Financials 2023

Fortum
Powering a thriving world

Financials 2023

Financials 2023 – Reader's guide

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

Operating and financial review
This section includes description of Fortum's financial performance during 2023. Here you will also find a description of the risk management as well as information on sustainability and Fortum share performance.

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

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

Key figures
Key figures consist of financial key figures, share key figures, sustainability key figures and operational key figures for 2022–2023. The financial key figures derive mainly from the primary statements. Segment key figures include information on segments.

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

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

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

Key figures 2014–2023, operational key figures and quarterly financial information
Look here for financial key figures, share key figures, sustainability key figures, operational key figures and volume related key figures for 2014–2023 as well as capex and quarterly financial information for the years 2022 and 2023.

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 2024.

This pdf report is a translation which has been published voluntarily and is not an xHTML document compliant with the ESEF (European Single Electronic Format) regulation.

Notes

1–3 Basis of preparation
These notes describe the basis of preparing the consolidated financial statements and consist of the accounting policies, critical accounting estimates and judgements and information about acquisitions and disposals.

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.

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

34–36 Off balance sheet items
The notes in this section provide information on items that are not included on the balance sheet.

37–39 Group structure and related parties
This section includes information on related party transactions, events after balance sheet date and the subsidiaries of Fortum group.

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

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

Financials 2023

Table of contents

Operating and financial review

Financial performance and position

A year of transformation and stabilising business operations

IFRS restatement relating to discontinued operations

Control over Fortum's Russian operations was lost on 25 April 2023 following the Russian Presidential decree No. 302. Consequently, in 2023 Fortum's Russia segment was deconsolidated, and classified as discontinued operations. Fortum has not had access to financial or non-financial information from the Russia segment since the first quarter 2023 reporting, and therefore information for the deconsolidation is based on the 31 March 2023 balance sheet. As required by IFRS, comparatives for 2022 were restated. Comparatives for 2021 have not been restated.

Discontinued operations in 2022 also include Fortum's former subsidiary Uniper and its consolidated group companies. Fortum lost control of Uniper on the signing of the agreement in principle to sell the shares in Uniper SE to the German State on 21 September 2022 and Uniper was deconsolidated at 30 September 2022. Income statement information in this operating and financial review and financial statements include only continuing operations, unless otherwise specified.

See **Note 1**, **Note 2** and **Note 3**.

Key figures

Key figures, continuing operations

EUR million or as indicated	2023	2022	2021	Change 23/22
Reported				
IS Sales	6,711	7,774	6,422	-14%
IS Operating profit	1,662	1,967	4,325	-16%
- of sales %	24.8	25.3	67.4	
IS Share of profit of associates and joint ventures	59	-185	168	132%
IS Profit before income tax	1,583	1,564	4,332	1%
- of sales %	23.6	20.1	67.5	
IS Net profit	1,515	2,084	4,008	-27%
IS Net profit (after non-controlling interests)	1,514	2,080	3,985	-27%
IS Earnings per share, EUR	1.68	2.34	4.49	-28%
CF Net cash from operating activities	1,710	1,717	1,119	0%

EUR million or as indicated	2023	2022	2021	Change 23/22
Comparable				
EBITDA	1,903	2,025	2,016	-6%
IS Operating profit	1,544	1,611	1,429	-4%
Share of profit of associates and joint ventures	7	-40	104	118%
Net profit (after non-controlling interests)	1,150	1,076	1,091	7%
Earnings per share, EUR	1.28	1.21	1.23	6%

Key figures, total of continuing and discontinued operations

EUR million or as indicated	2023	2022	2021	Change 23/22
Reported				
IS Net profit (after non-controlling interests)	-2,069	-2,416	739	14%
IS Earnings per share, EUR	-2.31	-2.72	0.83	15%
CF Net cash from operating activities	1,819	-8,767	4,970	121%
Comparable				
Net profit (after non-controlling interests)	1,184	-988	1,778	220%
Earnings per share, EUR	1.32	-1.11	2.00	219%

EUR million or as indicated	2023	2022	2021	Change 23/22
Shareholders' equity per share, EUR	9.40	8.55	13.66	10%
Financial net debt (at end of period)	942	1,084	789	-13%
Financial net debt, at end of period, excl. Russia	N/A	1,127		
Financial net debt/comparable EBITDA, excl. Russia	0.5	0.6	N/A	
Financial net debt/comparable EBITDA, total	N/A	0.4	0.2	
Return on shareholders' equity, %	-25.5	-96.2	-0.8	
Equity-to-assets ratio, %	45	33	9	

See **Definitions and reconciliations of key figures**.

Year 2023 was characterised by a downward trend for gas and power prices in Europe. In the autumn, the Nordic weather realised milder than normal, however, turned cold and dry in the fourth quarter. The cold breeze, together with below normal wind conditions, led to a rapidly decreasing water reservoir balance; consequently Nordic spot prices recovered by the end of the year from the lower levels seen in the previous quarter.

In our 2023 financial results, the Generation segment's strong performance was the key earnings driver throughout the year. The segment benefitted from high power prices in the Nordics and good physical optimisation supported by high price volatility, posting an all-time high comparable operating profit of EUR 1,679 million and an achieved power price of 63.1 euro per MWh for the full year.

During 2023, we successfully regained our financial strength, driven by solid earnings and cash flow. At the end of the year, our leverage was at 0.5 times, and we had undrawn credit facilities and liquid funds of EUR 7.5 billion. In May, we successfully returned to the fixed income market by issuing two bonds totalling EUR 1.15 billion. To finance future potential investments in clean energy, we prepared the Green Finance Framework which was published in January 2024.

Based on the strong Group results in 2023, Fortum's Board of Directors is proposing to the Annual General Meeting a dividend of EUR 1.15 per share, corresponding to a 90% payout of comparable EPS.

Overall, after a period of unprecedented turbulence, 2023 was a year of stabilising and transforming our operations. In March, we announced our new strategy and purpose with a Nordic focus along with new financial and environmental targets.

One of our strategic priorities is to deliver reliable and clean energy. To ensure long-term productivity and security of supply, we announced several projects in 2023 that enhance our best-in-class operations, such as the Loviisa nuclear power plant lifetime extension until 2050 and upgrades of the hydro power plants, for example Untra in Sweden. A hugely important event was the start of commercial power generation of the Olkiluoto 3 nuclear power unit, of which Fortum owns 25%. The construction of our Pjelax 380-MW wind farm, which is Finland's third largest, progressed on time and within budget. Testing of power generation has started, and the wind farm will be commissioned in the second quarter of 2024. The acquisition of Telge Energi, one of the 10 largest clean energy providers in Sweden, is a very good fit with our consumer business, and it increases our consumer and enterprise customer base by 150,000. During the winter months, Finland's last coal-fired condensing plant, Meri-Pori, has operated on a commercial basis to support security of supply in the Nordic power market, but it will be transferred to production reserve for emergency situations in March 2024.

Our second strategic priority is to drive decarbonisation in industries. Our aim is to offer clean and stable power supply for our customers' decarbonisation needs and to actively develop projects to enable growth longer term to build new clean energy production in partnership with strategic customers. In the scope of our nuclear feasibility study, we have partnered up and are exploring potential cooperation opportunities with both technology suppliers as well as energy customers. The support for nuclear power in Finland and Sweden is at a record high at the moment, and we are engaging with both governments to discuss how the conditions for potential new nuclear could be improved. During the year, we made a 225-million-euro investment decision related to the Espoo Clean Heat programme and began the groundworks of the heat pump plant in Kirkkonummi. As part of a unique collaboration project with Microsoft, we will capture sustainable waste heat from their new data centres for use in our district heating. We also saw progress in our strategic target to build a strong power purchase agreement (PPA) portfolio by signeingpower supply contracts with various industrial customers; these contracts support decarbonisation of industries while also lowering risks and contributing to stabilisation of earnings and cash flow from our outright power generation.

With our third strategic priority to transform and develop, we launched a new operating model and business structure, appointed a new leadership team, completed a reorganisation and set up new core governance processes. We are continuing to develop our culture and leadership to enable efficient strategy execution. As Fortum is a much smaller company than it was a year ago, we need to adjust to fit the new structure and purpose; therefore, we launched an efficiency improvement programme with the target to gradually lower annual fixed costs by EUR 100 million until the end of 2025. To reach the target, actions unfortunately also include personnel reductions. We are also addressing turnaround actions for underperforming businesses as well as a rescoping of our focus areas.

Geopolitical tensions remained high during the year and, unfortunately, Russia's attack on Ukraine and the full-blown war continued. In the second quarter, we closed the books on our operations in Russia for good. Due to the Russian authorities' unlawful seizure of our assets in Russia, we lost control of our operations, impaired them in full and deconsolidated the Russia segment. As Russia's actions are a crude violation of the international investment protection treaties and deprive Fortum of its shareholder rights, we have sent notices of dispute to Russia and the consequent arbitration proceedings are expected to be initiated in early 2024.

In the second half of 2023, uncertainty in Fortum's operating environment increased further. Economic softness is widespread, with elevated inflation and interest rates that dampen the investment sentiment across all sectors. One decisive factor for investments is abundant subsidies available for non-economic decarbonisation projects, which seems to steer investments outside Finland and the Nordics. As economic weakness is forecasted to continue in 2024, we will navigate the uncertainty through our phased strategy execution. In the near term, we will sharpen our focus and ensure optimisation of existing operations, especially our generation portfolio, as well as manage business risks. At the same time, we are building preparedness for the electrification and growth phase longer term. As one of the largest energy companies in the Nordics, we are in a unique position. The Nordic power market as well as our power generation are already almost fully decarbonised and clean with hardly any fossil production to be replaced. Together with our customers, we are preparing for the growth phase and are ready to pave the way for decarbonisation of other industries as well once demand picks up again.

The developments in the Nordic power market following the winter of 2022–23 crisis show that high price volatility and even extreme price peaks have become the new normal. The main reason is the increasing share of intermittent wind power and lower share of firm and flexible capacity in the Nordic energy system. While the market works as it was designed to, the volatility was extreme as the spot price was negative during 11 days in 2023 and reached a daily average of up to 900 euros per megawatt hour on the harshest cold spell day in January 2024. An expectation of future rare price peaks, however, will not be a sufficient incentive for merchant investments in new firm or flexible capacity. On the contrary, induced fears could deter investments into electrification for decarbonisation. It is evident that additional measures, such as capacity mechanisms or other investment incentives, are needed to ensure security of electricity supply and to encourage investments into industrial decarbonisation.

Changes in the reporting structure

Fortum reorganised its operating structure at the end of March 2023. The target of the new organisation is the successful implementation of the company's new vision and strategy. The new organisation consists of the following business units: Corporate Customers and Markets, Nuclear Generation, Hydro Generation, Renewables and Decarbonisation, Consumer Solutions, and Circular Solutions.

Fortum revised its financial segment reporting to reflect the new business structure and strategy. From 2023, Fortum reports its financial performance in the following reportable segments:

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

On 17 April 2023, Fortum published restated segment information for the year 2022 for the new reportable segments.

Following the Presidential decree (No. 302), dated 25 April 2023, the Russian authorities seized control of Fortum's assets in Russia. Based on the control assessment, Fortum lost control of its Russian operations and the Russia segment was consequently deconsolidated on 25 April 2023 and reported as discontinued operations in 2023. On 11 May, to reflect the deconsolidation of the Russian operations, Fortum published the restated comparative consolidated income statement, consolidated statement of other comprehensive income, consolidated cash flow statement and certain quarterly key ratios for the year 2022 and for the first quarter of 2023. The consolidated balance sheet was not restated.

Following the signing of the agreement in principle with the German Government to divest Uniper, Uniper was deconsolidated and reclassified as discontinued operations in the third quarter of 2022. The transaction was completed in December 2022.

Fortum's strategy

At the beginning of February 2024, the Fortum Board of Directors resolved on clarifications to Fortum's strategy, see **Events after the balance sheet date.**

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

The financial and environmental targets were as follows:

- Financial guidance to ensure a credit rating of at least BBB and optimal financial flexibility for future growth with long-term financial net debt-to-comparable EBITDA of 2.0–2.5 times.
- Disciplined growth in clean energy with revised capital expenditure of up to EUR 1.0 billion during 2023–2025 (revised on 2 November 2023 from up to EUR 1.5 billion).
- Investment hurdles of project WACC + 150–400 basis points will be applied and evaluated against the company's climate and biodiversity targets.
- Dividend policy with a payout ratio of 60–90% of comparable EPS.
- Tightened environmental and decarbonisation ambitions with updated targets to reach carbon neutrality already by 2030, exit coal by the end of 2027, target for specific emissions, and commitment to SBTi (1.5°C) and biodiversity targets.

On 2 November 2023, Fortum initiated an efficiency programme to manage uncertainty in the operating environment, to improve profitability and secure cash flows. With the efficiency programme, Fortum targets to reduce its annual fixed costs by EUR 100 million gradually until the end of 2025. The reduction of EUR 100 million corresponds to some 10% of the Group's fixed costs for the year 2022. The efficiency programme includes strategic prioritisation and assessment of allocated resources as well as turnaround actions for underperforming businesses. Reaching the programme's targets is expected to require personnel reductions.

Financial results

Sales by segment

EUR million	2023	2022	Change 23/22
Generation	4,420	4,465	-1%
Consumer Solutions	3,766	4,578	-18%
Other Operations	548	589	-7%
Netting of Nord Pool transactions [1]	-1,510	-2,312	
Eliminations	-514	454	
IS **Total continuing operations**	**6,711**	**7,774**	**-14%**

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	2023	2022	Change 23/22
Generation	1,874	1,876	0%
Consumer Solutions	108	173	-38%
Other Operations	-80	-23	-248%
Total continuing operations	**1,903**	**2,025**	**-6%**

Comparable operating profit by segment

EUR million	2023	2022	Change 23/22
Generation	1,679	1,629	3%
Consumer Solutions	38	97	-61%
Other Operations	-173	-116	-49%
IS **Total continuing operations**	**1,544**	**1,611**	**-4%**

Operating profit by segment

EUR million	2023	2022	Change 23/22
Generation	2,058	2,128	-3%
Consumer Solutions	-215	-149	-44%
Other Operations	-181	-13	-1,292%
IS **Total continuing operations**	**1,662**	**1,967**	**-16%**

For further information see **Note 6**.

Sales decreased to EUR 6,711 (7,774) million, mainly due to lower electricity prices.

Comparable operating profit was EUR 1,544 (1,611) million. The earnings improvement of the Generation segment was offset by the negative effects from the lower results in the Consumer Solutions and Other Operations segments.

Operating profit for the period was impacted by EUR 118 (356) million of items affecting comparability, mainly related to changes in fair values of non-hedge-accounted derivatives. In the comparison period 2022, items affecting comparability included tax-exempt capital gains of EUR 638 million for the divestment of Fortum Oslo Varme, EUR 138 million from the divestments of the Recharge and Plugsurfing businesses and EUR -376 million related to changes in fair values of non-hedge-accounted derivatives (**Note 7**).

Comparable share of profits of associates and joint ventures was EUR 7 (-40) million (**Note 18**). The share of profits of associates and joint ventures amounted to EUR 59 (-185) million, including effects from nuclear waste-related provisions and nuclear waste funds in co-owned nuclear companies of EUR 50 (-191) million.

Finance costs – net amounted to EUR -138 (-218) million. Finance costs – net includes interest expenses on borrowings of EUR 286 (202) million and interest income on loan receivables and deposits of EUR 153 (46) million. In 2023, the interest expenses relating to the bridge financing loan provided by the Finnish state-owned holding company Solidium were EUR 41 (26) million. Comparable finance costs – net amounted to EUR -137 (-170) million (**Note 11**).

Income taxes for the period totalled EUR -69 tax expense (520 tax income) million. In 2023, income taxes included EUR 225 million relating to the one-time positive tax impacts, mainly recognised in Ireland and in the Netherlands, due to the impairment of the Russian assets. In 2022, the income tax expense included EUR 746 million relating to a one-time tax impact realised in Ireland mainly due to the Uniper divestment. The comparable effective income tax rate was 19.1% (21.9%) (**Note 12**).

Net profit was EUR 1,515 (2,084) million and comparable net profit was EUR 1,150 (1,076) million. Comparable net profit is adjusted for items affecting comparability, adjustments to the share of profit of associates and joint ventures, finance costs – net, income tax expenses and non-controlling interests (**Note 7.2**).

Earnings per share for continuing operations were EUR 1.68 (2.34). Comparable earnings per share for continuing operations were EUR 1.28 (1.21) (**Note 7** and **Note 13**).

Financial position and cash flow

EUR million	2023	2022	Change 23/22
Interest expense	-269	-200	-35%
Interest income	165	75	120%
Other financial expenses - net	-34	-93	63%
IS Finance costs - net	**-138**	**-218**	**37%**
Financial net debt	942	1,084	-13%

Cash flow

Net cash from operating activities was impacted by the strong comparable EBITDA and positive change in working capital, partly offset by higher paid income taxes. Net cash from operating activities, EUR 1,710 million, remained on the same level as in the comparison period.

Net cash from investing activities, EUR 1,433 (1,818) million, was positively impacted by the significant decrease in margin receivables of EUR 2,024 (increase 1,311) million. Capital expenditure amounted to EUR 576 (479) million. Divestment of shares and capital returns in the 2022 comparison period, EUR 1,156 million, mainly include the divestment of the 50% ownership in the district heating company Fortum Oslo Varme AS in Norway. The comparison period also includes the EUR 1,500 million payment to Uniper from Fortum's granted shareholder loan. In December 2022, when Fortum sold its ownership in Uniper and the transaction was closed, Uniper repaid the entire shareholder loan of EUR 4,000 million to Fortum. The consideration of EUR 498 million received from the sale of the Uniper shares is presented in the cash flow from discontinued operations in 2022.

Net cash used in financing activities was EUR -2,640 (-4,684) million. The net repayments in interest-bearing liabilities were EUR 1,622 (3,634) million, while the change in margin liabilities was EUR -221 (150) million. The first dividend instalment of EUR 413 million was paid on 24 April 2023 (1,013) and the second instalment of EUR 404 million was paid on 10 October 2023.

Liquid funds increased by EUR 503 (decrease 1,148) million.

Cash flow from discontinued operations in 2023 include Russia-related cash flows from 1.1.-31.3.2023 netted with liquid funds of EUR 284 million lost through the seizure of the Russian assets.

Liquid funds at the beginning of the period, EUR 3,919 million, included liquid funds of EUR 247 million held by the Russia segment.

For further details, see the 'Financing' section below.

Assets

At the end of 2023, total assets amounted to EUR 18,739 (23,642) million. The change from December 2022 was mainly related to the deconsolidation of the Russian assets during April 2023, lower fair values of derivative financial instruments, and reduced margin receivables. At the end of 2023, net margin receivables amounted to EUR 459 (2,255) million.

Equity

Total equity amounted to EUR 8,499 (7,737) million. Equity attributable to owners of the parent company totalled EUR 8,438 (7,670) million. Equity was negatively impacted by the net loss for the year of EUR -2,069 million and the dividend of EUR 817 million approved by the Annual General Meeting in April 2023. In addition to the profit from continuing operations for the year, the net loss for the year includes the full write-down of the Russian assets of EUR 1.7 billion, and EUR 1.9 billion negative cumulative translation differences previously recognised in equity. These cumulative translation differences were recycled from equity to the income statement, due to the deconsolidation according to IFRS, and did not impact total equity. Equity was positively impacted by the fair valuation of cash flow hedges of EUR 1,860 million.

A dividend for 2022 of EUR 0.91 per share, amounting to a total of EUR 817 million, was approved by the Annual General Meeting on 13 April 2023. The first dividend instalment of EUR 0.46 per share, totalling EUR 413 million, was paid on 24 April 2023. The second dividend instalment of EUR 0.45, amounting to a total of EUR 404 million, was paid on 10 October 2023.

Financing

In 2023, commodity prices trended down and the extreme volatility decreased. Due to the declining prices and the consequent release of cash collaterals in combination with the financing measures taken during 2023, the Group's financial position is very solid. At the end of December, the ratio for financial net-debt-to comparable EBITDA for continuing operations was very low, at 0.5 times.

At the end of 2023, financial net debt was EUR 942 (1,084) million. Fortum's total interest-bearing liabilities were EUR 5,909 (7,785) million and liquid funds amounted to EUR 4,183 (3,919) million. The first dividend instalment, EUR 413 million, was paid on 24 April 2023 and the second instalment, EUR 404 million, on 10 October 2023.

In January 2023, Fortum repaid the drawn amount EUR 600 million of its Liquidity revolving credit facility and a EUR 1,000 million maturing bond was repaid in February 2023. In March 2023, Fortum repaid the drawn amount of EUR 350 million and cancelled the entire EUR 2,350 million Finnish State bridge loan facility.

In May 2023, Fortum successfully returned to the fixed income markets by issuing a dual-tranche bond with a five-year tranche of EUR 500 million carrying a fixed coupon of 4% and a ten-year tranche of EUR 650 million carrying a fixed coupon of 4.5%. Consequently, Fortum repaid the final drawn amount of EUR 500 million of its Liquidity revolving credit facility in May and the SEK 1,000 million bond in June.

In June 2023, Fortum cancelled EUR 2,100 million of the total EUR 3,100 million Liquidity revolving credit facility, and the six-month extension option was used for the remaining facility of EUR 1,000 million with new maturity in December 2023. Fortum renewed its maturing drawn bullet loan of EUR 500 million to a new maturity date in February 2025. At the end of June, the remaining parent company guarantee facility of approximately EUR 1 billion granted to Uniper was released.

In December 2023, the Liquidity revolving credit facility of EUR 1,000 million matured, as Fortum did not use the six-month extension option. Additionally, a one-year borrowers' extension option was agreed on for the EUR 500 million bullet loan.

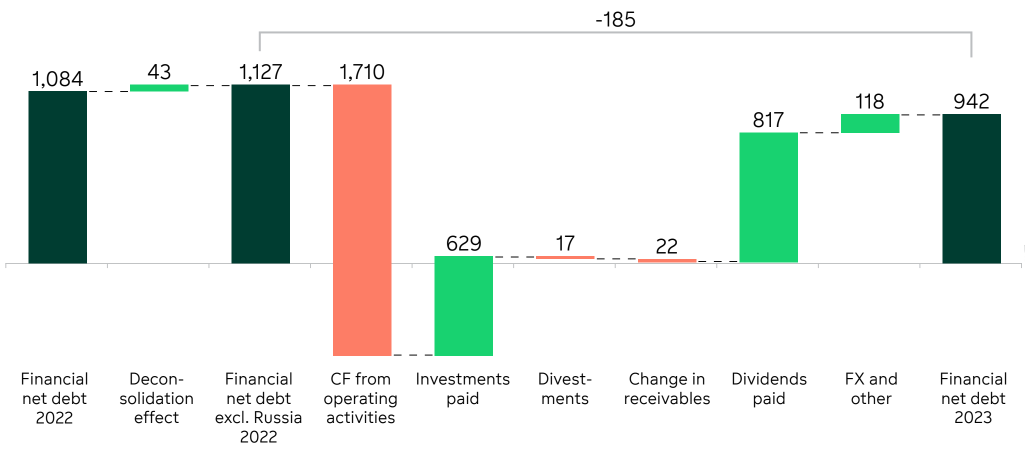
Current loans, including EUR 717 million of the current portion of long-term loans, amounted to EUR 1,316 million. Short-term loans, EUR 599 million, include EUR 418 million of collateral arrangements and use of commercial paper programmes of EUR 174 million (**Note 26**). The nuclear waste fund loans amounted to EUR 951 million (**Note 26**).

At the end of 2023, Fortum had undrawn committed credit facilities of EUR 3,200 million, including the Core revolving credit facility of EUR 2,400 million (maturity in June 2025 with a maximum two-year extension option by the lenders) and the bilateral EUR 800 million revolving credit facility (maturity in June 2025 with a one-year extension option by the lender). In addition, Fortum has EUR 100 million committed overdraft limits that are valid until further notice.

On 9 March 2023, S&P Global Ratings affirmed Fortum's current BBB long-term credit rating and revised the outlook from negative to stable.

On 21 March 2023, Fitch Ratings affirmed Fortum's long-term credit rating at BBB and revised the outlook from negative to stable.

Change in financial net debt during 2023, EUR million



Operating environment

European power markets

In Continental Europe, the autumn was milder than normal, which helped the gas and power markets to continue on the downward development that characterised the whole year 2023. In the Nordics, however, on a yearly level, the average temperature was only slightly above normal levels, and in the fourth quarter, the weather turned cold and dry. This, together with below normal wind conditions, led to a rapidly decreasing reservoir balance; Nordic spot prices consequently recovered by the end of the year from the lower levels seen previously during the year.

Powering a thriving world

Financials 2023

According to preliminary statistics, power consumption in the Nordic countries was 386 (386) TWh.

In Central Western Europe (Germany, France, Austria, Switzerland, Belgium and the Netherlands), power consumption in 2023 was 1,272 (1,322) TWh according to preliminary statistics. Power demand in Continental Europe continued to be clearly below the five-year average, affected by energy conservation measures and mild winters.

At the end of 2023, the Nordic hydro reservoirs were at 77 TWh, which is 7 TWh below the long-term average and 2 TWh lower than in the previous year.

For 2023, the average system spot price in Nord Pool was EUR 56 (136) per MWh. The average area price in Finland was EUR 56 (154) per MWh, in the SE3 area in Sweden (Stockholm) EUR 52 (129) per MWh, and in the SE2 area in Sweden (Sundsvall) EUR 40 (62) per MWh. In Germany, the average spot price during 2023 was EUR 95 (235) per MWh.

In early February, the Nordic system electricity forward price on Nasdaq Commodities for the remainder of 2024 was around EUR 45 per MWh and for 2025 around EUR 41 per MWh. The Nordic water reservoirs were at 63 TWh, which is about 9 TWh below the long-term average and 5 TWh lower than one year earlier. The German electricity forward price for the remainder of 2024 was around EUR 74 per MWh and for 2025 around EUR 81 per MWh.

European commodity markets

Gas demand in Central Western Europe was 1,715 (1,867) TWh in 2023. The Central Western European gas storage levels increased from 532 TWh at the beginning of the year to 559 TWh at the end of the year, which is 27 TWh higher than one year ago and 101 TWh higher than the five-year average (2018–2022).

The average gas front-month price (TTF) for 2023 was EUR 41 (133) per MWh. The 2024 forward price decreased from EUR 78 per MWh at the beginning of the year to EUR 34 per MWh at the end of the year.

The EUA (EU Allowance) price decreased from EUR 86 per tonne at the beginning of the year to EUR 80 per tonne at the end of the year. The average EUA price for full-year 2023 was EUR 85 per tonne.

The forward quotation for coal (ICE Rotterdam) for 2024 decreased from USD 173 per tonne at the beginning of the year to USD 98 per tonne at the end of the year.

In early February, the TTF forward price for gas for the remainder of 2024 was EUR 31 per MWh. The forward quotation for EUAs for 2024 was at the level of EUR 63 per tonne. The forward price for coal (ICE Rotterdam) for the remainder of 2024 was USD 95 per tonne.

Power consumption

TWh	2023	2022	2021
Nordic countries	386	386	402

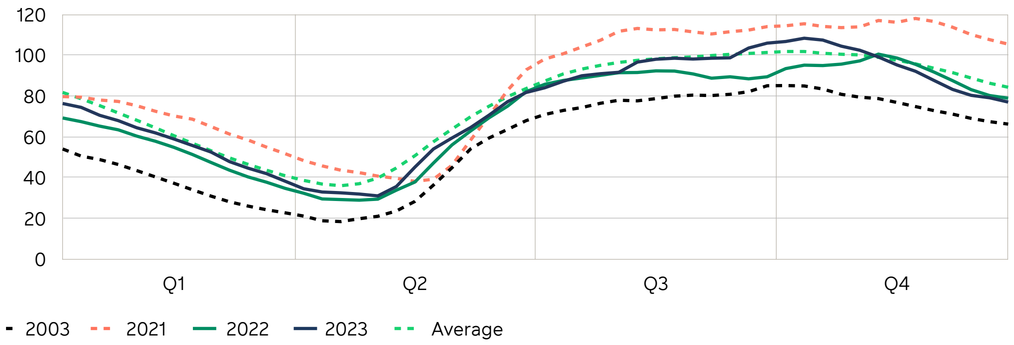
Average prices

	2023	2022	2021
Spot price for power in Nord Pool power exchange, EUR/MWh	56.4	135.9	62.3
Spot price for power in Finland, EUR/MWh	56.5	154.0	72.3
Spot price for power in Sweden, SE3, Stockholm, EUR/MWh	51.7	129.2	66.0
Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh	40.0	61.9	42.6
Spot price for power in Germany, EUR/MWh	95.2	235.4	96.8
CO_2, (ETS EUA next Dec), EUR/tonne CO_2	85	81	54
Coal (ICE Rotterdam front month), USD/tonne	125	279	117
Oil (Brent front month), USD/bbl	82	99	71
Gas (TTF front month), EUR/MWh	41	133	47

Hydro reservoir

TWh	31 Dec 2023	31 Dec 2022	31 Dec 2021
Nordic hydro reservoir level	77	79	73
Nordic hydro reservoir level, long-term average	84	84	84

Nordic water reservoirs, energy content, TWh



Source: Nord Pool

Export/import Nordic area

TWh (+ = import to, - = export from Nordic area)	2023	2022	2021
Export/import between Nordic area and Continental Europe+Baltics	-41	-35	-29
Export/import between Nordic area and Russia	-	4	9
Total	**-41**	**-31**	**-20**

Regulatory environment

EU institutions reached an agreement on the revised EU electricity market design

On 13 December 2023, the European Council and the Parliament reached a final agreement on the European market design legislation at a record speed of nine months of negotiations. The revised market design framework is putting forth a large array of de-risking instruments ranging from state-backed power purchase agreements, two-way contracts for difference (CfD) or equivalent, capacity remuneration mechanisms (CRMs) to other forms of support including targeted investment aid to counter-balance the volatility of energy prices. Fortum welcomes the revised framework which is expected to facilitate clean energy investments needed for the energy transition whilst providing more predictable prices to electricity consumers.

The majority of the provisions contained in this regulation will be applicable six months after its entry into force.

Agreement reached on the decarbonised gas market package

In December 2023, the European Parliament and the Council reached a final agreement on the hydrogen and decarbonised gas market package which establishes internal market rules and enables conditions for renewable and natural gas, including hydrogen.

A general definition for low-carbon hydrogen is introduced, but the detailed methodology for calculating the emission reduction will not be presented until 2025. Until this secondary legislation is available, labelling or certifying low-carbon hydrogen in particular based on nuclear power will not be possible, and public funding instruments will not be available for projects producing low-carbon hydrogen, thus leaving mainly renewable fuels of non-biogenic origin (RFNBO) eligible for public funding.

The official endorsement of the regulation is expected in March 2024, and it will enter into force six months after the official publication.

Nature restoration regulation trilogues finalised

In November 2023, the European Parliament and Council reached a provisional political agreement on the EU nature restoration regulation. The regulation combines an overarching restoration objective for the long-term recovery of nature in the EU's land and sea areas with binding restoration targets for specific habitats and species. EU countries will be obliged to submit National Restoration Plans to the Commission on how they will deliver on the targets.

The impacts of the regulation on Fortum's hydro power assets will depend on the national implementation.

Swedish nuclear waste fund fees to be recalculated

On 21 December 2023, the Swedish Government decided on the nuclear waste fund fees for a one-year period covering 2024 instead of the earlier three-year period.

Swedish roadmap for new nuclear investments published

On 16 November 2023, the Swedish Government published its roadmap for new nuclear. The aim is to promote investments to provide long-term predictability especially through credit guarantees totalling EUR 35 billion and a long-term risk-sharing model between the Swedish state and companies. According to the roadmap, new nuclear capacity equivalent to two large-scale reactors (totalling 2,500 MW) shall be commissioned by 2035 and new capacity equivalent to ten reactors by 2045. A specific nuclear coordinator from the energy industry has been appointed to identify needed actions and to summon all relevant stakeholders.

Segment reviews

Business model

Fortum reorganised its operating structure at the end of March 2023, and has three business reporting segments: Generation, Consumer Solutions and Other Operations. The target of the new organisation is successful implementation of the company's new purpose and strategy. The new business structure mirrors the key value drivers in Fortum's clean generation portfolio, strong sales and trading capabilities as well as customer orientation.

Generation segment

The Generation segment consists of the Hydro Generation, Nuclear Generation, Corporate Customers and Markets and Renewables and Decarbonisation business units.

Hydro Generation

The Hydro Generation business unit is responsible for operating, maintaining and developing Fortum's 4.7 gigawatt (GW) hydropower assets. The unit's key value drivers include safe operations and the ability to optimise and increase the assets' flexibility and availability.

Nuclear Generation

The Nuclear Generation business unit operates, maintains and develops Fortum's fully-owned 1.0 GW Loviisa nuclear power plant, and it manages Fortum's ownership in the co-owned nuclear assets in Finland and Sweden with a share of 2.2 GW. The business has significant in-house engineering competencies and it also offers expert services that cover the whole lifecycle of nuclear power plants, from newbuilds to decommissioning and final disposal of nuclear waste.

Corporate Customers and Markets

The Corporate Customers and Markets business unit is responsible for hedging and value creation in both physical and financial power markets, locking in revenues for Fortum's power generation and managing the supply for the Consumer Solutions unit. The unit also serves as the customer interface for large industrial customers and thereby pursues long-term value through power demand creation in the Nordic market.

Renewables and Decarbonisation

The Renewables and Decarbonisation business unit is responsible for onshore wind and solar power business through project development and execution. The unit is also responsible for Fortum's district heating and cooling business and the decarbonisation of heat production assets. Furthermore, the business unit explores projects in clean hydrogen in the Nordics.

Consumer Solutions segment

The Consumer Solutions segment includes the Consumer Solutions business unit, which is responsible for offering energy solutions to consumers and small and medium-sized enterprises predominantly in the Nordics and Poland, including customer service and invoicing services. With its over 2 million customers, Fortum is the largest energy solutions provider in the Nordics.

Other Operations segment

The Other Operations segment includes the Circular Solutions business comprising the recycling and waste business, turbine and generator services and biobased solutions. These businesses are not in the core of Fortum's new strategy. In August 2023, Fortum announced that it had decided to assess strategic options, including potential divestments, of its Circular Solutions businesses. In addition Other Operations include innovation and venturing activities, enabling functions and corporate management. Fortum's enabling functions are Finance, Sustainability and Corporate Relations, People and Procurement, Legal & Compliance, and Transformation and IT.

Generation

Generation is responsible for power generation mainly in the Nordics. The segment comprises CO_2-free hydro, nuclear, wind and solar power generation, as well as district heating and cooling, and decarbonisation of heat production assets. The Generation segment is responsible for hedging and value creation both in physical and financial power markets and is a customer interface for industrial and municipal customers to drive decarbonisation of industries and provide clean energy at scale. Furthermore, the business develops capabilities and projects in renewables and nuclear and explores clean hydrogen.

EUR million	2023	2022	Change 23/22
Reported			
Sales	4,420	4,465	-1%
- power sales	3,889	3,802	2%
of which Nordic outright power sales [1]	2,799	2,461	14%
- heat sales	481	499	-4%
- waste treatment sales	7	19	-63%
- other sales	43	144	-70%
Operating profit	2,058	2,128	-3%
Share of profits of associates and joint ventures [2]	59	-178	133%
Capital expenditure and gross investments in shares	454	316	44%
Number of employees	1,758	1,660	6%

EUR million	2023	2022	Change 23/22
Comparable			
EBITDA	1,874	1,876	0%
Operating profit	1,679	1,629	3%
Share of profits of associates and joint ventures [2]	7	-34	121%
Return on net assets, %	24.2	23.2	4%
Net assets (at period-end)	7,263	6,597	10%

1) Nordic outright power sales includes hydro and nuclear generation. It does not include CHP and condensing power 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**).

The Generation segment's total power generation increased compared to 2022. Nuclear generation increased due to commissioning and power generation of TVO's third Olkiluoto power plant unit OL3. Hydro generation increased, mainly due to higher water inflow compared to the second half of 2022. The segment's overall operational performance and load factor for nuclear generation remained at a good level. CO_2-free generation accounted for 98% of total power generation. Power and heat generation of CHP and condensing power declined due to warmer weather during the year. Structural changes following the divestment of the 50% ownership in the district heating company Fortum Oslo Varme AS in Norway in 2022 also had a negative impact.

The achieved power price increased by EUR 3.2 per MWh, up by 5%, and was all time high at EUR 63.1 per MWh. The main reason for the increase in the achieved power price was the higher hedge price, the effect of which was partly offset by the lower result from physical optimisation. In 2022 the physical optimisation was exceptionally high mainly due to extremely high volatility and higher power prices. While the spot power price decreased by 59% in the Generation segment's power generation areas, the negative result effect from the lower spot price on the achieved power price was more than offset by the fairly high hedge levels and the higher hedge price.

The 3% improvement in the comparable operating profit derived from the higher achieved power price, higher hydro volumes and lower depreciations due to the lifetime extension of the Loviisa nuclear power plant (**Note 6**). This was partly offset by lower generation of condensing power (Meri-Pori) as well as higher costs related to co-owned production companies. The renewables and decarbonisation businesses were clearly loss-making. The result of the district heating business was negatively impacted by higher power prices, higher fuel and CO_2 emission allowance prices, partly offset by lower fixed costs. The comparison period of 2022 also included approximately EUR 36 million from the divested Norwegian district heating operations and tax-exempt sales gain of EUR 9 million from the divestment of the 250-MW Rajasthan solar plant in India (**Note 6**).

Operating profit was affected by EUR 380 (499) million of items affecting comparability, related to the fair value change of non-hedge-accounted derivatives. In 2022, items affecting comparability included tax-exempt capital gains of EUR 638 million for the divestment of Fortum Oslo Varme and EUR -130 million related to changes in fair values of non-hedge-accounted derivatives. (**Note 6**).

Comparable share of profits of associates and joint ventures totalled EUR 7 (-34) million (**Note 6** and **Note 18**), impacted by inflation adjustments in Swedish nuclear waste-related provisions in co-owned nuclear companies.

On 16 February 2023, the Finnish Government granted a new operating licence for both units at Fortum's Loviisa nuclear power plant until the end of 2050. On 21 December, Fortum submitted a statement to the Ministry of Economic Affairs and Employment on the procurement arrangements of fresh nuclear fuel, as stipulated by the new operating license. Over the course of the new licence period, the plant is expected to generate up to 170 terawatt hours of CO_2-free electricity. Investments related to the continuation of operations and lifetime extension will amount to an estimated EUR 1 billion during 2023–2050. Over the past five years, Fortum has already invested approximately EUR 200 million in refurbishing the Loviisa power plant. In November 2022, Fortum and Westinghouse Electric Company signed an agreement for the design and supply of a new fuel type for the Loviisa power plant. In addition to Westinghouse, Fortum is exploring the capabilities of an alternative western fuel supplier to develop a compatible fuel type for the Loviisa nuclear power plant to secure the fuel supply.

On 30 March 2023, Fortum received the licence from the Finnish Government to operate the final disposal facility for low- and intermediate-level radioactive waste until the end of 2090. The facility, operational since 1998, is located 110 metres underground on the Loviisa nuclear power plant site. The spent fuel generated at the Loviisa power plant will eventually be deposited in Posiva's final disposal facility for spent nuclear fuel, jointly owned by Fortum and Teollisuuden Voima (TVO).

On 16 April 2023, after a test generation phase, regular electricity generation of TVO's third Olkiluoto nuclear power plant unit (OL3) in Finland started and the commercial operation of the plant began on 1 May. The total capacity of OL3 is approximately 1,600 MW (Fortum's share is approximately 400 MW), and it will produce approximately 14% of Finland's total electricity consumption. In 2023, Fortum's annual share of OL3 regular electricity generation was approximately 2.6 TWh. On 10 October, TVO announced that the company had initiated an environmental impact assessment (EIA) procedure concerning the possible operating licence extension and potential power uprating of the Olkiluoto 1 (OL1) and Olkiluoto 2 (OL2) plant units. At the moment, the plant units are licensed until 2038.

In October 2022, Fortum started a two-year feasibility study to explore prerequisites for new nuclear in Finland and Sweden. Fortum will examine commercial, technological and societal, including political, legal and regulatory, conditions both for small modular reactors (SMRs) and conventional large reactors. The feasibility study will also explore the potential for service business offerings for new projects in Europe and hydrogen for industrial applications. Potential ventures in the nuclear industry will most likely involve partnership constellations. In late 2022 and during 2023, Fortum announced the exploration of potential cooperation opportunities regarding nuclear with the Finnish energy company Helen, the French Electricité de France (EDF), the Swedish Kärnfull Next AB, the British Rolls-Royce SMR, the Finland-based stainless steel company Outokumpu, the Korea Hydro & Nuclear Power Co. (KHNP), the American Westinghouse Electric Company and the Swedish Studsvik. Any potential investment decisions would be made at a later stage.

On 5 June 2023, Fortum and the steel company SSAB announced the launch of a joint commercial feasibility study and technical Front End Engineering Design (FEED) study to explore the possibilities of producing hydrogen-reduced fossil-free sponge iron in Raahe, Finland. In October, SSAB and Fortum jointly concluded that it is not possible to find a commercial arrangement that would work for both parties given the existing preconditions. The FEED study was consequently concluded.

On 15 June 2023, Fortum announced the start of the design of a small-scale hydrogen pilot plant in Loviisa, Finland, piloted for industrial customer use.

On 20 June 2023, Fortum announced that it is starting to develop an 80 MW industrial-scale solar power project in Virolahti. The project is Fortum's first solar power development project in Finland. On 25 August, the company announced it is investigating the possibility of a 90-MW solar park in Havdhem, in southern Gotland. In line with its strategy, Fortum is exploring possibilities for growth in renewable power in the Nordics. The permit processes for a solar park in Finland and Sweden take 1–3 years; after a possible investment decision, the construction is expected to take about a year.

On 21 June 2023, Fortum announced that it had decided to invest approximately EUR 225 million during 2023–2027 in projects within the Espoo Clean Heat programme to drive decarbonisation and build sustainable waste heat solutions in the Helsinki metropolitan area. The total capital expenditure of the Espoo Clean Heat programme amounts to approximately EUR 300 million. During 2023, EUR 31 million of these investments materialised. For further details, see the 'Capital expenditures' section.

On 29 September 2023, Fortum announced that it will invest over SEK 700 million (over EUR 60 million) during 2023–2030 to modernise Untra, one of Sweden's oldest hydropower plants. For further details, see the 'Capital expenditures' section.

On 5 October 2023, Fortum announced that it had signed a 13-year fixed price Power Purchase Agreement (PPA) with the Norwegian aluminium and renewable energy company Hydro Energi AS for the delivery of 0.44 TWh of electricity per annum in Sweden. The power is sourced from Fortum's electricity portfolio in the SE2 (Sundsvall) price area in central Sweden. The contract period is 2024–2036.

On 30 October 2023, Fortum announced that it had signed an agreement with Finland's National Emergency Supply Agency, Huoltovarmuuskeskus (NESA) under which NESA reserves the production of the Meri-Pori coal condensing power plant for severe disruptions and emergencies to guarantee security of supply in the electricity system in Finland. The agreement period is from 1 March 2024 until 31 December 2026. Over the coming winter months, the Meri-Pori power plant will operate on a commercial basis to support security of supply in the Nordic power market.

Power generation by source

TWh	2023	2022	Change 23/22
Hydropower, Nordic	20.9	19.1	9%
Nuclear power, Nordic	24.8	23.4	6%
Wind power, Nordic	0.1	-	100%
CHP and condensing power [1]	1.0	1.5	-33%
Total	**46.8**	**44.1**	**6%**

1) CHP and condensing power generation in Finland, Poland and Norway. Norwegian district heating company Fortum Oslo Varme is included in the comparison figures for 2022. The 50% ownership in Fortum Oslo Varme was divested in 2022.

Nordic sales volume

TWh	2023	2022	Change 23/22
Power sales volume, Nordic	62.6	51.7	21%
of which Nordic outright power sales volume [1]	44.4	41.1	8%
Power sales volume, Other	0.6	3.1	-81%
Heat sales volume, Nordic	2.1	3.1	-32%
Heat sales volume, Other	3.4	3.5	-3%

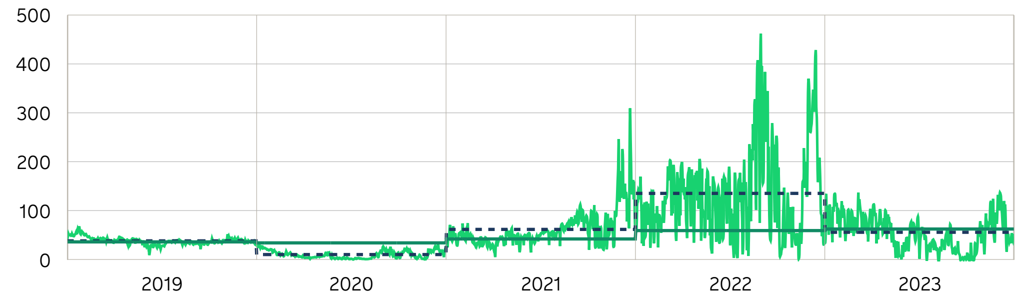
1) The Nordic outright power sales volume includes hydro and nuclear generation. It does not include CHP and condensing power generation, minorities, customer business or other purchases.

Achieved power price

EUR/MWh	2023	2022	Change 23/22
Generation's Nordic achieved power price [1]	63.1	59.9	5%

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

Nord Pool, power price, 2019–2023, EUR/MWh



Source: Nord Pool, Fortum

Consumer Solutions

Consumer Solutions is responsible for offering energy solutions to consumers including small- and medium-sized enterprises predominantly in the Nordics and Poland. Fortum is the largest energy solutions provider across different brands in the Nordics, with over two million customers. The business provides electricity, as well as related value-added and digital services, mainly to retail customers.

EUR million	2023	2022	Change 23/22
Reported			
Sales	3,766	4,578	-18%
- power sales	3,219	4,026	-20%
- gas sales	422	392	8%
- other sales	125	161	-22%
Operating profit	-215	-149	-44%
Capital expenditure and gross investments in shares	103	71	45%
Number of employees	1,281	1,179	9%

EUR million	2023	2022	Change 23/22
Comparable			
EBITDA	108	173	-38%
Operating profit	38	97	-61%
Return on net assets, %	4.5	9.1	-51%
Net assets (at period-end)	838	1,365	-39%

The electricity sales volume increased by 11% and the gas sales volume in Poland increased by 8% in 2023. As electricity and gas prices declined consumption patterns normalised during the third and fourth quarter, and consumers less actively targeted consumption to off-peak hours. Total sales revenue decreased by 18%, mainly due to lower average electricity and gas prices in Nordics and Poland.

Comparable operating profit decreased by EUR 59 million and was EUR 38 million, mainly due to lower sales margins partly offset by higher gas sales margins and lower fixed costs. The lower electricity sales margins were mainly the result of losses due to customer outflow in certain hedged customer contracts in very volatile and high-price market conditions, especially during the first half of the year. The regulated Polish power price cap for 2023 set for end users by the Polish Government also had a negative impact on comparable operating profit.

Compared to the end of 2022, the number of customers increased by approximately 140,000, mainly due to the acquisition of Telge Energi AB.

Especially during the first half of the year, Fortum continued to develop its product portfolio to meet its customers' needs and to help support them in managing the exceptional market situation of unprecedentedly high and volatile power prices. Fortum continues to offer advice on electricity conservation and encourages smart consumption, such as shifting consumption away from peak-hours to support the energy system. Fortum also offers support to customers on how to more actively manage invoices and provides flexible payment plans.

On 31 August 2023, Fortum completed the acquisition of the Swedish electricity solutions provider Telge Energi AB from Telge AB. The total consideration for the entire shareholding in

Telge Energi on a cash and debt-free basis was approximately SEK 450 million (EUR 39 million). The transaction was originally announced on 7 June.

Sales volumes

TWh	2023	2022	Change 23/22
Electricity	33.0	29.6	11%
Gas [1]	5.2	4.8	8%

1) Not including wholesale volumes.

Number of customers

Thousands [1]	2023	2022	Change 23/22
Electricity	2,290	2,130	8%
E-mobility [2]	60	70	-14%
Gas	40	40	0%
Total	**2,380**	**2,240**	**6%**

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

Other Operations

The Other Operations segment includes the Circular Solutions business, which is responsible for operating, maintaining and developing Fortum's recycling and waste assets, as well as turbine and generator services and biobased solutions. The Other Operations segment also comprises innovation and venturing activities, enabling functions and corporate management.

EUR million	2023	2022	Change 23/22
Reported			
Sales	548	589	-7%
- power sales	9	24	-63%
- heat sales	31	28	11%
- waste treatment sales	226	219	3%
- other sales	281	318	-12%
Operating profit	-181	-13	-1,292%
Share of profits of associates and joint ventures	0	-7	100%
Capital expenditure and gross investments in shares	107	111	-4%
Number of employees	2,186	2,149	2%

EUR million	2023	2022	Change 23/22
Comparable			
EBITDA	-80	-23	-248%
Operating profit	-173	-116	-49%
Share of profit/loss of associates and joint ventures	0	-7	100%

Comparable operating profit decreased by EUR 57 million and amounted to EUR -173 million, mainly due to lower results in the recycling and waste and battery businesses, including higher costs largely arising from the expansion of the battery recycling business, write-downs of certain IT projects, development costs for the new operating model and higher costs in enabling functions.

The comparison period included structural changes in the Circular Solutions business and one-time positive impacts from changes in pension fund arrangements in Sweden affecting the Group's enabling functions.

On 4 August 2023, Fortum announced that the company had decided to assess strategic options, including potential divestments of its Circular Solutions businesses, as a result of the continuous review of its business portfolio. In March 2023 when Fortum launched its new strategy, it was communicated that the Circular Solutions businesses are not in the core of the strategy. The Circular Solutions businesses are responsible for operating, maintaining and developing Fortum's recycling and waste assets, as well as turbine and generator services and biobased solutions. For further details, see the 'Capital expenditures' section.

Discontinued operations (Russia and Uniper)

EUR million	2023	2022	Change 23/22
Sales	287	129,126	-100%
Comparable operating profit	86	-4,487	102%
Operating profit	-3,521	-17,091	79%
Net profit from discontinued operations	-3,582	-12,374	71%
Net profit from discontinued operations, attributable to the owners of the parent	-3,583	-4,496	20%
Net cash from/used in operating activities	109	-10,484	101%

On 25 April 2023, Fortum's subsidiary PAO Fortum (Fortum JSC) was put under asset management based on a Russian Presidential decree that introduced a "temporary" asset management to assets owned by certain foreign entities in Russia. On 26 April 2023, PAO Fortum announced that this caused a replacement of the company's CEO, and the Russian State Property Management, Rosimushchestvo, seized control of Fortum's assets in Russia and deprived Fortum of its shareholder rights. Fortum no longer has control of its Russian operations and the Russia segment was deconsolidated in 2023. Further, Fortum recorded impairments of EUR 1.7 billion (full book value) and deconsolidation-related negative cumulated foreign exchange translation differences of EUR 1.9 billion.

The impairments of EUR 1.7 billion negatively impacted the Group equity. However, the negative cumulative translation differences of EUR 1.9 billion were only reclassified within equity and recycled through the income statement as required by IFRS, having no impact on equity.

In order to protect its legal position and shareholder interests, Fortum will seek compensation through arbitration, in particular for the value of its shares in PAO Fortum and its investments in Russia, and has sent notices of dispute due to the Russian Federation's violations of its investment treaty obligations under the Bilateral Investment Treaties that the Russian Federation has concluded with the Netherlands and Sweden. These notices of dispute are the first step required in arbitration proceedings, which are expected to be initiated in early 2024.

The Uniper segment is included in the comparison figures for 2022, as it was deconsolidated and reclassified as discontinued operations in September 2022 following the signing of the agreement in principle with the German Government to divest Uniper. The transaction was completed in December 2022. For further information see **Note 1,** **Note 2,** **Note 3** and **Note 19**.

Capital expenditures, divestments and investments in shares

EUR million	2023	2022	Change 23/22
Capital expenditure			
Intangible assets	92	83	11%
Property, plant and equipment	520	384	35%
Total	**611**	**467**	**31%**
Gross investments in shares			
Subsidiaries	22	-	100%
Associated companies and joint ventures	12	10	20%
Other investments	19	19	0%
Total	**53**	**29**	**83%**

In 2023, capital expenditures and investments in shares totalled EUR 664 (496) million. Capital expenditures were EUR 611 (467) million (**Note 3** and **Note 6**).

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

	Type	Electricity capacity MW	Heat capacity MW	Supply starts/ started
Generation				
Pjelax-Böle and Kristinestad Norr, Finland	Wind	380		Q2/2024
Loviisa, Finland	Nuclear	Lifetime extension		
Espoo and Kirkkonummi, Finland	Waste heat utilisation		360	Q4/2025
Untra, Sweden	Hydro	6		

Generation

On 3 March 2021, Fortum announced a substantial investment in dam safety in Sweden for an extensive rebuild of the over 100-year-old Forshuvud hydropower plant. Fortum is investing approximately SEK 650 million (approximately EUR 59 million) during 2021–2025. This investment guarantees safe operation of the power plant as a supplier of renewable electricity and balancing power for more weather-dependent types of power.

On 22 December 2021, Fortum announced an investment decision to construct the 380-MW Pjelax-Böle and Kristinestad Norr wind farm in Närpes and Kristinestad in Finland in partnership with the Finnish energy company Helen Ltd. Construction started in January 2022, and the wind farm is expected to be fully operational in the second quarter of 2024 at the latest. The construction project is progressing according to plan, and the testing of power generation at the wind farm started in October 2023. Fortum has a 60% majority and Helen a 40% minority ownership in the project; Fortum consolidates the investment on its balance sheet. The total capital expenditure of the project is approximately EUR 360 million, of which Fortum's share is approximately EUR 216 million.

On 16 February 2023, the Finnish Government granted a new operating licence for both units at Fortum's Loviisa nuclear power plant until the end of 2050. Over the course of the new licence period, the plant is expected to generate up to 170 terawatt hours of CO_2-free electricity. Investments related to the continuation of operations and lifetime extension will amount to an estimated EUR 1 billion during 2023–2050. Over the past five years, Fortum has already invested approximately EUR 200 million in refurbishing the Loviisa power plant. The Loviisa power plant is the first nuclear power plant in Finland and has two units: unit 1 started operating in February 1977, and unit 2 in November 1980.

On 21 June 2023, Fortum announced that it had decided to invest approximately EUR 225 million during 2023–2027 in projects within the Espoo Clean Heat programme to drive decarbonisation and build sustainable waste heat solutions in the Helsinki metropolitan area. The total capital expenditure of the Espoo Clean Heat programme amounts to approximately EUR 300 million. During 2023, EUR 31 million of these investments materialised. Fortum's district heat in Finland will be coal-free already in 2025 and carbon-neutral before 2030. In March 2022, Fortum and Microsoft announced cooperation on waste heat. A significant part of the programme's targets can be achieved by utilising waste heat from Microsoft's planned large-scale data centres that will be built in Espoo and Kirkkonummi. The investment includes building heat pump plants on the Espoo and Kirkkonummi sites for waste heat recovery and approximately 15 km of new or upgraded district heating main pipeline. Construction of Fortum's sustainable heat solutions on the Kirkkonummi site began in September 2023. Heat production with air-to-water heat pumps and electric boilers at the sites in Kirkkonummi and Espoo is expected to start in the heating season of 2025–2026. The district heat production capacity is expected to be approximately 180 MW per site, producing a total of approximately 1.4 TWh annually by utilising Microsoft Kirkkonummi and Espoo data centres' waste heat, air-to-water heat pumps and electric boilers.

On 29 September 2023, Fortum announced that it will invest over SEK 700 million (over EUR 60 million) during 2023–2030 to modernise Untra, one of Sweden's oldest hydropower plants. After the modernisation, the power plant will have an output of 48 MW. The renovation will involve the replacement of three turbine units and a significant restructuring of the power plant, all aimed to ensure Untra's ability to provide flexibility to the power system and to supply fossil-free electricity to Sweden. With the advanced turbine technology, the annual electricity production will increase from 270 GWh to approximately 300 GWh. Of the total investment, approximately half is classified as growth capital expenditure. Approximately EUR 15 million of the investment is already included in Fortum's committed growth capital expenditure of EUR 800 million for the years 2023–2025.

