

# Financial Statements

## 2015



# Financials 2015 – Reader's guide

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

## Operating and financial review

This section includes description of Fortum's financial performance during 2015. Here you will also find a description of the risk management as well as information on Fortum share performance.

## Primary statements

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

## Notes

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



## Notes are grouped to the following sections:

### 1–2 Basis of preparation

These notes describe the basis of preparing the consolidated financial statements and consist of the accounting policies and critical accounting estimates and judgements.

### 3–4 Risks

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

## Key figures

Key figures consist of financial key figures, share key figures and operational key figures for 2006–2015. The financial key figures derive mainly from the primary statements. Operational key figures include information on volumes and segments.

## Parent company financial statements

Read here an extract of the parent company financial statements including the primary statements, information on changes in equity and management remuneration. Full set of parent company financial statements is available on [www.fortum.com/investors](http://www.fortum.com/investors).

## Proposal for the distribution of earnings

The Board of Directors proposal for the dividend in 2015 is disclosed in this section.

### 5–15 Income statement

These notes provide supporting information for the income statement.

### 16–34 Balance sheet

These notes provide supporting information for the balance sheet.

## Auditor's report

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

## Quarterly financial information

Look here for quarterly financial information for the years 2014 and 2015. This section includes also quarterly sales and comparable operating profit by segments.

## Investor information

Here you will find information on Fortum's Annual General Meeting, dividend payment, basic share information as well as details of the financial information available to shareholders in 2016.

### 35–40 Off balance sheet items

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

### 41–43 Group structure and related parties

This section includes information on events after balance sheet date, acquisition and disposals, related party transactions and the subsidiaries of Fortum group.

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

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

# Financials 2015

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# Financial performance and position

Low electricity prices and write-downs burdened continuing results – Electricity distribution divestment completed.

## Key financial ratios <sup>1)</sup>

	2015	2014	2013	Change 15/14
Return on capital employed, %	22.7	19.5	9.0	16%
Net debt/EBITDA	-0.5	1.1	3.7	-145%
Comparable net debt/EBITDA	-1.7	2.3	3.9	-174%
Comparable net debt/EBITDA without Värme financing	N/A	2.0	3.4	N/A

1) Key financial ratios are based on total Fortum, including discontinued operations.

## Key figures

EUR million	2015	2014	2013	Change 15/14
<b>IS</b> Sales	3,459	4,088	5,309	-15%
Operating Profit				
<b>IS</b> Continuing operations	-150	1,296	1,160	-112%
Discontinued operations	4,395	2,132	348	106%
Total Fortum	4,245	3,428	1,508	24%
Comparable operating profit				
<b>IS</b> Continuing operations	808	1,085	1,070	-26%
Discontinued operations	114	266	332	-57%
Total Fortum	922	1,351	1,403	-32%
Profit before taxes				
<b>IS</b> Continuing operations	-305	1,232	N/A	-125%
Discontinued operations	4,393	2,128	N/A	106%
Total Fortum	4,088	3,360	1,398	22%
Earnings per share, EUR				
Continuing operations	-0.26	1.22	N/A	-121%
Discontinued operations	4.92	2.33	N/A	111%
Total Fortum	4.66	3.55	1.36	31%
<b>CF</b> Net cash from operating activities, continuing operations	1,228	1,406	N/A	-13%
Shareholders' equity per share, EUR	15.53	12.23	11.28	27%
Interest-bearing net debt (at end of period)	-2,195	4,217	7,793	-152%
Interest-bearing net debt without Värme financing	N/A	3,664	6,658	N/A

Fortum's performance from continuing operations in 2015 was not satisfactory. Profitability declined and remained depressed throughout the year due to the very low electricity prices mainly driven by extreme hydro conditions and low commodity prices. The weak market in combination with an increasing cost burden, especially the nuclear capacity tax increase in Sweden, forced early closures of nuclear capacity. This led to extensive write-downs that further burdened our results. Fortum's total operating profit, however, increased clearly due to the sale of the Swedish electricity distribution business that completed the divestment of Distribution started in 2013.

2015 demonstrated again that Finland and Europe are not isolated islands unaffected by global economic cycles. The rapid decline in commodity prices (coal, oil) and increase of subsidised renewable production created an urgent need for the whole utility industry to transform and improve the industry's competitiveness.

Fortum's balance sheet is strong. At the end of 2015, net debt to EBITDA was -0.5 as Fortum was net cash positive by more than EUR 2 billion. Net debt decreased by approximately EUR 6.5 billion during 2015 as a result of the Distribution divestment. A strong balance sheet and good profitability are important to Fortum – they ensure flexible implementation of our strategy, create the capability to carry out our investments and provide the readiness to seize new opportunities as they arise.

In Russia, the multi-year investment programme is nearing completion with the commissioning of two units in Chelyabinsk. The first of the two was finalised in December 2015 and the last unit is planned to be commissioned during the first quarter of 2016.

Given the demanding market, we are pleased at Fortum with the continued positive development in the company's stakeholder satisfaction last year. According to a survey the company conducted, Fortum's reputation has improved and our investments in sustainability have received recognition. We now have a good base to continue building on. Our customers are – and will continue to be – our key focus area. As a result, both our customer base in electricity sales and heat has steadily increased.

## Fortum's Distribution divestment completed

In June 2015, Fortum completed the divestment of its Swedish electricity distribution business.

The total consideration was approximately SEK 60.6 billion on a debt- and cash-free basis, corresponding to approximately EUR 6.4 billion. Fortum booked a one-time sales gain of approximately EUR 4.3 billion, corresponding to EUR 4.82 per share, in the second-quarter 2015 results.

The transaction concluded the divestment of Fortum's Distribution business, a process that began in 2013. The total consideration from the divestments in Finland, Sweden and Norway is approximately EUR 9.3 billion on a debt- and cash-free basis and approximately EUR 6.2 billion in non-taxable sales gains booked during 2014 and 2015.

## IFRS restatement relating to discontinued operations

After the divestment of the Swedish electricity distribution business, Fortum has no electricity distribution operations. Therefore, as of the first-quarter 2015 interim report, the Distribution segment has been treated as discontinued operations, consistent with IFRS 5 "Non-current assets held for sale and Discontinued operations". The income statement, including other comprehensive income, cash flow statement and certain key ratios has been restated for the 2014 comparative period. In the segment information, the Distribution segment is reclassified as discontinued operations.

## Comparability of information presented in tables and graphs

Financial results discussed in this operating and financial review are for the continuing operations of Fortum Group. The Distribution segment has been reclassified as discontinued operations. As a result, continuing operations and discontinued operations are presented separately for Fortum Group. Comparative period information for 2014 has been restated accordingly and can be found in the stock exchange release published on 15 April 2015. Information in the tables and graphs presented for year 2013 or earlier is not

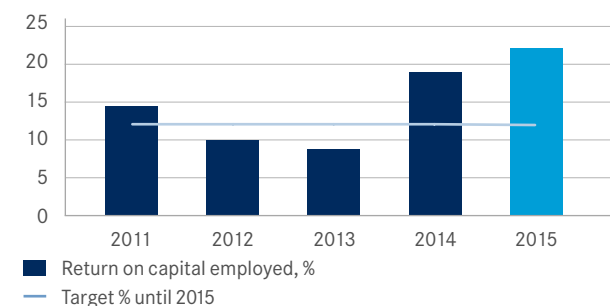
restated due to reclassification of discontinued operations. For further information, see [Note 1.2.1](#).

Furthermore, 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 consolidated financial statements.

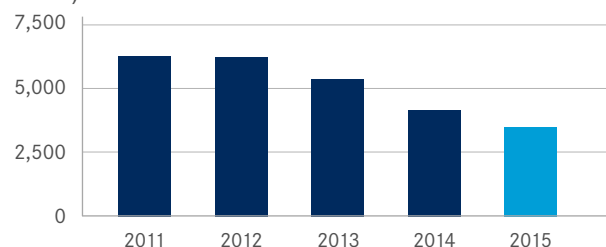
In addition, as of 2014, presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented.

Figures in brackets refer to the comparison period unless otherwise stated.

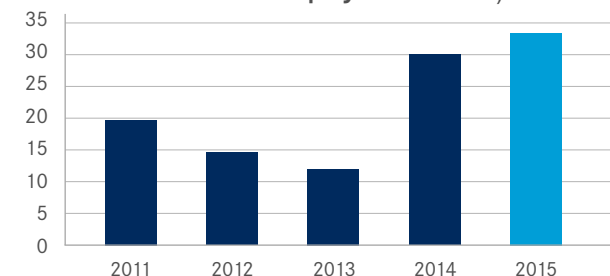
## Return on capital employed total Fortum, %



## Sales, EUR million



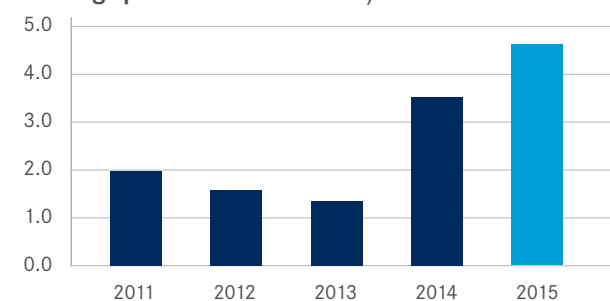
## Return on shareholders' equity total Fortum, %



## Operating profit and comparable operating profit continuing operations, EUR million



## Earnings per share total Fortum, EUR



## Financial results

### Sales by segment

EUR million	2015	2014	Change 15/14
Power and Technology	1,722	2,156	-20%
Heat, Electricity Sales and Solutions	1,187	1,332	-11%
Russia	893	1,055	-15%
Other	114	58	97%
Netting of Nord Pool transactions <sup>1)</sup>	-336	-422	
Eliminations	-122	-91	
<b>IS Total continuing operations</b>	<b>3,459</b>	<b>4,088</b>	<b>-15%</b>
Discontinued operations	274	751	-64%
Eliminations	-31	-89	
<b>Total Fortum</b>	<b>3,702</b>	<b>4,751</b>	<b>-22%</b>

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

### Comparable operating profit by segment

EUR million	2015	2014	Change 15/14
Power and Technology	561	877	-36%
Heat, Electricity Sales and Solutions	108	104	4%
Russia	201	161	25%
Other	-63	-57	-11%
<b>IS Total continuing operations</b>	<b>808</b>	<b>1,085</b>	<b>-26%</b>
Discontinued operations	114	266	-57%
<b>Total Fortum</b>	<b>922</b>	<b>1,351</b>	<b>-32%</b>

### Operating profit by segment

EUR million	2015	2014	Change 15/14
Power and Technology	-396	855	-146%
Heat, Electricity Sales and Solutions	105	337	-69%
Russia	203	161	26%
Other	-62	-58	-7%
<b>IS Total continuing operations</b>	<b>-150</b>	<b>1,296</b>	<b>-112%</b>
Discontinued operations	4,395	2,132	106%
<b>Total Fortum</b>	<b>4,245</b>	<b>3,428</b>	<b>24%</b>

For further information see [Note 5](#) Segment reporting.

