative monetary, safety, environmental or reputational impacts as a result of inadequate or failed internal processes, systems or equipment, or from external events.</p> <p>People and Process Risks</p> <p>People risks include an inability to attract and retain the right competences, risks due to the loss of special skills and risks due to errors on the part of employees who have not been sufficiently trained, or who are not sufficiently qualified. Specifically, in its commodity trading business, Uniper has particular expertise and key persons which, in case they were to leave, could have a tangible impact on Uniper Global Commodities earnings potential, business continuation, innovation and development. In order to reduce people risks, Fortum invests in the development and distribution of skills and succession planning. In addition, the existing compensation system for employees is regularly reviewed and adjusted.</p> <p>Process risks are mainly caused by design failures or human errors. Mitigation includes process automation, testing and education. Process-related risks are assessed and controls for the most relevant risks are defined and implemented as part of the internal controls' framework. IT-system risk management is based on an IT Service Lifecycle Model, and related processes and practices which has been developed using reference frameworks such as COBIT and ITIL. Business continuity plans are in place for business-critical processes.</p>	<p>Asset project risks</p> <p>Fortum's business activities involve construction, modernisation, maintenance and decommissioning of power other energy industry facilities. There is a risk that construction costs exceed planned costs or that construction occur as a result of regulatory or permit issues, failure of key suppliers, being unable to obtain permits, or Covid-19 discontinuing the project. Asset projects also face environmental, health and safety risks. Asset may realise both for Fortum's own assets projects, or projects carried out through joint ventures or associates.</p> <p>Managing asset project risk is an integral part of every project. Project managers are responsible for project-related risks which may lead to delays, increased costs, negative impacts to the environment or jeopardise the health and safety of personnel and contractors are identified and assessed, and that actions are taken to minimise such risks. The most significant asset projects are listed below.</p>	
<p>Hydro power</p> <p>Fortum has a large number of hydro power plants and dams in the Nordics and Germany. A dam breach is a serious accident with the threat of possible significant damage downstream. A long-term programme is in place for improving the surveillance of the condition of dams, and for securing the discharge capacity in extreme flood situations. Third-party liabilities from dam failures are strictly the plant owner's responsibility. Together with other hydro power producers, Fortum has a shared dam liability insurance programme in place that covers Finnish and Swedish dam failure liabilities up to SEK 10,000 million (approximately EUR 1 billion).</p>					<p>Dattein 4: Permitting risk</p> <p>Since 30 May 2020, the coal-fired power plant Datteln 4 with an installed capacity of approximately 1,050 MW is in commercial operation. Construction and operation are based on the currently granted emission control permit issued by the district government of Munster and the project-based development plan No. 105a by the city of Datteln. The project continues to be the subject of several administrative lawsuits. In August 2021, the Higher Administrative Tribunal in North Rhine-Westphalia declared the development plan No. 105-Kraftwerk – by the city of Datteln as invalid and allowed for an appeal. The court decision is not yet legally binding. Uniper and the city of Datteln have submitted an admission complaint to obtain the right to appeal. If, as a result of the pending legal proceedings, the permit is annulled, the project will be discontinued.</p>	<p>Property, plant and equipment</p> <p>Operational events at power and heat generation, gas storage and distribution, fuel handling and recycling and waste facilities can lead to environmental and physical damages, business interruption, clean-up costs and third-party liabilities. Property, plant and equipment risks are primarily managed through condition monitoring and maintenance planning. In addition, Fortum's industrial assets are covered by insurance policies for property damage and business interruption risks which mitigates the impact of internal and external events, should they occur.</p>		

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or the development plan is declared ineffective, there is the risk that planned earnings cannot be realised. The coal exit law which entered into force in August 2020 has also not changed the potential for this permitting risk.

Nord Stream 2: Project Failure Risk

Uniper is involved in financing the Nord Stream 2 project. As part of this financing, there is a default risk for receivables from Nord Stream 2 AG, particularly in the event the project cannot be completed successfully. The main risks for the completion of the project are actual and potential United States sanctions. So far US sanctions have been issued against Russian-related entities involved in the project without impacting the completion of the pipeline construction. In July 2021 the US and Germany have come to an agreement on Nord Stream 2, Ukraine and climate protection. The construction of both pipelines is completed, they are filled with gas and the regulated part of the pipelines is waiting certification. Stream 2 AG has confirmed that they are working on to obtain the Independent Transmission system Operator certification from Bundesnetzagentur and complete the project. Due to increased geopolitical tensions on the Russian and Ukrainian border and after Russia recognising of the Luhansk and Donetsk, Germany has halted the certification of the gas pipeline Nord Stream 2 for time being. Uniper is currently analysing potential effects of the halted certification process on its financial position, net assets and results of operation.

For comments on the geopolitical uncertainty due to Russia's invasion on Ukraine, imposed sanctions and possible future sanctions and counter sanctions and their possible impacts on Fortum Group's Russian business and assets, please see ▶ Note 39.

Olkiluoto 3 project delay risk

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. Olkiluoto 3 EPR (OL3 EPR), currently under test production phase, was procured as a fixed-price turnkey project from a consortium 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. According to the latest schedule regular electricity production starts in July 2022.

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

Cyber and information security risks

Fortum's business operations and customer-related services are dependent on well-functioning IT, communications and information management systems and processes. Due to the nature of the business, large amounts of data are processed, often in real-time, and used for operating critical infrastructure, including power stations and gas storage facilities, trading and hedging decisions, serving customers and in internal and external communication and reporting. Like all operators of critical infrastructure, Fortum is increasingly exposed to cyber security risks, including risks related to information and operational technology systems, digitalisation and privacy. Also, physical attacks against issuer's assets are possible and can have material impacts. Therefore, crisis management rehearsals have been kept to improve business resilience. The ongoing political tensions between the EU, United States and Russia, the overall probability of cyber risks has been increased.

Cyber and physical security risks, including risks related to information, operation technology (OT) and digitalisation, are managed in collaboration with corporate security, business divisions and other support functions. Focus area has

been OT cyber security capabilities to be able to improve resilience of the operations and production. The security instructions and procedures in place which set requirements for managing and mitigating cyber Security-related regulation is increasing and is therefore being monitored by a special program.

Business divisions are responsible for business continuity planning and IT functions are responsible for continuity.

Climate-related risks

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

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

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

Climate-related risks are divided into two categories in accordance with the TCFD recommendations: and physical risks. The identified physical risks are generally found in the operational risk category, while risks are generally part of the strategic risk category. As Uniper currently does not apply the same approach related risks, the transition risks and physical risks described below have been assessed for Fortum, excluding See ▶ Note 2 on how climate-related matters are reflected in Fortum's consolidated financial statements.

Transition risks

Fortum's strategy is to a large extent built on taking advantage of the opportunities associated with the transition to a low-carbon economy and successfully mitigating the risks. The transition to a low-carbon economy poses strategic and operative risks related to changes in energy and climate policy and regulation, technology and the business environment in which Fortum operates. Climate change may impact to external markets which can impact Fortum's financial and operative performance. Supply and demand, and the prices achieved, Fortum's products can be affected by a wide range of factors including political developments and consumer preferences for low-carbon energy. Additionally, Fortum's brand and reputation can be negatively impacted in stakeholder perception about Fortum's ability to deliver on its strategy.

The key risks related to climate policy and regulation include national climate policies of stringency measures exceed EU targets for greenhouse gas reduction, renewable energy production and energy efficiency. Tightening or overlapping or inefficient mechanisms, such as diluting the EU emissions trading system (ETS), tighter incineration and burning of various fuels, and a more regulated electricity market. In the context of national strategies, several countries have decided to phase out certain energy production technologies, such as nuclear. In case such political decisions are done without offering sufficient compensation, there is a risk of impairments or early retirement of existing assets, as well as social and dismantling costs. Furthermore, transition may curtail the expected useful lives of assets thereby accelerating depreciation charges. Fortum market-based approach to decarbonisation with CO₂ pricing as a key tool, and clear criteria for capacity

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case such mechanisms are implemented. Additionally, increased demand flexibility is needed to cope with the expected increase in intermittent renewable production.

The transition to a low-carbon economy also poses risks if there emerge new, disruptive technologies that create cheap sources of flexibility or storage in the energy market. Additionally, if there is an accelerated decline in the cost of renewable energy, it could decrease the value of existing conventional power and heat generation assets. Fortum continuously monitors technology developments and selectively invests in innovative technologies. Fortum aims to grow a sizeable renewables portfolio, focusing on wind and solar primarily in Europe, and therefore, monitors the price development of renewables and evaluates both divestment and investment opportunities to optimise the portfolio with the aim of lower carbon emissions. As part of the updated strategy, Fortum is targeting to invest in hydrogen and clean gas solutions. Technological challenges, as well as pending regulation on hydrogen economy, could prevent or slow-down the growth of hydrogen, negatively impacting any such investments and delaying the decarbonisation of natural gas and industrial sectors.

Increasing and broadening sustainability requirements, e.g., in the context of the EU Sustainable Finance taxonomy, could lead to a situation where a part of Fortum's CO₂ free or low carbon energy production is classified as non-sustainable, which might lead to higher capital costs for new investments. Additionally, there is a risk of increasing activity by NGOs which could affect key stakeholder perception. Fortum's exposure to these risks is increasing as a result of the consolidation of Uniper as a subsidiary with coal and gas-fired power generation assets. In order to mitigate these risks, Fortum focuses on the sustainability impacts of strategy and business decisions, communicating transparently about strategy implementation to key stakeholders, ensuring a broad base of investors and flexibility in financing. The aligned strategy for the Fortum Group includes a commitment to reduce its' coal exposure and reach a carbon neutral European generation by 2035 at the latest and reducing CO₂ emissions in European generation with at least 50% by 2030.

Physical risks

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

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

Covid-19 Risks

Fortum has considered the potential impact of the Covid-19 pandemic on its business operations and overall effect in the consolidated financial statements not to be significant.

During 2020 and 2021, the Covid-19 pandemic resulted in new and partly unexpected risks as societal governments across the world implemented drastic measures to contain the spread of the disease. The Fortum have so far been limited, and the situation compared to the end of 2020 has improved. Fortum is monitoring the development of the pandemic and its potential impacts.

Fortum has assessed whether there are any indications for impairment based on internal and external information, such as the effects of the Covid-19. Based on the current pandemic situation and experience not currently foresee that Covid-19 would have such long-term effects that it would impact the overall value of current assets, such as property, plant and equipment and intangible assets.

Fortum share and shareholders

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

Share key figures

EUR	2021	2020	2019
Earnings per share	0.83	2.05	1.67
Cash flow per share	5.60	2.88	2.27
Equity per share	13.66	14.58	14.61
Dividend per share	1.14 ¹⁾	1.12	1.10
Payout ratio, %	137.3 ¹⁾	54.6	65.9
Dividend yield, %	4.2 ¹⁾	5.7	5.0

1) Board of Directors' proposal for the planned Annual General Meeting 28 March 2022.

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

Shareholders value, share price performance and volumes

Fortum's mission is to deliver excellent value to its shareholders. Fortum's share price has appreciated approximately 117% during the last five years, while Dow Jones European Utility Index has increased 47%. During the same period Nasdaq Helsinki Cap index has increased 52%. During 2021 Fortum's share price appreciated approximately 37%, while Dow Jones European Utility index increased approximately 5% and Nasdaq Helsinki Cap index increased approximately 21%.

In 2021, a total of 351.5 million (2020: 647.9) Fortum Corporation shares, totalling EUR 8,315 million, were traded on Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2021 was EUR 27.96, the lowest EUR 19.72 and the volume-weighted average EUR 23.65. The closing quotation on the last trading day of the year 2021 was EUR 26.99 (2020: 19.70). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 23,975 million (2020: 17,499).

In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Cboe and Turquoise, and on the OTC market. During 2021, approximately 70% (2020: 68%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

Share capital

Fortum Corporation has one class of shares. By the end of 2021, a total of 888,294,465 shares (2020: 888,294,465) had been issued. Each share entitles the holder to one vote at the Annual General Meeting. All shares have an equal dividend. At the end of 2021 Fortum Corporation's share capital, paid in its entirety and entered in the register, was EUR 3,046,185,953.00.

Shareholders

At the end of 2021 the Finnish State owned 50.76% of the company's shares. The Finnish Parliament held 45.0% of the shares. The Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the shares and voting rights.

The proportion of nominee registrations and direct foreign shareholders was 25.8% (2020: 24.2%).

Shareholders, 31 December 2021

Shareholders	No. of shares
Finnish State	450,932,450
Varma Mutual Pension Insurance Company	14,960,141
Iimainen Mutual Pension Insurance Company	14,163,643
The Finnish Social Insurance Institution	6,430,620
Kurikan Kaupunki	6,203,603
Elo Mutual Pension Insurance Company	6,033,270
The State Pension Fund	2,700,170
OP-Finland	1,703,144
Mandatum Life Insurance Company Ltd.	1,441,136
OP-Henkivakuutus Ltd.	1,366,129
Danske Invest Finland Equity Fund	1,295,108
Nordea Pro Finland Fund	1,089,104
Seligson & Co OMX Helsinki 25 Exchange Traded Fund (ETF)	1,047,103
Sigrid Jusélius Foundation	1,039,103
Nominee registrations and direct foreign ownership	228,795,149
Other	101,149,101
Total	888,294,465

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By shareholder category

	% of total amount of shares
Finnish shareholders	1.93
Corporations	1.73
Financial and insurance institutions	56.72
General government	1.44
Non-profit organisations	12.42
Households	25.76
Non-Finnish shareholders	100.00
Total	100.00

Breakdown of share ownership, 31 December 2021

	No. of shareholders	% of shareholders	No. of shares	% of total amount of shares
1-100	85,049	41.91	3,787,899	0.43
101-500	70,069	34.53	17,947,234	2.02
501-1,000	22,827	11.25	16,841,266	1.90
1,001-10,000	23,621	11.64	61,470,562	6.92
10,001-100,000	1,285	0.63	28,745,272	3.24
100,001-1,000,000	84	0.04	21,726,468	2.45
1,000,001-10,000,000	11	0.01	30,350,730	3.42
over 10,000,000	3	0.00	480,046,395	54.04
	202,949	100.00	660,915,826	74.40
In the joint book-entry account and in special accounts on 31 December			596	0.00
Nominee registrations			227,378,043	25.60
Total			888,294,465	100.00

Management shareholding 31 December 2021

At the end of 2021, the President and CEO and other members of the Fortum Executive Management own shares (2020: 281,308) representing approximately 0.03% (2020: 0.03%) of the total shares in the company.

A full description of the shareholdings and interests in long-term incentive schemes of the President and other members of the Fortum Executive Management is shown in > Note 10.

Authorisations from the Annual General Meeting 2021

In 2021, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase of the company's own shares up to a maximum number of 20,000,000 shares, which corresponds to approximately all the shares in the company. These authorisations are effective until the next Annual General Meeting for a period no longer than 18 months. These authorisations had not been used as per 2 March 2022.

Dividend policy

The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supports the company's long-term strategy that aims at increasing earnings and cash flow and thereby the dividend. In 2021, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans. Fortum Corporation's dividend policy is to pay a stable, sustainable dividend over time increasing dividend.

Dividend distribution proposal

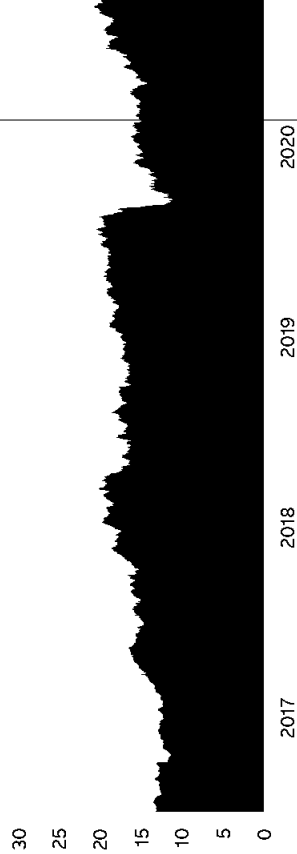
The distributable funds of Fortum Corporation as at 31 December 2021 amounted to EUR 5,747,917,222 including the profit of the financial period 2021 of EUR 1,816,026,744. The company's liquidity is good and the dividend proposed by the Board of Directors will not compromise the company's liquidity.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.14 per share be paid for 2021.

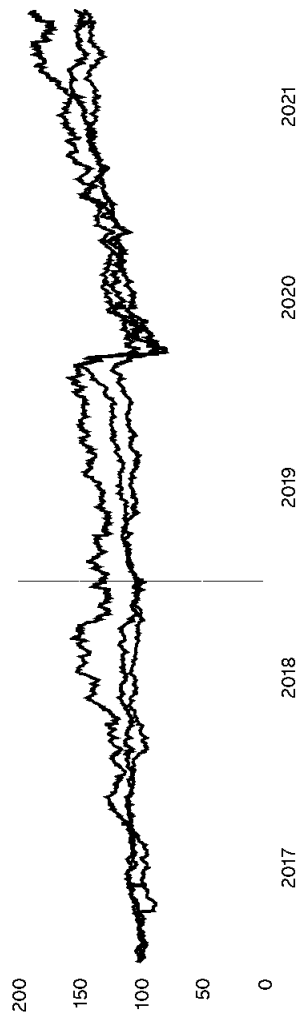
Based on the number of registered shares as at 2 March 2022 the total amount of dividend would be EUR 1,012,655,690. The Board of Directors proposes, that the remaining part of the distributable funds be retained in the shareholders' equity.

The Annual General Meeting is planned to take place on 28 March 2022 at 14:00 EEST.

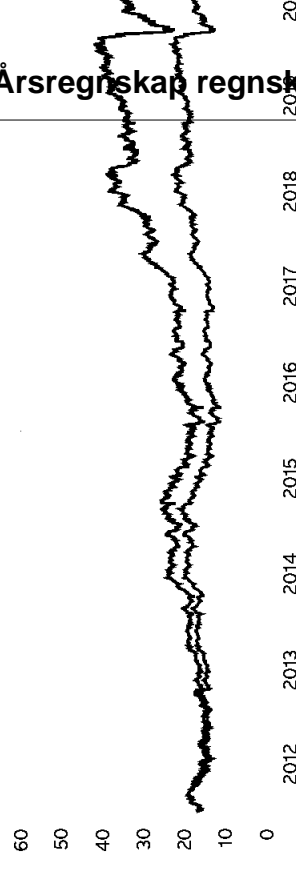
Market capitalisation, EUR billion



Share quotations, index 100 = quote on 2 January 2017



Total shareholder return, EUR



— Fortum — OMXHCap — DJ STOXX

— Fortum's share price, (EUR 26.99)
 — Fortum's total shareholder return, EUR 55.36 (dividends reinvested)

Consolidated income statement

EUR million	Note	2021	2020
Sales	6	112,400	49,015
Other income	8	12,380	4,802
Materials and services	9	-105,170	-44,298
Employee benefits	10	-1,561	-1,195
Depreciation and amortisation	6, 16, 17	-1,281	-1,090
Other expenses	8	-14,232	-5,890
Comparable operating profit	6	2,536	1,344
Items affecting comparability	6, 7	-3,124	255
Operating profit	6	-588	1,599
Share of profit of associates and joint ventures	6, 18	192	656
Interest expense		-202	-170
Interest income		156	111
Other financial items - net		154	3
Finance costs - net	11	107	-56
Profit before income tax	12	-289	2,199
Income tax expense		175	-344
Net profit for the year	13	-114	1,855
Attributable to:			
Owners of the parent		739	1,823
Non-controlling interests		-852	32
		-114	1,855
Earnings per share for profit attributable to the equity owners of the company (EUR per share)			
Basic	13	0.83	2.05

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

EUR million
Comparable operating profit
 Impairment charges and reversals
 Capital gains and other related items
 Impact from acquisition accounting
 Changes in fair values of derivatives hedging future cash flow
 Other
 Items affecting comparability

Operating profit
 See ▶ Definitions and reconciliations of key figures

Consolidated statement of comprehensive income

EUR million	Note	2021	2020
Net profit for the year		-114	1,855

Other comprehensive income

Items that may be reclassified to profit or loss in subsequent periods:

Cash flow hedges			
Fair value gains/losses		-1,365	-155
Transfers to income statement		117	45
Transfers to inventory/property, plant and equipment		1	2
Deferred taxes		265	21
Net investment hedges			
Fair value gains/losses		-15	48
Deferred taxes		1	-8
Exchange differences on translating foreign operations	4.3	322	-524
Share of other comprehensive income of associates and joint ventures	18	8	-250
Transfer to income statement due to impact from acquisition accounting		-	222
Other changes		20	-70
		-646	-667

Items that will not be reclassified to profit or loss in subsequent periods:

Remeasurement of investments		-6	-28
Actuarial gains/losses on defined benefit plans	31	226	-244
Actuarial gains/losses on defined benefit plans in associates and joint ventures		29	67
		250	-205

Other comprehensive income/expense for the year, net of deferred taxes	-397	-873
Total comprehensive income for the year	-510	982

Total comprehensive income attributable to:

Owners of the parent	185	1,052
Non-controlling interests	-695	-70
	-510	982

Other comprehensive income (OCI) includes items of income and expense that are recognised in not recognised in the consolidated income statement. They include unrealised items, such as fair and losses on financial instruments hedging future cash flows. These items will be realised in the Consolidated income statement when the underlying hedged items are recognised. OCI also includes and losses on fair valuation of other investments, actuarial gains and losses from defined benefit on comprehensive income in associated companies and translation differences.

Fair valuation of cash flow hedges mainly relates to fair valuation of derivatives, such as futures and hedging commodity sales price for future transactions, where hedge accounting is applied when the price is higher (lower) than the hedging price, the impact on equity is negative (positive).

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

Consolidated balance sheet

EUR million	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets ¹⁾	16	2,167	2,268
Property, plant and equipment and right-of-use assets	17	19,049	19,367
Participations in associates and joint ventures	18	2,461	2,912
Shares in Nuclear Waste Funds	29	3,515	3,445
Other non-current assets	20	570	479
Deferred tax assets	28	2,149	1,089
Derivative financial instruments	14, 15	17,096	2,946
Long-term interest-bearing receivables	21	2,392	2,402
Total non-current assets ¹⁾		49,399	34,908
Current assets			
Inventories ¹⁾	22	2,275	1,936
Derivative financial instruments	14, 15	65,392	7,531
Short-term interest-bearing receivables	21	715	598
Income tax receivables	28	161	156
Margin receivables	27	9,163	1,132
Trade and other receivables	23	14,856	8,906
Liquid funds	24	7,592	2,308
Total current assets ¹⁾		100,155	22,567
Assets held for sale		108	335
Total assets		149,661	57,810
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	27		8,701
Derivative financial instruments	14, 15		16,657
Deferred tax liabilities	28		827
Nuclear provisions	29		3,897
Other provisions	30		4,108
Pension obligations, net	31		1,190
Other non-current liabilities	32		397
Total non-current liabilities			35,771
Current liabilities			
Interest-bearing liabilities	27		8,519
Derivative financial instruments	14, 15		71,947
Other provisions	30		2,299
Margin liabilities	27		985
Trade and other payables	33		16,477
Total current liabilities			100,226
Liabilities related to assets held for sale		3	-
Total liabilities			103,997
Total equity and liabilities		149,661	449,661

1) In 2021, CO₂ emission allowances included in Intangible assets were reclassified to Inventories. Comparatives have been reclassified to Note 22 Inventories.

Consolidated statement of changes in total equity

EUR million	Note	Share capital	Share premium	Retained earnings	Translation of foreign operations	Cash flow hedges	Other equity components		Owners of the parent	Non-controlling interests
							Retained earnings	OCI items		
Total equity 1 January 2021		3,046	73	13,097	-2,948	-158	-175	18	12,953	2,624
IS Net profit for the year				739					739	-852
Translation differences					180	2	2		184	137
Other comprehensive income						-982	207	37	-738	20
Total comprehensive income for the year				739	180	-980	209	37	185	-695
Cash dividend	13			-995					-995	-171
Transactions with non-controlling interests				-15					-15	-221
Other				3					3	-3
BS Total equity 31 December 2021		3,046	73	12,830	-2,768	-1,138	34	54	12,131	1,534
Total equity 1 January 2020		3,046	73	12,441	-2,459	-70	60	-108	12,982	252
IS Net profit for the year				1,823					1,823	32
Translation differences					-490	-1	-3	2	-492	-32
Other comprehensive income						-87	-231	40	-279	-70
Total comprehensive income for the year				1,823	-490	-88	-235	42	1,052	-70
Cash dividend	13			-977					-977	-160
Changes due to business combinations	3								-	2,847
Impact from acquisition accounting	7			-84				84	0	-
Transactions with non-controlling interests				-107					-107	-247
Other				2					2	1
BS Total equity 31 December 2020		3,046	73	13,097	-2,948	-158	-175	18	12,953	2,624

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 are primarily related to SEK and EUR and are recognised in equity.

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

Impact from acquisition accounting

Consolidation of an associated company results includes recording a share of the associated company's other comprehensive income (OCI). If an associated company is either divested or becomes a subsidiary, IFRS requires that these previously recorded OCI items are reclassified inside equity either via the consolidated income statement or directly to retained earnings, depending on the nature of the OCI item. Reclassification does not have an impact on total equity. The above resulted in EUR -84 million being reclassified in 2020 from OCI to retained earnings. See ▶ Note 7 Comparable operating profit and comparable net profit.

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 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. See ▶ Note 13 Earnings and dividend per share.

Consolidated cash flow statement

EUR million	2021	Note	2020
Cash flow from operating activities			
Profit for the year	-114		1,855
Adjustments:			
Income tax expense	-175		344
Finance costs - net	-107		56
Share of profit/loss of associates and joint ventures	-192		-656
Depreciation and amortisation	1,281		1,090
Operating profit before depreciations (EBITDA)	693		2,688
Items affecting comparability	3,124		-255
Comparable EBITDA	3,817		2,434
Non-cash and other items ¹⁾	1,506		394
Interest received	75		46
Interest paid	-202		-208
Dividends received	124		121
Income taxes paid	-493		-267
Funds from operations ¹⁾	4,827		2,520
Change in working capital ¹⁾	144		35
Net cash from operating activities	4,970		2,555
Cash flow from investing activities			
Capital expenditures	-1,178	16, 17	-1,101
Acquisitions of shares	-294	6	-1,801
Proceeds from sales of property, plant and equipment	20		16
Divestments of shares and capital returns	3,863		1,244
Shareholder loans to associated companies and joint ventures	-8		-44
Change in margin receivables	-7,964		-552
Change in other interest-bearing receivables	-166		98
Net cash from/used in investing activities	-5,727		-2,140

1) In 2021, CO₂ emission allowances included in intangible assets were reclassified to Inventories. The change is also reflected in capital and 'Non-cash and other items' in the cash flow. Comparatives have been reclassified accordingly. See ▶ Note 22 Inventories and ▶ Note 33 Trade and other payables.

Capital expenditures in cash flow do not include not yet paid investments. Capitalised borrowing costs interest paid.

Change in financial net debt

EUR million	Note	2021	2020
Financial net debt 1 January		7,023	4,833
Comparable EBITDA		3,817	2,434
Non-cash and other items ¹⁾		1,506	394
Paid net financial costs and dividends received		-3	-40
Income taxes paid		-493	-267
Change in working capital ¹⁾		144	35
Capital expenditures		-1,178	-1,101
Acquisitions		-294	-1,801
Divestments and proceeds from sale of property, plant and equipment		3,883	1,260
Change in interest-bearing receivables		-174	54
Dividends to the owners of the parent		-995	-977
Dividends to non-controlling interests		-171	-160
Other financing activities		43	-3
Net cash flow (" increase in financial net debt)		6,084	-173
Acquired financial debt		-	2,010
Foreign exchange rate differences and other changes		-150	6
Financial net debt 31 December	27	789	7,023

¹⁾ In 2021, CO₂ emission allowances included in intangible assets were reclassified to Inventories. The change is also reflected in change in working capital and 'Non-cash and other items' in the cash flow. Comparatives have been reclassified accordingly. See ▶ Note 22 Inventories. The change in liabilities to return emission rights continues to be reported in non-cash and other items. See ▶ Note 33 Trade and other payables.

Excludes financial net debt relating to assets held for sale. See ▶ Note 3 Acquisitions, disposals and assets held for sale.

Additional cash flow information

Change in working capital

EUR million	2021	2020
Change in interest-free receivables, decrease(+)/increase(-)	-5,892	-1,106
Change in inventories, decrease(+)/increase(-) ¹⁾	-192	306
Change in interest-free liabilities, decrease(-)/increase(+)	6,227	835
CF Total ¹⁾	144	35

¹⁾ In 2021, CO₂ emission allowances included in intangible assets were reclassified to Inventories. The change is also reflected in change in working capital and 'Non-cash and other items' in the cash flow. Comparatives have been reclassified accordingly. See ▶ Note 22 Inventories. The change in liabilities to return emission rights continues to be reported in non-cash and other items. See ▶ Note 33 Trade and other payables.

Capital expenditure in cash flow

EUR million	Note	2021	2020
Capital expenditure ¹⁾		16, 17	1, 11
Change in not yet paid investments, decrease(+)/increase(-)			7
Capitalised borrowing costs ¹⁾			-1
CF Total			1, 17

¹⁾ 2020 comparatives have been revised due to a revision of the lease adjustment following the finalisation of the purchase price allocation acquisition.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 294 million during 2021 (2020: 1,801). AC shares mainly relates to the acquisition of Uniper shares. For further information see ▶ Note 3 Acquisitions and assets held for sale.

Divestment of shares in cash flow

EUR million	Note	2021	2020
Proceeds from sales of subsidiaries, net of cash disposed		93	93
Proceeds from sales and capital returns of associates and joint ventures		3, 18	2, 90
Proceeds from sales of other investments		3	2
CF Total		3, 86	3, 86

During 2021 Fortum completed the divestment of the 50% stake in the Swedish district heating and cooling Stockholm Exergi, district heating business in the Baltics, the Pavagada II and the Rajasthan solar power 80% stake in the Sørjford wind park in Norway and eight small hydropower plants in Sweden. During 2020 completed the divestment of the district heating business in Järvenpää and Joensuu, Finland. The 80% stake in Nordic wind portfolio and the 60% stake in the public charging point operator for electrical vehicles in the further information, see ▶ Note 3 Acquisitions and disposals and assets held for sale.

1 Significant accounting policies

1.1 Basic information

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

These financial statements were approved by the Board of Directors on 2 March 2022. The Financial Statements are also published in accordance with the European Single Electronic Format (ESEF) reporting requirement. The audit firm, Deloitte Oy, has provided an independent auditor's reasonable assurance report on Fortum's ESEF Financial Statements in accordance with ISAE 3000 (Revised). The ESEF report is available at <https://www.fortum.com/about-us/investors/reports-and-presentations>.

1.2 Basis of preparation

The consolidated financial statements of Fortum Group for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union. The notes to the consolidated financial statements also comply with the supplementing requirements of the Finnish accounting and company legislation.

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

The figures in the consolidated financial statements have been rounded and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures. Unless otherwise indicated, all amounts are presented in millions of euro (EUR million).

1.3 Principles for consolidation

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

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

1.3.1 Subsidiaries

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

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

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

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

Fortum Group subsidiaries are disclosed in ▶ Note 40 Group companies by segment. Group holding % owned via subsidiaries is based on the Fortum Corporation ownership % in the direct subsidiary times it of the direct subsidiary in the indirect subsidiary / associate / joint venture.

1.3.2 Associates

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

1.3.3 Joint ventures

Joint ventures are arrangements in which the Group has joint control. Joint ventures are accounted for method of accounting. See ▶ Note 18 Participations in associated companies and joint ventures.

1.3.4 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the equity of the owners of the parent. Non-controlling interests are generally initially measured at the non-controlling interests' proportionate share value of the acquiree's identifiable net assets. Changes in non-controlling interest due to changes in ownership of a subsidiary are accounted for as equity transactions. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' subsequent changes in equity. See ▶ Note 26 Non-controlling interests.

1.4 Measures for performance

According to the ESMA Guidelines on Alternative Performance Measures, an Alternative Performance Measure is understood as a financial measure of historical or future financial performance, financial position, or cash flow, that is not 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 statements for forecasting, management's follow-up of financial performance of segments and the Group, as well as for resource allocation. Comparable operating profit and Comparable EBITDA are calculated as follows: Comparable operating profit and Comparable EBITDA are disclosed separately in Fortum's consolidated financial statements to support the transparency of underlying business performance when comparing results between Fortum and other companies.

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

Further, business performance of operations cannot be compared from one period to another without one-time items relating to capital gains and other related items, such as transaction costs arising from a

impacts from acquisition accounting; significant impairments and reversals of impairments as well as other miscellaneous non-operating items, such as restructuring and cost management expenses. Such items are also treated as items affecting comparability.

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

In 2021, Fortum introduced two new APMs to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.

- Comparable net profit is calculated as comparable operating profit +/- comparable share of profit/loss from associates and joint ventures +/- comparable finance costs – net +/- comparable income tax expense +/- comparable non-controlling interests
- Comparable earnings per share is calculated as comparable net profit divided by average number of shares during the period

See ▶ Note 7 Comparable operating profit and comparable net profit. Definitions are presented in the section ▶ Definitions and reconciliations of key figures.

Fortum's long-term financial target for capital structure is Financial net debt / comparable EBITDA below 2x. See ▶ Note 5 Capital risk management.

1.5 Foreign currency transactions and translation

1.5.1 Functional and presentation currency

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

1.5.2 Transactions and balances

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

1.5.3 Group companies

Income statement and cash flow statement of subsidiaries, whose functional currencies are not euro, are translated into euro using the average exchange rates; whereas the balance sheets of such subsidiaries are translated at the closing exchange rates on the balance sheet date. On consolidation, exchange rate differences arising from translation of net investment in foreign entities, as well as borrowings and other currency instruments denominated in foreign currencies, are taken to equity. When a foreign operation is sold, such exchange differences recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and closing rate.

The balance sheet date rate is based on the exchange rate published by the European Central Bank date. The average exchange rate is calculated as an average of daily closing rates from the European C

Key exchange rates used in consolidated financial statements

	Average rate		Balance sheet 31 Dec 2021
	2021	2020	
United Kingdom (GBP)	0.8596	0.8897	0.8403
Norway (NOK)	10.1633	10.7228	9.9888
Poland (PLN)	4.5652	4.4430	4.5969
Russia (RUB)	87.1527	82.7248	85.3004
Sweden (SEK)	10.1465	10.4848	10.2503
United States (USD)	1.1827	1.1422	1.1326

1.5.4 Associates and joint ventures

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

1.6 Other significant accounting policies

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

Accounting policy	Note	IFRS standard
Subsidiaries	▶ 3 Acquisitions, disposals and assets held for sale	IFRS 3, IFRS 10
Assets held for sale	▶ 3 Acquisitions, disposals and assets held for sale	IFRS 5
Financial instruments	▶ 4 Financial risk management	IAS 32, IFRS 7, IFRS 9, IFRS 13
Segment reporting	▶ 14 Financial assets and liabilities by categories	IFRS 9, IFRS 13
Revenue recognition	▶ 15 Financial assets and liabilities by fair value hierarchy	IFRS 8, IFRS 15
Other income	▶ 6 Segment reporting	IFRS 15
Research and development costs	▶ 23 Trade and other receivables	IFRS 15
Government grants	▶ 8 Other income and other expenses	IAS 38
Share-based payments	▶ 8 Other income and other expenses	IAS 20
Earnings per share	▶ 10 Employee benefits and Board remuneration	IFRS 2
Other shares and participations	▶ 13 Earnings and dividend per share	IAS 33
Fair value measurement	▶ 14 Financial assets and liabilities by categories	IAS 32, IFRS 9
Intangible assets	▶ 20 Other non-current assets	IAS 36, IFRS 9
Tangible assets	▶ 15 Financial assets and liabilities by fair value hierarchy	IFRS 13
Joint arrangements	▶ 16 Intangible assets	IAS 38
Investments in associates	▶ 17 Property, plant and equipment and Right-of-use Assets	IAS 16
Impairment testing	▶ 18 Participations in associated companies and joint ventures	IFRS 11, IAS 28, IFRS 12
Inventories	▶ 18 Participations in associated companies and joint ventures	IAS 28, IFRS 12
Trade receivables	▶ 19 Impairment testing	IAS 28, IFRS 12
Liquid funds	▶ 22 Inventories	IAS 36
Borrowings	▶ 23 Trade and other receivables	IAS 2
Income taxes	▶ 24 Liquid funds	IFRS 9
Decommissioning obligation	▶ 27 Interest-bearing liabilities	IAS 7
Provisions	▶ 28 Income taxes on the balance sheet	IFRS 9
Pensions and similar obligations	▶ 29 Nuclear-related assets and liabilities	IAS 12
Leases	▶ 30 Other provisions	IFRIC 5
Contingent liabilities	▶ 31 Pension obligations	IAS 37
Events after the balance sheet date	▶ 34 Leases	IAS 19
	▶ 36 Pledged assets and contingent liabilities	IFRS 16
	▶ 39 Events after the balance sheet date	IAS 37
		IAS 1

1.7 Uniper acquisition

On 8 October 2019, Fortum entered into agreements to acquire all the shares held by funds managed by Management Corporation and its affiliates ("Elliott") and Knight Vinke Energy Advisors Limited and its affiliates ("Vinke"). Control over Uniper was acquired on 26 March 2020. On 31 March 2020, Fortum consolidated sheet of Uniper. The income statement impact from 26 March 2020 to 31 March 2020 was not material. consolidated stake in Uniper was 73.4% on 31 March 2020, and 78.0% on 31 December 2021 (31 Dec Uniper was accounted for as an associated company until 31 March 2020).

The purchase price accounting for the Uniper acquisition was completed on 31 March 2021. No further adjustments were made to the purchase price allocation presented in the 31 December 2020 financial statements. Fortum presented the preliminary purchase price allocation for the Uniper acquisition at 31 December 2020 in adjustments to Uniper's 31 March 2020 opening balance sheet. Fair value adjustments made in March 2020 opening balance sheet mainly related to property, plant and equipment and right-of-use asset participations in associates and joint ventures, lease liabilities, other provisions, and deferred taxes.

Increase in the value of property, plant and equipment resulted in additional depreciation (EUR 16 million) and increase in the value of the lease liability (due to a lower discount rate) resulted in lower interest costs in 2021). The lease adjustment was revised in the first quarter of 2021 in connection with the finalisation of price allocation for the Uniper acquisition. Excess of the acquisition value over the fair value of Uniper's 515 million) is recognised as goodwill. See ▶ Note 3 Acquisitions, disposals and assets held for sale. In the purchase price allocation, Fortum was also required to assess the circumstances giving rise to items Uniper segment's income statement during the one-year window from the acquisition date. In the first quarter of 2021, Fortum adjusted impairments (EUR 22 million) and reversals of impairments (EUR 12 million) from Uniper income statement. These adjustments did not have an impact on Uniper's 31 March 2020 opening balance sheet.

1.8 New accounting standards, amendments and interpretations

New accounting standards, amendments and interpretations effective from 1 January 2021 do not have impact on Fortum's consolidated financial statements.