Consumer Solutions

On 7 June 2023, Fortum announced that the company had agreed to acquire the entire shareholding in the Swedish electricity solutions provider Telge Energi AB on a cash and debt-free basis for approximately SEK 450 million (EUR 39 million) from Telge AB. The acquisition supports Fortum's strategic priorities and further strengthens its leading position in providing clean electricity solutions to consumer and enterprise customers in the Nordics. Telge Energi is among the 10 largest clean electricity retailers in Sweden, with a portfolio of approximately 150,000 customer contracts. In 2022, Telge Energi delivered 1.8 TWh of electricity, the total of which was clean energy, with an EBITDA of SEK 23 million (approximately EUR 2 million). The transaction, which required approvals from the municipal government and the local government council of Södertälje, as well as clearance by the European Commission, was completed on 31 August 2023.

Other Operations

In July 2022, Fortum and GIG (Green Investment Group, a specialist green investor within Macquarie Asset Management) agreed to invest in a new waste-to-energy plant in Glasgow, Scotland, through a 50/50 joint venture. When fully commissioned, the South Clyde Waste-to-Energy plant will have an annual processing capacity of 350,000 tonnes of waste. The plant will have a power generation gross capacity of 45 MWe, corresponding to the average annual electricity consumption of approximately 90,000 homes.

In June 2021, Fortum made an investment decision to expand its lithium-ion battery recycling capacity by building a hydrometallurgical plant in Harjavalta. The investment of approximately EUR 30 million increased Fortum's hydrometallurgical recycling capacity and enabled the production of battery chemicals. In December 2022, Fortum announced that the construction work and the gradual deployment tests of the company's new battery material recycling facility in Finland were completed according to plan. On 27 April 2023, Fortum announced that the hydrometallurgical battery recycling facility had started commercial operations.

On 4 August 2023, Fortum announced that the company had decided to assess strategic options, including potential divestments of its Circular Solutions businesses, as a result of the continuous review of its business portfolio. In March 2023 when Fortum launched its new strategy, it was communicated that the Circular Solutions businesses are not in the core of the strategy. The Circular Solutions businesses are responsible for operating, maintaining and developing Fortum's recycling and waste assets, as well as turbine and generator services and biobased solutions. In 2023, these business operations employed approximately 1,200 people mainly in the Nordics (Finland, Sweden and Denmark), and its comparable EBITDA was approximately EUR 40 million. At the end of 2023, the net assets of the Circular Solutions businesses were approximately EUR 700 million. Fortum expects the strategic assessment to take approximately one year.

Research and development

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

Fortum's goal is to be at the forefront of energy technology utilisation and application development. To accelerate innovation and the commercialisation of new offerings, Fortum strengthens its in-house innovation and venturing efforts and builds partnerships with leading global suppliers, technology and service companies, as well as research institutions and universities. Fortum makes direct and indirect investments in start-ups that have promising new innovations focused on decarbonisation, flexibility, or accelerate the transition towards a sustainable economy. Fortum also invests in technologies that support better utilisation 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 and system efficiency.

The Group reports its R&D expenditure on a yearly basis. In 2023, Fortum's R&D expenditure was EUR 56 (55) million, or 0.8% (0.7%) of sales.

	2023	2022	2021	Change 23/22
R&D expenditure, EUR million	56	55	54	2%
R&D expenditure, % of sales	0.8	0.7	0.8	

Changes in Group management

On 2 March 2023, Fortum announced a reorganisation of the Group's operating model to drive the execution of the Group's new strategy. The new business structure and revised Fortum Leadership Team (earlier Fortum Executive Management) became effective at the end of March.

Fortum Leadership Team as per 31 March 2023:

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

Remuneration and share-based incentive plan for 2023–2025

In March 2023, Fortum's Board of Directors approved the company's new strategy, operating model and Fortum Leadership Team (FLT). The Board also decided to commence the 2023–2025 long-term incentive (LTI) plan and resolved on the maximum share allocations for the President and CEO and other FLT members. Additionally, the President and CEO was authorised to decide on the LTI participants below the FLT level and their maximum share allocations in accordance with the nomination guideline approved by the Board.

In 2023, due to the reorganisation of Fortum operating structure, businesses and enabling functions, the timeline for the LTI allocations deviated from the normal annual timeline. The first phase was completed at the end of August, and the allocation process was finalised by the end of November.

The maximum number of shares granted (gross) to the President and CEO is 110,000. Due to the management remuneration restrictions in the Solidium bridge financing facility from 2022, the maximum share allocation is pro-rated and amounts to 73,370 shares for the President and CEO. Respectively, the maximum number of shares granted (gross) to the other FLT members is 232,000 shares and the pro-rated number is 154,744 shares. The total number of shares granted in the 2023–2025 LTI plan will be available once all nominations are completed.

The outcome of the 2023–2025 LTI plan shall be confirmed in spring 2026.

More information about share-based incentive plans, including the Renumeration reports, can be found on Fortum's website at **www.fortum.com/governance**.

Authorisations of the Board

Fortum's Annual General Meeting (AGM) 2023 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 2.23% 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 2022 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 of 6 February 2024.

In addition, the AGM authorised the Board of Directors to decide on contributions of a maximum of EUR 500,000 for charitable or similar purposes. In addition, in the total maximum amount of EUR 1,000,000 for incidental emergency relief or similar purposes as needed, and to decide on the recipients, purposes and other terms of the contributions. The authorisation will be effective until the next AGM. As of 6 February 2024, EUR 18,000 of the authorisation for charitable or similar purposes and EUR 200,000 for incidental emergency relief have been used.

Annual General Meeting 2023

On 13 April, the 2023 Annual General Meeting of Fortum Corporation was held at Messukeskus in Helsinki, Finland. The Annual General Meeting adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January–31 December 2022 and resolved to discharge from liability for the financial year 2022 all the persons who had served as members of the Board of Directors and as President and CEO during the year 2022.

The AGM resolved that a dividend of EUR 0.91 per share will be distributed for the financial year that ended on 31 December 2022 and that the dividend will be paid in two instalments. The first dividend instalment of EUR 0.46 per share was paid to the shareholders on 24 April 2023. The second dividend instalment of EUR 0.45 per share was paid on 10 October 2023.

The Annual General Meeting resolved to reject the remuneration report for the Company's governing bodies for 2022. The resolution made was advisory. After the Annual General Meeting, the Board of Directors reassessed the implementation of the remuneration restrictions set forth in the Bridge financing arrangement with the Finnish State last autumn and decided on the long-term share incentive plans that the results of all years will be measured, but no shares can be earned in 2022 and 2023. Fortum supplemented the 2022 remuneration report and published the update for the report on the company's website on 4 May 2023.

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

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

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

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

The meeting fee payable to a Board member, also for the Committee meetings, is EUR 800 for each meeting, or EUR 1,600 in case the member travels to the meeting outside his/her country of residence. When a member participates in the meeting via remote connection, or for the decisions that are confirmed without convening a meeting, the meeting fee is EUR 800. The travel expenses of Board members are compensated in accordance with the company's travel policy. The annual fee for the Board work of the Board members is paid in company shares and in cash in such a way that approximately 40% of the amount of the annual fee is payable in shares acquired on behalf and in the name of the Board members, and the remainder in cash. The company will pay the costs and the transfer tax related to the purchase of the company shares. The shares were be acquired on behalf and in the name of the Board members following the publication of the company's first-quarter 2023 Interim Report.

The AGM resolved that the Board of Directors will consist of ten members, and the following persons were elected to the Board of Directors for a term ending at the end of the Annual General Meeting 2024: Mikael Silvennoinen as Chair, Essimari Kairisto as Deputy Chair, and Ralf Christian, Luisa Delgado, Jonas Gustavsson, Marita Niemelä, Teppo Paavola, Maija Strandberg, Johan Söderström and Vesa-Pekka Takala as members.

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

The AGM resolved on amendments to Articles 12, 15 and 16 of the Company's Articles of Association.

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 2.23 per cent 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 will be effective until the next Annual General Meeting and, in any event, no longer than for a period of 18 months.

The AGM resolved to authorise the Board of Directors to decide on contributions of a total maximum amount of EUR 500,000 for charitable or similar purposes, and, in addition, to a total maximum amount of EUR 1,000,000 for incidental emergency relief or similar purposes as needed, and to decide on the recipients, purposes and other terms of the contributions. The authorisations will be effective until the next Annual General Meeting.

Other major events during the reporting period

On 10 November 2023, Fortum's Board of Directors decided to launch the savings period for the year 2024 under its Employee Share Savings (ESS) programme. The terms and conditions of the savings programme are the same as in previous programmes. The total amount of all savings for the 2024 savings period may not exceed EUR 6 million.

On 20 December 2023, the Board of Directors decided to commence the 2024–2026 long-term incentive (LTI) plan for key employees and executives. The 2024–2026 LTI plan is part of Fortum's ongoing LTI programme and follows the same principles as the previous plan. The performance measures for the LTI plan support the execution of Fortum's strategic priorities to deliver clean energy reliably, drive decarbonisation in industries and to transform and develop. The measures are also in line with the company's ambitious environmental targets. The relative Total Shareholder Return (TSR) is measured relative to the peer group comprising selected European utility companies. The other performance measures are based on the increase in the share of long-term customer power purchasing agreements (PPA) as part of hedging, and the ESG measures are based on the development of a pipeline of renewable energy for future optionality, and emission reduction targets aligned with SBTi. The rewards related to the 2024–2026 LTI plan will be paid in the spring 2027, assuming that the performance targets are achieved. The 2024–2026 LTI plan will comprise a maximum amount of approximately 110 participants, including the members of the Fortum Leadership Team. The Board of Directors also decided to commence the 2024–2026 restricted share (RS) plan as a supplement to the LTI programme and reserve shares that potentially will be delivered in the spring 2027. The maximum number of shares of the plan that may be delivered as a reward is expected to be approximately 1,100,000 shares for the 2024–2026 LTI plan and 110,000 shares for the 2024–2026 RS plan.

Outlook

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

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

Hedging

At the end of 2023, approximately 70% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 47 per MWh for 2024 (at the end of the third quarter of 2023: 65% at EUR 47 per MWh) and approximately 40% at EUR 43 per MWh for 2025 (at the end of the third quarter of 2023: 30% at EUR 43 per MWh).

At the end of 2023, for the rolling 10-year period of 2024–2033, approximately 15% of the Generation segment's estimated Nordic power sales volume was hedged. These hedges relate to Fortum's new strategic target of hedged share of rolling 10-year outright generation volume more than 20% by end of 2026.

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

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

Capital expenditure

Fortum's estimates its capital expenditure, including maintenance but excluding acquisitions, to be approximately EUR 550 million in 2024, of which the share of maintenance capital expenditure is estimated to be approximately EUR 300 million, below the level of depreciation. For 2024–2026, Fortum's capital expenditure is expected to be approximately EUR 1.7 billion (excluding acquisition) of which growth capital expenditure is expected to be EUR 800 million and annual maintenance capital expenditure EUR 300 million. Of the growth capital expenditure of EUR 800 million, EUR 300 million is uncommitted.

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. Historically, the optimisation margin included in the achieved power price has been in the range of EUR 1–3 per MWh. Due to the increased price volatility, Fortum updated in the third quarter of 2023 the estimated optimisation margin and expects it to be in the range of EUR 6–8 per MWh, depending on the overall market conditions, level of volatility and electricity prices.

Income taxation

The comparable effective income tax rate for Fortum is estimated to be in the range of 18–20% for 2024–2026. Fortum's comparable effective tax rate is impacted by the weight of the profit in different jurisdictions and differences in standard nominal tax rates in these jurisdictions. The tax rate guidance excludes items affecting comparability.

Events after the balance sheet date

On 26 January 2024, Fortum announced that as part of the efficiency programme launched in November 2023, Fortum's Consumer Solutions business unit and the IT unit are conducting change negotiations on possible redundancies. In total, the negotiations concern some 1,080 employees in Finland, Sweden, Norway, and the IT unit in Poland. According to a preliminary estimate, change negotiations could result in the redundancies of a maximum of 130 job positions.

At the beginning of February 2024, the Fortum Board of Directors resolved on clarifications to Fortum's strategy. As the operating environment shows increased uncertainty, reduced visibility and postponement of industrial investments, the company has specified its business portfolio, clarified capital allocation and set new strategic targets with measurable key performance indicators (KPIs). Fortum's renewed strategy, launched in March 2023, with focus on the Nordics remains unchanged, as well as its strategic priorities to 'deliver reliable clean energy', 'drive decarbonisation in industries', and 'transform and develop'. The company's financial and environmental targets are also unaltered.

The financial and environmental targets are as follows:

- To ensure the current rating of BBB, Financial net debt-to-Comparable EBITDA can be a maximum of 2.0-2.5 times.
- For the period of 2024-2026, Fortum's capital expenditure is expected to be approximately EUR 1.7 billion (excluding acquisition) of which growth capital expenditure is expected to be EUR 800 million and annual maintenance capital expenditure EUR 300 million.
- To ensure required returns for any potential new investments, Fortum continues to be selective and applies earlier set investment criteria; project based WACC + 150-400 investment hurdles depending on technology or investment project, as well as environmental targets.
- Fortum's dividend policy – a payout ratio of 60-90% of comparable EPS – remains unchanged. The payout ratio will be used so that the upper end of the range of the pay-out ratio is applied in situations with a strong balance sheet and low investments, while the lower end of the range would be applied with high leverage and/or significant investments and high capital expenditure.
- Tightened environmental and decarbonisation ambitions with updated targets to reach carbon neutrality already by 2030, exit coal by the end of 2027, target for specific emissions, and commitment to SBTi (1.5°C) and biodiversity targets.

Sustainability

Sustainability at Fortum

Introduction

This section covers Fortum's non-financial reporting in accordance with the Finnish Accounting Act 1336/1997, Securities Market Act 746/2012 and Limited Liability Companies Act 624/2006. It also includes disclosures prepared in accordance with the EU Taxonomy Regulation 2020/852.

The results discussed in this report comprise the continuing operations of the Fortum Group. The Russia segment was deconsolidated and reclassified as discontinued operations in April 2023. Comparative information for 2022 has been restated accordingly. See **Note 1** and **Note 2**.

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

Reporting scope

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

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

Sustainability targets

The Fortum Board of Directors resolved on Fortum's new strategy at the beginning of March 2023. As part of this, Fortum's Sustainability targets were updated.

Fortum's position as a leading Nordic clean energy company is now complemented by considerably enhanced environmental targets with the aim to be a leader in sustainability. Fortum has set a target to reach carbon neutrality (Scopes 1, 2, 3) by 2030 and will exit all coal-based generation by the end of 2027. To measure the progress, mid-point targets have also been set for specific emissions: below 20 g CO_2/kWh for total energy production and below 10 g CO_2/kWh for power generation by 2028.

Further, Fortum has committed to an ambitious biodiversity target to have no net loss of biodiversity (excluding any aquatic impacts) from existing and new operations (Scopes 1, 2) from 2030 onwards. During 2023 Fortum participated in developing the aquatic segment of the GBS® tool used in the biodiversity footprint assessment and also assessed other potential tools to measure hydropower's aquatic biodiversity impacts. In addition, the company will reduce its negative dynamic terrestrial impacts in upstream Scope 3 by 50% by 2030 (base year 2021). Fortum will continue to implement local initiatives, especially in hydropower production, and is committed to participate in the development of a science-based methodology to assess the aquatic impacts of hydropower.

Emission reduction targets and performance for continuing operations

Group emission reduction targets set in 2023 are part of 2023 reporting, and performance against the climate targets are presented in the table below.

Climate target	Indicator	2023	Base year 2022	Change compared to base-year %
Carbon neutrality by 2030 at the latest	Total Scope 1, 2 and 3 emissions, million tonnes CO_2-eq	14.4	11.8	22
Exit all coal generation by the end of 2027	Coal-based capacity, GW	1.3	1.4	-
	Coal-based power generation capacity, GW	0.7	0.7	-
	Coal-based heat production capacity, GW	0.6	0.6	-
	Coal-based power and heat production, TWh	1.9	2.9	-34
	Coal-based power generation, TWh	0.6	1.2	-50
	Coal-based heat production, TWh	1.2	1.7	-29
	Coal share of Fortum's revenues, %	3	4	-25
Specific emissions of below 20 g CO_2/kWh for total energy production by 2028	Specific emissions for total energy production, g CO_2/kWh	32	45	-29
Specific emissions of below 10 g CO_2/kWh for power generation by 2028	Specific emissions for power generation, g CO_2/kWh	16	25	-36

In 2023, Fortum's CO_2-eq emissions, including all Scope 1, 2 and 3, totalled 14.4 million tonnes, compared to 11.8 million tonnes in 2022. Major changes in emissions were due to the increase of indirect Scope 3 emissions related to electricity retail to customers and to the decrease of direct Scope 1 emissions.

Fortum's direct CO_2 emissions (Scope 1) and indirect CO_2 emissions (Scope 2) totalled 1.7 million tonnes, which decreased by 23% compared to 2022.

In 2023, Fortum's Scope 3 greenhouse gas emissions totalled 12.7 million CO_2-eq tonnes, compared to 9.5 million CO_2-eq tonnes in 2022, i.e. increasing 34%.

Safety targets

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

Fortum's safety targets for 2023:

- Total Recordable Injury Frequency (TRIF), for own personnel and contractors, <1.0 by the end of 2030
- No severe or fatal injuries
- 95% execution rate for the Management Safety and Security Leadership Programme
- 60% execution rate for Safety improvement plans

The 2023 safety targets included participation in the Management Safety and Security Leadership Programme as well as identification and completion of key safety actions to improve safety culture. In 2023, the completion rates of planned Management Safety and Security Leadership Programme and Safety improvement plans were 100% and 78%, respectively.

The sickness-related absences target for year 2023 was 3.0%.

Group sustainability performance for continuing operations

	2023	2022
Climate and resources		
Total GHG emissions, Scope 1–3, million CO_2-eq tonnes [1]	14.4	11.8
Direct Scope 1 GHG emissions, million CO_2-eq tonnes	1.6	2.2
Indirect location-based Scope 2 GHG emissions, million CO_2-eq tonnes	0.06	0.03
Scope 3 GHG emissions, million CO_2-eq tonnes	12.7	9.5
Specific CO_2 emissions from total energy production, gCO_2/kWh	32	45
Major environmental incidents [2], no.	2	2
Personnel and society		
Total Recordable Injury Frequency (TRIF) [3], own personnel and contractors	5.0	4.0
Lost Time Injury Frequency (LTIF) [4], own personnel and contractors	3.9	2.3
Severe occupational accidents, no.	-	2
Safety improvement plan [5], %	78	-
Management Safety and Security Leadership Programme [5], %	100	-
Sickness-related absences, %	3.1	3.4

1) Comparative figures and information for year 2022 have been restated to exclude Russia as discontinued operations. In 2022, 83% of Fortum's direct CO_2 emissions and 62% of the total GHG emissions originated from Russian power and heat production. In addition, change in GHG inventory calculation principles resulted in 0.8 CO_2-eq tonnes change in 2022 Scope 3 emissions.
2) Number of environmental incidents that resulted in significant harm to the environment (ground, water, air) or an environmental non-compliance with legal or regulatory requirements.
3) Total Recordable Injury Frequency, injuries per million working hours.
4) Lost Time Injury Frequency, injuries per million working hours.
5) Completion rate.

According to Fortum's new strategy, the strategic priorities are to deliver reliable clean energy and drive decarbonisation in industries in the Nordics. The strategy includes new financial targets:

- Updated financial guidance to ensure a credit rating of at least BBB and optimal financial flexibility for future growth with long-term financial net debt-to-comparable EBITDA of 2.0–2.5 times.
- Disciplined growth in clean energy with revised capital expenditure of up to EUR 1.0 billion during 2023–2025 (previously up to EUR 1.5 billion). Investment hurdles of project WACC +150–400 basis points will be applied and evaluated against the company's climate and biodiversity targets.

Fortum is also committed to setting near- and long-term company-wide emission reduction targets in line with climate science with the Science Based Targets initiative (SBTi). Fortum's climate targets will be revisited and aligned to correspond to the SBTi Net-zero Standard during the target-setting process. Fortum's transition will include the exit from coal and emissions reduction in the company's own operations as well as influencing its electricity sales footprint through product selection and electricity purchases.

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 approach to taxation and the principles that steer the tax management are presented in Fortum's Tax Principles on Fortum's website. Fortum publishes its tax footprint annually and, as a member of The B Team (global non-profit initiative advocating for economic systems change), endorses The B Team's Responsible Tax Principles.

In 2023, Fortum participated in the "Energy for a Just Transition" collaboration facilitated by Business for Social Responsibility (BSR) in partnership with The B Team, to identify and address the impacts of a green energy transition on people and communities.

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 and on the safety and security of employees, contractors and neighbouring societies. Key sustainability risks, including climate-related risks, are reported to the Fortum Leadership Team, the Audit and Risk Committee and the Board of Directors as part of the annual review of material risks and uncertainties for Fortum. Fortum's risks are presented in the Risk management section in the Operating and Financial Review.

Climate change and the need for decarbonisation and resource efficiency are changing the energy industry in a profound way, and these changes also create new business opportunities for Fortum. As such, Fortum is well positioned to capture opportunities resulting from the energy transition, aimed at curbing climate change. The energy transition requires not only renewables but increasingly also energy storage and other flexible solutions to provide security of supply and to decarbonise industry, transportation, heating and cooling. Building on our strengths, our future will be driven by CO_2-free power generation, sustainably transforming our own operations to become carbon neutral and engaging customers and society to decarbonise.

Sustainability governance and policies

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

The Fortum Leadership Team (FLT) decides on the sustainability approach and Group-level sustainability targets that guide annual planning. Fortum's Technology and Investment Committee (TIC) assesses and makes recommendations to the Board on the management's proposals pertaining to Fortum's sustainability targets and performance. The Group's performance targets, including sustainability and climate-related targets, are approved by Fortum's Board of Directors. Fortum's line management is responsible for the implementation of Fortum's policies and instructions and for day-to-day sustainability management and improvement plans.

Fortum's short-term incentive (STI) programme, applicable to all employees, includes safety as one element. The 2023 STI programme's safety targets were related to participation in the Management Safety and Security Leadership Programme, as well as the identification and completion of key safety actions to improve safety culture. The 2023 STI programme also included a customer satisfaction target to highlight the importance of customer centricity. More information about STI programme targets can be found from the Remuneration report.

Fortum's long-term incentive (LTI) programme, applicable to top management and other key employees, includes Environmental, Social and Governance (ESG) measures. In the 2021–2023 LTI plan, the set ESG measure was linked to the reduction of Fortum's coal-based power generation capacity in line with Fortum's coal-exit path, with a minimum level requiring exceeding the communicated ambition level. Due to the divestment of Uniper in 2022, the ESG measure was adjusted in early 2023 in such a way that the original measure was evaluated regarding the period 2021–2022, and Fortum's reputation index among key stakeholders in Finland, Sweden and Norway was set as a measure for the year 2023. In the 2022–2024 LTI plan, the ESG measure was related to the reduction of the absolute CO_2 emissions in the European fossil fleet, based on a fossil fleet review addressing the Group's European generation portfolio and a pathway developed to reach Fortum Group's 2030 and 2035 climate targets. Due to the divestment of Uniper in 2022, the ESG measure was revised in early 2023. The revised climate target for 2022–2024 for Fortum is related to the reduction of the absolute CO_2 emissions in Europe, i.e., including also Fortum Recycling and Waste. In the 2023–2025 LTI plan, the ESG measure is linked to emission reduction targets based on the climate science (SBTi 1.5°C) and related to emissions in Europe, and to Fortum's reputation index development among key stakeholders. The relative Total Shareholder Return (TSR) measured against a peer group of European utilities has remained as a measure in the 2021–2023, 2022–2024 and 2023–2025 LTI plans. More information about LTI measures can be found from the Remuneration report.

Sustainability management at Fortum is strategy-driven and based on the company's Values, Code of Conduct, Supplier Code of Conduct, sustainability-related policies, and other Group policies and their specifying instructions. The Code of Conduct establishes the basic principles of conduct that everyone must follow. The Code defines how we treat each other, do business, and engage with the world. The Supplier Code of Conduct, based on the ten principles of the UN Global Compact, outlines the requirements for Fortum's suppliers and business partners.

Fortum is committed to act with due care, to respect and to comply with the human and labour rights defined in 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.

Fortum's Climate Lobbying Review was first published in 2021 and updated in 2022 and 2023. The Review is publicly disclosed on Fortum's website. A summary of the review is also published as a part of Fortum's Sustainability Report. In December 2022, Fortum also published its Business Ethics Guidelines for Lobbying.

Business ethics

Zero tolerance for corruption and bribery is highlighted in Fortum's Code of Conduct and Supplier Code 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, economic sanctions and competition law. Fortum's Board of Directors has approved the company's Code of Conduct and Supplier Code of Conduct.

The Codes of Conduct are regularly reviewed in order to ensure compliance with evolving company and regulatory requirements. The Code of Conduct was reviewed in 2023 and will be launched in 2024. The latest revision of the Supplier Code of Conduct took place in 2021. Training is a fundamental part of Fortum's compliance management. The Code of Conduct online training is mandatory for all employees. 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 company's 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.

One suspected case of corruption, which was under investigation at year-end 2022, was confirmed in 2023.

Climate and resources

Fortum's key performance indicators for climate and resources are related to CO_2 emissions, security of supply, and major environmental incidents.

Fortum's Sustainability Policy and the Minimum Requirements for EHS Management steer environmental management. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard, and 100% of Fortum's power and heat production worldwide has ISO 14001 certification.

Energy

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

In 2023, Fortum's power generation was 47.0 (44.2) TWh and heat and steam production 4.3 (5.3) TWh. 98% of Fortum's total power generation was CO_2-free. The figures for power and heat generation and capacities also include figures from Fortum's share in associated companies and joint ventures that sell their production to the owners at cost.

Fortum uses various fuels, such as uranium 78% (73%), coal 9% (12%), waste-derived fuels 8% (9%), biomass fuels 3% (4%), and natural gas 2% (1%), to produce electricity, heat and steam. Percentage shares are based on the energy content of the fuel. Due to the Russia segment deconsolidation, Fortum's power generation in 2022 decreased from 72.8 TWh to 44.2 TWh (-39%), and heat and steam production from 20.9 TWh to 5.3 TWh (-75%).

In 2023, Fortum's coal-based power generation capacity totalled 0.7 GW and generation 0.6 TWh. Coal-based heat production capacity totalled 0.6 GW and production 1.2 TWh. The share of coal of Fortum's revenues was 3% (4%). The share of fossil fuels of Fortum's revenues was 11%, including fossil-based production and gas trading. The share of fossil fuels of Fortum's production-based revenues was 5% (6%).

Fortum follows the availability of different energy production forms (hydro, nuclear and wind power; heating and cooling; circular solutions) as the measure of security of supply. As the measurement differs depending on the production form, setting one Key Performance Indicator (KPI) is not possible. Fortum's energy production is mainly based on nuclear and hydro power production. In 2023, the load factor of the Loviisa nuclear power plant was 91.06%.

Climate and greenhouse gas emissions

Fortum has committed to carbon neutrality by 2030 at the latest, in line with the goals of the Paris Agreement. Fortum's priority is to transform its own operations to carbon neutral by continuously strengthening and growing in CO_2-free power generation and by decarbonising its carbon-emitting energy production fleet. Fortum's transition will include the exit from coal and emissions reduction in the company's own operations as well as influencing its electricity sales footprint through product selection and electricity purchases.

In 2023, Fortum's direct CO_2 emissions were 1.6 (2.1) Mt. Of the total CO_2 emissions, 1.1 (1.6) Mt were within the EU emissions trading system (ETS). The estimate for Fortum's free emission allowances in 2023 is approximately 0.2 (0.2) Mt.

Fortum's direct CO_2 emissions (million tonnes, Mt, continuing operations)	2023	2022	2021
Total emissions [1]	1.6	2.1	17.8
Emissions subject to ETS	1.1	1.6	1.5
Free emission allowances	0.2	0.2	0.2
Emissions not subject to ETS in Europe	0.5	0.5	0.7

1) The total emissions comparison figure for 2022 has been restated and is excluding Russia.

Fortum's greenhouse gas emissions are defined and reported according to the Greenhouse Gas (GHG) Protocol guidelines. In 2023, Fortum's direct Scope 1 GHG emissions were 1.6 (2.2) million CO_2-eq tonnes, indirect market-based Scope 2 GHG emissions 0.04 (0.03) million CO_2-eq tonnes, and indirect location-based Scope 2 GHG emissions 0.06 (0.03) million CO_2-eq tonnes.

In 2023, Scope 3 GHG emissions were about 12.7 (9.5) million CO_2-eq tonnes. The Group's Scope 3 emissions originate from the upstream and downstream activities in supply chain: purchased goods and services; capital goods, i.e. investments; procurement of fuels; electricity and heat retail to customers; transportation and distribution; and from processing and use of sold products (natural gas). Fortum reports Scope 3 greenhouse gas emissions in accordance with the requirements of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting standard. Based on our Scope 3 assessment, all other Scope 3 categories have been classified as not relevant.

Fortum's Scope 1 GHG emissions accounted for about 11% of total GHG emissions, Scope 2 GHG emissions accounted for less than 1%, and Scope 3 GHG emissions accounted for about 88%.
In 2023, Fortum's specific CO_2 emissions for total energy production were 32 (45) gCO_2/kWh and specific CO_2 emissions for power generation were 16 (25) gCO_2/kWh.

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

Major environmental incidents

The definition of major environmental incidents includes environmental incidents that resulted in significant harm to the environment (ground, water, air) and environmental non-compliances with legal or regulatory requirements. In 2023, there were 2 (2) major environmental incidents: low water flow due to low water level in the fish-holding tanks caused the death of salmon and broodstock salmon in the hydropower plants in Ljusnefors and in Forshaga, Sweden. Both incidents have been investigated in line with Fortum's investigation procedure and corrective actions have been determined.

Water

Fortum uses large volumes of water in its power plants, district heating networks and other production operations. In most cases, power plants do not consume water – the water is discharged back to the same water system from where it was withdrawn. In 2023, Fortum withdrew a total of 1,460 (1,440) million m^3 of water in production operations; 98% of this amount was used as cooling water.

Biodiversity

Fortum has assessed its impacts on and dependencies related to biodiversity using the internationally recognised Global Biodiversity Score (GBS®) tool. Based on the Biodiversity Footprint Assessment, Fortum's main biodiversity impacts (excluding hydropower's aquatic impacts) are related to GHG emissions, land use and fuel procurement.

Fortum's biodiversity targets were published in March 2023; at the same time, the company also committed to developing a science-based methodology to assess the company's aquatic impacts that are currently not included in the biodiversity footprint. During 2023 Fortum participated in developing the aquatic segment of the GBS® tool and also assessed other potential tools to measure hydropower's aquatic biodiversity impacts. The work will continue in 2024.

Reduction of the company's GHG emissions is a key lever to reduce negative impacts on biodiversity and to reach biodiversity targets. Assessment of biodiversity impacts is also included as part of the company's investment assessment procedure, and new company-level guidelines, such as guidelines for ecologically sustainable forest management, are being developed.

In 2023 Fortum continued to carry out voluntary and license-related biodiversity measures to prevent negative impacts and, where possible, implement biodiversity improvement measures, as outlined in its Biodiversity Manual and Action Plan, publicly disclosed on Fortum's website.

Personnel and society

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

Personnel

Fortum places significant emphasis on an open and trusting corporate culture and highlights systematic, two-way feedback on employee performance and engagement. Diversity and equal opportunity are seen as contributing to competitiveness and innovation.

Fortum's Values and Code of Conduct form the foundation for all daily work. The People Policy and Leadership Principles guide personnel-related matters.

Fortum's operations are mainly based in the Nordic countries and Poland.

Group personnel statistics for continuing operations	2023	2022	2021
Number of employees, 31 December	5,225	7,712	19,140
Number of employees, 31 December, excl. discontinued operations	N/A	4,988	7,646
Average number of employees	5,205	5,120	8,045
Total amount of employee benefits, EUR million	436	432	496
Departure turnover, % (of permanent employees)	11.9	21.7	18.9
Permanent employees, %	97.1	97.8	97.6
Full-time employees, %	97.8	98.0	98.8
Female employees, %	36.2	35.2	31.2
Females in management [1], %	40.8	34.5	29.0

1) Definition changed from 2022. The 2023 definition of management includes CEO, Fortum Leadership Team and one level down if in a supervisor position. The 2022 and 2021 definition included CEO and three levels down if in a supervisor position.

Occupational safety

For Fortum, excellence in safety and caring both about 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 work is steered by the Sustainability Policy, the Minimum Requirements for EHS Management, and more detailed EHS manuals. A certified ISO 45001 safety management system covers 100% of Fortum's power and heat production worldwide.

The 2023 safety targets included participation in the Management Safety and Security Leadership Programme as well as identification and completion of key safety actions to improve safety culture.

In 2023, the completion rates of the planned Management Safety and Security Leadership Programme and Safety improvement plans were 100% and 78%, respectively. The Management Safety and Security Leadership Programme will continue in 2024.

In 2023, Fortum's TRIF (Total Recordable Injury Frequency) for own personnel and contractors was 5.0 (4.0). Fortum's LTIF (Lost Time Injury Frequency) for own personnel and contractors was 3.9 (2.3).

Fortum strives for zero severe occupational accidents. In 2023, there were 0 (2) severe occupational accidents in the operations.

Personnel wellbeing

Fortum's goal regarding workplace wellbeing activities is to promote the health and occupational safety of employees and the functionality of the work community. Fortum has run a global employee wellbeing programme for seven years. Employees have access to a wide range of services, from medical check-ups to exercise and coaching programmes.

In 2023, the wellbeing services highlighted mental wellbeing, resilience, stress management, power of community and working together. Managers were supported in leading employees' wellbeing and discussing wellbeing together with team members. Other examples of measures taken to support mental wellbeing include providing employees the opportunity for personal online meetings with a mental wellbeing professional and offering wellbeing coaching sessions for individuals and teams. According to the latest employee survey, conducted in November 2023, the health and wellbeing score was 7.7, which is in line with the relevant energy and utility benchmark score. Mental wellbeing score was 7.4, which is slightly below the industry benchmark of 7.5.

An inclusive culture where everyone feels safe, included and equally treated also promotes the wellbeing of personnel. In 2023 Fortum continued to provide training and information on Diversity, Equity and Inclusion (DEI) for managers and all employees, and measured employees' perceptions of the DEI culture at Fortum. During the renewal of Fortum's organisation in 2023, special attention was paid to the composition and diversity of leadership teams in terms of gender and nationality which resulted in significant increase of females in top management.

In 2023, Fortum continued to apply a hybrid work model in which the work week is divided between office and remote workdays. Several measures to support hybrid and remote working were continued and improved, taking into account the feedback received from employees.

The sickness-related absence rate in 2023 was 3.1 (3.4).

Society

Reputation and customer satisfaction

Fortum's performance regarding reputation and customer satisfaction is monitored annually through the One Fortum Survey. In 2023, the combined reputation index of all stakeholder groups based on the One Fortum Survey increased to 65 points (63), on a scale of 0–100. The positive development was mainly driven by the regained position among the Finnish stakeholders. Depending on the business area, the Customer Satisfaction Index (CSI) varied between 52 and 83 points (60–83), on a scale of 0–100.

Supply chain

Fortum expects its business partners to act responsibly and to comply with the requirements set forth in the Code of Conduct and Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier qualification and supplier audits and a Know Your Counterparty process. In 2023, Fortum conducted seven on-site audits in China. Fortum is a member of the Bettercoal initiative and uses the Bettercoal tools to improve sustainability in the coal supply chain. In 2023, Fortum continued to support and participate in the development of the Solar Stewardship Initiative (SSI) together with other industry actors and organisations. Through the SSI, the sector is striving to establish the mechanisms to increase the traceability and sustainability of solar products, components and raw materials.

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 Fortum's Code of Conduct and Supplier Code of Conduct. The UN Guiding Principles on Business and Human Rights are taken into account in own operations and in supply chain management. Fortum's approach for human rights due diligence is based on the UN Guiding Principles on Business and Human Rights and follows the six steps outlined in the OECD Guidelines for Multinational Enterprises. Fortum's approach to human rights due diligence is described on Fortum's website.

Fortum 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 2023, five new country assessments were made.

Corporate citizenship

Fortum continued to steer its support to society and to cooperate with local communities through its Corporate Social Responsibility (CSR) programme. The programme's focus areas, aligned with the company's former strategic targets, are Climate, People, and Material Revolution. Fortum is reviewing the programme priorities to align with the new strategy and changes in the operating environment. Steering of CSR activities is concentrated to a Fortum-wide Steering Group.

In 2023, Fortum supported the work of charity organisations on humanitarian crises relief. The support was targeted to support children in the areas of natural disaster or conflict. Fortum also continued to support its local communities. In addition, Fortum engages in collaboration with universities through different research and development projects. In 2023, Fortum's support for activities promoting the common good totalled EUR 3.5 (1.5) million. In addition, the grants awarded by Fortum and Neste Foundation (earlier Fortum Foundation), not part of Fortum, totalled EUR 704,720 (783,136).

EU Taxonomy

Introduction

The EU Taxonomy Regulation is a classification system for defining economic activities that can be considered as environmentally sustainable. The Regulation provides specific key performance indicators (KPIs) that entities are required to report for their environmentally sustainable economic activities. The EU Taxonomy Regulation establishes six environmental objectives, two of which, the climate change mitigation (CCM) and climate change adaptation (CCA) criteria, were published on 4 June 2021 in the Climate Delegated Act. Inclusion of the Complementary Climate Delegated Act on nuclear and natural gas energy activities was approved on 5 July 2022 and the Environmental Delegated Act for the four new objectives in June 2023. The four new environmental objectives are Water and Marine Resources (WTR), Circular Economy (CE), Pollution Prevention and Control (PPC) and Biodiversity and Ecosystems (BIO). As required by the Environmental Delegated Act, the eligibility of economic activities was assessed in 2023; alignment assessment will be performed in 2024.

Fortum's disclosures are prepared in accordance with the EU Taxonomy Regulation and implementing delegated acts. For the financial year ending 31 December 2023, Fortum reports the proportion of Taxonomy-aligned activities, Taxonomy-eligible (not aligned) activities and Taxonomy-non-eligible activities in relation to the three KPIs (Turnover, Operating expenses and Capital expenditure) and the plan (Capital expenditure plan) that aims either to expand Fortum's Taxonomy-aligned economic activities or to upgrade Taxonomy-eligible economic activities to render them Taxonomy-aligned within a period of five years. The reporting scope includes continuing operations from Fortum's subsidiaries consolidated to the Group as at 31 December 2023.

Analysis of economic activities

Analysis of eligible economic activities

In 2023, Fortum classifies its economic activities to aligned, eligible (not aligned) and non-eligible corresponding to economic activities described in the Climate Delegated Act and Complementary Climate Delegated Act. In 2023, eligibility (not alignment) is assessed also for economic activities described in the Environmental Delegated Act. Eligibility of Fortum's business operations was evaluated according to the descriptions of economic activities listed in the Climate Delegated Act (Annex I – CCM and Annex II – CCA), the Environmental Delegated Act (Annex I – WTR, Annex II – CE, Annex III – PPC, Annex IV – BIO) and the related NACE codes (Nomenclature of Economic Activities, European statistical classification of economic activities) provided in these descriptions. The evaluation was performed either at power plant or business unit level, reflecting the nature of the operations.

Analysis of aligned economic activities

An eligible activity is considered to be aligned if it complies with the technical criteria of contributing substantially to one of the six environmental objectives, if it does not significantly harm the other environmental objectives (do no significant harm, DNSH, criteria), and if it is carried out in compliance with the minimum safeguards (MS) relating to human rights and fundamental labour rights. Fortum recognised economic activities under CCM, CE and PPC. In 2023, alignment of economic activities was evaluated under CCM. The alignment of Fortum's most material eligible economic activities is based on interpretations and assumptions as described below.

Application method for substantial contribution criteria, DNSHs and minimum safeguards

Sustainability management at Fortum is strategy-driven and based on our Values, Code of Conduct, Supplier Code of Conduct, Sustainability Policy, other sustainability-related group policies, as well as their specifying instructions. When analysing substantial contribution and DNSHs criteria, Fortum relies specifically on its Sustainability Policy, Minimum Requirements for EHS Management, Biodiversity Manual and Group Risk Policy. Fortum is committed to a high level of environmental and safety management, complies with all regulations, and has license to operate each site. In terms of sales, 100% of Fortum's electricity and heat production operations at the end of 2023 were ISO 14001 environmentally certified.

In order to assess the alignment of its activities, Fortum's relevant business units verified their economic activities' compliance with the substantial contribution and DNSHs criteria under Annex I - CCM. Substantial contribution criteria are specific to each economic activity and compliance was assessed on a system, facility or installation level, as appropriate. DNSHs criteria can be generic or economic activity specific. Compliance with each DNSHs were assessed on a most material level reflecting the nature of the economic activity.

Fortum has its own as well as co-owned nuclear power plants in Finland and Sweden. Operations in these plants relate to EU Taxonomy economic activities Construction and safe operation of new nuclear power plants (CCM 4.27) and Electricity generation from nuclear energy in existing installations (CCM 4.28). The most important task of nuclear power operations is to produce electricity safely, reliably, and competitively, in the short- and long-term, while complying with the principles of nuclear and radiation safety, waste management safety, and nuclear material control. Compliance with all of these requirements are oversighted by national authorities in Finland and Sweden. These authorities are also responsible for national transpositions of EU Directives and Regulations. Fortum complies with nuclear-related national regulation, which is considered to be the basis for the EU Taxonomy alignment criteria. Fortum's own and co-owned existing nuclear power plants have done, or are planning to start, modification of existing nuclear installations for the purposes of lifetime extension. Lifetime extension projects are always subject to national authorities' approval and comprehensive environmental and safety assessment.

DNSH Climate change adaptation

The management of climate-related risks is integrated into Fortum's group risk management framework and follows the same governance and processes as other material risks and uncertainties. Risks are identified and assessed annually through an enterprise risk management framework. Fortum's Taxonomy-relevant entities are required to take into account physical climate risks. Entities must also understand their assets' resilience towards different acute and chronic physical climate-related risks within different Intergovernmental Panel on Climate Change (IPCC) climate scenarios, and create adaptation plans for the most material risks. Fortum's climate-related risks are described in **Risk management**.

DNSH Sustainable use and protection of water and marine resources

Fortum manages and uses major water resources in most of its operating countries and is committed to responsible water management. Fortum's responsibility for water use is related not only to volume and availability, but also to water quality and to the aquatic habitat. Consequently, all production sites under Fortum's operational control are included in the annual reporting scope for water use metrics and water stress assessment. Fortum's water management guarantees that the operational sites comply with national regulations and have a license to operate. Fortum also carries out water-related measures locally, where relevant, in order to take into consideration the needs of other water users. Collaboration with local communities, municipalities, authorities, and research institutes is important in the implementation of these measures. Fortum's electricity generation from hydropower in Finland and Sweden are under the control of the water authorities in the frame of the Water Framework Directive (WFD). National transposition and timeline of WFD is considered in this DNSH review.

DNSH Transition to a circular economy

Fortum takes into account the life-cycle and resource efficiency of its products and projects. Durability and recyclability of equipment and components are included in procurement processes. Fortum aims for utilisation and recovery of its own by-products and waste. Minimising the amount of waste and the efficient management of end-of-life equipment and components is expected from Fortum's operating sites.

In addition to conventional industrial waste, Fortum's fully owned and co-owned nuclear power plants in Finland and Sweden generate radioactive waste. All plants take full financial and safe execution responsibility over radioactive waste originated from the operations and decommissioning; and optimise and develop treatment processes to minimise the amount of waste stored. All low-, intermediate- and high-level radioactive waste are treated and stored on site, or in the special storage site located in the same country where the waste is generated.

DNSH Pollution prevention and control

Fortum's chemical management ensures compliance with local regulations, existing permits and that operations do not do any significant harm with substances used, covering the substances listed in Annex I Appendix C. Fulfilling the requirements set by Fortum and the legislation in the respective country, proper management of chemicals in the whole chain from purchasing to disposal, minimise risks relating to handling of chemicals, and limit and continuously reduce the use of hazardous chemicals, where possible substituting to less harmful to health and environment, is ensured.

Fortum continuously aims to mitigate its environmental impact by utilising best practices and best available technologies. Minimum Requirements for EHS Management ensure compliance with permit conditions, regular monitoring and reporting of emissions to air, water and ground; and risk mitigation to prevent any cross-media effects.

The nuclear power operations' radioactive discharges to air, water bodies and ground comply with individual license conditions. Both discharges and impacts on environment are strictly monitored by national authorities in their role for national oversight of radiation plants. Spent fuel and radioactive waste is safely and responsibly managed, including an adequate storage capacity.

DNSH Protection and restoration of biodiversity and ecosystems

Fortum's biodiversity management is an integral part of the environmental management system covering all operations. Biodiversity management, defined in the Biodiversity manual, ensures compliance with biodiversity-related requirements set by local regulations; and that necessary steps are taken whenever feasible to avoid, mitigate, or address potential impacts. The Biodiversity manual requires that special consideration is given for sites that are close to protected areas and threatened habitats, or where any known population of threatened or protected species might be affected.

Minimum Safeguards

Fortum follows and respects internationally recognised human rights, which are included in the key human rights treaties. Respect for human rights is expressed in Fortum's Code of Conduct and Supplier Code of Conduct. The UN Guiding Principles on Business and Human Rights are taken into account in own operations and in supply chain management. Fortum's approach for human rights due diligence is based on the UN Guiding Principles on Business and Human Rights and follows the six steps outlined in the OECD Guidelines for Multinational Enterprises.

Zero tolerance for corruption and bribery is highlighted in Fortum's Code of Conduct and Supplier Code 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, economic sanctions and competition law.

Fortum has implemented due diligence processes for environment, taxation, anti-corruption and bribery, as well as fair competition. Requirements for human rights, labour rights as well as for environment, anti-corruption and fair competition are included in our procurement processes. Group level commitment, policies, instructions and guidelines apply to all of Fortum's activities in all operating countries.

EU Taxonomy KPIs

The following tables present the proportions of aligned, eligible (not aligned) and non-eligible activities of turnover, operating expenses, and capital expenditure under the EU Taxonomy Regulation for the Fortum Group.

Turnover KPI

EUR million	2023		2022	
A.1 Environmentally sustainable activities (Taxonomy-aligned)	2,915	43%	2,561	33%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	457	7%	244	3%
A. Total Taxonomy-eligible activities	**3,372**	**50%**	**2,805**	**36%**
B. Taxonomy-non-eligible activities	**3,339**	**50%**	**4,969**	**64%**
Total (A+B)	**6,711**	**100%**	**7,774**	**100%**

Operating expenses KPI

EUR million	2023		2022	
A.1 Environmentally sustainable activities (Taxonomy-aligned)	-124	56%	-125	58%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	-47	21%	-11	5%
A. Total Taxonomy-eligible activities	**-171**	**77%**	**-136**	**63%**
B. Taxonomy-non-eligible activities	**-51**	**23%**	**-80**	**37%**
Total (A+B)	**-222**	**100%**	**-215**	**100%**

Capital expenditure KPI

EUR million	2023		2022	
A.1 Environmentally sustainable activities (Taxonomy-aligned)	424	64%	280	51%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	82	12%	98	18%
A. Total Taxonomy-eligible activities	**506**	**76%**	**378**	**68%**
B. Taxonomy-non-eligible activities	**160**	**24%**	**175**	**32%**
Total (A+B)	**667**	**100%**	**553**	**100%**

Changes in reporting from 2022

Comparative information for 2022 has been restated following the classification of the Russia segment as discontinued operations in 2023 (**Note 1**). The Turnover and Operating expenses KPIs have been restated in 2022 to exclude Russian activities; whereas, Russian activities' capital expenditure in 2022 is included in the Capital expenditure KPI. The Russia segment included eligible economic activities in 2022, mainly Electricity generation from fossil gaseous fuels (CCM 4.29) and High-efficiency co-generation of heat/cool and power from fossil gaseous fuels (CCM 4.30).

In addition, the 2022 turnover for Electricity generation from nuclear energy in existing installations (CCM 4.28), Electricity generation from hydropower (CCM 4.5) and Construction and safe operation of new nuclear power plants (CCM 4.27) activities has been adjusted to include outright production hedges for which the Generation segment is not the external counterparty. These hedges were previously presented in non-eligible activities. The adjustment was made for the turnover of the aforementioned economic activities to better align with the Nordic outright power sales.

As explained above, the EU Taxonomy was expanded in 2023 to include four new environmental objectives. Consequently, in 2023 Fortum presents new eligible activities in the EU Taxonomy KPI tables: Treatment of hazardous waste (PPC 2.2), Sorting and material recovery of non-hazardous waste (CE 2.7), Demolition and wrecking of buildings and other structures (CE 3.3), Remediation of contaminated sites and areas (PPC 2.4), Provision of IT/OT data-driven solutions (CE 4.1), and Depollution and dismantling of end-of-life products (CE 2.6). Material recovery from non-hazardous waste (CCM 5.9) that was presented as aligned activity in the 2022 tables is now included under the broader activity of Sorting and material recovery of non-hazardous waste (CE 2.7) as the economic activity in question better fits this new category.

Reconciliation of changes is presented in the following tables:

Reconciliation of 2022 Turnover KPI

EUR million	2022 reported	Russia deconso-lidation	Reallo-cation	New environ-mental objectives	2022 restated
A.1 Environmentally sustainable activities (Taxonomy-aligned)	3,905	-	-1,262	-83	2,561
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	1,185	-983	-40	83	244
A. Total Taxonomy-eligible activities	**5,089**	**-983**	**-1,303**	**-**	**2,805**
B. Taxonomy-non-eligible activities	**3,715**	**-48**	**1,303**	**-**	**4,969**
Total (A+B)	**8,804**	**-1,031**	**-**	**-**	**7,774**

Reconciliation of 2022 Operating expenses KPI

EUR million	2022 reported	Russia deconso-lidation	New environ-mental objectives	2022 restated
A.1 Environmentally sustainable activities (Taxonomy-aligned)	-129	-	4	-125
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	-37	30	-4	-11
A. Total Taxonomy-eligible activities	**-166**	**30**	**-**	**-136**
B. Taxonomy-non-eligible activities	**-86**	**6**	**-**	**-80**
Total (A+B)	**-252**	**36**	**-**	**-215**

Reconciliation of 2022 Capital expenditure KPI

EUR million	2022 reported	New environ-mental objectives	2022 restated
A.1 Environmentally sustainable activities (Taxonomy-aligned)	285	-5	280
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	93	5	98
A. Total Taxonomy-eligible activities	**378**	**-**	**378**
B. Taxonomy-non-eligible activities	**175**	**-**	**175**
Total (A+B)	**553**	**-**	**553**

Turnover, Operating expenses and Capital expenditure KPI disclosure tables have been updated to the latest template provided by the EU. In addition, as required by the EU, supplementing tables are provided for each KPI to present further information on those economic activities that contribute substantially to multiple environmental objectives. Sorting and material recovery of non-hazardous waste (CE 2.7) included in the main table includes Material recovery from non-hazardous waste (CCM 5.9).

Aligned economic activities (A.1)

In terms of turnover, 43% (2022: 33%), in terms of operating expenses, 56% (2022: 58%), and in terms of capital expenditure, 64% (2022: 51%), of Fortum's economic activities are Taxonomy-aligned (A.1).

The most significant aligned activities are electricity generation from hydropower with an installed capacity of 4.7 GW (50% of total capacity) (2022: 4.6 GW, 54% of total capacity excluding Russia) and electricity generation from nuclear energy with an installed capacity of 3.2 GW (35% of total capacity) (2022: 2.8 GW, 33% of total capacity excluding Russia). There have been no significant changes in Fortum's aligned economic activities from 2022. Electricity generation from nuclear energy increased in comparison to 2022 due to the commissioning of TVO's Olkiluoto 3 power plant unit.

Eligible (not aligned) economic activities (A.2)

In terms of turnover, 7% (2022: 3%), in terms of operating expenses, 21% (2022: 5%), and in terms of capital expenditure, 12% (2022: 18%), of Fortum's economic activities are Taxonomy-eligible (not aligned) (A.2).

The most significant eligible (not aligned) economic activities are treatment of hazardous waste and sorting and material recovery of non-hazardous waste. As explained above, these economic activities are in 2023 included as eligible (not aligned) economic activities due to the new environmental objectives introduced in 2023 to the EU Taxonomy Regulation. Alignment assessment for these new environmental objectives will be performed in 2024.

Non-eligible economic activities (B)

A non-eligible economic activity does not correspond to any economic activity description provided in the EU Taxonomy Regulation. Fortum's non-eligible activities include electricity retail (Consumer Solutions segment), electricity and commodities trading, coal-based power and heat generation, engineering services related to non-renewable assets, as well as administrative overheads.

Turnover KPI

		2023		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code	Turnover EUR million	Proportion of Turnover 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover 2022	Category enabling activity	Category transitional activity
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	CCM4.3	6	0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Electricity generation from hydropower	CCM4.5	1,349	20%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	14%		
District heating/cooling distribution	CCM4.15	116	2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%		
Construction and safe operation of new nuclear power plants	CCM4.27	143	2%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
Electricity generation from nuclear energy in existing installations	CCM4.28	1,240	18%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	17%		T
Other [1]		62	1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%		
A.1 Total		**2,915**	**43%**	**43%**	**0%**	**0%**	**0%**	**0%**	**0%**								**33%**		
Of which enabling																			
Of which transitional		1,383	21%	21%						Y	Y	Y	Y	Y	Y	Y	17%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture of batteries	CCM3.4	4	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	E	
Electricity generation from wind power	CCM4.3	2	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Electricity generation from hydropower	CCM4.5	69	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM4.30	13	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		T
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM4.31	12	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		T
Treatment of hazardous waste	PPC2.2	201	3%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
Sorting and material recovery of non-hazardous waste	CE2.7, CCM5.9	98	1%	EL	N/EL	N/EL	N/EL	**EL**	N/EL								1%		
Other [2]		58	1%														1%		
A.2 Total		**457**	**7%**	**2%**	**0%**	**0%**	**3%**	**1%**	**0%**								**3%**		
A. Total Taxonomy-eligible activities		**3,372**	**50%**	**46%**	**0%**	**0%**	**3%**	**1%**	**0%**										
B. Taxonomy-non-eligible activities		**3,339**	**50%**																
Total (A+B)		**6,711**	**100%**																

Y – Taxonomy-eligible and Taxonomy-aligned activity with the relevant objective, EL – Taxonomy-eligible activity for the relevant objective, N/EL – Taxonomy-non-eligible activity for the relevant objective
1) Includes economic activities CCM4.24, CCM4.25.
2) Includes economic activities CCM3.10, CCM4.1, CCM4.20, CCM4.25, CCM5.10, CCM6.15, PPC2.4, PPC2.6, CE3.3, CE4.1.

The proportion of turnover for activities contributing substantially to several objectives is presented in the following table:

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1%	0%
CCA		
WTR		
CE		
PPC		
BIO		

Operating expenses KPI

Economic activities	Code	2023 OpEx EUR million	2023 Proportion of OpEx 2023	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	DNSH criteria ("Does Not Significantly Harm"): Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) OpEx 2022	Category enabling activity	Category transitional activity
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	CCM4.3	-1	0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		
Electricity generation from hydropower	CCM4.5	-66	30%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	32%		
District heating/cooling distribution	CCM4.15	-17	8%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6%		
Construction and safe operation of new nuclear power plants	CCM4.27	-	0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
Electricity generation from nuclear energy in existing installations	CCM4.28	-38	17%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	19%		T
Other [1]		-2	1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1%		
A.1 Total		**-124**	**56%**	**56%**	**0%**	**0%**	**0%**	**0%**	**0%**								**58%**		
Of which enabling																			
Of which transitional		-38	17%	17%						Y	Y	Y	Y	Y	Y	Y	19%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture of batteries	CCM3.4	-2	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%	E	
Electricity generation from wind power	CCM4.3	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
Electricity generation from hydropower	CCM4.5	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM4.30	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		T
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM4.31	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		T
Treatment of hazardous waste	PPC2.2	-36	16%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
Sorting and material recovery of non-hazardous waste	CE2.7, CCM5.9	-6	3%	EL	N/EL	N/EL	N/EL	**EL**	N/EL								3%		
Other [2]		-1	1%														1%		
A.2 Total		**-47**	**21%**	**2%**	**0%**	**0%**	**16%**	**3%**	**0%**								**5%**		
A. Total Taxonomy-eligible activities		**-171**	**77%**	**58%**	**0%**	**0%**	**16%**	**3%**	**0%**										
B. Taxonomy-non-eligible activities		**-51**	**23%**																
Total (A+B)		**-222**	**100%**																

Y – Taxonomy-eligible and Taxonomy-aligned activity with the relevant objective, EL – Taxonomy-eligible activity for the relevant objective, N/EL – Taxonomy-non-eligible activity for the relevant objective
1) Includes economic activities CCM4.24, CCM4.25.
2) Includes economic activities CCM3.10, CCM4.1, CCM4.20, CCM4.25, CCM5.10, CCM6.15, PPC2.4, PPC2.6, CE3.3, CE4.1.

