

date. In the Financial Statements, foreign currency denominated receivables and liabilities are measured at the exchange rates quoted on the balance sheet date. Non-monetary items are measured using the rates quoted on the transaction date. Any foreign exchange gains and losses related to business operations are treated as adjustments to sales and purchases. Exchange rate differences associated with financing transactions and the hedging of the Group's overall foreign currency position are stated in foreign exchange gains or losses under finance income and expenses.

## THE ITEMS IN THE FINANCIAL STATEMENTS THAT INCLUDE ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES THAT REQUIRE JUDGMENT

When preparing Consolidated Financial Statements in accordance with IFRS, the management is required to make accounting estimates and assumptions concerning the future. The resulting accounting estimate will seldom be equal to the actual results. In addition, management is required to exercise judgment when applying the accounting policies.

Estimates and assumptions are continuously evaluated, and are based on past experience and expectations of future events that may have financial implications and are considered to be reasonable under the circumstances.

The following table lists items in the financial statements that include significant accounting estimates and includes the notes related to them. Also included are the accounting policies and the sensitivity analysis applied to the items. The items that include accounting estimates are subject to a risk of changes in the carrying amount of assets and liabilities during the next financial period.

The items in the Financial Statements	Note in the Financial Statements
Goodwill	3.1. Goodwill
Fair value of shares in the PVO Group	3.5. Other shares
Deferred taxes and uncertain tax positions	2.6. Income taxes and 4.4. Deferred tax liabilities and assets
Defined benefit pension plans	4.5. Defined benefit pension plans and employee benefits
Provisions	4.6. Provisions

## THE ASSESSMENT OF IMPACTS OF THE COVID-19 PANDEMIC IN THE FINANCIAL STATEMENTS

The Group has assessed the impact of the uncertainty caused by the COVID-19 pandemic on its financial position and considered the values of assets and liabilities containing significant accounting estimates that require judgment or that may have been particularly affected by the COVID-19 pandemic.

The Group has performed its annual goodwill impairment testing. The goodwill impairment testing calculation has been taken into account in, for example, the estimated effects of the COVID-19 pandemic on future cash flows. Based on these calculations, no indications of goodwill impairment were identified.

The value of Pohjolan Voima Group's shares was EUR 257 million (211). Current situation in energy market has been reflected into energy price forecasts used in the valuation of Pohjolan Voima Group shares, increasing the share values by EUR 47 million from the year end 2020.

The COVID-19 pandemic has been considered in the assessment of expected credit losses, and the model credit loss percentages have been updated to reflect the current situation. Based on the analysis, no indications of increased credit loss risk of trade receivables.

The discount rates and other assumptions have been updated annually into actuarial reports of defined benefit pension plans to reflect the economic environment. The Group's most significant pension plan is the Neliapila Pension Fund, whose net assets were EUR 73 million (52). Current situation in the financial markets has been reflected into assets of the Neliapila Pension Fund and has increased the value of the assets by EUR 14 million. Other obligations and assets in the Group's defined benefit plans have not changed materially from the year end 2020.

The Group's liquidity position has remained stable. The gearing ratio was 63% (63) and cash and cash equivalents were EUR 142 million (160). The Group's target for gearing is below 75%. In addition, the Group has a EUR 400 million revolving credit facility, which was undrawn on 31 December 2021.