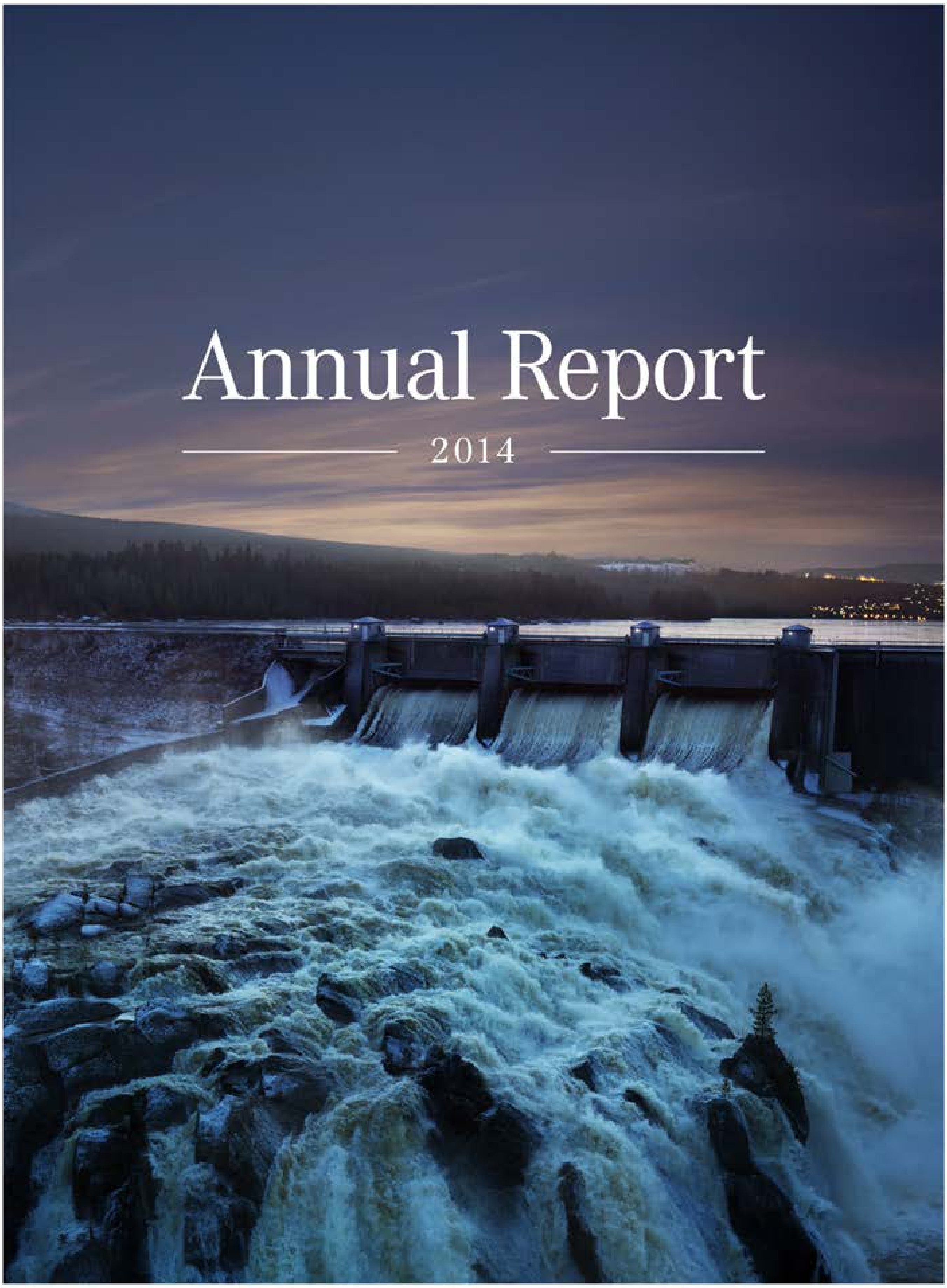
Annual Report

2014



Next generation energy company | Fortum

Contents

Fortum's Annual Report 2014

Fortum is an energy company highly committed to sustainability. We strive to respond to the needs of our customers by generating, selling and distributing low-carbon electricity and heat and by offering energy-sector expert services.

THIS IS FORTUM

CEO Tapio Kuula’s review

President and CEO until 31 January 2015

In 2014, the significant weakening of the global economy and the value of the rouble increased the uncertainty in the operating environment. There was positive development in the EU’s climate policy, and in Europe a decision was reached on energy and climate targets for 2030. Fortum focused on increasing the flexibility of its business operations and prepared to take the next significant steps in implementing the company’s strategy.

Alongside energy market development and the energy market model, climate change is an important issue that must be resolved. According to the latest assessment reports by the Intergovernmental Panel on Climate Change (IPCC), the global average temperature is estimated to rise by as much as three-four degrees Celsius by 2100 compared to the level of past decades.

The IPCC proposes relinquishing dependence on fossil fuels by the end of the century to keep climate warming below two degrees. Greenhouse gas emissions must be reduced significantly, which requires major changes to energy production.

Additionally, smart solutions are needed to make energy distribution and consumption more efficient.

Emissions-free production is Fortum’s strategic choice

Fortum’s strategy fits very well within the frame of reference of measures mitigating climate change. Our purpose is to create energy that improves life for present and future generations. We provide sustainable solutions for society while delivering excellent value to our shareholders. We want to act responsibly, both in the short term and long term.

The cornerstones of our strategy are strong expertise in CO_2-free hydro and nuclear power production, in efficient combined heat and power (CHP) production, and in operating in the energy markets.

Tighter EU emissions reduction targets for 2030

Leaders of the EU countries decided in 2014 to decrease the member countries' combined carbon dioxide emissions from the 1990 level by 40 per cent by 2030. In the EU, preparations for a Market Stability Reserve (MSR) to strengthen the steering effects of emissions trading were also initiated. When the price for carbon dioxide emissions is adequately steering power plant operations and future investments, the share of renewable energy can be increased in a market-based manner.

For cost and efficiency reasons, electricity supply and generation must be viewed from a Europe-wide perspective. When electricity is generated with a method that is most efficient for each area, a reasonable electricity price for consumers and a competitive supply for industry can be ensured. Instead of massive production subsidies from the public sector, it would be important to ensure market functionality by investing in, e.g., electricity interconnections that would improve the security of electricity supply throughout Europe.

The EU's energy policy and national solutions

Europe's energy and climate policy decision making in 2014 was characterised by concerns about competitiveness of the euro zone and the security of energy supply. Europe got into a situation in which the wholesale price of electricity was low in the weak economy, there was a surplus of emission allowances on the market and the share of heavily subsidised renewable production increased.

Due to the global market situation, coal was economical and fossil fuels were the most significant energy source for industrial countries.

Electricity's low market prices didn't encourage market-based investments; instead, the majority of the new energy production capacity was based on public-sector subsidies, thereby growing the end customers' electricity bill and the burden on taxpayers.

Concerns about the security of energy supply led to the reinforcement of national perspectives. Instead of creating a European electricity market, some EU countries advanced towards national solutions. There were discussions in some EU countries about subsidies to maintain traditional capacity and about the so-called capacity mechanisms. However, from the perspective of the EU's integrated energy market, this is partial optimisation and an expensive solution, and it doesn't secure the supply of electricity in Europe in the long-term.

If and when European countries adopt capacity mechanisms, they must not be tied to a single technology; they must be cross-border mechanisms and they must cover both old and new production capacity as well as all production forms.

Predictable European energy markets operating on a commercial basis

Even though the wholesale prices for electricity have continued to decrease, various taxes, fees and subsidies have increased the end-customers' energy costs. Therefore, it is important to create a predictable electricity market built on consumer participation, utilisation of the different value components of energy sources, as well as the inclusion of various energy producers.

Rather than advancing individual technologies or narrow-scope regional solutions, it is important to create the biggest possible integrated electricity market model that includes adequate physical transmission capacity and that has transmission system operators, grid companies and power exchanges operating in close cooperation. In addition, when environmental impacts are given the right price through CO_2 emissions, it creates energy markets that are competitive, attentive to environmental requirements, and provide security of supply.

In the future, both industrial customers and consumers should become involved in balancing production and consumption and in levelling consumption peaks in the electricity system. This is most successful when the premises are genuinely market-based and the levelling of consumption benefits economically both the electricity user and the producer. This will be one of the central challenges of energy market development in the years ahead.

We increased our operational efficiency and our flexibility

In a challenging market situation, Fortum's 2014 results were strong. The wholesale price of electricity, global economic development and the weakened rouble were clearly disappointing. The drop in also commodity prices during the fourth quarter was not foreseeable.

On the other hand, the price of CO_2 emission allowances in EU emissions trading scheme increased somewhat; as a result, the drop in the price of electricity in the wholesale market was smaller than the decrease in commodity prices. In the Nordic countries, electricity production increased slightly thanks to the growth in exports, and demand in Russia remained at the 2013 level.

Fortum's sales in 2014 were EUR 4,751 million. Comparable operating profit, excluding items affecting comparability, mainly profit from the sale of the electricity distribution businesses in Finland and Norway, totalled EUR 1,351 million and cash from operating activities was a strong EUR 1,762 million. Earnings per share were EUR 3.55, of which EUR 2.36 per share relates to items affecting comparability.

During the year, we continued Fortum's internal transformation to further increase efficiency and flexibility. We finalised succesfully our two-year efficiency programme, within which we decreased investments, divested non-core assets, reduced fixed costs and improved working capital efficiency.

We divested Finnish and Norwegian electricity distribution businesses

Fortum sold its electricity distribution business in Finland in spring 2014 to a new distribution company owned by the Finnish pension insurance companies Keva and LocalTapiola Pension and the international infrastructure investors First State Investments and Borealis Infrastructure. The Norwegian electricity distribution business was sold to the energy company Hafslund ASA. We are continuing to prepare and evaluate opportunities to divest the Swedish electricity distribution business.

By divesting the electricity distribution businesses, Fortum is better equipped to focus on the production and sales of efficient and low-carbon electricity and heat.
This significantly increases Fortum's strategic freedom, and gives the company an exceptionally good platform for improving shareholder value.

Electricity sales and services related to electricity use are our core competences

Electricity has become a cornerstone of modern society and the driving force of the information society. With the electrification of transportation, and as information technology becomes even more integrated into the daily life of consumers, electricity's share in total energy consumption will grow.

Fortum is continuously developing new tools and services enabling business and private customers to monitor, control and boost the efficiency of their electricity consumption. Customers are also offered open, two-way solutions that enable them to sell the surplus electricity they produce to Fortum.

Knowing consumers' needs and identifying changes is an important part of Fortum's strategy implementation. From this perspective, the natural next steps are growing the electricity sales-related business and strengthening our expertise related to the services offered to electricity users.

For the good of customers and the surrounding society

We are committed to the principles of the UN Global Compact initiative. Our sustainability indicators emphasise Fortum's role in society and measure environmental and safety performance as well as the company's reputation, customer satisfaction, and the delivery reliability of electricity and heat.

In 2014, we served our customers well. Customer satisfaction improved in all divisions, and customer loyalty and customer willingness to recommend Fortum were reflected in the growing number of customers. Fortum became the biggest electricity seller in the Nordic countries last year. The quality of our products and services were also appreciated. In terms of the delivery reliability of electricity, we reached our target. The average outage per customer was 97 minutes during the year.

Customer satisfaction

Results of the annual customer satisfaction survey indicate that we are moving in the right direction. The survey results published late last year indicate that Fortum's customer satisfaction had improved more than that of any other major electricity company's.

Customer satisfaction has developed very favourably for several years. Fortum now has about 1.3 million electricity customers in Finland, Sweden and Norway; consequently, Fortum is the biggest seller of electricity in the Nordic countries.

We have collaborated with our customers to modify electricity agreements to meet their needs. We offer electricity produced with emissions-free hydropower through easy-to-understand agreements with logical, competitive pricing. This basic work is supported with energy-efficiency services the customers can use to influence the cost of their electricity bill.

Measured through the annual One Fortum survey, the company's reputation remained stable and improved in Finland. However, in Sweden our reputation among the general public is not at the desired level, so we must continue our efforts to improve it.

Russian investment programme close to completion

The investment programme consisting of eight new production units in Russia has advanced to the final phase. In 2014, the last of the three big, new power plant units in Nyagan was commissioned. The final two units of the programme will be commissioned in 2015 in Chelyabinsk.

Fortum's target set at the time of the acquisition of the Russian subsidiary OAO Fortum in 2008 was to reach a run-rate level in operating profit (EBIT) of RUB 18.2 billion in the Russian Segment during 2015. We have kept the rouble-denominated target intact, but, due to the significant fluctuations in the rouble exchange rates, the euro-denominated result level will be volatile.

Acquiring TGC-1's hydropower - Fortum's next step to growth

In December 2014, we announced our intention to increase Fortum's hydropower production capacity by 60% through the restructuring of TGC-1, a Russian Territorial Generating Company. TGC-1 owns and operates hydro and thermal power in north-western Russia and heat distribution networks in St. Petersburg. Gazprom Energoholding owns 51.8% of the company's shares and Fortum 29.5%.

In the restructuring, Fortum and the Russian company Rosatom would own the hydropower production of TGC-1. Gazprom Energoholding would continue with the heat and thermal power operations of TGC-1. Through our present stake in TGC-1, Fortum's share of the new, hydropower-focused company would rise to more than 75%. Rosatom would become a minority holder in the company, with a less than 25% stake. The new company would be a subsidiary of Fortum. We are working to complete detailed structuring, practical arrangements and final commercial terms.

Provided that Fortum obtains more than 75% ownership in TGC-1's hydro assets, we are ready to participate with a minority stake (max. 15%) in Fennovoima's Finnish nuclear power project on the same terms and conditions as the other domestic companies currently participating in the project.

The restructuring of TGC-1 and a minority share in Fennovoima's nuclear power plant project are in line with Fortum's strategy, which is based on strong expertise in CO_2-free hydro and nuclear power and in efficient combined heat and power production as well as operating in energy markets.

Increasing Fortum's hydropower capacity by 60% would also balance the company's production structure and Russian business operations. After the restructuring, 60% of the Russian operations would be combined heat and power production and condensing power production, and the remaining 40% would be hydropower. At the Fortum level, the share of hydropower would increase from the current one-third to over 40% of the total production mix.

Hydropower balances the variability of wind and solar power

Emissions-free hydropower is a climate-neutral production form that can be used to reduce the energy sector's emissions. From the perspective of the entire energy system, hydropower offers the opportunity to balance the large variability of renewable energy sources, particularly solar and wind power.

Hydropower balances fluctuations in both other renewable energy production and electricity consumption

The values associated with electricity are energy content, capacity and the ability of the production forms to respond to consumption peaks. Despite the intermittency of renewable energy, there must be balance between production and consumption at all times in the electricity system. Maintaining the balance – particularly as the share of other renewable energy increases – requires flexibility; in this respect, hydropower meets this need very well. This is precisely why hydropower production is very attractive to Fortum.

Fortum's current hydropower production is centralised in Finland and Sweden. The company has 33 fully-owned or co-owned hydropower plants in Finland and 126 in Sweden. Their production capacity can be increased mostly through plant modernisations and by optimising the use of water systems.

In 2014, we continued our annual investments in hydropower capacity upgrades. For example, the refurbishment of the Imatra power plant's number-three unit, commissioned in 1929, re-established the plant as Finland's biggest hydropower plant in terms of capacity. When the refurbishment of the number-four unit is completed in 2015, the plant's capacity will further increase to 192 megawatts.

Therefore, it is important that we use this opportunity wisely and in good collaboration with authorities and stakeholder groups. Fortum takes the local environmental impacts of hydropower into consideration and is ready to work with stakeholders to find solutions.

Russian heat reform brings more business

The roadmap for Russia's heat sector reform was approved by the Russian Government in 2014. With the reform, the district heat pricing would be based only on a heat-only boiler price methodology. The reform would encourage investments in energy-efficient production to reduce fuel consumption and in upgrading district heating networks to reduce heat loss.

The plan is to phase in new heat tariffs mostly by 2020, starting in 2015. The reform would start in the big cities with over 100,000 residents and in cities that have existing combined heat and power production.

Thanks to Fortum's production structure, we are able to utilise energy-efficient combined heat and power production in a competitive manner. There have not yet been any final decisions made on the implementation of heat reform, but it could offer Fortum's existing plants the opportunity to increase business in Russia.

Combined heat and power production boosts resource efficiency

Combined heat and power (CHP) production is the most efficient fuel-based energy production. The fuel efficiency of CHP production can be as high as 90%. CHP plants play a significant role in Fortum's energy production structure: CHP accounts for about one third of electricity production and about 90% of heat production.

In recent years, Fortum has built a lot of new biomass- and waste-based combined heat and power production capacity in Estonia, Lithuania, Latvia, Poland, Sweden and Finland.

Fortum's co-owned TSE Turun Seudun Energiantuotanto Oy is currently building a new multifuel power plant in Naantali. Additionally, a new biopower plant is currently under construction in Stockholm, and upon completion will be one of the biggest in Europe. The plant is being built by Fortum Värme, which is Fortum's and the city of Stockholm's joint venture. The value of the investment is about EUR 500 million. The amount of heat and electricity produced by the plant will be equivalent to the annual heat consumption of about 190,000 medium-sized apartments. The plant will significantly reduce the district heating-related CO_2 emissions in Stockholm.

Emissions-free energy with nuclear power

Nuclear power accounts for about one third of Fortum's electricity production and plays a significant role in reducing carbon emissions. Fortum also has long experience in the responsible use of nuclear power, and the company's expertise is globally recognised. Nuclear power is needed to mitigate climate change, and its efficiency can be further improved significantly in combined heat and power production.

The Loviisa nuclear power plant in Finland operated by Fortum had a good production year, and the plant's load factor of 90.9% was excellent by international standards. Safety is a top priority in nuclear power plant operations, and Fortum continuously invests in improvements to safety.

In 2014, investments to improve safety included a new air cooling system. The investment will ensure removal of residual heat in the plant units in improbable extreme situations in which seawater for some reason becomes unavailable for its normal cooling function. During 2015-2018 several other significant investment and modernisation projects will be implemented at Loviisa. These projects, such as the modernisation of automation, secure reliable and profitable electricity production at the plants to the end of the operating licenses, i.e. to 2027 and 2030.

A significant nuclear power sector issue for Fortum in 2015 is the progression of the Russian TGC-1 restructuring and the related possible participation in the Finnish Fennovoima nuclear power project.

Organisational reform to support strategic change

As part of Fortum's strategic change, we broadened the Group's management team in March 2014. The divestment of the electricity distribution business puts Fortum in a new situation in which the company has significant business divestments and investment programmes under way while simultaneously preparing for growth. In light of this, we strengthened the Executive Management Team with competencies related to strategy, mergers and acquisitions, and corporate relations.

The 2013-2014 efficiency programme was successfully completed, but there is still internal development potential within Fortum. With the organisational change, we strengthened the opportunities to leverage synergies between the businesses. The Chief Operating Officer (COO) model offers excellent opportunities to continue this development.

The renewal also gave the Management Team members the opportunity to expand their own know-how and experience to the benefit of the company, the Executive Management Team work, and themselves.

Occupational safety is important

As in the previous year, the occupational safety of Fortum's own employees remained very good. Measured by the Total Recordable Injury Frequency indicator, it was a record-best year. However, we cannot be satisfied with this because it was a very bleak year for contractor safety.

Five accidents leading to the deaths of contractor employees occurred during the year, four in Sweden and one in Russia. My deepest condolences to the families and co-workers of the victims.

Our goal is to prevent all serious injuries; we cannot tolerate non-compliance when it comes to safety practices. Immediate corrective measures involved an inspection of all Fortum's construction sites and the most significant ongoing maintenance work, especially that involving hoisting work and work performed at heights. Additionally, the work safety guidelines and practices were updated, and the safety practices for construction projects were improved. All key individuals will receive training on these guidelines in 2015 in an effort to reduce serious injuries by half.

We improve energy efficiency

At the end of 2014, Fortum's Board of Directors approved a new long-term energy efficiency target. We aim to achieve an annual energy savings of over 1,400 gigawatt-hours by 2020 compared to 2012. The saving would be equivalent to the annual heating energy need of more than 75,000 households, or the annual production of more than two hundred 2.5-megawatt wind power plants. The new target replaces the previous target that measured the combustion efficiencyof fossil fuels.

Ready to seize opportunities in the changing energy markets

Fortum has a very strong competitive position, whether measured by CO_2-free production, know-how, production structure, capacity flexibility, cost structure, sustainable operations or occupational safety.

Fortum's strategy provides a clear view of the future direction of development – both in the short term and the long term. It enables value creation, stronger earnings per share, and a good premise for producing stable, sustainable and over time increasing dividends.

Thank you for the good collaboration

When the Annual Report is published, I have already retired. It has been a great pleasure to participate in Fortum's step-by-step development from a national energy company to a significant player in the Nordic countries and Europe. Strategically, Fortum is right now in a very interesting and exceptionally competitive position in the sector. For this reason, I would be pleased to continue working on behalf of Fortum as a member of the Board – if the spring 2015 Annual General Meeting so decides.

I want to extend my sincere thanks to all Fortum personnel in all our operating countries for the work in 2014 and good collaboration. I would also like to thank our customers and shareholders for your trust. A special thank you to Chairman of the Board Sari Baldauf and to the whole Board of Directors for your support in advancing Fortum's interests. Thank you also to Chief Financial Officer Timo Karttinen, who has assumed the responsibility for the duties of the interim President and CEO.

I wish the best of success to Fortum, its owners, customers, collaboration partners and personnel.

Tapio Kuula

Operations and market areas

Finland

4,551 MW	Power generation, capacity
1,936 MW	Heat production, capacity
16%	Share of retail customers
2,040	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
82%	OHSAS 18001 certified [2)]
2.2 Mt	CO_2 emissions

Fortum Corporation's headquarters are situated in Espoo, Finland

Sweden

4,950 MW	Power generation, capacity
-	Heat production, capacity
907,000	Distribution, customers
12%	Share of retail customers
1,201	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
54%	OHSAS 18001 certified [2)]
0 Mt	CO_2 emissions

Fortum Värme

627 MW	Power generation, capacity
3,636 MW	Heat production, capacity
694	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
100%	OHSAS 18001 certified [2)]
0.8 Mt	CO_2 emissions

Russia

4,758 MW	Power generation, capacity
13,466 MW	Heat production, capacity
4,213	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
100%	OHSAS 18001 certified [2)]
16.7 Mt	CO_2 emissions

Poland

257 MW	Power generation, capacity
1,189 MW	Heat production, capacity
603	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
100%	OHSAS 18001 certified [2)]
0.8 Mt	CO_2 emissions

Lithuania

18 MW	Power generation, capacity
89 MW	Heat production, capacity
101	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
100%	OHSAS 18001 certified [2)]
0.05 Mt	CO_2 emissions

Latvia

26 MW	Power generation, capacity
225 MW	Heat production, capacity
79	Employees 31 Dec 2014
99%	ISO 14001 certified [1)]
99%	OHSAS 18001 certified [2)]
0.02 Mt	CO_2 emissions

Norway

-	Power generation, capacity
-	Heat production, capacity
4%	Share of retail customers
34	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
0%	OHSAS 18001 certified [2)]
0 Mt	CO_2 emissions

Great Britain

Fortum announced in October 2014 agreement to sell its UK-based subsidiary Grangemouth CHP Limited to its long term customer INEOS Industries Holdings Ltd.

Estonia

48 MW	Power generation, capacity
497 MW	Heat production, capacity
206	Employees 31 Dec 2014
100%	ISO 14001 certified [1)]
100%	OHSAS 18001 certified [2)]
0.08 Mt	CO_2 emissions

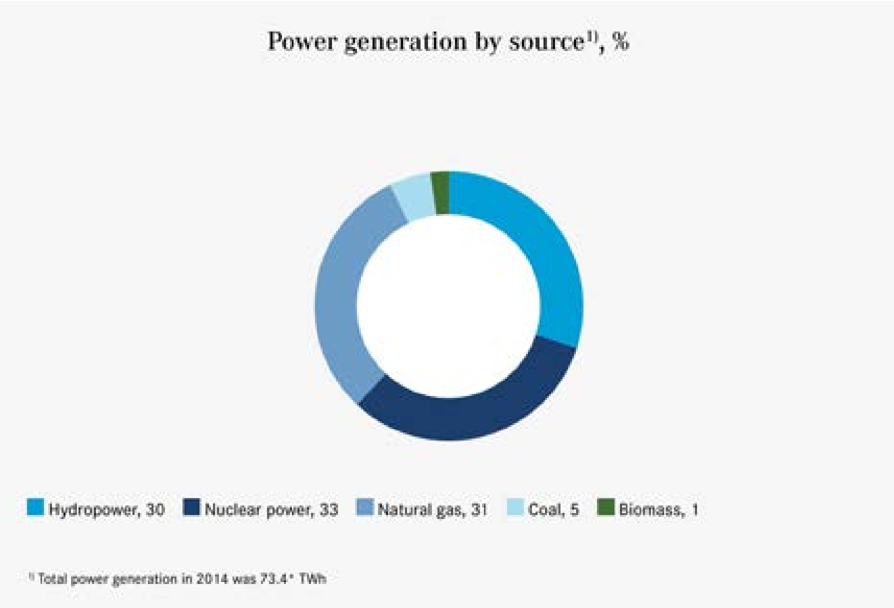
India

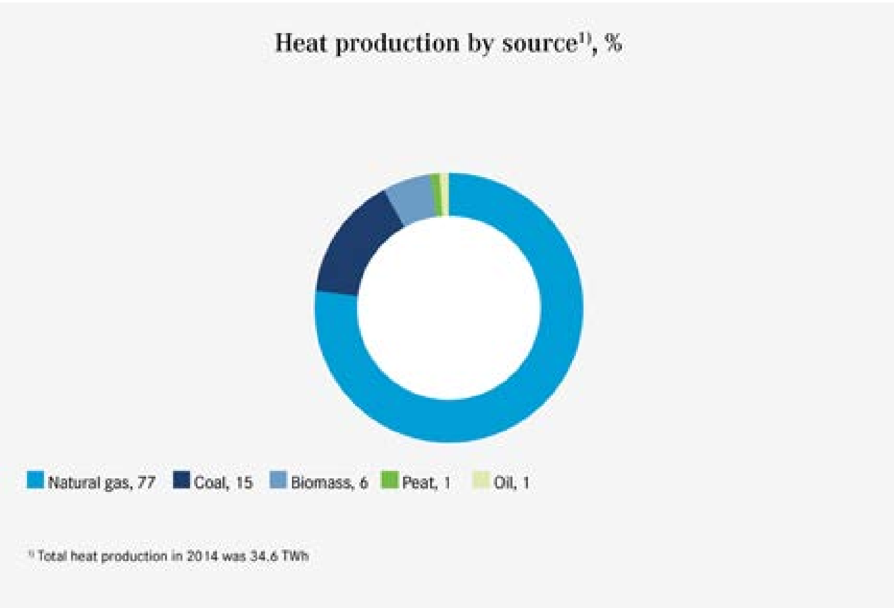
15 MW	Power generation, capacity
-	Heat production, capacity
35	Employees 31 Dec 2014
0%	ISO 14001 certified [1)]
0%	OHSAS 18001 certified [2)]
0 Mt	CO_2 emissions

[1)] ISO 14001 is a standard for environmental management systems

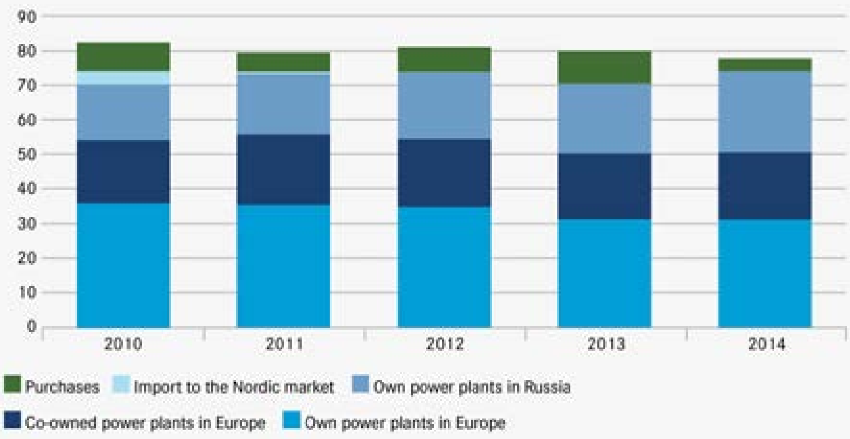
[2)] OHSAS 18001 is a standard for occupational health and safety management systems

Sales and production

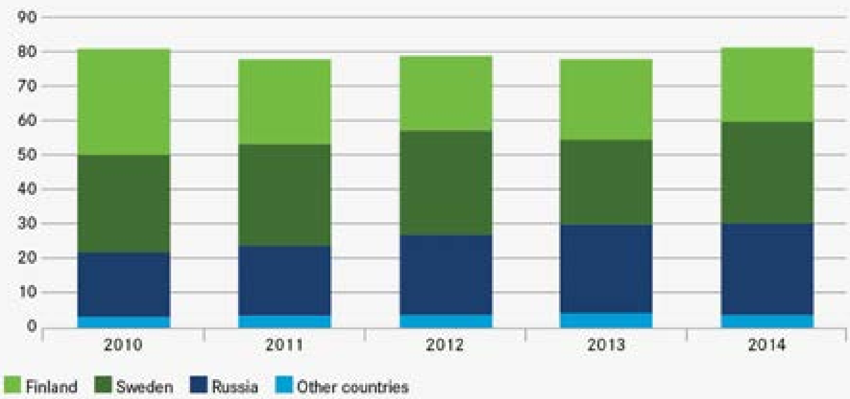




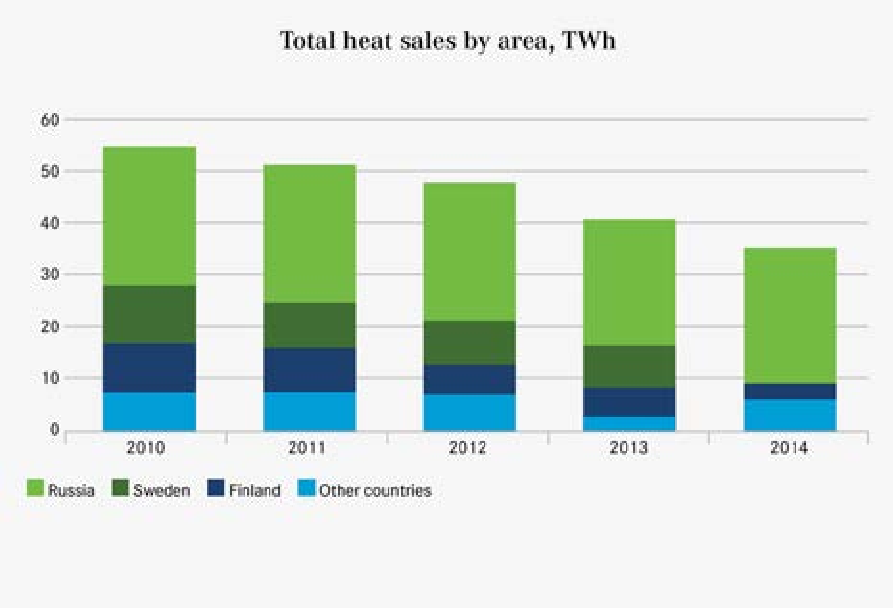
Total electricity procurement by type, TWh



Total electricity sales by area, TWh [1)]



[1)] Power and Technology, and Heat, Electricity Sales and Solutions sell electricity to the Nordic power exchange or external customers and purchase electricity from the power exchange or other external sources. Fortum's power exchange transactions are calculated as a net amount of hourly sales at the Group-level. The Russia Division sells electricity to the Russian wholesale market.



Fortum's power production by energy source in 2012–2014

TWh	2014	2013	2012*
Hydro power	22.3	18.0	25.2
Nuclear power	23.8	23.7	23.4
Natural gas	22.5	20.0	19.4
Coal	3.6	4.0	3.3
Biomass	0.9	1.1	1.3
Peat	0.1	0.1	0.1
Other	0.2	0.5	0.3
Total	**73.4**	**67.4**	**73.1**

* Includes joint venture AB Fortum Värme samägt med Stockholms stad

Fortum's power generation capacity, 31 Dec 2014

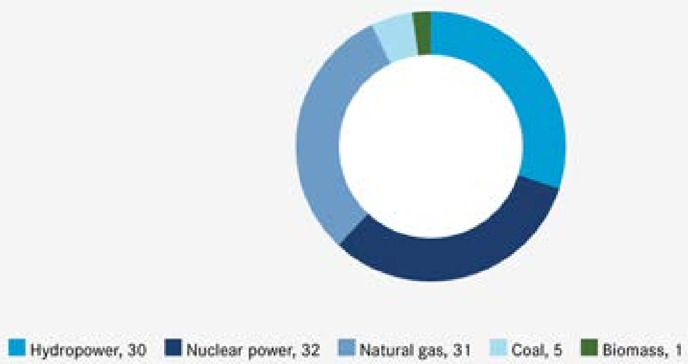
MW	Finland	Sweden	Russia	Poland	Other	Total
Hydropower	1,526	3,088				4,615
Nuclear power	1,460	1,820				3,279
Combined heat and power	438	0	4,758	257	93	5,546
Condensing power	1,126	12				1,139
Other		30			15	45
Total	**4,551**	**4,950**	**4,758**	**257**	**108**	**14,624**

Fortum's heat production capacity, 31 Dec 2014

MW	Finland	Sweden	Russia	Poland	Other	Total
Heat	1,936	0	13,466	1,189	811	**17,402**

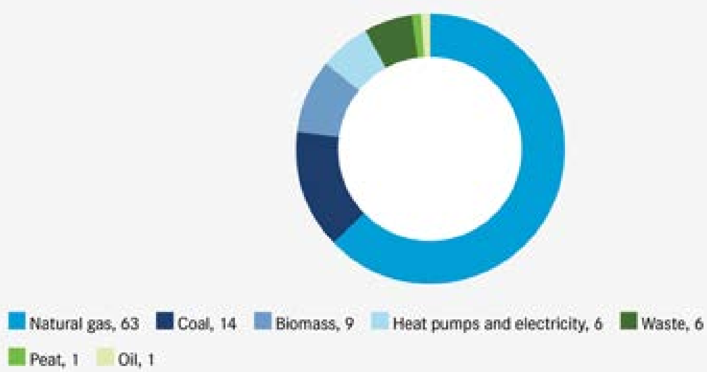
Sales and production including Fortum Värme

Power generation by source[1)], %



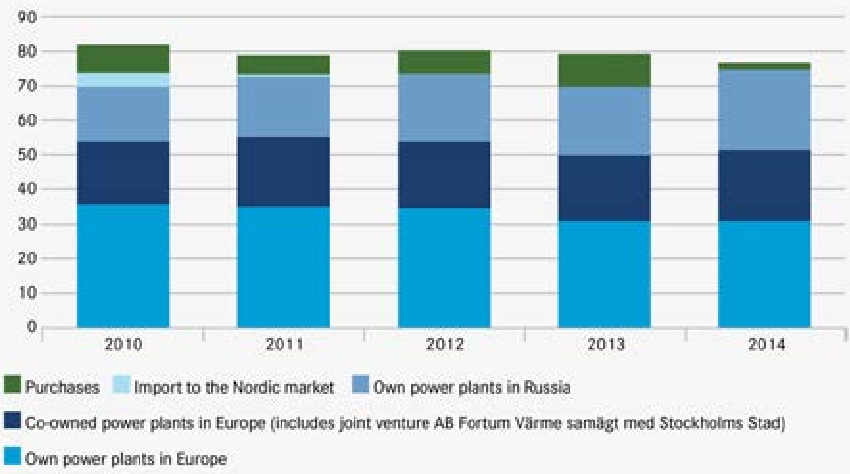
[1)] Total power generation in 2014 was 74.6* TWh
* Includes joint venture AB Fortum Värme samägt med Stockholms Stad 1.2 TWh

Heat production by source[1)], %

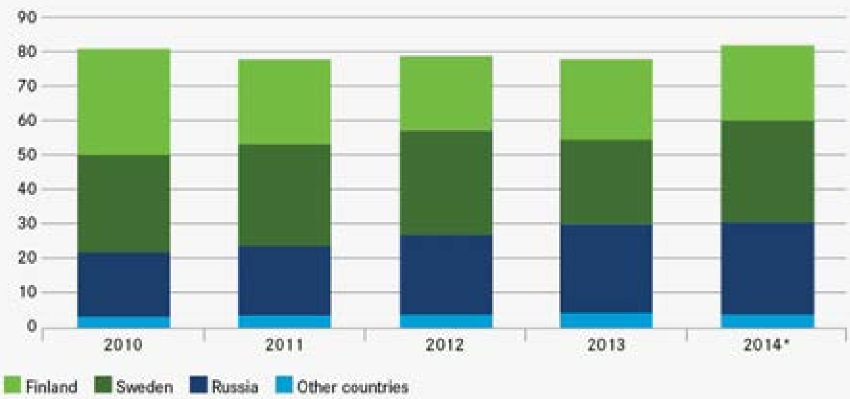


[1)] Total heat production in 2014 was 42.1* TWh
* Includes joint venture AB Fortum Värme samägt med Stockholms Stad 7.5 TWh

Total electricity procurement by type, TWh



Total electricity sales by area, TWh [1)]



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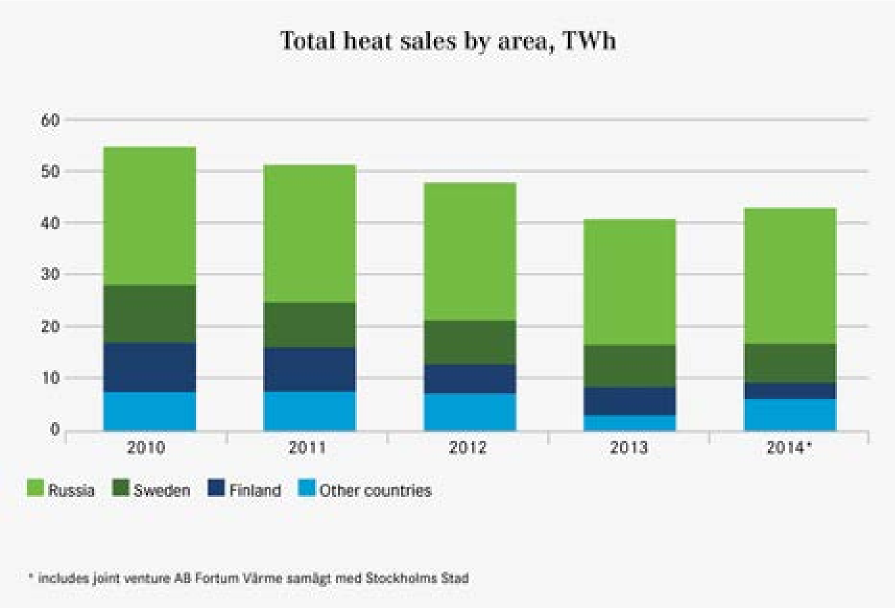
* includes joint venture AB Fortum Värme samägt med Stockholms Stad



Fortum's power production by energy source in 2012-2014

TWh	2014	2013	2012
Hydropower	22.3	18.0	25.2
Nuclear power	23.8	23.7	23.4
Natural gas	22.5	20.0	19.4
Coal	4.0	4.5	3.3
Biomass	1.1	1.6	1.3
Peat	0.1	0.1	0.1
Other	0.7	0.8	0.3
Total	**74.6**	**68.7**	**73.1**

Includes joint venture AB Fortum Värme samägt med Stockholms Stad

Fortum’s power generation capacity, 31 Dec 2014

MW	Finland	Sweden	Russia	Poland	Other	Total
Hydropower	1,526	3,088				4,615
Nuclear power	1,460	1,820				3,279
Combined heat and power	438	627	4,758	257	93	6,173
Condensing power	1,126	12				1,139
Other		30			15	45
Total	**4,551**	**5,577**	**4,758**	**257**	**108**	**15,251**

Includes joint venture AB Fortum Värme samägt med Stockholms Stad

Fortum's heat production capacity, 31 Dec 2014

MW	Finland	Sweden	Russia	Poland	Other	Total
Heat	1,936	3,636	13,466	1,189	811	**21,038**

Includes joint venture AB Fortum Värme samägt med Stockholms Stad.

Financial summary

The following table presents key figures of our operations. More data on Fortum's financial performance is available in the Financials section of the Annual Report.

Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the the consolidated financial statements. For further information, see Note 1.6.1. New IFRS standards adopted from 1 Jan 2014.

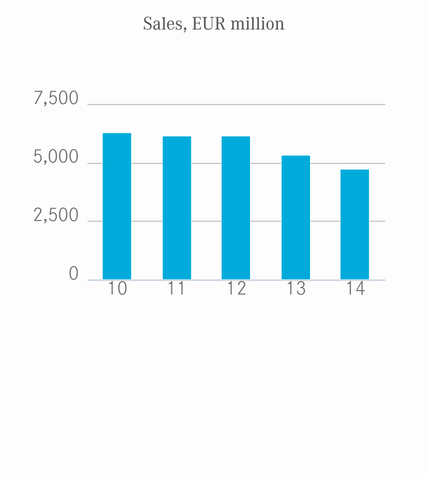
Key financial figures

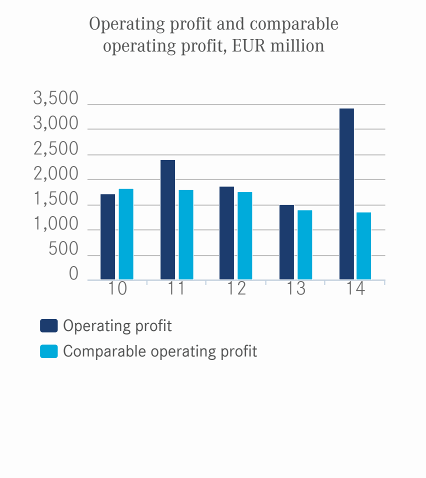
EUR million or as indicated	2014	2013	2012
Sales	4,751	5,309	6,159
EBITDA	3,954	2,129	2,538
Comparable EBITDA	1,873	1,975	2,416
Operating profit	3,428	1,508	1,874
Comparable operating profit	1,351	1,403	1,752
Profit for the period, owners of the parent	3,154	1,204	1,416
Capital employed	17,918	19,183	19,420
Interest-bearing net debt	4,217	7,793	7,814
Interest-bearing net debt without Värme financing	3,664	6,658	-
Net debt/EBITDA	1.1	3.7	3.1
Comparable net debt/EBITDA	2.3	3.9	3.2
Comparable net debt/EBITDA without Värme financing	2.0	3.4	-
Return on capital employed, %	19.5	9.0	10.2
Return on shareholders' equity, %	30.0	12.0	14.6
Capital expenditure	774	1,005	1,558
Gross investments in shares	69	15	16
Net cash from operating activities	1,762	1,548	1,382
Emissions subject to EU's ETS, million tonnes CO_2	3.6	5.1	4.8
Free emission allocation, million tonnes CO_2	1.4	1.8	5.4

Share key figures

EUR or as indicated	2014		2013	2012
Earnings per share	3.55		1.36	1.59
Cash flow per share	1.98		1.74	1.56
Equity per share	12.23		11.28	11.30
Dividend per share	1.10	1)	1.10	1.00
Extra dividend per share	0.20	1)	-	-
Payout ratio, %	36.6	1)	80.9	62.9
Dividend yield, %	7.2	1)	6.6	7.1

1) Board of Directors' proposal for the Annual General Meeting on 31 March 2015.





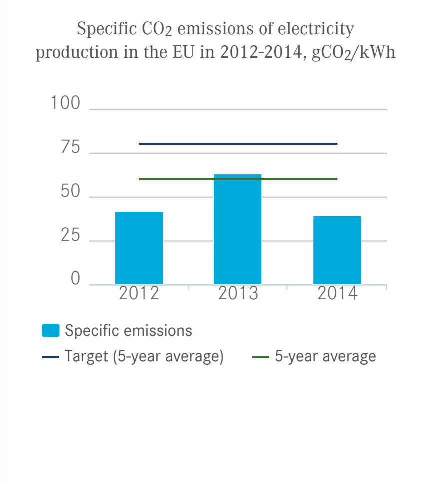
Environmental summary

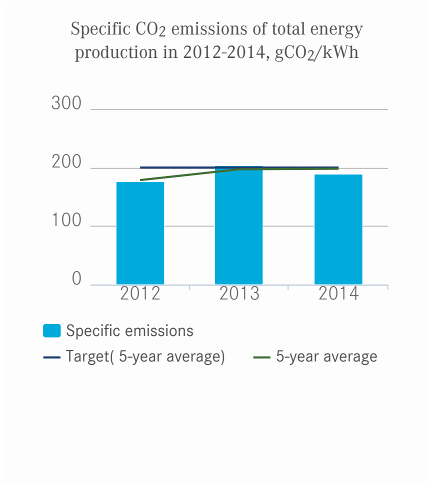
The following table presents the key figures of our environmental responsibility.

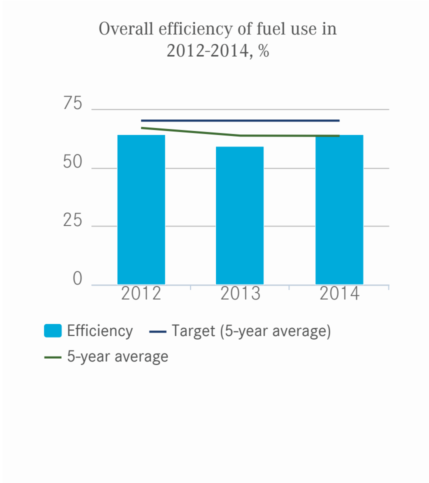
	2014*	2013	2012**
Carbon dioxide emissions, million tonnes	20.3	20.5	20.7
Sulphur dioxide emissions, tonnes	20,400	22,000	19,800
Nitrogen oxide emissions, tonnes	28,700	30,800	29,400
Particle emissions, tonnes	21,300	20,800	16,000
ISO 14001 certified operations, % of sales	100	100	95
Specific CO_2 emissions of power generation, g/kWh	177	200	171
5-year average in the EU, g/kWh	60	60	60
Specific CO_2 emissions of total energy production, g/kWh	189	204	177
5-year average, g/kWh	198	197	179
Overall efficiency of fuel use, %	64	59	64
5-year average, %	63	64	67
Share of CO_2-free energy in power generation, %	64	63	68
Share of renewable energy in power generation, %	32	28	36
Share of renewable energy in heat production, %	6	9	20
Utilisation rate of gypsum, %	100	99	89
Utilisation rate of ash, %	34	38	51
Environmental non-compliances	15	14	12
Water withdrawal, million m^3	2,178	2,312	2,210
of which cooling water, million m^3	2,094	2,231	2,017
Thermal load on waterways, TWh	18	19	17

*Figures unassured

**Includes joint venture AB Fortum Värme samägt med Stockholms Stad







Social summary

The following table presents the key figures of our social responsibility.

	2014	2013	2012*
Average number of employees	8,821	9,532	10,600
Number of employees, 31 December	8,592	9,186	10,371
of whom permanently employed	8,260	9,515*	9,899
Departure turnover, %	8.1	9.7*	12
Female employees, %	28	28*	28
Females in management, %	33	31*	35
Health care expenditure, EUR/person [1)]	542	569	580
Number of sickdays	47,677	56,316*	74,188
Sickness absence rate, %	2.4	2.5*	3.1
Lost workday injury frequency (LWIF)[2)], Fortum personnel	1.0	1.0	1.5
Lost workday injury frequency (LWIF)[2)], contractors	3.2	3.9	3.8
Fatalities	3	1	1
OHSAS 18001 certified operations, % of sales	75	73*	70

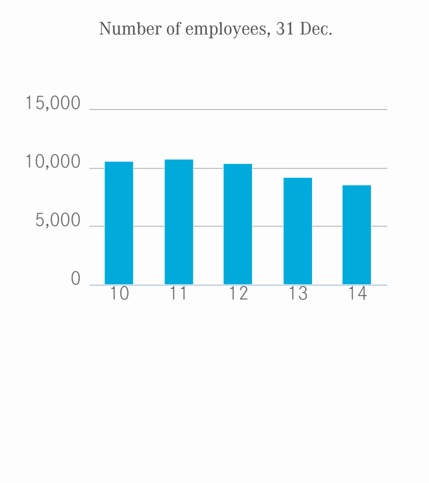
1) Only in Finland

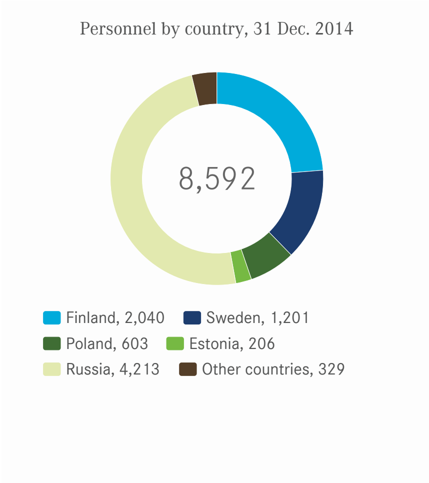
2) Injuries resulting in an absence of at least one day per million working hours

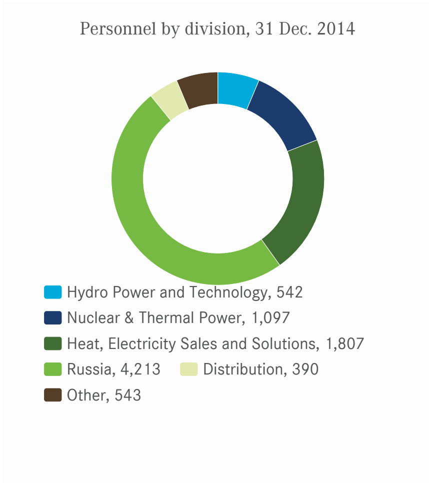
* Includes joint venture AB Fortum Värme samägt med Stockholms Stad

Personnel statistics from 2014, by country of operation

	Finland	Sweden	Russia	Poland	Other countries	Total
Personnel at year-end	2,040	1,201	4,213	603	535	8,592
male	1,470	777	3,069	472	346	6,134
female	570	424	1,117	131	190	2,432
Personnel, average	2,182	1,221	4,196	631	591	8,821
Personnel expenses, 1,000 euros	184,045	104,295	82,804	13,884	20,219	413,021
Personnel expenses per person, 1,000 euros	84.3	85.4	19.7	22.0	34.2	46.8

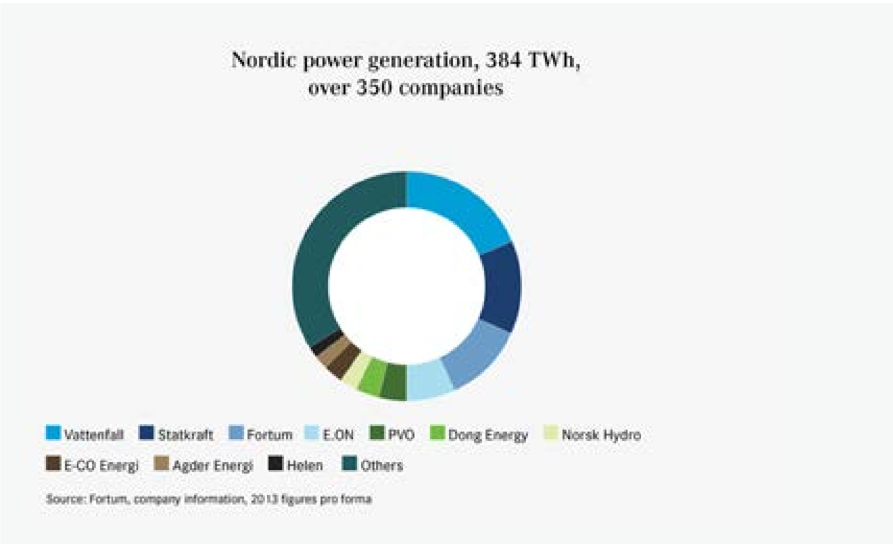


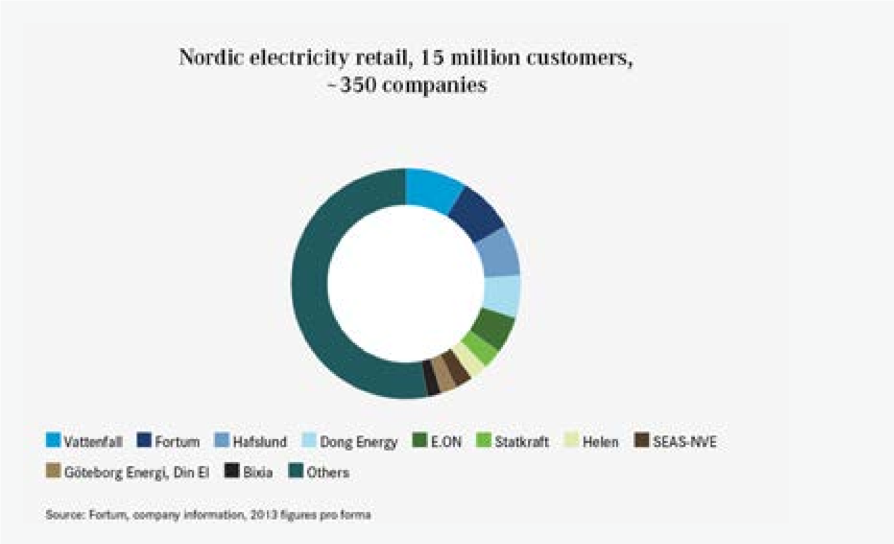


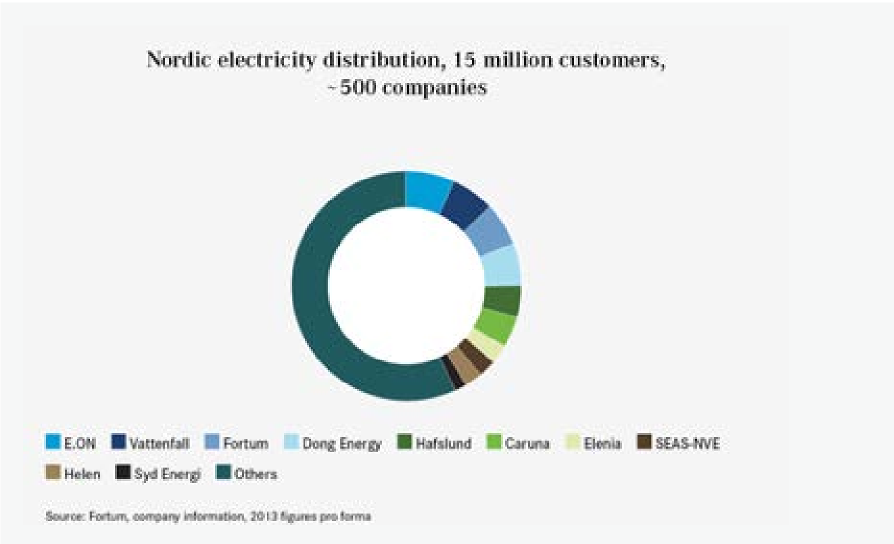


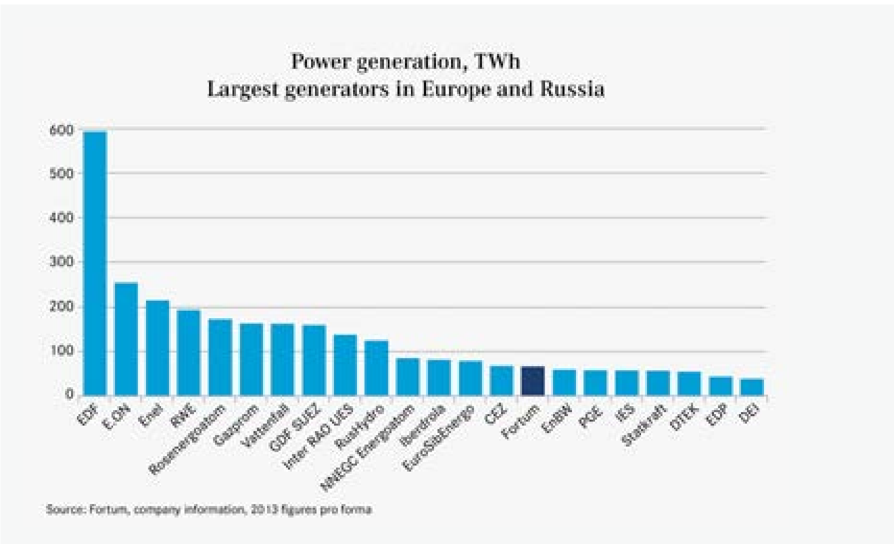
Market position

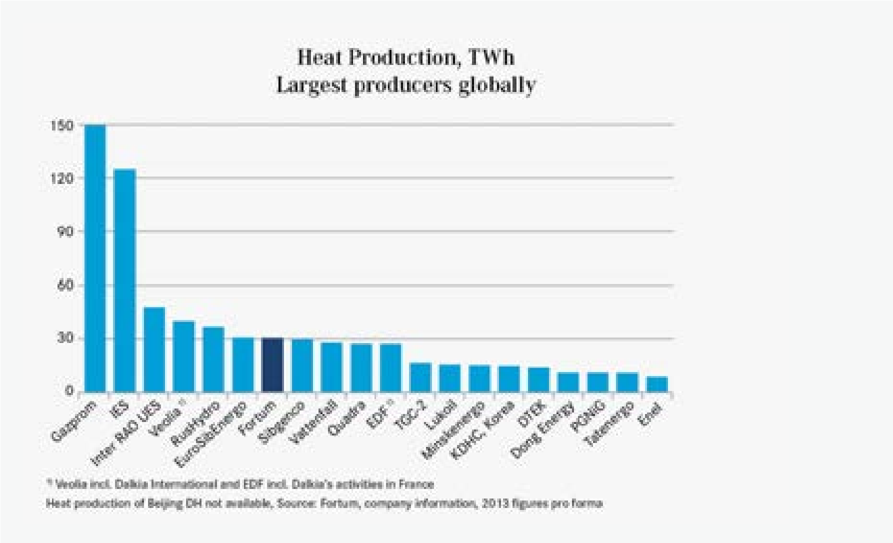
Fortum is the 3rd largest power generator in the Nordic countries, and one of the lowest-emitting power producers in Europe. We are among the leading heat producers globally.

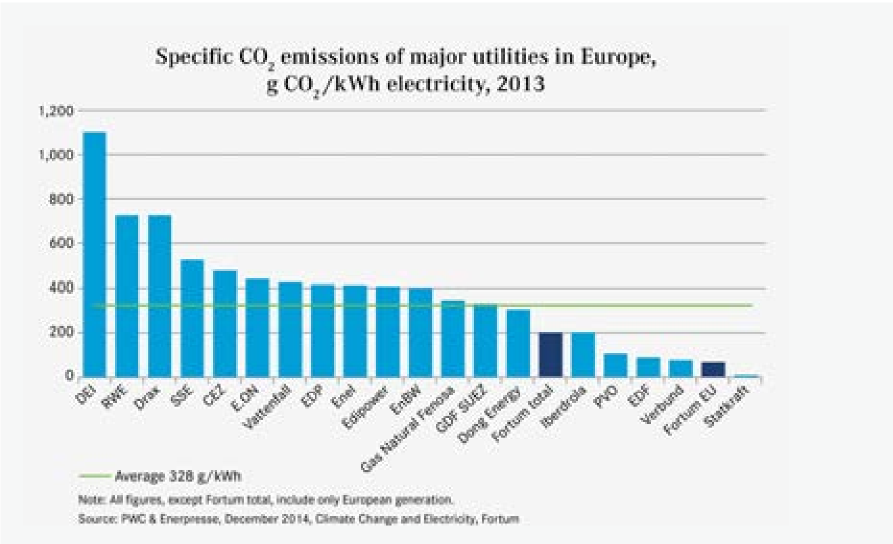



Nordic electricity retail, 15 million customers, ~350 companies
Vattenfall
Fortum
Hafslund
Dong Energy
E.ON
Statkraft
Helen
SEAS-NVE
Göteborg Energi, Din El
Bixia
Others
Source: Fortum, company information, 2013 figures pro forma


Nordic electricity distribution, 15 million customers, ~500 companies
E.ON
Vattenfall
Fortum
Dong Energy
Hafslund
Caruna
Elenia
SEAS-NVE
Helen
Syd Energi
Others
Source: Fortum, company information, 2013 figures pro forma


Power generation, TWh
Largest generators in Europe and Russia
600
500
400
300
200
100
0
EDF
E.ON
Enel
RWE
Rosenergoatom
Gazprom
Vattenfall
GDF SUEZ
Inter RAO UES
RusHydro
NNEGC Energoatom
Iberdrola
EuroSibEnergo
CEZ
Fortum
EnBW
PGE
IES
Statkraft
DTEK
EDP
DEI
Source: Fortum, company information, 2013 figures pro forma


Heat Production, TWh
Largest producers globally
150
120
90
60
30
0
Gazprom
IES
Inter RAO UES
Veolia [1]
RusHydro
EuroSibEnergo
Fortum
Sibgenco
Vattenfall
Quadra
EDF [1]
TGC-2
Lukoil
Minskenergo
KDHC, Korea
DTEK
Dong Energy
PGNiG
Tatenergo
Enel
[1] Veolia incl. Dalkia International and EDF incl. Dalkia's activities in France
Heat production of Beijing DH not available, Source: Fortum, company information, 2013 figures pro forma


Specific CO_2 emissions of major utilities in Europe,
g CO_2/kWh electricity, 2013
1,200
1,000
800
600
400
200
0
DEI
RWE
Drax
SSE
CEZ
E.ON
Vattenfall
EDP
Enel
Edipower
EnBW
Gas Natural Fenosa
GDF SUEZ
Dong Energy
Fortum total
Iberdrola
PVO
EDF
Verbund
Fortum EU
Statkraft
Average 328 g/kWh
Note: All figures, except Fortum total, include only European generation.
Source: PWC & Enerpresse, December 2014, Climate Change and Electricity, Fortum

Strategy

Preparations for future growth are starting to take shape; by divesting the electricity distribution business gives Fortum better opportunities to focus on the production and sales of efficient and low-carbon electricity and heat. In addition, it increases Fortum's strategic freedom to develop the company, both in terms of the near future and long-term, in order to improving earnings per share growth and shareholdervalue.

Fortum's purpose is to create energy that improves life for present and future generations. We provide sustainable solutions for society and deliver excellent value to our shareholders.

At the core of Fortum's strategy is our strong expertise in CO2-free hydro and nuclear power and in efficient combined heat and power (CHP) production. Our strengths also include our solid experience in operating in the energy markets. We will continue developing our business through these competencies.

Sustainability is an integral part of Fortum's strategy. The tight link between business operations and corporate responsibility underscores the importance of sustainability as a competitive advantage. In its operations, Fortum gives balanced consideration to economic, social and environmental responsibility.

Fortum's values – accountability, creativity, respect and honesty – form the foundation for our activities. We want to be a forerunner in developing the future energy system – the Solar Economy.

Core areas of the strategy

At the core of Fortum's strategy is our strong expertise in CO_2-free hydro and nuclear power and in efficient combined heat and power production (CHP). Our strengths also include solid experience operating in the energy markets. We will continue developing our business through these competencies.

Changing markets

In the coming years, far-reaching decisions must be made in our main markets to mitigate climate change, to develop the energy markets, and to find a sustainable operating model for the pan-European market. Fortum's strong position enables us to actively participate in restructuring the markets and developing new operating models.

We are very competitive, whether measured by CO_2-free production volume, competences in our strategic focus areas, production mix, capacity flexibility, financial position, cost structure, sustainability or occupational safety.

We have a clear vision of how Fortum must be developed in order to create added value for our stakeholders, particularly for our shareholders, both in the short term and the long term.

We want to actively participate in energy sector development and restructuring.

Business focus areas

In 2013, we assessed the future alternatives of our electricity distribution business. After thorough consideration, we concluded that divesting the electricity distribution business is the best solution for the distribution business' development and its customers, Fortum's shareholders and our other businesses. In 2014, we divested our electricity distribution businesses in Finland and Norway. We are currently assessing and preparing the possibilities to divest the Swedish electricity distribution business. The process is advancing as planned.

We believe that focusing on electricity and heat production and sales will improve our long-term value creation. With the proceeds from the divestment of the electricity distribution businesses in Finland and Norway, we are pursuing growth opportunities and developing our company in line with our strategy: build on the strong Nordic core and create solid earning growth in Russia. We are developing new businesses around these core areas and, in this way, we are building a strong platform for future growth.

Developing the electricity sales business is also an integral part of our strategy. We sell electricity and develop and offer innovative products and services to more than 1.3 million electricity retail customers in the Nordic countries.

Build on the strong Nordic core

We are building our future growth on the strong position we have in the Nordic countries, the Baltic countries and Poland. The foundation for our operations in these markets is our hydro and nuclear power production, which is CO_2-free and very competitive in terms of cost structure and flexibility. In 2014, more than 90% of our European electricity production was generated with Nordic hydro or nuclear power.

As a natural continuation of our Nordic business we seek new opportunities in hydro and nuclear power as well as in combined heat and power (CHP) production in the integrating European energy market. We estimate that the market integration will continue and the significance of hydropower will grow: hydropower can be used flexibly to level consumption peaks and to balance fluctuations in other renewable production. We will also continue developing combined heat and power (CHP) production which is a more efficient way of production than condensing power. In CHP production we can also utilise bio- and waste-based fuels. We estimate that the need for efficient CHP plants and heat networks will grow, especially in urban areas.

Solid earnings growth in Russia

Russia is the world's fifth biggest electricity market where, in recent years, electricity consumption has grown faster than the EU's. We have operated in Russia for more than 50 years, and we consider it to be one of our home markets. We currently operate in the Urals and Western Siberia in the Tyumen and Khanty-Mansiysk area, where industrial production is dominated by the oil and gas industries, and in the Chelyabinsk area, which is dominated by the metal industry. Additionally, we have a 29.5% stake in the hydropower and thermal power company TGC-1, operating in north-western Russia.

We launched an extensive investment programme in Russia in 2008; the programme consists of 8 new power plant units and the modernisation of existing units. Six of the new units are already in commercial operation, and the remaining two units are estimated to be commissioned in the first half of 2015. Our new units are very energy efficient. The investment programme will have nearly doubled our power generation capacity in Russia once finalised in 2015. Our sales revenue will grow along with the increased production.

These eight new units will receive capacity payments under the Russian Government's Capacity Supply Agreement (CSA); the capacity payments are considerably higher than the payments for energy produced with the old capacity. The income from the new capacity is guaranteed by capacity market regulations for a period of 10 years, although the payments can fluctuate slightly every year.

In 2014, the Russian Government approved the heat market reform roadmap, which aims to reform the heat market and liberalise prices by 2020 in big cities and by 2023 elsewhere. Heat reform creates incentives for efficiency improvements. It also increases profitability of Fortum's production capacity and other efficient capacity.

Restructuring according to strategy in Russia

In December 2014 we signed a protocol with Gazprom Energoholding to start a restructuring process of our ownerships in TGC-1, a Territorial Generating Company. TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg. Currently, Gazprom Energoholding owns 51.8% of the TGC-1 shares and Fortum 29.5%. The company is listed on the Moscow Exchange (MOEX).

In the restructuring, a company owned by Fortum and Rosatom would be responsible for hydropower production. Gazprom Energoholding would continue with the heat and thermal power businesses of TGC-1. Through its present stake in TGC-1, Fortum's share of the hydropower-focused company would rise to more than 75%, and the company would become a Fortum subsidiary. Rosatom would be a minority holder in the company, with a less than 25% ownership.

We see the restructuring as an excellent opportunity to increase our CO_2-free hydropower capacity, optimise our production portfolio in Russia and increase the flexibility that hydropower offers. If realised, the arrangement will increase Fortum's hydro portfolio by 60%, some 12-13 TWh.

Provided that Fortum obtains a more than 75% ownership in TGC-1 hydropower production, we are ready to participate with a minority stake (max.15%) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies participating in the project.

A platform for future growth

Alongside our current businesses, we are exploring and developing new sources of growth that support our strategic core areas. We are exploring growth opportunities in these new businesses with prudence.

We are particularly interested in solutions we can use to advance CO_2-free energy production. We believe that new CHP concepts, such as pyrolysis, and wave energy, can offer business opportunities in the future. We are developing solar power applications.

For consumers, we offer solutions that improve energy efficiency. These include, among others, turnkey solar kits for households in Finland and Sweden as well as our rapidly expanding Charge & Drive concept for charging electric vehicle batteries.

Financial targets

Our goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. The key figures by which we measure our financial success include return on capital employed (target: 12%), return on shareholders' equity (target: 14%) and capital structure (target: comparable net debt/EBITDA around 3.0).

Dividend policy

Fortum's dividend policy is based on the following preconditions:

- The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy that aims at increasing earnings per share and thereby the dividend.
- When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans.

Fortum Corporation's target is to pay a stable, sustainable and over time increasing dividend of 50-80% of earnings per share excluding one-off items.

Group financial targets

	Target	2014	2013	2012	2011	2011
ROCE, %	12	19.5	9,0	10,0	14,8	11.6
ROE, %	14	30.0	12,0	14,3	19,7	15,7
Capital structure, Comparable net debt/EBITDA	~3,0	2.3	3,4	3,3	3	2.8

Strategy realisation in 2014

Step by step towards the future

Build on the strong Nordic core:	**Finland**: • Loviisa Nuclear Power Plant automation renewal renegotiated and continued with a new partner, Rolls-Royce. Automation modernisation project agreement with Areva-Siemens Consortium discontinued. • Investing in Fortum's associated company Turun Seudun Energiantuotanto Oy´s (TSE) new multifuel CHP plant in Naantali. Commissioning of the new power plant planned for autumn 2017. • Refurbishment at Imatra hydropower plant started, covering two of the plant's seven units. The refurbishment will increase the capacity of the power plant from 178 to 192 MW and will improve safety and reliability. • Construction of a heat pump at Suomenoja Power Plant, Espoo, utilising wastewater for heat production **Sweden**: • Continued investments in dam safety improvement project at Höljes hydro power plant in Värmland **Divestments**: • Finnish electricity distribution business • Norwegian electricity distribution and heat businesses • Grangemouth power plant, UK • Several divestments of non-core assets as part of the efficiency programme: Tohkoja wind power project in Kalajoki, Finland; ownership in Karlshamns Kraft AB, Sweden; shareholdings in Gasum Oy, Finland and AS Võrguteenus Valdus, Estonia • Continuing to prepare and evaluate possibilities to divest Swedish electricity distribution business **Expertise in nuclear power operations and nuclear waste issues:** • Extended deliveries of selective ion exchange materials for the purification of radioactive liquids at the damaged Dai-ichi nuclear power plant in Fukushima, Japan
Create solid earnings growth in Russia:	• Commissioning of the third unit at Nyagan power plant (418 MW) • Full scale commissioning of new gas turbines at Chelyabinsk CHP-1 (2 x 44 MW) • Successful participation in Capacity Auction for 2015 • Protocol signed with Gazprom Energoholding to start a restructuring process of the ownership of TGC-1. The restructuring would increase Fortum's hydro portfolio by 60%. • Focus on completing the remaining part of the investment programme during 2015
Build a platform for future growth:	• Further development of pyrolysis technology in order to produce advanced biomass based fuels in co-operation with Finnish consortium of Fortum, UPM and Valmet • Comissioning of Kapeli 10 MW solar project in India in December • Continued development of Fortum Charge & Drive business: established market leadership in both Norway/Nordic countries with key partnerships and deals won, e.g. Renault and VW. Expanding the Charge & Drive network. Fortum already has some 50 charging stations in Finland, 90 in Sweden and nearly 200 in Norway. More than 100 stations are fast chargers. • A partnership agreement with Cleantech Invest Plc on business development activities, potential future cleantech investments as well as information sharing • Continued involvement in wave power technology development: co-operation with Seabased AB in Sweden and Wave Hub in the UK; acquiring a minority share of 13.6% in the Finnish wave energy developer Wello Oy • Collaboration with St1, aiming at building Finland's first industrial-scale geothermal pilot heat plant

Future energy system – the solar economy

We believe that the future energy system will be based on emissions-free and inexhaustible energy sources and on overall efficiency of the energy system. Transitioning to a solar economy changes the way electricity and heat is produced and consumed.

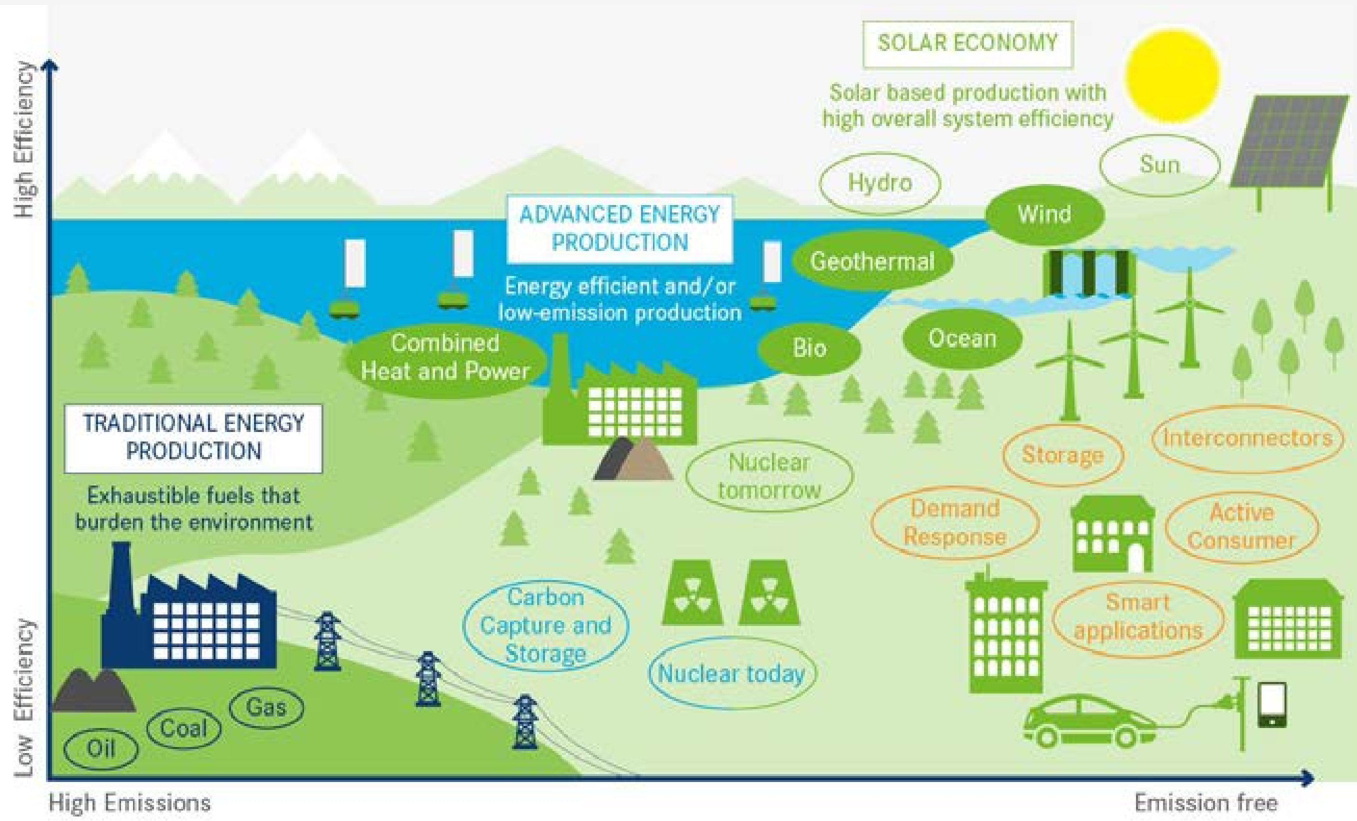
In conventional energy production, the combustion of non-renewable, fossil fuels, like coal, oil and gas, provides the main source of energy. This conventional energy system, and particularly the use of coal, burdens the environment and its total efficiency is poor. With the growth in the global demand for energy and in the consumption of electricity in particular, mitigating climate change is becoming an increasingly important issue. Energy systems and the use of limited natural resources must be made more efficient.

A solar economy provides solutions to the challenges of climate change and resource scarcity. In a solar economy, energy from the sun is used either directly as solar electricity or heat or indirectly as hydro, wind and bioenergy, and in the future also as ocean energy. Demand flexibility and energy storage are also underscored in the energy-efficient system of the future. Transitioning to a solar economy will take decades. During this time traditional production forms will be further developed and used alongside the production forms of a solar economy.

Of the renewable energy forms, hydropower and bioenergy have in many respects been mature technologies for decades. Solar and wind power will evolve into mature technologies in the coming years, even though there is still significant development potential with both. The use of ocean energy is in the test phase; its advancement into a commercial technology may be more than a decade out.

In a solar economy, the energy system is more dynamic and smarter than today. Electricity and heat can be produced both in a centralised and distributed manner. The active participation by consumers brings flexibility to demand, which improves the efficiency of the system. In the coming years, demand flexibility will improve considerably as both the technology and the business models mature.

Towards a Solar Economy



Gradual transition to a solar economy

The energy system changes slowly, and the transition from the current energy system towards a solar economy requires technology advancements as well as changes in the operating environment over the course of several decades. The energy markets and infrastructure must be developed to enable the investments required by the change. The length of the transition period and the costs depend on political decisions, society's priorities and investments in technology advancements of production forms.

We want to promote both short- and long-term development of the energy system simultaneously. However, emission-free energy sources that are currently in use or under development are not yet able to fulfil the energy demand of a modern and developing society. That is why we are continuing to widely utilise also traditional energy forms, but our aim is to operate also these as efficiently and sustainably as possible.

Sustainability a part of the strategy

Competitiveness, security of supply and market-driven production enable long-term profitable growth. A company that is financially strong is able to shoulder its responsibility for the environment, take care of its personnel, oversee its supply chain, meet the expectations of customers and provide excellent value to its shareholders. At the same time it can develop sustainable energy solutions that benefit all of society.

Sustainability targets

The Fortum Executive Management Team decides on Fortum's sustainability approach and Group-level sustainability targets that guide annual planning. The targets and the desired performance level are reviewed annually and are ultimately approved by Fortum's Board of Directors. The Fortum Executive Management Team monitors the achievement of the targets in its monthly meetings and in quarterly performance reviews. The achievement of the targets is regularly reported also to Fortum's Board of Directors. Sustainability targets affect every Fortum employee and are part of Fortum's short-term incentive (STI) scheme. Fortum's Board of Directors annually decides on the sustainability targets to be included in the incentive scheme. In 2014 the incentive scheme included an index measuring lost workday injury frequency for Fortum employees and for contractors, the number of major environmental, health and safety non-compliances (EHS non-compliances), and Fortum's ability to improve its performance in the Dow Jones Sustainability Assessment.

One of Fortum's targets for 2015 is to reduce the number of serious injuries by half. Therefore, Fortum's Board of Directors has for 2015 approved for inclusion in the short-term incentive scheme an index measuring the number of serious injuries in addition to the issues measured the previous year. In 2015, the weight of the sustainability index in the STI is 20% (2014: 20%).

> “ In these we succeeded: Success in customer satisfaction and employee safety

Group sustainability targets and performance in 2013-2014

	Target for the year 2014	Status at the end of 2014	Status at the end of 2013	Remarks
Reputation index	Target result 70.8 in One Fortum Survey	70.4	69.8	
Customer satisfaction index (CSI)	CSI divisional scores at level “good” (70-74) in One Fortum Survey	67-77	61-77	Customer satisfaction improved in 4 out of 5 customer segments. Power Solutions and Heat business areas achieved the target.
Environmental responsibility				
Specific CO_2 emissions				
Electricity production in the EU	< 80 g/kWh, 5-year average	60 g/kWh	60 g/kWh	Emissions in 2014 were 39 (2013: 64) g/kWh.
Total production (electricity & heat, all countries)	< 200 g/kWh, 5-year average	198 g/kWh	197 g/kWh	Emissions in 2014 were 189 (2013: 204) g/kWh. 5-year average has been increasing since 2008.
Energy efficiency				
Total efficiency of combustion (Definition: produced energy divided by the primary energy of fuel)	> 70%, 5-year average	63%	64%	Efficiency in 2014 was 64% (2013: 59%). 5-year average has been decreasing since 2008.
Major EHS incidents	< 35 Fortum-wide	27	35	
(Fires, leaks, explosions, INES[1] events exceeding level 0, dam safety incidents, environmental non-compliances)				
Social responsibility				
Security of supply				
SAIDI[2]	< 100 minutes	97 minutes	103 min	
CHP plant energy availability	> 95%	94.7%	94%	In 2013, energy efficiency KPI was measured only for sites located in Europe. In 2014, the KPI covers whole Fortum.
Occupational safety				
Lost workday injury frequency (LWIF)[3], Fortum personnel	< 1	1.0	1.0	
Lost workday injury frequency (LWIF)[3], contractors	< 3.5	3.2	3.9	

1) International Nuclear Event Scale
2) System Average Interruption Duration Index
3) LWIF = Lost workday injury frequency per one million working hours

In addition to Group-level targets approved by Fortum’s Board of Directors, Fortum also has division-level targets. These targets are monitored and are reported in the same way as the Group-level targets.

In terms of contractor safety, 2014 was a rough year. There were three fatal accidents involving our contractors’ employees: in Sweden, a subcontractor’s employee perished in the electricity distribution business, and another subcontractor’s employee at a hydropower plant; in Russia, a subcontractor’s employee perished at the Chelyabinsk power plant construction site. Additionally, two contractor employees perished in an accident at a construction site at Fortum Värme in Stockholm. Fortum Värme is no longer included within the sphere of Fortum Group’s target setting for 2014, so this accident is not seen in Fortum’s statistics. Immediate corrective measures were started after the accidents, and the measures will continue during 2015.

Other sustainability targets and related performance in 2013-2014

	Target	2014	2013
Occupational safety			
Total recordable injury frequency (TRIF) [1], Fortum personnel	< 3.0	2.0	2.5
Number of fatalities, Fortum personnel	0	0	0
Number of fatalities, contractors	0	3	1
Number of lost workday injuries, Fortum personnel	-	15	16
Number of lost workday injuries, contractors	-	35	54
Supply chain management			
Supplier audits[2]	15	23	13

1) TRIF = Total recordable injury frequency per one million working hours
2) Fortum and joint venture Fortum Värme conduct supplier audits with shared resources.

Read more

- Safety

Corporate sustainability targets for 2015

Fortum's sustainability targets are based on the continuous improvement of operations. Targets for 2015 put even stronger emphasis on safe operations. In addition to lost workday injury frequency (LWIF), the frequency of injuries requiring medical attention, i.e. total recordable injury frequency (TRIF) for own personnel, was also included as a Group target. Our goal is also to reduce the number of serious injuries by half.

In their operating plans for 2015, each division is required to include measures to ensure uncompromised compliance with the Group's EHS guidelines and requirements.

In terms of energy efficiency, we decided to replace the old indicator measuring the efficiency of fossil fuel combustion with a new energy-efficiency index that takes into account all production forms. Fortum's new target is to achieve annual energy savings of >1,400 GWh by 2020 compared to 2012. This energy savings is equivalent to the annual heating demand of more than 75,000 households (18,500 kWh/household) or the annual energy production of more than two hundred 2.5 MW wind power plants.

> "To be improved: Contractor safety and our reputation in Sweden

Read more

- Sustainability indexes

Corporate sustainability targets in 2015

	Target
Reputation index	Target result 70.8 in One Fortum Survey
Customer satisfaction index (CSI)	CSI divisional scores at level "good" (70-74) in One Fortum Survey
Environmental responsibility	**Target**
Specific CO_2 emissions	
Electricity production in the EU	< 80 g/kWh, 5-year average
Total production (electricity & heat, all countries)	< 200 g/kWh, 5-year average
Energy efficiency	
Energy efficiency improvement by 2020 as compared to 2012	> 1,400 GWh/a
Major EHS incidents	≤ 27
(Fires, leaks, explosions, INES[1)] > 0 events, dam safety incidents, environmental non-compliances)	
Social responsibility	**Target**
Security of supply	
CHP plant energy availability	> 95%
Occupational safety	
Total recordable injury frequency (TRIF)[2)], Fortum personnel	≤ 2.5
Lost workday injury frequency (LWIF)[3)], contractors	≤ 3.2
Number of serious accidents[4)]	≤ 8

1) International Nuclear Event Scale
2) TRIF = Total recordable injury frequency per one million working hours
3) LWIF = Lost workday injury frequency per one million working hours
4) Accidents leading to fatality, permanent injury or absence from work exceeding 30 days

Research and development supporting business

The purpose of Fortum's research and development (R&D) is to improve the company's competitiveness and to create a basis for new, profitable business.