New accounting standards, amendments and interpretations issued by the balance sheet date and effective from 1 January 2022, or later, are not expected to have a material impact on Fortum's consolidated financial statements.

Basis of preparation Risks

Income statement Balance sheet Off balance sheet items

Group structure and re

2 Critical accounting estimates and judgements

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

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

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

Critical accounting estimates and judgements	Note
Judgement used in the purchase price allocation of the acquisition of Uniper shares	<ul style="list-style-type: none"> ▶ 3 Acquisitions, disposals and assets held for sale
Judgement used in determining the valuation of certain financial instruments	<ul style="list-style-type: none"> ▶ 14 Financial assets and liabilities by categories ▶ 15 Financial assets and liabilities by fair value hierarchy ▶ 16 Intangible assets
Assigned values and useful lives determined for intangible assets and property, plant and equipment acquired in a business combination	<ul style="list-style-type: none"> ▶ 17 Property, plant and equipment and right-of-use assets
Assumptions related to impairment testing of property, plant and equipment and intangible assets as well as associated companies and joint ventures	<ul style="list-style-type: none"> ▶ 16 Intangible assets ▶ 17 Property, plant and equipment and right-of-use assets ▶ 18 Participations in associated companies and joint ventures ▶ 19 Impairment testing ▶ 18 Participations in associated companies and joint ventures
Judgement used when assessing the nature of Fortum's interest in its investees, when considering the classification of Fortum's joint arrangements, as well as commitments arising from these arrangements	<ul style="list-style-type: none"> ▶ 28 Income taxes on the balance sheet ▶ 37 Legal actions and official proceedings ▶ 29 Nuclear-related assets and liabilities
Estimates used for the recognition and measurement of deferred tax assets	<ul style="list-style-type: none"> ▶ 30 Other provisions
Assumptions made to determine long-term cash flow forecasts of estimated costs for provision related to nuclear production	<ul style="list-style-type: none"> ▶ 31 Pension obligations ▶ 34 Leases
Assumptions made when estimating provisions	<ul style="list-style-type: none"> ▶ 35 Capital and other commitments
Assumptions used to determine future pension obligations	
Assumptions used to determine the lease liability	
Judgement used in accounting for price-adjustment clauses contained in long-term contracts	

Climate-related matters

Fortum's power generation is mainly based on natural gas-fired generation, and carbon dioxide-free hydrogen power. Fortum targets to reduce the share of coal in power generation. Fortum is also a large producer in addition, Uniper segment operates a large commodities trading business and has natural gas storage play an important role in ensuring a secure and flexible gas supply.

Fortum's climate targets are aligned with the goals of the Paris Agreement and Fortum is committed to 2050 at the latest. In Europe, Fortum is committed to at least 50% CO₂ emissions reduction (Scope 1 and 2) by 2030 (compared to base-year 2019), and carbon neutrality (Scope 1 and 2) by 2050. European generation by 2030 (compared to base-year 2019), and carbon neutrality (Scope 1 and 2) by 2050 as well as 35% reduction in Scope 3 greenhouse gas emissions by 2035 (compared to base-year 2021).

Fortum's climate-related targets are reflected in the consolidated financial statements generally when they have been approved. Most significant impact on climate-related targets is to the following financial state

- Impairment testing: approved actions towards Fortum's climate targets are reflected in the assumption the impairment testing. See ▶ Note 19 Impairment testing.
- Intangible assets and Property, plant and equipment: economic lives and book values of property equipment reflect approved actions towards Fortum's climate-related targets. See ▶ Note 16 Intangible assets and Property, plant and equipment.
- Nuclear provisions include future costs for decommissioning nuclear power plants, and the approval of spent fuel. See ▶ Note 29 Nuclear-related assets and liabilities.
- Other provisions, such as restructuring provisions, asset retirement obligations and environmental provisions, are recognised when Fortum has a present legal or constructive obligation. See ▶ Note 30 Other provisions.

For accounting treatment applied to emission allowances, see ▶ Note 22 Inventories.

Impact of Covid-19 on consolidated financial statements

Fortum has considered the potential impact of the Covid-19 pandemic on its business operations, and overall effect in the consolidated financial statements not to be significant.

During 2020 and 2021, the Covid-19 pandemic resulted in new and partly unexpected risks as societies across the world implemented drastic measures to contain the spread of the disease. Although the impacts so far have been limited, and the situation compared to the end of 2020 has improved, the risks related to a prolonged period of low commodity prices, decreased demand, increased defaults and delayed payments, project delays, and increased risk of operational incidents or prolonged result of travel restrictions, absence of key personnel, as well as difficulties in obtaining key materials and spare parts, are closely monitored. Fortum is closely monitoring the development of the pandemic and its potential impacts.

Fortum has assessed whether there are any indications for impairment based on internal and external information, such as the effects of the Covid-19. Fortum does not currently foresee that Covid-19 would have a material impact on the overall values of its non-current assets, such as property, plant and intangible assets.

Geopolitical uncertainties

For geopolitical uncertainties, see ▶ Note 4 Financial risk management and ▶ Note 39 Events after the reporting date, as well as Risk management section in the Operating and financial review.

3 Acquisitions, disposals and assets held for sale

ACCOUNTING POLICIES SUBSIDIARIES

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

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

ASSETS HELD FOR SALE

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS: UNIPER PURCHASE PRICE ALLOCATION

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

3.1 Acquisitions

EUR million	2021	2020
Gross investments in shares in subsidiary companies	210	3,646
Gross investments in shares in associated companies and joint ventures	44	119
Gross investments in other shares	36	42
Total	290	3,807

3.1.1 Acquisitions

Gross investments in shares during 2021 were EUR 290 million (2020: 3,807). Acquisition of subsidiary relate to the acquisition of Uniper shares. During 2021 Fortum invested EUR 36 million (2020: 44) in wire in Russia.

3.1.2 Uniper acquisition in March 2020

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

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

EUR million

Acquisition of shares

Liquid funds in acquired companies

Acquisition of shares in cash flow

Interest-bearing liabilities in acquired companies

Other financial net debt in acquired companies

Gross investments in shares

Acquisition accounting

The purchase price allocation on the Uniper acquisition was completed on 31 March 2021. Fair value acquired mainly made to property, plant and equipment and right-of-use assets, participations in associates and lease liabilities, other provisions, and deferred taxes. Excess of the acquisition value over Uniper's net assets presented as goodwill. Fortum elected to measure non-controlling interest in Uniper based on the proportion of acquired net assets.

Acquired net assets are presented in the following table.

EUR million	31 Mar 2020	Risks
ASSETS		
Goodwill	1,779	
Other intangible assets	980	
Property, plant and equipment and right-of-use assets	9,268	
Participations in associates and joint ventures	750	
Derivative financial instruments	21,958	
Interest-bearing receivables	1,840	
Shares in Nuclear Waste Funds	1,602	
Margin receivables	413	
Trade and other receivables	7,236	
Deferred and income tax assets	1,021	
Inventories	1,565	
Liquid funds	1,328	
Total assets	49,739	

LIABILITIES	
Derivative financial instruments	21,084
Interest-bearing liabilities	1,575
Pension obligations	953
Nuclear provisions	1,758
Other provisions	3,935
Deferred and income tax liabilities	348
Margin liabilities	924
Trade and other payables	7,852
Total liabilities	38,428

Net assets on Uniper's balance sheet	11,312
Less goodwill on Uniper's balance sheet ¹⁾	-1,779
Net assets from Uniper excluding goodwill	9,533

Purchase consideration	2,587
Previously held equity interest	4,613
Acquisition value	7,201

Non-controlling interest on Uniper's balance sheet	-424
Non-controlling interest from Uniper acquisition	-2,423
Total non-controlling interest (NCI)	-2,847

Goodwill	515
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¹⁾ Goodwill on Uniper's balance sheet is deducted as it is not an identifiable asset of Fortum according to IFRS.

Acquired net assets are based on Uniper's first quarter 2020 financial report published on 7 May 2020. The line items have been classified in accordance with Fortum's balance sheet categorisation and, as such, comparable to Uniper's standalone balance sheet. Further, Fortum and Uniper are both co-owners in the nuclear company OKG AB. OKG AB is consolidated into Uniper Group as a subsidiary with a 45.5% minority representing Fortum's ownership in OKG AB. Fortum accounted for the shareholding in OKG AB as an company until 31 March 2020, and consolidated OKG AB as a subsidiary from 31 March 2020. Shareholding in Uniper has been acquired in stages as Fortum held 49.99% of Uniper shares prior to of control on 26 March 2020. Under IFRS, the previously held associated company interest is fair value recognised to the consolidated income statement. The fair value of the previously held associated company Uniper was EUR 4,613 million. The fair value was based on Uniper share price at 26 March 2020, slight premium for significant influence. There are no significant unobservable inputs used in the valuation (me corresponding to fair value hierarchy level 2). No gain or loss was recognised from fair valuing the previous interest as the fair value was approximately equal to the carrying amount. Acquisition-related costs of EUR 20 million are included in items affecting comparability in the 2020 income statement. See Note 7. Comparable operating profit and comparable net profit.

3.1.3 Other share transactions
 During 2021, the Fortum-Rusnano wind investment fund sold the 200-MW Kalmykia wind farms to the Fortum Direct Investment Fund (RDIF) joint venture.
 During 2020, Fortum's joint venture, the Fortum-Rusnano wind investment fund, sold the 300-MW Ulyanovsk 300-MW Rostov wind farms to a new joint venture established with RDIF aimed at the operation of renewable plants in Russia.

3.2 Disposals	2021
EUR million	1,111
Gross divestments of shares in subsidiary companies	2,848
Gross divestments of shares in associated companies and joint ventures	2,848
Gross divestments of other investments	4,111
Total	4,111

3.2.1 Disposals of subsidiary companies
Disposals during 2021
 On 22 June 2021, Fortum announced that it had signed an agreement to divest the 250-MW Panchagada II Rajasthan solar power plants in India to Actis. The total consideration from the divestment on 22 June 2021, including the effect of deconsolidating of the net debt amounted to approximately EUR 280 million. The sale was concluded in October 2021 and the first phase of Rajasthan divestment in November 2021. Fortum exempt sales gain of EUR 1.1 million in the 2021 comparable operating profit of the City Solutions segment. In February 2020, Uniper signed an agreement with Saale Energie GmbH, a subsidiary of the Czech Energetický a průmyslový holding, a. s., on the sale of the interest in the Schkopau lignite-fired power plant.

OPERATING AND FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS	SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS	AUDITOR'S REPORT	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION
Income statement				Balance sheet	Off balance sheet items	Group structure and re		
<p>Uniper is the operator of the power plant and holds a stake of about 58%. Saale Energie holds a stake of around 42% in the Schkopau power plant and took over Uniper's stake effective 1 October 2021.</p> <p>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 2021 results.</p> <p>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. In December 2021, 78 MW of the capacity was commissioned and the remaining capacity will be commissioned in the second half of 2022. 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 2021 comparable operating profit of the Russia segment.</p> <p>In December 2020, Fortum decided to sell eight small hydropower plants in Sweden with an average annual power generation of 0.1 TWh to Downing Renewables & Infrastructure Trust plc. The total purchase price on a debt and cash free basis is EUR 64.5 million. The transaction closed on 2 February 2021.</p>								
<p>Disposals during 2020</p> <p>In December 2019, Fortum and Credit Suisse Energy Infrastructure Partners (CSEIP) signed an agreement whereby funds advised by CSEIP acquired an 80% stake in Fortum's Nordic wind portfolio. The total consideration on a debt- and cash-free basis was approximately EUR 170 million. The transaction, excluding the Sørfjord wind park, which was still under construction, was closed on 14 May 2020. The transaction on Sørfjord wind park was closed on 20 January 2021.</p> <p>On 3 July, Fortum announced it had agreed to sell the district heating business in Järvenpää, Finland for EUR 375 million to a consortium consisting of Vantaa Energy Ltd, Infranode, and Keva. Fortum completed the transaction on 19 August 2020 and recorded a tax-exempt capital gain of EUR 291 million in the City Solutions segment's 2020 results.</p> <p>On 27 April 2020, Fortum signed an agreement to sell 60% of its public charging point operator, Fortum Recharge AS, for electrical vehicles in the Nordics to Infacapital. The transaction closed on 29 May 2020, and Fortum recorded a tax-exempt capital gain of EUR 72 million in Other Operation's 2020 results. The cash consideration was EUR 87 million.</p> <p>In December 2019, Fortum signed an agreement to sell its district heating business in Joensuu, Finland to Savon Voima Oyj. The total consideration on a debt- and cash-free basis was approximately EUR 530 million. The transaction was completed on 10 January 2020, and Fortum recorded a tax-exempt capital gain of EUR 431 million in the City Solutions segment's 2020 results.</p>								
<p>3.2.2 Other disposals</p> <p>On 20 September 2021, Fortum concluded the sale of its 50% ownership in the Swedish district heating company Stockholm Exergi Holding AB (publ) to a consortium of European institutional investors of APC PGGM, Keva, and AXA. The signing of the transaction was announced on 30 June 2021. The total consideration amounted to SEK 29.5 billion (approximately EUR 2.9 billion). Fortum recorded a tax-exempt capital gain of 2,350 million in the City Solutions segment's 2021 results.</p>								
<p>3.3 Assets held for sale</p> <p>Assets held for sale at 31 December 2021 include equity investment in Javelin, UK (Uniper segment), a Öresundverket power plant in Malmö, Sweden (Uniper segment).</p> <p>Assets held for sale at 31 December 2020 included Schkopau lignite-fired power plant (Uniper segment) wind park (Generation segment). The transaction on Schkopau power plant was closed on 1 October 2021. The transaction on Sørfjord wind park on 20 January 2021.</p>								
<p>EUR million</p> <p>Assets held for sale</p> <p>Intangible assets and property, plant and equipment and right-of-use assets</p> <p>Deferred tax assets</p> <p>Other non-current and current assets</p> <p>BS Total</p>								
<p>Liabilities related to assets held for sale</p> <p>Interest-bearing liabilities</p> <p>Deferred tax liabilities</p> <p>Pension and asset retirement obligations</p> <p>Other liabilities and provisions</p> <p>BS Total</p>								

Basis of preparation Risks

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4 Financial risk management

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

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

4.1 Commodity market and fuel risks

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

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

Derivatives are also entered into for proprietary trading purposes which is conducted exclusively in compliance with strict internal and regulatory restrictions.

4.1.1. Sensitivity arising from commodity derivatives according to IFRS 7

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

Fortum, excluding Uniper

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

Sensitivity according to IFRS 7

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

Uniper segment

In Uniper segment, derivatives are used mainly for hedging, but also for proprietary trading purposes. Commodity price risks in Uniper segment are measured based on a value-at-risk approach with 95% interval and take into account the amount of open position as well as the prices, their volatility and the respective markets. Value-at-risk figures are supplemented by stop-loss and volume based indicators. V additional portfolio-specific restrictions are set.

Based on the current Uniper portfolio, as of December 2021, the calendar year based weighted value takes market liquidities into account and ignores correlations between years, was EUR 1,422 million (2020 financial and physical commodity contracts covering next three years).

4.1.2. Electricity price and volume risk

The exposure to Nordic electricity prices and normal volume fluctuations (e.g. due to weather-driven demand changes) is the largest commodity market risk exposure for Fortum in terms of impact to earnings. The exposure from outright power production (hydro and nuclear production assets) is mainly hedged by entering into electricity derivatives contracts on exchanges such as Nasdaq Commodities or the European Energy Exchange, as well as counterparties active in the energy and financial markets. The main objective of hedging is to reduce electricity price volatility on cash flows and to increase the predictability of future results. The Generation Uniper segment have separate hedging strategies covering several years in the short- to medium term. The strategies are executed within approved mandates and are continuously evaluated as electricity and other market prices, the hydrological balance and other relevant parameters change.

Generation segment's hedging for power sales is performed in EUR on a Nordic level covering both Finland and Sweden. The currency component of these hedges in the Swedish entity is currently not hedged. Generation segment's Nordic electricity market price is dependent on the hedge level for a given time period. As per 31 December 2022 with a price 34 EUR/MWh and approximately 50% for the calendar year 2023 with a price of 34 EUR/MWh for the approximately 75% of the Generation segment's estimated Nordic power sales volume was hedged for the Nordic countries.

Uniper segment's power hedging is performed in EUR only in Sweden as there is no electricity production in the Nordic countries. The currency exposure in the Swedish entity is hedged according to a separate hedging strategy. Uniper segment's sensitivity to the Nordic electricity price is dependent on the hedge level for a given time period. Uniper segment's Nordic generation hedges as per 31 December 2021 was approximately 83% at 18 EUR/MWh for 2022, and approximately 60% at 18 EUR/MWh for 2023.

In the Russia segment, electricity prices are the main sources of market risk. The electricity price is highly sensitive with the gas price. Exposure is partly mitigated through regulated fixed-price bilateral agreements, but the electricity sales is exposed to spot price risk. There are no derivatives contracts in the Russia segment.

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4.1.3 Commodity derivatives

The table below discloses Fortum Group's commodity derivatives for which hedge accounting according to IFRS 9 is applied. The fair values represent the values disclosed on the balance sheet. See also ▶ Note 14 Financial assets and liabilities by categories for accounting principles and ▶ Note 15 Financial assets and liabilities by fair value hierarchy for basis of fair value estimations.

Commodity derivatives subject to hedge accounting 2021

	Volume, TWh					Fair value, EUR million		
	Under 1 year	1-5 years		Over 5 years	Total	Positive	Negative	Net
		31	-					
Electricity derivatives	25	31	-	57	349	1,648	-1,298	
Gas derivatives	30	-	-	30	335	1,750	-1,415	
Netting against commodity exchanges ¹⁾					-215	-215		
Total	55	31	1	87	469	3,183	-2,713	

Commodity derivatives subject to hedge accounting 2020

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

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

Maturity analysis of commodity derivatives

Amounts in the table are fair values.

EUR million	2021			2020		
	Under 1 year	1-5 years		Under 1 year	1-5 years	
		16,965	44		7,416	2,662
Commodity derivatives, assets	71,839	126	88,460	7,756	68	10,146
Commodity derivatives, liabilities	16,495	2,428	10,295	111	111	10,295

4.2 Liquidity and refinancing risk

Fortum's business is exposed to liquidity and refinancing risks primarily through the need to finance the business operations including margining and collateral issued for trading and hedging activities.

In addition to the margining risk, trading derivative financial instruments exposes the Group to a liquidity risk associated with having to provide rating-dependent financial collateral like cash or bank guarantees. A rating could trigger counterparties' right to demand additional collateral, which would need to be provided by bank guarantees.

The derivative instruments used by the Group are traded via exchanges and over-the-counter with securities counterparties based on bilateral margining agreements. Both ways of trading require the exchange of credit risks (margining payments). The sharp increase in commodity prices during latter part of 2021 has led to net margining payments significantly. Margin receivables from commodity hedging activities at balance EUR 9,163 million (2020: 1,132) and margin liabilities EUR 985 million (2020: 331).

Liquidity and refinancing risks are managed through a combination of cash positions and committed credit facilities with the core banks. The maturity profile of loans is monitored to ensure that the Group has access to adequate liquidity for investments, loan maturities and margining required for commodity hedging activities. Cash pools of Uniper are not combined with the cash pools of its ultimate parent company, Fortum.

Fortum's business is capital intensive and it has a diversified loan portfolio mainly consisting of long-term loans denominated in EUR and commercial papers. Long-term financing is primarily raised by issuing bonds and commercial papers. Fortum's Euro Medium Term Note programme, as well as through bilateral and syndicated loan facilities of different financial institutions.

In Fortum, financing is primarily raised on parent company level and funds are distributed internally through internal financing arrangements. For example, operations of PAO Fortum are mainly financed via equity and long-term RUB denominated loans. The internal RUB loan receivables are hedged via external derivative contracts offsetting the currency exposure for the parent company.

On 31 December 2021, 66% (2020: 85%) of the Group's total external loans was raised by the parent company, and remaining 29% (2020: 6%) by the Uniper segment and 5% (2020: 9%) by other subsidiaries. At the end of 2021, financial net debt was EUR 789 million (2020: 7,023) and adjusted net debt EUR (2020: 9,784).

On 31 December 2021, loan maturities for the coming twelve-month period amounted to EUR 8,389 million, including EUR 3,129 million commercial papers, EUR 2,300 million revolving credit facilities and EUR 2,960 million long-term loans. Maturities in 2022 also include EUR 736 million loans with no contractual maturity date (2020: 2,308). At the end of the reporting period, the Group's liquid funds totalled EUR 7,592 million (2020: 2,308). L. 244) of liquid funds in the form of cash and bank deposits.

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Maturity of loans

EUR million	2021
2022	8,389
2023	3,848
2024	867
2025	18
2026	772
2027 and later	2,251
Total	16,144

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

Liquid funds, major credit lines and debt programmes 2021

EUR million	Total facility amount	Drawn amount	Available amount
Liquid funds			
Fortum	4,626		
Uniper segment	2,966		
Total	7,592	7,592	300
of which in Russia			
Committed credit lines			
Fortum Corporation, EUR 1,750 million syndicated credit facility	1,750	1,750	-
Fortum Corporation, EUR 800 million bilateral credit facility	800	500	300
Uniper, EUR 1,800 million syndicated credit facility	1,800	1,800	-
Fortum Corporation, bilateral overdraft facilities	100	-	100
Total	4,450	4,050	400

of which in Russia

EUR million	Under 1 year	1-5 years	Over 5 years	Total
Debt programmes (uncommitted)				
Fortum Corporation, CP programme EUR 1,000 million	1,000	988	12	1,997
Fortum Corporation, CP programme SEK 10,000 million	976	660	316	1,952
Uniper, CP programme EUR 1,800 million ¹⁾	1,800	1,480	-	3,280
Fortum Corporation, EMTN programme EUR 8,000 million	8,000	3,698	4,302	15,999
Uniper, Debt Issuance programme EUR 2,000 million	2,000	-	2,000	4,000
Total	13,776	6,826	6,630	27,232

¹⁾ Link to Uniper EUR 1,800 million syndicated credit facility: available only for undrawn syndicated credit facility amount. Since whole Uniper syndicated credit facility was drawn, no Uniper CP limit available as of 31 December 2021.

Liquid funds, major credit lines and debt programmes 2020

EUR million	Total facility amount
Liquid funds	
Fortum	1,750
Uniper segment	1,450
Total	3,200
of which in Russia	100
Committed credit lines	5,100
Fortum Corporation, EUR 1,750 million syndicated credit facility	1,750
Fortum Corporation, EUR 1,450 million syndicated credit facility	1,450
Uniper, EUR 1,800 million syndicated credit facility	1,800
Fortum Corporation, bilateral overdraft facilities	100
Total	5,100
Debt programmes (uncommitted)	
Fortum Corporation, CP programme EUR 1,000 million	1,000
Fortum Corporation, CP programme SEK 10,000 million	997
Uniper, CP programme EUR 1,800 million	1,800
Fortum Corporation, EMTN programme EUR 8,000 million	8,000
Uniper, Debt Issuance programme EUR 2,000 million	2,000
Total	13,797

Maturity analysis of interest-bearing loans and derivatives

Interest-bearing loans are non-discounted expected cash flows including future interest payments and a maturity analysis of interest-bearing loans and derivatives. Interest rate and currency derivatives represent the fair value of the derivatives on the balance sheet. Maturity analysis of interest-bearing loans and derivatives of commodity derivatives is disclosed separately in the ▶ Note 4.1.3 Commodity derivatives.

EUR million	2021			2020		
	Under 1 year	1-5 years	Over 5 years	Under 1 year	1-5 years	Over 5 years
Interest-bearing loans	8,490	5,728	2,450	1,866	4,912	4,912
Interest rate and currency derivative liabilities	107	17	19	143	181	82
Interest rate and currency derivative receivables	-227	-87	-1	-315	-115	-133
Total	8,371	5,659	2,468	16,498	1,922	4,860

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4.3 Interest rate risk and currency risk

4.3.1 Interest rate risk

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

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

On 31 December 2021, the duration of Fortum's loan portfolio (including derivatives) was 1.7 years (2020: 2.0). Approximately 82% (2020: 76%) of the loan portfolio was on a floating rate basis, or fixed rate loans maturing within the next 12-month period. The flow risk, measured as the difference between the base case interest cost estimate and the worst-case scenario estimate for Fortum's loan portfolio for the coming 12 months, was EUR 63 million (2020: 16). The increase of flow risk is mainly driven by increase of new loans, especially floating loans, and a significant increase in interest rate volatilities at the end of 2021 in several currencies.

The average interest rate for the total loan portfolio, including derivatives in finance costs, was 1.3% at the balance sheet date (2020: 1.5%). Part of the external loans, EUR 925 million (2020: 634), have been swapped to RUB and the average interest cost for these loans, including cost for hedging the RUB, was 8.3% at the balance sheet date (2020: 6.2%). The average interest rate of EUR loans was 0.6% (2020: 0.9%).

Fortum uses interest rate derivatives and to large extent applies hedge accounting when hedging the loan portfolio of the Group. There is an ongoing reform of certain floating interest benchmark rates to alternative risk free rates (ARR) due to the forthcoming IBOR (Interbank Offered Rates) transition. Since EURIBOR (Euro Interbank Offered Rate) is expected to continue as the benchmark rate, as it has been already fully reformed, all hedges are expected to continue to be 100% effective with no impact on finance costs – net. In addition to significant EURIBOR exposure, the Group has interest rate derivatives in RUB and SEK and sees that the IBOR transition will not have significant impact on the value and effectiveness of these derivatives.

Fortum Group has no interest rate derivatives or external loans in currencies (USD, GBP) where the IBOR transition had impact already starting in year 2022 and thus there has not been any need to restructure the portfolio. Agreements with reference to EONIA (Euro Overnight Index Average) have been amended to ESTR (Euro Short Term Rate) during 2021. Fortum Group will continue to monitor the development of the IBOR transition.

4.3.2 Currency risk

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

Fortum transaction exposure, excluding Uniper

EUR million	2021		Net Position	Open Position	Net
	Hedge	Hedge			
RUB	-744	-744	744	0	455
SEK	901	901	-898	3	1,825
PLN	-498	-498	499	1	417
NOK	-746	-746	748	2	84
INR	-	-	-	-	86
USD	37	37	-36	1	-87
Other	-2	-2	5	3	-4
Total	-1,052	-1,052	1,062	11	2,777

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

Transaction exposures arise mainly from physical and financial trading of commodities, exchange and interest rate derivatives, external and internal financing and shareholder loans. Contracted cash flow exposures are reduced by the use of derivatives. These hedges normally consist of currency derivative contracts, which reduce volatility in future cash flows. These hedges normally consist of currency derivative contracts, which are matched against the underlying future cash flow according to maturity. Fortum has currency cash flow hedges with and without hedge accounting treatment under IFRS. Those currency cash flow hedges for which hedge not applied are mainly hedging commodity derivatives and create volatility in operating profit. There was no ineffectiveness arising from cash flow hedges in 2021.

As of 31 December 2021, for Fortum, excluding Uniper, the one-day value-at-risk (VAR) with 99% confidence for loans, receivables and derivatives was EUR 2.4 million (2020: 1.4) in the income statement and EUR 1.2 million (2020: 0.7) in equity. Income statement sensitivity resulted mainly from cash flows in SEK and NOK and equity sensitivity mainly from cash flows in PLN and USD. For Uniper, one-day VAR with 99% confidence from translation and borrowings in foreign currency and derivatives was EUR 19 million (2020: 18) and resulted primarily from positions in GBP, USD and SEK.

Translation exposure position includes net investments in foreign subsidiaries and associated companies. Fortum's exposures in Fortum are generally not hedged as the majority of these assets are considered to be long-term investments. In Fortum, this means mainly entities operating in Sweden, Russia and United Kingdom, whose exposures are not euro.

Exchange differences arising from the translation of the net investment in foreign entities as taken to equity are not hedged. Effect of exchange differences on equity attributable to equity holders mainly from RUB and PLN was EUR 492 million (2020: -492). Part of this translation exposure has been hedged and the notional amount of foreign currency hedges were EUR -263 million in 2021 (2020: -238). The foreign currency hedge result amounted to EUR 53 million (2020: 53). There was no significant ineffectiveness arising from net investment hedges in 2021.

Interest rate and currency derivatives by instrument 2021

EUR million	Notional amount		Remaining lifetimes		Fair value		Net
	Under 1 year	Over 1-5 years	Over 5 years	Total Positive	Negative	Net	
Hedge accounting							
Foreign exchange derivatives	282	136	-	417	9	2	7
Interest rate swaps	1,300	1,323	1,175	3,798	71	27	44
Gross currency swaps	214	47	-	261	30	2	28
Non-hedge accounting							
Foreign exchange derivatives	15,404	1,050	-	16,455	204	111	93
Interest rate swaps	-	34	-	34	0	0	0
Gross currency swaps	-	24	-	24	-	1	-1
Total	17,200	2,613	1,175	20,989	315	143	172
Of which long-term					88	36	52
Short-term					227	107	120

Interest rate and currency derivatives by instrument 2020

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

4.4 Credit risk

Fortum is exposed to counterparty risk whenever there is a contractual arrangement with an external counterparty. Credit risk exposures relating to financial derivative instruments are often volatile and include both the risk and the settlement risk. Exchange-traded derivatives are cleared through central clearing parties (CCPs) clearing banks while over-the-counter (OTC) derivative contracts are concluded directly with a number of counterparties including energy wholesalers and retailers, utilities, trading companies, energy companies and end-users and financial institutions active in the financial and energy markets. Currency and interest rate derivatives are limited to investment grade banks and financial institutions. International Swaps and Association (ISDA) Master agreements, which include netting clauses and in some cases Credit Support Agreements, are in place with most of these counterparties. The majority of commodity derivative contracts are investment-grade or comparable ratings. Master agreements, such as those published by ISDA and European Federation of Energy Traders (EFET), which include netting clauses, are in place with the majority of banks and financial institutions in the form of deposits and towards corporate issuers of commercial paper in the Nordic market. The majority of the exposure is towards Fortum's key relationship banks, which are high creditworthy institutions. Investments in commercial papers were all with investment grade issuers at 31 December 2021. Fortum also has exposure to the Russian financial sector in terms of deposits with financial institutions to banks that provide guarantees for suppliers and contracting parties. Deposits in Russia have been covered by the most creditworthy state-owned or controlled banks, as well as affiliates of key relationship banks. The creditworthiness of banks and financial institutions is monitored so that mitigating actions can be taken in a financial situation changes.

Credit risk relating to customers, suppliers and trading partners is spread across a wide range of industries, counterparties, energy companies, government and municipal entities, utilities, small businesses, housing and private individuals over a range of geographic regions. The majority of exposure is in the form of trade receivables from the sale of electricity, gas and heat in the Nordic market, continental Europe and Russia. The creditworthiness of customers and suppliers is monitored so that mitigating actions can be taken in a financial situation changes.

4.4.1 Credit quality of major financial assets

Fortum recognises loss allowance for expected credit losses on financial assets classified to amortised cost measurement. The impairment model is applied to financial assets such as trade receivables, deposits, commercial papers, and loan and other interest-bearing receivables. See Note 23 Trade and other receivables for details on expected credit losses recognised for trade receivables.

OPERATING AND FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS	SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS	Balance sheet	OFF-BALANCE SHEET ITEMS	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION
					Income statement	Balance sheet	Off-balance sheet items	KEY FIGURES 2012-2021	Group structure and re
									2021
									Carrying amount
									of which Carrying amount past due
									amount
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Financial instruments subject to master netting agreements:

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

Netting agreements for financial assets and liabilities 2021

EUR million	Gross amount	Gross amount netted in the balance sheet ¹⁾	Net amounts presented in the balance sheet	Conditional netting amount (netting agreements)	Financial collateral received /pledged	Net amount
Financial assets						
Interest-rate and currency derivatives	315	-	315	129	153	33
Commodity derivatives	87,019	4,845	82,174	56,383	-1,576	27,368
Trade receivables	12,916	-	12,916	5,651	0	7,265
Total	100,250	4,845	95,405	62,162	-1,423	34,666

EUR million

Financial liabilities						
Interest-rate and currency derivatives	143	-	143	129	5	9
Commodity derivatives	93,306	4,845	88,466	56,383	4,293	27,785
Trade payables	12,152	-	12,152	5,651	-	6,501
Total	105,600	4,845	100,755	62,162	4,298	34,295

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

Netting agreements for financial assets and liabilities 2020

EUR million	Gross amount	Gross amount netted in the balance sheet ¹⁾	Net amounts presented in the balance sheet	Conditional netting amount (netting agreements)	Financial collateral received /pledged
Financial assets					
Interest-rate and currency derivatives	331	-	331	87	1
Commodity derivatives	10,939	793	10,146	5,290	-1
Trade receivables	7,115	-	7,115	3,692	-
Total	18,386	793	17,593	9,069	

EUR million

Financial liabilities					
Interest-rate and currency derivatives	299	-	299	87	
Commodity derivatives	11,088	793	10,295	5,290	1
Trade payables	7,126	-	7,126	3,692	
Total	18,513	793	17,720	9,069	

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

5 Capital risk management

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

The updated strategy builds on four priorities:

- 'Transform own operations to carbon neutral',
- 'Strengthen and grow in CO₂-free power generation',
- 'Leverage strong position in gas to enable the energy transition', as well as
- 'Partner with industrial and infrastructure customers'.

Fortum's coal-fired generation capacity will be reduced by more than 50% by the end of 2025, to approximately 5 GW and Fortum targets carbon neutrality for the European generation by 2035 at the latest.

Fortum is focusing on growing a sizeable portfolio of onshore wind and solar based power generation primarily in Europe to make it a meaningful EBITDA contributor. The target is to build 1.5-2 GW of new capacity by 2025. This capacity will partly be built on our own balance sheet and partly through partnerships.

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

In parallel with the strategy alignment, Fortum and Uniper have together identified cooperation benefits expected to bring a positive cash impact of approximately EUR 100 million annually. More than EUR 50 million of these annual benefits are estimated to be achieved by the end of 2023, with full effect of approximately EUR 100 million annually in 2025 creating value for both companies and their shareholders.

Financial targets, dividend policy, and 2022 guidance for capital expenditure

Fortum continues to be committed to maintaining a rating of at least BBB. The long-term financial targets are:

- Financial net debt/comparable EBITDA below 2x, defined as Alternative Performance Measure.
- Hurdle rates for new investments based on weighted average cost of capital ("WACC")
 - +100 basis points for green investments
 - +200 basis points for other investments

Fortum's dividend policy is 'to pay a stable, sustainable, and over time increasing dividend'. Fortum's Board of Directors proposes a dividend of EUR 1.14 per share for the year 2021 with the target to increase the dividend going forward.

The estimated annual capital expenditure, for 2022 is approximately EUR 1,500 million, including maintenance and excluding acquisitions. The share of maintenance is estimated to be EUR 800 million.

In July 2021 S&P Global Ratings revised its long-term credit rating for Fortum to BBB, with a stable outlook (previously BBB with Negative Outlook). Fitch Ratings long-term credit rating for Fortum was also revised to BBB, with a stable outlook (previously BBB with Negative Outlook).
S&P Global Ratings long-term credit rating for Uniper was also revised in September 2021 to BBB, with a stable outlook. In July 2021, S&P Global Ratings also revised its long-term rating for Uniper to BBB, with a stable outlook (previously BBB with Negative Outlook).
In January 2022, S&P Global Ratings affirmed both Fortum's and Uniper's rating of BBB with a stable outlook.

Financial net debt/comparable EBITDA ratio

EUR million

- + Interest-bearing liabilities
- BS Liquid funds
- Non-current securities
- Collateral arrangement securities
- Securities in interest-bearing receivables
- BS Margin receivables
- + BS Margin liabilities
- + Net margin liabilities

Financial net debt

IS Operating profit

+ IS Depreciation and amortisation

EBITDA

- IS Items affecting comparability

Comparable EBITDA

Financial net debt/comparable EBITDA

See > Note 7 Comparable operating profit and comparable net profit for details on items affecting comparability
> Note 27 Interest-bearing liabilities, including further details of the financing and liquidity status and see > Definitions and reconciliations of key figures.

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

Basis of preparation Risks

Income statement Balance sheet Off balance sheet items

KEY FIGURES 2012-2021

Group structure and re

6 Segment reporting

SIGNIFICANT ACCOUNTING POLICIES REVENUE RECOGNITION

Fortum's operations comprise the provision of gas, electricity, heating and cooling as well as global energy trading and optimisation and waste management services. Revenue streams can be divided into five groups: gas sales, power sales to wholesale markets, power sales to retail customers, heating sales and waste treatment sales.

Revenue is recognised when goods are transferred or services are performed, i.e. when a performance obligation is satisfied and control of the good or service underlying the particular performance obligations is transferred to the customer. Revenue is shown at the price that Fortum expects to be entitled to and it is presented net of rebates, discounts, value-added tax and selective taxes, such as electricity tax. Revenues also include the surcharge mandated by the German Renewable Energy Sources Act in the Uniper segment. Revenues include effects from physically settled contracts for which own use exemption cannot be used according to IFRS 9, see • Note 7 Comparable operating profit and comparable net profit. Accounting policies for the different revenue streams are described below.

POWER SALES TO WHOLESALE MARKETS AND THROUGH BILATERAL CONTRACTS

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

POWER SALES TO RETAIL CUSTOMERS

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

HEAT SALES

In many areas the district heating service covers both the distribution and sale of heat. Fortum is usually responsible for delivering the whole service, even when heat is being produced by a third party, and is acting as a principal for heat sales as well. There is only one performance obligation, which is to stand-ready to supply heat to the customer. The fees charged from the customer generally comprise a fixed monthly charge and a variable fee based on the volume of

heat supplied. As Fortum's promise is to stand ready to deliver heat, the fixed and variable components are based on the fees chargeable from the customer. In Russia and Poland there are also areas where Fortum only the heat production facilities while some third party is responsible for the distribution of heat. In the performance obligation is to supply heat and revenue is recognised based on the volume of heat that Fortum is to charge from the customer.

GAS SALES

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

For physically settled transactions that are in the scope of IFRS 15 (own-use transactions), revenue based on contract prices, as these reflect the economic character of the transactions and the contractual consideration amounts. IFRS 15 provides for a different method, for example when constraint on various considerations is applicable, contract prices are adjusted accordingly.

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

WASTE TREATMENT SALES

Majority of revenue from waste management services arises from fees charged for receiving waste from industrial customers (i.e. gate fees). The fee is usually determined based on the volume of waste received, there are no variable elements in pricing. Fortum is required to treat the waste and this performance obligation is satisfied when treatment is performed. Transportation of the waste forms another performance obligation. Fees for waste treatment and transportation services are separately agreed in the contract and correspond to the price that would be paid for these services separately. Revenue for transportation service is recognised when the service has been performed at the customer sites. Waste treatment sales include also various types of soil and landfill site projects, which mostly take place at customer sites. Fees charged are invoiced based on payment schedules agreed with the customer. The customer obtains the benefit of the construction work simultaneously when the construction work proceeds, and revenues are recognised over time. Progress of the construction is best measured either through high costs incurred or through the completed area of the construction site.