In 2015, sales were EUR 3,459 (4,088) million, the decrease was mainly due to weak power prices and the Russian rouble. Comparable operating profit totalled EUR 808 (1,085) million and the reported operating profit totalled EUR -150 (1,296) million. Fortum's operating profit for the period was affected by EUR -794 million impact from the early closure of Oskarshamn nuclear units 1 and 2 (O<sub>1</sub> and O<sub>2</sub>) in Sweden (for further information see [Note 7](#)), other impairments and provisions EUR -124 (0) million as well as non-recurring items EUR 22 (305 million), an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments for continuing operations amounting to EUR -62 (-94 million). Total Fortum's operating profit EUR 4,245 (3,428) million includes the sales gain from the divestment of the Swedish electricity distribution business, approximately EUR 4.3 billion (approximately EUR 1.9 billion from Finnish and Norwegian operations in 2014).

The share of profit from associates was EUR 20 (146) million, the negative impact came mainly from the write-down of Oskarshamn nuclear units 1 and 2, in Sweden. The impact on earnings per share from the early closure of nuclear units O<sub>1</sub> and O<sub>2</sub> was EUR -0.82 per share. Fortum Värme represented EUR 47 (67) million, the decrease was mainly due to Fortum Värme's compensation to Fortum related to early prepayment of loans. The share of profit from Hafslund and TGC-1 are based on the companies' published third-quarter 2015 interim reports.

The net financial expenses were EUR -175 (-210) million. Net financial expenses include changes in the fair value of financial instruments of EUR -18 (-5) million.

Profit before taxes was EUR -305 (1,232) million.

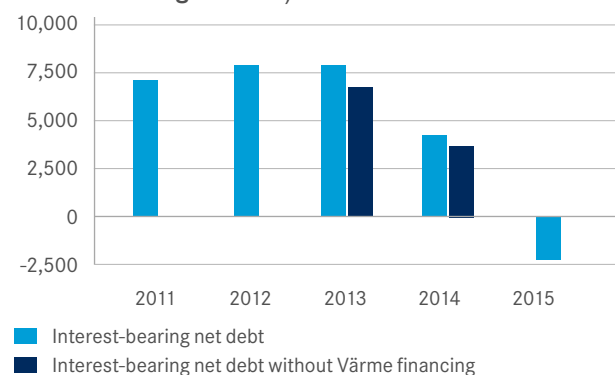
Taxes for the period totalled EUR 78 (-143) million. Taxes for the period are positive as the group is in loss position. This is mainly due to the write-down related to early closure of nuclear units O<sub>1</sub> and O<sub>2</sub> units in Sweden. The tax rate according to the income statement was 25.4% (11.6%). The tax rate, excluding the impact of the share of profit from associated companies, joint ventures as well as non-taxable capital gains, was 23.5% (2014: 18.0%).

The profit for the period for continuing operations was EUR -228 (1,089) million. Earnings per share for continuing operations were EUR -0.26 (1.22), of which EUR -0.97 (0.26) per share relates to items affecting comparability, including total effect related to early closure of nuclear units O<sub>1</sub> and O<sub>2</sub>. Earnings per share for total Fortum, including the effect from discontinued operations, were EUR 4.66 (3.55), including the EUR 4.82 gain from the sale of the Swedish electricity distribution business. Earnings per share for total Fortum in 2014 were impacted by EUR 2.08 per share from the sale of the Finnish electricity distribution business.

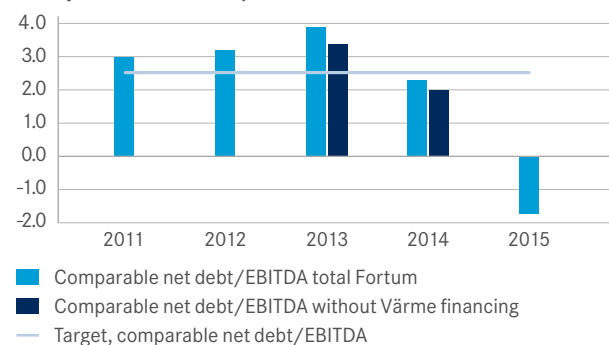
## Financial position and cash flow

EUR million	2015	2014	Change 15/14
Interest expense	-203	-249	18%
Interest income	51	84	-39%
Fair value gains and losses on financial instruments	-18	-5	-260%
Other financial expenses - net	-4	-40	90%
<b>IS Finance costs - net</b>	<b>-175</b>	<b>-210</b>	<b>17%</b>
Interest-bearing liabilities	6,007	6,983	-14%
Less: Liquid funds	8,202	2,766	197%
<b>Interest-bearing net debt</b>	<b>-2,195</b>	<b>4,217</b>	
<b>Interest-bearing net debt without Värme financing</b>	<b>N/A</b>	<b>3,664</b>	

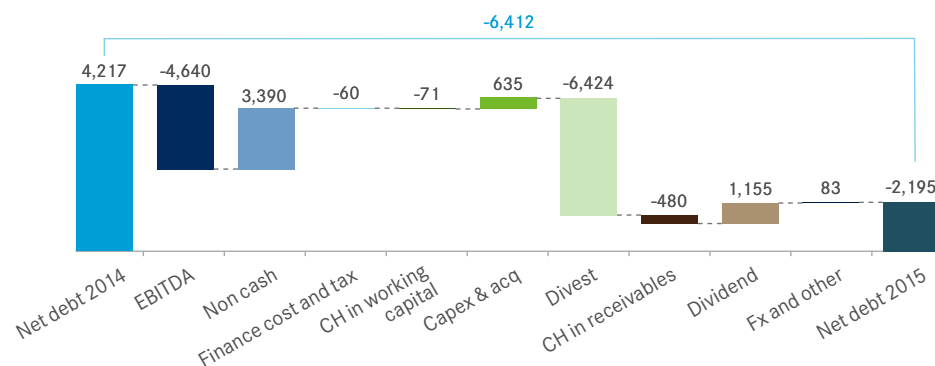
### Interest-bearing net debt, EUR million



### Comparable net debt/EBITDA



### Change in net debt during 2015, EUR million



### Cash flow

In 2015, net cash from operating activities from continuing operations decreased by EUR 178 million to EUR 1,228 (1,406) million, mainly due to lower EBITDA. Realised foreign exchange gains and losses of EUR 292 (352) million were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Total net cash from operating activities including discontinued operations amounted to EUR 1,381 (1,762) million.

Capital expenditures for continuing operations decreased by EUR 95 million to EUR 527 (622) million. Net cash from investing activities for total Fortum was EUR 6,268 (2,816) million, including the impact from discontinued operations amounting to EUR 6,303 (2,574) million. Cash flow before financing activities for total Fortum increased by EUR 3,072 million to EUR 7,650 (4,578) million, including the net impact of discontinued operations of EUR 6,457 (2,930) million.

Fortum paid dividends totalling EUR 1,155 million in April 2015. The net increase in liquid funds during the period was EUR 5,490 million.

### Assets and capital employed

Total assets increased by EUR 1,392 million to EUR 22,767 (21,375) million.

Liquid funds increased by EUR 5,436 million to EUR 8,202 (2,766) million, and property, plant and equipment decreased by EUR 2,485 million, both arising mainly from the divestment of the Swedish distribution business. The long-term interest-bearing receivables decreased by EUR 1,268 million to EUR 773 (2,041) million mainly due to the early closure of Oskarshamn units 1 and 2 in Sweden and repayments by Fortum Värme. At the end of 2015 Fortum did not have any loan receivables from Fortum Värme.

Capital employed for total Fortum was EUR 19,870 (17,918) million, an increase of EUR 1,952 million.

### Equity

Total equity attributable to owners of the parent company totalled EUR 13,794 (10,864) million.

The increase in equity attributable to owners of the parent company totalled EUR 2,930 million and was mainly from the gain on the divestment of Swedish distribution business of approximately EUR 4.3 billion, partly offset by the dividend payment of EUR -1,155 million for 2014.

## Financing

Fortum was net cash positive at the end of the period as net debt decreased by EUR 6,412 million during 2015 from net debt EUR 4,217 million to net cash EUR 2,195 million.

At the end of 2015, the Group's liquid funds totalled EUR 8,202 (2,766) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 76 (134) million. In addition to liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities (See [Note 3](#) Financial risk management).

The net financial expenses were EUR -175 (-210) million of which net interest expenses were EUR -152 (-165) million. Net financial expenses include compensation from prepayment of loans by Fortum Värme EUR 37 million and changes in the fair value of financial instruments of EUR -18 (-5) million.

On 5 June 2015, Standard & Poor's downgraded Fortum's long-term rating to BBB+ from A- and affirmed the A-2 short-term rating. The outlook is stable. The long-term corporate credit rating was removed from CreditWatch, where it had been placed since 18 March 2015. On 17 November 2015, Fitch Ratings downgraded Fortum's long-term Issuer Default Rating (IDR) and senior unsecured rating to BBB+ from A-, while affirming the short-term IDR at F2 with a stable outlook.

## Key figures

At year-end 2015, net debt to EBITDA was -0.5 (1.1) and comparable net debt to EBITDA -1.7 (2.3). At year-end 2015, Fortum was no longer financing Fortum Värme.

Gearing was -16% (39%) and the equity-to-assets ratio 61% (51%). Equity per share was EUR 15.53 (12.23). For the year 2015, return on capital employed totalled 22.7% (19.5%).

## Market conditions

### Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 381 (378) TWh in 2015. The increase was mainly driven by higher industrial consumption in Sweden and Norway.