Research and development helps Fortum to build a sustainable, carbon dioxide-free future.

The main areas of R&D are:

- The advanced technologies included in Fortum's existing energy system: our most important research area is nuclear power. Additionally, we are developing integrated combined heat and power systems, i.e. CHP+ plants, as well as ways to increase and utilise the flexibility of the energy system.
- New technologies and solutions supporting development of the energy system towards the future solar economy: we are developing e.g. solar and wave energy as well as innovative solutions for our customers.

Key R&D projects in 2014 included:

- Fortum, UPM and Valmet's decision to join forces to develop new technology to produce advanced high-value lignocellulosic fuels, such as transportation fuels or higher-value bio liquids. The project aims to develop catalytic pyrolysis technology for refining bio-oil and to commercialise the solution.
- Fortum and Cleantech Invest Plc's signing of an agreement on partnership with regard to business development activities, potential future cleantech investments as well as information sharing. The agreement aims to create new business opportunities for Fortum and to accelerate the growth of Cleantech Invest's portfolio companies.

Fortum's R&D expenditure in 2014 totalled EUR 41 (2013: 49) million, which corresponded to 0.9% (2013: 0.9%) of sales. A significant share of the R&D expenditure in 2013 targeted the development and commissioning of the world's first bio-oil plant integrated with a combined heat and power plant, in Joensuu, Finland. Now Joensuu plant is part of Heat, Electricity Sales and Solutions division and is no longer included in the R&D figures.

Operating environment and market development

Fortum's operating environment and markets were challenging in 2014. Competitiveness and energy security were emphasised in European energy and climate policy discussions.

The budding economic growth in Europe halted and the purchasing power of households decreased significantly in several countries. With the Ukranian crisis, the EU paid more attention to energy security, and in May the EU Commission published a proposal for European Energy Security Strategy. During the year EU imposed sanctions against Russia as a result of the Ukrainian crisis. The gas industry and nuclear energy were exempt from the sanctions. The mutual dependency on energy and tight economic relations between the EU and Russia did stabilise relations between the regions.

Energy and climate issues received a lot of attention in the EU in 2014. In January the Commission proposed a Market Stability Reserve (MSR) mechanism for the carbon emissions trading scheme; its adoption is advancing in the Parliament and Council. Additionally, the Commission published a communication on energy efficiency.

In October the European Council agreed on the energy and climate targets for 2030. The targets set were at least 40% reduction in domestic greenhouse gas emissions compared to 1990 level, an increase in renewable energy's share to at least 27% (EU-level binding target), and at least 27% improvement in energy efficiency (EU-level indicative target). The EU Commission will prepare legislative proposals in 2015-2016 to implement the 2030 targets.

The EU Commission and European Council brought forth the concept of an Energy Union, the goals of which are economical and clean energy production and security of supply. The aim is also to harmonise position statements related to energy policy. The Energy Union concept is expected to become more defined when a communication about it is released in early 2015.

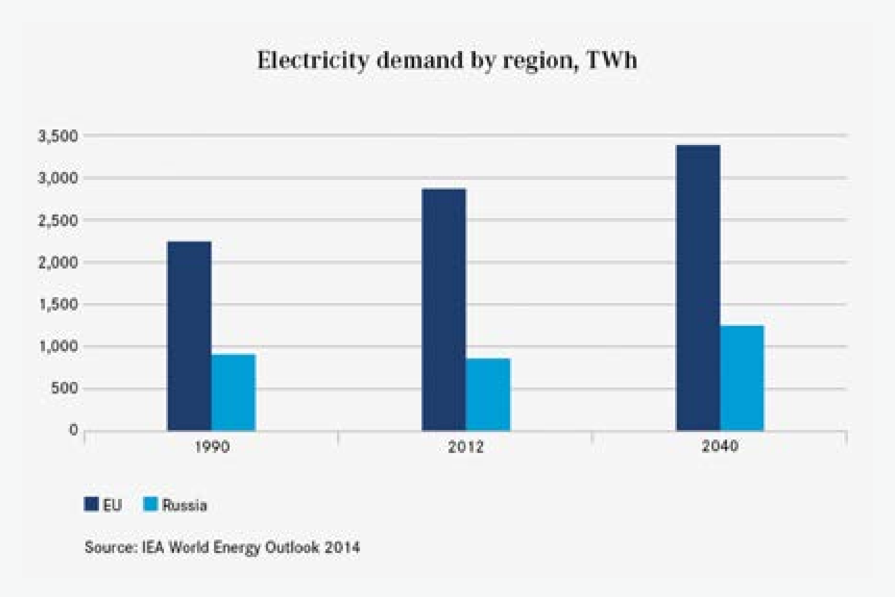
In November the International Energy Agency (IEA) published its annual World Energy Outlook, which analyses global energy production and consumption. The IEA estimated 37% growth in the global energy demand by 2040. In Fortum's regions of operation, consumption is estimated to increase by 11% in Russia, but decrease by 7% in the EU.

European market development

Development of the European electricity market

The weak economic situation, mild weather and better energy efficiency contributed to decreased electricity demand in several European countries. The demand decreased by 2% in the Nordic countries. However, due to growth in electricity exports, Nordic electricity production was 1% higher than in 2013. Economic development in Estonia, Lithuania and Poland was better than in the Nordic countries, and the demand for electricity was up.

The share of renewable energy in Europe's electricity production continued to grow, and subsidy mechanisms in many countries were developed to be more market-driven. With the exception of the joint certificate system of Sweden and Norway, subsidy mechanisms are still based on national, divergent solutions. New renewable electricity production forms are gradually becoming commercially profitable, which will boost their share in electricity production. At the same



time it is possible to give up separate subsidies for renewable energy, particularly if the price for carbon emissions rises.

According to the Commission's January 2014 report on energy prices and costs, the difference between wholesale and retail prices will grow even further. In recent years, energy retail prices have increased significantly in the EU. The reasons for this include various taxes, fees and subsidies. At the same time, wholesale prices for electricity have decreased, and wholesale prices for gas have remained unchanged. Prices also vary substantially among EU countries: some consumers pay as much as several times more for energy than other.

At the beginning of 2014, Finnish retail markets were the first in the world to start using smart meters to measure and bill hourly electricity consumption. If consumption-measuring smart meters and the related services become more common on a European level, customers can optimise their electricity use.

Aiming for an integrated market

Significant progress was made in the integration of the European electricity market in early 2014 when Western Europe's electricity exchanges adopted a price coupling algorithm in spot trading. The goal is also to approve common network codes that are under review during 2015. Implementation of the REMIT initiative increasing energy market transparency continued (Regulation (EU) No. 1227/2011 of the European Parliament and of the Council on wholesale energy market integrity and transparency). In terms of the EMIR initiative related to electricity price hedging products, market players continued discussions on allowing the use of bank guarantees also after the transition period ending 2016 (Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories). This would enable price hedging with financial products cost-efficiently also in the future.

In autumn 2014 the European Commission published a communication on internal energy markets. The communication highlighted the favourable development of market integration and the need to increase grid investments, develop retail markets, continue regional collaboration and limit government regulation.

Despite the goals related to the common market principles, preparation of national capacity remuneration mechanisms (CRM) continued in a few EU countries. The first capacity auction was held in Great Britain in December, securing power plant capacity availability for winter 2018-2019. Great Britain's government also promised a guaranteed price for the electricity produced by the new nuclear power plant project. The government in Germany published a green paper on market development alternatives; it proposes either the development of the current energy-based trade or the adoption of capacity markets. Proposals for the capacity mechanism's target model are expected from the Commission by mid-2015.

Market price development

There was a clear drop in the global market prices of fuels in 2014. The price of carbon allowances in the EU emissions trading scheme increased somewhat and was 7.3 euros/tonne at the end of the year.

The mild winter and low fuel prices contributed to the decrease in the price of electricity in the Nordic market from 2013. The year's average system price was 29.6 (2013: 38.1) euros/MWh. The average area price was 36.0 (2013: 41.2) euros/MWh in Finland and 31.6 (2013: 39.4) euros/MWh in Sweden in the SE3 area (Stockholm).

The average spot price in Germany was 32.8 (2013: 37.8) euros/MWh. The average spot price in Poland increased to 43.1 (2013: 36.7) euros/MWh.

The flat electricity price level does not encourage investments in new production capacity. In fact, the majority of new investments in many countries are based on subsidies.

Electricity transmission connections

In October 2014 the EU Summit emphasised the importance of new electricity transmission connections and set a goal to increase each EU country's cross-border transmission capacity to at least 15% of power plant capacity by 2030.

According to the TYNDP 2014 grid plan published by the European Network of Transmission System Operators for Electricity (ENTSO-E), European cross-border transmission capacity must be doubled by 2030. This requires investments of EUR 150 billion at the EU level to promote the optimisation of electricity production, the reduction of emissions, and an increase in the share of renewable energy.

Upon realisation of current projects, the transmission capacity between the Nordic countries and the rest of Europe will double already by 2020. New connections are planned also for the next decade. This enables the use of Nordic hydropower to cover fluctuations in Europe's wind and solar power production. Respectively, electricity can be imported to the Nordic countries in years with low precipitation and in cold winters.

The transmission capacity between Finland and Sweden has been almost in full use. The Finnish electricity network also serves transmission from Sweden to the Baltic countries and, starting in 2016, further from the Baltic countries to Poland, so more transmission capacity from Sweden to Finland is needed. Construction of a new interconnection planned between northern Sweden and northern Finland should be started as soon as possible. This would enable power transits through the Finnish network also to southern Sweden when Sweden's internal network is in full use.

Development of Europe's heat markets

Implementation of the Energy Efficiency Directive continued in 2014. The updated national regulations of the EU member states are expected to take effect mostly in 2015. The directive aims, among other things, to increase the share of energy-efficient district heating and cooling and the share of combined heat and power production (CHP) in energy production as part of the energy-efficiency and climate targets. The directive requires member states to submit to the Commission by the end of 2015 an estimate on the development potential of district heat, CHP, and industrial waste heat up to 2030.

At the EU level, consideration is also being given to whether the heat markets need stronger EU guidance and target-setting; they do, in fact, account for over half of the EU's energy consumption.

Two-way, open district heat networks are quickly developing and give companies and consumers an opportunity to sell the surplus heat to the network. Utilising waste heat reduces energy costs and the carbon footprint.

Mainly due to national legislation, markets and energy company operations can be impacted in a very country-specific manner through legislation. National legislation proposals related to district heat advanced quite slowly in 2014. Ratification of Poland's legislation regarding renewable energy forms and the draft of Estonia's district heating act are expected in 2015.

Energy market models
Current market model

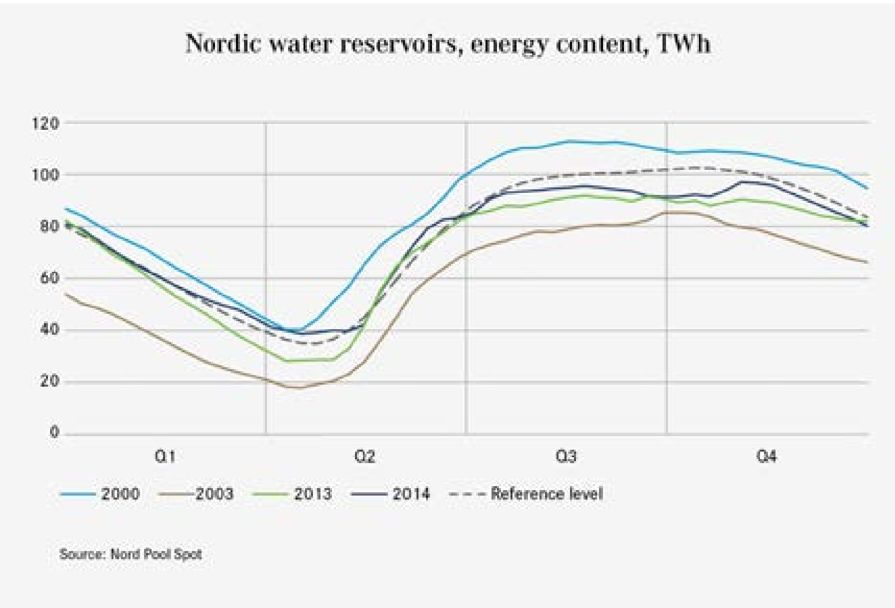
- Wholesale prices are determined in the power exchange, but cross-border transmission links are inadequate
- Intra-day and operational hour trading is not functional at all borders
- Renewable energy is subsidised with various country-specific mechanisms
- Hourly energy consumption metering or alternative products are not available to electricity users in many countries

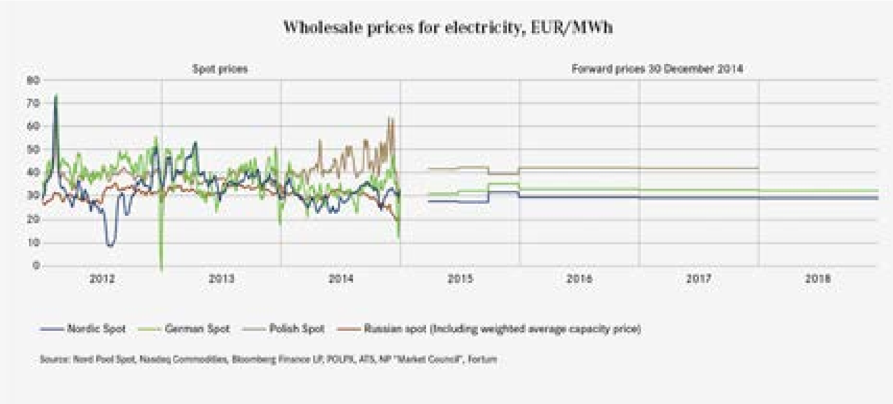
Capacity markets

- Electricity producers are paid for power plant capacity and for the produced energy
- Strong, country-specific regulation and overall costs may increase
- Weakened position of power exchange trading
- Electricity trading between countries may become more difficult
- Fossil electricity production may benefit, but renewables and demand flexibility may suffer

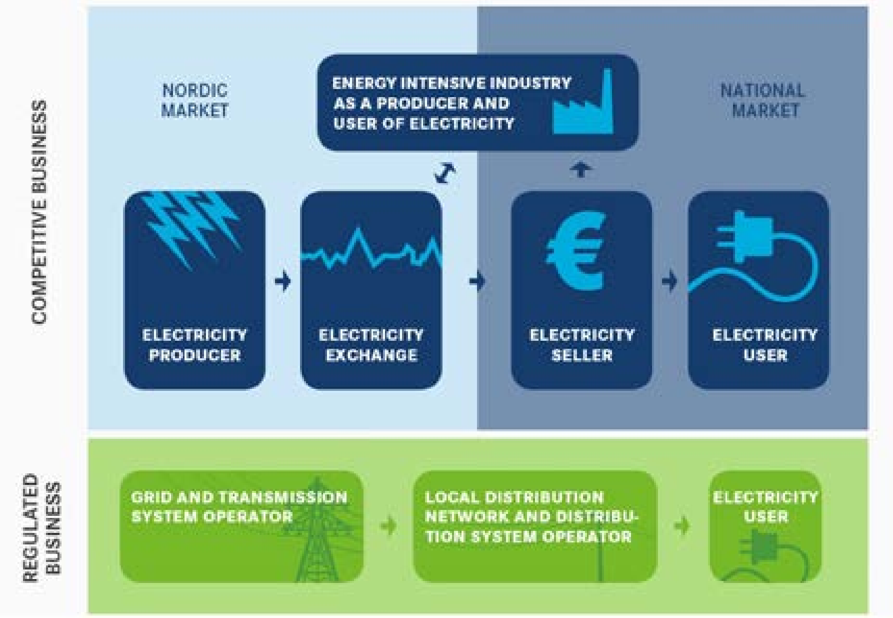
Advanced energy markets

- Pan-European markets
- Renewable energy growth is based on steering from emissions trading
- Building interconnectors reduces price differences and increases security of electricity supply
- Grid companies are responsible for operational hour's balancing reserve capacity
- Abundant array of flexible products and services available to electricity users





Nordic electricity market structure



Russian market development

Development of Russia's electricity market

Liberalisation of the Russian wholesale electricity market has been completed, but retail prices are still regulated. During 2014, Fortum sold approximately 80% of its power production at a liberalised electricity price.

The Russian electricity market has been geographically divided into two independently operating zones: the First price zone (European and Urals part of Russia) and the Second price zone (Siberia). While western Europe and the Nordic countries use a pricing model based on area pricing, Russia uses the so-called nodal pricing. This means that the electricity price is determined for each nodal point of the power grid. This pricing model is commonly used in countries where transmission distances are long.

In January-December 2014, Russia consumed 1,021 (2013: 1,026) TWh of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 777 (2013: 772) TWh.

Capacity Supply Agreements (CSA)

The generation capacity built after 2007 under the capacity supply agreements receives guaranteed capacity payments for a period of 10 years. Prices for capacity and the period are defined in order to ensure a sufficient return on investments. If the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not otherwise fulfilled, a fine may be imposed on the energy company. The issue of prolonging CSA payments from 10 to 15 years has been under discussion in the Russian Government; however, no official decisions have yet been made.

The received capacity payments will differ depending on the age, location, size and type of the plants, as well as on seasonality and availability. CSA payments can vary somewhat annually because they are linked to Russian Government long-term bonds with

8 to 10 years maturity. In addition, three years and six years after the commissioning of a plant, the regulator will review the payments guaranteed by the capacity supply agreement. Earnings from electricity sales will be taken into consideration in the review and could potentially revise the CSA payments.

Capacity payments for old capacity built before 2008 are determined in an annual auction.

Development of Russia's heat markets

Reforming the Russian district heating system is a complex but necessary step to improving the security of supply and the efficiency. The reform aims to attract investments in the modernisation of the ageing production and transmission system and to support investments in combined heat and power production.

Very few residential buildings in Russia have meters for tracking heat consumption. This significantly slows investments in modernising the heat network. Household-specific meters are not even being considered for old buildings, because they would be too expensive and technically difficult to install. Instead, quickly deploying building-specific regulation substations and automated metering throughout the country would help in the development of the district heating infrastructure. This would also enable consumption-based billing and, at the same time, encourage reductions in waste heat and efficiency in heat production.

Heat market reform

In 2014, the Russian Government approved heat market reform and a roadmap for a new market model. The aim of the new market model is to ensure the transition to economically justified heat tariffs and to attract investments in the heat market.

The heat reform roadmap describes the heat market from 2015 onward. The aim is to complete the reform in 2020 in major industrial cities with populations of over 100,000 and in cities that have functioning combined heat and power production. During the transition period, the full liberalisation of prices for the end customers within the heat price-cap defined on the basis of the heat-only boiler principle should be secured. In smaller cities, the reform will be done by 2023 at the latest.

Russia's natural gas market

Electricity price in Russia is largely based on natural gas price development. Because the electricity market is largely dependent on gas-fired power production, a functioning natural gas market is a prerequisite for a functioning electricity market.

Russia's regulated natural gas prices for industrial customers remained unchanged during 2014. Natural gas price indexing was not done in October 2014. Despite this, natural gas prices are estimated to increase by 3.5% in 2015. According to the Ministry of Economic Development of the Russian Federation, the 2014 price level will remain until the beginning of July 2015, when prices will be indexed by 7.5%, which will bring an annual increase of 3.5% compared to 2014.

A presidential natural gas directive issued in October 2014 reopened natural gas trading in St. Petersburg's International Mercantile Exchange. The natural gas trading is limited to month-ahead physical deliveries.

Carbon market development

The European carbon market scheme is the world's first and, so far, the most extensive carbon market. The price of the EU emissions allowance is one of the most significant factors impacting the price of electricity on the Nordic electricity market.

In 2014, oversupply increased on the European carbon market and prices remained low. However, emissions allowance prices recovered somewhat towards the end of the year, due to decisions and discussions related to the EU emissions trading scheme and EU emissions targets. Reforming the scheme began in 2014. A decision on a market stability mechanism for emissions trading is expected by the middle of 2015.

Market mechanisms gain moment

The carbon market was widely discussed also in global climate policy discussions. More than 1,000 companies and more than 70 countries have joined the World Bank's Putting a Price on Carbon initiative in 2013-2014. A total of 40 countries have either deployed or are developing carbon pricing schemes that cover about one fifth of the global greenhouse gas emissions. Nearly 400 companies have joined the UN's Caring for Climate initiative to develop practices related to carbon pricing and carbon markets.

Emissions must be reduced cost-efficiently, e.g. through carbon emissions pricing and a functioning carbon market. It is important that the upcoming international climate agreement would enable wide use of the carbon market so that climate change mitigation costs and their impact on energy prices would remain lower than with other climate policy instruments. However, it is impossible to achieve emissions targets without market mechanisms and private sector capital.

Climate agreement urgency

The Intergovernmental Panel on Climate Change (IPCC) published its Fifth Assessment report on climate change in November 2014. The Synthesis Report describes the advancement of climate change more seriously than before: it is extremely challenging to limit the increase in the global average temperature to two degrees; at worst, the average temperature can rise by as much as 3–4 degrees. The report proposes abandonment of fossil fuels by the end of the century to keep climate warming below the target of two degrees.

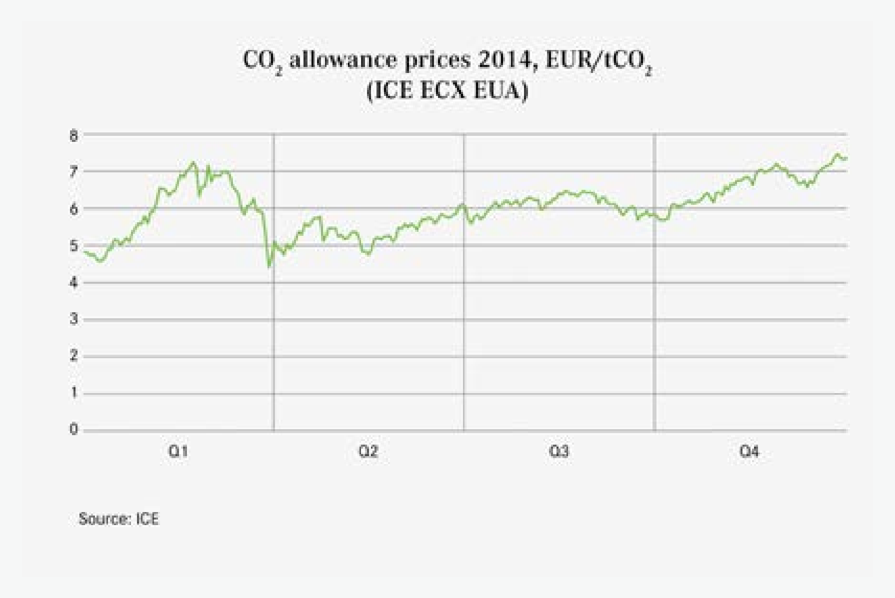
The expectations in the UN's international climate negotiations are focused on the COP21 conference to be held in Paris in late 2015. Its goal is to make a climate agreement binding all countries. The elements of the Paris Agreement were compiled at the climate conference held in Lima, Peru, in December 2014. Just prior to the Lima conference, the USA and China announced that they had agreed on national targets and collaboration to mitigate climate change. The USA is engaged in bilateral discussions on climate issues also with India.

A decision on 2030 climate targets

The European Council agreed in October 2014 on the key energy and climate targets for 2030. The set target is a binding reduction of domestic greenhouse gas emissions by at least 40% from 1990 to

2030. Additionally, EU-level targets to increase the share of renewable energy sources and to improve energy efficiency were agreed on. The targets will steer legislation and energy-sector investments and development far into the future. Preparation of the legislation related to the realisation of the 2030 targets will start in 2015.

The European Council emphasised that a well-functioning and stronger emissions trading scheme is key in implementing the EU's energy and climate policy. Emissions trading improves the competitiveness of low-carbon production forms and enables climate targets to be achieved at the lowest possible cost.



Reform of emissions trading scheme advances

The price of emission allowances hovered between 5.5-6.5 euros for most of 2014. However, the price did fluctuate considerably from 4.4 euros to 7.5 euros. A low allowance price does not encourage low-carbon investments, and thus creates the risk that new production capacity built now will generate emissions far into the future.

The goal of reforming the emissions trading scheme is to restore confidence in the scheme and to give the market a price signal that encourages investments in low-carbon and carbon-free production methods.

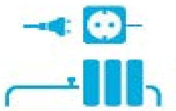
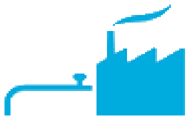
After long negotiations in the EU, a decision was reached in January 2014 to temporarily withdraw 900 million auctionable allowances from the market (backloading). This is the first measure reforming the emissions trading scheme. The first allowances were withdrawn from the auctions in March, and a total of 400 million allowances were withdrawn from the market during 2014.

In January 2014 the Commission gave its proposal on the market stability mechanism. The issue is currently under review in the European Parliament and Council. Commission proposals on the structural reform of emissions trading, including e.g. tightening the emissions trading sector's annual emissions reduction factor and industry's carbon leakage-related issues, can be expected next.

BUSINESS

Group business structure

(on 31 December 2014)

Reporting segment	Power and Technology	Heat, Electricity, Sales and Solutions	Russia	Distribution
Division	 Hydro Power and Technology Nuclear and Thermal Power	 Heat, Electricity Sales and Solutions	 Russia	 Distribution
Business	Hydro, nuclear and thermal power generation, Power Solutions with expert services, portfolio management and trading as well as technology and R&D functions	Combined heat and power (CHP) production, district heating and cooling activities and business to business heating solutions, solar business, electricity sales and related customer offering and Corporate Sustainability	Power and heat generation as well as heat distribution in Russia. Fortum's holding in TGC-1 of 29.5%, which is correspondingly accounted for as associated company using the equity method	Fortum's distribution activities in Sweden.
Geographic presence, production and distribution assets and/or customer base	Production in Finland and Sweden * In Finland and Sweden full or co-ownership in 159 hydropower plants * Two fully-owned nuclear reactors and eight co-owned nuclear power plant units * One co-owned and two fully-owned condensing power plants * Ownership in three wind power companies Expert services worldwide	Finland, Sweden, Norway, Poland, Lithuania, Latvia, Estonia, India * 12 CHP plants * Hundreds of heat boilers * Two solar power plants in India Heat supply to one million homes in the Nordic and Baltic countries and Poland ~1.3 million electricity sales customers	Russia * Eight CHP plants * One condensing power plant * Several heat boilers * ~500 km networks as well as heat supply to two million residents TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg	Sweden * over 70,000 km of distribution lines *22,100 substations Over 900,000 customers
Market position	* Third largest power producer in the Nordic countries * Among the 15 largest in Europe and Russia	* Leading heat supplier in the Nordic and Baltic countries and Poland	* Sizable power and heat utility in Western Siberia and the Urals in Russia	
Production capacity	Power 9,063 MW Heat 0 MW	Power 803 MW Heat 3,936 MW	Power 4,758 MW Heat 13,466 MW	

Reporting segment	Power and Technology	Heat, Electricity, Sales and Solutions	Russia	Distribution
Volumes	* Power production in Nordic countries 47.1 TWh * Total power production 47.9 TWh	* Heat sales 7.9 TWh * Electricity sales 16.5 TWh	* Electricity sales 26.5 TWh * Heat sales 26.0 TWh	* Distribution transmission 17.6 TWh * Regional network transmission 13.8 TWh
Sales	EUR 2,156 million	EUR 1,332 million	EUR 1,055 million	EUR 751 million
Share of Fortum's sales	41%	25%	20%	14%
Comparable operating profit	EUR 877 million	EUR 104 million	EUR 161 million	EUR 266 million
Comparable EBITDA	EUR 998 million	EUR 204 million	EUR 304 million	EUR 416 million
Net assets	EUR 6,001 million	EUR 2,112 million	EUR 2,597 million	EUR 2,615 million
Comparable return on net assets	14.2%	8.7%	5.6%	9.3%
Capital expenditures and gross investments in shares	EUR 198 million	EUR 124 million	EUR 367 million	EUR 147 million
Employees	1,639	1,807	4,213	390
Business and result drivers	* Nordic power supply-demand balance, volatility and price; stability through hedging * About 90% of production is hydro and nuclear power: hydrological situation, nuclear power availability, and prices of fuels and emission allowances * Maintenance and asset lifetime management practices and costs * Investments into new or existing generation	* Steady growth through investments; newly commissioned CHP plants bring earnings * Fuel and CO_2 emissions allowance prices and fuel availability, flexibility and efficiency * Production primarily in CHP plants: power supply/ demand balance, volatility and price affect profitability; stability through hedging * Heat and auxiliary product prices * Heat demand: weather conditions as well as macro and local economy * Maintenance and asset lifetime management practices and costs	* Investment programme: earnings growth through new capacity and new volume * Guaranteed payments for the generation capacity built after 2007 under the Russian Government's capacity supply agreements * Production mainly CHP: Power supply-demand balance as well as price level and volatility in the Urals/ Western Siberia * Plant availability, production optimisation and efficiency upgrades * Fuel prices and availability as well as gas and electricity price ratio * Development of heat market in the long term as well as heat demand and tariffs in the short term * Maintenance and asset lifetime management practices and costs	* Long-term optimised levels of investment and maintenance of networks * Distribution volumes: weather conditions and macro and local economy * Stable earnings with regulated tariffs * Cost-efficiency and quality of service * Grid availability and service level; liability to compensate for distribution interruptions * Maintenance and asset lifetime management practices and costs

Reporting segment	Power and Technology	Heat, Electricity, Sales and Solutions	Russia	Distribution
Strategy drivers	* Existing CO_2-free, flexible and market-driven production portfolio * Solid position and competence in hydro and nuclear production in the Nordic power market * Liberalisation and integration of European power market	* Need for increased resource-efficiency * Potential for increased usage of local biofuels and waste * Solid position and competence in flexible multi-fuel CHP production	* Liberalised and privatised power and heat market * Economic development * Boosting efficiency of existing operations and bringing the ongoing investment programme to completion * Potential for improved operations on the basis of current assets modernisation	* Cost efficiency through economies of scale and lean processes * Technical development utilised for a more efficient, reliable and smarter network enabling sustainable and energy-efficient solutions for customers * Unbundling and harmonisation of Nordic/ European electricity distribution sector

Business value chain

Fortum's business activities cover the production, sales and distribution of electricity and heat as well as energy-sector expert services. Investments and fuels make up a big part of our purchases.

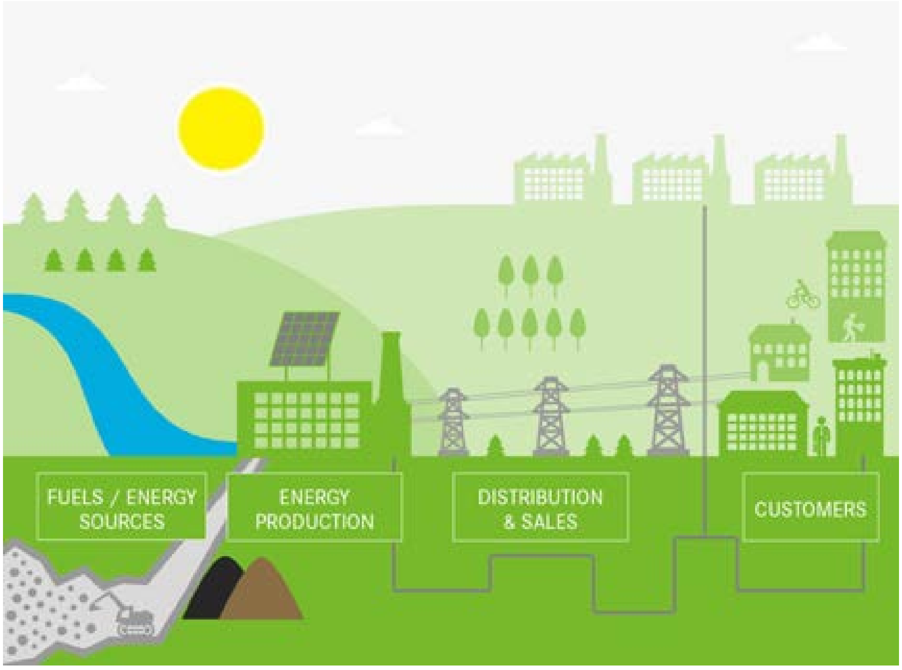
We produce emission free and low-emission electricity and heat using different energy sources. We distribute the produced energy to our customers while taking into consideration long-term, sustainable community planning.

Energy production, distribution and use result in many kinds of environmental impacts. Some of them are global or have an extensive area of impact, and some are regional or local. The biggest environmental concerns are related to climate change, acidification, and diminishing natural resources and biodiversity.

We take into consideration the entire life cycle of our energy products and strive to reduce the environmental impacts of our operations by applying best practices and best available technologies, by using natural resources in a responsible manner, and by using efficient operating and maintenance processes.

In our investments, we pursue a financially profitable balance that provides the possibility to increase capacity and reduce emissions. In line with our strategy, we invest in carbon dioxide-free hydro and nuclear power production and in energy-efficient combined heat and power (CHP) production.

We produce economic added value for our stakeholder groups. We support the functioning of society by, e.g., paying compensation to capital investors and shareholders, paying taxes, employing people and supporting non-profit activities.



As part of our daily operations, we strive to minimise the adverse environmental impacts of our operations. We act responsibly, and we strive to ensure that our business partners act responsibly and comply with our Code of Conduct and Supplier Code of Conduct. Our goal is to make sure that it is safe to work in all our offices and plants.

Read more

- Environmental impacts of our business operations (PDF)
- Fortum's energy production plants in different countries

Hydropower

Hydropower is Fortum's most significant renewable electricity production form. Hydropower production doesn't generate any CO_2- emissions.

Hydropower accounts for about one third of our annual electricity production; the share fluctuates yearly based on the hydrological situation. In 2014 our hydropower production was 22.3 (2013: 18.0) TWh, i.e. 30% (2013: 27%) of our electricity production.

Hydropower has a special role in the functionality and reliability of the energy system because of its flexibility: by regulating water systems, hydropower can be used to respond to fluctuations in demand and in the production of other electricity production forms. Water can be stored in reservoirs and used during electricity consumption peaks. The need for hydropower's flexibility will increase as the share of solar and wind electricity, both with fluctuating production, grows.

Fortum's hydropower production capacity in the Nordic countries is about 4,600 MW. In 2014, we owned or co-owned 159 hydropower plants in Sweden and Finland. The Fortum-owned or co-owned power plants with the largest capacity are located on the Dalälven, Indalsälven and Ljusnan rivers in central Sweden and on the Oulujoki, Kemijoki and Vuoksi rivers in Finland. Hydropower plants are very reliable producers of electricity. During the year, the reliability of the plants was further improved through our investment programme's refurbishment projects both in Finland and Sweden. Equipment and machinery refurbishments also increased the production capacity of the power plants.

Hydropower refurbishments

We increase the efficiency and electricity production of our hydropower plants with systematic plant refurbishments and power upgrades. At the same time we improve safety and operational reliability and reduce the environmental impact caused by the operations.

In Finland, the refurbishment of the Imatra power plant's number three unit was completed in autumn 2014. The capacity of the unit increased by about 6 MW, i.e. 4%. The refurbishment project at the Imatra power plant will continue in 2015 with the refurbishment of the number four unit.

In Sweden, we completed refurbishments at the Noppikoski power plant, at the Skedvi power plant's number one and two units, and at the Gävunda power plant.

Environmental impacts

The most significant environmental impacts of hydropower are caused by construction of power plants and dams, and the dredging of riverbeds. Hydropower and the related regulation of water levels can alter river systems and shorelines as well as the routes and natural flow rates of rivers. Regulating the level of water in lakes and discharges of rivers can affect the aquatic habitat, other uses of the water systems and, above all, fish populations. The migration of fish to spawning areas can be hindered, making reproduction difficult. The impacts on fish populations can be reduced and offset by restocking fish and through projects that improve the natural reproduction of fish as well as through catch-and-transport systems.

Regulation of water systems

Because of hydropower production, the flow rate of water in water systems is regulated both on an annual level and in the short term. With annual regulation, flood waters are stored and the bigger releases of water are done in the winter season, when more electricity is consumed. In short-term regulation, the releases are adjusted during the day or week to correspond with electricity demand.

The permit conditions for our hydropower plants and lake regulation define the limits for surface water levels and flow-rate variations in the water systems. The permits also define our obligations to prevent and to compensate for environmental impacts. As a result of careful operation, there were no permit non-compliances at our hydropower plants in Finland in 2014. In Sweden, we reported one non-compliance. A production disruption at our Åsen hydropower plant resulted in the rapid rise of the water level downstream from the power plant. After the incident, we decided to start the control system renewal project in 2015, a couple of years earlier than initially planned.

In Finland, we worked with environmental authorities to study the possibilities to develop the regulation of the Oulujoki water system to mitigate future flood situations. As a result of the study, we took into use a maximum water level recommendation in the regulating of the Oulujärvi lake; the recommendation will benefit recreational use of the lake and improve flood protection in summers with heavy rainfall.

Reducing environmental impacts

We actively work to mitigate the environmental impacts of hydropower and participate in research and projects with various stakeholder groups. Environmental impacts are mitigated and compensated for through obligatory measures set forth by permits as well as through voluntary measures. The most important obligatory measure is the stocking of fish. In Sweden, in compliance with the court's decision, we removed the Stackmora Dam in 2014 which had previously prevented the migrating of fish in the water system.

Fish stocking

Hydropower is produced in compliance with permit decisions for hydropower plants and the regulating of water systems. The permits require compensation for potential negative impacts, e.g. with fish stocking.

To compensate for the environmental impacts of hydropower production on the fish industry, in 2014 Fortum released about 260,000 salmon and sea trout smolts, and about 360,000 sea whitefish smolts in Finland. Additionally, we stocked lake trout, landlocked salmon, pike perch, European grayling and whitefish in inland water systems. In 2014 we applied for a permit amendment to increase the amount of our fish stocking in the Oulujoki river.

In Sweden, we stocked about 300,000 salmon and sea trout smolts into rivers that flow to the Baltic Sea. Additionally, we stocked about 220,000 landlocked salmon and lake trout smolts in the Klarälven river and Vänern lake. We stocked about 300,000 trout, European grayling and char juveniles and about 45,000 eels in other inland water systems.

Voluntary environmental projects

The environmental impacts of hydropower production were mitigated and studied also through voluntary projects implemented in collaboration with local stakeholder groups. In 2014, we spent about EUR 600,000 on implementing voluntary projects. Collaboration projects typically include improvements to the recreational use of water systems and to the biodiversity in developed water systems. Some of these projects were funded with proceeds from the sale of eco-labelled electricity.

In autumn 2014, we decided to allocate significant additional funding for projects to restore migratory fish in the Oulujoki river in Finland. The practical planning will start in 2015.

A recreational fishing area was established in the Oulujoki river's Montta dam reservoir, and the migrating fish population was strengthened by stocking Atlantic salmon smolt and by transferring spawn-ready salmon over the dams into spawning areas in the Oulujoki river tributaries. Restoration of river fish habitats continued at two points along the Vuoksi river: in the section of the river between the Tainionkoski and the Imatra power plants. We also participated in the city of Imatra's Urban Brook project.

During the year in Sweden, restoration opportunities to protect the Gullspång river's unique salmon population were studied. In the Bulsjöån river, the success of the integration of the endangered freshwater pearl mussel was monitored through a research project. In Klarälven river studies targeted ways to improve the survival of smolt as they migrate downstream from spawning areas.

Improving dam safety

We are systematically improving the safety of our hydropower plant dams. We monitor the condition of the dams in accordance with the safety inspection programmes approved by the dam authority. In 2014, we carried out the biggest refurbishment projects on our hydropower plant dams in Sweden. Our biggest dam safety project (at the Höljes hydropower plant) continued in 2014. The project is scheduled for completion in 2015. Other major dam safety projects that we have completed were the refurbishment of the Spjutmo and Parteboda power plant dams. We launch a new project to refurbish the Lima power plant dam.

Stakeholder views

In 2014 various stakeholder groups brought to the public discourse the following topics important for hydropower production:

For a long time, recreational fishermen in Finland and Sweden have called for hydropower producers to take actions to restore migratory fish populations in developed water systems. In particular, the construction of fishways and the removal of small hydropower plants and weirs that have low profitability have been a focal point of debate.

In November Finland's Minister of Agriculture and Forestry and the Minister of the Environment invited hydropower producers and representatives of energy sector interest groups to discuss ways to restore naturally spawning migratory fish populations in developed water systems. The discussion concluded that the best outcome would be achieved if the projects are implemented through the collaborative efforts of multiple players.

For Fortum, improving the habitats for migrating fish and strengthening the natural fish populations is an important goal. We think that the most effective means to achieving the goal depend on the water system. We have participated in projects that have studied the prerequisites to building fishways for our power plants. We have also allocated significant additional funding to carry out the Oulujoki river migratory fish project in 2015–2017.

In Sweden, the hydropower debate is related to implementation of the EU Water Framework Directive and to hydropower's environmental measures. An administrator's proposal on amending environmental legislation regarding the use of waters was published in June 2014; the amendment is proposed in order to achieve the environmental targets of Sweden and the EU. The key proposal in the report was that old hydropower plants should have to apply for new environmental permits. A condition of receiving the permits would be the implementation of environmental measures.

In a statement we issued about the report, we emphasised that the environment can be improved also on the basis of current legislation. We think the proposal for permit processes causes uncertainty for the future of hydropower and, in the worst case, major expenses with no corresponding environmental benefits.

In July 2014 the Swedish Energy Agency and the Swedish Agency for Marine and Water Management published a national Strategy for Workarounds in Hydropower. According to the strategy, environmental measures should not reduce hydropower production by more than 2.3% on a national level. Nor should the measures significantly decrease the regulating capacity, i.e. the possibility to regulate the amount of hydropower production in accordance with electricity demand.

Read more

- Reducing hydropower's environmental impacts
- Fish-related issues in hydropower production

Nuclear power

Nuclear power is one of Fortum's central energy production forms. In 2014, Fortum's nuclear power production was 23.8 (2013: 23.7) TWh, i.e. 32% (2013: 35%) of our electricity production. Fortum also offers nuclear power expert services.

In Finland, we own and operate the Loviisa power plant. We also have a 26.6% share in Olkiluoto's two reactors and a 25% share in the third reactor under construction. In Sweden, Fortum has a 22% share in Forsmark's power production and a 43% share in Oskarshamn's power production.

Fortum's nuclear power production capacity totals 3,280 MW.

Fortum announced in December 2014 that it is ready to take a max. 15% minority stake in Fennovoima's nuclear power project if the restructuring of TGC-1's hydropower production is realised in Russia.

Safety and availability

Fortum has long experience in the responsible operation of nuclear power. Our nuclear power plants have a high level of safety, and we develop the safety and availability of the plants based on the principle of continuous improvement.

In 2014, our Loviisa nuclear power plant produced 7.88 (2013: 8.04) TWh of electricity, which was about 12% (2013: 9%) of Finland's electricity production. The load factor describing the availability of the nuclear power plant was 90.9% (2013: 92.5%), which is high by international standards. The availability of pressurised water reactors globally was about 84% (2013: 83%). In 2014, a normal, so-called short maintenance outage was carried out on Loviisa's number one unit and an extensive maintenance outage, done every four years, was carried out on the number two unit. In conjunction with the outages, about a quarter of the fuel in both units was replaced.

During the year, one incident impacting safety (level 1 on the INES scale used by the International Atomic Energy Agency) was recorded at the Loviisa power plant. The incident did not cause any danger to people, the environment or the power plant. According to the IAEA definition, INES 1 incidents do not pose a risk, but do indicate a lack of safety provisions.

Availability also in co-owned nuclear plants – with the exception of the Oskarshamn 2 unit – was good. Since the annual outage, the output of Oskarshamn 1 has been somewhat limited and will continue to be limited until the spring 2015 annual outage. It has been decided to perform an extra inspection outage on Forsmark 3 in spring 2015. Oskarshamn 2 was shut down for all of 2014, due to modifications to improve the plant's safety and to increase its capacity.

Continuous development of nuclear safety

For the past decade, the European Union has strived to develop its nuclear safety-related legislation. Based on the work done during and after the stress tests on European nuclear power plants, in summer 2013 the European Commission released a proposal for the renewal of the Nuclear Safety Directive. The directive was approved in July 2014, and Member States shall bring into force in their national legislation the regulations necessary to comply with this directive by the middle of August 2017.

In 2014, Fortum continued improving the safety of its nuclear power plants. At the Loviisa power plant, we continued the construction of air-cooled cooling towers that are independent of seawater, and improved flood protection in case of the very improbable exceptionally high seawater level. Construction of a new air cooling system independent of seawater cooling started in 2014, and the system will be completed in 2015. The system will improve the plant's preparedness for extreme situations in which seawater for some reason becomes unavailable for its normal cooling function.

At the Loviisa power plant, steam generator safety valves were replaced, safeguards against high sea levels were improved, and the main transformer was replaced. Additionally, a periodic, extensive safety assessment will be conducted at the Loviisa power plant, and the results of the assessment will be submitted to Finland's Radiation and Nuclear Safety Authority STUK during 2014 and 2015.

At the end of the year, the Swedish Radiation Safety Authority published requirements for improving safety. Among other things, the authority is requiring plants to have an independent emergency feedwater system. Transitional solutions must be installed at all plants in 2017, and stationary installations by 2020 at plants with an operating life designed for 60 years.

Renewed nuclear power research and development programme

Fortum decided in 2014 to refocus its nuclear power research and development activities. Going forward, research and development will concentrate on three areas: safe and efficient use of nuclear power, growing the nuclear power business, and new technologies in nuclear energy. Our research and development work in 2014 focused particularly on nuclear waste-related research and on the service life management of concrete.

In addition to our own research programmes, we participate in Finnish national research programmes and in the development of Swedish nuclear power research. Fortum also participates in international research projects.

Modernisations and capacity upgrades

The efficiency and power capacity of both units at the Loviisa nuclear power plant have been increased over the years through plant modernisations; this work will continue in the coming years. Nuclear power upgrades are being carried out also in our co-owned plants in Sweden.

Modernisations and capacity upgrades at Loviisa

The Loviisa power plant's high-pressure turbines will be modernised in 2014–2017. Additionally, the plant's eight moisture separators and reheaters will be modernised in 2015–2017. The modernisations will increase the plant's nominal output by a total of about 29 MW.

Work to modernise also the plant automation is under way. The modernisation project will be implemented over several years and is included as part of Fortum's normal capital expenditure. In 2014, we refocused the project and switched the main collaboration partner. We agreed to continue the project with English Rolls-Royce and ended the agreement with our previous partner Areva-Siemens Consortium.

The automation project to be implemented with Rolls-Royce focuses mainly on safety-related systems for both Loviisa power plant units. The project is to be implemented by the end of 2018. The project will be implemented in close collaboration with Fortum.

The aim of the automation modernisation project and of other modernisation projects is to secure safe and reliable electricity production at the Loviisa nuclear power plant until the end of the plant's operating licences.

Capacity upgrades in Sweden

Projects related to capacity upgrades continued at both the Oskarshamn and Forsmark nuclear power plants. A decision was made to continue the capacity upgrade project at Forsmark 1; according to the plan, the new upgraded capacity will be taken into use by 2020 at the latest after extensive grid improvement work. The capacity upgrade for Forsmark 3 was rejected as unprofitable because of the significant additional investments required for the electricity distribution network.

The Oskarshamn 2 unit was shut down in June 2013 in order to implement preparations for safety improvement modifications and for a capacity upgrade at the plant. The installations have not progressed as planned. Because of the safety improvements, the stoppage will continue until summer 2015, and the capacity upgrade will be postponed to 2017.

Environmental impacts

Carbon dioxide-free nuclear power has an important role in mitigating climate change. Under normal conditions, nuclear power production does not have any impacts on human health or the environment.

Nuclear power's most significant environmental impacts are related to nuclear safety, nuclear waste management, and the impacts the cooling waters have on water systems.

The most significant environmental impact of a nuclear power plant during operation is the increase in the water temperature in the immediate vicinity of the plant when seawater is used for cooling. In 2014, the Loviisa power plant's thermal load on the sea was 15.4 TWh. Based on temperature measurements, the cooling water has increased the temperature of the surface water by 1-2 degrees within a 1-2 kilometre radius of the cooling water's discharge location.

The thermal load on the sea could be reduced by making the nuclear power plant a combined heat and power plant. This would increase the power plant's energy efficiency by several tens of per cents. So far, this type of solution has not been realised in any country on a large scale.

Nuclear waste management

Both conventional and radioactive waste are generated in nuclear power production. The nuclear waste treatment and final disposal solutions at the Loviisa nuclear power plant and at Fortum's co-owned nuclear power plants are at the forefront of development globally.

Conventional waste is generated at the power plant in, e.g., office work and in servicing and repairing systems that are outside the nuclear power plant's controlled area. Work performed within the nuclear power plant's controlled area generates radioactive waste. Depending on the level of radioactivity of that waste, it is categorised as waste that can be released from control or as low-, intermediate- or high-level radioactive waste.

The Loviisa power plant's low- and intermediate-level radioactive waste is treated at the power plant and then placed in the bedrock-excavated final repository (VLJ cave) owned and used by Fortum. The space has been in use since the 1990s. The plan is to enlarge the final repository so that all low- and intermediate-level radioactive waste, including decommissioning waste generated at the Loviisa power plant, can be placed there. The enlargement and the licences for it will become topical in the 2020s.

The finalising of the Loviisa nuclear power plant's liquid waste storage and solidification plant continued in 2014. The plan is to commission the solidification plant by 2016. An analyses update for the long-term safety of the final disposal of power plant and decommissioning waste was started in 2014. The aim is for the update to be completed in 2018.

After use, the fuel assemblies removed from the reactor are first stored inside the reactor building for a few years and then in deep water basins in an interim storage located in the plant area. The planning for Fortum and Teollisuuden Voima Oyj's (TVO) encapsulation plant and final repository for spent fuel, to be built at Olkiluoto in Eurajoki, Finland, has advanced to the construction licence phase.

Final disposal of spent fuel

In Finland and Sweden, the producers of nuclear waste are responsible for management and final disposal of the nuclear waste and for the related costs. In Finland, nuclear waste management principles and timetables were decided on already back in the 1980s, and the construction of waste management solutions has advanced according to plans.

The licence holders are responsible for the management of power plant waste generated during the operation of the Loviisa and Olkiluoto nuclear power plants and for the management of future decommissioning waste. The practical implementation of the final disposal of spent nuclear fuel from the companies is handled by Posiva Oy, which is co-owned by Fortum and TVO. Posiva Oy's construction licence application for the spent nuclear fuel encapsulation plant and final disposal facility is currently under assessment by the Government and the Radiation and Nuclear Safety Authority STUK. The Radiation and Nuclear Safety Authority noted in its statement in February 2015 that the plant can be built to be safe. Preparedness to start final repository operations is estimated to be achieved around 2020.

Svensk Kärnbränslehantering AB (SKB) handles the final disposal of the nuclear waste generated by Fortum's co-owned nuclear power plants in Sweden. In March 2011, the company submitted a construction licence application to build an encapsulation and final disposal plant for spent fuel; the application is still being reviewed by the authorities. The final repository for spent fuel is planned to be built at Forsmark. After construction and a test-run period, disposal operations could start in the late 2020s.

Read more

- Provisions related to nuclear power

Stakeholders views

In 2014 various stakeholder groups brought to the public discourse the following topics important for nuclear power production.

Greenpeace launched a campaign in March 2014 to close aging nuclear power plants by encroaching on nuclear power plants in six countries.

Fortum's co-owned Oskarshamn nuclear power plant in Sweden was also a target of the campaign, with 20 demonstrators in the plant area demanding the closure of the nuclear power plant.

The demonstration did not endanger the plant's operations, and police removed the demonstrators from the area. The Loviisa nuclear power plant in Finland was also on the Greenpeace list of nuclear power plants to be closed, but there were no demonstrations against the plant.

The current operating licences for the Loviisa nuclear power plant units will end in 2027 (Loviisa 1) and 2030 (Loviisa 2). The continuation of nuclear power production in Loviisa after the current operating licences expire was of interest, particularly locally. Fortum is interested in continuing nuclear power production in Loviisa, but at the moment we have nothing specifically underway with regards to this. We have already publically communicated that a combination of nuclear power and combined heat and power production would be a commercially interesting solution for Loviisa. Using nuclear power in combined heat and power production would significantly improve the energy efficiency of nuclear power. However, building additional nuclear power requires broad social acceptance.

Combined heat and power production

Fortum prefers combined heat and power (CHP) production, which utilises as much as 90% of the fuel's energy; by comparison, the efficiency of electricity-only production is about 60% at its best. We use different fuels in a diverse and flexible manner in CHP production.

In 2014, CHP plants accounted for 90% of Fortum's heat production and 28% of its electricity production. We produce electricity, heat and steam at 20 CHP plants in Finland, Poland, Russia and the Baltic countries. During the past two years, we have commissioned new CHP plants in Finland, Latvia and Lithuania. Additionally, energy-efficient gas turbine units were taken into use at the Chelyabinsk CHP-1 power plant in Russia. Two more natural gas-fired CHP plant units were under construction in Russia in 2014. Upon completion in 2015, they will increase Fortum's electricity production capacity by 496 MW and its heat production capacity by 350 MW.

Joint venture Fortum Värme produces electricity and heat at four CHP plants in the Stockholm region. The Brista power plant's new CHP unit was commissioned in 2014. Fortum Värme is constructing a new biomass-fired CHP plant in Stockholm. The plant is scheduled to be completed in 2016. The plant's electricity production capacity is 130 MW, and its heat production capacity 280 MW. It will replace Fortum Värme's old coal-fired capacity.

Availability of CHP plants at a good level

Good availability of a power plants enables efficient and safe operation, a reliable supply of energy and reduced environmental impacts. The average availability of Fortum's CHP plants in 2014 was 94.7%; the annual target was 95%.

We are continuously engaged in projects to improve power plant availability and reliability. In 2014, we upgraded fuel-feed systems, water-steam cycles, and electrical and automation systems, among other things.

Diverse mix of fuels

We utilise a flexible and diverse mix of fuels in energy production at our CHP plants, and we aim to increase the use of renewable and waste-derived fuels. In 2014, we used in total 77 TWh of fuels at our CHP plants with the following breakdown: natural gas 80%, coal 14%, biomass and bioliquids 4%, waste-derived fuel 0.8%, and peat 0.5%.

The renewable fuels we use include forest residues, other wood-based fuels and agrobiomass. Additionally, over 60% of the municipality and industrial waste we burn is bio-based.

We actively participate in developing new energy sources and fuels. An example of this is the pyrolysis technology-based Fortum Otso® bio-oil production plant constructed at the Joensuu power plant. Operating at full capacity, the plant can annually produce about 50,000 tonnes of bio-oil, which is used to replace fossil fuel oils both at Fortum's own heat plants and at its customers' heat plants. This reduces CO_2-emissions from energy production by as much as 60,000 tonnes per year. Process technology problems have delayed the commissioning of the plant.

In Stockholm, Fortum Värme used 2.0 (2013: 3.2) TWh of biomass and various bioliquids and 2.6 (2013: 2.1) TWh of waste derived fuels. Renewable fuels accounted for 61% Fortum Värme's total fuel use. The new plant unit under construction is one of the world's largest bio-CHP plants; it will further increase the use of renewable fuels and reduce emissions in Stockholm.

Environmental impacts

The most significant environmental impacts from fuel-based energy production are related to flue-gas emissions. Emissions into water, waste or by-products can also have local impacts.

The environmental impacts of heat production are reduced with combustion technology, by scrubbing combustion gases and by switching fuels. The biggest reduction in emissions to air, particularly carbon dioxide and sulphur dioxide, are achieved by switching from fossil fuels to renewable fuels.

Heat plant emissions to air are regulated by plant-specific environmental permits, which require the monitoring and reporting of emissions. In 2014, we continued preparations for the investments needed to fulfil the emissions requirements set by the Industrial Emissions Directive (IED). The IED tightens the emissions requirements for practically all of our thermal power plants (CHP plants and condensing power plants) from 2016 onwards.

In Finland, we applied for new environmental permits in 2014 for all plants within the sphere of the directive. To reduce sulphur emissions, a switch was made from heavy fuel oil to light fuel oil at the Tapiola heat plant in Espoo, and the planning work to convert the heavy oil-fired boilers at the Kivenlahti heat plant in Espoo to pellet-fired boilers was started. Additionally, it was decided to install a flue-gas condenser at the Joensuu power plant in 2015; this will significantly reduce the plant's particle and sulphur emissions.

Despite the measures implemented, the five-year average for specific carbon dioxide emissions from Fortum's total energy production increased to 198 g/kWh, which is slightly less than the target level of 200 g/kWh. The five-year average for specific emissions has been on the rise in recent years, as the share of Russia's production in calculating the average has increased.

Utilisation of by-products

Our European power plants utilise and recycle by-products as efficiently as possible. Gypsum produced at the Meri-Pori power plant is used as a raw material for the gypsum board industry. Ash is used in the construction industry, in road construction, in earthwork and in mine fills. CE-labelling for the bottom ash of CHP plants in Finland was received in 2014. By-products with no practical use found are piled in landfills.

In Russia, ash is stored in ash ponds because there are no practical applications for it.

We improve energy efficiency

Better energy efficiency reduces the environmental impacts of energy production and use. Because of the high overall efficiency of CHP production, emissions per produced energy unit are lower than in electricity-only production. In fact, in recent years we have replaced several old production plants with more efficient CHP plants or units in Finland, Russia and the Baltic countries.

We apply the principle of continuous improvement in developing the energy efficiency of the existing plant base. The goal is to achieve annual energy savings of over 1,400 GWh by 2020 compared to 2012. This energy savings is equivalent to the annual heating demand of more than 75,000 households (18,500 kWh/household) or the annual energy production of more than two hundred 2.5-MW wind power plants. In 2013-2014 we achieved about 680 GWh of this target, i.e. 49%.

In Chelyabinsk, Russia, the district heat networks of the CHP-1 and CHP-2 power plants were integrated. This helps to optimise power plant operations and enables the maximal use of CHP-1's new gas turbine units. The estimated annual energy savings is 469 GWh.

We invested in a flue-gas condenser to be built at the Joensuu power plant. The condenser will be commissioned in 2015 and will save about 100 GWh of energy per year.

Read more

- The share of renewable energy sources used in electricity and heat production
- The use of fuels

Other production

Fortum has also heat-only production, condensing power production and solar power.

Heat-only production

Fortum has nearly 200 heat-only plants in Finland, Poland, the Baltic countries and Russia. The plants use a versatile mix of fuels as well as heat pumps to produce district heat, particularly during peak loads. The heat plants produced 10% of our total heat production in 2014.

The fuels used in heat production include natural gas, biomass, coal and fuel oil. The size of the heat boilers varies greatly: the smallest have a capacity of less than 1 MW and the largest close to 200 MW. Heat boilers have a good efficiency and generally utilise more than 90% of the fuel's energy. The environmental impacts from heat-only production are similar to those from combined heat and power production.

We are continually developing new ways to improve production efficiency to minimise the environmental load. For example, in Espoo we have two heat pump plants that transfer waste heat from the data centres of IT companies into the district heat network. At the beginning of 2015, we commissioned a new heat pump plant near the Suomenoja power plant. It recovers heat from the city of Espoo's purified wastewater before the water is piped into the sea. Cooling the water before it is released into the sea reduces the environmental impacts of the wastewater treatment plant. The heat pump plant annually produces about 300 GWh of heat for the Espoo district heat network. The production corresponds to the annual consumption of about 15,000 single-family homes.

In Stockholm, Fortum Värme has more than 20 heat-only boilers that are fuelled by fuel oil and bioliquids. Värme also has three big heat pump plants that use seawater to produce heat for Stockholm's district heat network. Stockholm also has an extensive district cooling network that uses heat pumps and heat exchangers to produce cooling. A heat pump is an energy efficient, climate benign and low emissions production form. The only emissions are the possible minor leaks of refrigerants from the pump equipment. Other environmental impacts of heat pumps mainly stem from the production of the electricity they use.

Condensing power production

Fortum produces condensing power in Russia and Finland. In 2014, the Nyagan power plant in Russia produced base-load power. The Meri-Pori power plant in Finland supplements other electricity production when electricity demand is high. Annual condensing power production therefore fluctuates considerably based on the market situation. Fortum's condensing power production in 2014 was 7.2 (2013: 4.6) TWh, i.e. 10% of the company's total electricity production.

Condensing power plants generate electricity only, and the thermal energy from condensing is released into the environment as waste heat. For that reason, the generation efficiency of condensing power plants is clearly lower than that of CHP plants.

The Nyagan power plant in Russia has three modern natural gas-fired combined-cycle units. The Nyagan power plant is located in a scarcely populated industrial area in Western Siberia, where oil and natural gas production require a lot of electricity but there is no need for a corresponding amount of thermal energy. The plant's efficiency is over 55%, which is very high also on a global scale. The efficiency of traditional condensing power production in Russia is 40% at best. By comparison, the Nyagan power plant saves about 9 TWh of fuel annually, which is more than the city of Helsinki's annual consumption of district heat. Because of the good efficiency, the Nyagan plant's emissions are much less than that of traditional condensing power production.

In Finland we produce condensing power only at the Meri-Pori power plant. The plant's main fuel is coal. The Inkoo power plant was decommissioned in February 2014.

The environmental impacts from condensing power production are essentially the same as those from combined heat and power production. The difference is the heat that is released into the environment through the cooling waters. The Nyagan power plant in Russia is equipped with cooling towers that allow heat from the cooling water to dissipate into the atmosphere. The Meri-Pori power plant uses sea water for cooling, and the warmed cooling water is pumped back into the sea. In open sea areas, the impacts of the increased temperature are local and minor.

Solar power

We believe that inexhaustible, renewable and carbon-free solar energy is one of the future's most important energy production forms as climate change and local environmental problems necessitate sustainable, CO_2-free and energy-efficient solutions. Solar electricity technologies are advancing quickly. Solar energy costs continue to decrease and, in many countries, solar electricity production is already profitable for consumers without any subsidies. In countries with ideal conditions for solar energy, the production cost of solar electricity is nearing the price of wholesale electricity.

We are researching and developing solar operations in the Nordic countries and in India.

In 2014, we produced 9 GWh of solar electricity at our Amrit Solar plant in northwest India. At the end of the year, we connected a new 10-MW solar power plant to the grid in Kapeli, in central India. The plant was officially inaugurated for use in January 2015. The plant is the first that has been built as part of India's renewable energy investment programme, Jawaharlal Nehru National Solar Mission (JNNSM) Phase II. The investment increased Fortum's solar power production capacity in India to 15 MW.

Fortum has ongoing demonstration and research projects to harness the enormous potential of solar energy.

Power and heat distribution

Fortum is an energy producer and also transmits and distributes power and heat to its customers. At the end of 2014, Fortum had electricity distribution networks in Sweden and district heat networks in Finland, Poland, the Baltic countries and Russia. In 2014, we divested the electricity distribution business in Finland and Norway. The decision to sell the electricity distribution business is related to the assessment the company made in 2013 regarding the future strategic alternatives for the distribution business. During the year, we continued the preparation and assessment of divestment opportunities for Sweden's electricity distribution business.

Heat distribution

Heat produced in CHP plants and heat-only plants is transmitted to consumers in the district heat network. Smart metering and control systems as well as open, two-way district heat networks are new types of solutions in the development of heat distribution.

Fortum owns and operates about 1,240 km of district heat network in Finland, 700 km in Poland, 336 km in the Baltic countries and 540 km in Russia. We also have small local district cooling networks in Espoo.

Uninterrupted heat delivery

The security of supply of energy is a priority for Fortum and one of our sustainability targets. Delivery reliability of district heat in the EU countries is already at a good level, and in Russia the modernisation of our district heat network is under way. An uninterrupted supply of district heat is important, particularly in the cold weather conditions of the North. We are continuously improving the reliability of our district heat network with systematic network maintenance.

Our district heat customers in the Nordic countries have delivery interruptions for only 1-2 hours per year on average. About half of the interruptions are caused by damage to the network and the work to repair it, and half are for some other reason, like network refurbishment work and connecting new customers to the district heat network. Generally, we can implement new connections and district heat network branching without interrupting heat distribution. We try to schedule any planned repair work that will cause interruptions in distribution to times outside the heating season.

We are developing the trunk network in Russia

We produce district heat for close to two million residents in the Russian cities of Tyumen, Chelyabinsk, Tobolsk and Ozersk. In heat transmission we operate mainly trunk networks through which heat is transmitted from production plants to the distribution networks of the cities.

In 2014, the trunk networks of the CHP-1 and CHP-2 power plants in Chelyabinsk were integrated; this helps in the optimisation of the power plants' operations and enables the maximal use of CHP-1's new gas turbine units.

Smart meters

Smart metering and control systems give heat network customers the opportunity to influence their own heat consumption. With smart meters, consumption data is received almost in real-time and heat consumption monitoring is more efficient. Nearly all of our district heat customers in Finland, Poland and the Baltic countries are within the sphere of smart metering.

Open district-heat network

Buildings, industrial processes and production plants generate a lot of waste heat. Individual households also sometimes produce surplus heat energy. Making the district-heat networks two-way enables customers to sell the surplus heat to the network. Utilising heat that otherwise would be lost can reduce energy costs and the carbon footprint.

With an open district-heat network, it is, for example, easier to use solar energy in heat production because production peak surpluses can be sold to the network. Making the district heat network two-way is technically simple and does not require major investments.

Power distribution

In 2014, we divested the electricity distribution business in Finland and Norway. The decision to sell the electricity distribution business is related to the assessment the company made in 2013 regarding the future strategic alternatives for the distribution business. During the year, we continued the preparation and assessment of divestment opportunities for Sweden's electricity distribution business.

At the end of the year in Sweden, Fortum had 907,000 electricity distribution customers with the following breakdown:

- 780,000 private customers
- 9,000 industrial/commercial customers
- 118,000 institutional customers

Fortum had an electricity distribution network of about 71,000 km in Sweden. Taken into account the pre-divestment distribution volumes in Finland and Norway, 17.6 TWh of electricity was transmitted in our distribution network and 13.8 TWh in our regional transmission network.

Construction of weather-proof network continued

Fortum has continuously invested in electricity network updates and maintenance and in improving security of supply. In 2014, the Distribution division invested a total of EUR 147 million in Finland, Sweden and Norway. We invested in underground cables, overhead lines and substations. We also further increased the network automation for the critical parts of the grid. Through our electricity network investments, we aim to make the network smarter and to decrease and shorten power outages. By the end of 2014, approximately 761,000 of Fortum's customers (84% of customers) in Sweden were within the sphere of a weather-proof electricity distribution network.

The system average interruption duration index (SAIDI) per customer in our distribution network in Sweden was 97 (2013: 103) minutes, while the target was <100 minutes. The customer average interruption duration index (CAIDI) was 81 (2013: 92) minutes.

Reduction of environmental impacts

Construction, use and maintenance of the electricity and heat distribution networks impact the surrounding environment. Environmental impacts are reduced through careful operational planning and technology solutions and by adhering to environmentally benign ways of operating.

When planning a distribution network, the impacts on land use, the landscape and nature are taken into consideration. Through the planning, zoning and permit processes, the aim is to find the best solution for society for securing energy distribution.

Minor impacts from the district heat network

The environmental impacts of district heat distribution occur in the network construction phase. As in other construction projects in society, the nature of the impacts are temporary at the construction site. With the exception of occasional water leaks, there are no environmental impacts from the use of district heat networks.

Cabling reduces the electricity distribution network's environmental impacts

In the construction phase of an electricity distribution network, environmental impacts are caused by things like the removal of trees, and by construction site traffic, noise and dust. Replacing overhead lines with underground cables reduces impacts on the landscape and on birds. The majority of waste materials generated in distribution network upgrades can be reused or recycled. Contaminated soil areas from transformer oil leaks are cleaned as quickly as possible. New transformers are equipped with oil trays that prevent oil from getting into the environment in accident situations.

Electricity and heat sales

The Nordic electricity market is freely competitive. Electricity price is determined on the basis of the cheapest possible electricity production and electricity imports sufficient to cover the demand in each hour. Because of the transmission network's capacity bottlenecks, the market has been divided into price areas, and their prices differ from each other when transmission needs exceed the network's capacity.

The majority of Nordic and Baltic electricity production is sold through the Nordic electricity exchange's Nord Pool Spot. In 2014, 361 TWh, i.e. about 90% of the electricity consumed in the Nordic and the Baltic countries, was sold in Nord Pool Spot.

Electricity sellers and buyers can also hedge their electricity price with derivatives on the Nasdaq Commodities exchange. In 2014, the trading volume of Nordic electricity market products totalled 1,497 TWh, i.e. about fourfold compared to the physical production.

Fortum sells electricity and heat to private and business customers. We are one of the leading electricity sales companies in the Nordic countries. At the end of 2014, we had over 1.3 million electricity sales customers in Sweden, Finland and Norway.

In 2014, we sold a total of 13.8 (2013: 13.6) TWh of electricity to private and business customers.

Fortum is one of the world's biggest producers and sellers of heat. We sell heat to companies, the public sector and private customers in Finland, Sweden, Poland, all the Baltic countries, and especially in Russia. Fortum's heat sales in 2014 totalled 35.4 TWh, of which 26.0 TWh was sold in Russia, 3.2 TWh in Finland and 3.4 TWh in Poland. In 2014, we started selling district cooling in Finland, and we decided to invest in district cooling production and distribution in Tarto, Estonia.

In Sweden, Fortum Värme sold 7.6 TWh of heat and 0.4 TWh of district cooling.

Our electricity and heat products

In recent years, Fortum has introduced several new solutions to the markets, solutions that boost the efficiency of customers' energy use and reduce environmental impacts. Smart solutions give customers better opportunities to control their electricity consumption and costs.

Climate-benign electricity products

Fortum is one of the Nordic countries' leading sellers of carbon dioxide-free and guarantee-of-origin-labelled electricity and can offer more and more customers an electricity agreement that comes with electricity produced with renewable energy.

In 2014, all of the electricity we sold to private customers in Finland was renewable, carbon dioxide-free hydropower or wind power. The origin of the hydroelectricity and wind power was guaranteed with European Guarantees of Origin and additionally a part of the electricity with the pan-European EKOenergy label.

Towards the end of 2014 in Sweden, we renewed the private customer electricity agreements: going forward, all electricity is primarily produced with hydropower. Customers can also choose which hydropower plant's electricity they want to buy. If our Swedish customers prefer, they can also opt for electricity produced with wind and solar power or environmental labelled Bra Miljöval ("Good Environmental Choice") electricity. Likewise in Norway, our customers have the opportunity to purchase carbon dioxide-free electricity produced exclusively with hydropower.

Developing district heat

We are continuously developing our district heat solutions in all the countries where we produce and sell heat. An open district heat network is a new solution that enables buildings producing heat to sell their surplus heat to Fortum at a market price. In Finland, two IT-sector data centres and the Espoo hospital under construction have made an agreement with Fortum to sell surplus electricity to the open district heat network.

In Sweden, joint venture Fortum Värme's customers include shopping centres, among others. With open district heat becoming more common, there is less need to produce heat with fossil fuels in heat-only plants, and thus emissions from our district heat operations are reduced.

Energy-efficiency products and services

Fortum has introduced new services to the market in recent years to improve customers' energy efficiency; examples include the consumption report service Fortum Valpas, the Fortum Kotinäyttö (Home Display), the Fortum Fiksu product family and the Fortum Solar Kit. With the new services, Fortum customers can monitor their energy consumption, optimise their home heating, and thus cut costs.

For our private and business customers in Finland and Sweden, we offer turnkey solar panel systems, and we buy surplus solar electricity from customers at a market price.

Electricity for cars

Fortum actively promotes the adoption of electric vehicles by developing solutions that enable quick and safe charging of electric vehicles. Fortum's Charge & Drive network operates in Norway, Sweden and Finland. We are collaborating with various partners in the Charge & Drive project so that an increasing number of motorists will find it convenient to drive electric vehicles.

Fortum already has some 50 charging stations in Finland, 90 in Sweden and nearly 200 in Norway. More than 100 stations are fast chargers. Increased use of electric vehicles reduces emissions regardless of the source of electricity, because all electricity production is in the framework of the EU emissions trading scheme, unlike petrol and diesel fuels.

Expert services

We offer a variety of operation and maintenance expert services to power plant owners and industrial customers. Our services and tools help our customers to boost the operational and maintenance efficiency of their plants and increase profitability. Additionally, we offer products and consulting services related to hydropower, nuclear safety and nuclear waste handling.

In 2014, we continued supplying ion exchange materials to the American EnergySolutions LLC in Japan. The ion exchange materials are used to purify the radioactive waters at the damaged Dai-ichi power plant in Fukushima.

We also continued combustion technology-related deliveries. For example, we received a follow-up order from Eesti Energia for a boiler modernisation of the Narva power plants. We will supply a nitrogen oxides reduction system for seven boilers during 2014-2015. We also agreed to supply a nitrogen oxides reduction system for one boiler at a heat plant owned by the city of Iasi in Romania. In Poland, burner deliveries and combustion technology conversion projects continued at EDF's power plants in Krakow and Wroclaw.

IN SOCIETY

Stakeholder collaboration

Our way of operating responsibly includes continuously identifying the views of our stakeholders and finding a balance between the different expectations our stakeholders have. Dialogue, feedback and good collaboration are key ways to promoting a mutual understanding with our stakeholders.

Management of stakeholder collaboration at Fortum is assigned to a number of functions, particularly to communications, corporate relations, human resources, and sustainability, and to electricity and heat sales, as well as several expert areas. We have increased dialogue with our stakeholders also through social media channels in all countries where we operate.

Responsibilities for managing stakeholder collaboration are primarily determined by stakeholder group or interaction theme. Key interaction areas, e.g. corporate relations, and corporate and customer communications, have annual plans that guide the activities.

Fortum has an informal Advisory Council consisting of representatives of Fortum's stakeholder groups as invited by the Board of Directors. The Advisory Council aims to increase the dialogue and the exchange of views between the company and its stakeholders.

We report openly about dialogue with our stakeholders and the impacts of our operations. Our main stakeholders include shareholders, investors, analysts, customers, personnel, authorities and decision makers, and the media. Our other important stakeholder groups are suppliers of goods and services, energy sector organisations and non-governmental organisations. We regularly monitor and assess the public discussion in the countries where we operate.

Information through surveys

In collaboration with third parties, we conduct annually several surveys regarding stakeholder collaboration. The aim of these surveys is to help Fortum assess and respond to the important stakeholder groups' expectations of the company. The surveys also measure the success of our stakeholder collaboration. Additionally, the surveys provide information about emerging sustainability trends and risks.

We use the survey results in business planning and development. The feedback received from customers guides the development of products and services. Additionally, our activities in national and international organisations help to deepen our understanding of, for example, global sustainability issues and their connections to our business.

Survey	Target groups	Target countries	Frequency
One Fortum	Customers Public administration Capital markets NGO:s Opinion leaders Personnel	Finland, Sweden, Norway, Poland, the Baltic countries, Russia	Annually
EPSI customer satisfaction surveys	Electricitysales customers	Finland, Sweden, Norway	Annually
PR-barometer	Media	Finland, Sweden, Poland, the Baltic countries, Russia	Annually
Media tracking	Media	All operating countries	Daily
Student surveys	Students	Finland, Sweden	Employer surveys by T-Media and Universum and Uratie survey by Talentum in Finland in 2014. Employer survey by Universum in Sweden.

Social media

Fortum's social media presence is primarily country-specific, and there are some differences in the use of the social media services between our operating countries. Facebook and Twitter are our main social media channels. Additionally, we use other services, like LinkedIn, YouTube and blogs.

We use Facebook to engage in a dialogue with our customers and the general public about Fortum and about topical issues related to the energy sector. We also use Facebook to communicate with our customers in power and district heat outages. We use Twitter to communicate and for engaging in a dialogue with our customers, the general public, the media, organisations and opinion leaders, and other companies. On Twitter, we discuss topics related to Fortum's current activities and topical new issues in the energy sector. We have also used Twitter to communicate with customers about power and heat outages.

Stakeholder surveys

We use the extensive One Fortum survey and the EPSI customer satisfaction survey to annually measure customer and stakeholder satisfaction as well as changes in the company's reputation and the factors that impact it.

The One Fortum survey covers customers, public adminstration, capital markets, non-governmental organisations and opinion leaders as well as Fortum's personnel.

In 2014, as in the previous year, we conducted the survey in Finland, Sweden, Norway, Poland, the Baltic countries and Russia. For the Power Solutions business area, the survey also covered customers in Germany and Great Britain. In Finland and Sweden, we also surveyed the views of the general public.

As part of the One Fortum survey, we conducted a separate sustainability survey targeting the same stakeholder groups; the goal was to find out what our stakeholders consider to be the most important sustainability areas. A total of 3,431 stakeholder representatives responded to the One Fortum survey; 1,074 of them represented the personnel. A total of 1,720 stakeholder representatives responded to the separate sustainability survey; 985 of them represented the personnel.

The EPSI customer satisfaction surveys measures customer satisfaction in Finland, Sweden and Norway.

The survey results are reviewed by Fortum's top management and are used for business planning and development. In 2014, Fortum's reputation and customer satisfaction were also part of the Group's sustainability target setting, and reputation among the general public, customers and personnel was also part of the long-term incentive (LTI) system.

We use the results from the One Fortum survey, the sustainability survey and the EPSI customer survey as well as other stakeholder surveys to assess materiality of sustainability issues, and to define the content of our sustainability reporting.

Our reputation is stable and customers increasingly more satisfied

Our reputation among the most important stakeholders has remained stable, and, despite a small decrease, it is still the strongest among our stakeholders operating in the capital markets. Our reputation among public sector representatives improved for the third consecutive year.

Our reputation improved among all stakeholders in Finland, particularly among customers. Customer satisfaction improved most in our heat business. Satisfaction among electricity distribution's private customers decreased slightly, but increased among business customers in all market areas. The Power Solutions business area's customers continued to be very satisfied and are now more loyal and more willing to recommend Fortum.

Our reputation continues to be weakest among the general public. The score decreased from 2013 as our reputation in Sweden weakened. Opinion leaders and NGOs have a more positive attitude towards Fortum than before.

Business operations and social responsibility are factors that have the biggest impact on reputation. Customer orientation and employer image also have a significant impact. As in the previous year, Fortum's leadership, operations and financial performance were given high scores. The scores for customer orientation and social responsibility remained lower than in the other main factors for reputation, and are important development targets in 2015.

Customer loyalty grows the customer base

The international and independent EPSI Rating annually surveys the level of satisfaction of electricity retail company customers in Finland, Sweden and Norway.

Based on the 2014 EPSI survey, the general customer satisfaction in the electricity sector remained on the same level in Finland compared to 2013, decreased slightly in Sweden, and improved in Norway. Fortum's customer satisfaction improved in Finland and Norway, but decreased in Sweden.

According to the EPSI survey, Fortum's customer loyalty in Finland improved more than that of any other electricity company. Customer loyalty and customer willingness to recommend Fortum also contributed to the growth in the customer base. Furthermore, the customer assessment of Fortum's product and service quality improved.

Safe operations and risk management of interest to stakeholders

In the separate sustainability survey for stakeholders, decision makers, opinion leaders, NGOs and investors raised sustainability-related risk management as the most important area. The general public and Fortum's own personnel emphasised the safety of operations. Fortum's personnel also put a high value on occupational safety and a healthy work environment.

Climate change mitigation and the related use of renewable fuels were also considered important by decision makers, opinion leaders, NGOs and the general public. The overwhelmingly most important issue for the general public was security of supply of electricity and heat.

The issues considered least important by decision makers, opinion leaders, NGOs and the general public were related to equality and job stability. NGOs and investors ranked the tax footprint among the least important issues.

Read more about

- Risk management
- Operational safety
- Occupational safety
- Climate change mitigation
- Diverse use of fuels
- Security of supply of electricity and heat
- Support to society
- Employer image
- Stakeholder views, hydropower
- Stakeholder views, nuclear power

Important stakeholders

We interact with millions of people through our business operations. Engaging in collaboration and a dialogue with different stakeholder groups as well as conducting surveys help us to assess and meet the expectations important stakeholder groups have towards our company. We report openly about stakeholder collaboration and the impacts of our operations.

Investors and shareholders

Investors' and shareholders' expectations

- High-yield share
- Risk management
- Responsible operations
- Long-term value creation

Fortum's actions

- We are committed to achieving our financial targets
- We are committed to growth and to creating solid earnings
- Our goal is to pay a stable, sustainable and over time increasing dividend of 50-80% of earnings per share excluding one-off items
- We compensate financiers as agreed
- We take economic, social and environmental responsibility into consideration in our business
- We manage risks and operate in line with the Fortum Code of Conduct and our company's values

Customers

Customers' expectations

Customer relationship and products

- Safe and reliable electricity company
- Good service, self-service channels 24/7
- Fair pricing
- Convenient handling of energy-related matters
- Modern products and services to support efficient and smart energy use

Energy production and distribution

- Renewable energy production with minimal load on the environment
- Responsible operations in society
- Security of supply of energy
- Effective communication of outages to customers in the most appropriate ways

Fortum's actions

Products and customer relationship management

- We develop new innovative products based on our customers' needs
- We develop customer service know-how and customer orientation
- We promote customer orientation with the 'Customer in the centre' programme
- We develop new energy efficiency products for customers
- We offer origin-labelled renewable electricity
- We offer climate benign heat products
- Our customers participate in our product development projects through customer panels
- We serve our customers through the Internet, social media and mobile services

Energy production and distribution, and our activities in society

- We improve electricity and district heat networks
- We communicate outage information through multiple channels
- We use environmentally sustainable energy forms
- We develop future energy production forms

Personnel

Personnel's expectations

- Job security
- Equal treatment
- Incentivizing compensation
- Work well-being and safe working conditions
- Opportunities for professional development
- Recognition of work contribution
- Open interaction

Fortum's actions

- We support equality, and we respect the cultures and values of individuals and groups
- Our employees have performance-based wages as well as uniform processes, guidelines and tools in remuneration
- We promote and improve work well-being and safety
- We develop employee competence through job rotation and career advancement
- Personnel have the opportunity to influence the content of their own work
- We develop the quality of leadership and supervisory skills
- We support employees in change situations
- We operate in compliance with the Fortum Code of Conduct and values
- We conduct a group-wide personnel survey every other year

Services and goods suppliers

Services and goods suppliers' expectations

Fortum's business operations

- Good financial position and the ability to take care of the agreed obligations
- Responsible operations
- Good reputation (e.g. Fortum as a good customer reference)

Business relations with suppliers

- Fair and equal treatment of suppliers
- Long-term business relations
- Development of the suppliers' business and products/services

Fortum's actions

Fortum's business and procurement principles

- We comply with the Fortum Code of Conduct, agreements, and agreed upon regulations and business practices
- We adhere to professional procurement processes that are consistent with good procurement practice (including public procurements)
- We conduct supplier pre-selection and audits
- We monitor the development of Fortum's reputation

Supplier relationship management

- We manage supplier relationships in a systematic manner
- We use an operating model that is based on category management in the most significant purchasing categories
- We offer joint development projects and new business opportunities for our suppliers

Authorities and decision makers

Authorities' and decision makers' expectations

- Compliance with laws, regulations and permits
- Management of risks related to sustainability
- Promoting renewable energy production
- Paying taxes
- Maintaining dialogue
- Transparency and reliable reporting

Fortum's actions

- We comply with laws, regulations and permits
- We develop the management of environmental and safety risks
- We pay our taxes and dividends
- We publish a tax footprint
- We actively engage in a dialogue with authorities and decision makers about key issues in the energy sector
- We communicate proactively and openly
- Our Sustaianbility reporting is assured by a third party

Media

Media's expectations

- Relevant, reliable and transparent communication

Fortum's actions

- In line with our Disclosure policy, we communicate proactively and openly
- We are easily accessible through the media desk
- We continuously improve our crisis communication preparedness

Energy sector organisations

Energy-sector organisations' expectations

- Advocating on behalf of shared interests
- Maintaining dialogue

Fortum's actions

- We advocate on behalf of shared interests
- We actively participate in organisational activities
- We publish position papers and views on energy-sector development
- We actively communicate through our blog

Non-governmental organisations

Non-governmental organisations' expectations

- Responsibility of operations and risk management
- Environmentally friendly investments
- Promoting renewable energy production
- Collaboration projects, open interaction and dialogue
- Reliable reporting

Fortum's actions

- We communicate actively and openly
- We collaborate with Finnish and Swedish nature conservation associations regarding our environmentally benign electricity products
- We collaborate with organisations in the responsible procurement of fuels and in our sponsorship projects
- We develop environmental and safety risk management
- We monitor NGO activities and engage in a dialogue
- Our Sustainability reporting is assured by a third party

Local communities

Local communities' expectations

- Plant safety
- Elimination of noise and emissions
- Safeguarding biodiversity and recreational use of nature
- Support and donations to local communities
- Dialogue and collaboration

Fortum's actions

- We manage our risks and we comply with the Fortum Code of Conduct
- We invest in infrastructure and plant safety
- We are a good employer and neighbour
- We support local community activities
- We carry out environmental projects in collaboration with our local stakeholders
- We communicate actively and openly
- We meet with local residents and customers

General public

General public's expectations

- Security of supply of electricity and heat
- Activities for the good of society
- Safety of operations
- Promoting renewable energy production
- Fair pricing
- Transparency
- Reasonable financial returns and moderation in management remuneration

Fortum's actions

- We improve the security of supply of electricity and heat
- We pay taxes, and we develop the energy sector in accordance with society's needs
- We communicate actively and openly
- Our remuneration complies with the Finnish State Ownership Steering department guidelines
- We support non-profit activities benefiting society

Shareholders

Shareholders, investors and analysts are a key stakeholder group for us. As a listed company, Fortum's obligation is to provide correct, adequate and up-to-date information regularly and equally to all market participants. In practice, Fortum's Investor Relations function is responsible for investor relations.