The proportion of operating expenses for activities contributing substantially to several objectives is presented in the following table:

	Proportion of operating expenses / Total operating expenses: Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1%	1%
CCA		
WTR		
CE		
PPC		
BIO		

Capital expenditure KPI

		2023		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")									
Economic activities	Code	CapEx EUR million	Proportion of CapEx 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or eligible (A.2.) CapEx 2022	Category enabling activity	Category transitional activity
A. Taxonomy-eligible activities																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity generation from wind power	CCM4.3	224	34%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	18%		
Electricity generation from hydropower	CCM4.5	107	16%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	18%		
District heating/cooling distribution	CCM4.15	40	6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	5%		
Construction and safe operation of new nuclear power plants	CCM4.27	-	0%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0%		T
Electricity generation from nuclear energy in existing installations	CCM4.28	22	3%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6%		T
Other [1]		31	5%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	4%		
A.1 Total		**424**	**64%**	**64%**	**0%**	**0%**	**0%**	**0%**	**0%**								**51%**		
Of which enabling																			
Of which transitional		22	3%	3%						Y	Y	Y	Y	Y	Y	Y	6%		T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture of batteries	CCM3.4	8	1%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								5%	E	
Electricity generation from wind power	CCM4.3	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								1%		
Electricity generation from hydropower	CCM4.5	1	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		
High-efficiency co-generation of heat/cool and power from fossil gaseous fuels	CCM4.30	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								6%		T
Production of heat/cool from fossil gaseous fuels in an efficient district heating and cooling system	CCM4.31	0	0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0%		T
Treatment of hazardous waste	PPC2.2	41	6%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								0%		
Sorting and material recovery of non-hazardous waste	CE2.7. CCM5.9	25	4%	EL	N/EL	N/EL	N/EL	**EL**	N/EL								1%		
Other [2]		6	1%														5%		
A.2 Total		**82**	**12%**	**2%**	**0%**	**0%**	**6%**	**4%**	**0%**								**18%**		
A. Total Taxonomy-eligible activities		**506**	**76%**	**66%**	**0%**	**0%**	**6%**	**4%**	**0%**										
B. Taxonomy-non-eligible activities		**160**	**24%**																
Total (A+B)		**667**	**100%**																

Y – Taxonomy-eligible and Taxonomy-aligned activity with the relevant objective, EL – Taxonomy-eligible activity for the relevant objective, N/EL – Taxonomy-non-eligible activity for the relevant objective
1) Includes economic activities CCM4.24, CCM4.25.
2) Includes economic activities CCM3.10, CCM4.1, CCM4.20, CCM4.25, CCM5.10, CCM6.15, PPC2.4, PPC2.6, CE3.3, CE4.1.

The proportion of capital expenditure for activities contributing substantially to several objectives is presented in the following table:

	Proportion of capital expenditure / Total capital expenditure	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	1%	0%
CCA		
WTR		
CE		
PPC		
BIO		

Transitional activities (Nuclear and Natural gas)

A transitional activity is an activity that supports the transition to a climate-neutral economy where there is no technologically and economically feasible low-carbon alternative. Fortum’s transitional activities are mainly concentrating on electricity generation from new and existing nuclear installations. Fortum does not have non-eligible economic activities related to nuclear or natural gas, hence Template 5 Taxonomy non-eligible economic activities (Complementary Climate Delegated Act, Annex III) is not presented below.

As described in ‘Changes in reporting from 2022’ section above, comparative information for 2022 has been restated following the classification of the Russia segment as discontinued operations in 2023.

Nuclear and fossil gas related activities

Nuclear energy related activities	
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	Yes
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	Yes

Fossil gas related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	Yes
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	Yes

Aligned economic activities (A.1)

Turnover KPI

Taxonomy-aligned economic activities (denominator)

	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the turnover KPI	143	2%	143	2%	-	-	29	0%	29	0%	-	-
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the turnover KPI	1,240	18%	1,240	18%	-	-	1,285	17%	1,285	17%	-	-
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows above in the denominator of the turnover KPI	1,532	23%	1,532	23%	-	-	1,247	16%	1,247	16%	-	-
Total	**2,915**	**43%**	**2,915**	**43%**	**-**	**-**	**2,561**	**33%**	**2,561**	**33%**	**-**	**-**

Taxonomy-aligned economic activities (numerator)

	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the turnover KPI	143	5%	143	5%	-	-	29	1%	29	1%	-	-
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the turnover KPI	1,240	43%	1,240	43%	-	-	1,285	50%	1,285	50%	-	-
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows above in the numerator of the turnover KPI	1,532	53%	1,532	53%	-	-	1,247	49%	1,247	49%	-	-
Total	**2,915**	**100%**	**2,915**	**100%**	**-**	**-**	**2,561**	**100%**	**2,561**	**100%**	**-**	**-**

Operating expenses KPI

Taxonomy-aligned economic activities (denominator)	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the operating expenses KPI	-	0%	-	0%	-	-	-	0%	-	0%	-	-
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the operating expenses KPI	-38	17%	-38	17%	-	-	-40	19%	-40	19%	-	-
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows above in the denominator of the operating expenses KPI	-86	39%	-86	39%	-	-	-85	40%	-85	40%	-	-
Total	**-124**	**56%**	**-124**	**56%**	**-**	**-**	**-125**	**58%**	**-125**	**58%**	**-**	**-**

Taxonomy-aligned economic activities (numerator)	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the operating expenses KPI	-	0%	-	0%	-	-	-	0%	-	0%	-	-
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the operating expenses KPI	-38	30%	-38	30%	-	-	-40	32%	-40	32%	-	-
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows above in the numerator of the operating expenses KPI	-86	70%	-86	70%	-	-	-85	68%	-85	68%	-	-
Total	**-124**	**100%**	**-124**	**100%**	**-**	**-**	**-125**	**100%**	**-125**	**100%**	**-**	**-**

Capital expenditure KPI

Taxonomy-aligned economic activities (denominator)	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the capital expenditure KPI	-	0%	-	0%	-	-	-	0%	-	0%	-	-
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the capital expenditure KPI	22	3%	22	3%	-	-	34	6%	34	6%	-	-
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows above in the denominator of the capital expenditure KPI	402	60%	402	60%	-	-	246	45%	246	45%	-	-
Total	**424**	**64%**	**424**	**64%**	**-**	**-**	**280**	**51%**	**280**	**51%**	**-**	**-**

Taxonomy-aligned economic activities (numerator)	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the capital expenditure KPI	-	0%	-	0%	-	-	-	0%	-	0%	-	-
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the capital expenditure KPI	22	5%	22	5%	-	-	34	12%	34	12%	-	-
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows above in the numerator of the capital expenditure KPI	402	95%	402	95%	-	-	246	88%	246	88%	-	-
Total	**424**	**100%**	**424**	**100%**	**-**	**-**	**280**	**100%**	**280**	**100%**	**-**	**-**

Eligible economic activities (A.2)

Turnover KPI

Taxonomy-eligible but not taxonomy-aligned economic activities	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the turnover KPI	13	0%	13	0%	-	-	13	0%	13	0%	-	-
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the turnover KPI	12	0%	12	0%	-	-	1	0%	1	0%	-	-
Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows above in the denominator of the turnover KPI	432	6%	432	6%	-	-	229	3%	229	3%	-	-
Total	**457**	**7%**	**457**	**7%**	**-**	**-**	**244**	**3%**	**244**	**3%**	**-**	**-**

Operating expenses KPI

Taxonomy-eligible but not taxonomy-aligned economic activities	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the operating expenses KPI	0	0%	0	0%	-	-	0	0%	0	0%	-	-
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the operating expenses KPI	0	0%	0	0%	-	-	0	0%	0	0%	-	-
Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows above in the denominator of the operating expenses KPI	-46	21%	-46	21%	-	-	-10	5%	-10	5%	-	-
Total	**-47**	**21%**	**-47**	**21%**	**-**	**-**	**-11**	**5%**	**-11**	**5%**	**-**	**-**

Capital expenditure KPI

Taxonomy-eligible but not taxonomy-aligned economic activities	Amount and proportion 2023						Amount and proportion 2022					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)		CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
Economic activities	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the capital expenditure KPI	0	0%	0	0%	-	-	33	6%	33	6%	-	-
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the capital expenditure KPI	0	0%	0	0%	-	-	-	0%	-	0%	-	-
Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows above in the denominator of the capital expenditure KPI	82	12%	82	12%	-	-	65	12%	65	12%	-	-
Total	**82**	**12%**	**82**	**12%**	**-**	**-**	**98**	**18%**	**98**	**18%**	**-**	**-**

Capital expenditure plan

Capital expenditure plan refers to significant future capital investments approved by management that aim either to expand Fortum's Taxonomy-aligned economic activities, or to upgrade Taxonomy-eligible economic activities to render them Taxonomy-aligned within a period of five years.

Total planned capital expenditure meeting the above definition amounts to EUR 1.0 billion at 31 December 2023 (2022: 0.7) and is expected to be incurred over the next five years, with the exception of the Loviisa lifetime extension for which ten years' capital expenditure is included in the reported capital expenditure plan due to the long-term nature of the investment. Planned capital expenditure at 31 December 2023 mainly includes Loviisa nuclear power plant lifetime extension; Espoo Clean Heat project, programme to drive decarbonisation and build sustainable waste heat solutions in the Helsinki metropolitan area; projects increasing production at existing hydro plants; and the Pjelax wind project. The majority of the projects included in the Capital expenditure plan will be completed during the next four years, but the Loviisa lifetime extension project will continue until 2050. Increase in planned capital expenditure from 2022 is mainly due to increases in capital expenditure estimates for the Loviisa lifetime extension, Espoo Clean Heat projects, and hydro projects; partly offset by decrease in investments in the Pjelax wind project as planned costs have been realised. The Pjelax project is expected to be completed by the second quarter of 2024.

Operating expenses related to the 2023 Capital expenditure plan projects are not material (2022: not material).

Definitions, reconciliations and basis of calculation

Turnover

The term 'turnover' used in these EU Taxonomy disclosures refers to sales, the term Fortum uses elsewhere in the annual report. Turnover is based on the sales reported on Fortum's consolidated income statement (Note 6). Turnover exclude discontinued operations. Breakdown of turnover:

	2023		2022	
EUR million	A.1 Taxonomy-aligned	Total	A.1 Taxonomy-aligned	Total
Power	2,729	5,193	2,393	6,090
Heat	173	512	148	527
Other	13	1,006	20	1,156
Total	**2,915**	**6,711**	**2,561**	**7,774**

Increase in Taxonomy-aligned turnover from 2022 is mainly due to increases in hydro and nuclear power generation, as well as higher achieved power price. Hydro generation increased mainly due to higher water inflow in the second half; and nuclear generation increased due to the commissioning of and power generation from TVO's Olkiluoto 3 power plant unit. The main reason for the increase in the achieved power price was the higher hedge price, the effect of which was partly offset by lower result from physical optimisation.

Electricity generation from nuclear and hydropower turnover KPI includes revenue from co-owned assets that are operated under the Mankala model. In the Mankala model, the co-owned power company sells the produced electricity to its shareholders at cost in proportion to their ownership.

Operating expenses

Operating expenses consist of direct non-capitalised costs that are necessary to ensure the continued and effective functioning of property, plant and equipment. These expenses include repairs and maintenance, building servicing, short-term rentals and similar costs, as well as other direct expenditures relating to the day-to-day servicing of these assets. Operating expenses exclude discontinued operations. Breakdown of operating expenses:

	2023		2022	
EUR million	A.1 Taxonomy-aligned	Total	A.1 Taxonomy-aligned	Total
Repairs and maintenance	-66	-127	-71	-126
Short-term rentals and other property costs	-40	-61	-37	-58
Other	-17	-34	-17	-32
Total	**-124**	**-222**	**-125**	**-215**

There have been no material changes in Taxonomy-aligned operating expenses from 2022.

Capital expenditure

Capital expenditure consists of additions to property, plant and equipment, intangible assets, right-of-use assets, as well as additions through business combinations. Capital expenditure excludes discontinued operations in 2023 as information on discontinued operations up to the date of disposal is not readily available. 2022 comparative capital expenditure includes Russian activities. Breakdown of capital expenditure:

		2023		2022	
EUR million	Note	A.1 Taxonomy-aligned	Total	A.1 Taxonomy-aligned	Total
Additions to intangible assets	16	4	92	2	88
Additions to property, plant and equipment	17	417	523	274	437
Additions to right-of-use assets	33	3	27	3	28
Additions through business combinations	3	-	25	-	-
Total		**424**	**667**	**280**	**553**

Increase in Taxonomy-aligned capital expenditure from 2022 is mainly due to planned investments in the Pjelax wind project. Pjelax wind farm is expected to be fully operational in the second quarter of 2024 at the latest.

Basis of calculation

The financial data used for calculating the EU Taxonomy KPIs has been retrieved from Fortum’s financial systems and is based on the same data and Group accounting principles as Fortum’s consolidated financial statements for the year ending 31 December 2023 (see notes to the consolidated financial statements for details). Appropriate controls have been implemented to eliminate the risk of double counting. Financial data has been allocated to aligned and eligible economic activities as follows:

- Majority of electricity sales has been allocated to aligned and eligible activities based on production volume. Electricity generation from nuclear and hydropower sales KPIs include revenue from co-owned assets that are operated under the Mankala model. In the Mankala model, the co-owned power company sells the produced electricity to its shareholders at cost in proportion to their ownership.
- 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 aligned and eligible economic activities.
- Each significant capital expenditure project has been allocated to aligned and eligible economic activities.

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 describes the main features of Fortum's risk management systems which consists of principles, processes and responsibilities for managing risks which, if materialise, may have a material negative impact on Fortum's current or future business operations, reputation, employees, the environment or third parties.

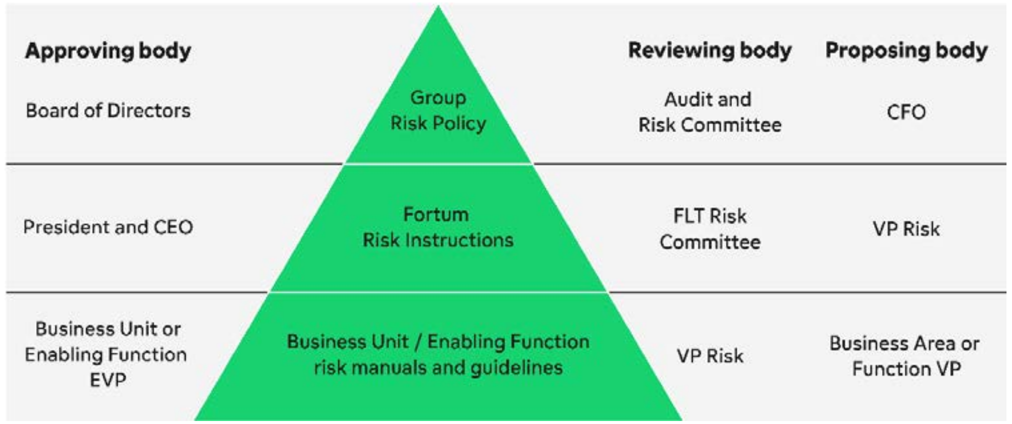
The risk management systems have been designed to support Fortum's Board of Directors, Audit and Risk Committee, Fortum's Leadership Team as well as the operative business in fulfilling their duties in relation to risk management. The objectives of the risk management systems are to:

- Support Fortum's Board of Directors and Fortum Leadership Team (FLT) in the development of the Group strategy,
- Support Fortum in strategy execution,
- Support Fortum in achieving agreed targets within the defined risk appetite so that Fortum's ability to meet financial commitments and maintain a strong investment grade rating of at least BBB is not compromised,
- Ensure the understanding of Fortum's material risks and uncertainties, and
- Support the prevention of accidents, incidents and adverse impacts of Fortum's operations on employees or third parties (including health and safety, human and labour rights), the environment, Fortum's assets or reputation.

Risk management organisation

Fortum's Board of Directors approves the Group Risk Policy, and the President and CEO approves Fortum's risk management instructions including an instruction for enterprise risk management which sets minimum requirements for managing risks in all categories. In addition, there are specific risk instructions covering commodity market risks, counterparty and credit risks and liquidity risks applicable for all of Fortum. Fortum's Business Units and Enabling 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.

Corporate risk policy structure



Risk Governance

The main principle is that risks are managed at source, meaning that each manager is responsible for managing risks that arise within their business operations. For each risk, risk owners are assigned to ensure that appropriate mitigation actions are taken to respond to the risk.

Fortum's Audit and Risk Committee (ARC) is responsible for monitoring the efficiency of the company's risk management systems, and for annually reviewing the Group Risk Policy and the Group's material risks and uncertainties. Corporate Risk, an independent control function headed by the Vice President, Risk reporting to the CFO, provides instructions, methods and tools which support the business in running an efficient risk management process. Corporate Risk is responsible for assessing and reporting on the maturity of risk management in the organisation and for monitoring and reporting of Fortum's material risk exposures to FLT Risk Committee, FLT, the ARC and the Board of Directors.

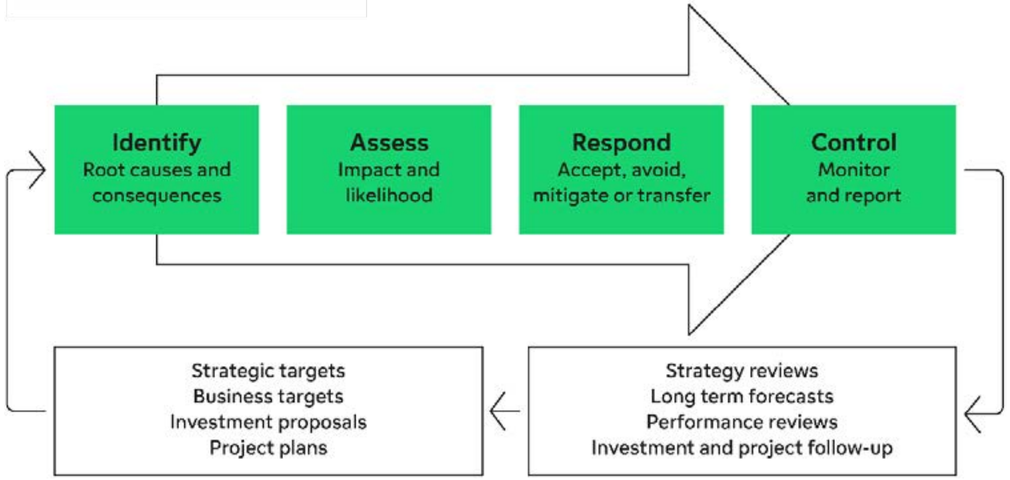
Financials 2023

Principle of continuous improvement

The risk management framework is developed in accordance with the principle of continuous improvement, aiming at an optimised and continuously developing risk management process. The maturity level of risk management in the organisation is evaluated annually, and Corporate Risk 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



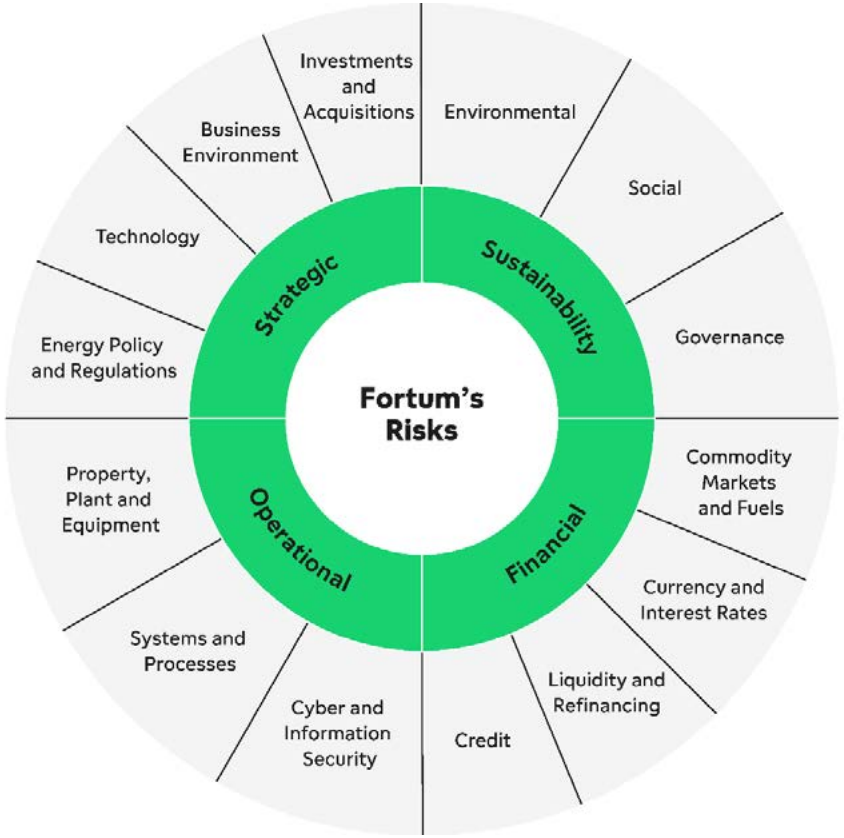
Fortum's risk management process consists of four main sub-processes; identification, assessment, response and control. The risk management process is linked to strategy and capital allocation, target setting and long-term forecasting and is an integrated part of operational and business management including investment processes and project management.

The risk management process is 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. Impact is assessed not only in monetary terms in relation to forecasted earnings and / or cash flows, but also in terms of impact to health and safety, the environment and Fortum's reputation, where relevant. 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 risk appetite thresholds, limits and mandates which are defined for financial risks. These risk appetite thresholds includes liquidity, market, and credit risk thresholds as well as balance sheet metrics.

Risk factors

2023 has been an exceptional year with a number of identified risks fully or partly realising as a result of the escalation of the war in the Ukraine, the most significant of these being the use of energy as a weapon by Russia resulting in the energy crisis with high commodity prices and potential risk to European security of supply. For Fortum, the impacts have been dramatic.
The Ukraine conflict has impacted the ability of Fortum to operate and own Russian assets. As a result of the Presidential decree (No. 302) issued by Russia on 25 April 2023 and the seizure of Fortum's Russian assets, the company lost control of its Russian operations. Consequently, the Russia segment was deconsolidated and reclassified as discontinued operations in April 2023. In order to protect its legal position and shareholder interests, Fortum will seek compensation through arbitration, in particular for the value of its shares in PAO Fortum and its investments in Russia, and has sent notices of dispute due to the Russian Federation's violations of its investment treaty obligations under the Bilateral Investment Treaties that the Russian Federation has concluded with the Netherlands and Sweden. These notices of dispute are the first step required in arbitration proceedings, which are expected to be initiated in early 2024.
Fortum continues to be 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 Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB, OKG AB and Kemijoki Oy. For more information about these indirect risk exposures, please see each respective company's annual report.
Fortum is also exposed to physical climate risks and transition risks. The identified physical risks are generally found in the operational risk category, whereas transition risks are generally part of the strategic risk category.

Financials 2023



Strategic risks

The Fortum Board of Directors resolved on Fortum's new strategy at the beginning of March 2023, including a new business structure and operating model. The main strategic risks are that energy policy, regulation, technology or the business environment develop in ways that have not been foreseen and prepared for. Future energy market, regulation and climate scenarios as well as scenarios for how the current geopolitical situation develops, including the impact of these to Fortum's existing and potential new businesses, are regularly updated.

Risks which could hinder Fortum in executing its strategy are assessed and reported as part of regular strategy reviews.

Business Environment

Fortum operates in a global business environment, with main operational focus in the Nordic countries, 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 geopolitical situation has raised a risk that, although unlikely, the war in the Ukraine could escalate further to our core markets including Finland and Sweden, the consequences of which are difficult to envisage. For example, it would cause an increase in the risk of sabotage or even direct attacks towards Fortum's or national critical energy facilities or infrastructure. In an extreme scenario, this might lead to a situation where the state of Finland or Sweden would call for an emergency act to take control over the energy sector, which would mean that Fortum would lose operational control of its business for an unknown period.

The current geopolitical uncertainty has intensified the trend of nationalistic policies and protectionism which may lead to further trade restrictions or sanctions which in turn could affect demand for Fortum's products and services, production capabilities, asset values and access to 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 continuously assessing its' business portfolio and evaluates opportunities for acquisitions, investments and divestments. Even if Fortum is able to identify candidates for acquisition, divestment or investment, it may be difficult to complete transactions. Lack of competition and potential restrictions on sale of certain assets by foreign owners or other restrictions may make it difficult to complete divestments or may result in lower than expected value received. Financial constraints, 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.

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. 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.

Energy and climate policy and regulation risks

The energy sector is heavily influenced by EU-level and national energy and climate policies and regulations. Fortum's strategy has been developed based on scenarios of the future development of the regulatory environment in both existing and potential new businesses and markets. The overall complexity and possible regulatory changes in the various operating countries pose a risk if Fortum is not able to identify, anticipate and manage those changes efficiently.

Fortum maintains an active dialogue with different policymakers and legislators involved in the development of laws, policies and regulations in order to manage these risks and to proactively contribute to the development of the energy and climate policy and regulatory framework in line with Fortum's strategic objectives.

EU and Nordics

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

- The Russian invasion of Ukraine drove commodity prices to new record levels and further increased price volatility. As a consequence, the EU and its member states have introduced temporary market interventions (e.g. price caps and windfall taxation) and have for example relaxed the state aid rules. In addition, Fortum sees risks related to uncoordinated national measures aiming to tackle high energy prices and national security of supply. The focus should be on the gradual ending of measures and market interventions established during the crisis.
- Fortum believes that reaching the established (EU and national) decarbonisation targets requires that all CO_2 free energy production technologies are treated equally in legislation, and that there is political acceptance for them. While we see that there is currently a broader acceptance for nuclear, especially in the Nordics, there is still a risk that some technologies are preferred for reasons other than for their CO_2 footprint for example in financing schemes, leading to an uneven situation between different production forms.
- Growing acceptability issues relating to various energy forms and energy technologies create uncertainty and risks for planned investments. Increasing sustainability requirements, e.g., in the context of the EU Nature Restoration Regulation, could have unforeseen negative consequences for the energy system, in particular for hydro and wind power and power grids. In the context of the EU Taxonomy Regulation, the initial inclusion of Fortum's core technologies such as hydro and nuclear power in the scope of the legislation was a positive development to ensure access to capital markets and future investments. However, the criteria for these technologies remains ambiguous and stricter than for other clean or renewable technologies. The European Commission will assess the need for a revision for the Taxonomy regulation in 2024, which might lead to updates to the criteria in the upcoming years. The revision process poses both risks and opportunities. On one hand it can improve the criteria of Fortum's key technologies or include new economic activities in the scope, but on the other, it might lead to another politicised debate on, for example, nuclear power's status as transitional activity as well as increased NGO activity.
- National investment schemes and selective support systems for new renewable energy production may lower the profitability of incumbent electricity production and lead to market distortions because of increased grid costs since producers pay a large part of total grid costs. Fortum may suffer also from lower electricity prices since, all else equal, production that otherwise would not be profitable will come online. There is also a risk that the lack of Nordic power grid capacity buildout continues to keep high or even increases price area differences and lowers our earnings and asset values in low price areas.
- 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.

Technology risks

Fortum's strategy may include 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 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 the development cycle and selectively developing and investing in projects together with our partners.

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.

Business ethics and compliance risks

Fortum's operations are subject to laws, rules and regulations set forth by the relevant authorities, exchanges and other regulatory bodies in all markets in which Fortum operates. Fortum 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 and regulations.

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) and the Regulation on Energy Market Integrity and Transparency (REMIT).

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-learnings to ensure coverage throughout the organisation.

Fortum's Code of Conduct and Supplier Code of Conduct stress the importance of business ethics for all employees, contractors and partners. Zero tolerance for corruption and bribery is highlighted in the Code of Conduct and Supplier Code 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, economic sanctions and competition law. Regarding economic sanctions, Fortum has, with internal and external experts, developed monitoring to follow applicable sanction regimes (EU, US, UK and UN) and relevant internal controls have been integrated to business processes to ensure compliance. Fortum has procedures for anti-corruption including prevention, oversight, reporting and enforcement based on the requirements prescribed in international legislation. The Supplier Code of Conduct, which is based on the ten principles of the United Nations Global Compact, define sustainability, business ethics, human rights and environmental requirements for suppliers of goods and services.

Environmental, health and safety and social risks

Operating power and heat generation plants and circular economy services involves the usage, storage and transportation of fuels and materials, including hazardous waste, which can have adverse effects on the environment and expose personnel, contractors and third parties to safety risks. Assessment of environmental risks and preparedness to operate in exceptional and emergency situations follows legislative requirements as well as the requirements in the environmental management standard (ISO 14001). The same approach, based on the requirements in the operational health and safety standard (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 and human rights risks related to the supply chain, are evaluated through counterparty risk assessments, country risk assessments, supplier qualifications as well as internal and external audits.

EHS and social risks are evaluated for investments. Environmental risks and liabilities in relation to past actions have been assessed and, where necessary, provisions have been made for future remedial costs. Mitigating climate change, adapting to it and driving the transition to a lower-carbon economy is an integral part of Fortum's strategy. Management of climate-related transition and physical risks are discussed in detail under the heading Climate-related risks.

Tax risk

Tax risk refers to the risk associated with unclarities, errors, failure in controls or disagreements in the interpretation of applicable tax laws and tax authority guidance. It equally relates to challenges and risks with changes in operations, long-term profitability or changes in tax laws or 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 materialise through a tax authority-initiated process followed by a legal process in one or multiple jurisdictions with a court confirming valid interpretation of local or EU law or tax treaties. In case multiple countries are involved, it may result in a mutual agreement process defining the final stand in the case. A legal process may result in a tax assessment of deductibility, income recognition or applicable tax rate on withholding in a business transaction. Risk may materialise also by a revaluation of tax-related assets, so called deferred tax assets, and liabilities due to changes in operations or tax law. The risks may equally realise through national or EU fiscal policies that are drafted without considering the impacts. Tax burden may be unexpected and not in line with the set objective.

Mitigating actions are seeking tax predictability for the business operations in all our operating countries. In order to do so, Fortum has, in line with its commitment to responsible tax management principles, approved by the Board of Directors, and tax governance guidance setting the frame for tax management. As concrete risk mitigation actions, Fortum targets to simplify legal structures, move towards digital solutions and manage data management and compliance, seek strategic clearance from tax authorities, improve transparency towards key stakeholders, participate in developing responsible regulation by contributing to public hearings and clarify accountabilities and responsibilities of duties.

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 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 improve predictability of future result by reducing volatility in earnings while ensuring cash flow risk is at an acceptable level. 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 Poland, market prices and the amount of profitable production exhibit significant variation due to weather conditions, outage patterns in production and transmission lines, CO_2 allowance prices, fuel prices, as well as the amount of electricity demand. Electricity price risks in the Nordics and Poland are mainly hedged by entering electricity contracts on exchanges such as Nasdaq Commodities, ICE, the European Energy Exchange and TGE (Towarowa Giełda Energii S.A. i.e., Polish commodity 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.

During 2023, the liquidity of Nordic electricity derivatives traded on Nasdaq Commodities improved slightly compared to the low levels of 2022.

Alternatives, including the use of OTC derivative contracts and correlated products are used to mitigatederivates market liquidity risk. Hedging strategies are continuously evaluated as electricity and other commodity market prices, the hydrological balance and other relevant parameters change. Hedging of the Generation segment's power sales is performed in EUR on a Nordic level, covering both Finland and Sweden, and the currency component of these hedges in the Swedish entity is currently not hedged.

Emission and environmental value risks

The EU has an emissions trading scheme in place to reduce the amount of CO_2 emissions. In addition to the emissions trading schemes, there are other trading schemes in environmental values in place in Sweden, Norway and Poland. Part of Fortum's power and heat generation is subject to requirements of these schemes.

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

Fuel prices and volume risks

Power and heat generation requires use of fuels that are purchased on global or local markets. The main fuels used by Fortum are uranium, coal, waste-derived fuels, biomass fuels, and natural gas. The main risk factor for fuels that are traded on global markets, such as coal and natural gas, is the uncertainty in price.

Prices are largely affected by demand and supply imbalances that can be caused by, for example, increased demand growth in developing countries, natural disasters or supply curtailments/fuel purchase constraints from political, social or labour unrest.

For fuels that are sourced on local or regional markets, such as biofuels, the volume risk in terms of availability of the raw material of appropriate quality is more significant as there may be a limited number of suppliers. The exposure to fuel price risk is mitigated through fixed-price physical delivery contracts as well as derivative contracts. Due to the current geopolitical situation, there is an increasing risk related to especially nuclear fuel imports from Russia. Fortum continues to monitor the situation closely and prepares adapted mitigation measures to minimise the negative impacts to Fortum.

Liquidity and refinancing risks

Fortum's business is exposed to liquidity and refinancing risks primarily through the need to finance business operations, including margining and collaterals issued for hedging activities. Trading derivative financial instruments exposes the Group to a liquidity risk associated with having to provide financial collaterals like cash or bank guarantees. Trading over-the-counter also exposes the Group to liquidity risk in case of a counterparty default. A default could trigger a termination payment in cases where the net market value of the bilateral contracts is positive for the counterparty. Higher and more volatile commodity prices increase the net margining payments toward clearing houses and clearing banks which are mainly settled in cash. Fortum mitigates this risk by entering into OTC derivatives contracts directly with bilateral counterparties without margining requirements. The exposure to margining requirements and termination payments is continuously assessed and monitored so that adequate liquidity is available to cover expected future cash collateral required for margining. There are strict limits in place which ensure that there is sufficient liquid funds and credit lines available to cover margining requirements, termination payments, working capital changes as well as contingent collaterals in extreme market scenarios.

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 is targeting to have a solid investment grade rating of at least BBB. A lowering of credit ratings, in particular to below investment grade level (BB+ or below) could trigger counterparties' rights to demand additional cash or non-cash collateral. That may affect the access to the capital markets and increase the cost of new financing.

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

Fortum has cash flows, assets and liabilities in currencies other than EUR and is therefore exposed to fluctuations in exchange rates. Currency exposures are divided into transaction exposures (foreign exchange exposures relating to contracted 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 and balance sheets in foreign entities are consolidated at the Group level).

The main translation exposure is toward EUR/Swedish Krona (SEK) arising from Fortum's extensive operations in Sweden. Fluctuations of the SEK against the EUR could have an adverse effect on future results and equity when consolidating and translating results and net assets in Swedish affiliates into euros. Translation exposures in Fortum are generally not hedged as the majority of these assets are considered to be long-term strategic holdings.

Transaction exposure arises mainly from physical and financial trading of commodities, existing and new investments, external and internal financing and shareholder loans within Fortum. Fortum hedges 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 the Generation segment's hedging of power sales in Sweden where the currency component is not hedged.

A centralised treasury function coordinates currency risk management and executes external hedges consisting of currency derivative contracts which are matched against the underlying future cash flow according to maturity. Derivatives are used exclusively to hedge existing foreign exchange risks, not for proprietary trading.

Counterparty and credit risks

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

Credit risk exposures related to hedging arise through physical delivery contracts and financial derivative instruments. These credit risk exposures are volatile and include both the replacement risk and the settlement risk. Exchange-traded derivatives are cleared through central clearing parties (CCPs) or through clearing banks, while OTC derivative contracts are concluded directly with a number of different counterparties including energy wholesalers and retailers, utilities, trading companies, industrial end-users and financial institutions active in the financial and energy markets. Due to Fortum’s net short position in Nordic power hedges, credit exposure tends to increase with the value of hedges if Nordic power prices decrease.

Due to the Group’s financing needs and management of liquidity, Fortum has counterparty credit exposure toward a number of banks and financial institutions. The majority of the exposure is toward Fortum's key relationship banks, which are highly creditworthy institutions.

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.

Fortum has routines and processes to identify, assess and control credit 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.

Operational risks

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

People and Process Risks

People risks include an inability to attract and retain the right competences, risks due to the loss of special skills, risk of failure in cultural renewal and risks due to errors on the part of employees who have not been sufficiently trained or who are not sufficiently qualified.

In order to reduce people risks, Fortum invests in the development and distribution of skills and succession planning. In addition, the existing compensation system for employees is regularly reviewed and adjusted.

Process risks are mainly caused by design failures or human errors. Mitigation includes digitalisation, 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. Risk management of the IT systems is based on an IT Service Lifecycle Model and related processes and practices have been developed using reference frameworks such as COBIT and ITIL. Business continuity plans are in place for business-critical processes.

Property, plant and equipment

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

Hydro power

Fortum has a large number of hydro power plants and dams in the Nordics. A dam breach is a serious accident with the threat of 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 billion (approximately EUR 1 billion).

Nuclear power

Fortum owns and operates the Loviisa nuclear power plant and has minority interests in one Finnish and two Swedish operational nuclear power companies. Fortum is a minority-shareholder in Voimaosakeyhtiö SF, which is a co-owner in the terminated Fennovoima-project. Any severe accident or nuclear release in nuclear power plants could lead to high costs, environmental damages and third-party liabilities. Both in Finland and Sweden, the assessment and improvement of nuclear safety is a continuous process performed under the supervision of the Radiation and Nuclear Safety Authority of Finland (STUK) in Finland and the Swedish Radiation Safety Authority (SSM) in Sweden.

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 related to nuclear accidents is strictly under the plant operator’s responsibility and must be covered by insurance or other financial cover. In Sweden and Finland, legislation requires that operators of nuclear power plants need to have a liability insurance or other financial cover in the amount equivalent to EUR 1.2 billion per site.

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 are provided for by a state-established fund to which nuclear power plant operators contribute. Contributions to these funds should be sufficient to fully cover expected costs for handling all the produced radioactive waste, but the possibility exists that future costs could exceed currently estimated fund provisions. If this were to occur, Fortum would be responsible for any such excess costs in relation to its share of operations and assets.

The current geopolitical situation has raised a new risk of nuclear fuel shortage in the Loviisa power plant. In order to mitigate this risk, Fortum has signed an agreement with Westinghouse Electric Company to have a parallel supplier for the current Russian supplier of nuclear fuel, but until the new fuels are approved by the Authority and delivered to site, a possibility exists for a limited period of fuel shortage.

Asset project risks

Fortum's business activities involve construction, modernisation, maintenance and decommissioning of power plants and other energy industry facilities. There is a risk that construction costs exceed planned costs or that construction delays occur as a result of regulatory or permit issues or failure of key suppliers, being unable to obtain permits. Asset projects also face environmental, health and safety risks. Asset project risks may realise both for Fortum's own assets projects, or projects carried out through joint ventures or associated companies.

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

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 energy production, 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 technology (IT) and operational technology (OT) systems, digitalisation and privacy. Also, physical threats like sabotage against Fortum's assets are possible and can have material impacts. Due to the ongoing war in Ukraine, the overall probability of cyber and other security risks remains elevated.

The focus in 2023 has been on improving preparedness and resiliency, covering cyber, physical security and organizational (management) aspects. Evolving security landscape is continuously monitored in cooperation with relevant authorities. Fortum is preparing for EU level security legislation which will be implemented during 2024/2025.

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.

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

Climate-related risks are divided into two categories in accordance with the TCFD (Task Force on Climate-related Financial Disclosures) recommendations: transition risks and physical risks. The identified physical risks are generally found in the operational risk category, whereas transition risks are generally part of the strategic risk category.

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 a number of strategic and operative risks related to changes in energy and climate policy and regulation, technology development and the business environment in which Fortum operates. Climate change may impact external market conditions which, in turn, can impact Fortum's financial and operative performance. Supply, demand and the prices achieved for 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 by changes 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 or steering mechanisms that exceed EU targets for greenhouse gas reduction, renewable energy production and energy efficiency. This can lead to overlapping or inefficient mechanisms, such as diluting the EU emissions trading system (ETS), tighter restrictions on incineration and burning of various fuels, and a more regulated electricity market. Fortum favours clear criteria for capacity remuneration in 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.

Additionally, there is a risk of increasing activity by NGOs which could affect key stakeholder perception. In order to mitigate this risk, 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.

Physical risks

Fortum's entities are required to identify and assess their assets' resilience towards different acute and chronic physical climate-related risks within different Intergovernmental Panel on Climate Change (IPCC) climate scenarios and create adaptation plans for the most material risks. For example, climate change scenarios are considered in long-term dam safety investments so that extreme flooding situations can be managed. Fortum is a supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and physical climate-related risks are reported accordingly in Fortum's TCFD report in Sustainability 2022 report.

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, for example, 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 could 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 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.

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	2023	2022	2021
Earnings per share, total Fortum	-2.31	-2.72	0.83
Earnings per share, continuing operations	1.68	2.34	4.49
Comparable earnings per share, total Fortum	1.32	-1.11	2.00
Comparable earnings per share, continuing operations	1.28	1.21	1.23
Comparable earnings per share, continuing operations excl. Russia	N/A	N/A	0.96
Cash flow per share, total Fortum	2.03	-9.86	5.60
Cash flow per share, continuing operations	1.91	1.93	1.26
Equity per share	9.40	8.55	13.66
Dividend per share	1.15[1]	0.91	1.14
Payout ratio, % [2]	90[1]	75	137
Dividend yield, %	8.8[1]	5.9	4.2

1) Board of Directors' proposal for the planned Annual General Meeting 25 March 2024.
2) Payout ratio is calculated based on comparable earnings per share from 2022 onwards. Payout ratio for 2023 and 2022 is calculated based on comparable earnings per share from continuing operations.

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

Share price performance and volumes

Fortum's share price has depreciated approximately 32% during the last five years, while Dow Jones European Utility Index has increased 38%. During the same period Nasdaq Helsinki Cap index has increased 22%. During 2023 Fortum's share price depreciated approximately 16%, while Dow Jones European Utility index increased approximately 9% and Nasdaq Helsinki Cap index decreased approximately 5%.

In 2023, a total of 412.3 million (2022: 560.8) Fortum Corporation shares, totalling EUR 5,337 million, were traded on Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2023 was EUR 16.18, the lowest EUR 10.25, and the volume-weighted average EUR 12.94. The closing quotation on the last trading day of the year 2023 was EUR 13.06 (2022: 15.54). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 11,718 million (2022: 13,943).

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 2023, approximately 78% (2022: 74%) 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 2023, a total of 897,264,465 shares (2022: 897,264,465) had been issued. Each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2023 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

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

Shareholders

At the end of 2023 the Finnish State owned 51.26% of the company's shares. 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.

The proportion of nominee registrations and direct foreign shareholders was 22.9% (2022: 26.8%).

Shareholders, 31 December 2023

Shareholders	No. of shares	Holding %
Finnish State	459,902,988	51.26
Ilmarinen Mutual Pension Insurance Company	20,048,221	2.23
Varma Mutual Pension Insurance Company	15,677,853	1.75
Elo Mutual Pension Insurance Company	11,785,000	1.31
The Finnish Social Insurance Institution	6,430,896	0.72
Kurikan Kaupunki	6,203,500	0.69
The State Pension Fund	5,700,000	0.64
Nordea Fennia Fund	2,441,987	0.27
OP-Henkivakuutus Ltd.	2,381,629	0.27
Evli Finland Select Fund	1,842,000	0.21
Nordea Pro Finland Fund	1,725,933	0.19
Seligson & Co OMX Helsinki 25 Exchange Traded Fund (ETF)	1,369,000	0.15
Säästöpankki Kotimaa Mutual Fund	1,337,017	0.15
Nordea Bank Abp	1,270,274	0.14
Nominee registrations and direct foreign ownership	205,782,619	22.93
Other	153,365,548	17.09
Total	**897,264,465**	**100.00**

By shareholder category	% of total amount of shares
Finnish shareholders	
Corporations	2.01
Financial and insurance institutions	2.44
General government	58.87
Non-profit organisations	1.00
Households	12.75
Non-Finnish shareholders	22.93
Total	**100.00**

Breakdown of share ownership, 31 December 2023

Number of shares owned	No. of share-holders	% of share-holders	No. of shares	% of total amount of shares
1–100	92,300	42.31	4,033,155	0.45
101–500	75,951	34.82	19,563,062	2.18
501–1,000	24,370	11.17	18,037,040	2.01
1,001–10,000	24,230	11.11	62,486,714	6.96
10,001–100,000	1,211	0.56	26,068,326	2.91
100,001–1,000,000	70	0.03	20,943,297	2.33
1,000,001–10,000,000	13	0.01	34,144,428	3.81
over 10,000,000	4	0.00	507,414,062	56.55
	218,149	**100.00**	**692,690,084**	**77.20**
In the joint book-entry account and in special accounts on 31 December			596	0.00
Nominee registrations			204,573,785	22.80
Total			**897,264,465**	**100.00**

Management shareholding 31 December 2023

At the end of 2023, the President and CEO and other members of the Fortum Executive Management owned a total of 223,463 shares (2022: 197,210) representing approximately 0.02% (2022: 0.02%) of the total shares in the company.

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

Authorisations from the Annual General Meeting 2023

In 2023, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase and disposal of the company's own shares up to 20,000,000 shares, which corresponded to approximately 2.23% 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 are effective until the next Annual General Meeting and, in any event, for a period no longer than 18 months. This authorisation has not been used as per 6 February 2024.

Dividend policy

The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy. At the beginning of March 2023, the Fortum Board of Directors resolved on Fortum's new strategy including a new dividend policy – a payout ratio of 60-90% of comparable EPS. At the beginning of February 2024 the Fortum Board of Directors resolved on clarifications to the dividend policy; the payout ratio will be used so that the upper end of the range of the pay-out ratio is applied in situations with a strong balance sheet and low investments, while the lower end of the range would be applied with high leverage and/or significant investments and high capital expenditure.

Dividend distribution proposal

The distributable funds of Fortum Corporation as at 31 December 2023 amounted to EUR 7,397,637,631, including the profit for the financial period 2023 of EUR 1,922,872,686. The Company's liquidity is good, and the dividend proposed by the Board of Directors will not compromise the Company's liquidity.

The Board of Directors proposes that a dividend of EUR 1.15 per share be paid for the financial year 2023. The dividend will be paid in two instalments.

Based on the number of shares registered as at 6 February 2024, the total amount of dividend would be EUR 1,031,854,135. The Board of Directors proposes that the remaining part of the distributable funds be retained in the shareholders' equity.

The first dividend instalment of EUR 0.58 per share would be paid to shareholders who on the record date of the first dividend instalment 27 March 2024 are recorded in the Company's shareholders' register held by Euroclear Finland Oy. The Board of Directors proposes that the first dividend instalment be paid on 5 April 2024.

The second dividend instalment of EUR 0.57 per share would be paid to the shareholders who on the record date of the second dividend instalment 2 October 2024 are recorded in the Company's shareholders' register held by Euroclear Finland Oy. The Board of Directors proposes that the second dividend instalment be paid on 9 October 2024.

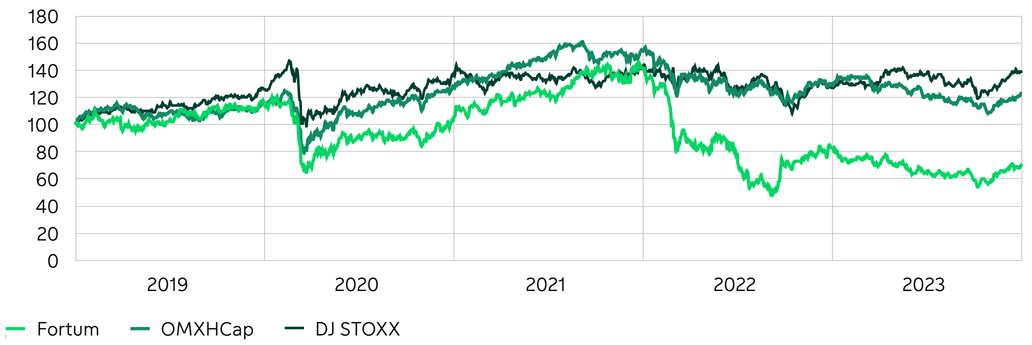
The Board of Directors further proposes that the General Meeting authorise the Board of Directors to resolve, if necessary, on a new record date and date of payment for the second dividend instalment, should the rules of Euroclear Finland Oy or statutes applicable to the Finnish book-entry system be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

The Annual General Meeting is planned to take place on 25 March 2024.

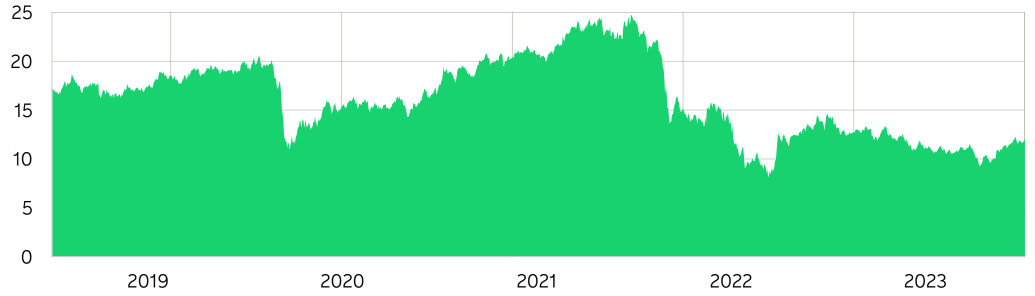
Powering a thriving world

Financials 2023

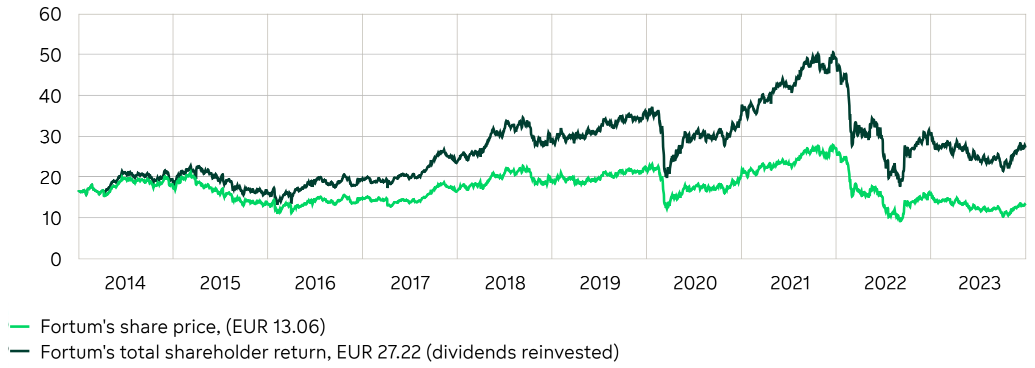
Share quotations, index 100 = quote on 2 January 2019



Market capitalisation, EUR billion



Total shareholder return, EUR



Consolidated financial statements

Fortum's consolidated income statement and consolidated cash flow statement include the Russia segment as discontinued operations in 2023 and 2022, and the Uniper segment as discontinued operations in 2022. As required by IFRS, comparative information for 2022 has been restated following the classification of the Russia segment as discontinued operations in 2023. For further information, see **Note 1** Material accounting policies, **Note 2** Critical accounting estimates and judgements and **Note 3** Acquisitions, disposals and discontinued operations.

Consolidated income statement

EUR million	Note	2023	2022
Sales	6	6,711	7,774
Other income		32	74
Materials and services	9	-3,808	-4,853
Employee benefits	10	-436	-432
Depreciation and amortisation	6, 16, 17	-359	-415
Other expenses	8	-595	-538
Comparable operating profit	6	**1,544**	**1,611**
Items affecting comparability	6, 7	118	356
Operating profit	6	**1,662**	**1,967**
Share of profit of associates and joint ventures	6, 18	59	-185
Interest expense		-269	-200
Interest income		165	75
Other financial items - net		-34	-93
Finance costs - net	11	-138	-218
Profit before income tax		**1,583**	**1,564**
Income tax expense	12	-69	520
Net profit for the year from continuing operations		**1,515**	**2,084**
Attributable to:			
Owners of the parent		1,514	2,080
Non-controlling interests		1	4
Net profit for the year from discontinued operations	3	**-3,582**	**-12,374**
Attributable to:			
Owners of the parent		-3,583	-4,496
Non-controlling interests		1	-7,878
Net profit for the year, total Fortum		**-2,067**	**-10,290**
Attributable to:			
Owners of the parent		-2,069	-2,416
Non-controlling interests		2	-7,874
Earnings per share for profit attributable to the equity owners of the company (EUR per share)	13		
Basic, continuing operations		1.68	2.34
Basic, discontinued operations		-3.99	-5.07
Basic, total Fortum		-2.31	-2.72

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

EUR million	Note	2023	2022
Comparable operating profit		**1,544**	**1,611**
Impairment charges and reversals		-	0
Capital gains and other related items		4	785
Changes in fair values of derivatives hedging future cash flow		111	-376
Other		3	-52
Items affecting comparability	6, 7	118	356
Operating profit		**1,662**	**1,967**

See **Definitions and reconciliations of key figures**

fortum
Powering a thriving world

Financials 2023

Consolidated statement of comprehensive income

EUR million	Note	2023	2022
Net profit for the year, total Fortum		**-2,067**	**-10,290**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Cash flow hedges			
Fair value gains/losses		2,185	-2,601
Transfers to income statement		150	1,102
Transfers to inventory/property, plant and equipment		-3	0
Deferred taxes		-473	294
Net investment hedges			
Fair value gains/losses		-16	21
Deferred taxes		3	-4
Exchange differences on translating foreign operations	4.3	-43	-312
Share of other comprehensive income of associates and joint ventures	18	-17	41
		1,788	**-1,461**
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of investments		1	-15
Actuarial gains/losses on defined benefit plans	30	-9	49
Actuarial gains/losses on defined benefit plans in associates and joint ventures		-3	7
		-11	**41**
Other comprehensive income/expense from continuing operations, net of deferred taxes		**1,777**	**-1,419**
Recycling of translation differences including net investment hedges related to Russia [1]		1,940	-
Other comprehensive income/expense from discontinued operations, net of deferred taxes		-69	953
Total comprehensive income/expense		**1,581**	**-10,757**
Total comprehensive income/expense for total Fortum attributable to:			
Owners of the parent		1,580	-3,337
Non-controlling interests		1	-7,420
		1,581	**-10,757**

1) The deconsolidation of Russian operations in 2023 resulted in the recycling of EUR 1.9 billion negative cumulative translation differences from equity to the income statement. The recycling did not have any impact on total equity.

Other comprehensive income (OCI) includes items of income and expense that are recognised in equity and not recognised in the consolidated income statement. They include unrealised items, such as fair value gains 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 gains and losses on fair valuation of other investments, actuarial gains and losses from defined benefit plans, items 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 forwards, hedging commodity sales price for 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).

Exchange differences on translating foreign operations include translation differences from translation of foreign entities, mainly SEK, NOK and PLN.