At the beginning of 2015, the Nordic water reservoirs were at 80 TWh, which is 3 TWh below the long-term average and 2 TWh lower than a year earlier. By the end 2015, reservoirs were at 98 TWh, which

## Power consumption

TWh	2015	2014	2013
Nordic countries	381	378	386
Russia	1,007	1,021	1,026
Tyumen	93	93	87
Chelyabinsk	35	36	36
Russia Urals area	258	260	257

## Average prices

TWh	2015	2014	2013
Spot price for power in Nord Pool power exchange, EUR/MWh	21.0	29.6	38.1
Spot price for power in Finland, EUR/MWh	29.7	36.0	41.2
Spot price for power in Sweden, SE3, Stockholm, EUR/MWh	22.0	31.6	39.4
Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh	21.2	31.4	39.2
Spot price for power in European and Urals part of Russia, RUB/MWh <sup>1)</sup>	1,154	1,163	1,104
Average capacity price, tRUB/MW/month	359	304	276
Spot price for power in Germany, EUR/MWh	31.6	32.8	37.8
Average regulated gas price in Urals region, RUB/1,000 m <sup>3</sup>	3,488	3,362	3,131
Average capacity price for old capacity, tRUB/MW/month <sup>2)</sup>	149	167	163
Average capacity price for new capacity, tRUB/MW/month <sup>2)</sup>	641	552	576
Spot price for power (market price), Urals hub, RUB/MWh <sup>1)</sup>	1,047	1,089	1,021
CO <sub>2</sub> , (ETS EUA), EUR/tonne CO <sub>2</sub>	8	6	5
Coal (ICE Rotterdam), USD/tonne	57	75	82
Oil (Brent Crude), USD/bbl	54	99	109

1) Excluding capacity tariff.

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

## Water reservoirs

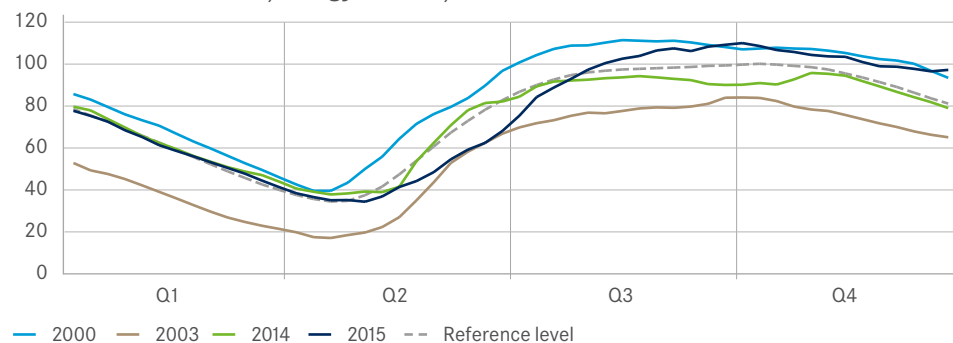
TWh	31 Dec 2015	31 Dec 2014	31 Dec 2013
Nordic water reservoirs level	98	80	82
Nordic water reservoirs level, long-term average	83	83	83

## Export/import

TWh (+ = import to, - = export from Nordic area)	2015	2014	2013
Export/import between Nordic area and Continental Europe+Baltics	-18	-14	-3
Export/import between Nordic area and Russia	4	4	5
Export/import Nordic area, total	-14	-10	-2



## Nordic water reservoirs, energy content, TWh



Source: Nord Pool

is 15 TWh above the long-term average and 18 TWh higher than at the end of 2014. Reservoir surplus compared to the long-term average increased further during the fourth quarter due to high precipitation and mild weather, which delayed snow accumulation. Snow reservoirs were approximately normal at year-end.

During 2015, the average system spot price was EUR 21.0 (29.6). The decline was due to the highest annual inflow ever reported and correspondingly very high hydro production volumes as well as mild weather and low commodity prices. In addition, wind power production increased during the year, impacting spot prices negatively. The average area price in Finland was EUR 29.7 (36.0) and in Sweden SE3 (Stockholm) EUR 22.0 (31.6).

In Germany the average spot price during 2015 was EUR 31.6 (32.8) per MWh.

The market price of CO<sub>2</sub> emission allowances (EUA) was at approximately EUR 7.1 per tonne at the beginning of the year and EUR 8.3 at the end of 2015.

### Russia

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

According to preliminary statistics Russia consumed 1,007 (1,021) TWh of electricity during 2015. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 772 (777) TWh.

In 2015 the average electricity spot price, excluding capacity price, decreased by 0.8% to RUB 1,154 (1,163) per MWh in the First price zone.

## European business environment and carbon market

### Paris Agreement

In December 2015, a global climate agreement for the post-2020 period was adopted. All countries are obligated to prepare national contributions, including mitigation, adaptation and financing, to be reviewed every five years. The long-term goal is to keep the temperature increase well below 2°C above pre-industrial levels with efforts to limit it to 1.5°C.

The agreement increases long-term stability and predictability, encourages market-driven actions and reduces the risk of carbon leakage. Potentially, it can result in an accelerated low-carbon energy transition and new business opportunities. However, there will be no direct impact on CO<sub>2</sub> price unless the EU decides to increase its 2030 target. The EU Heads of States will discuss the results of Paris and the possible consequences on EU targets and policies in March 2016.

### EU emissions trading reform

In 2015, the EU Council formally adopted the European Commission's proposal to create a reserve to hold surplus CO<sub>2</sub> permits under the EU Emissions Trading System. This means that the proposed

Market Stability Reserve will become operational in January 2019 and will remove 12% of the net surplus each year, as long as it remains above 833 million tonnes. The EU Environment Council adopted the legislation on behalf of the wider EU Council.

### EU power market development

The public consultation on the new EU electricity market design was closed in 2015. Although the aim of the consultation is to collect input from different stakeholders, the European Commission has already stated quite clearly that its preference is to focus on further development of the current energy-only market design rather than going towards capacity markets. In particular, fixed capacity payments are not favoured because of their highly distortive nature. The Commission will put forward proposals for a comprehensive revision of the energy market-related legislation in the autumn 2016.

### State of the Energy Union Report

In November 2015, the European Commission published the first edition of the annual "State of the EU Energy Union" report. It included reports on each member states' progress in implementing the EU energy and climate targets, and the key principles for the governance system to ensure implementation of the Energy Union in a transparent and predictable way. The report also underlines the EU's ambition to continue the EU leadership in the transition to a low-carbon economy after COP21, and to ensure that the transition is socially fair and consumer-centred. Continuing geopolitical challenges are also noted in the report.

### Circular Economy Package

In December 2015, the EU Commission also proposed a Circular Economy package aiming at better resource efficiency and high-quality reuse of products and recycling of waste. The proposal includes amendments to several waste-related directives and ambitious EU targets for reuse and recycling of all waste streams. The Commission is proposing a ban on the landfilling of separately collected waste and limiting the share of landfilled municipal waste to a maximum of 10% by 2030.

When waste cannot be prevented or recycled, using it for energy is preferred to landfilling. 'Waste to energy' can therefore play a bigger role in the EU energy and climate policy. The Commission will examine how the energy potential can best be exploited and will adopt a waste-to-energy initiative in the framework of the Energy Union during 2016.

## 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	2015	2014	Change 15/14
Sales	1,722	2,156	-20%
- power sales	1,625	2,026	-20%
of which Nordic power sales <sup>1)</sup>	1,526	1,845	-17%
- other sales	97	130	-25%
Operating profit	-396	855	-146%
Comparable operating profit	561	877	-36%
Comparable EBITDA	680	998	-32%
Net assets (at period-end)	5,913	6,001	-1%
Return on net assets, %	-8.5	13.6	-163%
Comparable return on net assets, %	9.5	14.2	-33%
Capital expenditure and gross investments in shares	203	198	3%
Number of employees	1,341	1,639	-18%

1) The Nordic power sales income and volume does not include thermal generation, market price-related purchases or minorities.

In 2015, the Power and Technology segment's comparable operating profit was EUR 561 (877) million, i.e. EUR 316 million lower than in 2014 mainly due to a lower achieved power price. Hydro volumes were historically high, 2.7 TWh, higher than in 2014, while nuclear volumes were 0.9 TWh lower due to unplanned outages in Swedish co-owned nuclear power plants.

Operating profit, EUR -396 (855) million, was affected by write-downs and provisions regarding the closure of Oskarshamn nuclear plant units 1 and 2 in Sweden and of the Finnish coal-fired power plants Inkoo and Meri-Pori, as well as the cancelled Olkiluoto 4 nuclear power project in Finland totalling approximately EUR -915 (0) million, and by sales gains from the sale of property, plant and equipment totalling approximately EUR 18 (52) million, as well as by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR -60 (-73) million.

Power and Technology's achieved Nordic power price was EUR 33.0 (41.4) per MWh, EUR 8.4 per MWh lower than in the corresponding period in 2014. The system price and all area prices were clearly lower in 2015 compared to 2014. The average system spot price of electricity in Nord Pool was EUR 21.0 (29.6) per MWh. The average area price in Finland was EUR 29.7 (36.0) per MWh and in Sweden SE3 (Stockholm) EUR 22.0 (31.6) per MWh. The weather during the year was extraordinary and impacted the electricity price level: the first quarter of 2015 was exceptionally mild and the second quarter was characterised by among the highest precipitation in recent history. Mild weather in the fourth quarter reduced consumption and increased inflows. In addition, high wind-power generation limited the use of hydropower.

The segment's total power generation in the Nordic countries was 48.1 (47.1) TWh, 1.0 TWh higher than in 2014 due to very high hydro volumes. Thermal production totalled 0.3 (0.9) TWh in the Nordic countries. CO<sub>2</sub> free production amounted to 99% (97%) of the total production.