Fortum Corporation's shares are listed on the Nasdaq Helsinki exchange. At the end of 2014, Fortum had 109,403 (2013: 132,072) shareholders. The Finnish State owned 50.8% of Fortum's shares. Of the shares, 32.3% (2013: 26.2%) were in a book-entry register or in foreign ownership.

The key values of Fortum's Investor Relations are openness, transparency and easy approachability. In accordance with the Finnish Securities Markets Act, we use stock exchange releases to disclose all such decisions and factors related to the company and its operations that are within the sphere of the continuous disclosure obligation or that, in the company's estimation, can have a material impact on its share value. We regularly provide information on our financial performance in interim reports, the financial statements and the operational and financial review.

Fortum's Investor Relations and top management met with investors and analysts regularly in 2014 in conjunction with the publication of the quarterly interim reports, at investor meetings, road shows, and the Annual General Meeting. We were in close communication with analysts, shareholders and potential investors also at seminars and conferences in Finland and abroad. In 2014, we spent a total of about 20 days visiting financial centres in Europe and the United States, and we met with some 250 investment sector professionals in one-on-one meetings or in other events. Our presentations and discussions with stakeholder groups at these events focused on topics related to the company's strategy, the operating results of the businesses, and the development of and the outlook for the operating environment. We organised discussions on sustainability issues with analysts and investors focusing on sustainability and corporate social responsibility. Additionally, we participated in several events targeting private investors in Finland and Sweden.

We held our Capital Markets Day for institutional investors and analysts in November 2014 in Helsinki, Finland. The programme consisted of top management presentations on current topics.

In addition to meetings and discussions, we served out target groups through digital channels, the most important of which is the Investors section on our website. Our stakeholder groups can also follow Fortum through many other channels, such as our free IR application.

By communicating openly and proactively, we aim to ensure that investors have timely and sufficient information available about decisions and factors that can have a material impact on the value of Fortum's share. Through active and consistent communications, we also want to increase knowledge about the company's strategy and business operations.

Read more

- Fortum's share and shareholders

Customers

In 2014, we continued developing new products and services that meet the needs of our customers. The solutions are related to, e.g., energy efficiency, electric vehicles, solar power, and open district heating.

To strengthen the customer orientation we launched the internal "Customer in the centre" programme. The programme helps us to concretise development needs related to changes in customers' needs, good customer service and comprehensive customer-oriented operations.

Electricity sales and new solutions

We sell electricity directly to customers in Finland, Sweden and Norway. The number of our electricity sales customers in 2014 continued to grow in all these countries. At the end of the year, we had over 1.3 million electricity customers.

The currently low electricity price and new technological solutions change the expectations customers have towards their electricity company. We respond to these expectations by offering customers an opportunity to control and manage their electricity consumption better and make it more efficient. In recent years we have introduced several new services that improve energy efficiency.

Towards the end of the year in Sweden, we renewed private customers' electricity agreements. From now on, the electricity of our private customers' agreements is produced primarily with CO_2-free hydropower. Our customers can choose which hydropower plant's electricity they want to buy. Our Swedish customers can also opt for electricity produced with wind or solar power.

Our customers in Norway and Finland have already had the opportunity to purchase electricity produced completely with hydropower.

We offer private and business customers in Finland and Sweden solar panel systems, and we buy the customers' surplus solar electricity at a market price.

We actively promote the adoption of electric vehicles by developing solutions that make it possible to charge the electric vehicles quickly and safely. In 2014, our Charge & Drive concept continued to spread further.

Services for heat customers

We supply heat to millions of people in eight countries. Our activities in 2014 focused on improving the security of supply of heat, on having a dialogue with our customers and on developing new products.

An open district heat network offers our customers the opportunity to sell surplus heat back to the district heat network. Data centres, grocery stores, hospitals and our other similar customers that produce surplus heat can significantly improve their energy efficiency with an open district heat network.

To improve our customer service we implemented a new text messaging system in Finland to effectively notify customers about planned and unplanned disruptions in the heat supply.

In Sweden, Fortum Värme was granted membership in ”Price Dialogue”. Price Dialogue aims to improve customers’ position and to make sure that changes in district heat pricing are reasonable, predictable and stable from customers' point of view. Project has increased transparency in district heat pricing. We offer also energy advice for our district heating customers. Towards the end of the year we launched an open district heat network in Sweden, which offers country's first marketplace for surplus heat.

In Poland, we continued the work to reduce district heating disruptions and to improve the communication about disruptions and the direct interaction with the end user. We successfully increased dialogue with our customers through social media services.

In Russia, we continued modernisation of the heat networks in the Chelyabinsk and Tyumen regions.

Expert services

We offer a variety of operation and maintenance expert services to power plants and industrial customers. Our services and tools help our customers to boost the operational and maintenance efficiency of their plants and increase profitability. Additionally, we offer products and consulting services related to hydropower, nuclear safety and nuclear waste handling.

In 2014, we continued supplying ion exchange materials to the American EnergySolutions LLC in Japan. The ion exchange materials are used to purify the radioactive waters at the damaged Dai-ichi power plant in Fukushima.

We also continued combustion technology-related deliveries. For example, we received a follow-up order from Eesti Energia for a boiler modernisation of the Narva power plants. We will supply a nitrogen oxides reduction system for seven boilers during 2014-2015. We also agreed to supply a nitrogen oxides reduction system for one boiler at a heat plant owned by the city of Iasi in Romania. In Poland, burner deliveries and combustion technology conversion projects continued at EDF’s power plants in Krakow and Wroclaw.

Services for electricity distribution customers

Fortum divested its electricity distribution businesses in Finland and Norway in 2014.

In Sweden, we continued to develop our electricity distribution operations for our over 900,000 customers, focusing on services and improving the security of supply. In Sweden, the SäkraNät programme improving electricity distribution reliability continued in 2014. The programme initially aimed to cut power outages by half within five years for customers living outside urban areas. The goal was achieved in 2010, but the programme still continues.

During the year, we also continued with measures to improve the satisfaction of our electricity distribution customers. In Finland and Sweden we arranged customer panels and, based on the discussions within them, we developed our products and services to better meet the needs of our customers. Customer use of our online customer service channels continued to increase during the year. We also developed customer and outage communications in social media channels in all the countries we operate.

Personnel

In 2014, we focused particularly on strengthening effective people processes that go through the entire organisation. A comprehensive data system is a prerequisite for uniform people processes and functional reporting. We expanded the coverage of our employee data system by adding the personal and work-related data of our employees in all our operating countries. In Russia, the employee data system covers mainly superiors. In addition, Russian operations have their own, local data system. Additionally, we promoted the internal mobility of personnel and developed our ability to change; we also strengthened our business-critical know-how.

At the end of 2014, Fortum had 8,592 (2013: 9,186) employees; about a half of them, 4,213, worked in Russia.

The goals of the HR functions for 2015 are to further boost the effectiveness of people processes and to measure their effectiveness.

Dialogue with the personnel

The Fortum Sound personnel survey conducted every other year is part of the dialogue with the personnel. The response rate to the survey conducted in October 2014 climbed to 84% (2012: 79%). The results indicate that 70% of the employees feel a commitment to the company (2012: 65%).

Based on the survey results, the personnel feel that the customer-oriented way of thinking of Fortum employees as well as sustainability as an integral part of Fortum's operations are at a good level. Overall well-being and a healthy work-life balance are also considered to be at a good level. Working in compliance with the Fortum Code of Conduct and occupational safety guidelines is part of the Fortum employees' daily work.

The most important development targets emerging from the survey were clarification of the strategy, transparency and more effective communication change. In 2014, we started improving the effectiveness of internal communication processes and channels in order to promote an open dialogue between management and personnel about the strategy and energy market changes. Fortum Dialogue events for management and personnel were held in May and November 2014. The May Dialogue events focused on the current state of the business and the future outlook. The focus in the November events were on the business reviews and occupational safety. There were events in Finland, Sweden, Poland and Russia. In addition, business-level meetings between management and personnel were held in other countries where we operate.

We measure employee engagement also as part of the annual One Fortum stakeholder survey. A total of 1,074 employees participating in the 2014 survey rated Fortum a 73 (2013: 73) on a scale of 0-100 in the index measuring Fortum's reputation. Operational safety, occupational safety and well-being were emphasised by the 985 employees who responded to the sustainability survey conducted in conjunction with the One Fortum survey.

Cooperation between personnel and Fortum's management is based on local legislation and Fortum Code of Conduct. The Fortum European Council (FEC) gathers once a year. FEC is an European level co-operational function where personnel and employer representatives meet to discuss matters related to Fortum.

Leadership development

In line with our Leading Performance & Growth initiative launched in 2010, we continued developing leadership and the organisational culture also in 2014. Within the framework of the initiative, we've organised coaching training for the personnel and we've developed team activities in the work communities. By the end of 2014, around thousand Fortum supervisors had participated in the initiative's training for supervisors and over hundred people in the coaching training.

The Fortum Navigator programme launched in 2014 supports coaching leadership style culture among young superiors, as well as the development of leadership potential and talent. The Navigator programme consists of an internal mentoring programme with management representatives acting as mentors to the programme participants.

Efficiency programme concluded

The group-wide efficiency programme launched in 2012 was completed at the end of 2014. The targets set for the programme were achieved – and some even exceeded. The efficiency programme had minimal impact on the personnel, because the primary goal was to streamline the business. The personnel headcount reductions were implemented mainly through attrition, internal mobility, the reassignment of tasks and retirement.

In change situations, we negotiated with personnel representatives in compliance with each country's local legislation and contractual procedures.

When the changes resulted in headcount reductions, we supported the re-employment of the personnel. The support package offered to the personnel included, e.g., outplacement coaching.

Fortum terminated 262 employment contracts in 2014. About a half of them were in Russia.

Aiming to be an interesting employer

We aim to be an interesting employer. Factors improving the interest are good reputation, good leadership, interesting career opportunities and a possibility to do meaningful work. We also strive to create attractive career and advancement opportunities that enable continuous professional growth for individuals.

We used communication measures throughout the year to strengthen our employer image internally and externally. We published a series of articles and videos on the intranet and in social media channels to highlight the different career opportunities Fortum offers. The series features our employees telling about their work and their experiences with Fortum as an employer.

The aim in 2014 was to fill all job openings at Fortum primarily through internal recruiting, because internal mobility strengthens know-how and deploys best practices within the organisation.

According to employer image surveys, Fortum is an interesting company; this facilitates the recruiting of new skilled employees. In the Universum annual employer image survey in Finland in 2014, technology sector students ranked Fortum as the seventh (2013: 11th) most desirable employer, and young professionals ranked it 11th. In the Universum survey in Sweden, Fortum was ranked 69th (2013: 30th).

In 2014, we offered 245 summer jobs in Finland and Sweden. The recruiting campaign for summer workers, Summer Energy, was of interest to many young job-seekers; we received a total of 12,500 applications for the summer positions.

Well-being at work

ForCARE, our programme for overall well-being at work, offers our employees information and professional services in issues related to well-being at work. The programme aims to promote employee health, safety, work capacity, and the well-being of the work community. The ForCARE programme's activities are tailored to comply with the local legislative requirements and unique cultural aspects in different countries.

In 2014, we tested a Group-level workplace assessment model at two power plants. The model commensurably maps the psychosocial factors in the work community and the work environment and their impact on well-being. The model enables the work community to find the key targets to improve work well-being and safety when the risk factors have been identified and assessed.

Coaching that is tailored to the work community also brings the work community – and especially the supervisors – added knowledge of the effects of harmful stress on work productivity. When needed, the work well-being programme also offers support to supervisors and employees in situations of change.

Monitoring and assessing well-being at work

Well-being at work is monitored through the well-being at work index that is part of the Fortum Sound employee survey. Among other things, the index measures the openness of the work community, personal accountability and the level of challenge of work tasks. In 2014, the result of the index on a scale of 1.00-5.00 was 3.88. The result was the same as in the previous survey conducted in 2012.

Other work well-being indicators include the quarterly reported sick leaves and the ratio between actual retirement age and the statutory start of the retirement pension. At Fortum, the average retirement age in Sweden was 64, in Finland 63, and in Russia 58. The average retirement age in Finnish companies in 2014 was 61.2.

ForCARE programme

Safety

We strive to be a safe workplace for our employees and for the contractors and service providers who work for us. We believe that all work injuries are preventable when the competence and the right attitude prevails, when potential risks are addressed and when measures are taken to safeguard against them. The regrettable fatal accidents involving contractor employees in 2014 demonstrate that more resolute work must be done to achieve the target.

Contractor safety a challenge

Even though many indicators showed that safety improved in 2014, there is still work to do in contractor safety. We must work with our contractors to find more effective ways to improve work safety. There were three fatal accidents involving our contractors' employees: in Sweden, one in electricity distribution and one at a hydropower plant, and, in Russia, one at the Chelyabinsk power plant construction site. Additionally, two employees of Fortum Värme's contractors died in a construction site accident. In total there were 15 (2013: 13) serious work related accidents.

The lost workday injury frequency (LWIF) per million hours worked for our own personnel remained at the previous year's good level and was 1.0 (2013: 1.0). The total recordable injury frequency (TRIF) for our own personnel improved and reached a historical best of 2.0 (2013: 2.5).

The injury frequency for contractors improved compared to the previous year, as the majority of our plants and projects were able to keep contractor safety at a good level. The lost workday injury frequency (LWIF) per million hours worked for contractors was 3.2 (2013: 3.9).

Plant safety improved

The situation in plant safety improved compared to 2013. Major environment, health and safety (EHS) incidents continued to be a Group-level key performance indicator; it covers fires, leaks over 100 litres, explosions, nuclear and dam safety incidents, and environmental non-compliances. During 2014, there were 27 (2013: 35) EHS incidents; the target was 35 or less. The majority of the incidents didn't cause harm to operations, personnel or the environment. The biggest single impact was from the explosion that occurred in the pyrolysis process at the Joensuu CHP plant; as a result, the process has been shut down for modification work. One INES 1 (International Nuclear Event Scale) incident occurred at the Loviisa plant (2013: 2); it did not cause any injuries to people or damage to the plant or the environment.

We are improving contractor work safety

During 2014, we further developed the use of the common contractor safety management model. We ensured that common EHS requirements are included in agreements, and we expanded the assessment of contractor performance. We want to emphasise the importance of contractor safety, so this was the first year that a contractor lost workday injury frequency (LWIF) was included as a Group-level key performance indicator. Reducing serious work injuries by half compared to 2014 was also made a key performance indicator for 2015.

All divisions and their business areas implemented projects to improve contractor safety. For example, a safety awareness programme, awarded with the Group's annual safety award, was carried out in Poland. In Russia, EHS experts and supervisors audited contractors on a regular basis.

Because of the fatalities and other serious injuries, we initiated a number of corrective measures. In the electricity distribution business in Sweden, we set tighter requirements for project safety plans and increased project supervision during implementation. We also permanently changed the work guidelines for hydropower plant maintenance. At the Chelyabinsk construction site in Russia, we concluded that our contractors' operations were not at a sufficient level to ensure work safety. We clarified the responsibilities, and we added resources so that our own organisation can monitor contractor operations more effectively.

The majority of serious work injuries happen to contractors at construction sites. In 2015, the Group's Sustainability unit will head a project that involves external experts boosting the effectiveness of safety practices in construction projects.

Improving safety is a continuous effort

We updated Fortum's common EHS guidelines and requirements in 2014 and supplemented them with support materials to make them easier to use. Training on the guidelines and requirements will be arranged for Fortum's line management in 2015; compliance with guidelines will be verified more systematically in all our units. We also described Fortum's common EHS processes so that the guidelines and regulations are easier to use.

During the year, we paid special attention to safe operations at our new plants in Latvia and Lithuania as well as at the Russian Nyagan power plant. Operations at the plants and the first annual maintenances were performed safely. The only exception was the explosion that occurred at the Klaipeda plant in Lithuania when old ammunition was fed into a burner along with waste. The explosion caused a brief production stoppage. Waste screening was made more effective, and no new explosives have been found.

We continued adopting Fortum's safety practices in the operations in India. In the solar power plant construction project, we focused particularly on improving contractor safety. There were no accidents in India in 2014.

Fortum Värme

The safety culture improvement at joint venture Fortum Värme continued. In terms of safety, there were two sides to Fortum Värme's year. There were no lost workday accidents for its own personnel (2013: 4). Moreover, there was a clear decrease in the number of major EHS incidents. There were seven (2013:16) incidents during the year. Development of the safety culture will continue also in 2015.

Injuries to contractors in plant maintenance work decreased clearly, but the serious accidents in the CHP8 construction project were very distressing. In November, two employees of contractors perished in an accident at the CHP8 work site. There were also 4 serious occupational accidents in the CHP8 construction project. Accident investigations specified measures to be implemented both for contractors and for Fortum's organisation. Primary improvement areas include the control of high-risk work and changes made by the contractors.

Suppliers of goods and services

Purchasing

We are a significant purchaser of goods and services: Our purchasing volume in 2014 was EUR 2.9 (2013: 3.5) billion. Investment-related purchases and fuels account for the majority of Fortum's purchases. In 2014, we had about 10,500 (2013: 12,200) suppliers of goods and services. During the year, there were no significant changes in our supply chain.

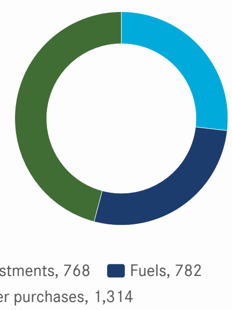
Of our purchases, EUR 0.8 (2013: 1.0) billion targeted various investments. The biggest investments were made in Russia, EUR 340 million. A large share of the investments are contracted out in full with materials, installation and other service as well as contractor work included in the total purchase.

Fortum's fuel purchases in 2014 totalled EUR 782 (2013: 944) million. We purchase fuels from international and local suppliers. Our fossil fuel purchases totalled about EUR 689 (2013: 812) million, biofuels about EUR 55 (2013: 66) million, and nuclear fuel about EUR 38 (2013: 66) million.

The rest of our purchases, EUR 1.3 (2013: 1.5) billion consist of other operational goods and services. The figure includes electricity purchased by the Electricity Sales business area from the Nordic wholesale electricity market for retail sales. Other purchases of goods and services related to operations and maintenances as well as other functions, such as IT solutions, marketing and travel.

About a half of the purchasing volume was purchased from suppliers operating in Europe, mostly in Finland, Sweden and Poland. This does not include electricity purchases from the Nordic wholesale market. About 50% of the purchases came from risk countries. These purchases mainly consisted of fuel and the Russia Division's local purchases in Russia.

Purchases, EUR million



The purchasing volume of Fortum Värme, the joint venture with the city of Stockholm, was EUR 0.6 (2013: 0.6) billion, and the company had about 1,900 (2013: 2,000) goods and services suppliers. Of the purchases, EUR 341 (2013: 267) million targeted investments. The biggest investments were made to a biomass-fuelled CHP plant in Stockholm (in Värtan). Fuel purchases from international and domestic players totalled

EUR 101 (2013: 144) million. Fossil fuel purchases totalled about EUR 41 (2013: 55) million and biofuel purchases about EUR 61 (2013: 89) million. About 27% of the fuel purchases were from risk countries, the biggest countries being Brazil, Malaysia and Russia. 94% of Fortum Värme's purchased volume was bought from Europe, mainly from Sweden, the Netherlands and Germany.

Read more

- Fortum's investments in 2014

Purchases[1)] excluding investments in 2012-2014

EUR million	2014	2013	2012
Nordic countries	1,133	1,361	1,612
Russia	670	813	769
Poland	141	143	161
Estonia	29	29	36
Other countries	123	106	99
Total	**2,096**	**2,452**	**2,677**

1) Includes purchases of fuel, power and other materials and services.

The adoption of IFRS 10 and IFRS 11 is not restated in the figures of financial period 2012.

Responsible supply chain management

We expect our business partners to act responsibly and to comply with the Fortum Code of Conduct and the Supplier Code of Conduct. We actively strive to reduce the environmental impacts caused by our operations and to improve economic and social well-being. We also manage risks related to our supply chain. Our key tools for this include country and counterparty risk assessments, pre-selection of suppliers and supplier audits.

Codes of conduct cover basic requirements

The Fortum Code of Conduct forms the foundation for ethical business conduct and the Supplier Code of Conduct covers the sustainability requirements for suppliers of services and goods. The Supplier Code of Conduct is based on the principles of the United Nations Global Compact initiative and is divided into four sections: business practices, human rights, labour standards, and the environment. The country and counterparty risk assessment follows the same basic structure with regards to sustainability, and addresses issues like the implementation of the guiding principles of human rights. The Supplier Code of Conduct is used in all our countries of operation and is included in all purchase agreements exceeding EUR 50,000.

The Supplier Code of Conduct was updated in 2014. The most significant changes were related to supplier responsibility for their own supply chain. The updated Supplier Code of Conduct calls for the respective requirements to be passed on to the subcontractor chain and the requirements to be monitored. Also the link to human rights-related guiding principles was clarified: suppliers must identify the human rights impacts of their operations, mitigate the impacts, and address any rights violations with corrective measures. The requirements related to anti-corruption were made more specific, and a requirement for the protection of young workers was added to it. At the beginning of 2015, we will start internal training on the requirements of the updated Supplier Code of Conduct, and we will take it into use in new agreements.

Fortum is a member of the Bettercoal initiative and uses the Bettercoal Code and tools in assessing the sustainability of the coal supply chain. Bettercoal has defined the agreement text to be taken into use in new purchase agreements. In 2014, a total of 14 coal suppliers, one of which supplies coal also to Fortum, conducted a self-assessment in line with the Bettercoal initiative, and one mine was audited.

At the end of the year, approval of the self-assessment and audit process of Fortum's biggest coal supplier was still in the works.

Pre-selection and supplier audits to support assessments

We assess the level of operations of our business partners through pre-selection and supplier audits. Pre-selection includes verification of solvency as well as a supplier questionnaire, which is used to identify both general and sustainability-related practices. The questionnaire helps suppliers to understand our expectations for compliance with the Supplier Code of Conduct. It also helps us to identify potential high-risk suppliers and thus the need for further actions.

The Russia Division uses its own supplier pre-selection process. Pre-selection is done in accordance with Russian procurement law, and bidding is open to all companies. In the Russian operations, we set supplier requirements for business principles and ethics, and we pay special attention to anti-corruption and conflicts of interest. In order to participate in bidding, a potential supplier must commit to compliance with Fortum's Supplier Code of Conduct.

In supplier audits, we assess the supplier's compliance with the requirements in Fortum's Supplier Code of Conduct. Audits are always done on-site, and they include production inspections, employee interviews, and reviews of documents and records. If non-compliances are found, the supplier makes a plan for corrective actions, and we monitor the implementation of it. The suppliers we select to be audited are from risk countries or they have a significant supply contract. Fortum's classification of risk countries is based on the ILO's Decent Work Agenda, the UN Human Development Index, and Transparency International's Corruption Perceptions Index.

In 2014, we conducted a total of 14 audits of suppliers who were in a direct contractual relationship with Fortum; the suppliers were in risk and in non-risk countries. In addition, the joint venture Fortum Värme conducted a total of nine audits of its own suppliers of biofuel and its biggest contractors. The most significant non-compliances identified in the audits were related to occupational safety, overtime hours, working hours of young workers and management of the suppliers' own subcontractors. During the year we held one contractor training event in Sweden focusing on the Supplier Code of Conduct requirements and safe working procedures. A total of 50 contractors participated in the training event.

Our goal in 2015 is to audit 15 suppliers or contractors. The joint venture Fortum Värme has set its own goal of ten audits. Our goal is also to update the supplier selection criteria to be based on a systematic comprehensive risk assessment and to take into use a simplified, lighter auditing model. The lighter model will enable also our purchases personnel to verify a supplier's practices.

Own personnel as auditors

Our own personnel are responsible for conducting the sustainability-related supplier audits. An exception is the Bettercoal audits of coal suppliers, which are always conducted by a third, accredited party. By conducting the audits on our own, we gain a better idea of the supplier's practices while increasing the supplier's understanding of sustainability-related issues. Fortum's auditors each receive 1.5 days of internal training, during which they review the requirements of the Supplier Code of Conduct, the sub-areas to be audited, and the tools to be used to verify

Supplier audits in 2014

Fortum	
Material/Service	Location
Materials	Shangrao, China
Materials	Shanghai, China
Materials	Qidong, China
Materials	St.Petersburg, Russia
Materials	Pilsen, Czech Republic
Services	Gothenburg, Sweden
Materials	Plzen, Czech Republic
Materials	Poznan, Poland
Materials	Chelyabinsk, Russia
Services	Novosibirsk, Russia
Materials	Novosibirsk, Russia
Fuels	Seversk, Russia
Materials	Jekaterinburg, Russia
Materials	Pernik, Bulgaria

Fortum Värme	
Material/Service	Location
Biofuels	St.Petersburg, Russia
Biofuels	Londrina, Brazil
Contractor	Stockholm, Sweden
Biofuels	Tikhvin, Russia
Contractor	Stockholm, Sweden
Contractor	Stockholm, Sweden
Fuel transportation	Stockholm, Sweden
Fuel unloading	Stockholm, Sweden
Contractor	Stockholm, Sweden

compliance with the requirements. After the training, supplier audits are started together with an experienced auditor. We will continue training auditors and developing competence in different divisions and countries in 2015. Those who have completed the internal training are recommended to complete auditor training also on the Social Accountability (SA8000) standard. With the exception of one auditor, the SA8000 auditor training has been completed by all of the trained auditors who regularly conduct audits.

In 2014, we trained nine auditors from Russia and Sweden. The goal in 2015 is for the Russia Division to start conducting the audits on its own.

To develop collaboration among auditors, in 2014 we established an auditor network. Individuals conducting internal audits, EHS audits and supplier audits can share information and develop their know-how about different auditing methods and processes. The network maintains a database of audits conducted, reports, the most significant non-compliances and corrective measures.

Responsible fuel purchasing

Fuels represent a significant purchasing category at Fortum, EUR 782 (2013: 944) million in 2014. The share of fuels is also significant in the joint venture Fortum Värme's purchases, EUR 101 (2013: 144) million in 2014. In purchasing, special attention is paid to the origin and responsible, production of the fuels.

Natural gas

The natural gas used in our operations in Russia, the Baltic countries and Finland originated from several suppliers in Russia.

The natural gas used in Poland was purchased mainly from Poland.

The gas used by the joint venture Fortum Värme's subsidiary Stockholm Gas in Sweden originated from Norway.

Coal

The coal used in Finland originated from Russia. The coal used in Poland originated mainly from Poland. The Russian power plants used coal from Russia and Kazakhstan.

The coal used by the joint venture Fortum Värme in Sweden was from Russia.

In Finland, we have a legal obligation to have an amount of fuels in reserve equivalent to three months of average electricity production. There are no similar legal obligations in other countries, but we do maintain sufficient reserves for uninterrupted energy production in all countries where we operate. The crisis in Ukraine and the sanctions imposed by the EU and the USA have increased the risks related to fossil fuels. Coal of a quality suitable for our combustion plants is produced also outside of Russia. We are monitoring the situation, and we are prepared to change our ways of operating if the situation so requires.

Fortum is a member of the Bettercoal initiative, and uses the Bettercoal Code and tools in assessing the sustainability of the coal supply chain. In 2014, a total of 14 coal suppliers, one of which supplies coal also to Fortum, conducted a self-assessment in line with the Bettercoal initiative, and one mine was audited. At the end of the year, approval of the self-assessment and audit process of Fortum's biggest coal supplier was still in the works. Fortum aims to continue with Bettercoal-based self-assessments in 2015 in Poland and Russia. The goal in both countries is to complete a self-assessment of at least one supplier.

Biomass and other biofuels

The majority of the biomass we used consisted of wood pellets, wood chips and industrial wood residues that originated from Finland, Poland and Lithuania.

We have recognised the challenges related to the origin of biomass and other biofuels, and we are developing measures to verify the traceability and sustainability of the fuels. In 2013, a verification system was established for the bio-oil production in the bio-oil plant integrated with Fortum's Joensuu power plant. The system has been in use since the start-up of production. The verification system is used to prove compliance with nationally legislated sustainability criteria for bio-oil. The Finnish Energy Authority approved the verification system in late 2014. We will further develop the verification system after the approval.

In Sweden, the joint venture Fortum Värme purchased biomass and bio-oil from Sweden, Finland, Russia, Brazil and Malaysia, among others. Fortum Värme is a participant in the WWF Global Forest & Trade Network (GFTN) through GFTN Sweden and became a member of the Forest Stewardship Council (FSC) in 2012. Additionally, Fortum Värme has been a member of the Roundtable of Sustainable Palm Oil (RSPO) since 2005. Fortum Värme became a member of the Roundtable of Responsible Soy organisation in 2014.

Uranium

The fuel assemblies used at Loviisa's power plant are completely of Russian origin. The fuel supplier acquires the uranium used in the fuel assemblies from Russian mines in accordance with Fortum's agreement. The mines in operation in November 2014 were the Krasnokamensk, Khiagda and Dalur mines.

Both ARMZ Uranium Holding Co., a uranium producer, and TVEL, which is responsible for refining and manufacturing uranium, have environmental and occupational safety systems in place in all their plants. The Dalur uranium mine has ISO 14001 environmental certification, and the Krasnokamensk mine (JSC PIMCU) is aiming to certify its management systems for quality, environment, and occupational health and safety by the end of 2015. The zirconium material manufacturing plant and the plant responsible for manufacturing uranium oxide pellets and fuel assemblies have ISO 14001 environmental management system certification and OHSAS 18001 occupational health and safety management system certifications.

We regularly assess the quality, environmental, and occupational health and safety management systems of our nuclear fuel suppliers and the manufacturing of nuclear fuel assemblies. In summer 2014, Fortum's experts reviewed the fuel supplier's conversion and enrichment facility operations in Russia.

Origin of fuels used at Fortum in 2014[1)]

Fuel	Country of origin
Biomass	Finland, Poland, Lithuania
Coal	Russia, Poland, Kazakhstan
Natural gas	Russia
Uranium	Russia
Oil	Russia
Peat	Finland, Estonia

1) The biggest countries of origin based on the purchasing volumes in 2014

Authorities, decision makers and energy industry organisations

The significance of energy issues continues to grow in our society: climate change, security of energy supply and energy prices are part of the everyday public discussion. For this reason, collaboration with authorities, decision makers and energy sector organisations is important. At the EU level, and in our countries of operation, we are directly and indirectly involved in the activities of over 62 sector associations and organisations.

We engage in an active dialogue to develop the energy sector. We present our views and offer our expertise to decision makers and organisations in the sector. We annually publish position papers on key topics and participate in stakeholder consultations. Our goal is to offer constructive suggestions for policies and legislation.

Public affairs themes in 2014

At the EU level, we participated in discussions regarding the EU's climate and energy policy and the targets for 2030. Other themes important for us were development of the emissions trading scheme and, in particular, the market stability reserve mechanism, as well as the internal energy market. Additionally, we expressed views on how policy targets and steering mechanisms impact energy prices and hence the competitiveness of EU industry. The EU's energy dependence and security of energy supply became topics of discussion with the crises in Crimea and Ukraine. Also Europe's energy security strategy and the Commission's energy safety stress tests sparked broad debate. The European electricity market model was a trending topic. Several countries are preparing capacity mechanisms to ensure the secure supply of electricity at the national level.

Fortum believes that a pan-European, competitive internal energy market with robust transmission connections – and a market in which also renewable energy is developed on a market-driven basis – would not only increase competition and reduce environmental impacts, it would also strengthen the EU's internal energy availability and security of supply.

The European Parliament elections and the new composition of the Commission sparked plenty of interest. Additionally, national parliamentary elections were held in 2014 in two of Fortum's operating countries: Sweden and Latvia.

A report on hydropower legislation was completed in Sweden and is anticipated to lead to comprehensive reform. The discussion on hydropower in Finland focused on recreational fishing, fish stocking and the need to build fishways in conjunction with hydropower plants. In the discussion on tightening environmental regulation and potential renewal of plant permits, we highlighted our long experience in sustainable hydropower production, and we emphasised the CO_2-free aspect of hydropower.

Nuclear power was a topic of discussion in Sweden and Finland during the year. As a result of the nuclear stress tests in the EU, the Swedish nuclear safety authority (SSM) decided to propose new regulations that would improve safety, but would also increase the costs for existing nuclear power plants. It is our view that, along with maintaining a high level of nuclear safety, EU-level harmonisation of nuclear safety requirements is very important. In Finland, the government reassessed the decisions-in-principle given to Teollisuuden Voima (TVO) and Fennovoima in 2010: The government rejected TVO's request for additional time to implement the decision-in-principle, but approved the amendments to Fennovoima's ownership and plant suppliers.

In general, the tax environment has become tighter in all our operating countries, and tax issues were often a topic on the social agenda. In particular, the Swedish real-estate tax on hydropower plants and the Finnish power plant tax were politically debated. The increase in the hydropower plant real-estate tax was approved in Sweden, and the government also started a comprehensive study of real-estate taxation. The Finnish Government decided that it will not introduce a power plant tax (windfall tax) on nuclear, hydro and wind power built before 2004. The tax would have increased the production costs of emissions-free energy.

The consumer price of heat is a significant political topic and is constantly in the media in countries where the price of heat is regulated. Fortum operates in regulated heat markets in the Baltic countries, Poland and Russia. We expressed our view that all heating forms should compete with each other in a market-driven operating environment.

The Ukraine crisis – and particularly the sanctions, the counter sanctions and the impacts of the sanctions – were topical themes throughout Europe in 2014.

We brought up views impacting the heat reform that is getting under way in Russia. The goal of the market model reform is to encourage energy-efficient heat production and distribution and to improve the efficiency of consumption. At the same time, the aim is to attract investments in modernising the aging production and transmission systems. Fortum offered its experience to the bodies that are advancing the energy reform; we have extensive operative experience with various legislative environmental work in our various countries of operation.

In December 2014, Fortum updated the company's information in the Transparency Register maintained jointly by the European Parliament and European Commission. The register offers information about organisations that aim to influence EU decision making.

Fortum's Corporate Relations function reports to the President and CEO, who is responsible for all public affairs activities. The Group does not use third parties for lobbying purposes.

Read more

- Fortum's participation in the activities of energy-sector organisations
- Fortum's positions on topical energy issues

Media

The media actively follow Fortum's operations particularly in the Nordic countries, because we are one of the major listed companies in Finland and one of the biggest energy-sector players also in Sweden. In Finland, the State's majority ownership increases the media's and the general public's interest in the company.

Laws and regulations governing the communications of publicly listed companies set the framework for our communications. As a company listed on the Nasdaq Helsinki, we follow the rules and recommendations of the Helsinki stock exchange. Furthermore, we follow the regulations set forth in the Finnish Companies Act, the Finnish Securities Markets Act and other relevant laws as well as the regulations and guidelines of the Financial Supervision Authority (FSA) in Finland. Fortum also observes the European Union's recommendations set forth for publicly listed companies.

We communicate openly, equally and proactively to ensure that also through the media our stakeholder groups receive sufficient information about decisions and factors that can, for instance, materially impact Fortum's share price. By communicating actively and consistently we also want to increase knowledge about the company's strategy and business.

We engage in a continuous dialogue with the media at press conferences, press visits, other visits, and by giving interviews and responding to daily media contacts.

In 2014, we continued strengthening our crisis communication preparedness, and in November we participated in the Loviisa nuclear power plant's annual emergency exercise. We continued developing our social media channels. We organised local media events in all countries where we operate.

Non-governmental organisations

We follow the activities of non-governmental organisations and engage in a dialogue with them. In addition, we carry out most of our sponsorships in collaboration with organisations.

We engage in collaboration with environmental organisations regarding the eco-labelling of electricity products in Finland and Sweden. We also participate in projects related to local environmental protection or maintaining biodiversity. Part of the funding for the environmental projects comes from the sales of eco-labelled electricity.

Since 2006 Fortum has been a supporter of the John Nurminen Foundation's Clean Baltic Sea project, which is mitigating eutrophication of the Baltic Sea and offering maritime solutions in an effort to prevent oil spills in the Gulf of Finland. In 2014, Fortum granted EUR 75,000 for the project.

We participate in the Bettercoal initiative promoting sustainability in coal mining. In Sweden, the joint venture Fortum Värme is a member in the Forest Stewardship Council (FSC), an organisation promoting sustainable forest management, and a participant in WWF's Global Forest and Trade Network activities. Fortum Värme is also a member of the Roundtable of Sustainable Palm Oil organisation and became a member of the Roundtable of Responsible Soy organisation in 2014. In Estonia, we have taken part in discussions led by the Private Forest Centre (PFC) foundation. The main objective of the PFC is to contribute to sustainable, environmentally friendly and efficient forest management practices among Estonia's private forest owners. These programmes aim to ensure the responsible sourcing of fuel and are primarily business-oriented interactions.

Since 2013, Fortum has been a member of FIBS Corporate Responsibility Network in Finland. We are a strategic partner of the Responsible Business Forum (RBF) in Poland. Both FIBS and RBF promote responsible business that considers the impacts on the economy, society and environment.

Local communities

We collaborate closely with local communities in the municipalities where we have power plants. We are an important employer and significant tax payer in our operating areas. In addition, our investments improve the local infrastructure.

We take local communities into account in power plant maintenance, improvement and environmental work, and we meet with local residents at, e.g., power plant open-house events.

Examples of our activities with local communities in 2014:

- Fortum arranged customer panels in Finland, a HotSpot campaign in Sweden, and customer events in Poland, in which the business management actively participated. For us, as electricity and heat production experts, interacting with customers is one way to get direct feedback and development ideas. We want to meet customers' needs even better and understand how they view the energy markets.

- The CHP power plant Fortum commissioned in Jelgava, Latvia, in autumn 2013 has sparked major interest among industry representatives and students alike. The power plant's first open-house day, held in May, attracted about 1,300 visitors who were interested in the plant's operations. The majority of them took part in Fortum-employee guided tours of the power plant. Throughout the year, Fortum was actively involved in local events, including a clean-up event in April and the Republic of Latvia's independence day ceremonies in November.

- In Estonia, Fortum held an open-house event at the Pärnu CHP power plant for the first time in June, and hosted student visits throughout the year at the Pärnu and Tartu power plants. We engaged in an active dialogue with our local stakeholders about the energy-efficient cooling solution to be built in Tartu. Fortum started collaboration with Estonia's co-operative housing association.

- The Loviisa nuclear power plant published a stakeholder magazine called Naapurina voimala (Power plant as a neighbour) and held regular discussions with the local residents and representatives of the city of Loviisa, Finland.

- In Russia, Fortum supported various projects in the municipalities where it has power plants, i.e. in Chelyabinsk, Tyumen, Tobolsk and Nyagan. On a local level, we supported a children's sports school and an ice hockey team as well as various cultural and residential events.

- In Sweden, Fortum organised the second National Clean River Championships. More than 1,500 students raised money for their recreational activities by collecting 34 tonnes of garbage along the banks of three major rivers in Fortum's hydropower areas in Värmland, Dalarna, Hälsingland and Härjedalen.

- In Finland and Sweden, we supported projects to reduce the adverse environmental impacts of hydropower production. We implemented projects in collaboration with municipalities, fishermen, universities and environmental organisations. We carried out several projects to improve recreational use of the Oulujoki river water system in Finland, and we expanded the agreement related to this collaboration to cover all the municipalities in the water system area.

- A significant share of our hydropower-related environmental work focused on the impacts on fish populations. We worked with local communities to improve fish populations. For example, in 2014 the fish stocking plan for the Oulujoki river was updated based on feedback received from local fishing areas and cooperatives.

- In Sweden, Fortum supported the stocking of salmon and trout in Stockholm's water systems in order to maintain recreational fishing opportunities in the centre of the city.

- In Poland, Fortum met with local residents at various events organised in the municipalities where it has power plants. Open-house events were organised at the CHP plants in Zabrze and Czestochowa. In five cities, where Fortum operates (Bytom, Czestochowa, Plock, Zabrze and Wrocław), 3,200 runners, bicyclists and pole-walkers took part in the Fortum Honorary Energy Donor programme between April and September. Fortum made a donation to charity after the programme.

- For the fourth consecutive year in Poland, Fortum held workshops and granted scholarships to support talented Silesian children from underprivileged conditions. In 2014, 155 children participated in workshops organised by Fortum, and 107 children received scholarships.

- In Bhilwara, India, Fortum equipped three schools with solar panels to cover the schools' energy needs in an efficient and sustainable way. The upgrade has significantly improved the studying conditions for 1,200 students at the schools.

Support for society

Fortum supports organisations and communities working for the common good in the countries where we operate. Our goal is for the collaboration to be mutually beneficial.

In 2014, our support for activities promoting the common good totalled about EUR 3.4 (2013: 2.1) million, of which the share of grants awarded by the Fortum Foundation was about EUR 550,000 (2013: 432,000). Fortum Foundation supports research, education and development in the natural, technical and economical sciences within the energy industry.

Collaboration with universities and colleges

The goal of the collaboration with universities and colleges is to develop Fortum's business, promote energy-sector research and development, and foster Fortum's recruiting and training opportunities.

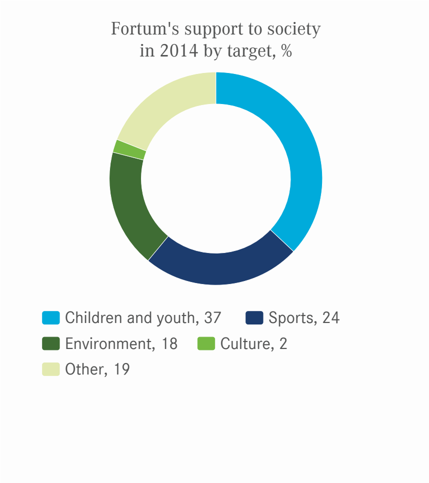
A solar economy professorship focusing on the research and teaching of market mechanisms related to a solar economy was established at Lappeenranta University of Technology in Finland in 2013. We are funding the professorship with a 75% share for a five-year period. In 2013, Christian Breyer was nominated to be the first solar economy professor.

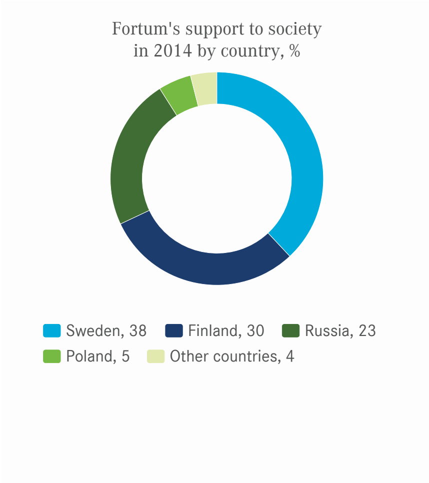
In Sweden, we are working with various stakeholders, such as the Royal Institute of Technology, to develop solutions for sustainable urban living in the Stockholm Royal Seaport urban development project. The project covers, e.g., development of a smart grid and analysis of the residential carbon footprint. With the University of Karlstad, we are researching ways to improve the river habitat for migrating fish. In February, we started collaboration with The Royal Swedish Academy of Engineering Sciences (IVA) and The Swedish Academy in the Karlstad region. The two-year project will provide training to a total of 600 teachers in issues related to the energy sector and sustainability. Two new municipalities will participate in the project in 2015.

In Poland, Fortum is collaborating with the Wroclaw University of Technology on district cooling solutions and with the Czestochowa University of Technology's Faculty of Environmental Engineering and Biotechnology. Fortum also has a collaboration agreement with the Silesia University of Technology.

In Russia, we are collaborating with the Ural Federal University on the further training of Fortum employees and on research collaboration in the energy sector.

In the Baltic countries, Fortum is a member of the Baltic Innovative Research and Technology Infrastructure (BIRTI), which coordinates collaboration between universities, scientific institutes and entrepreneurs. In Latvia, we cooperate with Riga Technical University and Latvia University of Agriculture, and in Lithuania, with Klaipeda Technical School. We arrange internships for students, and we support energy sector-related conferences and seminars. Students from the partnering universities in Latvia regularly visit our Jelgeva CHP plant, which offers future engineers an opportunity to learn more about the country's largest biomass-fired CHP plant.





Sponsorships supporting athletic coaching and culture for youth

Fortum sponsored junior football and junior volleyball in Finland in 2014 through the Fortum Tutor programme. The goal of the junior football programme implemented in collaboration with the Football Association of Finland is to ensure that children have inspiring and motivating coaches. About 100 tutors mentor the junior football coaches and provide them with useful tools for coaching. In its six years of operation, the Fortum Tutor programme has already reached 100,000 children, and 40,000 Fortum Tutor Playbook guides for independent training have been distributed.

A similar programme was launched with the Finnish Volleyball Association in January 2014 to strengthen the coaching of junior volleyball.

A group of music students from Fortum's different countries of operation was assembled in spring 2014 for a July visit to the Savonlinna Opera Festival. The group learned about Fortum's operations in Finland and about the background work and performers at the Opera Festival. The goal was to support the internationalisation and networking of the students and to make Finland and Fortum more familiar in our different operating countries.

Economic added value for stakeholders

Fortum is a significant economic actor in Finland, Sweden, Russia, Poland, Norway and the Baltic countries. We continuously monitor the impact and well-being generated by our operations.

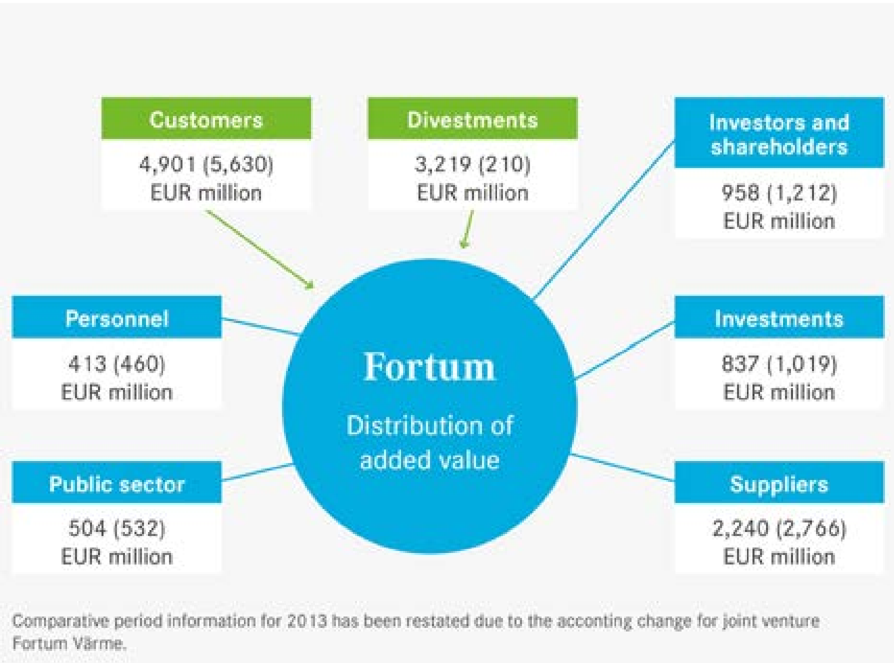
The most significant direct monetary flows of Fortum's operations come from sales revenue from customers, procurements from suppliers of goods and services, compensation to financiers and dividend to shareholders, growth and maintenance investments, employee wages and salaries, and taxes borne.

Our operations also have indirect economic impacts. The Finnish State owns 50.8% of Fortum's shares, and we contribute to a functioning society by, among other things, paying taxes and dividends. These secure Finnish society's basic functions and build well-being. Investments and the procurement of goods and services provide employment both locally and outside our operating areas. The wages and taxes paid have a positive impact on local communities.

The accompanying graphic presents Fortum's monetary flows to the different stakeholder groups in 2014 and examples of the added value generated.

> Taxes borne in our operating countries in 2014 totalled EUR 525 million. The largest share of taxes borne was for the state of Sweden, EUR 279 million.

Distribution of added value 2014



Personnel

- Operations are concentrated to the Nordic countries, Russia and the Baltic rim area
- Fortum employed on average 8,821 (2013: 9,532) people
- Fortum develops the competence and performance of its employees through skills and leadership training and job rotation
- Wages and incentive payments impact private consumption, and taxes paid by personnel have an impact on the generation of social well-being

Public sector

- Fortum supports social development and well-being by paying taxes and social security costs
- Fortum's income, property and production taxes totalled EUR 501 (2013: 530) million
- Support for society totalled about EUR 3.4 (2013: 2.1) million
- Fortum supports research in the natural, economic and technical sciences within the energy sector: in 2014, Fortum Foundation granted about EUR 550,000 (2013: 432,000) in scholarships

Investors and shareholders

- At the end of the year, Fortum had 109,403 (2013: 132,072) shareholders, the Finnish State owns 50.8% of Fortum
- Dividends paid in 2014 for 2013 totalled EUR 977 (2013: 888 for 2012) million
- About 72.9% (2013: 73.8%) of dividends was paid to Finnish shareholders
- Fortum's total shareholder return has outperformed the development of the index of its European peers during the past five-year period
- Dividend income on the shares held by the Finnish State has an impact on maintaining both short- and long-term social well-being

Investments

- The majority of the growth investments were made in the Heat, Electricity Sales and Solutions division and the Russia division
- Almost all of the planned investments in Europe target CO_2-free production
- Maintenance, productivity and legislation-based investments were EUR 473 (2013: 540) million
- Growth investments were EUR 364 (2013: 479) million
- Research and development expenditure was EUR 41 (2013: 49) million
- Fortum's investments develop, among other things, safety, production capacity, energy efficiency, local infrastructure and electricity distribution reliability
- Fortum's investments create business opportunities as well as jobs for suppliers of goods and services

Suppliers

- Fortum refines natural energy sources into electricity and heat
- Fortum purchases fuels, goods, and services from local and global suppliers
- About a half of the goods and services Fortum purchases are from European suppliers
- Uranium, gas and the majority of the coal were purchased from Russia in 2014
- Collaboration creates jobs for suppliers and unlocks business opportunities in the Nordic, Baltic, Polish and Russian markets
- Collaboration, networking and partnerships increase Fortum's intellectual capital, enable a wide project base and support the successful implementation of R&D projects

Customers

- Fortum sells electricity, heating, cooling and town gas as well as related expert services
- Fortum has 1.3 million private and business customers in the Nordic countries and about 900,000 electricity distribution customers in Sweden
- Fortum has wholesale electricity market customers in Russia
- Fortum has district heat customers in dozens of cities in eight countries
- Fortum knows the markets it operates in and develops competitive products and services for its customers
- The services and environmentally-benign products Fortum offers help to improve energy efficiency and to reduce costs and emissions
- Fortum develops smart grids that support sustainable community planning

Fortum as a tax payer

Fortum's policy is to pay taxes on the production, employment, property and earnings of its businesses in the operating country in question and in compliance with local regulations.

We have published our tax footprint as part of our annual reporting since 2012. We aim to communicate about our operations and its impacts in an open and consistent manner with our stakeholders. We also continuously develop our tax footprint reporting.

The Finnish State is the majority shareholder in Fortum, with a 50.8% stake. In October 2014, the Ownership Steering Department of the Prime Minister's Office published guidelines on the country-specific tax reporting of State-majority-owned companies. For 2014, we report the country-specific key indicators required by the Ownership Steering Department as part of our financial statements. See also note 14 Income tax expense. This section focuses on Fortum's role as a tax payer.

We operate internationally, but the taxes are always paid locally. As an international company operating in a capital-intensive sector, it is important to us that we can effectively operate and finance our operations and investments, like new power plant construction projects, in different countries. At the same time, we need manage financing risks. Because taxes are a consequence of business activities, we pay taxes in the country where our business operations are located. Taxes are paid in each operating country in accordance with the local regulations.

> "For every EUR 1 of corporate tax, Fortum pays EUR 1.59 other taxes."

Tax environment

Fortum has operations in more than 15 countries. In addition to income taxes, we pay taxes related to production, employment and property. Our investments are long-term, so we hope for long-term predictability in e.g.

Taxes borne in 2014 (EUR million)		Total tax rate	Nominal income tax rate
Finland	156	6.3%	20.0%
Sweden	279	54.9%	22.0%
Norway	6	5.0%	27.0%
Russia	24	13.9%	20.0%
Poland	8	35.5%	19.0%
Estonia	3	14.5%	0.0%

Fortum's main production countries in 2014: Finland, Sweden, Norway, Russia, Poland, Estonia, Great Britain, Latvia and Lithuania. Latvia and Lithuania are not itemized in the table since taxes borne in these countries amount to approximately 1% of all taxes borne in 2014.

Other main Fortum countries: Belgium, France, Germany, India, Ireland, Luxembourg, Netherlands

energy production-related taxes. The total taxes we pay have a significant impact in our operating countries and in local communities.

Economic instability has decreased the predictability of taxation, and the tax environment has become tighter in all our operating countries. The focus of taxation is shifting from income taxes to other taxes. Income tax rates have decreased in Finland and Sweden and in some of our other operating countries. Meanwhile, for example, property taxes have increased, particularly in Sweden. There are discussions under way in Sweden to also increase the tax rate on nuclear power capacity. In Finland, the Government revoked in the end of the year its 2013 decision to levy a tax on hydro, nuclear and wind power plants built prior to 2004 (the so-called windfall tax). The decision took effect in January 2015.

At an international level, the OECD and EU create new recommendations and regulations, often making tax predictability more difficult. Likewise, the interpretation of national regulations can suddenly change, creating challenges for Fortum in the taxation of operations and the related earnings.

Key tax indicators in 2014

In 2014, Fortum's total tax rate was 14.3% (2013: 31.8%). The total tax rate indicates the share of taxes borne on Fortum's pre-tax earnings for the financial period. Taxes borne for the financial period totalled EUR 525 (2013: 558) million. One-time tax exempt capital gains on the sale of subsidiaries, mainly in Finland, Norway and Great Britain, reduced the total tax rate in 2014. Capital gains from the divestment of these companies totalled EUR 2.2 billion. The total tax rate, excluding the share of profits from associated companies and joint ventures and tax exempt capital gains, was 38.2% (2013: 36.6%).

Changes to the income tax rate and the restructuring of Fortum's operations can cause big fluctuations in the effective income tax rate on an annual level. Fortum's effective income tax rate in 2014 was 5.9% (2013: 13.3%).

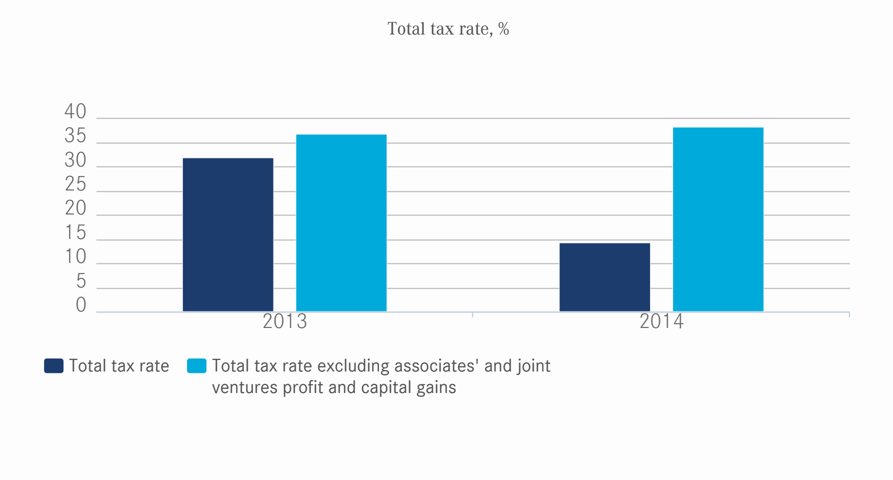
In our biggest production countries, Finland and Sweden, we are among the biggest tax payers. In Finland, taxes borne was EUR 156 (2013: 174) million for the financial period, and in Sweden EUR 279 (2013: 297) million.

Management of tax issues

We aim to manage and mitigate tax-related uncertainties. In our operating countries we seek preliminary rulings from tax authorities, we pay special attention to tax declarations and to transfer pricing documentation, and we strive to protect our rights also through legal measures. Our goal is to manage tax issues so that collaboration with authorities is as effective as possible, potential challenges can be responded to in time and surprises avoided.

Taxation is always a consequence of business operations, so tax solutions too must be

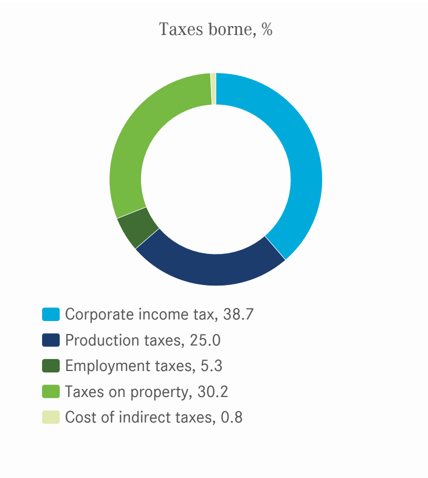
Total tax rate excluding the share of profit from associated companies and joint ventures and tax exempt capital gains = Total taxes borne / (Profit before tax + Taxes borne in operating profit - tax exempt capital gains - associated companies and joint ventures share of profits)

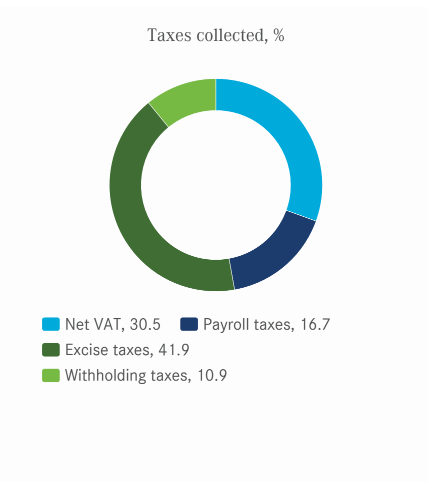


based on business needs. We support Fortum's operations by managing tax issues in a sustainable manner and by identifying simple and cost-efficient solutions. This way, we aim to ensure that we pay the appropriate taxes in all our operating countries on time. Fortum's Corporate Tax function is responsible also for instructing and guiding the business units in all taxation-related matters in line with the agreed principles that the business units must follow.

We regularly assess the compliance with regulations and guidelines. The key findings and actions related to tax issues and tax risks are reported annually to the Audit and Risk Committee of Fortum's Board of Directors. Tax-related uncertainties are assessed annually in accordance with the Group's tax principles.

The risk analysis done in 2014 indicated that, in particular, business mobility and the related risk of permanent establishment as well as increasing issues related to non-income and indirect taxes create uncertainty in the management of tax issues. To mitigate risks, we aim to integrate tax issues as part of the business processes and to raise management's awareness of them. Consequently, the handling of tax issues in 2014 was reorganised to provide better business support.





Internal financing in support of business

External financing may be needed for the construction of new power plants and for maintenance investments in existing plants. We have centralised our external financing to the Group's parent company. The Group's Finance functions and entities are also responsible for arranging internal financing for our different companies in our countries of operations. This typically consists of equity or loan financing. The terms for intra-Group loans are determined on the basis of market terms. Typically, the interest rate on an intra-Group loan in, for example, Nordic countries was 1-5% in 2014, which corresponds to external interest rate levels. Related to our financing activities, we pay the appropriate taxes in all our operating countries in line with OECD guidelines. See also note 14 Income tax expense.

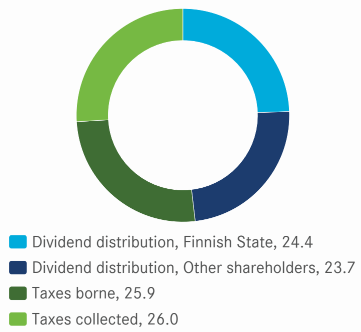
Our international financing operations are, as usual, located in EU countries with stable operating environment and predictable taxation.

Other payments to and from the public sector

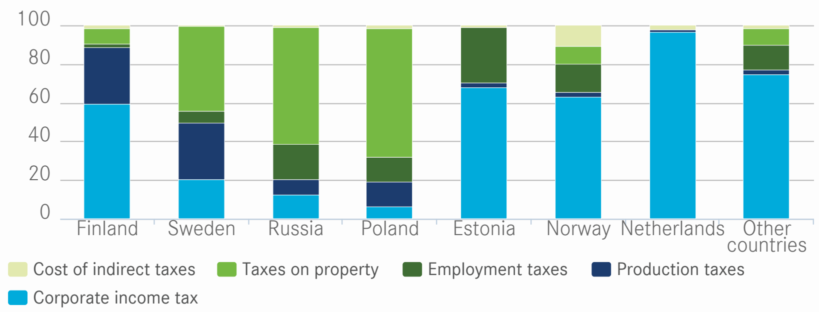
In addition to taxes borne and taxes collected, we make other compulsory tax-like payments to the public sector, payments that are not compensation for goods or services received. For example, in 2014, we paid EUR 46 (2013: 51) million in employer's statutory pension contributions. On the other hand, the public-sector subsidies (worth over EUR 0.5 million) we received for production, investments, R&D and other matters totalled EUR 3 (2013: 8) million. These figures exclude the free emission allowances and electricity certificates received.

We are also a significant dividend payer. Fortum's Board of Directors proposes to the 2015 Annual General Meeting that a total amount of dividend of EUR 1,155 (2014: 977) million be paid for 2014. The Finnish State's share of this would be about EUR 586 (2014: 496) million.

Economic value distribution, %



Taxes borne by country and type in 2014, %



Tax reporting transparency

We aim for increased transparency in tax reporting and an increased understanding of our tax footprint. We ensure that all tax-related information is reported on time and correctly to tax authorities, shareholders and other stakeholders. We openly communicate all important tax-related decisions concerning, for example, tax audits and appeals.

The purpose of transfer pricing rules is to ensure the correct allocation of income to each function in different countries for taxation. Our policy is to apply arm's length transfer pricing principles according to OECD guidelines in all intra-Group (product, service and financing) transactions. We document these transactions in line with the existing regulation.

Read more

- Income taxes expense
- Deferred income taxes
- Subsidiaries by segment
- Ongoing tax appeals
- Corporate relations

Taxes borne in 2013-2014

	Finland		Sweden		Russia		Poland		Estonia		Norway		Netherlands		Other countries		Total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Corporate income tax 1)	93	105	57	54	3	-1	1	1	2	1	4	2	32	31	12	11	203	203
Production taxes 2)	45	51	82	93	2	2	1	1	0	0	0	0	0	0	0	1	131	150
Employment taxes	3	3	16	19	4	5	1	1	1	1	1	2	0	0	2	2	28	32
Taxes on property	13	13	124	131	15	19	5	5	0	0	1	1	0	0	1	2	159	170
Cost of indirect taxes	2	2	0	0	0	0	0	0	0	0	1	0	1	1	0	0	4	4
Total	**156**	**174**	**279**	**297**	**24**	**25**	**8**	**8**	**3**	**2**	**6**	**5**	**33**	**31**	**16**	**16**	**525**	**558**

Excluding custom duties

1) Corporate income tax includes current taxes booked as cost for the year and adjustments to the previous year's current taxes.

2) Production taxes include also taxes on production and property paid through electricity purchased from associated companies.

Taxes collected in 2013-2014

	Finland		Sweden		Russia		Poland		Estonia		Norway		Netherlands		Other countries		Total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Sales VAT	352	455	553	574	311	370	51	49	20	19	32	56	1	1	33	48	1,353	1,572
VAT on Purchases	323	403	463	481	303	373	40	35	18	14	21	35	1	0	24	43	1,192	1,385
Net VAT 1)	29	52	90	93	9	0	11	14	2	5	11	21	0	1	8	5	161	190
Payroll taxes	45	52	23	25	9	11	3	3	2	0	2	3	0	0	4	5	88	98
Excise taxes	54	158	149	173	0	0	0	0	0	0	17	35	0	0	1	2	221	369
Withholding taxes	57	42	0	0	0	0	0	1	0	0	0	0	0	0	0	0	57	43
Total	**184**	**304**	**261**	**291**	**18**	**11**	**15**	**18**	**4**	**5**	**30**	**59**	**0**	**1**	**14**	**12**	**527**	**700**

1) If net VAT is negative, included as zero.

FINANCIALS 2014

Financial performance and position

The strategic assessment of the electricity distribution business and inaugurations of power plants were in focus.

Key financial figures

EUR million	2014	2013 1)	2012 2)	Change 14/13
Sales	4,751	5,309	6,159	-11%
Operating profit	3,428	1,508	1,874	127%
Operating profit, % of sales	72.2	28.4	30.4	154%
Comparable operating profit	1,351	1,403	1,752	-4%
Profit before taxes	3,360	1,398	1,586	140%
Profit for the period attributable to owners of the parent	3,154	1,204	1,416	162%
Earnings per share, EUR	3.55	1.36	1.59	161%
Net cash from operating activities	1,762	1,548	1,382	14%
Shareholders' equity per share, EUR	12.23	11.28	11.30	8%
Capital employed	17,918	19,183	19,420	-7%
Interest-bearing net debt	4,217	7,793	7,814	-46%
Interest-bearing net debt without Värme financing	3,664	6,658	N/A	-45%
Equity-to-assets ratio, %	51	43	43	19%
Average number of shares, 1,000s	888,367	888,367	888,367	0%

1) Comparative period information for 2013 presented in these financial statements has been restated due to the accounting change for Fortum Värme, see Note 1.6.1.

2) The adoption of IFRS 10 and IFRS 11 is not restated in the figures of financial period 2012.

Group financial targets

		2014	2013 1)	2012 2)	Change 14/13
ROCE, %	12	19.5	9.0	10.2	117%
ROE, %	14	30.0	12.0	14.6	150%
Capital structure					
Comparable net debt/EBITDA	Around 3	2.3	3.9	3.2	-41%
Comparable net debt/EBITDA without Värme financing	Around 3	2.0	3.4	N/A	-41%
Net debt/EBITDA		1.1	3.7	3.1	-70%

1) Comparative period information for 2013 presented in these financial statements has been restated due to the accounting change for Fortum Värme, see Note 1.6.1.

2) The adoption of IFRS 10 and IFRS 11 is not restated in the figures of financial period 2012.

2014 was a challenging year for Fortum. Power prices and global macro economic performance as well as the rouble weakness – were obviously disappointing. In addition, the decline in commodity prices during the fourth quarter was unforeseen. Though commodity prices declined during the year, power prices declined less, one reason being the positive development of CO_2 emission allowances market price.

Fortum's internal transformation continued to further increase our efficiency and flexibility. Fortum was able to reach a strong result largely due to its successful execution of both the efficiency programme and divestments according to plan. Fortum's 2014 results were good in a market dominated by negative drivers: low spot prices, a very weak rouble and warm weather. In the Nordic countries, electricity demand declined only somewhat, and demand in Russia was at the same level as in 2013. Comparable operating profit was EUR 1,351 million and cash flow was strong at EUR 1,762 million in 2014.

In Russia, Fortum finalised the third unit of the Nyagan power plant; the most extensive part of the investment programme is now complete. The run-rate operating profit (EBIT) target for the Russia Segment, RUB 18.2 billion, is to be reached during 2015, while the euro-denominated result level will be volatile, mainly due to the translation effect.

In March 2014 we broadened the management team as the disvestment of the electricity distribution business strategically put the company in a new positio; major disvestment and investment programmes are still ongoing; and the company is reorganising and preparing for the changing European power markett in order to capture growth. This means that we need a wide range of competences recovering strategy, M&A and corporate relations in the management team. In addition, after succesfully finalizing our 2013-2014 efficiency programme, we see that there is internal potential to be reached.

With the restructured management team, we are able to further improve our performance and efficiency, unlock further synergies between various businesses and staff functions, and scrutinise our investment programmes in a way that gives the best returns in line with our strategy.

Preparations for future growth are starting to take shape. The Finnish and Norwegian electricity distribution businesses were divested during 2014, and the divestment of the Swedish electricity distribution business is being prepared and evaluated. Furthermore, we announced in December that we aim to increase our hydro portfolio by 60 % through the restructuring of TGC-1, Territorial Generating Company, in Russia. Provided that we obtain more than 75 % ownership in TGC-1 hydro assets, we would also be ready to participate with a minority stake (max. 15 %) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Increasing the share of hydropower is in line with our mission and strategy: We are committed to create energy that improves life for current and future generations. Therefore, we want to take a responsible approach not only short term but also long term. Through sustainable solutions and operations, we aim to deliver excellent value to our shareholders. This approach gives us a unique opportunity to be even more competitive. We believe that sustainable operations lead to good financial results, and give us a solid platform to increase shareholder value.

Fortum's strategy is based on CO_2-free production: hydro, nuclear and CHP being our core competencies. In order to grow in these areas, we strive to create added value through restructuring and acquisitions.

In addition to CO_2-free production, we also consider the retail business important, and are committed to growth also in this area.

In order to continue to build on our strong Nordic core, an integrated European-wide market is a key priority – in hydro, in nuclear and in CHP. Creating a solid earnings base and growth in Russia continues to be equally important.

We also aim to build a platform for future growth. Solar technology offers a clearly interesting and sustainable, CO_2-free production form; we are currently researching and developing our solar technology competencies in India. In addition, we are for example studying and developing pyrolysis in Finland.

Even though the wholesale market prices for electricity have continued to decrease, various taxes, fees and subsidies are increasing end-consumers' energy costs. A predictable electricity market built on consumer participation and the utilisation of all the different energy value components as well as different producers is vital. The setup should be market-driven, commercial, predictable and harmonised in as big geographical area as possible, and it should have enough physical transmission capacity, as well as good cooperation between transmission system operators, grid companies, power exchanges etc. Giving environmental consequences the right price through CO_2 would create an energy market that provides security of supply, competitiveness and environmental sustainability.

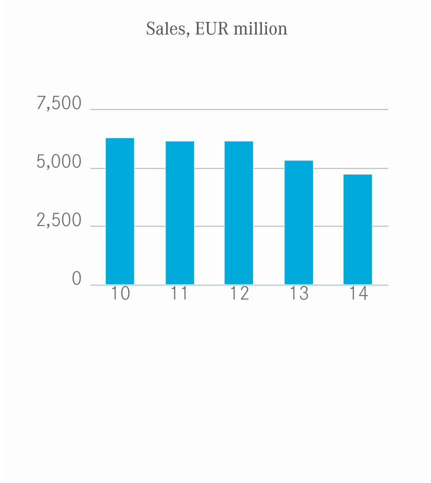
The key criteria and parameters for the European power market in the future are complex. Instead of promoting any single technology solution or innovation, it is most important to have a well-functioning, competitive market that gives producers and consumers access to competitive energy solutions.

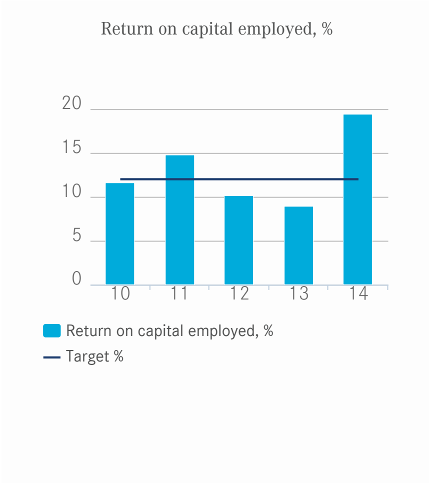
The supply and demand balance is very critical on the power market. It is important to realise that there are different values associated with electricity, values like energy, capacity and how different production types contribute to peak capacity. The supply-demand balance requires the ability to respond; obviously, hydropower is excellent for this. For this reason flexible hydro is very attractive for Fortum.

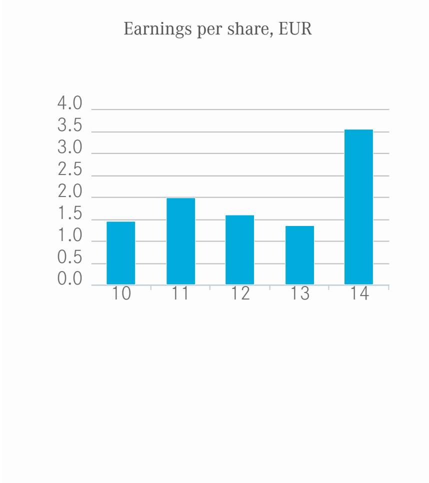
There are many important market developments ongoing in the EU. A market stability reserve (EU MSR) is under discussion and preparation, but it will take some time before it can be implemented. The capacity remuneration mechanism is also under discussion; if and when that mechanism were implemented, it is important that it would be a technology-neutral, cross-border mechanism and that it would include both old and new assets. In addition, the CO_2 reduction target for 2030 was accepted as 40 %. This is the framework Fortum is actively working for in Europe, Brussels, and with key decision makers.

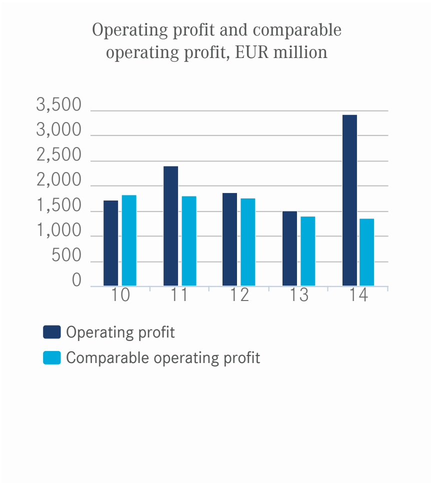
Another big issue – in addition to the energy market development and the energy market model – is climate change. Unfortunately, it seems that we are clearly headed towards a global warming of more than 2 degrees Celsius. Some indicators show that we are actually heading towards a three to four-degree Celsius increase. The situation is hence extremely serious and will be much more so in ten years. We at Fortum have taken environmental issues and sustainability very seriously for several years. We are committed to climate change mitigation and give it a high priority on the company agenda.

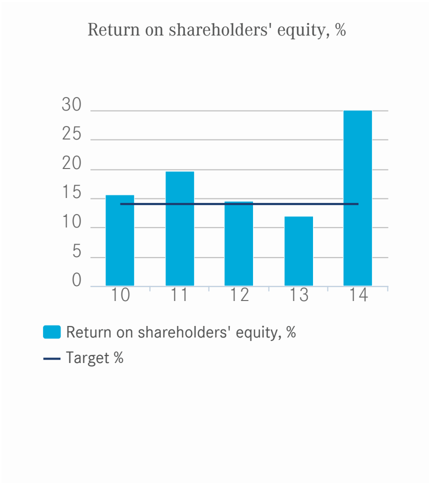
Fortum is already in a very strong competitive position – whether measured by CO_2-free production, competencies, portfolio, asset flexibility, cost structure, sustainability or safety. We have a solid view on how to develop the company – both in terms of the near future and long-term sustainability – in order to achieve value creation, improving earnings per share growth, and, through that, a continued good platform for stable, sustainable and over time increasing dividends.











Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the the consolidated financial statements. For further information, see Note 1.6.1. New IFRS standards adopted from 1 Jan 2014.

Restructuring according to strategy in Russia

In December, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1, a Territorial Generating Company in Russia. TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg. Currently, Gazprom Energoholding owns 51.8 % of the TGC-1 shares and Fortum 29.5 %.

As part of the restructuring, Fortum will establish a company together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding will continue with the heat and thermal power businesses of TGC-1. By utilising our present stake in TGC-1, Fortum would obtain a more than 75 % ownership in the hydro power company. Rosatom would have a less than 25 % minority holding in the hydro power company. The company would be consolidated to Fortum Group as a subsidiary.

Provided that Fortum obtains a more than 75 % ownership in TGC-1 hydro assets, Fortum would be ready to participate with a minority stake (max. 15 %) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Efficiency programme 2013-2014

The efficiency programme was successfully finished during the fourth quarter of 2014.

Fortum started the efficiency programme in 2012 in order to maintain and strengthen its strategic flexibility and competitiveness and to enable the company to reach its financial targets in the future.

The aim was to improve the company's cash flow by more than approximately EUR 1 billion during 2013–2014 by reducing capital expenditures (capex) by EUR 250–350 million, divesting approximately EUR 500 million of non-core assets, reducing fixed costs and focusing on working capital efficiency.

Assessment of the electricity distribution business

The decision to start a strategic assessment of future alternatives for Fortum's electricity distribution business was made in 2013.

In March 2014, Fortum completed the divestment of its Finnish electricity distribution business. In May, Fortum finalised its sale of the Norwegian electricity distribution business. The sales gains from the both transactions were booked in Fortum's Distribution Segment in the first and second quarter of 2014, respectively.

Fortum is continuing to prepare and evaluate possibilities to divest its distribution business in Sweden.

For further information, see Note 9 Assets held for sale.

Restatement related to IFRS changes and the new reporting structure

As of 1 January 2014, Fortum has applied the new IFRS 10 Consolidated Financial Statements and 11 Joint Arrangements standards. The major effect of this reassessment relates to Fortum Värme, which is treated as a joint venture and thus consolidated with the equity method.

Comparative information for 2013 presented in this financial statements has been restated accordingly.

The segment information for 2013 has been restated due to the change in the organisation from 1 March 2014.

In addition, as of 2014, presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented.

Market conditions

Nordic countries

In 2014, according to preliminary statistics, electricity consumption in the Nordic countries was 378 TWh (2013: 386). Industrial consumption was nearly unchanged, while non-industrial consumption decreased due to the exceptionally warm weather particularly during the first half of the year.

At the beginning of 2014, the Nordic water reservoirs were at 82 TWh, 1 TWh below the long-term average and 3 TWh lower than a year earlier. The year 2014 ended with reservoirs at 80 TWh, 3 TWh below the long-term average and 2 TWh below the level at the end of 2013.

The average area price in Finland was EUR 36.4 per MWh (2013: 39.9) and in Sweden SE3 (Stockholm) EUR 31.3 per MWh (2013: 37.5). The difference in area prices compared to the spot price was mainly due to the fact that Finland continued exporting power to Estonia, while high Swedish hydropower volumes and good availability of the Swedish nuclear power plants kept Swedish area prices close to the system level.

In 2014, the average system spot price was EUR 29.6 per MWh (2013: 38.1). In Finland, the average area price was EUR 36.0 per MWh (2013: 41.2) and in Sweden SE3 (Stockholm) EUR 31.6 per MWh (2013: 39.4).

In Germany, the average spot price during the fourth quarter of 2014 was EUR 34.8 per MWh (2013: 37.5) and in 2014 EUR 32.8 per MWh (2013: 37.8).

The market price of CO_2 emission allowances (EUA) was at approximately EUR 4.8 per tonne at the beginning of the year and approximately EUR 7.3 per tonne by the end of December 2014. In 2014, the EUA daily close ranged between EUR 4.4 and EUR 7.5 per tonne.

Russia

Fortum operates in the Urals and Western Siberia in the Tyumen and Khanty-Mansiysk area, where industrial production is dominated by the oil and gas industries, and in the Chelyabinsk area, which is dominated by the metal industry.

In 2014 according to preliminary statistics, Russia consumed 1,021 TWh (2013: 1,026) of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 777 TWh (2013: 772).

In 2014, the average electricity spot price, excluding capacity price, increased by 5 % to RUB 1,163 per MWh (2013: 1,104) in the First price zone.

Power consumption

TWh	2014	2013	2012
Nordic countries	378	386	391
Russia	1,021	1,026	1,037
Tyumen	93	87	83
Chelyabinsk	36	36	36
Russia Urals area	260	257	252

Average prices

	2014	2013	2012
Spot price for power in Nord Pool power exchange, EUR/MWh	29.6	38.1	31.2
Spot price for power in Finland, EUR/MWh	36.0	41.2	36.6
Spot price for power in Sweden, SE3, Stockholm, EUR/MWh	31.6	39.4	32.3
Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh	31.4	39.2	31.8
Spot price for power in European and Urals part of Russia, RUB/MWh 1)	1,163	1,104	1,001
Average capacity price, tRUB/MW/month	304	276	227
Spot price for power in Germany, EUR/MWh	32.8	37.8	42.6
Average regulated gas price in Urals region, RUB/1,000 m^3	3,362	3,131	2,736
Average capacity price for old capacity, tRUB/MW/month 2)	167	163	152
Average capacity price for new capacity, tRUB/MW/month 2)	552	576	539
Spot price for power (market price), Urals hub, RUB/MWh 1)	1,089	1,021	956
CO_2, (ETS EUA), EUR/tonne CO_2	6	5	7
Coal (ICE Rotterdam), USD/tonne	75	82	93
Oil (Brent Crude), USD/bbl	99	109	112

1) Excluding capacity tariff.

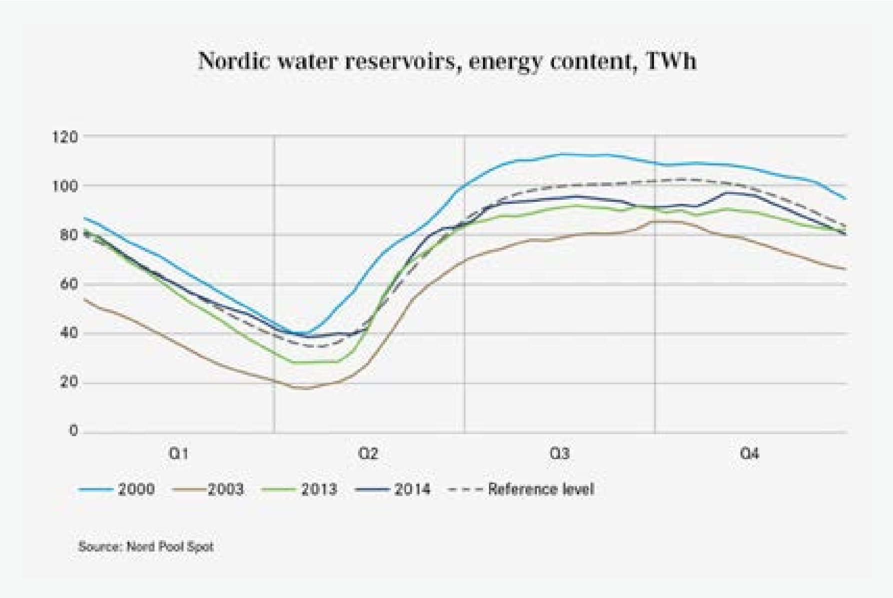
2) Capacity prices paid only for the capacity available at the time.

Water reservoirs

TWh	31 Dec 2014	31 Dec 2013	31 Dec 2012
Nordic water reservoirs level	80	82	85
Nordic water reservoirs level, long-term average	83	83	83

Export/import

TWh (+ = import to, - = export from Nordic area)	2014	2013	2012
Export/import between Nordic area and Continental Europe+Baltics	-14	-3	-19
Export/import between Nordic area and Russia	4	5	5
Export/import Nordic area, total	-10	-2	-14



European business environment and carbon market

EU 2030 climate and energy policy framework

The European Council agreed in October 2014 on the following energy and climate targets for 2030: at least 40% cut in domestic greenhouse gas emissions, at least 27% share of renewable energy as an EU-level binding target, and at least 27% improvement in energy efficiency as an EU-level indicative target.

An additional target for electricity transmission infrastructure investment was included in the framework. The EU Commission will prepare legislative proposals to implement the agreed 2030 framework during 2015-2016.

Fortum considers the framework as a good foundation, and it should enforce the role of emissions trading as the main instrument for emissions reduction.

EU's emissions trading scheme (ETS) reform

The Commission launched a stakeholder consultation on revision of the Emissions Trading Directive in December 2014. A decision on the market stability reserve (MSR) of the EU ETS is expected during the first half of 2015.

