

# Inside information: Fortum to fully write down its Russian assets and deconsolidate the Russia segment – publishes restated comparison figures

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As Fortum communicated on 26 April, the Russian authorities have caused the change to Fortum's Russian subsidiary PAO Fortum's CEO and seized control of Fortum's assets based on a Presidential decree (No. 302 of 25 April 2023). Russia's actions mark a point of no return for Fortum, and de facto loss of control of PAO Fortum triggers a full deconsolidation and impairments of the company's Russian assets.

"April 25th marked another point of escalation in Russia's war in Ukraine and against Europe through energy. We have consistently sought an exit from the Russian market since last spring and applied for permission to sell the operations to both Russian and international buyers without success. Justifying the seizure of our assets with the need to protect Russian energy security is just a guise," says President and CEO **Markus Rauramo**.

## **Fortum records impairments of EUR 1.7 billion and deconsolidation-related translation differences of EUR 1.9 billion in the second quarter**

Following the loss of control, the Russia segment will be deconsolidated and the Russian assets will be fully written down in Fortum's second quarter 2023 financials. Fortum will record an estimated impairment of approximately EUR 1.7 billion equaling the remaining book value, which will negatively impact the Group's equity. The impairment loss will be partially tax deductible.

At the end of March 2023, Fortum's total equity amounted to EUR 9.8 billion and at the end of 2022, the parent company equity was EUR 12.2 billion.

The Russian ruble has significantly weakened since the acquisition of the Russian operations in 2008, which has resulted in sizeable cumulative translation losses of approximately EUR 1.9 billion that have been recognised in the Group's equity. These cumulative translation differences will be reclassified within equity and recycled through the income statement as required by IFRS. These will not impact the Group's equity.

Fortum's financial net debt excluding Russia was EUR 0.9 billion and the ratio for financial net debt to comparable EBITDA excluding Russia was 0.4 times as of the end of March 2023 (LTM). Both KPI's are reported excluding Russia in Fortum's first quarter 2023 interim report. The discontinuation of the Russia segment, including the effect of the full impairments of the Russian assets, does not impact these.

In 2022, Fortum's total impairments for the Russia segment amounted to approximately EUR 1.7 billion.

"Our total investments in Russia amount to approximately EUR 6 billion euros taking into account of the original share purchase and investments in Russia. Investments have been financed to a large part through cash flow generated in Russia. Since 2008, the Russian

segment has generated more than EUR 4 billion of EBITDA. As a result, the net cash loss comprising the investment to acquire the Russian operations, received dividends and net financing totals approximately EUR 2 billion. This can be considered as the net cash loss of our Russian journey," says Markus Rauramo.

"In the second quarter, we close our books on our operations in Russia for good. Despite the significant impairments that we will record, our financial position remains solid. Russia has not been part of our future since spring 2022 nor does our exit in any way jeopardise the successful execution of our new strategy," Markus Rauramo concludes.

### **Fortum deconsolidates the Russia segment and publishes restated comparison figures to reflect the loss of control**

In its second quarter 2023 reporting, Fortum will report its Russian operations as discontinued operations. The impairments and translation differences will be recorded as part of discontinued operations.

Fortum consequently restates the 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 restated figures do not include the impact of the Russian impairment as those will be recorded in the second quarter 2023 results.

Already in its full year 2022 financial statements, Fortum presented key figures to provide additional financial performance indicators excluding the Russian segment based on Alternative Performance Measures (APMs) to support financial comparison for Fortum's strategic businesses. Launched in March 2023, Fortum's new strategy, new financial and environmental targets did not comprise the Group's Russian operations.

Uniper, which was discontinued in the third quarter of 2022, is included in the comparative figures of discontinued operations for 2022.

The restated quarterly financials for the year 2022 and the first quarter of 2023 are found as attachments to this release (attachment 1). To show the impact of the deconsolidation of the Russia segment, Fortum has also included an illustrative balance sheet as per 31 March 2023 (attachment 2).

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