NETTING AND INTER-SEGMENT TRANSACTIONS

Generation and City Solution segments sell their electricity production to Nord Pool and Consumer Solutions buys its electricity from Nord Pool. For these segments eliminations of sales include eliminations of sales purchases with Nord Pool that are netted at Group level on an hourly basis and posted either as revenue or expense depending on if Fortum is a net seller or net buyer during any particular hour. Intersegment sales, expenses and results for the different business segments are affected by intragroup deliveries, which are eliminated on consolidation. Inter-segment transactions are based on commercial terms.

6.1 Business structure

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

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

Uniper was accounted for as an associated company until 31 March 2020 with three-month time lag, which meant that Fortum's first quarter results included Fortum's share of Uniper results from 1 October 2019 to 31 March 2020 reported in Other Operations. See also ▶ Note 18 Participations in associated companies and joint ventures.

Further, reporting of both the Uniper segment and the Generation segment were impacted by adjustments for the joint ownership in the Swedish nuclear company, OKG Aktiebolag (OKG AB). Fortum and Uniper are co-owners in the Swedish nuclear company OKG AB. OKG AB is consolidated into Uniper Group as a subsidiary with a 45.5% minority representing Fortum's ownership in OKG AB. Fortum accounted for the shareholding in OKG AB as an associated company until 31 March 2020. On 31 March 2020, OKG AB was consolidated as a subsidiary to Fortum Group. Fortum has adjusted Uniper's standalone income statement and balance sheet numbers in respect of Fortum's shareholding in OKG AB, as well as adjusted operating profit, share of profit/loss in associates and joint ventures and net assets of OKG AB recorded in the Generation segment. Consequently, the Group's subsidiary, OKG AB, is split between the two segments according to ownership.

6.2 Segment structure

Fortum discloses segment information in a manner consistent with internal reporting to Fortum's Board of Directors. Fortum's segment information is prepared by the President and CEO. Fortum segments are based on the type of operation, combined with one segment based on geographical area and one segment based on a separate group. Fortum's reportable segments are the business divisions Generation, Russia, City Solutions, Consumer Solutions and Uniper.





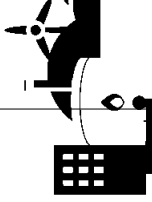
6.3 Definitions for segment information

Fortum's segment information discloses the financial measurements used in financial target setting and management's follow up of financial performance and allocation of resources in the Group's performance process. See ▶ Note 1.4 Measures for performance.

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

OPERATING AND FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS	SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS	AUDITOR'S REPORT	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION
Basis of preparation				Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and re

Description of reportable segments:

Group										
Reportable segments			Russia	City Solutions	Consumer Solutions	Uniper				
	Generation	<p>Generation is responsible for Nordic power generation. The segment comprises CO₂-free nuclear, hydro, and wind power generation, as well as power portfolio optimisation, trading, market intelligence, thermal power for the capacity reserve, and global nuclear services. The segment does not include the Nordic hydro and nuclear power generation or the trading activities of Uniper. As of 31 March 2020, the segment includes Generation's proportionate share of OKG.</p>		<p>The Russia segment comprises power and heat generation and sales in Russia. The segment includes Fortum's fully owned power plants and its joint ventures for building and operating approximately 3.4 GW of renewable power generation and for power and heat sales, as well as Fortum's more than 29% holding in TGC 1. These joint ventures and the associated company are accounted for using the equity method. The segment does not include Uniper's Russian subsidiary Unipro.</p>		<p>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. The segment has also included Fortum's 50% holding in Stockholm Exergi, which was a joint venture accounted for using the equity method. Stockholm Exergi Holding AB was divested in September 2021. The segment does not include the operations of Fortum's subsidiary Uniper.</p>		<p>Consumer Solutions is responsible for the electricity and gas retail businesses in the Nordics, Poland and Spain, including the customer service and invoicing businesses. Fortum is the largest electricity retail business in the Nordics, with approximately 2.2 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.</p>		<p>The Uniper segment comprises Fortum's ownership in Uniper, a subsidiary of Uniper. Uniper is a leading international energy company with activities in more than 40 countries. The segment provides a range of related services. Its main activities are energy trading and optimisation, reports in three business areas – Europe, Global Commodities and Power Generation – in its financial statements. Approximately 50% of the power capacity is gas-based, 30% coal-based, and 20% hydro- or nuclear-based. The segment includes Uniper's proportionate share of C</p>

6.4 Segment information

Consolidated income statement

EUR million	Generation 1)		Russia		City Solutions 1)		Consumer Solutions		Uniper		Other Operations	
	Note	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2020
Power sales 1)		2,690	1,878	761	791	205	121	2,253	1,057	28,365	16,994	0
Heat sales		-	-	137	134	612	516	-	-	437	191	-
Gas sales		167	84	-	-	1	1	225	139	59,577	22,176	-
Waste treatment sales		0	-	-	-	250	252	-	-	-	-	-
Other sales		42	44	8	4	235	185	144	70	17,612	5,154	140
Sales		2,899	2,006	906	929	1,302	1,075	2,622	1,267	105,992	44,514	138
Internal eliminations		-143	-421	-3	-2	-39	-64	-14	-2	-29	0	-104
Netting of Nord Pool transactions 2)												
IS External sales		2,756	1,585	903	927	1,264	1,012	2,608	1,264	105,964	44,514	34
Comparable EBITDA		1,299	886	404	394	317	239	123	153	1,789	856	-114
IS Depreciation and amortisation		-189	-164	-142	-143	-182	-191	-71	-63	-668	-494	-28
IS Comparable operating profit		1,110	722	261	251	135	47	52	90	1,120	363	-142
Impairment charges and reversals		-	2	-35	-	-	-	-	-	-48	0	-
Capital gains and other related items		50	0	1	1	2,608	723	0	0	9	-13	14
Impact from acquisition accounting		-	-	-	-	-	-	-	-	-	-	-
Changes in fair values of derivatives hedging future cash flow		-107	-12	0	0	-72	5	443	39	-5,688	-706	-
Other		1	0	-	-	-	-	-	-	-294	386	-6
IS Items affecting comparability		6,7	-56	-11	-34	2,536	728	443	39	-6,021	-333	8
IS Operating profit		1,054	711	227	252	2,671	775	495	129	-4,901	29	-134
Comparable share of profit/loss of associates and joint ventures 3)		11	13	62	47	42	57	-	-	39	38	0
IS Share of profit/loss of associates and joint ventures		18	36	62	47	42	57	-	-	51	54	0

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and the realised spot price. Power sales in Fortum, excluding Uniper, contains realised result from commodity derivatives, which have 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 whether Fortum is a net seller or net buyer during any particular hour.

3) Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in 2021.

Segment assets and liabilities

EUR million	Note	Generation		Russia		City Solutions		Consumer Solutions		Uniper		Other Operations	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Non-interest-bearing assets	6,066	5,780	1,923	2,020	3,512	1,496	780	26,616	20,646	283	270	3	
BS Participations in associates and joint ventures	18	1,005	961	678	577	74	612	-	729	32	33		
Eliminations													
Total segment assets	7,071	6,742	2,601	2,597	4,123	1,496	780	27,286	21,375	315	303	4	
Interest-bearing receivables	21												
BS Deferred tax assets	28												
Other assets													
BS Liquid funds	24												
Total assets												14	

Segment liabilities

Eliminations												
Total segment liabilities	28	735	508	166	492	445	215	22,315	13,943	190	167	2
BS Deferred tax liabilities												
Other liabilities												
Total liabilities included in capital employed	27											11
Interest-bearing liabilities												
BS Total equity												
Total equity and liabilities												14

Gross investments / divestments

EUR million	Note	Generation		Russia		City Solutions		Consumer Solutions		Uniper		Other Operations	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Gross investments in shares	3	7	70	36	48	2	114	0	3	9	237		
Capital expenditure ¹⁾	16, 17	168	158	47	43	161	219	68	57	673	15	34	
Gross divestments of shares	3	129	171	18	0	3,870	895	0	10	88	69	81	

1) In 2021, 2020 comparatives were revised due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.

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

EUR million	Note	Generation		Russia		City Solutions		Consumer Solutions	
		2021	2020	2021	2020	2021	2020	2021	2020
Comparable operating profit		1,110	722	261	251	135	47	52	90
Comparable share of profit/loss of associates and joint ventures ¹⁾	7, 18	11	13	62	47	42	57	-	-
Comparable operating profit including comparable share of profit of associates and joint ventures ¹⁾		1,121	735	323	298	177	104	52	90
Segment assets at the end of the year		7,071	6,742	2,601	2,597	2,949	4,123	1,496	780
Segment liabilities at the end of the year		735	508	93	166	492	445	371	215
Comparable net assets		6,336	6,234	2,508	2,431	2,456	3,679	1,125	565
Comparable net assets average ²⁾		6,221	6,006	2,516	2,693	2,915	3,679	746	569
Comparable return on net assets, % ¹⁾		18.0	12.2	12.9	11.1	6.1	2.8	6.9	15.9

1) Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in 2021.

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

3) Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter of 2020, consolidated Uniper's results into its income statement. Comparable net assets average and Comparable return on net assets for the Uniper segment are presented from 2021 onwards as months is available.

Employees

	Generation		Russia		City Solutions		Consumer Solutions		Other Operations	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Number of employees 31 December	1,116	1,143	2,627	2,935	1,766	2,093	1,176	1,048	11,494	11,751
Average number of employees ¹⁾	1,153	1,163	2,862	2,969	1,964	2,051	1,091	1,216	11,751	8,945

1) 2020 comparative figure was revised to reflect the consolidation of Uniper from March 31 2020.

6.5 Group-wide disclosures

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

The Group's domicile is Finland.

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

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

Sales by geographical area based on customer location

EUR million	2021	2020
Nordics	10,848	4,754
Germany	24,248	12,223
Russia	1,935	1,610
United Kingdom	30,933	9,618
Other Europe ¹⁾	35,864	19,195
Other ¹⁾	8,572	1,615
IS Total	112,400	49,015

¹⁾ The category Other Europe was introduced in 2021 and comparatives have been reclassified accordingly.

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

Capital expenditure by country

EUR million	2021	2020
Finland	160	160
Germany ¹⁾	285	290
Russia	177	158
Sweden	186	186
United Kingdom	127	89
Other countries ²⁾	182	262
Total ¹⁾	1,116	1,146

¹⁾ In 2021, 2020 comparatives were revised due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition. In 2021, Norway has been included in Other and comparatives have been reclassified accordingly.

²⁾ In 2021, Norway was included in Other countries and comparatives have been reclassified accordingly.

Non-current assets by country

EUR million	2021	2020
Finland ¹⁾	3,0	3,0
Germany ¹⁾	4,7	4,7
Russia	4,5	4,5
Sweden	7,4	7,4
United Kingdom	9,9	9,9
Other and eliminations ¹⁾	3,0	3,0
Total ¹⁾	23,6	23,6

¹⁾ In 2021, CO₂ emission allowances included in Intangible assets were reclassified to Inventories. Comparatives have been reclassified to Note 22 Inventories.

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

Number of employees on 31 December by country

	2021	2020
Finland	2,3	2,3
Germany	4,9	4,9
Russia	6,9	6,9
Sweden	1,7	1,7
United Kingdom	1,0	1,0
Other	2,1	2,1
Total	19,1	19,1

6.6 Other revenue-related disclosures

Fortum anticipates revenues of EUR 1,340 million (2020: 922) from unsatisfied performance obligations to gas and bilateral electricity contracts. Of this total, EUR 453 million is attributable to 2022 (2020: EUR 2021) and EUR 887 million to years after 2022 (2020: EUR 688 million to years after 2021).

Basis of preparation Risks

Income statement Balance sheet Off balance sheet items

Group structure and re

7 Comparable operating profit and comparable net profit

7.1 Reconciliation of operating profit to comparable operating profit

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

Reconciliation of operating profit to comparable operating profit 2021

EUR million	Unadjusted	Impairment charges and reversals	Capital gains and other related items	Changes in fair values of derivatives hedging future cash flow	Other	Reported
Sales	166,218	-	-	-53,817	-	112,400
Other income	70,209	-1	-2,682	-55,010	-136	12,380
Materials and services	-217,515	-	-	112,198	148	-105,170
Employee benefits	-1,718	-	-	-	156	-1,561
Depreciation and amortisation	-1,364	83	-	-	-	-1,281
Other expenses	-16,419	-	1	2,054	131	-14,232
IS Comparable operating profit	-	83	-2,681	5,424	299	2,536
IS Items affecting comparability	-	-83	2,681	-5,424	-299	-3,124
IS Operating profit	-588					-588

Reconciliation of operating profit to comparable operating profit 2020

EUR million	Unadjusted	Impairment charges and reversals	Capital gains and other related items	Changes in fair values of derivatives hedging future cash flow	Other
Sales	42,517	-	-	-	6,499
Other income	10,517	0	-784	-	-4,679
Materials and services	-38,286	-	-	-	-5,805
Employee benefits	-1,206	-	-	-	-
Depreciation and amortisation	-1,092	-1	-	-	-
Other expenses	-10,851	-	20	222	4,659
IS Comparable operating profit	-	-2	-765	222	675
IS Items affecting comparability	-	2	765	-222	-675
IS Operating profit	1,599				

Impairment charges and reversals

Impairment charges and reversals of previously recognised impairments are adjusted from depreciation amortisation and presented in items affecting comparability. Impairments in 2021 include EUR 40 million connection with the sale of the Schkopau lignite power plant in Germany (Uniper segment), and a tax-deductible cash impairment of EUR 35 million in connection with the sale of the Argayash CHP plant in Russia (Ru

Capital gains and other related items

Capital gains and other related items include capital gains and transaction costs from acquisitions, which from other income and other expenses, respectively.
 Capital gains and other related items in 2021 include EUR 2,350 million gain from the sale of the 50% Swedish district heating and cooling company, Stockholm Exergi Holding AB, EUR 254 million gain from district heating business in the Baltics, and EUR 50 million gain from the sale of eight small heat power Sweden. See ▶ Note 3.2 Disposals. Capital gains and other related items in 2020 included EUR 431 million the divestment of the district heating business in Joensuu, Finland; EUR 291 million gain from the divestment of the district heating business in Järvenpää, Finland; and EUR 72 million gain from the divestment of Fortum Research & Development (see ▶ Note 3.1 Acquisitions) as well as Uniper acquisition-related costs of EUR 20 million (see ▶ Note 3.1 Acquisitions).

8 Other income and other expenses

ACCOUNTING POLICIES

Gains and losses on derivative financial instruments reported gross within other income and other expenses mainly include impacts from derivative financial instruments in Uniper segment. These consist of derivatives representing economic hedging relationship for which hedge accounting according to IFRS 9 is not applied, and to limited extent transactions conducted in connection with proprietary trading. Other income and expenses exclude unrealised fair value changes of derivatives hedging future cash flows and physical contracts that are treated as derivatives which are recognised in items affecting comparability. For additional information see > Note 7 Comparable operating profit and comparable net profit, and > Note 14 Financial assets and liabilities by categories. Gains and losses on exchange rate differences reported within other operating income and expenses consist primarily of realised and unrealised gains and losses from the translation of foreign currency receivables and liabilities in Uniper segment.

GOVERNMENT GRANTS

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in the income statement to match with the related costs.

8.1 Other income

EUR million	2021	2020
Gains on derivative financial instruments	11,442	3,989
Gains on exchange rate differences	659	636
Other	279	177
IS Total	12,380	4,802

8.2 Other expenses

EUR million	2021	2020
Losses on derivative financial instruments	12,240	4,339
Losses on exchange rate differences	716	521
IT and telecommunication costs	302	248
Other	974	781
IS Total	14,232	5,890

Gains and losses on derivative financial instruments include net realised gain of EUR 336 million (2020: loss -7) on non-hedge accounted derivatives hedging cash flow, and net unrealised loss of EUR 1,015 million (2020: 318) on non-hedge accounted commodity derivatives for which the offsetting change in value of the underlying hedged asset, such as inventory or receivable, is recognized within operating profit and currency derivatives.

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

Total 1)

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

Deloitte Oy is the appointed auditor until the next Annual General Meeting in 2022. PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft ("PwC Germany") is the appointed auditor of the subsidiary Uniper SE.

Audit fees include fees for the audit of the consolidated financial statements, review of interim reports for the audit of Fortum Corporation and its subsidiaries. Audit-related assignments include fees for assurance sustainability reporting, and other assurance and associated services related to the audit. Tax assignments for tax advice services. Other assignments consist of advisory services.

9 Materials and services

EUR million

Materials	103,9	7
Transmission costs	7	4
External services	7	4
IS Total	105,1	105,1

Materials consists mainly of coal, gas and nuclear fuels.

Materials include EUR 773 million (2020: 624) purchased from associates and joint ventures, consisting of hydropower purchased at production cost (including interest costs and production taxes) and purchased and production taxes. See > Note 38 Related party transactions.

10 Employee benefits and Board remuneration

EUR million	2021	2020
Wages and salaries	1,190	913
Pensions		
Defined contribution plans	74	51
Defined benefit plans	75	64
Social security costs	172	133
Share-based incentives	7	9
Other employee costs	43	26
IS Total	1,561	1,195

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

For further information on pensions see » Note 31 Pension obligations.

10.1 Short-term incentives

As a main principle, all employees are covered by the programme or alternatively by a business specific or a comparable local variable pay arrangement. Short-term incentive (STI) programmes are designed to support the achievement of the Group's financial and other relevant targets on an annual basis.

The Board of Directors determines the performance criteria and award levels for the Fortum Executive Management. The awards are based on the achievement of Group financial performance, divisional targets and individual targets. The target incentive opportunity is 20% and the maximum incentive opportunity is 40% of the annual base salary. The Board of Directors assesses the performance of the President and CEO and the members of the Fortum Executive Management on a regular basis.

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

10.2 Long-term incentives

Fortum and Uniper have separate long-term incentive programmes: Fortum's share-based long-term incentive (LTI) programme supplemented by restricted share programme, and Uniper's non-share-based performance cash plan.

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

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

Each LTI plan begins with a three-year earnings period, during which participants may earn share rights. Performance criteria set by the Board of Directors are fulfilled. If the minimum performance criteria are not fulfilled, shares will be awarded. If performance is exceptionally good and the targets approved by the Board of Directors are achieved, the combined gross value of all variable compensation cannot exceed 120% of the person's annual salary. After the earnings period has ended and the relevant taxes and other employment-related costs have been deducted, participants are paid the net balance in the form of shares.

For LTI plans commencing in 2017 and later, the share awards are not subject to a minimum lock-up period. However, Fortum Executive Management members' aggregate ownership of Fortum shares has to be greater than or equal to their annual salary. Those members, whose aggregate ownership of Fortum shares does not meet the shareholding requirement are required to retain at least 50% of the shares received until the required lock-up period is met. For LTI plan commencing in 2016, any shares awarded to Fortum Executive Management members are subject to one- or three-year lock-up period.

The Restricted share programme is supplementing the current LTI programme. The Restricted share programme follows the main terms and conditions of the general LTI programme with the exception that the awards are delivered after the three-year plan period independent of performance measures, subject to continued retention. The Restricted share programme is designated for special purposes defined by the Board of Directors, and retention.

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

The share plans under the LTI arrangement are accounted for as partly equity- and partly cash-settled. The earned reward that the participants receive in shares is accounted for as an equity-settled transaction. Participants receiving cash only, the total arrangement is accounted for as cash-settled transaction. The cash recognised as an expense during the earnings period with a corresponding increase in the liabilities for settled in cash, and a corresponding increase in equity for the transactions settled in shares. The social charges at the end of the year 2021 was EUR 12 million (2020: 12), including EUR 9 million (2020: 9) equity.

At year end 2021, approximately 150 key employees are participants in at least one of the ongoing LTI

Basis of preparation Risks

Income statement Balance sheet Off balance sheet items

Group structure and re

Shares granted

The following table presents changes in the number of share rewards (for LTI plans 2017 onwards):

	2021	2020
1 January	1,603,146	1,717,656
Granted	920,517	630,475
Settled	-410,830	-434,607
Expired or forfeited	-294,740	-310,378
Outstanding 31 December	1,818,093	1,603,146

At year end 2021, for plans started before 2017, number of shares under lock-up was 38,531 shares.

In 2021, Uniper SE introduced a non-share-based performance cash plan for Uniper SE's board of management and selected management personnel. The plan is granted in annual tranches, with a three-year performance period for each tranche. Uniper SE did not have any ongoing performance plans at the end of 2020.

10.3 Uniper's Supervisory Board compensation

Fortum's President and CEO and some Fortum Executive Management members are members in the Supervisory Board of Uniper SE. From 2021 onwards, Supervisory Board compensation will be fully paid out as fixed compensation. Until 2021, members received a component of 20% of their compensation in the form of variable compensation. That variable compensation was granted as a right to a future payment in the form of virtual shares. The variable compensation is paid in cash after the end of the four-year earnings period.

10.4 Employee share savings programme

The purpose of Fortum's employee share savings programme is to motivate Fortum employees to invest and retain ownership in the company.

The programme includes annually commencing savings periods during which employees can save a proportion of their salaries and purchase Fortum shares with the accrued savings.

For each savings period participants will, as a gross reward, be granted one matching share for each two purchased savings shares after approximately three years from the beginning of the savings period. The prerequisites for receiving matching shares are that the participant holds the purchased savings shares until the end of the holding period, and that his or her employment has not ended before the end of the holding period.

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

10.5 Fortum Personnel Fund

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

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

The fund's latest financial year ended at 30 April 2021 and the fund then had a total of 2,508 members. At the end of April 2021 Fortum contributed EUR 0.4 million (2020: 1.7) to the personnel fund as an annual sharing bonus based on the financial results of 2020. The combined amount of members' shares in the fund was EUR 20 million (2020: 18).

10.6 The President and CEO and the Fortum Executive Management (FEM) remuneration

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

Management remuneration

	2021		2020	
	Markus Rauramo, President and CEO 2)	Other FEM members 2)	Markus Rauramo, President and CEO from 1 July 2020 2)	Pekka Lundmark, President and CEO until 1 July 2020
EUR thousand				
Salaries and fringe benefits	1,559	3,727	808	521
Performance bonuses 1)	423	896	82	-
Share-based incentives 1)	1,006	2,276	249	94
Pensions (statutory)	311	829	140	82
Pensions (voluntary)	315	536	158	132
Social security expenses	69	405	31	18
Total	3,683	8,670	1,467	848

1) Based on estimated amounts.

2) In addition to the information provided in the above table, the estimated compensation for the membership in the Supervisory Board of the President and CEO Markus Rauramo was EUR 305 thousand (2020:101), and for other FEM members, EUR 250 thousand (2020:101). This compensation is for the period that Uniper has been consolidated as subsidiary.

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

For the other members of the FEM, the retirement age varies between 62 and 65, or is determined in accordance with the Finnish Employees' Pension Act. According to Group policy, all new supplementary pension arrangements

defined contribution plans. The pension premium for FEM members is 20% of the annual base salary. In the end of 2021, the additional pension arrangements for the President and CEO and other FEM members are defined contribution pension plans and thus no liability has been recognised on the balance sheet. In 2020, a pension liability of EUR 1,283 thousand was recognised on the balance sheet related to the defined benefit plans for FEM members.

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

Number of shares delivered to the management

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

	2021	2)	2020	3)
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FEM members at 31 December 2021	25,921		12,273	
Markus Rauramo, CEO from 1 July 2020	-		N/A	
Nebahat Albayrak, member of FEM from 1 June 2021	20,013		36,417	
Alexander Chuvaev ¹⁾	N/A		N/A	
Eveliina Dahl, member of FEM from 1 May 2021	-		N/A	
Bernhard Günther, member of FEM from 1 February 2021	4,555		5,656	
Per Langer	3,046		N/A	
Simon-Erik Ollus, member of FEM from 29 March 2021	5,985		6,787	
Mikael Rönblad	N/A		N/A	
Nora Steiner-Forsberg, member of FEM from 1 May 2021	5,304		4,012	
Former FEM members				
Arun Aggarwal, member of FEM until 17 November 2021	N/A		28,527	
Pekka Lundmark, CEO until 1 July 2020	4,906		6,612	
Risto Penttinen, member of FEM until 30 April 2021	4,476		5,392	
Arto Rätty, member of FEM until 31 May 2021	4,992		6,230	
Sirpa-Helena Sormunen, member of FEM until 30 April 2021	-		7,239	
Tiina Tuomela, member of FEM until 29 March 2021				
Total	79,198		119,145	

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

2) Share delivery based on share plans 2016-2020.

3) Share delivery based on share plan 2017-2019.

10.7 Board of Directors and management shareholding

On 31 December 2021, the members of the Board of Directors owned a total of 5,000 shares (2020: 9,540), which corresponds to 0.00% (2020: 0.00%) of the company's shares and voting rights.

Number of shares held by members of the Board of Directors

Board members at 31 December 2021

Veit-Matti Reinikkala, Chair
Anja McAlister, Deputy Chair
Luisa Delgado
Essimari Kairisto
Teppo Paavola
Philipp Rösler
Annette Stube

Former Board members

Eva Hamilton
Matti Lievonen
Klaus-Dieter Maubach

Total

The President and CEO and other members of the FEM owned a total of 224,369 shares (2020: 281,303) corresponds to approximately 0.03% (2020: 0.03%) of the company's shares and voting rights.

Number of shares held by members of the Fortum Executive Management

FEM members at 31 December 2021

Markus Rauramo
Nebahat Albayrak
Alexander Chuvaev
Eveliina Dahl
Bernhard Günther
Per Langer
Simon-Erik Ollus
Mikael Rönblad
Nora Steiner-Forsberg

Former FEM members

Arun Aggarwal
Risto Penttinen
Arto Rätty
Sirpa-Helena Sormunen
Tiina Tuomela

Total

10.8 Board remuneration

The Board of Directors comprises five to ten members who are elected at the Annual General Meeting for a one-year term of office, which expires at the end of the first Annual General Meeting following the election. The Board of Directors consists of seven members at the end of 2021.

The Annual General meeting confirms the yearly compensation for the Board of Directors. Board members are not offered any long-term incentive benefits or participation in other incentive schemes. There are no pension arrangements for the Board members. Social security costs EUR 2 thousand (2020: 6) have been recorded for the fees in accordance with local legislation in respective countries.

Fees for the Board of Directors

EUR thousand	2021	2020
Chair	77.2	77.2
Deputy Chair	57.5	57.5
Chair of the Audit and Risk Committee ¹⁾	57.5	57.5
Members	40.4	40.4
Total		

¹⁾ If not Chairman or Deputy Chairman simultaneously.

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

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

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

Compensation for the Board of Directors

EUR thousand

Board members at 31 December 2021

Veii-Matti Reinikkala, Chair from 28 April 2021
 Anja McAlister, Deputy Chair from 28 April 2021
 Luisa Delgado, member of the board from 28 April 2021
 Essimari Kairisto, Chair of the Audit and Risk Committee from 23 April 2020
 Teppo Paavola, member of the board from 23 April 2020
 Philipp Rösler
 Annette Stube, member of the board from 23 April 2020

Former Board members

Eva Hamilton, member of the board until 28 April 2021
 Kim Ignatius, Chair of the Audit and Risk Committee and member of the board until 23 April 2020
 Matti Lievonen, Chair until 28 April 2021
 Klaus-Dieter Maubach, Deputy Chairman and member of the board until 29 March 2020 ¹⁾

Total

¹⁾ In addition to the information provided in the above table, the estimated compensation for the membership in the Supervisory Board of Klaus-Dieter Maubach was EUR 51 thousand (2020:157). In 2020 this compensation is for the period that Uniper has been a consortium member.

11 Finance costs – net

EUR million	2021	2020
Interest expense		
Borrowings	-170	-186
Leasing and other interest expenses ¹⁾	-49	-23
Capitalised borrowing costs ¹⁾	16	39
IS Total	-202	-170
Interest income		
Loan receivables and deposits	135	96
Leasing and other interest income	21	16
IS Total	156	111
Other financial items - net		
Return from nuclear funds, nuclear fund adjustment and unwinding of nuclear provisions	146	19
Fair value changes, impairments and reversals	-1	29
Unwinding of discounts on other provisions and pension obligations	3	-45
Other financial expenses and income	5	0
IS Total	154	3
IS Finance costs - net	107	-56

Comparable finance costs - net

EUR million	2021	2020
IS Finance costs - net	107	-56
Adjustments to finance costs - net		
Return from nuclear funds, nuclear fund adjustment and unwinding of nuclear provisions	-146	-19
Fair value changes, impairments and reversals	1	-29
Comparable finance costs - net	-38	-103

¹⁾ In 2021, 2020 comparatives were revised due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.

In 2021, Fortum introduced a new Comparable net profit APM. See more information in ▶ Note 1 Significant accounting policies and ▶ Definitions and reconciliations of key figures.

Interest expenses on borrowings totalled EUR 170 million (2020: 186) including interest expenses on loan (2020: 160), and EUR 24 million (2020: 26) interest cost – net from derivatives hedging the loan expenses from leases were EUR 32 million (2020: 21) and other interest expenses were EUR 16 million. Interest income, EUR 156 million (2020: 111), includes EUR 128 million (2020: 88) interest income from loan receivables and other loan receivables, and EUR 7 million (2020: 8) from deposits. Interest income was EUR 15 million (2020: 12) and other interest income was EUR 5 million (2020: 4). Return from Nuclear Funds include interest income from the Finnish Nuclear waste fund and changes the Swedish Nuclear waste fund. The change between 2021 and 2020 in unwinding of discount on other pension obligations comes mainly from a positive effect of changes in discount rates on other provisions segment. For additional information see ▶ Note 29 Nuclear-related assets and liabilities, ▶ Note 30 Other ▶ Note 31 Pension obligations.

Interest rate and currency derivatives in finance costs – net

EUR million	2021	2020
Interest rate and cross currency swaps		
Interest expenses on borrowings		
Exchange rate difference from derivatives		
Rate difference in fair value gains and losses on financial instruments ¹⁾		
Total fair value change of interest rate derivatives in finance costs - net		
Foreign exchange derivatives		
Interest expenses on borrowings		
Exchange rate difference from derivatives		
Rate difference in fair value gains and losses on financial instruments		
Total fair value change of currency derivatives in finance costs - net		
Total		

¹⁾ Fair value gains and losses on financial instruments include fair value change of hedging derivatives in fair value hedging relationships (2020: -2).

12 Income tax expense

12.1 Profit before tax

EUR million	2021	2020
Finland	561	1,088
Germany	-3,186	269
Russia	455	403
Sweden	2,195	-65
United Kingdom	-824	-102
Other	509	606
IS Total ¹⁾	-289	2,199

¹⁾ Profit before taxes in 2020 includes contribution from Uniper for the period of 1 April to 31 December 2020 since Uniper was consolidated as a subsidiary from 31 March 2020.

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

12.2 Major components of income tax expense by country

EUR million

Current taxes
Finland
Germany
Russia
Sweden
United Kingdom
Other
Total

Deferred taxes

Finland
Germany
Russia
Sweden
United Kingdom
Other
Total

Adjustments recognised for current tax of prior periods

Finland
Germany
Russia
Sweden
United Kingdom
Other
Total

IS Income tax expense

12.3 Income tax rate reconciliation

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

EUR million	2021	%	2020	%
Profit before tax	-289		2,199	
Tax calculated at nominal Finnish tax rate	58	20.0	-440	20.0
Differences in tax rates in other jurisdictions	341	118.0	-52	2.4
Tax rate changes	32	11.2	4	-0.2
Tax exempt capital gains	561	194.1	167	-7.6
Impact of acquisition accounting	-	-	-70	3.2
Tax exempt income and other non-deductible expenses ¹⁾	-14	-4.9	24	-1.1
Share of profit of associates and joint ventures	32	11.1	189	-8.6
Taxes related to dividend distributions ¹⁾	-12	-4.2	-24	1.1
Tax effects of changes in value and non-recognition of deferred taxes	-851	-294.6	-129	5.9
Other items	9	3.2	-16	0.7
Adjustments recognised for taxes of prior periods	20	6.9	3	-0.1
IS income tax expense	175	60.7	-344	15.7

¹⁾ Taxable dividends related to Germany, included in Taxes related to dividend distributions, were in 2021 reclassified to Tax exempt income and other non-deductible expenses in order to better reflect the nature of these taxes. Comparatives have been reclassified accordingly.

Key tax indicators:

- The weighted average applicable income tax rate for 2021 is 141.9% (2020: 22.1%).
- The effective income tax rate in the income statement for 2021 is 60.7% (2020: 15.7%).
- The comparable effective income tax rate for 2021 is 24.2% (2020: 24.1%). In 2021, Fortum introduced a new profit APM, which resulted in recalculation of the comparable effective income tax rate. 2020 comparatives have been recalculated accordingly.

See ▶ Note 7 Comparable operating profit and comparable net profit and ▶ Definitions and reconciliation figures.

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

- The differences in tax rates in other jurisdictions increased the rate by 118.0% (2020: 2.4%), mainly due to the loss before taxes in 2021, the one-time tax-free capital gains increased the rate by 194.1% (2020: 7.6%). Gains mainly relate to the sale of Stockholm Exergi Holding AB in Sweden.
- Tax effects of changes in value and non-recognition of deferred taxes during 2021 reduced the effective income tax rate by -294.6% (2020: 5.9%), mainly related to derivative financial instruments and provisions in Germany.

13 Earnings and dividend per share

ACCOUNTING POLICIES EARNINGS PER SHARE

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

DIVIDENDS

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

13.1 Earnings per share

Earnings per share, basic

	2021	2020
IS Profit attributable to owners of the parent (EUR million)	739	1,823
Weighted average number of shares (thousand)	888,294	888,294

Basic earnings per share (EUR)

0.83 2.05

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

Comparable earnings per share

	2021	2020
Comparable net profit (EUR million)	1,778	1,483
Weighted average number of shares (thousand)	888,294	888,294
Comparable earnings per share (EUR)	2.00	1.67

In 2021, Fortum introduced a new APM. Comparable earnings per share. See more information in ▶ Note 1 Significant accounting policies and ▶ Definitions and reconciliations of key figures.

13.2 Dividend per share

A dividend in respect of 2021 of EUR 1.14 per share, amounting to a total dividend of EUR 1,013 million amount of shares registered as at 2 March 2022, is to be proposed at the planned Annual General Meeting 2022. These Financial statements do not reflect this dividend.

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

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

14 Financial assets and liabilities by categories

ACCOUNTING POLICIES FINANCIAL ASSETS

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

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

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

FINANCIAL ASSETS AT AMORTISED COST

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Other equity investments designated at fair value through other comprehensive income are not subject to impairment assessment and accumulated reserves are not recycled to profit or loss upon derecognition. Dividends received are recognised in profit and loss.

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

DERECOGNITION

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

IMPAIRMENT

Fortum recognises an allowance for expected credit losses (ECL), according to IFRS 9 for financial assets at amortised cost. See further information on ECL in Note 4.4.1 Credit quality of major financial assets a Trade and other receivables.

Financial assets measured at fair value through profit or loss are not included in ECL assessment as already measured at fair value. A financial asset is written-off when there is no reasonable expectation the contractual cash flows.

FINANCIAL LIABILITIES

All financial liabilities are recognised initially at fair value. In the case of loans and borrowings and payable transaction costs are deducted. In subsequent periods, all financial liabilities, except derivatives and financial which the Group has at initial recognition irrevocably designated at fair value through profit or loss, are amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is interest cost over the period of the borrowing using the effective interest rate method.

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

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

ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are remeasured at their fair value. Gains and losses resulting from the initial fair value measurement of a derivative (one" gains and losses) are eliminated against the corresponding derivative asset or liability. The initial determined based on valuation model with input parameters that are unobservable from active markets whose initial fair value is evidenced by a quoted price in an active market for an identical contract or bar valuation technique that uses only data from observable markets, gains and losses from the initial measurement for similarly to gains or losses on the subsequent measurement.

The method of recognising the resulting gain or loss on the subsequent measurement depends on whether the derivative is designated as a hedging instrument eligible for hedge accounting, and if so, the nature of the hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecast transactions

OPERATING AND FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS	Risks	SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS	Income statement	Balance sheet	OFF-BALANCE SHEET ITEMS	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION
<p>flow hedges); (2) hedges of the fair value of recognised assets or liabilities, or unrecognised firm commitments (fair value hedge); or (3) hedges of net investments in foreign operations.</p> <p>The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, whether the hedged item is one or several risk components separately or in aggregation, as well as its risk management objective and strategy for undertaking various hedge transactions. When applying hedge accounting the Group also documents its assessment, of whether the derivatives that are used in hedging transactions are meeting the hedge accounting effectiveness criteria: (1) there is an economic relationship between the hedged item and the hedging instrument, (2) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (3) the hedge ratio of the hedging relationship is the same as applied in the risk management. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective by assessing the prospective capacity of the derivatives in offsetting changes in fair values or cash flows of hedged items. Hedge accounting is discontinued only when the hedging relationship ceases to meet the hedge effectiveness criteria.</p>					<p>FAIR VALUE HEDGE</p> <p>Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the same risk.</p> <p>If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit or loss for the periods until maturity.</p> <p>NET INVESTMENT HEDGING IN FOREIGN OPERATIONS</p> <p>Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss on the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in the income statement when the foreign operation is disposed of.</p> <p>DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING</p> <p>Certain derivative instruments representing economic hedging relationships do not qualify for hedge accounting and losses on non-hedge accounted derivatives for which the offsetting impact of the hedged item is recognised in the income statement. Unrealised operating profit or loss is reported in other income and other expenses in the income statement. Unrealised changes of non-hedge accounted commodity derivatives hedging future cash flow and physical contracts are accounted for as derivatives within the scope of IFRS 9 and recognised in items affecting comparability in the income statement. Gains and losses on interest rate and currency derivative instruments are recognised in financial statements with corresponding hedge items.</p> <p>Financial assets and liabilities in the tables below are split into categories in accordance with IFRS 9. They are further divided into classes which are the basis for valuing a respective asset or liability. Further information is found in the Notes mentioned in the table.</p>	<p>Income statement</p> <p>Balance sheet</p> <p>Off-balance sheet items</p>	<p>Income statement</p> <p>Balance sheet</p> <p>Off-balance sheet items</p>	<p>Income statement</p> <p>Balance sheet</p> <p>Off-balance sheet items</p>	<p>Income statement</p> <p>Balance sheet</p> <p>Off-balance sheet items</p>	<p>Income statement</p> <p>Balance sheet</p> <p>Off-balance sheet items</p>	<p>Income statement</p> <p>Balance sheet</p> <p>Off-balance sheet items</p>

Financial assets by category 2021

EUR million	Note	Fair value through profit or loss			Fair value through other comprehensive income		
		Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting	Other financial assets	Net investment and Cash flow hedges	Other equity investments
Financial instruments in non-current assets							
Other non-current assets	20	316			136		118
Derivative financial instruments	4						
Commodity derivatives				16,955		53	
Interest rate and currency derivatives			49	34		5	
Long-term interest-bearing receivables	21	2,125			147		119
Financial instruments in current assets							
Derivative financial instruments	4						
Commodity derivatives				64,750		416	
Interest rate and currency derivatives			22	170		34	
Trade receivables	23	12,916					
Other receivables	23	1,927			13		
Short-term interest-bearing receivables	21	145			553		
Liquid funds	24	7,545			47		
Total		24,974	71	81,909	897	507	118

Financial assets by category 2020

EUR million	Note	Fair value through profit or loss			Fair value through other comprehensive income		
		Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting	Other financial assets	Net investment and Cash flow hedges	Other equity investments
Financial instruments in non-current assets							
Other non-current assets	20	291			70		118
Derivative financial instruments	4						
Commodity derivatives				2,707		23	
Interest rate and currency derivatives			134	46		36	
Long-term interest-bearing receivables	21	2,106			116		181
Financial instruments in current assets							
Derivative financial instruments	4						
Commodity derivatives				7,292		125	
Interest rate and currency derivatives			20	89		6	
Trade receivables	23	7,115					
Other receivables	23	1,728			62		
Short-term interest-bearing receivables	21	145			437		16
Liquid funds	24	2,262			46		
Total		13,646	154	10,133	732	190	118

Financial liabilities by category 2021

EUR million	Note	Fair value through profit or loss			Fair value through other comprehensive income	Lease liabilities
		Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting		
Financial instruments in non-current liabilities						
Interest-bearing liabilities	27	6,087	1,669 ¹⁾			945
Derivative financial instruments	4			16,373	248	
Commodity derivatives				8	18	
Interest rate and currency derivatives						
Financial instruments in current liabilities						
Interest-bearing liabilities	27	7,840			549	130
Derivative financial instruments	4					
Commodity derivatives				68,905	2,934	
Interest rate and currency derivatives			2	103	2	
Trade payables	33	12,152				
Other liabilities	33	425				
Total		26,503	1,680	85,390	549	3,202

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

Financial liabilities by category 2020

EUR million	Note	Fair value through profit or loss			Fair value through other comprehensive income	Lease liabilities
		Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting		
Financial instruments in non-current liabilities						
Interest-bearing liabilities	27	5,746	2,145 ¹⁾			894
Derivative financial instruments	4			2,462	77	
Commodity derivatives				63	30	
Interest rate and currency derivatives						
Financial instruments in current liabilities						
Interest-bearing liabilities	27	1,284			432	161
Derivative financial instruments	4					
Commodity derivatives				7,512	244	
Interest rate and currency derivatives			10	167	4	
Trade payables	33	7,126				
Other liabilities	33	972				
Total		15,128	2,180	10,203	432	1,055

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

15 Financial assets and liabilities by fair value hierarchy

ACCOUNTING POLICIES

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

FAIR VALUES UNDER LEVEL 1 MEASUREMENT HIERARCHY

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

FAIR VALUES UNDER LEVEL 2 MEASUREMENT HIERARCHY

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

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

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

FAIR VALUES UNDER LEVEL 3 MEASUREMENT HIERARCHY

The fair value of financial assets and liabilities classified as Level 3 is based on unobservable input parameters. Level 3 consist mainly investments in unlisted shares classified as other investments for which the fair value is reliably measured and derivative financial instrument for which the fair value has been determined using techniques with unobservable inputs. The input parameters of Level 3 of the fair value hierarchy for equity instruments are specified taking into account economic developments and available industry and corporate data. The credit risk has been adjusted when determining the fair value.