EU power market development

The Commission has indicated that it is in the process of developing a reference target model for capacity remuneration mechanisms (CRM). The first preliminary proposals are expected from the Commission during the first half of 2015. Countries choosing to implement CRMs should follow these principles. This would be important in terms of avoiding fragmentation in the internal electricity market.

However, a common EU-wide, competitive and strongly networked internal energy market, where also renewable energy is developed on a market basis, would not just improve competitiveness and mitigate environmental impacts, it would also improve the EU's internal energy availability and security of supply.

EU Commission work programme

In December 2014, the newly nominated EU Commission published its strategic work programme for 2015. The first major initiative will be a Communication on the EU Energy Union in late February 2015. Among other issues, it should explain in more concrete terms how the Commission aims to tackle security of supply challenges.

In Sweden an agreement between the government and the opposition

In order to avoid a new election, the new government alliance reached an agreement with the former government. The "December Agreement" is valid until 2022 and will establish a new praxis enabling minority governments to get state budgets through the Parliament. The agreement also covers cooperation in three areas: energy, pensions and military defence.

Finnish nuclear decisions

In September 2014, the government issued a positive decision-in-principle (DIP) for the Fennovoima nuclear power plant. In the DIP, the government set an important precondition according to which Fennovoima has to have a domestic ownership (i.e. EU/EEA) of at least 60% at the time of submitting the construction license.

Ukraine crisis and EU sanctions

As a consequence of the situation in Ukraine, an amended list of EU restrictive measures against Russia entered into force during the autumn; the gas industry and nuclear energy were not included.

Lima climate conference

The United Nation's climate conference (COP20) in Lima, Peru, in December, made modest progress in international climate negotiations.

The meeting agreed on the scope and format of the pledges, which countries will present during the first quarter of 2015, and compiled the elements of the Paris Agreement. The outcome, called Lima Call for Climate Action, also includes some references to carbon pricing and markets. In order to speed up the deployment of low-carbon solutions, market mechanisms and carbon pricing should be at the core of the future agreement.

Financial results

Sales by segment

EUR million	2014	2013	Change 14/13
Power and Technology	2,156	2,252	-4%
Heat, Electricity Sales and Solutions	1,332	1,516	-12%
Russia	1,055	1,119	-6%
Distribution	751	1,064	-29%
Other	58	63	-8%
Netting of Nord Pool transactions 1)	-422	-478	-12%
Eliminations	-179	-228	-21%
Total	**4,751**	**5,309**	**-11%**

Comparable operating profit by segment

EUR million	2014	2013	Change 14/13
Power and Technology	877	859	2%
Heat, Electricity Sales and Solutions	104	109	-5%
Russia	161	156	3%
Distribution	266	332	-20%
Other	-57	-54	6%
Total	**1,351**	**1,403**	**-4%**

Operating profit by segment

EUR million	2014	2013	Change 14/13
Power and Technology	855	922	-7%
Heat, Electricity Sales and Solutions	337	134	151%
Russia	161	156	3%
Distribution	2,132	349	511%
Other	-58	-53	9%
Total	**3,428**	**1,508**	**127%**

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.

For further information, see Note 5 Segment reporting.

In 2014, Group sales were EUR 4,751 million (2013: 5,309). Comparable operating profit totalled EUR 1,351 million (2013: 1,403), and the reported operating profit totalled EUR 3,428 million (2013: 1,508). Fortum's operating profit for the period was affected by non-recurring items, mainly the divestment of the Finnish electricity distribution business, as well as an IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR 2,077 million (2013: 106).

The share of profit from associates in 2014 was EUR 149 million (2013: 178), of which Fortum Värme represents EUR 67 million

(2013: 73). The share of profit from Hafslund and TGC-1 are based on the companies' published third-quarter 2014 interim reports.

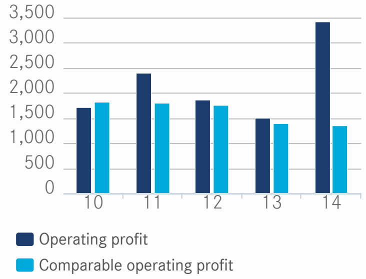
The Group's net financial expenses were EUR 217 million (2013: 289). Net financial expenses include changes in the fair value of financial instruments of EUR -5 million (2013: -16).

Profit before taxes was EUR 3,360 million (2013: 1,398).

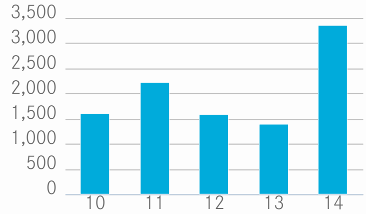
Taxes for the period totalled EUR 199 million (2013: 186). The tax rate according to the income statement was 5.9% (2013: 13.3%). In Finland, the corporate tax rate was decreased from 24.5% to 20.0% starting 1 January 2014; the decrease impacted approximately EUR 0.09 per share the fourth quarter of 2013. In 2014, the tax rate, excluding the impact of the share of profit from associated companies and joint ventures as well as non-taxable capital gains, was 18.8% (2013: 22.7%).

The profit for the period was EUR 3,161 million (2013. 1,212). Fortum's earnings per share were EUR 3.55 (2013: 1.36), of which EUR 2.36 (2013: 0.10) per share relates to items affecting comparability. The earnings per share impact from the divestment of the Finnish electricity distribution business was EUR 2.08 per share.

Operating profit and comparable operating profit, EUR million



Profit before taxes, EUR million

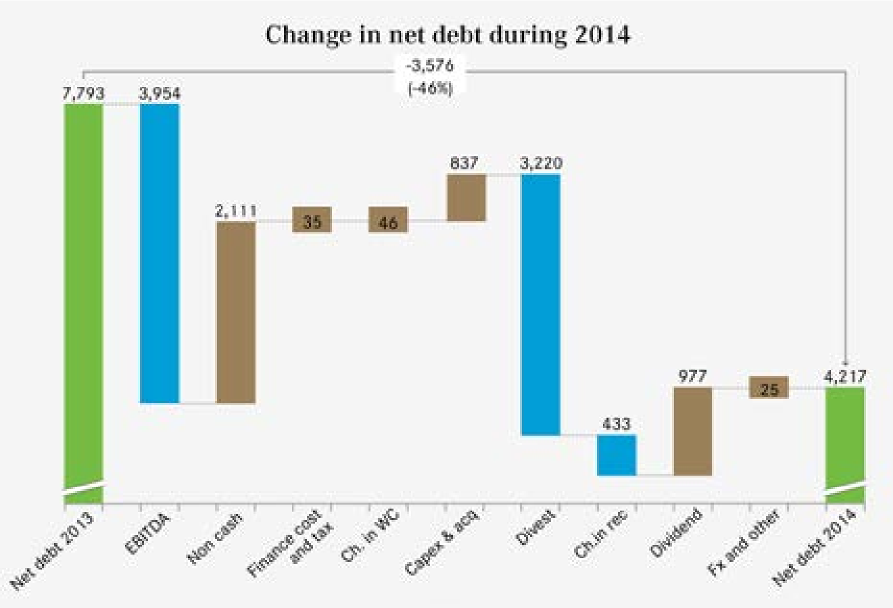


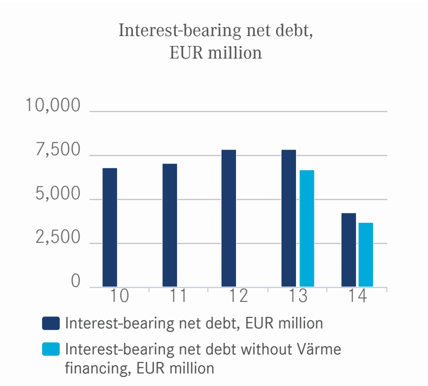
Financial position and cash flow

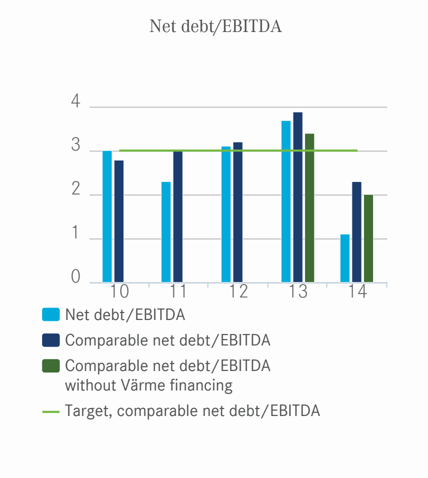
EUR million	2014	2013	Change 14/13
Interest expense	-256	-301	-15%
Interest income	84	75	12%
Fair value gains and losses	-5	-16	-69%
Other financial expenses	-40	-47	-15%
Finance costs - net	**-217**	**-289**	**-25%**
Interest-bearing liabilities 1)	6,983	9,058	-23%
Less: Liquid funds 2)	2,766	1,265	119%
Interest-bearing net debt	**4,217**	**7,793**	**-46%**
Interest-bearing net debt without Värme financing	**3,664**	**6,658**	**-45%**

1) 2013 includes EUR 20 million presented as asset held for sale.

2) 2013 includes EUR 15 million presented as asset held for sale.







Cash flow

In 2014, total net cash from operating activities increased by EUR 214 million to EUR 1,762 million (2013: 1,548), mainly due to the EUR 300 million positive impact of realised foreign exchange differences, which were offset by changes in working capital EUR -125 million. Realised foreign exchange gains and losses of EUR 352 million (2013: 52) were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Capital expenditures decreased by EUR 236 million to EUR 768 million (2013: 1,004). Proceeds from divestments of shares totalled EUR 3,062 million (2013: 122), mainly from the divestment of the Finnish distribution business and Gasum shares (Note 8). Proceeds from interest-bearing receivables included EUR 534 million paid by Fortum Värme. Total net cash used in investing activities was positive EUR 2,816 million (2013: -944). Cash flow before financing activities, i.e. financing, increased by EUR 3,974 million to EUR 4,578 million (2013: 604).

The proceeds were partially used to pay dividends totalling EUR 977 million in April 2014 as well as payments of interest-bearing debt amounting to EUR 2,079 million. Liquid funds at year-end 2014 were EUR 2,766 million (2013: 1,265).

Assets and capital employed

Total assets decreased by EUR 1,973 million to EUR 21,375 million (2013: 23,348), which includes the decrease of non-current assets, EUR 2,412 million. Translation differences decreased intangible assets, property, plant and equipment as well as participation in associates and joint ventures by EUR 2,015 million and divestments by EUR 433 million.

Assets of the Finnish distribution business, amounting to EUR 1,173 million, were presented as Assets held for sale at the end of 2013. Liquid funds increased by EUR 1,501 million.

Capital employed was EUR 17,918 million (2013: 19,183), a decrease of EUR 1,265 million.

For further information, see Note 9 Assets held for sale.

Equity

Total equity was EUR 10,935 million (2013: 10,124), of which equity attributable to owners of the parent company totalled EUR 10,864 million (2013: 10,024). The increase in equity attributable to owners of the parent company totalled EUR 840 million and was mainly from the net profit of EUR 3,154 million for the period, offset by translation differences of EUR -1,320 million and paid dividends of EUR 977 million.

Financing

Net debt decreased during 2014 by EUR 3,576 million to EUR 4,217 million (2013: 7,793). Net debt without Värme financing was EUR 3,664 million (2013: 6,658).

At the end of December 2014, the Group's liquid funds totalled EUR 2,766 million (2013: 1,265). Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 134 million (2013: 113). In addition to the liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities.

The Group's net financial expenses in 2014 were EUR 217 million (2013: 289). Net financial expenses include changes in the fair value of financial instruments of EUR -5 million (2013: -16).

Fortum Corporation's long-term credit rating with both S&P and Fitch remained unchanged during 2014 and is A- (negative outlook).

Key figures

At year-end 2014, net debt to EBITDA was 1.1 (3.7 at year-end 2013) and comparable net debt to EBITDA 2.3 (2013: 3.9). Fortum is currently financing Fortum Värme, and these loans, EUR 553 million (2013: 1,135), are presented as interest-bearing loan receivables in Fortum's balance sheet.

However, the aim is to refinance the loans during 2015. If these loans are deducted from the net debt, the last-twelve-months comparable net debt to EBITDA is 2.0 (2013: 3.4).

Gearing was 39% (2013: 77%) and the equity-to-assets ratio 51% (2013: 43%). Equity per share was EUR 12.23 (2013: 11.28). Return on capital employed totalled 19.5% (2013: 9.0%) and return on shareholders' equity 30.0% (2013: 12.0%). Both return on capital employed and return on equity were positively affected by the capital gain from the divestment of the Finnish electricity distribution business as well as the divestment of the Norwegian electricity distribution and heat businesses.

Segment reviews

Power and Technology

Power and Technology consists of Fortum's hydro, nuclear and thermal power generation, Power Solutions with expert services, portfolio management and trading, as well as technology and R&D functions. The segment incorporates two divisions: the Hydro Power and Technology Division and the Nuclear and Thermal Power Division.

EUR million	2014	2013	Change 14/13
Sales	2,156	2,252	-4%
- power sales	2,026	2,117	-4%
- other sales	130	135	-4%
Operating profit	855	922	-7%
Comparable operating profit	877	859	2%
Comparable EBITDA	998	1,007	-1%
Net assets (at period-end)	6,001	6,355	-6%
Return on net assets, %	13.6	14.5	-6%
Comparable return on net assets, %	14.2	13.8	3%
Capital expenditure and gross investments in shares	198	181	9%
Number of employees	1,639	1,723	-5%

In 2014, Power and Technology's comparable operating profit was EUR 877 million (2013: 859), i.e. EUR 18 million higher than in 2013. This was mainly due to the higher hydropower production volumes, lower operating costs and SEK development, which offset the negative impact from the lower achieved price as well as lower thermal volumes and Grangemouth divestment. In addition, an impairment loss totalling EUR 20 million in 2013 was booked due to the decision to discontinue electricity production at Fortum's Inkoo coal-fired power plant in Finland.

Operating profit, EUR 855 million (2013: 922), was affected by sales gains totalling EUR 52 million (2013: 25) and by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and by nuclear fund adjustments amounting to EUR -73 million (2013: 38).

Power generation by source

TWh	2014	2013	Change 14/13
Hydro and wind power	22.4	18.1	24%
Nuclear power	23.8	23.7	0%
Thermal power	0.9	1.9	-53%
Total in the Nordic countries	**47.1**	**43.7**	**8%**
Thermal in other countries	0.7	1.0	-30%
Total	**47.9**	**44.7**	**7%**

Nordic sales volume

TWh	2014	2013	Change 14/13
Nordic sales volume	48.6	45.3	7%
of which Nordic Power sales volume 1)	44.6	40.2	11%

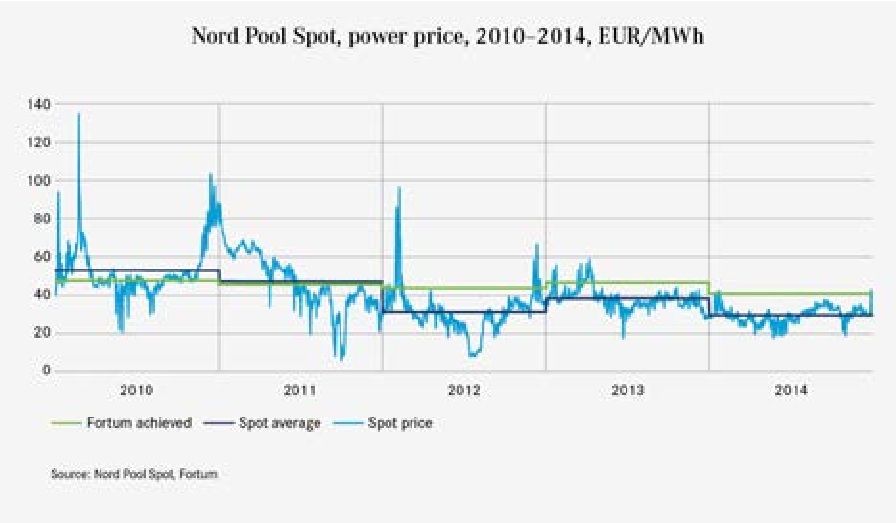
1) The Nordic power sales income and volume does not include thermal generation, market price-related purchases or sales to minorities (i.e. Meri-Pori, Inkoo and imports from Russia).

Sales price

EUR/MWh	2014	2013	Change 14/13
Power and Technology's Nordic power price 2)	41.4	46.4	-11%

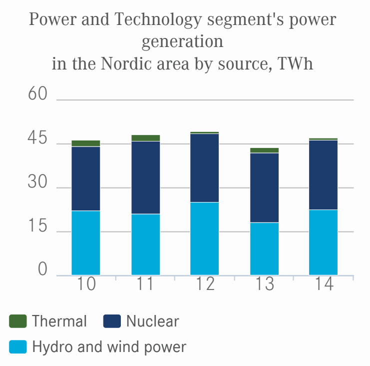
2) Power and Technology's Nordic power price does not include sales income from thermal generation, market price-related purchases or sales to minorities (i.e. Meri-Pori, Inkoo and imports from Russia).

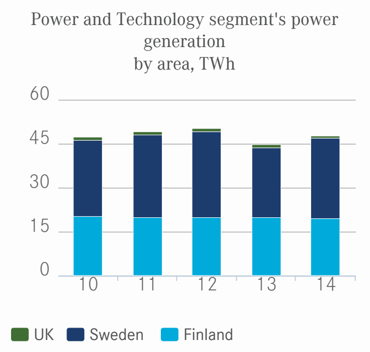
Power and Technology's achieved Nordic power price was EUR 41.4 per MWh (2013: 46.4), or EUR 5.0 per MWh lower than in 2013. The system and all area prices were clearly lower during 2014 compared to 2013. The average system spot price of electricity in Nord Pool was EUR 29.6 per MWh (2013: 38.1). The average area price in Finland was EUR 36.0 per MWh (2013: 41.2) and in Sweden SE3 (Stockholm) EUR 31.6 per MWh (2013: 39.4).



The segment's total power generation in the Nordic countries was 47.1 TWh (2013: 43.7). Due to normalised hydro inflow and reservoir levels, hydropower production was 4.3 TWh higher in 2014 compared to 2013. Nuclear volumes were 0.2 TWh higher due to improved availability. Overall nuclear availability was at a high level in Fortum's fully owned and co-owned reactors, except in Oskarshamn 2. Availability in Forsmark and Olkiluoto nuclear plants were at all time high in 2014. Oskarshamn 2 has been shut down since 1 June 2013 for an extensive safety modernisation.

Thermal production was 0.9 TWh (2013: 1.9) in the Nordic countries. The CO_2-free production amounted to 97% (2013: 94%).





Heat, Electricity Sales and Solutions

Heat, Electricity Sales and Solutions consists of combined heat and power (CHP) production as well as heat and electricity sales and development of customer-oriented solutions. The business operations are located in the Nordics, the Baltic countries, Poland and India. The segment also includes Fortum's 50% holding in Fortum Värme, which is a joint venture and is accounted for using the equity method.

EUR million	2014	2013	Change 14/13
Sales	1,332	1,516	-12%
- heat sales	430	492	-13%
- power sales	783	900	-13%
- other sales	119	124	-4%
Operating profit	337	134	151%
Comparable operating profit	104	109	-5%
of which Electricity Sales	48	47	2%
Comparable EBITDA	204	211	-3%
Net assets (at period-end)	2,112	2,295	-8%
Return on net assets, %	19.1	9.7	97%
Comparable return on net assets, %	8.7	8.7	0%
Capital expenditure and gross investments in shares	124	134	-7%
Number of employees	1,807	1,968	-8%

As of 2014, the former Heat Division and Electricity Sales and Solutions business area are reported as one segment. In addition, Fortum Värme, which earlier was consolidated as a subsidiary under the Heat Division, is treated as a joint venture and thus consolidated with the equity method. The effect of Fortum Värme is hence included in the share of profits in associates and joint ventures. In January-December 2014, this represented EUR 67 (73) million.

In 2014, heat sales volumes of Heat, Electricity Sales and Solutions amounted to 7.9 TWh (2013: 10.7). Power sales volumes from CHP production totalled 2.8 TWh (2013: 3.5). Despite the new capacity and lower fuel costs, heat and power sales volumes were lower, mainly due to the warmer weather during the first and third quarter of 2014 and to the divestments made in 2013 and 2014. The warm weather also burdened retail sales, especially during the first quarter of 2014.

Comparable operating profit was EUR 104 million (2013: 109). The result decreased, mainly due to the lower volumes and lower power prices, despite new capacity and lower fuel costs.

Operating profit totalled EUR 337 million (2013: 134) and was affected by sales gains totalling EUR 254 million (2013: 18).

At the end of December 2014, Fortum's customer base in Electricity Sales exceeded 1.3 million.

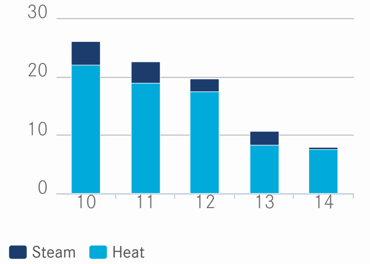
Heat sales by area

TWh	2014	2013	Change 14/13
Finland	3.2	5.4	-41%
Poland	3.4	4.1	-15%
Other countries	1.3	1.2	8%
Total	**7.9**	**10.7**	**-26%**

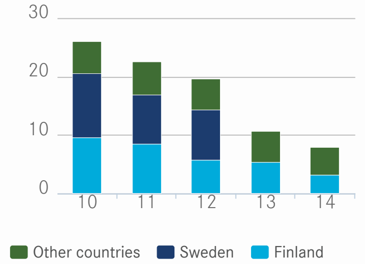
Power sales

TWh	2014	2013	Change 14/13
CHP	2.8	3.5	-20%
Electricity Sales	13.8	13.6	1%
Total	**16.5**	**17.1**	**-4%**

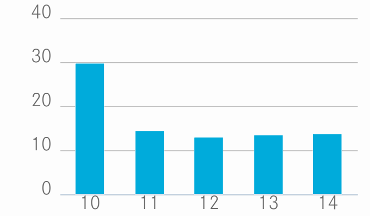
Heat, Electricity sales and Solutions segment's district heating and industrial steam sales, TWh



Heat, Electricity Sales and Solutions segment's district heating and industrial steam sales by area, TWh



Electricity Sales in Heat, Electricity Sales and Solutions segment, TWh



Russia

The Russia segment consists of power and heat generation and sales in Russia. The segment also includes Fortum's over 29% holding in TGC-1, which is an associated company and is accounted for using the equity method.

EUR million	2014	2013	Change 14/13
Sales	1,055	1,119	-6%
- power sales	758	822	-8%
- heat sales	285	290	-2%
- other sales	11	7	57%
Operating profit	161	156	3%
Comparable operating profit	161	156	3%
Comparable EBITDA	304	258	18%
Net assets (at period-end)	2,597	3,846	-32%
Return on net assets, %	5.6	5.2	8%
Comparable return on net assets, %	5.6	5.2	8%
Capital expenditure and gross investments in shares	367	435	-16%
Number of employees	4,213	4,162	1%

The liberalisation of the Russian wholesale power market has been completed since the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity – an amount equalling the consumption of households and a few special groups of consumers – under regulated prices. During 2014, Fortum sold approximately 80% of its power production in Russia at a liberalised electricity price.

The capacity selection for generation built prior to 2008 (CCS – "old capacity") for 2014 was held in September 2013. All of Fortum's capacity was allowed to participate in the selection for 2014, and the majority of Fortum's power plants were also selected. The volume of Fortum's installed capacity not selected in the auction totalled 132 MW, which represents 4.6% of Fortum's total old capacity in Russia.

The generation capacity built after 2007 under the Russian Government's capacity supply agreements (CSA – "new capacity") receives guaranteed payments for a period of 10 years. The period and the prices for capacity under CSA were defined to ensure a sufficient return on investments. At the time of the acquisition in 2008, Fortum made a provision, as penalty clauses are included in the CSA agreement in case of possible delays. If the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not otherwise fulfilled, possible penalties can be claimed. The effect of changes in the timing of commissioning of new units is assessed at each balance sheet date and the provision is changed accordingly.

Received capacity payments differ depending on the age, location, type and size of the plant as well as seasonality and availability. The CSA payments can also vary somewhat annually because they are linked to the Russian Government long-term bonds with 8 to 10 years maturity. In addition, the regulator will review the guaranteed CSA payments by re-examining earnings from the electricity-only market three and six years after the commissioning of a unit and could revise the CSA payments accordingly.

In 2014, the Russia Segment's power sales volumes amounted to 26.5 TWh (2013: 25.6). Heat sales totalled 26.0 TWh (2013: 24.1) during the same period.

The Russia Segment's comparable operating profit was EUR 161 million (2013: 156). The positive effect from the new units receiving CSA payments amounted to approximately EUR 165 million (2013: 163), including EUR -35 million due to the weaker rouble, a reversal of the CSA provisions totalling EUR 4 million (2013: 48). In addition, better electricity and heat spreads, income from heat connections, improved bad-debt collections and increased efficiency positively affected the result. Overall, the weakened Russian rouble affected the result negatively by approximately EUR 34 million. Note for comparison that 2013 figures included a reversal of the CSA provision totalling EUR 48 million and EUR 40 million in compensation for CSA penalties.

Operating profit was EUR 161 million (2013: 156).

In late September, the third unit at Fortum's Nyagan Power Plant passed the comprehensive and certification tests that precede commissioning. Fortum started the commercial operation of the unit at the end of 2014. Capacity payments under the Russian Government's capacity supply agreement for 418 megawatts (MW) started as of 1 January 2015.

Key electricity, capacity and gas prices for Fortum Russia

	2014	2013	Change 14/13
Electricity spot price (market price), Urals hub, RUB/MWh	1,089	1,021	7%
Average regulated gas price, Urals region, RUB/1,000 m^3	3,362	3,131	7%
Average capacity price for CCS “old capacity”, tRUB/MW/month [1)]	167	163	2%
Average capacity price for CSA “new capacity”, tRUB/MW/month [1)]	552	576	-4%
Average capacity price, tRUB/MW/month	304	276	10%
Achieved power price for OAO Fortum, EUR/MWh	30.4	32.1	-5%

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

Distribution

Fortum owns and operates electricity distribution and regional networks, and distributes electricity to a total of 0.9 million customers in Sweden.

EUR million	2014	2013	Change 14/13
Sales	751	1,064	-29%
- distribution network transmission	590	896	-34%
- regional network transmission	120	129	-7%
- other sales	41	39	5%
Operating profit	2,132	349	511%
Comparable operating profit	266	332	-20%
Comparable EBITDA	416	548	-24%
Net assets (at period-end)	2,615	3,745	-30%
Return on net assets, %	73.6	9.3	691%
Comparable return on net assets, %	9.3	8.8	6%
Capital expenditure and gross investments in shares	147	255	-42%
Number of employees	390	805	-52%

In 2014, the volume of distribution and regional network transmissions totalled 17.6 TWh (2013: 26.1) and 13.8 TWh (2013: 16.3), respectively. Volumes were lower due to warmer weather, especially during the first quarter of 2014. The lower total volume was mainly due to the divestment of the Finnish and Norwegian distribution businesses.

The Distribution Segment's comparable operating profit was EUR 266 million (2013: 332). The decrease was mainly due to the very mild weather during the first quarter and to the divestment of the electricity distribution business in Finland that was finalised at the end of March.

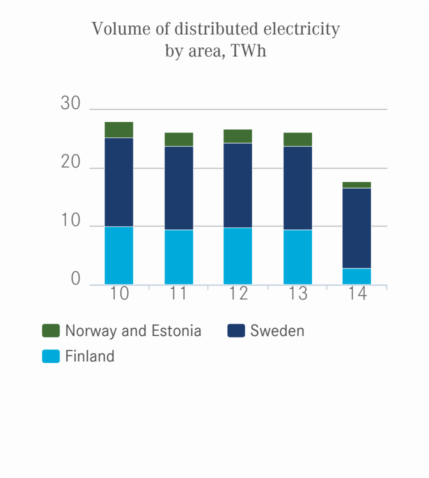
Operating profit totalled EUR 2,132 million (2013: 349) and was affected by sales gains totalling approximately EUR 1,865 billion from the Finnish and Norwegian electricity distribution businesses.

Volume of distributed electricity in distribution network

TWh	2014	2013	Change 14/13
Sweden	13.7	14.1	-3%
Finland	2.8	9.5	-71%
Norway	1.1	2.5	-56%
Total	**17.6**	**26.1**	**-33%**

Number of electricity distribution customers by area

Thousands	Dec 31 2014	Dec 31 2013	Change 14/13
Sweden	906	903	0%
Finland	-	642	-
Norway	-	103	-
Total	**906**	**1,648**	**-45%**



Capital expenditure, divestments & investments in shares

EUR million	2014	2013
Capital expenditure		
Intangible assets	22	46
Property, plant and equipment	752	959
Total	**774**	**1,005**
Gross investments in shares		
Subsidiaries	7	11
Associated companies	60	0
Available for sale financial assets	2	4
Total	**69**	**15**

In 2014, capital expenditures and investments in shares totalled EUR 843 million (2013: 1,020). Investments, excluding acquisitions, were EUR 774 million (2013: 1,005).

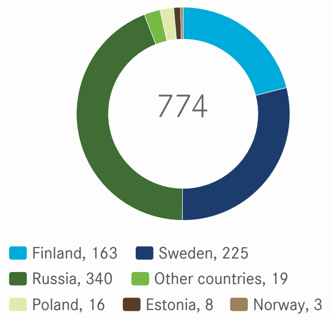
See also Note 19.2 Capital expenditure.

Fortum expects to start the supply of power and heat from new power plants and to upgrade existing plants as follows:

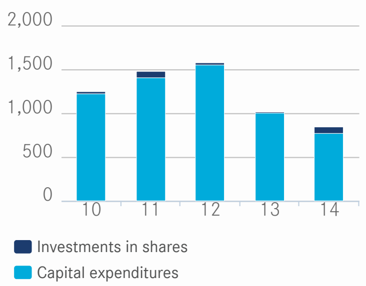
	Type	Electricity capacity MW	Heat capacity MW	Supply starts
Power and Technology				
Hydro refurbishment	Hydropower	14		2015
Russia [1)]				
Chelyabinsk 1	Gas (CCGT)	248	175	1H 2015
Chelyabinsk 2	Gas (CCGT)	248	175	1H 2015

1) Start of commercial operation.

Capital expenditure by area, EUR million



Capital expenditure and gross investments in shares, EUR million



Power and Technology

Through its interest in Teollisuuden Voima Oyj (TVO), Fortum is participating in the building of Olkiluoto 3 (OL3), a 1,600-MW nuclear power plant unit in Finland. The start of commercial electricity production of the plant is expected to take place in late 2018, according to the plant supplier AREVA-Siemens Consortium. TVO has withdrawn a EUR 200 million shareholder loan from the total EUR 600 million commitment. Fortum's share of the EUR 200 million withdrawals is approximately EUR 50 million. Fortum’s remaining commitment for OL3 is EUR 100 million.

In March 2014, Fortum started an extensive refurbishment of two of the Imatra hydropower plant’s seven units. The refurbishment will increase the capacity of the power plant by 14 MW to 192 MW and will improve safety and reliability. After the refurbishment, the Imatra plant will be Finland’s largest hydropower plant in terms of capacity and production.

In May 2014, Fortum and the Areva-Siemens Consortium agreed on the discontinuation of the current automation modernisation project agreement at the Loviisa nuclear power plant in Finland. The Areva-Siemens Consortium will complete the ongoing agreed and resized work in cooperation with Fortum. Furthermore, Fortum signed an agreement with Rolls-Royce for the continued modernisation of the power plant's automation. The modernisation will be carried out over several years.

In September, the Finnish Government rejected TVO’s application to extend the period of validity of the existing decision-in-principle of the Olkiluoto 4 nuclear power plant. The decision-in-principle is still in force, and the deadline for submitting the construction license application is 30 June 2015.

In October, Fortum sold its UK-based subsidiary Grangemouth CHP Limited to INEOS Industries Holdings Ltd. Grangemouth CHP Limited owns and operates a natural gas-fired CHP plant located at Grangemouth in Scotland.

In December 2014, Fortum announced that provided that the company would obtain a more than 75% ownership in Russian TGC-1 hydro assets, it would be ready to participate with a minority stake (max 15%) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Heat, Electricity Sales and Solutions

Through Fortum’s interests in Fortum Värme, Fortum's joint venture with the City of Stockholm, the company is investing in a new biofuelled combined heat and power (CHP) plant in Värtan, Stockholm. The new CHP plant will replace some existing heat production and is planned to be commissioned in 2016. The new plant will have a production capacity of 280 MW heat and 130 MW electricity.

In addition, Fortum is participating in its joint venture Turun Seudun Energiantuotanto Oy’s (TSE) new CHP plant in Naantali, Finland, which will replace the old existing plant. The plan is to commission the new power plant in 2017. The plant’s production capacity will be 244 MW heat and 142 MW electricity.

In June 2014, Fortum completed the divestment of its Norwegian heat business to the iCON Infrastructure Partners II, L.P. fund.

In September 2014, Fortum finalized the acquisitions of E.ON Ruhrgas International GmbH's shareholding of 33.66% in the Estonian natural gas import, sales and distribution company AS Eesti Gaas and a similar shareholding in the gas transmission service company AS Võrguteenus Valdus. The acquired shares increased Fortum's holding in both companies to approximately 51%. Fortum continues to account for its holdings in the Estonian natural gas businesses using the equity method.

In November, Fortum agreed to sell its 51.4% shareholding in the associated company AS Võrguteenus Valdus. Fortum finalised the transaction in early January of 2015. The sale is expected to have a minor impact on Fortum's result.

In addition, in November, Fortum announced the divestment of its shareholding in the Finnish natural gas company Gasum Oy to the Finnish State. The sales price for the total amount of Fortum's shares was approximately EUR 310 million. Fortum booked a gain of roughly EUR 190 million in the fourth quarter 2014 results of Fortum's Heat, Electricity Sales and Solutions segment.

Russia

In December 2014, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1, a Territorial Generating Company in Russia. TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg. Currently Gazprom Energoholding owns 51.8% of the TGC-1 shares and Fortum 29.5%.

As part of the restructuring, Fortum will establish a company together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding continues with the heat and thermal power businesses of TGC-1. By utilising its present stake in TGC-1, Fortum would obtain a more than 75% ownership in the hydro power company. Rosatom would have a less than 25% minority holding in the hydropower company.

Distribution

In March 2014, Fortum completed the divestment of its Finnish electricity distribution business to Suomi Power Networks Oy. The total consideration was EUR 2.55 billion on a debt- and cash-free basis. Fortum's one-time sales gain of approximately EUR 1.85 billion corresponds to EUR 2.08 per share. The sales gain is booked in Fortum's Distribution Segment in the first quarter of 2014.

In May 2014, Fortum completed the divestment of its Norwegian electricity distribution business to the Hafslund Group.

Employees

	2014	2013
Number of employees, 31 Dec	8,592	9,186
Average number of employees	8,821	9,532
Total amount of employee costs, EUR million	413	460

Fortum's operations are mainly based in the Nordic countries, Russia, Poland and the Baltic Rim area. The total number of employees at the end of December was 8,592 (9,186 at the end of 2013).

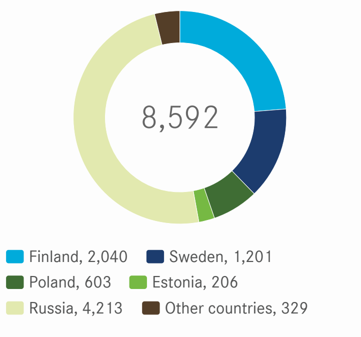
At the end of December 2014, Power and Technology had 1,639 (2013: 1,723) employees; Heat, Electricity Sales and Solutions 1,807 (2013: 1,968); Russia 4,213 (2013: 4,162); Distribution 390 (2013: 805); and Other 543 (2013: 528).

Headcount reductions were mainly due to the divestment of the Finnish and Norwegian distribution businesses and Fortum's efficiency programme. Reductions related to the efficiency programme have been implemented on a unit level by using natural rotation, rearrangement of vacancies and by retirement. Vacant jobs have primarily been filled internally. The possibilities for internal rotation have been improved.

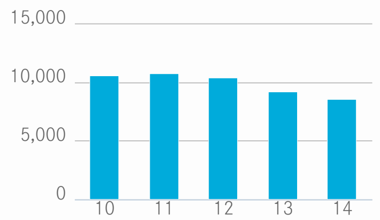
By rotating staff between different countries and divisions, the company improves know-how and develops the exchange of competencies throughout the organisation.

For further details of Group personnel see Note 12 Employee benefits.

Personnel by country, 31 Dec. 2014



Number of employees, 31 Dec.



Changes in Fortum's Management

Fortum renewed its business structure as of 1 March 2014. The target of the reorganisation is to strengthen Fortum's capability to execute the company's strategy in the fast-developing operating environment.

Matti Ruotsala was appointed Chief Operating Officer (COO) and Timo Karttinen Chief Financial Officer (CFO). New Executive Management Team members are Tiina Tuomela, who was appointed Executive Vice President (EVP), Nuclear and Thermal Power; Kari Kautinen, Senior Vice President (SVP), Strategy,

Mergers and Acquisitions; and Esa Hyvärinen, Senior Vice President, Corporate Relations.

In the new structure, Fortum has four reporting segments:

- Power and Technology (reporting to COO), including
  - Hydro Power and Technology, Per Langer, EVP
  - Nuclear and Thermal Power, Tiina Tuomela, EVP
- Heat, Electricity Sales and Solutions (reporting to COO), Markus Rauramo, EVP
- Russia, Alexander Chuvaev, EVP
- Distribution, Timo Karttinen, CFO

Fortum's six staff functions are:

- Finance, Timo Karttinen, CFO
- Strategy and Mergers & Acquisitions, Kari Kautinen, SVP
- Legal, Sirpa-Helena Sormunen, General Counsel (as of September 2014)
- Human Resources and IT, Mikael Frisk, SVP
- Communications, Helena Aatinen, SVP
- Corporate Relations, Esa Hyvärinen, SVP

COO Matti Ruotsala, CFO Timo Karttinen and Alexander Chuvaev, EVP of Russia, as well as the heads of the staff functions report to President and CEO.

The company's General Counsel and Executive Team member Kaarina Ståhlberg left her position as General Counsel and member of Fortum's Executive Management as of 8 April 2014, due to family reasons.

In June 2014, Sirpa-Helena Sormunen, LL.M., 54, was appointed General Counsel and member of Fortum Corporation's Executive Management as of 1 September 2014. She reports to the President and CEO.

Events after the balance sheet date

On 22 January 2015, it was announced that Tapio Kuula, President and CEO of Fortum Corporation, will go on a disability pension starting 1 February 2015. Tapio Kuula has been the President and CEO of Fortum Corporation since 2009. Fortum's Board has started the search process for a new CEO covering internal and external candidates. In the meanwhile, Timo Karttinen, CFO of Fortum will also act as interim President and CEO.

On 22 January, Fortum's Nomination Board proposed to the Annual General Meeting that the Board consists of eight (8) members and that the following persons be elected to the Board of Directors for a term ending at the end of the Annual General Meeting 2016. To be re-elected: Ms Sari Baldauf as Chairman, Mr Kim Ignatius as Deputy Chairman, and as members; Ms Minoo Akhtarzand, Mr Heinz-Werner Binzel, Mr Petteri Taalas and Mr Jyrki Talvitie. To be elected as new board members; Ms Eva Hamilton and Mr Tapio Kuula.

Outlook

Key drivers and risks

Fortum's financial results are exposed to a number of economic, strategic, political, financial and operational risks. One of the key factors influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, fuel and CO_2 emissions allowance prices as well as the hydrological situation. The completion of Fortum's investment programme in Russia is also one key driver to the company's result growth, due to the increase in production volumes and CSA payments.

The continued global economic uncertainty and Europe's sovereign-debt crisis has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO_2 emissions allowance prices, and this could maintain downward pressure on the Nordic wholesale price for electricity. In Fortum's Russian business, the key factors are economic growth, the rouble exchange rate, the regulation around the heat business, and further development of electricity and capacity markets. Operational risks related to the investment projects in the current investment programme are still valid. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates due to financial turbulence could have both translation and transaction effects on Fortum's financials, especially through the and the Russian rouble (RUB) and Swedish krona (SEK). In the Nordic countries, also the regulatory and fiscal environment for the energy sector has added risks for utility companies.

For further details on Fortum's risks and risk management, see the Risk management section of the Operating and financial review and Note 3 Financial risk management.

Nordic market

Despite macroeconomic uncertainty, electricity is expected to continue to gain a higher share of the total energy consumption. Fortum continues to expect the annual growth rate in electricity consumption to be on average approximately 0.5%, while the growth rate for the nearest years will largely be determined by macroeconomic development in Europe and especially in the Nordic countries.

During 2014, the price of European Union emissions allowances (EUA) appreciated, whereas the oil and coal prices declined. The price of electricity for the upcoming twelve months declined in the Nordic area as well as in Germany.

In late January 2015, the future quotation for coal (ICE Rotterdam) for the rest of 2015 was around USD 58 per tonne, and the price for CO_2 emission allowances for 2015 was about EUR 7 per tonne. The electricity forward price in Nord Pool for the rest of 2015 was around EUR 28 per MWh and for 2016 around EUR 29 per MWh. In Germany, the electricity forward price for the rest of 2015 was around EUR 32 per MWh and for 2016 around EUR 32 per MWh. Nordic water reservoirs were about 1 TWh below the long-term average and 1 TWh below the corresponding level of 2014.

Restructuring according to strategy in Russia

In December, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1, a Territorial Generating Company in Russia. TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg. Currently, Gazprom Energoholding owns 51.8% of the TGC-1 shares and Fortum 29.5%.

As part of the restructuring, Fortum will establish a company together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding continues with the heat and thermal power businesses of TGC-1. By utilising its present stake in TGC-1, Fortum would obtain a more than 75% ownership in the hydro power company. Rosatom would have a less than 25% minority holding in the hydro power company. The company would be consolidated to Fortum Group as a subsidiary.

Provided that Fortum obtains a more than 75% ownership in TGC-1 hydro assets, Fortum would be ready to participate with a minority stake (max. 15%) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Power and Technology

The Power and Technology Segments Nordic power price typically depends on factors such as hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible production portfolio, and currency fluctuations. Excluding the potential effects from changes in the power generation mix, a 1 EUR/MWh change in the Power and Technology Segment’s Nordic power sales (achieved) price will result in an approximately EUR 45 million change in Fortum's annual comparable operating profit. In addition, the comparable operating profit of the Power and Technology Segment will be affected by the possible thermal power generation volumes and its profits.

The ongoing, multi-year Swedish nuclear investment programmes are expected to enhance safety, improve long term availability and increase the capacity of the current nuclear fleet. The implementation of the investment programmes could, however, affect availability. Fortum’s power procurement costs from co-owned nuclear companies are affected by these investment programmes through increased depreciation and finance costs of associated companies.

As a result of the nuclear stress tests in the EU, the Swedish nuclear safety authority (SSM) has decided to propose new regulations for Swedish nuclear reactors. The process is ongoing. Fortum emphasises that maintaining a high level of nuclear safety is the highest priority, but considers EU-level harmonisation of nuclear safety requirements to be of utmost importance.

In 2014, the Swedish Government decided to increase the nuclear waste fund fee from approximately 0.022 to approximately 0.04 SEK/kWh for the period 2015 to 2017. The estimated impact on Fortum would be approximately EUR 25 million annually. The process to review the Swedish nuclear waste fees is done in a three-year cycle.

The previously announced Swedish Government state budget proposal to increase the tax on the installed effect in nuclear power plants by 17 % iscurrently on hold.

Russia

The generation capacity built after 2007 under the Russian Government's capacity supply agreements (CSA – “new capacity”) receives guaranteed capacity payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments. The issue of prolonged CSA payments from 10 to 15 years has been under discussion in the Russian Government; however, no official decisions have yet been made.

The capacity selection for generation built prior to 2008 (CCS – “old capacity”) for 2015 was held in September 2014. All of Fortum’s capacity was allowed to participate in the selection for 2015, and the majority of Fortum’s plants were also selected. The volume of Fortum’s installed capacity not selected in the auction totalled 195 MW (approximately 3.7% of Fortum’s total old capacity in Russia) for which Fortum plans to obtain forced mode status.

The Russia Segment's new capacity will be a key driver for earnings growth in Russia, as it is expected to bring income from new volumes sold and to also receive considerably higher capacity payments than the old capacity. The received capacity payment will differ depending on the age, location, size and type of the plants as well as on seasonality and availability. The return on the new capacity is guaranteed, as regulated in the CSA. CSA payments can vary somewhat annually because they are linked to Russian Government long-term bonds with 8 to 10 years maturity. In addition, the regulator will review the earnings from the electricity-only market three years and six years after the commissioning of a unit and could revise the CSA payments accordingly.

The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2014, is estimated to be approximately EUR 0.2 billion, as of December 2014.

The Russian result is impacted by seasonal volatility caused by the nature of the heat business, with the first and last quarter being clearly the strongest.

At the time of the acquisition of the Russian subsidiary OAO Fortum in 2008, the EUR 500 million run-rate level in operating profit (EBIT) target set to be reached during 2015 in the Russia Segment corresponded to approximately RUB 18.2 billion at the then prevailing euro-rouble exchange rates. As earlier communicated, the segment’s profits are mainly impacted by changes in currency exchange rates as well as power demand, gas prices and other regulatory development. Fortum is keeping its rouble-denominated target intact, but, mainly due to the translation effect, the euro-denominated result level will be volatile. The income statements of non-euro subsidiaries are translated into the Group reporting currency using the average exchange rates. Currently, the unfavourable exchange balance converts into a lower profit level in euros. However, every effort to mitigate the negative impacts is continuously being made.

In 2014, the Ministry of Energy proposed a new heat market model (for public discussion), which is supposed to ensure a transition to economically justified heat tariffs by 2020 and attract investments into the heat sector. In September 2014, the heat market reform roadmap was approved by the Russian Government; according to the roadmap, the reform shall give heat market liberalisation by 2020 or, in some specific areas, by 2023.

As forecasted by the Russian Ministry of Economic Development, Russian gas price indexation did not take place in October 2014. However, year-on-year gas price growth is estimated to be 3.5% in 2015.

Distribution

Fortum continues to prepare and evaluate for a possible sale of the Swedish electricity distribution business.

In Sweden, legal processes are under way concerning the appeal filed regarding the network income regulatory period 2012-2015. The Administrative Court in Sweden ruled in favour of the network companies in November 2013. The Energy Market Inspectorate decided to appeal the decision to the next final-law court, the Supreme Administrative Court, which still needs to decide on granting a leave to appeal.

The work to define the Swedish network income regulation model for the next regulatory period 2016-2019 is ongoing. In September 2014, the Swedish Government made a decision regarding the capital base ordinance; however, the details will be decided by the Energy Market Inspectorate. Decisions are expected to be made during the spring 2015.

Capital expenditure and divestments

Fortum currently expects its capital expenditure in 2015 to be approximately EUR 0.9 billion, excluding potential acquisitions (including Distribution segment). The annual maintenance capital expenditure (excluding Distribution segment) is estimated to be about EUR 300-350 million in 2015, below the level of depreciation.

Fortum will gradually decrease its financing to Fortum Värme, the co-owned power and heat company operating in the capital area in Sweden, during 2014-2015. At the end of December 2014, Fortum Värme's remaining interest-bearing liability to Fortum is approximately EUR 0.6 billion.

Taxation

The effective corporate income tax rate for Fortum in 2015 is estimated to be 19–21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items.

The Finnish Government decided in June 2014 that it will not, after all, introduce a power plant tax (windfall tax) on nuclear, hydro and wind power built before 2004. The final decision to revoke the tax was made by the Parliament in November 2014, and the revocation entered into force on 1 January 2015.

In August, the Finnish Board of Adjustment of the Large Taxpayers' Office had unanimously approved Fortum Corporation's appeal of the income tax assessment imposed on Fortum for the year 2007 in December 2013. The Tax Recipients' Legal Services Unit has appealed in the matter (Note 39). In December 2014, Fortum received a non-taxation decision regarding its financing companies for the remaining years 2008-2011, based on the same audit. This is in line with the Supreme Administrative Court's (SAC) precedent decision. The Tax Recipients' Legal Services unit within the tax authorities has the right to appeal the decision.

The new Swedish Government proposed to increase the tax on installed nuclear capacity by 17% as of 2015. This issue is currently on hold. Fortum's position is that the tax issue should be referred to an upcoming parliamentary energy commission in order to get a broadly established view on how the needs of energy and effect can be resolved. If implemented, the estimated impact on Fortum would be approximately EUR 15 million annually, however corporate tax-deductable.

Hedging

At the end of December 2014, approximately 50% of Power and Technology's estimated Nordic power sales volume was hedged at approximately EUR 40 per MWh for the calendar year 2015. The corresponding figures for the calendar year 2016 were approximately 10% at approximately EUR 39 per MWh.

The hedge price for Power and Technology's Nordic generation excludes hedging of the condensing power margin. In addition, the hedge ratio excludes the financial hedges and physical volume of Fortum's coal-condensing generation as well as the segment's imports from Russia.

The reported hedge ratios may vary significantly, depending on Fortum's actions on the electricity derivatives markets. Hedges are mainly financial contracts, most of them Nord Pool forwards.

Research and development

Sustainability is at the core of Fortum's strategy, and Fortum's research and development (R&D) activities promote environmentally-benign energy solutions. Investments in the development of renewable energy production, like solar power, are an important part of Fortum's strategy implementation.

In 2014, Fortum, UPM and Valmet joined forces to develop a new technology to produce advanced, high-value lignocellulosic fuels, such as transportation fuels, or higher value bio liquids in order to develop catalytic pyrolysis technology for upgrading bio-oil and to commercialise the new technology.

Fortum also signed an agreement with Cleantech Invest Plc on partnership with regard to business development activities, potential future cleantech investments as well as information sharing. The company also started a collaboration with St1 to build Finland's first industrial-scale geothermal pilot heat plant. St1 will begin planning the pilot production plant, which is estimated to be completed in 2016.

Furthermore, Fortum's leasing agreement signed during the period with the UK-based Wave Hub provides Fortum with an opportunity to study advanced, full-scale wave power converters in ocean conditions. Fortum also acquired a minority share in the Finnish wave energy developer Wello Oy.

The Group reports its R&D expenditure on a yearly basis. In 2014, Fortum's R&D expenditure was EUR 41 million (2013: 49) or 0.9% (2013: 0.9%) of sales.

	2014	2013	Change 14/13
R&D expenditure, EUR million	41	49	-16%

R&D expenditure, % of sales	0.9	0.9	0%

Sustainability

Fortum strives for balanced management of economic, social and environmental responsibility in the company's operations. Fortum's sustainability targets consist of Group-level key indicators and division-level indicators.

The Group-level sustainability targets emphasise Fortum's role in society and measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, and the security of supply of power and heat.

The achievement of the sustainability targets is monitored through monthly, quarterly and annual reporting.

Sustainability target-setting and follow-up as well as the approval of Fortum's Sustainability policy and the review of Fortum's Sustainability Report are included in the working order of the Board of Directors.

The company is listed on STOXX Global ESG Leaders, the NASDAQ, OMX GES Sustainability Finland and ECPI® indices. Fortum is also included in the Carbon Disclosure Project's Nordic Climate Index and has received Prime Status (B-) rating by the German oekom research AG.

Sustainability indicators at the Group level

	Target	2014	Five-year average
Specific CO_2 emissions from power generation in the EU as a five-year average, g/kWh	< 80	39	60
Specific CO_2 emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	189	198
Overall efficiency of fuel use as a five-year average, %	> 70	64	63
Major EHS incidents	< 35	27	-
Energy availability of CHP plants, %	> 95	94.7	-
SAIDI, (minutes), Sweden	< 100	97	-
Lost workday injury frequency (LWIF) for own personnel	< 1.0	1.0	-
Lost workday injury frequency (LWIF) for contractors	< 3.5	3.2	-

Targets for reputation and customer satisfaction are monitored annually. Company reputation among the key stakeholders in the One Fortum Survey in 2014 improved to 70.4 (2013: 69.8) i.e. slightly below the target of 70.8. Customer satisfaction improved in all Divisions, and the Group target (70-74 points) was achieved in the Heat and Power Solutions business areas.

Economic responsibility

In the area of economic responsibility, the focus is on competitiveness, performance excellence and market-driven production. The aim is to create long-term economic value and enable profitable growth and added value for shareholders, customers, employees, suppliers and other key stakeholders in the company's operating areas. Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. The key figures by which Fortum measures its financial success include return on capital employed (target: 12%), return on shareholders' equity (target: 14%) and capital structure (target: net debt/EBITDA around 3). In addition, as of January 1, 2014, Fortum had used the applicable Global Reporting Initiative (GRI) G4 indicators for reporting economic responsibility.

Fortum as a tax payer

Fortum supports social development and well-being of the areas of operations by e.g. paying taxes. The tax benefits Fortum produces to society include not only corporate income taxes EUR 199 million (2013: 186) but also several other taxes. In 2014, Fortum's taxes borne were EUR 525 million (2013: 558). Taxes borne include corporate income taxes, production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include also production taxes and taxes on property paid through electricity purchased from associated companies.

Fortum's effective income tax rate was 5.9% (2013: 13.3%) and total tax rate14.3% (2013: 31.8%). See also note 14 Income tax expense.

The effective income tax rate, excluding the changes in the tax rates, the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains was 18.8% (2013: 22.7%).

The total tax rate excluding the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains was 38.2% (2013: 36.6%). In addition, Fortum administers and collects different taxes on behalf of governments and authorities. Such taxes include e.g. VAT, excise taxes on power consumed by customers, payroll taxes and withholding taxes. The amount of taxes collected by Fortum was EUR 527 million (2013: 700).

The total tax rate excluding the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains was 38.2% (2013: 36.6%).

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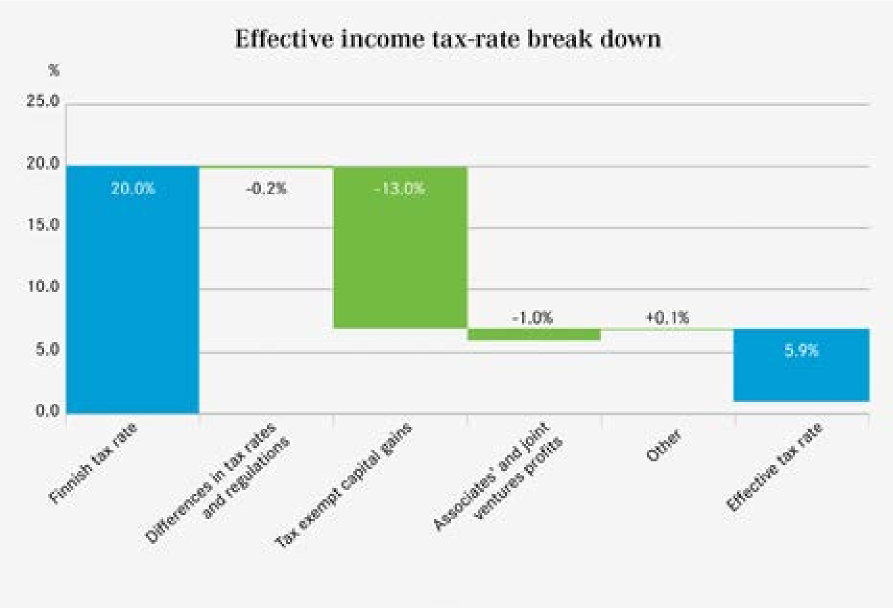
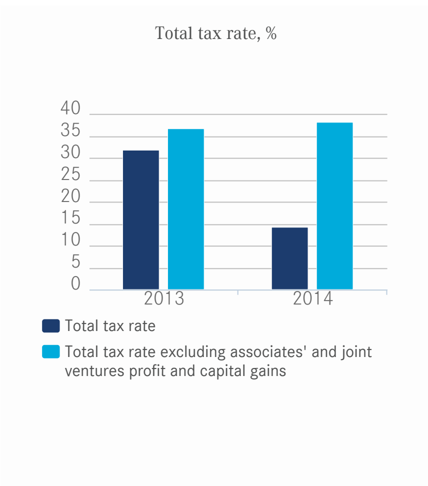
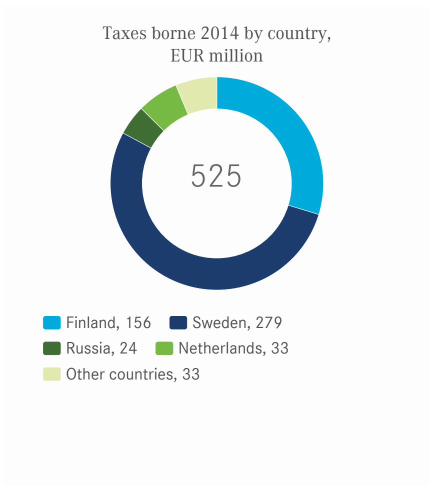






Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources as well as management of the impacts of our energy production, distribution and supply chain. Our know-how in CO_2-free hydro and nuclear power production and in energy-efficient CHP production is highlighted in environmental responsibility. Fortum’s Group-level environmental targets are related to CO_2 emissions, energy efficiency as well as major environmental, health and safety (EHS) incidents. At the end of December 2014, ISO 14001 certification covered 100% of Fortum's power and heat production and distribution operations worldwide.

Fortum’s climate targets over the next five years are: specific CO_2 emissions from power generation in the EU below 80 grams per kilowatt-hour (g/kWh) and total specific CO_2 emissions from both electricity and heat production in all countries below 200 g/kWh. Both targets are calculated as a five-year average. At the end of December 2014, the five-year average for specific CO_2 emissions from power generation in the EU was at 60 g/kWh (2013: 60) and the total specific CO_2 emissions from energy production was at 198 g/kWh (2013: 197), both better than the target level.

Fortum's total CO_2 emissions in 2014 amounted to 20.2 million tonnes (Mt) (2013: 20.5), of which 3.6 Mt (2013: 5.1) were within the EU's emissions trading scheme (ETS). Since 2013, electricity production has not received free allowances in the EU ETS. The amount of free allowances for heat will gradually decrease during 2013-2020 as well. Fortum's free allowances in 2014 totalled 1.4 Mt.

Fortum’s total CO_2 emissions (million tonnes, Mt)	2014	2013	Change 14/13
Total emissions	20.2	20.5	-1%
Emissions subject to ETS	3.6	5.1	-29%
Free emission allocation	1.4	1.8	-22%
Emissions in Russia	16.6	15.3	8%

Fortum's energy-efficiency target was to raise the overall efficiency of fuel use to 70% as a five-year average. In 2014, the overall efficiency of fuel use was 64% (2013: 59%) and the five-year average after December 2014 was 63% (2013: 64%), meaning the target level was not met.

Fortum's target is for fewer than 35 major EHS incidents annually. In 2014, a total of 27 (2013: 35) major EHS incidents took place in Fortum's operations. This includes 15 environmental permit non-compliances, four explosions, four oil leaks into the environment, three fires and one International Nuclear Event Scale1 incident (INES). These EHS incidents did not have significant environmental or financial impacts, but the explosion in the Pyrolysis unit in Joensuu in March 2014 caused a prolonged interruption in the production of pyrolysis oil. The cause of the explosion has been identified, and work to restart production is ongoing.

Social responsibility

n the area of social responsibility, Fortum's innovations and the secure supply of low-carbon power and heat support the development of society and increase well-being. Good corporate citizenship, reliable energy supply and ensuring a safe working environment for all employees and contractors at Fortum sites are emphasised. At the end of December 2014, OHSAS 18001 certification covered 75% of Fortum's power and heat production and distribution operations worldwide.

In 2014, the average energy availability of Fortum's CHP plants was 94.7%, which is slightly below the annual target level of 95%. In electricity distribution in Sweden, the cumulative SAIDI (System Average Interruption Duration Index) was 97 (2013: 103) minutes, while the annual target is less than 100 minutes.

The lost workday injury frequency (LWIF) for Fortum employees was 1.0 (2013: 1.0) in 2014. This complies with the Group-level frequency target of less than one per million working hours for own personnel. The lost-workday injury frequency for contractors has improved and was 3.2 (2013: 3.9). Unfortunately, there were three fatal accidents for contractors in Fortum's operations, two in Sweden and one in Russia. Additionally, in Fortum Värme's CHP8 project, there was a serious accident in November in which two contractors' employees perished. Implementation of agreed actions to improve contractor safety continues with a specific focus on construction projects. Fortum's categorical target is to avoid serious injuries.

Fortum wants to conduct business with viable companies that act responsibly and comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. In 2014, Fortum audited altogether 13 suppliers located in Bulgaria, China, Czech Republic, Poland, Russia and Sweden.

Risk management

Risk management is an integrated part of business planning and performance management. The objective of risk management within Fortum is to support the creation of the corporate strategy, enable the strategy execution, support the achievement of agreed financial targets and avoid unwanted operational events.

Risk management framework and objectives

Involvement in the power and heat business exposes Fortum to several types of risks. The main sources of risk in the Nordic business are electricity prices and volumes, which in turn are affected by the weather in the Nordic region, the development of the global commodity markets and availability of power production. The Russian business is exposed to risks related to fuel, electricity and capacity prices and volumes, which are to a large extent subject to regulation, although the market is developing.

Fortum is continuously developing its risk management capabilities to cope with prevailing market conditions, developing operations and an ever changing business environment. In the operational risk management area, the focus has been on further enhancing the framework for internal controls, compliance risk management and business continuity management. There is continuos improvement in market and credit risk modelling in order to cope with an increasingly global and volatile market. Also the new market entries like India add complexity and risk in operations. Therefore new practices for country and partner assessments have been created and processes implemented. These processes also include sustainability and human rights impact assessment.

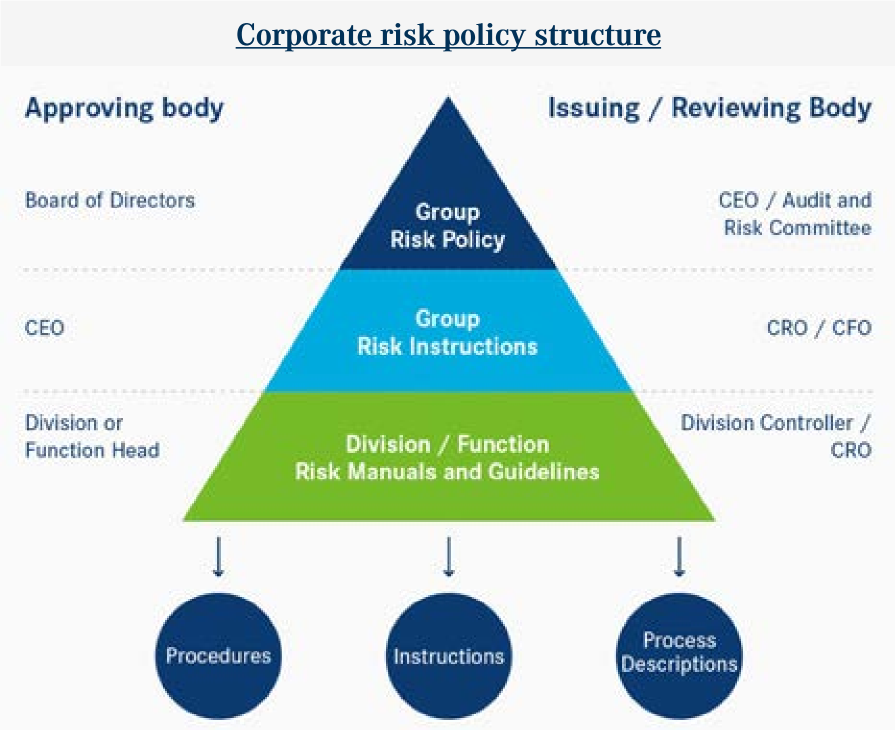
Risk management objective

The objective of risk management within Fortum is to support the creation of the corporate strategy, enable the straregy execution, support the achievement of agreed financial targets and avoid unwanted operational events.

Group risk policy

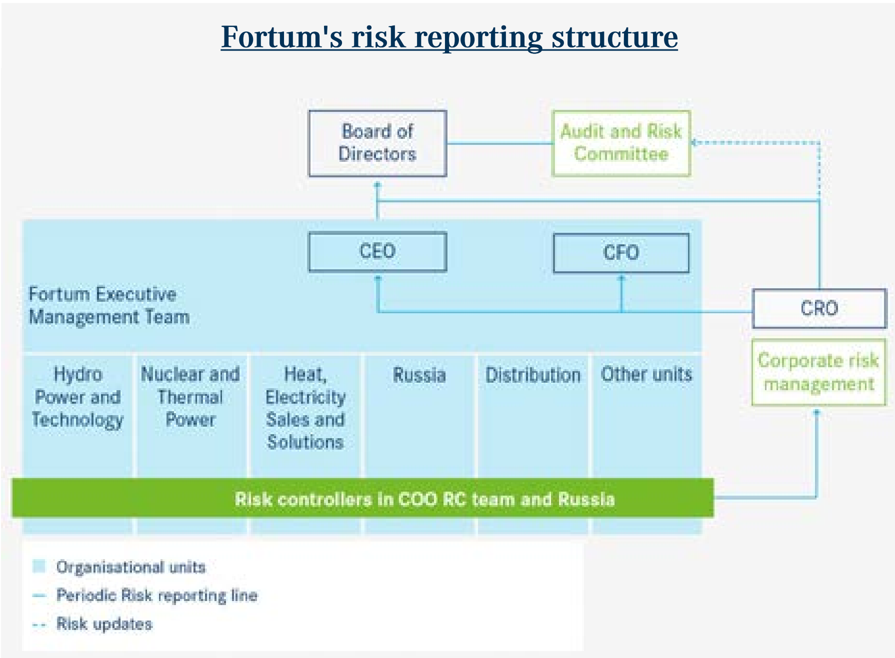
Fortum's Board of Directors annually approves the Group Risk Policy, which sets the objective, principles and division of responsibilities for risk management activities within the Group as well as defines the overall risk management process.

The CEO approves Group Risk Policy appendices, which include instructions for managing commodity market risks, counterparty risks, operational risks, financial risks, compliance risks and insurances. Corporate Treasury is responsible for managing the Group’s currency, interest rate, liquidity and refinancing risks as well as for insurance management. Credit Control in Corporate Risk Management is responsible for assessing and consolidating the Group's exposure to counterparty risks, monitoring the creditworthiness of counterparties and approving counterparty credit limits. Corporate IT is responsible for managing IT information and security risks. There are also corporate units dealing with risks related to human resources, laws and regulation, and sustainability.



Risk management organisation

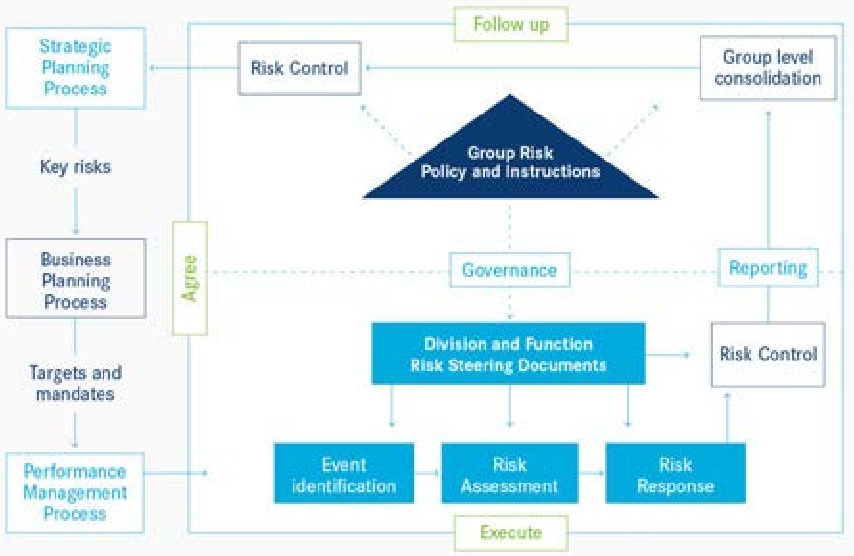
The Audit and Risk Committee is responsible for risk oversight within the Group. Corporate Risk Management is an independent function headed by the Chief Risk Officer (CRO), who reports to the CFO, and is responsible for assessing and reporting the Group's consolidated risk exposure to the Board of Directors and Group Management. Corporate Risk Management also monitors and reports risks in relation to mandates approved by the CEO. The main principle is that risks are managed at the source, unless otherwise agreed. In order to maintain a strict segregation of duties, risk control functions in the divisions and corporate units, like Treasury, are responsible for reporting risks to Corporate Risk Management. In connection with the organisation change, in March 2014, the Division Risk Control teams in the three COO divisions were centralised; that now the responsibility for risk control services for these divisions is shared and based on the requirements set by Corporate Risk Management.



Risk management process

The risk management process consists of identification of risks, risk assessment, risk response and risk control. Risks are primarily identified and assessed by divisions and corporate units in accordance with Group instructions and models that are approved by Corporate Risk Management. Every function is also responsible for responding to risks by taking appropriate actions. Risk responses can be one of, or a combination of, mitigating, transferring or absorbing the risk.

Fortum's risk management process



Risk factors

Risk control, monitoring and reporting is carried out by both the divisional and corporate unit risk control functions. The frequency of reporting is dependent upon the scope of the business. For example, trading activities and limit breaches are reported daily whereas strategic and operational risks are reported as part of the annual business planning process and followed up at least quarterly in management reviews. Corporate Risk Management assesses and reports the Group's consolidated exposure to financial and market risks to Group Management and the Board of Directors on a monthly basis.

Fortum's risk map

Strategic risks

Fortum's strategy is based on three areas of focus:

- Leverage the strong Nordic core
- Create solid earnings growth in Russia
- Build a platform for future growth

Investment, integration and project risks

Fortum's growth strategy includes expansion of operations. As a result of ongoing integrations or any future acquisitions, there is a risk to existing operations, including:

- addtional demands placed on senior management, who are also responsible for managing existing operations;
- increased overall operating complexity and requirements for personnel and other resources in other cultures;
- the need to attract and retain sufficient numbers of qualified management and other personnel;
- the need to understand and manage the new markets and different cultural and compliance requirements;
- the need to understand and manage subcontractor risks and related safety issues

Political and regulatory risks

The political and regulatory environment has a clear impact on energy businesses. This applies both to existing and potential new businesses and market areas. Fortum is thus exposed to regulatory risks in various countries.

Nordic/EU

Nordic/EU Policy harmonisation, infrastructure development and integration of the Nordic electricity market towards continental Europe depend to large extent on the actions of authorities. The current trend of national policies could even endanger market-driven development of the energy sector and the uncertainty with regard to future policy targets and framework is currently considerable. Fortum favours market-driven development, which would mean e.g. more interconnections and competition in addition to policy harmonisation, by maintaining an active dialogue with all stakeholders.

Currently the biggest potential risks within the policy framework relate to the electricity market model, targets with regard to future climate change mitigation and renewable energy and taxation.

In particular, the interlinkages of these issues create uncertainty, as they are overlapping and undermine the effects of each other.

The EU is currently discussing capacity remuneration mechanisms that would change the market model. The specific details of targets for CO_2 emissions and renewables for 2030 are also under discussion. The planned Government Bill for a windfall tax on some non-emitting and old power plants was removed during 2014. Furthermore, the nuclear safety directive is under revision, and a discussion on broadening nuclear liability in the EU is starting.

All these would pose risks, but also opportunities, for energy companies. To manage these risks and proactively participate in the development of the political and regulatory framework, Fortum maintains an active dialogue with the bodies involved in the development of laws and regulations at national and EU-levels.

Russia

Russia is exposed to political, economic and social uncertainties and risks resulting from changes in policies, legislation, economic and social upheaval and other similar factors, as other countries. The Ukraine crisis and EU and US sanctions have increased the risks and made the business environment for Russian business more challenging. Fortum is continuously monitoring the development and impliments risk mitigation actions if deemed necessary.

Fortum owns and operates heat and power generation assets in Russia under the operations of OAO Fortum. The wholesale power market deregulation in Russia has proceeded well, and to a large extent, according to original plans. The main policy-related risks in Russia are linked to the development of the whole energy sector, part of which, namely wholesale electricity, is liberalised while other parts, like gas, heat, and retail electricity, are not. Currently, there is the risk that the Government will freeze tariffs of certain regulated products including gas, which creates a risk for Fortum's efficient operations. Cross-subsidies, which are supposed to be eliminated but still exist, compromise the competitiveness of energy-efficient combined heat and power (CHP) production. Artificially low energy prices do not benefit anyone in the long run, as they promote inefficiency by limiting investments efficient capacity.

Political risk concerning taxes

The current economic situation in Fortum's key operating territories has created an unstable tax environment that is leading to new or increased taxes and new interpretations of existing tax laws. This in turn has led to unexpected challenges for Fortum in the way the Group is organised and how its operations are taxed. The certainty and visibility around taxes has decreased. Where there is uncertainty, Fortum seeks to maintain its position in line with its tax policy.

Legal and compliance risks

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

Inadequacies in the legal systems and law enforcement mechanisms expose Fortum to a risk of loss resulting from possible illegal or abusive practices by competitors, suppliers, or contracting parties. Fortum's ability to operate in Russia may also be adversely affected by difficulties in protecting and enforcing its rights in disputes with its contractual partners or other parties concerning, for example, regulatory influence on business and unfair market conditions, and also by future changes to local laws and regulations.

Fortum maintains strict internal market conduct rules and has procedures in place to prevent, for example, the use of confidential information before it is published.

Segregation of duties and internal controls are enforced to minimise the possibilities of unauthorised activities.

Compliance with competition legislation is an important area for Fortum. Fortum has enhanced its compliance risk management by establishing a process to systematically and separately identify and mitigate compliance risks linked to the operational risk framework. This process also includes risks related to sustainability and business ethics and aims to capture also potential bribery risks. Fortum has zero tolerance against corruption. Systematic compliance risk management has also been enhanced by forming a cross-functional network sharing views on changing regulations. Fortum has also established a Code of Conduct, including bribery risk assessment process, to enhance the compliance to business ethics.

Corporate Risk Management, together with other functions like the tax department and sustainability unit, has developed a country and partner risk evaluation processes to support understanding of compliance needs at local and business partner level.The review of compliance risks assessment is periodic, documented and discussed with the Compliance Risk Network, with the Fortum Executive Management Team having oversight of the process. A systematic compliance risk assessment is included in the business plans, and follow-up is a part of the business performance review. Line management regularly reports on the ethical compliance activities to the Fortum Executive Management Team and further to the Audit and Risk Committee. Fortum employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to Internal Audit.

Commodity market risks

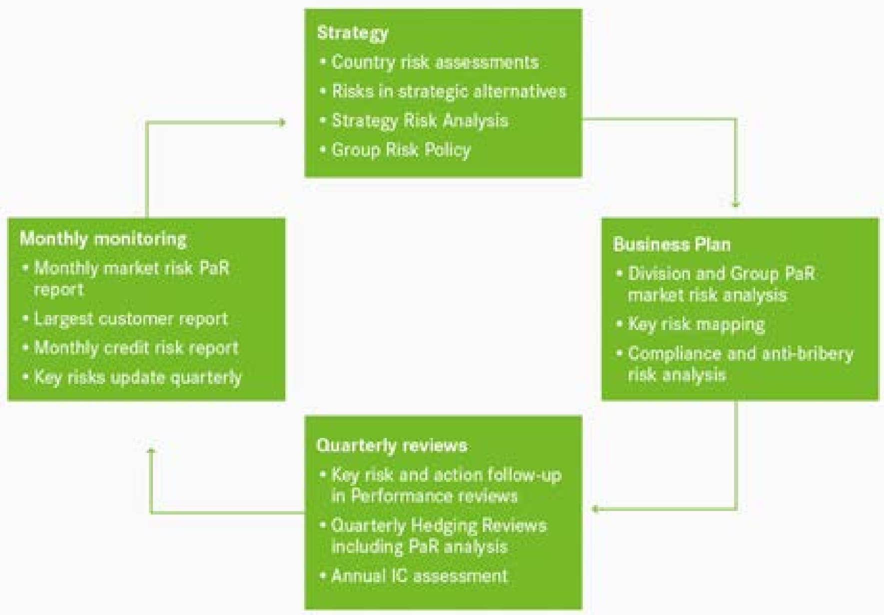
Commodity market risk refers to the potential negative effects of market price movements or volume changes in electricity, fuels and environmental values. A number of different methods, such as Profit-at-Risk and Value-at-Risk, are used throughout the Group to quantify these risks and to take into account their interdependencies. Stress-testing is carried out in order to assess the effects of extreme price movements on Fortum's earnings.

Fortum hedges its exposure to commodity market risks in accordance with the Hedging Guidelines. Risk taking is limited by risk mandates, including volumetric limits, Profit-at-Risk limits and stop-loss limits. The Profit-at-Risk measure in the form of Group minimum EBITDA is monitored by management to ensure that Fortum can deliver on its financial commitments without weakening its financial position. The development of minimum EBITDA is monitored in quarterly meetings and in monthly reporting.

All products and marketplaces used for hedging and trading are approved by the CRO.

For further information on hedge ratios, exposures, sensitivities and outstanding derivatives contracts, see Note 3 Financial risk management.

Risk Management in Fortum's Performance Management



Electricity price and volume risks

Fortum is exposed to electricity market price movements and volume changes mainly through its power generation and customer sales businesses. In competitive markets, such as in the Nordic region, the price is determined as the balance between supply and demand. The short-term factors affecting electricity prices on the Nordic market include hydrological conditions, temperature, CO_2 allowance prices, fuel prices, and the import/export situation.

In the Nordic business, power and heat generation, customer sales and electricity distribution volumes are subject to changes in, for example, hydrological conditions and temperature. Uncertainty in nuclear production due to prolonged maintenance or delays in upgrades, especially in co-owned plants in Sweden, has also increased in recent years.

Electricity price and volume risks are hedged by entering into electricity derivatives contracts, primarily on the Nordic power exchange, Nasdaq Commodities (Nord Pool). The objective of hedging is to reduce the effect of electricity price volatility on earnings and cash flows, and to secure a minimum level of cash flow, which ensures that financial commitments can be met. Hedging strategies cover several years in the short to medium term and are executed by the trading unit within set mandates. These hedging strategies are continuously evaluated as electricity and other commodity market prices, the hydrological balance and other relevant parameters change.

In Russia, electricity prices and capacity sales are the main sources of market risk. Market deregulation has developed as planned and the electricity price is highly correlated with the gas price. Hedges are mainly done through regulated bilateral agreements, but the financial market is developing and Fortum is utilising the possibilities in these markets to further mitigate electricity price risks.

Emission and environmental value risks

The European Union has established an emissions trading scheme to reduce the amount of CO_2 emissions. The CO_2 emissions trading scheme enhances the integration of the Nordic market with the rest of Europe. In addition to the emissions trading scheme, there are other trading schemes in environmental values in place in Sweden, Norway and Poland. There is currently no trading scheme in Russia for emissions or other environmental values. The main factor influencing the prices of CO_2 allowances and other environmental values is the supply and demand balance.

Part of Fortum's power and heat generation is subject to requirements of these schemes. Fortum manages its exposure to these prices and volumes through the use of derivatives, such as CO_2 forwards, and by ensuring that the costs of allowances are taken into account during production planning.

Fuel price and volume risks

Heat and power generation requires the use of fuels that are purchased on global or local markets. The main fuels used by Fortum are uranium, coal, natural gas, peat, oil, and various biomass-based fuels such as wood pellets.

For fuels that are traded on global markets such as coal and oil, the uncertainty in price is the main factor. 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 constraints in countries experiencing political or social unrest. The main fuel source for heat and power generation in Russia is natural gas. Natural gas prices are partially regulated, so the exposure is limited. For fuels traded on local markets, such as bio-fuels, the volume risk in terms of access to the raw material of appropriate quality is more significant as there may be a limited number of suppliers. Due to the sanctions and economic development in Russia, the risks related to imported fuels from Russia have been increased.

Exposure to fuel prices is limited to some extent because of Fortum's flexible generation possibilities that allow for switching between different fuels according to prevailing market conditions and, in some cases, the fuel price risk can be transferred to the customer. The remaining exposure to fuel price risk is mitigated through fixed-price purchases that cover forecasted consumption levels. Fixed-price purchases can be either for physical deliveries or in the form of financial hedges.

Financial Risks

Liquidity and refinancing risks

The power and heat business is capital intensive. Consequently, Fortum has a regular need to raise financing.

In order to manage these risks, Fortum maintains a diversified financing structure in terms of debt maturity profile, debt instruments and geographical markets. Fortum manages liquidity and refinancing risks through a combination of cash positions and committed credit facility agreements with its core banks. Fortum shall at all times have access to cash, bank deposits and unused committed credit facilities, including overdrafts, to cover all loans maturing within the next twelve-month period. Due to the volatile rouble develpoment and sanctions imposed, special attention has been paid to ensure that Russia Division has sufficient liquidity to undertake committed investments.

Interest rate risks

Fortum's debt portfolio consists of interest-bearing assets and liabilities on a fixed- and floating-rate basis with differing maturity profiles. Fortum manages the duration of the debt portfolio by entering into different types of financing contracts and interest rate derivative contracts, such as interest rate swaps and forward rate agreements (FRAs).

Currency risks

Fortum has cash flows, assets and liabilities in currencies other than the euro. Changes in exchange rates can therefore have an effect on Fortum's earnings and balance sheet. The main currency exposures are EUR/RUB from translation exposure of OAO Fortum in Russia and EUR/SEK, arising from Fortum's extensive operations in Sweden. Due to the low oil prices and weakened Russian economy, also the rouble has weakened and volatility of the exchange rate versus the euro has increased in 2014. The weaker rouble is effecting Fortum's profit level and equity when translating the Russia Division results and net assets to euros.

Fortum's 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). For transaction risks, the main principle is that all material exposures are hedged while translation exposures are not hedged or are hedged selectively. The rouble exposures are monitored continuously.

Counterparty risks

Fortum is exposed to counterparty risk whenever there is a contractual arrangement with an external party; customer, supplier, financing partner or trading counterparty. During 2013 Fortum enhanced the country entry and partner risk assessment processes when entering new markets and/or partnerships. These processes have been fully implemented during 2014.

Credit risk exposures relating to financial derivative instruments are often volatile. Although the majority of commodity derivatives are cleared through exchanges, derivatives contracts are also entered into directly with external counterparties. Such contracts are limited to high-credit-quality counterparties active on the financial or commodity markets.

Due to the financing needs and management of liquidity, Fortum has counterparty exposure to a number of banks and financial institutions. This includes exposure to the Russian financial sector in terms of deposits with financial institutions as well as to banks that provide guarantees for suppliers and contracting parties. Limits with banks and financial institutions are followed closely so that exposures can be adjusted as ratings or the financial situation changes. Fortum is closely following the sanction development in Russia. Special attention is put to the credit risk management.

Credit risk exposures relating to customers and suppliers are spread across a wide range of industrial counterparties, small businesses and private individuals over a range of geographic regions. The majority of exposure is to the Nordic market, but there is also significant exposure in Russia and Poland as a result of increased operations. The risk of non-payment in the electricity and heat sales business in Russia is higher than in the Nordic market.

In order to minimise counterparty risk, Fortum has well established routines and processes to identify, assess and control counterparty exposure. No contractual obligations are entered into without proper, reasonable and viable credit checks, and creditworthiness is continuously monitored through the use of internal and external sources to ensure that actions can be taken immediately if changes occur.

Corporate Credit Control is responsible for assuring stringent controls for all larger individual counterparty exposures. Annual credit reviews are performed manually for all larger approved limits. Each division or corporate unit is responsible for ensuring that exposures remain within approved limits. Mitigation of counterparty risk includes the use of collateral, such as guarantees, managing payment terms and contract length, and netting agreements. Corporate Credit Control continuously monitors and reports counterparty exposures against the approved limits.

Operational risks

Operational risks are defined as the negative effects resulting from inadequate or failed internal processes, people and systems or equipment, or from external events. The main objective of operational risk management is to reduce the risk of unwanted operational events by clearly documenting and automating processes and by ensuring a strict segregation of duties between decision-making and controlling functions. Quality, environmental and occupational health and safety management systems are tools for achieving this objective. Fortum's operational activies are 100% ISO 14001 certified. The coverage of OHSAS 18001 certification is 74%. Equipment and system risks are primarily managed within maintenance investment planning, and there are contingency plans in place to ensure business continuity. Operational risks in production facilities (nuclear, hydro and heat plants) are mitigated by continuous maintenance, condition monitoring, and other operational improvements.