### Power generation by source

TWh	2015	2014	Change 15/14
Hydro and windpower, Nordic	25.1	22.4	12%
Nuclear power, Nordic	22.7	23.8	-5%
Thermal power, Nordic	0.3	0.9	-67%
<b>Total in the Nordic countries</b>	<b>48.1</b>	<b>47.1</b>	<b>2%</b>
Thermal power in other countries	0.0	0.7	N/A
<b>Total</b>	<b>48.1</b>	<b>47.9</b>	<b>0%</b>

### Nordic sales volume

TWh	2015	2014	Change 15/14
Nordic sales volume	50.5	48.6	4%
of which Nordic Power sales volume <sup>1)</sup>	46.3	44.6	4%

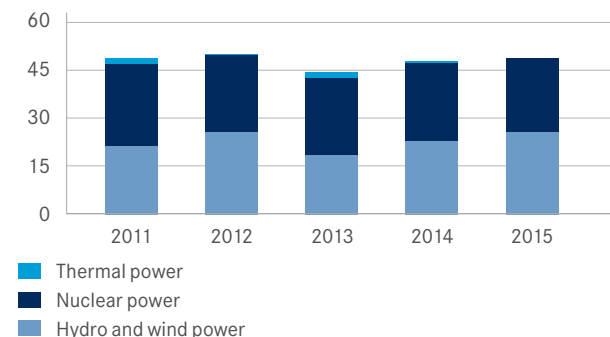
1) The Nordic power sales income and volume does not include thermal generation, market price-related purchases or minorities.

### Sales price

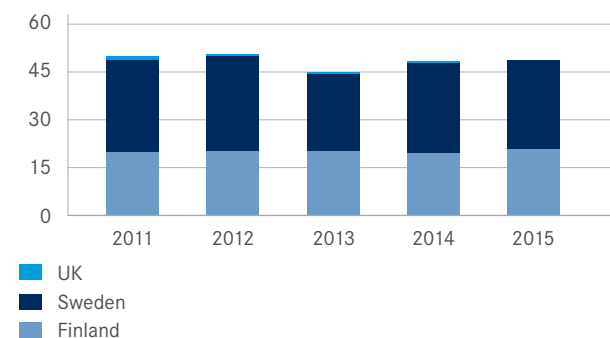
EUR/MWh	2015	2014	Change 15/14
Power's Nordic power price <sup>2)</sup>	33.0	41.4	-20%

2) Power and Technology's Nordic power price does not include sales income from thermal generation, market price-related purchases or minorities.

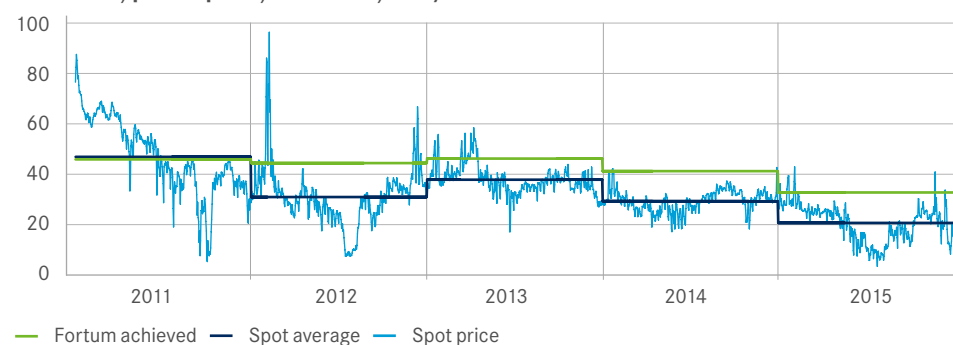
### Power and Technology segment's power generation in the Nordic area by source, TWh



### Power and Technology segment's power generation by area, TWh



### Nord Pool, power price, 2011–2015, EUR/MWh



Source: Nord Pool, Fortum

### 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	2015	2014	Change 15/14
Sales	1,187	1,332	-11%
- heat sales	423	430	-2%
- power sales	682	783	-13%
- other sales	83	119	-30%
Operating profit	105	337	-69%
Comparable operating profit	108	104	4%
of which Electricity Sales	55	48	15%
Comparable EBITDA	209	204	2%
Net assets (at period-end)	2,170	2,112	3%
Return on net assets, %	7.7	19.1	-60%
Comparable return on net assets, %	7.9	8.7	-9%
Capital expenditure and gross investments in shares	128	124	3%
Number of employees	1,417	1,807	-22%

Heat sales volumes of the Heat, Electricity Sales and Solutions segment amounted to 7.8 (7.9) TWh in 2015. During the same period, power sales volumes from CHP production totalled 2.5 (2.8) TWh.

Comparable operating profit was EUR 108 (104) million. The main reasons for the improvement were the more accurate consumption estimates in Electricity Sales and lower fuel costs during the year. In retail electricity sales, the customer base continued to grow in 2015.

Operating profit totalled EUR 105 (337) million, including mainly sales gains and losses and the IFRS accounting treatment (IAS 39) of derivatives totalling -4 (234).

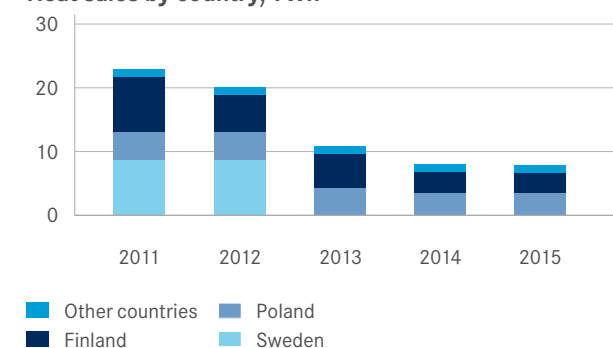
### Heat sales by country

TWh	2015	2014	Change 15/14
Finland	3.1	3.2	-3%
Poland	3.4	3.4	0%
Other countries	1.2	1.3	-8%
<b>Total</b>	<b>7.8</b>	<b>7.9</b>	<b>-1%</b>

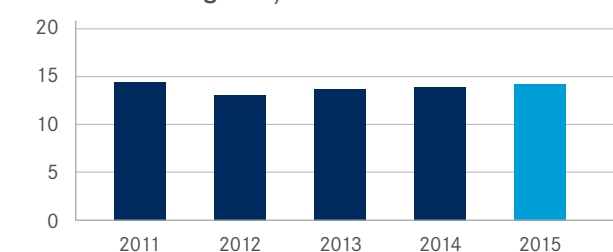
### Power sales

TWh	2015	2014	Change 15/14
CHP	2.5	2.8	-11%
Electricity Sales	14.2	13.8	3%
<b>Total</b>	<b>16.7</b>	<b>16.5</b>	<b>1%</b>

### Heat sales by country, 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	2015	2014	Change 15/14
Sales	893	1,055	-15%
- power sales	661	758	-13%
- heat sales	228	285	-20%
- other sales	4	11	-64%
Operating profit	203	161	26%
Comparable operating profit	201	161	25%
Comparable EBITDA	267	304	-12%
Net assets (at period-end)	2,561	2,597	-1%
Return on net assets, %	8.3	5.6	48%
Comparable return on net assets, %	8.2	5.6	46%
Capital expenditure and gross investments in shares	285	367	-22%
Number of employees	4,126	4,213	-2%

The liberalisation of the Russian wholesale power market was completed in 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 2015, Fortum sold approximately 83% of its power production in Russia at a liberalised electricity price.

All of Fortum's capacity was allowed to participate in the capacity selection for generation built prior to 2008 (CCS – "old capacity") 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 7% of Fortum's total old capacity in Russia), for which Fortum has obtained forced mode status, i.e. it has received payments for the capacity.

The generation capacity built after 2007 under the Russian Government's capacity supply agreement (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 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 vary 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 February 2015, the System Administrator of the wholesale market published data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2014, which was used to calculate the capacity price on CSA in 2015. The CSA payments were revised upwards accordingly to reflect the higher bond rates.

In 2015 the Russia segment's power sales volumes amounted to 29.4 (26.5) TWh and heat sales volumes totalled 25.4 (26.0) TWh in 2015.

The Russia segment's comparable operating profit was EUR 201 (161) million. The positive effect from the new units receiving CSA payments amounted to approximately EUR 244 (165) million, including a EUR 52 (4) million CSA provision release. Lower heat volumes due to warm weather, lower income from heat connections and lower electricity prices impacted the result negatively compared to 2014. The weakened Russian rouble affected the Russia segment's 2015 result negatively by EUR 71 million.

Operating profit was EUR 203 (161) million.

The third unit of Fortum's Nyagan power plant started commercial operation at the end of 2014 and started receiving capacity payments under the Russian Government's capacity supply agreement for 418 megawatts (MW) as of 1 January 2015.

In November 2015, Fortum commissioned unit 1 of its Chelyabinsk GRES combined heat and power plant in Russia. Fortum started receiving capacity payments for Chelyabinsk 1 under the Russian Government's capacity supply agreement (CSA) as of 1 December 2015. Fortum's extensive investment programme in Russia that started in 2008 is now nearly completed, as unit 2 of Chelyabinsk GRES is estimated to start commercial operation in early 2016. The slight postponement is due to delays in construction.

## Key electricity, capacity and gas prices for Fortum Russia

	2015	2014	Change 15/14
Electricity spot price (market price), Urals hub, RUB/MWh	1,047	1,089	-4%
Average regulated gas price, Urals region, RUB/1,000 m <sup>3</sup>	3,488	3,362	4%
Average capacity price for CCS "old capacity", tRUB/MW/month <sup>1)</sup>	149	167	-11%
Average capacity price for CSA "new capacity", tRUB/MW/month <sup>1)</sup>	641	552	16%
Average capacity price, tRUB/MW/month	359	304	18%
Achieved power price for Fortum in Russia, RUB/MWh	1,555	1,508	3%
Achieved power price for Fortum in Russia, EUR/MWh <sup>2)</sup>	22.5	30.4	-26%

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

2) Translated using average exchange rate.

## Discontinued operations (Distribution)

EUR million	2015	2014
Sales	274	751
- distribution network transmission	40	590
- regional network transmission	229	120
- other sales	7	41
Operating profit	4,395	2,132
Comparable operating profit	114	266
Comparable EBITDA	163	416
Net assets (at period-end)	-	2,615
Capital expenditure and gross investments in shares	44	147
Number of employees	-	390

The table above includes Swedish electricity distribution business for January–May 2015, the Finnish electricity distribution business for January–March 2014, the Norwegian electricity distribution business for January–May 2014, as well as the Swedish electricity distribution business for the full-year 2014.

In June 2015, Fortum completed the divestment of its Swedish electricity distribution business.

The transaction concluded the divestment of Fortum's Distribution, a process that began in 2013. The total consideration from the divestments in Finland, Sweden and Norway is

approximately EUR 9.3 billion on a debt- and cash-free basis and approximately EUR 6.2 billion in non-taxable sales gains booked during 2014 and 2015.