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EUR million	Note	Level 1		Level 2		Level 3		Netting 1)	2020	2021
		2021	2020	2021	2020	2021	2020			
Financial assets										
In non-current assets										
Other investments	20	71	75	46	43	99	70			216
Derivative financial instruments										
Commodity derivatives	4									
Hedge accounting				62	52					-29
Non-hedge accounting		5,136	1,030	11,708	1,563	207	138			-24
Interest rate and currency derivatives	4									16,955
Hedge accounting				54	170					54
Non-hedge accounting				34	46					34
Interest-bearing receivables		111	98			36	17			147
In current assets										
Derivative financial instruments										
Commodity derivatives	4									
Hedge accounting		50		572	185					416
Non-hedge accounting		22,876	2,851	45,575	5,090	326	6			64,750
Interest rate and currency derivatives	4									
Hedge accounting				57	26					57
Non-hedge accounting				170	89					170
Other receivables				13	62					13
Interest-bearing receivables		596	432		46	4	5			600
Total		28,840	4,486	58,291	7,372	672	237	-4,340	-768	83,465

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.

Financial liabilities

EUR million	Note	Level 1		Level 2		Level 3		Netting ²⁾	2021	2020
		2021	2020	2021	2020	2021	2020			
In non-current liabilities										
Interest-bearing liabilities ¹⁾	27		1,669	2,145						1,669
Derivative financial instruments	4		257	106				-9		248
Commodity derivatives		4,874	11,336	1,598	634	259	254	-96		16,373
Hedge accounting	4									
Non-hedge accounting			27	56						27
Interest rate and currency derivatives			8	63						8
In current liabilities										
Interest-bearing liabilities	27		549	497						549
Derivative financial instruments	4		420	304				-207		2,934
Commodity derivatives		20,316	52,531	5,612	2,545	86	10	-4,028		68,905
Hedge accounting	4		4	14						4
Non-hedge accounting			103	167						103
Total		25,610	69,205	10,561	3,179	345	264	-4,340	-768	90,822

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

2) 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.

At the end of December 2021, the net fair value of commodity derivatives was EUR -6,225 million, including assets of EUR 82 billion and liabilities of EUR 88 billion (EUR -149 million in December 2020, including assets of EUR 10 billion of EUR 10 billion). The increase from December 2020 mainly relates to derivative financial instruments in the Uniper segment resulting from higher market prices for commodities.

Net fair value amount of interest rate and currency derivatives was EUR 171 million, including assets EUR 315 million and liabilities EUR 143 million. Fortum has cash collateral agreements with some counterparties. At the end of Fortum had received EUR 152 million from collateral agreements. The received cash has been booked as short-term liability.

During 2021 there has been no transfers between Level 1 and Level 2.

Changes in fair value hierarchy Level 3

EUR million	1 Jan 2021		Purchases	Sales	Settlements	Gains / losses in income statement	Transfers into level 3	Transfers out of level 3	Gains / losses in OCI
	2021	2020							
On balance sheet, net	70	31				-3		-52	1
Other investments	382			166		219			
Commodity derivatives, fair values	-501			-100		26			
Commodity derivatives, day-1 gains and losses	22	19				-6			
Interest-bearing receivables	-27	50		66	18	221	52	-52	1
Total on balance sheet, net									

16 Intangible assets

ACCOUNTING POLICIES

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each closing date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See further information on the impairment testing in ▶ Note 19 Impairment testing.

Economic lives and book values intangible assets reflect approved actions towards Fortum's climate-related targets.

GOODWILL

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

CONTRACT-BASED INTANGIBLE ASSETS

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

RESEARCH AND DEVELOPMENT COSTS

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

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

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

The Group has significant carrying values in property, plant and equipment, intangible assets and participations in associated companies and joint ventures which are tested for impairment according to the accounting policy. See further information on the impairment testing in ▶ Note 19 Impairment testing.

EUR million	Goodwill		Contract-based		Other ¹⁾	
	2021	2020	2021	2020	2021	2020
Cost 1 January	1,069	612	1,328	-	1,514	921
Translation differences and other adjustments	22	-58	29	-	27	-53
Acquisition of subsidiary companies ²⁾	-	515	-	1,349	-	523
Capital expenditure	-	-	-	-	118	124
Disposals	-	-	-1	-	-21	-12
Sale of subsidiary companies	-70	-	-22	-	-58	-4
Transfer to assets held for sale ²⁾	-	-	-	-22	-	-
Reclassifications	-	-	-	-	6	15
Cost 31 December	1,021	1,069	1,334	1,328	1,586	1,514
Accumulated depreciation 1 January	-	-	794	-	850	426
Translation differences and other adjustments	-	-	29	-1	16	-15
Acquisition of subsidiary companies ²⁾	-	-	-	809	-	324
Disposals	-	-	-1	-	-20	-14
Sale of subsidiary companies	-	-	-22	-	-37	-3
Transfer to assets held for sale ²⁾	-	-	-	-22	-	-
Reclassifications	-	-	-	-	-8	1
Depreciation for the year	-	-	20	15	144	130
Impairment charges	-	-	-	-	2	-
Accumulated depreciation 31 December	-	-	820	794	955	850
BS Carrying amount 31 December	1,021	1,069	514	534	632	664

1) In 2021, CO₂ emission allowances included in Intangible assets were reclassified to Inventories. Comparatives have been reclassified. See ▶ Note 22 Inventories.

2) See ▶ Note 3 Acquisitions, disposals and assets held for sale.

Goodwill in groups of cash-generating units

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

EUR million	2021	2020
Uniper	515	515
Consumer Solutions	223	214
Russia	144	134
City Solutions	137	205
Total	1,021	1,069

Other intangible assets

Other intangible assets include customer contracts, and costs for software products and software licenses.

17 Property, plant and equipment and right-of-use assets

ACCOUNTING POLICIES

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

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. The consolidated balance sheet. Historical cost includes expenditure that is directly attributable to the asset. Borrowing costs are included in the cost of qualified assets. Additionally, the cost of an item of property, plant and equipment includes the estimated cost of its dismantlement, removal or restoration when there is a contractual obligation towards a third party, or a legal obligation.

Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition. See > Note 30 Other provisions for information about asset retirement obligations, > Note 29 Nuclear power plants and liabilities, for information about provisions for decommissioning nuclear power plants and > Note 30 Other provisions for information about right-of-use assets.

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each closing. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See further information on the impairment testing in > Note 19 Impairment testing. Economic lives and book values of property, plant and equipment reflect approved actions towards F related targets.

BORROWING COSTS

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

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	Land and waterfall rights		Buildings and structures		Machinery, equipment and other		Advances paid and construction in progress		Total
	2021	2020	2021	2020	2021	2020	2021	2020	
EUR million									
Cost 1 January	4,436	2,578	10,400	4,103	32,285	8,667	1,602	419	48,723
Translation differences and other adjustments ¹⁾	-75	219	145	-259	444	-224	41	-41	554
Acquisition of subsidiary companies ²⁾	-	1,636	-	6,414	-	22,825	-	3,088	-
Capital expenditure ^{1),3)}	6	6	56	35	232	346	754	668	1,046
Additions to right-of-use assets	34	-	41	97	97	57	-	-	173
Decreases in right-of-use assets	-	-	-11	-60	-21	-29	-	-	-32
Nuclear asset retirement cost	-	-	-	-	56	172	-	-	56
Disposals	-14	-1	-33	-51	-337	-191	-8	-23	-392
Sale of subsidiary companies ²⁾	-17	-1	-257	-89	-602	-117	-100	-2	-975
Transfer to assets held for sale ²⁾	-	-3	-	-126	-	-1,375	-	-	-
Reclassifications	2	4	233	336	841	2,154	-1,116	-2,507	-41
Cost 31 December	4,371	4,436	10,574	10,400	32,996	32,285	1,172	1,602	49,113
Accumulated depreciation 1 January	280	1	5,936	1,765	22,983	3,877	157	-	29,357
Translation differences and other adjustments	4	7	143	-68	180	110	-2	12	325
Acquisition of subsidiary companies ²⁾	-	265	-	4,124	-	18,679	-	1,263	-
Disposals	-10	-1	-32	-48	-331	-179	-1	-8	-373
Sale of subsidiary companies ²⁾	-1	-	-78	-39	-269	-53	-	-	-348
Decreases in right-of-use assets	-	-	-1	-3	-12	-29	-	-	-13
Transfer to assets held for sale ²⁾	-	-	-	-118	-	-1,156	-	-	-
Depreciation for the year	5	7	180	164	932	774	1	1	1,117
Impairment charges	-	-	19	-	15	-	-	-	34
Reclassifications	-	-	-3	160	-40	959	8	-1,111	-35
Accumulated depreciation 31 December	279	280	6,164	5,936	23,460	22,983	162	157	30,064
BS Carrying amount 31 December	4,093	4,156	4,410	4,464	9,536	9,302	1,010	1,445	19,049

1) 2020 comparatives were revised in 2021 due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.
 2) See Note 3 Acquisitions, disposals and assets held for sale
 3) Includes EUR 50 million (2020: 39) of other asset retirement costs.

Property, plant and equipment that are subject to restrictions in the form of real estate mortgages amount to EUR 81 million (2020: 380). See ▶ **Note 36** Pledged assets and contingent liabilities.

Borrowing costs of EUR 16 million were capitalised in 2021 (2020: 39) (In 2021, 2020 comparatives were revised due to a revision of the lease adjustment following the finalisation of the purchase price allocation for the Uniper acquisition.). The interest rate used for capitalising borrowing costs varied from 2% to 7% (2020: 2%-5%). For constructions financed by the Group, a uniform rate may be used based on interest rates of financial liabilities, including leases.

Property, plant and equipment includes right-of-use assets from leases in which Fortum acts as the lessee. See ▶ **Note 34** Leases.

18 Participations in associated companies and joint ventures

ACCOUNTING POLICIES

The Group's interests in associated companies and jointly controlled entities are accounted for using the cost of accounting. Assets acquired and liabilities assumed in the investment in associates or joint ventures are initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value share of the identifiable net assets acquired is recorded as goodwill.

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

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, incurred obligations or made payments on behalf of the associate or joint venture.

Material unrealised gains on transactions between the Group and its associates or joint ventures are recognised in the Group's interest in the associate or joint venture. Material unrealised losses are also recognised in the Group's interest in the associate or joint venture unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies or joint ventures have been changed where necessary to ensure consistency with the policies adopted or if more recent information is not available, the share of the profit of certain associated or joint ventures included in the consolidated accounts based on the latest available information.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management is required to make significant judgements when assessing the nature of Fortum's interests and when considering the classification of Fortum's joint arrangements. In the classification, emphasis is placed on decision making, legal structure, financing and risks of the arrangements.

Management judgement is required when testing the carrying amounts for participations in associated companies and joint ventures for impairment. See ▶ **Note 19** Impairment testing for more information.

18.1 Principal associated companies and joint ventures

Forsmarks

	Kraftgrupp AB	Kemijoki Oy	TGC-1	TVO Oyj
Nature of the relationship	Co-owned nuclear company	Co-owned hydro company	Energy company (listed)	Co-owned nuclear company
Classification	Associated company	Associated company	Associated company	Joint venture
Segment	Generation, Uniper Sweden	Generation Finland	Russia	Generation Finland
Domicile	Sweden	Finland	Russia	Finland
Ownership interest, % ¹⁾	34	58	29.99	26
Votes, %	34	28	29.99	26

¹⁾ Kemijoki and TVO have different series of shares. The ownership interest varies due to the changes in equity assigned to the different share series. The ownership interests for 2020 for Kemijoki Oy and TVO were 58% and 26%, respectively.

Shareholdings in power production companies

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

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

In Sweden, nuclear production company shareholding is 34.0% ownership of the shares in Forsmarks. Excluding non-controlling interests in the subsidiaries, Fortum's participation in the company is 29.7%, with a share of electricity produced that Fortum can sell further to the market. The minority part of the electricity invoiced further to each minority owner according to their respective shareholding and treated as pass-through. In Finland, Fortum has an ownership in power production company TVO that has two series of shares. The shareholders to electricity produced in the different power plants owned by TVO. Shares in series A electricity produced in nuclear power plants Olkiluoto 1 and 2 and Fortum owns 26.6% of these shares. Shares in series B electricity produced in the nuclear power plant currently under test production phase, Olkiluoto 3, and Fortum's share is 25.0%.

See also Associated companies in Note 29 Nuclear-related assets and liabilities.

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

Shareholdings in other principal associated companies and joint ventures

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

Changes in shareholdings in principal associated companies and joint ventures

On 20 September 2021, Fortum concluded the sale of its 50% ownership in the Swedish district heating company Stockholm Exergi Holding AB (publ). See also Note 3.2.2 Other disposals.

On 31 March 2020 Fortum consolidated Uniper as a subsidiary, meaning that Uniper is no longer included in participations in associated and joint ventures on Fortum's consolidated balance sheet. Fortum and Uniper owners in the Swedish nuclear company OKG AB. Fortum accounting for the shareholding in OKG AB as a company until 31 March 2020, and consolidated OKG as a subsidiary from 31 March 2020. See also Note 3.2.2 Other disposals. See also Note 3.2.2 Other disposals.

Summarised financial information of the principal associated companies in 2021

EUR million	Forsmarks			TGC-1
	Kraftgrupp AB	Kemijoki Oy	30 Sept 2021	
Balance sheet	2,619	483	1,863	
Non-current assets	441	7	273	
Current assets	2,899	323	213	
Non-current liabilities	128	116	223	
Current liabilities	33	52	1,700	
Equity	33	52	1,548	
Attributable to the owners of the parent	-	-	153	
Attributable to non-controlling interests	-	-	-	

Summarised financial information of the principal associated companies in 2020

EUR million	Forsmarks		Kraftgrupp AB	Kemijoki Oy
	31 Dec 2019	31 Dec 2020		
Balance sheet	2,641	423		
Non-current assets	423	2,889		
Current assets	2,889	141		
Non-current liabilities	141	34		
Current liabilities	34	34		
Equity	34	34		
Attributable to the owners of the parent	-	-		
Attributable to non-controlling interests	-	-		

Statement of comprehensive income	1 Jan 2020 - 31 Dec 2020		1 Oct 2020 - 30 Sept 2021	
	31 Dec 2020	31 Dec 2020	30 Sept 2021	30 Sept 2021
Sales	561	53	1,136	
Profit or loss	-1	1	104	
Attributable to the owners of the parent	-1	1	103	
Attributable to non-controlling interests	-	-	2	
Total comprehensive income	-1	1	105	
Attributable to the owners of the parent	-1	1	103	
Attributable to non-controlling interests	-	-	2	

Statement of comprehensive income	1 Jan 2019 - 31 Dec 2019		1 Jan 2020 - 31 Dec 2020	
	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020
Sales	543	-		
Profit or loss	-	-		
Attributable to the owners of the parent	-	-		
Attributable to non-controlling interests	-	-		
Total comprehensive income	-	-		
Attributable to the owners of the parent	-	-		
Attributable to non-controlling interests	-	-		

Reconciliation to carrying amount in Fortum Group	1 Jan 2020 - 31 Dec 2020		1 Oct 2020 - 30 Sept 2021	
	31 Dec 2020	31 Dec 2020	30 Sept 2021	30 Sept 2021
Group's interest in the equity of the associate	12	30	409	
Change in share of profit and OCI items	-	-	31	
Dividends received	-	-	-14	
Translation differences and other adjustments	-	-	39	
Group's interest in the equity of the associate 31 December	12	30	464	
Fair values on acquisitions and different accounting principles ¹⁾	479	149	-8	
Carrying amount 31 December	491	179	456	

Reconciliation to carrying amount in Fortum Group	1 Jan 2019 - 31 Dec 2019		1 Jan 2020 - 31 Dec 2020	
	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020
Group's interest in the equity of the associate	8	-		
Change in share of profit and OCI items	-	-		
Dividends received	-	-		
Translation differences and other adjustments	3	-		
Group's interest in the equity of the associate 31 December	12	-		
Fair values on acquisitions and different accounting principles ¹⁾	444	11		
Carrying amount 31 December	456	11		

Market value of listed shares ²⁾

1) Impact of different accounting principles include mainly IFRS adjustments for nuclear-related assets and liabilities, capitalised borrowing costs and fair value adjustment for the acquired assets and liabilities. Fortum records its share of nuclear-related assets and liabilities in its nuclear associated companies according to equity method. The basis for recognition is similar as for Loviisa power plant, see accounting principles in ▶ Note 29 Nuclear-related assets and liabilities.

2) The market quotation is impacted by the limited free float of TGC-1 share.

Summarised financial information of the principal joint ventures

EUR million	2021		2020		Stockholm Exergl AB
	TVO Oyj	31 Dec 2021	TVO Oyj	31 Dec 2020	
Balance sheet	7,946	7,691	7,691	2,663	
Non-current assets	716	490	490	274	
Current assets	172	161	161	1	
Non-current liabilities	5,967	5,599	5,599	1,461	
of which non-current interest-bearing liabilities	4,599	4,569	4,569	1,023	
Current liabilities	632	539	539	316	
of which current financial liabilities	449	429	429	173	
Equity	2,063	2,043	2,043	1,161	
Attributable to the shareholders of the company	2,063	2,043	2,043	1,160	
Attributable to non-controlling interests	-	-	-	1	

Statement of comprehensive income

	1 Jan 2021 - 31 Dec 2021	1 Jan 2020 - 31 Dec 2020	1 Jan 2020 - 31 Dec 2020
Sales	299	275	589
Depreciation and amortisation	-44	-45	-144
Interest income	5	12	-
Interest expense	-42	-40	-18
Income tax expense or income	-	-	-22
Profit or loss	-20	-	84
Other comprehensive income	44	-22	-14
Total comprehensive income	25	-22	70
Attributable to the shareholders of the company	25	-22	70

Reconciliation to carrying amount in Fortum Group

Group's interest in the equity of the joint venture at 1 January	518	462	563
Change in share of profit and OCI items	5	-	35
Dividends received	-	-	-41
Investments	-	63	-
Translation differences and other adjustments	-	-6	24
Group's interest in the equity of the joint venture 31 December	523	518	580
Fair values on acquisitions and different accounting principles ¹⁾	3	3	-61
Carrying amount 31 December	526	521	519

¹⁾ Impact of different accounting principles include mainly IFRS adjustments for nuclear-related assets and liabilities and capitalised borrowing costs. Fortum records its share of nuclear-related assets and liabilities in its nuclear associated companies according to equity method. The basis for recognition is similar as for Lovisa power plant, see accounting principles in ▶ Note 29 Nuclear-related assets and liabilities.

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

EUR million	2021	2020
Principal associates	1,104	1,104
Principal joint ventures	51	51
Other associates	3	3
Other joint ventures	51	51
BS Total	2,435	2,435

Changes in participation during the year

EUR million	2021	2020
Opening balance 1 January	1,508	1,404
Acquisitions ¹⁾	-	7
Investments	6	39
Share of profit of associates and joint ventures	104	88
Dividend income received	-37	-76
Divestments and capital returns ²⁾	-18	-551
Reclassifications ¹⁾	-152	94
OCI items in associates and joint ventures	-1	39
Translation differences and other adjustments	26	-12
Carrying amount at 31 December	1,435	1,026

¹⁾ Acquisitions and reclassifications in 2020 mainly relate to Uniper consolidation at 31 March 2020.

²⁾ Divestments and capital returns mainly related to the sale of Stockholm Exergl AB.

During 2021 Fortum received EUR 113 million (2020: 116) in dividends from associates and joint ventures.

EUR 42 million (2020: 41) was received from Stockholm Exergl.

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

Share of profit of associates and joint ventures

EUR million	2021	2020
Principal associates	46	46
Forsmarks Kraftgrupp AB	-1	-1
Kemijoki Oy	33	24
TGC-1	77	69
Principal associates, total	77	69
Principal joint ventures	-3	21
TVO Oyj	-3	21
Principal joint ventures, total	-3	21
Other associates ¹⁾	27	490
Other joint ventures	91	76
IS Total	192	656

¹⁾ In 2020, included share of profit of EUR 469 million from Uniper SE.

Comparable share of profit of associates and joint ventures

EUR million	2021	2020
IS Share of profit/loss of associates and joint ventures	192	656
Adjustments to share of profit/loss of associates and joint ventures	-38	-
Comparable share of profit/loss of associates and joint ventures	154	656

In 2021, Fortum introduced a new Comparable net profit APM. See more information in ▶ Note 1 Significant accounting policies and ▶ Definitions and reconciliations of key figures.

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

Uniper

Fortum previously accounted for Uniper as an associated company with a three-month time lag as Fortum annual report before Uniper's financial information was available. In the first quarter of 2020, Fortum revised reporting schedule and publishes annual and interim reports after Uniper. Fortum's first quarter 2020 results already made in IV/2019 related to the impact from the reinstatement of the UK capacity market. Fortum's share of Uniper's I/2019 profits, EUR 162 million, included a reversal of the adjustment of the adjustment which reversal of EUR 389 million (after tax) related to the negative impact of Uniper's IV/2019 impairments. Fortum's share of Uniper's I/2020 profits, EUR 307 million, included a reversal of EUR 61 million after the negative impact of Uniper's I/2020 impairments.

In the purchase price allocation for the acquisition of 49.99% of the shares in Uniper, Fortum recorded an adjustment of EUR 613 million (after tax), relating to political and regulatory risks of certain generation assets of Uniper. If Uniper reports negative impacts relating to these generation and production assets, assesses the potential need to use this fair value adjustment to reverse these negative impacts. Fortum and concluded to use the fair value adjustment to reverse the majority of this negative impact from the reported by Uniper in their IV/2019 and I/2020 results.

The remaining fair value adjustment from the purchase price allocation for the acquisition of 49.99% of Uniper ceased to exist on 31 March 2020. Following the consolidation of Uniper as a subsidiary, Fortum new purchase price allocation. See ▶ Note 3.1.2 Uniper acquisition in March 2020.

19 Impairment testing

ACCOUNTING POLICIES

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

Indications of impairment are business-specific and are thus analysed separately by each segment; and include risks, such as changes in electricity and fuel prices, regulatory/political risks relating to energy taxes, price regulations, and limitations to the lifetime of assets.

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.

In addition, goodwill and other intangible assets that have an indefinite useful life, and as such are not subject to amortisation, are tested annually for impairment, even if there is no indication of impairment. Impairment testing is performed and documented annually in connection with the long-term forecasting process.

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

Goodwill is allocated to groups of cash-generating units that benefit from the synergies of the acquired goodwill. Fortum uses value in use to establish the recoverable amount of cash-generating units. Value in use is determined by discounting future cash flows expected to be derived from group of assets. The carrying amount of group of cash-generating units comprises net operating assets, including goodwill and fair value adjustments arising from acquisitions. Non-financial assets, other than goodwill, that have been impaired in the past are reviewed for possible reversal of impairment at each reporting date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS RELATED TO IMPAIRMENT TESTING

Impairment testing is forward-looking and requires management to make certain assumptions, as explained below. The recoverable amounts of cash-generating units are determined by value in use calculations. These calculations are based on estimated discounted future cash flows in local currency from most recent, long-term forecast, and / or long-term assumptions approved by management. Cash flows cover an explicit forecast period of six years. The explicit forecast period is longer than five years as significant assets used by the business, such as power plants, have useful lives exceeding 20 years. Cash flow projections beyond the explicit forecast period are estimated by extrapolating projections using a steady or declining growth rate.

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

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

Preparation of these cash flow estimates requires management to make assumptions relating to future targets are reflected in the assumptions used in the impairment testing. Key assumptions used in impairment testing are presented below, as well as the basis for determining each assumption. Assumptions are based on internal and external data that are consistent with observable information, when applicable.

Key assumptions

Power market development, recycling and waste solutions market development

Regulation framework

Utilisation of power plants and treatment facilities

Forecasted maintenance investments

Discount rate

Basis for determining the value for key assumptions

Historical analysis and prospective forecasting

Current market setup and prospective forecasting (e.g. CSA mechanism in Russia)

Past experience, technical assessment and forecasted market development

Past experience, technical assessment and planned maintenance investments

Mostly market-based information

Annual impairment testing

Annual impairment testing was performed as at 31 December 2021. The table below presents long-term discount rates used in impairment testing by cash generating units:

Discount rate %	2021
Consumer Solutions ¹⁾	4.5-5.4
City Solutions ¹⁾	4
Russia	11
Uniper ¹⁾	4.6-11

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

At 31 December 2021, the recoverable values were greater than their carrying values and therefore no were booked.

The Group has considered the sensitivity of key assumptions as part of the impairment testing. When consequential effect of the change on the other variables has also been considered. The calculations are to changes in estimated future EBITDA levels, and changes in discount rate. Management estimates the possible change in the discount rate used, or in future earnings would cause the carrying amount to exceed recoverable amount in any group of cash generating units.

20 Other non-current assets

EUR million	2021	2020
Other investments	254	224
Interest-free receivables	316	255
BS Total	570	479

Other investments mainly include certain subsidiaries that are not included in the consolidated financial statements on materiality grounds, accounted for outside the scope of IFRS 9 and measured at cost (see ▶ Note 40 Group companies by segment); as well as shares in unlisted companies.

Interest-free receivables mainly include prepaid expenses.

21 Interest-bearing receivables

EUR million	2021	2020
Interest-bearing receivables	2,971	2,804
Finance lease receivables	136	196
Total	3,107	3,000

EUR million	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term loan receivables from associates and joint ventures	1,138	1,185	1,113	1,161
Non-current securities	111	111	98	98
Other long-term interest-bearing receivables	1,024	1,024	1,010	1,010
Total long-term interest-bearing receivables	2,273	2,320	2,221	2,270
Collateral arrangement securities	549	549	432	432
Other short-term interest-bearing receivables	149	149	151	151
Total short-term interest-bearing receivables	698	698	582	582
Total	2,971	3,018	2,804	2,852

Long-term interest-bearing receivables include receivables from associated companies and joint ventures of EUR 1,138 million (2020: 1,113). These receivables include EUR 955 million from Swedish nuclear companies, Forsmarks Kraftgrupp AB and Ringhals AB (2020: 964), which are mainly funded with shareholder loans, pro-rata to each shareholder's ownership.

22 Inventories

ACCOUNTING POLICIES

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

Inventories which are acquired for the purpose of buying and selling commodities in the near future, from the fluctuation in market price, are stated at fair value less cost to sell.

EMISSION ALLOWANCES

In 2021, CO₂ emission allowances were reclassified from Other intangible assets to Inventories in order the nature of these assets.

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

CO₂ emission costs are settled by returning the emission allowances. The obligation for CO₂ emissions presented in Other payables, see ▶ Note 33 Trade and other payables. To the extent that the Group allowances to cover the emission costs, the obligation is measured at the carrying amount of those allowances. Shortfall of allowances needed to cover the settlement obligation is valued at the current market value. The emission cost is recognised in the consolidated income statement within materials and services.

EUR million

Raw materials and supplies	7
Goods purchased for resale	1,2
Emission rights and green certificates 1)	1
Other	1

BS Total

2,2

1) In 2021, CO₂ emission allowances were reclassified from Intangible assets to Inventories. Comparatives have been reclassified accordingly.

Raw materials and supplies mainly consist of fuels consumed in the production process, or in the rendering and include, in particular, coal, uranium and nuclear fuel rods. Goods purchased for resale include gas inventories. Other mainly consists of work in progress and finished goods.

Inventories stated at fair value less costs to sell total EUR 74 million (2020: 45).

23 Trade and other receivables

ACCOUNTING POLICIES

Trade receivables include revenue based on an estimate of electricity, gas, heat and cooling already delivered but not yet measured and not yet invoiced.

Impairment losses for trade receivables are measured at an amount equal to lifetime expected credit losses. Allowances on trade receivables are calculated according to the expected credit loss (ECL) model. Loss until it is written off as a credit loss or reversed. Allowances may remain on the balance sheet for several years pending the outcome of collection processes and court proceedings. Write-off policies differ by country depending on local legislation and assessment of recovery possibilities. For large trade receivables, ECL is calculated for the individual customer based on the estimated probability of default and expected recovery rate for the customer. These estimates are derived from available market data when possible, or based on the customer's rating. Adjustments are made if there are indications of decreased creditworthiness, e.g. based on payment behaviour. ECL for trade receivables from small customers are calculated on portfolio basis by country and business segment. The credit loss allowances are based on historical analysis of losses when possible, or on average default rates for customers based on externally available information. These rates are adjusted if there are any forward-looking indicators showing changes in expected credit losses. Trade receivables overdue more than 180 days are generally considered to be credit-impaired and allowances are made for the full amount, adjusted for expected recovery rates.

EUR million	2021	2020
Trade receivables	12,916	7,115
Other	1,940	1,790
BS Total	14,856	8,906

Other category includes other operating assets, accrued income and prepaid expenses.

Trade receivables Ageing analysis of trade receivables

EUR million	2021		Gross allowance
	Gross allowance	Expected credit loss rate, %	
Not past due	12,662	14	6,988
Past due 1-30 days	192	5	60
Past due 31-90 days	22	9	21
Past due 91-180 days	34	16	18
Past due more than 181 days	204	154	206
Total	13,114	198	7,293

Changes in expected credit loss allowance

EUR million
1 January
Expected credit loss allowance recognised during the year
Write-offs
Acquisition of subsidiary companies
Translation differences and other changes
31 December

The majority of impaired trade receivables relate to the Russia and Uniper segments.

Trade receivables by currency (Gross)

EUR million	2021	2020
EUR	9	1
USD		
GBP		
NOK		
SEK		
RUB		
PLN		
Other		
Total	13	13

Trade receivables are arising from a large number of customers mainly in EUR, USD, GBP and NOK with concentration of risk.

For further information regarding credit risk management and credit risks, see > Counterparty and credit risk
Operating and financial review and > Note 4.4 Credit risk.

24 Liquid funds

ACCOUNTING POLICIES

Cash and cash equivalents in Liquid funds include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Cash and cash equivalents, deposits and commercial papers are measured at amortised cost. Fixed-term securities are measured at fair value through profit or loss.

Drawn amount of bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Trading-related cash collaterals are included in margin receivables and otherwise restricted cash is treated as short-term interest-bearing receivables.

EUR million	2021	2020
Cash at bank and in hand	3,858	834
Deposits and securities with maturity under 3 months	3,687	1,063
Cash and cash equivalents	7,545	1,898
Deposits and commercial papers with maturity more than 3 months	-	363
Securities, fixed-term with maturity more than 3 months	47	46
Deposits and securities, maturity over 3 months but less than 12 months	47	410
BS Total	7,592	2,308

At the end of the reporting period, the Group's liquid funds totalled EUR 7,592 million (2020: 2,308). Liquid funds include EUR 2,966 million (2020: 289) held by the Uniper segment. Russian subsidiaries held EUR 300 million (2020: 244) of liquid funds in the form of cash and bank deposits.

Liquid funds totalling EUR 7,342 million (2020: 2,107) are placed with counterparties that have an investment grade credit rating.

At the end of the reporting period, Fortum had undrawn committed credit facilities amounting to EUR 400 million. The undrawn facilities consisted of EUR 300 million of the total new EUR 800 million bilateral revolving credit facility maturing in December 2022 with borrower's one-year extension option and EUR 100 million committed overdraft limits that are valid until further notice.

The EUR 1,750 million revolving credit facility with maturity in June 2023 and Uniper's revolving credit facility of EUR 1,800 million with maturity in September 2025 were both totally drawn in December 2021.

For further information regarding credit risk management and credit risks, see ▶ Note 4.4 Credit risk.

25 Share capital

Number of registered shares 1 January and 31 December
Share capital, EUR million, 1 January and 31 December

2021
888,294,465
3,046

Fortum Corporation has one class of shares. By the end of 2021, a total of 888,294,465 shares had been issued. All share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal share of the net assets of Fortum Corporation at the end of 2021 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, is EUR 3,046,185,953.00.

Fortum Corporation's shares are listed on Nasdaq Helsinki. The trading code is FORTUM. Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finland Ltd.

Details on the President and CEO and other members of the Fortum Executive Management Team's remuneration and interest in the equity incentive schemes is presented in ▶ Note 10 Employee benefits and Board remuneration.

25.1 Authorisations from the Annual General Meeting 2021

In 2021, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase of the company's own shares up to a maximum number of 20,000,000 shares, which corresponds to approximately 2.25% of all the shares in the company. These authorisations are effective until the next Annual General Meeting and, in any event, for a period no longer than 18 months. These authorisations had not been used as of 31 December 2021.

25.2 Convertible bond loans and bonds with warrants

Fortum Corporation has not issued any convertible bonds or bonds with attached warrants, which would entitle the bearer to subscribe for Fortum shares. The Board of Directors of Fortum Corporation has not issued any convertible bonds or bonds with attached warrants. The General Meeting of shareholders to issue convertible bond loans or bonds with warrants has not been used to increase share capital.

Basis of preparation Risks

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26 Non-controlling interests

Principal non-controlling interests

EUR million	2021	2020
Uniper, Germany	1,318	2,430
Fortum Oslo Varme AS Group, Norway	150	147
Other	66	48
BS Total	1,534	2,624

EUR million	Uniper 2021	Uniper 2020 ¹⁾
Sales	105,992	44,154
Loss/profit for the period	-4,122	4

Dividends paid to non-controlling interests
Total cash flows

Current assets
Current liabilities

Current net liabilities/assets

Non-current assets
Non-current liabilities

Non-current net assets

Net liabilities/assets

of which attributable to non-controlling interests

Ownership interests held by non-controlling interests (%)

¹⁾ Uniper's income statement and cash flow information are included from 1 April 2020.

27 Interest-bearing liabilities

Financial net debt and adjusted net debt

EUR million	2021	2020
+ Interest-bearing liabilities	17,211	17,211
- BS Liquid funds	- 7,511	- 7,511
- Non-current securities	- 1,511	- 1,511
- Collateral arrangement securities	- 611	- 611
- Securities in interest-bearing receivables	- 611	- 611
- BS Margin receivables	- 9,111	- 9,111
+ BS Margin liabilities	+ 9,111	+ 9,111
+/- Net margin liabilities/receivables	- 8,111	- 8,111
Financial net debt	7,111	7,111
+ BS Pension obligations	+ 1,111	+ 1,111
+ Other asset retirement obligations	+ 811	+ 811
- BS Share of Finnish and Swedish Nuclear Waste Funds	- 3,511	- 3,511
+ BS Nuclear provisions	+ 3,811	+ 3,811
+ Nuclear provisions net of assets in Nuclear Waste Funds	+ 3,311	+ 3,311
+ Total provisions net of assets in Nuclear Waste Funds	2,411	2,411
Adjusted net debt	3,211	3,211

Financial net debt decreased during the year by EUR 6,234 million from EUR 7,023 million to EUR 789 million in December 2021. Liquid funds increased by EUR 5,284 million from EUR 2,308 million to EUR 7,592 million in December 2021. The higher commodity prices lead to higher margin requirements and the net margin requirements therefore increased by EUR 7,378 million from EUR 801 million to EUR 8,179 million in December 2021. Fortum has a collateral arrangement to release cash from the Nordic Power Exchange. The arrangement presented with equal amounts, EUR 549 million (2020: 432), as a short-term interest-bearing liability and bearing receivable.

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

Loans

EUR million	2021		2020		Effective interest rate, %	Carrying amount 2021	Repricing			Fair value 2021
	2021	2020	2021	2020			Under 1 year	1-5 years	Over 5 years	
Interest-bearing liabilities										
Non-current loans	7,756	7,891			1.9	3,705				3,919
Current loans	8,389	1,716			0.6	4,183	1,752	846	-	4,222
Total loans	16,144	9,607								
Non-current lease liabilities	945	894			0.5	1,165				1,213
Current lease liabilities	130	161			2.6	433	221	-	212	463
Total lease liabilities	1,075	1,055								
Total	17,220	10,662								
EUR million	2021	2020								
Bonds	2,706	3,758			1.2	9,487	6,047	2,382	1,058	9,817
Loans from financial institutions	3,715	2,556			0.8	549	-	-	-	549
Reborrowing from the Finnish State Nuclear Waste Management Fund	916	1,145			0.2	3,129	3,129	-	-	3,129
Lease liabilities	945	894			0.4	2,980	-	-	-	2,980
Other long-term interest-bearing liabilities	419	433			0.3	6,658	2,980	-	-	6,658
BS Total long-term interest-bearing liabilities	8,701	8,785			0.8	16,144	12,704	2,382	1,058	16,475
Current portion of long-term bonds	999	500								
Current portion of loans from financial institutions	468	20								
Current portion of other long-term interest-bearing liabilities	264	14								
Commercial paper liabilities	3,129	260								
Current portion of lease liabilities	130	161								
Collateral arrangement liability	549	432								
Other short-term interest-bearing liabilities	2,980	490								
BS Total short-term interest-bearing liabilities	8,519	1,877								
Total	17,220	10,662								

1) Includes current portion of long-term loans of EUR 1,731 million (2020: 534).
2) The average interest rate on loans and derivatives was 1.3% (2020: 1.5%).