The Group Insurance Instructions defines the management of insurable operational risks. The objective of insurance management is to optimise loss prevention activities, self retentions and insurance coverage in a long-term cost-efficient manner. Fortum has established Group-wide insurance programmes for risks related to property damages, business interruption and liability exposures.

Hydro power

Operational events at hydro power generation facilities can lead to physical damages, business interruptions, and third- party liabilities. 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.

In Sweden, 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 Swedish dam failure liabilities up to SEK 9,000 million.

Nuclear power

Fortum owns the Loviisa nuclear power plant, and has minority interests in one Finnish and two Swedish nuclear power companies. At the Loviisa power plant, 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 Sweden, third-party liability relating to nuclear accidents is strictly the plant operator's responsibility and must be covered by insurance.

As the operator of the Loviisa power plant, Fortum has a statutory liability insurance policy of 600M SDR (Special Drawing Right). The same type of insurance policies are in place for the operators where Fortum has a minority interest. In Sweden, the limits are compliant with the national legislation.

Decisions have been made in both Finland and Sweden to renew the current nuclear liability legislation to align more with the Paris and Brussels convention. The new legislation is not likely to come into force during 2015 in Finland and Sweden. The changes in the new national legislation consist of a liability on plant operators covering damages up to EUR 700 million in Finland and up to EUR 1,200 million per nuclear incident in Sweden. The liability should be covered by insurance or other form of financial guarantee, as well as a strict and unlimited liability for the plant operators in each respective country.

Under Finnish law, Fortum bears full legal and financial responsibility for the management and disposal of nuclear waste produced by the Loviisa power plant. In both Finland and Sweden, Fortum bears partial responsibility, proportionate to the output share, for the costs of the management and disposal of nuclear waste produced by co-owned nuclear power plants.

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 nuclear power plant decommissioning are provided for by a state-established fund to which nuclear power plant operators make annual contributions.

Multi-layered containment systems and sophisticated safety protocols effectively isolate radioactive materials from the surrounding environment during the process of interim storage, packaging, transport, relocation and encasement of nuclear waste in the final storage repositories.

Distribution facilities

Operational events at distribution facilities can lead to physical damages, business interruptions, and third-party liabilities. Storms and other unexpected events can result in electricity outages that create costs in the form of repairs and customer compensations. Although outages are typically short, it is not possible to completely prevent long outages. There are extensive procedures in place to minimise the length and consequences of outages. After the divestments in Finland and Norway, Fortum is exposed to distributions risks only in Sweden.

Sustainability risks

The assessment of sustainability risks is also included in the assessment of business risks. The Corporate Sustainability function assesses the risks related to both Group and their own operations as part of the annual planning. The divisions assess the risks identified by the Corporate Sustainability function in their own annual planning and prepare for their control. Business divisions with ISO 14001 certification manage their environmental risks and their preparedness to operate in exceptional and emergency situations in compliance with the requirements of the standard. The same approach applies to risks management related to occupational health and safety and actions in emergency situations for operations with OHSAS 18001 certification.

Operating power and heat generation and distribution facilities involves the use, storage and transportation of fuels and materials that can have adverse effects on the environment. Operation and maintenance of the facilities expose the personnel to potential safety risks. The risks involved with these activities and their supply chain are receiving increased attention. There is also a growing public awareness of sustainable development and the expectations on companies' responsible conduct.

Environmental, health and safety (EHS) risks as well as social risks related to Fortum's activities are regularly evaluated through internal and external audits and risk assessments, and corrective and preventive actions are launched when necessary. EHS related risks together with social risks arising in investments are systematically evaluated in accordance with Fortum's Investment

Evaluation and Approval Procedure. Environmental risks and liabilities in relation to past actions have been assessed and necessary provisions made for future remedial costs.

Technology risks

Fortum actively explores opportunities in new technologies in a solar economy. Fortum is participating in technologies and projects in solar and wave energy, and since 2013 Fortum has operated its first solar plant in India. New technologies, like bio-oil and solar, expose Fortum to new types of risks, such as IPR risks and viability of technologies. These, in combination with operating in new markets, add complexity.

IT and information security risks

Information security risks are managed centrally by the Corporate Security and IT functions. Business-specific IT risks are managed within the divisions and corporate units. Group IT instructions set procedures for reducing risks and managing IT and other information security incidents. The main objective is to ensure high availability and fast recovery of IT systems. Fortum's IT community identifies the IT-related operational risks that might threaten business continuity, and the mitigating actions are planned accordingly. Fortum IT is exposed to hardware and software risks including cyber attacks, as is any other corporate function, however, taking into account the size and complexity of the business. The management of these risks is coordinated by Corporate IT, headed by the CIO, who also manages the IT architecture and strategy.

Fortum share and shareholders

Fortum Corporation's shares have been listed on Nasdaq Helsinki since 18 December 1998. The trading code is FUM1V. 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	2014		2013	2012
Earnings per share	3.55		1.36	1.59
Cash flow per share	1.98		1.74	1.56
Equity per share	12.23		11.28	11.30
Dividend per share	1.10	1)	1.10	1.00
Extra dividend per share	0.20	1)		
Payout ratio, %	36.6	1)	80.9	62.9
Dividend yield, %	7.2	1)	6.6	7.1

1) Board of Directors' proposal for the Annual General Meeting 31 March 2015.

For the full set of share key figures, 2004-2014, see the Key figures section in the Financial Statements.

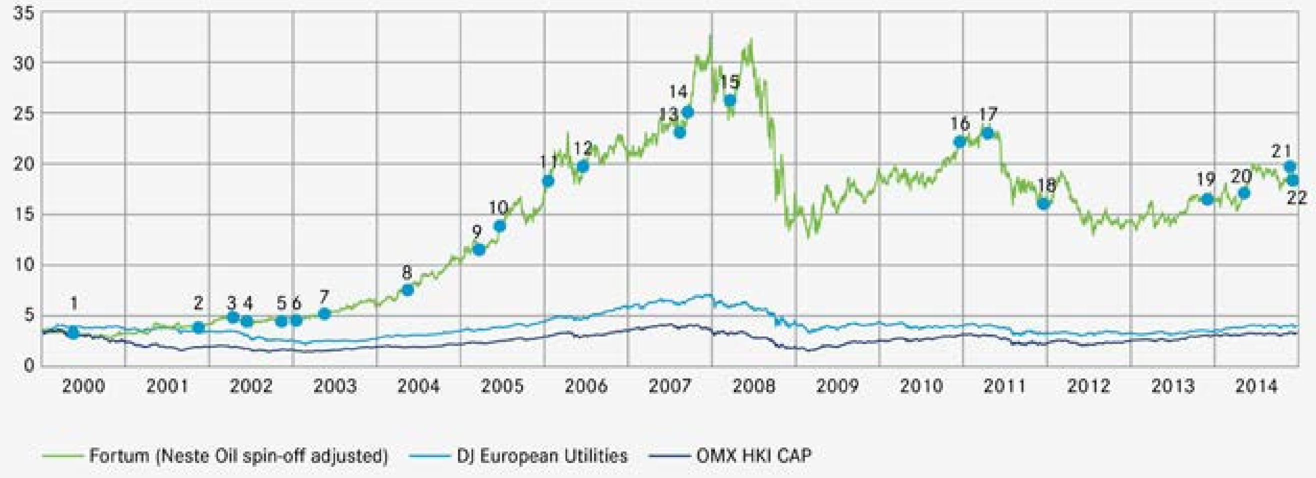
Shareholders value, share price performance and volumes

Fortum's mission is to deliver excellent value to it's shareholders. Fortum's share price has depreciated approximately 8% during the last five years, while Dow Jones European Utility Index has decreased 9%. During the same period Nasdaq Helsinki Cap index has increased 28%. During 2014 Fortum's share price appreciated approximately 8%, while Dow Jones European Utility index increased 13% and Nasdaq Helsinki Cap index increased 6%.

During 2014, a total of 454.8 million (2013: 465.0) Fortum Corporation shares, totalling EUR 8,134 million, were traded on the Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2014 was EUR 20.32, the lowest EUR 15.13, and the volume-weighted average EUR 17.89. The closing quotation on the last trading day of the year 2014 was EUR 17.97 (2013: 16.63). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 15,964 million (2013: 14,774).

In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boat, BATS Chi-X and Turquoise, and on the OTC market as well. In 2014, approximately 58% (2013: 58%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

Share price performance, EUR



1. Acquisition of Stora Enso power generation assets 1.9 bn EUR

2. Birka acquisition remaining 50% 3.6 bn EUR

3. Sale of Fortum Energie GmbH 545 MEUR

4. Ministry of Trade and Industry sells down to 61%

5. Sale of Norwegian E&P for $1.1 bn

6. Asset swap worth 800 MEUR gaining shareholdings in Hafslund and Lenenergo

7. Increase in Hafslund stake to 31%

8. Increase in Lenenergo stake

9. Dividending out and sale of Neste Oil shares market value 3.8 bn EUR

10. Ministry of Trade and Industry sells down to 51.7%

11. Acquisition of Wroclaw 120 MEUR

12. E.ON Finland acquisition 713 MEUR

13. Sale of Russian Lenenergo stake for 295 MEUR

14. Participation in 243 MEUR share issue in TGC-1

15. Acquisition of TGC-10 (Changed name to OAO Fortum) EUR 2.5 bn

16. Divestment of district heat operations outside Stockholm area in Sweden, total sales price appr. 220 MEUR

17. Final agreement over sale of Fingrid shares appr. 325 MEUR

18. Fortum agreed to sell Fortum Energiaratkaisut Oy and Fortum Termest AS total sales price appr. 200 MEUR

19. Fortum agreed to sell its electricity distribution business in Finland for a total consideration of EUR 2.55 billion

20. Fortum agreed to sell its Norwegian electricity distribution and heat businesses for 340 MEUR

21. Divestment of shares in Gasum Oy for 310 MEUR

22. Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1

Share quotations 2010-2014, INDEX 100 = Quote on 2 January 2010

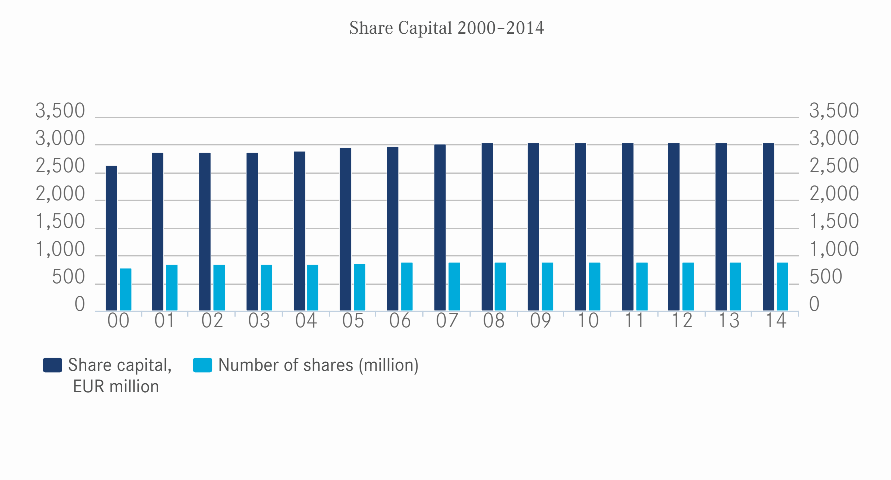
Market capitalisation 2010-2014, EUR billion

Share trading 2010-2014

Total shareholder return

Share capital

Fortum has one class of shares. By the end of 2014, a total of 888,367,045 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 2014 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.



Shareholders

At the end of 2014, the Finnish State owned 50.76% 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 increased to 32.3 % (2013: 26.2%).

Shareholders, 31 December 2014

Shareholders	No. of shares	Holding %
Prime Minister's Office	450,932,988	50.76
The Finnish Social Insurance Institution	7,030,896	0.79
Kurikan Kaupunki	6,203,500	0.70
The State Pension Fund	5,960,000	0.67
Varma Mutual Pension Insurance Company	5,224,300	0.59
Elo Mutual Pension Insurance Company	4,620,800	0.52
Ilmarinen Mutual Pension Insurance Company	4,487,880	0.51
The Local Government Pensions Institution	3,679,403	0.41
Schweizerische Nationalbank	2,618,136	0.30
Nordea Fennia Fund	2,174,227	0.25
OP-Delta Mutual Fund	1,725,726	0.19
Society of Swedish Literature in Finland	1,452,675	0.16
Nordea Pro Finland Fund	1,433,767	0.16
Nominee registrations and direct foreign ownership*	284,749,426	32.05
Other shareholders in total	106,073,321	11.94
Total number of shares	**888,367,045**	**100.00**

*Excluding Schweizerische Nationalbank

By shareholder category	% of total amount of shares
Finnish shareholders	
Corporations	1.02
Financial and insurance institutions	1.61
General government	55.35
Non-profit organisations	1.51
Households	8.16
Non-Finnish shareholders	32.35
Total	**100.00**

Breakdown of share ownership, 31 December 2014

Number of shares owned	No. of shareholders	% of shareholders	No. of shares	% of total amount of shares
1-100	29,472	26.94	1,721,860	0.19
101-500	44,876	41.02	11,906,551	1.34
501-1,000	17,940	16.40	13,039,313	1.47
1,001-10,000	16,212	14.82	41,048,458	4.62
10,001-100,000	817	0.75	18,561,714	2.09
100,001-1,000,000	73	0.06	21,058,847	2.37
1,000,001-10,000,000	12	0.01	46,611,310	5.25
over 10,000,000	1	0.00	450,932,988	50.76
	109,403	**100.00**	**604,881,041**	**68.09**
Unregistered/uncleared transactions on 31 December			73,636	0.01
Nominee registrations			283,412,368	31.90
Total			**888,367,045**	**100.00**

Management interests, 31 December 2014

At the end of 2014, the President and CEO and other members of the Fortum Executive Management Team owned 430,457 shares (2013: 346,106) representing approximately 0.05% (2013: 0.04%) 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 of other members of the Fortum Executive Management Team is shown in Note 12 Employee benefits.

Authorisations from the Annual General Meeting 2014

Currently the Board of Directors has no unused authorisations from the Annual General Meeting of Shareholders to issue convertible loans or bonds with warrants to issue new shares or to buy Fortum Corporation’s own shares.

Dividend

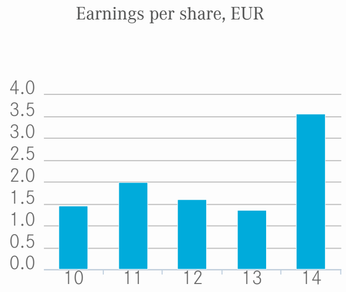
Dividend policy

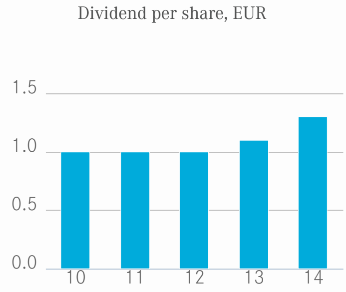
The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy that aims at increasing earnings per share and thereby the dividend. When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans. Fortum Corporation's target is to pay a stable, sustainable and over time increasing dividend, in the range of 50-80% of earnings per share, excluding one-off items.

Dividend distribution proposal

The distributable funds of Fortum Oyj as at 31 December 2014 amounted to EUR 5,438,689,036.90 including the profit of the period of EUR 2,264,863,648.81. After the end of the financial period there have been no material changes in the financial position of the Company.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for 2014. In addition the Board of Directors proposes to the Annual General Meeting an extra dividend of EUR 0.20 per share be paid for 2014. Based on the number of registered shares as of 3 February 2015 the total amount of dividend proposed to be paid is EUR 1,154,877,158.50. The Board of Directors proposes, that the remaining part of the profit be retained in the shareholders' equity. The Annual General Meeting will be held on 31 March 2015 at 14:00 EET at Finlandia Hall in Helsinki.





The dividend for 2014 represents the Board of Directors' proposal for the Annual General Meeting in March 2015

Financial key figures

The operations of Fortum Corporation and its subsidiaries (together the Fortum Group) focus on the Nordic and Baltic countries, Russia and Poland. Fortum's activities cover the generation, distribution and sale of electricity and heat, and energy-related expert services. Neste Oil was included in the Fortum Group until 31 March 2005, when the Annual General Meeting made the final decision to separate the oil operations by distributing approximately 85% of Neste Oil Corporation shares as a dividend. The remaining approximately 15% of the shares were sold to investors in April 2005.

Oil operations were presented as discontinued operations in years 2004 and 2005.

From 2005, Fortum applies International Financial Reporting Standards (IFRS) for the annual and interim reports. The 2005 annual report included one comparison year 2004, which was restated to IFRS.

Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the the consolidated financial statements. For further information, see Note 1.6.1. New IFRS standards adopted from 1 Jan 2014.

EUR million or as indicated	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007	IFRS 2008	IFRS 2009	IFRS 2010	IFRS 2011	IFRS 2012	IFRS 2013	IFRS 2014	Change 14/13 %
Sales total Fortum	11,659	5,918	4,491	4,479	5,636	5,435	6,296	6,161	6,159	5,309	4,751	-11
Sales continuing operations	3,835	3,877	4,491	4,479	5,636	5,435	6,296	6,161	6,159	5,309	4,751	-11
EBITDA total Fortum [1)]	2,443	2,307	1,884	2,298	2,478	2,292	2,271	3,008	2,538	2,129	3,954	86
EBITDA continuing operations	1,583	1,754	1,884	2,298	2,478	2,292	2,271	3,008	2,538	2,129	3,954	86
Comparable EBITDA continuing operations		1,741	1,866	2,015	2,360	2,398	2,396	2,374	2,416	1,975	1,873	-5
Operating profit total Fortum	1,916	1,864	1,455	1,847	1,963	1,782	1,708	2,402	1,874	1,508	3,428	127
- of sales %	*16.4*	*31.5*	*32.4*	*41.2*	*34.8*	*32.8*	*27.1*	*39.0*	*30.4*	*28.4*	*72.2*	
Operating profit continuing operations	1,195	1,347	1,455	1,847	1,963	1,782	1,708	2,402	1,874	1,508	3,428	127
- of sales %	*31.2*	*34.7*	*32.4*	*41.2*	*34.8*	*32.8*	*27.1*	*39.0*	*30.4*	*28.4*	*72.2*	
Comparable operating profit continuing operations	1,148	1,334	1,437	1,564	1,845	1,888	1,833	1,802	1,752	1,403	1,351	-4
Profit before income tax total Fortum	1,700	1,776	1,421	1,934	1,850	1,636	1,615	2,228	1,586	1,398	3,360	140
- of sales %	*14.6*	*30.0*	*31.6*	*43.2*	*32.8*	*30.1*	*25.7*	*36.2*	*25.8*	*26.3*	*70.7*	
Profit before income tax continuing operations	962	1,267	1,421	1,934	1,850	1,636	1,615	2,228	1,586	1,398	3,360	140
- of sales %	*25.1*	*32.7*	*31.6*	*43.2*	*32.8*	*30.1*	*25.7*	*36.2*	*25.8*	*26.3*	*70.7*	
Profit for the period continuing operations	703	936	1,120	1,608	1,596	1,351	1,354	1,862	1,512	1,212	3,161	161
- of which attributable to owners of the parent	670	884	1,071	1,552	1,542	1,312	1,300	1,769	1,416	1,204	3,154	162
Capital employed total Fortum	12,890	11,357	12,663	13,544	15,911	15,350	16,124	17,931	19,420	19,183	17,918	-7
Capital employed continuing operations	10,739	11,357	12,663	13,544	15,911	15,350	16,124	17,931	19,420	19,183	17,918	-7
Interest-bearing net debt	5,095	3,158	4,345	4,466	6,179	5,969	6,826	7,023	7,814	7,793	4,217	-46
Interest-bearing net debt without Värme financing										6,658	3,664	-45
Capital expenditure and gross investments in shares total Fortum	830	578	1,395	972	2,624	929	1,249	1,482	1,574	1,020	843	-17
- of sales %	*7.1*	*9.8*	*31.1*	*21.7*	*46.6*	*17.1*	*19.8*	*24.1*	*25.6*	*19.2*	*15.9*	

Capital expenditure and gross investments in shares continuing operations	514	479	1,395	972	2,624	929	1,249	1,482	1,574	1,020	843	-17
Capital expenditure continuing operations	335	346	485	655	1,108	862	1,222	1,408	1,558	1,005	774	-23
Net cash from operating activities total Fortum	1,758	1,404	1,151	1,670	2,002	2,264	1,437	1,613	1,382	1,548	1,762	14
Net cash from operating activities continuing operations	1,232	1,271	1,151	1,670	2,002	2,264	1,437	1,613	1,382	1,548	1,762	14
Return on capital employed total Fortum, %	15.8	16.6	13.4	16.5	15.0	12.1	11.6	14.8	10.2	9.0	19.5	
Return on capital employed continuing operations, %	11.4	13.5	13.4	16.5	15.0	12.1	11.6	14.8	10.2	9.0	19.5	
Return on shareholders' equity total Fortum, %	18.2	18.7	14.4	19.1	18.7	16.0	15.7	19.7	14.6	12.0	30.0	
Return on shareholders' equity continuing operations, % 2)		13.5	14.4	19.1	18.7	16.0	15.7	19.7	14.6	12.0	30.0	
Interest coverage	8.0	11.6	11.5	12.8	9.4	12.4	13.7	10.5	7.6	6.7	19.9	
Interest coverage including capitalised borrowing costs					8.6	10.3	10.0	8.5	5.7	5.3	15.7	
Funds from operations/interest-bearing net debt, %	36.4	43.2	30.6	36.3	34.1	37.6	20.5	21.5	19.9	18.8	42.9	
Funds from operations/interest-bearing net debt without Värme financing, %										22.1	49.3	
Gearing, %	67	43	53	52	73	70	78	69	73	77	39	
Net debt/EBITDA	2	1	2	2	3	3	3	2	3	4	1.1	
Net debt/EBITDA continuing operations	-	1.8	2.3	1.9	2.5	2.6	3.0	2.3	3.1	3.7	1.1	
Comparable net debt/EBITDA continuing operations	-	1.8	2.3	2.2	2.6	2.5	2.8	3.0	3.2	3.9	2.3	
Comparable net debt/EBITDA without Värme financing										3.4	2.0	
Equity-to-assets ratio, %	44	49	48	49	41	43	40	44	43	43	51	
Dividends 3)	506	987	1,122	1,198	888	888	888	888	888	977	1,155 4)	18
Dividends continuing operations		511	650	683								
Dividends additional in 2006 and 2007/ discontinued operations in 2005		476	472	515								
Research and development expenditure	26	14	17	21	27	30	30	38	41	49	41	-16
- of sales %	*0.2*	*0.2*	*0.4*	*0.5*	*0.5*	*0.5*	*0.5*	*0.6*	*0.7*	*0.9*	*0.9*	
Average number of employees total Fortum	12,859	10,026	8,910	8,304	14,077	13,278	11,156	11,010	10,600	9,532	8,821	
Average number of employees continuing operations	8,592	8,939	8,910	8,304	14,077	13,278	11,156	11,010	10,600	9,532	8,821	

1) EBITDA is defined as Operating profit continuing operations + Depreciation, amortisation and impairment charges.

2) Return on equity for continuing operations for 2005 is calculated based on profit for the period from continuing operations divided by total equity at the end of the period. Profit for the period from discontinued operations has been subtracted from total equity on 31 December 2005.

3) In addition to cash dividend Fortum distributed approximately 85% of Neste Oil Corporation shares as dividend in 2005.

4) Board of Directors' proposal for the Annual General Meeting on 31 March 2015.

See Definitions of key figures.

Share key figures

EUR or as indicated	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007	IFRS 2008	IFRS 2009	IFRS 2010	IFRS 2011	IFRS 2012	IFRS 2013	IFRS 2014	Change 14/13 %
Earnings per share total Fortum	1.48	1.55	1.22	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Earnings per share continuing operations	0.79	1.01	1.22	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Earnings per share discontinued operations	0.69	0.54	-	-	-	-	-	-	-	-	-	
Diluted earnings per share total Fortum	1.46	1.53	1.21	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Diluted earnings per share continuing operations	0.78	1.00	1.21	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Diluted earnings per share discontinued operations	0.68	0.53	-	-	-	-	-	-	-	-	-	
Cash flow per share total Fortum	2.06	1.61	1.31	1.88	2.26	2.55	1.62	1.82	1.56	1.74	1.98	14
Cash flow per share continuing operations	1.44	1.46	1.31	1.88	2.26	2.55	1.62	1.82	1.56	1.74	1.98	14
Equity per share	8.65	8.17	8.91	9.43	8.96	9.04	9.24	10.84	11.30	11.28	12.23	8
Dividend per share 1)	0.58	1.12	1.26	1.35	1.00	1.00	1.00	1.00	1.00	1.10	1.10 2)	0
Extra dividend											0.20 2)	
Dividend per share continuing operations	-	0.58	0.73	0.77	-	-	-	-	-	-	-	
Dividend per share additional in 2006 and 2007/discontinued operations in 2005	-	0.54	0.53	0.58	-	-	-	-	-	-	-	
Payout ratio, %	39.2	72.3	103.3 4)	77.6 4)	57.5	67.6	68.5	50.3	62.9	80.9	36.6 2)	
Payout ratio continuing operations, %	-	57.4 3)	59.8 4)	44.3 4)	-	-	-	-	-	-	-	
Payout ratio additional dividend in 2006 and 2007/ discontinued operations in 2005, %	-	100.0 3)	43.4 4)	33.3 4)	-	-	-	-	-	-	-	
Dividend yield, %	4.3	7.1	5.8	4.4	6.6	5.3	4.4	6.1	7.1	6.6	7.2 2)	
Price/earnings ratio (P/E)	9.2	10.2	17.7	17.7	8.8	12.8	15.4	8.3	8.9	12.2	5.1	
Share prices												
At the end of the period	13.62	15.84	21.56	30.81	15.23	18.97	22.53	16.49	14.15	16.63	17.97	
Average	10.29	13.87	20.39	23.57	24.79	15.91	19.05	19.77	15.66	15.11	17.89	
Lowest	7.45	10.45	15.71	20.01	12.77	12.60	17.18	15.53	12.81	13.1	15.13	
Highest	13.99	16.90	23.48	31.44	33.00	19.20	22.69	24.09	19.36	18.18	20.32	
Market capitalisation at the end of the period, EUR million	11,810	13,865	19,132	27,319	13,519	16,852	20,015	14,649	12,570	14,774	15,964	

Trading volumes [5]											
Number of shares, 1 000 shares	478,832	900,347	830,764	787,380	628,155	580,899	493,375	524,858	494,765	465,004	454,796
In relation to weighted average number of shares, %	59.2	103.2	94.3	88.5	70.8	65.4	55.5	59.1	55.7	52.3	51.2
Number of shares, 1 000 shares	867,084	875,294	887,394	886,683	887,638	888,367	888,367	888,367	888,367	888,367	888,367
Number of shares excluding own shares, 1 000 shares	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average number of shares, 1 000 shares	852,625	872,613	881,194	889,997	887,256	888,230	888,367	888,367	888,367	888367	888,367
Diluted adjusted average number of shares, 1 000 shares	861,772	887,653	886,929	891,395	887,839	888,230	888,367	888,367	888,367	888,367	888,367

1) In addition to cash dividend Fortum distributed approximately 85% of Neste Oil Corporation shares as dividend in 2005.

2) Board of Directors' proposal for the Annual General Meeting on 31 March 2015.

3) Payout ratios in 2005 are calculated for continuing and discontinued operations based on the respective earnings per share from continuing and discontinued operations.

4) Payout ratios for dividends in 2006 and 2007 are based on the total earnings per share.

5) Trading volumes in the table represent volumes traded on Nasdaq Helsinki. In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boat, BATS Chi-X and Turquoise, and on the OTC market as well. In 2014, approximately 58% (2013: 58%) of Fortum's traded shares were traded on other markets than Nasdaq Helsinki.

See Definitions of key figures.

Operational key figures, volumes

Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the the consolidated financial statements. For further information, see Note 1.6.1. New IFRS standards adopted from 1 Jan 2014.

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fortum's total power and heat generation in EU and Norway												
Power generation	TWh	55.5	52.3	54.4	52.2	52.6	49.3	53.7	55.3	53.9	47.4	50.1
Heat generation	TWh	25.4	25.1	25.8	26.1	25.0	23.2	26.1	22.0	18.5	10.4	8.2
Fortum's total power and heat generation in Russia												
Power generation	TWh	-	-	-	-	11.6	16.0	16.1	17.4	19.2	20.0	23.3
Heat generation	TWh	-	-	-	-	15.3	25.6	26.0	25.4	24.8	24.2	26.4
Fortum's own power generation by source, total in the Nordic area												
Hydro and wind power	TWh	19.1	21.2	19.8	20.0	22.9	22.1	22.0	21.0	25.2	18.1	22.4
Nuclear power	TWh	25.8	25.8	24.4	24.9	23.7	21.4	22.0	24.9	23.4	23.7	23.8
Thermal power	TWh	9.5	4.2	9.0	6.2	5.0	4.6	8.3	7.2	3.0	3.4	1.8
Total	**TWh**	**54.4**	**51.2**	**53.2**	**51.1**	**51.6**	**48.1**	**52.3**	**53.1**	**51.6**	**45.2**	**48.0**
Fortum's own power generation by source, total in the Nordic area												
Hydro and wind power	%	35	42	37	39	44	46	42	40	49	40	46
Nuclear power	%	47	50	46	49	46	44	42	47	45	52	50
Thermal power	%	18	8	17	12	10	10	16	13	6	8	4
Total	**%**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Power generation capacity by segment												
Power	MW		10,003	9,540	9,560	9,575	9,709	9,728	9,752	9,702	9,475	9,063
Heat	MW		1,278	1,373	1,360	1,213	1,446	1,600	1,670	1,569		
Heat, Electricity Sales and Solutions	MW										793	803
Russia	MW		-	-	-	2,785	2,785	2,785	3,404	3,404	4,250	4,758
Total	**MW**		**11,281**	**10,913**	**10,920**	**13,573**	**13,940**	**14,113**	**14,826**	**14,675**	**14,518**	**14,624**
Heat production capacity by segment												
Power	MW		250	250	250	250	250	250	250	250	250	0
Heat	MW		9,757	10,633	10,973	10,218	10,284	10,448	10,375	8,785		
Heat, Electricity Sales and Solutions	MW										4,317	3,936
Russia	MW		-	-	-	13,796	13,796	13,796	14,107	13,396	13,466	13,466
Total	**MW**		**10,007**	**10,883**	**11,223**	**24,264**	**24,330**	**24,494**	**24,732**	**22,431**	**18,033**	**17,402**
Fortum's total power and heat sales in EU and Norway												
Electricity sales	EUR million	2,017	2,002	2,437	2,370	2,959	2,802	3,110	2,868	2,700	2,462	2,299

Heat sales	EUR million	809	867	1,014	1,096	1,157	1,095	1,309	1,278	1,201	538	468
Fortum's total power and heat sales in Russia												
Electricity sales	EUR million	-	-	-	-	332	390	505	590	713	822	758
Heat sales	EUR million	-	-	-	-	141	219	287	324	300	290	285
Fortum's total power sales by area												
Finland	TWh	31.1	26.0	29.6	29.0	28.7	26.1	30.7	24.6	21.6	23.4	21.6
Sweden	TWh	27.6	30.4	28.5	27.6	28.5	26.9	28.3	29.4	30.1	23.3	28.2
Russia	TWh	-	-	-	-	14.8	19.5	18.7	20.2	23.3	25.6	26.5
Other countries	TWh	3.6	3.3	3.5	3.1	3.0	3.2	3.2	3.6	3.8	4.3	3.8
Total	**TWh**	**62.3**	**59.7**	**61.6**	**59.7**	**75.0**	**75.7**	**80.9**	**77.8**	**78.8**	**76.6**	**80.1**
Fortum's total heat sales by area												
Finland	TWh	10.5	9.8	10.7	11.1	10.8	8.0	9.6	8.5	5.8	5.5	3.2
Russia	TWh	-	-	-	-	15.3	25.6	26.8	26.7	26.4	24.1	26.0
Sweden	TWh	9.6	9.5	9.3	9.2	9.1	9.8	10.9	8.5	8.5	-	-
Poland	TWh	0.4	1.1	3.6	3.5	3.6	3.7	4.0	4.3	4.3	4.1	3.4
Other countries	TWh	3.3	3.4	3.2	3.3	3.4	3.5	3.6	3.4	2.9	3.1	2.8
Total	**TWh**	**23.8**	**23.8**	**26.8**	**27.1**	**42.2**	**50.6**	**54.9**	**51.4**	**47.9**	**36.8**	**35.4**
Volume of distributed electricity in distribution networks												
Finland	TWh	6.2	6.3	7.7	9.2	9.3	9.4	10.0	9.5	9.8	9.5	2.8
Sweden	TWh	14.2	14.4	14.4	14.3	14.0	14.0	15.2	14.2	14.4	14.1	13.7
Norway	TWh	2.1	2.2	2.3	2.3	2.3	2.3	2.5	2.3	2.4	2.5	1.1
Estonia	TWh	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	-	-
Total	**TWh**	**22.7**	**23.1**	**24.6**	**26.0**	**25.8**	**25.9**	**27.9**	**26.1**	**26.6**	**26.1**	**17.6**

Operational key figures, segments

From 2005, Fortum applies International Financial Reporting Standards (IFRS) for the annual and interim reports. The 2005 annual report included one comparison year 2004, which was restated to IFRS. Segment numbers are presented based only on IFRS for comparison purposes, because in the transition to IFRS reportable segments were redefined and segment reporting as such was reassessed.

Following the acquisition of the Russian company, OAO Fortum, Fortum changed its segment reporting during 2008. Comparison numbers for 2004-2007 were restated in 2008.

Fortum renewed its business structure as of 1 March 2014. The reorganisation lead to a change in Fortum's external financial reporting structure as previously separately reported segments Heat and Electricity Sales are now combined into one segment: Heat, Electricity Sales and Solutions.

For further information see Note 5 Segment reporting.

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 AB Fortum Värme samägt med Stockholm Stad (Fortum Värme), 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.

For further information see Note 1.6.1 Adoption of new IFRS standards from 1 Jan 2014 or later

Information for 2013 has been restated to reflect both the change in business structure and adoption of new IFRS standards.

Sales by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	2,084	2,058	2,439	2,350	2,892	2,531	2,702	2,481	2,415	2,252	**2,156**
- of which internal	*128*	*-97*	*-133*	*323*	*0*	*254*	*-281*	*-24*	*296*	*69*	*85*
Heat	1,025	1,063	1,268	1,356	1,466	1,399	1,770	1,737	1,628		
- of which internal	*49*	*-12*	*-32*	*38*	*0*	*23*	*-8*	*8*	*18*		
Heat, Electricity Sales and Solutions										1,516	**1,332**
- of which internal										*87*	*34*
Russia					489	632	804	920	1,030	1,119	**1,055**
- of which internal					-	-	-	-	-	-	*0*
Distribution	707	707	753	769	789	800	963	973	1,070	1,064	**751**
- of which internal	*10*	*-8*	*8*	*9*	*10*	*13*	*18*	*15*	*37*	*19*	*17*
Electricity Sales	1,387	1,365	1,912	1,683	1,922	1,449	1,798	900	722		
- of which internal	*92*	*-101*	*149*	*155*	*177*	*67*	*158*	*95*	*55*		
Other	90	91	78	81	83	71	51	108	137	63	**58**
- of which internal	*93*	*-63*	*62*	*72*	*82*	*-5*	*169*	*115*	*-66*	*54*	*44*
Eliminations	-1,458	-1,407	-1,959	-1,760	-2,005	-1,447	-1,792	-958	-843	-706	**-601**
Total	**3,835**	**3,877**	**4,491**	**4,479**	**5,636**	**5,435**	**6,296**	**6,161**	**6,159**	**5,309**	**4,751**

Comparable operating profit by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	730	854	985	1,095	1,528	1,454	1,298	1,201	1,146	859	877
Heat	207	253	253	290	250	231	275	278	271		
Heat, Electricity Sales and Solutions										109	104
Russia					-92	-20	8	74	68	156	161
Distribution	240	244	250	231	248	262	307	295	320	332	266
Electricity Sales	23	30	-4	-1	-33	22	11	27	39		
Other	-52	-47	-47	-51	-56	-61	-66	-73	-92	-54	-57
Comparable operating profit	**1,148**	**1,334**	**1,437**	**1,564**	**1,845**	**1,888**	**1,833**	**1,802**	**1,752**	**1,403**	**1,351**
Non-recurring items	18	30	61	250	85	29	93	284	155	61	2,171
Other items affecting comparability	29	-17	-43	33	33	-135	-218	316	-33	45	-94
Operating profit	**1,195**	**1,347**	**1,455**	**1,847**	**1,963**	**1,782**	**1,708**	**2,402**	**1,874**	**1,508**	**3,428**

Comparable EBITDA by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	834	966	1,093	1,198	1,625	1,547	1,398	1,310	1,260	1,007	998
Heat	331	376	397	453	419	393	462	471	481		
Heat, Electricity Sales and Solutions										211	204
Russia					-25	55	94	148	189	258	304
Distribution	373	389	397	393	413	426	485	482	529	548	416
Electricity Sales	39	45	15	10	-26	28	13	29	40		
Other	-41	-35	-36	-39	-46	-51	-56	-66	-83	-49	-49
Total	**1,536**	**1,741**	**1,866**	**2,015**	**2,360**	**2,398**	**2,396**	**2,374**	**2,416**	**1,975**	**1,873**

Depreciation, amortisation and impairment charges by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	104	112	108	103	97	93	100	109	114	148	121
Heat	124	123	144	163	169	162	187	193	210		
Heat, Electricity Sales and Solutions										102	100
Russia					67	75	86	108	121	150	147
Distribution	133	145	147	162	165	164	178	187	209	216	150
Electricity Sales	16	15	19	11	7	6	2	2	1		
Other	11	12	11	12	10	10	10	7	9	5	8
Total	**388**	**407**	**429**	**451**	**515**	**510**	**563**	**606**	**664**	**621**	**526**

Share of profit of associates and joint ventures by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	-21	-21	-9	-23	26	-35	-25	3	-12	4	-14
Heat	15	11	23	24	12	30	31	19	20		
Heat, Electricity Sales and Solutions										91	88
Russia					19	20	8	30	27	46	35
Distribution	16	20	15	18	16	10	19	14	8	4	3
Electricity Sales	0	1	1	0	5	0	1	2	0		
Other	2	44	39	222	48	-4	28	23	-20	32	37
Total	**12**	**55**	**69**	**241**	**126**	**21**	**62**	**91**	**23**	**178**	**149**

Capital expenditure by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	84	83	95	93	134	96	97	131	190	179	197
Heat	123	124	184	309	408	358	304	297	464		
Heat, Electricity Sales and Solutions										123	86
Russia					256	215	599	670	568	435	340
Distribution	106	115	183	236	296	188	213	289	324	255	147
Electricity Sales	10	10	8	3	3	1	0	5	1		
Other	12	14	15	14	11	4	9	16	11	12	3
Total	**335**	**346**	**485**	**655**	**1,108**	**862**	**1,222**	**1,408**	**1,558**	**1,005**	**774**

Gross investments in shares by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	23	45	5	52	0	57	25	17	-	2	2
Heat	53	87	589	18	23	1	1	32	10		
Heat, Electricity Sales and Solutions										11	37
Russia	103	2	140	245	1,492	3	-	24	-	0	27
Distribution	0	-	130	1	0	5	0	-	-	0	0
Electricity Sales	0	-	6	0	0	-	-	-	-		
Other	0	-	40	1	1	1	1	1	6	2	4
Total	**179**	**134**	**910**	**317**	**1,516**	**67**	**27**	**74**	**16**	**15**	**69**

Gross divestments of shares by segment, EUR million	2009	2010	2011	2012	2013	2014
Power and Technology	10	0	3	102	79	67
Heat	1	52	203	269		
Heat, Electricity Sales and Solutions					11	446
Russia	-	43	23	-	-	0
Distribution	1	46	323	37	52	2,681
Electricity Sales	-	-	16	2		
Other	2	6	0	0	-	2
Total	**14**	**147**	**568**	**410**	**142**	**3,196**

Net assets by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	5,804	5,493	5,690	5,599	5,331	5,494	5,806	6,247	6,389	6,355	6,001
Heat	2,440	2,551	3,407	3,507	3,468	3,787	4,182	4,191	4,286		
Heat, Electricity Sales and Solutions										2,295	2,112
Russia	151	153	294	456	2,205	2,260	2,817	3,273	3,848	3,846	2,597
Distribution	3,091	3,021	3,412	3,239	3,032	3,299	3,683	3,589	3,889	3,745	2,615
Electricity Sales	194	228	176	247	188	125	210	11	51		
Other	220	447	835	1,237	796	382	29	208	158	295	496
Total	**11,900**	**11,893**	**13,814**	**14,285**	**15,020**	**15,347**	**16,727**	**17,519**	**18,621**	**16,537**	**13,820**

Return on net assets by segment, %	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	12.6	14.3	17.5	19.2	29.6	24.5	19.5	24.6	18.7	14.5	13.6
Heat	9.8	11.6	9.6	9.3	8.9	7.9	8.4	9.9	8.8		
Heat, Electricity Sales and Solutions										9.7	19.1
Russia				66.3	3.7	0.0	2.4	3.5	3.0	5.2	5.6
Distribution	8.1	8.8	8.4	7.7	8.1	8.7	9.7	13.7	9.1	9.3	73.6
Electricity Sales	25.2	17.4	-1.6	6.9	-14.0	28.9	38.4	4.2	152.3		

Comparable return on net assets by segment, %	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	12.0	14.9	17.4	18.9	28.0	26.4	22.3	19.9	18.5	13.8	14.2
Heat	9.3	11.0	9.2	9.2	7.3	7.6	7.7	7.4	7.0		
Heat, Electricity Sales and Solutions										8.7	8.7
Russia				0.0	-3.8	0.0	0.7	3.5	2.7	5.2	5.6
Distribution	8.3	8.6	8.3	7.6	8.2	8.6	9.3	8.6	8.8	8.8	9.3
Electricity Sales	17.1	16.4	-0.8	-0.6	-15.3	18.6	9.3	33.5	203.1		

Average number of personnel	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	4,588	4,374	4,147	3,475	3,591	2,068	1,891	1,873	1,896	1,900	1,685
Heat	1,605	2,186	2,345	2,302	2,422	2,652	2,482	2,682	2,354		
Heat, Electricity Sales and Solutions										2,051	1,913
Russia					5,566	6,170	4,555	4,436	4,301	4,245	4,196
Distribution	995	1,008	983	1,060	1,222	1,166	1,098	902	873	786	492
Electricity Sales	682	745	825	936	766	629	538	510	515		
Other	722	626	610	531	510	593	592	607	661	550	536
Total	**8,592**	**8,939**	**8,910**	**8,304**	**14,077**	**13,278**	**11,156**	**11,010**	**10,600**	**9,532**	**8,821**

Definitions of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + Depreciation, amortisation and impairment charges	
Comparable EBITDA	=	EBITDA - items affecting comparability - Net release of CSA provision	
Items affecting comparability	=	Non-recurring items + other items affecting comparability	
Comparable operating profit	=	Operating profit - non-recurring items - other items affecting comparability	
Non-recurring items	=	Mainly capital gains and losses	
Other items affecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum´s part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.	
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 improves 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 a certain point of time due to legal requirements.	
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.	
Return on shareholders' equity, %	=	Profit for the year / Total equity average	x 100
Return on capital employed, %	=	Profit before taxes + interest and other financial expenses / Capital employed average	x 100
Return on capital employed continuing operations, %	=	Profit before taxes continuing operations + interest and other financial expenses continuing operations / Capital employed continuing operations average	x 100
Return on net assets, %	=	Operating profit + Share of profit (loss) in associated companies and joint ventures / Net assets average	x 100
Comparable return on net assets, %	=	Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses) / Comparable net assets average	x 100
Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions	

Net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - 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 where hedge accounting is applied)	
Comparable net assets	=	Net assets adjusted for non-interest-bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39	
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds	
Gearing, %	=	Interest-bearing net debt / Total equity	x 100
Equity-to-assets ratio, %	=	Total equity including non-controlling interests / Total assets	x 100
Net debt/EBITDA	=	Interest-bearing net debt / Operating profit + Depreciation, amortisation and impairment charges	
Comparable net debt/EBITDA	=	Interest-bearing net debt / Comparable EBITDA	
Net debt/EBITDA continuing operations	=	Interest-bearing net debt / Operating profit continuing operations + Depreciation, amortisation and impairment charges continuing operations	
Comparable net debt/EBITDA continuing operations	=	Interest-bearing net debt / Comparable EBITDA continuing operations	
Interest coverage	=	Operating profit / Net interest expenses	
Interest coverage including capitalised borrowing costs	=	Operating profit / Net interest expenses-capitalised borrowing costs	
Average number of employees		Based on monthly average for the whole period	
Earnings per share (EPS)	=	Profit for the period - non-controlling interests / Average number of shares during the period	
Cash flow per share	=	Net cash from operating activities / Average number of shares during the period	
Equity per share	=	Shareholders' equity / Number of shares at the end of the period	
Payout ratio, %	=	Dividend per share / Earnings per share	x 100
Payout ratio continuing operations, %	=	Dividend per share continuing operations / Earnings per share continuing operations	x 100

Dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$	x 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	

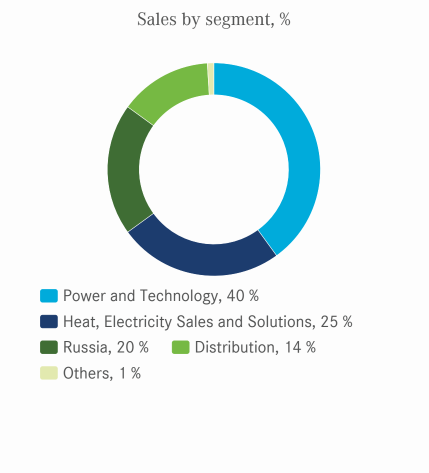
Consolidated income statement

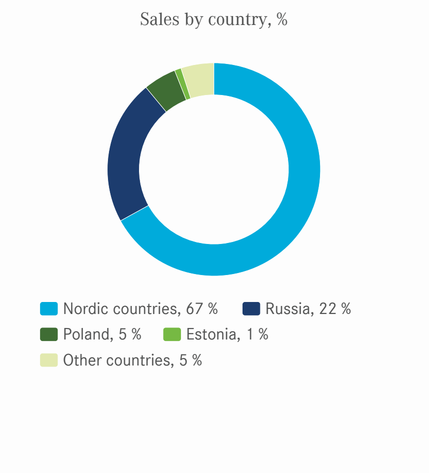
EUR million	Note	2014	2013*	
Sales	5	4,751	5,309	
Other income	10	75	93	
Materials and services	11	-1,939	-2,270	
Employee benefits	12	-413	-460	
Depreciation, amortisation and impairment charges	5, 18, 19	-526	-621	
Other expenses	10	-596	-648	
Comparable operating profit	5	**1,351**	**1,403**	
Items affecting comparability	6, 7	2,077	106	1
Operating profit	5	**3,428**	**1,508**	
Share of profit of associates and joint ventures	5, 20	149	178	
Interest expense	13	-256	-301	
Interest income	13	84	75	
Fair value gains and losses on financial instruments	13	-5	-16	
Other financial expenses - net	13	-40	-47	
Finance costs - net	13	**-217**	**-289**	
Profit before income tax		**3,360**	**1,398**	
Income tax expense	14	-199	-186	
Profit for the period		**3,161**	**1,212**	
Attributable to:				
Owners of the parent		3,154	1,204	
Non-controlling interests		7	8	
		3,161	**1,212**	
Earnings per share (in EUR per share)	15			
Basic		3.55	1.36	
Diluted		3.55	1.36	

EUR million	2014	2013	
Comparable operating profit	**1,351**	**1,403**	
Non-recurring items (sales gains)	2,171	61	1
Changes in fair values of derivatives hedging future cash flow	-91	21	
Nuclear fund adjustment	-3	23	
Items affecting comparability	**2,077**	**106**	
Operating profit	**3,428**	**1,508**	

** Comparative period information for 2013 presented in these financial statements has been restated due to the accounting change for Fortum Värme, see Note 1.6.1.*

1 Items affecting comparability includes 1.85 billion sales gains from sale of the Finnish electricity distribution business in 2014.





Consolidated statement of comprehensive income

The components of the Consolidated statement of comprehensive income (OCI) are 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 item is recognised. OCI also includes gains and losses on fair valuation on available for sale financial assets, items in comprehensive income in associated companies and translation differences.

EUR million	2014	2013	
Profit for the period	**3,161**	**1,212**	
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedges			
Fair value gains/losses in the period	17	96	1
Transfers to income statement	-70	-51	
Transfers to inventory/fixed assets	-4	-8	
Tax effect	12	-6	
Net investment hedges			
Fair value gains/losses in the period	149	28	
Tax effect	-28	-7	
Exchange differences on translating foreign operations	-1,343	-478	2
Share of other comprehensive income of associates	-3	42	
Other changes	-3	0	
	-1,273	**-384**	
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains/losses on defined benefit plans	-77	44	
Actuarial gains/losses on defined benefit plans in associates	-13	9	
	-90	**53**	
Other comprehensive income for the period, net of tax	**-1,363**	**-331**	
Total comprehensive income for the year	**1,799**	**882**	
Total comprehensive income attributable to:			
Owners of the parent	1,815	881	
Non-controlling interests	-16	1	
	1,799	**882**	

1 Fair valuation of cash flow hedges mainly relates to electricity prices in future cash flows. When electricity price is higher (lower) than the hedging price, the impact on equity is negative (positive).

2 Translation differences from translation of foregin entities, mainly RUB.

Consolidated balance sheet

EUR million	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	18	276	384
Property, plant and equipment	19	11,195	12,849
Participations in associates and joint ventures	20	2,027	2,341
Share in State Nuclear Waste Management Fund	30	774	744
Other non-current assets	21	68	77
Deferred tax assets	29	98	126
Derivative financial instruments	3	595	367
Long-term interest-bearing receivables	22	2,041	2,598
Total non-current assets		**17,074**	**19,486**
Current assets			
Inventories	23	256	264
Derivative financial instruments	3	448	307
Trade and other receivables	24	830	869
Bank deposits		757	0
Cash and cash equivalents		2,009	1,250
Liquid funds	25	2,766	1,250
Assets held for sale	9	0	1,173
Total current assets		**4,301**	**3,863**
Total assets		**21,375**	**23,348**
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	3,046	3,046
Share premium		73	73
Retained earnings		7,708	6,851
Other equity components		36	54
Total		**10,864**	**10,024**
Non-controlling interests	27	71	101
Total equity		**10,935**	**10,124**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	28	5,881	6,936
Derivative financial instruments	3	247	181
Deferred tax liabilities	29	1,159	1,338
Nuclear provisions	30	774	744
Other provisions	31	17	94
Pension obligations	32	140	50
Other non-current liabilities	33	154	148
Total non-current liabilities		**8,373**	**9,492**
Current liabilities			
Interest-bearing liabilities	28	1,103	2,103
Derivative financial instruments	3	76	95
Trade and other payables	34	888	994
Liabilities related to assets held for sale	9	0	540
Total current liabilities		**2,067**	**3,732**
Total liabilities		**10,440**	**13,224**
Total equity and liabilities		**21,375**	**23,348**

Consolidated statement of changes in total equity

EUR million	Note	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
				Retained earnings and other funds	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies			
Total equity 31 December 2013		**3,046**	**73**	**7,500**	**-649**	**66**	**-51**	**38**	**10,024**	**101**	**10,124**
Net profit for the period				3,154					3,154	7	3,161
Translation differences					-1,319	-3	2	0	-1,320	-23	-1,343
Other comprehensive income				-3		-43	44	-17	-19	0	-19
Total comprehensive income for the period				3,151	-1,319	-47	46	-16	1,815	-16	1,799
Cash dividend	15			-977					-977		-977
Dividends to non-controlling interests									0	-2	-2
Changes due to business combinations	8			6					6	-11	-5
Other changes				-4					-4	-1	-4
Total equity 31 December 2014		**3,046**	**73**	**9,676**	**-1,968**	**19**	**-5**	**22**	**10,864**	**71**	**10,935**
Total equity 31 December 2012, as previously reported		**3,046**	**73**	**7,193**	**-173**	**34**	**-133**	**0**	**10,040**	**603**	**10,643**
Change in accounting policy 1)						2	15	-17	-1	-495	-496
Total equity 1 January 2013		**3,046**	**73**	**7,193**	**-173**	**36**	**-118**	**-17**	**10,039**	**108**	**10,147**
Net profit for the period				1,204					1,204	8	1,212
Translation differences					-476	-1	2	4	-471	-7	-478
Other comprehensive income						31	65	51	148	0	148
Total comprehensive income for the period				1,204	-476	30	67	55	881	1	882
Cash dividend	15			-888					-888		-888
Dividends to non-controlling interests									0	-3	-3
Changes due to business combinations	8			1					1		1
Other changes				-10					-10	-5	-15
Total equity 31 December 2013		**3,046**	**73**	**7,500**	**-649**	**66**	**-51**	**38**	**10,024**	**101**	**10,124**

Translation differences

Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are booked to equity. Translation differences impacted equity attributable to owners of the parent company with EUR -1,320 million during 2014 (2013: -471). Translation differences are mainly related to RUB. Part of this translation exposure has been hedged and the hedge result, amounting to EUR 149 million, is included in the other OCI items.

For information regarding exchange rates used, see Note 1 Accounting policies.
For information about translation exposure see Note 3.6 Interest rate risk and currency risk.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -47 million (2013: 30), mainly relates to cash flow hedges hedging electricity price for future transactions. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

1) Comparative period information has been restated due to the accounting change, see Note 1.6.1

Consolidated cash flow statement

EUR million	Note	2014	2013	
Cash flow from operating activities				
Net profit for the period		**3,161**	**1,212**	
Adjustments:				
Income tax expenses		199	186	
Finance costs - net		217	289	
Share of profit of associates and joint ventures		-149	-178	
Depreciation, amortisation and impairment charges		526	620	
Operating profit before depreciations (EBITDA)		**3,954**	**2,129**	
Non-cash flow items and divesting activities		-2,111	-262	1
Interest received		99	62	
Interest paid		-330	-371	
Dividends received		58	74	
Realised foreign exchange gains and losses and other financial items		349	47	2
Taxes		-211	-210	
Funds from operations		**1,808**	**1,469**	
Change in working capital		-46	79	
Total net cash from operating activities		**1,762**	**1,548**	
Cash flow from investing activities				
Capital expenditures	5, 18, 19	-768	-1,004	3
Acquisitions of shares		-69	-15	
Proceeds from sales of fixed assets		26	66	
Divestments of shares		3,062	122	
Proceeds from interest-bearing receivables relating to divestments		131	22	
Shareholder loans to associated companies		425	-136	
Change in other interest-bearing receivables		8	2	
Total net cash used in investing activities		**2,816**	**-944**	
Cash flow before financing activities		**4,578**	**604**	
Cash flow from financing activities				
Proceeds from long-term liabilities		50	781	
Payments of long-term liabilities		-1,499	-636	
Change in short-term liabilities		-580	438	
Dividends paid to the owners of the parent	15	-977	-888	
Other financing items		-1	22	
Total net cash used in financing activities		**-3,007**	**-284**	
Total net increase(+)/decrease(-) in liquid funds		**1,571**	**320**	
Liquid funds at the beginning of the year		1,265	**961**	
Foreign exchange differences in liquid funds		-70	-17	
Liquid funds at the end of the period [1)]	25	**2,766**	**1,265**	

1) Including cash balances of EUR 15 million relating to assets held for sale as of 31 December 2013.

1 Non-cash flow items and divesting activities consist mainly of changes in provisions (including nuclear) EUR -29 million (2013: -168), adjustments for unrealised fair value changes of derivatives EUR 88 million (2013: -22) and capital gains EUR -2.171 million (2013: -61). The actual proceeds for divestments are shown under cash flow from investing activities.

2 Realised foreign exchange gains and losses and other financial items include realised foreign exchange gains and losses of EUR 352 million for 2014 (2013: 52) related mainly to financing of Fortum's Swedish and Russian subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise for rollover of foreign exchange contracts hedging the internal loans as major part of these forwards is entered into with short maturities i.e. less than twelve months.

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

Change in net debt

EUR million	2014	2013
Net debt 1 January	**7,793**	**7,757**
Foreign exchange rate differences	-81	-106
EBITDA	3,954	2,129
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-2,147	-660
Change in working capital	-46	79
Capital expenditures	-768	-1,004
Acquisitions	-69	-15
Divestments	3,089	188
Proceeds from interest-bearing receivables relating to divestments	131	22
Shareholder loans to associated companies	425	-136
Change in other interest-bearing receivables	8	2
Dividends	-977	-888
Other financing activities	-1	22
Net cash flow (- increase in net debt)	3,600	-261
Fair value change of bonds and amortised cost valuation	105	-119
Net debt 31 December	**4,217**	**7,793**

Additional cash flow information

Change in working capital

EUR million	2014	2013
Change in interest-free receivables, decrease(+)/increase(-)	-82	92
Change in inventories, decrease(+)/increase(-)	-13	24
Change in interest-free liabilities, decrease(-)/increase(+)	49	-37
Total	**-46**	**79**

Negative effect from change in working capital during 2014, EUR -46 million (2013: +79).

Capital expenditure

EUR million	Note	2014	2013
Capital expenditure	5, 18, 19	774	1,005
Change in not yet paid investments, decrease(+)/increase(-)		41	60
Capitalised borrowing costs		-47	-60
Capital expenditure in cash flow		**768**	**1,004**

Capital expenditure in intangible assets and property, plant and equipment in the balance sheet was EUR 774 million (2013: 1,005). Capital expenditure in cash flow EUR 768 million (2013: 1,004) is presented without not yet paid investments i.e. change in trade payables related to investments EUR 41 million (2013: 60) and capitalised borrowing costs EUR -47 million (2013: -60), which are presented in interest paid.

See also information about the investments by segments and countries in Note 5 Segment reporting

and the investment projects by segment in Note 19.2 Capital expenditure.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 69 million during 2014 (2013: 15).

Divestments of shares in cash flow

EUR million	Note	2014	2013
Proceeds from sales of subsidiaries, net of cash disposed	8	2,750	22
Proceeds from interest-bearing receivables from sold subsidiaries		131	22
Proceeds from sales of associates	8, 20	311	100
Proceeds from available for sale financial assets		1	0
Total		**3,193**	**144**

Gross divestment of shares totalled EUR 3,196 million in 2014 (2013: 142) including interest-bearing debt in sold subsidiaries of EUR 131 million (2013: 22). Proceeds from divestments of shares totalled EUR 3,193 million in 2014 (2013: 144).

Notes to the consolidated financial statements

1 Accounting policies

1.1 Basic information

Fortum Corporation (the Company) is a Finnish public limited liability company with its domicile in Espoo, Finland. Fortum's shares are traded on Nasdaq Helsinki.

The operations of Fortum Corporation and its subsidiaries (together the Fortum Group) focus on the focus on the Nordic and Baltic countries, Russia and Poland. Fortum's activities cover generation, distribution and sale of electricity and heat, and energy-related expert services.

These financial statements were approved by the Board of Directors on 3 February 2015.

1.2 Basis of preparation

The consolidated financial statements of the Fortum Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union. The financial statements also comply with Finnish accounting principles and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and items hedged at fair value.

1.2.1 Income Statement presentation:

In the Consolidated income statement Comparable operating profit-key figure is presented to better reflect the Group's business performance when comparing results for the current period with previous periods.

Items affecting comparability are disclosed as a separate line item. The following items are included in "Items affecting comparability":

• non-recurring items, which mainly consist of capital gains and losses;
• effects from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. The major part of Fortum's cash flow hedges obtain hedge accounting where fair value changes are recorded in equity;
• effects from accounting of Fortum's part of the State Nuclear Waste Management Fund where the assets can not exceed the related liabilities according to IFRIC5.

Comparable operating profit is used for financial target setting, follow up and allocation of resources in the group's performance management.

1.2.2 Classification of current and non-current assets and liabilities

An asset or a liability is classified as current when it is expected to be realised in the normal operating cycle or within twelve months after the balance sheet date or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

All other assets and liabilities are classified as non-current assets and liabilities.

1.3 Principles for consolidation

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

The 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 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 in which Fortum has control. Control exists when Fortum is exposed to, or has rigths to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the aggregate of fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. 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. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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.

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.

The Fortum Group subsidiaries are disclosed in Note 42 Subsidiaries by segment on 31 December 2014.

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.

1.3.3. Joint ventures

Joint ventures are arrangement in which the Group has joint control. Joint ventures are accounted for using the equity method of accounting.

1.3.4. Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the equity of the owners of the parent company. The non-controlling interests are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

1.4 Foreign currency transactions and translation

1.4.1 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.

1.4.2 Transactions and balances

Transactions denominated in foreign currencies are translated using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the closing date are translated using the exchange rate quoted on the closing date. Exchange rate differences have been entered in the income statement. Net conversion differences relating to financing are entered under financial income or expenses, except when deferred in equity as qualifying cash flow hedges. Translation differences on available for sale financial assets are included in Other equity components section of the equity.

1.4.3 Group companies

The income statements of subsidiaries, whose measurement and reporting currencies are not euros, are translated into the Group reporting currency using the average exchange rates for the year based on the month-end exchange rates, whereas the balance sheets of such subsidiaries are translated using the exchange rates on the balance sheet date. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the 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 the 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 each month's ending rate from the European Central Bank during the year and the ending rate of the previous year.

The key exchange rates applied in the Fortum Group accounts

		Average rate		Balance sheet date rate	
	Currency	2014	2013	31 Dec 2014	31 Dec 2013
Sweden	SEK	9.1004	8.6624	9.3930	8.8591
Norway	NOK	8.3940	7.8266	9.0420	8.3630
Poland	PLN	4.1909	4.2027	4.2732	4.1543
Russia	RUB	51.4243	42.4441	72.3370	45.3246

1.4.4 Associates and joint ventures

The Group's interests in associated companies and jointly ventures are accounted for by the equity method. 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, see 1.4.3 Group companies.

1.5 Accounting policies

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

Accounting principle	Note	IFRS-standard
Segment reporting	5. Segment reporting	IFRS 8
Revenue recognition	5. Segment reporting and 24. Trade and other receivables	IAS 18
Government grants	19. Property, plant and equipment	IAS 20
Share-based payments	12. Employee benefits	IFRS 2
Income taxes	29. Deferred income taxes	IAS 12
Non-current assets held for sale and discontinued operations	9. Assets held for sale	IFRS 5
Joint arrangements	20. Participations in associated companies and joint ventures	IFRS 11, IAS 28, IFRS 12
Investments in associates	20. Participations in associated companies and joint ventures	IAS 28, IFRS 12
Other shares and participations	16. Financial assets and liabilities by categories	IAS 32, IAS 36, IAS 39
Intangible assets	18. Intangible assets	IAS 38
Tangible assets	19. Property, plant and equipment	IAS 16, IAS 36, IAS 40
Leasing	36. Leasing	IAS 17
Inventories	23. Inventories	IAS 2
Earnings per share	15. Earnings and dividend per share	IAS 33
Pensions and similar obligations	32. Pension obligations	IAS 19
Decommissioning obligation	30. Nuclear related assets and liabilities	IFRIC 5
Provisions	31. Other provisions	IAS 37
Contingent liabilities	38. Contingent liabilities	IAS 37
Financial instruments	16. Financial assets and liabilities by categories and 17. Financial assets and liabilities by fair value hierarchy	IAS 32, IAS 39, IFRS 7
Liquid funds	25. Liquid funds	IAS 7
Borrowings	28. Interest-bearing liabilities	IAS 39

1.6 New accounting principles

1.6.1 New IFRS standards adopted from 1 Jan 2014

Fortum has adopted the following new or amended standards on 1 January 2014:

IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements and IFRS 12 Disclosures of interests in other entities.

IFRS 10 Consolidated financial statements
The standard builds on existing principles by identifying the concept of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 Joint arrangements
The standard replaces IAS 31 Interests in joint ventures. Joint control under IFRS 11 is defined as the contractual sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

IFRS 12 Disclosures of interests in other entities
The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

When adopting the new standards Fortum has reassessed its control conclusions for its investees and re-evaluated its involvement in its partially owned investments. The reassessment has lead reclassification of some entities from an associated company to a joint venture. Notwithstanding the reclassification, these investments will continu to be recognised by applying the equity method and there was no impact on the recognised assets, liabilities and comprehensive income of Fortum.

The accounting effects of applying the new standards to Fortum Group financial information relate to AB Fortum Värme samägt med Stockholms Stad (Fortum Värme), that is treated as a joint venture and thus consolidated with equity method from 1 January 2014. Fortum Värme is a district heating company producing heat and power with CHP plants in Stockholm area. Before 2014, the company has been consolidated as a subsidiary with 50% minority interest.

In the restated balance sheet shares of Fortum Värme are included in the Shares in associated companies and joint ventures. Fortum Oyj and its subsidiaries have given loans to Fortum Värme which are presented as shareholders loans in the restated balance sheet. There is a plan to refinance those shareholder loans with external financing by the end of 2015.

Restatement did not have any or only limited effect on Fortum's key ratios such as earnings per share, return on capital employed and return on shareholders' equity. The current financing arrangement effects the restated comparable net debt to EBITDA ratio negatively, increase from 3.4 to 3.9 in 2013, due to Fortum's definition of net debt where interest-bearing receivables are not deducted from net debt. The effect will decrease as Fortum's shareholder loans are replaced with external financing. Comparable net debt to EBITDA ratio would have been 3.4 at the end of 2013, if the interest-bearing receivables from Fortum Värme were deducted from net debt.

When applying IFRS 10 and 11 in 2014, the standards require the comparative information to be restated. Therefore the comparative period information for 2013 presented in the consolidated financial statement for 2014 has been restated. Full set of restated quarterly information for 2013 was presented in the Q1/2014 interim report.

In the following tables Fortum's income statement, balances sheet and certain key figures are presented before and after restatement.

Impact on income statement for 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum group restated Värme as joint venture	Change
Sales	6,056	5,309	-747
Other income	94	93	-1
Materials and services	-2,533	-2,270	263
Employee benefit costs	-529	-460	69
Other expenses	-740	-621	119
Depreciation, amortisation and impairment charges	-741	-648	93
Comparable operating profit	**1,607**	**1,403**	**-204**
Items affecting comparability	105	105	0
Operating profit	**1,712**	**1,508**	**-204**
Share of profits in associates and joint ventures	105	178	73
Finance costs - net	-318	-289	29
Profit before income taxes	**1,499**	**1,397**	**-102**
Income taxes	-220	-185	35
Profit for the period	**1,279**	**1,212**	**-67**
Non-controlling interests	-75	-8	67
Net profit for the period, owners of the parent	**1,204**	**1,204**	**0**
Earnings per share, EUR	**1.36**	**1.36**	**0**

Impact on balance sheet as of 31 December 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum group restated Värme as joint venture	Change
ASSETS			
Intangible assets	392	384	-8
Property, plant and equipement	15,201	12,849	-2,352
Shares in associated companies and joint ventures	1,905	2,341	436
Long-term interest-bearing receivables	1,463	2,597	1,134
Other non-current assets	1,312	1,314	2
Total non-current assets	**20,273**	**19,485**	**-788**
Inventories, total	375	263	-112
Trade and other receivables [1)]	2,518	2,350	-168
Liquid funds	1,254	1,250	-4
Total current assets	**4,147**	**3,863**	**-284**
Total assets	**24,420**	**23,348**	**-1,072**
EQUITY AND LIABILITIES			
Share capital	3,046	3,046	0
Other equity	6,978	6,978	0
Total	**10,024**	**10,024**	**0**
Non-controlling interests	638	100	-538
Total equity	**10,662**	**10,124**	**-538**
Interest-bearing liabilities	9,098	9,039	-59
Deferred tax liabilities	1,648	1,338	-310
Other interest-free liabilities [2)]	3,012	2,847	-165
Total liabilities	**13,758**	**13,224**	**-534**
Total liabilities and equity	**24,420**	**23,348**	**-1,072**

1) Include assets held for sale EUR 1,173 million.

2) Include liabilities related to assets held for sale EUR 540 million.

Impact on key ratios for 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum group restated Värme as joint venture	Change
Comparable EBITDA, EUR million	2,299	1,976	-323
Earnings per share (basic), EUR	1.36	1.36	0
Capital expenditure, EUR million	1,284	1,004	-280
Capital employed, EUR million	19,780	19,183	-597
Interest-bearing net debt, EUR million	7,849	7,794	-55
Interest-bearing net debt without Värme financing, EUR million	7,849	6,660	-1,189
Return on capital employed, %	9.2	9.0	-0.2
Return on shareholders' equity, %	12.0	12.0	0.0
Comparable net debt/EBITDA	3.4	3.9	0.5
Comparable net debt/EBITDA without Värme financing	3.4	3.4	0.0

Fortum has also applied the annual improvements to IFRSs issued in December 2013 from 1 January 2014 onwards. The improvements primarily remove inconsistencies and clarified wording of standards. Amendments did not have an impact on Fortum’s financial statements.

1.6.2 Adoption of new IFRS standards from 1 Jan 2015 or later

Fortum will apply the following new or amended standards and interpretations starting from 1 January 2016 or later:

IFRIC 21 Levies (effective for annual periods beginning on or after 1 January 2014). The interpretation has guidance on when to recognise a liability to pay a levy. Fortum will apply the new standard from 1 January 2015 onwards. The interpretation will not have a material impact on Fortum’s financial statements.

IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2018). The standard has new requirements for the classification and measurement of financial assets and liabilities and hedge accounting and it will replace IAS 39 and IFRS 7. Fortum will apply the new standard from beginning of 2018. The Standard is still subject to endorsement by EU.

IFRS 15 Revenue from contracts with Customers (effective for annual periods beginning on or after 1 January 2017). The standard focuses on revenue recognition models and will replace IAS 11 and IAS 18. Fortum will apply the new standard from beginning of 2017. The Standard is still subject to endorsement by EU.

Annual Improvements to IFRSs 2012–2014 Cycle issued in September 2014 (effective for annual periods beginning on or after 1 January 2016). The improvements primarily remove inconsistencies and clarify wording of standards. There are separate transitional provisions for each standard. Amendments are not expected to have an impact on Fortum’s financial statements. The improvements are still subject to endorsement by EU.

1.7 Segment reporting

Fortum discloses segment information in a manner consistent with internal reporting to Fortum's Board of Directors and to Fortum Executive Management Team led by the President and CEO. Fortum has segments based on type of business operations, combined with one segment based on geographical area.

The Group's businesses are divided into the following reporting segments: Power and Technology, Heat, Electricity Sales and Solutions, Russia and Distribution.

Revenue recognition

Revenue comprises the fair value consideration received or receivable at the time of delivery of products and/or upon fulfilment of services. Revenue is shown net of rebates, discounts, value-added tax and selective taxes such as electricity tax. Revenue is recognised as follows:

Sale of electricity, heat, cooling and distribution of electricity

Sale of electricity, heat, cooling and distribution of electricity is recognised at the time of delivery. The sale to industrial and commercial customers and to end-customers is recognised based on the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and year-end.

Physical energy sales and purchase contracts are accounted for on accrual basis as they are contracted with the Group's expected purchase, sale or usage requirements.

Electricity tax is levied on electricity delivered to retail customers by domestic utilities in Sweden. The tax is calculated on the basis of a fixed tax rate per kWh. The rate varies between different classes of customers. Sale of electricity in the income statement is shown net of electricity tax.

Physical electricity sales and purchases are done through Nord Pool Spot. The sales and purchases are netted on Group level on an hourly basis and posted either as revenue or cost, according to whether Fortum is a net seller or a net buyer during any particular hour.

The prices charged of customers for the sale of distribution of electricity are regulated. The regulatory mechanism differs from country to country. Any over or under income decided by the regulatory body is regarded as regulatory assets or liabilities that do not qualify for balance sheet recognition due to the fact that no contract defining the regulatory aspect has been entered into with a specific customer and thus the receivable is contingent on future delivery. The over or under income is normally credited or charged over a number of years in the future to the customer using the electricity connection at that time. No retroactive credit or charge can be made.

Connection fees

Fees paid by the customer when connected to the electricity, gas, heat or cooling network are recognised as income to the extent that the fee does not cover future commitments. If the connection fee is linked to the contractual agreement with the customer, the income is recognised over the period of the agreement with the customer.

Fees paid by the customer when connected to district heating network in Finland are refundable. These connection fees have not been recognised in the income statement and are included in other liabilities in the balance sheet.

Contract revenue

Contract revenue is recognised under the percentage of completion method to determine the appropriate amount to recognise as revenue and expenses in a given period. The stage of completion is measured by reference to the contract costs incurred up to the closing date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'. The Group presents as a liability the amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

See Note 5. Segment reporting

1.8 Assets held for sale

Non-current assets (or disposal groups) classified as held for sale are valued at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These classification criteria do not include non-current assets to be abandoned or those that have been temporarily taken out of use. An impairment loss (or subsequent gain) reduces (or increases) the carrying amount of the non-current assets or disposal groups. The assets are not depreciated or amortised. Interest or other expenses related to these assets are recognised as before the classification as held for sale.

Discontinued operations represent a separate major line of business that either has been disposed of or is classified as held for sale. Assets and liabilities attributable to the discontinued operations must be clearly distinguishable from the other consolidated entities in terms of their operations and cash flows. In addition, the reporting entity must not have any significant continuing involvement in the operations classified as a discontinued operation.

See Note 9. Assets held for sale

1.9 Other income and other expenses

Other income

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as rental income and non-recurring items such as insurance compensation.

Emission allowances

The Group accounts for emission allowances based on currently valid IFRS standards where purchased emission allowances are accounted for as intangible assets at cost, whereas emission allowances received free of charge are accounted for at nominal value. A provision is recognised to cover the obligation to return emission allowances. To the extent that Group already holds allowances to meet the obligation the provision is measured at the carrying amount of those allowances. Any shortfall of allowances held over the obligation is valued at the current market value of allowances. The cost of the provision is recognised in the income statement within materials and services. Gains/losses from sales of emission rights are reported in other income.

Research and development costs

Research and development costs are recognised as expense as incurred and included in other expenses in the income statement. If development costs will generate future income, they are capitalised as intangible assets and depreciated over the period of the income streams.

See Note 10. Other income and other expenses

1.10 Long-term incentives

Fortum's share bonus system is a performance-based, long-term incentive (LTI) arrangement. A new plan commences annually if the Board of Directors so decides. The potential reward is based on the performance of the Group and its divisions.

In the LTI arrangement each share plan begins with a three-year earning period during which participants may earn share rights if the earnings criteria set by the Board of Directors are fulfilled. The value of the share participation is defined after the three-year earning period when the participants are paid the earned rights in the form of shares. After the earning period, income tax and statutory employment related expenses are deducted from the reward and the net reward is used to acquire Fortum shares in the name of the participant. The maximum value of shares, before taxation, to be delivered to a participant after the earning period cannot exceed the participant’s annual salary.

The earning period is followed by a three-year lock-up period. During the lock-up period the shares may not be sold, transferred, pledged or disposed in any other way. Dividends and other financial returns paid on the shares during the lock-up period are, however, not subject to restrictions. From plan 2013-2018 onwards the lock-up period may be shortened to one year for the Fortum Executive Management Team members on individual basis if the value of the aggregate ownership of Fortum shares corresponds to a minimum of annual base salary. For other participants the lock-up period is changed into one year from plan 2013-2018 onwards. The shares are released from the lock-up after publishing of the Company’s financial results for the last calendar year of the lock-up period, provided that the participant remains employed by the Group.

The share plans under the new LTI arrangement are accounted for as partly cash- and partly equity-settled arrangements. The portion of the earned reward that the participants receive in shares is accounted for as an equity settled transaction, and the portion of the earned reward settled in cash covering the tax and other charges, is accounted for as cash 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 vesting period with a corresponding increase in the liabilities and for the transactions settled in shares in the equity. The social charges related to the arrangement payable by the employer are accrued as a liability.

See Note 12. Employee benefits

1.11 Earnings and dividend per share

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.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the warrants and stock options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Fortum share) based on the monetary value of the subscription rights attached to outstanding stock options.

The number of shares calculated as above is deducted from the number of shares that would have been issued assuming the exercise of the stock options. The incremental shares obtained through the assumed exercise of the options and warrants are added to the weighted average number of shares outstanding.

Options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options or warrants. Previously reported earnings per share are not retroactively adjusted to reflect changes in price of ordinary 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.

See Note 15. Earnings and dividend per share

1.12 Financial assets and liabilities by categories

Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the closing date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor. They are included in non-current assets, except for maturities under 12 months after the closing date. These are classified as current assets.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of the closing date.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each closing date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

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. The majority of these transactions take the form of 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. Such contracts are not within the scope of IAS 39. All other net-settled commodity contracts are measured at fair value with gains and losses taken to the income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, 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 a firm commitment (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, as well as its risk management objective and strategy for undertaking various hedge transactions. 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 in offsetting changes in fair values or cash flows of hedged items. Derivatives are divided into non-current and current based on maturity. Only for those electricity derivatives, which have cash flows in different years, the fair values are split between non-current and current assets or liabilities.

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. The 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 or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, 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 forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

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 period to maturity.

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 hedging future cash flows do not qualify for hedge accounting. Fair value changes of these financial derivative instruments are recognised in items affecting comparability in the income statement.

See Note 16. Financial assets and liabilities by categories

1.13 Financial assets 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.

Fair values under Level 1 measurement hierarchy

The fair value of some commodity derivatives traded in active markets (such as publicly traded electricity options, coal and oil forwards) are market quotes at the closing date.

Fair values under Level 2 measurement hierarchy

The fair value of financial instruments including electricity derivatives traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on 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. In fair valuation, credit spread has not been adjusted, as quoted market prices of the instruments used are believed to be consistent with the objective of a fair value measurement.

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. Commodity derivatives are generally cleared through exchanges such as for example NASDAQ OMX Commodities Europe and financial derivatives done with creditworthy financial institutions with investment grade ratings.

Fair values under Level 3 measurement hierarchy

Fair valuation of electricity derivatives maturing over ten years which are not standard NASDAQ OMX Commodities Europe products are based on prices collected from reliable market participants. Other financial assets and liabilities that are not based on observable market data.

Other measurements

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

See Note 17. Financial assets and liabilities by fair value hierarchy

1.14 Intangible assets

Intangible assets, except goodwill, are stated at the historical cost less accumulated amortisation and impairment losses. They are amortised on a straight-line method over their expected useful lives.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred when bringing the software into use. Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

Trademarks and licenses

Trademarks and licences are shown at historical cost less accumulated amortisation and impairment losses, as applicable. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (15-20 years).

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value on acquisition date. The contractual customer relations have a finite useful life and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected duration of the customer relationship.

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 at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and 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.

See Note 18. Intangible assets

1.15 Property, plant and equipment

Property, plant and equipment comprise mainly power and heat producing buildings and machinery, transmission lines, tunnels, waterfall rights and district heating network. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses as applicable in the consolidated balance sheet. Historical cost includes expenditure that is directly attributable to the acquisition of an item and borrowing costs capitalised in accordance with the Group's accounting policy. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

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 are charged to the income statement during the financial period in which they are incurred.

Additionally the cost of an item of property, plant and equipment includes the estimated cost of its dismantlement, removal or restoration.

See Note 31 Other provisions for information about asset retirement obligations.

Land, water areas, waterfall rights and tunnels 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
- Substation buildings, structures and machinery 30-40 years
- Distribution network 15-40 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

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 immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of non-financial assets

The individual assets' carrying values are reviewed at each closing date to determine whether there is any indication of impairment. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than the estimated recoverable amount.

When considering the need for impairment the Group assesses if events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment is documented once a year in connection with the Business Plan process. Indications for impairment are analysed separately by each division as they are different for each business and include risks such as changes in electricity and fuel prices, regulatory/political changes relating to energy taxes and price regulations etc. Impairment testing needs to be performed if any of the impairment indications exists. Assets that have an indefinite useful life and goodwill, are not subject to amortisation and are tested annually for impairment.

An impairment loss is recognised in the income statement for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Value in use is determined by discounting the future cash flows expected to be derived from an asset or cash-generating unit. Cash flow projections are based on the most recent Business Plan that has been approved by management and the Board of Directors. Cash flows arising from future investments such as new plants are excluded unless projects have been started. The cash outflow needed to complete the started projects is included.

The period covered by cash flows is related to the useful lives of the assets reviewed for impairment. According to IFRS, projections used should cover a maximum period of five years, but longer period can be justifiable in certain circumstances. The Group uses a longer projection period than normally allowed by IFRS, which reflects the long useful lives of power plants and other major assets. Cash flow projections beyond the period covered by the most recent business plan are estimated by extrapolating the projections using growth rates estimated by management for subsequent years.

Non-financial assets other than goodwill that suffered an impairment charge are reviewed for possible reversal of the impairment at each reporting date.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset and are recognised as income by reducing the depreciation charge of the asset they relate to.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Joint operations

Fortum owns, through its subsidiary Fortum Power and Heat Oy, the coal condensing power plant Meri-Pori in Finland. Teollisuuden Voima Oyj (TVO) has the contractual right to participate in the plant with 45.45%. The capacity and production is divided between Fortum and TVO. Each owner can decide when and how much capacity to use for production. Both Fortum and TVO purchase fuel and emission rights independently. Since Fortum and TVO are sharing control of the power plant, Meri-Pori is accounted for as a joint operation. Fortum is accounting for its part of the investment, i.e. 54.55%. Fortum is also entitled to part of the electricity TVO produces in Meri-Pori through its shareholding of 26.58% of TVO C-series shares.

For further information regarding Fortum’s shareholding in TVO, see Note 20 Participations in associated companies and joint ventures.

See Note 19. Property, plant and equipment

1.16 Participations in associated companies and joint ventures

The Group’s interests in associated companies and jointly controlled entities 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. If the cost of acquisition is less than the fair value of the net assets of the associate or joint venture acquired, the difference is recognised directly in the income statement.

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 associates or joint ventures 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.

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. 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.

See Note 20. Participations in associated companies and joint ventures

1.17 Inventories

Inventories mainly consist of fuels consumed in the production process or in the rendering of services. 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 determined using the first-in, first-out (FIFO) method.

Inventories which are acquired primarily for the purpose of trading are stated at fair value less selling expenses.

See Note 23. Inventories

1.18 Trade and other receivables

Trade receivables are recorded at their fair value. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivable is impaired. The amount of the impairment charge is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Trade receivables include revenue based on an estimate of electricity, heat, cooling and distribution of electricity already delivered but not yet measured and not yet invoiced.

See Note 24. Trade and other receivables

1.19 Liquid funds

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 maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

See Note 25. Liquid funds

1.20 Share capital

Where any group company purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received is included in equity.

See Note 26. Share capital

1.21 Interest-bearing liabilities

Borrowings are recognised initially at fair value less transaction costs incurred. In subsequent periods, they 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 method. Borrowings or portion of borrowings being hedged with a fair value hedge are recognised at fair value.

See Note 28. Interest-bearing liabilities

1.22 Deferred income taxes

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 liability method, 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 reverse in the foreseeable future.

See Note 29. Deferred income taxes

1.23 Nuclear related assets and liabilities

Fortum owns Loviisa nuclear power plant in Finland. Fortum's nuclear related provisions and the related part of the State Nuclear Waste Management Fund are both presented separately in the balance sheet. 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 is added to property, plant and equipment and depreciated over the remaining estimated operating time of the nuclear power plant.

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, for the period during which the spent fuel provision has been accumulated and present point in time, are also recognised immediately in the income statement.

The timing factor is taken into account by recognising the interest expense related to discounting the nuclear provisions. The interest on the State Nuclear Waste Management Fund assets is presented as financial income.

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 in 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 100 years, 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 interest income generated in the State Nuclear Waste Management Fund and incurred costs of taken actions.

Fortum also has minority shareholdings in the associated nuclear power production companies Teollisuuden Voima Oyj (TVO) in Finland and directly and indirectly in OKG AB and Forsmarks Kraftgrupp AB in Sweden. The Group’s interests in associated companies are accounted for by the equity method. Accounting policies of the associates regarding nuclear assets and liabilities have been changed where necessary to ensure consistency with the policies adopted by the Group.

See Note 30. Nuclear related assets and liabilities

1.24 Other provisions

Provisions for environmental restorations, asset retirement obligations, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events to a third party, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Environmental provisions

Environmental provisions are recognised, based on 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. Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do contribute to current or future revenues, are expensed as incurred.