The comparable operating profit from the discontinued operations was EUR 114 (266) million, and operating profit totalled EUR 4,395 (2,132) million, including the approximately EUR 4.3 billion sales gain from the divestment of the Swedish electricity distribution business, (approximately EUR 1.9 billion from Finnish and Norwegian operations in 2014).

## Capital expenditures, divestments and investments in shares

EUR million	2015	2014
<b>Capital expenditure</b>		
Intangible assets	5	13
Property, plant and equipment	577	611
<b>Total continuing operations</b>	<b>582</b>	<b>626</b>
<b>Gross investments in shares</b>		
Subsidiaries	1	7
Associated companies	27	60
Available for sale financial assets	15	2
<b>Total continuing operations</b>	<b>43</b>	<b>69</b>

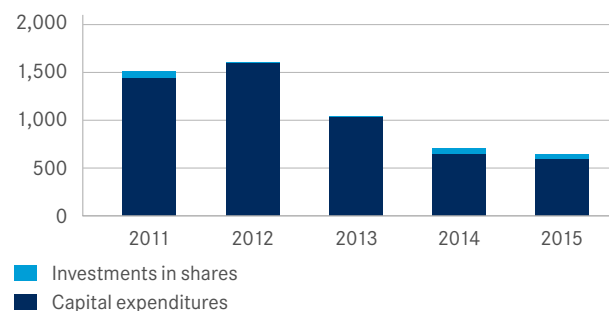
See also [Note 19.2](#) Capital expenditure.

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

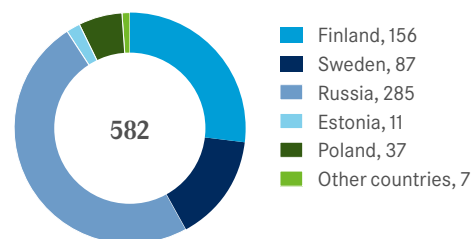
Type	Electricity capacity MW	Heat capacity MW	Supply starts
<b>Power and Technology</b>			
Blaiken	Wind	12	2016
Hydro refurbishment	Hydro	12	2016
Loviisa 1 and 2 refurbishment	Nuclear	11	2016
<b>Heat, Electricity Sales and Solutions</b>			
Zabrze	CHP	75	145 2018
<b>Russia <sup>1)</sup></b>			
Chelyabinsk 2	CHP (CCGT)	248	175 Q1 2016
Ulyanovsk	Wind	35	2017

1) Start of commercial operation.

## Capital expenditure and gross investments in shares continuing operations, EUR million



## Capital expenditure continuing operations by country, 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 300 million shareholder loan from the total EUR 600 million commitments. Fortum's share of the EUR 300 million withdrawals is approximately EUR 75 million. Fortum's remaining commitment for OL3 is EUR 75 million.

In 2015, the Extraordinary General Meeting of TVO decided not to apply for a construction licence for the Olkiluoto 4 (OL4) nuclear power plant during the validity of the decision-in-principle made in 2010. In addition, the Finnish Government granted a license to Posiva for the construction of a final disposal facility for spent nuclear fuel. The final disposal of the spent fuel generated in the

Olkiluoto and Loviisa nuclear power plants into the Finnish bedrock is planned to start in the early 2020's.

In 2015 Fortum also decided to participate in the Fennovoima nuclear power project in Finland with a 6.6% share on the same terms and conditions as the other Finnish companies currently participating in the project. Participation will be carried out through Voimaosakeyhtiö SF.

Fortum's associated company OKG AB's Extraordinary shareholders' meeting in 2015 decided on an early closure of Oskarshamn nuclear power plant units 1 and 2 in Sweden. For unit 1, it means that the unit will be taken out of operation and transferred into service mode after the applied environmental permit has been received, approximately during 2017–2019. For unit 2, which has been out of operation since June 2013 due to an extensive safety modernisation, it means that the unit will not be put back into operation. The closing process for both units is estimated to take several years.

## Heat, Electricity Sales and Solutions

Fortum is investing in a new biofuel CHP plant through Fortum Värme, its joint venture with the City of Stockholm. The new CHP plant, located in Värtan, Stockholm, Sweden, will replace some of the existing heat production, and it 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 existing old 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 2015, Fortum launched a greenfield solar PV plant Kapeli, in Madhya Pradesh, India. This solar plant is Fortum's second solar energy project in the country. The 10-MW solar plant will offset more than 18,000 tonnes of CO<sub>2</sub> emissions equivalent annually.

Fortum also decided to build a new multifuel CHP plant in Zabrze, Poland. The total value of the investment is approximately EUR 200 million. The new plant is planned to start commercial operation by the end of 2018. The plant's production capacity will be 145 MW heat and 75 MW electricity.

## Russia

In December 2015 Fortum announced a EUR 65 million investment to start wind farm project in Ulyanovsk, Russia with a total capacity of 35 MW. The wind farm is expected to start production in 2017. The

renewable generation capacity under Capacity Supply Agreement (CSA) receives guaranteed payments for 15 years in order to ensure sufficient return on investment.

## Group personnel

	2015	2014
Number of employees, 31 December	7,835	8,202
Average number of employees	8,009	8,329
Total amount of employee benefits, EUR million	351	369

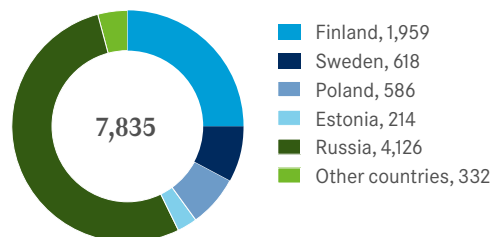
Fortum's operations are mainly based in the Nordic countries, Russia and the Baltic Rim area. The total number of employees at the end of 2015 was 7,835 (8,202 at the end of 2014).

At the end of December 2015, Power and Technology had 1,341 (1,639) employees; Heat, Electricity Sales and Solutions 1,417 (1,807); Russia 4,126 (4,213); and Other 951 (543).

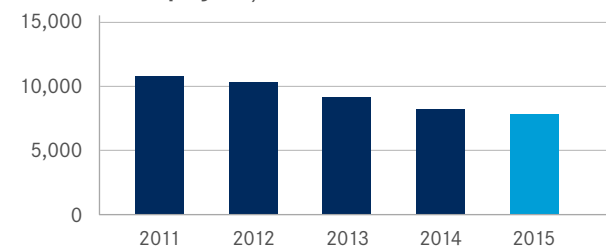
At the beginning of 2015, Fortum centralised its IT and customer service functions. As a result of the centralisation, a total of 464 employees transferred from the Heat, Electricity Sales and Solutions and Power and Technology segments to Other.

For further details of Group personnel see [Note 11](#) Employee benefits.

### Personnel by country, 31 Dec. 2015



### Number of employees, 31 December 2015



## Research and development

Sustainability is at the core of Fortum's strategy and, alongside Fortum's current businesses, the company is carefully exploring and developing new sources of growth within renewable energy production. Fortum is particularly interested in developing environmentally-benign energy solutions (CO<sub>2</sub>-free) and new CHP concepts, such as pyrolysis. The company is also researching and developing its solar energy competences and is involved in wave power pilot projects. In addition, Fortum is developing new customer solutions in electricity and heat to improve user experiences and demand-response services.

The Group reports its R&D expenditure on a yearly basis. In 2015, Fortum's R&D expenditure was EUR 47 (41) million or 1.4% (1.0%) of sales.

	2015	2014	Change 15/14
R&D expenditure, EUR million	47	41	15%
R&D expenditure, % of sales	1.4	1.0	40%

## 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 production of power and heat. At the beginning of

2015, Group-level target setting was changed by taking the energy savings yielded by energy-efficiency measures as an indicator in energy efficiency, and total recordable injury frequency (TRIF) as an indicator in occupational safety for Fortum employees. Moreover, a new target of reducing serious injuries by 50% as compared to 2014 was added to Group-level target setting.

The achievement of the sustainability targets is monitored in the 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. Complete data on Fortum's sustainability performance is published on Fortum's Sustainability website.

The company is listed on STOXX Global ESG Leaders, Nasdaq Helsinki, 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.

## Fortum sustainability targets and performance <sup>1)</sup>

	Target	2015	Five-year average
Specific CO <sub>2</sub> emissions from power generation in the EU as a five-year average, g/kWh	< 80	21	50
Specific CO <sub>2</sub> emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	181	191
Energy Efficiency Improvement target, by year 2020, base line year 2012, GWh/a	> 1,400	1,240	-
Number of major EHS incidents <sup>1)</sup>	≤ 27	18	-
Energy availability of CHP plants, %	> 95	96.4	-
Total recordable injury frequency (TRIF) for own personnel <sup>1)</sup>	≤ 2.5	1.6	-
Lost workday injury frequency (LWIF) for own contractors <sup>1)</sup>	≤ 3.2	2.7	-
Number of serious accidents <sup>1)</sup>	≤ 8	16	-

1) Includes the electricity distribution segment until divested

Targets for reputation and customer satisfaction are monitored annually. Company reputation among the key stakeholders in the One Fortum Survey in 2015 improved to 71.75 points (on a scale of 1–100 points) and was above the target of 70.8 points. Customer satisfaction improved, and the Group target (70–74 points) was achieved in all business areas except in electricity sales for business customers.

### 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. In 2015, Fortum measured financial performance with return on capital employed (target: 12%) and capital structure (target: comparable net debt/EBITDA around 2.5). In addition, as of 1 January 2014, Fortum has used the applicable Global Reporting Initiative (GRI) G4 indicators for reporting economic responsibility.