Fortum
Powering a thriving world

Consolidated balance sheet

EUR million	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	16	643	657
Property, plant and equipment and right-of-use assets	17	6,612	7,266
Participations in associates and joint ventures	18	1,059	1,249
Share in the State Nuclear Waste Management Fund	28	1,058	966
Other non-current assets	20	201	628
Deferred tax assets	27	958	933
Derivative financial instruments	14, 15	216	343
Long-term interest-bearing receivables	21	644	624
Total non-current assets		**11,392**	**12,668**
Current assets			
Inventories	22	452	465
Derivative financial instruments	14, 15	389	1,486
Short-term interest-bearing receivables	21	389	660
Income tax receivables	27	59	71
Margin receivables	26	590	2,607
Trade and other receivables	23	1,286	1,767
Liquid funds	24	4,183	3,919
Total current assets		**7,347**	**10,975**
Total assets		**18,739**	**23,642**

EUR million	Note	31 Dec 2023	31 Dec 2022
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	3,046	3,046
Share premium		73	73
Retained earnings		5,592	6,467
Other equity components		-273	-1,916
Total		**8,438**	**7,670**
Non-controlling interests		60	67
Total equity		**8,499**	**7,737**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	26	4,573	3,658
Derivative financial instruments	14, 15	216	756
Deferred tax liabilities	27	428	152
Nuclear provisions	28	1,058	966
Other provisions	29	125	118
Pension obligations, net	30	10	13
Other non-current liabilities	31	122	121
Total non-current liabilities		**6,532**	**5,784**
Current liabilities			
Interest-bearing liabilities	26	1,337	4,127
Derivative financial instruments	14, 15	1,057	3,973
Other provisions	29	2	13
Margin liabilities	26	131	352
Trade and other payables	32	1,181	1,657
Total current liabilities		**3,708**	**10,122**
Total liabilities		**10,240**	**15,905**
Total equity and liabilities		**18,739**	**23,642**

Consolidated statement of changes in total equity

		Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
EUR million	Note			Retained earnings	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associates and joint ventures			
Total equity 1 January 2023		**3,046**	**73**	**9,499**	**-3,031**	**-2,182**	**172**	**93**	**7,670**	**67**	**7,737**
IS Net profit for the year, total Fortum [1]				-2,069					-2,069	2	-2,067
Translation differences					-36	-6	0	0	-43	0	-43
Translation differences, recycled to Income statement					2,106		-166		1,940	-	1,940
Other comprehensive income						1,860	-21	-19	1,820	0	1,820
OCI related to discontinued operations					-63	-9	0	5	-68	-2	-69
Total comprehensive income for the year				-2,069	2,006	1,844	-186	-14	1,580	1	1,581
Cash dividend	13			-817					-817	0	-817
Deconsolidation of subsidiary companies									-	-22	-22
Transactions with non-controlling interests									-	15	15
Other				5					5	0	5
BS Total equity 31 December 2023		**3,046**	**73**	**6,618**	**-1,026**	**-337**	**-14**	**79**	**8,438**	**60**	**8,499**
Total equity 1 January 2022		**3,046**	**73**	**12,830**	**-2,768**	**-1,138**	**34**	**54**	**12,131**	**1,534**	**13,665**
IS Net profit for the year, total Fortum				-2,416					-2,416	-7,874	-10,290
Translation differences					-340	40	1	-4	-304	-9	-312
Other comprehensive income				209		-1,196	-160	44	-1,102	-4	-1,107
OCI related to discontinued operations					76	112	298	-1	485	468	953
Total comprehensive income for the year				-2,208	-264	-1,044	139	39	-3,337	-7,420	-10,757
Cash dividend	13			-1,013					-1,013	-23	-1,036
Deconsolidation of subsidiary companies				16					16	6,104	6,119
Transactions with non-controlling interests				-127					-127	-122	-249
Other				1					1	-6	-5
BS Total equity 31 December 2022		**3,046**	**73**	**9,499**	**-3,031**	**-2,182**	**172**	**93**	**7,670**	**67**	**7,737**

1) Of which EUR -1,940 million is related to the recycling of the negative cumulative translation differences and related net investment hedges from Russian operations, to the income statement.

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 to EUR are recognised in equity (related to continuing operations mainly SEK, NOK and PLN).

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

Equity impact from recycling of cumulative translation difference and related hedges relating to Russia

The deconsolidation of Russian operations in April 2023 resulted in the recycling of EUR 1.9 billion negative cumulative translation differences from translation of foreign operations from equity to the income statement. The recycling did not have any impact on total equity. The cumulative translation differences are due to the significant weakening of the Russian rouble since the acquisition of the Russian operations in 2008.

EUR million	Retained earnings	Translation of foreign operations	Other OCI items	Owners of the parent
Impact included in Net profit for the year	-1,940			-1,940
Impact to other equity items		2,106	-166	1,940
Total equity impact	**-1,940**	**2,106**	**-166**	**-**

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 2022 of EUR 0.91 per share, amounting to a total of EUR 817 million, was decided in the Annual General Meeting on 13 April 2023. The dividend was paid in two instalments. The first dividend instalment of EUR 0.46 per share was paid on 24 April 2023, amounting to a total of EUR 413 million. The second dividend instalment of EUR 0.45 was paid on 10 October 2023, amounting to a total of EUR 404 million. See **Note 13** Earnings and dividend per share.

fortum
Powering a thriving world

Financials 2023

Consolidated cash flow statement

EUR million	Note	2023	2022
Cash flow from operating activities			
IS **Net profit from continuing operations**		**1,515**	**2,084**
Adjustments:			
Income tax expense		69	-520
Finance costs - net		138	218
Share of profit/loss of associates and joint ventures		-59	185
Depreciation and amortisation		359	415
Operating profit before depreciations (EBITDA)		**2,021**	**2,381**
Items affecting comparability		-118	-356
Comparable EBITDA		**1,903**	**2,025**
Non-cash and other items		129	157
Interest received		153	99
Interest paid		-228	-213
Dividends received		16	14
Income taxes paid		-454	-164
Funds from operations		**1,519**	**1,918**
Change in working capital		191	-200
Net cash from operating activities, continuing operations		**1,710**	**1,717**
Cash flow from investing activities, continuing operations			
Capital expenditures	16, 17	-576	-479
Acquisitions of shares	3	-53	-29
Proceeds from sales of property, plant and equipment		12	3
Divestments of shares and capital returns		5	1,156
Shareholder loans to associated companies and joint ventures		-30	49
Change in margin receivables		2,024	-1,311
Change in other interest-bearing receivables and other [1]		52	2,429
Net cash from/used in investing activities, continuing operations		**1,433**	**1,818**

EUR million	Note	2023	2022
Cash flow before financing activities, continuing operations		**3,143**	**3,536**
Cash flow from financing activities, continuing operations			
Proceeds from long-term liabilities		1,755	2,421
Payments of long-term liabilities		-1,620	-5,885
Change in short-term liabilities		-1,757	-170
Dividends paid to the owners of the parent	13	-817	-1,013
Dividends paid to non-controlling interests		0	-19
Change in margin liabilities		-221	150
Other financing items		19	-168
Net cash from/used in financing activities, continuing operations		**-2,640**	**-4,684**
Net increase(+)/decrease(-) in liquid funds, continuing operations		**503**	**-1,148**
Cash flow from discontinued operations			
Net cash from/used in operating activities, discontinued operations		109	-10,484
Net cash from/used in investing activities, discontinued operations [2]		-333	-2,789
Net cash from/used in financing activities, discontinued operations		21	10,739
Net increase(+)/decrease(-) in liquid funds, discontinued operations		**-202**	**-2,534**
Cash flow, total Fortum			
Total net cash from/used in operating activities		1,819	-8,767
Total net cash from/used in investing activities		1,095	-970
Total net cash from/used in financing activities		-2,614	6,055
Net increase(+)/decrease(-) in liquid, total Fortum		**301**	**-3,682**
Liquid funds 1 January		**3,919**	**7,592**
Foreign exchange differences and expected credit loss allowance in liquid funds		-36	7
Liquid funds 31 December	23	**4,183**	**3,919**

1) In 2021 Fortum granted Uniper a shareholder loan of EUR 4,000 million of which EUR 2,500 million was drawn in 2021 and EUR 1,500 million in 2022. In December 2022, as part of the closing of the Uniper transaction, the EUR 4,000 million shareholder loan was fully repaid to Fortum.
2) Cash flow from investing activities for discontinued operations in 2023 includes Russia related cash flows netted with liquid funds of EUR 284 million lost through the seizure of the Russian assets. The consideration received for the Uniper shares, EUR 498 million, is presented in cash flow from discontinued operations in 2022.

Change in financial net debt

EUR million	Note	2023	2022
Financial net debt 1 January		**1,084**	**789**
Uniper's net financial position in Uniper's Annual report		-	1,969
Internal shareholder loans to Uniper and OKG		-	2,764
Reversal of purchase price allocation		-	-187
Uniper impact total on Financial net debt, 1 January		-	4,546
Financial net debt excl. Uniper 1 January		**1,084**	**5,335**
Russia impact on Financial net debt 1 January		43	296
Financial net debt excl. Russia and Uniper 1 January		**1,127**	**5,631**
Net cash flow:			
Comparable EBITDA		1,903	2,025
Non-cash and other items		129	157
Paid net financial costs and dividends received		-59	-100
Income taxes paid		-454	-164
Change in working capital		191	-200
Capital expenditures		-576	-479
Acquisitions		-53	-29
Divestments and proceeds from sale of property, plant and equipment		17	1,159
Change in interest-bearing receivables		22	2,478
Dividends to the owners of the parent		-817	-1,013
Dividends to non-controlling interests		0	-19
Other financing activities		19	-168
Net cash flow ('-' increase in financial net debt)		322	3,647
Consideration received for Uniper shares		-	498
Foreign exchange rate differences and other changes [1]		137	-359
Financial net debt 31 December	26	**942**	**1,127**

1) The comparison period 2022 includes EUR 210 million deconsolidated debt from the divestment of Fortum Oslo Varme in 2022.

Additional cash flow information

Non-cash and other items

Non-cash and other items EUR 129 million (2022: 157) mainly relate to realised foreign exchange gains and losses EUR 186 million (2022: 208), change in liability to return emission rights EUR -32 million (2022: 57) and paid commitment fee for Solidium bridge loan facility EUR -39 million (2022: 0).

Change in working capital

EUR million	2023	2022
Change in interest-free receivables, decrease(+)/increase(-)	348	-352
Change in inventories, decrease(+)/increase(-)	-14	-182
Change in interest-free liabilities, decrease(-)/increase(+)	-143	334
CF **Total**	**191**	**-200**

Capital expenditure in cash flow

EUR million	Note	2023	2022
Capital expenditure	16, 17	611	467
Change in not yet paid investments, decrease(+)/increase(-)		-16	16
Capitalised borrowing costs		-20	-4
CF **Total**		**576**	**479**

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 53 million (2022: 29). In 2023 Fortum acquired the Swedish electricity solutions provider Telge Energi AB. For further information see **Note 3** Acquisitions, disposals and discontinued operations.

Divestment of shares in cash flow

EUR million	Note	2023	2022
Proceeds from sales of subsidiaries, net of cash disposed	3	1	1,070
Proceeds from sales and capital returns of associates and joint ventures	3, 18	0	86
Proceeds from sales of other investments	3	3	0
CF **Total**		**5**	**1,156**

There were no material divestments during 2023. During 2022 Fortum completed the divestment of the 50% ownership in the district heating company Fortum Oslo Varme AS in Norway, the e-mobility business Plugsurfing and the 30% stake in the public charging operator Recharge AS. For further information, see **Note 3** Acquisitions, disposals and discontinued operations.

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

Notes to the consolidated financial statements

1 Material 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 Nordic energy company. Our purpose is to power a world where people, businesses and nature thrive together. We are one of the cleanest energy producers in Europe and our actions are guided by our ambitious environmental targets. We generate and deliver clean energy reliably and help industries to decarbonise their processes and grow. Our core operations in the Nordics comprise of efficient, CO_2-free power generation as well as reliable supply of electricity and district heat to private and business customers.

These financial statements were approved by the Board of Directors on 6 February 2024. 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 **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 2023 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).

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

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

1.3 Principles for consolidation

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

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

1.3.1 Subsidiaries

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

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

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

Fortum Group subsidiaries are disclosed in **Note 39** Group companies by segment. 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.

1.3.2 Associates

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

1.4 Measures for performance

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

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

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

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

To provide additional financial performance indicators to support meaningful comparison of financials for Fortum's strategic businesses, Fortum introduced in 2022 the following APMs: 'Comparable EBITDA from continuing operations excl. Russia', 'Comparable operating profit from continuing operations excl. Russia', 'Comparable net profit from continuing operations excl. Russia', 'Comparable earnings per share from continuing operations excl. Russia', and 'Financial net debt/comparable EBITDA excl. Russia'. Following the deconsolidation of Russia in 2023, these APMs, with the exception of 'Financial net debt/comparable EBITDA excl. Russia', are no longer presented.

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-to-comparable EBITDA of 2.0–2.5 times. 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 consolidated income 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 into euro using the closing exchange rates on the balance sheet date. On consolidation, exchange rate differences arising from the translation of net investment in foreign entities, as well as borrowings and other currency instruments designated as hedges for such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

The balance sheet date rate is based on the exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of daily closing rates from the European Central Bank. The European Central Bank stopped publishing rouble (RUB) rates from 2 March 2022. From 2 March 2022, the daily spot rate at 17:15 EET from the market has been used. RUB rate is no longer presented in 2023 due to the deconsolidation of the Russia segment.

Key exchange rates used in consolidated financial statements

	Average rate		Balance sheet date rate	
	2023	2022	31 Dec 2023	31 Dec 2022
Norway (NOK)	11.4248	10.1026	11.2405	10.5138
Poland (PLN)	4.5420	4.6861	4.3395	4.6808
Russia (RUB)	N/A	73.6173	N/A	77.8998
Sweden (SEK)	11.4788	10.6296	11.0960	11.1218

1.5.4 Associates and joint ventures

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

1.6 Other material accounting policies

Fortum describes other material accounting policies in conjunction with the relevant disclosure information. The table below lists material 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 discontinued operations	IFRS 3, IFRS 10
Discontinued operations	3. Acquisitions, disposals and discontinued operations	IFRS 5
Financial instruments	4. Financial risk management 14. Financial assets and liabilities by categories 15. Financial assets and liabilities by fair value hierarchy	IAS 32, IFRS 7, IFRS 9, IFRS 13
Segment reporting	6. Segment reporting	IFRS 8, IFRS 15
Revenue recognition	6. Segment reporting 23. Trade and other receivables	IFRS 15
Share-based payments	10. Employee benefits and Board remuneration	IFRS 2
Earnings per share	13. Earnings and dividend per share	IAS 33
Other shares and participations	14. Financial assets and liabilities by categories 20. Other non-current assets	IAS 32, IAS 36, IFRS 9
Fair value measurement	15. Financial assets and liabilities by fair value hierarchy	IFRS 13
Intangible assets	16. Intangible assets	IAS 38
Tangible assets	17. Property, plant and equipment and Right-of-use Assets	IAS 16
Joint arrangements	18. Participations in associated companies and joint ventures	IFRS 11, IAS 28, IFRS 12
Investments in associates	18. Participations in associated companies and joint ventures	IAS 28, IFRS 12
Impairment testing	19. Impairment testing	IAS 36
Inventories	22. Inventories	IAS 2
Trade receivables	23. Trade and other receivables	IFRS 9
Liquid funds	24. Liquid funds	IAS 7
Borrowings	26. Interest-bearing liabilities	IFRS 9
Income taxes	27. Income taxes on the balance sheet	IAS 12
Decommissioning obligation	28. Nuclear related assets and liabilities	IFRIC 5
Provisions	29. Other provisions	IAS 37
Pensions and similar obligations	30. Pension obligations	IAS 19
Leases	33. Leases	IFRS 16
Contingent liabilities	35. Pledged assets and contingent liabilities	IAS 37
Events after the balance sheet date	38. Events after the balance sheet date	IAS 1

1.7 Changes in reporting from 2022

1.7.1 Reportable segments

In March 2023, Fortum announced the reorganisation of its business structure. From 2023, the business units are classified into the following reportable segments under IFRS: the Generation segment, the Consumer Solutions segment, and the Other Operations segment. Segment comparatives for 2022 were restated and a separate stock exchange release with restated comparatives was issued on 17 April 2023. See also **Note 6** Segment reporting.

1.7.2 Discontinued operations

Russia in 2023

Control over Fortum's Russian operations was lost on 25 April 2023 following the Russian Presidential decree No. 302, which enables the authorities to introduce temporary asset management to assets owned by certain foreign entities in Russia, and the subsequent nomination of the new external CEO to PAO Fortum. Consequently, in 2023 Fortum's Russia segment was deconsolidated, and classified as discontinued operations as required by IFRS 5 Non-current assets held for sale and discontinued operations. Fortum has not had access to financial or non-financial information from the Russia segment since the first quarter 2023 reporting, and therefore information for the deconsolidation is based on the 31 March 2023 balance sheet.

Comparatives for 2022 were restated and a separate stock exchange release with restated comparatives was issued on 11 May 2023. See also **Note 2** Critical accounting estimates and judgements and **Note 3.3** Discontinued operations. The deconsolidation in 2023 resulted in EUR 3.6 billion one-time, non-cash negative effect. The amount consists of the full write-down of the Russian assets of EUR 1.7 billion, and EUR 1.9 billion negative cumulative translation differences previously recognised in equity. These cumulative translation differences are recycled from equity to profit and loss on deconsolidation according to IFRS. The recycling did not have any impact on total equity.

Uniper in 2022

Discontinued operations in 2022 also include Fortum's former subsidiary Uniper SE and its consolidated group companies. Fortum lost control of Uniper on the signing of the agreement in principle to sell the shares in Uniper SE to the German State on 21 September 2022 and Uniper was deconsolidated at 30 September 2022. The transaction was completed on 21 December 2022. On deconsolidation of Uniper at 30 September 2022, Fortum recorded EUR 28.0 billion one-time, non-cash positive effect. The amount consists of the net effect from the deconsolidation of Uniper's assets, liabilities and non-controlling interest, and the book value of Uniper-related goodwill and other fair value adjustments made on acquisition; as well as certain items previously recognised in other comprehensive income, mainly foreign exchange differences, that are reclassified to profit and loss on disposal. See also **Note 3.3** Discontinued operations.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

1.8 New accounting standards, amendments and interpretations

New accounting standards, amendments and interpretations effective from 1 January 2023 did not have a material impact on Fortum's consolidated financial statements.

At the balance sheet date 31 December 2023, Fortum Group has applied the amendments to IAS 12 Income Taxes International Tax Reform – Pillar Two Model Rules. The amendments introduce a temporary exception to IAS 12 for the treatment of deferred taxes, under which the company does not recognise or disclose deferred tax assets and liabilities related to Pillar Two income taxes. See **Note 12** Income tax expense.

New accounting standards, amendments and interpretations issued by the balance sheet date and effective from 1 January 2024, or later, are not expected to have a material impact on Fortum's consolidated financial statements.

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. These factors can affect the carrying amounts of assets and liabilities, the amount and timing of earnings recognition, as well as cash flows.

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 determining the valuation of certain financial instruments	14. Financial assets and liabilities by categories 15. Financial assets and liabilities by fair value hierarchy
Assumptions used when determining loss of control on disposal of subsidiaries	2. Critical accounting estimates and judgments 3. Acquisitions, disposals and discontinued operations
Assigned values and useful lives determined for intangible assets and property, plant and equipment acquired in a business combination	16. Intangible assets 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	16. Intangible assets 17. Property, plant and equipment and right-of-use assets 18. Participations in associated companies and joint ventures 19. Impairment testing
Judgement used when assessing the nature of Fortum's interest in its investees, when considering the classification of Fortum's joint arrangements, as well as commitments arising from these arrangements	18. Participations in associated companies and joint ventures
Estimates used for the recognition and measurement of deferred tax assets	27. Income taxes on the balance sheet
Assumptions made to determine long-term cash flow forecasts of estimated costs for provision related to nuclear production	28. Nuclear related assets and liabilities
Assumptions made when estimating provisions	29. Other provisions
Assumptions used to determine future pension obligations	30. Pension obligations

2.1 Russia's invasion of Ukraine

Russia's attack on Ukraine in February 2022 has severely impacted Fortum's current and future businesses. The main impacts on Fortum's 2023 financials include the events that led to the deconsolidation of Fortum's Russia segment in 2023, as well as the divestment of Uniper to the German State in 2022.

2.1.1 Deconsolidation of Russia segment in 2023

On 25 April 2023, Fortum's subsidiary PAO Fortum (Fortum JSC) was put under asset management in accordance with a Russian Presidential decree No. 302 which introduced a 'temporary' asset management to assets owned by certain foreign entities in Russia. On 26 April 2023, this caused the forced replacement of the company's CEO and the Russian authorities seized control of Fortum's assets in Russia. The decree and the subsequent forced nomination of the external CEO to PAO Fortum triggered a control assessment as required by IFRS 10 Consolidated financial statements. Based on the assessment, Fortum's rights are no longer substantive as it does not have practical ability to use control over its Russian operations, and that the Russian State is in practice able to approve or reject the most important decisions in relation to these operations. Consequently, control was lost on 25 April 2023 and the Russia segment was deconsolidated in 2023. See also **Note 3.3** Discontinued operations.

2.1.2 Uniper divestment to the German State in 2022

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

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

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

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

2.1.3 Deferred tax asset

Deferred tax assets at 31 December 2023 include EUR 829 million (2022: EUR 706 million) recognised in 2023 and 2022 relating to one-time tax impacts realised in Ireland, which resulted in increased deferred tax assets on tax loss carry forward. The deferred tax asset mainly relates to impacts caused by the Uniper divestment and Russia deconsolidation, and the utilisation is subject to future taxable income in Ireland. See **Note 27** Income taxes on the balance sheet.

2.2 Macroeconomic environment

The volatility in the commodity markets continued in 2023. The ongoing disruption of the energy sector is expected to continue in near term due to geopolitical tensions and the general negative economic outlook with high inflation and interest rates, tightening regulations and volatile commodity markets. The market volatility increases the estimation uncertainty and management judgement especially for the cash flows and discount rates applied in impairment testing of non-current assets, discounting of the provisions and obligations as well as valuation of deferred tax assets and expected credit losses.

Fortum's liquidity and refinancing risks are primarily related to the need to finance its business operations, including margining payments and collaterals issued to enable hedging of commodity market risk exposures. Higher and more volatile commodity prices increase the net margining payments toward clearing houses and clearing banks. Fortum mitigates this risk by entering into over-the-counter (OTC) derivatives contracts directly with bilateral counterparties without margining requirements. Consequently, credit exposure from hedges with OTC counterparties has increased.

2.3 Climate-related matters

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

Main climate-related risks facing Fortum include transition risks, such as changes in legislation, changes in technology, impact on supply or demand, and reputation; as well as physical risks, such as those arising from extreme weather conditions or changes in long-term weather patterns. For instance, floods will impact the optimal operation of hydro power plants. Fortum is systematically reducing risks related to dam safety through long-term investments to secure the discharge capacity in extreme flood situations. Legislation risk relates to both EU and national climate-related policies and regulation, such as the treatment of nuclear, as there is a risk that some technologies are preferred for reasons other than their CO_2 footprint. Further, increasing sustainability requirements, e.g., in the context of the EU Nature Restoration Regulation, could have unforeseen negative consequences for the energy system, in particular for hydro and wind power and power grids.

The impacts of climate change are reflected in the consolidated financial statements generally when specific actions, such as new investments to transition to CO_2-free production or to tackle climate change have been approved; or when climate-related risks have materialised.

The following financial statement items are most relevant when considering the impact of climate-related matters:

- Impairment testing: approved actions towards Fortum's climate risks and targets are reflected in the assumptions used in the impairment testing, as appropriate. See **Note 19** Impairment testing.
- Property, plant and equipment: economic lives and book values of property, plant and equipment reflect approved actions towards Fortum's climate-related risks and targets. See **Note 17** Property, plant and equipment.
- Nuclear provisions include future costs for decommissioning nuclear power plants, and the appropriate treatment of spent fuel. See **Note 28** Nuclear-related assets and liabilities.

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

3 Acquisitions, disposals and discontinued operations

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 assets transferred and liabilities assumed. 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.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale, and that represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the consolidated income statement.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS REGARDING LOSS OF CONTROL

Fortum reassesses if it controls its subsidiaries if facts and circumstances indicate that there are changes to the three elements of control: power over the investee, exposure or rights to variable returns, or the ability to use power over to affect the amount of returns. Therefore, the date on which control over a subsidiary is lost may require management judgment. With regards to the deconsolidation of the Russia segment, management has used judgment in concluding that the Russian Presidential decree issued on 25 April 2023 resulted in loss of control. With regards to Uniper deconsolidation, management has used judgment in concluding that the signing of the agreement with the German Government on 21 September 2022 resulted in loss of control. See also **Note 2** Critical accounting estimates and judgements.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

3.1 Acquisitions

EUR million	2023	2022
Gross investments in shares in subsidiary companies	22	0
Gross investments in shares in associated companies and joint ventures	12	10
Gross investments in other shares	19	19
Total	**53**	**29**

Acquisitions during 2023

On 31 August 2023, Fortum acquired the Swedish electricity solutions provider Telge Energi AB from Telge AB. The total consideration for the entire shareholding in Telge Energi on a cash and debt-free basis was approximately SEK 450 million (EUR 39 million). The purchase price, net of cash acquired and other adjustments, was EUR 22 million. Telge Energi AB is included in the Consumer Solutions segment.

3.2 Disposals

EUR million	2023	2022
Gross divestments of shares in subsidiary companies	1	1,279
Gross divestments of shares in associated companies and joint ventures	0	86
Gross divestments of other investments	3	0
Total	**4**	**1,365**

3.2.1 Disposals of subsidiary companies

Disposals during 2023

There were no material disposals in 2023.

Control over Fortum's Russian operations was lost on 25 April 2023 following the Russian Presidential decree No. 302. Consequently, in 2023 Fortum's Russia segment was deconsolidated, and classified as discontinued operations. Fortum has not had access to financial or non-financial information from the Russia segment since the first quarter 2023 reporting, and therefore information for the deconsolidation is based on the 31 March 2023 balance sheet. See **Note 3.3** Discontinued operations.

Disposals during 2022

On 21 September 2022, Fortum, the German Government and Uniper signed an agreement in principle allowing the German State to take full control of Uniper and Uniper was deconsolidated. On 21 December 2022, the transaction was completed and Fortum received the total consideration of the share transaction of EUR 498 million and Uniper repaid the EUR 4 billion shareholder loan. The consideration received for the shares is presented in the cash flow from discontinued operations. See also **Note 1** Material accounting policies, **Note 2** Critical accounting estimates and judgements and **Note 3.3** Discontinued operations.

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

On 19 May 2022, Fortum announced that it had concluded the sale of its 50% ownership in the district heating company Fortum Oslo Varme AS in Norway to a consortium of institutional investors of Hafslund Eco, Infranode and HitecVision. The total consideration of the sale amounted to approximately EUR 1 billion on a cash- and debt-free basis; and as part of the transaction, Fortum deconsolidated a related EUR 210 million shareholder loan from the City of Oslo. Fortum recorded a tax-exempt capital gain of EUR 638 million in the Generation segment's 2022 results. In 2022, Fortum Oslo Varme AS was part of the City Solutions segment (see **Note 6** Segment reporting).

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

Divestments of shares in subsidiaries - Impact on financial position

The table below does not include the impact of deconsolidation of Russia and Uniper, which is presented separately in **Note 3.3.2** Impact from the deconsolidation of Russia and Uniper.

EUR million	2023	2022
Gross divestments of shares in subsidiary companies	1	1,279
Intangible assets and property, plant and equipment	0	797
Other non-current and current assets	0	592
Liquid funds	0	44
Interest-bearing loans	0	-206
Other liabilities and provisions	0	-816
Net assets divested	**0**	**411**
Reclassified to participations in associates and joint ventures	-	-
Result from transaction	**1**	**702**

3.2.2 Other disposals

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

3.3 Discontinued operations

The Russia segment is classified as discontinued operations in 2023, and the Uniper segment was classified as discontinued operations in 2022. See also **Note 1** Material accounting policies and **Note 2** Critical accounting estimates and judgments. Financial performance and cash flow information for the discontinued operations is presented until 31 March 2023 for the Russia segment, and until 30 September 2022 for the Uniper segment.

3.3.1 Financial performance

The result from discontinued operations is disclosed on one line on the face of the consolidated income statement. The following table presents breakdown of income statement information for discontinued operations. Discontinued operations include the Russia segment in 2023 and 2022; as well as the Uniper segment in 2022. The deconsolidation of Russian operations in 2023 resulted in EUR 3.6 billion one-time, non-cash negative effect. The deconsolidation of Uniper in 2022 resulted in EUR 28.0 billion one-time, mainly non-cash positive effect. The effects of eliminations from internal sales and purchases have been included in the discontinued operations. The net financial costs are based on the historical financial costs in the separate companies.

EUR million	2023	2022
Sales	287	129,126
Other income	6	22,535
Materials and services	-148	-132,778
Employee benefits	-20	-781
Depreciation and amortisation	-23	-724
Other expenses	-15	-21,865
Comparable operating profit	**86**	**-4,487**
Deconsolidation effect	-3,608	27,966
Items affecting comparability	0	-40,570
Operating profit	**-3,521**	**-17,091**
Share of profit/loss of associates and joint ventures	26	-372
Finance costs - net	-88	-1,028
Profit before income tax	**-3,584**	**-18,491**
Income tax expense	2	6,117
Net profit from discontinued operations	**-3,582**	**-12,374**
Attributable to:		
Owners of the parent	-3,583	-4,496
Non-controlling interests [1]	1	-7,878
Earnings per share, discontinued operations, EUR	-3.99	-5.07
Comparable net profit from discontinued operations	34	-2,064
Comparable earnings per share, discontinued operations, EUR	0.04	-2.32

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

3.3.2 Impact from the deconsolidation of Russia and Uniper

Russia

The deconsolidation of Russian operations in 2023 resulted in EUR 3.6 billion one-time, non-cash negative effect. The amount consists of the full write-down of the Russian assets of EUR 1.7 billion, and EUR 1.9 billion negative cumulative translation differences previously recognised in equity. These cumulative translation differences are recycled from equity to profit and loss on deconsolidation according to IFRS. The recycling did not have any impact on total equity.

Fortum has not had access to financial or non-financial information from the Russia segment since the first quarter 2023 reporting, and therefore information for the deconsolidation is based on the 31 March 2023 balance sheet.

EUR million	31 Mar 2023
Intangible assets	18
Property, plant and equipment and right-of-use assets	896
Participations in associates and joint ventures	221
Interest-bearing receivables	33
Other non-current and current assets	594
Liquid funds	284
Non-controlling interests	-22
Interest-bearing liabilities	-178
Other liabilities	-161
Net assets deconsolidated	**1,685**
Items recycled to Income statement	-1,922
Deconsolidation effect (negative)	**-3,608**

Uniper

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

EUR million	30 Sep 2022
Net assets divested	**-26,658**
Consideration received for the shares	498
Items recycled to Income statement	810
Deconsolidation effect	**27,966**

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

3.3.3 Cash flow information

In the cash flow statement, the net cash flows attributable to the operating, investing and financing activities of the discontinued operations are disclosed separately. The table below shows the Russia segment in 2023 and 2022; as well as the Uniper segment in 2022.

The Russian operations were deconsolidated due to loss of control as opposed to sale (see **Note 2** Critical accounting estimates and judgements), i.e. no consideration has been received for the Russian operations. Cash flow from investing activities for discontinued operations in 2023 includes Russia related cash flows netted with liquid funds of EUR 284 million lost through the seizure of the Russian assets.

The consideration received for the shares of Uniper, EUR 498 million, is presented in net cash from/used in investing activities of the discontinued operations. Net cash from/used in investing activities in 2022 is presented net of liquid funds due to the deconsolidation of Uniper. Liquid funds of Uniper were EUR 2,248 million at 30 September 2022.

EUR million	2023	2022
Net cash from/used in operating activities	109	-10,484
Net cash from/used in investing activities	-333	-2,789
Net cash from/used in financing activities	21	10,739
Total net decrease/increase in liquid funds	**-202**	**-2,534**

4 Financial risk management

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

4.1 Commodity market and fuel risks

Fortum's business is exposed to fluctuations in prices and availability of commodities used in the production, transmission and sales of energy products. The main exposure is toward electricity prices and volumes, prices of emissions, and price and availability of fuels. Fortum hedges its exposure to commodity market risks in order to improve the predictability of the future result by reducing volatility in earnings while ensuring cash flow risk is at an acceptable level.

Risk management for commodity hedging 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.

4.1.1 Electricity price and volume risk

The exposure to Nordic electricity prices and normal volume fluctuations (e.g. due to weather-driven demand and supply changes) is the largest commodity market risk exposure for Fortum in terms of impact to earnings. The exposure arising 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 directly with counterparties active in the energy and financial markets. The main objective of hedging is to reduce the effect of electricity price volatility in earnings while ensuring the cash flow risk is at an acceptable level, and to increase the predictability of future results. The Generation segment's hedging strategies cover several years in the short- to medium-term. These hedging strategies are executed within approved mandates and are continuously evaluated as electricity and other commodity market prices, the hydrological balance and other relevant parameters change.

The 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 sensitivity to the Nordic electricity market price is dependent on the hedge level for a given time period. As per 31 December 2023, approximately 70% of the Generation segment's estimated Nordic power sales volume was hedged for the calendar year 2024 with a price of 47 EUR/MWh and approximately 41% for the calendar year 2025 with a price of 43 EUR/MWh.

4.1.2 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 2023

	Volume, TWh				Fair value, EUR million		
	Under 1 year	1–5 years	Over 5 years	Total	Positive	Negative	Net
Electricity derivatives	23	18	1	42	439	869	-430
Gas derivatives	3	1	-	4	24	117	-94
Netting against commodity exchanges [1]					-153	-153	-
Total					**309**	**833**	**-524**

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

Commodity derivatives subject to hedge accounting 2022

	Volume, TWh				Fair value, EUR million		
	Under 1 year	1–5 years	Over 5 years	Total	Positive	Negative	Net
Electricity derivatives	18	27	1	47	1,376	4,302	-2,926
Netting against commodity exchanges [1]					-546	-546	-
Total	**18**	**27**	**1**	**47**	**830**	**3,756**	**-2,926**

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

4.1.3 Sensitivity arising from electricity derivatives

The table below presents how a 1 EUR/MWh change in the electricity forward and futures quotations for the period Fortum has derivatives would impact Fortum's profit before income tax and equity. Hedge accounting is applied to most of the hedging strategies using financial commodity derivatives, with impact of the market price changes of derivatives recognised in equity.

Impacts 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 has derivatives. Different price change assumptions can be used to assess the impact on sensitivity analysis analogously, relative to 1 EUR/MWh change presented in the table below.

Sensitivity analysis

+/- 1 EUR/MWh change in electricity forward and futures quotations, EUR million	Effect	2023	2022
Effect on profit before income tax	-/+	1	2
Effect on equity	-/+	42	47

4.2 Liquidity and refinancing risk

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 hedging activities. Trading derivative financial instruments exposes the Group to a liquidity risk associated with having to provide financial collaterals like cash or bank guarantees. A downgrade in Fortum's rating, especially to below investment grade, could trigger counterparties' right to demand additional collateral, which would need to be provided via cash or bank guarantees.

The derivative instruments used by the Group are traded via exchanges and over-the-counter with selected counterparties based on bilateral agreements. Trading through exchanges requires the exchange of cash (margining payments) with a clearing house or clearing bank to cover market risk in the case of a member default and the subsequent close-out of its portfolio. Trading over-the-counter also exposes the Group to liquidity risk in case of a counterparty default. A default could trigger a termination payment in cases where the net market value of the bilateral contracts is positive for the counterparty. Margin receivables from commodity hedging and foreign exchange and interest rate derivatives under Credit Support Annex agreements at balance sheet date were EUR 590 million (2022: 2,607) and margin liabilities EUR 131 million (2022: 352).

The exposure to margining requirements, termination payments, working capital needs and contingent collateral outflows is continuously assessed and monitored so that adequate liquidity is available to cover expected future cash collateral required for margining. There are strict limits in place which ensure that there is sufficient liquid funds and credit lines available to cover margining requirements and termination payments also in extreme market scenarios.

Liquidity and refinancing risks are managed through a combination of cash positions and committed credit and other guarantee facility agreements with the core banks. The maturity profile of loans is monitored to ensure that there is at all times access to adequate liquidity for investments, loan maturities and margining required for commodity trading and hedging activities. Stable maturity profile and interest rate risk profile are reducing the refinancing risk both in terms of availability and average price of loan portfolio.

Fortum's business is capital intensive and it has a diversified loan portfolio. Long-term financing is primarily raised by issuing bonds under Fortum Corporation's Euro Medium Term Note programme (EMTN), as well as through bilateral and syndicated loan facilities from a variety of different financial institutions.

In Fortum, financing is primarily raised on parent company level and funds are distributed internally through various internal financing arrangements.

On 31 December 2023, 90% (2022: 89%) of the Group's total external loans was raised by the parent company Fortum Corporation, and remaining 10% by other subsidiaries (2022: 11%).

At the end of 2023, financial net debt was EUR 942 million (2022: 1,084).

On 31 December 2023, loan maturities for the coming twelve-month period amounted to EUR 1,316 million (2022: 4,108) which include EUR 717 million loans from financial institutions and EUR 174 million commercial paper debt. Maturities in 2023 also include EUR 418 million loans with no contractual due date.

At the end of the reporting period, the Group's liquid funds totalled EUR 4,183 million (2022: 3,919).

Maturity of loans

EUR million	2023
2024	1,316
2025	509
2026	747
2027	17
2028	520
2029 and later	2,682
Total	**5,791**

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

Liquid funds, major credit lines and debt programmes 2023

EUR million			
Liquid funds			4,183
Committed credit lines	**Total facility**	**Available amount**	**Drawn amount**
Fortum Corporation, EUR 2,400 million syndicated credit facility	2,400	2,400	-
Fortum Corporation, EUR 800 million bilateral credit facility	800	800	-
Fortum Corporation, bilateral overdraft facilities	100	100	-
Total 1)	**3,300**	**3,300**	**-**

1) Additionally, Fortum has uncommitted commercial paper programmes in Finland and Sweden, uncommitted margin facility and uncommitted EMTN programme. From the commercial paper programmes EUR 174 million, from the margin facility EUR 376 million and from the EMTN programme EUR 2,750 million bonds were outstanding at the end of the reporting period.

Liquid funds, major credit lines and debt programmes 2022

EUR million			
Liquid funds 1)			3,919
Committed credit lines	**Total facility**	**Available amount**	**Drawn amount**
Fortum Corporation, EUR 5,500 million syndicated credit facility	5,500	4,400	1,100
Fortum Corporation, EUR 800 million bilateral credit facility	800	800	-
Fortum Corporation, EUR 2,350 million Finnish State bridge financing	2,350	2,000	350
Fortum Corporation, bilateral overdraft facilities	100	100	-
Total 2)	**8,750**	**7,300**	**1,450**

1) In 2022, liquid funds included EUR 247 million relating to Russian operations.
2) Additionally, Fortum has uncommitted commercial paper programmes in Finland and Sweden, uncommitted margin facility and uncommitted EMTN programme. From the commercial paper programmes EUR 475 million, from the margin facility EUR 527 million and from the EMTN programme EUR 2,690 million bonds were outstanding at the end of the reporting period.

Maturity analysis of financial liabilities and derivatives

Interest-bearing loans and lease liabilities are the contractual undiscounted cash flows including principal and interest payments. Trade payables equal the carrying amount as these are due within 12 months. For gross settled derivatives, the contractual nominal amounts are presented below and for net settled interest rate swaps the net cash outflows are presented in the same table.

	2023				2022			
EUR million	**Under 1 year**	**1–5 years**	**Over 5 years**	**Total**	**Under 1 year**	**1–5 years**	**Over 5 years**	**Total**
Non-derivatives								
Interest-bearing loans, principal and interest payments	1,149	2,676	3,149	6,974	4,290	1,831	2,254	8,374
Lease liabilities	21	55	56	131	18	53	57	128
Trade payables	488	-	-	488	720	-	-	720
Total non-derivatives	**1,657**	**2,731**	**3,205**	**7,593**	**5,028**	**1,884**	**2,311**	**9,222**
Derivatives								
Foreign exchange derivatives and cross currency swaps								
Cash inflow (-)	-5,910	-376	-	-6,286	-10,541	-247	-	-10,788
Cash outflow	6,142	387	-	6,529	10,503	245	-	10,748
Interest rate swap liabilities (net settled)	36	51	0	87	20	98	15	133
Commodity derivatives								
Cash inflow (-)	-1,819	-395	-12	-2,226	-2,720	-2,279	-31	-5,029
Cash outflow	3,392	606	15	4,013	5,499	4,557	35	10,090
Total derivatives	**1,842**	**273**	**2**	**2,117**	**2,761**	**2,373**	**19**	**5,153**

Commodity derivatives traded through exchanges require financial collaterals (like cash or securities). Fortum has a collateral arrangement to the Nordic Power Exchange to cover initial margin payments of commodity derivatives. Margin receivables are cash/securities posted to exchange to cover clearing house's market risk (initial margin) against a default of a member and negative mark to market values of futures settled through the exchange between counterparties (variation margin) reducing the counterparty risk versus bilateral trades. These cash collaterals are constantly fluctuating according to commodity market movements, i.e. if the prices will increase/decrease, the negative/positive fair value of the commodity derivatives traded through exchanges need to be covered immediately by posting/receiving cash collateral. Margin receivables (cash paid) from hedging activities at balance sheet date were EUR 590 million (2022: 2,607) and margin liabilities (cash received) EUR 131 million (2022: 352).

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, liquid funds and derivatives on a fixed- and floating rate basis.

Fortum manages the interest rate exposure through a duration target of the gross loan portfolio (excluding lease liabilities and provisions), and cash flow at risk limit of the net loan portfolio. 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 2023, the duration of Fortum's loan portfolio (including derivatives) was 1.8 years (2022: 1.2). Approximately 66% (2022: 77%) 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 1% increase in the yield curve in all the tenors and currencies for Fortum's net loan portfolio for the coming 12 months, was EUR 15 million positive (2022: 10 negative).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Hedge accounting is used for majority of interest rate derivatives which Fortum is using to manage loan portfolio. Mainly fair value hedge accounting is applied and thus changes in interest rates could have only minor impact in consolidated income statement or hedging reserve as the offsetting fair value of bonds is also recognised to consolidated income statement. The impact of +1%/ -1% interest rate change from interest rate derivatives was EUR +9 / -10 million to equity (2022: +11 / -12) and there was no significant impact to consolidated income statement.

The average interest rate for the total loan portfolio, including derivatives in finance costs, was 4.3% at the balance sheet date (2022, excluding Russia: 3.7%). The average interest rate of EUR loans was 4.0% (2022: 3.1%). The average interest rate for the liquid funds was 3.9% at the balance sheet date (2022: 1.7%).

There has been ongoing reform of certain floating interest benchmark rates to alternative risk free rates (ARR) due to the IBOR (Interbank Offered Rates) transition. Fortum Group has interest rate derivatives in EUR and SEK and sees that the IBOR transition will not have significant impact on the value and effectiveness of these derivatives.

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 consolidated income statement. An exception is Generation segment’s hedging of power sales in Sweden where the currency component is not hedged. Derivatives are used to hedge existing foreign exchange risks, not for proprietary trading.

Treasury transaction exposure

	2023			2022		
EUR million	**Net Position**	**Hedge**	**Open**	**Net Position**	**Hedge**	**Open**
RUB	-	-	-	869	-	869
SEK	4,877	-4,879	-2	-669	679	10
PLN	543	-541	1	531	-529	2
NOK	522	-521	1	751	-745	5
USD	-83	83	0	-993	993	0
Other	1	6	6	4	-	4
Total	**5,859**	**-5,853**	**6**	**492**	**398**	**890**

Fortum has cash flows, assets and liabilities in currencies other than EUR and is therefore exposed to fluctuations in exchange rates. Currency exposures are divided into transaction exposures (foreign exchange exposures relating to 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 and balance sheets in foreign entities are consolidated).

Transaction exposures arise mainly from physical and financial trading of commodities, existing and new investments, external and internal financing and shareholder loans. Contracted cash flow exposures are hedged to reduce volatility in future cash flows. These hedges normally consist of currency derivative contracts, which are matched against the underlying future cash flow according to maturity. Fortum has currency cash flow hedges both with and without hedge accounting treatment under IFRS. Those currency cash flow hedges for which hedge accounting is not applied are mainly hedging commodity derivatives and create volatility in operating profit. There was no significant ineffectiveness arising from cash flow hedges in 2023.

As of 31 December 2023, had EUR been 5% weaker/stronger on closing date, then the impact from loans, receivables and derivatives to consolidated income statement would have been EUR -17/+17 million (2022: -26/+26) and group's equity EUR -3/+3 million (2022: +3/-3). Income statement sensitivity resulted from cash flows in SEK and NOK, and equity sensitivity from cash flows in PLN, SEK and USD.

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

Exchange differences arising from the translation of the net investment in foreign entities are taken to equity. The net effect of exchange differences on equity attributable to equity holders mainly from SEK, NOK and PLN was EUR -43 million (2022: -304). Part of this translation exposure has been hedged and the notional amount of foreign currency hedges were EUR 137 million (2022: 2,813). The foreign currency hedge result amounted to EUR -16 million (2022: 41). There was no significant ineffectiveness arising from net investment hedges. For total translation differences see **Consolidated statement of changes in total equity**.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Interest rate and currency derivatives by instrument 2023

EUR million	Notional amount Remaining lifetimes				Fair value		
	Under 1 year	1–5 years	Over 5 years	Total	Positive	Negative	Net
Hedge accounting							
Foreign exchange derivatives	168	124	-	292	3	15	-12
Interest rate swaps	100	1,300	1,575	2,975	114	83	31
Cross currency swaps	47	73	-	120	3	0	2
Non-hedge accounting							
Foreign exchange derivatives	5,689	151	-	5,840	8	234	-226
Interest rate swaps	-	14	-	14	1	-	1
Cross currency swaps	-	24	-	24	1	-	1
Total	**6,004**	**1,686**	**1,575**	**9,265**	**129**	**333**	**-204**
Of which long-term					115	95	21
Short-term					14	238	-224

Interest rate and currency derivatives by instrument 2022

EUR million	Notional amount Remaining lifetimes				Fair value		
	Under 1 year	1–5 years	Over 5 years	Total	Positive	Negative	Net
Hedge accounting							
Foreign exchange derivatives	3,056	108	-	3,163	25	3	22
Interest rate swaps	740	825	1,350	2,915	112	120	-9
Cross currency swaps	-	76	-	76	3	-	3
Non-hedge accounting							
Foreign exchange derivatives	8,445	36	-	8,481	93	51	42
Interest rate swaps	18	13	-	31	2	-	2
Cross currency swaps	-	24	-	24	1	-	1
Total	**12,259**	**1,081**	**1,350**	**14,690**	**235**	**175**	**61**
Of which long-term					119	121	-1
Short-term					116	54	62

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 replacement risk and the settlement risk. Exchange-traded derivatives are cleared through central clearing parties (CCPs) or through clearing banks while over-the-counter (OTC) derivative contracts are concluded directly with a number of different counterparties, including energy wholesalers and retailers, utilities, trading companies, energy companies, industrial end-users and financial institutions active in the financial and energy markets. Due to Fortum's net short position in Nordic power hedges credit exposure tends to increase with the value of hedges if Nordic power prices decrease. Currency and interest rate derivative counterparties are limited to investment grade banks and financial institutions. International Swaps and Derivatives Association (ISDA) Master agreements, which include netting clauses and in some cases Credit Support Annex agreements, are in place with most of these counterparties. The majority of commodity derivative counterparties have 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 the counterparties.

Due to the financing needs and management of liquidity, Fortum has counterparty credit exposure towards a number of banks and financial institutions in the form of deposits and towards corporate issuers of commercial papers, mainly in the Nordic market. The majority of the exposure is towards Fortum's key relationship banks, which are highly creditworthy institutions. Investments in commercial papers were all with investment grade issuers at 31 December 2023.

Credit risk relating to customers, suppliers and trading partners is 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 majority of exposure is in the form of derivative fair values and trade receivables from the sale of electricity, gas and heat in the Nordic and Polish market.

4.4.1 Credit quality of major financial assets

Fortum recognises loss allowance for expected credit losses (ECL) on financial assets classified to amortised cost category at each reporting date. 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.

Expected credit loss is calculated on an individual counterparty basis for deposits, commercial papers and loan and other interest-bearing receivables. No impairment loss is recognised on cash in bank accounts since expected credit loss is immaterial due to low risk of default. The risk of default is evaluated at each reporting date based on credit ratings to determine if credit risk has increased significantly. The value of collateral and other measures taken to reduce credit risk (e.g. credit default insurance) is included in the calculation of expected credit losses in the "loss given default" ratio.

A financial asset with an investment-grade rating is assumed to have low credit risk. A change of credit rating from investment to non-investment grade constitutes a significant increase in credit risk. If the credit risk on the financial asset has not increased significantly since the initial recognition, loss allowance equals to 12 month ECL. If the credit risk on the financial asset has increased significantly since initial recognition, loss allowance equals to the lifetime expected credit losses.

The loss allowance for interest-bearing receivables totalled EUR 1 million on 31 December 2023 (2022: 117), with the change in loss allowance mainly resulting from the deconsolidation of Russian operations in April 2023. Amounts for interest-bearing receivables including bank deposits and derivative financial instruments recognised as assets are presented by counterparties in the following table.

For derivative financial instruments the counterparty credit risk has been taken into account when determining fair value. The impact of credit risk is measured on a counterparty basis through credit value adjustment (CVA) method applying similar inputs and assumptions to which are used in the measurement of ECL. See also **Note 15** Financial assets and liabilities by fair value hierarchy for basis of fair value estimations.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

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

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

Credit quality of major financial assets

	2023		2022	
EUR million	Carrying amount	of which past due	Carrying amount	of which past due
Receivables with investment grade or comparable rating				
Deposits, commercial papers and cash in bank accounts	4,122	-	3,602	-
Fair values of interest rate and currency derivatives	129	-	235	-
Fair values of commodity derivatives on exchanges	135	-	394	-
Fair values of OTC commodity derivatives	301	-	879	-
Total receivables with investment grade or comparable rating	**4,688**	**-**	**5,110**	**-**
Receivables with non-investment grade or comparable rating				
Deposits, commercial papers and cash in bank accounts	-	-	247	-
Fair values of OTC commodity derivatives	39	-	321	-
Loan and other interest bearing receivables	-	-	39	-
Total receivables with non-investment grade or comparable rating	**39**	**-**	**607**	**-**
Other receivables [1]				
Loan receivables from associates and joint ventures	644	-	592	-
Restricted cash	13	-	27	-
Cash in other bank accounts	62	-	70	-
Other receivables	-	-	3	-
Total other receivables	**719**	**-**	**692**	**-**
Total	**5,446**	**-**	**6,409**	**-**

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

4.4.2 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 2023

EUR million	Gross amount	Gross amount netted on the balance sheet [1]	Net amounts presented on the balance sheet	Conditional netting amount (netting agreements)	Financial collateral received /pledged	Net amount
Financial assets						
Interest-rate and currency derivatives	129	-	129	80	42	7
Commodity derivatives	990	514	476	343	4	129
Trade receivables	1,120	-	1,120			1,120
Total	**2,238**	**514**	**1,725**	**423**	**46**	**1,255**
EUR million						
Financial liabilities						
Interest-rate and currency derivatives	333	-	333	80	176	76
Commodity derivatives	1,454	514	940	343		597
Trade payables	488	-	488			488
Total	**2,274**	**514**	**1,760**	**423**	**176**	**1,161**

1) 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 2022

EUR million	Gross amount	Gross amount netted on the balance sheet [1]	Net amounts presented on the balance sheet	Conditional netting amount (netting agreements)	Financial collateral received /pledged	Net amount
Financial assets						
Interest-rate and currency derivatives	235	-	235	124	64	48
Commodity derivatives	3,349	1,755	1,594	957	5	632
Trade receivables	1,625	-	1,625	-	-	1,625
Total	**5,209**	**1,755**	**3,455**	**1,080**	**69**	**2,305**
EUR million						
Financial liabilities						
Interest-rate and currency derivatives	175	-	175	124	40	11
Commodity derivatives	6,309	1,755	4,554	957	-	3,598
Trade payables	720	-	720	-	-	720
Total	**7,203**	**1,755**	**5,449**	**1,080**	**40**	**4,329**

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

5 Capital risk management

At the beginning of February 2024, the Fortum Board of Directors resolved on clarifications to Fortum's strategy, see Note 38 Events after the balance sheet date.

Fortum's long-term financial targets before these clarifications were:

- Long-term financial net debt-to-comparable EBITDA of 2.0–2.5 times
- Disciplined growth in clean energy with capital expenditure of up to EUR 1 billion during 2023–2025 (revised on 2 November 2023 from up to EUR 1.5 billion)
- Investment hurdles of project WACC + 150–400 basis points
- Dividend policy with payout ratio of 60–90% of comparable EPS

On 2 November 2023, Fortum initiated an efficiency programme targeting to reduce annual fixed costs by EUR 100 million gradually until the end of 2025.

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

On 9 March 2023, S&P Global Ratings (S&P) affirmed Fortum's current long-term credit rating at BBB, and revised the outlook from negative to stable. According to S&P the stable outlook reflects the rating agency's assumption that Fortum's cash flow from power generation will remain significant, but volatile in 2023 and 2024, with electricity prices above historical levels. The rating agency assesses that Fortum has a strong position in the Nordics with an already very low emission profile that supports the business risk profile. It believes that the price risk over time will be reduced by driving decarbonisation of industrial customers and by signing various long-term power supply agreements. In addition, S&P assesses that Fortum's financial risk position is strong with a headroom that provides good financial flexibility due to very low leverage and good liquidity.

On 21 March 2023, Fitch Ratings (Fitch) affirmed Fortum's current long-term credit rating at BBB and has revised the outlook from negative to stable. According to Fitch, the change in outlook mainly reflects the positive impact of the Uniper exit for Fortum's credit profile and the company's commitment to maintain an adequate capital structure with high scrutiny in capex allocation prioritising profitability over growth. Fitch assesses that the company is well positioned to benefit from the strong fundamentals for clean power generation.

Fortum remains committed to maintain a credit rating of at least BBB to preserve financial flexibility and good access to capital markets.

Financial net debt/comparable EBITDA ratio

EUR million	Note	Continuing operations 2023	2022
+Interest-bearing liabilities		**5,909**	**7,785**
- BS Liquid funds		**4,183**	**3,919**
- Collateral arrangement		**325**	**527**
- BS Margin receivables		590	2,607
+ BS Margin liabilities		131	352
+/- Net margin liabilities/receivables		**-459**	**-2,255**
Financial net debt	26	**942**	**1,084**
- Interest bearing liabilities, Russia		-	204
+ Liquid funds, Russia		-	247
Financial net debt, excluding Russia		**-**	**1,127**
IS Operating profit		1,662	1,967
+ IS Depreciation and amortisation		359	415
EBITDA		**2,021**	**2,381**
- IS Items affecting comparability		-118	-356
Comparable EBITDA from continuing operations		**1,903**	**2,025**
Comparable EBITDA Russia		-	411
Comparable EBITDA (as presented in the consolidated financial statements 2022)		**-**	**2,436**
Financial net debt/comparable EBITDA, excl. Russia		**0.5**	**0.6**
Financial net debt/comparable EBITDA (as presented in the consolidated financial statements 2022)		**-**	**0.4**

See Note 7 Comparable operating profit and comparable net profit for details on items affecting comparability, and Note 26 Interest-bearing liabilities, including further details of the financing and liquidity status and see Definitions and reconciliations of key figures.

6 Segment reporting

MATERIAL ACCOUNTING POLICIES

REVENUE RECOGNITION

Fortum's operations comprise the provision of electricity, heating and cooling, gas and waste management services. Revenue streams can be divided into five groups: power sales to wholesale markets, power sales to retail customers, heating sales, gas 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 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 INDUSTRIAL CUSTOMERS

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. 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.

Revenues are also generated from sale of green certificates. These include mostly Guarantees of Origin certificates, which are received free of charge for renewable energy production. Undelivered certificates are presented in inventories and revenue is recognized when the certificate is transferred to the customer.

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 recognised based on the fees chargeable from the customer. In Poland there are also areas where Fortum operates only the heat production facilities while some third party is responsible for the distribution of heat. In these areas the performance obligation is to supply heat and revenue is recognised based on the volume of heat that Fortum is entitled to charge from the customer.

GAS SALES

Revenues are generated from sales of gas via traded markets, as well as to retail customers, and include hedges settled through physical delivery, which are recognised when delivery takes place and control is transferred to the customer. 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, revenue is recognised based on contract prices, as these reflect the economic character of the transactions and the contractually agreed consideration amounts. If IFRS 15 provides for a different method, for example when constraint on variable considerations is applicable, contract prices are adjusted accordingly.

Gas contracts can also include fixed price components that are recognised in line with the customer's actual 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 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 has been 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 charged for these services separately. Revenue for transportation service is recognised when the service has been provided.

Waste treatment sales include also various types of soil and landfill site projects, which mostly take place 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 therefore project revenues are recognised over time. Progress of the construction is best measured either through costs incurred, or the completed area of the construction site.

NETTING AND INTER-SEGMENT TRANSACTIONS

Generation segment sells electricity production to Nord Pool and Consumer Solutions segment buys its electricity from Nord Pool. For these segments eliminations of sales include eliminations of sales and purchases with Nord Pool that are netted at 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.

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 and segment structure

Fortum discloses segment information in a manner consistent with internal reporting to Fortum's Board of Directors and Fortum Leadership Team, led by the President and CEO. Fortum segments are based on the type of business operation.