The interest-bearing liabilities increased in 2021 by EUR 6,558 million to EUR 17,220 million (2020: 10,662 million). The amount of short-term loans increased by EUR 5,476 million, and at the end of the year the amount of short-term financing was EUR 6,658 million (2020: 1,182). The increase is mainly due to the use of commercial paper programmes, which increased by EUR 2,869 million to EUR 3,129 million on 31 December 2021.

In May 2021 Fortum repaid a maturing bond of EUR 500 million.

In December 2021 Fortum signed new bilateral financing agreements to further strengthen the liquidity position.

Reconciliation of interest-bearing liabilities

EUR million	1 Jan 2021 subsidiary companies		Cash flow from financing activities ¹⁾	Non-cash changes/ Valuation differences/ Change in consolidation	Lease liabilities
	Divestment of subsidiary companies	Cash flow from Non-cash collateral arrangement			
Bonds	4,258	-500	21	-52	
Reborrowing from the Finnish State Nuclear Waste Management Fund Financial and other interest-bearing liabilities	1,145	7,120	117	35	
Lease liabilities	1,055	-152			173
Total	10,662	-202	6,488	-17	173

EUR million	1 Jan 2020 subsidiary companies		Cash flow from financing activities ¹⁾	Non-cash changes/ Valuation differences/ Change in consolidation	Lease liabilities
	Acquisition of subsidiary companies	Cash flow from Non-cash collateral arrangement			
Bonds	4,251			7	
Reborrowing from the Finnish State Nuclear Waste Management Fund Financial and other interest-bearing liabilities	1,185	557	-40	-61	
Lease liabilities	1,144	1,018	-105	-5	38
Total	6,688	1,575	2,269	-60	38

¹⁾ Repayments and borrowings.

Bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal value in million
Fortum Corporation EUR 8,000 million EMTN Programme ¹⁾	Fixed	2.250	2.344	EUR	8,000
2012/2022	Fixed	0.875	0.996	EUR	1,000
2019/2023	Fixed	1.625	1.638	EUR	1,750
2019/2026	Fixed	2.125	2.247	EUR	1,750
2019/2029	Floating	Stibor 3M+1.13		SEK	1,000
2013/2043	Fixed	3.500	3.719	EUR	100

Total outstanding carrying amount 31 December 2021

¹⁾ EMTN = Euro Medium Term Note

Basis of preparation Risks

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28 Income taxes on the balance sheet

ACCOUNTING POLICIES

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement, because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided in full, using the balance sheet approach on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the closing date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are set off against deferred tax liabilities if they relate to income taxes levied by the same taxation authority.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not be reversed in the foreseeable future.

The Group recognises liabilities for anticipated tax dispute issues based on estimates of whether additional taxes will be due. No provision will be recognised in the financial statements if Fortum considers the claims unjustifiable. Therefore, if taxes regarding ongoing tax disputes have to be paid before final court decisions, they are booked as a receivable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS AND REGARDING FUTURE TAX CONSEQUENCES

Fortum has deferred tax assets and liabilities which are expected to be realised through the income statement over extended periods of time in the future. In calculating the deferred tax items, Fortum is required to make assumptions and estimates regarding the future tax consequences attributable to differences between amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Assumptions made include the expectation that future operating performance for subsidiaries will be historical levels of operating results, recoverability periods for tax loss carry-forwards will not change, a tax laws and rates will remain unchanged into foreseeable future. Fortum believes that it has prudent a developing its deferred tax balances.

Fortum continually evaluates the probability of utilising deferred tax assets and considers various factors in addition to the actual and planned earnings of the past, take into account medium-term and long-term basis for recognising deferred tax assets is an estimate by management of the extent to which it is probable that it will be sufficient taxable profit in the foreseeable future against which the unused tax losses, tax credits and temporary differences can be offset.

Assumptions and estimates regarding main uncertain tax positions are supported by external legal expert opinion.

If the actual final outcome (regarding tax disputes) would differ negatively from management's estimate, the Group would need to increase the income tax liability by EUR 11 million at 31 December 2021.

28.1 Deferred taxes on the balance sheet

EUR million	2021		Jan 21	Dec 20
	1 Jan	Change	31 Dec	
BS Deferred tax assets	1,089	1,060	2,149	77
BS Deferred tax liabilities	-952	125	-827	-865
Net deferred taxes	138	1,184	1,321	-788

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement in deferred tax assets and liabilities 2021

EUR million	Intangible assets	Property, plant and equipment and right-of-use assets	Pension obligations	Provisions	Derivative financial instruments	Tax losses and tax credits carry-forward	Other
1 January 2021	-241	-1,228	542	1,273	-63	168	-312
Charged to income statement	44	-282	-156	395	1,258	-23	-161
Charged to other comprehensive income	-	-	-98	-	269	-	0
Exchange rate differences, reclassifications and other changes	-2	-44	-20	-10	11	1	0
Acquisitions and disposals	0	2	-	0	0	0	-3
31 December 2021	-200	-1,551	268	1,658	1,476	146	-476

Movement in deferred tax assets and liabilities 2020

EUR million	Intangible assets	Property, plant and equipment and right-of-use assets	Pension obligations	Provisions	Derivative financial instruments	Tax losses and tax credits carry-forward	Other
1 January 2020	-104	-823	25	-17	33	63	36
Charged to income statement	-10	-123	-8	-141	197	25	-84
Charged to other comprehensive income	-	-3	135	-	27	-	-1
Exchange rate differences, reclassifications and other changes	6	122	238	177	3	12	281
Acquisitions and disposals ¹⁾	-133	-447	159	1,254	-323	73	28
Transfer to assets held for sale	-	46	-7	-	-	-5	-10
31 December 2020	-241	-1,228	542	1,273	-63	168	-312

¹⁾ Acquisition and disposals included EUR 579 million from the acquisition of Uniper at 31 March 2020. See ▶ Note 3 Acquisition, disposals and assets held for sale.

Historically, Fortum had significant deferred tax liabilities owing to its investments in non-current assets that are depreciated faster for tax than for accounting purposes. Through the acquisition of Uniper, Fortum now has significant deferred tax assets on derivative financial instruments. Deferred tax assets on derivative financial instruments increased during 2021 due to decrease in the net fair value of the unrealised commodity derivatives caused by high commodity prices.

Expiry of tax losses carried forward and recognised deferred tax assets

EUR million	2021		2020	
	Deferred tax losses	Tax asset	Deferred tax losses	Deferred tax asset
Tax losses carried forward without expiration date ¹⁾	675	132	789	137
Tax losses carried forward with expiration date	58	8	166	31
Total	733	139	955	168

¹⁾ Majority relates to Germany, United Kingdom and Sweden.

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future profits is probable.

Amount of temporary differences, tax losses carried forward and tax credits for which no deferred tax asset was recognised due to uncertainty of utilisation:

EUR million	2021	2020
Temporary differences ¹⁾	4,910	2,437
Tax losses carried forward ²⁾	463	468
Tax credits	3	4
Total	5,376	2,909

¹⁾ Majority relates to Germany.

²⁾ Majority relates to Uniper segment, and do not expire.

Deferred tax liabilities were not recognised on temporary differences of EUR 164 million (2020: 374) for investments in subsidiaries, branches, and associates and joint ventures to the extent that Fortum can control the reversal effect, and it is probable that temporary differences will not be reversed in the foreseeable future.

28.2 Income tax receivables

EUR million	2021	2020
Belgium	113	113
Other	48	43
BS Total	161	156

Income tax receivable in Belgium relates to income tax assessments for the years 2008–2012. Additional taxes of EUR 113 million were paid and, based on a supporting legal opinion, booked as an income tax receivable. See ▶ Note 37 Legal actions and official proceedings.

Other income tax receivables reflect corporate income taxes paid mainly in relation to the financial year, as well as payments according to received tax audit assessments in relation to previous years.

29 Nuclear-related assets and liabilities

ACCOUNTING POLICIES

Fortum owns Lovisa nuclear power plant in Finland, and through the acquisition of Uniper, OKG Aktiefonds Barsebäck Kraft AB (Barsebäck) nuclear power companies in Sweden. Fortum and Uniper are co-owners of Swedish nuclear company OKG AB. In Fortum's consolidated balance sheet, Shares in Nuclear Waste Nuclear provisions relate to Lovisa, OKG and Barsebäck nuclear power plants. Fortum's nuclear-related and the related part of the Nuclear Waste Funds are both presented separately on the balance sheet. Fortum's shares in the Nuclear Waste Funds are accounted for according to IFRIC 5, Rights to interest decommissioning, restoration and environmental rehabilitation funds which states that the fund assets the lower of fair value or the value of the related liabilities since Fortum does not have control or joint control over the Nuclear Waste Funds. The Nuclear Waste Funds are managed by governmental authorities. The related provision for decommissioning and the provision for disposal of spent fuel.

The fair values of the provisions are calculated according to IAS 37 by discounting the separate future costs which are based on estimated future costs and actions already taken. The initial net present value of the decommissioning (at the time of commissioning the nuclear power plant) has been included in the investment is depreciated over the estimated operating time of the nuclear power plant. Changes in the technical plan have an impact on the future cash flow of the estimated costs for decommissioning, are accounted for the additional costs to the current point in time. The increased asset retirement cost due to the decommissioning is added to property, plant and equipment and depreciated over the remaining estimated time of the nuclear power plant. For power plant units taken from use the increase is recognised immediately in income statement.

The provision for spent fuel covers the future disposal costs for fuel used until the end of the accounting period. Costs for disposal of spent fuel are expensed during the operating time based on fuel usage. The impact of possible changes in the estimated future cash flow for related costs is recognised immediately in the income statement based on the accumulated amount of fuel used until the end of the accounting period. The related interest unwinding of the provision is recognised in other financial items - net.

The interest income and possible fair valuation effects on the Nuclear Waste Funds assets are presented in financial items - net.

Fortum's actual share of the Nuclear Waste Funds can be higher than the carrying value of the Fund in sheet. The legal nuclear liability should be fully covered by payments and guarantees to the Nuclear Waste Fund in Finland. The same applies in Sweden for the nuclear power plants that are taken out of operation. For Swedish power plants in operation the nuclear liability should be fully covered at the end of the plants operating lifetime difference between the legal liability and provisions can be material per power plant, as the legal liability is discounted while the provisions are and in Sweden the legal liability is based on different assumptions than the annual fees to the Fund are based on changes in the legal liability, the return generated in the Nuclear Fund and incurred costs of taken actions.

Fortum also has minority interests in nuclear power companies, including Teollisuusenergiä Oy (TVO) and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are classified as associates 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.

Basis of preparation Risks

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policies of the associates regarding nuclear-related assets and liabilities have been changed where necessary to ensure consistency with the policies adopted by the Group.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS MADE WHEN ESTIMATING PROVISIONS RELATED TO NUCLEAR PRODUCTION

The provision for future obligations for nuclear waste management including decommissioning of Fortum's nuclear power plants and related spent fuel is based on long-term cash flow forecasts of estimated future costs. The main assumptions are technical plans, timing, cost estimates and discount rate. The technical plans, timing and cost estimates are approved by governmental authorities.

Any changes in the assumed discount rate would affect the provision. If the discount rate used would be lowered, the provision would increase. For the power plants where the actual Share of the Nuclear Waste Fund is higher than the provision an increase in provisions would be offset by an increase in the recorded share of Fortum's part of the Nuclear Waste Funds on the balance sheet. The total effect on the income statement would be positive since the decommissioning part of the provision is treated as an asset retirement obligation. This situation will prevail as long as the actual Share of the Nuclear Waste Fund is higher than recognised in the balance sheet and IFRS is limiting the carrying value of the assets to the amount of the provision since Fortum does not have control or joint control over the fund.

Based on Finnish and Swedish laws, Fortum has legal obligations to fully fund the legal liabilities decided by the governmental authorities, for decommissioning of the power plants and disposal of spent fuel through the Nuclear Waste Funds.

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

29.1 Nuclear-related assets and liabilities for consolidated nuclear power production

EUR million

Carrying values on the balance sheet

BS Nuclear provisions

BS Fortum's share of the Nuclear Waste Funds

Fortum's share of the fair value of the net assets in the Nuclear Waste Funds in Finland and Sweden
Share of fund not recognised on the balance sheet

Nuclear provision and fund accounted according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spent fuel value of the nuclear provisions, calculated according to IAS 37, increased by EUR 25 million compared 2020, totalling EUR 3,891 million at 31 December 2021.

Fortum's share of the Nuclear Waste Funds are from an IFRS perspective overfunded by EUR 408 million. Fortum's share of the Funds on 31 December 2021 was EUR 3,924 million and the carrying value on the balance sheet was EUR 3,515 million. The Fund on Fortum's balance sheet can at maximum be equal to the amount of the provision according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the other financial items adjusted positively if the provisions increase more than the Fund, and negatively if the provision decreases more than the actual value of the fund.

Legal liability for Loviisa nuclear power plant

The legal liability on 31 December 2021, decided by the Ministry of Economic Affairs and Employment in 2021, was EUR 1,148 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 year following the assessment year and discounting is not applied in determining the amount.

Fortum's share in the Finnish Nuclear Waste Fund

According to Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management on the yearly funding obligation target decided by the governmental authorities in connection with the decommissioning of the legal liability. The current funding obligation target decided in December 2021 is EUR 1,148 million.

Nuclear provisions

EUR million	2021	2020
1 January	3,866	813
Increase in provisions	211	476
Acquisition of subsidiary companies	-	2,412
Provision used	-189	-155
Unwinding of discount	65	62
Exchange rate differences	-62	258
BS 31 December	3,891	3,866
BS Fortum's share in the Nuclear Waste Funds	3,515	3,445

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. See > Note 27 Interest-bearing liabilities and > Note 36 Pledged assets and contingent liabilities.

OKG and Barsebäck nuclear power plants in Sweden

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

Nuclear waste fees and guarantees are normally updated every three years by governmental decision after a proposal from the Swedish Radiation Safety Authority (SSM). From September 2018, the proposal is prepared by the National Debt Office. The proposal is based on cost estimates done by SKB and the license holders. An updated technical plan for nuclear waste management was decided by SKB in September 2019 and was handed in to SSM in the end of 2019. In December 2020 the Swedish government decided the waste fees and guarantees for 2021 only. Nuclear waste fees paid by licensees with a unit/units that are still in operation are currently based on future costs with the assumed lifetime of 50 years for each unit of a nuclear power plant. The fee is calculated in relation to the energy delivered and set as an amount of öre (1 öre = SEK 0,01) per kWh delivered. For Barsebäck, which have no units in operation, the fee is determined as a fixed fee in SEK per year.

29.2 Nuclear power plants in associated companies and joint ventures

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

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

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

EUR million
Carrying values with Fortum assumptions ¹⁾
Nuclear provisions
Share of the State Nuclear Waste Management Fund
of which Fortum's net share consolidated with equity method
Fortum's share of the fair value of the net assets in the Nuclear Waste Funds
Receivables from the waste fund that are overfunded (underfunded) from an IFRS perspective
TVO's share of the fund not recognised in the balance sheet

1) Accounted for according to Fortum's accounting principles.

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

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in Note 27 Interest-bearing liabilities.

> Note 27 Interest-bearing liabilities. Forsmark's provision and share of the fund are based on same principles as described above for OKG and Barsebäck nuclear power plants.

Status of TVO's Olkiluoto 3 project

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 40% of the capacity. Olkiluoto 3 (OL3), currently under test production phase, was procured as a fixed-price turnkey consortium (Plant Supplier) formed by Areva GmbH, Areva NP SAS and Siemens AG. As stipulated in the 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 Areva NP, Areva GmbH, and Siemens AG as well as with Areva Group parent company Areva SA, a company owned by the French State. The settlement agreement concerned the completion of the OL3 project and disputes, and it entered into force in late March 2018. The supplier consortium companies committed to the funds dedicated to the completion of the OL3 project will be adequate and will cover all applicable grant periods, including setting up a trust mechanism funded by Areva companies to secure the financing of the project, completing the OL3 project. During the period under review, replenishing the trust was finished according to the 2018 Global Settlement Agreement (GSA), but it was replenished according to the amendment agreement entered into force in July 2021.

TVO and the Areva-Siemens consortium negotiated since summer 2020 on the terms of the OL3 project completion. In addition, the Areva companies were preparing a financial solution which ensure the necessary funding for the companies to complete the OL3 project. The parties reached a consensus in their negotiations regarding the main principles of the OL3 project completion in May 2021, and the agreements regarding the amendments to the OL3 project 2018 Global Settlement Agreement (GSA) were signed in June 2021. Certain conditions had to be fulfilled in order for the agreements to enter into force, and all conditions were fulfilled on 13 July 2021.

- The Areva companies' trust mechanism, established in the GSA of 2018 was replenished in July with EUR 432.3 million
- Both parties are to cover their own costs as of July 2021 until end of February 2022.
- In the case that the plant supplier consortium companies would not complete the OL3 project until the end of February 2022, they would pay an additional compensation for delays, depending on the date of completion.
- In connection with the agreement entering into force, the plant supplier paid EUR 206.9 million of the EUR 400.0 million delay compensation as agreed in the GSA 2018.

The Radiation and Nuclear Safety Authority (STUK) granted a fuel loading permit for the OL3 plant unit in March 2021, and the fuel loading was completed in April 2021. The completion of fuel loading meant that OL3 is now a nuclear power plant in use. On 16 December 2021, STUK granted TVO permission for making the reactor critical and conducting low power tests. The first criticality of OL3 was reached on 21 December 2021. OL3's electricity production starts in March 2022, once the plant unit has been connected to the national grid. Regular electricity production starts in July 2022.

Nuclear-related guarantees

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered liability and unexpected events.

For more information regarding Fortum's guarantees given on behalf of nuclear companies, see ▶ Note 36 Pledged assets and contingent liabilities.

30 Other provisions

ACCOUNTING POLICIES

Provisions are recognised when the Group has a present legal or constructive obligation to a third party in the past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a discount rate that reflects current market assessment of the time value of money. Increase in the provision due to the passage of time and changes in provisions due to changes in discount rate is recognised as interest expense in the consolidated income statement. Changes in provisions, except for asset retirement obligations, are recognised in the consolidated income statement.

ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations for the decommissioning or dismantling of property, plant and equipment are recognised when there is a contractual obligation towards a third party or a legal obligation. The obligation is based on detailed cost estimates validated by external experts.

The asset retirement obligation is recognised as part of the cost of an item of property, plant and equipment when the asset is put in service. Costs are depreciated over the remainder of the asset's useful life. Changes in asset retirement obligations are recognised in property, plant and equipment on the consolidated balance sheet. An item of property, plant and equipment has already been fully depreciated when changes are recognised in consolidated income statement.

ONEROUS CONTRACT PROVISIONS

An onerous contract provision is recognised for a contract under which the unavoidable costs of meeting obligations under the contract exceed the economic benefits expected to be received under it. Unavoidable costs are the excess obligation from the performance under the contract, and any potential penalties or losses arising in the event of non-performance.

ENVIRONMENTAL PROVISIONS

Environmental provisions are recognised based on the current interpretation of environmental laws and regulations when it is probable that a present obligation has arisen, and the amount of such liability can be reliably estimated. The obligation is generally based on detailed cost estimates validated by external experts.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS MADE WHEN ESTIMATING PROVISIONS

Provisions for present obligations require management judgment in determining whether it is probable that an outflow of economic benefits will be required to settle the obligation. Estimation is required in determining the value of the amount recognised as a provision is based on the best estimate of unavoidable costs required to settle the obligation at the end of the reporting period. When estimating unavoidable costs, management may be required to consider a possible outcomes and their associated probabilities, risks and uncertainties surrounding the events and circumstances, as well as making assumptions of the timing of payment. Estimation is also required in determining the rate used for provisions to present value. Changes in estimates of timing or amounts of costs required to settle the obligation may become necessary as time passes and/or more accurate information becomes available.

EUR million	Supplier- and customer-related	Asset retirement	Power production-related	Gas distribution-related	Environmental remediation and similar	Personnel-related	Other
1 January 2021	948	821	643	378	261	247	933
Increase in provisions	2,355	15	142	10	10	216	163
Provisions used	-159	-6	-1	-107	-16	-72	-80
Unused provisions reversed	-182	-	-	-56	-2	-20	-68
Exchange rate differences and other changes	-66	9	-	-	-	1	66
Unwinding of discounting	-2	-2	-4	-2	-	-4	-1
31 December 2021	2,893	872	653	354	253	368	1,013
BS Of which current provisions	1,836	29	-	-	11	149	274
BS Of which non-current provisions	1,057	843	653	354	242	219	739

Provisions for asset retirement obligations consist of obligations for conventional and renewable energy power plants, including the conventional plant components in the nuclear power segment, that are based on legally binding civil a public regulations, as well as provisions for environmental improvements at gas storage facilities. The majority of the provision is estimated to be used within 45 years.

Provisions for supplier- and customer-related obligations include EUR 2.6 billion (2020: 0.5) of onerous contract provisions for procurement of electricity sales contracts for which the own-use exemption under IFRS 9 is applied, and infrastructure purchase contracts used in the gas storage business. See ▶ Note 35 Capital and other commitments. Additions to supplier-related provisions mainly relate to Uniper segment's electricity sales contracts for which the own-use exemption under IFRS 9 is applied. The provision increased to account for increased electricity prices and the associated higher purchasing costs. Purchases are, however, hedged using derivative financial instruments whose fair value measures offsetting effects recognised in items affecting comparability (see ▶ Note 7 Comparable operating profit and comparable net profit). Future cash outflows from the utilisation of the provision are offset by cash inflows from the hedges.

Power production-related provisions consist mainly of provisions from the hydroelectric power business. The majority of the provision is estimated to be used within 60 years. Gas distribution-related provisions consist mainly of onerous contract provisions for gas transportation and regasification. The majority of the provision is estimated to be used within 13 years. Environmental provisions mainly include provisions for redevelopment and water protection measures, the rehabilitation of contaminated sites, and other environmental improvement measures. The majority of the provision is estimated within 22 years.

Personnel-related provisions mainly include provisions for performance-based compensation components, long-service bonus obligations, in-kind obligations, restructuring and other deferred personnel costs. The majority of the provision is estimated to be used within 42 years.

Other provisions include EUR 0.3 billion (2020: 0.3) provisions for risk-related contingencies, as well as a number of individually immaterial items.

For provisions for decommissioning, and provision for disposal of spent fuel for nuclear production, see ▶ Note 29 Nuclear-related assets and liabilities.

Basis of preparation Risks

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Group structure and re

31 Pension obligations

ACCOUNTING POLICIES

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through various pension vehicles including payments to insurance companies, Group's pension funds and other separate arrangements. The Group has both defined benefit and defined contribution plans.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement as to spread the service cost over the service lives of employees. Current and past service cost, as well as gains or losses from settlements are reported under personnel costs. The net interest is reported in financial items.

The defined benefit obligation is calculated annually on the balance sheet date and is measured as the present value of the estimated future cash flows using interest rates of high-quality corporate bonds, or similar, that have terms to maturity approximating to the terms of the related pension liability. The plan assets for pensions are valued at market value. The net liability recognised on the balance sheet is the defined benefit obligation at the closing date less the fair value of plan assets.

Any net asset position that might arise from offsetting the present value of the defined benefit obligations against the corresponding fair value of plan assets is recognised taking into account the applicable asset restrictions. Such an asset position is reported in Other non-current assets on the balance sheet.

In the case of a plan amendment, curtailment or settlement (each a "plan event") occurring in a defined benefit plan during an annual reporting period, the current service cost and the net interest on the net liability or asset are remeasured for the remainder of the reporting period after the plan event. The actuarial assumptions applicable as of the date of the plan event are to be used as the basis for such remeasurement. When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in the present value of the defined benefit obligation that relates to past service, or the gain or loss related to a curtailment is recognised immediately in profit or loss. Gains or losses on settlements of defined benefit plans are recognised when the settlement occurs.

Remeasurements of the net defined benefit liability or asset include actuarial gains and losses that may arise especially from differences between estimated and actual variations in underlying assumptions about demographic and financial variables; and, additionally, from developments in these assumptions as of each reporting date. Additionally included is the difference between the actual return on plan assets and the interest income on plan assets contained in the net interest result, as well as any change in the effect of the asset ceiling, excluding amounts already included in net interest. Remeasurement results and related deferred taxes are recognised in full in the period in which they occur and are reported in the statement of comprehensive income.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS USED TO DETERMINE FUTURE PENSION OBLIGATIONS

The present value of the pension obligations is based on actuarial calculations that use several assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Fortum's pension arrangements Finland

The statutory pension benefits (as determined in Employee's Pension Act (TVEL) in Finland) provide the pension coverage for old age, disability and death of a family provider. The benefits are insured with an company, and determined to be defined contribution plans.

In addition, the Group has historical old-age and survivor pension benefits with the Fortum Pension Fund and employees' representatives. The promised benefit is defined in the rules of the Fund, mostly at a maximum limited number of people. The Fortum Pension Fund is a closed fund managed by a Board, consisting of and employees' representatives. The salary basis is an average of the ten last years' salaries, which are indexed by a constant index to the accounting year. After retirement the benefits payable are indexed yearly with the TVEL-index.

The Fund is operating under the regulation from the Financial Supervisory Authority (FSA). The liability covered according to the regulations. The national benefit obligation related to the defined benefit plans that the promised benefit is fully funded until retirement.

Germany

The majority of active and former employees are covered by occupational benefit plans in addition to the retirement benefits. The benefits offered under these plans primarily include retirement, disability and survivor benefits. The majority of the reported pension obligation for the active employees arises from the "BAS-Plan" a "Zukunftssicherung" plan, that have been closed to the new hires since 2008. The only plan open to new defined contribution-oriented benefit plan, which is based on "units of capital".

The benefit expense for all these plans is dependent on compensation, and is determined at different rates based on the ratio between compensation and the contribution limit in the statutory retirement plan. The plans contain different interest rate assumptions. Up to, and including 31 December 2011, fixed initial assumptions had applied for both the "BAS-Plan" and the "Zukunftssicherung" plan. From 1 January 2012, units established have earned interest at a rate that is linked to market rates and hedged by applying guaranteed minimum interest rates. An annual review is performed, taking market developments into account, to determine the pension units should be formed based on the guaranteed minimum interest rates or by applying a higher interest rate can be increased to a maximum of 6.0% per year. Pension units granted through 31 December 2011 remain unchanged by this adjusted interest calculation. The units of capital established under the open contribution-oriented benefit plan earn interest at the average yield of long-term government bonds of the Republic of Germany observed in the fiscal year.

Future pension increases at a rate of 1% per year are guaranteed for certain individuals including a limited number of employees. For the remaining eligible individuals, pensions are adjusted mostly in line with the rate usually in a three-year cycle.

Pension plans are funded through designated pension vehicles that are legally distinct from the company plan assets are funded in form of "Pensionskassen" and a Group-wide pension fund as well as in the form of Contractual Trust Arrangement (CTA). Only the "Pensionskassen" vehicles and the pension fund are subject to regulatory provisions in relation to the investment of capital and funding requirements. For the CTA, there are funding rules stipulated in corporate agreements.

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United Kingdom

The Group operates three pension plans in the United Kingdom, one defined contribution plan and two defined benefit plans. The defined benefit plans were closed for new hires from 2005 and 2008, respectively. Since the closure of these plans, new hires have been joining the open defined contribution plan.

Benefit payments under the existing defined benefit pension plans are adjusted either by fixed increases or by reference to an index, as measured by the United Kingdom Retail Price Index ("RPI") or the Consumer Price Index ("CPI") (the increases are limited to a fixed maximum amount).

Plan assets are administered by a trust which is independent from the group and wholly responsible for the investment of the plan assets.

The Pension Regulator in the United Kingdom requires a valuation of the funding of pension plans in the United Kingdom to be performed at least once every three years. The last valuation was made on 31 March 2019.

Main risks relating to defined benefit plans

Typical risk factors for defined benefit plans are changes in discount rates, risks related to other actuarial assumptions, as well as investment and volatility risks.

Change in discount rate

The discount rate used to calculate the defined benefit obligation (according to IFRS) depends on the value of corporate bond yields as at the reporting date. A decrease in yields increases the benefit obligation that is often only partially offset by an increase in the value of fixed income holdings.

Risk related to other actuarial assumptions

Assumptions for future inflation, salary levels and mortality are used for actuarial calculations. Should the actual outcome differ from these assumptions, the liability may increase.

Investment and volatility risk

Pension plan assets are allocated to different asset classes based on the statutory legislation or investment strategy of the corresponding pension plan. Depending on the pension plan, underlying investment management plans are updated on a regular basis. If the return of the fund's assets is not enough to cover the raise in liability and benefit payments over the financial year, then, in certain legislations, the employer has to fund the deficit with contributions, unless the fund has sufficient covering.

Movement in the net defined benefit liability

EUR million	Defined benefit obligation		Fair value of plan assets	
	2021	2020	2021	2020
1 January	4,636	529	-3,117	-406
Included in consolidated income statement ¹⁾				
Current service cost	73	52	-	-
Past service cost	30	11	-	-
Settlements	-4	-	1	-
Net interest	43	50	-31	-36
	142	112	-28	-35
Included in OCI				
Remeasurement gains(-)/losses(+)	-297	820	-121	-366
Actuarial gains/losses arising from changes in financial assumptions	-279	835	-	-
Actuarial gains/losses arising from experience adjustments	-18	-16	-	-
Return on plan assets (excluding amounts included in net interest expense)	-	-	-122	66
Exchange rate differences and other changes	52	-9	-50	8
	-245	811	-171	58
Other				
Contributions paid by the employer	-	-	-64	59
Benefits paid	-95	-66	90	61
Acquisitions of subsidiary companies	-	3,288	-	-2,443
Transfer to assets held for sale	-	-38	-	22
31 December	4,437	4,636	-3,290	-3,117
Present value of funded defined obligation				
Fair value of plan assets				
Funded status				
Present value of unfunded obligation ²⁾				
Net liability arising from defined benefit obligation				

Pension assets included in other non-current assets on the balance sheet

BS Pension obligations on the balance sheet

1) Net interest is presented in financial items in the income statement. The rest of costs related to defined benefit plans are included in defined benefits plans in the staff cost specification in ► Note 10 Employee benefits and Board remuneration) and in items affecting

2) The unfunded obligation mainly relates to Germany.

Contributions expected to be paid during 2022 total EUR 70 million.

Fair value of plan assets

EUR million	2021		2020		Total
	Quoted	Unquoted	Quoted	Unquoted	
Equity instruments	1,327	8	1,335	972	1,149
Debt instruments	1,025	183	1,208	947	1,120
Cash and cash equivalents	-	104	104	-	156
Real estate	-	234	234	-	228
Investment funds	396	-	396	105	105
Other assets	0	14	14	0	359
Total	2,748	543	3,290	2,023	3,117

A specification of plan assets has not been available for pension plans financed through an insurance company. In these cases, the fair value of plan assets has been included in other assets.

In 2021 plan assets in the United Kingdom were partly transferred from unquoted to quoted.

Derivatives used to hedge the risks have been allocated to the respective asset classes.

The actual return on plan assets totalled EUR 145 million (2020: 405).

Amounts recognised on the balance sheet by country 2021

EUR million	United Kingdom countries			Other	Total
	Finland	Germany	United Kingdom		
Present value of funded obligations	283	3,147	719	256	4,405
Fair value of plan assets	-251	-2,122	-756	-161	-3,290
Deficit(+)/surplus(-)	32	1,025	-36	93	1,115
Present value of unfunded obligations	-	26	-	6	32
Net asset(-)/liability(+) on the balance sheet	32	1,051	-36	99	1,146
Pension asset included in non-current assets	-	7	36	1	44
BS Pension obligations on the balance sheet	32	1,058	-	100	1,190

Amounts recognised on the balance sheet by country 2020

EUR million	United Kingdom countries		
	Finland	Germany	United Kingdom
Present value of funded obligations	294	3,396	655
Fair value of plan assets	-242	-2,074	-642
Deficit(+)/surplus(-)	51	1,322	12
Present value of unfunded obligations	-	28	-
Net asset(-)/liability(+) on the balance sheet	51	1,350	12
Pension asset included in non-current assets	-	-	-
BS Pension obligations on the balance sheet	51	1,350	12

The principal actuarial assumptions used

%	2021		
	Finland	Germany	United Kingdom
Discount rate	1.00	1.20	2.00
Future salary increases	2.30	2.30	3.00
Future pension increases	2.40	1.80	3.10
Rate of inflation	2.10	1.80	3.20

The discount rate in Finland is based on high quality European corporate bonds with maturity that best estimated term of the defined benefit pension plans. The discount rate in Germany is based on the return quality EURO corporate bonds available at the end of the respective fiscal year, and take into account the duration of the respective underlying benefit obligations. The United Kingdom discount rate is based on specific returns on high-quality corporate bonds available at the end of the respective fiscal year and take the average duration of the respective underlying obligations.

The discount, inflation, salary growth and pension growth rates, as well as mortality are the key assumptions calculating defined benefit obligations. Changes in the key actuarial assumptions would lead to the following the present value of the defined benefit obligations:

Sensitivity of defined benefit obligation to changes in assumptions

Change in the assumption	Impact to the pension obligation increase(+)/decrease(-)
0.5% increase in discount rate	-9.1%
0.5% decrease in discount rate	10.5%
0.5% increase in benefit	3.2%
0.5% decrease in benefit	-2.8%
0.5% increase in salary growth rate	1.0%
0.5% decrease in salary growth rate	-0.9%
10% increase in mortality	-2.9%
10% decrease in mortality	3.3%

A 10% decrease in mortality would result in higher life expectancy of beneficiaries, depending of the age of each individual beneficiary. At the end of 2021, the life expectancy of a 63-year-old male retiree would increase by approximately one year, if mortality were to decrease by 10%.

The sensitivities indicated are computed based on the same methods and assumptions used to determine the present value of the defined benefit obligations. If one of the actuarial assumptions is changed for the purpose of computing the sensitivity of results to changes in that assumption, all other actuarial assumptions are included in the computation unchanged. Potential correlation effects between the individual actuarial assumptions are not taken into account when computing sensitivities. When considering sensitivities, it must be noted that the change in the present value of the defined benefit obligations resulting from changing multiple actuarial assumptions simultaneously is not necessarily equivalent to the cumulative effect of the individual sensitivities.

Maturity profile of the undiscounted defined benefit obligation on 31 December 2021

EUR million	Future benefit payments
Maturity under 1 year	97
Maturity between 1 and 5 years	428
Maturity between 5 and 10 years	668
Maturity between 10 and 20 years	1,563
Maturity between 20 and 30 years	1,448
Maturity over 30 years	1,563

The weighted average duration of defined benefit obligation at 31 December 2021 is 21 years.

32 Other non-current liabilities

EUR million	2021	2020
Contract liabilities		
Connection fees		
Other		
BS Total		

Connection fees include refundable fees paid by the customer when connected to district heating network. Connection fees were refundable until 2013.

33 Trade and other payables

EUR million	2021	2020
Trade payables	12,1	12,1
Accrued expenses and deferred income		
Accrued personnel expenses		
Accrued interest expenses		
Contract liabilities		
Other accrued expenses and deferred income		
Other liabilities		
Liability to return emission rights ¹⁾		
Current tax liability		
Other		
BS Total		

¹⁾ For additional information see ▶ Note 22 Inventories.

Contract liabilities comprise mainly of project and waste management services that are invoiced but not reporting date.

The management considers that the amount of trade and other payables approximates fair value.

34 Leases

ACCOUNTING POLICIES

LESSEE ACCOUNTING

The Group leases mainly gas storage facilities, office buildings and land areas. The Group recognises all leases, with the exception of short-term (i.e. lease term less than 12 months) and low value leases as right-of-use assets with a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Right-of-use assets and lease liabilities are initially recognised on the consolidated balance sheet at future fixed lease payments over the lease term. Lease payments are discounted to present value. Right-of-use assets are depreciated on a straight-line basis over the lease term, or the useful life of the leased asset if shorter, and reviewed periodically for indication of impairment.

When the future lease payments are revised due to changes in index-linked considerations or the lease term changes, the right-of-use asset and the corresponding lease liability is remeasured. Any differences arising on reassessments are recognised in the consolidated income statement.

Interest expense on lease liabilities is presented within Interest expense in the consolidated income statement. In the consolidated cash flow statement, the principal portion of the lease payment is presented under Payments of long-term liabilities, and the interest portion as interest paid under Funds from operations. Variable lease payments, as well as costs for leases not capitalised due to exemptions in the standard, are expensed to consolidated income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS:

ESTIMATES TO DETERMINE LEASE LIABILITY

Calculation of the lease liability requires certain assumption based input factors. The main estimates are related to the lease term, the discount rate, as well as the determination whether a contract contains a lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The lease term is reassessed if underlying circumstances are significantly changing.

Lease payments are discounted to present value using an incremental borrowing rate. The incremental borrowing rate is determined based on reasonable third party financing conditions considering the length of the lease term and the currency of cash flows.

A contract is or contains a lease if the Group has the right to control the use of an identified asset for a period of time in exchange for a consideration. A capacity portion of an asset is an identified asset if it is physically distinct, or if the Group has the right to use substantially all the capacity of the asset during the lease term.

LESSOR ACCOUNTING

Leases in which the Group acts as the lessor and substantially all the risks and rewards arising from the use of the leased asset are transferred to the lessee are classified as finance leases. Finance lease receivables mainly relate to certain electricity delivery contracts.

In this type of lease, the present value of the minimum lease payments is recorded as a receivable. Interest income from such arrangements is recognised over the lease term, using the effective interest method.

34.1 Amounts recognised in consolidated financial statements

Lessee

EUR million

In consolidated income statement

Depreciation, of which
Land
Buildings and structures
Machinery and equipment
Interest expense on lease liabilities ¹⁾
Expense relating to short-term leases within Other expenses
Income from subleasing right-of-use assets

On consolidated balance sheet

Additions to right-of-use assets, of which
Land
Buildings and structures
Machinery and equipment
Acquisition of subsidiary companies, of which
Land
Buildings and structures
Machinery and equipment
Carrying amount of right-of-use assets, of which
Land
Buildings and structures
Machinery and equipment
Lease liabilities

In consolidated cash flow statement

Cash outflow for leases

¹⁾ In 2021, 2020 comparatives were revised due to a revision of the lease adjustment following the finalisation of the purchase price adjustment for Uniper acquisition.