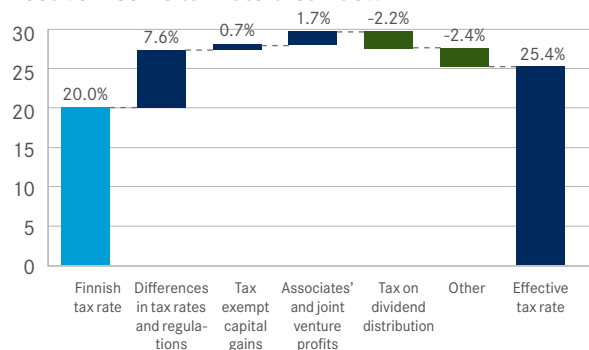
### Fortum as a tax payer

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 -78 million (2014: 143) but also several other taxes. In 2015, Fortum's taxes borne were EUR 413 million (2014: 464). Taxes borne include corporate income taxes, production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include

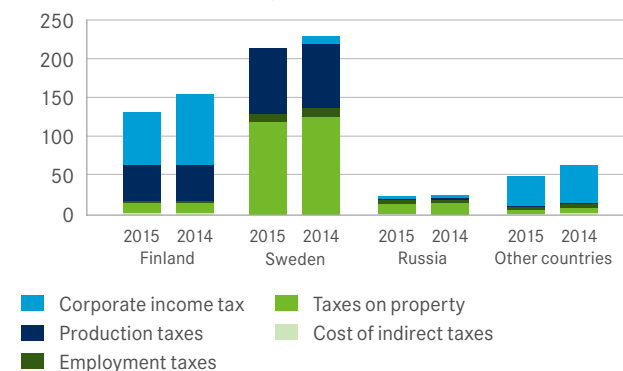
also taxes paid through electricity purchased from associated companies.

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 352 million (2014: 336). See additional information in [Fortum as a taxpayer](#).

### Effective income tax-rate break down



### Taxes borne by country, EUR million



### Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources as well as management of the impacts of its energy production and supply chain. The company's know-how in carbon-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<sub>2</sub> emissions, energy efficiency as well as major environmental, health and safety (EHS) incidents. At the end of 2015, ISO 14001 certification covered 99.9% of Fortum's power and heat production worldwide.

Fortum's climate targets over the next five years are: specific CO<sub>2</sub> emissions from power generation in the EU below 80 grams per kilowatt-hour (g/kWh) and total specific CO<sub>2</sub> 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 2015, the five-year average for specific CO<sub>2</sub> emissions from power generation in the EU was at 50 (60) g/kWh and the total specific CO<sub>2</sub> emissions from energy production were at 191 (198) g/kWh, both better than the target level.

Fortum's total CO<sub>2</sub> emissions in 2015 amounted to 19.2 (20.3) million tonnes (Mt), of which 2.1 (3.6) Mt 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 also gradually decrease during 2013–2020. Fortum's free allowances 2015 were 1.3 Mt.

Fortum's total CO <sub>2</sub> emissions (million tonnes, Mt)	2015	2014	Change 15/14
Total emissions	19.2	20.3	-5%
Emissions subject to ETS	2.1	3.6	-42%
Free emission allocation	1.3	1.4	-7%
Emissions in Russia	17.0	16.7	2%

By 2020, Fortum's target is to improve energy efficiency of the existing power plants and heat distribution networks by over 1,400 GWh annually, as compared with 2012. At the end of 2015, about 1,240 GWh of this target was achieved. In 2015, Fortum commissioned the Suomenoja heat pump facility and the flue gas condenser at the Joensuu power plant in Finland and improved performance of the turbine plants at the Argayash and Chelyabinsk CHP 3 power plants in Russia. The projects in 2015 result in an annual energy savings of approximately 560 GWh.

Fortum's target was fewer than 27 major EHS incidents annually. In 2015, 18 (27) major EHS incidents took place in Fortum's operations: one explosion, two leaks into the environment and 15 non-compliances with environmental permits. These incidents did not have significant environmental or financial impact.

## Social responsibility

In the area of social responsibility, Fortum's innovations and the secure production of low-CO<sub>2</sub> power and heat support the development of society and increase well-being. Good corporate citizenship and ensuring a safe working environment for all employees and contractors at Fortum's sites are emphasised. At the end of 2015, OHSAS 18001 certification covered 99.9% of Fortum's power and heat production worldwide.

In 2015, the average energy availability of Fortum's CHP plants was 96.4% (94.7%), which is clearly above the annual target level of 95%.

At the end of 2015, the total recordable injury frequency (TRIF) for Fortum employees was 1.6 (2.0) per one million working hours, which complies with the Group-level frequency target (< 2.5). The lost-workday injury frequency for contractors was 2.7 (3.2), which is below the set target level of 3.2. The number of serious occupational accidents was 16, which is too many and means that the set 50% reduction target for 2015 (8 serious accidents) was not met. Implementation of the agreed actions to improve contractor safety continues with a specific focus on construction projects. Fortum's target is to eliminate serious injuries by 2020. No fatalities occurred during the year.

Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier pre-selection and supplier audits. In 2015, Fortum audited 9 suppliers in Poland, the Czech Republic, Russia, Kazakhstan and India.

## Changes in Fortum's Management

Tapio Kuula, President and CEO, retired on 1 February 2015. Tapio Kuula had been President and CEO of Fortum Corporation since 2009.

On 2 April 2015, Pekka Lundmark, M.Sc. (Eng.), 51, was appointed President and CEO of Fortum Corporation. Mr. Lundmark started at Fortum on 7 September 2015.

Until Mr. Lundmark joined Fortum, CFO Timo Karttinen acted as interim President and CEO of Fortum.

## Events after the balance sheet date

On 8 January 2016, Fortum made a public tender offer in Poland to purchase all shares in Grupa Duon SA, an electricity and gas sales company listed on the Warsaw Stock Exchange. Fortum will carry out the acquisition if it receives at least 51% of the shares by the end of the offer period. The offer period commences on 28 January 2016 and is estimated to close on 26 February 2016. The offer has been made in compliance with the Polish legislation and rules of the Warsaw Stock Exchange, and it is subject to clearance of the Polish competition authority.

On 22 January 2016, 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 2017: 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, Ms Eva Hamilton, Mr Tapio Kuula and Mr Jyrki Talvitie and to be elected as new board member; Mr Veli-Matti Reinikkala.

In addition, the Shareholders' Nomination Board will propose that the annual fees paid for the term to be as follows: Chairman: EUR 75,000, Deputy Chairman: EUR 57,000, and members: EUR 40,000. The Chairman of the Audit and Risk Committee, if he/she is

not simultaneously acting as Chairman or Deputy Chairman of the Board: EUR 57,000/year.

## 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, the prices of fuel and CO<sub>2</sub> emissions allowances, as well as the hydrological situation. The completion of Fortum's investment programme in Russia is also a key driver in the company's result growth, due to the increase in production volumes and CSA payments.

The continued global and European uncertainty has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO<sub>2</sub> emissions allowance prices, and this could maintain downward pressure on the Nordic wholesale price of 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 Russian rouble and Swedish krona. 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. Electricity demand is expected to grow in the Nordic countries by approximately 0.5% on average in the coming years.

During 2015, the price of the European Union emissions allowances appreciated, whereas 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 2016 the quotation for coal (ICE Rotterdam) for the rest of 2016 was around USD 42 per tonne, and for CO<sub>2</sub> emission allowances for 2016 about EUR 6 per tonne. The Nordic system electricity forward price in Nasdaq Commodities for the rest of 2016 was around EUR 19 per MWh and for 2017 around EUR 18 per MWh. In Germany, the electricity forward price for the rest of 2016 was around EUR 25 per MWh and for 2017 around EUR 24 per MWh. Nordic water reservoirs were about 9 TWh above the long-term average and 8 TWh above the corresponding level of 2015.

## Power and Technology

The Power and Technology segment's (achieved) Nordic power price typically depends on such factors 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.

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 2015, the Swedish Government increased the nuclear waste fund fee for the period 2015–2017 from approximately 0.022 to approximately 0.04 SEK/kWh. The estimated impact on Fortum is approximately EUR 25 million annually. The process to review the Swedish nuclear waste fees is done in a three-year cycle. However, as a result of the decision on early closure of nuclear power plants, the Swedish Radiation Safety Authority, SSM, recalculated the waste fees for the Oskarshamn and Ringhals power plants. The new assessment needs the approval of the Swedish Government.

In addition, the Swedish Parliament decided to approve the proposed tax increase of 17% on installed nuclear capacity. The tax was implemented as of 1 August 2015. The estimated impact on Fortum is approximately EUR 15 million in 2016, albeit corporate tax-

deductible. The future of the nuclear tax is subject to active political debate in Sweden.

In October 2015, OKG AB's extraordinary shareholders' meeting decided on the closure of Oskarshamn nuclear power plant units 1 and 2 in Sweden. For unit 1, it means that the unit will be taken out of operation and transferred into service mode after the applied environmental permit has been received, approximately during 2017–2019. For unit 2, which has been out of operation since June 2013 due to an extensive safety modernisation, it means that the unit will not be put back into operation. The closing process for both units is estimated to take several years.

In August 2015, Fortum decided to participate in the Fennovoima nuclear power project in Finland with a 6.6%-share and on the same terms and conditions as the other Finnish companies currently participating in the project. Participation will be carried out through Voimaosakeyhtiö SF.

## Russia

The Russia segment's new capacity generation built after 2007 under the Russian Government's capacity supply agreement (CSA) is a key driver for earnings growth in Russia, as it is expected to bring income from new volumes sold and also to receive considerably higher capacity payments than the old capacity. It receives guaranteed capacity payments currently for a period of 10 years. A draft regulation related to the time frame (in the future 10 or 15 years) regarding the calculation has been submitted for review to the federal executive authorities, and a decision is expected during first half of 2016. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments. The received capacity payment will vary 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.

In February 2016, the System Administrator of the wholesale market is planning to publish data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2015, which is used to calculate the capacity price on CSA in 2016.

The value of the remaining part of Fortum's investment programme, calculated at the exchange rates prevailing at the end

of December 2015, is estimated to be approximately EUR 100 million, as of January 2016.

According to the new rules approved by the Russian Government in 2015, the competitive capacity selection for generation built prior to 2008 (CCS, without capacity supply agreements) takes place annually. At the end of 2015, the CCS for 2016 and the long-term CCS for 2017–2019 were held. The majority of Fortum's plants were selected. The volume of Fortum's installed capacity not selected in the auction totalled 195 MW for which Fortum has obtained forced mode status, i.e. it will receive payments for the capacity. In 2016, the CCS for year 2020 will take place.

The targeted operating profit (EBIT) level of RUB 18.2 billion in the Russia segment is targeted to be reached during 2017–2018. The segment's profits are impacted by changes in power demand, gas prices and other regulatory development. The economic sanctions, currency crisis, oil price and the surge in inflation have impacted overall demand. As a result, gas prices and electricity prices have not developed favourably as expected. Previously, the run-rate operating profit level (EBIT) was targeted to be reached during 2015 after finalising the investment programme.