In March 2023, Fortum announced the reorganisation of its business structure. From 2023, the new business units are: Hydro Generation, Nuclear Generation, Renewables and Decarbonisation, Corporate Customers and Markets, Consumer Solutions and Circular Solutions. The business units are classified into the following reportable segments under IFRS:

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

Segment comparatives for 2022 were restated and a separate stock exchange release with restated comparatives was issued on 17 April 2023.

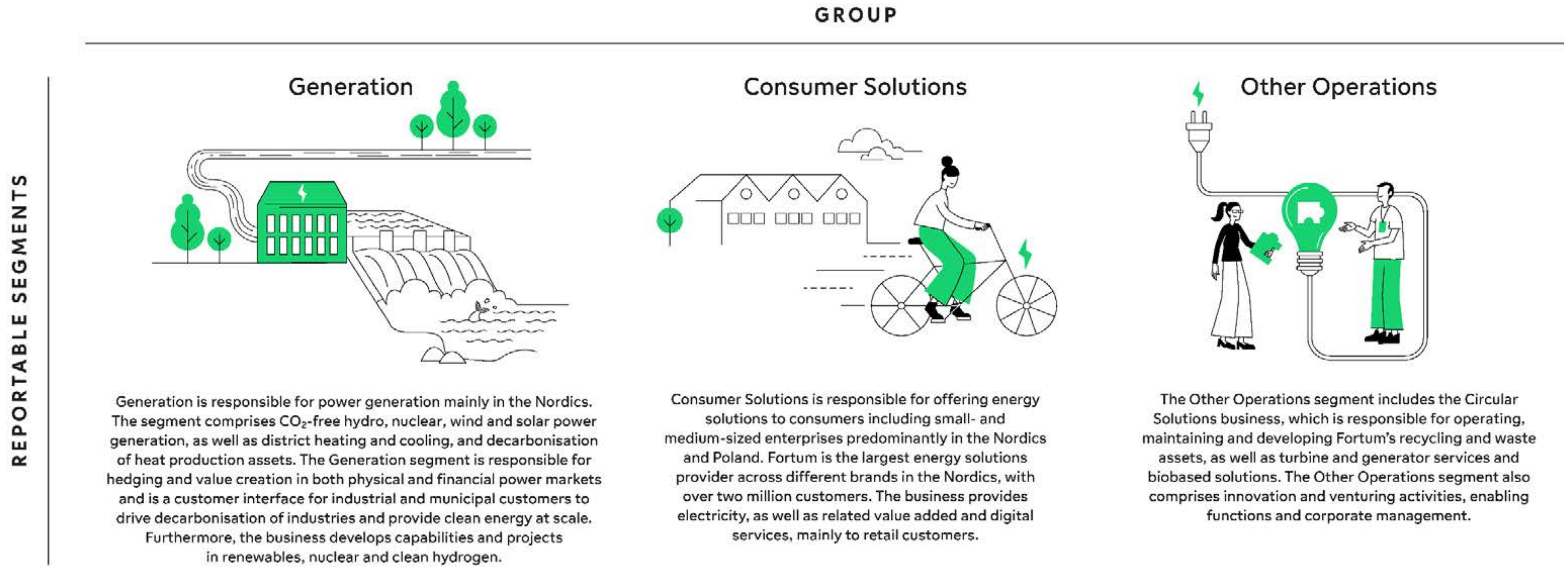
Russia segment was classified as discontinued operations in April 2023. Comparatives for 2022 were restated and a separate stock exchange release with restated comparatives was issued on 11 May 2023. See also **Note 1** Material accounting policies and **Note 3.3** Discontinued operations.

6.2 Definitions for segment information

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

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

Description of reportable segments:



1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

6.3 Segment information

Consolidated income statement

EUR million	Note	Generation [1] 2023	Generation [1] 2022	Consumer Solutions 2023	Consumer Solutions 2022	Other Operations 2023	Other Operations 2022	Total continuing operations 2023	Total continuing operations 2022
Power sales [1]		3,889	3,802	3,219	4,026	9	24	7,117	7,852
Heat sales		481	499	-	-	31	28	512	527
Gas sales		-	-	422	392	-	-	422	392
Waste treatment sales		7	19	-	-	226	219	234	238
Other sales		43	144	125	161	281	318	450	623
Sales		**4,420**	**4,465**	**3,766**	**4,578**	**548**	**589**	**8,734**	**9,632**
Internal eliminations		-394	585	-20	-30	-99	-101	-514	454
Netting of Nord Pool transactions [2]								-1,510	-2,312
IS **External sales**		**4,026**	**5,049**	**3,745**	**4,549**	**449**	**488**	**6,711**	**7,774**
Comparable EBITDA		1,874	1,876	108	173	-80	-23	1,903	2,025
IS Depreciation and amortisation		-195	-247	-70	-75	-93	-92	-359	-415
IS **Comparable operating profit**		**1,679**	**1,629**	**38**	**97**	**-173**	**-116**	**1,544**	**1,611**
Impairment charges and reversals		-	-	-	-	-	0	-	0
Capital gains and other related items		2	648	1	0	1	137	4	785
Changes in fair values of derivatives hedging future cash flow		366	-130	-254	-246	-	-	111	-376
Other		12	-19	-	-	-9	-33	3	-52
IS **Items affecting comparability**	6, 7	**380**	**499**	**-253**	**-246**	**-8**	**103**	**118**	**356**
IS **Operating profit**		**2,058**	**2,128**	**-215**	**-149**	**-181**	**-13**	**1,662**	**1,967**
Comparable share of profit/loss of associates and joint ventures		7	-34	-	-	0	-7	7	-40
IS Share of profit/loss of associates and joint ventures	18	59	-178	-	-	0	-7	59	-185

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 contains realised result from commodity derivatives, which have not had hedge accounting status under IFRS 9, but have been considered operatively as hedges.
2) Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on whether Fortum is a net seller or net buyer during any particular hour.

Gross investments / divestments

EUR million	Note	Generation 2023	Generation 2022	Consumer Solutions 2023	Consumer Solutions 2022	Other Operations 2023	Other Operations 2022	Total continuing operations 2023	Total continuing operations 2022
Gross investments in shares	3	5	2	22	0	26	26	53	29
Capital expenditure	16, 17	450	314	81	71	81	85	611	467
Gross divestments of shares	3	0	1,212	0	0	4	152	4	1,365

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Segment assets and liabilities

		Generation		Consumer Solutions		Other Operations		Russia	Total	
EUR million	**Note**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2022**	**2023**	**2022**
Non-interest-bearing assets		6,864	6,599	1,311	1,801	1,094	1,073	1,614	9,269	11,087
BS Participations in associates and joint ventures	18	1,000	987	-	-	59	51	211	1,059	1,249
Eliminations									-105	-332
Total segment assets		**7,864**	**7,585**	**1,311**	**1,801**	**1,153**	**1,124**	**1,825**	**10,223**	**12,004**
Interest-bearing receivables	21								1,033	1,284
BS Deferred tax assets	27								958	933
Other assets									2,342	5,502
BS Liquid funds	24								4,183	3,919
BS Total assets									**18,739**	**23,642**
Segment liabilities		**601**	**988**	**472**	**436**	**313**	**350**	**134**	**1,387**	**1,908**
Eliminations									-105	-332
Total segment liabilities									**1,282**	**1,576**
BS Deferred tax liabilities	27								428	152
Other liabilities									2,621	6,392
Total liabilities included in capital employed									**4,331**	**8,120**
Interest-bearing liabilities	26								5,909	7,785
BS Total equity									8,499	7,737
BS Total equity and liabilities									**18,739**	**23,642**

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

		Generation		Consumer Solutions	
EUR million	**Note**	**2023**	**2022**	**2023**	**2022**
Comparable operating profit		1,679	1,629	38	97
Comparable share of profit/loss of associates and joint ventures	7, 18	7	-34	-	-
Comparable operating profit including comparable share of profit of associates and joint ventures		**1,686**	**1,595**	**38**	**97**
Segment assets at the end of the year		7,864	7,585	1,311	1,801
Segment liabilities at the end of the year		601	988	472	436
Comparable net assets		**7,263**	**6,597**	**838**	**1,365**
Comparable net assets average [1]		**6,959**	**6,873**	**847**	**1,068**
Comparable return on net assets, %		**24.2**	**23.2**	**4.5**	**9.1**

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

Employees

	Generation		Consumer Solutions		Other Operations		Total continuing operations		Discontinued operations		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Number of employees 31 December	1,758	1,660	1,281	1,179	2,186	2,149	5,225	4,988	-	2,724	5,225	7,712
Average number of employees	1,735	1,838	1,232	1,177	2,237	2,106	5,205	5,120	838	11,429	6,042	16,549

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

6.4 Group-wide disclosures

The Group's operating segments operate mainly in the Nordic countries and Poland. 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	2023	2022
Nordics	4,957	6,426
Poland	1,437	1,101
Other	316	247
IS **Total**	**6,711**	**7,774**

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

Capital expenditure by country

EUR million	2023	2022
Finland	371	258
Sweden	137	116
Norway	19	38
Poland	67	44
Other	17	12
Total	**611**	**467**

Non-current assets by country

EUR million	2023	2022
Finland	3,280	3,074
Sweden	3,918	3,815
Norway	370	407
Poland	591	518
Russia	-	1,211
Other and eliminations	154	146
Total	**8,314**	**9,173**

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

Number of employees on 31 December by country

	2023	2022
Finland	2,682	2,529
Sweden	1,038	914
Norway	350	395
Poland	717	635
Russia	-	2,724
Other	438	515
Total	**5,225**	**7,712**

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 2023

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	6,716	-	-	-5	-	6,711
Other income	397	-	-4	-361	0	32
Materials and services	-3,606	-	-	-190	-12	-3,808
Employee benefits	-436	-	-	-	-	-436
Depreciation and amortisation	-359	-	-	-	-	-359
Other expenses	-1,049	-	0	444	9	-595
IS **Comparable operating profit**		**-**	**-4**	**-111**	**-3**	**1,544**
IS Items affecting comparability		-	4	111	3	118
IS **Operating profit**	**1,662**					**1,662**

Reconciliation of operating profit to comparable operating profit 2022

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	7,797	-	-	-23	-	7,774
Other income	707	-	-785	153	-1	74
Materials and services	-5,079	-	-	206	20	-4,853
Employee benefits	-432	-	-	-	-	-432
Depreciation and amortisation	-415	0	-	-	-	-415
Other expenses	-612	-	-	40	33	-538
IS **Comparable operating profit**		**0**	**-785**	**376**	**52**	**1,611**
IS Items affecting comparability		0	785	-376	-52	356
IS **Operating profit**	**1,967**					**1,967**

Impairment charges and reversals

Impairment charges and reversals of previously recognised impairments are adjusted from depreciation and amortisation and presented in items affecting comparability. Comparative information for 2022 was restated following the classification of Russia segment as discontinued operations in April 2023. See **Note 19** Impairment testing.

Capital gains and other related items

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

Capital gains and other related items in 2022 includes EUR 638 million gain from the sale of the 50% ownership in the district heating company Fortum Oslo Varme AS in Norway, EUR 77 million gain from the sale of the 30% ownership in the public charging point operator for electric vehicles Recharge AS, as well as EUR 61 million gain from the sale of the e-mobility business Plugsurfing. See **Note 3.2** Disposals.

Changes in fair values of derivatives hedging future cash flow

Unrealised changes in the fair values of financial derivative instruments hedging future cash flows that do not qualify for hedge accounting and physical contracts that are treated as derivatives are recognised in items affecting comparability. For additional information, see **Note 14** Financial assets and liabilities by categories.

Impacts from settlement of physical contracts that have been treated as derivatives are adjusted to sales and materials and services to reflect the contract pricing as opposed to market pricing.

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

7.2 Reconciliation from operating profit to comparable net profit

EUR million	Note	2023	2022
IS **Operating profit**		**1,662**	**1,967**
IS Items affecting comparability	6, 7.1	-118	-356
IS **Comparable operating profit**		**1,544**	**1,611**
IS Share of profit/loss of associates and joint ventures		59	-185
Adjustments to share of profit/loss of associates and joint ventures	18	-52	145
Comparable share of profit/loss of associates and joint ventures		7	-40
IS Finance costs - net		-138	-218
Adjustments to finance costs - net	11	2	48
Comparable finance costs - net		-137	-170
Comparable profit before income tax		**1,415**	**1,400**
IS Income tax expense		-69	520
Adjustments to income tax expense		-201	-836
Comparable income tax expense		-269	-316
IS Non-controlling interests		-1	-4
Adjustments to non-controlling interests		5	-5
Comparable non-controlling interests		4	-9
Comparable net profit from continuing operations		**1,150**	**1,076**
Comparable net profit from discontinued operations	3.4	34	-2,064
Comparable net profit, total Fortum		**1,184**	**-988**
Comparable earnings per share, continuing operations, EUR	13	**1.28**	**1.21**
Comparable earnings per share, discontinued operations, EUR	3.4	**0.04**	**-2.32**
Comparable earnings per share, total Fortum, EUR	13	**1.32**	**-1.11**

Comparable share of profit/loss of associates and joint ventures

Share of profit/loss of associates and joint ventures is adjusted for significant items, similar to adjustments made to arriving at comparable net profit.

Comparable finance costs - net

Finance costs – net are adjusted for e.g. nuclear-related items recognised in other financial items - net, fair value changes on financial items, as well as impairment charges and reversals of previously recorded impairment charges on financial items.

Comparable income tax expense

Income tax expense is adjusted for tax impacts on items affecting comparability, adjustments to finance costs – net, tax rate changes and other onetime adjustments. In 2023, adjustments to income tax expense included EUR 225 million relating to one-time tax impacts mainly recognised in Ireland and in the Netherlands, due to the impairment of the Russian assets. In 2022, adjustments to income tax expense included EUR 746 million relating to onetime tax impact realised in Ireland mainly due to the Uniper divestment. See **Note 27** Income taxes on the balance sheet.

See also **Definitions and reconciliations of key figures**.

8 Other expenses

EUR million	2023	2022
Operation and maintenance costs	111	110
IT and telecommunication costs	104	108
Other	381	321
IS **Total**	**595**	**538**

The major components recorded in other expenses are the external operation and maintenance costs of power and heat plants. Other includes expenses relating to properties and other operative expenses.

Auditors' fees

EUR million	2023	2022
Audit fees	2.3	2.7
Audit-related assignments	0.4	0.3
Tax assignments	0.1	-
Other assignments	0.1	-
Total	**2.8**	**3.0**

Deloitte Oy is the appointed auditor until the next Annual General Meeting in 2024.

Audit fees include fees for the audit of the consolidated financial statements, review of interim reports, as well as fees for the audit of Fortum Corporation and its subsidiaries. Audit-related assignments include fees for assurance of sustainability reporting, and other assurance and associated services related to the audit. Other assignments consist of advisory services.

9 Materials and services

EUR million	2023	2022
Materials	3,083	4,251
Materials purchased from associated companies and joint ventures	603	422
Other	122	180
IS **Total**	**3,808**	**4,853**

Materials consists mainly of purchased electricity for retail sales and heat production as well as fuels used for power and heat production. Electricity purchase from Nord Pool is netted at 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. See **Note 6** Segment Reporting.

Materials purchased from associates and joint ventures consist of nuclear and hydropower purchased at production cost (including interest costs and production taxes) and purchased steam. Taxes related to nuclear and hydro production are included in taxes paid through purchases from associates and joint ventures. See **Note 37** Related party transactions.

10 Employee benefits and Board remuneration

EUR million	2023	2022
Wages and salaries	324	334
Pensions		
Defined contribution plans	47	14
Defined benefit plans	3	10
Social security costs	37	50
Share-based incentives	6	7
Other employee costs	19	17
IS **Total**	**436**	**432**

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 30** Pension obligations.

10.1 Short-term incentives

Short-term incentive (STI) programme is designed to support the achievement of the Group's financial and other relevant targets on an annual basis. As a main principle, all employees are covered by the programme or alternatively by a business specific arrangement.

The Board of Directors determines annually the performance criteria and award levels for the Fortum Leadership Team (FLT). They can vary from year to year to reflect business priorities. The target incentive potential is 20% and the maximum incentive potential 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 Leadership Team on a regular basis.

Awards for other employees are based on a combination of Group, unit and individual 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 fully in cash.

10.2 Long-term incentives

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

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

The share awards are not subject to a lock-up period. However, Fortum Leadership Team members aggregate ownership of Fortum shares has to be greater than or equal to their annual salary. Those members whose aggregate ownership of Fortum shares does not yet fulfil the shareholding requirement are required to retain at least 50% of the shares received until the required level of shareholding is met.

The Restricted share programme is supplementing the current LTI programme. The Restricted share programme is following the main terms and conditions of the general LTI programme with the exception that the allocated shares will be delivered after the three-year plan period independent of performance measures, subject to continued employment. The Restricted share programme is designated for special purposes defined by the Board of Directors, such as retention.

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

The share plans under the LTI arrangement are accounted for as partly equity- and partly cash-settled arrangements. The earned reward that the participants receive in shares is accounted for as an equity-settled transaction. For participants receiving cash only, the total arrangement is accounted for as cash-settled transaction. The reward is recognised as an expense during the earnings period with a corresponding increase in equity for the transactions settled in shares, and a corresponding increase in the liabilities for transactions settled in cash. The social charges related to the arrangement payable by the employer are accrued as a liability. The liabilities for share-based plans including social charges at the end of the year 2023 was EUR 9 million (2022: 12), including EUR 8 million (2022: 10) recorded in equity.

At year end 2023, approximately 120 key employees are participants in at least one of the ongoing LTI plans.

Shares granted

The following table presents changes in the number of share awards:

Number of shares	2023	2022
1 January	**1,396,189**	**1,818,093**
Granted	781,214	594,400
Settled	-86,287	-240,867
Expired or forfeited	-632,305	-775,437
Outstanding 31 December	**1,458,811**	**1,396,189**

Expired or forfeited shares include the impact from the remuneration restrictions of Fortum Leadership Team members according to the terms of the Solidium bridge financing facility with the Finnish state as well as the impact of FLT members voluntarily waiving the shares not subject to those restrictions.

10.3 Employee Share Savings programme

The purpose of Fortum's Employee Share Savings (ESS) programme is to motivate employees to invest in Fortum shares and retain ownership in the company.

The programme consists of annually commencing savings periods and the annual launch of each period is separately resolved by the Board of Directors. The participants of the programme will invest a part of their monthly salary in Fortum shares, and based on this investment they 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 respective 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.

10.4 Fortum Personnel Fund

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

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

The fund's latest financial year ended at 30 April 2023 and the fund then had a total of 2,611 members (2022: 2,553). In 2023 Fortum did not make any payment (2022: EUR 4.3 million) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2022. The combined amount of members' shares in the fund was EUR 16 million (2022: 20).

10.5 The President and CEO and the Fortum Leadership Team remuneration

In the end of 2023 Fortum Leadership Team consists of eleven members, including the President and CEO. The following table presents the total remuneration of the President and CEO and the FLT and takes into account the changes in FLT during the year. The expenses are shown on accrual basis.

On 6 September 2022, Fortum announced that it had agreed with the Finnish State on a bridge financing arrangement. In accordance with the Solidium bridge financing facility with the Finnish State, Fortum Leadership Team members will not be paid any short- or long-term incentives that are accumulated in 2022 and 2023, nor can they participate in 2023 ESS plan. In addition, FLT members have also voluntarily waived the shares that are not subject to restrictions of the bridge financing facility and that are scheduled for delivery in spring 2024. However, costs for these plans are accrued over the vesting period.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Management remuneration

EUR thousand	2023 Markus Rauramo, President and CEO	2023 Other FLT members	2022 Markus Rauramo, President and CEO [2]	2022 Other FLT members [2]
Salaries and fringe benefits	1,613	3,369	1,549	3,447
Short-term incentives [1]	-	-	-	100
Long-term incentives	798	1,134	816	756
Pensions (statutory)	280	619	271	591
Pensions (voluntary)	315	830	315	717
Social security expenses	58	194	53	221
Total	**3,064**	**6,146**	**3,004**	**5,831**

1) In 2022 separate project awards were paid to certain FLT members in August.
2) In 2022 in addition to the information provided in the above table, compensation for the membership in the Supervisory Board of Uniper SE for the President and CEO Markus Rauramo was EUR 157 thousand and for other FLT members EUR 157 thousand.

The annual defined contribution for the President and CEO Markus Rauramo's supplementary pension arrangement is 20% of the annual fixed compensation. The annual fixed compensation consists of base salary and fringe benefits. The President and CEO's retirement age is determined in accordance with the Finnish Employees' Pension Act. In case his managing director service agreement is terminated before the retirement age, the President and CEO is entitled to retain the funds that have accrued in the pension arrangement up to that time.

Retirement age of other members of FLT is typically determined in accordance with the local legislation. Additionally, for three members the retirement age is 63. According to Group policy, all new supplementary pension arrangements are defined contribution plans. In general Fortum Leadership Team members have supplementary defined contribution pension plan, except two members who are in the Fortum Pension Fund (defined benefit plan). The pension premium for supplementary defined contribution plan for FLT members is 20% of the annual base salary. In the end of 2023, a pension liability of EUR 270 thousand was recognised on the balance sheet related to the defined benefit plans.

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 FLT members, the notice period for both parties is 6 months, and in case the company terminates the contract, members are usually entitled to the salary for the notice period and a severance pay equal to 6 months' salary.

Number of shares delivered to the management

The following table shows the number of shares delivered to the President and CEO and other FLT members under the LTI arrangements. FLT 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.

		2023 [1) 2)]	2022
FLT members at 31 December 2023			
Markus Rauramo, CEO		-	12,661
Nebahat Albayrak		2,677	-
Eveliina Dahl		-	1,127
Bernhard Günther		-	-
Mikael Lemström	Member of FLT from 31 March 2023	-	N/A
Petra Lundström	Member of FLT from 31 March 2023	-	N/A
Simon-Erik Ollus		-	1,847
Mikael Rönnblad		-	4,112
Nora Steiner-Forsberg		-	716
Peter Strannegård	Member of FLT from 31 March 2023		N/A
Tiina Tuomela	Member of FLT from 1 April 2023	-	N/A
Former FLT members			
Alexander Chuvaev	Member of FLT until 1 September 2022	N/A	16,034
Per Langer	Member of FLT until 30 March 2023	-	3,102
Total		**2,677**	**39,599**

1) Shares (net) were delivered based on participation in the restricted share plan (RSP) 2020–2022 and on the executive agreement.
2) In addition, with regard to the 2020 ESS plan, 628 matching shares were delivered to FLT members.

10.6 Board of Directors and management shareholding

On 31 December 2023, the members of the Board of Directors owned a total of 30,334 shares (2022: 15,370), which corresponds to 0.00% (2022: 0.00%) of the company's shares and voting rights.

Number of shares held by members of the Board of Directors

	2023	2022
Board members at 31 December 2023		
Mikael Silvennoinen, Chair	9,497	N/A
Essimari Kairisto, Deputy Chair	2,872	985
Ralf Christian	2,270	985
Luisa Delgado	2,270	985
Jonas Gustavsson	1,285	N/A
Marita Niemelä	1,285	N/A
Teppo Paavola	7,000	985
Maija Strandberg	1,285	N/A
Johan Söderström	1,285	N/A
Vesa-Pekka Takala	1,285	N/A
Former Board members		
Anja McAlister	N/A	1,446
Veli-Matti Reinikkala	N/A	7,029
Philipp Rösler	N/A	985
Annette Stube	N/A	985
Kimmo Viertola	N/A	985
Total	**30,334**	**15,370**

The President and CEO and other members of the FEM owned a total of 223,463 (2022: 197,210), which corresponds to approximately 0.02% (2022: 0.02%) of the company's shares and voting rights.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Number of shares held by members of the Fortum Leadership Team

	2023	2022
FLT members at 31 December 2023		
Markus Rauramo	115,162	112,739
Nebahat Albayrak	3,438	555
Eveliina Dahl	2,859	2,554
Bernhard Günther	767	555
Mikael Lemström	15,021	N/A
Petra Lundström	13,617	N/A
Simon-Erik Ollus	6,838	6,462
Mikael Rönnblad	20,685	20,619
Nora Steiner-Forsberg	1,615	1,461
Peter Strannegård	3,292	N/A
Tiina Tuomela	40,169	N/A
Former FEM members		
Per Langer	N/A	52,265
Total	**223,463**	**197,210**

10.7 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 ten members at the end of 2023.

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 in 2023 were EUR 39 thousand (2022: 0).

Fees for the Board of Directors

EUR thousand	2023	2022
Annual fee for the Board work		
Chair	88.8	88.8
Deputy Chair	63.3	63.3
Chair of the Audit and Risk Committee [1]	63.3	63.3
Members	43.1	43.1
Fixed fee for the Committee work		
Member of the Audit and Risk Committee	3.0	3.0
Chair of the Nomination and Remuneration Committee	5.0	5.0
Member of the Nomination and Remuneration Committee	2.0	2.0
Chair of any additional Committee established by a Board decision	5.0	5.0
Member of any additional Committee established by a Board decision	2.0	2.0

1) If not simultaneously Chair or Deputy Chair of the Board.

Every member of the Board of Directors receives a fixed annual fee for the Board work and a meeting fee for each meeting attended. The annual fee for the Board work is paid in company shares and in cash in such a way that approximately 40% of the amount of the annual fee is payable in shares acquired on behalf and in the name of the Board members, and the remainder in cash. The company pays the costs and the transfer tax related to the purchase of the company shares.

A meeting fee of EUR 800 is paid for Board and Committee meetings, or EUR 1,600 in case the member travels to the meeting outside his/her country of residence. When a member participates in the meeting via remote connection, or for the decisions that are confirmed without convening a meeting, the meeting fee will be EUR 800. Fees for the Committee work and the meeting fees are paid fully in cash.

The travel expenses of Board members are compensated in accordance with the company's travel policy.

The Board of Directors established a new permanent board committee for technology and investment-related matters in 2023.

Compensation for the Board of Directors

EUR thousand		2023	2022
Board members at 31 December 2023			
Mikael Silvennoinen	Chair from 13 April 2023, Chair of the Nomination and Remuneration Committee and the temporary Russia Committee	125	N/A
Essimari Kairisto	Deputy Chair from 13 April 2023, Chair of the Audit and Risk Committee	107	135
Ralf Christian	Member of the Board from 28 March 2022, Chair of the Technology and Investment Committee	87	90
Luisa Delgado		73	102
Jonas Gustavsson	Member of the Board from 13 April 2023	69	N/A
Marita Niemelä	Member of the Board from 13 April 2023	59	N/A
Teppo Paavola		78	117
Maija Strandberg	Member of the Board from 13 April 2023	78	N/A
Johan Söderström	Member of the Board from 13 April 2023	57	N/A
Vesa-Pekka Takala	Member of the Board from 13 April 2023	67	N/A
Former Board members			
Anja McAlister	Deputy Chair until 13 April 2023	5	122
Veli-Matti Reinikkala	Chair until 13 April 2023	10	181
Philipp Rösler	Member of the Board until 13 April 2023	4	101
Annette Stube	Member of the Board until 13 April 2023	11	105
Kimmo Viertola	Member of the Board until 13 April 2023	6	86
Total		**836**	**1,039**

11 Finance costs – net

EUR million	Note	2023	2022
Interest expense			
Borrowings		-286	-202
Leasing and other interest expenses		-2	-2
Capitalised borrowing costs	17	20	4
IS Total		**-269**	**-200**
Interest income			
Loan receivables and deposits		153	46
Leasing and other interest income		12	30
IS Total		**165**	**75**
Other financial items - net			
Return from nuclear fund, nuclear fund adjustment and unwinding of nuclear provisions	28	1	-71
Fair value changes, impairments and reversals		-3	-3
Unwinding of discounts on other provisions and pension obligations	29, 30	0	10
Other financial expenses and income		-33	-29
IS Total		**-34**	**-93**
IS Finance costs - net		**-138**	**-218**

EUR million	2023	2022
IS Finance costs - net	**-138**	**-218**
Adjustments to finance costs - net		
Return from nuclear fund, nuclear fund adjustment and unwinding of nuclear provisions	-1	71
Fair value changes, impairments, reversals and other adjustments	3	-23
Comparable finance costs - net	**-137**	**-170**

See **Definitions and reconciliations of key figures**.

Interest expenses on borrowings totalled EUR 286 million (2022: 202) including interest expenses on loans of EUR 246 million (2022: 187), and EUR 40 million (2022: 15) interest cost – net from derivatives hedging the loan portfolio. Interest expenses on loans includes EUR 41 million (2022: 26) relating to the Finnish State bridge financing recognised in 2023.

Interest income on loan receivables and deposits, EUR 153 million (2022: 46), includes EUR 133 million (2022: 2) from deposits and cash, and EUR 21 million (2022: 44) interest income from shareholder loan receivables and other loan receivables.

Return from nuclear fund, nuclear fund adjustment and unwinding of nuclear provisions relate to the Loviisa nuclear plant. Unwinding of nuclear provisions was EUR -63 million (2022: -39). For additional information see **Note 28** Nuclear-related assets and liabilities.

Other financial expenses and income, EUR 33 million (2022: 29), include EUR 26 million costs relating to financing arrangements of which EUR 15 million (2022: 23) related to the Finnish State bridge financing.

Interest rate and currency derivatives in finance costs – net

EUR million	2023	2022
Interest rate and cross currency swaps		
Interest expenses on borrowings	-7	13
Exchange rate difference from derivatives	-1	-16
Rate difference in fair value gains and losses on financial instruments [1]	40	-65
Total fair value change of interest rate derivatives in finance costs - net	**31**	**-68**
Foreign exchange derivatives		
Interest expenses on borrowings	-33	-28
Exchange rate difference from derivatives	-156	56
Rate difference in fair value gains and losses on financial instruments	5	-5
Total fair value change of currency derivatives in finance costs - net	**-184**	**23**
Total	**-153**	**-45**

1) Fair value gains and losses on financial instruments include fair value change of hedging derivatives in fair value hedge relationship to EUR 41 million (2022: -66).

12 Income tax expense

12.1 Profit before tax by country

EUR million	2023	2022
Finland	934	272
Sweden	652	583
Poland	-66	-209
Ireland	-51	754
Netherlands	160	205
Other	-45	-42
IS Total	**1,583**	**1,564**

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 profits include items such as share of profits from associates and joint ventures, effects of accounting for derivatives under IFRS standards and other group level consolidation adjustments, which are not included in taxable profits in the local subsidiaries.

12.2 Major components of income tax expense by country

EUR million	2023	2022
Current taxes		
Finland	-157	-206
Sweden	-122	-120
Poland	-6	-8
Ireland	0	11
Netherlands	-2	-5
Other	-6	-22
Total	**-293**	**-351**
Deferred taxes		
Finland	-13	168
Sweden	-3	-53
Poland	35	49
Ireland	163	704
Netherlands	36	-12
Other [1)]	32	8
Total	**249**	**864**
Adjustments recognised for current tax of prior periods		
Finland	-8	0
Sweden	0	8
Poland	-18	1
Ireland	-	0
Netherlands	1	-
Other	0	-2
Total	**-25**	**7**
IS Income tax expense	**-69**	**520**

1) Includes tax rate differential on interest on group internal loan treated as equity.

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	2023	%	2022	%
Profit before tax	1,583		1,564	
Tax calculated at nominal Finnish tax rate	-317	-20.0	-313	20.0
Differences in tax rates in other jurisdictions	-16	-1.0	63	-4.0
Tax exempt capital gains	1	0.0	117	-7.5
Other items impacting comparable tax expense	225	14.2	744	-47.6
Tax exempt income and other non-deductible expenses	10	0.6	-2	0.1
Share of profit of associates and joint ventures	12	0.8	-38	2.4
Tax effects of changes in value and non-recognition of deferred taxes	-5	-0.3	-41	2.6
Other items	20	1.2	-14	0.9
Adjustments recognised for taxes of prior periods	2	0.2	4	-0.3
IS Income tax expense	**-69**	**4.3**	**520**	**-33.3**

Key tax indicators:

- The weighted average applicable income tax rate for 2023 is 21.0% (2022: 19.9%).
- The effective income tax rate in the income statement for 2023 is 4.3% (2022: -33.3%).
- The comparable effective income tax rate for 2023 is 19.1% (2022: 21.9%).

See **Note 7** Comparable operating profit and comparable net profit and **Definitions and reconciliations of key figures**.

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

- Other items in the table above include EUR 23 million related to the tax rate differential on interest on group internal loan treated as equity, being interest income in Ireland at 12.5% and the corresponding interest expense taxable at 20% in Finland. The item decreased the rate by 1.5% (2022: 0.0%) while total other items decreased the rate by 1.2%.
- Other items impacting comparable tax expense in the table above are mainly realised in Ireland and the Netherlands as a consequence of write down of Russia related loans leading to increase of deferred tax asset on tax loss carry forward in Ireland. These items decreased the rate by 14.2% (2022: 47.6%).

12.4 Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules for global minimum tax. Pillar Two legislation was enacted in Finland, the jurisdiction in which domicile of Fortum Oyj and will come into effect from 1 January 2024. This legislation was also enacted or substantially enacted as of 2024 in the following Fortum's operative countries: Sweden, the Netherlands, Ireland, Denmark, Belgium, the United Kingdom, Switzerland, France, Germany and Norway.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure for the year 2023.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Under the legislation, the Group is liable to pay a top-up tax for the difference between its so called GloBE effective tax rate per jurisdiction calculated based on Pillar Two rules and the defined 15% minimum rate, if the Safe Harbour rules included in Pillar Two legislation are not met.

The Group is assessing its exposure to the global minimum tax under Pillar Two rules in the future. This assessment indicates that a majority of the operations are under Safe Harbour rules except potentially one or two jurisdictions. Nevertheless, based on the current analysis for 2024, the Group is not expected to be exposed to paying Pillar Two income taxes due to the application of some specific adjustments in the Pillar Two legislation.

Pillar Two legislation is still subject to further amendments and clarifications during 2024 and onwards. Therefore, the certainty of impacts from the new regulation cannot yet be assessed with sufficient certainty. The Group will follow guidance and instructions on this new regulation and seek for tax authority confirmation where possible in line with the tax principles.

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

	2023	2022
IS Profit attributable to owners of the parent, continuing operations (EUR million)	1,514	2,080
IS Profit attributable to owners of the parent, total Fortum (EUR million)	-2,069	-2,416
Weighted average number of shares (thousand)	897,264	889,204
Basic earnings per share, continuing operations (EUR)	1.68	2.34
Basic earnings per share, total Fortum (EUR)	-2.31	-2.72

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

Comparable earnings per share

	2023	2022
Comparable net profit, continuing (EUR million)	1,150	1,076
Comparable net profit, total Fortum (EUR million)	1,184	-988
Weighted average number of shares (thousand)	897,264	889,204
Comparable earnings per share, continuing operations (EUR)	1.28	1.21
Comparable earnings per share, total Fortum (EUR)	1.32	-1.11

See **Definitions and reconciliations of key figures**.

13.2 Dividend per share

The Board of Directors proposes that a dividend of EUR 1.15 per share be paid for the financial year 2023. The dividend will be paid in two instalments. Based on the number of shares registered as at 6 February 2024, the total amount of dividend would be EUR 1,032 million. These Financial statements do not reflect this dividend.

A dividend for 2022 of EUR 0.91 per share, amounting to a total of EUR 817 million, was decided in the Annual General Meeting on 13 April 2023. The dividend was paid in two instalments. The first dividend instalment of EUR 0.46 per share was paid on 24 April 2023, amounting to a total of EUR 413 million. The second dividend instalment of EUR 0.45, amounting to a total of EUR 404 million, was paid on 10 October 2023.

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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

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 (SPPI). 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.

DERECOGNITION

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

IMPAIRMENT

Fortum recognises an allowance for expected credit losses (ECL) according to IFRS 9 for financial assets measured at amortised cost. See further information on ECL in **Note 4.4.1** Credit quality of major financial assets and in **Note 23** Trade and other receivables.

Financial assets measured at fair value through profit or loss are not included in ECL assessment as they are already measured at fair value. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

FINANCIAL LIABILITIES

All financial liabilities are recognised initially at fair value. In the case of loans and borrowings and payables, incurred transaction costs are deducted. In subsequent periods, all financial liabilities, except derivatives and financial liabilities which the Group has at initial recognition irrevocably designated at fair value through profit or loss, are stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised as 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 are classified as liabilities at fair value through profit and loss. Amortisation of the effective interest rate and gains 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 instruments. Borrowings or portion of borrowings being hedged with a fair value hedge are recognised at fair value through profit or loss. 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 for commodities. Contracts that were entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements are not within the scope of IFRS 9 ("own use exemption"). Physical contracts to buy or sell a non-financial item, which are fair valued using the fair value option to off-set accounting mismatch, or where own use exemption or hedge accounting cannot be applied are fair valued through the income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Gains and losses resulting from the initial fair value measurement of a derivative ("day one" gains and losses) are eliminated against the corresponding derivative asset or liability, if the initial fair value is determined based on valuation model with input parameters that are unobservable from active markets. For derivatives whose initial fair value is evidenced by a quoted price in an active market for an identical contract or based on a valuation technique that uses only data from observable markets, gains and losses from the initial measurement are accounted 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 item being hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of the fair value of recognised assets or liabilities, or unrecognised firm commitments (fair value hedge); or (3) hedges of net investments in foreign operations.

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

CASH FLOW HEDGE

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

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

In addition, hedge accounting is applied to certain derivative contracts hedging gas price risk. These are physically settled fixed-price forward and futures contracts, for which the own-use exemption cannot be applied (failed own-use contracts), where the contract constitutes an effective hedge of cash flows of the gas volumes to be delivered ("all-in one" hedge).

FAIR VALUE HEDGE

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 hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss for the periods until maturity of the hedged item.

NET INVESTMENT HEDGING IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for similarly to cash flow 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 relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING

Certain derivative instruments representing economic hedging relationship do not qualify for hedge accounting. Unrealised fair value changes of non-hedge accounted commodity derivatives hedging future cash flow and physical contracts that are accounted for as derivatives within the scope of IFRS 9 are recognised in items affecting comparability in the income statement. Gains and losses on interest rate and currency derivative instruments are recognised in finance costs – net with corresponding hedge items.

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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Financial assets by category 2023

EUR million	Note	Amortised cost	Fair value through profit or loss			Fair value through other comprehensive income		
			Hedge accounting, fair value hedges	Non-hedge accounting	Other financial assets	Net investment and Cash flow hedges	Lease receivables	Total financial assets
Financial instruments in non-current assets								
Other non-current assets	20	78			123			201
Derivative financial instruments	4							
Commodity derivatives				42		59		101
Interest rate and currency derivatives			92	2		21		115
Long-term interest-bearing receivables	21	644						644
Total financial instruments in non-current assets		**722**	**92**	**45**	**123**	**80**	**-**	**1,061**
Financial instruments in current assets								
Derivative financial instruments	4							
Commodity derivatives				124		251		375
Interest rate and currency derivatives				7		7		14
Trade receivables	23	1,120						1,120
Other receivables	23	167						167
Short-term interest-bearing receivables	21	64			325			389
Liquid funds	24	4,183			-			4,183
Total financial instruments in current assets		**5,534**	**-**	**131**	**325**	**257**	**-**	**6,247**
Total		**6,256**	**92**	**176**	**448**	**337**	**-**	**7,309**

Financial assets by category 2022

EUR million	Note	Amortised cost	Fair value through profit or loss			Fair value through other comprehensive income		
			Hedge accounting, fair value hedges	Non-hedge accounting	Other financial assets	Net investment and Cash flow hedges	Lease receivables	Total financial assets
Financial instruments in non-current assets								
Other non-current assets	20	85			543			628
Derivative financial instruments	4							
Commodity derivatives				170		54		224
Interest rate and currency derivatives			84	3		33		119
Long-term interest-bearing receivables	21	593			31		0	624
Total financial instruments in non-current assets		**677**	**84**	**174**	**574**	**86**	**0**	**1,595**
Financial instruments in current assets								
Derivative financial instruments	4							
Commodity derivatives				594		776		1,370
Interest rate and currency derivatives			1	92		23		116
Trade receivables	23	1,625						1,625
Other receivables	23	142						142
Short-term interest-bearing receivables	21	122			535		3	660
Liquid funds	24	3,919			-			3,919
Total financial instruments in current assets		**5,808**	**1**	**687**	**535**	**799**	**3**	**7,832**
Total		**6,486**	**84**	**860**	**1,109**	**885**	**3**	**9,427**

Financial liabilities by category 2023

		Amortised cost	Fair value through profit or loss			Fair value through other comprehensive income		
EUR million	Note		Hedge accounting, fair value hedges	Non-hedge accounting	Other financial liabilities	Net investment and Cash flow hedges	Lease liabilities	Total financial liabilities
Financial instruments in non-current liabilities								
Interest-bearing liabilities	26	3,502	973 [1)]				97	4,573
Derivative financial instruments	4							
Commodity derivatives				49		73		121
Interest rate and currency derivatives			83	2		10		95
Total financial instruments in non-current liabilities		**3,502**	**1,056**	**50**		**83**	**97**	**4,789**
Financial instruments in current liabilities								
Interest-bearing liabilities	26	941			376		21	1,337
Derivative financial instruments	4							
Commodity derivatives				58		761		819
Interest rate and currency derivatives				232		6		238
Trade payables	32	488						488
Other liabilities	32	213						213
Total financial instruments in current liabilities		**1,641**	**-**	**290**	**376**	**767**	**21**	**3,093**
Total		**5,143**	**1,056**	**340**	**376**	**849**	**118**	**7,882**

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

Financial liabilities by category 2022

		Amortised cost	Fair value through profit or loss			Fair value through other comprehensive income		
EUR million	Note		Hedge accounting, fair value hedges	Non-hedge accounting	Other financial liabilities	Net investment and Cash flow hedges	Lease liabilities	Total financial liabilities
Financial instruments in non-current liabilities								
Interest-bearing liabilities	26	2,978	580 [1)]				100	3,658
Derivative financial instruments	4							
Commodity derivatives				245		390		635
Interest rate and currency derivatives			119	-		2		121
Total financial instruments in non-current liabilities		**2,978**	**699**	**245**		**392**	**100**	**4,413**
Financial instruments in current liabilities								
Interest-bearing liabilities	26	3,581			527		19	4,127
Derivative financial instruments	4							
Commodity derivatives				553		3,366		3,919
Interest rate and currency derivatives			2	51		1		54
Trade payables	32	720						720
Other liabilities	32	185						185
Total financial instruments in current liabilities		**4,486**	**2**	**604**	**527**	**3,367**	**19**	**9,005**
Total		**7,463**	**701**	**849**	**527**	**3,759**	**119**	**13,419**

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.

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

FAIR VALUES UNDER LEVEL 3 MEASUREMENT HIERARCHY

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

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

fortum
Powering a thriving world

Financials 2023

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Financial assets

		Level 1		Level 2		Level 3		Netting [1]		Total	
EUR million	**Note**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
In non-current assets											
Other investments [2]	20					123	543			123	543
Derivative financial instruments											
Commodity derivatives	4										
Hedge accounting				59	54					59	54
Non-hedge accounting		10	85	14	58	20	57	-1	-30	42	170
Interest rate and currency derivatives	4										
Hedge accounting				113	116					113	116
Non-hedge accounting				2	3					2	3
Interest-bearing receivables							31				31
Total in non-current assets		**10**	**85**	**188**	**231**	**143**	**631**	**-1**	**-30**	**339**	**917**
In current assets											
Derivative financial instruments											
Commodity derivatives	4										
Hedge accounting		200	781	160	542			-110	-546	251	777
Non-hedge accounting		408	1,129	33	252	4	9	-320	-796	124	594
Interest rate and currency derivatives	4										
Hedge accounting				7	23					7	23
Non-hedge accounting				7	92					7	92
Interest-bearing receivables [3]		325	527				7			325	535
Total in current assets		**933**	**2,437**	**206**	**909**	**4**	**16**	**-430**	**-1,342**	**714**	**2,021**
Total		**943**	**2,522**	**394**	**1,140**	**147**	**648**	**-431**	**-1,372**	**1,053**	**2,938**

1) Receivables and liabilities from electricity and other commodity standard derivative contracts against exchanges with same delivery period are netted.
2) Other investments includes shares in unlisted companies. The comparison period 31 December 2022 also includes 1.3 GW portfolio of wind projects located in Russia.
3) Interest-bearing receivables, Level 1, include collateral arrangement covering margin requirement.

Financial liabilities

		Level 1		Level 2		Level 3		Netting [1]		Total	
EUR million	**Note**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
In non-current liabilities											
Interest-bearing liabilities [2]	26			973	580					973	580
Derivative financial instruments											
Commodity derivatives	4										
Hedge accounting		14		58	390					73	390
Non-hedge accounting		11	38	30	234	9	4	-1	-30	49	246
Interest rate and currency derivatives	4										
Hedge accounting				93	121					93	121
Non-hedge accounting				2	0					2	0
Total in non-current liabilities		**26**	**38**	**1,156**	**1,324**	**9**	**4**	**-1**	**-30**	**1,189**	**1,336**
In current liabilities											
Interest-bearing liabilities	26			376	527					376	527
Derivative financial instruments											
Commodity derivatives	4										
Hedge accounting		606	2,672	264	1,240			-110	-546	761	3,366
Non-hedge accounting		238	883	138	465	2	1	-320	-796	58	553
Interest rate and currency derivatives	4										
Hedge accounting				6	3					6	3
Non-hedge accounting				232	51					232	51
Total in current liabilities		**844**	**3,555**	**1,016**	**2,286**	**2**	**1**	**-430**	**-1,342**	**1,432**	**4,500**
Total		**870**	**3,593**	**2,172**	**3,610**	**11**	**5**	**-431**	**-1,372**	**2,621**	**5,836**

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

At the end of December 2023, the net fair value of commodity derivatives was EUR -464 million, including assets of EUR 476 million and liabilities of EUR 940 million (EUR -2,960 million in December 2022, including assets of EUR 1,594 million and liabilities of EUR 4,554 million). The change from December 2022 mainly relates to impacts from decreased commodity market prices and maturity of contracts.

Net fair value amount of interest rate and currency derivatives was EUR -204 million, including assets EUR 129 million and liabilities EUR 333 million. Fortum has cash collateral agreements with some counterparties. At the end of December 2023, Fortum had received EUR 42 million and paid EUR 176 million from foreign exchange and interest rate derivatives under Credit Support Annex agreements.

There were no transfers in or out of level 3 during 2023. In 2022, Russian 1.3 GW portfolio of wind projects and Uniper's fair valued long-term gas supply contracts accounted for as derivatives were transferred into level 3. Gains and losses of level 3 items in consolidated income statement are presented mainly in items affecting comparability. See Note 7 Comparable operating profit and comparable net profit.

Changes in fair value hierarchy Level 3

	2023		2022	
EUR million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Opening balance 1 January	**648**	**5**	**673**	**344**
Purchases and additions	17	-	21	-
Sales and disposals	-4	-	118	-
Settlements and realised gains/losses in income statement	-13	-1	-112	-28
Unrealised gains/losses in income statement	-67	7	-2,130	293
Transfers into level 3	-	-	4,101	-
Gains/losses in OCI	-	-	-3	-
Deconsolidation of subsidiary companies [1]	-433	-	-2,020	-604
Carrying amount at 31 December	**147**	**11**	**648**	**5**

1) Deconsolidation of Russian operations in April 2023 and Uniper in September 2022.

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.

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.

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.

	Goodwill		Contract-based		Other		Total	
EUR million	2023	2022	2023	2022	2023	2022	2023	2022
Cost 1 January	**417**	**1,021**	**-**	**1,334**	**929**	**1,586**	**1,346**	**3,941**
Translation differences and other adjustments	-11	10	-	-5	-28	-96	-39	-91
Acquisition of subsidiary companies	11	-	-	-	14	-	25	-
Capital expenditure	-	1	-	-	92	125	92	126
Disposals	-	-	-	-	-16	-71	-16	-71
Deconsolidation of subsidiary companies 1)	-167	-615	-	-1,329	-43	-664	-210	-2,608
Reclassifications	-	-	-	-	14	48	14	48
Cost 31 December	**249**	**417**	**-**	**-**	**962**	**929**	**1,212**	**1,346**
Accumulated depreciation 1 January	**167**	**-**	**-**	**820**	**521**	**955**	**689**	**1,775**
Translation differences and other adjustments	-	-	-	-6	-17	-85	-17	-91
Disposals	-	-	-	-	-15	-71	-15	-71
Deconsolidation of subsidiary companies 1)	-167	-	-	-830	-25	-447	-192	-1,277
Reclassifications	-	-	-	-	-	34	-	34
Depreciation for the year	-	-	-	14	105	130	105	144
Impairment charges 2)	-	167	-	1	-	6	-	174
Accumulated depreciation 31 December	**-**	**167**	**-**	**-**	**569**	**521**	**569**	**689**
BS **Carrying amount 31 December**	**249**	**250**	**-**	**-**	**393**	**408**	**643**	**657**

1) See **Note 3** Acquisitions, disposals and discontinued operations.
2) Impairment charges in 2022 for Russia amounted to EUR 169 million. See **Note 19** Impairment testing.

Changes during the year include Russia until 31 March 2023 and Uniper until 30 September 2022.

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. In March 2023, Fortum announced the reorganisation of its business structure and updated its reportable segments and cash-generating units accordingly. See **Note 6** Segment reporting.

EUR million	2023	2022
Consumer Solutions	214	214
Recycling and Waste	35	35
Total	**249**	**250**

Other intangible assets

Other intangible assets include customer contracts, and costs for software products and software licenses.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

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 machinery, waterfall rights, and other buildings and machinery.

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses on the consolidated balance sheet. Historical cost includes expenditure that is directly attributable to the acquisition of an item. 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 29** Other provisions for information about asset retirement obligations, **Note 28** Nuclear-related assets and liabilities, for information about provisions for decommissioning nuclear power plants and **Note 33** Leases, for information about right-of-use assets.

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

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

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

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

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.

BORROWING COSTS

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

CLIMATE-RELATED MATTERS

Economic lives and book values of property, plant and equipment reflect approved actions towards Fortum's climate-related targets. Moreover, additions to property, plant and equipment include capital expenditure incurred towards Fortum's climate-related targets, such as the phase out of all coal-based power generation by the end of 2027; as well as maintenance-related capital expenditure to protect Fortum's assets towards climate-related risk, such as investments in hydropower plant dam safety.

Fortum has coal-fired power generation in Meri-Pori power plant, Finland; Suomenoja CHP, Finland; and Zabrze and Czestochowa CHP, Poland. With regards to coal exit, Fortum is investing approximately EUR 300 million during 2023–2027 in projects within the Espoo Clean Heat programme to drive decarbonisation and build sustainable waste heat solutions in the Helsinki metropolitan area, of which EUR 31 million was capitalised in 2023. Fortum's district heat in Finland will be produced coal-free already in 2025 and be carbon-neutral before 2030. Also, the economic life and book value of the Meri-Pori power plant reflect Fortum's coal exit plans.

With regards to investments in hydropower plant dam safety, Fortum is investing, for example, approximately SEK 650 million (approximately EUR 59 million) in dam safety in Sweden for an extensive rebuild of the over 100-year-old Forshuvud hydropower plan during 2021–2025; as well as over SEK 700 million (over EUR 60 million) during 2023–2030 to modernise Untra, one of Sweden's oldest hydropower plants. In 2023, total of EUR 103 million (2022: 93) was capitalised relating to hydro production, mainly maintenance, legislation and productivity investments.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

	Land and waterfall rights		Buildings and structures		Machinery, equipment and other		Advances paid and construction in progress		Total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Cost 1 January	**2,429**	**4,371**	**3,406**	**10,574**	**7,525**	**32,996**	**513**	**1,172**	**13,872**	**49,113**
Translation differences and other adjustments	7	-275	-37	422	-120	588	-	-166	-150	569
Acquisition of subsidiary companies	-	8	-	8	-	-	-	6	-	21
Capital expenditure [1]	6	4	9	13	10	49	515	758	539	824
Additions to right-of-use assets	3	6	13	29	10	12	-	-	27	47
Decreases in right-of-use assets	-	-	-2	-18	-1	-12	-	-	-4	-30
Nuclear asset retirement cost	-	-	-	-	10	-9	-	-	10	-9
Disposals	-7	-4	-19	-35	-42	-149	-3	-3	-69	-190
Deconsolidation of subsidiary companies [2]	-6	-1,680	-895	-7,645	-1,850	-26,086	-49	-1,033	-2,800	-36,444
Reclassifications	-	-	151	58	326	135	-491	-222	-13	-28
Cost 31 December	**2,433**	**2,429**	**2,626**	**3,406**	**5,868**	**7,525**	**485**	**513**	**11,413**	**13,872**
Accumulated depreciation 1 January	**5**	**279**	**1,989**	**6,164**	**4,612**	**23,460**	**-**	**162**	**6,606**	**30,064**
Translation differences and other adjustments	-	-7	-31	199	-91	63	-	-4	-122	252
Acquisition of subsidiary companies	-	-	-	1	-	-	-	-	-	1
Disposals	-	-	-18	-33	-40	-100	-3	-1	-61	-134
Deconsolidation of subsidiary companies [2]	-	-275	-564	-5,089	-1,334	-20,589	-1	-164	-1,900	-26,116
Decreases in right-of-use assets	-	-	-	-5	-	-10	-	-	-	-15
Depreciation for the year	2	11	71	316	194	666	9	-	277	994
Impairment charges [3]	-	1	-	518	-	1,050	-	5	-	1,574
Reclassifications	-	-3	-	-83	-	72	-	-	-	-14
Accumulated depreciation 31 December	**7**	**5**	**1,447**	**1,989**	**3,341**	**4,612**	**5**	**-**	**4,800**	**6,606**
BS **Carrying amount 31 December**	**2,425**	**2,424**	**1,179**	**1,417**	**2,527**	**2,913**	**481**	**513**	**6,612**	**7,266**

1) Includes EUR 3 million (2022: 51) of other asset retirement costs.
2) See **Note 3** Acquisitions, disposals and discontinued operations.
3) Impairment charges in 2022 for Russia amounted to EUR 735 million. See **Note 19** Impairment testing.

Changes during the year include Russia until 31 March 2023 and Uniper until 30 September 2022.

Property, plant and equipment that are subject to restrictions in the form of real estate mortgages amount to EUR 163 million (2022: 167). See **Note 35** Pledged assets and contingent liabilities.

Borrowing costs of EUR 20 million relating to continuing operations were capitalised in 2023 (2022: 4). The interest rate used for capitalising borrowing costs varied from 2% to 8% (2022: 2%-10%). For constructions financed by the Group, a uniform rate may be used based on interest rates of financial liabilities, including leases.

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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

18 Participations in associated companies and joint ventures

ACCOUNTING POLICIES

The Group's interests in associated companies and joint ventures are accounted for using the equity method of accounting. Assets acquired and liabilities assumed in the investment in associates or joint ventures are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management is required to make significant judgements when assessing the nature of Fortum's interest in its investees and when considering the classification of Fortum's joint arrangements. In the classification, emphasis has been put on decision making, legal structure, 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	OKG AB	TVO Oyj
Nature of the relationship	Co-owned nuclear company	Co-owned hydro company	Co-owned nuclear company	Co-owned nuclear company
Classification	Associated company	Associated company	Associated company	Joint venture
Segment	Generation	Generation	Generation	Generation
Domicile	Sweden	Finland	Sweden	Finland
Ownership interest, % 1)	26	58	46	26
Votes, %	26	28	46	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. In 2023 there were no changes in the ownership interests in Kemijoki and TVO.

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, Kemijoki Oy and OKG) or as joint venture (Teollisuuden Voima Oyj (TVO)).

In Sweden, nuclear production company shareholdings are 25.5% ownership of the shares in Forsmarks Kraftgrupp AB and 45.5% ownership of the shares in OKG AB. Excluding non-controlling interests in the subsidiaries, Fortum's participation in the companies are 22.2% and 43.4% respectively, which reflects the share of electricity produced that Fortum can sell further to the market. The minority part of the electricity purchased is 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 which entitle the shareholders to electricity produced in the different power plants owned by TVO. Shares in series A entitle to electricity produced in nuclear power plants Olkiluoto 1 and 2 and Fortum owns 26.6% of these shares. Series B entitles to electricity produced in Olkiluoto 3 and Fortum's ownership in this share series is 25.0%.

See also **Note 28** 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 proportion to its hydro shareholding.