Maturity of undiscounted lease liabilities

EUR million	2021
Due within one year	154
Due after one year and within five years	433
Due after five years	758
Total	1,344

See ▶ Note 4 Financial risk management, ▶ Note 17 Property, plant and equipment and right-of-use assets, and ▶ Note 27 Interest-bearing liabilities for more information.

Lessor

EUR million	2021	2020
In consolidated income statement		
Interest income from finance lease	15	12
Rental income from operating lease	30	24

On consolidated balance sheet

Lease receivables	136	196
Current	17	16
Non-current	119	181

Maturity analysis of undiscounted lease payments - Finance leases

Due within 1 year	26	28
Due in 1 to 2 years	23	28
Due in 2 to 3 years	23	28
Due in 3 to 4 years	23	27
Due in 4 to 5 years	22	27
Due in more than 5 years	92	175
Total undiscounted lease payments	209	314
Interest component	73	116

34.2 Lease commitments

Possible additional lease payments amounting to EUR 128 million were not included in the measurement of lease liabilities on 31 December 2021.

35 Capital and other commitments

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

35.1 Capital commitments

EUR billion

Property, plant and equipment and intangible assets

Capital commitments at 31 December 2021 include Uniper segment's commitments of EUR 0.5 billion, plus outstanding investments in connection with the expansion and modernisation of existing generation assets.

35.2 Long-term purchase commitments

EUR billion

Gas	15.0	6
Electricity	0.2	0.2
Transportation and storage	0.8	0.8
Other	0.0	0.0

Gas

Gas for supplying industrial customers is usually procured by means of long-term purchase contracts with international producers of natural gas. Such contracts are generally take-or-pay in nature. The prices paid for gas are normally tied to market reference prices, as dictated by market conditions and the procurement of wholesale market customers. The conditions of these long-term contracts are reviewed at certain specific intervals (usually every three years) as part of contract negotiations and may change accordingly. In the absence of a pricing review, a neutral board of arbitration makes the final binding decision. Financial obligations on these contracts are calculated based on the same principles that govern internal budgeting. Further, the conditions in the individual contracts are also considered in the calculations.

Electricity

Contractual obligations for the purchase of electricity relate in part to purchases from resellers and energy suppliers, especially those under procurement contracts for the wholesale portfolio.

Transportation and storage

Purchase commitments for transportation and storage are for long-term commitments for contracts that are not capitalised on the balance sheet as they do not meet the definition of a lease. Purchase commitments exclude any onerous part of the commitment that is included in provisions. See ▶ Note 30 Other provisions.

35.3 Other commitments to associates and joint ventures

Teollisuusuden Voima Oyj (TVO) is building Olkiluoto 3, the nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At end of December 2021, Fortum had EUR 232 million (2020: 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 29 Nuclear-related assets and liabilities.

35.4 Other commitments

Fortum has committed to providing financing to Voimaosakeyhtiö SF for its participation in the Fennovoima nuclear power project in Finland. Remaining commitment is EUR 69 million.

In June 2018, the Swedish Government approved the legislation regarding Sweden's national strategy for implementation of the EU's Water Framework Directive. The largest hydro industry companies will create a common hydro-power fund to finance large parts of the environmental actions needed. The fund will have a total financial cap of SEK 10 billion to be paid over a 20-year period, and the largest operators will contribute to the fund proportionately based on their respective market share of hydro-power production. Fortum's share is 31% of the funds' total financing.

36 Pledged assets and contingent liabilities

ACCOUNTING POLICIES

PLEGDED ASSETS

Pledged assets are given to a lender as security for a loan, trading or other commitment. If the borrower party is unable to make the agreed payments, the lender can use the pledged assets to mitigate its loss. Assets at Fortum mostly consist of securities and real estate mortgages.

CONTINGENT LIABILITIES

A contingent liability is disclosed when there is a possible obligation that arises from past events and which is only confirmed by one or more doubtful future events; or when there is an obligation that is not recognised in the balance sheet because it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be reliably estimated.

36.1 Pledged assets

For debt

Pledges at 31 December 2021 total EUR 269 million (2020: 291), including EUR 269 million (2020: 269) given to Kemijoki Oy pledged as a security for borrowing from the Finnish State Nuclear Waste Management Fund. Real estate mortgages at 31 December 2021 total EUR 41 million (2020: 275). 2020 mainly included mortgages given for Solar operations in India amounting to EUR 139 million and mortgages given for Fortum Tartu amounting to EUR 96 million. These operations were disposed during 2021.

For other commitments

Real estate mortgages at 31 December 2021 total EUR 81 million (2020: 105) being real estate mortgages given to the Finnish State Nuclear Waste Management Fund. These are given as a security for the unfunded legal liability and unexpected events relating to future costs for decommissioning and disposal of spent nuclear fuel at Loviisa nuclear power plant. According to the Nuclear Energy Act, Fortum is obligated to contribute to the State Nuclear Waste Management Fund to cover the legal liability. Any uncovered legal liability relating to the payments to the fund. The size of the securities given is updated yearly in the second quarter based on decisions regarding the legal liabilities and the funding target which are determined at the end of the period. ▶ Note 29 Nuclear-related assets and liabilities.

36.2 Contingent liabilities

In relation to divestment of shareholdings, Fortum has entered into indemnification agreements, which cover the customary representations and warranties, as well as environmental damage and tax contingencies. Any obligations that may exist are covered in the first instance by provisions of the companies sold before Fortum itself is required to make any payments. Moreover, the Fortum Group has commitments under which it assumes joint and several liability arising from its interests in civil-law companies, non-corporate commercial partnerships and consortia in which it participates.

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a contingent liability, based on the Finnish Companies Act's (734/1978) Chapter 14a Paragraph 6, with Neste Oyj following the demerger of Fortum Oil and Gas Oy in 2004.

36.3 Guarantees relating to Nuclear operations

With respect to the activities of the Swedish nuclear power plants, the companies of the Swedish nuclear units have issued guarantees for OKG, Forsmark and Barsebäck to governmental authorities in accordance with the Swedish law. 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 amounts for the guarantees are normally updated every third year by governmental decision. In addition, the licensees are responsible for all costs related to the disposal of low-level radioactive waste.

Owners of nuclear facilities in Finland and Sweden have statutory liabilities for damages resulting from accidents occurring in those nuclear facilities and for accidents involving any radioactive substance connected to the operation of those facilities. Third-party liability relating to nuclear accidents is strictly under the plant operator's responsibility.

In Finland, as the operator of the Loviisa power plant, Fortum has a statutory liability insurance policy of SDR 600 million, approximately EUR 700 million (Special Drawing Right). The liability in Finland will increase to EUR 1.2 billion from 1 January 2022 due to updated law on third-party liability.

In Sweden, the Swedish Parliament passed a law on 1 July 2010 that requires the operator of a nuclear power plant in operation to have a liability insurance or other financial cover in the amount equivalent to EUR 1.2 billion per incident. The conditions enabling this new law took effect 1 January 2022 and were thus not yet in place at 31 December 2021. Nevertheless, the Swedish government decided to increase the insured amount from 1 January 2019 by amending the existing legislation. Accordingly, the liability per incident at 31 December 2021 is henceforth limited to SDR 1,000 million, approximately EUR 1.2 billion.

The necessary insurances for the affected nuclear power plants have been purchased. Same type of insurance policies are in place also for the operators where Fortum has minority interest.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund increased following the fuel loading in Olkiluoto 3, and amounts to EUR 122 million (2020: 26). The guarantee covers the unpaid legal liability due to periodisation as well as risks for unexpected future costs.

For information regarding nuclear-related assets and liabilities see ▶ Note 29 Nuclear-related assets and liabilities.

37 Legal actions and official proceeding

Various routine court actions, arbitration proceedings, tax and regulatory investigations and proceedings are pending against entities of the Group, and further actions or proceedings may be instituted or asserted in the addition to disputes under public law, this in particular includes legal actions and proceedings on contract or price adjustments initiated in response to market upheavals and the changed economic situation in the gas sectors (also as a consequence of the energy transition) and concerning anticompetitive and fraudulent practices in general commercial contract disputes.

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

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

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

Tax cases

On 16 June 2020, the Court of Appeal of Ghent, Belgium, ruled in favour of Fortum on Fortum's income tax appeal in Belgium for the year 2008. The decision concerns Fortum's Belgian financing company, Fortum EIF NV, and its internal financing to a Swedish group company for financing of an acquisition in Russia. The Belgian tax authority argued that Fortum EIF should not benefit from the notional interest deduction regime in Belgium and disallowed the Court of Appeal ruling. In September 2020, the Belgian tax authorities filed an appeal to the Supreme Court of Appeal. The additional taxes claimed for 2008 amount to EUR 36 million. Fortum has similar tax cases pending in 2009-2012 and expects the remaining years to follow the decisions for 2008. The disputed amount for y totals EUR 113 million. All taxes have been paid and recognised as income tax receivables. Should the Court of Appeal of Ghent become final, the possible repayment of the disputed amounts would have a positive cash flow effect for Fortum.

For critical accounting estimates regarding uncertain tax positions, ▶ Note 28 Income taxes in the balance sheet also ▶ Note 12 Income tax expense.

Basis of preparation Risks

Income statement Balance sheet Off balance sheet items

Group structure and re

38 Related party transactions

38.1 The Finnish State and companies owned by the Finnish State

At the end of 2021, the Finnish State owned 50.76% of the company's shares (2020: 50.76%). The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the share capital and voting rights.

All transactions between Fortum and other companies owned by the Finnish State are on arm's length basis.

38.2 Board of Directors and Fortum Executive Management

The key management personnel of the Fortum Group are the members of Fortum Executive Management and the Board of Directors.

Fortum has not been involved in any material transactions with members of the Board of Directors or Fortum Executive Management. No loans exist to any member of the Board of Directors or Fortum Executive Management at 31 December 2021.

The total compensation (including pension benefits and social costs) for the key management personnel for 2021 was EUR 13 million (2020: 11). See ▶ Note 10 Employee benefits and Board remuneration for further information on the Board of Directors and Fortum Executive Management remuneration and shareholdings.

38.3 Associated companies and joint ventures

In the ordinary course of business, Fortum engages in transactions with associated companies, joint ventures, and other related parties. These transactions are on the same commercial terms as they would be with third parties, except for some associates and joint ventures, as noted below.

Fortum owns shareholdings in associated companies and joint ventures which own hydro and nuclear power plants. Under consortium agreements, each owner is entitled to electricity in proportion to its share of ownership, or based on other agreement. In turn, each owner is liable for an equivalent portion of costs, regardless of output. These associated companies and joint ventures are not profit making since the owners purchase electricity at production cost, including interest costs and production taxes. See ▶ Note 18 Participations in associated companies and joint ventures.

Uniper

On 31 March 2020, Uniper SE was reclassified from an associated company to a subsidiary. Transactions with Uniper Group companies are presented until 31 March 2020, but balances with Uniper Group companies were excluded from 31 March 2020 since Uniper was consolidated as a subsidiary. In addition, balances with any Uniper Group's related parties that have become Fortum Group's related parties through the acquisition are disclosed from 31 March 2020. See ▶ Note 3 Acquisitions, disposals and assets held for sale.

38.4 Balances and transactions with related parties

Transactions with associates, joint ventures and other related parties

EUR million	Associated Companies ¹⁾		Joint Ventures		Other related parties ¹⁾	
	2021	2020	2021	2020	2021	2020
Sales	188	147	28	51	14	3
Interest income on loan receivables and other income	328	94	22	3	17	7
Purchases	568	478	185	130	20	16

Balances with associates, joint ventures and other related parties

EUR million	Associated Companies ¹⁾		Joint Ventures		Other related parties ¹⁾	
	2021	2020	2021	2020	2021	2020
Receivables						
Long-term interest-bearing loan receivables	1,009	1,031	129	82	30	26
Trade and other receivables	4	98	70	183	-	-

Liabilities

Long-term loan payables	-	-	228	293	94	96
Trade and other payables	12	94	138	150	94	96

¹⁾ A related party was in 2020 classified as Other related party instead of Associated Company. Comparatives have been corrected from associates and joint ventures.

Other related parties are entities that are not consolidated on materiality grounds. For more information see ▶ Note 31 Related parties.

In addition, Fortum has long-term purchase commitments of approximately EUR 1.9 billion at 31 December 2020.

See also ▶ Note 29 Nuclear-related assets and liabilities and ▶ Note 36 Pledged assets and contingent liabilities on commitments related to associates and joint ventures.

Income statement Basis of preparation Risks

Balance sheet Off balance sheet items

Group structure and re

Transactions with Russian joint ventures

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.

During 2020, Fortum's joint venture, the Fortum-Rusnano wind investment fund, sold the 50-MW Ulyanovsk 2 and the 300-MW Rostov wind farms to a new joint venture established with RDIF aimed at the operation of renewable power plants in Russia. Fortum recorded a gain of EUR 9 million from the transfer of the Rostov wind farm in the share of profits from associates and joint ventures.

38.5 Pension funds

The Fortum pension funds in Finland, Germany, Russia, Sweden and the United Kingdom are stand-alone legal entities which manage pension assets related to part of the pension coverage in these countries. In 2021, Fortum paid a total of EUR 64 million (2020: 59) direct contribution to these pension plans. See ▶ Note 31 Pension obligations.

The assets in the pension fund in Finland include Fortum shares representing 0.04% (2020: 0.04%) of the company's outstanding shares. The loan granted by Fortum's Finnish pension fund has been secured by real estate mortgages of EUR 41 million (2020: 41).

39 Events after the balance sheet date

On 24 February 2022, Russia started a widespread invasion into Ukraine. As a consequence, the US, the UK amongst others have imposed sanctions targeting Russia's ability to access capital and financial markets sanctioning numerous individuals and banks; as well as trading in general. These sanctions and possible sanctions as well as further reactions by the US, the EU and the UK could impact Fortum's operations in Russia. Meanwhile, uninterrupted gas supply from Russia to Europe has continued. Fortum's Russian operations are running normally.

Given the uncertainty and risks arising from the geopolitical situation, including imposed sanctions and sanctions and counter sanctions and their consequences, there may be significant impact to the fair value of economic lives of assets; as well as on the commodity prices and related margining requirements in Europe. The value of Fortum's Russian assets, including the exposure in the Nord Stream 2 pipeline project, was approximately 5.5 billion as of 31 December 2021. Fortum is currently assessing the impact of recent developments and measures, and specifically the following:

- Germany has halted the certification of the gas pipeline Nord Stream 2, while the US has sanctioned 2 AG, its subsidiaries and the CEO. Fortum has, within its Uniper segment, a financial receivable of EUR 1 billion related to the Nord Stream 2 pipeline project.
- The Russian rouble (RUB) has depreciated significantly from the closing rate as of 31 December 2021. As a result, it has a negative translation impact on Fortum Group's earnings, assets and liabilities denominated in RUB.

- The above-mentioned events have led to an increase in European commodity prices and correspondingly to outflows for the Fortum Group. Due to the de-risking and financing measures taken, this has not materially deteriorated Fortum's overall liquidity situation.

Fortum actively monitors the situation in order to ensure continued compliance with prevailing rules and sanctions laws.

See the Risk management section in the Operating and financial review.

On 18 January 2022, Fortum announced that 1.3 GW portfolio of wind projects is being transferred from Fortum Rusnano wind investment fund (50/50 joint venture) to a joint venture recently established with Bank Group. The transfer, the joint venture of Fortum-Rusnano wind investment fund will be dissolved.

40 Group companies by segment

- G = Generation
 R = Russia
 C = City Solutions
 CS = Consumer Solutions
 U = Uniper
 O = Other Operations
- 1) Shares held by the parent company
 2) Subsidiary not consolidated due to materiality grounds (valued at cost)
 3) Associated company or joint venture valued at cost due to materiality grounds

Group holding % for companies owned via subsidiaries is based on the Fortum Corporation ownership % in the direct subsidiary times the ownership % of the direct subsidiary in the indirect subsidiary/associate/joint venture as of 31 December 2021.

Subsidiaries by segment

Entity Name	Domicile	Segment	Group holding, %
Bole Vindkraft Ab/Oy	Finland	G	60.0
Brändskogen Vindkraft Ab Oy	Finland	G	100.0
CrisolteQ Oy	Finland	C	100.0
Ekoparmerit Turku Oy	Finland	C	51.0
Fincumet Oy	Finland	C	100.0
Fortum Alku Oy	Finland	O	100.0
Fortum Asiakaspalvelu Oy	Finland	CS	100.0
Fortum Assets Oy	Finland	O	100.0
Fortum Clean Oy	Finland	O	100.0 ¹⁾
Fortum CS Oy	Finland	CS	100.0
Fortum Growth Oy	Finland	C, G, R	100.0
Fortum Heat and Gas Oy	Finland	C, O	100.0 ¹⁾
Fortum Markets Oy	Finland	CS	100.0
Fortum Norm Oy	Finland	O	100.0 ¹⁾
Fortum Oyj	Finland	O	100.0
Fortum Power and Heat Holding Oy	Finland	G	100.0
Fortum Power and Heat Oy	Finland	C, CS, G, O, R	100.0 ¹⁾
Fortum Real Estate Oy	Finland	O	100.0 ¹⁾
Fortum RES Oy	Finland	O	100.0
Fortum Waste Solutions Oy	Finland	C	100.0 ¹⁾
Katajamäen Tuulivoima Oy	Finland	G	100.0
Koillis-Pohjan Energiantuotanto Oy	Finland	G	100.0
Kotimaan Energia Oy	Finland	CS	100.0



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					Income statement	Balance sheet	Off balance sheet items	Group structure and re
					Basis of preparation	Risks		
RMD-Consult GmbH Wasserbau und Energie	Germany		U	78.0	Fortum P&H Ireland Limited		Ireland	O
RuhrEnergie GmbH, EVR	Germany		U	78.0	Fortum Participation Ltd		Ireland	O
traconn GmbH	Germany		U	78.0 ²⁾	Uniper Renewables Italy S.r.l.		Italy	U
Uniper Anlagenservice GmbH	Germany		U	78.0	UPT Global Alternatives S.C.S. SICAV-SIF		Luxembourg	U
Uniper Beteiligungs GmbH	Germany		U	78.0	Ergon Holdings Ltd		Malta	U
Uniper BioMethan GmbH	Germany		U	78.0	Ergon Insurance Ltd		Malta	U
Uniper Energy Sales GmbH	Germany		U	78.0	E.ON Benelux Geothermie B.V. (in liquidation)		Netherlands	U
Uniper Energy Storage GmbH	Germany		U	78.0	Fortum 2 B.V.		Netherlands	U
Uniper Exploration & Production GmbH	Germany		U	78.0	Fortum 3 B.V.		Netherlands	O
Uniper Financial Services GmbH	Germany		U	78.0	Fortum Finance B.V.		Netherlands	O
Uniper Global Commodities SE	Germany		U	78.0	Fortum H&C B.V.		Netherlands	O
Uniper Holding GmbH	Germany		U	78.0	Fortum Holding B.V.		Netherlands	O
Uniper HR Services Hannover GmbH	Germany		U	78.0	Fortum Hydro B.V.		Netherlands	O
Uniper Hydrogen GmbH	Germany		U	78.0	Fortum Power Holding B.V.		Netherlands	O
Uniper International Holding GmbH	Germany		U	78.0	Fortum Russia B.V.		Netherlands	O
Uniper IT GmbH	Germany		U	78.0	Fortum SAR B.V.		Netherlands	O
Uniper Kraftwerke GmbH	Germany		U	78.0	Fortum Star B.V.		Netherlands	O
Uniper Market Solutions GmbH	Germany		U	78.0 ²⁾	Plugsurfin B.V.		Netherlands	O
Uniper Renewables GmbH	Germany		U	78.0 ²⁾	PolarSolar B.V.		Netherlands	O
Uniper Risk Consulting GmbH	Germany		U	78.0	Uniper Benelux Holding B.V.		Netherlands	U
Uniper Ruhrgas International GmbH	Germany		U	78.0	Uniper Benelux N.V.		Netherlands	U
Uniper SE	Germany		U	78.0	Uniper Energy Trading NL Staff Company B.V.		Netherlands	U
Uniper Solar 1 WHV GmbH	Germany		O, U	78.0	Uniper Gas Transportation and Finance B.V.		Netherlands	U
Uniper Systemstabilität GmbH	Germany		U	78.0 ²⁾	Uniper Hydrogen Netherlands B.V.		Netherlands	U
Uniper Technologies GmbH	Germany		U	78.0	Uniper Infrastructure Asset Management B.V.		Netherlands	U
Uniper Wärme GmbH	Germany		U	78.0	Uniper Ruhrgas BBL B.V.		Netherlands	U
Untere Iller GmbH	Germany		U	46.8 ²⁾	Uniper Technologies B.V.		Netherlands	U
Fortum Insurance Ltd	Guernsey		U	100.0	Utilities Center Maasvlakte Leftbank b.v.		Netherlands	U
Uniper Hungary Energetikai Kft.	Hungary		U	78.0	E.ON Ruhrgas Nigeria Limited		Nigeria	U
Fortum Charge & Drive India Private Limited	India		O	73.1	Fortum Consumer Solutions AS		Norway	CS
Fortum India Private Limited	India		C	100.0 ¹⁾	Fortum Fiber AS		Norway	C
Solar One Energy Private Limited	India		C	100.0	Fortum Forvaltning AS		Norway	CS
SolarXL Alpha Energy Private Limited	India		C	100.0	Fortum Hedging AS		Norway	G
SolarXL Beta Energy Private Limited	India		C	100.0	Fortum Kundesenter AS		Norway	CS
SolarXL Gamma Energy Private Limited	India		C	100.0	Fortum Markets AS		Norway	CS
Uniper India Private Ltd.	India		U	78.0 ²⁾	Fortum Oslo Varme AS		Norway	C
PT Fortum Energy Solution	Indonesia		C	95.0	Fortum Plastics Recycling Norway AS		Norway	C
Fortum eNext Ireland Ltd	Ireland		C	100.0	Fortum Strøm AS		Norway	CS
Fortum Finance Ireland Designated Activity Company	Ireland		O, C, G	100.0 ¹⁾	Fortum Tøllier AS		Norway	CS
Fortum Global Finance Designated Activity Company	Ireland		O	100.0	Fortum Waste Solutions Norway AS		Norway	C



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Hallingkraft AS	Norway		CS	100.0	Fortum Sweden AB		Sweden	O
NorgesEnergi AS	Norway		CS	100.0	Fortum Vindkraft Sverige 1 AB		Sweden	G
Fortum Marketing and Sales Polska S.A.	Poland		CS	100.0	Fortum Vindkraft Sverige 2 AB		Sweden	G
Fortum Network Czesochowia Sp. z o.o.	Poland		C	100.0	Fortum Vindkraft Sverige 3 AB		Sweden	G
Fortum Network Plock Sp. z o.o.	Poland		C	100.0	Fortum Waste Solutions AB		Sweden	C
Fortum Network Wroclaw Sp. z o.o.	Poland		C	100.0	Fortum Waste Solutions Holding AB		Sweden	C
Fortum Power and Heat Polska Sp. z o.o.	Poland		C, O	100.0	Göta Energi AB		Sweden	CS
Fortum Service Poland Sp. z o.o.	Poland		O	100.0	Kolbäckens Kraft KB		Sweden	U
Fortum Silesia SA	Poland		C	100.0	Mellansvensk Kraftgrupp Aktiebolag		Sweden	G, U
Fortum Sprzedaz Sp. z o.o.	Poland		CS	100.0	Nordgroup Waste Management AB		Sweden	C
Uniper Renewables Poland sp. z o.o.	Poland		U	78.0 ⁽²⁾	OKG Aktiebolag		Sweden	G, U
Fortum-New G 3 Limited Liability Company	Russia		R	100.0	Orealvens Kraftaktiebolag		Sweden	G
Fortum-New G 5 Limited Liability Company	Russia		R	98.2	Sävar Vindkraft AB		Sweden	G
Joint Stock Company Chelyabeneropremont	Russia		R	100.0	Stensjön Kraft AB		Sweden	G, U
LLC Bugulchanskaya Solar power station	Russia		R	98.2	Sydkraft AB		Sweden	U
OOO Agro-industrial Park «Siberia»	Russia		U	65.3 ⁽²⁾	Sydkraft Försäkring AB		Sweden	U
OOO Unipro Engineering	Russia		U	65.3 ⁽²⁾	Sydkraft Hydropower AB		Sweden	U
PAO Fortum	Russia		R	98.2	Sydkraft Nuclear Power AB		Sweden	U
Uniper Unipro	Russia		U	65.3	Sydkraft Nuclear Services AB		Sweden	U
Uniper NefteGaz LLC	Russia		U	65.3 ⁽²⁾	Sydkraft Thermal Power AB		Sweden	U
Ural Heat Networks Company Joint Stock Company	Russia		R	98.2	Sydkraft Thermal Power AB		Sweden	U
HQ Services Limited	Rwanda		C	49.0	Uddeholm Kraft Aktiebolag		Sweden	G
Uniper Energy Asia Pacific Pte. Ltd.	Singapore		U	78.0 ⁽²⁾	Värmlandskraft-OKG-delägarna Aktiebolag		Sweden	G
Uniper Energy Southern Africa (Pty) Ltd.	South Africa		U	78.0 ⁽²⁾	Uniper Energy DMCC		United Arab Emirates	U
Escandinava de Electricidad S.L.U	Spain		CS	100.0	Uniper Energy Fujairah FZE		United Arab Emirates	U
Barsebäck Kraft AB	Sweden		U	78.0 ⁽²⁾	Uniper Energy Services MENA DMCC		United Arab Emirates	U
Blåsjön Kraft AB	Sweden		G, U	89.0	Fortum Carlisle Limited		United Kingdom	C
Blåsjön Nät AB	Sweden		G, U	89.0	Fortum Energy Ltd		United Kingdom	O
Blybergs Kraftaktiebolag	Sweden		G	66.7	Fortum Glasgow Limited		United Kingdom	C
Brännälven Kraft AB	Sweden		G, U	81.9	Fortum O&M(UK) Limited		United Kingdom	C
Bullerforsens Kraft Aktiebolag	Sweden		G	88.0	Holford Gas Storage Limited		United Kingdom	U
Energikundservice Sverige AB	Sweden		CS	100.0	IVO Energy Limited		United Kingdom	G, C
Fortum 1 AB	Sweden		R	100.0	South Clyde Energy Recovery Holdings Ltd		United Kingdom	C
Fortum Energy AB	Sweden		CS	100.0	Uniper Energy Limited		United Kingdom	U
Fortum Fastigheter AB	Sweden		O	100.0	Uniper Energy Trading UK Staff Company Limited		United Kingdom	U
Fortum Markets AB	Sweden		CS	100.0	Uniper Global Commodities London Ltd.		United Kingdom	U
Fortum Produktionsnät AB	Sweden		G	100.0	Uniper Global Commodities UK Limited		United Kingdom	U
Fortum Ren AB	Sweden		O	100.0	Uniper Holdings Limited		United Kingdom	U
Fortum Skott AB	Sweden		O	100.0	Uniper Hydrogen UK Limited		United Kingdom	U
Fortum Sverige AB	Sweden		C, G, O	100.0	Uniper Technologies Limited		United Kingdom	U
	Sweden				Uniper UK Corby Limited		United Kingdom	U

Entity Name	Country	Segment	Group holding %	Risks	Income statement	Balance sheet	Off balance sheet items	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION
Uniper UK Cotiam Limited	United Kingdom	U	78.0 ⁽²⁾		Yustek Holding B.V.		Netherlands	R	
Uniper UK Gas Limited	United Kingdom	U	78.0		Fortum Norokraft Vind DA		Norway	G	
Uniper UK Ironbridge Limited	United Kingdom	U	78.0		Linnvasselv Kraftlag SA		Norway	G	
Uniper UK Limited	United Kingdom	U	78.0		OF Energi AS		Norway	O	
Uniper UK Trustees Limited	United Kingdom	U	78.0 ⁽²⁾		Recharge AS		Norway	O	
Uniper Global Commodities North America LLC	USA	U	78.0		Fortum Wind Energy Joint Stock Company, AO FEW		Russia	R	
Valo Ventures I LP Fund	USA	O	99.0		Fortum-New G 4 Limited Liability Company		Russia	R	
					Kurgan Plant of Energy Technologies Limited Liability		Russia	R	
					OOO E.ON Connecting Energies		Russia	U	
					TGC1 Territorial Generating Company 1		Russia	R	
					Ural energy retail LLC		Russia	R	
					Wind Power Assets Management LLC		Russia	R	
					AB Svafro		Sweden	G, U	
					Angefallen Kraft AB		Sweden	G	
					Bergeforsens Kraftaktiebolag		Sweden	U	
					Forsmarks Kraftgrupp Aktiebolag		Sweden	G, U	
					Hörmundsvalla Kraftaktiebolag		Sweden	G	
					Kärnkraftsäkerhet & Utbildning AB		Sweden	G, U	
					Klångens AB		Sweden	U	
					Ringhals AB		Sweden	U	
					Ringhals AB		Sweden	U	
					SQC Swedish Qualification Centre AB		Sweden	G, U	
					Svensk Kärnbränslehantering AB		Sweden	G, U	
					Swedish Modular Reactors AB		Sweden	G, U	
					Tåsans Kraftaktiebolag		Sweden	G	
					Väsa Kraftaktiebolag		Sweden	G	
					Vattenkraftens Miljöfond Sverige AB		Sweden	G, U	
					Vaultige AB		Sweden	U	

Associated companies and joint ventures by segment

Entity Name	Country	Segment	Group holding %
Battery Intelligence Oy	Finland	C	33.1
Chempolis Oy	Finland	C	33.9
Kemijoki Oy	Finland	G	28.3
Posiva Oy	Finland	G	40.0
Puro earth Oy	Finland	O	19.1
Sallila Energia Oy	Finland	O	46.0
Teollisuuden Voima Oyj	Finland	G	25.8
Turun Seudun Energiantuotanto Oy	Finland	C	53.5
Turun Seudun Kaukolämpö Oy	Finland	C	30.0
Wello Oy	Finland	O	18.6 ⁽¹⁾
RAG-Beteiligungs-Aktiengesellschaft	Austria	U	23.4
SOCAR-UNIPER LLC	Azerbaijan	U	38.2 ⁽³⁾
BIOPLYN Třeboň spol. s r.o.	Czech Republic	U	19.2 ⁽³⁾
Solar Energy s.r.o.	Czech Republic	U	19.5 ⁽³⁾
E.ON Perspekt GmbH	Germany	U	23.4 ⁽³⁾
Energie-Pensions-Management GmbH	Germany	U	23.4 ⁽³⁾
Etzel Gas-Lager GmbH & Co. KG	Germany	U	23.4 ⁽³⁾
Gemeinschaftskraftwerk Kiel Gesellschaft mit beschränkter Haftung	Germany	U	58.6
Grüne Quartiere GmbH	Germany	U	39.0 ⁽³⁾
Kraftwerk Buer GbR	Germany	U	39.0 ⁽³⁾
Assam Bio Refinery Private Limited	India	U	39.0 ⁽³⁾
Fortum Solar Plus Private Limited	India	U	49.6
India Uniper Power Services Private Limited	India	C	51.0
B.V. NEA	India	C	39.0 ⁽³⁾
BBL Company V.O.F.	Netherlands	U	19.5 ⁽³⁾
India Sun B.V.	Netherlands	U	15.6
Nordic Wind B.V.	Netherlands	C	43.8
PRY B.V.	Netherlands	G	20.0
	Netherlands	O	12.7

Financial key figures

For information of Alternative Performance Measures used by Fortum, see [Definitions and reconciliations of key figures](#) and [Note 1](#) Significant accounting policies.

In 2021, Fortum introduced two new Alternative Performance Measures (APM) to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods: Comparable net profit, and Comparable earnings per share. Comparable net profit is shown after non-controlling interest and adjusted for items affecting comparability, as well as adjustments to share of profit of associates and joint ventures, net finance costs, income tax expenses, and non-controlling interest. Comparable earnings per share is calculated from comparable net profit. For more information, see [Definitions and reconciliations of key figures](#) and [Note 7](#) Comparable operating profit and comparable net profit.

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter consolidated Uniper's results into its income statement. In the first quarter of 2020, Uniper was consolidated as an associated company into Fortum's income statement. The main reason for the change in cumulative figure comparison to the year 2020 is thus the consolidation of Uniper.

EUR million or as indicated	2021	2020	Change 21/20 %
Income statement			
Reported			
Sales	112,400	49,015	129
EBITDA	693	2,688	-74
Operating profit	-588	1,599	-137
- of sales %	-0.5	3.3	
Share of profit/loss of associates and joint ventures	192	656	-71
Profit before income tax	-289	2,199	-113
- of sales %	-0.3	4.5	
Profit for the period	-114	1,855	-106
- of which attributable to owners of the parent	739	1,823	-59
Comparable			
EBITDA	3,817	2,434	57
Operating profit	2,536	1,344	89
Share of profit/loss of associates and joint ventures	154	656	-77
Net profit (after non-controlling interests)	1,778	1,483	20
Financial position and cash flow			
Capital employed	30,885	26,239	-89
Financial net debt	789	7,023	-67
Adjusted net debt	3,227	9,784	-72
Capital expenditure and gross investments in shares	1,407	4,953	-3
- of sales %	1.3	10.1	
Capital expenditure	1,116	1,146	95
Net cash from operating activities	4,970	2,555	

EUR million or as indicated

Key ratios

Return on shareholders' equity, %	-0.8
Interest coverage	-12.7
Interest coverage including capitalised borrowing costs	-9.4
Gearing, %	6
Equity-to-assets ratio, %	9
Financial net debt/comparable EBITDA	0.2
Other data	
Dividends	1,013 ¹⁾
Research and development expenditure	61
- of sales %	0.1
Average number of employees ²⁾	17,796

1) Board of Directors' proposal for the planned Annual General Meeting on 28 March 2022.

2) 2020 comparative figure was revised to reflect the consolidation of Uniper from March 31, 2020.

See [Definitions and reconciliations of key figures](#).

Share key figures

EUR or as indicated

	2021	2020	Change 21/20 %
Data per share			
Earnings per share	0.83	2.05	-60
Comparable earnings per share	2.00	1.67	20
Cash flow per share	5.60	2.88	94
Equity per share	13.66	14.58	-6
Dividend per share	1.14 ¹⁾	1.12	2
Payout ratio, %	137.3 ¹⁾	54.6	
Dividend yield, %	4.2 ¹⁾	5.7	
Price/earnings ratio (P/E)	32.5	9.6	
Share prices			
At the end of the period	26.99	19.70	
Average	23.65	17.20	
Lowest	19.72	12.25	
Highest	27.96	23.46	
Other data			
Market capitalisation at the end of the period, EUR million	23,975	17,499	
Trading volumes ²⁾	351,450	647,869	
Number of shares, 1,000 shares	39.6	72.9	
In relation to weighted average number of shares, %	888,294	888,294	
Average number of shares, 1,000 shares	888,294	888,294	
Diluted adjusted average number of shares, 1,000 shares	888,294	888,294	
Number of registered shares, 1,000 shares	888,294	888,294	

1) Board of Directors' proposal for the planned Annual General Meeting on 28 March 2022.

2) Trading volumes in the table represent volumes traded on Nasdaq Helsinki. In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boag, Cboe and Turquoise, and on the OTC market as well. During 2021, approximately 70% (2020: 68%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

See > Definitions and reconciliations of key figures.

Segment key figures

Sales by segment,

EUR million	2021	2020
Generation	2,899	2,006
- of which internal	143	421
Russia	906	929
- of which internal	3	2
City Solutions	1,302	1,075
- of which internal	39	64
Consumer Solutions	2,622	1,267
- of which internal	14	2
Uniper	105,992	44,514
- of which internal	29	0
Other Operations	138	140
- of which internal	104	110
Eliminations and Netting of Nord Pool transactions	-1,459	-916
Total	112,400	49,015

Comparable operating profit by segment,

EUR million	2021	2020
Generation	1,110	722
Russia	261	251
City Solutions	135	47
Consumer Solutions	52	90
Uniper	1,120	363
Other Operations	-142	-129
Comparable operating profit	2,536	1,344
Impairment charges and reversals	-83	2
Capital gains and other related items	2,681	765
Impact from acquisition accounting	-	-222
Changes in fair values of derivatives hedging future cash flow	-5,424	-675
Other	-299	386
Operating profit	-588	1,589

Comparable EBITDA by segment,

EUR million	2021	2020
Generation	1,220	1,240
Russia	333	333
City Solutions	111	111
Consumer Solutions	177	177
Uniper	3,800	3,800
Other Operations	-111	-111
Total	5,831	5,831

Depreciation and amortisation,

EUR million	2021	2020
Generation	111	111
Russia	111	111
City Solutions	111	111
Consumer Solutions	111	111
Uniper	111	111
Other Operations	111	111
Total	666	666

Comparable share of profit of associates and joint ventures by segment,

EUR million	2021	2020
Generation	111	111
Russia	111	111
City Solutions	111	111
Uniper	111	111
Other Operations	111	111
Total	555	555

1) Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparability adjustments in 2021.

Share of profit of associates and joint ventures by segment,

EUR million	2021	2020
Generation	36	29
Russia	62	47
City Solutions	42	57
Uniper	51	54
Other Operations	0	470
Total	192	656

Capital expenditure by segment,

EUR million	2021	2020
Generation	168	158
Russia	47	43
City Solutions	161	219
Consumer Solutions	68	57
Uniper	673	635
Other Operations	15	34
Total	1,116	1,146

Gross investments in shares by segment,

EUR million	2021	2020
Generation	7	70
Russia	36	48
City Solutions	2	114
Consumer Solutions	-	0
Uniper	9	3
Other Operations	237	3,572
Total	290	3,807

Gross divestments of shares by segment,

EUR million	2021	2020
Generation	129	171
Russia	18	0
City Solutions	3,870	895
Consumer Solutions	0	10
Uniper	88	69
Other Operations	19	81
Total	4,122	1,226

Comparable net assets by segment,

EUR million	2021	2020
Generation	6,3	6,3
Russia	2,5	2,5
City Solutions	2,4	2,4
Consumer Solutions	1,1	1,1
Uniper	4,9	4,9
Other Operations	1	1
Total	17,5	17,5

Comparable return on net assets by segment,

%	2021	2020
Generation	11	11
Russia	11	11
City Solutions	11	11
Consumer Solutions	11	11
Uniper ¹⁾	11	11

1) Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter of 2020, consolidated Uniper income statement. Comparable return on net assets for the Uniper segment are presented from 2021 onwards as information for 2020 is not available.

Average number of employees

	2021	2020
Generation	1,1	1,1
Russia	2,8	2,8
City Solutions	1,5	1,5
Consumer Solutions	1,0	1,0
Uniper ¹⁾	11,7	11,7
Other Operations	9	9
Total¹⁾	19,7	19,7

1) 2020 comparative figure was revised to reflect the consolidation of Uniper from March 31, 2020.