The euro-denominated result level will be volatile due to the translation effect. The income statements of non-euro subsidiaries are translated into the Group reporting currency using the average exchange rates. The Russia segment's result is also impacted by seasonal volatility caused by the nature of the heat business, with the first and last quarter being clearly the strongest.

In 2014, the new heat market model roadmap proposed by the Ministry of Energy was approved by the Russian Government; if implemented the reform should give heat market liberalisation by 2020 or, in some specific areas, by 2023.

As forecasted by the Russian Ministry of Economic Development, Russian annual average gas price growth is estimated to be 4.9% in 2016.

## Restructuring of TGC-1 according to strategy in Russia

In December 2014, Fortum, Gazprom Energoholding LLC and Rosatom State Corporation signed a protocol to start a restructuring process of the ownership of TGC-1 in Russia. The discussions have not yet come to a conclusion. It is not possible to estimate the timetable.

## Capital expenditure and divestments

Fortum currently expects its capital expenditure for its continuing operations in 2016 to be approximately EUR 650 million. The annual maintenance capital expenditure is estimated to be about EUR 300–350 million in 2016, below the level of depreciation.

## Taxation

The effective corporate income tax rate for Fortum in 2016 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.

In August 2014, the Finnish Board of Adjustment of the Large Taxpayers' Office 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 appealed the matter. 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 has appealed the decisions in February 2015, and the cases for years 2008–2011 are now pending the Board of Adjustment of the Large Taxpayers' Office decision. In line with the 2007 case, Fortum considers the claims unjustifiable.

In June, the Swedish Parliament approved the 17% increase on the tax on installed nuclear capacity, re-proposed by the Swedish Government. The tax was implemented as of 1 August 2015. The estimated impact on Fortum is approximately EUR 15 million in 2016, albeit corporate tax-deductible.

## Hedging

At the end of December 2015, approximately 50% of Power and Technology's estimated Nordic power sales volume was hedged at approximately EUR 33 per MWh for the year 2016. The corresponding figures for the 2017 calendar year were approximately 20% at approximately EUR 30 per MWh.

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 Nasdaq Commodities forwards.

# Risk management

## Risk management framework and objectives

Fortum is continuously adapting its risk management capabilities to cope with prevailing market conditions, changing operations and the business environment. In 2015, the focus was on improving the framework for internal controls and compliance risk management and integrating them to the operational risk management framework.

Implementation of newly established processes for country and partner assessments, including sustainability and human rights impact assessments, has also continued.

### Risk management objective

The objective of risk management in Fortum is to support the creation and execution of the Group strategy, to support the achievement of agreed business plans and to avoid unwanted operational events.

## Group risk policy

Fortum's Board of Directors annually approves the Group Risk Policy, which defines the high-level objectives and principles, delegates responsibilities for risk management activities within the Group, and sets minimum requirements for risk management processes.

The CEO approves Group Risk Instructions covering commodity market risks, counterparty credit risks, currency, interest rate, liquidity and refinancing risks, and operational and compliance risks. The main principle is that risks are managed at source unless otherwise agreed by management. Corporate Treasury is responsible for managing the Group's currency, interest rate, liquidity and refinancing risks as well as for insurance management. Corporate Credit is responsible for assessing and consolidating credit exposure, monitoring creditworthiness, and setting credit limits for the Group's largest counterparties. Corporate IT is responsible for managing IT information and security risks. There are also corporate functions dealing with risks related to human resources, laws and regulation, and sustainability.

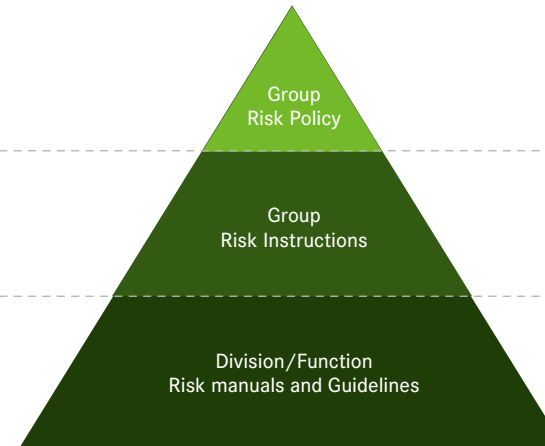
## Corporate Risk Policy Structure

### Approving body

- Board of Directors

- CEO

- COO, Division or Function Head



### Reviewing Body

- Audit and Risk Committee

- CFO

- CRO

## Risk management organisation

The Audit and Risk Committee (ARC) is responsible for monitoring the efficiency of the company's risk management systems. Corporate Risk Management, a function headed by the Chief Risk Officer (CRO) reporting to the CFO, is responsible for assessing and reporting the Group's risk exposures to the ARC and Group Management. In order to secure independency from line management, risk controllers conduct risk controlling tasks such as mandate sign-offs and risk model approvals.

Risk reporting is based on CRO approved models, templates and principles. The frequency of reporting is dependent on the materiality and volatility of the risks. For example, exposure to commodity market risks are followed-up and potential mandate breaches are reported daily whereas strategic and operational risks are reported as part of the annual business planning process and followed up in quarterly management reviews. Corporate Risk Management follows-up the Group's exposure to market and credit risk monthly and reports quarterly to Group Management.

## Risk management process

The risk management process consists of event identification, risk assessment, risk response and risk control and reporting. Every unit is responsible for responding to risks by taking appropriate actions to avoid, mitigate, transfer or absorb the risk.

## Risk factors

## Strategic risks

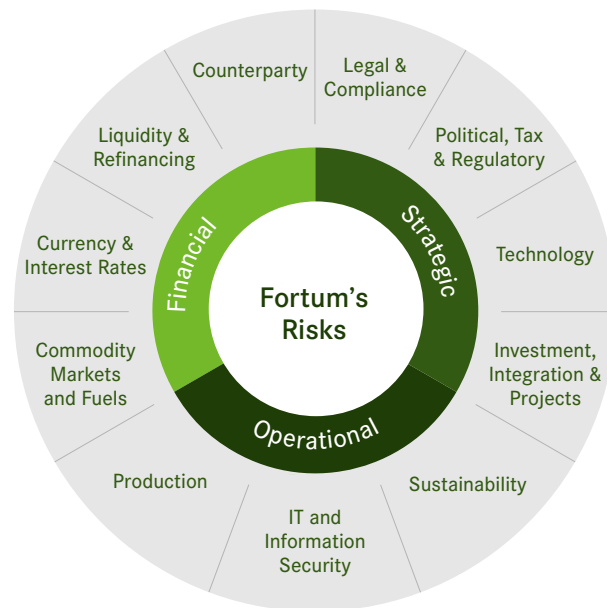
### Investment, integration and project risks

Fortum's strategy includes growth of operations and any future investment. Large project or acquisition could entail risk to existing operations, including:

- increased overall operating complexity and requirements for management, personnel and other resources;
- 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 sustainability and safety issues.

These risks are mitigated as part of investment, integration and project planning.

## Fortum Risk Map



### 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, and Fortum is therefore exposed to regulatory risks in various countries.

#### Nordic/EU

Fortum favours a market-driven development, which would mean more interconnections and competition supported by policy harmonization. Infrastructure development and integration of the Nordic electricity market towards continental Europe depend to a large extent on the actions of authorities. The current trend in some European countries of increasingly national policies could endanger the market-driven development of the energy sector.

The biggest potential risks within the policy framework relate to the electricity market model, targets for future climate change mitigation and renewable energy. In particular, the inter-linkage of these issues create uncertainty as they are overlapping and changes in policies in one area could undermine the effects of policy changes in other areas.

The EU is currently discussing capacity remuneration mechanisms that could change the market model. The specific details of targets for CO<sub>2</sub> emissions, renewables and energy efficiency for 2030 are also under discussion, and in the context of renewables the Commission aims at presenting a legislative proposal on sustainability criteria for solid biomass. Furthermore, the nuclear safety directive is in the implementation phase, and a discussion on broadening nuclear liability in the EU is starting.

As part of the Circular Economy package, the EU waste legislation shall be improved together with setting more ambitious recycling targets for waste. This will have a market impact, but possibly also a tax impact, on the amounts of non-recyclable waste that can be used for energy production. The preparations for EU's heating and cooling strategy during 2015–16 shall likely give policy direction towards better-functioning heat markets and district heating systems.

All these 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 regulation, legislation, economic and social upheaval and other similar factors. The Ukraine crisis and EU and US economic sanctions have increased the risks and made the business environment more challenging.

The main policy-related risks in Russia are linked to the development of the whole energy sector, part of which, like wholesale electric energy, is liberalised while other parts, like gas, heat, and retail electricity, are not. The wholesale power market deregulation in Russia has proceeded well and to a large extent according to original plans. However, there is a risk that the Government will freeze tariffs of certain regulated products including gas, which creates a risk for Fortum's operations. Fortum is continuously monitoring the development and implements risk mitigation actions if deemed necessary.

### Political risk concerning taxes

The current economic situation in Fortum's key operating countries has created a 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 and how its operations are taxed as the predictability and visibility around taxes has decreased. Fortum is continuously following the development of tax related issues and their impact on the Group and takes appropriate actions to mitigate the risk if needed.

### Legal and compliance risks

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

Fortum's ability to operate in certain countries may be adversely affected by difficulties in protecting and enforcing its rights in disputes with its contractual partners or other parties, and also by future changes to local laws and regulations.

Fortum has enhanced its compliance risk management process to systematically identify and mitigate compliance risks including risks related to sustainability and business ethics. Fortum has zero tolerance against corruption and the compliance risk management process also aims to capture potential bribery risks. In addition,

Fortum has an established Code of Conduct to enhance the understanding of the importance of business ethics for all Fortum employees, contractors and partners. The supplier code of conduct sets sustainability requirements for suppliers of goods and services. Fortum maintains internal controls to minimise the possibilities of unauthorised activities.

The assessment of compliance risks is periodic and documented. Line management regularly reports on the business ethics to Group Management and further to the ARC.

### Technology risks

Fortum's R&D activities focus on the development of the advanced technologies included in Fortum's existing energy system as well as new technologies and solutions supporting development of the energy system towards a future solar economy.