Summarised financial information of the principal associated companies in 2023

EUR million	Forsmarks Kraftgrupp AB	Kemijoki Oy	OKG AB
Balance sheet	**31 Dec 2022**	**31 Dec 2022**	**31 Dec 2022**
Non-current assets	1,907	497	811
Current assets	1,345	12	165
Non-current liabilities	3,108	312	892
Current liabilities	113	145	71
Equity	31	52	13
Attributable to the owners of the parent	31	52	13
Statement of comprehensive income	**1 Jan 2022 - 31 Dec 2022**	**1 Jan 2022 - 31 Dec 2022**	**1 Jan 2022 - 31 Dec 2022**
Sales	596	69	298
Profit or loss	0	1	1
Attributable to the owners of the parent	0	1	1
Total comprehensive income	0	1	1
Attributable to the owners of the parent	0	1	1
Reconciliation to carrying amount in Fortum Group			
Group's interest in the equity of the associate 1 January	**8**	**30**	**6**
Reclassification			
Change in share of profit and OCI items	0	0	0
Group's interest in the equity of the associate 31 December	**8**	**30**	**6**
Fair values on acquisitions and different accounting principles [1]	91	147	-6
Carrying amount 31 December	**99**	**176**	**0**

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 28** Nuclear-related assets and liabilities.

Summarised financial information of the principal associated companies in 2022

EUR million	Forsmarks Kraftgrupp AB	Kemijoki Oy	OKG AB
Balance sheet	**31 Dec 2021**	**31 Dec 2021**	**31 Dec 2021**
Non-current assets	2,393	489	825
Current assets	525	5	184
Non-current liabilities	2,783	289	920
Current liabilities	105	154	76
Equity	31	52	13
Attributable to the owners of the parent	31	52	13
Statement of comprehensive income	**1 Jan 2021 - 31 Dec 2021**	**1 Jan 2021 - 31 Dec 2021**	**1 Jan 2021 - 31 Dec 2021**
Sales	594	50	312
Profit or loss	0	1	2
Attributable to the owners of the parent	0	1	2
Total comprehensive income	0	1	2
Attributable to the owners of the parent	0	1	2
Reconciliation to carrying amount in Fortum Group			
Group's interest in the equity of the associate 1 January	**12**	**30**	**-**
Reclassification	-4	-	6
Change in share of profit and OCI items	-	-1	0
Group's interest in the equity of the associate 31 December	**8**	**30**	**6**
Fair values on acquisitions and different accounting principles [1]	77	148	-6
Carrying amount 31 December	**85**	**178**	**0**

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Summarised financial information of the principal joint ventures

EUR million	2023 TVO Oyj	2022 TVO Oyj
Balance sheet	**30 Sep 2023**	**31 Dec 2022**
Non-current assets	8,375	8,308
Current assets	916	863
of which cash and cash equivalents	313	353
Non-current liabilities	6,472	6,517
of which non-current interest-bearing liabilities	5,223	5,223
Current liabilities	579	437
of which current financial liabilities	300	259
Equity	2,241	2,218
Attributable to the shareholders of the company	2,241	2,218
Statement of comprehensive income	**1 Jan 2023 - 30 Sep 2023**	**1 Jan 2022 - 31 Dec 2022**
Sales	587	358
Depreciation and amortisation	-116	-47
Interest income	26	6
Interest expense	-104	-81
Income tax expense or income	0	0
Profit or loss	67	-48
Other comprehensive income	-16	212
Total comprehensive income	51	164
Attributable to the shareholders of the company	51	164
Reconciliation to carrying amount in Fortum Group		
Group's interest in the equity of the joint venture at 1 January	**564**	**523**
Change in share of profit and OCI items	8	41
Group's interest in the equity of the joint venture 31 December	**572**	**564**
Fair values on acquisitions and different accounting principles [1]	-18	-9
Carrying amount 31 December	**554**	**556**

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 Loviisa power plant, see accounting principles in Note 28 Nuclear-related assets and liabilities.

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

Participations in associated companies and joint ventures on the balance sheet

EUR million	2023	2022
Principal associates	276	262
Principal joint ventures	554	556
Other associates	51	158
Other joint ventures	179	273
BS **Total**	**1,059**	**1,249**

Changes in participation during the year

EUR million	2023 Associated companies	2023 Joint ventures	2022 Associated companies	2022 Joint ventures
Opening balance 1 January	**421**	**828**	**1,435**	**1,026**
Investments	-	12	5	9
Share of profit of associates and joint ventures	24	61	-542	-16
Dividend income received	-1	-15	-21	-16
Divestments and capital returns	-	-	-15	-13
Deconsolidation of subsidiary companies [1]	-105	-116	-527	-109
Reclassifications	-7	-	70	-137
OCI items in associates and joint ventures	-2	-17	1	40
Translation differences and other adjustments	-4	-19	14	45
Carrying amount at 31 December	**326**	**733**	**421**	**828**

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

Changes during the year include Russia until 31 March 2023 and Uniper until 30 September 2022. In 2023 Deconsolidation of subsidiary companies include EUR -221 million related to Russia. In 2022 Deconsolidation of subsidiary companies and Reclassifications included EUR -671 million related to Uniper.

For information about investments and divestments of shares in associated companies and joint ventures, see Note 3 Acquisitions, disposals and discontinued operations.

Share of profit of associates and joint ventures

EUR million	2023	2022
Principal associates		
Forsmarks Kraftgrupp AB	17	-78
Kemijoki Oy	-1	-1
OKG AB	7	-99
Principal associates, total	**23**	**-178**
Principal joint ventures		
TVO Oyj	25	-13
Principal joint ventures, total	**25**	**-13**
Other associates	1	-6
Other joint ventures	9	13
IS **Total**	**59**	**-185**

Comparable share of profit of associates and joint ventures

EUR million	2023	2022
IS **Share of profit/loss of associates and joint ventures**	**59**	**-185**
Adjustments to share of profit/loss of associates and joint ventures	-52	145
Comparable share of profit/loss of associates and joint ventures	**7**	**-40**

Share of profits from associated companies and joint ventures increased mainly due to the improved nuclear fund returns and updates for the nuclear decommissioning costs mainly due to inflation in Sweden. There are no unrecognised share of losses of associated companies and joint ventures.

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, limitations to the lifetime of assets as well as climate-related transition risks and physical risks.

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 cash-generating units that benefit from the synergies of the acquired goodwill.

Fortum generally uses value in use or fair value less cost of disposal to establish the recoverable amount of cash-generating units. Value in use is determined by discounting future cash flows expected to be derived from the use of assets. Fair value less cost of disposal represent the market approach and is determined with a discounted cash flow model, where the assumptions on cash flows and discount rate are reflecting the market expectations. The carrying amount of the 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. The recoverable amounts of cash-generating units are determined by discounted cash flow models. The estimated future cash flows are based on the most recent, long-term forecast in local currency, 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.

The period covered by cash flows is related to the useful lives of the assets being reviewed for impairment. Cash flow projections beyond the explicit forecast period are estimated by extrapolating projections using a steady or declining growth rate. 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.

In measuring value in use cash flows related to future investments, such as new plants, are excluded. However, if the projects have been started, the cashflows, including the cash outflows for the investment, are included.

Preparation of these cash flow estimates requires management to make assumptions relating to future expectations including the impacts of climate change. Assumptions vary depending on the business the tested assets are in. Approved actions towards Fortum's climate targets are reflected in the assumptions used in the impairment testing.

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.

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

Key assumptions	Basis for determining the value for key assumptions
Power market development	Historical analysis and prospective forecasting
Regulation framework	Current market setup and regulation as well as expected development based on info given by regulators
Utilisation of power plants and treatment facilities	Past experience, technical assessment and forecasted market development
Forecasted maintenance investments and refurbishments	Past experience, technical assessment and planned maintenance work
Discount rate	Mostly market based information

Annual impairment testing

Annual impairment testing was performed as at 31 December 2023. The recoverable amounts of the cash generating units were greater than their carrying values and therefore no impairments were booked.

Fortum generally uses value in use to establish the recoverable amount of cash generating units and this approach was applied in the impairment testing of Consumer Solutions, Heating and Cooling Finland and Recycling and Waste cash generating units, whereas in Heating and Cooling Poland the recoverable amount is defined using the fair value less cost of disposal approach.

Heating and Cooling Finland impairment testing includes the cash flows for Espoo Clean Heat project for which the investment decision was made in June 2023. Espoo Clean Heat drives decarbonisation and builds sustainable waste heat solutions in the Helsinki metropolitan area with a target of coal-free district heat production by 2025 and carbon-neutrality before 2030. As part of a collaboration project with Microsoft, Fortum will capture sustainable waste heat from their new data centres and use in our district heating.

Fortum has two CHP plants in Poland; Czestochowa CHP plant that uses coal and biomass as an energy source and a multi-fuel Zabrze CHP plant that uses refuse-derived fuel (RDF) and coal. Fortum targets to exit coal generation by the end of 2027. The detailed coal exit path for the Polish energy generation has not been decided upon and thus the value in use cannot be defined.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Recoverable amount is defined based on fair value approach reflecting external market view and Poland's current country-level target of coal generation exit.

See allocation of goodwill to cash-generating units in **Note 16** Intangible assets. See also **Note 2** Critical accounting estimates and judgements.

The pre-tax discount rates used in impairment testing by cash generating units were as follows:

Discount rate %	2023	2022
Consumer Solutions	10.8	7.6-9.8
Heating and Cooling Finland	7.9	N/A
Heating and Cooling Poland	12.1	N/A
Recycling and Waste	9.3	N/A

The Group has considered the sensitivity of key assumptions as part of the impairment testing for goodwill and indefinite-lived intangible assets. When doing this, any consequential effect of the change on the other variables has also been considered. The calculations are most sensitive to changes in estimated future EBITDA levels, and changes in discount rate. Management estimates that no reasonably possible change in the discount rate used, or in future earnings would cause the carrying amount to exceed its recoverable amount.

Impairment of the Russian assets in discontinued operations

Fortum's Russian assets were written down in two stages in 2022 and 2023 following the war in Ukraine, the consequential geopolitical tensions and seizure of the Russian assets.

As a result of the Presidential decree (No. 302) issued by Russia on 25 April 2023 and the seizure of Fortum's Russian assets, the company lost control of its Russian operations. Following the loss of control, the remaining Russian assets were fully written down in Fortum's 2023 financials, resulting in a loss of EUR 1.7 billion in discontinued operations.

Total impairment charges in 2022 for the Russia cash generating unit amounted to EUR 1.7 million. See also **Note 2** Critical accounting estimates and judgements.

20 Other non-current assets

EUR million	2023	2022
Other investments	123	543
Interest-free receivables	78	85
BS Total	**201**	**628**

Other investments includes shares in unlisted companies. The comparison period 31 December 2022 also includes 1.3 GW portfolio of wind projects located in Russia.

Interest-free receivables mainly include prepaid expenses.

21 Interest-bearing receivables

EUR million	2023	2022
Interest-bearing receivables	1,033	1,281
Finance lease receivables	-	3
Total	**1,033**	**1,284**

	2023		2022	
EUR million	Carrying amount	Fair value [1]	Carrying amount	Fair value
Long-term loan receivables from associates and joint ventures	644	670	593	612
Other long-term interest-bearing receivables	0	-	31	31
Total long-term interest-bearing receivables	**644**	**670**	**624**	**643**
Collateral arrangement	325	325	527	527
Other short-term interest-bearing receivables	64	64	130	130
Total short-term interest-bearing receivables	**389**	**389**	**657**	**657**
Total	**1,033**	**1,059**	**1,281**	**1,301**

1) Fair values do not include accrued interest.

Changes in interest-bearing receivables from 31 December 2022 include EUR 33 million from the deconsolidation of Russian operations in April 2023.

Long-term interest-bearing receivables include receivables from associated companies and joint ventures of EUR 644 million (2022: 593). These receivables include EUR 546 million from Swedish nuclear companies, Forsmarks Kraftgrupp AB and OKG AB (2022: 498), which are mainly funded with shareholder loans, pro-rata to each shareholder's ownership.

Other short-term interest-bearing receivables include EUR 51 million collateral for default fund. In 2023 the cash collateral in Nasdaq default fund was replaced by securities included in Fortum's collateral arrangement to the Nordic Power Exchange. See **Note 26** Interest-bearing liabilities.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

22 Inventories

ACCOUNTING POLICIES

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

EMISSION ALLOWANCES AND GREEN CERTIFICATES

Inventories include CO_2 emission allowances for covering emissions caused by power and heat production and green certificates. Green certificates arise from national quota obligations schemes to support renewable energy production and schemes to prove the origin of electricity production. Fortum receives the green certificates for the renewable energy generation in Generation segment, but also has quota obligations arising from the retail electricity sales in Consumer Solutions segment to return electricity certificates. CO_2 emission allowances and green certificates received free of charge are accounted at nominal value. Purchases of CO_2 emissions allowances and green certificates meeting the IFRS 9 "own use"-criteria, are accounted for at contracted purchase price. Purchases of CO_2 emission allowances and green certificates, which have failed to meet the "own use" –criteria, and are thus accounted for as derivatives and are recognised at market price applicable at the time of delivery.

CO_2 emission costs and green certificate quota obligations are settled by returning the emission allowances and green certificates. The obligation for these are presented in Other payables, see **Note 32** Trade and other payables. To the extent that the Group already holds CO2 allowances and green certificates, the obligation is measured at the carrying amount of those. Any deficit to cover the settlement obligation is valued at the current market value of CO2 allowances and green certificates.

The emission and quota obligation costs are recognised in the consolidated income statement within materials and services.

EUR million	2023	2022
Raw materials and supplies	256	298
Emission rights and green certificates	83	112
Other	114	55
BS **Total**	**452**	**465**

Raw materials and supplies mainly consist of fuels consumed in the production process, or in the rendering of services; and include, in particular, uranium, nuclear fuel rods and coal. Other mainly consists of work in progress and finished goods.

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 calculated according to the expected credit loss (ECL) model. Loss allowances on trade receivables are measured at an amount equal to lifetime expected credit losses.

An allowance is made on the balance sheet for the expected future credit losses and remains on the balance sheet until it is written off as a credit loss 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	2023	2022
Trade receivables	1,120	1,625
Accrued income and prepaid expenses	72	30
Other	95	112
BS **Total**	**1,286**	**1,767**

Change in trade receivables from 31 December 2022 includes impact from the deconsolidation of Russian operations in April 2023. Other category includes mainly other current interest free receivables.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Trade receivables

Ageing analysis of trade receivables

EUR million	2023 Gross	2023 Expected credit loss allowance	2023 Expected credit loss rate, %	2022 Gross	2022 Expected credit loss allowance	2022 Expected credit loss rate, %
Not past due	1,066	12	1	1,541	3	-
Past due 1-30 days	56	2	4	70	3	4
Past due 31-90 days	6	2	33	9	2	22
Past due 91-180 days	3	3	100	6	3	50
Past due more than 181 days	33	25	76	77	67	87
Total	**1,164**	**44**	**4**	**1,703**	**78**	**5**

Changes in expected credit loss allowance

EUR million	2023	2022
1 January	**78**	**198**
Expected credit loss allowance recognised during the year	14	78
Deconsolidation of subsidiary companies	-38	-168
Write-offs	-2	-39
Translation differences and other changes	-7	9
31 December	**44**	**78**

Trade receivables by currency (Gross)

EUR million	2023	2022
EUR	401	461
SEK	257	406
NOK	215	456
PLN	278	207
RUB	-	163
Other	13	10
Total	**1,164**	**1,703**

Trade receivables are arising from a large number of customers mainly in EUR, PLN and SEK mitigating the concentration of risk.

For further information regarding credit risk management and credit risks, see **Counterparty and credit risks** in the Operating and financial review and **Note 4.4** Credit risk.

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.

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	2023	2022
Cash at bank and in hand	2,087	2,673
Deposits and securities with maturity under 3 months	2,096	1,098
Cash and cash equivalents	**4,183**	**3,771**
Deposits and commercial papers with maturity more than 3 months but less than 12 months	-	147
BS Total	**4,183**	**3,919**

Changes in liquid funds from 31 December 2022 include EUR 284 million from the deconsolidation of Russian operations in April 2023.

At the end of the reporting period, the Group's liquid funds totalled EUR 4,183 million (2022: 3,919). Liquid funds totalling EUR 4,122 million (2022: 3,600) are placed with counterparties that have an investment grade credit rating.

The average interest rate for the liquid funds was 3.9% at the balance sheet date (2022: 1.7%).

At the end of the reporting period, Fortum had undrawn committed credit facilities of EUR 3,200 million, including the Core revolving credit facility of EUR 2,400 million (maturity in June 2025 with max. 2 years extension option by the lenders) and the EUR 800 million bilateral revolving credit facility (maturity in June 2025 with 1 year extension option by the lender). In addition, Fortum has EUR 100 million committed overdraft limits that are valid until further

For further information regarding credit risk management and credit risks, see **Note 4.4** Credit risk.

25 Share capital

	2023		2022	
EUR million	Number of shares	Share capital	Number of shares	Share capital
Registered shares at 1 January	**897,264,465**	**3,046**	**888,294,465**	**3,046**
Share issue to Solidium Oy	-	-	8,970,000	-
Registered shares at 31 December	**897,264,465**	**3,046**	**897,264,465**	**3,046**

Fortum Corporation has one class of shares. By the end of 2023, a total of 897,264,465 shares had been issued. Each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2023 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

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

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 Leadership Team's shareholdings is presented in **Note 10** Employee benefits and Board remuneration.

25.1 Authorisations from the Annual General Meeting 2023

In 2023, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase and disposal of the company's own shares up to a maximum number of 20,000,000 shares, which corresponded to approximately 2.23% 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 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 per 6 February 2024.

25.2 Convertible bond loans and bonds with warrants

Fortum Corporation has not issued any convertible bonds or bonds with attached warrants, which would entitle the bearer to subscribe for Fortum shares. The Board of Directors of Fortum Corporation has no unused authorisations from the General Meeting of shareholders to issue convertible bond loans or bonds with warrants or increase the company's share capital.

26 Interest-bearing liabilities

Financial net debt

EUR million	2023	2022
+ Interest-bearing liabilities	**5,909**	**7,785**
- BS Liquid funds	**4,183**	**3,919**
- Collateral arrangement	**325**	**527**
- BS Margin receivables	590	2,607
+ BS Margin liabilities	131	352
+/- Net margin liabilities/receivables	**-459**	**-2,255**
Financial net debt	**942**	**1,084**

Interest-bearing liabilities of EUR 5,909 million includes Fortum's collateral arrangement to the Nordic Power Exchange totalling EUR 376 million (2022: 527). Equalling amount is included in short-term interest-bearing receivables of which collateral relating to margin requirement EUR 325 million (2022: 527) is netted from the Financial net debt in the Collateral arrangement row. However the collateral for default fund EUR 51 million is not netted from the Financial net debt. See **Note 21** Interest-bearing receivables.

Financial net debt excluding Russia at 31 December 2022 was EUR 1,127 million.

Interest-bearing liabilities

EUR million	2023	2022
Non-current loans	4,475	3,558
Current loans	1,316	4,108
Total loans	**5,791**	**7,666**
Non-current lease liabilities	97	100
Current lease liabilities	21	19
Total lease liabilities	**118**	**119**
Total	**5,909**	**7,785**

EUR million	2023	2022
Bonds	2,736	1,545
Loans from financial institutions	589	980
Reborrowing from the Finnish State Nuclear Waste Management Fund	951	918
Lease liabilities	97	100
Other long-term interest-bearing liabilities	200	115
BS Total long-term interest-bearing liabilities	**4,573**	**3,658**
Current portion of long-term bonds	0	1,090
Current portion of loans from financial institutions	717	539
Commercial paper liabilities	174	475
Current portion of lease liabilities	21	19
Collateral arrangement liability	376	527
Other short-term interest-bearing liabilities	50	1,477
BS Total short-term interest-bearing liabilities	**1,337**	**4,127**
Total	**5,909**	**7,785**

Loans

EUR million	Effective interest rate, %	Carrying amount 2023	Repricing: Under 1 year	Repricing: 1–5 years	Repricing: Over 5 years	Fair value 2023 4)	Carrying amount 2022	Fair value 2022
Bonds	3.0	2,736	-	1,234	1,502	2,729	2,634	2,569
Loans from financial institutions	5.3	1,306	1,306	-	-	1,314	1,519	1,545
Reborrowing from the Finnish State Nuclear Waste Management Fund 1)	4.3	951	951	-	-	952	918	938
Other long-term loans	5.8	200	166	-	34	199	115	126
Total long-term loans 2)	**3.9**	**5,192**	**2,423**	**1,234**	**1,536**	**5,194**	**5,187**	**5,178**
Collateral arrangement liability	2.8	376	376	-	-	376	527	527
Commercial paper liabilities	4.4	174	174	-	-	174	475	475
Other short-term loans	3.9	50	50	-	-	50	1,477	1,477
Total short-term loans	**3.4**	**599**	**599**	**-**	**-**	**599**	**2,479**	**2,479**
Total 3)	**3.9**	**5,791**	**3,022**	**1,234**	**1,536**	**5,793**	**7,666**	**7,657**

1) The reborrowing from the Finnish State Nuclear Waste Management Fund includes the part relating to Loviisa nuclear power plant as well as borrowing done through TVO.
2) Includes current portion of long-term loans of EUR 717 million (2022: 1,629).
3) The average interest rate on loans and derivatives was 4.3% (2022, excluding Russia: 3.7%).
4) Fair values do not include accrued interest.

Changes in interest-bearing liabilities from 31 December 2022 include EUR 178 million from the deconsolidation of Russian operations in April 2023.

In January 2023, Fortum repaid the drawn amount EUR 600 million of its Liquidity revolving credit facility. In February 2023, EUR 1,000 million maturing bond was repaid. In March 2023, Fortum repaid the drawn amount of EUR 350 million and cancelled the entire EUR 2,350 million Finnish State bridge loan facility. Nuclear waste fund loans are in total EUR 951 million after the drawdown of EUR 33 million.

In May 2023, Fortum issued a dual-tranche bond with a five-year tranche of EUR 500 million and a ten-year tranche of EUR 650 million. Fortum repaid the final drawn amount of EUR 500 million of its Liquidity revolving credit facility in May 2023 and the SEK 1,000 million bond in June 2023.

In June 2023, Fortum cancelled EUR 2,100 million of the total EUR 3,100 million Liquidity revolving credit facility, and the six-month extension option was used for the remaining facility of EUR 1,000 million with new maturity in December 2023 with a six-month extension option by Fortum.

In June 2023, Fortum renewed its maturing drawn bullet loan of EUR 500 million with a new maturity date in February 2025. Undrawn bilateral revolving credit facility of EUR 800 million maturing in December 2023 was renewed with new maturity date in June 2025 with a one-year extension option by the lender.

In December 2023, the Liquidity revolving credit facility of EUR 1,000 million matured, as Fortum did not use the six-month extension option. Additionally, for the EUR 500 million bullet loan a one-year borrowers' extension option was agreed.

Current loans, EUR 1,316 million (2022: 4,108), include the current portion of long-term loans, EUR 717 million (2022: 1,629), and short-term loans EUR 599 million (2022: 2,479).

Current portion of long-term loans, EUR 717 million, consist of maturing loans from financial institutions.

Short-term loans, EUR 599 million, include EUR 418 million collateral arrangements and use of commercial paper programmes of EUR 174 million.

The average interest rate for the portfolio of EUR loans was 4.0% at the balance sheet date (2022: 3.1%). The average interest rate on total loans and derivatives was 4.3% at the balance sheet date (2022, excluding Russia: 3.7%).

For more information, see **Note 4** Financial risk management, **Note 33** Leases, **Note 35** Pledged assets and contingent liabilities and **Note 37** Related party transactions.

Reconciliation of interest-bearing liabilities

				Non-cash changes			
EUR million	1 Jan 2023	Deconsolidation of subsidiary companies	Cash flow from financing activities [1]	Non-cash collateral arrangement	Valuation differences/ Change in consolidation	Lease liabilities	31 Dec 2023
Bonds	2,634		58		43		2,736
Reborrowing from the Finnish State Nuclear Waste Management Fund	918		33				951
Financial and other interest-bearing liabilities	4,113	-173	-1,705	-152	22		2,105
Lease liabilities	119	-5	-20			23	118
Total	**7,785**	**-178**	**-1,634**	**-152**	**65**	**23**	**5,909**

				Non-cash changes			
EUR million	1 Jan 2022	Deconsolidation of subsidiary companies	Cash flow from financing activities [1]	Non-cash collateral arrangement	Valuation differences/ Change in consolidation	Lease liabilities	31 Dec 2022
Bonds	3,705		-1,000		-71		2,634
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,165		-247				918
Financial and other interest-bearing liabilities	11,274	-19,723	9,672	-21	2,910		4,113
Lease liabilities	1,075	-874	-104			22	119
Total	**17,220**	**-20,597**	**8,320**	**-21**	**2,840**	**22**	**7,785**

1) Repayments and borrowings from continuing and discontinued operations.

Bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal value million	Carrying amount EUR million
Fortum Corporation EUR 8,000 million EMTN Programme [1]						
2019/2026	Fixed	1.625	1.638	EUR	750	730
2023/2028	Fixed	4.000	4.078	EUR	500	504
2019/2029	Fixed	2.125	2.247	EUR	750	742
2023/2033	Fixed	4.500	4.537	EUR	650	663
2013/2043	Fixed	3.500	3.719	EUR	100	97
Total carrying amount 31 December 2023						**2,736**

1) EMTN = Euro Medium Term Note

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

27 Income taxes on the balance sheet

ACCOUNTING POLICIES

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement, because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided in full, using the balance sheet approach on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the closing date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are set off against deferred tax liabilities if they relate to income taxes levied by the same taxation authority.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not be reversed in the foreseeable future.

The Group recognises liabilities for anticipated tax dispute issues based on estimates of whether additional taxes will be due. No provision will be recognised in the financial statements if Fortum considers the claims unjustifiable. Therefore, if taxes regarding ongoing tax disputes have to be paid before final court decisions, they 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.

The Group applies the mandatory exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS AND ESTIMATES REGARDING FUTURE TAX CONSEQUENCES

Fortum has deferred tax assets and liabilities which are expected to be realised through the income statement over the extended periods of time in the future. In calculating the deferred tax items, Fortum is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Assumptions made include the expectation that future operating performance for subsidiaries will be consistent with historical levels of operating results, recoverability periods for tax loss carry-forwards will not change, and that existing tax laws and rates will remain unchanged into foreseeable future. Fortum believes that it has prudent assumptions in developing its deferred tax balances.

Fortum continually evaluates the probability of utilising deferred tax assets and considers various factors that, in addition to the actual and planned earnings of the past, take into account medium-term and long-term planning. The basis for recognising deferred tax assets is an estimate by management of the extent to which it is probable that there will be sufficient taxable profit in the foreseeable future against which the unused tax losses, tax credits and deductible temporary differences can be offset.

Assumptions and estimates regarding main uncertain tax positions are supported by external legal counsel or expert opinion.

If the actual final outcome (regarding tax disputes) would differ negatively from management's estimates with 10%, the Group would need to increase the income tax liability by EUR 4 million at 31 December 2023.

27.1 Deferred taxes on the balance sheet

	2023			2022		
EUR million	1 Jan	Change	31 Dec	1 Jan	Change	31 Dec
BS Deferred tax assets	933	24	958	2,149	-1,215	933
BS Deferred tax liabilities	-152	-276	-428	-827	676	-152
Net deferred taxes	**782**	**-252**	**530**	**1,321**	**-539**	**782**

Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilised in the relevant jurisdictions. As of 31 December 2023, Fortum has recognised deferred tax assets of EUR 958 million (2022: EUR 933 million).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Movement in deferred tax assets and liabilities 2023

EUR million	Intangible assets	Property, plant and equipment and right-of-use assets	Pension obligations	Provisions	Derivative financial instruments	Tax losses and interest carry-forward	Other	Net deferred taxes
1 January 2023	**-54**	**-530**	**-3**	**-19**	**589**	**753**	**46**	**782**
Charged to income statement	0	7	0	9	-15	202	64	266
Charged to other comprehensive income	-	-	2	-	-475	-	-	-474
Exchange rate differences, reclassifications and other changes	-6	10	0	-1	-9	-39	-6	-51
Acquisitions and disposals [1]	-2	61	-1	-2	0	0	-51	6
31 December 2023	**-61**	**-452**	**-2**	**-12**	**90**	**915**	**52**	**530**

1) Disposals of subsidiary companies in 2023 included EUR 10 million from the deconsolidation of Russian operations in April 2023. See **Note 3.3** Discontinued operations.

Movement in deferred tax assets and liabilities 2022

EUR million	Intangible assets	Property, plant and equipment and right-of-use assets	Pension obligations	Provisions	Derivative financial instruments	Tax losses and interest carry-forward	Other	Net deferred taxes
1 January 2022	**-200**	**-1,551**	**268**	**1,658**	**1,476**	**146**	**-476**	**1,321**
Charged to income statement	-15	275	-16	5,869	29	704	213	7,061
Charged to other comprehensive income	-	-	-33	-	248	-	-	215
Exchange rate differences, reclassifications and other changes	5	-85	-144	-38	-39	-9	40	-269
Disposals [1]	156	830	-77	-7,509	-1,126	-89	269	-7,546
31 December 2022	**-54**	**-530**	**-3**	**-19**	**589**	**753**	**46**	**782**

1) Disposals of subsidiary companies in 2022 included EUR 7 595 million from the deconsolidation of Uniper as of 30 September 2022. See **Note 3.3** Discontinued operations.

Changes during the year include Russia until 31 March 2023 and Uniper until 30 September 2022. Charges to income statement regarding Russia is presented in the results from discontinued operations. See **Note 3.3** Discontinued operations.

Net change in deferred taxes during the year 2023 is mainly due to decrease in deferred tax assets related to derivatives caused by high commodity market prices in 2022 and price decrease in 2023. The increase in deferred tax assets on tax loss carry forward is mainly in Ireland and caused by Russia related impairments. Fortum has prepared a comprehensive forecast to assess the future profitability of the Irish legal entity holding the loss carried forward, and has relied on this estimate to support the value of the deferred tax asset of EUR 829 million at 31 December 2023.

Expiry of tax losses and interest carried forward and recognised deferred tax assets

EUR million	2023 Tax losses	2023 Deferred tax asset	2022 Tax losses	2022 Deferred tax asset
Tax losses carried forward without expiration date [1)]	6,724	852	5,836	749
Tax losses carried forward with expiration date	12	2	9	2
Total	**6,735**	**855**	**5,844**	**751**
Interest carried forward without expiration date	97	24	-	-
Interest carried forward with expiration date	175	36	9	2
Total	**272**	**61**	**10**	**2**

1) Majority relates to Ireland.

Deferred tax assets are recognised for tax losses carried forward and interest carried forward to the extent that realisation of the related tax benefit through future profits is probable. The increase in tax losses carried forward is mainly in Ireland related to impacts caused by Russia related impairments. The increase in interest carried forwards is mainly due to increase in interest rates on loans as well as Russia related impairments.

Unrecognised deferred tax

The amount of temporary differences, tax losses carried forward, interest carried forward, and tax credits for which no deferred tax asset was recognised due to uncertainty of utilisation:

EUR million	2023	2022
Temporary differences	1,129	280
Tax losses carried forward	140	108
Interest carried forward	97	-
Tax credits	5	5
Total	**1,371**	**393**

The increase of unrecognised amount in temporary differences was mainly caused by following transactions: in Finland EUR 475 million was related to the write down of Russian shares and in the Netherlands EUR 650 million was due to Russia related loan impairments. The increase of unrecognised amount in interest carried forward is mainly due to Russia related loan impairments in the Netherlands.

Deferred tax liabilities were not recognised on temporary differences of EUR 23 million (2022: 476) relating to investments in subsidiaries as Fortum can control the reversal effect, and it is probable that temporary differences will not be reversed in the foreseeable future. The decrease in temporary differences was mainly related to deconsolidation of Russian operations in April 2023.

27.2 Income tax receivables

EUR million	2023	2022
Belgium	36	36
Other	23	35
BS Total	**59**	**71**

Income tax receivable in Belgium relates to ongoing tax disputes on income tax assessments for the year 2008. See **Note 36** 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.

28 Nuclear-related assets and liabilities

ACCOUNTING POLICIES

Fortum owns Loviisa nuclear power plant in Finland. In Fortum's consolidated balance sheet, Share in the State Nuclear Waste Management Fund and the Nuclear provisions relate to Loviisa nuclear power plant. Fortum's share in the State Nuclear Waste Management Fund is accounted for according to IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds which states that the fund assets are measured at the lower of fair value or the value of the related liabilities since Fortum does not have control or joint control over the State Nuclear Waste Management Fund. The Nuclear Waste Management Fund is managed by governmental authorities. The related provisions are the provision for decommissioning and the provision for disposal of spent fuel.

The fair values of the provisions are calculated according to IAS 37 by discounting the separate future cash flows, which are based on estimated future costs and actions already taken. The initial net present value of the provision for decommissioning (at the time of commissioning the nuclear power plant) has been included in the investment cost and is depreciated over the estimated operating time of the nuclear power plant. Changes in the technical plans etc., which have an impact on the future cash flow of the estimated costs for decommissioning, are accounted for by discounting the additional costs to the current point in time. The increased asset retirement cost due to the increased provision for decommissioning is added to property, plant and equipment and depreciated over the remaining estimated operating time of the nuclear power plant. For power plant units taken from use the increase is recognised immediately in the income statement.

The provision for spent fuel covers the future disposal costs for fuel used until the end of the accounting period. Costs for disposal of spent fuel are expensed during the operating time based on fuel usage. The impact of the possible changes in the estimated future cash flow for related costs is recognised immediately in the income statement based on the accumulated amount of fuel used until the end of the accounting period. The related interest costs due to unwinding of the provision is recognised in other financial items - net.

The interest income and possible fair valuation effects on the State Nuclear Waste Management Fund assets are presented in other financial items - net.

Fortum's actual share of the State Nuclear Waste Management Fund, related to Loviisa nuclear power plant, is higher than the carrying value of the Fund on the balance sheet. The legal nuclear liability should, according to the Finnish Nuclear Energy Act, be fully covered by payments and guarantees to the State Nuclear Waste Management Fund. The legal liability is not discounted while the provisions are, and since the future cash flow is spread over a very long time horison, the difference between the legal liability and the provisions are material.

The annual fee to the Fund is based on changes in the legal liability, the return generated in the State Nuclear Waste Management Fund and incurred costs of taken actions.

Fortum also has minority interests in other nuclear power companies, i.e. Teollisuuden Voima Oyj (TVO) in Finland and OKG Aktiebolag (OKG) and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are classified as associated companies and joint ventures and are consolidated with equity method. Both the Finnish and the Swedish companies are non-profit making, i.e. electricity production is invoiced to the owners at cost according to local GAAP. Accounting 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 State Nuclear Waste Management 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 State Nuclear Waste Management Fund 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 State Nuclear Waste Management 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.

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.

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

EUR million	2023	2022
Carrying values on the balance sheet		
BS Nuclear provisions	1,058	966
BS Fortum's share in the State Nuclear Waste Management Fund	1,058	966
Fortum's share of the fair value of the net assets in the State Nuclear Waste Management Fund	1,197	1,148
Share of fund not recognised on the balance sheet	139	182

Nuclear provision and fund accounted according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spent fuel. The carrying value of the nuclear provisions, calculated according to IAS 37, increased by EUR 92 million compared to 31 December 2022, totalling EUR 1,058 million at 31 December 2023. The change is mainly due to the Loviisa lifetime extension and updates in Posiva's project budget.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Fortum's share of the State Nuclear Waste Management Fund is from an IFRS perspective overfunded by EUR 139 million, since Fortum's share of the Fund on 31 December 2023 was EUR 1,197 million and the carrying value on the balance sheet was EUR 1,058 million. The Fund on Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the other financial items - net, is adjusted positively if the provisions increase more than the Fund, and negatively if the provision decreases below the actual value of the fund.

Legal liability for Loviisa nuclear power plant

The legal liability on 31 December 2023, decided by the Ministry of Economic Affairs and Employment in December 2023, was EUR 1,253 million.

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

Fortum’s share in the Finnish Nuclear Waste Management Fund

According to Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2023 is EUR 1,253 million.

Nuclear provisions

EUR million	2023	2022
1 January	**966**	**3,891**
Increase in provisions	69	40
Provision used	-41	-145
Provision reversed	-	-16
Unwinding of discount	63	65
Exchange rate differences	-	-173
Disposal of subsidiary companies [1]	-	-2,696
BS 31 December	**1,058**	**966**
BS Fortum's share in the State Nuclear Waste Management Fund	1,058	966

1) See Note 3 Acquisitions, disposals and discontinued operations.

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. See **Note 26** Interest-bearing liabilities and **Note 35** Pledged assets and contingent liabilities.

28.2 Nuclear power plants in associated companies and joint ventures

OKG, Forsmark and TVO are non-profit making companies, i.e. electricity production is invoiced to the owners at cost. Invoiced cost is accounted 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.

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

EUR million	2023	2022
Carrying values in TVO with Fortum assumptions		
Nuclear provisions	1,614	1,620
TVO's share of the State Nuclear Waste Management Fund	1,199	1,157
Net amount	**-415**	**-463**
of which Fortum's net share consolidated with equity method	**-104**	**-116**
TVO's legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	1,918	1,840
Share in the State Nuclear Waste Management Fund	1,458	1,436
Share of the fund not recognised on the balance sheet	259	279

TVO's legal liability, provision and share of the fund are based on the same principles as described above for Loviisa nuclear power plant. The liabilities and shares in the Fund are calculated and recorded separately for OL1/OL2 plant units and OL3 plant unit, as the corresponding total cost estimates are prepared separately. Commercial operation for OL3 started on 1 May 2023. This meant, among other things, that capitalisation of project costs was stopped and amortisation was started.

The difference between TVO's share in the State Nuclear Waste Management Fund and the carrying value of the TVO's share in the Fund is due to IFRIC 5, which requires that the carrying amount of the share in the State Nuclear Waste Management Fund is the lower of fair value or the value of the related liability. On 31 December 2023 the OL1/OL2 plant units' share in the Fund is higher than the provision according to IFRS. The OL3 plant unit's share in the Fund is on the other hand lower than the provision according to IFRS. TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective overfunded by EUR 259 million (of which Fortum's share is EUR 69 million), since TVO's share of the Fund on 31 December 2023 was EUR 1,458 million and the carrying value on the consolidated balance sheet with Fortum assumptions was EUR 1,199 million.

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in **Note 26** Interest-bearing liabilities.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

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

EUR million	2023	2022
OKG's and Forsmark's nuclear-related assets and liabilities with Fortum assumptions		
Nuclear provisions	5,001	4,641
Share in the State Nuclear Waste Management Fund	3,506	3,200
Net amount	**-1,495**	**-1,441**
of which Fortum's net share consolidated with equity method	**-472**	**-456**

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

Nuclear waste fees and guarantees are normally updated every three years by governmental decision after a proposal from the Swedish Radiation Safety Authority (SSM). The proposal is based on cost estimates done by SKB and the license holders. An updated technical plan for nuclear waste management was decided by SKB in December 2022. In January 2022, the Swedish government decided the waste fees and guarantees for 2022–2023. In December 2023, the Swedish Government decided on nuclear waste fees and guarantees in accordance with the proposal from the National Debt Office, but for the year 2024 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.

Nuclear-related guarantees

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered liability and unexpected events.

For more information regarding Fortum's guarantees given on behalf of nuclear companies, see **Note 35** Pledged assets and contingent liabilities.

29 Other provisions

ACCOUNTING POLICIES

Provisions are recognised when the Group has a present legal or constructive obligation to a third party as a result of 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 at the reporting date using a discount rate that reflects current market assessment of the time value of money. When risk is not covered in the estimated cash flows, the discount rate also includes the risks specific to the obligation.

Increase in the provision due to the passage of time and changes in provisions due to changes in discount rates are recognised as interest expense in the consolidated income statement. Changes in provisions, except for changes in 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 either when there is a contractual obligation towards a third party or a legal obligation. The obligation is generally based on detailed cost estimates validated by external experts.

The asset retirement obligation is recognised as part of the cost of an item of property, plant 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; unless the item of property, plant and equipment has already been fully depreciated when changes are recognised in the consolidated income statement.

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 obligation as the amount recognised as a provision is based on the best estimate of unavoidable costs required to settle the obligation at the end of the reporting period. When estimating unavoidable costs, management may be required to consider a range of possible outcomes and their associated probabilities, risks and uncertainties surrounding the events and circumstances, as well as making assumptions of the timing of payment. Estimation is also required in determining the rate used to discount provisions to present value. Changes in estimates of timing or amounts of costs required to settle the obligation may become necessary as time passes and/or more accurate information becomes available.

EUR million	Asset retirement	Environmental remediation and similar	Other	Total
1 January 2023	**19**	**41**	**70**	**130**
Increase in provisions	3	4	13	20
Provisions used	-	-4	-1	-5
Unused provisions reversed	-	-	-6	-6
Exchange rate differences and other changes	-	-4	-	-3
Deconsolidation of subsidiary companies	-	-9	-	-9
31 December 2023	**23**	**28**	**76**	**127**
BS Of which current provisions	-	-	2	2
BS Of which non-current provisions	23	28	75	125

Provisions for asset retirement obligations consist of obligations for conventional and renewable energy power plants. The majority of the provision is estimated to be used within 5–10 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 to be used within 10–15 years.

For provisions for decommissioning, and provision for disposal of spent fuel for nuclear production, see **Note 28** Nuclear-related assets and liabilities.

30 Pension obligations

ACCOUNTING POLICIES

The Group companies have various pension schemes in accordance with the local conditions and practices in the countries in which they operate. The schemes are generally funded through payments to insurance companies or pension fund. 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 other comprehensive income.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS: ASSUMPTIONS USED TO DETERMINE FUTURE PENSION OBLIGATIONS

The present value of the pension obligations is based on actuarial calculations that use several assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

Fortum's pension arrangements

Finland

The statutory pension benefits (as determined in Employee's Pension Act /TyEL) in Finland provide the employees' pension coverage for old age, disability and death of a family provider. The benefits are insured with an insurance company, and determined to be defined contribution plans.

In addition, the Group has historical old-age and survivor pension benefits with the Fortum Pension Fund covering a limited number of people. The Fortum Pension Fund is a closed fund managed by a Board, consisting of both employers' and employees' representatives. The promised benefit is defined in the rules of the Fund, mostly at a maximum of 66% of the salary basis. The salary basis is an average of the ten last years' salaries, which are indexed by a common salary index to the accounting year. After retirement the benefits payable are indexed yearly with the TyEL-index.

The Fund is operating under the regulation from the Financial Supervisory Authority (FSA). The liability has to be fully covered according to the regulations. The national benefit obligation related to the defined benefit plans is calculated so that the promised benefit is fully funded until retirement.

Other countries

As of December 2023, there were no material defined benefit pension arrangements in Fortum's other operating countries.

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 change.

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, the employer has to fund the deficit with contributions, unless the fund has sufficient covering.

Movement in the net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset(-)/liability(+)	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
1 January	**267**	**4,437**	**-280**	**-3,290**	**-14**	**1,146**
Included in consolidated income statement 1)						
Current service cost	1	49	-	-	2	50
Past service cost	-	1	-	-	-	1
Settlements	-2	-138	3	2	1	-136
Net interest	9	44	-10	-34	-1	10
	9	-44	-7	-32	2	-76
Included in OCI						
Remeasurement gains(-)/losses(+)	7	-1,513	1	905	9	-608
Actuarial gains/losses arising from changes in financial assumptions	2	-1,517	-	-	2	-1,517
Actuarial gains/losses arising from experience adjustments	5	4	-	-	5	4
Return on plan assets (excluding amounts included in net interest expense)	-	-	1	905	1	905
Exchange rate differences and other changes	-3	-22	2	35	-1	12
	4	-1,536	4	940	7	-596
Other						
Contributions paid by/to the employer	-	-	-2	11	-2	11
Benefits paid	-15	-81	15	78	0	-2
Acquisitions of subsidiary companies	1	1	-2	-	-1	1
Deconsolidation of subsidiary companies 2)	-3	-2,511	-	2,012	-3	-499
31 December	**263**	**267**	**-273**	**-280**	**-9**	**-13**
Present value of funded defined obligation					263	263
Fair value of plan assets					-273	-280
Funded status					**-10**	**-17**
Present value of unfunded obligation					0	4
Net liability arising from defined benefit obligation					-9	-13
Pension assets included in other non-current assets on the balance sheet					20	27
BS Pension obligations on the balance sheet					10	13

1) Net interest is presented in financial items in the income statement. The rest of costs related to defined benefit plans are included in staff costs (row defined benefits plans in the staff cost specification in **Note 10** Employee benefits and Board remuneration). In 2022 part of settlements were netted with defined contribution plans costs in income statement.
2) See **Note 3** Acquisitions, disposals and discontinued operations.

In 2023 changes during the year include Russia until 31 March 2023 and in 2022 Uniper until 30 September 2022.

Contributions expected to be paid during 2024 total EUR 2 million.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39

Fair value of plan assets

	2023			2022		
EUR million	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equity instruments	79	5	85	88	7	94
Debt instruments	104	40	144	105	40	145
Cash and cash equivalents	-	18	18	-	18	18
Real estate	-	12	12	-	12	12
Other assets	0	12	12	-	11	11
Total	**184**	**89**	**273**	**193**	**88**	**280**

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.

The actual return on plan assets totalled EUR 9 million (2022: -12).

Amounts recognised on the balance sheet by country 2023

EUR million	Finland	Other countries	Total
Present value of funded obligations	207	56	263
Fair value of plan assets	-220	-53	-273
Deficit(+)/surplus(-)	**-13**	**3**	**-10**
Present value of unfunded obligations	-	0	0
Net asset(-)/liability(+) on the balance sheet	**-13**	**3**	**-9**
Pension asset included in non-current assets	14	6	20
BS Pension obligations on the balance sheet	1	9	10

Amounts recognised on the balance sheet by country 2022

EUR million	Finland	Other countries	Total
Present value of funded obligations	205	58	263
Fair value of plan assets	-225	-56	-280
Deficit(+)/surplus(-)	**-19**	**2**	**-17**
Present value of unfunded obligations	-	4	4
Net asset(-)/liability(+) on the balance sheet	**-19**	**6**	**-13**
Pension asset included in non-current assets	21	6	27
BS Pension obligations on the balance sheet	1	12	13

The principal actuarial assumptions used in Finland

%	2023	2022
Discount rate	3.30	3.80
Future salary increases	2.40	2.70
Future pension increases	2.40	2.80
Rate of inflation	2.20	2.60

The discount rate in Finland is based on high quality European corporate bonds with maturity that best reflects the estimated term of the defined benefit pension plans.

The discount, inflation, salary growth and pension growth rates, as well as mortality are the key assumptions when calculating defined benefit obligations. Changes in the key actuarial assumptions would lead to the following changes in 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	-5.8%
0.5% decrease in discount rate	6.5%
0.5% increase in benefit	5.9%
0.5% decrease in benefit	-5.4%
0.5% increase in salary growth rate	0.3%
0.5% decrease in salary growth rate	-0.3%
10% increase in mortality	-3.7%
10% decrease in mortality	3.7%

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 2023, 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 2023

EUR million	Future benefit payments
Maturity under 1 year	15
Maturity between 1 and 5 years	62
Maturity between 5 and 10 years	73
Maturity between 10 and 20 years	127
Maturity between 20 and 30 years	78
Maturity over 30 years	38

The weighted average duration of defined benefit obligation at 31 December 2023 is 16 years.

31 Other non-current liabilities

EUR million	2023	2022
Connection fees	70	70
Other	53	51
BS **Total**	**122**	**121**

Connection fees include refundable fees paid by the customer when connected to district heating network in Finland. Connection fees were refundable until 2013.

32 Trade and other payables

EUR million	2023	2022
Trade payables	488	720
Accrued expenses and deferred income		
Accrued personnel expenses	102	109
Accrued interest expenses	97	59
Contract liabilities	25	24
Other accrued expenses and deferred income	143	201
Other liabilities		
VAT-liability	51	37
Current tax liability	44	261
Advances received	20	27
Liability to return emission rights [1]	70	99
Electricity certificate payables	34	40
Other	108	80
BS **Total**	**1,181**	**1,657**

1) For additional information see **Note 22** Inventories.

Change in trade and other payables from 31 December 2022 includes impact from the deconsolidation of Russian operations in April 2023.

The management considers that the amount of trade and other payables approximates fair value.

33 Leases

ACCOUNTING POLICIES

LESSEE ACCOUNTING

The Group leases mainly 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.

Amounts recognised in consolidated financial statements

Lessee

EUR million	2023	2022
In consolidated income statement		
Depreciation, of which	-19	-20
Land	-2	-2
Buildings and structures	-11	-12
Machinery and equipment	-6	-7
Interest expense on lease liabilities	-2	-2
Expense relating to short-term leases within Other expenses	-6	0
On consolidated balance sheet		
Additions to right-of-use assets, of which	27	47
Land	4	6
Buildings and structures	13	29
Machinery and equipment	10	12
Disposal of subsidiary companies, of which [1)]	-4	-508
Land	-3	-40
Buildings and structures	-1	-403
Machinery and equipment	0	-64
Carrying amount of right-of-use assets, of which	122	122
Land	53	55
Buildings and structures	54	55
Machinery and equipment	15	12
Lease liabilities	118	119
In consolidated cash flow statement		
Cash outflow for leases	-21	-21

1) See **Note 3** Acquisitions, disposals and discontinued operations

Maturity of undiscounted lease liabilities

EUR million	2023
Due within one year	21
Due after one year and within five years	55
Due after five years	56
Total	**131**

See **Note 4** Financial risk management, **Note 17** Property, plant and equipment and right-of-use assets, and **Note 26** Interest-bearing liabilities for more information.

34 Capital and other commitments

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

34.1 Capital commitments

At 31 December 2023, Fortum had EUR 292 million (2022: 441) capital commitments for the acquisition of property, plant and equipment and intangible assets. The decrease in capital commitments is mainly due to the deconsolidation of Fortum's Russian operations.

34.2 Other commitments to associates and joint ventures

Teollisuuden Voima Oyj (TVO) built Olkiluoto 3, the nuclear power plant funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At end of December 2023, Fortum had EUR 232 million (2022: 232) outstanding receivables regarding Olkiluoto 3, and was until 31 December 2023 committed to providing at maximum EUR 100 million additional funding. TVO shareholder loan is classified as participation in joint ventures. For more information, see **Note 28** Nuclear-related assets and liabilities.

Fortum has formed a joint venture with Green Investment Group to build the South Clyde waste-to-energy plant in Glasgow, Scotland. At 31 December 2023, Fortum had an outstanding commitment of EUR 40 million (2022: 54) to the joint venture, which is funded by external loans, share issues and shareholder loans.

34.3 Other commitments

In June 2018, the Swedish Parliament approved the legislation regarding Sweden's national strategy for implementation of the EU's Water Framework Directive. The largest hydro companies created 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 23% of the funds' total financing.

In May 2022, Fennovoima announced that it had terminated the contract for the delivery of the nuclear power plant with RAOS Project Oy and withdrew the construction license application. Currently, Fortum is financing certain costs of Voimaosakeyhtiö SF.

35 Pledged assets and contingent liabilities

ACCOUNTING POLICIES

PLEDGED ASSETS

Pledged assets are given to a lender as security for a loan, trading or other commitment. If the borrower or trading party is unable to make the agreed payments, the lender can use the pledged assets to mitigate its losses. Pledged assets at Fortum mostly consist of securities, collaterals and real estate mortgages.

CONTINGENT LIABILITIES

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is only confirmed by one or more doubtful future events; or when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be reliably estimated.

35.1 Pledged assets

For debt

Fortum has pledged shares in Kemijoki as a security for the reborrowing from the Finnish State Nuclear Waste Management Fund for the Loviisa nuclear power plant part, amounting to EUR 718 million (31 Dec 2022: 689).

Real estate mortgages total EUR 41 million (2022: 41).

For other commitments

Pledges assets include securities of EUR 325 million (2022: 527) to the Nordic Power Exchange (Nasdaq Commodities), margin receivables of EUR 590 million (2022: 2,607) and restricted cash of EUR 13 million (2022: 27). Margin receivables of EUR 590 million consist of cash collaterals for trading in commodities exchanges, as well as foreign exchange and interest rate derivatives under Credit Support Annex agreements.

Fortum has pledged real estate mortgages in Pyhäkoski hydro plant as security to the Ministry of Economic Affairs and Employment amounting to EUR 122 million (2022: 126). These are given as a security for the uncovered part of the legal liability and unexpected events relating to future costs for decommissioning and disposal of spent fuel in Loviisa nuclear power plant. According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Any uncovered legal liability relates to periodising of the payments to the fund. The size of the securities given is updated yearly in the second quarter based on the decisions regarding the legal liabilities and the funding target which are determined at the end of the previous year. See **Note 28** Nuclear-related assets and liabilities.

On behalf of others

Pledged assets on behalf of others consist of restricted cash of EUR 51 million (2022: 96) posted as collateral toward Nasdaq Clearing AB covering Fortum's required contribution to the Commodity Market Default Fund (default fund). The default fund is a mutualized fund whereby all participants on the Nordic power exchange (OMX Nasdaq Commodities) post collateral in relation to their exposure on the market in order to cover potential defaults by members which may cause losses exceeding the members' own collateral. See **Note 21** Interest bearing receivables.

35.2 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 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.

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

35.3 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 and Forsmark 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 approximately EUR 1.2 billion.

In Sweden, the operator of a nuclear power plant in operation is required to have a liability insurance or other financial cover in the amount equivalent to EUR 1.2 billion per site.

The necessary insurances for the nuclear power plants have been purchased. Similar 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 Ministry of Economic Affairs and Employment amounts to EUR 142 million (2022: 136). 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 28** Nuclear-related assets and liabilities.

36 Legal actions and official proceedings

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

Environmental liability litigation in Sweden

Fortum is party to an ongoing environmental liability litigation in Sweden concerning barrels of mercury placed in the Baltic Sea outside Sundsvall during the 1950s and 1960s. On 2 June 2023, the Court of Appeal, contrary to the Land and Environment Court, ruled that Fortum shall compensate a third party for the costs of a related environmental investigation. Fortum has requested for a leave to appeal to the Supreme Court. Fortum has not at any time had any involvement in producing mercury, or placing the mercury waste in the sea. At the time, a company called Stockholms superfosfat fabriks was operating the industrial activities. In 1985, these industrial activities, including all rights and obligations thereof, were transferred from Stockholms superfosfat fabriks AB to the third party. In 1995, Stockholms superfosfat fabriks AB was sold to an external party, only then ending up in the Fortum Group (and name changed to Fortum Ljunga Kraft AB).

The current litigation is concerning the liability for the environmental investigation into the extent of required environmental measures. The County Administrative Board has in parallel an ongoing errand on the environmental liability for the barrels. In this process, the County Administrative Board will first make a decision on which company shall carry out the environmental investigations and only thereafter it may decide on the liability for the environmental measures. At this point in time, it is not possible to estimate either the cost of the full environmental investigations, or the cost of potential environmental measures required.

Fennovoima's Hanhikivi nuclear power plant project

RAOS Project Oy and JSC Rusatom Energy International and Fennovoima Oy are engaged in International Chamber of Commerce (ICC) arbitration proceedings regarding Fennovoima's EPC Contract for the Hanhikivi nuclear power plant project. RAOS Project Oy has requested also Fortum and certain other parties to be joined in these proceedings. Fortum disputes the existence of any contractual relation, obligation, or arbitration agreement between Fortum and RAOS Project Oy. Therefore, Fortum is of the opinion that an arbitral tribunal has no jurisdiction to decide any claims against Fortum. As Fortum is not a party to the agreement under dispute, it considers the request to be completely unfounded and strongly opposes it.

Tax cases

On 29 June 2022, the Antwerp Court of First Instance, Belgium, ruled in favour of Fortum on the company's income tax assessments in Belgium for the years 2009–2012. The decision concerned Fortum's Belgian financing company, Fortum EIF NV, which financed Fortum's Swedish subsidiary, Fortum 1 AB, in the acquisition of Russian operations in 2008, later operating as PAO Fortum. The Belgian tax authorities argued that Fortum EIF should not benefit from the notional interest deduction regime in Belgium. In accordance with the court ruling, Belgian tax authorities in 2022 refunded Fortum the paid taxes amounting to EUR 78 million. These taxes had been recognised on the balance sheet as income tax receivable. The Belgian tax authorities also refunded the related interest amounting to EUR 27 million, which was recognised in the consolidated income statement in 2022. Considering Fortum's income tax assessment in Belgium for the year 2008, on 16 June 2020, the Court of Appeal of Ghent ruled in favour of Fortum, and in September 2020 the Belgian tax authorities filed an appeal to the Supreme Court. The appeal is still pending. The additional taxes claimed for 2008 amount to EUR 36 million and have been recognised as income tax receivable.