Financial key figures Share key figures Segment key figures

Definitions of

Definitions and reconciliations of key figures

Alternative performance measures

Business performance	Definition	Reason to use the measure	Reference to reconciliation	Business performance	Definition	Reason to use the measure
Comparable EBITDA	Operating profit + depreciations and amortisations - items affecting comparability	Comparable EBITDA is representing the underlying cash flow generated by the total Group and segments. Used as a component in the capital structure target of Financial net debt to Comparable EBITDA.	Note 5 Capital risk management	Impact from acquisition accounting	Non-cash accounting impact resulting from reclassifying part of Uniper's other comprehensive income to the income statement when Uniper was consolidated as a subsidiary.	Component used in calculating comparable operating profit and comparable EBITDA.
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	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 expenses to sales and materials and services respectively when calculating Fortum's alternative performance measures.	Component used in calculating comparable operating profit and comparable EBITDA.
Items affecting comparability	Impairment charges and reversals + capital gains and other related items + impact from acquisition accounting + changes in fair values of derivatives hedging future cash flow + other	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement	Other	Restructuring and cost management expenses, and other miscellaneous non-operating items, which are adjusted mainly from materials and services or employee benefits.	Component used in calculating comparable operating profit and comparable EBITDA.
Impairment charges and related reversals	Impairment charges and related provisions (mainly dismantling), as well as the reversal of previously recorded impairment charges. Impairment charges are adjusted from depreciation and amortization, and reversals from other income.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement	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 principal associates and joint ventures.	Component used in calculating comparable net profit and comparable return on net assets.
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	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.	Component used in calculating comparable net profit.

Business performance		Reason to use the measure		Reference to reconciliation		Capital structure		Definition		Reason to use the measure	
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 7	Comparable operating profit and comparable net profit	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.					
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 7	Comparable operating profit and comparable net profit	Financial net debt / comparable EBITDA	Financial net debt to comparable EBITDA is Fortum's long-term financial target for capital structure.					
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 7	Comparable operating profit and comparable net profit	Interest-bearing net debt / Comparable EBITDA	Comparable net debt to EBITDA was the capital structure target of the Group until Q1 2020.					
Comparable return on net assets, %	Comparable operating profit + comparable share of profit/loss in associates and joint ventures $\frac{\text{Comparable net assets average}}{\text{Comparable net assets average}} \times 100$	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 6	Segment reporting	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.					
Adjustment for 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 6	Segment reporting	Adjusted 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.					

Capital structure Definition

Reason to use the measure **Reconciliation**

Return on capital employed (ROCE), %

Profit before taxes + interest and other financial expenses
Capital employed average

Until Q1 2020 return on capital employed (ROCE) was a long-term over the cycle financial ratio target measuring the profitability and how efficiently invested capital was used.

N/A

Capital employed

Total assets - total non-interest bearing liabilities

Capital employed is the book value of the invested capital and it was used as a component when calculating the Return of capital employed in the group.

N/A

See ▶ Note 1.4 Measures for performance and ▶ Note 7 Comparable operating profit and comparable net profit.

Other key figures
Share based key figures

Earnings per share (EPS)

Profit for the period - non-controlling interests
Average number of shares during the period

Comparable earnings per share

Comparable net profit
Average number of shares during the period

Cash flow per share

Net cash from operating activities
Average number of shares during the period

Equity per share

Shareholders' equity
Number of shares at the end of the period

Payout ratio, %

Dividend per share
Earnings per share

x 100

Dividend yield, %

Dividend per share
Share price at the end of the period

x 100

Price/earnings (P/E) ratio

Share price at the end of the period
Earnings per share

Average share price

Amount traded in euros during the period
Number of shares traded during the period

Market capitalisation

Number of shares at the end of the period x share price at the end of the period

Trading volumes

Number of shares traded during the period in relation to the weighted average number of shares during the period

Other key figures

<p>EBITDA</p> <p>Funds from operations (FFO)</p> <p>Capital expenditure</p> <p>Gross investments in shares</p> <p>Return on shareholders' equity (ROE), %</p> <p>Gearing, %</p> <p>Equity-to-assets ratio, %</p> <p>Interest coverage</p> <p>Interest coverage including capitalised borrowing costs</p> <p>Average number of employees</p>	<p>Operating profit + depreciations and amortisations</p> <p>Net cash from operating activities before change in working capital</p> <p>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.</p> <p>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.</p> <p>Profit for the year _____ x 100 Total equity average</p> <p>Financial net debt _____ x 100 Total equity including non-controlling interests</p> <p>Total equity including non-controlling interests _____ x 100 Total assets</p> <p>Operating profit Net interest expenses</p> <p>Operating profit Net interest expenses - capitalised borrowing costs</p> <p>Based on monthly average for the whole period</p>	<p>Tax key figures</p> <p>Effective income tax rate, %</p> <p>Comparable effective income tax rate, %</p> <p>Weighted average applicable income tax rate</p>	<p>Income tax expense _____ x 100 Profit before income tax</p> <p>Comparable income tax _____ x 100 Comparable profit before income tax excluding share of profit/loss from associated companies and joint ventures</p> <p>Sum of the proportionately weighted share of profits before taxes of each of the group country multiplied by an applicable nominal tax rate of the respective countries.</p>
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Reconciliations of alternative performance measures

Comparable EBITDA

EUR million	2021	2020
IS Operating profit	-588	1,599
+ IS Depreciation and amortisation	1,281	1,090
EBITDA	693	2,688
- IS Items affecting comparability	3,124	-255
Comparable EBITDA	3,817	2,434

Comparable operating profit

EUR million	2021	2020
IS Operating profit	-588	1,599
- IS Items affecting comparability	3,124	-255
IS Comparable operating profit	2,536	1,344

Items affecting comparability

EUR million	2021	2020
Impairment charges and reversals	-83	2
Capital gains and other related items	2,681	765
Impact from acquisition accounting	-	-222
Changes in fair values of derivatives hedging future cash flow	-5,424	-675
Other	-299	386
IS Items affecting comparability	-3,124	255

Comparable net profit

EUR million	Note
IS Net profit	-1
- IS Items affecting comparability	7
- Adjustments to share of profit/loss of associates and joint ventures	18
- Adjustments to finance costs - net	11
- Adjustments to income tax expenses	-7
- IS Non-controlling interests	8
- Adjustments to non-controlling interests	-1,1
Comparable net profit	7

Comparable earnings per share

EUR million	Note
Comparable net profit	7
Average number of shares during the period, 1 000 shares	888,2
Comparable earnings per share, EUR	2

Financial net debt and adjusted net debt

EUR million	Note	31 Dec 2021	31 Dec 2020
+ Interest-bearing liabilities		17,220	10,662
- BS Liquid funds		7,592	2,308
- Non-current securities		111	98
- Collateral arrangement securities		549	432
- Securities in interest-bearing receivables		660	530
- BS Margin receivables		9,163	1,132
+ BS Margin liabilities		985	331
+/- Net margin liabilities/receivables		-8,179	-801
Financial net debt	27	789	7,023
+ BS Pension obligations		1,190	1,520
+ Other asset retirement obligations		872	821
- BS Share of Finnish and Swedish Nuclear Waste Funds		3,515	3,445
+ BS Nuclear provisions		3,891	3,866
+ Nuclear provisions net of assets in Nuclear Waste Funds		375	421
+ Total provisions net of assets in Nuclear Waste Funds		2,438	2,762
Adjusted net debt		3,227	9,784

Financial net debt/comparable EBITDA

EUR million	Note	2021	2020
+ Interest-bearing liabilities		17,220	10,662
- BS Liquid funds		7,592	2,308
- Non-current securities		111	98
- Collateral arrangement securities		549	432
- Securities in interest-bearing receivables		660	530
- BS Margin receivables		9,163	1,132
+ BS Margin liabilities		985	331
+/- Net margin liabilities/receivables		-8,179	-801
Financial net debt	27	789	7,023
IS Operating profit		1,520	1,520
+ IS Depreciation and amortisation		821	821
EBITDA		3,445	3,445
- IS Items affecting comparability		3,866	3,866
Comparable EBITDA		375	421
Financial net debt/comparable EBITDA		3,227	9,784

Parent company financial statements, Finnish GAAP (FAS)

Income statement

EUR	Note	2021	2020
Sales	2	138,653,366	115,411,878
Other income	3	8,154,517	6,973,020
Employee benefits	4	-54,312,599	-44,908,024
Depreciation, amortisation and write-downs	8	-10,476,708	-8,582,395
Other expenses		-123,370,573	-107,095,843
Operating loss		-41,351,995	-38,201,364
Financial income and expenses	6	1,658,966,966	1,514,790,424
Profit before appropriations and income tax		1,617,614,971	1,476,589,060
Appropriations		-909,896	-
Group contributions received ¹⁾		235,685,000	233,438,000
Profit before income tax		1,852,390,074	1,710,027,060
Income tax expense	7	-36,363,330	-31,505,510
Profit for the year		1,816,026,744	1,678,521,550

¹⁾ Taxable profits transferred from Finnish subsidiaries.

Balance sheet

EUR	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	8	32,746,447	34,662,194
Property, plant and equipment	8	7,404,389	7,334,897
Shares in Group companies	8	16,176,622,539	16,201,939,149
Interest-bearing receivables from Group companies	8	7,050,724,884	5,045,167,286
Interest-bearing receivables from associated companies	8	1,503,943	1,415,476
Other non-current assets	8	161,547	110,000
Derivative financial instruments	13, 14	59,505,726	186,647,390
Deferred tax assets		3,661,428	6,348,686
Total non-current assets		23,332,330,902	21,483,625,079
Current assets			
Other current receivables from Group companies	9	377,081,611	248,621,578
Other current receivables from associated companies		513,126	40,920
Derivative financial instruments	13, 14	138,448,001	210,402,684

EUR	Note	31 Dec 2021
Other current receivables	9	18,236,847
Deposits and securities (maturity over three months)		4,240,206,975
Cash and cash equivalents		4,240,206,975
Liquid funds		4,774,486,560
Total current assets		28,106,817,462
EQUITY		
Shareholders' equity		
Share capital	10	3,046,185,953
Share premium		2,821,690,902
Hedging reserve		-13,279,837
Retained earnings		3,945,170,314
Profit for the year		1,816,026,744
Total equity		11,615,794,077
Accumulated appropriations		
		909,896
Provisions for liabilities and charges		
		343,198

EUR	Note	31 Dec 2021
LIABILITIES		
Non-current liabilities		
External interest-bearing liabilities	11, 13, 14	6,460,656,534
Interest-bearing liabilities to Group companies		5,564,468,774
Interest-bearing liabilities to associated companies		22,507,037
Derivative financial instruments	13, 14	3,050,594
Other non-current liabilities		20,589,524
Total non-current liabilities		12,346,272,463
Current liabilities		
External interest-bearing liabilities	11	3,880,937,491
Interest-bearing liabilities to associated companies		6,701,555
Trade and other payables to Group companies	12	34,846,355
Trade and other payables to associated companies	12	2,475,327
Derivative financial instruments	13, 14	17,039,596
Trade and other payables	12	86,997,502
Total current liabilities		4,146,197,827
Total liabilities		16,492,470,290
Total equity and liabilities		28,106,817,462

Cash flow statement

EUR 1,000	2021	2020	2021
Cash flow from operating activities			
Profit for the year	1,816,027	1,678,522	2,674,819
Adjustments:			-2,095,218
Income tax expense	36,363	31,506	1,232,838
Group contributions	-235,685	-233,438	1,915,137
Finance costs - net	-1,658,967	-1,514,790	-995,268
Depreciation, amortisation, write-downs and appropriations	11,320	8,582	2,732,307
Operating profit before depreciation (EBITDA)	-30,942	-29,619	2,528,160
Non-cash flow items	-2,975	2,623	1,712,047
Interest and other financial income received	34,307	34,970	4,240,207
Interest and other financial expenses paid	-72,118	-51,724	
Dividends received	1,582,270	1,129,720	
Group contributions received	233,438	286,059	
Realised foreign exchange gains and losses	127,949	-75,092	
Income taxes paid	-63,226	-35,403	
Funds from operations	1,808,703	1,261,534	
Other short-term receivables increase(-)/decrease(+)	1,664	-915	
Other short-term payables increase(+)/decrease(-)	-460	19,729	
Change in working capital	1,204	18,814	
Net cash from operating activities	1,809,907	1,280,348	
Cash flow from investing activities			
Capital expenditures	-12,027	-13,215	
Acquisition of shares and capital contributions in subsidiaries	-	-8	
Acquisition of other shares	-52	-	
Proceeds from sales of shares	126,504	921,162	
Proceeds from sales of property, plant and equipment	1,415	148	
Change in interest-bearing receivables and other non-current assets	-2,129,895	-2,092,580	
Net cash used in investing activities	-2,014,054	-1,184,492	
Cash flow before financing activities	-204,147	95,856	
Net increase(+)/decrease(-) in liquid funds			
Liquid funds at the beginning of the year			1,712,047
Liquid funds at the end of the year			4,240,207

Notes to the Parent Company Financial Statements, FAS

1 Accounting policies and principles

The financial statements of Fortum Oyj for the year ended 31 December 2021 are prepared in accordance with Finnish Accounting Standards (FAS):

1.1 Sales

Sales include sales revenue from actual operations and exchange rate differences on trade receivables, less discounts and indirect taxes such as value added tax.

1.2 Other income

Other income includes gains on the sales of property, plant and equipment and shareholdings, as well as all other operating income not related to the sales of products or services, such as rents.

1.3 Foreign currency items and derivative instruments

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the financial net in the income statement.

Fortum Oyj enters into derivative contracts mainly for hedging foreign exchange and interest rate exposures in Fortum Group.

Fortum Oyj applies IFRS 9 Financial Instruments standard for derivative instruments and hedge accounting in statutory financial statements. Accounting principles on financial derivatives, see ▶ Note 4 Financial risk management.

▶ Note 14 Financial assets and liabilities by categories and ▶ Note 15 Financial assets and liabilities by fair value hierarchy in the Consolidated financial statements.

1.4 Income taxes

Income taxes presented in the income statement consist of accrued taxes for the financial year and tax adjustments for prior years.

1.5 Shares in group companies

The balance sheet value of shares in group companies consists of historical costs less write-downs. If the estimated future cash flows generated by a non-current asset are expected to be permanently lower than the carrying amount, an adjustment to the value is made to write-down the difference as an expense. If the basis for the write-down can no longer be justified at the balance sheet date, it is reversed.

1.6 Intangible assets and Property, plant and equipment

The balance sheet value of intangible assets and property, plant and equipment consists of historical cost less depreciation and possible write-downs. Intangible assets and Property, plant and equipment are depreciated on a straight-line basis on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

Machinery and equipment	3 – 15 years
Intangible assets	5 – 10 years

1.7 Pension expenses

Statutory pension obligations are covered through a compulsory pension insurance policy or Group's own pension fund. Costs for pension fund are recorded in the income statement based on contributions paid pursuant to the pension laws and regulations.

1.8 Long-term incentive schemes

Costs related to the Fortum long-term incentive plans are accrued over the earnings period and the related costs are booked to the balance sheet.

1.9 Provisions

Foreseeable future expenses and losses that have no corresponding revenue to which Fortum is committed to settle, and whose monetary value can be reasonably assessed, are entered as expenses in the income statement and included as provisions on the balance sheet.

2 Sales by market area

EUR 1,000	2
Finland	66
Other countries	72
Total	138

3 Other income

EUR 1,000	2
Rental and other income	8
Total	8

4 Employee benefits

EUR 1,000	2021	2020
Personnel expenses		
Wages, salaries and remunerations	43,226	35,938
Indirect employee costs		
Pension costs	6,822	5,129
Other indirect employee costs	1,549	1,188
Other personnel expenses	2,715	2,654
Total	54,313	44,908

	2021	2020
Markus Rauramo, Pekka Lundmark, President and CEO from 1 July 2020		
EUR 1,000	Markus Rauramo, CEO from 1 July 2020	2020

Compensation for the President and CEO

Salaries and fringe benefits	1,559	808	521
Performance bonuses ¹⁾	423	82	-
Share-based incentives ¹⁾	1,006	249	94
Pensions (statutory)	311	140	82
Pensions (voluntary)	315	158	132
Social security expenses	69	31	18
Total	3,683	1,467	848

¹⁾ Based on estimated amounts.

EUR 1,000	2021	2020
Compensation for the Board of Directors		
	504	593

The compensation above is presented on accrual basis. Paid salaries and remunerations for the President and CEO Markus Rauramo were EUR 2,821 thousand (2020: 808).

For the President and CEO Markus Rauramo the retirement age is determined in accordance with the Finnish Employees' Pension Act. The pension obligations are covered through insurance company.

Board members are not in an employment relationship or service contract with Fortum, and they are not given the opportunity to participate in Fortum's STI or LTI programme, nor does Fortum have a pension plan that they can opt to take part in. The compensation of the board members is not tied to the sustainability performance of the Group.

See ▶ Note 10 Employee benefits and Board remuneration and ▶ Note 31 Pension obligations in the financial statements.

Average number of employees

5 Auditor's fees

EUR 1,000
Audit fees
Audit-related assignments
Tax assignments
Total

Deloitte Oy is the appointed auditor until the next Annual General Meeting, to be held in 2022. Audit fees for the audit of the consolidated financial statements, review of the interim reports as well as the fees for Fortum Oyj. Audit-related assignments include fees for assurance of sustainability reporting and other associated services related to the audit. Tax assignments include fees for tax advice services.

6 Financial income and expenses

EUR 1,000	2021	2020
Dividend income from group companies	1,582	42
Interest and other financial income from group companies	42	101
Interest and other financial income from associated companies		
Gains on sale of shares		
Interest and other financial income		
Exchange rate differences		
Changes in fair values of derivatives		
Interest and other financial expenses to group companies		
Interest and other financial expenses		
Total	1,658	143

Interest income

Interest expenses

Interest costs - net

7 Income tax expense

EUR 1,000	2021	2020
Taxes on regular business operations	-10,774	-15,182
Taxes on group contributions	47,137	46,688
Total	36,363	31,506
Current taxes for the period	36,421	32,116
Current taxes for prior periods	-15	-1
Changes in deferred tax	-43	-610
Total	36,363	31,506

8 Non-current assets

EUR 1,000	Total
Intangible assets	65,175
Cost 1 January 2021	12,148
Additions	-9,218
Disposals	68,104
Cost 31 December 2021	68,104

Accumulated depreciation 1 January 2021

Disposals	30,512
Depreciation for the year	-4,050
Accumulated depreciation 31 December 2021	35,358

Carrying amount 31 December 2021

Carrying amount 31 December 2020	32,746
	34,662

Property, plant and equipment

EUR 1,000	Machinery and equipment	Advances paid a construction progress
Cost 1 January 2021	10,502	3,3
Additions and transfers between categories	511	2,2
Disposals	-1,123	-7
Cost 31 December 2021	9,890	4,8
Accumulated depreciation 1 January 2021	6,502	
Disposals	-727	
Depreciation for the year	1,516	
Accumulated depreciation 31 December 2021	7,292	
Carrying amount 31 December 2021	2,598	4,8
Carrying amount 31 December 2020	4,000	3,3

Investments

EUR 1,000	Shares in Group associated companies	Participation in Group associated companies	Receivables from Group associated companies	Receivables from Group associated companies	Other non-current assets
Cost 1 January 2021	17,346,949	5,656	5,045,167	16,698	8
Additions 1)	-25,317		2,005,568		
Disposals					
Cost 31 December 2021	17,321,633	5,656	7,050,725	16,700	8
Accumulated write-downs 1 January 2021	1,145,010	5,656		15,270	7
Accumulated write-downs 31 December 2021	1,145,010	5,656		15,270	7
Carrying amount 31 December 2021	16,176,623	0	7,050,725	1,504	1
Carrying amount 31 December 2020	16,201,940	-	5,045,168	1,416	1

1) Additions regarding shares comprise acquisitions of shares and capital contributions and reclassification between non-current assets in Group companies.

9 Other current receivables

EUR 1,000	2021	2020
Other current receivables from group companies		
Trade receivables	14,435	12,209
Group contribution and other receivables	359,560	233,438
Accrued income and prepaid expenses	3,086	2,974
Total	377,082	248,621
Other current receivables		
Trade receivables	719	79
Other receivables	3,236	3,289
Accrued income and prepaid expenses	14,282	18,814
Total	18,237	22,182

See ▶ Note 4.2 Liquidity and refinancing risk in the Consolidated financial statements.

10 Changes in shareholders' equity

EUR 1,000	Share capital	Share premium	Hedging reserve	Retained earnings	Total
1 January 2021	3,046,186	2,821,691	-24,202	4,940,060	10,783,735
Cash dividend				-994,890	-994,890
Change in hedging reserve			10,923		10,923
Profit for the year				1,816,027	1,816,027
31 December 2021	3,046,186	2,821,691	-13,279	5,761,197	11,615,794
1 January 2020	3,046,186	2,821,691	-19,534	4,238,662	10,087,004
Cash dividend				-977,124	-977,124
Change in hedging reserve			-4,668		-4,668
Profit for the year				1,678,522	1,678,522
31 December 2020	3,046,186	2,821,691	-24,202	4,940,060	10,783,734
EUR 1,000	2021	2020			
Distributable funds					
Retained earnings 31 December	5,761,197	4,940,060			
Hedging reserve	-13,280	-24,202			
Total	5,747,917	4,915,858			

11 Interest-bearing liabilities

EUR 1,000	2021	2020
External interest-bearing loans		
Bonds	2,706	2,706
Loans from financial institutions	3,086	3,086
Other long-term interest-bearing loans	689	689
Total long-term interest-bearing loans	6,481	6,481
Current portion of long-term bonds		
Current portion of loans from financial institutions	999	999
Other short-term interest-bearing loans	462	462
Total short-term interest-bearing loans	3,837	3,837
Total ¹⁾	10,319	10,319

Maturity of external interest-bearing loans

EUR 1,000	2022	2023	2024	2025	2026	2027 and later	Total ¹⁾
External interest-bearing loans due after five years ¹⁾							
Bonds	845						845
Other long-term loans	755						755
Total	1,601						1,601

See ▶ Note 4.2 Liquidity and refinancing risk and ▶ Note 27 Interest-bearing liabilities in the Consolidated financial statements.

External interest-bearing loans due after five years ¹⁾

EUR 1,000	2021	2020
Other interest-bearing loans due after five years		
Interest-bearing loans to associated companies	227	227
Total	227	227

Non-discounted cash flows of interest-bearing loans and their maturities, see ▶ Note 13 Financial derivatives

12 Trade and other payables

EUR 1,000	2021	2020
Trade and other payables to group companies		
Trade payables	5,273	1,615
Deposits from group companies and other liabilities	29,573	29,616
Accruals and deferred income	-	116
Total	34,846	31,347
Trade and other payables to associated companies		
Accruals and deferred income	1,475	4,019
Total	1,475	4,019
Trade and other payables		
Trade payables	23,098	25,370
Other liabilities	4,443	6,137
Accruals and deferred income	61,456	102,945
Total	88,998	134,453

13 Financial derivatives

Interest rate and currency derivatives by instrument 2021

EUR 1,000	Notional amount Remaining lifetimes					Fair value	
	Under 1 year	1-5 years	5 years	Over 5 years	Total	Over	
						Positive	Negative
Hedge accounting							
Foreign exchange derivatives	482,534	271,364	-	753,898	10,838	10,891	-52
Interest rate swaps	1,300,000	1,322,558	1,175,000	3,797,558	71,385	26,972	44,413
Gross currency swaps	214,384	46,957	-	261,341	29,996	1,963	28,032
Non-hedge accounting							
Foreign exchange derivatives	13,700,810	331,925	-	14,032,734	85,461	119,935	-34,474
Interest rate swaps	-	34,145	-	34,145	273	93	180
Gross currency swaps	-	23,656	-	23,656	-	836	-836
Total	15,697,728	2,030,606	1,175,000	18,903,334	197,954	160,690	37,264
Of which long-term					59,506	37,051	22,455
Short-term					138,448	123,640	14,808

Interest rate and currency derivatives by instrument 2020

EUR 1,000	Notional amount Remaining lifetimes					Total	Positive	Neg.
	Under 1 year	1-5 years	5 years	Over 5 years	Total			
Hedge accounting								
Foreign exchange derivatives	450,201	177,048	-	627,249	8,802	-	8,802	-
Interest rate swaps	825,000	1,874,658	1,675,000	4,374,658	153,721	6	153,721	-
Gross currency swaps	14,056	261,341	-	275,397	38,182	-	38,182	-
Non-hedge accounting								
Foreign exchange derivatives	9,529,153	572,978	-	10,102,131	196,345	11	196,345	-
Interest rate swaps	-	19,932	-	19,932	-	-	-	-
Gross currency swaps	-	23,656	-	23,656	-	-	-	-
Total	10,818,410	2,929,613	1,675,000	15,423,023	387,050	182	387,050	186,647
Of which long-term					210,003	114	210,003	7
Short-term					177,047	68	177,047	179

Maturity analysis of interest-bearing loans and derivatives

Interest-bearing loans are non-discounted expected cash flows including future interest payments and a maturity analysis of interest-bearing loans and derivatives represent the fair value of the derivatives on the balance sheet.

EUR 1,000	2021				
	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year
Interest-bearing loans					
Interest-bearing loans	4,006,987	5,034,504	2,000,842	11,042,334	948,619
Interest rate and currency derivatives	123,640	18,540	18,510	160,690	114,628
Total	4,130,627	5,053,044	2,019,352	11,203,023	1,063,247
Interest rate and currency derivative receivables					
Interest rate and currency derivative receivables	-138,448	-29,386	-30,120	-197,954	-210,403
Total	3,992,179	5,023,659	1,989,233	11,005,070	852,844

Interest-bearing loans include loans from the State Nuclear Waste Management Fund and TSK-tilslutningen EUR 1,165 million (2020: 1,145). These loans are renewed yearly and the related interest payments are ten years in the table above.

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. As a part of the intra-group credit facility agreement, Fortum Oyj provided a guarantee facility of EUR 4 billion to Uniper, of which EUR 2 billion parent company guarantee was outstanding at 31 December 2021.

Operating lease commitments

EUR 1,000	2021	2020
Due within one year	5,727	7,884
Due after one year and within five years	17,294	19,322
Due after five years	3,010	7,093
Total	26,031	34,299

16 Related party transactions

See ▶ Note 38 Related party transactions in the Consolidated financial statements.

Investments in group companies, associated companies and other holdings

	No. of shares	Holding %
Investments in group companies		
Fortum Waste Solutions Oy	3,520,800	100.00
Fortum Heat and Gas Oy	2,000,000	100.00
Fortum Clean Oy	100	100.00
Fortum Norm Oy	250	100.00
Fortum Power and Heat Oy	91,197,543	100.00
Fortum Real Estate Oy	2,000,000	100.00
Fortum Holding B.V.	61,062	100.00
Fortum India Private Ltd	1	0.10
Fortum Finance Ireland Designated Activity Company	25,000	100.00
Fortum Sweden AB	1,000,000	100.00
Investments in associated companies		
Wello Oy	272,828	18.60
Other holdings		
AW-Energy Oy	2,854,688	3.43
Clic Innovation Oy	100	3.80
East Office of Finnish Industries Oy	1	5.88
Green Industry Park Oy	19	19.00
Prototype Carbon Fund	N/A	

17 Events after the balance sheet date

On 24 February 2022, Russia started a widespread invasion into Ukraine. As a consequence, the US, the UK amongst others have imposed sanctions targeting Russia's ability to access capital and financial markets sanctioning numerous individuals and banks; as well as trading in general. These sanctions and possible sanctions as well as further reactions by the US, the EU and the UK could impact Fortum's operations in a significant manner. Meanwhile, uninterrupted gas supply from Russia to Europe has continued. Fortum's Russian operations are running normally.

Given the uncertainty and risks arising from the geopolitical situation, including imposed sanctions and counter sanctions and their consequences, there may be significant impact to the fair value of economic lives of assets; as well as on the commodity prices and related margining requirements in Europe value of Fortum's Russian assets, including the exposure in the Nord Stream 2 pipeline project, was approximately EUR 5.5 billion as of 31 December 2021. Fortum is currently assessing the impact of recent developments and measures, and specifically the following:

- Germany has halted the certification of the gas pipeline Nord Stream 2, while the US has sanctioned Stream 2 AG, its subsidiaries and the CEO. Fortum has, within its Uniper segment, a financial liability of approximately EUR 1 billion related to the Nord Stream 2 pipeline project.
- The Russian rouble (RUB) has depreciated significantly from the closing rate as of 31 December 2021. As a result, it has a negative translation impact on Fortum Group's earnings, assets and liabilities in RUB.

- The above-mentioned events have led to an increase in European commodity prices and corresponding margining outflows for the Fortum Group. Due to the de-risking and financing measures taken, Fortum actively monitors the situation in order to ensure continued compliance with prevailing rules and sanctions laws.

See the Risk management section in the Operating and financial review.

On 18 January 2022, Fortum announced that 1.3 GW portfolio of wind projects is being transferred from Ruskano wind investment fund (50/50 joint venture) to a joint venture recently established with Bank GPF. The joint venture of Fortum-Ruskano wind investment fund will be dissolved.

Signatures for the operating and financial review and financial statements

Espoo, 2 March 2022

Veli-Matti Reinikkala

Anja McAlister

Philipp Rösler

Teppo Paavola

Essimari Kairisto

Annette Stube

Luisa Delgado

Markus Rautavaara
President and CEO

The auditor's note

Our auditor's report has been issued today.

Espoo, 2 March 2022

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Auditor's report

(Translation of the Finnish original)

To the Annual General Meeting of Fortum Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fortum Oyj (business identity code 1463611-4) for the year ended 31 December, 2021. The financial statements comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in total equity, consolidated cash flow statement and notes to the consolidated financial statements, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and the group companies are in compliance with laws and regulations applicable in Finland regarding these services. We have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2007.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on each of these matters.

We have also addressed the risk of management override of internal controls. This included, but was not limited to, the risk of management bias that represented a risk of material misstatement due to fraud.

Key audit matter

Fair value of commodity derivatives and liquidity

Refer to Notes 4, 6, 7, 8, 9, 14, 15 and 27

- Fortum's business is exposed to fluctuations in prices and availability of commodities used in the production, transmission and sales of energy products. The main exposure is toward electricity and gas prices and volumes, prices and volumes of emission allowances, and prices and availability of fuels relating to Fortum's sales EUR 112,400 million (EUR 49,015 million) and materials EUR 103,923 million (EUR 43,377 million). Fortum hedges its exposure to commodity market risks in order to reduce volatility in cash flow and to increase the predictability of future results. The fair values of derivatives and their changes may have a material effect on Fortum's financial statements. Higher commodity prices increase the net margining payments which are mainly settled with cash. As a result of the recent increase in commodity prices, the cash-flow risk related to margin calls on the Group's hedges has increased substantially during 2021.
- In December 31, 2021, assets related to commodity derivative financial instruments in Fortum's consolidated balance sheet amounts to EUR 82,147 million (EUR 10,417 million) and liabilities to EUR 88,458 million (EUR 10,295 million). The Margin receivables related to the derivative financial instruments amounted EUR 9,163 million (EUR 1,132 million) and liabilities to EUR 985 million (EUR 331 million). Changes in the fair value of derivatives hedging future cash flows in items affecting the comparability in the income statement amount to EUR -5,424 million (EUR -675 million) and cash flow hedges in other equity components to EUR -1,138 million (EUR -158 million).

How our audit addressed the key audit matter

- Due to the increased commodity prices at the year-end 2021, mitigating actions were taken to increase liquidity and reduce the positions exposed to margin calls. To manage this volatility and high price levels, Fortum took financing measures to secure its liquidity position and ability to cover changes in margin requirements. In December 2021, Fortum withdrew revolving credit facility of EUR 1,750 million to manage sufficient liquidity for possible further increases in commodity prices and consequent further additional requirement of collateral payments. Furthermore, Fortum signed new bilateral financing agreements to mitigate the liquidity position. These agreements consisted of a EUR 400 million term loan and a EUR 500 million term loan and a revolving credit facility of EUR 800 million, of which EUR 500 million was drawn as of 31 December 2021.

- Our audit procedures included the assessment of Fortum's internal controls related to derivative transactions, hedging activities and the determination of fair values.
- We have assessed the appropriateness of the valuation models used by Fortum, including the assumptions used in the models. We have validated model input data with observable external information.
- We have conducted audit procedures regarding the existence and completeness of open derivative contracts.
- We have assessed the appropriateness of accounting application according to the requirements of IFRS 9.
- We have assessed the risk scenario prepared by Fortum over further price changes and impact to liquidity requirements for margin calls and Fortum's ability to meet liquidity requirements for the next 12 months.
- We have assessed the appropriate presentation of derivatives and the liquidity measures in the consolidated financial statements.

Key audit matter

Valuation of property, plant and equipment and goodwill

Refer to Notes 1, 2, 3, 16, 17 and 19.

- The consolidated balance sheet includes property, plant and equipment amounting to EUR 18,319 million (EUR 18,641 million) and goodwill amounting to EUR 1,021 million (EUR 1,069 million).
- At the end of each reporting period management has to assess whether there is any indication that asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Goodwill is subject to annual impairment test.
- The main assumptions used in the valuation of energy and heat production property, plant and equipment and goodwill relate to the estimated future operating cash flows and the discount rates that are used in calculating the present value.
- The potential indicators for impairment are among other things changes in electricity and fuel prices, regulatory/political risk relating to energy taxes, price regulations and limitations to the lifetime of production assets, coupled with changes in anticipated impacts arising from climate change.
- The assumptions used in the valuation of the balances in question require management judgment.
- Estimates are also made in an acquisition when determining the fair values and remaining useful lives of acquired intangible and tangible assets.

How our audit addressed the key audit matter

- We have evaluated the process how management has assessed the indicators for potential impairment. We have performed audit procedures on impairment models relating to material cash generating units.
- We have obtained entity's impairment testing documentation for goodwill and energy production assets and tested and evaluated the rationale of key assumptions applied by management on a sample basis, including commodity price forecasts, profit and cash flow forecasts, terminal values, foreign exchange rates and the selection of discount rates.
- We have compared, that the forecasts used in the impairment testing calculations are based on forecasts approved by management.
- We challenged management's assumptions and judgments with reference to historical data and, where applicable, external benchmarks.
- We assessed the models used in the impairment testing and carried out our testing for the sensitivity calculations.
- We have assessed management's assessment of climate change impact to Fortum's business and how this has been taken into account in determining the cashflows used in impairment testing.
- We assessed the adequacy of related disclosures in the financial statements.

Key audit matter

Shares in Nuclear Waste Funds and Nuclear provisions

Refer to Notes 2 and 29.

- Fortum's balance sheet includes Nuclear related provisions amounting to EUR 3,891 million (EUR 3,866 million) and Fortum's share of the Nuclear Waste Management Fund amounting to EUR 3,515 million (EUR 3,445 million).
- Fortum's nuclear related provisions and the related part of the Nuclear Waste Management Fund are both presented separately in the balance sheet as disclosed in note 29.
- Fortum's share in the Nuclear Waste Management Funds is accounted for according to IFRIC 5 which states that the fund assets are measured at the lower of fair value or the value of the related liabilities.
- Due to complexity and materiality, the accounting treatment for nuclear decommissioning is complex and requires application of special accounting practice and management judgment when forming estimates for the basis of accounting such as technical plans, timing, cost estimates and discount rate.

How our audit addressed the key

- We have assessed Fortum's accounting and principles for Nuclear Decommissioning Accounting, whether they are in line with accounting principles.
- We have assessed the assumptions made and adopted by the management accounting for the nuclear waste provisions and the nuclear waste management share in nuclear waste management have been based on current legislation submitted by authorities.
- We assessed the adequacy of related disclosures in the financial statements.

Emphasis of Matter – Subsequent Events

We draw your attention to the note 39. "Events after the balance sheet date" of the financial statements, which describes the uncertainties and risks caused by the geopolitical situation which may have impact to fair value of assets and on the commodity prices and related margining requirements in Europe. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the President and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

- As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the President and CEO use of the basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists or events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the parent company or the group to cease or discontinue its operations as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide those charged with governance with a statement that we have complied with the relevant requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that in our opinion are of importance to the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter. In extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 16.3.2006, and our appointment is for a total period of uninterrupted engagement of 16 years.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the Operating and Financial Review and the information included in the Financials, but does not include the financial statements and our auditor's report thereon. We have obtained the Operating and Financial Review and the Financials in order to perform our audit. We are not responsible for the accuracy or completeness of this auditor's report, and the Financials is expected to be made available to us after the date of our report.

Our opinion on the financial statements does not cover the other information.

OPERATING AND FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS	SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS	AUDITOR'S REPORT	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION
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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to Operating and Financial Review, our responsibility also includes considering whether the Operating and Financial Review has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the Operating and Financial Review is consistent with the information in the financial statements and the Operating and Financial Review has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown on the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Espoo, 2 March 2022

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Financial key figures

Comparability of information presented in tables

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in Stockholm Exergi AB (Exergi), (prev Fortum Värme samägt med Stockholms stad), in the consolidated financial statements. From 1 January 2014 onwards Exergi is treated as a joint venture and thus consolidated with equity method. Before the change the company was a subsidiary with 50% minority interest.

Fortum announced the sale of Swedish Distribution business in March 2015. After the divestment of the Swedish Distribution business Fortum has no electricity distribution operations and therefore Distribution segment was treated as discontinued operations in 2015, with restatement of year 2014, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Fortum adopted IFRS 16 on 1 January 2019, and IFRS 9 and IFRS 15 on 1 January 2018. Fortum applied the transition relief for not restating the comparatives of 2018 and 2017, respectively. In 2019, Fortum classified certain assets as held for sale. These assets and the related liabilities are included in segment assets and liabilities at 31 December 2019.

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from 1 April 2020, consolidated Uniper's results into its income statement. In 2019 and in the first quarter of 2020, Uniper was consolidated as an associated company in Fortum's income statement.

Following the consolidation of Uniper, Fortum's business profile changed and the previous long-term financial targets did not appropriately reflect the Group's new business profile. In May 2020, Fortum's Board of Directors consequently removed the financial targets (return on capital employed of at least 10% and comparable net debt-to-EBITDA of around 2.5x) as of the first quarter of 2020. In December 2020 in connection with the strategy update, Fortum updated its financial target to be Financial net debt/comparable EBITDA below 2x. For more information, see ▶ Note 5 Capital risk management.

In 2021, Fortum introduced two new Alternative Performance Measures (APM) to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods: Comparable net earnings per share. Comparable net profit is shown after non-controlling interest and adjusted for items affecting comparability, as well as adjustments to share of profit of associates and joint ventures, net financial costs, interest expenses, and non-controlling interest. Comparable earnings per share is calculated from comparable net profit. For more information, see ▶ Definitions and reconciliations of key figures and ▶ Note 7 Comparable operating profit and profit.

For information of Alternative Performance Measures used by Fortum, see ▶ Definitions and reconciliations of key figures and ▶ Note 1 Significant accounting policies.