Asset retirement obligations

Asset retirement obligation is recognised either when there is a contractual obligation towards a third party or a legal obligation and the obligation amount can be estimated reliably. Obligating event is e.g. when a plant is built on a leased land with an obligation to dismantle and remove the asset in the future or when a legal obligation towards Fortum changes. The asset retirement obligation is recognised as part of the cost of an item of property and plant when the asset is put in service or when contamination occurs. The costs will be depreciated over the remainder of the asset's useful life.

Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Restructuring provisions comprise mainly of employee termination payments and lease termination costs.

See Note 31. Other provisions

1.25 Pension obligations

The Group companies have various pension schemes in accordance with the local conditions and practises in the countries in which they operate. The schemes are generally funded through payments to insurance companies or Group’s pension fund as determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

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. The net interest is presented in financial items and the rest of the income statement effect as pension cost.

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 that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, market yields on government bonds are used instead. The plan assets for pensions are valued at market value. The liability recognised in the balance sheet is the defined benefit obligation at the closing date less the fair value of plan assets. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit 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 benefits plans are recognised when the settlement occurs.

See Note 32. Pension obligations

1.26 Leasing

Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments determined at the inception of the lease. Each lease payment is allocated between the reduction of the outstanding liability and the finance charges. The corresponding rental obligations, net of finance charges, are included in the long-term or short-term interest-bearing liabilities according to their maturities. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases of property, plant and equipment, where the Group does not have substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement as costs on a straight-line basis over the lease term.

Payments received under operating leases where the Group leases out fixed assets are recognised as other income in the income statement.

See Note 36. Leasing

1.27 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.

See Note 38. Contingent liabilities

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. Actual results and timing may differ from these estimates.

The table below is listing the areas where management's accounting estimates and judgements are most critical to reported results and financial position. The table is also showing where to find more information about those estimates.

Critical accounting estimates	Note
Assigned values and useful lifes determined for intangible assets and property, plant and equipment acquired in a business combination	18. Intangible assets
Assumptions related to impairment testing of property, plant and equipment and intangible assets	19. Property, plant and equipment
Judgement used when assessing the nature of Fortum's interest in its investees and when considering the classification of Fortum's joint arrangements	20. Participations in associated companies and joint ventures
Assumptions and estimates regarding future tax consequences	29. Deferred income taxes 39. Legal actions and official proceedings
Assumptions made to determine long-term cash flow forecasts of estimated costs for provision related to nuclear production	30. Nuclear related assets and liabilities
Assumptions used to determine future pension obligations	32. Pension obligations

2 Critical accounting estimates

2.1 Intangible assets

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 as well as goodwill which are tested for impairment according to the accounting policies.

See Note 18 Intangible assets and Note 19 Property, plant and equipment.

2.2 Property, plant and equipment

The Group has significant carrying values in property, plant and equipment as well as goodwill which are tested for impairment according to the accounting policy described in the notes. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations are based on estimated future cash flows from most recent approved business plan. Preparation of these estimates requires management to make assumptions relating to future expectations. Assumptions vary depending on the business the tested assets are in. For power and heat generation business the main assumptions relate to the estimated future operating cash flows and the discount rates used to present value them. The distribution business is regulated and supervised by national authorities. Estimated future cash flows include assumptions relating to the development of the future regulatory framework.

Estimates are also made in an acquisition when determining the fair values and remaining useful lives of acquired intangible and tangible assets.

See Note 18 Intangible assets and Note 19 Property, plant and equipment.

2.3 Participations in associated companies and joint ventures

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 and financing of the arrangements.

See Note 20 Participation in associated companies and joint ventures.

2.4 Deferred income taxes

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.

The Group recognises liabilities for anticipated tax dispute issues based on estimates of whether additional taxes will be due. 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.

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 39 million as of 31December 2014.

See Note 29 Deferred income taxes.

2.5 Nuclear related assets and liabilities

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 plant 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. Fortum has contributed cash to the State Nuclear Waste Management Fund based on a non-discounted legal liability, which leads to that the increase in provision would be offset by an increase in the recorded share of Fortum's part of the State Nuclear Waste Management Fund in 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 legal obligation to contribute cash to the State Nuclear Waste Management Fund is based on a non-discounted liability and IFRS is limiting the carrying value of the assets to the amount of the provision since Fortum does not have control or joint control over the fund.

Based on the Nuclear Energy Act in Finland, Fortum has a legal obligation to fully fund the legal liability decided by the governmental authorities, for decommissioning of the power plant and disposal of spent fuel through the State Nuclear Waste Management Fund.

See Note 30 Nuclear related assets and liabilities.

2.6 Pension obligations

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.

See Note 32 Pension obligations.

3 Financial risk management

Risk management objectives, principles and framework including governance, organisation and processes as well as description of risks i.e. strategic, financial and operational risks are described in the Operating and financial review (OFR).

See also Risk management.

3.1 Commodity market risks

Commodity market risk refers to the potential negative effects of market price movements or volume changes in electricity, fuels and environmental values. A number of different methods, such as Profit-at-Risk and Value-at-Risk, are used throughout Fortum to quantify these risks taking into account their interdependencies. Stress-testing is carried out in order to assess the effects of extreme price movements on Fortum’s earnings.

Commodity market risk management aims to limit downside and capture potential upside by optimising hedging activities. Risk taking is limited through the use of risk mandates approved according to authority levels defined by the CEO. These risk mandates including volumetric limits, Profit-at-Risk limits and Stop-Loss limits.

3.2 Electricity price and volume risk

Strategies for hedging the electricity price are developed and executed within the framework and risk mandates approved by the CEO. In the Nordic markets, the hedging strategies are executed by entering into commodity derivatives contracts such as forward or futures, mainly on Nasdaq OMX Commodities Europe. The majority of electricity price risk in Russia is hedged with physical fixed priced delivery contracts. Hedging strategies for Russia are developed in line with the development of the financial electricity market. Risk in the hedging strategies and their execution are continuously evaluated in accordance with models approved by the Chief Risk Officer.

Fortum's sensitivity to electricity market price is dependent on the hedge level for a given time period. As per 31 December 2014, approximately 50% of the Power Segment's estimated Nordic power sales volume was hedged for the calendar year 2015 and approximately 10% for the calendar year 2016. Assuming no changes in generation volumes, hedge ratios or cost structure a 1 EUR/MWh change in the market price of electricity would affect Fortum's 2015 comparable operating profit by approximately EUR 23 million and for 2016 by approximately EUR 41 million. The volume used in this sensitivity analysis is 45 TWh which includes the electricity generation sold to the spot market in Sweden and Finland in the Power Segment without minority owner's shares of electricity or other pass-through sales, and excluding the volume of Fortum's coal-condensing generation. This volume is heavily dependent on price level, the hydrological situation, the length of annual maintenance periods and availability of power plants. Sensitivity is calculated only for electricity market price movements. Hydrological conditions, temperature, CO_2 allowance prices, fuel prices and the import/export situation all affect the electricity price on short-term basis and effects of individual factors cannot be separated.

3.2.1 Sensitivity arising from financial instruments according to IFRS 7

Sensitivity analysis shows the sensitivity arising from financial electricity derivatives as defined in IFRS 7. These derivatives are used for hedging purposes within Fortum. Sensitivities are calculated based on 31 December 2014 (31 December 2013) position. 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 purchase are not included. Sensitivity is calculated with the assumption that electricity forward quotations in NASDAQ OMX Commodities Europe and in EEX would change 1 EUR/MWh for the period Fortum has derivatives.

Sensitivity according to IFRS 7

+/- 1 EUR/MWh change in electricity forward quotations, EUR million	Effect	2014	2013
Effect on Profit before income tax	-/+	7	7
Effect on Equity	-/+	13	22

3.2.2 Electricity derivatives

The tables below disclose the Group's electricity derivatives used mainly for hedging electricity price risk. The fair values represent the values disclosed in the balance sheet.

See also Note 16 Financial assets and liabilities by categories for accounting principles and basis for fair value estimations

and Note 7 Fair value changes of derivatives and underlying items in income statement.

Electricity derivatives by instrument 2014

	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Electricity derivatives	75	33	1	109	304	219	85
Total	**75**	**33**	**1**	**109**	**304**	**219**	**85**
Netting against electricity exchanges 1)					**-139**	**-139**	**0**
Total					**164**	**80**	**85**

Electricity derivatives by instrument 2013

	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Electricity derivatives	79	36	0	115	502	292	209
Total	**79**	**36**	**0**	**115**	**502**	**292**	**209**
Netting against electricity exchanges 1)					**-227**	**-227**	**0**
Total					**277**	**68**	**209**

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

Maturity analysis of commodity derivatives

Amounts in the table are fair values.

	2014				2013			
EUR million	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Electricity derivatives assets	114	49	1	164	192	83	2	277
Electricity derivatives liabilities	28	51	1	80	31	35	2	68
Other commodity derivatives, assets	12	3		15	29	3	0	32
Other commodity derivatives, liabilities	4	3		7	11	2	0	13

3.3 Fuel price and volume risks

Exposure to fuel prices is to some extent limited because of Fortum's flexible generation possibilities, which allow for switching between different fuels according to prevailing market conditions, and in some cases, the fuel price risk can be transferred to the customer. The remaining exposure to fuel price risk is mitigated through fixed price purchases that cover forecasted consumption levels. Fixed price purchases can be either for physical deliveries or in the form of financial hedges, such as oil and coal derivatives.

3.4 Emission allowance price and volume risk

Part of Fortum's power and heat generation is subject to requirements of emission trading schemes. Fortum manages its exposure to these prices and volumes through the use of CO_2 forwards and by ensuring that the costs of allowances are taken into account during production planning. Most of these CO_2 forwards are own use contracts valued at cost and some are treated as derivatives in the accounts.

3.5 Liquidity and refinancing risk

Fortum's business is capital intensive and the Group has a regular need to raise financing. Fortum has a diversified loan portfolio mainly consisting of long-term financing denominated in EUR and SEK. Long-term financing is primarily raised by issuing bonds under Fortum’s Euro Medium Term Note programme as well as through bilateral and syndicated loan facilities from a variety of different financial institutions. Seasonal variations in working capital are generally financed by issuing short-term commercial papers under the Group’s Swedish (SEK) and Finnish (EUR) Commercial Paper programmes.

Financing is primarily raised on parent company level and distributed internally through various internal financing arrangements. For example Fortum’s Russian operations are mainly financed via intra group internal long term RUB denominated loans. The internal RUB loan receivables are hedged via external forward contracts offsetting the currency exposure for the internal lender. On 31 December 2014, 96% (2013: 95%) of the Group’s total external financing was raised by the parent company Fortum Oyj.

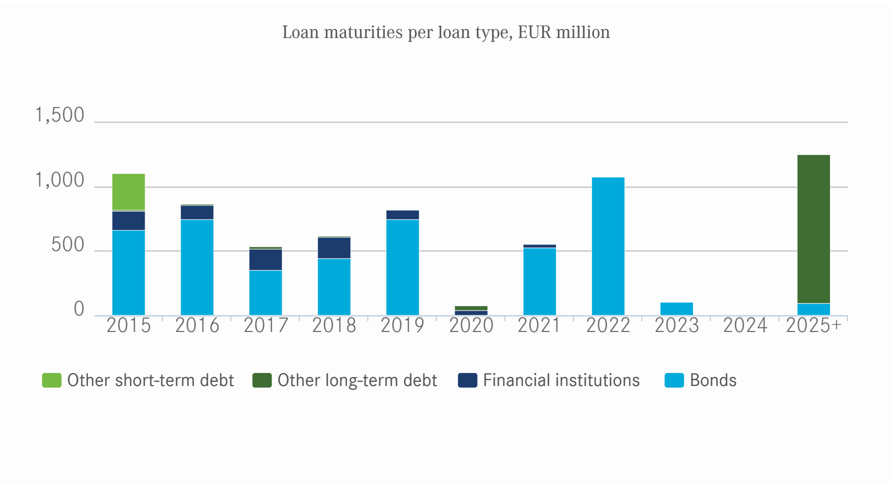
On 31 December 2014, the total interest-bearing debt was EUR 6,983 million (2013: 9,058) and the interest-bearing net debt was EUR 4,217 million (2013: 7,793). Net debt without Värme financing was EUR 3,664 million (2013: 6,658).

Fortum manages liquidity and refinancing risks through a combination of cash positions and committed credit facility agreements with its core banks. The Group shall at all times have access to cash, marketable securities and unused committed credit facilities including overdrafts, to cover all loans maturing within the next twelve-month period. However, cash/marketable securities and unused committed credit facilities shall always amount to at least EUR 500 million.

On 31 December 2014, loan maturities for the coming twelve-month period amounted to EUR 1,103 million (2013: 2,106). Liquid funds amounted to EUR 2,766 million (2013: 1,265) and the total amount of committed credit facilities amounted to EUR 2,214 million (2013: 2,218) of which EUR 2,214 million (2013: 2,218) was undrawn.

Maturity of interest-bearing liabilities

EUR million	2014
2015	1,103
2016	860
2017	530
2018	614
2019	820
2020 and later	3,056
Total	**6,983**



Liquid funds, major credit lines and debt programmes 2014

EUR million	Total facility	Drawn amount	Available amount
Liquid funds			
Cash and cash equivalents			2,009
Bank deposits over 3 months			757
Total			**2,766**
of which in Russia (OAO Fortum)			134
Committed credit lines			
EUR 2,000 million syndicated credit facility	2,000	-	2,000
Bilateral overdraft facilities	214	-	214
Total	**2,214**	**-**	**2,214**
Debt programmes (uncommitted)			
Fortum Corporation, CP programme EUR 500 million	500	-	500
Fortum Corporation, CP programme SEK 5,000 million	532	-	532
Fortum Corporation, EMTN programme EUR 8,000 million	8,000	4,748	3,252
Total	**9,032**	**4,748**	**4,284**

Liquid funds, major credit lines and debt programmes 2013

EUR million	Total facility	Drawn amount	Available amount
Liquid funds			
Cash and cash equivalents [1)]			1,265
Bank deposits over 3 months			-
Total			**1,265**
of which in Russia (OAO Fortum)			113
Committed credit lines			
EUR 2,500 million syndicated credit facility	2,000	-	2,000
Bilateral overdraft facilities	218	-	218
Total	**2,218**	**-**	**2,218**
Debt programmes (uncommitted)			
Fortum Corporation, CP programme EUR 500 million	500	381	119
Fortum Corporation, CP programme SEK 5,000 million	564	337	227
Fortum Corporation, EMTN programme EUR 8,000 million	8,000	5,839	2,161
Total	**9,064**	**6,557**	**2,507**

1) Including cash balances of EUR 0 million (2013: 15) classified as assets held for sale in the balance sheet.

Liquid funds amounted to EUR 2,766 million (2013: 1,265), including OAO Fortum's bank deposits amounting to EUR 131 million (2013: 101) earmarked for capacity increase investments in Russia. Of these deposits at year-end 2014 EUR 30 million (2013: 58) were in euros and EUR million 101 (2013: 43) in Russian roubles.

See also Note 25 Liquid funds.

Maturity analysis of interest-bearing liabilities and derivatives

Amounts disclosed below are non-discounted expected cash flows (future interest payments and amortisations) of interest-bearing liabilities and interest rate and currency derivatives.

	2014				2013			
EUR million	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Interest-bearing liabilities	1,295	3,370	3,265	7,930	2,374	3,896	4,249	10,519
Interest rate and currency derivatives liabilities	5,955	1,650	100	7,705	7,286	2,098	294	9,678
Interest rate and currency derivatives receivables	-6,228	-1,890	-134	-8,252	-7,311	-2,179	-271	-9,761
Total	**1,022**	**3,130**	**3,231**	**7,383**	**2,349**	**3,815**	**4,272**	**10,436**

Interest-bearing liabilities include loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj of EUR 1,040 million (2013: 995). These loans are renewed yearly and the related interest payments are calculated for ten years in the table above.

For further information regarding loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj, see Note 30 Nuclear related assets and liabilities.

3.6 Interest rate risk and currency risk

3.6.1 Interest rate risk

The Treasury risk policy stipulated in 2014 that the average duration of the debt portfolio shall always be kept within a range of 24 and 48 months and that the flow risk i.e. changes in interest rates shall not affect the net interest payments of the Group by more than EUR 50 million for the next rolling 12-month period. Within these mandates, strategies are evaluated and developed in order to find an optimal balance between risk and financing cost.

On 31 December 2014, the average duration of the debt portfolio (including derivatives) was 3.7 years (2013: 2.4). Approximately 46% (2013: 51%) of the debt portfolio was on a floating rate basis or fixed rate loans maturing within the next 12 month period. The effect of one percentage point change in interest rates on the present value of the debt portfolio was EUR 151 million on 31 December 2014 (2013: 179). The flow risk, measured as the difference between the base case net interest cost estimate and the worst case scenario estimate for Fortum's debt portfolio for the coming 12 months, was EUR 18 million (2013: 14).

The average interest rate on loans and derivatives on 31 December 2014 was 3.7% (2013: 3.6%). Average cumulative interest rate on loans and derivatives for 2014 was 4.0% (2013: 4.1%).

3.6.2 Currency risk

Fortum's policy is to hedge major transaction exposures to avoid exchange differences in the profit and loss statement. These exposures are mainly hedged with forward contracts.

Translation exposures in the Fortum Group are generally not hedged as the majority of these assets are considered to be long-term strategic holdings. In Fortum this means largely entities operating in Sweden, Russia, Norway and Poland, whose base currency is not euro.

The currency risk relating to transaction exposures is measured using Value-at-Risk (VaR) for a one-day period at 95% confidence level. Translation exposures relating to net investments in foreign entities are measured using a five day period at 95% confidence level. The limit for transaction exposure is VaR EUR 5 million. On 31 December 2014 the open transaction and translation exposures were EUR 0 million (2013: 1) and EUR 4,310 million (2013: 4,837) respectively. The VaR for the transaction exposure was EUR 0 million (2013: 0) and VaR for the translation exposure was EUR 246 million (2013: 55).

Group Treasury's transaction exposure

	2014			2013		
EUR million	Net position	Hedge	Open	Net position	Hedge	Open
SEK	4,821	-4,821	0	5,595	-5,595	0
USD	-12	12	0	-11	11	0
NOK	-75	75	0	39	-39	0
RUB	483	-483	0	523	-523	0
PLN	88	-88	0	110	-110	0
Other	-10	10	0	59	-58	1
Total	**5,295**	**-5,295**	**0**	**6,315**	**-6,314**	**1**

In addition OAO Fortum is hedging its euro investments with euro deposits EUR 30 million (2013: 58), which qualifies as a cash flow hedge in Fortum group accounts.

Transaction exposure is defined as already contracted or forecasted foreign exchange dependent items and cash flows. Transaction exposure is divided into balance sheet exposure and cash flow exposure. Balance sheet exposure reflects currency denominated assets and liabilities for example loans, deposits and accounts receivable/payable in currencies other than the company's base currency. Cash flow exposure reflects future forecasted or contracted currency flows in foreign currency deriving from business activities such as sales, purchases or investments. Net conversion differences from transaction exposure are entered under financial income or expense when related to financial items or when related to accounts receivable/payable entered under items included in operating profit. Conversion differences related to qualifying cash flow hedges are deferred to equity.

Fortum's policy is to hedge balance sheet exposures in order to avoid exchange rate differences in the income statement. The Group's balance sheet exposure mainly relates to financing of Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. For derivatives hedging this balance exposure Fortum does not apply hedge accounting, because they have a natural hedge in the income statement.

Contracted cash flow exposures shall be 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, which do not qualify for hedge accounting are mainly hedging electricity derivatives. Unrealised hedges create volatility in the operating profit.

Group Treasury's translation exposure

	2014			2013		
EUR million	Invest-ment	Hedge	Open	Invest-ment	Hedge	Open
RUB	2,109	-198	1,911	3,187	-317	2,870
SEK	1,964	-364	1,600	1,303	-	1,303
NOK	580	-	580	440	-	440
PLN	152	-	152	138	-	138
Other	67	-	67	86	-	86
Total	**4,872**	**-562**	**4,310**	**5,154**	**-317**	**4,837**

Translation exposure position includes net investments in foreign subsidiaries and associated companies. On consolidation, 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 RUB was EUR - 1,320 million in 2014 (2013: -471). Part of this translation exposure has been hedged and the hedge result amounted to EUR 149 million in 2014 (2013: 28).

Interest rate and currency derivatives by instrument 2014

EUR million	Notional amount Remaining lifetimes Under 1 year	1-5 years	Over 5 years	Total	Fair value Positive	Negative	Net
Forward foreign exchange contracts	5,167	163	-	5,330	270	31	239
Interest rate swaps	508	3,282	1,931	5,721	360	206	154
Interest rate and currency swaps	362	1,111	-	1,473	233	0	233
Forward rate agreements	-	-	-	0	0	0	0
Total	**6,037**	**4,556**	**1,931**	**12,524**	**863**	**237**	**626**
Of which long-term					541	193	348
Short-term					322	44	278

Interest rate and currency derivatives by instrument 2013

EUR million	Notional amount Remaining lifetimes Under 1 year	1-5 years	Over 5 years	Total	Fair value Positive	Negative	Net
Forward foreign exchange contracts	7,092	420	-	7,513	76	49	27
Interest rate swaps	944	2,215	3,499	6,658	252	147	105
Interest rate and currency swaps	-	928	-	928	36	0	36
Forward rate agreements	56	-	-	56	0	0	0
Total	**8,092**	**3,563**	**3,499**	**15,155**	**365**	**196**	**170**
Of which long-term					280	143	137
Short-term					85	53	32

3.7 Credit risk

Fortum is exposed to credit risk whenever there is a contractual obligation with an external counterparty. Fortum has procedures in place to ensure that credit risks are kept at an acceptable level. All larger exposures are monitored centrally against limits which are approved according to authority levels defined in the Group Credit Instructions. Counterparty creditworthiness is continuously monitored and reported. Collaterals are used if dealing with counterparties without approved limits or when exposures arising from engagements are considered too high in relation to the counterparty creditworthiness. Parent company guarantees are requested when dealing with subsidiaries not considered creditworthy on a stand-alone basis.

Credit risk exposures relating to derivative instruments are often volatile due to rapidly changing market prices and are therefore monitored closely. Currency and interest rate derivative counterparties are limited to investment grade banks and financial institutions. ISDA Master agreements, which include netting clauses and in some cases collateral support agreements, are in place with most of these counterparties. The majority of the Group's commodity derivatives are cleared through an exchange such as NASDAQ OMX Commodities Europe. Some derivative transactions are also executed on the OTC market. These OTC counterparties are limited to those considered of high creditworthiness. Master agreements, such as ISDA, FEMA and EFET, which include netting clauses, are in place with the majority of the counterparties.

Fortum, like any capital intensive business, is exposed to credit risks in the financial sector. Credit risk relating to banks is monitored closely as the creditworthiness of financial institutions can deteriorate quickly. Where possible, exposures have been concentrated to key relationship banks considered to be of high credit quality and importance to the financial stability of their respective countries. In Russia, bank guarantees are used to cover exposures to suppliers related to the investment programme of OAO Fortum. In case a contractor defaults or does not fulfil its obligations, there are guarantees covering prepayments as well as performance guarantees in place. Issuers of these guarantees are banks with a strong local presence and understanding of the contractor. The creditworthiness of these banks as well as exposures arising from issued guarantees is monitored closely.

Credit risk relating to customers is well diversified over a large number of private individuals and businesses across several geographic regions and industry sectors. Russia, Finland and Sweden account for most of the exposure, of which exposure to Russia represents the highest risk of non-payment.

3.7.1 Credit quality of major financial assets

Amounts disclosed below are presented by counterparties for interest-bearing receivables including finance lease receivables, bank deposits and derivative financial instruments recognised as assets.

EUR million	2014 Carrying amount	2014 of which past due	2013 Carrying amount	2013 of which past due
Investment grade receivables	3,505	-	1,555	-
Electricity exchanges	75	-	185	-
Associated companies and joint ventures	2,061	-	2,601	-
Other	145	-	99	-
Total	**5,786**	**-**	**4,440**	**-**

Investment grade receivables consist of deposits and Treasury bank accounts EUR 2,636 million (2013: 1,163), fair values of interest rate and currency derivatives EUR 859 million (2013: 362) and fair values of electricity, coal, oil and CO_2 emission allowance derivatives EUR 10 million (2013: 30). Electricity exchange receivable is the fair value of derivatives on NASDAQ OMX Commodities Europe. Associated company and joint venture receivables consist of loan receivables EUR 2,041 million (2013: 2,587), fair values of interest rate and currency derivatives EUR 4 million (2013: 3) and fair values of electricity, coal, oil and CO2 emission allowance derivatives EUR 16 million (2013: 11). Other receivables consist of Russian deposits with non-investment grade banks EUR 63 million (2013: 0), loan and other interest bearing receivables EUR 4 million (2013: 14), finance lease receivables EUR 0 million (2013: 2) and fair values of electricity, coal, oil, and CO_2 emission allowance derivatives EUR 78 million (2013: 83).

The following tables indicate how bank deposits and fair values of derivatives are distributed by rating class.

Deposits and Treasury Bank Accounts

EUR million	2014	2013
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings		
AAA	-	-
AA+/AA/AA-	632	410
A+/A/A-	1,923	658
BBB+/BBB/BBB-	81	95
Total investment grade ratings	**2,636**	**1,163**
BB+/BB/BB-	63	-
B+/B/B-	-	-
Below B-	-	-
Non-investment grade ratings	**63**	**-**
Counterparties without external credit rating from Standard & Poor's and/or Moody's	-	-
Total	**2,699**	**1,163**

In addition, cash in other bank accounts totalled EUR 67 million on 31 December 2014 (2013: 102).

Interest rate and currency derivatives

EUR million	2014 Recei-vables	2014 Netted amount	2013 Recei-vables	2013 Netted amount
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings				
AAA	-	-	-	-
AA+/AA/AA-	147	88	36	0
A+/A/A-	712	560	308	220
BBB+/BBB/BBB-	-	-	18	-
Total investment grade ratings	**859**	**648**	**362**	**220**
Total associated companies and joint ventures	**4**	**4**	**3**	**3**
Counterparties without external credit rating from Standard & Poor's and/or Moody's	-	-	-	-
Total	**863**	**652**	**365**	**223**

Electricity, coal and oil derivatives and CO_2 emission allowances treated as derivatives

EUR million	2014 Receivables	2014 Netted amount	2013 Receivables	2013 Netted amount
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings				
AAA	-	-	-	-
AA+/AA/AA-	0	0	0	0
A+/A/A-	10	6	30	21
BBB+/BBB/BBB-	0	0	0	0
Total investment grade ratings	**10**	**6**	**30**	**21**
Non-investment grade ratings				
BB+/BB/BB-	6	6	8	7
B+/B/B-	-	-	-	-
Below B-	-	-	-	-
Total non-investment grade ratings	**6**	**6**	**8**	**7**
Total associated companies and joint ventures	16	5	11	2
Counterparties without external credit rating from Standard & Poor's or Moody's				
Government or municipality	0	0	1	1
Fortum Rating 5 - Lowest risk	15	15	1	1
Fortum Rating 4 - Low risk	37	34	23	23
Fortum Rating 3 - Normal risk	18	17	47	46
Fortum Rating 2 - High risk	1	1	-	-
Fortum Rating 1 - Highest risk	0	0	2	1
No rating	1	1	1	1
Total non-rated counterparties	**72**	**68**	**75**	**73**
Total	**104**	**85**	**124**	**103**

For derivatives, the receivable is the sum of the positive fair values, i.e the gross amount. Netted amount includes negative fair values where a valid netting agreement is in place with the counterparty. When the netted amount is less than zero, it is not included. In cases where a parent company guarantee is in place, the exposure is shown on the issuer of the guarantee.

All counterparties for currency and interest rate derivatives and the majority of counterparties for bank deposits have an external rating from Standard & Poor's and Moody's credit agencies. The above rating scale is for Standard & Poor's rating categories. For those counterparties only rated by Moody's, the rating has been translated to the equivalent Standard and Poor's rating category. For counterparties rated by both Standard & Poor's and Moody's, a conservative approach is taken by choosing the lower of the two ratings.

In the electricity, coal and oil derivatives market, there are a number of counterparties not rated by Standard & Poor's or Moody's. For these counterparties, Fortum assigns an internal rating. The internal rating is based on external credit ratings from other credit agencies. The rating from Soliditet is used for Finnish, Norwegian and Swedish counterparties and for other counterparties the rating from Dun & Bradstreet is used. Governments and municipal companies are typically not rated, and are shown separately. This rating category does not include companies owned by governments or municipalities. Counterparties that have not been assigned a rating by the above listed credit agencies are in the "No rating" category.

4 Capital risk management

Fortum wants to have a prudent and efficient capital structure which at the same time allows the implementation of its strategy. Maintaining a strong balance sheet and the flexibility of the capital structure is a priority. The Group monitors the capital structure based on Comparable net debt to EBITDA ratio. Net debt is calculated as interest-bearing liabilities less cash and cash equivalents. EBITDA is calculated by adding back depreciation, amortisation and impairment charges to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability and net release of CSA provision from EBITDA. Fortum's net debt to EBITDA target is around 3.

Dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company’s long-term strategy that aims at increasing earnings per share and thereby the dividend. When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans. Fortum Corporation’s target is to pay a stable, sustainable and over time increasing dividend, in the range of 50-80% of earnings per share, excluding one-off items.

Fortum Corporation's long-term credit rating with both S&P and Fitch remained unchanged during year 2014 and is A- (negative outlook).

Net debt/EBITDA ratios

EUR million	Note	2014	2013
Interest-bearing liabilities 1)	28	6,983	9,058
Less: Liquid funds 1)	25	2,766	1,265
Net debt		**4,217**	**7,793**
Net debt without Värme financing		**3,664**	**6,658**
Operating profit		3,428	1,508
Add: Depreciation, amortisation and impairment charges		526	621
EBITDA		**3,954**	**2,129**
Less: Items affecting comparability		2,077	106
Less: Net release of CSA provision		4	48
Comparable EBITDA		**1,873**	**1,975**
Net debt/EBITDA		**1.1**	**3.7**
Comparable net debt/EBITDA		**2.3**	**3.9**
Comparable net debt/EBITDA without Värme financing		**2.0**	**3.4**

1) Including interest-bearing debt of EUR 0 million (2013: 20) and cash balances of EUR 0 million (2013: 15) classified as assets held for sale in balance sheet.

5 Segment reporting

5.1 Fortum's business structure

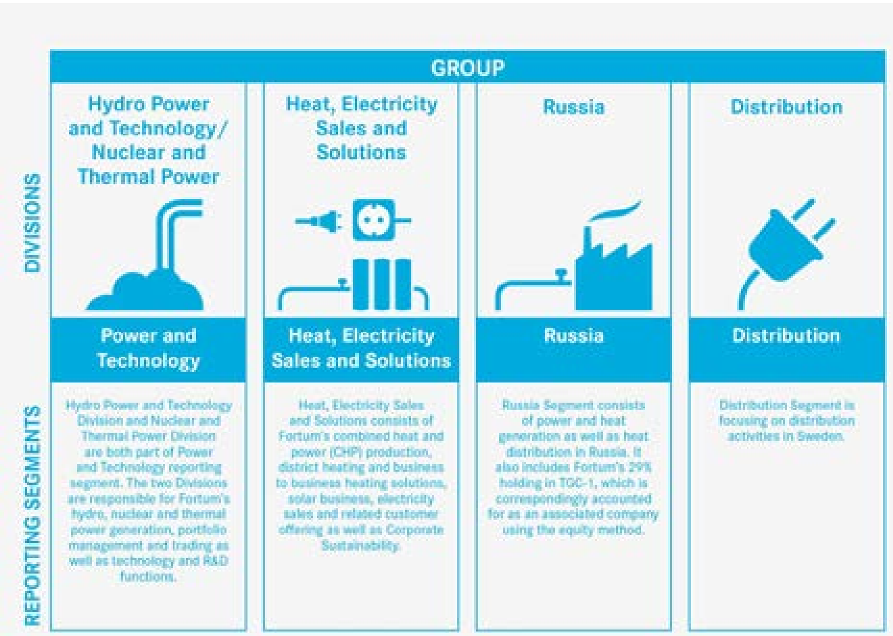
Fortum renewed its business structure as of 1 March 2014. After reorganisation Fortum's business operations are organised in five divisions and six corporate staff functions.

The business divisions are Hydro Power and Technology, Nuclear and Thermal Power, Heat, Electricity Sales and Solutions, Russia, and Distribution. The staff functions are Finance, Strategy and Mergers & Acquisitions, Legal, Human Resources and IT, Communications and Corporate Relations.

5.2 Segment structure in Fortum

Fortum's reportable segments were also revised in connection with the reorganisation in March 2014. New reportable segments under IFRS include the business divisions Heat, Electricity Sales and Solutions, Russia and Distribution as well as the Power and Technology segment that consists of the Hydro Power and Technology and Nuclear and Thermal Power divisions.

Below is the description of the reportable segments:



Other segment includes mainly the shareholding in the associated company Hafslund ASA and corporate staff functions.

5.3 Definitions for segment information

Financial target setting, follow up and allocation of resources in the group's performance management process is mainly based on the divisions' comparable operating profit including share of profit from associated companies and comparable return on net assets. Fortum discloses in the segment information operating profit, comparable operating profit, comparable EBITDA and share of profit from associated companies as well as return on net assets and comparable return on net assets.

Consolidation by segment is based on the same principles as for the Group as a whole.

Segment information	Definition
Comparable operating profit and operating profit	Comparable operating profit is reported to give a better view of each segment's performance. The difference between Comparable operating profit and Operating profit is that Comparable operating profit does not include "Items affecting comparability", which are: • non-recurring items, which mainly consist of capital gains and losses; • effects from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. The major part of Fortum's cash flow hedges obtain hedge accounting where the fair value changes are recorded in equity; See Note 7 Fair value changes of derivatives and underlying items in income statement. • effects from the accounting of Fortum's part of the State Nuclear Waste Management Fund where the assets in the balance sheet cannot exceed the related liabilities according to IFRIC 5. See Note 30 Nuclear related assets and liabilities.
Net assets	The segments' net assets consist primarily of non-interest-bearing assets and liabilities such as property, plant and equipment, intangible assets, participations in associated companies, inventories, operative related accruals and trade and other receivables and liabilities. Net assets also include Fortum's share of the State Nuclear Waste Management Fund, nuclear related provisions, pension and other provisions as well as assets and liabilities from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. Interest-bearing receivables and liabilities and related accruals, current and deferred tax items, as well as assets and liabilities from fair valuations of derivatives hedging future cash flows which obtain hedge accounting status according to IAS 39 are not allocated to the segments' net assets.
Comparable net assets	In comparable net assets, segment's net assets are adjusted for assets and liabilities from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39 to be in line with comparable operating profit.
Gross investments in shares	Gross investments in shares include investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.
Gross divestments in shares	Gross divestments in shares include divestments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Divestments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the sold company.

See also Financial key figures,

Definitions of key figures

and Quarterly financial information.

Quarterly segment information from 2005 to 2014 is available on Fortum's website www.fortum.com/en/investors/financial-information/pages/default.aspx

5.4 Inter-segment transactions and eliminations

Power and Technology segment sells its production to Nord Pool Spot and Electricity Sales buys its electricity from Nord Pool Spot. Eliminations of sales include eliminations of sales and purchases with Nord Pool Spot that are netted on group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour. Inter-segment sales, expenses and results for the different business segments are affected by intra-group deliveries, which are eliminated on consolidation. Inter-segment transactions are based on commercial terms.

5.5 Segment information 2014

Income statement 2014

EUR million	Note	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Netting and eliminations [1)]	Total
Sales		2,156	1,332	1,055	751	58	-601	4,751
of which internal		85	34	0	17	44	-179	0
External sales		2,071	1,298	1,055	735	13	-422	4,751
Depreciation, amortisation and impairment		-121	-100	-147	-150	-8	-	-526
Comparable EBITDA		**998**	**204**	**304**	**416**	**-49**	**-**	**1,873**
Comparable operating profit		**877**	**104**	**161**	**266**	**-57**	**-**	**1,351**
Non-recurring items	6	52	254	0	1,865	0	-	2,171
Changes in fair values of derivatives hedging future cash-flow	6 7	-70	-20	0	0	0	-	-90
Nuclear fund adjustment	6 30	-3	-	-	-	-	-	-3
Operating profit		**855**	**337**	**161**	**2,132**	**-58**	**-**	**3,428**
Share of profit of associated companies and joint ventures	20 30	-14	88	35	3	37	-	149
Finance costs - net								-217
Income taxes								-199
Profit for the year								**3,161**

1) Netting and eliminations include eliminations of Group internal sales and netting of Nord Pool Spot transactions. Sales and purchases with Nord Pool Spot, EUR 422 million, are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Impairment losses and restructuring costs 2014

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri- bution	Other	Total
Recognised impairment losses for trade receivables	0	-5	-4	-2	0	-11
Recognised impairment losses for intangible assets and property, plant and equipment	-1	-1	0	0	0	-2
Restructuring costs	-2	0	0	0	-1	-3

Impairment losses and restructuring costs are included in comparable operating profit.

Assets and liabilities 2014

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri- bution	Other	Eliminations	Total
Non-interest-bearing assets	6,205	2,127	2,444	2,707	324	-186	13,620
Participations in associated companies and joint ventures	859	523	326	0	319	0	2,027
Assets included in Net assets	**7,064**	**2,650**	**2,769**	**2,707**	**643**	**-186**	**15,647**
Interest-bearing receivables							2,045
Deferred taxes							98
Other assets							818
Liquid funds							2,766
Total assets							**21,375**
Liabilities included in Net assets	**1,063**	**538**	**172**	**92**	**147**	**-186**	**1,827**
Deferred tax liabilities							1,159
Other liabilities							470
Total liabilities included in Capital employed							**3,456**
Interest-bearing liabilities							6,983
Total equity							10,935
Total equity and liabilities							**21,375**

Investments/Divestments 2014

EUR million	Note		Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Gross investments in shares	8	20	**2**	**37**	**27**	**0**	**4**	**69**
Capital expenditure	18,	19	**197**	**86**	**340**	**147**	**3**	**774**
of which capitalised borrowing costs			3	1	43	0	0	47
Gross divestments of shares			**67**	**446**	**0**	**2,681**	**2**	**3,196**

Comparable return on net assets 2014

	Net assets by segments EUR millon	Return on net assets, %	Comparable return on net assets, %
Power and Technology	6,001	13.6	14.2
Heat, Electricity Sales and Solutions	2,112	19.1	8.7
Russia	2,597	5.6	5.6
Distribution	2,615	73.6	9.3
Other	496	-5.3	-5.8

Employees 2014

	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Number of employees 31 Dec	1,639	1,807	4,213	390	543	8,592
Average number of employees	1,685	1,913	4,196	492	536	8,821

5.6 Segment information 2013

Income statement 2013

EUR million	Note	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Netting and eliminations [1]	Total
Sales		2,252	1,516	1,119	1,064	63	-706	5,309
of which internal		69	87	0	19	54	-228	0
External sales		2,184	1,430	1,119	1,045	9	-478	5,309
Depreciation, amortisation and impairment		-148	-102	-150	-216	-5	-	-621
Comparable EBITDA		**1,007**	**211**	**258**	**548**	**-49**	**-**	**1,975**
Comparable operating profit		**859**	**109**	**156**	**332**	**-54**	**-**	**1,403**
Non-recurring items	6	25	18	0	17	1	-	61
Changes in fair values of derivatives hedging future cash-flow	6, 7	15	7	0	0		-	21
Nuclear fund adjustment	6, 30	23	-	-	-	-	-	23
Operating profit		**922**	**134**	**156**	**349**	**-53**	**-**	**1,508**
Share of profit of associated companies and joint ventures	20, 30	4	91	46	4	32	-	178
Finance costs - net								-289
Income taxes								-186
Profit for the year								**1,212**

1) Netting and eliminations include eliminations of Group internal sales and netting of Nord Pool Spot transactions. Sales and purchases with Nord Pool Spot, EUR 478 million, are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Impairment losses and restructuring costs 2013

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Recognised impairment losses for trade receivables	0	-4	-18	-2	0	-23
Recognised impairment losses for intangible assets and property, plant and equipment	-24	0	0	0	0	-24
Restructuring costs	0	-1	0	0	-1	-2

Impairment losses and restructuring costs are included in comparable operating profit.

Recognised impairment losses for property, plant and equipment in Power and Technology segment includes EUR 20 million impairment loss relating to the decision to discontinue electricity production at Inkoo power plant.

Assets and liabilities 2013

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Elimina-tions	Total
Non-interest-bearing assets	6,470	2,268	3,687	4,219	99	-293	16,449
Participations in associated companies and joint ventures	896	592	463	52	339	0	2,341
Assets included in Net assets	**7,366**	**2,860**	**4,150**	**4,271**	**437**	**-293**	**18,791**
Interest-bearing receivables							2,477
Deferred taxes							126
Other assets 1)							704
Liquid funds							1,250
Total assets							**23,348**
Liabilities included in Net assets	**1,010**	**565**	**304**	**526**	**142**	**-293**	**2,254**
Deferred tax liabilities							1,338
Other liabilities							573
Total liabilities included in Capital employed							**4,166**
Interest-bearing liabilities 2)							9,058
Total equity							10,124
Total equity and liabilities							**23,348**

1) Other assets at 31 December 2013 includes cash, EUR 15 million, included in Assets related to Assets held for sale.

2) Interest-bearing liabilities at 31 December 2013 includes interest-bearing liabilities, EUR 20 million, included in Liabilities related to Assets held for sale.

Investments/Divestments 2013

EUR million	Note		Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Gross investments in shares	8	20	**2**	**11**	**0**	**0**	**2**	**15**
Capital expenditure	18	19	**179**	**123**	**435**	**255**	**12**	**1,005**
of which capitalised borrowing costs			2	2	55	0	0	60
Gross divestments of shares			**79**	**11**	**0**	**52**	**0**	**142**

Comparable return on net assets 2013 3)

	Net assets by segments EUR million	Return on net assets, %	Comparable return on net assets, %
Power and Technology	6,355	14.5	13.8
Heat, Electricity Sales and Solutions	2,295	9.7	8.7
Russia	3,846	5.2	5.2
Distribution	3,745	9.3	8.8
Other	295	-8.5	-6.9

3) Including assets and liabilities relating to Assets held for sale in 2013.

Employees 2013

	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Number of employees 31 Dec	1,723	1,968	4,162	805	528	9,186
Average number of employees	1,900	2,051	4,245	786	550	9,532

5.7 Group-wide disclosures

The Group's operating segments operate mainly in the Nordic countries, Russia, Poland and other parts of the Baltic Rim area. Power and Technology as well as Distribution operate mainly in Finland and Sweden, whereas Heat, Electricity Sales and Solutions operates in all of these geographical areas except Russia. Other countries are mainly Latvia, Lithuania and the U.K. The home country is Finland.

The information below is disclosing sales by product area as well as sales by the country in which the customer is located. Assets, capital expenditure and personnel are reported where the assets and personnel are located. Participations in associates and joint ventures are not divided by location since the companies concerned can have business in several geographical areas.

External sales by product area

EUR million	2014	2013
Power sales excluding indirect taxes	3,057	3,284
Heat sales	753	828
Network transmissions	710	1,024
Other sales	230	173
Total	**4,751**	**5,309**

Heat sales include sale of delivered heat and transmission of heat.

Due to the large number of customers and the variety of its business activities, there is no individual customer whose business volume is material compared with Fortum's total business volume.

Sales by market area based on customer location

EUR million	2014	2013
Nordic	3,197	3,685
Russia	1,056	1,121
Poland	223	206
Estonia	66	69
Other countries	210	228
Total	**4,751**	**5,309**

The Nordic power production is not split by countries since Nordic power production is mainly sold through Nord Pool Spot.

Capital expenditure by location

EUR million	2014	2013
Finland	163	239
Sweden	225	217
Russia	340	435
Poland	16	10
Estonia	8	16
Norway	3	13
Other countries	19	75
Total	**774**	**1,005**

Segment assets by location [1)]

EUR million	2014	2013
Finland	3,417	4,371
Sweden	7,005	7,427
Russia	2,444	3,687
Poland	342	352
Estonia	199	200
Norway	13	245
Other countries	387	461
Eliminations	-186	-293
Non-interest bearing assets	13,620	16,449
Participations in associates and joint ventures	2,027	2,341
Total	**15,647**	**18,791**

1) Including assets relating to Assets held for sale in 2013.

See also Note 9 Assets held for sale.

Number of employees on 31 December by location

	2014	2013
Finland	2,040	2,477
Sweden	1,201	1,239
Russia	4,213	4,162
Poland	603	636
Estonia	206	210
Norway	34	141
Other countries	295	321
Total	**8,592**	**9,186**

6 Items affecting comparability

EUR million	2014	2013
Capital gains on disposals	2,171	61
Fair value changes on derivatives that do not qualify for hedge accounting	-91	21
Nuclear fund adjustments	-3	23
Total	**2,077**	**106**

Items affecting comparability are exceptional items or unrealised items which fluctuate between the years. Items affecting comparability are disclosed separately in Fortum's income statement as they are necessary for understanding the financial performance when comparing results for the current period with previous periods. Items affecting comparability are not included in Comparable operating profit.

Capital gains 2014

Capital gains in 2014 mainly include sales gains of EUR 1,85 billion from the sale of the Finnish electricity distribution business. The sales gain is recognised in Fortum's Distribution segment.

Capital gains also include the sales gains from selling Fortum's Norwegian electricity distribution and its heat businesses in Norway. The sales gains are booked in Fortum's Distribution segment, EUR 16 million, and Heat and Electricity Sales and Solutions segment, EUR 52 million.

Fortum recognised a sales gain from the sale of the UK-based subsidiary Grangemouth CHP. The sales gain was booked in Fortum's Power and Technology segment.

Capital gains include approximately EUR 190 million gain from sale of Fortum's 31%-shareholding in the Finnish natural gas company Gasum Oy. The sales gain is booked in Fortum's Heat, Electricity Sales and Solutions segment.

Capital gains 2013

Capital gains in 2013 mainly include sales gains from finalising the sale of small hydropower plants in Sweden and sale of Fortums's 33% shareholding in Infratek ASA in Norway, both in Power segment. Sale of Fortum's 47.9% shareholding in Härjeåns Kraft AB in Sweden, in Distribution segment. Capital gains includes also gains related to divestment of the combined heat and power plants in Kuusamo and Kauttua, in Finland, and divestments of Fortum's 50% shares in Riihimäen Kaukolämpö Oy, in Finland, which are included in Heat segment.

Fair value changes on derivatives

Changes in the fair values of financial derivative instruments hedging future cash flows that do not qualify for hedge accounting are recognised in items affecting comparability. This is done to improve the understanding of the financial performance when comparing results from one period to another.

Nuclear fund adjustment

Nuclear fund adjustment includes effects from the accounting principle of Fortum´s part of the State Nuclear Waste Management Fund where the assets in the balance sheet cannot exceed the nuclear related provisions according to IFRIC 5. As long as the Fund is overfunded from an IFRS perspective, the effects to the operating profit from this adjustment will be positive if the provisions increase more than the Fund and negative if actual value of the fund increases more than the provisions.

For more information regarding disposals of shares, see Note 8 Acquisitions and disposals.

For more information regarding fair value changes of derivatives, see Note 7 Fair value changes of derivatives and underlying items in income statement.

For more information regarding nuclear waste management, see Note 30 Nuclear related assets and liabilities.

7 Fair value changes of derivatives and underlying items in income statement

Fair value changes in operating profit presented below are arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39 and the ineffectiveness from cash flow hedges.

Fair value changes of currency derivatives in net financial expenses are arising mainly from balance sheet hedges without hedge accounting status according to IAS 39, because they are natural hedges of loans and receivables. Fair value change of interest rate hedges without hedge accounting is EUR -13 million (2013: -16). The net effect of fair value changes of hedging derivative and hedged bonds are EUR 1 million (2013: 1).

EUR million	2014	2013
In operating profit		
Fair value changes from derivatives not getting hedge accounting status		
Electricity derivatives	-56	-2
Currency derivatives	8	15
Coal and CO_2 derivatives	-15	-8
Ineffectiveness from cash flow hedges	-28	16
Total effect in operating profit	**-91**	**21**
Fair value changes of derivatives not getting hedge accounting included in share of profit of associated companies	**0**	**3**
In finance costs		
Exchange gains and losses on loans and receivables	-574	-214
Fair value changes of derivatives not getting hedge accounting status		
Cross currency interest rate derivatives	39	19
Foreign currency derivatives	536	195
Rate difference on forward contracts	8	-1
Currency derivatives	583	213
Interest rate derivatives	-13	-16
Fair value change of hedging derivatives in fair value hedge relationship	67	25
Fair value change of hedged items in fair value hedge relationship	-66	-24
Total [1)]	571	198
Total effect in finance costs	**-3**	**-16**
Total effect on profit before income tax	**-94**	**8**

1) Including fair value gains and losses on financial instruments and exchange gains and losses on derivatives.

8 Acquisitions and disposals

Gross investments in subsidiary shares by segment

EUR million	2014	2013
Power and Technology	0	0
Heat, Electricity Sales and Solutions	0	10
Russia	6	0
Distribution	0	0
Other	0	0
Total	**7**	**11**

Gross investments in subsidiary shares by country

EUR million	2014	2013
Finland	0	0
Sweden	0	0
Russia	6	0
Other countries	0	11
Total	**7**	**11**

Gross investments in subsidiary shares consist of interest-bearing debt as well as paid cash according to purchase agreement added with direct costs relating to the acquisition less cash and cash equivalents in acquired subsidiary.

8.1 Acquisitions in 2014 and 2013

Total gross investments in shares amounted to EUR 69 million (2013: 15), of which investment in subsidiary shares EUR 7 million (2013: 11), shares in associated companies and joint ventures EUR 60 million (2013: 0) and available for sale financial assets EUR 2 million (2013: 4).

During 2014 Fortum has acquired additional shares in its associated company, Territorial Generating Company 1. After the acquisition Fortum owns 29.45% of the shares in TGC-1.

In July 2014, Fortum acquired E.ON Ruhrgas International GmbH's shareholding of 33.66% in the Estonian natural gas import, sales and distribution company AS Eesti Gaas and a similar shareholding in the gas transmission service company AS Võrguteenus Valdus. The acquired shares increased Fortum's holding in both companies to approximately 51%. The transaction was finalised during the third quarter of 2014. Fortum continues to account for its holdings in the Estonian natural gas businesses using the equity method.

There were no material investments in associated companies or joint ventures during 2013.

8.2 Disposals in 2014 and 2013

Disposals 2014

In November 2014 Fortum sold its 31 %-shareholding in the Finnish natural gas company Gasum Oy to the Finnish State. The sales price for the total amount of Fortum's shares was approximately EUR 310 million. Fortum booked a gain of roughly EUR 190 million, corresponding to approximately EUR 0.22 per share. The sales gain is booked in 2014 fourth quarter results of Fortum's Heat, Electricity Sales and Solutions segment.

In October 2014 Fortum sold its UK-based subsidiary Grangemouth CHP Limited to its long term customer INEOS Industries Holdings Ltd. Grangemouth CHP Limited owns and operates a natural gas-fired combined heat and power (CHP) plant located at Grangemouth in Scotland. The total sales price was approximately GBP 54 million (corresponding to approximately EUR 70 million). Fortum booked a gain in 2014 fourth quarter results of Fortum's Power and Technology segment.

In April 2014 Fortum agreed to sell its Norwegian electricity distribution to the Hafslund Group, listed on the Oslo Stock Exchange, and its heat businesses in Norway to iCON Infrastructure Partners II, L.P. fund. In addition, Fortum agreed to sell its shareholding in Fredrikstad Energi AS (49%) and Fredrikstad Energi Nett AS (35%) to the Hafslund Group. The total consideration was approximately EUR 340 million on a debt- and cash-free basis. The sales gains are booked in

Fortum's Distribution segment, EUR 16 million, and Heat and Electricity Sales and Solutions segment, EUR 52 million in the second quarter 2014 results. The one time sales gains correspond to approximately EUR 0.08 per share.

In January 2014 Fortum agreed to sell its 30%-stake in the Swedish power company Karlshamns Kraft AB to the company's majority owner E.ON. The sale has a minor impact on Power and Technology segment’s first quarter 2014 results.

In December 2013 Fortum announced that it had agreed to sell its Finnish electricity distribution business to Suomi Power Networks Oy, owned by a consortium of Finnish and international investors. The total consideration is EUR 2.55 billion on a debt- and cash-free basis. Fortum booked a one-time sales gain of EUR 1.85 billion corresponding to EUR 2.08 per share. The sales gain was reported in Fortum's Distribution segment in the first quarter of 2014.

Disposals 2013

During 2013 Fortum divested small hydropower plants in Sweden and a minor gain was recognised in the Power and Technology segment.

In June 2013, Fortum agreed to sell its 47.9% ownership in the Swedish energy company Härjeåns Kraft AB to the Finnish energy company Oy Herrfors Ab, a subsidiary of Katternö Group. The sales price was SEK 445 million (approximately EUR 51 million). The transaction was completed in July and a capital gain of EUR 17 million was booked to Distribution segment's third quarter results.

In July 2013 Fortum completed the divestment of its 33% holding in Infratek ASA to a fund managed by Triton. The sales price was NOK 295 million (approximately EUR 38 million). A capital gain of EUR 11 million was booked in the Power and Technology segment's third quarter results.

During fourth quarter 2013 there were several divestments that had a minor effect to Heat, Electricity Sales and Solutions segment's results. In November 2013 Fortum sold its 50% ownership in the Finnish district heating company Riihimäen Kaukolämpö Oy to the City of Riihimäki (40%) and to Riihimäen Kaukolämpö Oy (10%).

In December 2013 Fortum sold its Kauttua combined heat and power (CHP) plant in Eura, Finland to the Finnish energy company Adven Oy. Also in December 2013 Fortum sold its CHP plant as well as its natural gas and district heating network in the town of Nokia to Leppäkosken Sähkö Oy. Furthermore Fortum’s Uimaharju CHP plant ownership was transferred to Stora Enso on 31 December 2013 according to an earlier agreement signed in 1990.

Divestments

EUR million	2014	2013
Divestment of subsidiaries 1)		
Intangible assets and Property, plant and equipment	1,342	30
Other non-current and current assets	204	3
Liquid funds	10	1
Interest-bearing loans	-131	-22
Other liabilities and provisions	-622	-3
Non-controlling interests	-	-
Gain on sale	1,958	12
Sales price received	**2,761**	**21**
Less proceeds not yet settled in cash	2	-2
Less liquid funds	10	1
Sales price for the shares (net of cash)	**2,750**	**22**
Proceeds from interest-bearing receivables	131	22
Proceeds not yet settled in cash	2	-2
Total	**2,884**	**42**
Divestments in associated companies	311	100
Divestments of available for sale financial assets	1	0
Gross divestment of shares	**3,196**	**142**

1) Divestments of subsidiaries include assets and liabilities that were classified as Assets held for sale in the balance sheet as of December 2013.

9 Assets held for sale

Assets held for sale 2014

As of 31 December 2014 there were no Assets held for sale.

Assets held for sale 2013

The assets and liabilities relating to Finnish distribution business have been classified as assets held for sale in the balance sheet as of 31 December 2013. Fortum signed in December 2013 an agreement to sell its electricity distribution business in Finland to Suomi Power Networks Oy, which is owned by a consortium of Finnish pension funds Keva (12.5%) and Local Tapiola Pension (7.5%) together with international infrastructure investors First State Investments (40%) and Borealis Infrastructure (40%).

Assets held for sale [1)]

EUR million	2014	2013
Intangible assets and property, plant and equipment	-	1,116
Other assets	-	42
Cash and cash equivalents	-	15
Total	**-**	**1,173**

Liabilities related to assets held for sale [1)]

EUR million	2014	2013
Interest-bearing liabilities	-	20
Deferred tax liabilities	-	141
Connection fees	-	306
Other liabilities	-	73
Total	**-**	**540**

1) Amounts are presented net of internal balances with other Fortum subsidiaries, such as internal financing amounting to EUR 0 million (2013: 61).

Impact on Distribution segment information

The Finnish distribution operations are included in the segment information presented in Note 5. The impact of Finnish distribution business to Distribution segment's comparable operating profit for 2013 was EUR 73 million. Additional information of the impact to segment information is presented in the table below:

EUR million	Distribution segment 2013	Distribution segment 2013 without Finnish operations	Impact [1)]
Comparable EBITDA	548	408	-140
Comparable operating profit	332	259	-73
Operating profit	349	272	-77
Share of profits in associates and joint ventures	4	6	2
Depreciation and amortisation	216	149	-67
Capital expenditure	255	129	-126
Assets (at period end)	4,271	3,064	-1,206
Liabilities (at period end)	526	141	-385
Net assets (at period end)	3,745	2,923	-821
Comparable return on net assets, %	8.8	8.8	-0.1
Return on net assets, %	9.3	9.3	-0.1
Number of employees (at period end)	805	477	-328
Volume of distributed electricity, TWh	26.1	16.6	-9.5
Number of electricity distribution customers, thousands	1,648	1,006	-642

1)Impact as consolidated to Fortum Group figures for 2013.

For more information see Note 8 Acquisitions and disposals.

10 Other income and other expenses

10.1 Other income

EUR million	2014	2013
Rental income	10	14
Insurance compensation	8	3
Other items	57	76
Total	**75**	**93**

In 2013 Fortum received EUR 40 million in compensation for CSA penalties from E4, the general contractor of the Nyagan power plant, which is included in other items in the table above.

No gains booked for sale of emission rights in 2014 nor 2013. Costs for made emissions which are not covered by emission rights received for free were EUR 8 million (2013: 9). The costs are included in Materials and services.

10.2 Other expenses

EUR million	2014	2013
Operation and maintenance costs	131	167
Property taxes	159	170
IT and telecommunication costs	64	68
Other items	242	243
Total	**596**	**648**

The major components recorded in other expenses are the external operation and maintenance costs of power and heat plants and of transmission lines. Property taxes include property taxes relating to directly owned hydropower production EUR 132 million (2013: 138).

Principal auditors fees

EUR million	2014	2013
Audit fees	1.4	1.4
Audit related assignments	0.1	0.2
Tax assignments	0.2	0.0
Total	**1.8**	**1.6**

Deloitte is the appointed auditor until the next Annual General Meeting, to be held in 2015. 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 and its subsidiaries. Audit related assignments include fees for assurance of sustainability reporting and other assurance and associated services related to the audit. Tax assignments include fees for tax advice services.

11 Materials and services

EUR million	2014	2013
Materials	1,224	1,405
Materials purchased from associated companies and joint ventures	568	657
Transmission costs	134	194
External services	13	14
Total	**1,939**	**2,270**

Materials consists mainly of coal, gas and nuclear fuels used for producing power and heat.

Materials purchased from associated companies consist of nuclear and hydropower purchased at production cost (including interest costs and production taxes), purchased fuels used in CHP production and purchased steam.

Total materials and services include production taxes and duties EUR 129 million (2013: 148), of which nuclear related capacity and property taxes EUR 81 million (2013: 92) and hydro power related property taxes EUR 14 million (2013: 14). Taxes related to nuclear and hydro production include taxes paid through purchases from associated companies.

See Note 20 Participations in associated companies and joint ventures.

12 Employee benefits

EUR million	2014	2013
Wages and salaries	298	336
Pensions		
Defined contribution plans	32	33
Defined benefit plans	7	6
Social security costs	52	59
Share-based remunerations	8	7
Other employee costs	15	19
Total	**413**	**460**

The compensation package for Fortum employees consists of a combination of salaries, fringe benefits, short-term incentives, profit sharing paid to the Personnel Fund and share-based long-term incentives. The majority of Fortum employees are included in a performance bonus system. The long-term incentive schemes are intended for senior executives and other management of the Fortum Group.

The remuneration policy is determined by the Board of Directors. The Nomination and Remuneration Committee discusses, assesses and makes recommendations and proposals to the Board of Directors on the remuneration policy, pay structures, bonus and incentive systems for the Group and its management, and contributes to the Group's nomination issues.

For further information on pensions see Note 32 Pension obligations.

12.1 Short term incentives

Fortum’s short-term incentive scheme, i.e. bonus system, supports the realisation of the Group’s financial performance targets, sustainability targets, values and structural changes. The system ensures that the performance targets of individual employees align with the targets of the division and the Group. All Fortum employees, with the exception of certain personnel groups in Poland and Russia, are covered by the bonus system.

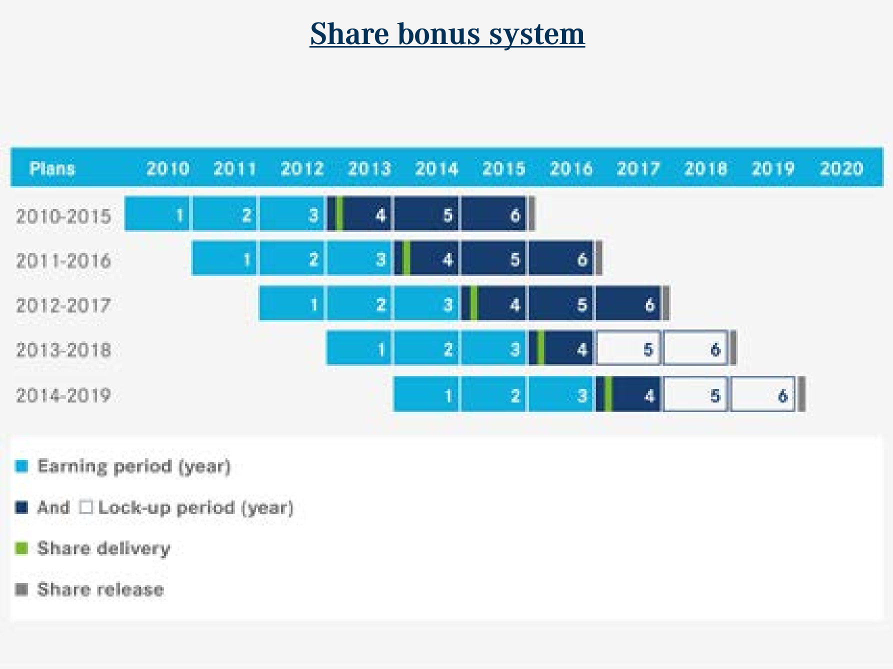
The criteria used in determining the size of the bonus for senior management (the President and CEO and other members of the Fortum Executive Management Team) are decided annually by the Board of Directors on the recommendation of the Board's Nomination and Remuneration Committee. The size of each senior executive's bonus is dependent on the Group's financial performance, as well as on their own success in reaching personal goals. The performance bonus criteria may also include indicators related to sustainability targets. The maximum bonus level for the senior management is 40% of the executive's annual salary including fringe benefits.

For executives with division responsibilities, the bonus system reflects the performance of their division together with the Group’s financial performance. The criteria for evaluating an executive's personal performance are mutually agreed between the executive and his/her superior in an annual performance discussion at the beginning of each year. The performance of the President and CEO is evaluated annually by the Board of Directors.

12.2 Long-term incentives

At present, approximately 120 managers, all of whom have been elected by the Board of Directors, are participants in at least one of the five on-going annual LTI plans (plans 2010-2015, 2011-2016, 2012-2017, 2013-2018 and 2014-2019).

The expense recorded as employee costs for the period was EUR 8 million (2013: 7). The LTI liability including social charges at the end of the year 2014 was EUR 9 million (2013: 8), including EUR 1 million (2013: 1) recorded in equity.



Shares granted

	Plan 2011-2016	Plan 2010-2015	Plan 2009-2013
Grant date	14.2.2014	13.2.2013	8.2.2012
Grant price, EUR	16.62	13.90	18.16
Number of shares granted	101,753	187,493	165,132
Number of shares subsequently forfeited or released from lock-up	-9,667	-19,107	-165,132
Number of shares under lock-up at the end of the year 2014	92,086	168,386	0
Fortum share price at the end of the grant year, EUR	17.97	16.63	14.15

In addition to the shares granted above, share rights have been granted to participants that will receive cash payments instead of shares after the lock-up period. The gross amount of share rights outstanding at the end of the year 2014 for plan 2011-2016 was 63,402 share rights and for plan 2010-2015 99,228 share rights.

In addition 16,423 shares were delivered for plan 2008-2012 in 2014.

12.3 Fortum Personnel Fund

The Fortum Personnel Fund (for employees in Finland only) has been in operation since year 2000. The Board of Directors determines the criteria for the fund's annual profit-sharing bonus. Persons included in Fortum's long-term incentive schemes are not eligible to be members of this fund. Members of the personnel fund are the permanent and fixed-term employees of the Group. The membership of employees joining the company starts at the beginning of the next month after the employment relationship has been ongoing for five months. An employee is entitled to make withdrawals right from the beginning of the membership.The membership in the fund terminates when the member has received his/her share of the fund in full.

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 amount available for withdrawal (maximum 15% of the tied amount) is decided each year by the council of the fund and it is paid to members who want to exercise their withdrawal rights.

The fund's latest financial year ended at 30 April 2014 and the fund then had a total of 2,635 members (2013: 2,722). At the end of April 2014 Fortum contributed EUR 0.4 million (2013: 2.8) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2013. The combined amount of members' shares in the fund was EUR 22 million (2013: 23).

The contribution to the personnel fund is expensed as it is earned.

12.4 The President and CEO and the management team remuneration

The Fortum Executive Management Team (FEM) consists of twelve members (previously nine members), including the President and CEO. The following table presents the total remuneration of the President and CEO and the Fortum Executive Management Team and takes into account the changes in FEM during the year. The expenses are shown on accrual basis.

Additional information about cash based remuneration is available in section Remuneration.

Management remuneration

	2014		2013	
EUR thousands	The President and CEO	Other FEM members	The President and CEO [1]	Other FEM members [2]
Salaries and fringe benefits	1,005	3,321	795	2,860
Performance bonuses [3]	127	511	22	197
Share-based remuneration	235	1,018	448	1,122
Pensions (statutory)	188	594	137	494
Pensions (voluntary)	255	803	204	695
Social security expenses	57	219	48	337
Total	**1,867**	**6,465**	**1,654**	**5,705**

1) Amount is impacted by the sick leave during 2013.

2) Including compensation of EUR 80,000 paid to former CFO Rauramo for assuming the duties of the President and CEO during March-November 2013.

3) Performance bonuses are based on estimated amounts.

The annual contribution for the President and CEO's pension arrangement is 25% of the annual salary. The annual salary consists of a base salary, fringe benefits and bonus. The President and CEO Tapio Kuula's retirement age is 63. In case his assignment is terminated before the retirement age, the President and CEO is entitled to retain the benefits accrued in the arrangement for his benefit.

For other management team members the retirement age is 60 - 65 depending on the arrangement. The pension paid is maximum 66% or 60% of the remuneration upon retirement. In the first case they are defined benefit pension plans and are provided by Fortum's pension fund. In the latter, pensions are either defined benefit or defined contribution schemes and insured by an insurance company.

A pension liability of EUR 2,514 thousand (2013: 1,566) related to the defined benefit plans for management team members has been recognised in the balance sheet.The additional pension arrangement for the President and CEO is a defined contribution pension plan and thus no liability has been recognised in the balance sheet.

In the event that Fortum decides to give notice of termination to the President and CEO, he is entitled to salary of the notice period (6 months) and to severance pay equal to 18 months' salary. Other FEM members' termination compensation is equal to 12 to 24 months' salary.

Additional information about the terms and conditions of the remuneration of the President and CEO is available online at www.fortum.com/en/corporation/corporate-governance/remuneration-board/employment-terms-conditions-president-ceo/pa

and in section Remuneration.

Number of shares delivered to the management

The table below shows the number of shares delivered during 2014 and 2013 to the President and CEO and other FEM members under the LTI arrangements. Shares delivered under the plans are subject to a lock-up period under which they cannot be sold or transferred to a third party.

	2014 2)	2013
FEM members at 31 December 2014		
Tapio Kuula	15,187	35,152
Helena Aatinen	909	519
Alexander Chuvaev 1)	13,793	35,783
Mikael Frisk	6,463	10,079
Esa Hyvärinen (member of the FEM as of 1 March 2014)	1,382	n/a
Timo Karttinen	6,639	9,563
Kari Kautinen (member of the FEM as of 1 March 2014)	1,739	n/a
Per Langer	5,517	8,550
Markus Rauramo	1,679	756
Matti Ruotsala	3,463	12,395
Sirpa-Helena Sormunen (member of the FEM as of 1 September 2014)	0	n/a
Tiina Tuomela (member of the FEM as of 1 March 2014)	1,156	n/a
Kaarina Ståhlberg (member of the FEM until 31 March 2014)	210	n/a
Total	**58,137**	**112,797**

1) Share rights will be paid in cash instead of shares after the three-year lock-up period due to local legislation.
2) Share delivery based on share plans 2008-2012 and 2011-2016.

12.5 Board of Directors and management shareholding

On 31 December 2014, the members of the Board of Directors owned a total of 10,950 shares (2013: 10,950), which corresponds to 0.00% (2013: 0.00%) of the company’s shares and voting rights.

Number of shares held by members of the Board of Directors

	2014	2013
Board members at 31 December 2014		
Sari Baldauf, Chairman	2,300	2,300
Kim Ignatius, Deputy Chairman (from 8 April 2014)	2,400	2,400
Minoo Akhtarzand	-	-
Heinz-Werner Binzel	-	-
Ilona Ervasti-Vaintola	4,000	4,000
Christian Ramm-Schmidt (Deputy Chairman until 8 April 2014)	2,250	2,250
Petteri Taalas (member of the Board from 8 April 2014)	-	n/a
Jyrki Talvitie (member of the Board from 8 April 2014)	-	n/a
Total	**10,950**	**10,950**

The President and CEO and other members of the Fortum Executive Management Team owned a total of 430,457 shares (2013: 346,106) which corresponds to approximately 0.05% (2013: 0.04%) of the company's shares and voting rights.

Number of shares held by members of the Fortum Executive Management Team

	2014	2013
FEM members at 31 December 2014		
Tapio Kuula	168,742	153,555
Helena Aatinen	1,528	619
Alexander Chuvaev	14,713	12,093
Mikael Frisk	46,591	42,128
Esa Hyvärinen (member of the FEM from 1 March 2014)	15,156	n/a
Timo Karttinen	76,430	69,791
Kari Kautinen (member of the FEM from 1 March 2014)	22,276	n/a
Per Langer	30,784	25,267
Markus Rauramo	15,435	13,756
Matti Ruotsala	32,360	28,897
Sirpa-Helena Sormunen (member of the FEM from 1 September 2014)	-	n/a
Tiina Tuomela (member of the FEM from 1 March 2014)	6,442	n/a
Total	**430,457**	**346,106**

12.6 Board remuneration

The Board of Directors comprises five to eight 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. At the 2014 Annual General Meeting eight members were elected.

The Annual General meeting confirms the yearly compensation for the Board of Directors. Board members are not offered any long-term incentive benefits or participation in other incentive schemes. There are no pension arrangements for the Board members. Social security costs EUR 12 thousand (2013: 13) have been recorded for the fees in accordance with local legislation in respective countries.

Fees for the Board of Directors

EUR thousands	2014	2013
Chairman	75	75
Deputy Chairman	57	57
Chairman of the Audit and Risk Committee [1)]	57	57
Members	40	40

1) If not Chairman or Deputy Chairman simultaneously.

In addition, a fee of EUR 600 is paid for each Board and Board Committee meeting. The fee is doubled for Board members living outside of Finland in Europe, and tripled for Board members living outside of Europe. The members are entitled to travel expense compensation in accordance with the company's travel policy.

Compensation for the Board of Directors

EUR thousands	2014	2013
Board members at 31 December 2014		
Sari Baldauf, Chairman	83	84
Kim Ignatius, Deputy Chairman (from 8 April 2014)	67	67
Minoo Akhtarzand	57	58
Heinz-Werner Binzel	60	60
Ilona Ervasti-Vaintola	48	49
Christian Ramm-Schmidt (Deputy Chairman until 8 April 2014)	53	66
Petteri Taalas (member of the Board from 8 April 2014)	37	-
Jyrki Talvitie (member of the Board from 8 April 2014)	53	-
Former Board member		
Joshua Larson (member of the Board until 8 April 2014)	19	71
Total	**477**	**455**

13 Finance costs - net

EUR million	Note	2014	2013
Interest expense			
Borrowings		-303	-361
Other interest expense		0	-1
Capitalised borrowing costs	19	47	60
Total		**-256**	**-301**
Interest income			
Loan receivables and deposits		82	72
Other interest income		2	3
Total		**84**	**75**
Fair value gains and losses on financial instruments	7		
Fair value change of interest rate derivatives not getting hedge accounting status		-13	-16
Fair value change of hedging derivatives in fair value hedge relationship		67	25
Fair value change of hedged items in fair value hedge relationship		-66	-24
Rate difference on forward contracts		8	-1
Total		**-5**	**-16**
Exchange gains and losses			
Loans and receivables	7	-574	-214
Cross currency interest rate derivatives	7	39	19
Foreign currency derivatives	7	536	195
Interest income on share of State Nuclear Waste Management Fund	30	11	9
Unwinding of discount on nuclear provisions	30	-43	-35
Unwinding of discount on other provisions	31, 32	-7	-16
Other financial income		2	2
Other financial expenses		-5	-7
Total		**-40**	**-47**
Finance costs - net		**-217**	**-289**

Interest expenses include interest expenses on interest-bearing loans, interest on interest rate and currency swaps and forward points on forward foreign exchange contracts hedging loans and receivables.

Further information can be found in the Notes mentioned in the table.

Interest income includes EUR 31 million (2013: 29) from shareholders' loans in Finnish and Swedish nuclear companies, EUR 27 million (2013: 33) from Fortum Värme and EUR 19 million (2013: 6) from deposits.

Fair value gains and losses on financial instruments include change in clean price of interest rate and cross currency swaps not getting hedge accounting and fair value changes of interest rate derivatives in hedge relationship and hedged items. Accrued interest on these derivatives is entered in interest expenses of borrowings. Fair value gains and losses include also rate difference from forward contracts hedging loans and receivables without hedge accounting.

Exchange gains and losses includes exchange rate differences arising from valuation of foreign currency loans and receivables and exchange rate differences from forward foreign exchange contracts and interest rate and currency swaps.

Fair value changes on interest rate and currency derivatives

EUR million	2014	2013
Interest rate and cross currency swaps		
Interest expenses on borrowings	6	18
Exchange rate difference from derivatives	39	19
Rate difference in fair value gains and losses on financial instruments 1)	54	9
Total fair value change of interest rate derivatives in finance costs - net	**99**	**46**
Forward foreign exchange contracts		
Interest expenses on borrowings	-80	-89
Exchange rate difference from derivatives	536	195
Rate difference in fair value gains and losses on financial instruments	8	-1
Total fair value change of currency derivatives in finance costs - net	**464**	**105**
Total fair value change of interest and currency derivatives in finance costs - net	**563**	**151**

1) Fair value gains and losses on financial instruments include fair value changes from interest rate swaps not getting hedge accounting amounting to EUR -13 million (2013: -16) and fair value change of hedging derivatives in fair value hedge relationship EUR 67 million (2013: 25), totalling EUR 54 million (2013: 9).

14 Income tax expense

14.1 Profit before tax

EUR million	2014	2013
Finnish companies	2,421	440
Swedish companies	287	375
Other companies	652	583
Total	**3,360**	**1,398**

14.2 Major components of income tax expense by major countries

EUR million	2014	2013
Current taxes		
Finnish companies	-87	-104
Swedish companies	-57	-54
Other companies	-48	-46
Total	**-192**	**-203**
Deferred taxes		
Finnish companies	15	81
Swedish companies	23	-8
Other companies	-34	-56
Total	**5**	**17**
Adjustments recognised for current tax of prior periods		
Finnish companies	-6	-1
Swedish companies	0	0
Other companies	-5	1
Total	**-11**	**0**
Total income taxes	**-199**	**-186**

14.3 Income tax rate

The table below explains the difference between the theoretical enacted tax rate in Finland compared to the effective income tax rate in the income statement.

EUR million	2014	%	2013	%
Profit before tax	3,360		1,398	
Tax calculated at nominal Finnish tax rate	-672	20.0	-343	24.5
Tax rate changes	0	0.0	79	-5.7
Differences in tax rates and regulations	5	-0.2	53	-3.8
Income not subject to tax	0	0.0	2	-0.2
Tax exempt capital gains	438	-13.0	12	-0.9
Expenses not deductible for tax purposes	-2	0.0	-7	0.5
Share of profit of associated companies and joint ventures	34	-1.0	40	-2.9
Taxes related to dividend distributions	-3	0.1	0	0.0
Changes in tax valuation allowance related to not recognised tax losses	0	0.0	-19	1.4
Other items	7	-0.2	-3	0.2
Adjustments recognised for taxes of prior periods	-6	0.2	-1	0.1
Tax charge in the income statement	**-199**	**5.9**	**-186**	**13.3**

Key tax indicators:

- The weighted average applicable income tax rate for 2014 is 20.5% (2013: 22.5%)
- The effective income tax rate in the income statement for 2014 is 5.9% (2013: 13.3%)
- The effective income tax rate excluding the share of profits from associates and joint ventures, tax exempt capital gains and tax rate changes for 2014 is 18.8% (2013: 22.7%)
- The total tax rate for 2014 is 14.3% (2013 31.8%)
- The total tax rate excluding the share of profits from associates and joint ventures and tax exempt capital gains for 2014 is 38.2% (2013: 36.6%)

Effective income tax rate and effective total tax rate are effected by gains or losses on sale of shares. Many countries like Finland, Sweden and Netherlands have exempted income on capital gains and losses from income tax purposes. With this countries aim to tax the operative income of the company and avoid taxing the same income twice in case of the sale of the shares. Taxation of capital gains or losses is in line with the taxation of dividend income.

One time tax exempt capital gains from divestments during 2014 reduced the effective income tax rate with 13%.

In December 2013 the Finnish Parliament passed legislation lowering the income tax rate from 24.5% to 20%. The one-time positive effect in 2013 in the income tax cost from the tax rate change was approximately EUR 79 million.

Fortum has a material deferred tax liability owing to its investments in non current assets. These assets are depreciated more rapidly for tax than for accounting purposes resulting in lower current tax payments at the start of an assets' lifetime and higher tax payments at the end of its lifetime. This difference results in a deferred tax liability, which is valued using the tax rate expected to be in force when the liability unwinds.

14.4 Total taxes

Fortum has current income taxes in 2014 totalling EUR 203 million (2013: 203). The effective income tax rate indicates tax burden taking into account the differences between accounting and tax rules, including tax exempt capital gains, tax rate changes and other differences. The effective tax rate may therefore fluctuate even though current income taxes are stable.

Taxes borne indicate different taxes that Fortum pays for the period. In 2014 Fortum's taxes borne were EUR 525 million (2013: 558). Taxes borne include corporate income taxes, production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include also production taxes and taxes on property paid through electricity purchased from associated companies. The total tax rate indicates the burden on taxes borne by Fortum from its profit before these taxes.

Other tax contribution indicators

Total taxes borne in relation to segment assets by location was in 2014 in Finland 4.6% (2013: 4.0%), in Sweden 4.0% (2013: 4.0%) and Other countries 2.8% (2013: 1.9%). The indicator reflects how much the Total taxes borne are in relation to the segment assets in a country. Total taxes borne in relation to sales volumes was in 2014 in Finland EUR 6.3 million per TWh (2013: 6.0), in Sweden EUR 9.9 million per TWh (2013: 12.7) and Other countries EUR 1.4 million per TWh (2013: 1.4).

For group internal long term financing Fortum has financing companies in the Netherlands, Belgium, Luxembourg and Ireland. Fortum group financing companies' total taxes borne were in 2014 EUR 40 million (2013: 36) and total tax rate was 13.2% (2013: 12.4%). Total taxes borne in relation to net interest bearing receivables and liabilities was in 2014 0.4% (2013: 0.3%), which reflects the current low interest levels.

In addition, Fortum administers and collects different taxes on behalf of governments and authorities. Such taxes include VAT, and excise taxes on power consumed by customers, payroll taxes and withholding taxes. The amount of taxes collected by Fortum was EUR 527 million (2013: 700).

Fortum has had several tax audits ongoing during 2014. Fortum has received income tax assessments in Sweden for the years 2009-2012, in Belgium for the years 2008 -2011 as well as in Finland regarding the year 2007. Fortum has appealed all assessments received. Based on legal analysis, no provision has been accounted for in the financial statements related to tax audits.

See also Note 29 Deferred income taxes,

Note 11 Materials and services and

Operating and financial review; Sustainability.

For further information regarding the on-going tax appeals see Note 39 Legal actions and official proceedings.

15 Earnings and dividend per share

15.1 Earnings per share

Earnings per share, basic

	2014	2013
Profit attributable to owners of the parent (EUR million)	3,154	1,204
Weighted average number of shares (thousands)	888,367	888,367
Basic earnings per share (EUR)	3.55	1.36

At the end of 2014 Fortum had no diluting stock option schemes.

15.2 Dividend per share

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 General Meeting of the shareholders.

A dividend in respect of 2014 of EUR 1.10 per share and an extra dividend of EUR 0.20 per share, amounting to a total dividend of EUR 1,155 million based on the amount of shares registered as of 3 February 2015 is to be proposed at the Annual General Meeting on 31 March 2015. These financial statements do not reflect this dividend.

A dividend in respect of 2013 of EUR 1.10 per share, amounting to a total dividend of EUR 977 million, was decided at the Annual General Meeting on 8 April 2014. The dividend was paid on 22 April 2014.

A dividend in respect of 2012 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million, was decided at the General Meeting on 9 April 2013. The dividend was paid on 19 April 2013.

16 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with IAS 39. The categories are further split 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.

Financial assets by categories 2014

		Loans and receivables	Financial assets at fair value through profit and loss					
EUR million	Note	Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Available-for-sale financial assets	Finance leases	Total financial assets
Financial instruments in non-current assets								
Other non-current assets	21	38				30		68
Derivative financial instruments	3							
Electricity derivatives				49	1			50
Interest rate and currency derivatives			191	206	144			541
Oil and other futures and forward contracts				3				3
Long-term interest-bearing receivables	22	2,041					0	2,041
Financial instruments in current assets								
Derivative financial instruments	3							
Electricity derivatives				47	67			114
Interest rate and currency derivatives				274	48			322
Oil and other futures and forward contracts				12	0			12
Trade receivables	24	549						549
Other short-term interest-bearing receivables	24	4					0	4
Liquid funds	25	2,766						2,766
Total		5,398	191	591	260	30	0	6,470

Financial assets by categories 2013

		Loans and receivables	Financial assets at fair value through profit and loss					
EUR million	Note	Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Available-for-sale financial assets	Finance leases	Total financial assets
Financial instruments in non-current assets								
Other non-current assets	21	46				31		77
Derivative financial instruments	3							
Electricity derivatives				43	42			85
Interest rate and currency derivatives			70	186	23			279
Oil and other futures and forward contracts				3				3
Long-term interest-bearing receivables	22	2,596					2	2,598
Financial instruments in current assets								
Derivative financial instruments	3							
Electricity derivatives				88	104			192
Interest rate and currency derivatives				80	5			85
Oil and other futures and forward contracts				29				29
Trade receivables	24	618						618
Other short-term interest-bearing receivables	24	6						6
Liquid funds	25	1,265						1,265
Total		**4,531**	**70**	**429**	**174**	**31**	**2**	**5,237**

Financial liabilities by categories 2014

EUR million	Note	Financial liabilities at fair value through profit and loss: Hedge accounting, fair value hedges	Financial liabilities at fair value through profit and loss: Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Other financial liabilities: Amortised costs	Other financial liabilities: Fair value	Finance leases	Total financial liabilities
Financial instruments in non-current liabilities								
Interest-bearing liabilities	28				4,427	1,454 [1)]	0	5,881
Derivative financial instruments	3							
Electricity derivatives			45	7				52
Interest rate and currency derivatives			96	96				192
Oil and other futures and forward contracts			3					3
Financial instruments in current liabilities								
Interest-bearing liabilities	28				1,103		0	1,103
Derivative financial instruments	3							
Electricity derivatives			27	1				28
Interest rate and currency derivatives			22	22				44
Oil and other futures and forward contracts			4	0				4
Trade payables	34				298			298
Other liabilities	34				69			69
Total		0	197	126	5,897	1,454	0	7,675

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

Financial liabilities by categories 2013

EUR million	Note	Financial liabilities at fair value through profit and loss: Hedge accounting, fair value hedges	Financial liabilities at fair value through profit and loss: Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Other financial liabilities: Amortised costs	Other financial liabilities: Fair value	Finance leases	Total financial liabilities
Financial instruments in non-current liabilities								
Interest-bearing liabilities	28				5,637	1,299 [1)]		6,936
Derivative financial instruments	3							
Electricity derivatives			30	7				37
Interest rate and currency derivatives		22	71	49				142
Oil and other futures and forward contracts			2					2
Financial instruments in current liabilities								
Interest-bearing liabilities [2)]	28				2,103			2,103
Derivative financial instruments	3							
Electricity derivatives			31					31
Interest rate and currency derivatives			48	5				53
Oil and other futures and forward contracts			10	1				11
Trade payables	34				386			386
Other liabilities	34				132			132
Total		**22**	**192**	**62**	**8,258**	**1,299**	**0**	**9,833**

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

2) Including interest-bearing liabilities, EUR 20 million, in Liabilities related to assets held for sale at 31 December 2013 of which EUR 4 million in current liabilities.