37 Related party transactions

37.1 The Finnish State and companies owned by the Finnish State

At the end of 2023, the Finnish State owned 51.26% of the company's shares (2022: 51.26%).

On 30 October 2023, Fortum announced that an agreement have been signed with the National Emergency Supply Agency (NESA). Under this agreement, NESA reserves the production of the Meri-Pori power plant for severe disruption and emergencies to guarantee security of supply in the electricity system in Finland. The agreement period is 1 March 2024 until 31 December 2026.

In March 2023, Fortum repaid EUR 350 million of the Solidium bridge loan and cancelled the entire EUR 2,350 million bridge loan facility. Total interest expenses and fees relating to the bridge loan facility amounting to EUR 105 million (2023: 56 and 2022: 49) were recognised in Finance costs - net.

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

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.

37.2 Board of Directors and Fortum Leadership Team

The key management personnel of the Fortum Group are the members of Fortum Leadership Team and the Board of Directors.

Fortum has not been involved in any material transactions with members of the Board of Directors or Fortum Leadership Team. No loans exist to any member of the Board of Directors or Fortum Leadership Team at 31 December 2023.

The total compensation (including pension benefits and social costs) for the key management personnel for 2023 was EUR 10 million (2022: 10). See **Note 10** Employee benefits and Board remuneration for further information on the Board of Directors and Fortum Leadership Team remuneration and shareholdings.

37.3 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.

37.4 Balances and transactions with related parties

Transactions with associates and joint ventures

	Associated companies		Joint ventures		Total	
EUR million	2023	2022	2023	2022	2023	2022
Sales	2	2	9	72	12	74
Purchases	314	284	288	154	602	438
Other income	-	-	-3	4	-3	4
Interest income on loan receivables	13	10	-3	2	10	12

Balances with associates and joint ventures

	Associated companies		Joint ventures		Total	
EUR million	2023	2022	2023	2022	2023	2022
Receivables						
Long-term interest-bearing loan receivables	551	505	93	88	644	593
Trade and other receivables	3	12	27	75	30	87
Liabilities						
Long- and short-term loan payables	7	-	232	229	239	229
Trade and other payables	15	3	57	50	72	53

See also **Note 28** Nuclear-related assets and liabilities and **Note 35** Pledged assets and contingent liabilities for details on commitments related to associates and joint ventures.

37.5 Pension funds

At 31 December 2023, Fortum has a pension fund in Finland, which is a stand-alone legal entity managing pension assets related to part of the pension coverage in Finland. In 2023, there were no contribution to these pension plans (2022: 11 net income, including a termination fee for the Swedish pension fund, partly offset by contributions paid). See **Note 30** Pension obligations.

The assets in the pension fund in Finland include Fortum shares representing 0.04% (2022: 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 (2022: 41). See **Note 35** Pledged assets and contingent liabilities.

38 Events after the balance sheet date

On 26 January 2024, Fortum announced that as part of the efficiency programme launched in November 2023, Fortum's Consumer Solutions business unit and the IT unit are conducting change negotiations on possible redundancies. In total, the negotiations concern some 1,080 employees in Finland, Sweden, Norway, and the IT unit in Poland. According to a preliminary estimate, change negotiations could result in the redundancies of a maximum of 130 job positions.

At the beginning of February 2024, the Fortum Board of Directors resolved on clarifications to Fortum's strategy. As the operating environment shows increased uncertainty, reduced visibility and postponement of industrial investments, the company has specified its business portfolio, clarified capital allocation and set new strategic targets with measurable key performance indicators (KPIs). Fortum's renewed strategy, launched in March 2023, with focus on the Nordics remains unchanged, as well as its strategic priorities to 'deliver reliable clean energy', 'drive decarbonisation in industries', and 'transform and develop'. The company's financial and environmental targets are also unaltered.

The financial and environmental targets are as follows:

- To ensure the current rating of BBB, Financial net debt-to-Comparable EBITDA can be a maximum of 2.0-2.5 times.
- For the period of 2024-2026, Fortum's capital expenditure is expected to be approximately EUR 1.7 billion (excluding acquisition) of which growth capital expenditure is expected to be EUR 800 million and annual maintenance capital expenditure EUR 300 million.
- To ensure required returns for any potential new investments, Fortum continues to be selective and applies earlier set investment criteria; project based WACC + 150-400 investment hurdles depending on technology or investment project, as well as environmental targets.
- Fortum's dividend policy - a payout ratio of 60-90% of comparable EPS - remains unchanged. The payout ratio will be used so that the upper end of the range of the pay-out ratio is applied in situations with a strong balance sheet and low investments, while the lower end of the range would be applied with high leverage and/or significant investments and high capital expenditure.
- Tightened environmental and decarbonisation ambitions with updated targets to reach carbon neutrality already by 2030, exit coal by the end of 2027, target for specific emissions, and commitment to SBTi (1.5°C) and biodiversity targets.

39 Group companies by segment

G = Generation
CS = Consumer Solutions
O = Other Operations

1) Shares held by the parent company

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 2023.

Subsidiaries by segment

Entity Name	Domicile	Segment	Group holding, %
Brändskogen Vindkraft Ab Oy	Finland	G	100.0
Ekopartnerit Turku Oy	Finland	O	51.0
EX-KE Oy	Finland	CS	100.0
Fortum Alku Oy	Finland	O	100.0
Fortum Asiakaspalvelu Oy	Finland	CS	100.0
Fortum Assets Oy	Finland	O	100.0
Fortum Battery Recycling Oy	Finland	O	100.0
Fortum Bio Oy	Finland	O	100.0
Fortum Clean Oy	Finland	O	100.0[1)]
Fortum Heat and Gas Oy	Finland	G, O	100.0[1)]
Fortum Kasvu Oy	Finland	O	100.0
Fortum Markets Oy	Finland	CS	100.0
Fortum Norm Oy	Finland	O	100.0[1)]
Fortum Power and Heat Holding Oy	Finland	G	100.0
Fortum Power and Heat Oy	Finland	G, O	100.0[1)]
Fortum Real Estate Oy	Finland	O	100.0[1)]
Fortum Renewables Oy	Finland	G	100.0
Fortum RES Oy	Finland	O	100.0
Fortum TwoGether Oy	Finland	O	100.0[1)]
Fortum Waste Solutions Oy	Finland	O	100.0[1)]
Frosart Oy	Finland	G	100.0
Kalax Solkraft Ab/Oy	Finland	G	100.0
Katajamäen Tuulivoima Oy	Finland	G	100.0
Kemiönsaaren Aurinkovoima Oy	Finland	G	100.0
Koixi Oy	Finland	G	100.0
Koillis-Pohjan Energiantuotanto Oy	Finland	G	100.0
Korvenniityn Aurinkovoima Oy	Finland	G	100.0
Lamminnevan Tuulivoima Oy	Finland	G	100.0
Lautamäen Tuulivoima Oy	Finland	G	100.0
Marttilan Aurinkovoima Oy	Finland	G	100.0
Molpe Vindkraft Ab/Oy	Finland	G	100.0
Närpes Vindkraft Ab/Oy	Finland	G	100.0
Norrsarvlax Solkraft Ab/Oy	Finland	G	100.0
Oy Pauken Ab	Finland	O	100.0
Oy Tersil Ab	Finland	O	100.0
Oy Tertrade Ab	Finland	O	100.0
Penkkisuon Tuulivoima Oy	Finland	G	100.0
Pjelax Vindkraft Ab/Oy	Finland	G	60.0
Pohpus Oy	Finland	G	100.0
Poikel Vindkraft Ab/Oy	Finland	G	100.0
Santalan Aurinkovoima Oy	Finland	G	100.0
Tarvasjoen Aurinkovoima Oy	Finland	G	100.0
TGS Finland Oy	Finland	O	100.0
Trepus Oy	Finland	G	100.0
Virolahden Aurinkovoima Oy	Finland	G	100.0
Barry Danmark ApS	Denmark	O	100.0
Fortum Waste Solutions A/S	Denmark	O	100.0
Fortum CFS Eesti OU	Estonia	O	100.0
Fortum France S.A.S	France	G	100.0
Fortum Batterie Recycling GmbH	Germany	O	100.0
Fortum Service Deutschland GmbH	Germany	G, O	100.0
MAWAL Energie GmbH	Germany	O	100.0
SALWAL Energie GmbH	Germany	O	100.0
TGS Germany GmbH	Germany	O	100.0
Fortum Insurance Limited	Guernsey	O	100.0
Fortum India Private Limited	India	G	100.0[1)]
Solar One Energy Private Limited	India	G	100.0
SolarXL Alpha Energy Private Limited	India	G	100.0
SolarXL Beta Energy Private Limited	India	G	100.0
SolarXL Delta Energy Private Limited	India	G	100.0
SolarXL Gamma Energy Private Limited	India	G	100.0
SolarXL Zeta Energy Private Limited	India	G	100.0
PT Fortum Energy Solution	Indonesia	O	95.0
Fortum eNext Ireland Ltd	Ireland	G	100.0
Fortum Finance Ireland Designated Activity Company	Ireland	O, G	100.0[1)]
Fortum P&H Ireland Limited	Ireland	O	100.0
Fortum Participation Limited	Ireland	O	100.0
Fortum 2 B.V.	Netherlands	O	100.0
Fortum 3 B.V.	Netherlands	G	100.0
Fortum Energy Holding B.V.	Netherlands	O	100.0[1)]
Fortum H&C B.V.	Netherlands	G	100.0
Fortum Holding B.V.	Netherlands	CS, G, O	100.0[1)]
Fortum Power Holding B.V.	Netherlands	O	100.0
Fortum Russia B.V.	Netherlands	O	100.0
Fortum SAR B.V.	Netherlands	G	100.0
Fortum Star B.V.	Netherlands	G	100.0
PolarSolar B.V.	Netherlands	G	100.0
Fortum CS AS	Norway	CS	100.0
Fortum Forvaltning AS	Norway	O, G	100.0
Fortum Hedging AS	Norway	G	100.0
Fortum Kundesenter AS	Norway	CS	100.0
Fortum Plastics Recycling Norway AS	Norway	O	100.0
Fortum Strøm AS	Norway	CS	100.0
Fortum Waste Solutions Norway AS	Norway	O	100.0
NorgesEnergi AS	Norway	CS	100.0
Tellier Service AS	Norway	CS	100.0
Fortum Marketing and Sales Polska S.A.	Poland	CS	100.0
Fortum Network Częstochowa Sp. z o.o.	Poland	G	100.0
Fortum Network Płock Sp. z o.o.	Poland	G	100.0
Fortum Network Wrocław Sp. z o.o.	Poland	G	100.0

Entity Name	Domicile	Segment	Group holding, %
Fortum Power and Heat Polska Sp. z o.o.	Poland	G, CS	100.0
Fortum Service Poland Sp. z o.o.	Poland	O	100.0
Fortum Silesia SA	Poland	G	100.0
Fortum Sprzedaż Sp. z o.o.	Poland	CS	100.0
Escandinava de Electricidad S.L.U	Spain	CS	100.0
Alvret Solpark AB	Sweden	G	100.0
Bankälla Solpark AB	Sweden	G	100.0
Bergsveden Solpark AB	Sweden	G	100.0
Blybergs Kraftaktiebolag	Sweden	G	66.7
Borgvik Vindkraft AB	Sweden	G	100.0
Brännälven Kraft AB	Sweden	G	67.0
Fortum 1 AB	Sweden	O	100.0
Fortum Energy AB	Sweden	CS	100.0
Fortum Fastigheter AB	Sweden	O	100.0
Fortum Förnyelsebar Sverige 2 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 3 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 4 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 5 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 6 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 7 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 8 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 9 AB	Sweden	G	100.0
Fortum Förnyelsebar Sverige 10 AB	Sweden	G	100.0
Fortum Grön AB	Sweden	O	100.0
Fortum Markets AB	Sweden	CS	100.0
Fortum Mockfors Kraft AB	Sweden	G	100.0
Fortum Power AB	Sweden	O	100.0[1)]
Fortum Produktionsnät AB	Sweden	G	100.0
Fortum Sverige AB	Sweden	G, O	100.0
Fortum Sweden AB	Sweden	O	100.0[1)]
Fortum Vindkraft Sverige 3 AB	Sweden	G	100.0
Fortum Vindkraft Sverige 4 AB	Sweden	G	100.0
Fortum Vindkraft Sverige 8 AB	Sweden	G	100.0
Fortum Waste Solutions AB	Sweden	O	100.0
Fortum Waste Solutions Holding AB	Sweden	O	100.0
Klinthögen Vindkraft AB	Sweden	G	100.0
Klöverkullen Vindkraft AB	Sweden	G	100.0
Mellansvensk Kraftgrupp Aktiebolag	Sweden	G	86.9
Nya Bullerforsen Kraft AB	Sweden	G	65.9
Oreälvens Kraftaktiebolag	Sweden	G	65.0
Sävar Vindkraft AB	Sweden	G	100.0
Telge Energi Aktiebolag	Sweden	CS	100.0
TGS Sweden AB	Sweden	O	100.0
Uddeholm Kraft Aktiebolag	Sweden	G	100.0
Värmlandskraft-OKG-delägarna Aktiebolag	Sweden	G	73.3
Fortum Energy Limited	United Kingdom	O	100.0
Fortum O&M (UK) Limited	United Kingdom	O	100.0
Fortum Ratcliffe Limited	United Kingdom	O	100.0
IVO Energy Limited	United Kingdom	G	100.0
Valo Ventures I LP Fund	USA	O	99.0

Associated companies and joint ventures by segment

Entity Name	Country	Segment	Group holding %
Battery Intelligence Oy	Finland	O	32.9
Chempolis Oy	Finland	O	37.4
Kemijoki Oy	Finland	G	28.2
Posiva Oy	Finland	G	40.0
Puro.earth Oy	Finland	O	16.6
Sallila Energia Oy	Finland	O	46.0
Teollisuuden Voima Oyj	Finland	G	25.8
Turun Seudun Energiantuotanto Oy	Finland	G	53.5
Turun Seudun Kaukolämpö Oy	Finland	G	30.0
Wello Oy	Finland	O	16.2[1)]
Assam Bio Refinery Private Limited	India	G	40.3
Fortum Charge & Drive India Private Limited	India	G	59.0
India Sun B.V.	Netherlands	G	43.8
Nordic Wind B.V.	Netherlands	G	20.0
Yustek Holding B.V.	Netherlands	O	50.0
Fortum Nordkraft Vind DA	Norway	G	50.0
Linnvasselv Kraftlag SA	Norway	G	50.0
Blåsjön Kraft AB	Sweden	G	50.0
Forsmarks Kraftgrupp Aktiebolag	Sweden	G	25.5
Horrmundsvalla Kraftaktiebolag	Sweden	G	50.0
OKG Aktiebolag	Sweden	G	45.5
Stensjön Kraft AB	Sweden	G	50.0
Tåsans Kraftaktiebolag	Sweden	G	40.0
Väsa Kraftaktiebolag	Sweden	G	50.0
Vattenkraftens Miljöfond Sverige AB	Sweden	G	22.7
Ängefallen Kraft AB	Sweden	G	50.0
South Clyde Energy Recovery Holdings Limited	United Kingdom	O	50.0

Deconsolidated Russian companies, consolidated earlier as subsidiaries

Entity Name
Fortum Wind Energy Joint Stock Company
Fortum-New Generation 3 Limited Liability Company
Fortum-New Generation 5 Limited Liability Company
Joint Stock Company Chelyabenergoremont
LLC Bugulchanskaya Solar power station
PAO Fortum Russia
Ural Heat Networks Company Joint Stock Company
Ylyanovsk Wind Farm LLC

Deconsolidated Russian companies, consolidated earlier as associated companies or joint ventures

Entity Name
Fortum-New Generation 4 Limited Liability Company
TGC1 Territorial Generating Company 1
Ural energy retail LLC

Key figures

Financial key figures

For information of Alternative Performance Measures used by Fortum, see **Definitions and reconciliations of key figures** and **Note 1** Material accounting policies.

Fortum's consolidated income statement and consolidated cash flow statement include the Russia segment as discontinued operations in 2023 and 2022, and the Uniper segment as discontinued operations in 2022. As required by IFRS, comparatives for 2022 were restated. For further information, see **Note 1** Material accounting policies, **Note 2** Critical accounting estimates and judgements and **Note 3** Acquisitions, disposals and discontinued operations.

Key figures, continuing operations

EUR million or as indicated	2023	2022	Change 23/22 %
Income statement			
Reported			
Sales	6,711	7,774	-14
EBITDA	2,021	2,381	-15
Operating profit	1,662	1,967	-16
- of sales %	24.8	25.3	
Share of profit/loss of associates and joint ventures	59	-185	132
Profit before income tax	1,583	1,564	1
- of sales %	23.6	20.1	
Net profit for the year	1,515	2,084	-27
Net profit for the year attributable to owners of the parent	1,514	2,080	-27
Comparable			
EBITDA	1,903	2,025	-6
Operating profit	1,544	1,611	-4
Share of profit/loss of associates and joint ventures	7	-40	118
Net profit for the year attributable to owners of the parent	1,150	1,076	7
Cash flow, key ratios and other data			
Capital expenditure and gross investments in shares	664	496	34
- of sales %	9.9	6.4	
Capital expenditure	611	467	31
Net cash from operating activities	1,710	1,717	0
Financial net debt/comparable EBITDA	0.5	0.6	
Research and development expenditure	56	55	2
- of sales %	0.8	0.7	
Average number of employees	5,205	5,120	

Key figures, total of continuing and discontinued operations

EUR million or as indicated	2023	2022	Change 23/22 %
Income statement			
Reported			
Net profit for the year attributable to owners of the parent	-2,069	-2,416	14
Comparable			
Net profit for the year attributable to owners of the parent	1,184	-988	220
Financial position and cash flow			
Capital employed	14,408	15,522	
Financial net debt	942	1,084	-13
Financial net debt, excl. Russia	N/A	1,127	
Net cash from operating activities	1,819	-8,767	121
Key ratios			
Return on shareholders' equity, %	-25.5	-96.2	
Interest coverage	-16.8	-75.5	
Interest coverage including capitalised borrowing costs	-19.7	-72.2	
Gearing, %	11	14	
Equity-to-assets ratio, %	45	33	
Financial net debt/comparable EBITDA excl. Russia	0.5	0.6	
Financial net debt/comparable EBITDA	N/A	0.4	
Other data			
Dividends	1,032 [1]	817	26
Average number of employees	6,042	16,549	

1) Board of Directors' proposal for the planned Annual General Meeting on 25 March 2024.

See **Definitions and reconciliations of key figures**.

fortum
Powering a thriving world

Financials 2023

Share key figures

EUR or as indicated	2023	2022	Change 23/22 %
Data per share			
Earnings per share, total Fortum	-2.31	-2.72	15
Earnings per share, continuing operations	1.68	2.34	-28
Earnings per share, discontinued operations	-3.99	-5.07	21
Comparable earnings per share, total Fortum	1.32	-1.11	219
Comparable earnings per share, continuing operations	1.28	1.21	6
Comparable earnings per share, discontinued operations	0.04	-2.32	102
Cash flow per share, total Fortum	2.03	-9.86	121
Cash flow per share, continuing operations	1.91	1.93	-1
Cash flow per share, discontinued operations	0.12	-11.79	101
Equity per share	9.40	8.55	10
Dividend per share	1.15 [1]	0.91	26
Payout ratio, % [2]	90 [1]	75	
Dividend yield, %	8.8 [1]	5.9	
Price/earnings ratio (P/E) [3]	7.8	6.6	
Share prices			
At the end of the period	13.06	15.54	
Average	12.94	15.18	
Lowest	10.25	8.86	
Highest	16.18	27.18	
Other data			
Market capitalisation at the end of the period, EUR million	11,718	13,943	
Trading volumes [4]			
Number of shares, 1,000 shares	412,322	560,775	
In relation to weighted average number of shares, %	46.0	63.1	
Average number of shares, 1,000 shares	897,264	889,204	
Diluted adjusted average number of shares, 1,000 shares	897,264	889,204	
Number of registered shares, 1,000 shares	897,264	897,264	

1) Board of Directors' proposal for the planned Annual General Meeting on 25 March 2024.
2) Payout ratio is calculated based on comparable earnings per share from 2022 onwards. Payout ratio is calculated based on comparable earnings per share from continuing operations.
3) Price/earnings ratio is calculated based on earnings per share from continuing operations.
4) 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 Cboe and Turquoise, and on the OTC market. During 2023, approximately 78% (2022: 74%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

See **Definitions and reconciliations of key figures**

Sustainability key figures

	2023	2022	Change 23/22 %
Total GHG emissions, Scope 1-3, million CO_2-eq tonnes [1]	14.4	11.8	22
Direct Scope 1 GHG emissions, million CO_2-eq tonnes	1.6	2.2	-27
Indirect location-based Scope 2 GHG emissions, million CO_2-eq tonnes	0.06	0.03	100
Scope 3 GHG emissions, million CO_2-eq tonnes	12.7	9.5	34
Specific CO_2 emissions from total energy production, gCO_2/kWh	32	45	-29
The share of coal of Fortum's revenues, %	3	4	-25
The share of fossil fuels of Fortum's revenues, %	11	-	
Total Recordable Injury Frequency (TRIF), own personnel and contractors	5.0	4.0	25

1) Comparative figures and information for year 2022 have been restated to exclude Russia as discontinued operations. In 2022, 83% of Fortum's direct CO_2 emissions and 62% of the total GHG emissions originated from Russian power and heat production. In addition, change in GHG inventory calculation principles resulted in 0.8 CO_2-eq tonnes change in 2022 Scope 3 emissions.

Turnover KPI	2023	2022
A.1 Environmentally sustainable activities (Taxonomy-aligned)	43%	33%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	7%	3%
A. Total Taxonomy-eligible activities	**50%**	**36%**

Operating expenses KPI	2023	2022
A.1 Environmentally sustainable activities (Taxonomy-aligned)	56%	58%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	21%	5%
A. Total Taxonomy-eligible activities	**77%**	**63%**

Capital expenditure KPI	2023	2022
A.1 Environmentally sustainable activities (Taxonomy-aligned)	64%	51%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	12%	18%
A. Total Taxonomy-eligible activities	**76%**	**68%**

Segment key figures

Sales by segment

EUR million	2023	2022
Generation	4,420	4,465
- of which internal	394	-585
Consumer Solutions	3,766	4,578
- of which internal	20	30
Other Operations	548	589
- of which internal	99	101
Eliminations and Netting of Nord Pool transactions	-2,024	-1,858
Total continuing operations	**6,711**	**7,774**

Comparable operating profit by segment

EUR million	2023	2022
Generation	1,679	1,629
Consumer Solutions	38	97
Other Operations	-173	-116
Total continuing operations	**1,544**	**1,611**
Impairment charges and reversals	-	0
Capital gains and other related items	4	785
Changes in fair values of derivatives hedging future cash flow	111	-376
Other	3	-52
Operating profit, continuing operations	**1,662**	**1,967**

Comparable EBITDA by segment

EUR million	2023	2022
Generation	1,874	1,876
Consumer Solutions	108	173
Other Operations	-80	-23
Total continuing operations	**1,903**	**2,025**

Depreciation and amortisation by segment

EUR million	2023	2022
Generation	195	247
Consumer Solutions	70	75
Other Operations	93	92
Total continuing operations	**359**	**415**

Comparable share of profit of associates and joint ventures by segment

EUR million	2023	2022
Generation	7	-34
Other Operations	0	-7
Total continuing operations	**7**	**-40**

Share of profit of associates and joint ventures by segment

EUR million	2023	2022
Generation	59	-178
Other Operations	0	-7
Total continuing operations	**59**	**-185**

Capital expenditure by segment

EUR million	2023	2022
Generation	450	314
Consumer Solutions	81	71
Other Operations	81	85
Total continuing operations	**611**	**467**

Gross investments in shares by segment

EUR million	2023	2022
Generation	5	2
Consumer Solutions	22	0
Other Operations	26	26
Total continuing operations	**53**	**29**

Gross divestments of shares by segment

EUR million	2023	2022
Generation	0	1,212
Consumer Solutions	0	0
Other Operations	4	152
Total continuing operations	**4**	**1,365**

Comparable net assets by segment

EUR million	2023	2022
Generation	7,263	6,597
Consumer Solutions	838	1,365
Other Operations	840	775
Total continuing operations	**8,941**	**8,737**

Comparable return on net assets by segment

%	2023	2022
Generation	24.2	23.2
Consumer Solutions	4.5	9.1

Average number of employees

	2023	2022
Generation	1,735	1,838
Consumer Solutions	1,232	1,177
Other Operations	2,237	2,106
Total continuing operations	**5,205**	**5,120**

fortum
Powering a thriving world

Financials 2023

Definitions and reconciliations of key figures

Alternative performance measures

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable EBITDA	Operating profit + depreciations and amortisations - items affecting comparability	Comparable EBITDA is representing the underlying cash flow generated by the total Group and segments. Used as a component in the capital structure target of Financial net debt to Comparable EBITDA.	Note 5 Capital risk management
Comparable operating profit	Operating profit - items affecting comparability	Comparable operating profit is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Income statement
Items affecting comparability	Impairment charges and reversals + capital gains and other related items + changes in fair values of derivatives hedging future cash flow + other	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Impairment charges and reversals	Impairment charges and related provisions (mainly dismantling), as well as the reversal of previously recorded impairment charges. Impairment charges are adjusted from depreciation and amortisation, and reversals from other income.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Capital gains and other related items	Capital gains and transaction costs from acquisitions, which are adjusted from other income and other expenses respectively. Profits are reported in comparable operating profit, if this reflects the business model.	Component used in calculating comparable operating profit and comparable EBITDA.	Income statement
Changes in fair values of derivatives hedging future cash flow	Effects from financial derivatives hedging future cash-flows where hedge accounting is not applied or own use exemption cannot be used according to IFRS 9 and are adjusted from other income or 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.	Income statement

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Other	Restructuring and cost management expenses, and other miscellaneous non-operating items, which are adjusted mainly from materials and services or other expenses.	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 associates and joint ventures.	Component used in calculating comparable net profit and comparable return on net assets.	Note 7 Comparable operating profit and comparable net profit
Comparable finance-costs - net	Finance costs – net +/- return from nuclear funds, nuclear fund adjustment and unwinding of nuclear provisions +/- fair value changes on financial items +/- impairment charges and reversals of previously recorded impairment charges on financial items and other onetime adjustments.	Component used in calculating comparable net profit.	Note 7 Comparable operating profit and comparable net profit
Comparable profit before income tax	Comparable operating profit +/- comparable share of profit/loss of associates and joint ventures +/- comparable finance costs – net.	Subtotal in comparable net profit calculation.	Note 7 Comparable operating profit and comparable net profit
Comparable income tax expense	Income tax expense excluding taxes on items affecting comparability, adjustments to finance costs – net, tax rate changes and other onetime adjustments.	Component used in calculating comparable net profit.	Note 7 Comparable operating profit and comparable net profit
Comparable net profit	Comparable operating profit +/- comparable share of profit/loss of associates and joint ventures +/- comparable finance costs - net +/- comparable income tax expense +/- comparable non-controlling interests.	Comparable net profit is used to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.	Note 7 Comparable operating profit and comparable net profit

Business performance	Definition	Reason to use the measure	Reference to reconciliation
Comparable earnings per share	$\frac{\text{Comparable net profit}}{\text{Average number of shares during the period}}$	Comparable earnings per share is used to provide additional financial performance indicators to support meaningful comparison of underlying net profitability between periods.	Note 7 Comparable operating profit and comparable net profit
Comparable return on net assets, %	$\frac{\text{Comparable operating profit + comparable share of profit/loss in associates and joint ventures}}{\text{Comparable net assets average}} \times 100$	Comparable return on net assets is used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process.	Note 6 Segment reporting
Adjustment for Share of profit/loss in associates and joint ventures	Adjustment for material items affecting comparability.	Share of profit/loss in associates and joint ventures is included in profit component in the comparable return on net assets calculation and the adjustments are done based on similar components as in Items affecting comparability.	Note 6 Segment reporting
Comparable net assets	Non-interest-bearing assets - non-interest-bearing liabilities - provisions (non-interest-bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows).	Comparable net assets is a component in Comparable return on net assets calculation where return on capital allocated directly to the businesses is measured.	Note 6 Segment reporting

Capital structure	Definition	Reason to use the measure	Reference to reconciliation
Financial net debt / comparable EBITDA	$\frac{\text{Financial net debt}}{\text{Comparable EBITDA}}$	Financial net debt to comparable EBITDA is Fortum's long-term financial target for capital structure.	Note 5 Capital risk management
Financial net debt	Interest-bearing liabilities - liquid funds - securities in interest-bearing receivables +/- net margin liabilities/receivables	Financial net debt is used in the follow-up of the indebtedness of the group and it is a component in the capital structure target of Financial net debt to Comparable EBITDA.	Note 26 Interest-bearing liabilities
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.	Note 6 Segment reporting

Alternative performance measures excluding Russia

Capital structure	Definition	Reason to use the measure	Reference to reconciliation
Financial net debt/comparable EBITDA excl. Russia	$\frac{\text{Financial net debt, excl. Russia}}{\text{Comparable EBITDA from continuing operations excl. Russia}}$	Financial net debt/comparable EBITDA excluding Russia is an additional financial performance indicator to support meaningful comparison of the capital structure for Fortum's strategic businesses.	Note 5 Capital risk management
Financial net debt excl. Russia	Financial net debt - Interest-bearing liabilities, Russia + Liquid funds, Russia	Financial net debt excluding Russia is an additional financial performance indicator to support meaningful comparison in the follow-up of the indebtedness of the group and it is a component in the calculation of Financial net debt to Comparable EBITDA excluding Russia.	Note 5 Capital risk management

See **Note 1.4** Measures for performance and **Note 7** Comparable operating profit and comparable net profit.

Powering a thriving world

Other key figures

Share based key figures

Earnings per share (EPS)	$\frac{\text{Profit for the period - non-controlling interests}}{\text{Average number of shares during the period}}$
Cash flow per share	$\frac{\text{Net cash from operating activities}}{\text{Average number of shares during the period}}$
Equity per share	$\frac{\text{Shareholders' equity}}{\text{Number of shares at the end of the period}}$
Payout ratio, %	$\frac{\text{Dividend per share}}{\text{Comparable earnings per share}} \times 100$
Dividend yield, %	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$
Price/earnings (P/E) ratio	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Average share price	$\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
Market capitalisation	Number of shares at the end of the period x share price at the end of the period
Trading volumes	Number of shares traded during the period in relation to the weighted average number of shares during the period

Other key figures

EBITDA	Operating profit + depreciations and amortisations
Funds from operations (FFO)	Net cash from operating activities before change in working capital
Capital expenditure	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain usage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.
Gross investments in shares	Investments in subsidiary shares, shares in associated companies and joint ventures and other investments. Investments in subsidiary shares are net of liquid funds and grossed with interest-bearing liabilities and other items included in financial net debt in the acquired company.
Return on shareholders' equity (ROE), %	$\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$
Gearing, %	$\frac{\text{Financial net debt}}{\text{Total equity including non-controlling interests}} \times 100$
Equity-to-assets ratio, %	$\frac{\text{Total equity including non-controlling interests}}{\text{Total assets}} \times 100$
Interest coverage	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Interest coverage including capitalised borrowing costs	$\frac{\text{Operating profit}}{\text{Net interest expenses - capitalised borrowing costs}}$
Average number of employees	Average of the number of employees at the end of each calendar month during the period and at the end of the previous period

Tax key figures

Effective income tax rate,%	$\frac{\text{Income tax expense}}{\text{Profit before income tax}} \times 100$
Comparable effective income tax rate, %	$\frac{\text{Comparable income tax}}{\text{Comparable profit before income tax excluding comparable share of profit/loss from associated companies and joint ventures}} \times 100$
Weighted average applicable income tax rate	Sum of the proportionately weighted share of profits before taxes of each of the group's operating country multiplied by an applicable nominal tax rate of the respective countries.

Sustainability key figures

Total GHG emissions (Scope 1-3), million CO_2-eq tonnes	Sum of Fortum's Scope 1, 2 and 3 GHG emissions
Direct Scope 1 GHG emissions, million CO_2-eq tonnes	Direct GHG emissions from sources owned or controlled by Fortum
Indirect location-based Scope 2 GHG emissions, million CO_2-eq tonnes	Indirect emissions from the generation of purchased or acquired electricity, steam, heat and cooling consumed by Fortum
Scope 3 GHG emissions, million CO_2-eq tonnes	All indirect GHG emissions (not included in Scope 2 GHG emissions) that occur in Fortum's value chain, including both upstream and downstream emissions. Scope 3 GHG emissions can be broken down into Scope 3 categories (1-15).
Specific CO_2 emissions from total energy production, gCO2/kWh	Direct CO2 emissions from energy production / produced energy (i.e. power and heat)
The share of coal of Fortum's revenues, %	Sum of power and heat revenue from coal and coal trading revenue / total revenue
The share of fossil fuels of Fortum's revenues, %	Sum of power and heat revenue from fossil fuels and gas trading revenue / total revenue
Total Recordable Injury Frequency (TRIF), own personnel and contractors	Injuries per million working hours
EU Taxonomy Turnover KPI	Taxonomy-aligned or Taxonomy-eligible (not aligned) sales / total sales x 100. Turnover is based on the sales reported on Fortum's consolidated income statement.
EU Taxonomy Operating expenses KPI	Taxonomy-aligned or Taxonomy-eligible (not aligned) operating expenses / total operating expenses x 100. Operating expenses consist of direct non-capitalised costs that are necessary to ensure the continued and effective functioning of property, plant and equipment. These expenses include repairs and maintenance, building servicing, short-term rentals and similar costs, as well as other direct expenditures relating to the day-to-day servicing of these assets.
EU Taxonomy Capital expenditure KPI	Taxonomy-aligned or Taxonomy-eligible (not aligned) capital expenditure / total capital expenditure x 100. Capital expenditure consists of additions to property, plant and equipment, intangible assets, right-of-use assets, as well as additions through business combinations.
EU Taxonomy Capital expenditure plan	The Capital expenditure plan refers to significant future capital investments approved by management that aim either to expand Fortum's Taxonomy-aligned economic activities, or to upgrade Taxonomy-eligible economic activities to render them Taxonomy-aligned within a period of five years

Reconciliations of alternative performance measures

Comparable EBITDA

EUR million	Note	2023	2022
IS Operating profit		1,662	1,967
+ IS Depreciation and amortisation		359	415
EBITDA		2,021	2,381
- IS Items affecting comparability	7	-118	-356
Comparable EBITDA		**1,903**	**2,025**

Comparable operating profit

EUR million	Note	2023	2022
IS Operating profit		1,662	1,967
- IS Items affecting comparability	7	-118	-356
IS Comparable operating profit	7	**1,544**	**1,611**

Items affecting comparability

EUR million	Note	2023	2022
Impairment charges and reversals		-	0
Capital gains and other related items	3	4	785
Changes in fair values of derivatives hedging future cash flow		111	-376
Other		3	-52
IS Items affecting comparability	7	**118**	**356**

Comparable net profit

EUR million	Note	2023	2022
IS Net profit		1,515	2,084
- IS Items affecting comparability	7	-118	-356
- Adjustments to share of profit/loss of associates and joint ventures	18	-52	145
- Adjustments to finance costs - net	11	2	48
- Adjustments to income tax expenses		-201	-836
- IS Non-controlling interests		-1	-4
- Adjustments to non-controlling interests		5	-5
Comparable net profit	7	**1,150**	**1,076**
Comparable net profit from discontinued operations		34	-2,064
Comparable net profit, total Fortum		**1,184**	**-988**

Comparable earnings per share

	Note	2023	2022
Comparable net profit from continuing operations, EUR million	7	1,150	1,076
Average number of shares during the period, 1 000 shares		897,264	889,204
Comparable earnings per share from continuing operations, EUR		**1.28**	**1.21**
Comparable net profit from discontinued operations, EUR million	7	34	-2,064
Average number of shares during the period, 1 000 shares		897,264	889,204
Comparable earnings per share from discontinued operations, EUR		**0.04**	**-2.32**
Comparable net profit, total Fortum, EUR million	7	1,184	-988
Average number of shares during the period, 1 000 shares		897,264	889,204
Comparable earnings per share, total Fortum, EUR		**1.32**	**-1.11**

Financial net debt

EUR million	Note	31 Dec 2023	31 Dec 2022
+ Interest-bearing liabilities		**5,909**	**7,785**
- BS Liquid funds		**4,183**	**3,919**
- Collateral arrangement		**325**	**527**
- BS Margin receivables		590	2,607
+ BS Margin liabilities		131	352
+/- Net margin liabilities/receivables		**-459**	**-2,255**
Financial net debt	26	**942**	**1,084**

Financial net debt/comparable EBITDA

EUR million	Note	Continuing operations 2023	2022
+ Interest-bearing liabilities		**5,909**	**7,785**
- BS Liquid funds		**4,183**	**3,919**
- Collateral arrangement		**325**	**527**
- BS Margin receivables		590	2,607
+ BS Margin liabilities		131	352
+/- Net margin liabilities/receivables		**-459**	**-2,255**
Financial net debt	26	**942**	**1,084**
- Interest-bearing liabilities, Russia		-	204
+ Liquid funds, Russia		-	247
Financial net debt excl. Russia		**-**	**1,127**
IS Operating profit		1,662	1,967
+ IS Depreciation and amortisation		359	415
EBITDA		**2,021**	**2,381**
- IS Items affecting comparability		-118	-356
Comparable EBITDA		**1,903**	**2,025**
- Comparable EBITDA, Russia		-	411
Comparable EBITDA from continuing operations excl. Russia		**-**	**2,436**
Financial net debt/comparable EBITDA, excl. Russia		**0.5**	**0.6**
Financial net debt/comparable EBITDA		**-**	**0.4**

Powering a thriving world

Reconciliation of alternative performance measures excluding Russia

Financial net debt/comparable EBITDA excl. Russia

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

Interest-bearing liabilities excl. Russia

EUR million	31 Dec 2022
Interest-bearing liabilities	**7,785**
- Interest-bearing liabilities, Russia	204
Interest-bearing liabilities excl. Russia	**7,581**

Liquid funds excl. Russia

EUR million	31 Dec 2022
Liquid funds	**3,919**
- Liquid funds, Russia	247
Liquid funds excl. Russia	**3,672**

Parent company financial statements, Finnish GAAP (FAS)

Income statement

EUR	Note	2023	2022
Sales	2	144,713,777	150,270,878
Other income	3	13,055,373	25,066,880
Employee benefits	4	-53,437,342	-58,824,730
Depreciation, amortisation and write-downs	8	-15,988,129	-10,984,728
Other expenses		-141,545,828	-148,946,872
Operating loss		**-53,202,149**	**-43,418,572**
Financial income and expenses	6	1,808,907,989	1,629,174,418
Profit before appropriations and income tax		**1,755,705,840**	**1,585,755,846**
Appropriations		509,100	-1,023,551
Group contributions received [1)]		204,740,000	24,013,000
Profit before income tax		**1,960,954,941**	**1,608,745,295**
Income tax expense	7	-38,082,254	-66,011,056
Profit for the year		**1,922,872,686**	**1,542,734,239**

1) Taxable profits transferred from Finnish subsidiaries.

fortum
Powering a thriving world

Financials 2023

Balance sheet

EUR	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	8	16,581,368	29,993,944
Property, plant and equipment	8	3,266,489	5,350,975
Shares in Group companies	8	13,865,677,978	14,232,843,131
Interest-bearing receivables from Group companies	8	5,731,846,207	12,060,281,161
Interest-bearing receivables from associated companies	8	4	1,592,410
Other non-current assets	8	209,997	209,997
Derivative financial instruments	13, 14	131,679,649	123,889,406
Deferred tax assets		1,588,824	649,741
Total non-current assets		**19,750,850,516**	**26,454,810,764**
Current assets			
Other current receivables from Group companies	9	239,602,839	51,234,101
Other current receivables from associated companies		62,012	140,737
Derivative financial instruments	13, 14	335,380,705	145,296,548
Other current receivables	9	197,233,137	50,446,974
Cash and cash equivalents		4,131,705,497	3,603,509,216
Total current assets		**4,903,984,190**	**3,850,627,576**
Total assets		**24,654,834,706**	**30,305,438,341**

EUR	Note	31 Dec 2023	31 Dec 2022
EQUITY			
Shareholders' equity	10		
Share capital		3,046,185,953	3,046,185,953
Share premium		2,821,690,902	2,821,690,902
Hedging reserve		13,698,987	23,685,963
Retained earnings		5,474,764,945	4,748,541,369
Profit for the year		1,922,872,686	1,542,734,239
Total equity		**13,279,213,474**	**12,182,838,426**
Accumulated appropriations		**1,424,346**	**1,933,447**
Provisions for liabilities and charges		**486,167**	**-**
LIABILITIES			
Non-current liabilities			
External interest-bearing liabilities	11, 13, 14	4,043,889,936	3,037,907,935
Interest-bearing liabilities to Group companies		5,609,325,007	10,741,043,062
Interest-bearing liabilities to associated companies		232,341,184	228,962,461
Derivative financial instruments	13, 14	99,107,901	130,472,330
Other non-current liabilities		6,820,284	16,274,932
Total non-current liabilities		**9,991,484,313**	**14,154,660,720**
Current liabilities			
External interest-bearing liabilities	11	933,853,860	3,558,361,054
Trade and other payables to Group companies	12	31,494,526	41,408,137
Trade and other payables to associated companies	12	14,761,450	1,239,200
Derivative financial instruments	13, 14	261,688,391	178,618,112
Trade and other payables	12	140,428,178	186,379,244
Total current liabilities		**1,382,226,406**	**3,966,005,747**
Total liabilities		**11,373,710,719**	**18,120,666,468**
Total equity and liabilities		**24,654,834,706**	**30,305,438,341**

Cash flow statement

EUR 1,000	2023	2022
Cash flow from operating activities		
Profit for the year	1,922,873	1,542,734
Adjustments:		
Income tax expense	38,082	66,011
Group contributions	-204,740	-24,013
Finance costs - net	-1,808,908	-1,629,174
Depreciation, amortisation, write-downs and appropriations	15,479	12,008
Operating profit before depreciation (EBITDA)	**-37,214**	**-32,434**
Non-cash flow items	513	-395
Interest and other financial income received	535,091	102,767
Interest and other financial expenses paid	-476,789	-149,150
Dividends received	2,666,297	2,899,861
Group contributions received	24,013	235,685
Realised foreign exchange gains and losses	-153,406	386,715
Income taxes paid	-101,571	-804
Funds from operations	**2,456,935**	**3,442,245**
Other short-term receivables increase(-)/decrease(+)	2,832	-883
Other short-term payables increase(+)/decrease(-)	-32,077	9,424
Change in working capital	**-29,245**	**8,541**
Net cash from operating activities	**2,427,690**	**3,450,786**
Cash flow from investing activities		
Capital expenditures	167	-7,465
Acquisition of shares and capital contributions in subsidiaries	-500,070	-2,660,412
Acquisition of other shares	-	-48
Proceeds from sales of shares	594	3,006,437
Proceeds from sales of property, plant and equipment	69	53
Change in interest-bearing receivables and other non-current assets	6,193,527	-4,921,996
Net cash used in investing activities	**5,694,287**	**-4,583,431**
Cash flow before financing activities	**8,121,977**	**-1,132,645**

EUR 1,000	2023	2022
Cash flow from financing activities		
Proceeds from long-term liabilities	1,675,026	2,400,059
Payment of long-term liabilities	-1,601,857	-5,860,140
Change in cashpool liabilities	-5,131,718	5,173,574
Change in short-term liabilities	-1,718,510	-204,716
Dividends paid	-816,722	-1,012,830
Net cash from financing activities	**-7,593,781**	**495,947**
Net increase(+)/decrease(-) in liquid funds	**528,196**	**-636,698**
Liquid funds at the beginning of the year	**3,603,509**	**4,240,207**
Liquid funds at the end of the year	**4,131,705**	**3,603,509**

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 2023 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 costs less depreciation and possible write-downs. Intangible assets and property, plant and equipment are depreciated using straight-line depreciation based on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

Machinery and equipment	3–5 years
Intangible assets	5–10 years

1.7 Pension expenses

Pension obligations are covered through a compulsory pension insurance policy or pension fund. Costs for pension fund are recorded in the income statement based on contributions paid pursuant to the Finnish pension laws and regulations.

1.8 Long-term incentive programmes

Costs related to the long-term incentive plans are accrued over the earnings period and the related liability is booked to the balance sheet.

1.9 Provisions

Foreseeable future expenses and losses that have no corresponding revenue to which Fortum is committed or obliged 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	2023	2022
Finland	74,785	72,501
Other countries	69,929	77,770
Total	**144,714**	**150,271**

3 Other income

EUR 1,000	2023	2022
Rental and other income	13,055	25,067
Total	**13,055**	**25,067**

4 Employee benefits

EUR 1,000	2023	2022
Personnel expenses		
Wages, salaries and remunerations	39,832	46,185
Indirect employee costs		
Pension costs	8,048	7,906
Other indirect employee costs	1,527	1,593
Other personnel expenses	4,030	3,140
Total	**53,437**	**58,825**

EUR 1,000	2023 Markus Rauramo, President and CEO	2022 Markus Rauramo, President and CEO
Compensation for the President and CEO		
Salaries and fringe benefits	1,613	1,549
Long-term incentives	798	816
Pensions (statutory)	280	271
Pensions (voluntary)	315	315
Social security expenses	58	53
Total	**3,064**	**3,004**

EUR 1,000	2023	2022
Compensation for the Board of Directors	836	1,039

The compensation above is presented on accrual basis. Paid salaries and remunerations for the President and CEO Markus Rauramo were EUR 1,617 thousand (2022: 2,384).

On 6 September 2022, Fortum announced that it had agreed with the Finnish State on a bridge financing arrangement. In accordance with the Solidium bridge financing facility with the Finnish State, Fortum Leadership Team members will not be paid any short- or long-term incentives that are accumulated in 2022 and 2023, nor can they participate in 2023 ESS plan. In addition, FLT members have also voluntarily waived the shares that are not subject to restrictions of the bridge financing facility and that are scheduled for delivery in spring 2024. However, costs for these plans are accrued over the vesting period.

For the President and CEO Markus Rauramo the retirement age is determined in accordance with the Finnish Employees' Pension Act. The pension obligations are covered through insurance company.

Board members are not in an employment relationship or service contract with Fortum, and they are not given the opportunity to participate in Fortum's STI or LTI programme, nor does Fortum have a pension plan that they can opt to take part in. The compensation of the board members is not tied to the sustainability performance of the Group.

See **Note 10** Employee benefits and Board remuneration and **Note 30** Pension obligations in the Consolidated financial statements.

	2023	2022
Average number of employees	459	410

5 Auditor's fees

EUR 1,000	2023	2022
Audit fees	338	794
Audit-related assignments	241	85
Tax assignments	58	-
Total	**637**	**879**

Deloitte Oy is the appointed auditor until the next Annual General Meeting, to be held in 2024. Audit fees include fees for the audit of the consolidated financial statements, review of the interim reports as well as the fees for the audit of Fortum Oyj. Audit-related assignments include fees for assurance of sustainability reporting and other assurance and associated services related to the audit.

6 Financial income and expenses

EUR 1,000	2023	2022
Dividend income from group companies	2,666,297	2,899,861
Interest and other financial income from group companies	436,139	103,408
Interest and other financial income from associated companies	65	9
Loss/Gain on sale of shares to other group companies	-15,240	2,902,283
Write-downs of participations in group companies	-856,963	-4,500,000
Interest and other financial income	133,942	1,526
Exchange rate differences	-28,700	385,052
Changes in fair values of derivatives	-6,734	-685
Interest and other financial expenses to group companies	-313,595	-40,130
Interest and other financial expenses	-206,303	-122,150
Total	**1,808,908**	**1,629,174**
Interest income	559,086	97,653
Interest expenses	-504,798	-165,300
Interest costs - net	**54,287**	**-67,647**

Gain on sales of shares to other group companies of EUR 2,902 million in 2022 related to internal restructurings in Swedish subsidiaries.

Due to the loss of control of the Russian operations in April, Fortum Oyj wrote down shares in subsidiaries amounting to EUR 857 million. Due to the divestment of Uniper shares, Fortum Oyj wrote down shares in subsidiaries amounting to EUR 4,500 million in 2022.

fortum
Powering a thriving world

Financials 2023

7 Income tax expense

EUR 1,000	2023	2022
Taxes on regular business operations	-2,866	61,208
Taxes on group contributions	40,948	4,803
Total	**38,082**	**66,011**
Current taxes for the period	41,514	65,628
Current taxes for prior periods	74	-61
Changes in deferred tax	-3,506	444
Total	**38,082**	**66,011**

8 Non-current assets

Intangible assets

EUR 1,000	Total
Cost 1 January 2023	**64,156**
Additions	8,248
Disposals	-20,557
Cost 31 December 2023	**51,847**
Accumulated depreciation 1 January 2023	**34,170**
Disposals	-13,693
Depreciation for the year	14,795
Accumulated depreciation 31 December 2023	**35,272**
Carrying amount 31 December 2023	**16,575**
Carrying amount 31 December 2022	29,986

Property, plant and equipment

EUR 1,000	Machinery and equipment	Advances paid and con-struction in progress	Total
Cost 1 January 2023	**9,904**	**3,472**	**13,376**
Additions and transfers between categories	2,290	870	3,158
Disposals	-180	-3,955	-4,136
Cost 31 December 2023	**12,014**	**386**	**12,398**
Accumulated depreciation 1 January 2023	**8,025**	**-**	**8,025**
Disposals	-84	-	-84
Depreciation for the year	1,191	-	1,191
Accumulated depreciation 31 December 2023	**9,132**	-	**9,132**
Carrying amount 31 December 2023	**2,882**	**386**	**3,266**
Carrying amount 31 December 2022	1,879	3,472	5,351

Investments

EUR 1,000	Shares in Group companies	Partici-pation in associated companies	Re-ceivables from Group companies	Re-ceivables from associated companies	Other non-current assets	Total
Cost 1 January 2023	**19,877,853**	**5,656**	**12,060,281**	**16,868**	**8,192**	**31,968,851**
Additions [1)]	505,631					505,631
Disposals	-15,833		-6,328,435			-6,344,268
Cost 31 December 2023	**20,367,651**	**5,656**	**5,731,846**	**16,868**	**8,192**	**26,130,214**
Accumulated write-downs 1 January 2023	**5,645,010**	**5,656**	**-**	**15,276**	**7,982**	**5,673,925**
Impairment charges	856,963			1,592		858,555
Accumulated write-downs 31 December 2023	**6,501,973**	**5,656**	**-**	**16,868**	**7,982**	**6,532,480**
Carrying amount 31 December 2023	**13,865,678**	**-**	**5,731,846**	**0**	**210**	**19,597,735**
Carrying amount 31 December 2022	14,232,843	-	12,060,281	1,592	210	26,294,927

1) Additions regarding shares mainly comprise capital contributions.

9 Other current receivables

EUR 1,000	2023	2022
Other current receivables from group companies		
Trade receivables	14,564	18,862
Group contribution and other receivables	204,740	24,013
Accrued income and prepaid expenses	20,299	8,359
Total	**239,603**	**51,234**
Other current receivables		
Trade receivables	-2,778	589
Other receivables	176,673	40,146
Accrued income and prepaid expenses	23,338	9,712
Total	**197,233**	**50,447**

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 2023	**3,046,186**	**2,821,691**	**23,686**	**6,291,276**	**12,182,838**
Cash dividend				-816,511	-816,511
Change in hedging reserve			-9,987		-9,987
Profit for the year				1,922,873	1,922,873
31 December 2023	**3,046,186**	**2,821,691**	**13,699**	**7,397,638**	**13,279,213**
1 January 2022	**3,046,186**	**2,821,691**	**-13,279**	**5,761,197**	**11,615,794**
Cash dividend				-1,012,656	-1,012,656
Change in hedging reserve			36,966		36,966
Profit for the year				1,542,734	1,542,734
31 December 2022	**3,046,186**	**2,821,691**	**23,686**	**6,291,276**	**12,182,838**

EUR 1,000	2023	2022
Distributable funds		
Retained earnings 31 December	7,397,638	6,291,276
Total	**7,397,638**	**6,291,276**

11 Interest-bearing liabilities

EUR 1,000	2023	2022
External interest-bearing loans		
Bonds	2,735,958	1,544,821
Loans from financial institutions	589,142	803,703
Other long-term interest-bearing loans	718,790	689,384
Total long-term interest-bearing loans	**4,043,890**	**3,037,908**
Current portion of long-term bonds	-	1,089,647
Current portion of loans from financial institutions	716,869	516,849
Other short-term interest-bearing loans	216,985	1,951,865
Total short-term interest-bearing loans	**933,854**	**3,558,361**
Total	**4,977,744**	**6,596,269**

Maturity of external interest-bearing loans

EUR 1,000	2023
2024	933,854
2025	508,915
2026	746,999
2027	16,869
2028	520,473
2029 and later	2,250,634
Total	**4,977,744**

See **Note 4.2** Liquidity and refinancing risk and **Note 26** Interest-bearing liabilities in the Consolidated financial statements.

External interest-bearing loans due after five years [1)]

EUR 1,000	2023	2022
Bonds	1,502,223	734,765
Other long-term loans	748,410	735,813
Total	**2,250,633**	**1,470,578**

1) Excludes loans to Group and associated companies.

Other interest-bearing loans due after five years

EUR 1,000	2023	2022
Interest-bearing loans to associated companies	232,341	228,962
Total	**232,341**	**228,962**

Non-discounted cash flows of interest-bearing loans and their maturities, see **Note 13** Financial derivatives.

12 Trade and other payables

EUR 1,000	2023	2022
Trade and other payables to group companies		
Trade payables	1,411	4,828
Deposits from group companies and other liabilities	29,494	29,429
Accruals and deferred income	590	7,151
Total	**31,495**	**41,408**
Trade and other payables to associated companies		
Accruals and deferred income	14,761	1,239
Total	**14,761**	**1,239**
Trade and other payables		
Trade payables	26,939	22,014
Other liabilities	4,543	4,193
Accruals and deferred income	108,946	160,172
Total	**140,428**	**186,379**

Operating and financial review
Consolidated financial statements
Parent company financial statements
Signatures for the operating and financial review and financial statements
Auditor's report
Auditor's assurance report of ESEF financial statements
Key figures 2014–2023
Quarterly financial information
Investor information

13 Financial derivatives

Interest rate and currency derivatives by instrument 2023

	Notional amount Remaining lifetimes				Fair value		
EUR 1,000	Under 1 year	1–5 years	Over 5 years	Total	Positive	Negative	Net
Hedge accounting							
Foreign exchange derivatives	248,273	248,364	-	496,637	18,185	18,042	143
Interest rate swaps	100,000	1,300,000	1,575,000	2,975,000	113,982	83,107	30,876
Cross currency swaps	46,957	73,304	-	120,261	2,739	385	2,354
Non-hedge accounting							
Foreign exchange derivatives	16,216,063	497,166	-	16,713,229	330,209	259,263	70,947
Interest rate swaps	-	13,518	-	13,518	820	-	820
Cross currency swaps	-	23,656	-	23,656	1,125	-	1,125
Total	**16,611,293**	**2,156,008**	**1,575,000**	**20,342,301**	**467,060**	**360,796**	**106,264**
Of which long-term					131,680	99,108	32,572
Short-term					335,381	261,688	73,692

Interest rate and currency derivatives by instrument 2022

	Notional amount Remaining lifetimes				Fair value		
EUR 1,000	Under 1 year	1–5 years	Over 5 years	Total	Positive	Negative	Net
Hedge accounting							
Foreign exchange derivatives	3,323,927	215,003	-	3,538,930	27,455	12,494	14,961
Interest rate swaps	739,914	825,000	1,350,000	2,914,914	111,748	120,462	-8,714
Cross currency swaps	-	75,638	-	75,638	2,616	-	2,616
Non-hedge accounting							
Foreign exchange derivatives	19,270,706	343,403	-	19,614,110	124,498	176,135	-51,636
Interest rate swaps	17,983	13,487	-	31,470	1,687	-	1,687
Cross currency swaps	-	23,656	-	23,656	1,181	-	1,181
Total	**23,352,530**	**1,496,188**	**1,350,000**	**26,198,717**	**269,186**	**309,090**	**-39,904**
Of which long-term					123,889	130,472	-6,583
Short-term					145,297	178,618	-33,322

Maturity analysis of financial liabilities and derivatives

Interest-bearing loans and lease liabilities are the contractual undiscounted cash flows including principal and interest payments. Trade payables equal the carrying amount as these are due within 12 months. For gross settled derivatives, the contractual nominal amounts are presented below and for net settled interest rate swaps the net cash outflows are presented in the table.