EUR million or as indicated	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Income statement										
Reported										
Sales total Fortum	6,159	5,309	4,751	3,702	3,632	4,520	5,242	5,447	49,015	112,400
Sales continuing operations			4,088	3,459	3,632	4,520	5,242	5,447	49,015	112,400
EBITDA total Fortum	2,538	2,129	3,954	4,640	1,006	1,623	1,674	1,693	2,688	693
EBITDA continuing operations			1,673	196	1,006	1,623	1,674	1,693	2,688	693
Operating profit total Fortum	1,874	1,508	3,428	4,245	633	1,158	1,138	1,118	1,599	-588
- of sales%	30.4	28.4	72.2	114.7	17.4	25.6	21.7	20.5	3.3	-0.5
Operating profit continuing operations			1,296	-150	633	1,158	1,138	1,118	1,599	-588
- of sales%			31.7	-4.3	17.4	25.6	21.7	20.5	3.3	-0.5
Share of profit/loss of associates and joint ventures total Fortum	23	178	149	20	131	148	38	744	656	192
Profit before income tax total Fortum	1,586	1,398	3,360	4,088	595	1,111	1,040	1,728	2,199	-289
- of sales%	25.8	26.3	70.7	110.4	16.4	24.6	19.8	31.7	4.5	-0.3
Profit before income tax continuing operations			1,232	-305	595	1,111	1,040	1,728	2,199	-289
- of sales%			30.1	-8.8	16.4	24.6	19.8	31.7	4.5	-0.3
Profit for the period total Fortum	1,512	1,212	3,161	4,142	504	882	858	1,507	1,855	-114
- of which attributable to owners of the parent	1,416	1,204	3,154	4,138	496	866	843	1,482	1,823	739
Profit for the period continuing operations			1,089	-228	504	882	858	1,507	1,855	-114
- of which attributable to owners of the parent			1,081	-231	496	866	843	1,482	1,823	739
Comparable										
EBITDA total Fortum	2,416	1,975	1,873	1,265	1,015	1,275	1,523	1,766	2,434	3,817
EBITDA continuing operations			1,457	1,102	1,015	1,275	1,523	1,766	2,434	3,817
Operating profit total Fortum	1,752	1,403	1,351	922	644	811	987	1,191	1,344	2,536
Operating profit continuing operations			1,085	808	644	811	987	1,191	1,344	2,536
Share of profit/loss of associates and joint ventures									154	154
Net profit (after non-controlling interests)									656	1,778

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	OPERATING AND FINANCIAL REVIEW	CONSOLIDATED FINANCIAL STATEMENTS	NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS	SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS			AUDITOR'S REPORT	KEY FIGURES 2012-2021	QUARTERLY FINANCIAL INFORMATION	Operations
						2012	2013	2014				
EUR million or as indicated												
Financial position and cash flow												
Capital employed total Fortum			19,420	19,183	17,918	19,870	18,649	18,172	18,170	19,929	26,239	30,887
Financial net debt										4,833	7,023	78
Adjusted net debt			7,814	7,793	4,217	-2,195	-48	988	5,509	5,260	N/A	3,222
Interest-bearing net debt without Exergi financing				6,668	3,664	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital expenditure and gross investments in shares total Fortum			1,574	1,020	843	669	1,435	1,815	4,672	819	4,953	1,401
- of sales%			25.6	19.2	17.7	18.1	39.5	40.2	89.1	15.0	10.1	1.1
Capital expenditure and gross investments in shares continuing operations					695	625	1,435	1,815	4,672	819	4,953	1,401
Capital expenditure total Fortum			1,558	1,005	774	626	591	690	584	713	1,146	1,111
Capital expenditure continuing operations					626	582	591	690	584	713	1,146	1,111
Net cash from operating activities total Fortum			1,382	1,548	1,762	1,381	621	993	804	1,575	2,555	4,977
Net cash from operating activities continuing operations					1,406	1,228	621	993	804	1,575	2,555	4,977
Key ratios												
Return on capital employed total Fortum, %			10.2	9.0	19.5	22.7	4.0	7.1	6.7	10.0	N/A	N/A
Return on shareholders' equity total Fortum, %			14.6	12.0	30.0	33.4	3.7	6.6	6.8	11.9	12.9	-0.1
Interest coverage total Fortum			7.6	6.7	19.9	27.6	4.6	8.7	10.0	8.0	27.3	-12.1
Interest coverage including capitalised borrowing costs total Fortum			5.7	5.3	15.7	21.5	4.1	7.8	9.2	7.5	18.6	-9.1
Funds from operations/interest-bearing net debt total Fortum, %			19.9	18.8	42.9	-59.7	-1,503.4	83.9	26.8	32.2	N/A	N/A
Funds from operations/interest-bearing net debt without Exergi financing total Fortum, %					49.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gearing, %			73	77	39	-16	0	7	46	40	45	0.0
Financial net debt/comparable EBITDA					2.3	-1.7	0.0	0.8	3.6	3.0	N/A	N/A
Comparable net debt/EBITDA total Fortum			3.2	3.4	2.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Comparable net debt/EBITDA without Exergi financing			43	43	51	61	62	61	54	57	27	27
Equity-to-assets ratio, %												
Other data												
Dividends			888	977	1,155	977	977	977	977	977	995	1,011
Research and development expenditure			41	49	41	47	52	53	56	67	56	66
- of sales%			0.7	0.9	1.0	1.4	1.4	1.2	1.1	1.1	0.1	0.1
Average number of employees total Fortum ²⁾			10,600	9,532	8,821	8,193	7,994	8,507	8,767	8,248	17,304	19,799
Average number of employees continuing operations ²⁾					8,329	8,009	7,994	8,507	8,767	8,248	17,304	19,799

1) Board of Directors' proposal for the planned Annual General Meeting on 28 March 2022.

2) 2020 comparative figure was revised to reflect the consolidation of Uniper from March 31, 2020.

See ▶ Definitions and reconciliations of key figures.

Share key figures

EUR or as indicated

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Data per share										
Earnings per share total Fortum	1.59	1.36	3.55	4.66	0.56	0.98	0.95	1.67	2.05	0.8
Earnings per share continuing operations	-	-	1.22	-0.26	0.56	0.98	0.95	1.67	2.05	0.8
Earnings per share discontinued operations	1.59	1.36	2.33	4.92	-	-	-	-	-	-
Diluted earnings per share total Fortum	-	-	3.55	4.66	0.56	0.98	0.95	1.67	2.05	0.8
Diluted earnings per share continuing operations	-	-	1.22	-0.26	0.56	0.98	0.95	1.67	2.05	0.8
Diluted earnings per share discontinued operations	1.56	1.74	2.33	4.92	-	-	-	-	-	-
Comparable earnings per share total Fortum	1.56	1.74	1.98	1.55	0.70	1.12	0.91	2.27	2.88	2.0
Cash flow per share total Fortum	11.30	11.28	1.38	1.38	0.70	1.12	0.91	2.27	2.88	5.6
Cash flow per share continuing operations	1.00	1.10	12.23	15.53	15.15	14.69	13.33	14.61	14.58	5.6
Equity per share	62.9	80.9	1.10	1.10	1.10	1.10	1.10	1.10	1.12	13.6
Dividend per share	7.1	6.6	0.20	-	-	-	-	-	-	1.1
Extra dividend	8.9	12.2	36.6	23.6	196.4	112.2	115.8	65.9	54.6	137.0
Payout ratio, %	7.1	6.6	7.2	7.9	7.5	6.7	5.8	5.0	5.7	4.4
Dividend yield, %	8.9	12.2	5.1	3.0	26.1	16.8	20.1	13.2	9.6	32.0
Price/earnings ratio (P/E)										
Share prices										
At the end of the period	14.15	16.63	17.97	13.92	14.57	16.50	19.10	22.00	19.70	26.9
Average	15.66	15.11	17.89	16.29	13.56	15.28	19.10	20.06	17.20	23.6
Lowest	12.81	13.10	15.13	12.92	10.99	12.69	16.43	18.09	12.25	19.7
Highest	19.36	18.18	20.32	21.59	15.74	18.94	22.91	22.50	23.46	27.9
Other data										
Market capitalisation at the end of the period, EUR million	12,570	14,774	15,964	12,366	12,944	14,658	16,966	19,542	17,499	23,977
Trading volumes ²⁾	494,765	465,004	454,796	541,858	611,572	582,873	474,705	372,272	647,869	351,451
Number of shares, 1,000 shares	55.7	52.3	51.2	61.0	68.8	65.6	53.4	41.9	39.0	39.0
In relation to weighted average number of shares, %	888,367	888,367	888,367	888,367	888,367	888,367	888,312	888,294	888,294	888,294
Average number of shares, 1,000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,312	888,294	888,294	888,294
Diluted adjusted average number of shares, 1,000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,312	888,294	888,294	888,294
Number of registered shares, 1,000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,294	888,294	888,294	888,294

1) Board of Directors' proposal for the planned Annual General Meeting on 28 March 2022.

2) Trading volumes in the table represent volumes traded on Nasdaq Helsinki. In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boat, Cboe and Turquoise, and on the OTC market as well. In 2021, approximately 70% (2020: 68%) of Fortum shares were traded on markets other than the Nasdaq Helsinki Ltd.

See Definitions and reconciliations of key figures.

Segment key figures

Fortum renewed its business structure as of 1 March 2014. The reorganisation led to a change in Fortum's external financial reporting structure as previously separately reported segments Heat and Electricity Sales were combined into one segment Electricity Sales and Solutions.

Fortum has applied new IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements from 1 January 2014. The effect of applying the new standards to Fortum Group financial information relates to Stockholm Exergi AB (publ) Fortum Värme samägt med Stockholm Stad), that is treated as a joint venture and thus consolidated with equity method from 1 January 2014 onwards. Before the change the company was consolidated as a subsidiary with 50% minority interest. Fortum announced the sale of Swedish Distribution business in March 2015. After the divestment of the Swedish Distribution business Fortum does not have any distribution operations and therefore Distribution segment has been treated as operations in 2015 with restatement of year 2014, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Fortum reorganised its operating structure as of 1 April 2016. The business divisions are: Generation (mainly the former Power and Technology); City Solutions (mainly the former Heat, Electricity Sales and Solutions) and Russia. Because financial impact, the comparable segment information for 2015 was not restated.

As of 1 March 2017, the City Solutions division was divided into two divisions: City Solutions and Consumer Solutions, both reported as separate reporting segments. Fortum has restated its 2016 comparison segment reporting figures in accordance with the new organisation structure.

In November 2018, Fortum announced that the solar and wind businesses were reorganised and the wind operations became a business area within the Generation segment and the solar operations within the City Solutions segment. Previous operations were included in Other Operations. The Russian wind and solar operations continue as a part of the Russia segment. Fortum has restated its 2018 comparative segment reporting figures in accordance with the new organisation structure.

Following the consolidation of Uniper as a subsidiary on 31 March 2020, Fortum revised its reportable segments and reports Uniper as a separate segment. Until 31 March 2020 Fortum's share of Uniper's associated company results is presented as a separate segment.

See more information in ▶ Note 6 Segment reporting.

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sales by segment, EUR million									
Generation	2,415	2,252	2,156	1,722	1,657	1,677	1,842	2,141	2,000
- of which internal	296	69	85	83	15	15	-2	259	42
Russia	1,030	1,119	1,055	893	896	1,101	1,069	1,071	920
- of which internal	-	-	-	-	-	-	-	-	-
City Solutions	-	1,516	1,332	1,187	782	1,015	1,110	1,200	1,071
- of which internal	1,628	87	34	-13	1	19	37	45	6
- of which internal	18	-	-	-	-	-	-	-	-
Consumer Solutions	-	-	-	-	668	1,097	1,759	1,835	1,260
- of which internal	722	-	-	2	2	3	11	-3	-
Electricity Sales	55	-	-	-	-	-	-	-	-
- of which internal	-	-	-	-	-	-	-	-	-
Uniper	-	-	-	-	-	-	-	-	44,511
- of which internal	137	63	58	114	92	102	103	115	141
Other Operations	-66	54	44	75	61	67	79	86	111
- of which internal	1,070	1,064	-	-	-	-	-	-	-
Distribution	37	19	-	-	-	-	-	-	-
- of which internal	-843	-706	-513	-458	-463	-470	-641	-916	-916
Eliminations and Netting of Nord Pool transactions	-	-	-	-	-	-	-	-	-
Total for continuing operations	6,159	5,309	4,088	3,459	3,632	4,520	5,242	5,447	49,011
Discontinued operations	-	-	751	274	-	-	-	-	-
Eliminations ¹⁾	-	-	-89	-31	-	-	-	-	-
Total			4,751	3,702	3,632	4,520	5,242	5,447	49,011

¹⁾ Sales to and from discontinued operations.

	OPERATING AND FINANCIAL REVIEW		CONSOLIDATED FINANCIAL STATEMENTS		NOTES	KEY FIGURES	PARENT COMPANY FINANCIAL STATEMENTS		SIGNATURES FOR THE OPERATING AND FINANCIAL REVIEW AND FINANCIAL STATEMENTS		AUDITOR'S REPORT	KEY FIGURES 2012-2021		QUARTERLY FINANCIAL INFORMATION
	2012	2013	2014	2015			2016	2017	2018	2019		2020		
Comparable operating profit by segment, EUR million														
Generation	1,148	859	877	561	417	478	628	794						
Russia	68	156	161	201	191	296	271	316						
City Solutions		109	104	108	64	98	135	120						
Heat	271				48	41	53	79						
Consumer Solutions														
Electricity Sales	39													
Uniper														
Other Operations	-92	-54	-57	-63	-77	-102	-99	-118						
Distribution	320	332												
	1,752	1,403	1,085	808	644	811	987	1,191						
Comparable operating profit														
Impairment charges and reversals				-918	27	6	-4	-8						
Capital gains and other related items	155	61	305	22	38	326	102	7						
Impact from acquisition accounting														
Changes in fair values of derivatives hedging future cash flow					-65	14	98	-72						
Nuclear fund adjustment ¹⁾					-11	1	-45							
Other														
Other items affecting comparability ²⁾	-33	45	-94	-62										
	1,874	1,508	1,296	-150	633	1,158	1,138	1,118						
Operating profit, continuing operations														
Discontinued operations				4,395										
				4,245	633	1,158	1,138	1,118						
Operating profit														
1) In 2020, Nuclear fund adjustment was reclassified from items affecting comparability to Other financial items - net. Comparatives for 2019 have been reclassified accordingly.														
2) Other items affecting comparability comprise Changes in fair values of derivatives hedging future cash flow and Nuclear fund adjustment.														
Comparable EBITDA by segment, EUR million														
Generation	1,260	1,007	998	680	527	603	763	939						
Russia	189	258	304	267	312	438	417	469						
City Solutions		211	204	209	186	262	310	308						
Heat	481				55	57	110	141						
Consumer Solutions														
Electricity Sales	40													
Uniper														
Other Operations	-83	-49	-49	-53	-64	-83	-78	-91						
Distribution	529	548												
	2,416	1,975	1,457	1,102	1,015	1,275	1,523	1,766						
Total for continuing operations														
Discontinued operations			416	163										
			1,873	1,265	1,015	1,275	1,523	1,766						
Total														

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	Financial key figures										2019	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
Depreciation and amortisation, EUR million												
Generation	114	148	121	118	110	125	135	145	16	16		
Russia	121	150	147	117	123	142	147	153	14	14		
City Solutions		102	100	101	121	163	175	188	19	19		
Heat	210											
Consumer Solutions					7	16	57	62				
Electricity Sales	1											
Uniper												
Other Operations	9	5	8	10	13	18	22	28				
Distribution	209	216										
Total for continuing operations	664	621	377	346	373	464	536	575	1,09	1,09		
Discontinued operations			150	50								
Total			526	395	373	464	536	575	1,09	1,09		

	Share key figures										2019	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
Comparable share of profit of associates and joint ventures by segment, EUR million												
Generation												
Russia												
City Solutions												
Uniper												
Other Operations												
Total for continuing operations												
Discontinued operations												
Total 1)												

1) Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in 2021.

	Share key figures										2019	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021		
Share of profit of associates and joint ventures by segment, EUR million												
Generation	-12	4	-14	-111	-34	-1	-72	10	2	2		
Russia	27	46	35	32	38	31	36	59	4	4		
City Solutions		91	88	59	76	80	74	37	5	5		
Heat	20											
Electricity Sales												
Uniper												
Other Operations	-20	32	37	40	51	38	0	638				
Distribution	8	4										
Total for continuing operations	23	178	146	20	131	148	38	744	65	65		
Discontinued operations			3	0								
Total			149	20	131	148	38	744	65	65		

	Financial key figures					Share key figures			Segment key figures			Capital expenditure		Operations		
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2017	2018	2019		2020	2021
Capital expenditure by segment, EUR million																
Generation	190	179	197	187	196	174	248	247	151	151	174	248	247	151	151	151
Russia	568	435	340	285	201	54	67	67	44	44	54	67	67	44	44	44
City Solutions		123	86	105	109	170	209	314	211	211	170	209	314	211	211	211
Heat	464															
Consumer Solutions					3	7	47	55			7	47	55			5
Electricity Sales	1															
Uniper																
Other Operations	11	12	3	6	83	187	26	30	63	63	187	26	30	63	63	
Distribution	324	255														
Total for continuing operations	1,558	1,005	626	582	591	690	584	713	1,141	1,141	690	584	713	1,141	1,141	1,141
Discontinued operations			147	44												
Total			774	626	591	690	584	713	1,141	1,141	690	584	713	1,141	1,141	1,141
Gross investments in shares by segment, EUR million																
Generation	-	2	2	16	7	90	14	13	71	71	90	14	13	71	71	71
Russia	-	0	27	0	0	125	63	66	44	44	125	63	66	44	44	44
City Solutions		11	37	23	698	386	33	9	11	11	386	33	9	11	11	11
Heat	10															
Consumer Solutions					117	486	0	-			486	0	-			
Uniper																
Other Operations	6	2	4	4	22	39	3,977	18	3,573	3,573	39	3,977	18	3,573	3,573	3,573
Distribution	-	0														
Total for continuing operations	16	15	69	43	844	1,125	4,088	106	3,801	3,801	1,125	4,088	106	3,801	3,801	3,801
Discontinued operations			-	-												
Total			69	43	844	1,125	4,088	106	3,801	3,801	1,125	4,088	106	3,801	3,801	3,801
Gross divestments of shares by segment, EUR million																
Generation	102	79	67	0	0	0	160	12	17	17	0	160	12	17	17	17
Russia	-	-	0	0	127	0	0	-	0	0	0	0	-	0	0	0
City Solutions		11	446	27	33	0	147	2	89	89	0	147	2	89	89	89
Heat	269															
Consumer Solutions					1	55	0	-	1	1	55	0	-	1	1	1
Electricity Sales	2															
Uniper																
Other Operations	0	-	2	-	0	687	0	16	6	6	687	0	16	6	6	6
Distribution	37	52														
Total for continuing operations	410	142	515	27	161	742	306	30	1,221	1,221	742	306	30	1,221	1,221	1,221
Discontinued operations			2,681	6,369												
Total			3,196	6,395	161	742	306	30	1,221	1,221	742	306	30	1,221	1,221	1,221

	Financial key figures					Share key figures					Segment key figures					Capital expenditure				
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Comparable net assets by segment, EUR million																				
Generation				5,931	5,815			6,019	6,230					6,485						
Russia				2,561	3,284			3,212	2,430					2,789						
City Solutions				2,182	2,873			3,945	3,670					3,794						
Consumer Solutions					154			637	560					648						
Uniper																				
Other Operations				258	514			4,400	130					4,023						
Total for continuing operations				10,932	12,641			18,214	20,470					17,739						

Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards. Net assets until 2015 are disclosed below.

	2012	2013	2014	2015 ¹⁾
Net assets by segment, EUR million				
Generation	6,389	6,355	6,001	5,913
City Solutions		2,295	2,112	2,170
Heat	4,286			
Electricity Sales	51			
Russia	3,848	3,846	2,597	2,561
Other Operations	158	295	496	291
Distribution	3,889	3,745		
Total for continuing operations	18,621	16,537	11,206	10,934
Net assets related to discontinued operations			2,615	
Total			13,820	10,934

1) Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Comparable return on net assets by segment, %										
Generation	18.5	13.8	14.2	9.5	6.9	8.4	10.8	13.3	12.0	13.3
Russia	2.7	5.2	5.6	8.2	8.0	10.1	10.3	12.3	11.0	11.0
City Solutions		8.7	8.7	7.9	5.9	5.5	5.5	4.6	2.0	2.0
Heat	7.0									
Consumer Solutions					44.3	11.7	7.8	13.3	15.0	15.0
Electricity Sales	203.1									
Uniper ¹⁾										
Distribution ²⁾	8.8	8.8	9.3							

1) Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from the second quarter of 2020, consolidated Uniper's results into its income statement. Comparable return on net assets for the Uniper segment are presented from 2021 onwards as information for full 12 months is available from 2020 onwards.

2) Classified as discontinued operations from 2014 onwards.

Return on net assets by segment, %

Generation	18.7	14.5	13.6	-8.5														
City Solutions		9.7	19.1	7.7														
Heat	8.8																	
Electricity Sales	152.3																	
Russia	3.0	5.2	5.6	8.3														
Distribution ²⁾	9.1	9.3	73.6															

1) Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards.

2) Classified as discontinued operations from 2014 onwards.

Average number of employees

Generation	1,896	1,900	1,685	1,389	1,064	1,036	1,107	1,122	1,161
Russia	4,301	4,245	4,196	4,180	3,814	3,710	3,378	2,942	2,961
City Solutions		2,051	1,913	1,458	1,529	1,807	1,994	1,979	2,051
Heat	2,354								
Consumer Solutions					877	1,180	1,473	1,379	1,211
Electricity Sales	515								
Uniper ¹⁾									
Other Operations	661	550	536	983	711	774	814	825	894
Distribution	873	786							951
Total for continuing operations¹⁾	10,600	9,532	8,329	8,009	7,994	8,507	8,767	8,248	17,300
Discontinued operations			492						
Total			8,821						

1) 2020 comparative figure was revised to reflect the consolidation of Uniper from March 31, 2020.

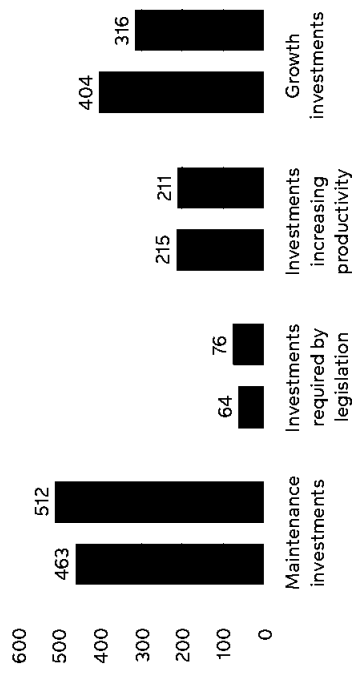
Capital expenditure by type and segment ¹⁾

EUR million	Finland		Sweden		Norway		Russia		Germany		United Kingdom		Other countries	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Generation														
Hydropower	20	16	83	54										
Nuclear power	31	49												
Renewable-based electricity, wind	29	3				27								
Other	3	3	1	7										
Total	83	70	85	61	0	27								
Russia														
Fossil-based electricity							33	25						
Fossil-based heat								14						
District heat network							12							
Renewable-based electricity, wind							2	4						
Other														
Total							47	43						
City Solutions														
Fossil-based heat	1													
Fossil-based electricity														
Renewable, of which														
waste	28	36	7	7	21	5					2	1		
biofuels	14	20	7	7	5	5					2	1		
solar		9			2									
other	14	8			13									
District heat network	9	10			13	19								
Other	14	4	4	2					0	0				
Total	53	49	11	9	34	24			0	0	2	1	62	134
Consumer Solutions														
Other	11	16	6	14	25	19								
Total	11	16	6	14	25	19							10	8
Uniper														
Hydropower			36	34					29	19				
Nuclear power			41	50										
Fossil-based electricity			5	13			130	115	188	225	123	86	45	44
Fossil-based heat									5	4				
Global commodities investments									43	23	1	1	5	
Other			1						19	19	1	1		1
Total			84	97			130	115	285	290	125	88	50	45
Other														
Other	13	23	1	6		2							1	3
Total	13	23	1	6	2	2							1	3
Segments total	160	160	186	186	58	71	177	159	285	279	127	89	124	191
Of which investments in CO₂ free production	95	84	161	138	16	27	0	4	31	19	0	0	32	100

¹⁾ Includes capital expenditure to both intangible assets and property, plant and equipment.

Financial key figures Share key figures Segment key figures Capital expenditure Operations

Fortum classifies investments in four main categories, EUR million



Generation

Fortum invested EUR 29 million (2020: 30) into wind power production in the Nordics. The majority of this was related to the Pjeltax-Böle and Kristinestad Norr wind farms in Finland. In Finland, Fortum also invested EUR 31 million (2020: 49) into the Loviisa nuclear power plant. Fortum additionally invested EUR 100 million (2020: 69) into hydro production, mainly maintenance, legislation and productivity investments. Investments in CO₂ free production were EUR 164 million (2020: 149).

Russia

Investments by Russia segment were EUR 47 million (2020: 43). They consisted mainly of maintenance productivity projects. Of the investments EUR 33 million was invested into gas-based production. Investment free production were EUR 0 million (2020: 4).

City Solutions

The largest investment project in 2021 was EUR 31 million to the Rajasthan solar plant in India. Maintenance legislation and productivity investments totalled EUR 123 million (2020: 112). This amount consists mainly of investments in district heat networks and plants as well as the maintenance of existing CHP plants and defined by legal requirements. Investments in CO₂ free production were EUR 63 million (2020: 116).

Consumer Solutions

Investments in Consumer Solutions totalled EUR 52 million (2020: 57). The amount consists mainly of commissions for customer acquisition that are capitalised and new product development costs.

Uniper

Investments by Uniper segment totalled EUR 674 million, of which maintenance, legislation and productivity investments were EUR 439 million. Investments to gas-based production were 155 million and production were EUR 108 million.

Other

Investments in Other segment were EUR 15 million (2020: 34). They consisted mainly of IT investments investments into internal ventures.

Operational key figures

Note: Operational key figures are unaudited

Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in Stockholm Exergi AB (Exergi), (previously Fortum Värme samägt med Stockholms stad), in the consolidated financial statements. From 1 January 2014 onwards Exergi is treated as a joint venture and thus consolidated with equity method. Before the change the company was a subsidiary with 50% minority interest. Uniper sales and production volumes are disclosed from 1 April 2020 onwards.

Production

Fortum's total power and heat production in Nordics,

	2012	2013	2014	2015	2016	2017	2018	2019
Power generation								45.5
Heat production								6.3

Fortum is disclosing total power and heat production in Nordics instead of EU and Norway from 2019 onwards. Power and heat production in EU and Norway until 2018 are disclosed below.

Fortum's total power and heat production in EU and Norway,

	2012	2013	2014	2015	2016	2017	2018	2019 ¹⁾
Power generation	53.9	47.4	50.1	50.2	47.5	46.6	44.7	
Heat production	18.5	10.4	8.2	6.4	7.1	8.6	9.4	

1) Fortum is disclosing total power and heat production in Nordics instead of EU and Norway from 2019 onwards.

Fortum's total power and heat production in other European countries,

	2012	2013	2014	2015	2016	2017	2018	2019 ¹⁾
Power generation								1.3
Heat production								2.8

1) Disclosed from 2019 onwards.

Fortum's total power and heat production in Russia,

	2012	2013	2014	2015	2016	2017	2018	2019
Power generation	19.2	20.0	23.3	25.7	25.5	26.3	29.6	29.3
Heat production	24.8	24.2	26.4	25.8	20.7	20.0	20.4	17.3

Fortum's power generation by source, total in the Nordic area,

	2012	2013	2014	2015	2016	2017	2018	2019
Hydro and wind power	25.2	18.1	22.4	25.1	20.8	20.9	19.4	20.7
Nuclear power	23.4	23.7	23.8	22.7	24.1	23.0	22.8	23.5
Thermal power	3.0	3.4	1.8	1.0	1.4	1.6	1.3	1.4
Total	51.6	45.2	48.0	48.8	46.2	45.4	43.5	45.5

Fortum's power generation by source, total in the Nordic area,

%	2012	2013	2014	2015	2016	2017	2018	2019
Hydro and wind power	49	40	46	51	45	46	45	45
Nuclear power	45	52	50	47	52	51	52	52
Thermal power	6	8	4	2	3	3	3	3
Total	100	100	100	100	100	100	100	100

Fortum's power generation by source, total in other European countries,

TWh	2012	2013	2014	2015	2016	2017	2018	2019 ¹⁾
Hydro and wind power								
Thermal power								
Total								

1) Disclosed from 2019 onwards.

Fortum's power generation by source, total in other European countries,

%	2012	2013	2014	2015	2016	2017	2018	2019 ¹⁾
Hydro and wind power								
Thermal power								
Total								

1) Disclosed from 2019 onwards.

Power generation capacity by segment,

MW	2012	2013	2014	2015	2016	2017	2018	2019
Generation	9,702	9,475	9,063	8,046	8,039	7,862	7,867	8,220
Russia	3,404	4,250	4,758	4,903	4,482	4,794	4,912	4,928
Heat	1,569							
City Solutions		793	803	743	760	775	788	8,082
Uniper								
Other Operations					53	292	157	
Total	14,675	14,518	14,824	13,692	13,334	13,722	13,724	16,230

Heat production capacity by segment,

MW	2012	2013	2014	2015	2016	2017	2018	2019
Generation	250	250						
Russia	13,396	13,466	13,466	12,696	9,920	10,094	10,229	10,437
Heat	8,785							
City Solutions		4,317	3,936	3,915	3,818	4,671	4,780	4,812
Uniper								
Total	22,431	18,033	17,402	16,611	13,738	14,765	15,009	15,249

Fortum's power generation capacity by type and area, MW	Finland		Sweden		Russia		Germany		United Kingdom		Netherlands		Other	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Hydropower	1,553	1,553	4,872	4,895	-	-	1,982	1,991	-	-	-	-	-	-
Nuclear power	1,487	1,487	3,073	3,361	-	-	-	-	-	-	-	-	-	-
Combined heat and power	375	375	6	455	3,241	3,497	2,322	3,222	-	-	525	525	178	355
Condensing power ¹⁾	565	565	1,175	1,162	12,151	12,151	5,626	6,383	6,401	6,401	1,070	1,070	428	428
Wind power	-	-	-	-	35	35	-	-	-	-	-	-	-	101
Solar power	-	-	-	-	35	35	-	-	-	-	-	-	-	250
Total	3,980	3,980	9,125	9,873	15,462	15,718	9,930	11,596	6,401	6,401	1,595	1,595	606	1,134

1) Including 440 MW of Meri-Pori power plant, which is under reserve capacity agreement during period July 2020 - June 2022 and 875 MW of Heyden power plant, which is under reserve capacity agreement during period July 2021 - September 2022.

Fortum's heat production capacity by area, MW	Finland		Norway		Russia		Germany		Poland		Netherlands		Other	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Heat	1,440	1,417	888	888	10,186	11,010	2,299	3,061	622	941	1,133	1,133	303	1,061

Sales

Fortum's total power and heat sales in Nordics, EUR million

	2021	2020	2019
Power sales	2,877	2,877	2,877
Heat sales	390	390	390

Fortum is disclosing total power and heat sales in Nordics instead of EU and Norway from 2019 onwards. Power and heat production in EU and Norway until 2018 are disclosed below.

Fortum's total power and heat sales in EU and Norway, EUR million

	2012	2013	2014	2015	2016	2017	2018
Power sales	2,700	2,462	2,344	1,921	1,893	2,244	2,922
Heat sales	1,201	538	468	423	449	524	615

1) Fortum is disclosing total power and heat sales in Nordics instead of EU and Norway from 2019 onwards.

Fortum's total power and heat sales in other European countries, EUR million

	2012	2013	2014	2015	2016	2017	2018
Power sales ²⁾	130	130	130	130	130	130	130
Heat sales	228	228	228	228	228	228	228

1) Disclosed from 2019 onwards.

2) Including commodity trading.

Fortum's total power and heat sales in Russia,

EUR million	2012	2013	2014	2015	2016	2017	2018	2019
Power sales	713	822	758	661	691	837	872	924
Heat sales	300	290	285	228	199	258	193	145

Fortum's total power sales by area,

TWh	2012	2013	2014	2015	2016	2017	2018	2019
Finland	21.6	23.4	21.6	22.3	22.8	22.5	23.1	23.1
Sweden	30.1	23.3	28.2	29.8	28.8	30.8	29.7	31.5
Norway					1.5	7.2	15.3	15.0
Russia	23.3	25.6	26.5	29.4	29.5	30.5	34.1	33.8
Germany ¹⁾								
United Kingdom								
Netherlands								
Other countries								
Total	78.8	76.6	80.1	84.3	84.7	93.9	104.0	105.8

1) Including commodity trading.

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

Fortum's total heat sales by area,

TWh	2012	2013	2014	2015	2016	2017	2018	2019
Finland	5.8	5.5	3.2	3.1	3.6	3.9	3.8	3.8
Russia	26.4	24.1	26.0	25.4	20.7	19.8	20.7	16.9
Norway								1.7
Sweden	8.5	-	-	-	0.1	0.3	0.3	0.3
Poland	4.3	4.1	3.4	3.4	3.6	3.7	3.5	3.3
Germany								
United Kingdom								
Netherlands								
Other countries								
Total	47.9	36.8	35.4	33.2	29.4	29.9	31.5	27.6

Volume of distributed electricity in distribution networks,

TWh	2012	2013	2014	2015
Finland	9.8	9.5	2.8	
Sweden	14.4	14.1	13.7	6.4
Norway	2.4	2.5	1.1	
Estonia				
Total	26.6	26.1	17.6	6.4

Quarterly financial information

Note: Quarterly financial information is unaudited.

Selected data based on quarterly consolidated income statement

EUR million	I/2020	II/2020	III/2020	IV/2020	2020	I/2021	II/2021	III/2021	IV/2021
Reported									
IS Sales	1,357	12,330	14,049	21,279	49,015	21,493	17,128	23,700	50,074
IS Operating profit	603	539	-1	458	1,599	1,345	-840	-3,105	2,012
IS Share of profit/loss of associates and joint ventures	479	39	25	113	656	80	61	11	4
IS Net profit	938	403	103	411	1,855	1,310	-659	-1,768	1,003
IS Net profit (after non-controlling interests)	930	340	174	379	1,823	1,092	-473	-721	84
Earnings per share (basic), EUR	1.05	0.38	0.19	0.43	2.05	1.23	-0.53	-0.82	0.99
EUR million									
Comparable									
EBITDA	543	512	132	1,247	2,434	1,479	348	574	1,416
IS Operating profit	393	203	-179	928	1,344	1,171	35	260	1,070
Share of profit/loss of associates and joint ventures ¹⁾	551	23	19	63	656	67	52	9	2,212
Net profit (after non-controlling interests)	812	155	-93	610	1,483	837	79	170	693
Earnings per share (basic), EUR	0.91	0.17	-0.10	0.69	1.67	0.94	0.09	0.19	0.73
¹⁾ Comparable share of profit/loss of associates and joint ventures for 2020 has been recalculated following the introduction of comparable net profit APM in 2021.									
Quarterly sales by segment									
EUR million									
Generation ¹⁾	574	450	441	541	2,006	675	575	684	963
Russia	317	202	172	238	929	264	182	193	267
City Solutions ¹⁾	342	212	184	337	1,075	418	256	201	421
Consumer Solutions	424	237	235	370	1,267	661	424	485	1,053
Uniper	-	11,365	13,159	19,990	44,514	19,770	15,893	22,411	47,918
Other Operations ¹⁾	34	34	34	38	140	34	36	33	36
Netting of Nord Pool transactions ²⁾	-83	-54	-74	-105	-317	-223	-137	-229	-541
Eliminations	-250	-115	-102	-130	-598	-107	-101	-79	-45
IS Total	1,357	12,330	14,049	21,279	49,015	21,493	17,128	23,700	50,074

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

²⁾ Sales and purchases with Nord Pool Spot is netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Quarterly comparable operating profit by segments

EUR million	I/2020	II/2020	III/2020	IV/2020	2020	I/2021	II/2021	III/2021	IV/2021
Generation	235	173	136	177	722	269	195	245	40
Russia	99	37	40	76	251	100	37	45	86
City Solutions	58	-15	-36	41	47	86	-4	-21	7
Consumer Solutions	32	19	18	21	90	36	19	13	-17
Uniper	-	24	-310	649	363	711	-177	9	578
Other Operations	-31	-34	-27	-36	-129	-31	-36	-4	-4
IS Comparable operating profit	393	203	-179	928	1,344	1,171	35	260	1,071
Impairment charges and reversals	-	-1	-1	4	2	-1	-31	-46	-5
Capital gains and other related items	413	69	299	-16	765	51	23	2,612	-5
Impact from acquisition accounting	-222	-	-	-	-222	-	-	-	-
Changes in fair values of derivatives hedging future cash flow	19	154	-242	-605	-675	165	-852	-5,871	1,134
Other	-	115	123	147	386	-41	-15	-61	-185
IS Operating profit	603	539	-1	458	1,599	1,345	-840	-3,105	2,011

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

Investor information

Fortum's 2021 reporting entity comprises CEO's Business Review, Financials, Corporate Governance Statement and Remuneration Report, Tax footprint as well as Sustainability.

Annual General Meeting 2022

The Annual General Meeting 2022 of Fortum Corporation will be held on Monday, 28 March 2022, starting at 14:00 EEST.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pays a dividend of EUR 1.14 per share for 2021, totalling approximately EUR 1,013 million based on the registered shares as of 2 March 2022. The possible dividend-related dates planned for 2022 are:

- the ex-dividend date 29 March 2022,
- the record date for dividend payment 30 March 2022 and
- the dividend payment date 6 April 2022.

Financial information in 2022

Fortum will publish three interim reports in 2022:

- January–March Interim Report on 12 May
- January–June Half-year Financial Report on 12 August, and
- January–September Interim Report on 10 November.

The reports are published at approximately 9:00 EET in Finnish and English, and are available on Fortum's website at www.fortum.com/investors.

Fortum's management hosts regular press conferences, targeted at investors, analysts and the media. Webcasts of these conferences are available online at www.fortum.com/investors. Fortum observes silent period of 30 days prior to publishing its results.

Fortum share basics

Listed on Nasdaq Helsinki
Trading ticker: FORTUM
Number of shares, 2 March 2022: 888,294,465
Sector: Utilities

Fortum's activities in capital markets during 2021

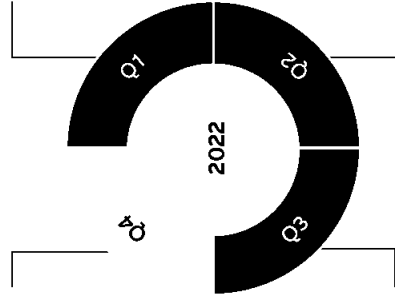
Fortum's Investor Relations activities cover equity and fixed-income markets to ensure full and fair value for our company's shares, access to funding sources and stable bond pricing. The key task of Investor Relations is to provide correct and up-to-date information regularly and equally to all market participants. Investor Relations aims to minimise the investor's risk and reduce the share's volatility. Investors and analysts meet on a regular basis primarily in Europe and North America.

In 2021, Fortum met approximately 600 professional equity investors individually or in group meetings. Fortum's investor conferences were held in a virtual environment. Fortum maintained regular contact with equity research analysts at banks and brokerage firms.

Interim Report January–September 2022,
10 November

Financial Statement Bulletin 2021, 3 March

Financial Statement
Latest week 10



Half-year Financial Report January–June 2022, 12 August

Annual General Meeting
28 March

Interim Report January–March 2022