17 Financial assets and liabilities by fair value hierarchy

Financial assets

		Level 1		Level 2		Level 3		Netting [2]		Total	
EUR million	Note	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
In non-current assets											
Available for sale financial assets [1]	21	1	1			29	30			30	31
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				6	54			-5	-12	1	42
Non-hedge accounting				66	71			-17	-28	49	43
Interest rate and currency derivatives											
Hedge accounting				335	94					335	94
Non-hedge accounting				206	186					206	186
Oil and other futures and forward contracts											
Non-hedge accounting		1	3	6				-3		3	3
In current assets											
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				79	127			-11	-23	67	104
Non-hedge accounting			2	153	250			-106	-164	47	88
Interest rate and currency derivatives											
Hedge accounting				48	5					48	5
Non-hedge accounting				274	80					274	80
Oil and other futures and forward contracts											
Hedge accounting			1						-1	0	0
Non-hedge accounting		30	59	9				-26	-32	12	29
Total		**32**	**66**	**1,182**	**867**	**29**	**30**	**-168**	**-260**	**1,073**	**706**

Financial liabilities

		Level 1		Level 2		Level 3		Netting [2)]		Total	
EUR million	Note	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
In non-current liabilities											
Interest-bearing liabilities	28			1,454	1,299 [3)]					1,454	1,299
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				11	19			-5	-12	7	7
Non-hedge accounting				62	58			-17	-28	45	30
Interest rate and currency derivatives											
Hedge accounting				96	72					96	72
Non-hedge accounting				96	71					96	71
Oil and other futures and forward contracts											
Non-hedge accounting		5	2	2				-3		3	2
In current liabilities											
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				12	23			-11	-23	1	0
Non-hedge accounting			3	134	192			-106	-164	27	31
Interest rate and currency derivatives											
Hedge accounting				22	5					22	5
Non-hedge accounting				22	48					22	48
Oil and other futures and forward contracts											
Hedge accounting			2						-1	0	1
Non-hedge accounting		29	41	2				-26	-32	4	10
Total		**34**	**48**	**1,913**	**1,787**	**0**	**0**	**-168**	**-260**	**1,778**	**1,575**

1) Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consists mainly of shares in unlisted companies of EUR 30 million (2013: 30), for which the fair value cannot be reliably determined. These assets are measured at cost less possible impairment.

Available for sale financial assets include listed shares at fair value of EUR 1 million (2013: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (2013: -3).

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

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

Net fair value amount of interest rate and currency derivatives is EUR 626 million, assets EUR 863 million and liabilities EUR 237 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of December 2014 Fortum had received EUR 286 million from Credit Support Annex agreements. The received cash has been booked as short term liability.

18 Intangible assets

EUR million	Goodwill		Other intangible assets		Total	
	2014	2013	2014	2013	2014	2013
Cost 1 January	**275**	**309**	**368**	**424**	**644**	**733**
Translation differences and other adjustments	-101	-34	-12	-1	-113	-35
Capital expenditure	0	0	22	46	22	46
Change in emission rights	0	0	-1	7	-1	7
Disposals	0	0	-1	-20	-1	-20
Sale of subsidiary companies	-4	0	-24	-3	-28	-3
Reclassifications	0	0	27	5	27	5
Moved to Assets held for sale	0	0	0	-89	0	-89
Cost 31 December	**170**	**275**	**379**	**368**	**549**	**644**
Accumulated depreciation 1 January	**0**	0	**260**	**306**	**260**	**306**
Translation differences and other adjustments	0	0	-11	-1	-11	-1
Disposals	0	0	-2	-20	-2	-20
Sale of subsidiary companies	0	0	-5	0	-5	0
Reclassifications	0	0	5	3	5	3
Depreciation for the period	0	0	25	26	25	26
Moved to Assets held for sale	0	0	0	-54	0	-54
Accumulated depreciation 31 December	**0**	**0**	**273**	**260**	**273**	**260**
Carrying amount 31 December	**170**	**275**	**106**	**109**	**276**	**384**

The goodwill is included in Russia segment and relates to the acquisition of OAO Fortum. The goodwill has been tested for impairment by comparing recoverable amounts of the net operating assets of OAO Fortum, including goodwill, with their carrying amounts. The recoverable amounts were determined on the basis of value in use, applying discounted cash flow calculations.

See also note 19 for information on impairment testing.

The main items in other intangible assets are costs for software products and software licenses, bought emission rights and emission rights received free of charge, which are recognised to the lower of fair value and historical cost.

19 Property, plant and equipment

EUR million	Land, waterfall, rights and tunnels	Buildings, plants and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost 1 January 2014	**2,974**	**3,424**	**11,120**	**144**	**1,161**	**18,824**
Translation differences and other adjustments	-164	-426	-1,176	-4	-274	-2,043
Capital expenditure	2	22	28	0	700	752
Nuclear asset retirement cost	0	0	-3	0	0	-3
Disposals	-1	-5	-259	0	-1	-266
Sale of subsidiary companies	-1	-88	-443	-1	-16	-549
Reclassifications	0	182	461	-4	-666	-27
Cost 31 December 2014	**2,810**	**3,110**	**9,728**	**136**	**904**	**16,687**
Accumulated depreciation 1 January 2014	**0**	**1,321**	**4,542**	**111**	**0**	**5,974**
Translation differences and other adjustments	0	-67	-330	-3	0	-400
Disposals	0	-1	-258	0	0	-259
Sale of subsidiary companies	0	-31	-287	-1	0	-319
Depreciation for the period	0	111	387	3	0	502
Reclassifications	0	-5	-1	0	0	-5
Accumulated depreciation 31 December 2014	**0**	**1,328**	**4,054**	**111**	**0**	**5,492**
Carrying amount 31 December 2014	**2,810**	**1,782**	**5,674**	**25**	**904**	**11,195**

The change in property, plant and equipment was negative, even though capital expenditures were higher than depreciation during the year. The decreases were mainly due to the translation differences and sale of subsidiary companies. The main increase was due to the ongoing investment programme in OAO Fortum.

See Note 9 Assets held for sale

For more information on credit risks regarding ongoing investments, see Note 3.7 Credit risk.

Property, plant and equipment that are subject to restrictions in the form of real estate mortgages amount to EUR 274 million (2013: 240).

See Note 35 Pledged assets.

EUR million	Land, waterfall, rights and tunnels	Buildings, plants and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost 1 January 2013	**3,069**	**3,080**	**12,414**	**137**	**2,284**	**20,985**
Translation differences and other adjustments	-93	-146	-466	5	-139	-839
Increases through business combinations	0	1	9	0	0	10
Capital expenditure	1	74	269	2	613	959
Nuclear asset retirement cost	0	0	45	0	0	45
Disposals	-1	-133	-136	-1	-1	-272
Reclassifications	1	579	960	1	-1,546	-5
Moved to assets held for sale	-3	-30	-1,977	-1	-50	-2,061
Cost 31 December 2013	**2,974**	**3,424**	**11,120**	**144**	**1,161**	**18,824**
Accumulated depreciation 1 January 2013	**0**	**1,343**	**5,300**	**107**	**0**	**6,750**
Translation differences and other adjustments	0	-40	-151	1	0	-190
Increases through business combinations	0	0	0	0	0	0
Disposals	0	-100	-97	-1	0	-198
Depreciation for the period	0	112	478	4	0	594
Reclassifications	0	28	-32	1	0	-3
Moved to assets held for sale	0	-22	-957	-1	0	-980
Accumulated depreciation 31 December 2013	**0**	**1,321**	**4,542**	**111**	**-**	**5,974**
Carrying amount 31 December 2013	**2,974**	**2,103**	**6,579**	**33**	**1,161**	**12,849**

19.1 Capitalised borrowing costs

EUR million	Buildings, plants and structures		Machinery and equipment		Advances paid and construction in progress		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
1 January	**40**	**17**	**162**	**73**	**57**	**143**	**259**	**233**
Translation differences and other adjustments	-14	-2	-56	-11	-21	-11	**-91**	-24
Increases / disposals	-6	0	12	0	37	60	**43**	60
Reclassification	9	27	21	108	-31	-136	**-1**	-1
Depreciation	5	-1	-14	-6	0	0	**-9**	-7
Moved to Assets held for sale	0	0	0	-1	0	0	**0**	-1
31 December	**35**	**40**	**125**	**162**	**42**	**57**	**202**	**259**

Borrowing costs of EUR 47 million were capitalised in 2014 (2013: 60) for the OAO Fortum investment program. The interest rate used for capitalisation varied between 3,3 - 16,6% (2013: 2.8 - 8.7%).

19.2 Capital expenditure [1)]

EUR million	Finland 2014	Finland 2013	Sweden 2014	Sweden 2013	Estonia 2014	Estonia 2013	Poland 2014	Poland 2013	Norway 2014	Norway 2013	Other countries, total 2014	Other countries, total 2013	Total 2014	Total 2013
Power and Technology														
Hydropower	16	17	87	91									103	108
Nuclear power	80	60											80	60
Fossil-based electricity		2											0	2
Renewable-based electricity	7	4	1	3							3		11	7
Other	3	2											3	2
Total Power and Technology	**106**	**85**	**88**	**94**	**0**	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**197**	**179**
Heat, Electricity Sales and Solutions														
Fossil-based heat	3	7					5	2				1	8	10
Fossil-based electricity							1	2					1	2
Renewable, of which	24	17									13	39	37	56
waste											3	14	3	14
biofuels	6	17									0	25	6	42
other	18										10		28	0
District heat network	13	14			8	16	8	6	0	4	2	4	31	44
Other	4	8		2	1		1				3		9	10
Total Heat, Electricity Sales and Solutions	**44**	**46**	**0**	**2**	**9**	**16**	**15**	**10**	**0**	**4**	**18**	**44**	**86**	**123**
Distribution	**11**	**128**	**133**	**121**	**0**	**0**	**0**	**0**	**3**	**9**	**0**	**0**	**147**	**255**
Other	**2**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**3**	**3**	**12**
Total excluding Russia segment	**163**	**269**	**221**	**217**	**9**	**16**	**15**	**10**	**3**	**13**	**22**	**47**	**433**	**570**
Russia														
Fossil-based electricity													305	387
Fossil-based heat													35	48
Other													0	0
Total Russia													**340**	**435**
Total including Russia segment													**774**	**1,005**

1) Includes capital expenditure to both intangible assets and property, plant and equipment.

Fortum classifies investments in four main categories. Maintence investments during 2014 in property, plant and equipment were EUR 181 million (2013: 200). Investments due to requirements of legislation were EUR 149 million (2013: 174). Investments increasing productivity were EUR 134 million (2013: 176) and growth investments were EUR 309 million (2013: 453).

19.2.1 Power and Technology

In Finland, Fortum invested EUR 80 million (2013: 60) into the Loviisa nuclear power plant. Fortum invested additionally EUR 103 million (2013: 108) into hydro production, mainly refurbishment and productivity investments. The biggest of these were Höljes and Skedvi refurbishment in Sweden, EUR 30 million (2013: 24) and Imatra refurbishment in Finland, EUR 8 million (2013: 4). Investments for CO2 free production were EUR 194 million (2013: 175).

19.2.2 Heat, Electricity Sales and Solutions

Growth investments in Heat, Electricity Sales and Solutions segment totalled EUR 34 million (2013: 89) in year 2014. Refurbishment and legislation investments totalled EUR 53 million (2013: 34). This amount consists mainly of investments in district heat networks and plants as well as the maintenance of existing CHP plants and measures defined by legal requirements. Larger ongoing projects in 2014 comprised of new heat pump and bio-pellet fuel conversion in heat boiler in Espoo and district heat connection in Poland. Investments for CO2 free production were EUR 37 million (2013: 56).

19.2.3 Distribution

Distribution invested EUR 147 million (2013: 255) in reliability of electricity distribution, maintenance and new investments in Finland, Sweden, and Norway. Lower investment level is consequense of Fortum's divestments of its Finnish electricity distribution business to Suomi Power Networks in March 2014 and its Norwegian electricity business to the Hafslund Group in May 2014.

19.2.4 Russia

OAO Fortum has an extensive investment programme aiming to almost double its power capacity with 2,300 MW. During 2014 EUR 235 million (2013: 249) was invested in this programme. The value for the remaining part of the programme is estimated to be approximately EUR 0.2 billion from January 2015 onwards. The last two units are to be completed by mid of 2015. The third unit at Nyagan power plant started commercial operation at the end of 2014. Altogether, Fortum’s extensive investment programme in Russia consists of eight new units.

19.3. Impairment testing of non-financial assets in 2014

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. The assumptions are determined by management as part of the business planning process for the Fortum Group.

Key assumptions	Basis for determining the value for key assumptions
Power market development	Historical analysis and prospective forecasting
Regulation framework	Current market setup and prospective forecasting (e.g. CSA mechanism)
Utilisation of power plants	Past experience, technical assessment and forecasted market development
Forecasted maintenance investments	Past experience, technical assessment and planned maintenance work
Finalisation of the investment programme	Project forecasts
Discount rate	Mostly market based information

The cash flows used in testing are based on the most recent business plans and are determined in local currency. The period covered by cash flows is related to the useful lives of the assets being reviewed for impairment. The growth rate used to extrapolate the cash flow projections until the end of assets' useful lives is in line with the assumed inflation. In Russia the generation capacity built after 2007 under the Russian Government's Capacity Supply Agreements receives guaranteed capacity payments for a period of 10 years.

The discount rate takes into account the risk profile of the country in which the cash flows are generated. There have not been any major changes in the discount rate components or in the methods used to determine them. The long-term pre-tax discount rate used for Russia was 10.8% (2013: 10.5%).

The net operating assets of OAO Fortum, including fair value adjustments and goodwill arising from the acquisition of the company are tested yearly for possible impairment. As of 31 December 2014, the recoverable values were greater than their carrying values and therefore no impairments were booked. In light with the sharp rise in the Russian interest rates at the end of 2014 an additional assessment has been performed in January 2015 using a pre-tax discount rate of 12.3%. The reassessment confirmed the results from the earlier testing.

The Group has considered the sensitivity of key assumptions as part of the impairment testing. 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 operating profit levels and changes in discount rate.

Management estimates that a reasonably possible change in the discount rate used or in future earnings would not cause Russian cash generating unit's carrying amount to exceed its recoverable amount. Based on the sensitivity analysis done, if the estimated future operating profits before depreciation were 10% lower than management's estimates or pre-tax discount rate applied was 10% higher than the one used, the Group would not need to recognise impairment losses for property plant and equipment or goodwill.

20 Participations in associated companies and joint ventures

20.1 Principal associated companies and joint ventures

	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1	TVO	Fortum Värme
Nature of the relationship	Power production company	Power production company	Power production company	Holding in energy company (listed)	Holding in energy company (listed)	Power production company	Holding in power and heat company
Classification	Associated company	Associated company	Associated company	Associated company	Associated company	Joint venture	Joint venture
Segment	Power and Technology	Power and Technology	Power and Technology	Other	Russia	Power and Technology	Heat, Electricity Sales and Solutions
Domicile	Sweden	Sweden	Finland	Norway	Russia	Finland	Sweden
Ownership interest, % 1)	46	26	59	34	29	26	50
Votes, %	46	26	18	33	29	26	50

1) Kemijoki and TVO have different series of shares. The ownership interest varies due to the changes in equity assigned to the different share series. The ownership interests for 2013 for Kemijoki Oy and TVO were 59% and 26% respectively.

Shareholdings in power production companies

Power plants are often built jointly with other power producers. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership or other agreements and each owner is liable for an equivalent portion of costs. The production companies are not profit making, since the owners purchase electricity at production cost including interest cost and production taxes. The share of profit of these companies is mainly IFRS adjustments (e.g. accounting for nuclear related assets and liabilities) and depreciations on fair value adjustments from historical acquisitions since the companies are not profit making under local accounting principles.

Fortum has material shareholdings in such power production companies (mainly nuclear and hydro) that are consolidated using equity method either as associated companies (OKG AB, Forsmarks Kraftgrupp AB and Kemijoki Oy) or in some cases as joint ventures (Teollisuuden Voima Oyj (TVO)).

In Sweden nuclear production company shareholdings are 45.5% ownership of the shares in OKG AB and 25.5% ownership of the shares in Forsmarks Kraftgrupp AB. Excluding non-controlling interests in the subsidiaries, Fortum's participation in the companies are 43.4% and 22.2% 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. OKG AB and Forsmarks Kraftgrupp AB are accounted for as associated companies as Fortum has a representation on the Board of Directors and it participates in policy-making processes of the companies.

In Finland Fortum has an ownership in power production company TVO that has three 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 in the nuclear power plant presently being built, Olkiluoto 3, and Fortum's ownership in this share series is 25%. Series C entitles to electricity produced in TVO's share of the thermal power plant Meri-Pori. The Meri-Pori power plant is accounted for as a joint operation in Fortum. Fortum accounts for its 54.55% of the assets and TVO for 45.45%.

See also Joint operation in Note 19 Property, plant and equipment.

The most significant hydro production company shareholding is 63.8% of the hydro shares and 15.4% of the monetary shares in Kemijoki Oy. Each owner of hydro shares is entitled to the hydropower production in proportion to its hydro shareholding. Since Fortum has a representation on the Board of Directors and it participates in the policy-making processes, Kemijoki Oy is accounted for as an associated company.

Other shareholdings accounted for using the equity method

In Sweden Fortum has a 50.1% ownership in AB Fortum Värme Holding samägt med Stockholms stad (Fortum Värme). Fortum Värme is a district heating company, producing heat and power with CHP plants in Stockholm area, that is co-owned with the City of Stockholm. The shareholding is accounted for as a joint venture as according to the shareholders agreement control is shared.

Fortum owns shareholdings in listed companies such as Hafslund ASA and Territorial Generating Company 1 (TGC-1). The shareholdings are accounted for as associated companies as Fortum has representatives in the Board of Directors of the companies. The share of profit of these companies is accounted for based on previous quarter information since updated interim information is not normally available.

Participations in associated companies and joint ventures in the balance sheet

EUR million	2014	2013
Principal associates	1,074	1,263
Principal joint ventures	730	721
Other associates	42	226
Other joint ventures	182	132
Carrying amount 31 December	**2,027**	**2,341**

Changes in participation during the year

EUR million	Joint ventures 2014	Associated companies 2014	Joint ventures 2013	Associated companies 2013
Historical cost				
1 January	518	1,130	529	1,270
Translation differences and other adjustments	-11	-166	-7	-88
Acquisitions	36	26	0	0
Reclassifications	5	-9	0	-6
Divestments	-3	-143	-4	-45
Historical cost 31 December	**546**	**838**	**518**	**1,130**
Equity adjustments				
1 January	334	359	270	305
Translation differences and other adjustments	-23	-71	-17	-15
Share of profits of associates and joint ventures	76	72	92	86
Reclassifications	12	-7	0	6
Divestments	0	-36	0	-16
Dividends received	-27	-30	-24	-49
OCI items associated companies	-6	-10	13	42
Equity adjustments 31 December	**366**	**277**	**334**	**359**
Carrying amount at 31 December	**912**	**1,115**	**853**	**1,489**

Share of profit of associates and joint ventures

EUR million	2014	2013
Principal associates		
OKG AB	5	13
Forsmarks Kraftgrupp AB	-9	-4
Kemijoki Oy	-5	-8
Hafslund ASA	36	31
TGC-1	35	46
Principal associates, total	**61**	**78**
Principal joint ventures		
Fortum Värme	67	73
TVO	-4	12
Principal joint ventures, total	**64**	**84**
Other associates	11	8
Other joint ventures	12	7
Total	**149**	**178**

The unrecognized share of losses of associated companies and joint ventures (for the reporting period and cumulatively) is zero.

Share of profits from Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB includes EUR 2 million (2013: 17) arising from accounting of nuclear related assets and liabilities.

20.2 Investments in associated companies and joint ventures

During 2014 Fortum has acquired additional shares in its associated company, Territorial Generating Company 1. After the acquisition Fortum owns 29.45% of the shares in TGC-1.

In July 2014 Fortum acquired 33.66% in AS Eesti Gaas and a similar shareholding in AS Võrguteenus Valdus. The acquired shares increased Fortum's holding in both companies to approximately 51%. Fortum continues to account for its holdings in the Estonian natural gas businesses using the equity method.

There were no material investments in associated companies or joint ventures during 2013.

See also Note 8 Acquisitions and disposals.

20.3 Divestments of associated companies and joint ventures

In November Fortum’s Heat, Electricity Sales and Solutions segment sold its 31% shareholding in the Finnish natural gas company Gasum Oy.

During the first quarter 2014 Power and Technology segment divested Fortum's 30% shareholding in its associated company Karlshamn Kraft AB.

In June 2013, Fortum agreed to sell its 47.9% ownership in the Swedish energy associate Härjeåns Kraft AB. The transaction was completed in July.

In July 2013 Fortum completed the divestment of its 33% holding in associated company Infratek ASA.

See also Note 8 Acquisitions and disposals.

Summarised financial information of the principal associated companies in 2014

EUR million	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1
Balance sheet	31 Dec 2013	31 Dec 2013	31 Dec 2013	30 Sept 2014	30 Sept 2014
Non-current assets	2,200	2,094	449	2,426	1,814
Current assets	462	488	9	406	259
Non-current liabilities	2,552	2,348	279	1,452	481
Current liabilities	97	197	90	532	205
Equity	13	37	88	849	1,388
Attributable to NCI				2	118
Attributable to the owners of the parent	13	37	88	847	1,270
Statement of comprehensive income	1 Jan 2013 - 31 Dec 2013	1 Jan 2013 - 31 Dec 2013	1 Jan 2013 - 31 Dec 2013	1 Oct 2013 - 30 Sep 2014	1 Oct 2013 - 30 Sep 2014
Revenue	568	727	57	1,481	1,357
Profit or loss from continuing operations	1	1	-7	120	126
Other comprehensive income				-23	
Total comprehensive income	1	1	-7	96	126
Attributable to NCI					8
Attributable to the owners of the parent	1	1	-7	96	118
Reconciliation to carrying amount in the Fortum group					
Group's interest in the equity of the associate at 1 January	8	10	57	298	489
Change in share of profit and from OCI items			-5	33	35
Dividends received				-20	-4
Acquisitions					52
Translation differences and other adjustments	-2			-23	-198
Group's interest in the equity of the associate at 31 December	**6**	**9**	**52**	**289**	**374**
Fair values on acquisitions and different accounting principles	145	79	158	11	-48
Carrying amount at 31 December	**151**	**88**	**210**	**299**	**326**
Market value for listed shares [1)]				373	71

1) The market quotation for the TGC-1 share is affected by the low liquidity of the TGC-1 shares in the Russian stock exchanges. During 2014 trading volumes of TGC-1 shares in relation to the number of shares of the company were approximately 9% (2013: 10%).

Summarised financial information of the principal associated companies in 2013

EUR million	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1
Balance sheet	31 Dec 2012	31 Dec 2012	31 Dec 2012	30 Sept 2013	30 Sept 2013
Non-current assets	2,191	2,061	453	2,482	2,878
Current assets	429	512	9	388	366
Non-current liabilities	2,480	2,284	237	1,447	732
Current liabilities	121	251	129	545	427
Equity	18	38	96	877	2,085
Attributable to NCI				2	179
Attributable to the owners of the parent	18	38	96	875	1,906
Statement of comprehensive income	1 Jan 2012 - 31 Dec 2012	1 Jan 2012 - 31 Dec 2012	1 Jan 2012 - 31 Dec 2012	1 Oct 2012 - 30 Sep 2013	1 Oct 2012 - 30 Sep 2013
Revenue	594	753	56	1,634	1,641
Profit or loss from continuing operations	6		-8	95	167
Other comprehensive income				-2	0
Total comprehensive income	6		-8	92	167
Attributable to NCI					8
Attributable to the owners of the parent	6		-8	92	159
Reconciliation to carrying amount in the Fortum group					
Group's interest in the equity of the associate at 1 January	6	10	63	305	510
Change in share of profit and from OCI items	3		-6	52	46
Dividends received	-3			-21	-3
Translation differences and other adjustments	2			-38	-64
Group's interest in the equity of the associate at 31 December	**8**	**10**	**57**	**298**	**489**
Fair values on acquisitions and different accounting principles	176	68	158	24	-26
Carrying amount at 31 December	**184**	**78**	**215**	**323**	**463**
Market value for listed shares				369	145

Summarised financial information of the principal joint ventures in 2014 and 2013

EUR million	2014 TVO	2014 Fortum Värme	2013 TVO	2013 Fortum Värme
Balance sheet	30 Sept 2014	31 Dec 2014	30 Sept 2013	31 Dec 2013
Non-current assets	6,567	2,552	6,218	2,490
Current assets	423	313	507	322
of which cash and cash equivalents	128	6	220	3
Non-current liabilities	4,994	1,362	4,870	1,266
of which non-current interest-bearing liabilities	4,078	995	3,982	906
Current liabilities	516	432	387	471
of which current financial liabilities	351	298	180	301
Equity [1]	1,480	1,071	1,468	1,074
Attributable to NCI				1
Attributable to the shareholders of the company	1,480	1,071	1,468	1,073
Statement of comprehensive income	1 Oct 2013 - 30 Sep 2014	1 Jan 2014 - 31 Dec 2014	1 Oct 2012 - 30 Sep 2013	1 Jan 2013 - 31 Dec 2013
Revenue	353	716	386	807
Depreciation and amortisation	-58	-128	-57	-124
Interest income	23	1	36	1
Interest expense	-67	-28	-64	-29
Income tax expense or income		-30		-33
Profit or loss from continuing operations	4	126	36	136
Other comprehensive income	12	-22	12	20
Total comprehensive income	16	104	48	157
Attributable to NCI				1
Attributable to the shareholders of the company	16	104	48	155
Reconciliation to carrying amount in the Fortum group				
Group's interest in the equity of the joint venture at 1 January	289	537	277	498
Change in share of profit and from OCI items	3	53	12	78
Dividends received		-22		-23
Translation differences and other adjustments		-32		-16
Group's interest in the equity of the joint venture at 31 December	**292**	**535**	**289**	**537**
Fair values on acquisitions and different accounting principles	-7	-91	-5	-101
Carrying amount at 31 December	**285**	**445**	**284**	**436**

1) The equity of TVO includes subordinated loans of EUR 339 million (2013: 339). Fortum has given part of these loans, pro rata to the ownership.

See also Associated companies in Note 39 Legal actions and official proceedings.

See Note 30 Nuclear related assets and liabilities.

20.4 Transactions and balances

Associated company transactions

EUR million	2014	2013
Sales to associated companies	1	0
Interest on associated company loan receivables	31	28
Purchases from associated companies	483	539

Purchases from associated companies include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

Associated company balances

EUR million	2014	2013
Receivables from associated companies		
Long-term interest-bearing loan receivables	1,327	1,320
Trade receivables	1	0
Other receivables	0	12
Liabilities to associated companies		
Long-term loan payables	1	0
Trade payables	1	10
Other payables	0	0

For more info about receivables from associated companies, please see note 22 Long-term and short-term interest-bearing receivables.

Joint venture transactions

EUR million	2014	2013
Sales to joint ventures	82	94
Interest on joint venture loan receivables	28	34
Purchases from joint ventures	85	113

Purchases from joint ventures include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

Joint venture balances

EUR million	2014	2013
Receivables from joint ventures		
Long-term interest-bearing loan receivables	714	1,267
Trade receivables	17	27
Other receivables	15	20
Liabilities to joint ventures		
Long-term loan payables	261	248
Trade payables	5	6
Other payables	4	3

For more info about receivables from joint ventures, please see note 22 Long-term and short-term interest-bearing receivables.

21 Other non-current assets

EUR million	2014	2013
Available for sale financial assets	30	31
Other	38	46
Total	**68**	**77**

Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consist mainly of shares in unlisted companies of EUR 30 million (2013: 30), for which the fair value can not be reliably determined. These assets are measured at cost less possible impairment.

Available for sale financial assets include listed shares at fair value of EUR 1 million (2013: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (2013: -3).

22 Long-term and short-term interest-bearing receivables

EUR million	2014	2013
Long-term loan receivables	2,041	2,595
Finance lease receivables	0	2
Total long-term interest-bearing receivables	**2,041**	**2,598**
Other short-term interest-bearing receivables	4	6
Total short-term interest-bearing receivables [1]	**4**	**6**
Total	**2,045**	**2,603**

1) Included in trade and other receivables in the balance sheet, see Note 24.

Long-term loan receivables include receivables from associated companies and joint ventures EUR 2,041 million (2013: 2,587), mainly from Swedish nuclear companies, OKG AB and Forsmark Kraftgrupp AB, EUR 1,310 million (2013: 1,312) and Fortum Värme samägt med Stockholms stad EUR 553 million (2013: 1,135). The nuclear companies are mainly funded with shareholder loans, pro rata each shareholder’s ownership.

TVO is building Olkiluoto 3, the nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At end of December 2014 Fortum has EUR 95 million outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum EUR 100 million. A subordinated shareholder loan EUR 15 million has also been given to fund planning of Olkiluoto 4, to which Fortum has additionally committed to provide EUR 57 million.

For further information regarding credit risk management, see Note 3.7 Credit risk.

Interest-bearing receivables

EUR million	Effective interest rate, %	Carrying amount 2014	Repricing Under 1 year	Repricing 1-5 years	Repricing Over 5 years	Fair value 2014	Carrying amount 2013	Fair value 2013
Long-term loan receivables	2.4	2,044	1,857	3	184	2,216	2,600	2,702
Finance lease receivables	-	-	-	-	-	-	2	4
Total long-term interest-bearing receivables [1)]	**2.4**	**2,044**	**1,857**	**3**	**184**	**2,216**	**2,602**	**2,706**
Other short-term interest-bearing receivables	0.0	0	0	-	-	0	1	1
Total interest-bearing receivables	**2.4**	**2,045**	**1,857**	**3**	**184**	**2,216**	**2,603**	**2,707**

1) Including current portion of long-term receivables EUR 3 million (2013: 5).

23 Inventories

EUR million	2014	2013
Nuclear fuel	105	109
Coal	77	66
Oil	12	15
Biofuels	1	2
Other inventories	61	71
Total	**256**	**264**

No write downs have been booked related to inventories during 2014 or 2013.

24 Trade and other receivables

EUR million	2014	2013
Trade receivables	549	618
Income tax receivables	132	98
Accrued interest income	6	21
Accrued income and prepaid expenses	23	20
Other receivables	116	147
Other short-term interest-bearing receivables	4	6
Moved to assets held for sale	0	-42
Total	**830**	**869**

The management considers that the carrying amount of trade and other receivables approximates their fair value.

24.1 Trade receivables

Ageing analysis of trade receivables

	2014		2013	
EUR million	Gross	Impaired	Gross	Impaired
Not past due	504	2	577	2
Past due 1-90 days	44	4	37	2
Past due 91-180 days	6	3	10	2
Past due more than 181 days	50	46	75	75
Total	**604**	**55**	**699**	**80**

Impairment losses recognised in the income statement were EUR 11 million (2013: 24), of which EUR 4 million (2013: 18) are impairment losses recognised in the OAO Fortum Group. On 31 December 2014, trade receivables of EUR 55 million (2013: 80) are impaired and provided for, of which EUR 46 million (2013: 73) refers to the OAO Fortum Group.

For information regarding impairment losses by segment, see Note 5 Segment reporting.

Trade receivables by currency (Gross)

EUR million	2014	2013
EUR	204	219
SEK	202	223
RUB	132	173
NOK	12	30
PLN	45	31
Other	9	23
Total	**604**	**699**

Trade receivables are arising from a large number of customers mainly in EUR, SEK and RUB mitigating the concentration of risk.

For further information regarding credit risk management and credit risks, see

Counterparty risks in the Operating and financial review

and Note 3.7 Credit risk.

25 Liquid funds

EUR million	2014	2013
Cash at bank and in hand	1,880	1,089
Bank deposits with maturity under 3 months	129	176
Cash and cash equivalents	**2,009**	**1,265**
Bank deposits with maturity more than 3 months	757	0
Total	**2,766**	**1,265**
Cash and cash equivalents moved to assets held for sale	0	-15
Total	**2,766**	**1,250**

Bank deposits include bank deposits held by OAO Fortum amounting to EUR 131 million (2013: 101). At the year end 2014 OAO Fortum's deposits included EUR 30 million in euros and EUR 101 million in Russian roubles. The funds in OAO Fortum are committed to the ongoing investment program. The bank deposits in euros held by OAO Fortum are hedging future payments in euros.

For further information regarding credit risk management and credit risks, see

Counterparty risks in the Operating and financial review

and Note 3.7 Credit risk.

26 Share capital

EUR million	2014		2013	
	Number of shares	Share capital	Number of shares	Share capital
Registered shares at 1 January	888,367,045	3,046	888,367,045	3,046
Registered shares at 31 December	888,367,045	3,046	888,367,045	3,046

Fortum Oyj has one class of shares. By the end of 2014, a total of 888,367,045 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 2014 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

Fortum Corporation's shares are listed on Nasdaq Helsinki. The trading code is FUM1V. Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finland Ltd.

Details on the President and CEO and other members of the Fortum Executive Management Team's shareholdings and interest in the equity incentive schemes is presented in Note 12 Employee benefits.

A description of shares, share capital and shareholders in Fortum is shown in the Operating and financial review.

26.1 Treasury shares

At the end of 2014, Fortum Corporation did not own its own shares and the Board of Directors of Fortum Corporation has no unused authorisations from the General Meeting of shareholders to repurchase the company's own shares.

26.2 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.

27 Non-controlling interests

Principal non-controlling interests

EUR million		2014	2013
OAO Fortum Group	Russia	29	59
AS Fortum Tartu Group	Estonia	24	21
Other		18	21
Total		**71**	**101**

28 Interest-bearing liabilities

EUR million	2014	2013
Bonds	4,088	4,736
Loans from financial institutions	576	752
Other long-term interest-bearing debt	1,216	1,464
Total long-term interest-bearing debt	**5,881**	**6,952**
Current portion of long-term bonds	660	1,103
Current portion of loans from financial institutions	146	102
Current portion of other long-term interest-bearing debt	10	30
Commercial papers	0	718
Other short-term interest-bearing debt	287	154
Total short-term interest bearing debt	**1,103**	**2,106**
Total interest-bearing debt	**6,983**	**9,058**
Interest-bearing liabilities moved to assets held for sale	0	-20
Total	**6,983**	**9,038**

Interest-bearing debt 1)

EUR million	Effective interest rate, %	Carrying amount 2014	Repricing Under 1 year	Repricing 1-5 years	Repricing Over 5 years	Fair value 2014	Carrying amount 2013	Fair value 2013
Bonds	3.3	4,748	1,192	1,858	1,698	5,093	5,839	6,232
Loans from financial institutions	2.8	722	462	70	190	777	854	912
Other long-term interest-bearing debt 2)	1.3	1,226	1,226	-	-	1,296	1,494	1,515
Total long-term interest-bearing debt 3)	**2.9**	**6,696**	**2,880**	**1,928**	**1,888**	**7,166**	**8,187**	**8,659**
Commercial papers	-	-	-	-	-	-	718	719
Other short-term interest-bearing debt	0.0	287	287	-	-	287	154	154
Total short-term interest-bearing debt	**0.0**	**287**	**287**	**0**	**0**	**287**	**871**	**873**
Total interest-bearing debt 4)	**2.8**	**6,983**	**3,167**	**1,928**	**1,888**	**7,453**	**9,058**	**9,532**

1) Including interest-bearing liabilities, EUR 0 million, in Liabilities related to assets held for sale at 31 December 2014 (2013: 20).

2) Includes loans from State Nuclear Waste Management Fund and Teollisuuden Voima Oyj EUR 1,040 million (2013: 995), loans from Finnish pension institutions EUR 78 million (2013: 198) and other loans EUR 108 million (2013: 301).

3) Including current portion of long-term debt.

4) The average interest rate on loans and derivatives on 31 December 2014 was 3.7% (2013: 3.6%).

The interest-bearing debt decreased in 2014 by EUR 2,075 million to EUR 6,983 million (2013: 9,058). The amount of short-term financing decreased with EUR 584 million, and at the end of the year the amount of short-term financing was EUR 287 million (2013: 871).

In March Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund and Teollisuuden Voima by EUR 45 million to EUR 1,040 million. During the first quarter Fortum repaid a maturing EUR 750 million bond. In the second quarter Fortum repaid two bonds equivalent to EUR 350 million (SEK 2,600 million and NOK 500 million) and EUR 95 million of pension loans. In the third quarter OAO Fortum repaid bilateral debt RUB 2 billion (EUR 41 million). Fortum Värme Holding prepaid SEK 1,7 billion (EUR 182 million) to Fortum Oyj who prepaid the same amount to the City of Stockholm. Both loans were originally due in December 2015.

For more information please see

Note 3 Financial risk management,

Note 35 Pledged assets

and Note 38 Contingent liabilities.

28.1 Bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal million	Carrying amount EUR million
Fortum Oyj EUR 8,000 million EMTN Programme [1)]						
2006/2016	Fixed	4.500	4.615	EUR	750	749
2009/2017	Fixed	6.125	6.240	NOK	500	55
2009/2019	Fixed	6.000	6.095	EUR	750	746
2010/2015	Floating	Stibor 3M+0.95		SEK	3,100	330
2010/2015	Fixed	3.125	3.235	SEK	3,100	330
2011/2021	Fixed	4.000	4.123	EUR	500	528
2012/2017	Floating	Stibor 3M+1.2		SEK	1,000	106
2012/2017	Fixed	3.250	3.260	SEK	1,750	186
2012/2022	Fixed	2.250	2.344	EUR	1,000	1,074
2013/2018	Fixed	2.750	2.855	SEK	1,150	122
2013/2018	Floating	Stibor 3M+1.0		SEK	3,000	319
2013/2023	Floating	Stibor 3M+1.13		SEK	1,000	106
2013/2043	Fixed	3.500	3.719	EUR	100	96
Total outstanding carrying amount 31 December 2014						**4,748**

1) EMTN = Euro Medium Term Note

29 Deferred income taxes

The movement in deferred tax assets and liabilities during 2014

Deferred taxes in balance sheet, EUR million	1 Jan 2014	Change	31 Dec 2014
Deferred tax assets	126	-28	98
Deferred tax liabilities	-1,338	179	-1,159
Net deferred taxes	**-1,212**	**151**	**-1,061**

EUR million	1 Jan 2014	Charged to income statement	Charged to other comprehensive income	Exchange rate differences reclassifications and other changes	Acquisitions, disposals and assets held for sale	31 Dec 2014
Property, plant and equipment	-1,264	-10		118	5	-1,150
Pension obligations	7	1	22		-2	28
Provisions	24	-23				1
Derivative financial instruments	-46	-1	7			-40
Tax losses and tax credits carry-forward	80	-7		-3		70
Other	-13	44			-1	30
Net deferred taxes	**-1,212**	**5**	**29**	**115**	**2**	**-1,061**

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.

Deferred income tax liabilities of EUR 8 million (2013: 7) have been recognised for the withholding tax and other taxes that would be payable on the all unremitted earnings of Estonian subsidiaries. Unremitted earnings from these companies totalled EUR 38 million on 31 December 2014 (2013: 32).

Change in deferred tax is mainly coming from exchange rate differences in Russia and in Sweden, EUR 115 million.

The movement in deferred tax assets and liabilities during 2013

Deferred taxes in balance sheet, EUR million	1 Jan 2013	Change	31 Dec 2013
Deferred tax assets	169	-43	126
Deferred tax liabilities	-1,561	223	-1,338
Net deferred taxes	**-1,392**	**180**	**-1,212**

EUR million	1 Jan 2013	Charged to income statement	Charged to other comprehensive income	Exchange rate differences reclassifications and other changes	Acquisitions, disposals and assets held for sale	31 Dec 2013
Property, plant and equipment	-1,505	55		45	141	-1,264
Pension obligations	22	2	-17			7
Provisions	42	-18				24
Derivative financial instruments	-29	-9	-8			-46
Tax losses and tax credits carry-forward	80					80
Other	-2	-12				-13
Net deferred taxes	**-1,392**	**18**	**-25**	**45**	**141**	**-1,212**

Deferred tax assets and liabilities from acquisitions, disposals and assets held for sale in 2013 relate to the sale of Fortum Sähkönsiirto Oy and Fortum Espoo Distribution Oy shares in 2014.

See Note 9 Assets held for sale.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that realisation of the related tax benefit through future profits is probable. The recognised tax assets relate to losses carry-forward with no expiration date and partly with expiry date as described below.

Deferred income tax assets recognised for tax loss carry-forwards

EUR million	2014		2013	
	Tax losses	Deferred tax asset	Tax losses	Deferred tax asset
Losses without expiration date	29	4	6	2
Losses with expiration date	260	66	320	78
Total	**289**	**70**	**327**	**80**

Deferred tax assets of EUR 50 million (2013: 47) have not been recognised in the consolidated financial statements, because the realisation is not probable. The major part of the unrecognised tax asset relates to loss carry-forwards that are unlikely to be used in the foreseeable future.

30 Nuclear related assets and liabilities

EUR million	2014	2013
Amounts recognised in the balance sheet		
Nuclear provisions	774	744
Share in the State Nuclear Waste Management Fund	774	744
Legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	1,084	1,059
Funding obligation target	1,074	1,039
Fortum's share of the State Nuclear Waste Management Fund	1,039	1,005

30.1 Nuclear related provisions

According to the renewed Nuclear Energy Act Fortum submitted the proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and the Economy at the end of June 2013. The legal liability is calculated according to the Nuclear Energy Act in Finland and is decided by the Ministry of Employment and the Economy in December every year. The liability is based on a technical plan, which is made every third year. Following the update of technical plan in 2013, the discounted liability increased due to updated cost estimates related to interim and final storage of spent fuel.

The legal liability by the end of 2014, decided by the Ministry of Employment and the Economy and calculated according to the Nuclear Energy Act, is EUR 1,084 million (2013: 1,059). The carrying value of the nuclear provisions in the balance sheet, calculated according to IAS 37, have increased by EUR 30 million compared to 31 December 2013, totaling EUR 774 million on 31 December 2014. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

See also Note 19 Property, plant and equipment.

Nuclear provisions

EUR million	2014	2013
1 January	**744**	**678**
Additional provisions	11	51
Used during the year	-24	-20
Unwinding of discount	43	35
31 December	**774**	**744**
Fortum's share in the State Nuclear Waste Management Fund	774	744

30.2 Fortum's share in the State Nuclear Waste Management Fund

According to the Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Based on the law, Fortum applied for periodising of the payments to the fund over three years, due to proposed increase in the legal liability. The application was approved by the Ministry ot the Employment and the Economy in December 2013.

The Fund is from an IFRS perspective overfunded with EUR 265 million (2013: 261), since Fortum's share of the Fund on 31 December 2014 is EUR 1,039 million (2013: 1,005) and the carrying value in the balance sheet is EUR 774 million (2013: 744).

Operating profit for 2014 includes a negative total adjustment of EUR -3 million (2013: +23). These adjustments are recognised in "Items affecting comparability" and are not included in comparable operating profit in the Power segment, see Note 5 Segment reporting and Note 6 Items affecting comparability. As long as the Fund stays overfunded from an IFRS perspective, positive accounting effects to operating profit will always occur when the nuclear provision is increasing more than the net payments to the Fund. Negative accounting effects will occur when the net payments to the Fund are higher than the increase of the provision.

30.2.1 Funding obligation target

The funding obligation target for each year is decided by the Ministry of Employment and the Economy in December each year after the legal liability has been decided. The difference between the funding obligation target for Fortum and Fortum's actual share of the State Nuclear Waste Management Fund is paid in Q1 each year.

The funding obligation target, corresponding to the new legal liability and the approved periodisation amounts to EUR 1,074 million (2013: 1,039). Real estate mortgages and other securities given also cover unexpected events according to the Nuclear Energy Act.

See also Note 35 Pledged assets

and Note 38 Contingent liabilities.

30.3 Borrowing from the Finnish State Nuclear Waste Management Fund

Finnish participants in the 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 Kemijoki Oy shares as security for the loans. The loans are renewed yearly.

See also Note 28 Interest-bearing liabilities

and Note 35 Pledged assets.

30.4 Associated companies

Fortum has at year-end received updated cash flow information for its nuclear associated companies Teollisuuden Voima Oyj, OKG AB and Forsmarks Kraftgrupp AB. Based on the updated cost estimates, the effect in share of profits was EUR +2 million in 2014, which included EUR -1 million due to decrease of the carrying value of the State Nuclear Waste Management Fund in Finland. In 2013, the effect in share of profits was EUR +17 million, which included EUR -5 million due to decrease of the carrying value of the State Nuclear Waste Management Fund in Finland. The State Nuclear Waste Management Fund in Finland is overfunded from an IFRS perspective whereas the value of the Swedish Nuclear Waste Fund is estimated to be slightly below the value of provisions at year-end 2014.

Fortum has according to law given guarantees to the Finnish and Swedish nuclear Funds on behalf of the associated companies, to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plants and disposal of spent fuel.

Through the shareholding in TVO, Fortum uses the right to borrow from the Fund.

See also Note 38 Contingent liabilities.

31 Other provisions

EUR million	2014				2013			
	CSA provision	Environmental	Other	Total	CSA provision	Environmental	Other	Total
1 January	**103**	**2**	**12**	**117**	**178**	**4**	**24**	**206**
Provisions for the period	0	0	22	22	0	1	9	9
Provisions used	-14	0	-4	-18	-24	-2	-11	-37
Provisions reversed	-4	0	-3	-7	-48	0	-10	-57
Unwinding of discount	6	0	0	6	12	0	0	12
Exchange rate differences	-35	0	-3	-39	-16	0	0	-16
31 December	**56**	**2**	**24**	**82**	**103**	**2**	**12**	**117**
Of which current provisions 1)	56	0	10	66	20	0	3	23
Of which non-current provisions	0	2	15	17	83	2	10	94

1) Included in trade and other payables in the balance sheet, see note 34.

Fortum's extensive investment programme in Russia is subject to possible penalties that can be claimed if the new capacity is substantially delayed or agreed major terms of the capacity supply agreement (CSA) are not otherwise fulfilled. The remaining provision is assessed at each balance sheet date and the assessment is based on changes in estimated risks and timing related to commissioning of the remaining power plants in the investment programme. During 2014 EUR 4 million of the provision was reversed to the income statement relating to the lower penalties for Nyagan 2. The remaining provision for possible penalties amounts to EUR 56 million (Dec 31 2013: 103). Paid penalties during 2014 amounted to EUR 14 million (2013: 24). The provision increases due to unwinding of the discounting of potential future penalty payments, which during 2014 resulted in an increase of the provision with EUR 6 million (2013: 12). The unwinding effect is recognised in other financial expenses.

Environmental provision are mainly related to cleaning of contaminated land. Main part of the provision is estimated to be used within ten years.

Restructuring provisions, included in other provisions, amounts to EUR 1 million (2013: 2).

Other provisions include also provisions for insurance payments, tax claims and provisions for onerous contracts. The other provisions are estimated to be used within two to five years.

Regarding provisions for decommissioning and provision for disposal of spent fuel for nuclear production, see note 30.

32 Pension obligations

Fortum's pension arrangements

Finland

In Finland the most significant pension plan is the Finnish Statutory Employment Pension Scheme (TyEL) in which benefits are directly linked to employees' earnings. These pensions are funded in insurance companies and treated as defined contribution plans. The benefits provided under TyEL are old age pensions, disability pensions, unemployment pensions and survivors' pensions. Certain Fortum employees in Finland have an additional pension coverage, certain level of benefit promised after retirement, through the company's own pension fund (Fortum Pension Fund) or through insurance companies. The additional pensions through insurance companies provide old age pension and funeral grant and Fortum Pension Fund is providing old age pension, early old age benefit, disability pension, survivor's pension and funeral grant.

The Fortum Pension Fund is a closed fund managed by a Board, consisting of both employer's and employees' representatives. The Fund is operating under regulation from 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. After retirement the benefits payables are indexed yearly with TyEL-index. The promised benefit is defined in the rules of the Fund, mostly 66% at a maximum of the salary basis. The salary basis is an average of ten last year's salaries, which are indexed with common salary index to accounting year.

Sweden

In Sweden the Group operates several defined benefit and defined contribution plans like the general ITP-pension plan and the PA-KL and PA-KFS plans that are eligible for employees within companies formerly owned by municipalities. The defined benefit plans are fully funded and have partly been financed through Fortum's own pension fund and partly through insurance premiums. The pension arrangements comprise normal retirement pension, complementary retirement pensions, survivors' pension and disability pension. The most significant pension plan is the ITP-plan for white-collar employees in permanent employment (or temporary employees after a certain waiting period), who fulfill the age conditions. To qualify for a full pension the employee must have a projected period of pensionable service, from the date of entry until retirement age, of at least 30 years.

The Swedish pension fund is managed by a Board, consisting of both employers' and employees' representatives. The fund is operating under regulation from Swedish Financial Supervisory Authority and the County Administrative Board and governed by Swedish law (no. 1967:531).
The fund constitutes a security for the employer's defined benefit pension plan liability and the fund has no obligations in relation to pension payments. The employer must have a credit insurance from PRI Pensionsgaranti Mutual Insurance Company for the liability. The liability must not be fully covered by the fund according to the regulations.

The part of the ITP multiemployer pension plan that is secured by paying pension premiums to Alecta, in Fortum's case the collective family pension, is accounted for as a defined contribution plan due to that there is no consistent and reliable basis to allocate assets or liabilities to the participating entities within the ITP insurance. The reason for this is that it is not possible to determine from the terms of the plan to which extent a surplus or a deficit will affect future contributions.

Pension arrangements in other countries

Pension arrangements in Russia and Poland include payments made to the state pension fund. These arrangements are treated as defined contribution plans. In addition the Russian and Polish companies participate in certain defined benefit plans, defined by collective agreements, which are unfunded and where the company meets the benefit payment obligation as it falls due. The benefits provided under these arrangements include, in addition to pension payments, one-time benefits paid in case of employee mortality or disability as well as lump sum payments for anniversary and financial support to honored workers and pensioners.

The Norwegian companies are part of schemes that are common for municipalities in Norway. These are defined benefit pension plans and provide old age pensions, disability pension and survivor's pension, including pension benefits from the National Insurance Scheme (Folketrygden). The schemes are fully funded within the rules set out in the Norwegian insurance legislation.

In other countries the pension arrangements are done in accordance with the local legislation and practice, mostly being defined contribution plans.

Main risks relating to defined benefit plans - Sweden and Finland

Overall risks

Sweden - As the pension fund is separated from the funding companies Fortum is not obliged to make additional contributions to the pension fund in any case of deficit. However if the assets decrease to a level lower than the liability according to Swedish GAAP, Fortum's credit insurance cost from PRI will increase.
Finland - If the return of fund’s assets is not enough to cover the raise in liability and benefit payments over the financial year then the employer funds the deficit with contributions unless the fund has sufficient equity.

Change in discount rate

Sweden - The discount rate which is used to calculate the defined benefit obligation is derived from market rates on Swedish covered bonds with an equivalent duration to the pension obligation, and the company therefore has a risk in the development on the bond market. Should the market rates decrease then the liability increases.
Finland - The discount rate which is used to calculate the defined benefit obligation (according to IFRS) depends on the value of corporate bond yields as at reporting date. A decrease in yields increases the benefit obligation that is offset by increase in the value of fixed income holdings.

Investment and volatility risk

Finland - The pension fund's board accepts yearly an Investment Plan, which is based on the external asset-liability analysis. The assets are allocated to stocks and stock funds, fixed income instruments and real estate. The investments are diversified into different asset classes and to different asset managers taking into account the regulation of the Financial Supervisory Authority. The real estate investments consist mainly of the Fortum headquarters, rented by Fortum Oyj.

Risks relating to assumptions used

Actuarial calculations use assumptions for future inflation and salary levels and longevity. Should the actual outcome differ from these assumptions, this might lead to higher liability.

Movement in the net defined benefit liability

EUR million	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset(-)/liability(+)	
	2014	2013	2014	2013	2014	2013
Balance at 1 January	**466**	**550**	**-415**	**-430**	**51**	**119**
Included in profit or loss						
Current service cost	7	11	0	0	7	11
Past service cost	1	0	0	0	1	0
Settlements	-7	-41	6	3	-1	-38
Net interest [1)]	14	15	-13	-12	1	4
	15	**-14**	**-7**	**-8**	**8**	**-23**
Included in OCI						
Remeasurement gains(+)/losses(-)	115	-38	-15	-22	101	-60
Actuarial gains/losses arising from changes in demographic assumptions	0	0			0	0
Actuarial gains/losses arising from changes in financial assumptions	120	-52			120	-52
Actuarial gains/losses arising from experience adjustments	-4	14			-4	14
Return on plan assets (excluding amounts included in net interest expense)			-15	-22	-15	-22
Exchange rate differences	-12	-12	9	8	-3	-4
	103	**-50**	**-6**	**-14**	**97**	**-63**
Other						
Contributions paid by the employer			-2	-6	-2	-6
Benefits paid	-17	-19	13	14	-4	-6
Disposals of subsidiary companies	-27		17		-10	
Transfer of assets in to insurance company in Sweden				29		29
Balance at 31 December	**540**	**466**	**-400**	**-415**	**140**	**51**
Present value of funded defined obligation					532	456
Fair value of plan assets					-400	-415
Funded status					**133**	**41**
Present value of unfunded obligation [2)]					7	10
Net liability arising from defined benefit obligation					**140**	**50**
Defined benefit obligations included in the non-current liabilities					140	50
Defined benefit assets included in the non-current assets					0	0
Net defined benefit asset(-)/liability(+) presented in balance sheet					**140**	**50**

1) Net interest is presented among financial items in income statement, the rest of costs related to defined benefit plans are included in staff costs (row defined benefits plans and part of the amount reduction due to insured defined benefit obligation in staff cost specification in Note 12 Employee benefits).

2) The unfunded obligation relates to arrangements in Russia and Poland.

At the end of 2014 a total of 1,230 (2013: 1,498) Fortum employees are included in defined benefit plans providing pension benefits. During 2014 pensions or related benefits were paid to a total of 2,929 (2013: 3,196) persons.

Contributions expected to be paid during the year 2015 are EUR 9 million.

Fair value of plan assets

EUR million	2014	2013
Equity instruments	129	169
Debt instruments	133	115
Cash and cash equivalents	38	23
Real estate, of which the total EUR 67 million (2013: 74) occupied by the Group	72	81
Company's own ordinary shares	5	5
Other assets	23	22
Total	**400**	**415**

When the pension plan has been financed through an insurance company, a specification of the plan assets has not been available. In these cases the fair value of plan assets has been included in other assets.

The actual return on plan assets in Finland and Sweden totalled EUR 27 million (2013: 23).

Amounts recognised in the balance sheet by country 2014

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	354	170	9	532
Fair value of plan assets	-264	-130	-5	-400
Deficit(+)/surplus(-)	**90**	**39**	**3**	**133**
Present value of unfunded obligations			7	7
Net asset(-)/liability(+) in the balance sheet	**90**	**39**	**11**	**140**
Defined benefit asset included in the assets	0	0	0	0
Pension obligations in the balance sheet	**90**	**39**	**11**	**140**

Amounts recognised in the balance sheet by country 2013

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	281	136	38	456
Fair value of plan assets	-262	-127	-25	-415
Deficit(+)/surplus(-)	**19**	**9**	**13**	**41**
Present value of unfunded obligations			10	10
Net asset(-)/liability(+) in the balance sheet	**19**	**9**	**23**	**50**
Defined benefit asset included in the assets	0	0	0	0
Pension obligations in the balance sheet	**19**	**9**	**23**	**50**

The principal actuarial assumptions used

	2014				2013			
	Finland	Sweden	Russia	Other countries	Finland	Sweden	Russia	Other countries
Discount rate, %	1.30	2.50	9.00	3.00	3.02	3.90	7.50	4.11
Future salary increases, %	2.20	3.00	7.50	3.25	2.20	3.00	7.50	3.72
Future pension increases, %	2.10	2.00	6.50	2.23	2.10	2.00	6.00	2.80
Rate of inflation, %	2.00	2.00	6.50	1.75	2.00	2.00	6.00	1.89

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 rate in Sweden and Norway is based on yields on Swedish respectively Norwegian covered bonds with maturity that best reflects the estimated term of the defined benefit pension plans. The covered bonds in Sweden and Norway are considered high quality bonds as they are secured with assets. The discount rate in Russia is based on the yield of long-term government bonds which are consistent with the currency and the estimated term of the post-employment benefit obligations.

The life expectancy is the expected number of years of life remaining at a given age:

Longevity at age 65 aged	Finland	Sweden
45 - male	20.6	21.6
45 - female	26.4	24.1
65 - male	19.0	19.6
65 - female	24.7	22.8

The discount, inflation and salary growth rates used are the key assumptions used when calculating defined benefit obligations. Effects of 0.5 percentage point change in the rates to the defined benefit obligation on 31 December 2014, holding all other assumptions stable, are presented in the table below.

Sensitivity of defined benefit obligation to changes in assumptions

	Impact to the pension obligation increase+/decrease-	
Change in the assumption	Finland	Sweden
0.5 % increase in discount rate	-8%	-11%
0.5 % decrease in discount rate	9%	12%
0.5 % increase in benefit	7%	10%
0.5 % decrease in benefit	-6%	-9%
0.5 % increase in salary growth rate	1%	3%
0.5 % decrease in salary growth rate	-1%	-3%

The methods used in preparing the sensitivity analysis did not change compared to the previous period. Change in mortality basis so that life expectancy increases by one year would increase net liability in Finland and Sweden with EUR 21 million (16.6%).

Maturity profile of the undiscounted defined benefit obligation for Finland and Sweden as of December 2014

EUR million	Future benefit payments
Maturity under 1 year	16
Maturity between 1 and 5 years	71
Maturity between 5 and 10 years	93
Maturity between 10 and 20 years	180
Maturity between 20 and 30 years	145
Maturity over 30 years	120

The weighted average duration of defined benefit obligation in Finland and Sweden at the end of the 2014 is 16.9 years.

33 Other non-current liabilities

EUR million	2014	2013
Connection fees	110	417
Other liabilities	44	38
Moved to assets held for sale	0	-306
Total	**154**	**148**

Refundable connection fees to the district heating network in Finland amounted to EUR 110 million (2013: 111).

34 Trade and other payables

EUR million	2014	2013
Trade payables	298	386
Accrued expenses and deferred income		
Accrued personnel expenses	71	73
Accrued interest expenses	205	254
Other accrued expenses and deferred income	64	79
Other liabilities		
VAT-liability	35	26
Current tax liability	35	11
Energy taxes	12	31
Advances received	33	52
Current provisions [1)]	66	23
Other liabilities	69	132
Moved to assets held for sale	0	-73
Total	**888**	**994**

1) See also Note 31 Other provisions.

The management considers that the amount of trade and other payables approximates fair value.

35 Pledged assets

EUR million	2014	2013
On own behalf		
For debt		
Pledges	292	301
Real estate mortages	137	137
For other commitments		
Real estate mortages	137	103
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	0	3

35.1 Pledged assets for debt

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the fund. Fortum has pledged shares in Kemijoki Oy as a security. The value of the pledged shares is unchanged, EUR 269 million on 31 December 2014 (2013: 269).

Pledges also include bank deposits as trading collateral of EUR 3 million (2013: 12) for trading of electricity and CO_2 emission allowances in Nasdaq Commodities, in Intercontinental Exchange (ICE) and European Energy Exchange (EEX).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (2013: 96) as a security for an external loan. Real estate mortgages have also been given for loans from Fortum's pension fund for EUR 41 million (2013: 41).

Regarding the relevant interest-bearing liabilities, see Note 28 Interest-bearing liabilities.

35.2 Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland for a value of EUR 137 million (2013: 103) as a security to the Ministry of Employment and Economy for the uncovered part of the legal liability and unexpected events relating to costs for future decommissioning and disposal of spent fuel in the wholly owned Loviisa nuclear power plant. The size of the securities given is updated every year in June, based on the decisions regarding the legal liabilities and the funding target which takes place around year-end every year. Due to the yearly update, the amount of real estate mortgages given as a security increased by EUR 34 million.

See also Note 30 Nuclear related assets and liabilities

and note 38 Contingent liabilities.

36 Leasing

36.1 Leases as a lessor

Operating leases

The operating rental income recognised in income statement was EUR 1 million (2013: 1).

Future minimum lease payments receivable on operating leases

EUR million	2014	2013
Not later than 1 year	2	6
Later than 1 year and not later than 5 years	4	1
Later than 5 years	1	2
Total	**8**	**9**

Assets leased out by operating lease agreements

EUR million	2014	2013
Acquisition cost	4	4
Accumulated depreciation at 1 January	-1	-1
Depreciation charge for the year	0	0
Total	**3**	**2**

Finance leases

Fortum does not have material finance lease arrangements where where the Group is leasing out assets.

36.2 Leases as lessee

Operating leases

Fortum leases office equipment and cars under various non-cancellable operating leases, some of which contain renewal options. The future costs for non-cancellable operating lease contracts are stated below. Lease rental expenses amounting to EUR 16 million (2013: 28) are included in the income statement in other expenses. Future minimum lease payments include land leases with long lease periods.

Future minimum lease payments on operating leases

EUR million	2014	2013
Not later than 1 year	24	27
Later than 1 year and not later than 5 years	43	47
Later than 5 years	76	108
Total	**142**	**181**

Finance leases

Fortum does not have material finance lease arrangements where the Group is leasing in assets.

37 Capital commitments

EUR million	2014	2013
Property, plant and equipment	458	524
Intangible assets	3	6
Total	**461**	**530**

Capital commitments are capital expenditure contracted for at the balance sheet date but not recognised in the financial statements. Capital commitments have decreased compared to year-end 2013. The decrease comes mainly from progressing of OAO Fortum's investment programme and divestments of the Finnish and Norweigan distribution businesses.

For more information regarding capital expenditure, see Note 19 Property, plant and equipment.

38 Contingent liabilities

EUR million	2014	2013
On own behalf		
Other contingent liabilities	64	77
On behalf of associated companies and joint ventures		
Guarantees	459	514
Other contingent liabilities	125	125
On behalf of others		
Guarantees	0	3

38.1 Guarantees on own behalf

Other contingent liabilities on own behalf contain various contingent liabilities for group companies, EUR 64 million in 2014 (2013: 77).

38.2 Guarantees on behalf of associated companies

Guarantees and other contingent liabilities on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies Teollisuuden Voima Oyj (TVO), Forsmarks Kraftgrupp AB (FKA) and OKG AB (OKG). The guarantees are given in proportion to Fortum's respective ownership in each of these companies.

According to law, nuclear companies operating in Finland and Sweden shall give securities to the Finnish State Nuclear Waste Management Fund and the Swedish Nuclear Waste Fund respectively, to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plant and disposal of spent fuel. In Finland, Fortum has given a guarantee on behalf of TVO to the Finnish State Nuclear Waste Management Fund to cover Fortum's part of TVO's uncovered part of the legal liability and for unexpected events. The amount of guarantees is updated every year in June based on the legal liability decided in December the previous year. Due to the yearly update, the amount of guarantees given were EUR 41 million (2013: 40).

In Sweden, Fortum has given guarantees on behalf of FKA and OKG to the Swedish Nuclear Waste Fund to cover Fortum's part of FKA's and OKG's liability. The guarantees for 2012-2014 were decided in December 2011 by the Swedish government and they became effective from September 2012. The total amount of guarantees for FKA and OKG amount to SEK 3,696 million (EUR 393 million) at year-end 2014 (2013: EUR 417 million).

Meri-Pori power plant in Finland is owned by Fortum 54.55% and TVO 45.45%. Based on the participation agreement Fortum has to give a guarantee to TVO against possible loss of asset or breach in contract of TVO's share of the asset, EUR 125 million (2013: 125).

38.3 Other contingent liabilities

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a collective contingent liability with Neste Oil Oyj of the in 2004 demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's (734/1978) Chapter 14a Paragraph 6.

39 Legal actions and official proceedings

39.1 Group companies

The Swedish Energy Authority (EI), which regulates and supervises the distribution network tariffs in Sweden, has issued a decision concerning the allowed income frame for the years 2012-2015. EI has based its decision on a model with a transition rule stating that it takes 18 years to reach the allowed level of income. The EI decision has been appealed to the County Administrative Court by more than 80 distribution companies, including Fortum Distribution AB. The basis for Fortum Distribution AB's appeal is that the model is not compatible with the existing legislation and that EI has applied an incorrect method for the calculation of Weighted Average Cost of Capital (WACC). In December 2013, the court decided in favor of the industry on all major topics. However, the decision has been appealed by EI to the next level, the Administrative Court of Appeal. In November 2014, the Administrative Court of Appeal, the second law-court, ruled in favour of the Swedish network companies. In December 2014, however, EI decided to appeal this decision to the next and final law-court, the Supreme Administrative Court. For the case to be reconsidered, it is required that the Supreme Administrative Court grants a leave to appeal. A decision whether to grant such a leave will be made during the spring 2015.

Fortum received income tax assessments in Sweden for the years 2009, 2010, 2011 and 2012 in December 2011, December 2012, December 2013 and October 2014, respectively. According to the tax authorities, Fortum would have to pay additional income taxes for the years 2009, 2010, 2011 and 2012 for the reallocation of loans between the Swedish subsidiaries in 2004–2005, as well as additional income taxes for the years 2010, 2011 and 2012 for financing of the acquisition of TGC 10 (current OAO Fortum) in 2008. The claims are based on a change in tax regulation as of 2009. Fortum considers the claims unjustifiable and has appealed the decisions. The cases are pending before the Administrative Court. In January 2015 the Swedish tax authority announced to the Administrative Court that it has abandoned its claim regarding the year 2010 with respect to financing the acquisition of TGC 10.

Based on legal analysis and supporting legal opinions, no provision has been recognised in the financial statements. If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately SEK 425 million (EUR 45 million) for the year 2009, approximately SEK 379 million (EUR 40 million) for the year 2010, approximately SEK 511 million (EUR 54 million) for the year 2011 and approximately SEK 173 million (EUR 18 million) for the year 2012.

Fortum has received income tax assessments in Belgium for the years 2008, 2009, 2010 and 2011. Tax authorities disagree with the tax treatment of Fortum EIF NV. Fortum finds the tax authorities' interpretation not to be based on the local regulation and has appealed the decisions. The court of First instance in Antwerpen rejected Fortum's appeal for the years 2008 and 2009 in June 2014. Fortum finds the decision unjustifiable and has appealed to the Court of Appeal. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements. If the decision of the tax authorities remain final despite the appeal process, the impact on the net profit would be approximately EUR 36 million for the year 2008, approximately EUR 27 million for the year 2009, approximately EUR 15 million for the year 2010 and approximately EUR 21 million for the year 2011.The tax has already been paid. If the appeal is approved, Fortum will receive a 7% interest on the amount.

Fortum received an income tax assessment in Finland for 2007 in December 2013. Tax authorities claim in the transfer pricing audit, that detailed business decisions are done by Fortum Oyj and therefore re-characterize the equity Fortum has injected to its Belgium subsidiary Fortum Project Finance NV not to be equity, but funds to be available for the subsidiary. Tax authorities' view is that the interest income that Fortum Project Finance NV received from its loans should be taxed in Finland, not Belgium. Fortum considered the claims unjustifiable both for legal grounds and interpretation. Fortum appealed the decision.

The Board of Adjustment of the Large Taxpayers' Office approved Fortum's appeal for the year 2007 on 21 August 2014. The Board of Adjustment's decision is in line with the principle adopted in the Supreme Administrative Court's precedent in June 2014, according to which, under transfer pricing rules, the nature of business cannot be re-characterized for tax purposes, but can only adjust the pricing of goods or services. Despite the new precedent, the Tax Recipients' Legal Services Unit within the tax authorities has appealed this decision to the Administrative Court in Helsinki. If the appeal of the Tax Recipients' Legal Services Unit would be successful in court, the impact on net profit would be approximately EUR 136 million for the year 2007. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements.

In December 2014 Fortum Oyj received a non-taxation decision from the large Taxpayers' office for the years 2008-2011 regarding the activities in the Belgian and Dutch financing companies. The decision was given due to the transfer pricing audit carried out in 2013-2014 and was in line with the Board of Adjustment's decision with respect to Fortum for the year 2007. The Tax Recipients' Legal Services Unit has the right to appeal the decisions.

See Note 14 Income tax expense and

29 Deffered income taxes

In addition to the litigations described above, some Group companies are involved in other routine tax and other disputes incidental to their normal conduct of business. Based on the information currently available, management does not consider the liabilities arising out of such litigations likely to be material to the Group's financial position.

39.2 Associated companies

In Finland Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The civil construction works of the Olkiluoto 3 plant unit have been mainly completed, and the reactor main components are installed. Reactor containment pressure and leak-tightness tests have been completed. Instrumentation and control system tests in the test bay in Erlangen, Germany continued alongside planning and licensing. In September 2014 TVO received additional data about the schedule for the OL3 project from the Supplier, AREVA-Siemens. According to this data, the start of regular electricity production of the plant unit will take place in late 2018. Detailed evaluation of the received data is ongoing.

In December 2008 the OL3 Supplier initiated the International Chamber of Commerce (ICC) arbitration proceedings and submitted a claim concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The updated quantification which the Supplier submitted in October 2014 and corrected in November 2014 brings the total amount claimed by the Supplier for events occurring during the construction period ending June 2011 to approximately EUR 3.4 billion.

In 2012, TVO submitted a counter-claim and defense in the matter. The quantification estimate of TVO's costs and losses updated in October 2014 is approximately EUR 2.3 billion until the end of 2018, which according to the schedule submitted by the OL3 Supplier in September 2014, is the estimated start of the regular electricity production of OL3.

The companies belonging to the Plant Supplier Consortium (AREVA GmbH, AREVA NP SAS and Siemens) are jointly and severally liable of the Plant Contract obligations.

The arbitration proceedings may continue for several years and the claimed amounts may change.

40 Related party transactions

40.1 The Finnish State and companies owned by the Finnish State

At the end of 2014, the Finnish State owned 50.76% 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.

See The Fortum share and shareholders section of the Operating and financial review for further information on Fortum shareholders.

All transactions between Fortum and other companies owned by the Finnish State are on arms length basis. In the ordinary course of business Fortum engages in transactions on commercial terms with associated companies and other related parties, which are on same terms as they would be for third parties, except for some associates as discussed later in this note.

In November 2014 Fortum sold its 31 %-shareholding in the Finnish natural gas company Gasum Oy to the Finnish State.

See further information on the disposal in note 8 Acquisitions and disposals

40.2 Board of Directors and Fortum Executive Management Team

The key management personnel of the Fortum Group are the members of Fortum Executive Management Team and the Board of Directors. Fortum has not been involved in any material transactions with members of the Board of Directors or Fortum Executive Management Team. No loans exist to any member of the Board of Directors or Fortum Executive Management Team at 31 December 2014. The total compensation (including pension benefits and social costs) for the key management personnel for 2014 was EUR 9 million (2013: 8).

See Note 12 Employee benefits for further information on the Board of Directors and Fortum Executive Management Team remuneration and shareholdings.

40.3 Associated companies and joint ventures

Fortum owns shareholdings in associated companies and joint ventures which in turn own hydro and nuclear power plants. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership or other agreements. Each owner is liable for an equivalent portion of costs regardless of output. These associated companies are not profit making, since the owners purchase electricity at production cost including interest costs and production taxes, which generally is lower than market price.

For further information on transactions and balances with associated companies and joint ventures, see Note 20 Participations in associated companies and joint ventures.

40.4 Pension fund

The Fortum pension funds in Finland and Sweden are stand-alone legal entities which manage pension assets related to the part of the pension coverage in Sweden and Finland. The assets in the pension fund in Finland include Fortum shares representing 0.03% (2013: 0.03%) of the company's outstanding shares. Real estate and premises owned by the Finnish pension fund have been leased to Fortum. Fortum has not paid contributions to the pension funds in 2014 nor in 2013. Real estate mortgages have also been given for loans from Fortum's pension fund for EUR 41 million (2013: 41).

41 Events after the balance sheet date

On 22 January 2015, it was announced that Tapio Kuula, President and CEO of Fortum Corporation, will go on a disability pension starting 1 February 2015. Tapio Kuula has been the President and CEO of Fortum Corporation since 2009. Fortum's Board has started the search process for a new CEO covering internal and external candidates. In the meanwhile, Timo Karttinen, CFO of Fortum will also act as interim President and CEO.

42 Subsidiaries by segment on 31 December 2014

● = Power and Technology

■ = Heat, Electricity Sales and Solutions

▲ = Distribution

□ = Russia

▼ = Other

1) Founded during the year

2) Shares held by the parent company

Company name		Domicile	Segment	Group holding, %
Findis Oy	2)	Finland	▼	100.0
Fortum Asiakaspalvelu Oy	2)	Finland	■	100.0
Fortum Assets Oy		Finland	▼	100.0
Fortum C&H Oy		Finland	▼	100.0
Fortum Growth Oy		Finland	▼	100.0
Fortum Heat and Gas Oy	2)	Finland	● ■ ▼	100.0
Fortum Hyötytuotanto Oy		Finland	●	100.0
Fortum Markets Oy	2)	Finland	■	100.0
Fortum Norm Oy	2)	Finland	▼	100.0
Fortum Nuclear Services Oy		Finland	●	100.0
Fortum Power and Heat Oy	2)	Finland	● ■ ▼	100.0
Kiinteistö Oy Espoon Energiatalo		Finland	▼	100.0
Koillis-Pohjan Energiantuotanto Oy		Finland	●	100.0
KPPV-Sijoitus Oy		Finland	▼	100.0
Lounais-Suomen Lämpö Oy		Finland	▼	100.0
Oy Pauken Ab		Finland	▼	100.0
Oy Tersil Ab		Finland	▼	100.0
Oy Tertrade Ab		Finland	▼	100.0
Varsinais-Suomen Sähkö Oy		Finland	▼	100.0
Fortum Project Finance N.V.	2)	Belgium	▼	100.0
Fortum Energi A/S		Denmark	■	100.0
AS Anne Soojus		Estonia	■	60.0
AS Fortum Tartu		Estonia	■	60.0

AS Tartu Joujaam	Estonia	■	60.0
AS Tartu Keskkatlamaja	Estonia	■	60.0
Fortum CFS Eesti OU	Estonia	▼	100.0
Fortum Eesti AS	Estonia	■	100.0
Fortum France S.A.S	France	●	100.0
Fortum Service Deutschland GmbH	Germany	●	100.0
Fortum Insurance Ltd	Guernsey	▼	100.0
Fortum Energy Ltd	Great Britain	▼	100.0
Fortum O&M(UK) Limited	Great Britain	●	100.0
IVO Energy Limited	Great Britain	●	100.0
Fortum Amrit Energy Private Limited	India	■	100.0
Fortum FinnSurya Energy Private Limited	India	■	100.0
Fortum India Private Limited	India	■	100.0
Fortum Tarapur Heat Private Limited	India	■	100.0
Fortum C&P Unlimited	Ireland	▼	100.0
Fortum Finance Ireland Limited 2)	Ireland	▼	100.0
Fortum Jelgava, SIA	Latvia	■	100.0
Fortum Latvia SIA	Latvia	■	100.0
UAB Fortum Ekosiluma	Lithuania	■	100.0
UAB Fortum Heat Lietuva	Lithuania	■	100.0
UAB Fortum Kaunas 1)	Lithuania	■	100.0
UAB Fortum Klaipeda	Lithuania	■	95.0
UAB Joniskio energija	Lithuania	■	66.0
UAB Svencioniu energija	Lithuania	■	50.0
Fortum Baltic Investments SNC	Luxemburg	■	100.0
Fortum Investment SARL	Luxemburg	▼	100.0
Fortum L.A.M SNC.	Luxemburg	■	100.0
Fortum Luxembourg SARL	Luxemburg	▼	100.0
Fortum Sendi Prima Sdn Bhd	Malaysia	●	100.0
Fortum Förvaltning AS	Norway	▼	100.0
Fortum Markets AS	Norway	■	100.0
Fortum Bytom SA	Poland	■	99.8
Fortum Power and Heat Polska Sp.z.o.o	Poland	● ■ ▼	100.0
Fortum Zabrze SA	Poland	■	99.2
Rejonowa Spółka Ciepłownicza Sp. z o.o.	Poland	■	99.8
Chelyabinsk Energoremont	Russia	□	98.2
LLC Fortum Energy OOO Fortum Energija	Russia	□	100.0
OAO Fortum	Russia	□	98.2
Tobolsk CHP Limited Liability Company	Russia	□	98.2
Urals Heat Network	Russia	□	98.2
Blybergs Kraftaktiebolag	Sweden	●	66.7
Brännälven Kraft AB	Sweden	●	67.0
Bullerforsens Kraft Aktiebolag	Sweden	●	88.0
Energikundservice Sverige AB	Sweden	▼	100.0

Fortum 1 AB		Sweden	□	100.0
Fortum AMCO AB		Sweden	▼	100.0
Fortum Dalälvens Kraft AB		Sweden	●	100.0
Fortum Distribution AB		Sweden	▲	100.0
Fortum Fastigheter AB		Sweden	▼	100.0
Fortum Generation AB		Sweden	●	100.0
Fortum Indalskraft AB		Sweden	●	100.0
Fortum Ljunga Kraft AB		Sweden	●	100.0
Fortum Ljusnans Kraft AB		Sweden	●	100.0
Fortum Markets AB		Sweden	■	100.0
Fortum Nordic AB	2)	Sweden	▼	100.0
Fortum Power and Heat AB		Sweden	●	100.0
Fortum Produktionsnät AB		Sweden	●	100.0
Fortum Sweden AB	2)	Sweden	▼	100.0
Fortum Vind Norr AB		Sweden	●	100.0
Fortum Älvkraft i Värmland AB		Sweden	●	100.0
Laforsen Produktionsnät Aktiebolag		Sweden	▲	80.0
Mellansvensk Kraftgrupp Aktiebolag		Sweden	●	86.9
Oreälvens Kraftaktiebolag		Sweden	●	65.0
Uddeholm Kraft Aktiebolag		Sweden	●	100.0
Värmlandskraft-OKG-delägarna Aktiebolag		Sweden	●	73.3
FB Generation Services B.V.		The Netherlands	●	75.0
Fortum 1 B.V.	1)	The Netherlands	▼	100.0
Fortum 2 B.V.	1)	The Netherlands	▼	100.0
Fortum 3 B.V.	1)	The Netherlands	▼	100.0
Fortum 4 B.V.	1)	The Netherlands	▼	100.0
Fortum Finance II B.V.		The Netherlands	▼	100.0
Fortum Holding B.V.	2)	The Netherlands	▼	100.0
Fortum Hydro B.V.	1)	The Netherlands	●	100.0
Fortum India B.V.		The Netherlands	▼	100.0
Fortum India Industry B.V.		The Netherlands	▼	100.0
Fortum Power Holding B.V.		The Netherlands	●	100.0
Fortum Russia B.V.		The Netherlands	□	100.0
Fortum Russia Holding B.V.		The Netherlands	□	100.0
Fortum SAR B.V.		The Netherlands	▼	100.0
Fortum Sun B.V.		The Netherlands	▼	100.0
Fortum Wave Power B.V.		The Netherlands	●	100.0
PolarSolar B.V.	1)	The Netherlands	■	100.0
RPH Investment B.V.	1)	The Netherlands	□	100.0

Parent company financial statements

Income statement

EUR million	Note	2014	2013
Sales	2	76	84
Other income	3	1,959	7
Employee costs	4	-35	-33
Depreciation, amortisation and write-downs	7	-9	-9
Other expenses		-72	-60
Operating profit		**1,919**	**-11**
Financial income and expenses	5	-129	-16
Profit after financial items		**1,790**	**-27**
Group contributions [1)]		565	608
Profit before income tax		**2,355**	**581**
Income tax expense	6	-90	-104
Profit for the period		**2,265**	**477**

1) Taxable profits transferred from Finnish subsidiaries.

Balance sheet

EUR million	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	7	18	15
Property, plant and equipment	7	4	13
Investments in group companies	7	16,057	16,215
Investments in associated companies	7	6	0
Interest-bearing receivables from group companies	7	1,368	2,382
Interest-bearing receivables from associated companies	7	211	1
Other non-current assets	7	2	5
Deferred tax assets		2	4
Total non-current assets		**17,668**	**18,635**
Current assets			
Other current receivables from group companies	8	586	630
Other current receivables from associated companies	8	1	0
Other current receivables	8	170	11
Bank deposits	9	505	0
Cash and cash equivalents	9	1,813	1,059
Liquid funds		**2,318**	**1,059**
Total current assets		**3,075**	**1,700**
Total assets		**20,743**	**20,335**
EQUITY			
Shareholders' equity	10		
Share capital		3,046	3,046
Share premium		2,822	2,822
Retained earnings		3,174	3,674
Profit for the period		2,265	477
Total shareholders' equity		**11,307**	**10,019**
Provisions for liabilities and charges		0	0
LIABILITIES			
Non-current liabilities			
External interest-bearing liabilities	11	5,269	6,351
Interest-bearing liabilities to group companies	11	2,648	1,470
Interest-bearing liabilities to associated companies	11	261	247
Other non-current liabilities		3	2
Total non-current liabilities		**8,181**	**8,070**
Current liabilities			
External interest-bearing liabilities	11	1,083	2,025
Trade and other payables to group companies	12	31	25
Trade and other payables to associated companies	12	3	2
Trade and other payables	12	138	194
Total current liabilities		**1,255**	**2,246**
Total liabilities		**9,436**	**10,316**
Total equity and liabilities		**20,743**	**20,335**

Cash flow statement

EUR million	2014	2013
Cash flow from operating activities		
Profit for the period	**2,265**	**477**
Adjustments:		
Income tax expense	90	104
Group contributions	-565	-608
Finance costs - net	129	16
Depreciations, amortisation and write-downs	9	9
Operating profit before depreciations	**1,928**	**-2**
Non-cash flow items and divesting activities	-1,940	1
Interest and other financial income	45	60
Interest and other financial expenses paid	-168	-229
Dividend income	0	210
Group contribution received	609	574
Realised foreign exchange gains and losses	-283	-149
Taxes	-127	-87
Funds from operations	**64**	**378**
Other short-term receivables increase(-)/decrease(+)	-6	-5
Other short-term payables increase(+)/decrease(-)	-9	-40
Change in working capital	**-15**	**-45**
Net cash from operating activities	**49**	**333**
Cash flow from investing activities		
Capital expenditures	-5	-9
Acquisition of shares and capital contributions in subsidiaries	0	-19
Acquisition of shares in associated companies	-3	0
Capital returns from subsidiaries	0	210
Acquisition of other shares	-2	-2
Proceeds from sales of fixed assets	0	0
Proceeds from sales of shares in subsidiaries	2,093	0
Change in interest-bearing receivables and other non-current assets	793	-836
Net cash used in investing activities	**2,876**	**-656**
Cash flow before financing activities	**2,925**	**-323**
Cash flow from financing activities		
Proceeds from long-term liabilities	46	759
Payment of long-term liabilities	-1,340	-526
Change in cashpool liabilities	1,178	917
Change in short-term liabilities	-573	406
Dividends paid	-977	-888
Net cash used in financing activities	**-1,666**	**668**
Net increase(+)/decrease(-) in liquid funds	**1,259**	**345**
Liquid funds at the beginning of the period	**1,059**	**714**
Liquid funds at the end of the period	**2,318**	**1,059**

Notes to the parent company financial statement

1 Accounting policies and principles

The financial statements of Fortum Oyj 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.

Derivatives used to hedge balance sheet items and other foreign currency positions are valued employing the exchange rate quoted on the balance sheet date and gains or losses are recognised in the income statement in the financial net. The interest element on forward contracts is accrued for the period.

Option premiums are treated as advances paid or received until the option matures, and any losses on options entered into other than for hedging purposes are entered as an expense in the income statement.

Interest income or expense for derivatives used to hedge the interest rate risk exposure is accrued over the period to maturity and is recognised as an adjustment to the interest expense of the liabilities.

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 balance of the carrying amount, an adjustment to the value must be 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 must be reversed.