	2023				2022			
EUR 1,000	Under 1 year	1–5 years	Over 5 years	Total	Under 1 year	1–5 years	Over 5 years	Total
Non-derivatives								
Interest-bearing loans, principal and interest payments	1,144,177	2,249,103	2,861,359	6,254,639	3,768,717	1,812,840	2,114,899	7,696,457
Lease liabilities	4,565	11,106	-	15,671	4,292	13,482	-	17,775
Trade payables	26,939	-	-	26,939	22,014	-	-	22,014
Total non-derivatives	**1,175,681**	**2,260,209**	**2,861,359**	**6,297,250**	**3,795,023**	**1,826,322**	**2,114,899**	**7,736,246**
Derivatives								
Foreign exchange derivatives and cross currency swaps								
Cash inflow (-)	-16,838,106	-862,173	-	-17,700,279	-21,546,512	-662,393	-	-22,208,905
Cash outflow	16,763,336	858,836	-	17,622,172	21,588,251	662,024	-	22,250,275
Interest rate swap liabilities (net settled)	36,493	50,963	-283	87,172	20,282	97,618	14,600	132,500
Total derivatives	**-38,277**	**47,626**	**-283**	**9,065**	**62,022**	**97,248**	**14,600**	**173,870**

Interest-bearing loans include loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj of EUR 951 million (2022: 918). These loans are renewed every three years and the related interest payments are calculated for ten years in the table above.

14 Derivatives and liabilities by fair value hierarchy

Fair value measurements are classified using a fair value hierarchy, i.e. Level 1, Level 2 and Level 3 that reflects the significance of the inputs used in making the measurements. For further information see accounting principles in the consolidated financial statements **Note 15** Financial assets and liabilities by fair value hierarchy.

Derivatives at fair value in financial assets

	Level 1		Level 2		Level 3		Total	
EUR 1,000	2023	2022	2023	2022	2023	2022	2023	2022
In non-current assets								
Derivative financial instruments								
Interest rate and currency derivatives								
Hedge accounting			122,444	118,061			122,444	118,061
Non-hedge accounting			9,235	5,829			9,235	5,829
In current assets								
Derivative financial instruments								
Interest rate and currency derivatives								
Hedge accounting			12,462	23,759			12,462	23,759
Non-hedge accounting			322,919	121,538			322,919	121,538
Total			**467,060**	**269,187**			**467,060**	**269,187**

Derivatives and liabilities at fair value in financial liabilities

	Level 1		Level 2		Level 3		Total	
EUR 1,000	2023	2022	2023	2022	2023	2022	2023	2022
In non-current liabilities								
Interest-bearing liabilities [1]			973,343	580,256			973,343	580,256
Derivative financial instruments								
Interest rate and currency derivatives								
Hedge accounting			92,961	122,810			92,961	122,810
Non-hedge accounting			6,147	7,662			6,147	7,662
In current liabilities								
Derivative financial instruments								
Interest rate and currency derivatives								
Hedge accounting			8,573	10,146			8,573	10,146
Non-hedge accounting			253,116	168,472			253,116	168,472
Total			**1,334,139**	**889,346**			**1,334,139**	**889,346**

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

Net fair value amount of interest rate and currency derivatives was EUR 106 million (2022: -40), including assets EUR 467 million (2022: 269) and liabilities, EUR 361 million (2022: 309). Fortum Corporation has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of December 2023, Fortum had received EUR 42 million and paid EUR 176 million from foreign exchange and interest rate derivatives under Credit Support Annex agreements.

15 Contingent liabilities and other commitments

EUR 1,000	2023	2022
On own behalf		
Other contingent liabilities	982	1,339
On behalf of group companies		
Guarantees	924,061	1,037,997
On behalf of associated companies		
Guarantees	1,076,389	1,160,536
On behalf of others		
Guarantees	-	937,559
Total	**2,001,432**	**3,137,431**

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

Operating lease commitments

EUR 1,000	2023	2022
Due within one year	6,022	5,946
Due after one year and within five years	14,468	17,979
Total	**20,490**	**23,925**

16 Related party transactions

At the end of 2023, the Finnish State owned 51.26% of the company's shares (2022: 51.26%). On 6 September 2022, Fortum announced that it had agreed with the Finnish State on a EUR 2.35 billion bridge financing arrangement. On 26 September 2022, Fortum announced to draw the first tranche of the liquidity facility, EUR 350 million. The bridge loan facility is linked to the six-month Euribor; the margin for the first six months is 10% and for the following six months 12%.

As a condition in the agreement following the first draw down, the Finnish State-owned holding company, Solidium Oy, was entitled to subscribe 8,970,000 new ordinary registered shares in Fortum in a directed share issue, without payment. The share issue to Solidium Oy was resolved in the Extraordinary General Meeting on 23 November 2022 and the new shares were registered with the Finnish trade register on 25 November 2022. The new shares carry full shareholder rights, including the right to dividend, as of the registration date. As a consequence, the proportion of shares under the control of the State of Finland has increased to 51.26%.

In March 2023, Fortum repaid EUR 350 million of the Solidium bridge loan and cancelled the entire EUR 2,350 million bridge loan facility. Total interest expenses and fees relating to the bridge loan facility amounting to EUR 105 million (2023: 56 and 2022: 49) were recognised in Financial expenses.

See also **Note 37** Related party transactions in the Consolidated financial statements.

Investments in group companies, associated companies and other holdings

		No. of shares units	Holding %
Investments in group companies			
Fortum Waste Solutions Oy	Finland	3,520,800	100.00
Fortum Heat and Gas Oy	Finland	2,000,000	100.00
Fortum Clean Oy	Finland	100	100.00
Fortum Norm Oy	Finland	250	100.00
Fortum Power and Heat Oy	Finland	91,197,543	100.00
Fortum Real Estate Oy	Finland	2,000,000	100.00
Fortum TwoGether Oy	Finland	100	100.00
Fortum Holding B.V.	Netherlands	61,062	100.00
Fortum Energy Holding B.V.	Netherlands	100	100.00
Fortum India Private Ltd	India	1	0.10
Fortum Finance Ireland Designated Activity Company	Ireland	992,557	100.00
Fortum Sweden AB	Sweden	500,000	50.00
Fortum Power AB	Sweden	100	100.00
Investments in associated companies			
Wello Oy	Finland	1,100,000	16.25
Other holdings			
AW-Energy Oy	Finland	2,854,688	3.43
Clic Innovation Oy	Finland	100	3.40
East Office of Finnish Industries Oy	Finland	1	5.88
Green Industry Park Oy	Finland	19	19.00
Prototype Carbon Fund	USA	N/A	

17 Events after the balance sheet date

On 26 January 2024, Fortum announced that as part of the efficiency programme launched in November 2023, Fortum's Consumer Solutions business unit and the IT unit are conducting change negotiations on possible redundancies. In total, the negotiations concern some 1,080 employees in Finland, Sweden, Norway, and the IT unit in Poland. According to a preliminary estimate, change negotiations could result in the redundancies of a maximum of 130 job positions.

fortum
Powering a thriving world

Financials 2023

Signatures for the operating and financial review and financial statements

Espoo, 6 February 2024

Mikael Silvennoinen	Essimari Kairisto	Ralf Christian	Luisa Delgado
Jonas Gustavsson	Marita Niemelä	Teppo Paavola	Maija Strandberg
Johan Söderström	Vesa-Pekka Takala	Markus Rauramo President and CEO	

The auditor's note

Our auditor's report has been issued today.

Espoo, 6 February 2024

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, 2023. 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 material 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 IFRS Accounting Standards 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 good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our 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 group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 8 to the consolidated financial statements.

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 these matters.
We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the key audit matter
Discontinued operations – Russia Refer to Notes 1, 2, 3 and 19 • Control over Fortum's Russian operations was lost on 25 April 2023 following the Russian Presidential decree No. 302. The decree triggered a control assessment as required by IFRS 10 Consolidated financial statements. Based on the assessment, Fortum's rights are no longer substantive as it does not have practical ability to use control over its Russian operations. Consequently, in 2023 Fortum's Russia segment was deconsolidated, and classified as discontinued operations as required by IFRS 5 Noncurrent assets held for sale and discontinued operations. • The deconsolidation of Russian operations in 2023 resulted in EUR 3.6 billion one-time, non-cash negative effect. The amount consists of the full write-down of the Russian assets of EUR 1.7 billion, and EUR 1.9 billion negative cumulative translation differences previously recognised in equity. These cumulative translation differences are recycled from equity to profit and loss on deconsolidation according to IFRS. Comparative financial information for 2022 were restated for income statement and cash flow statement, so that on the comparative information for 2022 considers Fortum's continuing operations, without discontinued operations. The consolidated balance sheet at 31 December 2022 included Russia segment. • The accounting treatment for discontinued operations is a key audit matter, because the accounting treatment for changes in the group structure and the classification of discontinued operations and businesses for sale in accordance with IFRS 5 involves management judgment and the changes have a material impact on the financial statements.	Our audit procedures have consisted e.g. the following amongst others: • We gain an understanding of the group's accounting principles related to discontinued operations. • Regarding the discontinued operations, we evaluated how management has applied accounting principles and assumptions related to accounting practices in accordance with IFRS 10 Consolidated Financial Statements standard and IFRS 5 Non-current assets held for sale and discontinued operations standard. • Regarding deconsolidation, we tested the impairment determined by management and the effect of the transaction on the income statement and balance sheet based on the transaction which occurred. • We evaluated the appropriate presentation of discontinued operations in the financial statements in accordance with the IFRS 5 Non-current assets held for sale and discontinued operations standard.
Fair value measurements of derivatives and hedge accounting Refer to Notes 4, 7, 14 and 15 • In Fortum's consolidated financial statements total derivative assets amounts to EUR 605 million (EUR 1,829 million) and total derivative liabilities amounts to EUR 1,273 million (EUR 4,729 million). The net effect of changes in fair values of derivatives hedging future cash flow amounts to EUR 111 million (EUR -376 million) in items affecting comparability in the consolidated income statement and the cash flow hedges in other equity components amount to EUR -337 million (EUR -2,182 million). • Fair value measurement of derivatives and hedge accounting is a key audit matter because the fair value and changes in fair values of derivative financial instruments may have significant impacts on Fortum´s financial statements. Fortum's business is exposed to fluctuations in prices and volume of commodities used in the production and sales of energy products. The main exposure is toward energy prices. Electricity price risk is hedged by entering into electricity derivative contracts. Fortum uses derivative instruments to reduce the effect of electricity price volatility.	• Our audit procedures included 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 appropriate presentation of derivatives in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Valuation of property, plant and equipment and goodwill Refer to Notes 1, 2, 16, 17 and 19. • The consolidated balance sheet includes property, plant and equipment and goodwill amounting to EUR 6,861 million (EUR 7,516 million). • At the end of each reporting period management has to assess whether there is any indication that assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. Goodwill is subject to an 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, changes in the projected impacts of climate-change, changes in regulatory/political risks relating to energy taxes, and price regulations, limitations to the lifetime of assets as well as climate-related transition risks and physical risks. Furthermore, the geopolitical situation have had further negative impacts to the valuation of Fortum's Russia operations. • The assumptions used in the valuation of the balances in question require substantial management judgment, and thus this is a key audit matter.	• We have evaluated the process of how management has assessed the indicators for potential impairment. We have performed audit procedures on impairment models. • 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.
Shares in Nuclear Waste Funds and Nuclear provisions Refer to Notes 2 and 28. • Fortum's balance sheet includes Nuclear related provisions amounting to EUR 1 058 million (EUR 966 million) and Fortum's share of the Nuclear Waste Management Fund amounting to EUR 1 058 million (EUR 966 million). • Fortum's nuclear related provisions and the related part of the Nuclear Waste Management Fund are both presented separately in the balance sheet as disclosed in note 28. • Fortum's share in the State Nuclear Waste Management Fund is accounted for according to IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds which states that the fund assets are measured at the lower of fair value or the value of the related liabilities since Fortum does not have control or joint control over the State Nuclear Waste Management Fund. The Nuclear Waste Management Fund is managed by governmental authorities. The related provisions are the provision for decommissioning and the provision for disposal of spent fuel. • The 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. • 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 and thus this is a key audit matter.	• We have assessed Fortum's accounting manual and principles for Nuclear Decommissioning Accounting, whether they are in line with IFRS accounting principles. • We have assessed the assumptions and judgments made and adopted by management in the accounting for the nuclear waste provisions, and that the share in nuclear waste management fund is based on the confirmation submitted by authorities. • We assessed the adequacy of related disclosures in the financial statements.

Responsibilities of the Board of Directors and the President and CEO for the 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 IFRS Accounting Standards 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 going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 16.3.2006, and our appointment represents a total period of uninterrupted engagement of 18 years.

Other Information

The Board of Directors and the President and CEO are responsible for the other information. The other information comprises the Operating and Financial Review and the information included in the Financials, but does not include the financial statements and our auditor´s report thereon. We have obtained the Operating and Financial Review prior to the date of this auditor's report, and the Financials is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to Operating and Financial Review, our responsibility also includes considering whether the Operating and Financial Review has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the Operating and Financial Review is consistent with the information in the financial statements and the Operating and Financial Review has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor´s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of 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, 6 February 2024

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Auditor's assurance report of ESEF financial statements

(Translation of the Finnish Original)

Independent auditor's report on the ESEF consolidated financial statements of Fortum Oyj

To the Board of Directors of Fortum Oyj

We have performed a reasonable assurance engagement on whether the iXBRL tagging of the consolidated financial statements in the ESEF consolidated financial statements (FORTUMOYJ-2023-12-31-fi.zip) of Fortum Oyj (1463611-4) for the financial year 1 January – 31 December 2023 has been prepared in accordance with the requirements of Article 4 of Commission Delegated Regulation (EU) 2018/815 (ESEF RTS).

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and Managing Director are responsible for the preparation of the report of the Board of Directors and financial statements (ESEF financial statements) that comply with the requirements of ESEF RTS. This responsibility includes:

- preparation of ESEF financial statements in XHTML format in accordance with Article 3 of ESEF RTS
- tagging the consolidated financial statements, including disclosures and identifying information, in the ESEF financial statements with iXBRL tags in accordance with Article 4 of ESEF RTS, and
- ensuring consistency between ESEF financial statements and audited financial statements

The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of ESEF financial statements in accordance with the requirements of ESEF RTS.

Auditor's Independence and Quality Control

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to the engagement we have performed, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The auditor applies International Standard on Quality Management 1 and, accordingly, an audit firm shall design, implement, and maintain a system of quality control including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Auditor's Responsibilities

In accordance with the engagement letter, we express an opinion on whether the tagging of the consolidated financial statements in the ESEF financial statements has been prepared in all material respects in accordance with the requirements of Article 4 of ESEF RTS. We conducted a reasonable assurance engagement in accordance with International Standard on Assurance Engagements ISAE 3000.

The engagement includes procedures to obtain evidence on:

- whether the tagging of the consolidated financial statements in the ESEF financial statements has been prepared in all material respects in accordance with the requirements of Article 4 of ESEF RTS, and
- whether the consolidated financial statements, including disclosures and identifying information, are marked up using the XBRL mark-up language in accordance with Article 4 of ESEF RTS
- whether the ESEF financial statements are consistent with the audited financial statements.

The nature, timing and extent of the procedures selected depend on the auditor's judgment. This includes the assessment of risk of material departures from the requirements set out in ESEF RTS, whether due to fraud or error.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the tagging of the consolidated financial statements in the ESEF financial statements (FORTUMOYJ-2023-12-31-fi.zip) of Fortum Oyj for the financial year 1 January – 31 December 2023 has been prepared in all material respects in accordance with the requirements of Article 4 of ESEF RTS.

Our audit opinion on the consolidated financial statements of Fortum Oyj for the financial year 1 January – 31 December 2023 has been expressed in our auditor's report dated 6 February 2024. In this report, we do not express an audit opinion or any other assurance conclusion on the consolidated financial statements.

Espoo, 9 February 2024

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Key figures 2014–2023

Financial key figures

Comparability of information presented in tables

Fortum announced the sale of Swedish Distribution business in March 2015. After the divestment of the Swedish Distribution business Fortum has no electricity distribution operations and therefore Distribution segment 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.

Fortum consolidated Uniper into its balance sheet as of 31 March 2020 and, from 1 April 2020, consolidated Uniper's results into its income statement. In 2019 and in the first quarter of 2020, Uniper was consolidated as an associated company into Fortum's income statement.

Following the consolidation of Uniper, Fortum's business profile changed and the previous long-term financial targets did not appropriately reflect the Group's new business profile. In May 2020, Fortum's Board of Directors consequently decided to remove the financial targets (return on capital employed of at least 10% and comparable net debt-to-EBITDA of around 2.5x) as of the first quarter of 2020. In December 2020 in connection with the strategy update, Fortum updated its long-term financial target to be Financial net debt/comparable EBITDA below 2x. For more information, see **Note 5** Capital risk management.

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 lost control of Uniper on the signing of the agreement in principle to sell the shares in Uniper SE to the German State on 21 September 2022. Thus, Uniper was deconsolidated at 30 September 2022. Uniper has been a separate reportable segment in Fortum's consolidated financial statements, which results in Uniper being classified as discontinued operations. Fortum's consolidated income statement and consolidated cash flow statement were modified in 2022 to include Uniper segment as discontinued operations. As required by IFRS, comparatives for 2021 were restated. Consolidated balance sheet at 31 December 2021 included Uniper.

Fortum was pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, and in 2022 Fortum introduced new APMs to provide additional financial information excluding Fortum's Russian operations. As a result of the Presidential decree (No. 302) issued by Russia on 25 April 2023 and the seizure of Fortum's Russian assets, the company lost control of its Russian operations. Consequently, the Russia segment was deconsolidated and reclassified as discontinued operations in 2023. Comparative information for 2022 was restated following the reclassification of the Russia segment as discontinued operations.

For information of Alternative Performance Measures used by Fortum, see **Definitions and reconciliations of key figures** and **Note 1** Material accounting policies.

EUR million or as indicated	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Change 23/22 %
Income statement, continuing operations											
Reported											
Sales	4,088	3,459	3,632	4,520	5,242	5,447	49,015	6,422	7,774	6,711	-14
EBITDA	1,673	196	1,006	1,623	1,674	1,693	2,688	4,913	2,381	2,021	-15
Operating profit	1,296	-150	633	1,158	1,138	1,118	1,599	4,325	1,967	1,662	-16
- of sales %	*31.7*	*-4.3*	*17.4*	*25.6*	*21.7*	*20.5*	*3.3*	*67.4*	*25.3*	*24.8*	
Share of profit/loss of associates and joint ventures	146	20	131	148	38	744	656	168	-185	59	132
Profit before income tax	1,232	-305	595	1,111	1,040	1,728	2,199	4,332	1,564	1,583	1
- of sales %	*30.1*	*-8.8*	*16.4*	*24.6*	*19.8*	*31.7*	*4.5*	*67.5*	*20.1*	*23.6*	
Net profit for the year	1,089	-228	504	882	858	1,507	1,855	4,008	2,084	1,515	-27
Net profit for the year attributable to owners of the parent	1,081	-231	496	866	843	1,482	1,823	3,985	2,080	1,514	-27
Comparable											
EBITDA	1,457	1,102	1,015	1,275	1,523	1,766	2,434	2,016	2,025	1,903	-6
Operating profit	1,085	808	644	811	987	1,191	1,344	1,429	1,611	1,544	-4
Share of profit/loss of associates and joint ventures							656	104	-40	7	118
Net profit for the year attributable to owners of the parent							1,483	1,091	1,076	1,150	7
Income statement, continuing operations excl. Russia											
Comparable											
EBITDA								1,612	2,025	N/A	
Operating profit								1,167	1,611	N/A	
Net profit for the year attributable to owners of the parent								851	1,076	N/A	
Income statement, total of continuing and discontinued operations											
Reported											
Net profit for the year attributable to owners of the parent	3,154	4,138	496	866	843	1,482	1,823	739	-2,416	-2,069	14
Comparable											
Net profit for the year attributable to owners of the parent							1,483	1,778	-988	1,184	220

fortum
Powering a thriving world

Financials 2023

EUR million or as indicated	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Change 23/22 %
Financial position and cash flow											
Capital employed	17,918	19,870	18,649	18,172	18,170	19,929	26,239	30,885	15,522	14,408	
Financial net debt						4,833	7,023	789	1,084	942	-13
Adjusted net debt						4,978	9,784	3,227	1,117	N/A	
Interest-bearing net debt	4,217	-2,195	-48	988	5,509	5,260	N/A	N/A	N/A	N/A	
Interest-bearing net debt without Exergi financing	3,664	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Capital expenditure and gross investments in shares, continuing operations	695	625	1,435	1,815	4,672	819	4,953	724	496	664	34
- of sales %	*17.0*	*18.1*	*39.5*	*40.2*	*89.1*	*15.0*	*10.1*	*11.3*	*6.4*	*9.9*	
Capital expenditure, continuing operations	626	582	591	690	584	713	1,146	443	467	611	31
Net cash from operating activities, total Fortum	1,762	1,381	621	993	804	1,575	2,555	4,970	-8,767	1,819	121
Net cash from operating activities, continuing operations	1,406	1,228						1,119	1,717	1,710	0
Key ratios, total of continuing and discontinued operations, or as indicated											
Return on capital employed, %	19.5	22.7	4.0	7.1	6.7	10.0	N/A	N/A	N/A	N/A	
Return on shareholders' equity, %	30.0	33.4	3.7	6.6	6.8	11.9	12.9	-0.8	-96.2	-25.5	
Interest coverage	19.9	27.6	4.6	8.7	10.0	8.0	27.3	-12.7	-75.5	-16.8	
Interest coverage including capitalised borrowing costs	15.7	21.5	4.1	7.8	9.2	7.5	18.6	-9.4	-72.2	-19.7	
Funds from operations/interest-bearing net debt, %	42.9	-59.7	-1,503.4	83.9	26.8	32.2	N/A	N/A	N/A	N/A	
Funds from operations/interest-bearing net debt without Exergi financing, %	49.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Gearing, %	39	-16	0	7	46	40	45	6	14	11	
Financial net debt/comparable EBITDA, total Fortum							2.9	0.2	0.4	N/A	
Financial net debt/comparable EBITDA, continuing operations excl. Russia								N/A	0.6	0.5	
Financial net debt/comparable EBITDA, continuing operations								N/A	0.6	0.5	
Comparable net debt/EBITDA	2.3	-1.7	0.0	0.8	3.6	3.0	N/A	N/A	N/A	N/A	
Comparable net debt/EBITDA without Exergi financing	2.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Equity-to-assets ratio, %	51	61	62	61	54	57	27	9	33	45	
Other data											
Dividends	1,155	977	977	977	977	977	995	1,013	817	1,032[1]	26
Research and development expenditure, continuing operations	41	47	52	53	56	67	56	54	55	56	2
- of sales %	*1.0*	*1.4*	*1.4*	*1.2*	*1.1*	*1.1*	*0.1*	*0.8*	*0.7*	*0.8*	
Average number of employees, total Fortum	8,821	8,193	7,994	8,507	8,767	8,248	17,304	19,796	16,549	6,042	
Average number of employees, continuing operations	8,329	8,009						8,045	5,120	5,205	

1) Board of Directors' proposal for the planned Annual General Meeting on 25 March 2024.

See ▸ **Definitions and reconciliations of key figures**

Share key figures

EUR or as indicated	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Change 23/22 %
Data per share											
Earnings per share, total Fortum	3.55	4.66	0.56	0.98	0.95	1.67	2.05	0.83	-2.72	-2.31	15
Earnings per share, continuing operations	1.22	-0.26						4.49	2.34	1.68	-28
Earnings per share, discontinued operations	2.33	4.92						-3.65	-5.07	-3.99	21
Comparable earnings per share, total Fortum							1.67	2.00	-1.11	1.32	219
Comparable earnings per share, continuing operations								1.23	1.21	1.28	6
Comparable earnings per share, discontinued operations								0.77	-2.32	0.04	102
Comparable earnings per share, continuing operations excl. Russia								0.96	1.21	N/A	
Cash flow per share, total Fortum	1.98	1.55	0.70	1.12	0.91	2.27	2.88	5.60	-9.86	2.03	121
Cash flow per share, continuing operations	1.38	1.38						1.26	1.93	1.91	-1
Cash flow per share, discontinued operations	0.60	0.17						4.34	-11.79	0.12	101
Equity per share	12.23	15.53	15.15	14.69	13.33	14.61	14.58	13.66	8.55	9.40	10
Dividend per share	1.10	1.10	1.10	1.10	1.10	1.10	1.12	1.14	0.91	1.15 [1]	26
Extra dividend	0.20										
Payout ratio, % [2]	37	24	196	112	116	66	55	137	75	90 [1]	
Dividend yield, %	7.2	7.9	7.5	6.7	5.8	5.0	5.7	4.2	5.9	8.8 [1]	
Price/earnings ratio (P/E) [3]	5.1	3.0	26.1	16.8	20.1	13.2	9.6	32.5	6.6	7.8	
Share prices											
At the end of the period	17.97	13.92	14.57	16.50	19.10	22.00	19.70	26.99	15.54	13.06	
Average	17.89	16.29	13.56	15.28	19.10	20.06	17.20	23.65	15.18	12.94	
Lowest	15.13	12.92	10.99	12.69	16.43	18.09	12.25	19.72	8.86	10.25	
Highest	20.32	21.59	15.74	18.94	22.91	22.50	23.46	27.96	27.18	16.18	
Other data											
Market capitalisation at the end of the period, EUR million	15,964	12,366	12,944	14,658	16,966	19,542	17,499	23,975	13,943	11,718	
Trading volumes [4]											
Number of shares, 1,000 shares	454,796	541,858	611,572	582,873	474,705	372,272	647,869	351,450	560,775	412,322	
In relation to weighted average number of shares, %	51.2	61.0	68.8	65.6	53.4	41.9	72.9	39.6	63.1	46.0	
Average number of shares, 1,000 shares	888,367	888,367	888,367	888,367	888,312	888,294	888,294	888,294	889,204	897,264	
Diluted adjusted average number of shares, 1,000 shares	888,367	888,367	888,367	888,367	888,312	888,294	888,294	888,294	889,204	897,264	
Number of registered shares, 1,000 shares	888,367	888,367	888,367	888,367	888,294	888,294	888,294	888,294	897,264	897,264	

1) Board of Directors' proposal for the planned Annual General Meeting on 25 March 2024.
2) Payout ratio is calculated based on comparable earnings per share from 2022 onwards. Payout ratio for 2023 and 2022 is calculated based on comparable earnings per share from continuing operations.
3) Price/earnings ratio for 2023 and 2022 is calculated based on earnings per share from continuing operations
4) 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 Cboe and Turquoise, and on the OTC market. In 2023, approximately 78% (2022: 74%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

See Definitions and reconciliations of key figures

Sustainability key figures

Sustainability key figures are presented from 2022 onwards.

	2022	2023	Change 23/22 %
Total GHG emissions, Scope 1-3, million CO_2-eq tonnes [1)]	11.8	14.4	22
Direct Scope 1 GHG emissions, million CO_2-eq tonnes	2.2	1.6	-27
Indirect location-based Scope 2 GHG emissions, million CO_2-eq tonnes	0.03	0.06	100
Scope 3 GHG emissions, million CO_2-eq tonnes	9.5	12.7	34
Specific CO_2 emissions from total energy production, gCO_2/kWh	45	32	-29
The share of coal of Fortum's revenues, %	4	3	-25
The share of fossil fuels of Fortum's revenues, %	-	11	
Total Recordable Injury Frequency (TRIF), own personnel and contractors	4.0	5.0	25

1) Comparative figures and information for year 2022 have been restated to exclude Russia as discontinued operations. In 2022, 83% of Fortum's direct CO_2 emissions and 62% of the total GHG emissions originated from Russian power and heat production. In addition, change in GHG inventory calculation principles resulted in 0.8 CO_2-eq tonnes change in 2022 Scope 3 emissions.

Turnover KPI	2022	2023
A.1 Environmentally sustainable activities (Taxonomy-aligned)	33%	43%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	3%	7%
A. Total Taxonomy-eligible activities	**36%**	**50%**
Operating expenses KPI		
A.1 Environmentally sustainable activities (Taxonomy-aligned)	58%	56%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	5%	21%
A. Total Taxonomy-eligible activities	**63%**	**77%**
Capital expenditure KPI		
A.1 Environmentally sustainable activities (Taxonomy-aligned)	51%	64%
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)	18%	12%
A. Total Taxonomy-eligible activities	**68%**	**76%**

Segment key figures

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) (previously AB Fortum Värme samägt med Stockholm Stad), that is treated as a joint venture and thus consolidated with equity method from 1 January 2014 onwards. Before the change the company was 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 discontinued operations in 2015 with restatement of year 2014, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Fortum reorganised its operating structure as of 1 April 2016. The business divisions are: Generation (mainly the former Power and Technology); City Solutions (mainly the former Heat, Electricity Sales and Solutions) and Russia. Because of the minor financial impact, the comparable segment information for 2015 was not restated.

As of 1 March 2017, the City Solutions division was divided into two divisions: City Solutions and Consumer Solutions, both reported as separate reporting segments. Fortum has restated its 2016 comparison segment 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. Previously these were included in Other Operations. The Russian wind and solar operations continue as a part of the Russia segment. Fortum has restated its 2018 comparative segment reporting figures in accordance with the new organisation structure.

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.

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 in Other operations.

Fortum lost control of Uniper on the signing of the agreement in principle to sell the shares in Uniper SE to the German State on 21 September 2022. Thus, Uniper was deconsolidated at 30 September 2022. Uniper has been a separate reportable segment in Fortum's consolidated financial statements, which results in Uniper being classified as discontinued operations. Fortum's consolidated income statement and consolidated cash flow statement were modified in 2022 to include Uniper segment as discontinued operations. As required by IFRS, comparatives for 2021 were restated. Consolidated balance sheet at 31 December 2021 included Uniper.

In March 2023, Fortum announced the reorganisation of its business structure. From 2023, the new business units are: Hydro Generation, Nuclear Generation, Renewables and Decarbonisation, Corporate Customers and Markets, Consumer Solutions and Circular Solutions. The business units are classified into the following reportable segments under IFRS:

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

Fortum was pursuing a controlled exit from the Russian market with potential divestments of its Russian operations as the preferred path, and in 2022 Fortum introduced new APMs to provide additional financial information excluding Fortum's Russian operations. As a result of the Presidential decree (No. 302) issued by Russia on 25 April 2023 and the seizure of Fortum's Russian assets, the company lost control of its Russian operations. Consequently, the Russia segment was deconsolidated and reclassified as discontinued operations in 2023. Comparative information for 2022 was restated following the reclassification of the Russia segment as discontinued operations.

See more information in **Note 6** Segment reporting.

fortum
Powering a thriving world

Financials 2023

Sales by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	2,156	1,722	1,657	1,677	1,842	2,141	2,006	2,869	4,465	4,420
- of which internal	85	83	15	15	-2	259	421	140	-585	394
Consumer Solutions			668	1,097	1,759	1,835	1,267	2,622	4,578	3,766
- of which internal			2	3	11	-3	2	14	30	20
Other Operations	58	114	92	102	103	115	140	138	589	548
- of which internal	44	75	61	67	79	86	110	102	101	99
City Solutions	1,332	1,187	782	1,015	1,110	1,200	1,075	1,302		
- of which internal	34	-13	1	19	37	45	64	29		
Russia	1,055	893	896	1,101	1,069	1,071	929			
- of which internal	-	-	-	-	-	-	2			
Uniper							44,514			
- of which internal							-			
Eliminations and Netting of Nord Pool transactions	-513	-458	-463	-470	-641	-916	-916	-1,413	-1,858	-2,024
Total continuing operations excl. Russia								**5,519**		
Russia								906		
Eliminations								-2		
Total continuing operations	**4,088**	**3,459**	**3,632**	**4,520**	**5,242**	**5,447**	**49,015**	**6,422**	**7,774**	**6,711**
Discontinued operations	751	274						106,127	129,126	287

Comparable operating profit by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	877	561	417	478	628	794	722	1,123	1,629	1,679
Consumer Solutions			48	41	53	79	90	52	97	38
Other Operations	-57	-63	-77	-102	-99	-118	-129	-142	-116	-173
City Solutions	104	108	64	98	135	120	47	135		
Russia	161	201	191	296	271	316	251			
Uniper							363			
Total continuing operations excl. Russia								**1,167**		
Russia								261		
Comparable operating profit, continuing operations	**1,085**	**808**	**644**	**811**	**987**	**1,191**	**1,344**	**1,429**	**1,611**	**1,544**
Impairment charges and reversals		-918	27	6	-4	-8	2	-35	-	-
Capital gains and other related items	305	22	38	326	102	7	765	2,673	785	4
Impact from acquisition accounting							-222	-	-	-
Changes in fair values of derivatives hedging future cash flow			-65	14	98	-72	-675	264	-376	111
Nuclear fund adjustment [1]			-11	1	-45					
Other							386	-6	-52	3
Other items affecting comparability [2]	-94	-62								
Operating profit, continuing operations	**1,296**	**-150**	**633**	**1,158**	**1,138**	**1,118**	**1,599**	**4,325**	**1,967**	**1,662**
Discontinued operations	2,132	4,395						-4,913	-17,091	-3,521

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	998	680	527	603	763	939	886	1,287	1,876	1,874
Consumer Solutions			55	57	110	141	153	123	173	108
Other Operations	-49	-53	-64	-83	-78	-91	-94	-114	-23	-80
City Solutions	204	209	186	262	310	308	239	317		
Russia	304	267	312	438	417	469	394			
Uniper							856			
Total continuing operations excl. Russia								**1,612**		
Russia								404		
Total continuing operations	**1,457**	**1,102**	**1,015**	**1,275**	**1,523**	**1,766**	**2,434**	**2,016**	**2,025**	**1,903**

Depreciation and amortisation

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	121	118	110	125	135	145	164	164	247	195
Consumer Solutions			7	16	57	62	63	71	75	70
Other Operations	8	10	13	18	22	28	35	28	92	93
City Solutions	100	101	121	163	175	188	191	182		
Russia	147	117	123	142	147	153	143			
Uniper							494			
Total continuing operations excl. Russia								**445**		
Russia								142		
Total continuing operations	**377**	**346**	**373**	**464**	**536**	**575**	**1,090**	**587**	**415**	**359**
Discontinued operations	150	50						694	724	23

Comparable share of profit of associates and joint ventures by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation							13	-	-34	7
Other Operations							502	-	-7	0
City Solutions							57	42		
Russia							47			
Uniper							38			
Total continuing operations excl. Russia								**42**		
Russia								62		
Total continuing operations							**656**	**104**	**-40**	**7**

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 of profit of associates and joint ventures by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	-14	-111	-34	-1	-72	10	29	64	-178	59
Other Operations	37	40	51	38	-	638	470	-	-7	0
City Solutions	88	59	76	80	74	37	57	42		
Russia	35	32	38	31	36	59	47			
Uniper							54			
Total continuing operations excl. Russia								**106**		
Russia								62		
Total continuing operations	**146**	**20**	**131**	**148**	**38**	**744**	**656**	**168**	**-185**	**59**
Discontinued operations	3	-						23	-372	26

Capital expenditure by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	197	187	196	174	248	247	158	168	314	450
Consumer Solutions			3	7	47	55	57	68	71	81
Other Operations	3	6	83	187	26	30	34	15	85	81
City Solutions	86	105	109	170	209	314	219	161		
Russia	340	285	201	152	54	67	43			
Uniper							635			
Total continuing operations excl. Russia								**396**		
Russia								47		
Total continuing operations	**626**	**582**	**591**	**690**	**584**	**713**	**1,146**	**443**	**467**	**611**

Gross investments in shares by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	2	16	7	90	14	13	70	7	2	5
Consumer Solutions			117	486	-	-	-	-	0	22
Other Operations	4	4	22	39	3,977	18	3,572	237	26	26
City Solutions	37	23	698	386	33	9	114	2		
Russia	27	-	0	125	63	66	48			
Uniper							3			
Total continuing operations excl. Russia								**245**		
Russia								36		
Total continuing operations	**69**	**43**	**844**	**1,125**	**4,088**	**106**	**3,807**	**281**	**29**	**53**

Gross divestments of shares by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	67	-	0	0	160	12	171	129	1,212	0
Consumer Solutions			1	55	0	-	10	-	0	0
Other Operations	2	-	0	687	0	16	81	19	152	4
City Solutions	446	27	33	-	147	2	895	3,870		
Russia	-	0	127	-	0	-	-			
Uniper							69			
Total continuing operations excl. Russia								**4,017**		
Russia								18		
Total continuing operations	**515**	**27**	**161**	**742**	**306**	**30**	**1,226**	**4,034**	**1,365**	**4**

Comparable net assets by segment

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation		5,931	5,815	5,672	6,485	6,019	6,234	5,961	6,597	7,263
Consumer Solutions			154	638	648	637	565	1,125	1,365	838
Other Operations		258	514	276	4,023	4,400	136	125	775	840
City Solutions		2,182	2,873	3,728	3,794	3,945	3,679	2,456		
Russia		2,561	3,284	3,161	2,789	3,212	2,431			
Uniper							7,432			
Total continuing operations excl. Russia								**9,668**		
Russia								2,508		
Total continuing operations		**10,932**	**12,641**	**13,474**	**17,739**	**18,214**	**20,477**	**12,176**	**8,737**	**8,941**

Fortum is disclosing Comparable net assets instead of Net assets from 2016 onwards. Net assets until 2015 are disclosed below.

Net assets by segment

EUR million	2014	2015 [1)]
Generation	6,001	5,913
Other Operations	496	291
City Solutions	2,112	2,170
Russia	2,597	2,561
Total continuing operations	**11,206**	**10,934**
Net assets related to discontinued operations	2,615	
Total	**13,820**	**10,934**

fortum
Powering a thriving world

Financials 2023

Comparable return on net assets by segment

%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	14.2	9.5	6.9	8.4	10.8	13.3	12.2	19.0	23.2	24.2
Consumer Solutions			44.3	11.7	7.8	13.3	15.9	6.9	9.1	4.5
City Solutions	8.7	7.9	5.9	5.5	5.5	4.6	2.8	6.1		
Russia	5.6	8.2	8.0	10.1	10.3	12.3	11.1	12.9	11.3	N/A
Uniper [1]							N/A	16.5	N/A	
Distribution [2]	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 is presented for 2021.
2) Classified as discontinued operations from 2014 onwards.

Return on net assets by segment

%	2014	2015 [1]
Generation	13.6	-8.5
City Solutions	19.1	7.7
Russia	5.6	8.3
Distribution [2]	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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	1,685	1,389	1,064	1,036	1,107	1,122	1,163	1,153	1,838	1,735
Consumer Solutions			877	1,180	1,473	1,379	1,216	1,091	1,177	1,232
Other Operations	536	983	711	774	814	825	959	976	2,106	2,237
City Solutions	1,913	1,458	1,529	1,807	1,994	1,979	2,051	1,964		
Russia	4,196	4,180	3,814	3,710	3,378	2,942	2,969			
Uniper [1]							8,945			
Total continuing operations excl. Russia								**5,183**		
Russia								2,862		
Total continuing operations [1]	**8,329**	**8,009**	**7,994**	**8,507**	**8,767**	**8,248**	**17,304**	**8,045**	**5,120**	**5,205**
Discontinued operations	492							11,751	10,566	838

1) 2020 comparative figure was revised to reflect the consolidation of Uniper from 31 March 2020.

fortum
Powering a thriving world

Financials 2023

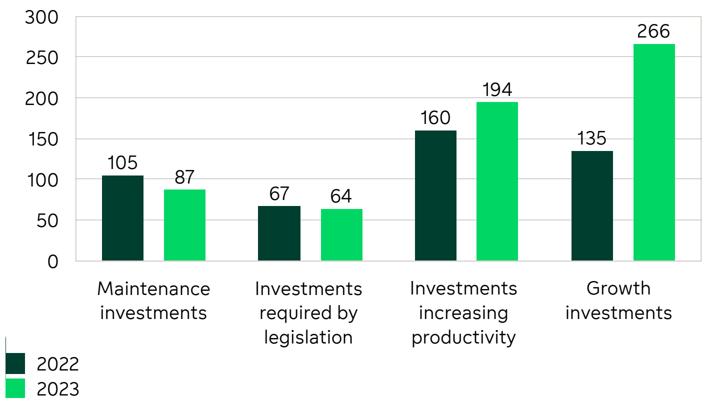
Capital expenditure

Capital expenditure by type and segment 1)

	Finland		Sweden		Norway		Poland		Other countries		Total	
EUR million	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Generation												
Hydropower	15	14	91	82							107	96
Nuclear power	22	34									22	34
Renewable-based electricity, wind	221	100		1							221	100
Renewable-based electricity, solar									3	2	3	2
Fossil-based electricity	-						-	1			1	1
Fossil-based heat	1	2					5	8			6	9
Renewable-based heat, of which	28	24				9	6				34	33
biofuels						1						1
waste							6				6	
other	28	24				8					28	32
District heat network	12	10				3	32	21			44	34
Other	9	2					3	2		1	12	5
Total	**309**	**185**	**91**	**83**		**12**	**46**	**31**	**3**	**3**	**450**	**314**
Consumer Solutions												
Other	25	19	16	14	19	25	20	12			81	71
Total	**25**	**19**	**16**	**14**	**19**	**25**	**20**	**12**			**81**	**71**
Other Operations												
Renewable-based heat, waste	15	16		12					10	7	25	34
Other	22	39	29	8			1		3	1	56	48
Total	**37**	**55**	**29**	**19**			**1**		**13**	**9**	**81**	**82**
Total continuing operations	**371**	**258**	**137**	**116**	**19**	**38**	**67**	**44**	**17**	**12**	**611**	**467**
Of which investments in CO_2 free production	**286**	**171**	**91**	**83**		**9**			**3**	**2**	**381**	**265**

1) Includes capital expenditure to both intangible assets and property, plant and equipment.

Fortum classifies investments in four main categories, EUR million



Generation

Fortum invested EUR 221 million (2022: 100) into wind power production in the Nordics. The majority of this was related to the Pjelax-Böle and Kristinestad Norr wind farms in Finland. In Finland, Fortum also invested EUR 22 million (2022: 34) into the Loviisa nuclear power plant. Fortum additionally invested EUR 107 million (2022: 96) into hydro production, mainly maintenance, legislation and productivity investments. Investments in the district heating and cooling business were EUR 93 million (2022: 79), consisting mainly of decarbonization and maintenance investments. Investments in CO_2 free production were EUR 286 million (2022: 171).

Consumer Solutions

Investments in Consumer solutions totalled EUR 81 million (2022: 71). The amount consists mainly of sales commissions for customer acquisition that are capitalised and IT development costs.

Other Operations

Investments in Other Operations segment were EUR 81 million (2021: 82), mainly related to growth and maintenance investments in the Circular Solutions business.

fortum
Powering a thriving world

Financials 2023

Operational key figures

Note: Operational key figures are unaudited

Comparability of information presented in tables

Uniper sales and production volumes are disclosed from 1 April 2020 until 31 December 2020.

Production

Fortum's total power and heat production in Nordics, continuing operations

TWh	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Power generation						45.5	59.2	47.9	43.5	46.4
Heat production						6.3	5.1	5.5	4.1	3.2

Fortum is disclosing total power and heat production in Nordics instead of EU and Norway from 2019 onwards. Power and heat production in EU and Norway until 2018 are disclosed below.

Fortum's total power and heat production in EU and Norway

TWh	2014	2015	2016	2017	2018 1)
Power generation	50.1	50.2	47.5	46.6	44.7
Heat production	8.2	6.4	7.1	8.6	9.4

1) Fortum is disclosing total power and heat production in Nordics instead of EU and Norway from 2019 onwards.

Fortum's total power and heat production in other European countries

TWh	2014	2015	2016	2017	2018	2019 1)	2020	2021	2022	2023
Power generation						1.3	26.7	1.1	0.8	0.6
Heat production						2.8	7.1	2.3	1.2	1.1

1) Disclosed from 2019 onwards.

Fortum's total power and heat production in Russia

TWh	2014	2015	2016	2017	2018	2019	2020	2021
Power generation	23.3	25.7	25.5	26.3	29.6	29.3	55.6	28.6
Heat production	26.4	25.8	20.7	20.0	20.4	17.3	17.4	17.1

Fortum's power generation by source, total in the Nordic area, continuing operations

TWh	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hydropower[1]	22.4	25.1	20.8	20.9	19.4	20.7	29.6	23.3	19.1	20.9
Nuclear power	23.8	22.7	24.1	23.0	22.8	23.5	28.6	23.5	23.4	24.8
Wind power[1]									-	0.1
CHP and condensing power	1.8	1.0	1.4	1.6	1.3	1.4	1.0	1.0	0.9	0.5
Total	**48.0**	**48.8**	**46.2**	**45.4**	**43.5**	**45.5**	**59.2**	**47.9**	**43.5**	**46.4**

1) Including wind power until 2021.

Fortum's power generation by source, total in the Nordic area, continuing operations

%	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Hydropower[1]	46	51	45	46	45	45	50	49	44	45
Nuclear power	50	47	52	51	52	52	48	49	54	54
Wind power[1]									-	0
CHP and condensing power	4	2	3	3	3	3	2	2	2	1
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

1) Including wind power until 2021.

Fortum's power generation by source, total in other European countries, continuing operations

TWh	2014	2015	2016	2017	2018	2019 [1]	2020	2021	2022	2023
Hydropower						-	3.3	-	-	-
CHP						1.3	23.4	1.1	0.8	0.6
Total						**1.3**	**26.7**	**1.1**	**0.8**	**0.6**

1) Disclosed from 2019 onwards.

Fortum's power generation by source, total in other European countries, continuing operations

%	2014	2015	2016	2017	2018	2019 [1]	2020	2021	2022	2023
Hydropower						-	12	-	-	-
CHP ja lauhdevoima						100	88	100	100	100
Total						**100**	**100**	**100**	**100**	**100**

1) From 2019 onwards.

Power generation capacity by segment, continuing operations

MW	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	9,063	8,046	8,039	7,862	7,867	8,220	8,163	8,041	8,551	9,223
Russia	4,758	4,903	4,482	4,794	4,912	4,928	4,928			
City Solutions	803	743	760	775	788	1,082	988	559		
Uniper						-	36,218			
Other Operations			53	292	157	-	-	-	25	25
Total excl. Russia [1)]								**8,600**		
Russia [1)]								4,672		
Total	**14,624**	**13,692**	**13,334**	**13,722**	**13,724**	**14,230**	**50,297**	**13,272**	**8,576**	**9,248**

1) From 2021 onwards.

Heat production capacity by segment, continuing operations

MW	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Generation	-	-	-	-	-	-	-	-	1,964	2,022
Russia	13,466	12,696	9,920	10,094	10,229	8,437	8,437			
City Solutions	3,936	3,915	3,818	4,671	4,780	4,812	4,057	3,026		
Uniper					-		7,017			
Other Operations									171	171
Total excl. Russia [1)]								**3,026**		
Russia [1)]								7,613		
Total	**17,402**	**16,611**	**13,738**	**14,765**	**15,009**	**13,249**	**19,511**	**10,639**	**2,135**	**2,193**

1) From 2021 onwards.

Fortum's power generation capacity by type and area, continuing operations

	Finland		Sweden		Poland		Other		Total	
MW	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Hydropower	1,569	1,553	3,100	3,100	-	-	-	-	4,669	4,653
Nuclear power	1,892	1,487	1,342	1,336	-	-	-	-	3,234	2,823
Wind power	245	-	-	-	-	-	-	-	245	-
CHP	375	375	6	6	145	145	9	9	535	535
Condensing power	565	565	-	-	-	-	-	-	565	565
Total	**4,646**	**3,980**	**4,448**	**4,442**	**145**	**145**	**9**	**9**	**9,248**	**8,576**

Fortum's heat production capacity by area, continuing operations

	Finland		Poland		Other		Total	
MW	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Heat	1,550	1,440	568	619	76	76	2,193	2,135

Sales

Fortum's total power and heat sales in Nordics, continuing operations

EUR million	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Power sales						2,877	2,494	3,602	5,444	4,311
Heat sales						390	271	403	325	208

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	2014	2015	2016	2017	2018 [1]
Power sales	2,344	1,921	1,893	2,244	2,922
Heat sales	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, continuing operations

EUR million	2014	2015	2016	2017	2018	2019 [1]	2020	2021	2022	2023
Power sales						130	16,226	325	643	879
Heat sales						228	410	240	202	304

1) Disclosed from 2019 onwards.

Fortum's total power and heat sales in Russia

EUR million	2014	2015	2016	2017	2018	2019	2020	2021
Power sales	758	661	691	837	872	924	1,411	761
Heat sales	285	228	199	258	193	145	145	137

fortum
Powering a thriving world

Financials 2023

Fortum's total power sales by area, continuing operations

TWh	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Finland	21.6	22.3	22.8	22.5	23.1	23.1	23.1	23.0	21.5	23.6
Sweden	28.2	29.8	28.8	30.8	29.7	31.5	44.7	32.1	27.3	27.1
Russia	26.5	29.4	29.5	30.5	34.1	33.8	68.3			
Norway			1.5	7.2	15.3	15.0	13.8	13.7	11.3	12.8
Germany						-	338.8			
United Kingdom						-	13.0			
Netherlands						-	6.3			
Other countries	3.8	2.8	2.1	2.9	1.8	2.5	8.1	4.2	4.5	6.0
Total excl. Russia [1)]								**73.0**		
Russia [1)]								32.5		
Total	**80.1**	**84.3**	**84.7**	**93.9**	**104.0**	**105.8**	**516.0**	**105.5**	**64.7**	**69.5**

1)Disclosed from 2021 onwards.

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

Fortum's total heat sales by area, continuing operations

TWh	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Russia	26.0	25.4	20.7	19.8	20.7	16.9	17.4			
Finland	3.2	3.1	3.6	3.9	3.8	3.8	2.9	3.1	2.8	2.6
Norway						1.7	1.5	1.8	0.8	-
Poland	3.4	3.4	3.6	3.7	3.5	3.3	3.4	3.8	3.5	3.4
Germany						-	2.4			
United Kingdom						-	-			
Netherlands						-	2.3			
Other countries	2.8	1.2	1.5	2.5	3.5	2.0	1.9	1.3	0.4	0.4
Total excl. Russia [1)]								**10.0**		
Russia [1)]								17.0		
Total	**35.4**	**33.2**	**29.4**	**29.9**	**31.5**	**27.6**	**31.7**	**27.0**	**7.6**	**6.4**

1) From 2021 onwards.

Volume of distributed electricity in distribution networks

TWh	2014	2015
Finland	2.8	
Sweden	13.7	6.4
Norway	1.1	
Estonia		
Total	**17.6**	**6.4**

fortum
Powering a thriving world

Financials 2023

Quarterly financial information

Note: Quarterly financial information is unaudited.

Selected data based on quarterly consolidated income statement

EUR million	I/2022	II/2022	III/2022	IV/2022	2022	I/2023	II/2023	III/2023	IV/2023	2023
Reported										
IS Sales	1,940	1,537	1,890	2,407	7,774	2,265	1,368	1,220	1,858	6,711
IS Operating profit	480	760	901	-174	1,967	769	267	251	376	1,662
IS Share of profit/loss of associates and joint ventures	-56	-57	-14	-59	-185	22	-42	-9	89	59
IS Finance costs - net	-43	-54	-3	-118	-218	-95	-50	-17	24	-138
IS Profit before income tax	383	650	882	-351	1,564	696	175	224	488	1,583
IS Income tax expense	-95	-7	-156	777	520	-154	199	-38	-76	-69
IS Net profit	288	643	726	427	2,084	542	374	187	413	1,515
IS Non-controlling interests	11	-2	-1	-4	4	2	-3	-1	3	1
IS Profit for the period, owners of the parent	277	645	727	431	2,080	540	376	188	410	1,514
Earnings per share (basic), EUR	0.31	0.73	0.82	0.48	2.34	0.60	0.42	0.21	0.45	1.68
Comparable										
EBITDA	435	362	454	774	2,025	781	344	318	459	1,903
IS Operating profit	326	262	354	669	1,611	698	262	226	359	1,544
Share of profit/loss of associates and joint ventures	8	9	10	-68	-40	10	-42	9	31	7
Net profit (after non-controlling interests)	228	199	279	370	1,076	483	147	204	317	1,150
Earnings per share (basic), EUR	0.26	0.22	0.31	0.42	1.21	0.54	0.16	0.23	0.35	1.28

Quarterly sales by segment

EUR million	I/2022	II/2022	III/2022	IV/2022	2022	I/2023	II/2023	III/2023	IV/2023	2023
Generation 1)	985	839	1,023	1,617	4,465	1,429	805	847	1,339	4,420
Consumer Solutions	1,168	856	1,094	1,460	4,578	1,384	750	563	1,069	3,766
Other Operations 1)	137	136	155	161	589	136	127	138	147	548
Netting of Nord Pool transactions 2)	-448	-379	-568	-917	-2,312	-448	-211	-239	-612	-1,510
Eliminations	98	84	186	87	454	-236	-103	-89	-85	-514
IS Total continuing operations	**1,940**	**1,537**	**1,890**	**2,407**	**7,774**	**2,265**	**1,368**	**1,220**	**1,858**	**6,711**

1) Sales, both internal and external, includes effects from realized hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realized 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/2022	II/2022	III/2022	IV/2022	2022	I/2023	II/2023	III/2023	IV/2023	2023
Generation	307	282	357	683	1,629	723	304	262	390	1,679
Consumer Solutions	35	21	17	25	97	6	10	10	12	38
Other Operations	-16	-42	-20	-38	-116	-31	-52	-46	-43	-173
IS **Comparable operating profit, continuing operations**	**326**	**262**	**354**	**669**	**1,611**	**698**	**262**	**226**	**359**	**1,544**
Impairment charges and reversals	0	0	0	0	0	-	-	-	-	-
Capital gains and other related items	3	639	138	5	785	0	0	1	2	4
Changes in fair values of derivatives hedging future cash flow	160	-141	409	-804	-376	62	5	24	21	111
Other	-8	-	-	-44	-52	8	0	0	-5	3
IS **Operating profit, continuing operations**	**480**	**760**	**901**	**-174**	**1,967**	**769**	**267**	**251**	**376**	**1,662**

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

Fortum
Powering a thriving world

Financials 2023

Investor information

Fortum's Investor Relations activities cover equity and fixed-income markets to ensure full and fair valuation of the company's shares, access to funding sources and stable bond pricing.

The key task of Investor Relations is to provide correct, adequate and up-to-date information regularly and equally to all market participants. By doing this, Investor Relations aims to minimise the investor's risk and reduce the share's volatility. All financial and investor communications and activities at Fortum are coordinated by the IR function.

Fortum's investor website **www.fortum.com/investors** provides information about Fortum's financial targets and performance, business environment, strategy, risks, outlook and share. All financial reports, presentations, webcasts are also available on the site.

Annual General Meeting 2024

The Annual General Meeting 2024 of Fortum Corporation will be held on Monday 25 March 2024, starting at 14:00 EET.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pays a dividend of EUR 1.15 per share for 2023, totalling approximately EUR 1,032 million based on the registered shares as of 6 February 2024. The possible dividend-related dates planned for 2024 are:

- ex-dividend date of the first dividend instalment: 26 March 2024
- record date of the first dividend instalment: 27 March 2024
- payment date of the first dividend instalment: 5 April 2024
- ex-dividend date of the second dividend instalment: 1 October 2024
- record date of the second dividend instalment: 2 October 2024
- payment date of the second dividend instalment: 9 October 2024

Financial information in 2024

Fortum will publish three interim reports in 2024:

- January–March Interim Report on 30 April
- January–June Half-year Financial Report on 15 August, and
- January–September Interim Report on 29 October.

The reports are published at approximately 9:00 EET in Finnish and English, and are available on Fortum's website at **www.fortum.com/investors**.

Fortum share basics

Listed on Nasdaq Helsinki
Trading ticker: FORTUM
Number of shares, 6 February 2024: 897,264,465
Sector: Utilities

Silent period

The company voluntarily applies a "silent period" before announcing earnings, during which time it will not comment on the company's business prospect for the current or previous, non-disclosed quarter. The silent period starts 30 days prior to the date of the earnings announcement.

Fortum's activities in capital markets during 2023

In 2023, Fortum had approximately 450 investor meetings and conference calls and met some 160 professional equity investors individually or in group meetings. IR also maintained regular contact with equity research analysts at investment banks and brokerage firms.