1.6 Property, plant and equipment and depreciation

The balance sheet value of property, plant and equipment consists of historical costs less depreciation and other deductions. 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:

Buildings and structures	15 – 40 years
Machinery and equipment	3 – 15 years
Other intangible assets	5 – 10 years

1.7 Pension expenses

Statutory pension obligations are covered through a compulsory pension insurance policy or Group's own pension fund. Payments to Group's pension fund are recorded in the income statement in amounts determined by the pension fund according to the actuarial assumptions pursuant to the Finnish Employees' Pension Act.

1.8 Long-term incentive schemes

Costs related to the Fortum long-term incentive plans are accrued over the plan 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 in the balance sheet.

2.0 Presentation of the primary statements and notes

Information presented in the notes is given seperately for Fortum Group companies and for associated companies of the Group.

Fortum Group implemented new IFRS standards starting from 1 January 2014. This changed the status of AB Fortum Värme samägt med Stockholm Stad in the consolidated accounts from subsidiary to joint venture. The parent company financial statements reflect the reclassification from 1 January 2014 onwards and the comparative period information has not been restated.

2 Sales by market area

EUR million	2014	2013
Finland	52	65
Other countries	24	19
Total	**76**	**84**

3 Other income

EUR million	2014	2013
Gain on sales of shareholdings	1,940	0
Rental and other income	19	7
Total	**1,959**	**7**

4 Employee costs

EUR million	2014	2013
Personnel expenses		
Wages, salaries and remunerations	28	26
Indirect employee costs		
Pension costs	5	5
Other indirect employee costs	1	1
Other personnel expenses	1	1
Total	**35**	**33**

EUR thousands	2014	2013
Compensation for the President and CEO		
Salaries and fringe benefits [1)]	1,005	795
Performance bonuses [2)]	127	22
Share-based remuneration	235	448
Pensions (statutory)	188	137
Pensions (voluntary)	255	204
Social security expenses	57	48
Total	**1,867**	**1,654**
Compensation for the Board of Directors	**477**	**455**

1) Amount is impacted by the sick leave during 2013.

2) Performance bonuses are based on estimated amounts.

Compensation above is presented on accrual basis. Paid salaries and remunerations for the President and CEO in 2014 were EUR 1,592 thousands (2013: 1,784).

Timo Karttinen, who assumed responsibility for the duties of the President and CEO during Tapio Kuula's sick leave in December 2014, did not receive any compensation during 2014 for these additional duties.

In 2013 a compensation of EUR 80 thousands was paid to Markus Rauramo for assuming the duties of the President and CEO during March-November 2013.

For the President and CEO Tapio Kuula the retirement age of old-age pension is 63. 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 bonus or share bonus systems, nor does Fortum have a pension plan that they can opt to take part in.

See also Note 12 Employee benefits and

Note 32 Pension obligations in the Consolidated financial statements.

	2014	2013
Average number of employees	301	326

5 Financial income and expenses

EUR million	2014	2013
Dividend income from group companies	0	210
Dividend income from associated companies and other companies	0	0
Interest and other financial income from group companies	24	27
Interest and other financial income from associated companies	9	-
Write-downs of participations in group companies	0	-44
Interest and other financial income	10	13
Exchange rate differences	2	1
Interest and other financial expenses to group companies	-5	-8
Interest and other financial expenses	-169	-215
Total	**-129**	**-16**
Total interest income and expenses		
Interest income	43	40
Interest expenses	-170	-219
Interest net	**-127**	**-179**

Write-downs of participations in group companies are related to shares in Fortum Heat and Gas Oy and received dividend payments. Interest and other financial income fromjoint venture is related to AB Fortum Värme samägt med Stockholm Stad.

6 Income tax expense

EUR million	2014	2013
Taxes on regular business operations	-23	-45
Taxes on group contributions	113	149
Total	**90**	**104**
Current taxes for the period	81	103
Current taxes for prior periods	7	0
Changes in deferred tax	2	1
Total	**90**	**104**

For more information, see note 13 Contingent liabilities.

7 Non-current assets

Intangible assets

EUR million	Intangible assets total
Cost 1 January 2014	49
Additions	9
Disposals	0
Cost 31 December 2014	58
Accumulated depreciation 1 January 2014	34
Disposals	0
Depreciation for the period	6
Accumulated depreciation 31 December 2014	40
Carrying amount 31 December 2014	18
Carrying amount 31 December 2013	15

Property, plant and equipment

EUR million	Buildings and structures	Machinery and equipment	Advances paid and construction in progress	Total
Cost 1 January 2014	1	32	10	43
Additions and transfers between categories	0	2	-9	-7
Disposals		-1		-1
Cost 31 December 2014	1	33	1	35
Accumulated depreciation 1 January 2014	1	29	-	30
Disposals		-1		-1
Depreciation for the period		2		2
Accumulated depreciation 31 December 2014	1	30	-	31
Carrying amount 31 December 2014	0	3	1	4
Carrying amount 31 December 2013	0	3	10	13

Investments

EUR million	Shares in Group companies	Participation in associated companies	Receivables from Group companies	Receivables from associated companies	Other non-current assets	Total
1 January 2014	17,139	0	2,382	1	7	19,529
Reclassifications	-6	6	-378	381	-3	0
Additions 1)	0	0	220	28	1	249
Disposals 2)	-152	0	-856	-199	0	-1,207
31 December 2014	**16,981**	**6**	**1,368**	**211**	**5**	**18,571**
Accumulated write-downs 1 January 2014 3)	**-924**	**0**	**0**	**0**	**-2**	**-926**
Impairment charges					-1	-1
Accumulated write-downs 31 December 2014	**-924**	**0**	**0**	**0**	**-3**	**-927**
Carrying amount 31 December 2014 4)	**16,057**	**6**	**1,368**	**211**	**2**	**17,644**

1) Additions regarding shares comprise acquisitions of shares and capital contributions and reclassification between other non-current assets and shares in Group companies.

2) Disposals regarding shares comprise divestments and repayments of capital.

3) Write-downs of participations in group companies are related to shares in Fortum Heat and Gas Oy due to received dividend payments.

4) Receivables from associated companies are mainly from AB Fortum Värme samägt med Stockholm Stad, EUR 199 million .

8 Other current receivables

EUR million	2014	2013
Other current receivables from group companies		
Trade receivables	13	10
Other receivables	564	609
Accrued income and prepaid expenses	9	11
Total	**586**	**630**
Other current receivables from associated companies		
Trade receivables	1	0
Accrued income and prepaid expenses	0	0
Total	**1**	**0**
Other current receivables		
Trade receivables	1	0
Other receivables	2	1
Accrued income and prepaid expenses	167	10
Total	**170**	**11**

9 Liquid Funds

EUR million	2014	2013
Cash at bank and in hand	1,813	1,059
Bank deposits with maturity more than 3 months	505	0
Liquid funds	**2,318**	**1,059**

10 Changes in shareholders' equity

EUR million	Share capital	Share premium	Retained earnings	Total
Total equity 31 December 2013	**3,046**	**2,822**	**4,151**	**10,019**
Cash dividend			-977	-977
Profit for the period			2,265	2,265
Total equity 31 December 2014	**3,046**	**2,822**	**5,439**	**11,307**
Total equity 31 December 2012	**3,046**	**2,822**	**4,562**	**10,430**
Cash dividend			-888	-888
Profit for the period			477	477
Total equity 31 December 2013	**3,046**	**2,822**	**4,151**	**10,019**

EUR million	2014	2013
Distributable funds 31 December	**5,439**	**4,151**

11 Interest-bearing liabilities

External interest-bearing liabilities

EUR million	2014	2013
Bonds	3,974	4,725
Loans from financial institutions	514	681
Other long-term interest-bearing debt	781	945
Total long-term interest-bearing debt	**5,269**	**6,351**
Current portion of long-term bonds	660	1,103
Current portion of loans from financial institutions	137	49
Commercial papers	0	718
Other short-term interest-bearing debt	286	155
Total short-term interest-bearing debt	**1,083**	**2,025**
Total external interest-bearing debt	**6,352**	**8,376**

Maturity of external interest-bearing liabilities

EUR million	2014
2015	1,083
2016	835
2017	511
2018	594
2019	809
2020 and later	2,520
Total	**6,352**

External interest-bearing liabilities due after five years

EUR million	2014	2013
Bonds	1,690	2,440
Loans from financial institutions	49	118
Other long-term liabilities	781	750
Total	**2,520**	**3,308**

Other interest-bearing liabilities due after five years

EUR million	2014	2013
Interest-bearing liabilities to group companies	9	9
Interest-bearing liabilities to associated companies	261	248
Total	**270**	**257**

12 Trade and other payables

EUR million	2014	2013
Trade and other payables to group companies		
Trade payables	1	1
Other liabilities	30	24
Accruals and deferred income	0	0
Total	**31**	**25**
Trade and other payables to associated companies		
Accruals and deferred income	3	2
Total	**3**	**2**
Trade and other payables		
Trade payables	8	9
Other liabilities	6	8
Accruals and deferred income	124	177
Total	**138**	**194**

13 Contingent liabilities

EUR million	2014	2013
On own behalf		
Other contingent liabilities	2	3
On behalf of group companies		
Guarantees	131	348
On behalf of associated companies		
Guarantees	418	417
Contingent liabilities total	**551**	**768**

Operating leases

EUR million	2014	2013
Lease payments		
Not later than 1 year	4	4
Later than 1 year and not later than 5 years	5	6
Total	**9**	**10**

Derivatives

EUR million	2014 Contract or notional value	2014 Fair value	2014 Not recog-nised as income	2013 Contract or notional value	2013 Fair value	2013 Not recog-nised as income
Forward rate agreements	0			56		
Interest rate swaps	5,721	155	160	6,658	105	100
Forward foreign exchange contracts [1)]	14,866	-77	-1	18,614	-39	5
Interest rate and currency swaps	1,473	233	28	928	36	-2

1) Includes also future positions.

Fortum Oyj received in December 2013 an income tax assessment regarding transfer pricing for the year 2007. Fortum appealed the decision. In August 2014 The Board of Adjustment of the large Taxpayers' office approved Fortum's appeal. The Tax Recipients' Legal Services Unit within the tax authorities has appealed this decision to the Administrative Court. If the appeal of the Tax Recipients' Legal Services Unit is successful, the impact on net profit would be approximately EUR 136 million for the year 2007. Based on legal analyses, no provision has been recognized in the financial statements.

For more information, see Note 39 Legal actions and official proceedings to the consolidated financial statements.

14 Related party transactions

See Note 40 Related party transactions in the Consolidated financial statements.

Proposal for the distribution of earnings

The distributable funds of Fortum Oyj as at 31 December 2014 amounted to EUR 5,438,689,036.90 including the profit of the period of EUR 2,264,863,648.81. After the end of the financial period there have been no material changes in the financial position of the Company.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for 2014. In addition the Board of Directors proposes to the Annual General Meeting an extra dividend of EUR 0.20 per share be paid for 2014.

Based on the number of registered shares as of 3 February 2015 the total amount of dividend proposed to be paid is EUR 1,154,877,158.50. The Board of Directors proposes, that the remaining part of the profit be retained in the shareholders' equity.

Espoo, 3 February 2015

Sari Baldauf

Kim Ignatius

Minoo Akhtarzand

Heinz-Werner Binzel

Ilona Ervasti-Vaintola

Christian Ramm-Schmidt

Petteri Taalas

Jyrki Talvitie

Timo Karttinen
President and CEO

Auditor's report

To the Annual General Meeting of Fortum Oyj

We have audited the accounting records, the financial statements, the Operating and Financial Review, and the administration of Fortum Oyj for the financial period 1.1.-31.12.2014. The financial statements comprise of the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the Operating and Financial Review that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Operating and Financial Review in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the Operating and Financial Review based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Operating and Financial Review are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Operating and Financial Review. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and Operating and Financial Review that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and Operating and Financial Review.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the Operating and Financial Review

In our opinion, the financial statements and the Operating and Financial Review give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the Operating and Financial Review in Finland. The information in the Operating and Financial Review is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds 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, 3 February 2015

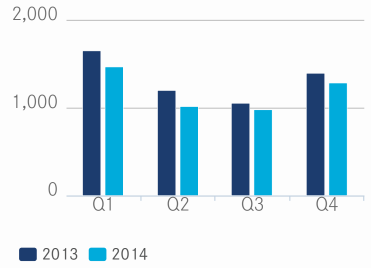
Deloitte & Touche Oy
Authorized Public Audit Firm

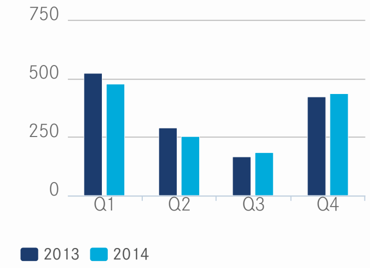
Jukka Vattulainen
Authorized Public Accountant

Note: Quarterly financial information is unaudited.

Selected data based on quarterly consolidated income statement

EUR million	Q1/ 2013	Q2/ 2013	Q3/ 2013	Q4/ 2013	2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014	2014
Sales	**1,654**	**1,205**	**1,060**	**1,390**	**5,309**	**1,473**	**1,016**	**976**	**1,285**	**4,751**
Comparable EBITDA	**664**	**429**	**336**	**547**	**1,975**	**627**	**382**	**309**	**556**	**1,873**
Comparable operating profit	**524**	**289**	**167**	**423**	**1,403**	**477**	**255**	**183**	**436**	**1,351**
Operating profit	**477**	**429**	**96**	**507**	**1,508**	**2,333**	**295**	**149**	**650**	**3,428**
Share of profit/loss of associates and joint ventures	78	34	3	63	**178**	72	37	1	38	**149**
Finance costs - net	-65	-75	-72	-77	**-289**	-64	-48	-56	-48	**-217**
Profit before income tax	**490**	**388**	**27**	**493**	**1,398**	**2,341**	**284**	**95**	**639**	**3,360**
Income tax expense	-86	-74	3	-29	**-186**	-86	-37	-11	-64	**-199**
Profit for the period	**404**	**314**	**30**	**465**	**1,212**	**2,255**	**247**	**84**	**575**	**3,161**
Profit for the period, non-controlling interests	-3	0	1	-6	**-8**	-4	0	1	-4	**-7**
Profit for the period, owners of the parent	**401**	**314**	**31**	**458**	**1,204**	**2,251**	**247**	**85**	**571**	**3,154**
Earnings per share, basic, EUR	**0.45**	**0.35**	**0.04**	**0.52**	**1.36**	**2.53**	**0.28**	**0.10**	**0.64**	**3.55**
Earnings per share, diluted, EUR	**0.45**	**0.35**	**0.04**	**0.52**	**1.36**	**2.53**	**0.28**	**0.10**	**0.64**	**3.55**





Quarterly sales by segment

EUR million	Q1/ 2013	Q2/ 2013	Q3/ 2013	Q4/ 2013	2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014	2014
Power and Technology	665	548	496	543	**2,252**	586	487	495	588	**2,156**
Heat, Electricity Sales and Solutions	531	308	255	422	**1,516**	446	269	224	393	**1,332**
Russia	344	251	210	314	**1,119**	333	234	207	281	**1,055**
Distribution	339	227	217	280	**1,064**	300	148	130	173	**751**
Other	15	14	14	20	**63**	14	14	14	15	**58**
Netting of Nord Pool transactions 1)	-171	-95	-90	-122	**-478**	-133	-101	-67	-121	**-422**
Eliminations	-70	-49	-42	-67	**-228**	-72	-35	-26	-45	**-179**
Total	**1,654**	**1,205**	**1,060**	**1,390**	**5,309**	**1,473**	**1,016**	**976**	**1,285**	**4,751**

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 if Fortum is a net seller or net buyer during any particular hour.

Quarterly comparable operating profit by segments

EUR million	Q1/ 2013	Q2/ 2013	Q3/ 2013	Q4/ 2013	2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014	2014
Power and Technology	303	210	139	207	**859**	251	183	167	276	877
Heat, Electricity Sales and Solutions	57	13	-3	42	**109**	48	11	-4	49	**104**
Russia	41	20	-15	110	**156**	73	28	1	59	**161**
Distribution	137	60	59	76	**332**	119	45	36	67	**266**
Other	-14	-14	-14	-12	**-54**	-14	-13	-16	-14	**-57**
Comparable operating profit	**524**	**289**	**167**	**423**	**1,403**	**477**	**255**	**183**	**436**	**1,351**
Non-recurring items	4	0	39	17	**61**	1,851	73	8	238	**2,171**
Other items affecting comparability	-51	140	-110	66	**45**	5	-32	-42	-24	**-94**
Operating profit	**477**	**429**	**96**	**507**	**1,508**	**2,333**	**295**	**149**	**650**	**3,428**

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

Quarterly information from 2005 to 2014 is available in Excel format on Fortum's website www.fortum.com/investors/financial information.

Fortum Corporation's financial statements include the financial statements of the parent company and the consolidated financial statements of the group. The operating and financial review is attached to the financial statements. The Corporate Governance Statement, issued separately from the operating and financial review, and the Remuneration Statement, are published at the same time as the financial statements. The Company's Annual Report, including sustainability reporting, will be published in the annual report 2014 internet site during week ten. The additional GRI section will be published on the same internet site at the end of March 2015.

Annual General Meeting

The Annual General Meeting of Fortum Corporation will be held on Tuesday, 31 March 2015, starting at 14:00 EET at Finlandia Hall, address: Mannerheimintie 13 e, Helsinki, Finland. The reception of shareholders who have registered for the meeting will commence at 13.00 EET.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pays a dividend of EUR 1.10 per share and an extra dividend of EUR 0.20 per share for 2014, totaling approximately EUR 1,155 million based on the registered shares as of 3 February 2015.The possible dividend-related dates planned for 2015 are:

- the ex-dividend date 1 April 2015,
- the record date for dividend payment 2 April 2015 and
- the dividend payment date 14 April 2015.

Financial information in 2015

Fortum will publish three interim reports in 2015: Q1 on 29 April, Q2 on 17 July, and Q3 on 22 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's management hosts regular press conferences, targeted at analysts and the media. A webcast of these conferences is available online at www.fortum.com. Management also gives interviews on a one-on-one and group basis. Fortum observes a silent period of 30 days prior to publishing its results.

Fortum share basics

Listed on Nasdaq Helsinki
Trading ticker: FUM1V
Number of shares, 4 February 2015: 888,367,045.
Sector: Utilities

Fortum`s activities in capital markets during 2014

Fortum`s Investor Relations (IR) 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. Investors and analysts primarily in Europe and North America are met on a regular basis.

In 2014 Fortum met approximately 250 professional equity investros individually or in group meetings, whilst maintaining regular contact with equity research analysts at investment banks and brokerage firms. During the year, IR and senior management gave approximately 20 presentations at investor confereces in Scandinavia and the United Kingdom.

2015

Financial Statements Bulletin, February 4th

Financial Statements 2014, February 19th

Annual General Meeting, March 31st

Interim report January-March, April 29th

Interim Report January-June, July 17th

Interim report January-September, October 22nd

GOVERNANCE

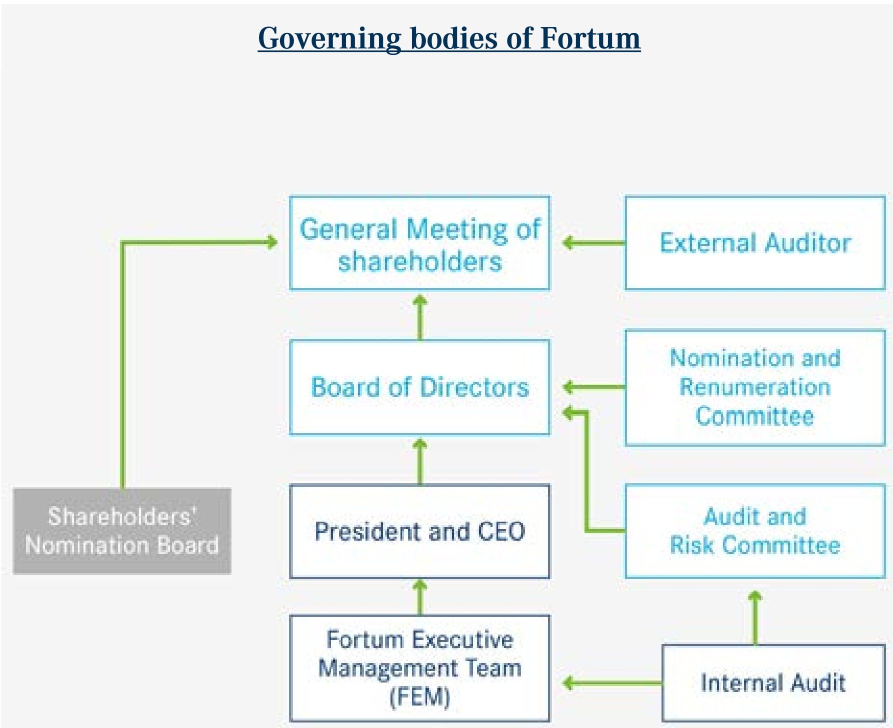
Corporate Governance Statement

Fortum Corporation's shares (FUM1V) have been listed on Nasdaq Helsinki since 18 December 1998. Fortum's industrial sector, according to the Global Industry Classification Standard, is Electric Utilities. The State of Finland is the majority owner in Fortum with 50.76 % of the shares as at 31 December 2014.

Corporate governance at Fortum is based on Finnish laws and the company's Articles of Association. Fortum complies also fully with the Finnish Corporate Governance Code 2010. The statement is issued separately from the Operating and financial review, and it has been reviewed by the Audit and Risk Committee of Fortum's Board of Directors.

Fortum prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Finnish Securities Markets Act as well as the appropriate Financial Supervision Authority's regulations and guidelines and Nasdaq Helsinki's rules. The company's operating and financial review and the parent company financial statements are prepared in accordance with the Finnish Companies Act, Accounting Act, Securities Markets Act, and the opinions and guidelines of the Finnish Accounting Board. The auditor's report covers the operating and financial review, consolidated financial statements and the parent company financial statements. The Finnish Corporate Governance Code 2010 is available on the website of the Securities Market Association. (www.cgfinland.fi)

Governing bodies of Fortum



The decision-making bodies managing and overseeing the Group's administration and operations are the General Meeting of Shareholders, the Board of Directors with its two Committees, the Audit and Risk Committee and the Nomination and Remuneration Committee, and the President and CEO, supported by the Fortum Executive Management Team.

The General Meeting of Shareholders is the highest decision-making body of Fortum making resolutions in matters designated in the Companies Act. The Board of Directors is responsible for the company's strategic development and for supervising and steering the company's business and management. The President and CEO, supported by the Fortum Executive Management Team, has the operational responsibility at the Group level and is in charge of the day-to-day management of the Group, and at the division level, the operational responsibility is held by the division head, supported by the division's management team. In connection with the reorganisation as of 1 March 2014 Fortum Management Team was renamed as Fortum Executive Management Team (FEM) and the number of members was extended from nine to twelve.

In addition, Fortum has an informal Advisory Council consisting of representatives of Fortum's stakeholder groups as invited by the Board of Directors. The Advisory Council aims to advance Fortum's businesses by facilitating a dialogue and exchange of views between Fortum and its stakeholders. During 2014, the Advisory Council consisted of 14 representatives of Fortum's stakeholder groups and three employee representatives.

Fortum has not established a specific Sustainability Committee for decision-making on economic, environmental and social issues. As sustainability is an integral part of Fortum’s strategy, the highest decision-making of these issues falls on the duties of the Board of Directors who share joint responsibility on sustainability matters. The Audit and Risk Committee, members of the Fortum Executive Management Team and other senior executives support the Board of Directors in the decision-making in the aforementioned matters, when necessary.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of Fortum. Every shareholder has the right to attend the General Meeting and exercise his/her power of decision in matters belonging to the General Meeting by law. Each share is entitled to one vote. A shareholder who is present at the General Meeting of Shareholders also has the right to request information with respect to the matters to be considered at the meeting.

Decisions at the General Meetings of Shareholders are primarily made by a simple majority of votes. Examples of such decisions are the following: resolutions on the adoption of the financial statements, payment of dividends, discharging from liability of the members of the Board of Directors and the President and CEO, appointment of the Board of Directors and the external auditors and decision on their remuneration. However, for instance, a change in the Articles of Association of the company would require at least 2/3 majority of the votes at the General Meeting of Shareholders.

In accordance with the Articles of Association and Companies Act, a notice to convene the General Meeting of Shareholders is issued by the Board of Directors. The notice is delivered no more than three months and no less than three weeks before the General Meeting of Shareholders by publishing the notice on the company's website and/or in two newspapers chosen by the Board of Directors. However, the notice shall be delivered at least nine days before the record date of the General Meeting of Shareholders. The Annual General Meeting of Shareholders is to be held once a year, in June at the latest. An Extraordinary General Meeting of Shareholders shall be held whenever the Board of Directors finds it necessary or when it is required by law to convene such a meeting. No Extraordinary General Meeting of Shareholders was held in 2014.

The duties of the Annual General Meeting include:

- Adoption of the parent company financial statements and consolidated financial statements
- Resolution on the use of the profit shown on the balance sheet and the payment of dividends
- Resolutions on the discharge from liability of the members of the Board of Directors and the President and CEO
- Resolution on the remuneration of the members of the Board of Directors
- Resolution on the number of members of the Board of Directors
- Election of the chairman, deputy chairman and members of the Board of Directors
- Resolution on the remuneration of the external auditor
- Election of the external auditor

Board of Directors

The Board of Directors is responsible for the company's strategic development and for supervising and steering the company's business and management. Further, under the Articles of Association and in line with the Companies Act, the Board of Directors represents the company and is responsible for the proper arrangement of the control of the company's accounts and finances. The Board of Directors is also responsible for defining the company's mission and values.

The Board of Directors comprises five to eight 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 Annual General Meeting also elects the Chairman and the Deputy Chairman of the Board of Directors.

The Annual General Meeting resolved in April 2014 to remove the age limit of 68 years for board members from the Articles of Association, in accordance with the stand of the Ownership Steering of the Finnish State.

The Board of Directors convenes according to a previously agreed schedule to discuss specified themes and other issues whenever considered necessary. The Chairman of the Board of Directors prepares the agenda for the Board of Directors meeting based on the proposal by the President and CEO. The members of the Board of Directors have the right to suggest specific matters and have them included on the agenda. More than half of the members must be present at the meeting to constitute a quorum. Decisions of the Board of Directors shall be made by a simple majority. The Board of Directors has approved a written charter for its work, the main content of which is disclosed herein, including the duties of the Board of Directors.

The President and CEO, the Chief Financial Officer, and the General Counsel, as secretary to the Board of Directors, attend the Board meetings on a regular basis. Other Fortum Executive Management Team members and senior executives attend as required.

As part of its duties, the Board of Directors conducts an annual self-assessment in order to further develop its work. In addition, in accordance with the Finnish Corporate Governance Code 2010, the Board of Directors annually evaluates which of the directors are independent of the company and which are independent of its significant shareholders.

The Board of Directors does not have powers to issue or buy back shares without authorization from the General Meeting of the Shareholders. Currently, there is no such authorization for the Board of Directors.

Board of Directors in 2014

Until the Annual General Meeting held on 8 April 2014, the Board of Directors comprised the following seven members: Chairman Sari Baldauf, Deputy Chairman Christian Ramm-Schmidt, Minoo Akhtarzand, Heinz-Werner Binzel, Ilona Ervasti-Vaintola, Kim Ignatius and Joshua Larson.

The Annual General Meeting on 8 April 2014 re-elected Chairman Sari Baldauf, Deputy Chairman Kim Ignatius (previously member), Minoo Akhtarzand, Heinz-Werner Binzel, Ilona Ervasti-Vaintola and Christian Ramm-Schmidt (previously Deputy Chairman) and, in addition, Petteri Taalas and Jyrki Talvitie were elected as new members to the Board of Directors until the end of the Annual General Meeting in 2015.

In 2014, the Chairman, the Deputy Chairman and the members of the Board of Directors were all independent, non-executive directors and also independent of the company's significant shareholders. Three members, including the Chairman, are female.

During 2014, the Board of Directors met 11 times and the attendance rate of its members was 100 %.

The main focus areas of the Board of Directors during 2014 consisted of in-depth reviews of the economic environment and the energy sector especially in-light of the recent geopolitical development and possible impacts, further development of the company's strategy, including assessment of the future strategic alternatives after divestment of the electricity distribution business e.g. the plan to restructure TGC-1 ownership, reorganisation of business structure, review of succession plans as well as further review of various operations. Based on the self-assessment conducted during the previous year, the Board of Directors set certain focus areas and amended certain processes in an effort to further enhance the efficiency of the board work.

Fortum's Board of Directors on 31 December 2014

Name	Born	Nationality	Education	Occupation	Attendance in the Board Meetings	Attendance in the Board Committee Meetings
Chairman Ms. Sari Baldauf	1955	Finnish	MSc (Econ.)	Non-executive chairman	11/11	Nomination and Remuneration Committee, 3/3
Deputy Chairman Mr. Kim Ignatius	1956	Finnish	BSc (Econ.)	CFO of Sanoma Corporation Non-executive director	11/11	Audit and Risk Committee, 6/6
Ms. Minoo Akhtarzand	1956	Swedish	MSc (Electrical engineering)	Governor in the County of Jönköping Non-executive director	11/11	Nomination and Remuneration Committee, 3/3
Mr. Heinz-Werner Binzel	1954	German	Economics and electrical engineering degree	Independent consultant Non-executive director	11/11	Audit and Risk Committee, 6/6
Ms. Ilona Ervasti-Vaintola	1951	Finnish	LL.M, Trained on the bench	Non-executive director	11/11	Nomination and Remuneration Committee, 3/3
Mr. Christian Ramm-Schmidt	1946	Finnish	BSc (Econ)	Senior Partner of Merasco Capital Ltd. Non-executive director	11/11	Nomiation and Remuneration Committee 3/3
Mr. Petteri Taalas [1)]	1961	Finnish	PhD in Meteorology	Director General of the Finnish Meteorological Institute Non-executive director	9/9	Nomination and Remuneration Committee, 3/3
Mr. Jyrki Talvitie [1)]	1966	Finnish	Executive MBA, Master of Law	Russian Direct Investment Fund, Director Non-executive director	9/9	Audit and Risk Committee, 4/5
Member of Fortum's Board of Directors until 8 April 2014						
Mr. Joshua Larson	1966	U.S. citizen	Master of International Affairs, Bachelor in Russian language	Private investor and consultant Non-executive director	2/2	Audit and Risk Committee, 1/1

1) New member from 8 April 2014.

The duties of the Board of Directors

- Responsibility for the administration and the proper organisation of the operations of the company
- Strategic development and steering of the company's business and fields of activity
- Ensuring that the business complies with the relevant rules and regulations and the company's Articles of Association
- Ensuring that the accounting and financial administration are arranged appropriately
- Appointing and dismissing the President and CEO
- Confirming the Group's organisational structure at the top management level, and appointing and dismissing the members of the Fortum Executive Management Team
- Reviewing the main risks and providing instructions concerning the risks
- Confirming the Group's business plan on an annual basis
- Setting and follow-up of company and management performance targets
- Discussing and commenting on the interim reports
- Approving consolidated financial statements, operating and financial reviews, and parent company financial statements
- Defining the dividend policy
- Deciding on major investments, divestments and business arrangements
- Confirming Group policies and principles, such as the Group Risk Policy
- Confirming the Group's ethical values and operating principles, including sustainability, and overseeing their implementation
- Reviewing the Group's sustainability performance and report

Board committees

The committees of the Board of Directors are the Audit and Risk Committee and the Nomination and Remuneration Committee. The committees assist the Board of Directors by preparing and reviewing in more detail matters falling within the competence of the Board of Directors.

The Board of Directors appoints members of the Audit and Risk Committee and the Nomination and Remuneration Committee from among its members. Each committee shall have at least three members. The members shall have the expertise and experience required by the duties of the respective committee.

Members are appointed for a one-year term of office, which expires at the end of the first Annual General Meeting following the election. All the members of the Board of Directors have the right to attend the committee meetings. The Chairman of the committee reports on the committee work to the Board of Directors regularly after each meeting and, in addition, the committee meeting materials and minutes are available to all members of the Board of Directors. The Board of Directors has approved written charters for the committees; the charters are updated based on need.

Audit and Risk Committee

The Audit and Risk Committee assists the Board of Directors in matters relating to financial reporting, risks and control, in accordance with the tasks specified for audit committees in the Finnish Corporate Governance Code 2010. The Audit and Risk Committee oversees the financial reporting process and monitors the efficiency of the internal controls and risk management within the Group. In addition, the committee regularly reviews the business ethics compliance reporting. The committee has a written charter in which its duties have been defined. The main content of the charter is disclosed herein.

Pursuant to the Finnish Corporate Governance Code 2010, the members of the Audit and Risk Committee shall have the qualifications necessary to perform the responsibilities of the committee, and at least one of the members shall have expertise specifically in accounting, bookkeeping or auditing. The members shall be independent of the company, and at least one member shall be independent of the company's significant shareholders.

The external auditors, Chief Financial Officer, Head of Internal Audit, Corporate Controller and General Counsel, as secretary to the committee, attend the committee meetings on a regular basis. Other senior executives attend to the meetings as invited by the committee.

The Audit and Risk Committee reports on its work to the Board of Directors regularly after each meeting. The Audit and Risk Committee annually reviews its charter, approves the internal audit charter and the internal audit plan and carries out a self- assessment of its work. As regards the external auditor, the committee reviews the audit plan and meets with the external auditor regularly to discuss the audit plan, audit reports and findings. In addition, the committee evaluates the independence of the external auditors and monitors their performance.

Audit and Risk Committee in 2014

After the Annual General Meeting on 8 April 2014, the Board of Directors elected from amongst its members Kim Ignatius as the Chairman and Heinz-Werner Binzel and Jyrki Talvitie as members to the Audit and Risk Committee. Until the Annual General Meeting on 8 April 2014, the committee comprised Kim Ignatius as the Chairman and Joshua Larson and Heinz-Werner Binzel as members.

In 2014, the members were all independent of the company and of its significant shareholders. The Audit and Risk Committee met 6 times in 2014 and the attendance rate was 96 %.

The duties of the Audit and Risk Committee include:

- Monitoring the financial position of the company
- Supervising the financial reporting process
- Monitoring the reporting process of financial statements
- Communicating with the external auditor and reviewing the reports that the auditor prepares for the committee
- Monitoring the statutory audit of the financial statements and consolidated financial statements
- Holding annual private meetings with the external and internal auditors
- Preparing through the Board of Directors the proposal on the election of the external auditor for shareholders to consider and for resolution at the Annual General Meeting
- Evaluating the independence of the external auditor particularly the provision of related services to the company to be audited
- Approving the operating instructions for internal audit
- Reviewing the charter, plans and reports of the internal audit function
- Monitoring the efficiency of the company's internal control, internal audit, and risk management systems
- Reviewing the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- Annual reviewing of the Group Risk Policy and risk exposures
- Reviewing reports on legal disputes and proceedings
- Reviewing the Corporate Governance Statement

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors in issues related to nomination and remuneration of the company's management. The committee has a written charter in which its duties have been defined. The main content of the charter is disclosed herein.

Pursuant to the Finnish Corporate Governance Code 2010, the members of a remuneration committee shall be independent of the company. The President and CEO or other executives of the company may not be appointed as members of the committee.

The regular participants at the committee meetings are the President and CEO, Senior Vice President, Corporate Human Resources, and General Counsel, as Secretary to the Committee.

The Nomination and Remuneration Committee reports on its work to the Board of Directors regularly after each meeting. The Nomination and Remuneration Committee conducts annually a self-evaluation of its work.

Nomination and Remuneration Committee in 2014

After the Annual General Meeting on 8 April 2014, the Board of Directors elected from amongst its members Sari Baldauf as the Chairman and Minoo Akhtarzand, Ilona Ervasti-Vaintola, Christian Ramm-Schmidt and Petteri Taalas as members of the Nomination and Remuneration Committee. Until the Annual General Meeting on 8 April 2014, the committee comprised Sari Baldauf as the Chairman and Minoo Akhtarzand, Ilona Ervasti-Vaintola and Christian Ramm-Schmidt as members.

In 2014, the members were all independent of the company and of its significant shareholders. The committee met 3 times during 2014 and the attendance rate was 100 %.

The duties of the Nomination and Remuneration Committee include:

- Preparing for the Board of Directors recommendations on the pay structures and the bonus and incentive systems of the Group and its management
- Monitoring the functioning of the bonus systems to ensure that the management bonus systems advance the achievement of the company's objectives and are based on personal performance
- Evaluating the performance and the remuneration of the President and CEO as well as other members of the Fortum Executive Management Team
- Preparing nomination and remuneration issues and proposals to the Board of Directors concerning the President and CEO as well as other members of the Fortum Executive Management Team
- Assisting the Board of Directors in reporting on remuneration at the Annual General Meeting, as necessary
- Reviewing and preparing succession plans for the President and CEO and other members of the Fortum Executive Management Team
- Monitoring, planning and promoting competence development in the Group based on strategic target setting

Shareholders' Nomination Board

The Annual General Meeting on 9 April 2013 established a permanent Shareholders' Nomination Board.

The purpose and task of the Shareholders' Nomination Board is to prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration, number and members of the Board of Directors. In addition, the task of the Shareholders' Nomination Board is to seek candidates as potential board members.

The Shareholders' Nomination Board consists of four members, three of which shall be appointed by the company’s three largest shareholders, who shall appoint one member each. The Chairman of the Board of Directors serves as the fourth member. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them.

Fortum’s three largest shareholders that are entitled to appoint members to the Shareholders' Nomination Board, shall be determined on the basis of the registered holdings as of the first working day in September in the year concerned. The Shareholders' Nomination Board shall forward its proposals for the Annual General Meeting to the Board of Directors by 31 January each year.

Shareholders' Nomination Board ahead of Annual General Meeting 2015

In September 2014, the representatives of the company’s three largest registered shareholders were invited to the Shareholders' Nomination Board: the Government Ownership Steering Department of the Prime Minister's Office, the Social Insurance Institution of Finland (KELA) and the State Pension Fund (of Finland). The State Pension Fund informed that they will not use their right to nominate. The following persons were appointed to the Shareholders' Nomination Board: Eero Heliövaara, b. 1956, MSc (Econ.) and MSc (Eng.), Director General of the Government Ownership Steering Department, Prime Minister's Office, and Liisa Hyssälä, b. 1948, MSSc, DDS, Director General, Social Insurance Institution of Finland (KELA). The Chairman of the Board of Directors, Sari Baldauf, acts as a member of the Shareholders' Nomination Board.

The Nomination Board convened 4 times and the attendance percentage at the meetings was 100 %.

The Shareholders' Nomination Board will propose to the Annual General Meeting 2015, which will be held on 31 March 2015, that the fees to be paid to the members of the Board of Directors are for a term ending at the end of the Annual General Meeting 2016 as follows: for the chairman, EUR 90,000 per year; for the deputy chairman, EUR 65,000 per year; and for each member, EUR 45,000 per year, as well as for the chairman of the Audit and Risk Committee EUR 65,000 per year if he or she is not at the same time acting as chairman or deputy chairman of the Board of Directors. In addition, for each Board of Directors and Board Committee meeting a fee of EUR 600 is proposed. For Board of Directors members living outside Finland in Europe, the proposed fee for each meeting will be doubled and for Board of Directors members living outside Europe, the proposed fee for each meeting will be tripled. For Board of Directors members living in Finland, the proposed fee for each Board of Directors and Board Committee meeting will be doubled for meetings held outside Finland and tripled for meetings held outside Europe. For Board of Directors and Committee meetings held as a telephone conference the proposed fee will be paid as single to all members. No fee will be paid for decisions made without a separate meeting.

The largest shareholder of the company, the Finnish State, which owns approximately 50,76% of the shares in the company at the date of the Notice to the Annual General Meeting, has notified the Board of Directors of the company that, in deviation from the proposal made by the Shareholders' Nomination Board, it will propose to the Annual General Meeting that the yearly fees to be paid to the members of the Board of

Directors remain at the current level for the following term of office.

In addition, the Shareholders' Nomination Board has decided to propose to the Annual General Meeting 2015 that the Board of Directors comprises of the eight members and that the following person be elected to the Board of Directors for the upcoming term: Ms Sari Baldauf (as chairman), Mr Kim Ignatius (as deputy chairman), Ms Minoo Akhtarzand, Mr Heinz-Werner Binzel, Mr Petteri Taalas and Mr Jyrki Talvitie as well as new members Ms Eva Hamilton and Mr Tapio Kuula.

Shareholders' Nomination Board 2014

In September 2013, following the establishment of the Shareholders' Nomination Board, the following persons were appointed to the Shareholders' Nomination Board: Eero Heliövaara, Director General of the Government Ownership Steering Department, Prime Minister's Office; Harri Sailas, b. 1951, MSc (Econ), President and CEO, Ilmarinen Mutual Pension Insurance Company; and Liisa Hyssälä, Director General, Social Insurance Institution of Finland (KELA). In addition, the Chairman of the Board of Directors, Sari Baldauf, was a member of the Shareholders' Nomination Board. The Shareholders' Nomination Board convened three times and the attendance percentage at meetings was 92 %. The Shareholders' Nomination Board presented its proposal covering the members of the Board of Directors and the remuneration be paid to them, on 30 January 2014. The Annual General Meeting decided on the Board of Directors members and remuneration in accordance with this proposal on 8 April 2014.

The State of Finland, the majority owner in Fortum, complies with the Government Resolution on State Ownership Policy dated 3 November 2011. This resolution defines criteria for Board of Directors candidates.

President and CEO

The President and CEO holds the position of Managing Director under the Companies Act and is the Chairman of the Fortum Executive Management Team. The President and CEO is in charge of the day-to-day management of the Group, in accordance with the Companies Act and with instructions and orders issued by the Board of Directors. Under the Companies Act, the President and CEO is responsible for ensuring that the accounts of the company comply with the applicable laws and that its financial affairs have been arranged in a reliable manner.

Tapio Kuula has served as the President and CEO since May 2009. On 18 December 2014, Mr. Kuula started sick leave. Mr Timo Karttinen, CFO of Fortum Corporation, assumed responsibility for the duties of the President and CEO during Tapio Kuula's sick leave. On 22 January 2015 Fortum announced that Tapio Kuula will retire on disability starting 1 February 2015. Timo Karttinen continues to assume responsibility for the duties of the President and CEO as an interim President and CEO until the nomination of the new President and CEO.

The performance of the President and CEO is evaluated by the Board of Directors. The evaluation is based on objective criteria that include the performance of the company and the achievement of targets set by the Board of Directors in advance.

Fortum Executive Management Team and operational organisation

The President and CEO is supported by the Fortum Executive Management Team. The Fortum Executive Management Team assists the President and CEO in setting the strategic and sustainability targets within the framework approved by the Board of Directors, preparing the Group's business plans, and deciding on investments, mergers, acquisitions and divestments within its authorisation.

Financial and sustainability results are monitored in the monthly reporting and reviewed monthly by the Fortum Executive Management Team. Quarterly Performance Review meetings with the management are embedded in the Fortum Performance Management process.

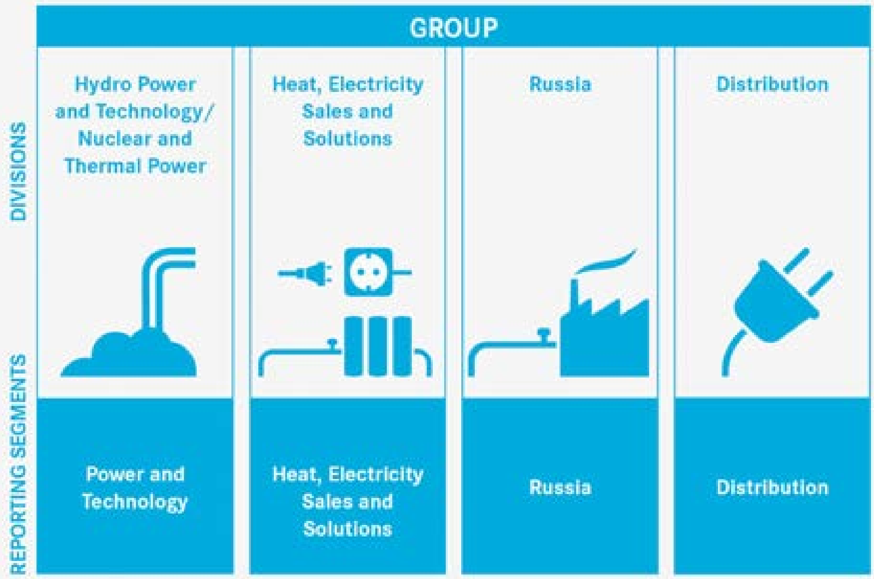
Each member of the Fortum Executive Management Team is responsible for the day-to-day operations and the implementation of operational decisions in their respective organisations. The Fortum Executive Management Team meets on a monthly basis. On 31 December 2014, the Fortum Executive Management Team consisted of twelve members, including the President and CEO. Three of the members were female.

Fortum renewed its business structure as of 1 March 2014. Fortum's new divisions and responsibility areas are:

- The Hydro Power and Technology Division and the Nuclear and Thermal Power Division are both part of Power and Technology reporting segment. The two divisions are responsible for Fortum's hydro, nuclear and thermal power generation, expert services, portfolio management and trading as well as technology and R&D functions.
- The Heat, Electricity Sales and Solutions Division consists of Fortum's combined heat and power (CHP) production, district heating and business-to-business heating solutions, solar business, electricity sales and related customer offering as well as Corporate Sustainability.
- The Russia Division consists of power and heat generation as well as heat distribution in Russia. It also includes Fortum's approximately 29 % holding in TGC-1, accounted for as an associated company using the equity method.
- The Distribution Division focuses on distribution activities in Sweden.

In addition, Fortum has established a role of Chief Operating Officer (COO) to enhance

Fortum's financial reporting structure 31 December 2014



agile and flexible operations and to focus on performance and synergy. The Hydro Power and Technology Division, the Nuclear and Thermal Power Division and the Heat, Electricity Sales and Solutions Division report to the COO.

Fortum's Staff functions are Finance, Strategy and Mergers & Acquisitions, Legal, Human Resources and IT, Communications and Corporate Relations.

Fortum Executive Management Team on 31 December 2014

- Tapio Kuula, President and CEO, Chairman of the Fortum Executive Management Team, born 1957, MSc (Eng), MSc (Econ)
- Helena Aatinen, Senior Vice President, Corporate Communications, born 1959, MSc (Econ)
- Alexander Chuvaev, Executive Vice President, Russia Division, born 1960, MSc (Eng)
- Mikael Frisk, Senior Vice President, Corporate Human Resources, born 1961, MSc (Econ)
- Esa Hyvärinen, Senior Vice President, Corporate Relations, born 1967, MSc (Econ.) and MSc (Agr.& For.) [1)]
- Timo Karttinen, Chief Financial Officer and Executive Vice President, Distribution Division, born 1965, MSc (Eng)
- Kari Kautinen, Senior Vice President, Strategy, Mergers and Acquisitions, born 1964, LL.M [1)]
- Per Langer, Executive Vice President, Hydro Power and Technology Division, born 1969, MSc (Econ)Markus Rauramo, Executive Vice President, Heat, Electricity Sales and Solutions Division, born 1968, MSc (Econ and Pol. Hist.)
- Matti Ruotsala, Chief Operating Officer, Deputy to the President and CEO, born 1956, MSc (Eng)
- Sirpa-Helena Sormunen, General Counsel, born 1959, LL.M [2)]
- Tiina Tuomela, Executive Vice President, Nuclear and Thermal Power Division, born 1966, MSc (Eng), MBA [1)]

1) New member as of 1 March 2014

2) New member as of 1 September 2014

Internal controls in relation to financial reporting

The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations.

Risk control processes for financial reporting

Fortum's Board of Directors approves the Group Risk Policy that sets the Group's objective, principles and division of responsibilities for risk management activities and also sets the frame for the financial reporting process. The controls of the financial reporting process are embedded in the internal control framework, and the process-level internal control structure has been created using a risk-based approach. Fortum's internal control framework includes the main elements from the framework introduced by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

Financial reporting framework in Fortum

Control environment

Fortum's internal control framework supports the execution of the strategy and ensures regulatory compliance and reliability of the financial reporting. The internal control framework consists of Group-level policies and processes as well as business and support process-level controls.

Corporate Risk Management is responsible for reporting risk exposures and maintaining the company's risk management framework.

Corporate Accounting and Control is responsible for the overall control structure of the financial performance management process. The control process is based on Group instructions and guidelines relating to financial reporting. The Controllers Manual contains financial reporting instructions. This manual is regularly reviewed and updated. The finance process management supports the finance organisation in ensuring a uniform way of working and monitoring the performance of the processes within the Finance function.

Fortum's organisation is decentralised, and a substantial degree of authority and responsibility is delegated to the divisions in form of control responsibilities. Fortum's control governance follows the so-called "Three lines of defense" -model, see picture "Fortum's Control Governance" .

Fortum's Control Governance

Risk assessment

Risks related to financial reporting are identified and analysed annually as part of the risk management process. Risks are reported regularly in connection with the planning process and the follow-up of actions and improvements is integrated in operational management. The control risk assessment has been the basis for creating the process-level internal control framework and the same applies to the control points to prevent errors in the financial reporting process. Cross-divisional teams by process area update the controls when needed.

After the organisational change, a review was conducted to ensure a clear scope and roles and responsibilities in controls. This assessment included risks related to potential fraud and other irregularities, as well as risks of loss or misappropriation of assets.

Control activities

Control activities are applied in the business processes and, from a financial reporting perspective, they ensure that potential errors or deviations are prevented, discovered and corrected. In financial reporting, the Controllers Manual sets the standards.

The Corporate Accounting and Control unit defines the design of the control points and the internal controls covering the end-to-end financial reporting process. Responsibilities are assigned for the controls and also for ensuring their operating effectiveness.

Fortum's processes include controls regarding the initiation, approval, recording and accounting of financial transactions. A standardised way of working is also ensured by Fortum's financial shared service centre, which performs controls for the recognition, measurement and disclosure of financial information. The financial shared service centre has been ISO 9001:2008 certified since 2011.

All divisions have their own finance function ensuring that relevant analyses of the business performance are done, analyses such as volumes, revenues, costs, working capital, asset base, risks and investments. These analyses are reviewed at different levels of the Group and ultimately by the Board of Directors.

Information and communication

The Controllers Manual includes the Fortum Accounting manual, Investment manual and reporting instructions and other policies relating to financial reporting. The regular Core Controllers' meetings, headed by the Corporate Controller, steer the development projects within the Finance function and receive updates from different expert forums within Finance. The regular Accounting Network Forum meetings are used to inform the finance community about upcoming changes in IFRS, new accounting policies and other changes in reporting.

Monitoring and follow-up

Financial results are followed up in the monthly reporting and reviewed monthly by the Fortum Executive Management Team. Quarterly Performance Review meetings with the Group management are embedded in the Fortum Performance Management process.

As part of the Fortum internal control framework, all divisions assess the effectiveness of the controls they are responsible for. Division and corporate-level controller teams are responsible for assessing the financial reporting process, and Corporate Risk Management consolidates regularly these control assessments and reports to the management and to the Audit and Risk Committee on an annual basis.

Fortum performance management process

Internal control design and operating effectiveness are also assessed by Corporate Internal audit. Audit results, including corrective actions and status, are regularly reported to the management and to the Audit and Risk Committee.

Auditing

Internal Audit

Fortum's Corporate Internal Audit is responsible for assessing and assuring the adequacy and effectiveness of internal controls in the company. Furthermore, it evaluates the effectiveness and adequacy of the business processes and risk management and compliance with laws, regulations and internal instructions and guidelines. The Standards for the Professional Practice of Internal Audit form the basis for the work of Internal Audit.

External Audit

The company has one external auditor, which shall be an audit firm certified by the Central

Chamber of Commerce. The external auditor is elected by the Annual General Meeting for a term of office that expires at the end of the first Annual General Meeting following the election.

Fortum's Annual General Meeting on 8 April 2014 elected Authorised Public Accountant Deloitte & Touche Oy as the company's external auditor, with Authorised Public Accountant Jukka Vattulainen having the principal responsibility. Jukka Vattulainen has had the principal responsibility since 2010.

Compliance Management and Code of Conduct

Fortum's Code of Conduct is based on the shared corporate values of Accountability, Creativity, Respect and Honesty, which form the ethical basis for all work at Fortum. Fortum's updated Code of Conduct was implemented in the spring of 2012 (originally launched in 2007) and is published in ten languages. The Code of Conduct has been approved by the Board of Directors.

Prevention of corruption is one of the Code of Conduct's focus areas. Compliance risks, such as corruption, are managed as part of Fortum's operational risk management framework and control procedures in all Fortum's operating countries. Fortum has procedures to ensure the prevention, oversight, reporting and enforcement based on the requirements prescribed in international legislation. A country and partner risk evaluation process to support the understanding and management of compliance needs at local and business partner level has been developed by Corporate risk management together with other functions, such as the tax department and sustainability.

The review of compliance risks is periodic, documented and discussed in the network of compliance risk persons and with the Fortum Executive Management Team, which has oversight of the process. A systematic compliance risk assessment is included in the business plans, and follow-up is a part of the quarterly performance review. Line management regularly reports on the business ethical compliance activities to the Fortum Executive Management Team and further to the Audit and Risk Committee. Support and advice on compliance issues is given by the legal department.

Fortum employees are responsible for reporting any suspected misconduct to their own supervisors, to other management members or, if necessary, directly to Internal Audit. Additionally, Fortum employees and partners can report suspicions of misconduct confidentially via the “raise-a-concern channel” on Fortum’s web pages to the Fortum Head of Internal Audit. The report can be submitted in several languages and anonymously if necessary. Additionally in Russia, Fortum has a separate compliance organisation with compliance officers in place.

Every Fortum employee is expected to complete the Code of Conduct training through the Code of Conduct eLearning tool. The eLearning is part of the induction programme for new Fortum employees. In 2015, a revision of the Code of Conduct eLearning tool will be introduced. In addition, separate anti-corruption training events for division management teams and other specific groups have been arranged by the legal department.

The Code of Conduct and compliance topics and instructions are communicated through internal and external communication channels. Alignment is enforced by top management and with their full commitment.

Remuneration

Remuneration at Fortum is directed by the Group’s remuneration principles and Fortum’s general remuneration and benefits practices. When determining remuneration, the company’s financial performance and external market data, particularly the remuneration for similar positions among peer companies, are taken into consideration. The Board of Directors approves, at the proposal of the Nomination and Remuneration Committee, the remuneration principles at the Group level and decides on the bonus targets and the remuneration of senior management (President and CEO and other members of the Fortum Executive Management Team). Remuneration of the Board of Directors is decided by the Annual General Meeting of Fortum. Remuneration proposal is prepared by Fortum's Shareholders' Nomination Board, which is appointed in the previous Annual General Meeting.

Fortum offers a competitive compensation package for senior executives and other members of the management teams. The aim is to attract, commit and retain key resources in all countries where Fortum operates. The package offers employees a competitive base salary. In addition to a salary, relevant benefits and short-term and long-term incentive schemes – with eventual payment based on attainment of challenging performance targets decided by the Board of Directors – are also offered.

The Finnish Corporate Governance Code 2010 requires that Fortum issues a remuneration statement regarding the salaries and other remuneration paid by the company. Furthermore, the Cabinet Committee on Economic Policy, representing the State owner, issued a statement in August 2012 on the remuneration of executive management and key individuals in companies with State ownership. Fortum's remuneration principles comply both with the Finnish Corporate Governance Code 2010 and the statement issued by the Cabinet Committee.

Short-term incentives

Fortum's short-term incentive scheme (STI), i.e. bonus system, supports the realisation of the Group's financial performance targets, sustainability targets, values and structural changes. The system ensures that the performance targets of individual employees align with the targets of the division and the Group. All Fortum employees, with the exception of certain personnel groups in Poland and Russia, are covered by the system.

The Board of Directors decides on the bonus criteria – including all performance measures, target values and performance scales – for senior management. The bonuses paid to the members of senior management are dependent on the Group's financial performance – measured in 2014 by profitability and cash flow, divisional targets and success in reaching personal targets. The performance bonus criteria also include indicators related to sustainability targets. The maximum bonus for senior management is 40 % of the executive's annual salary including fringe benefits (annual salary = 12 times the salary paid in December of the year in question).

The bonuses of the division heads, all of whom are members the Fortum Executive Management Team, are determined on the basis of the division's performance and the Group's financial performance. The criteria used to assess the personal performance of the executive are agreed in the annual performance discussions held at the beginning of the year.

The Board of Directors assesses the performance of the President and CEO on a regular basis.

Long-term incentives

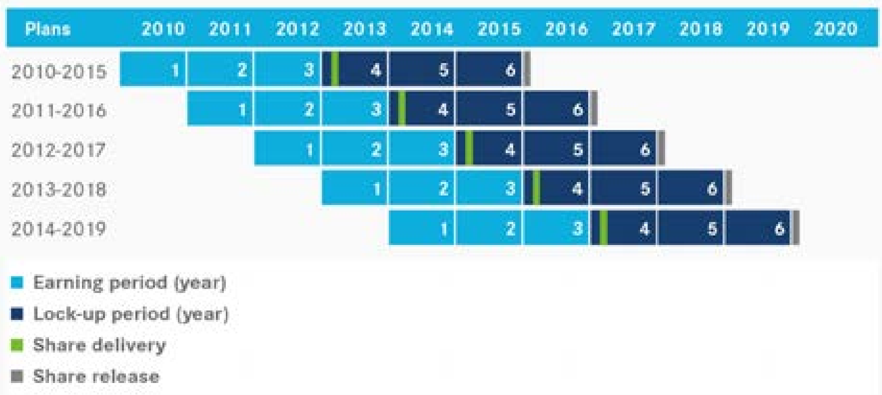
The purpose of Fortum's long-term incentive system (LTI), i.e. share bonus system, is to support the achievement of the Group's long-term targets by committing key individuals. The Board of Directors approves the Fortum management members and key individuals entitled to participate in the share bonus system. For the share bonus system 2014–2019 there are currently approximately one hundred participants. Participation in the system precludes the individual from being a member in the Fortum Personnel Fund.

Fortum's share bonus system is divided into six-year share plans, within which participants have the opportunity to earn company shares. A new plan commences yearly, if the Board of Directors so decides.

Each share plan begins with a three-calendar-year period, during which participants may earn share rights if the earnings criteria set by the Board of Directors are fulfilled. For the earnings period 2014–2016 the approved key earning criteria are based on earnings per share (EPS), return for shareholders and reputation index.

After the earning period has ended and the relevant taxes and other employment-related expenses have been deducted from the gross value of the earned share rights, participants are paid the net balance of the earned rights in the form of shares. The earning period is followed by a subsequent lock-up period, during which participants cannot transfer or dispose of the shares. If the value of the shares decrease or increase during the lock-up period, the potential loss or gain is carried by the participants.

Share bonus systems



For the Fortum Executive Management Team members, the lock-up period may be shortened to one year on an individual basis if the value of the aggregate ownership of Fortum shares corresponds to a minimum of the annual base salary. For other participants, the share bonus systems lock-up period is changed to one year from Plan 2013–2018 onwards.

The maximum value of shares, before taxation, to be delivered to a participant after the earning period cannot exceed the participant's annual salary.

Fortum's current long-term incentive system is in line with the statement on the remuneration of executive management and key individuals in companies with State ownership and the Finnish Corporate Governance Code 2010 for listed companies. PCA Corporate Finance, an independent Finnish financial advisor, has been consulted in matters related to remuneration.

Pensions

Fortum’s Finnish senior executives participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings in accordance with the prescribed statutory system. Under the Finnish pension system, earnings include base pay, annual bonuses and taxable fringe benefits, but gains realised from the share bonus system are not included in that definition. Finnish pension legislation offers a flexible retirement from age 63 to age 68.

Fortum’s senior executives outside Finland participate in pension systems based on statutory pension arrangements and market practices in their local countries.

In addition to the statutory pensions, the members of the Fortum Executive Management Team have supplementary pension arrangements. The Group policy is that all new supplementary pension arrangements are defined contribution plans.

The retirement age for Fortum’s President and CEO is 63 and for the other members of the Fortum Executive Management Team 60-65. For the President and CEO and some members of the Fortum Executive Management Team, the maximum pension can be 60 % of the pensionable salary, with the pension insured by an insurance company and for some members, the maximum is 66 % of the pensionable salary, with the pension provided by Fortum's Pension Fund.

Remuneration for Management

The table below includes the salaries and fringe benefits, short-term bonus- and long-term share bonus payments to the President and CEO and the Fortum Executive Management Team during the year. Short-term bonus (STI) payments are based on the previous year’s targets and achieved results. Long-term share bonus (LTI) includes the shares delivered during the year. The table also includes payments made to supplementary pension arrangements for the President and CEO and the Fortum Executive Management Team.

Thousands of euros	Salaries and fringe benefits 2014	Salaries and fringe benefits 2013	Short-term bonus 2014	Short-term bonus 2013	Long-term bonus 2014	Long-term bonus 2013	Voluntary pensions 2014	Voluntary pensions 2013	Total 2014	Total 2013
President and CEO	1,005	795 1)	38	18	549	971	255	249	1,847	2,033
Other Executive Management team members 2)	3,321	2,860	453	137	1,509	1,508	578	453	5,861	4,958
Total	**4,326**	**3,655**	**491**	**155**	**2,058**	**2,479**	**833**	**702**	**7,708**	**6,991**

1) Amount is impacted by the sick leave during 2013.

2) Former CFO Markus Rauramo was granted a recruitment bonus in 2012 that was paid in three installments of EUR 33,334 in 2012, 2013 and 2014. In addition former CFO Rauramo was paid EUR 80,000 compensation in 2013 for assuming duties of the President and CEO during March-November 2013.

The STI and LTI bonus payments to the Executive Management Team, including the President and CEO, amounted to a total of EUR 2,549 thousand (2013: 2,634), which corresponds to 0.83 % (2013: 0.77 %) of the total compensation in the Fortum Group.

Timo Karttinen, who assumed the responsibility for the duties of the President and CEO during Tapio Kuula’s sick leave in December 2014, did not receive any compensation for these additional duties in 2014.

Number of shares delivered to the management

The following table shows the number of Fortum shares delivered to the President and CEO and other Fortum Executive Management Team members under the long-term incentive plans.

Number of shares	2014 2)	2013
Tapio Kuula	15,187	35,152
Helena Aatinen	909	519
Alexander Chuvaev 1)	13,793	35,783
Mikael Frisk	6,463	10,079
Esa Hyvärinen (member of the FEM from 1 March 2014)	1,382	n/a
Timo Karttinen	6,639	9,563
Kari Kautinen (member of the FEM from 1 March 2014)	1,739	n/a
Per Langer	5,517	8,550
Markus Rauramo	1,679	756
Matti Ruotsala	3,463	12,395
Sirpa-Helena Sormunen (member of the FEM from 1 September 2014)	0	n/a
Tiina Tuomela (member of the FEM from 1 March 2014)	1,156	n/a
Kaarina Ståhlberg (member of the FEM until 31 March 2014)	210	n/a

1) Share rights will be paid in cash instead of shares after the three-year lock-up period due to local legislation

2) Share delivery based on share plans 2008-2012 and 2011-2016.

Remuneration and terms of employment of President and CEO Tapio Kuula

Salary and fringe benefits	EUR 81,530 /month, including free car allowance and phone allowances as fringe benefits.
Short-term incentive system (bonus) *	The bonus can be earned annually based on the criteria approved by the Board of Directors. The maximum level is 40% of the annual salary including fringe benefits.
Long-term incentive system (share bonus) *	According to Fortum management's current share bonus system. The maximum value of shares (before taxation) cannot exceed the annual salary of the President and CEO.
Pension	Retirement age is 63. The President and CEO’s supplementary pension is a defined contribution pension plan, and the annual contribution is 25% of the annual salary. The annual salary consists of the base salary, fringe benefits and bonus. If the President and CEO’s contract is terminated before retirement age, he is entitled to retain the funds that have accrued in the pension fund.
Termination of Contract	The notice period for both parties is six months. If the company terminates the contract, the President and CEO is entitled to the salary of the notice period and to severance pay equal to 18 months’ salary.

*) Annual bonus payments (short- and long-term) cannot exceed 120% of annual salary. Annual salary = 12 times the salary paid in December of the year in question.

Compensation of Board of Directors

The following table includes the compensation paid for the Board of Directors during 2014 and 2013. The amounts include fixed yearly fees and meeting fees.

Thousands of euros	2014	Board service 2014	2013	Board service 2013
Board Members at 31 December 2014				
Sari Baldauf, Chairman	83	1 Jan - 31 Dec	84	1 Jan - 31 Dec
Kim Ignatius, Deputy Chairman [1)]	67	1 Jan - 31 Dec	67	1 Jan - 31 Dec
Minoo Akhtarzand	57	1 Jan - 31 Dec	58	1 Jan - 31 Dec
Heinz-Werner Binzel	60	1 Jan - 31 Dec	60	1 Jan - 31 Dec
Ilona Ervasti-Vaintola	48	1 Jan - 31 Dec	49	1 Jan - 31 Dec
Christian Ramm-Schmidt [2)]	53	1 Jan - 31 Dec	66	1 Jan - 31 Dec
Petteri Taalas	37	8 Apr - 31 Dec	-	-
Jyrki Talvitie	53	8 Apr - 31 Dec	-	-
Former Board Members				
Joshua Larson	19	1 Jan - 8 Apr	71	1 Jan - 31 Dec

[1)] Deputy Chairman from 8 April 2014

[2)] Deputy Chairman until 8 April 2014

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 bonus or share bonus systems, 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.

Fees for the Board of Directors

The Annual General Meeting on 8 April 2014 confirmed the following annual fees for the members of the Board of Directors:

Thousands of euros/year	2014	2013
Chairman	75	75
Deputy Chairman	57	57
Chairman of the Audit and Risk Committee [1)]	57	57
Members	40	40

[1)] if not Chairman or Deputy Chairman simultaneously

Every member of the Board of Directors receives a fixed yearly fee and a meeting fee. The meeting fee of 600 euro is also paid for committee meetings and is paid in double to a member who lives outside Finland in Europe and in triple to a member who lives outside Europe. The members are entitled to travel expense compensation in accordance with the company's travel policy.

Read more about

- Meeting attendances in the Corporate Governance statement
- Fortum shares held by the members of the Board of Directors section in the Annual Report

Board of Directors

Fortum's Board of Directors 31 December 2014

Sari Baldauf

Chairman

- Born 1955, nationality: Finnish
- MSc, Business Administration
- Independent member of Fortum's Board of Directors since 2009
- Chairman of the Nomination and Remuneration Committee

Main occupation:

- Non-executive Director

Primary work experience:

- Nokia Corporation, several senior executive positions. Member of the Group Executive Board until February 2005.

Key positions of trust:

- Akzo Nobel N.V., Daimler AG, and Deutsche Telekom AG: Member of the Supervisory Board
- DevCo Partners Oy, Senior Advisor
- Finland's Children and Youth Foundation, Tukikummit Foundation, and Technology Industries of Finland Centennial Foundation: Member of the Board
- Savonlinna Opera Festival, Chairman of the Board
- F-Secure Corporation, Member of the Board 2005–2014
- Sanoma Corporation, Deputy Chairman 2003–2009
- Capman Corporation, Member of the Board 2008–2011
- YIT Corporation, Member of the Board 2006–2008
- Hewlett-Packard Company, Member of the Board 2006–2012
- Finnish Business and Policy Forum EVA, Member of the Board and vice chair 2007–2013
- John Nurminen Foundation, Member of the Board 2009–2013

Fortum shares as of 31 December 2014: 2,300 (31 December 2013: 2,300)

Kim Ignatius

Deputy Chairman

- Born 1956, nationality: Finnish
- BSc (Econ)
- Independent member of Fortum's Board of Directors since 2012
- Chairman of the Audit and Risk Committee

Main occupation:

- Sanoma Corporation, CFO

Primary work experience:

- TeliaSonera AB, Executive Vice President and CFO 2003–2008
- Sonera Oyj, Executive Vice President and CFO 2000–2002
- Tamro Oyj, Group CFO 1997–2000

Key positions of trust: -

Fortum shares as of 31 December 2014: 2,400 (31 December 2013: 2,400)

Minoo Akhtarzand

- Born 1956, nationality: Swedish
- MSc, Electrical engineering
- Independent member of Fortum's Board of Directors since 2011
- Member of the Nomination and Remuneration Committee

Main occupation:

- Governor in the County of Jönköping

Primary work experience:

- Swedish National Rail Administration, Director-General
- Regional Labour Agency, Director
- Vattenfall AB, various senior executive positions
- Stockholm Energi, various positions

Key positions of trust:

- Södertörn University, Chairman of the Board
- The National Society for Road Safety in the County of Jönköping, Chairman of the Board
- The Swedish Export Credit Agency, Vice Chairman of the Board
- Sveriges Radio 2007–2010, Vattenfall Bränsle AB 2004–2006, Vattenfall Vattenkraft AB 2003–2006, Vattenfall Business service AB 2003–2006 and Teracom AB (Telecommunication and IT) 2001–2007: Member of the Board.
- EIM (European Infrastructure Managers) 2009–2010 and Södertörn university 1997–2003: Vice Chairman of the Board
- Västerbergslagens Energi AB, Chairman of the Board 2000–2004
- Chairman of several different Councils

Fortum shares as of 31 December 2014: -
(31 December 2013: -)

Heinz-Werner Binzel

- Born 1954, nationality: German
- Economics and electrical engineering degree
- Independent member of Fortum's Board of Directors since 2011
- Member of the Audit and Risk Committee

Main occupation:

- Independent consultant

Primary work experience:

- RWE Energy AG, Board member for procurement and sale of electricity, gas, and water
- RWE Solutions AG, Board member as CFO, CEO
- NUKEM GmbH, several senior executive positions in Germany and the USA

Key positions of trust:

- TÜV Rheinland Holding AG, Member of the Supervisory board, Chairman of the Audit Committee
- RWE Solutions AG, Chairman of the Supervisory board 2003–2006

Fortum shares as of 31 December 2014: -
(31 December 2013: -)

Ilona Ervasti-Vaintola

- Born 1951, nationality: Finnish
- LL.M., Trained on the bench
- Member of Fortum's Board of Directors since 2008, independent since 1 November 2011
- Member of the Nomination and Remuneration Committee

Main occupation:

- Non-executive Director

Primary work experience:

- Sampo plc, Group Chief Counsel, Member of the Group Executive Committee 2001–2011
- Mandatum Bank plc, Chief Counsel and member of the Board 1998–2001
- Mandatum & Co Ltd, Director, Partner 1992–1998
- Union Bank of Finland Ltd, Head of Financial Law Department, Legal counsel 1982–1992

Key positions of trust:

- Securities Market Association, Deputy Chairman of the Board 2012
- Finnish Literature Society 2005–2011, Fiskars Corporation 2004–2010, OMX Nordic Exchanges Group Ltd 2003–2008 and Stockholmsbörsen AB 2003–2007: Member of the Board
- Legal Committee of the Central Chamber of Commerce of Finland, Member 2002–2005 and Chairman 2005–2010

Fortum shares as of 31 December 2014:
4,000 (31 December 2013: 4,000)

Christian Ramm-Schmidt

- Born 1946, nationality: Finnish
- BSc (Econ)
- Independent member of Fortum's Board of Directors since 2006
- Member of the Audit and Risk Committee

Main occupation:

- Merasco Capital Ltd., Senior Adviser

Primary work experience:

- Baltic Beverages Holding Ab (BBH), President
- Baltika Breweries, Russia, Chairman of the Board
- Fazer Biscuits Ltd., Fazer Chocolates Ltd., Fazer Confectionery Group Ltd., President
- ISS ServiSystems Oy, Director
- Rank Xerox Oy, Director

Key positions of trust:

- Atoy Oy, Merivaara Oy, Reima Oy: Member of the Board

Fortum shares as of 31 December 2014:
2,250 (31 December 2013: 2,250)

Petteri Taalas

- Born 1961, nationality: Finnish
- PhD in Meteorology
- Independent Member of Fortum's Board of Directors since 2014
- Member of the Nomination and Remuneration Committee

Main occupation:

- Director General of the Finnish Meteorological Institute

Primary work experience:

- World Meteorological Organization, Director
- Finnish Meteorological Institute, remote sensing (satellites), Research professor
- Finnish Meteorological Institute, Head of research/senior scientist

Key positions of trust:

- World Meteorological Organisation, Member of Executive Council
- EUMETSAT (European Organisation for the Exploitation of Meteorological Satellites), Chairman of Council
- Intergovernmental Panel on Climate Change (IPCC), Delegate for Finland
- University of Eastern Finland, Chairman of the Board
- ECMWF (European Centre for Medium-Range Weather Forecasts), Member of Council
- Fortum Corporation, Stakeholders' Advisory Council, Member 2011–2014

Fortum shares as of 31 December 2014: -
(31 December 2013: n/a)

Jyrki Talvitie

- Born 1966, nationality: Finnish
- Executive MBA, Master of Law
- Independent Member of Fortum's Board of Directors since 2014
- Member of the Audit and Risk Committee

Main occupation:

- Russian Direct Investment Fund, Director

Primary work experience:

- VTB Bank, Moscow, Senior Vice President
- East Capital, Moscow, Chief Representative, Senior Advisor
- URALSIB Financial Corporation, Moscow, Head of International Business, Chief Managing Director
- BNP-Paribas, Securities Services, Paris, Senior Vice President
- The Bank of New York, London, Vice President

Key positions of trust: -

Fortum shares as of 31 December 2014: -
(31 December 2013: n/a)

Group Management

Fortum Executive Management team 31 December 2014

Tapio Kuula

- Born 1957, nationality: Finnish
- MSc (Eng), MSc (Econ)
- President and CEO since 2009
- Member of the Management Team since 1997
- Employed by Fortum since 1996

Previous positions:

- Fortum Corporation, Senior Vice President 2005
- Fortum Power and Heat Oy, President 2000
- Fortum Corporation, Power and Heat Sector, President 2000
- Fortum Power and Heat Oy, Executive Vice President 1999
- Imatran Voima Oy, Executive Vice President, Member of the Board, Member of the Management Team 1997

Key positions of trust:

- Fortum Foundation, Chairman of the Board
- Varma Mutual Pension Insurance Company, Chairman of the Supervisory Board
- OAO Fortum, Chairman of the Board
- East Office of Finnish Industries Oy, Deputy Chairman of the Board
- Northern Dimension Business Council, Co-Chairman
- Finnish Fair Corporation, Member of the Supervisory Board
- Finnish-Russian Chamber of Commerce, Member of the Board
- Eurelectric, Member of the Board

Fortum shares as of 31 December 2014: 168,742 (31 December 2013: 153,555)

Helena Aatinen

- Born 1959, nationality: Finnish
- MSc (Econ)
- Senior Vice President, Corporate Communications since 2012
- Member of the Management Team since 2012
- Employed by Fortum since 2011

Previous positions:

- Fortum Corporation, Vice President, Corporate Communications 2011
- Finnish Forest Industries Federation, Communications Director 2005
- Metso Corporation, Senior Vice President, Corporate Communications 2002
- Metso Corporation, several positions in Communications function 1997

Fortum shares as of 31 December 2014: 1,528 (31 December 2013: 619)

Alexander Chuvaev

- Born 1960, nationality: Russian
- MSc (Eng)
- Executive Vice President, Russia Division and General Director of OAO Fortum since 2009
- Member of the Management Team since 2009
- Employed by Fortum since 2009

Previous positions:

- GE Oil & Gas, Regional Executive Director, Russia and CIS 2009
- SUEK, Investment Development Director, Russia 2008
- JSC Power Machines, Managing Director, Russia 2006
- GE Oil & Gas, Regional General Manager, Russia 2006
- JSC OMZ, Chief Operations Officer, Russia 2005
- GE, various positions in the USA and Canada 1999
- Solar Turbines Europe S.A., various positions in Europe and the USA 1991

Key positions of trust:

- Energy Producers Council, Deputy Head of the Supervisory Board
- Russian Union of Industrialists and Entrepreneurs, Member of the Board, Chairman of Commission on Public Utility
- Territorial Generating Company No. 1 (TGC-1), Member of the Board
- Government Commission on the Development of the Electric Power Industry, Member
- Aggreko Aurasia LLC, Member of the Board

Fortum shares as of 31 December 2014: 14,713 (31 December 2013: 12,093)

Mikael Frisk

- Born 1961, nationality: Finnish
- MSc (Econ)
- Senior Vice President, Corporate Human Resources, since 2001. Responsible for Corporate HR, IT and Business Process Management.
- Member of the Management Team since 2001
- Employed by Fortum since 2001

Previous positions:

- Nokia Mobile Phones, Vice President, HR Global Functions 1998
- Nokia-Maillefer, Vice President, HR, Lausanne, Switzerland 1993
- Nokia NCM Division, HR Development Manager 1992
- Oy Huber Ab, HR Development Manager 1990

Key positions of trust:

- HENRY - The Finnish Association for Human Resources Management, Member of the Board

Fortum shares as of 31 December 2014: 46,591 (31 December 2013: 42,128)

Esa Hyvärinen

- Born 1967, nationality: Finnish
- MSSc (Econ) and M.Sc. (Agr. & For.)
- Senior Vice President, Corporate Relations as of 1 March 2014
- Member of the Management Team as of 1 March 2014
- Employed by Fortum since 2006

Previous positions:

- Fortum Corporation, Vice President, Corporate Relations 2006
- Confederation of European paper industries CEPI, Brussels, Head of Recycling and Environmental units 2000–2006
- Finnish Ministry of Trade and Industry, Senior Advisor 1997–2000

Key positions of trust:

- Finnish Energy Industries, Member of the Board

Fortum shares as of 31 December 2014: 15,156 (31 December 2013: n/a)

Timo Karttinen

- Born 1965, nationality: Finnish
- MSc (Eng)
- Chief Financial Officer since 1 March 2014
- Member of the Management Team since 2004
- Employed by Fortum since 1991

Previous positions:

- Fortum Power and Heat Oy, Executive Vice President, Electricity Solutions and Distribution Division 2009
- Fortum Corporation, Senior Vice President, Corporate Development 2004
- Fortum Power and Heat Oy, Business Unit Head, Portfolio Management and Trading 2000
- Fortum Power and Heat Oy, Vice President, Electricity Procurement and Trading 1999
- Imatran Voima Oy, Vice President, Electricity Procurement 1997

Key positions of trust:

- OAO Fortum, Member of the Board
- Confederation of Finnish Industries, Member of the Economy and tax committee

Fortum shares as of 31 December 2014: 76,430 (31 December 2013: 69,791)

Kari Kautinen

- Born 1964, nationality: Finnish
- LL.M
- Senior Vice President, Strategy, Mergers and Acquisitions as of 1 March 2014
- Member of the Management Team as of 1 March 2014
- Employed by Fortum since 1998

Previous positions:

- Fortum Corporation, Vice President, Strategy, Mergers and Acquisitions 2012
- Fortum Corporation, Vice President, Mergers and Acquisitions 2007
- Fortum, several managerial positions 1998

Key positions of trust:

- OAO Fortum, Member of the Board of Directors
- TGC-1, Member of the Board of Directors
- Member of the Board in several Fortum-owned holdings in Russia

Fortum shares as of 31 December 2014: 22,276 (31 December 2013: n/a)

Per Langer

- Born 1969, nationality: Swedish
- MSc (Econ)
- Executive Vice President, Hydro Power and Technology Division as of 1 March 2014
- Member of the Management Team since 2009
- Employed by Fortum since 1999

Previous positions:

- Fortum Power and Heat Oy, Executive Vice President, Heat Division 2009
- Fortum Power and Heat Oy, President of Heat 2007
- Fortum Power and Heat Oy, President of Portfolio Management and Trading 2004
- Fortum Corporation, managerial positions 1999
- Gullspång Kraft, managerial positions 1997

Key positions of trust:

- Fortum Sweden AB, Chairman of the Board
- EFA AB, Deputy Chairman
- Svensk Energi, Member of the Board
- Hafslund ASA, Member of the Board

Fortum shares as of 31 December 2014: 30,784 (31 December 2013: 25,267)

Markus Rauramo

- Born 1968, nationality: Finnish
- MSc (Econ and Pol. Hist.)
- Executive Vice President, Heat, Electricity Sales and Solutions Division as of 1 March 2014
- Member of the Management Team since 2012
- Employed by Fortum since 2012

Previous positions:

- Fortum Corporation, Chief Financial Officer 2012
- Stora Enso Oyj, Helsinki, CFO and Member of the GET 2008
- Stora Enso International, London, SVP Group Treasurer 2004
- Stora Enso Oyj, Helsinki, VP Strategy and Investments 2001
- Stora Enso Financial Services, Brussels, VP Head of Funding 1999
- Enso Oyj, Helsinki, several financial tasks 1993

Key positions of trust:

- Ahlstrom Oyj, Member of the Board
- Wärtsilä Oyj Abp, Member of the Board
- Teollisuuden Voima Oyj, Member of the Board
- AS Eesti Gaas, Member of the Supervisory Board
- As Võrguteenus Valdus, Member of the Supervisory Board
- AB Fortum Värme samägt med Stockholms stad, Chairman of the Board of Directors
- Chairman or member of the Board of several Fortum Corporation companies

Fortum shares as of 31 December 2014: 15,435 (31 December 2013: 13,756)

Matti Ruotsala

- Born 1956, nationality: Finnish
- MSc (Eng)
- Chief Operating Officer as of 1 March 2014
- Member of the Management Team since 2007
- Employed by Fortum since 2007

Previous positions:

- Fortum Power and Heat Oy, Power Division, Executive Vice President 2009
- Fortum Power and Heat Oy, President of Generation 2007
- Valtra Ltd, Managing Director 2005
- AGCO Corporation, Vice President 2005
- Konecranes Plc, Chief Operating Officer (COO) and Deputy CEO 2001
- Konecranes Plc and Kone Corporation, several senior and managerial positions 1982

Key positions of trust:

- Kemijoki Oy, Chairman of the Board
- PKC Group Oyj, Chairman of the Board
- Teollisuuden Voima Oyj, Chairman of the Board
- Componenta Oyj, Member of the Board
- Halton Group Ltd, Member of the Board

Fortum shares as of 31 December 2014: 32,360 (31 December 2013: 28,897)

Sirpa-Helena Sormunen

- Born 1959, nationality: Finnish
- LL.M
- General Counsel as of 1 September 2014
- Member of the Management Team since 1 September 2014
- Employed by Fortum since 2014

Previous positions:

- Patria Oyj, General Counsel 2012
- Nokia and Nokia Siemens Networks (NSN), several legal and managerial positions 2004
- TeliaSonera Finland Oyj, Vice President, Head of Legal, Mergers and Acquisitions and Finance 2003
- Sonera Oyj, Senior Legal Counsel, Head of Legal, Merger and Acquisitions 2000

Key positions of trust:

- Nammo AS, Member of the Board of Directors

Fortum shares as of 31 December 2014: - (31 December 2013: n/a)

Tiina Tuomela

- Born 1966, nationality: Finnish
- MSc (Eng), MBA
- Executive Vice President, Nuclear and Thermal Power Division as of 1 March 2014
- Member of the Management Team as of 1 March 2014
- Employed by Fortum since 1990

Previous positions:

- Fortum Power and Heat Oy, Vice President, Finance in Power Division 2009
- Fortum Power and Heat Oy, Vice President, Business Control and Support, Generation 2005
- Fortum, several managerial positions 1990

Key positions of trust:

- Ekokem Oy, Member of the Board of Directors
- Kemijoki Oy, Member of the Supervisory Board
- Raskone Oy, Member of the Board of Directors
- Teollisuuden Voima Oyj, Member of the Board of Directors
- Member of the Board of several companies of the Fortum Corporation

Fortum shares as of 31 December 2014: 6,442 (31 December 2013: n/a)

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The sections ‘This is Fortum’, ‘Business’, ’In society’ and ‘GRI’ have not been audited. The sustainability reporting material presented on these sections have been provided a limited independent assurance by a third party according to the scope and standards disclosed in the Assurance Statement, which will be publish at the end of March. References to the future presented on these pages reflect Fortum's assessments at the beginning of February 2015. Materialisation of such assessments is dependent on various factors, some of which Fortum may not have an impact on, and thus the final outcome may deviate from the assessments presented. Fortum discloses its outlook statement and the risks related to the realisation of the outlook statement separately in accordance with the applicable laws and regulations under the specific sections in the Operating and Financial Review. Fortum Corporation's Financial Statements and Operating and Financial Review for 2014 and the related Auditor's Report are available on this website.

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Contact information

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