Fortum is, for example, developing solar and wave energy and bio-oil as well as innovative solutions for its customers. New technologies expose Fortum to new types of risks such as risks related to intellectual property rights and viability of technologies.

## Financial Risks

### Commodity markets and fuels risk

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 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 annually approved 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 is monitored quarterly by management.

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.

### Electricity price and volume risks

Fortum is exposed to electricity market price movements and volume changes mainly through its power and heat 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<sub>2</sub> allowance prices, fuel prices, economic development and the import/export situation.

In the Nordic business, power and heat generation and customer sales 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 main objective of hedging is to reduce the effect of electricity price volatility on earnings. Hedging strategies cover several years in the short to medium term and are executed within approved 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.

### Emission and environmental value risks

The European Union has established an emissions trading scheme to reduce the amount of CO<sub>2</sub> emissions. The CO<sub>2</sub> emissions trading scheme enhances the integration of the Nord Pool 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<sub>2</sub> 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<sub>2</sub> 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 use of fuels that are purchased on global or local markets. The main fuels used by Fortum are uranium, coal, natural gas, oil, waste and various biomass-based fuels such as peat and wood pellets.

The main risk factor for fuels that are traded on global markets such as coal and oil, is the uncertainty in price. Prices are largely affected by demand and supply imbalances that can be caused by, for example, increased demand growth in developing countries, natural disasters or supply 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 price risk exposure is limited. For fuels traded on local markets, such as bio-fuels, the volume risk in terms of availability of the raw material of appropriate quality is more significant as there may be a limited number of suppliers. Due to the sanctions and economic development in Russia, the risks related to imported fuels from Russia have increased. This might have an impact to Fortum's fuel structure.

Exposure to fuel prices is limited to some extent due to Fortum's flexible generation capacity which allows for switching between different fuels according to prevailing market conditions. In some cases, the fuel price risk can even be transferred to the customer. The remaining exposure to fuel price risk is mitigated through fixed-price purchases based on forecasted consumption levels. Fixed-price purchases can be either for physical deliveries or in the form of financial hedges.

### 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. Due to the volatile rouble development and sanctions imposed, special attention has been paid to ensure that Russia Division has sufficient liquidity to undertake committed investments.

After the Distribution divestments, Fortum has a large cash position. The credit risk of this position has been mitigated by diversifying the deposits.

### Currency and 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 through use of different types of financing contracts and interest rate derivative contracts such as interest rate swaps.

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 should be hedged while translation exposures are not hedged, or are hedged selectively. The rouble exposures are monitored continuously. The main translation exposures are EUR/RUB and EUR/SEK. The weak rouble is affecting Fortum's profit level and equity when translating the Russia Division results and net assets to euros.

### Counterparty risks

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

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 credit 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. Deposits in Russia have been concentrated to the most creditworthy state-owned or controlled banks. Limits with banks and financial institutions are monitored so that exposures can be adjusted as ratings or the financial situation changes, and Fortum is

following the development of economic sanctions against Russia as part of the monitoring process.

Credit risk exposures relating to customers is 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, Poland and Russia. 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 credit risk, Fortum has routines and processes to identify, assess and control exposure. Credit checks are performed before entering into commercial obligations and creditworthiness is monitored through the use of internal and external sources to ensure that actions can be taken if changes occur.

Corporate Credit is responsible for setting exposure limits for all larger individual counterparty credit exposures and for monitoring and reporting credit exposures for banks, trading counterparties and the largest customers in relation to approved limits.

Each division and corporate unit is responsible for ensuring that exposures remain within approved limits and for taking mitigating actions when needed. Mitigating actions include demanding collateral, such as guarantees, managing payment terms and contract length, and the use of netting agreements.

### 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. Quality, environmental and occupational health and safety as well as safety management systems are tools for achieving this objective. Fortum's operational activities are 100% ISO 14001 certified and the coverage of OHSAS 18001 certification is 74%. Equipment and system risks are primarily managed through maintenance planning and contingency plans are in place.

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.

### Production Risks

#### CHP

CHP production involves the use, storage and transportation of fuels. Leakage of fuels and contamination of the surrounding environment could lead to clean-up costs and third-party liabilities. An explosion or fire at a production facility could cause damages to the plant or third-parties and lead to possible business interruption. These risks are mitigated by condition monitoring and other operational improvements as well as competence development of personnel operating the plants.

#### 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 two 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.

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, but it is not likely to come into force during 2016. 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 the 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 ownership 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.

### Sustainability risks

The Corporate Sustainability unit assesses sustainability risks related to the Group's operations. Risks identified by Corporate Sustainability are assessed by Divisions and mitigation actions for applicable risks are defined as part of the annual planning process. Assessment of environmental risks and preparedness to operate in exceptional and emergency situations follows the requirements set in ISO 14001 standard. The same approach based on the requirements set in OHSAS 18001 standard applies to risks related to occupational health and safety and actions in emergency situations.

Operating power and heat generation plants involves use, storage and transportation of fuels and materials that can have adverse effects on the environment and expose personnel to safety risks.

Environmental, health and safety (EHS) risks as well as social risks related to Fortum's activities are evaluated through supplier pre-selection, internal and external audits and risk assessments. Corrective and preventive actions are implemented when necessary. EHS related risks together with social risks arising in investments are evaluated in accordance with Fortum's Investment Evaluation and Approval Procedure. Environmental risks and liabilities in relation to past actions have been assessed and provisions have been made for future remedial costs.

### IT and information security risks

Fortum is exposed to hardware and software risks including cyber-attacks. Information security risks are managed centrally by the Corporate Security and IT functions. 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. 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.

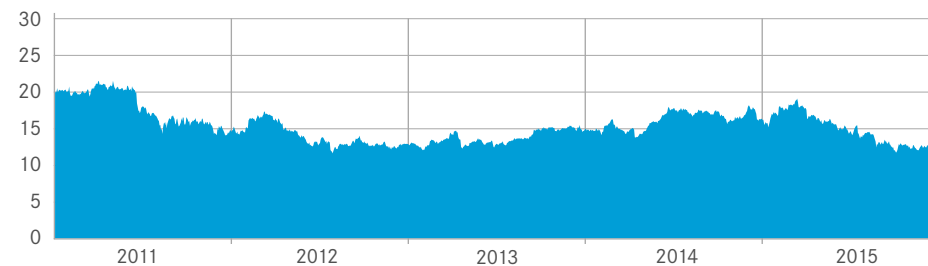
## Share key figures

EUR	2015	2014	2013
Earnings per share			
Continuing operations	-0.26	1.22	-
Discontinued operations	4.92	2.33	-
Total Fortum	4.66	3.55	1.36
Cash flow per share total Fortum	1.55	1.98	1.74
Cash flow per share, continuing operations	1.38	1.38	-
Equity per share	15.53	12.23	11.29
Dividend per share	1.10 <sup>1)</sup>	1.10	1.10
Extra dividend per share	-	0.20	-
Payout ratio, %	23.6 <sup>1)</sup>	36.6	80.9
Dividend yield, %	7.9 <sup>1)</sup>	7.2	6.6

1) Board of Directors' proposal for the Annual General Meeting 5 April 2016.

For full set of share Key figures 2006–2015, see the section [Key figures](#) in the Financial Statements.

## Market capitalisation, EUR billion



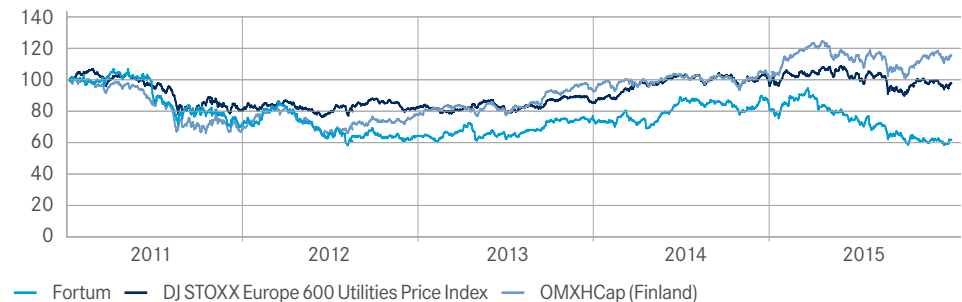
## Shareholders value, share price performance and volumes

Fortum's mission is to deliver excellent value to its shareholders. Fortum's share price has depreciated approximately 38% during the last five years, while Dow Jones European Utility Index has decreased 2%. During the same period NASDAQ Helsinki Cap index has increased 15%. During 2015 Fortum's share price depreciated approximately 23%, while Dow Jones European Utility index decreased 2% and NASDAQ Helsinki Cap index increased 11%.

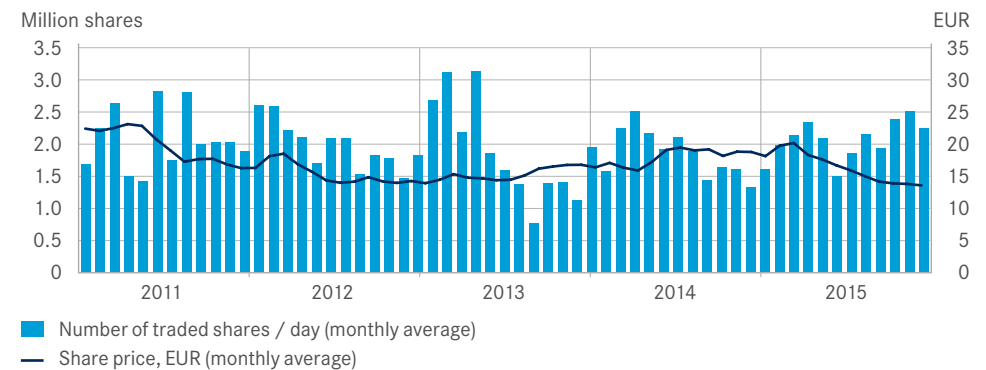
In 2015, a total of 541.9 million (2014: 454.8) Fortum Corporation shares, totalling EUR 8,828 million, were traded on the Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2015 was EUR 21.59, the lowest EUR 12.92, and the volume-weighted average EUR 16.26. The closing quotation on the last trading day of the year 2015 was EUR 13.92 (2014: 17.97). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 12,366 million (2014: 15,964).

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 2015, approximately 58% (2014: 58%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

## Share quotations, index 100 = quote on 2 January 2011



## Fortum share trading

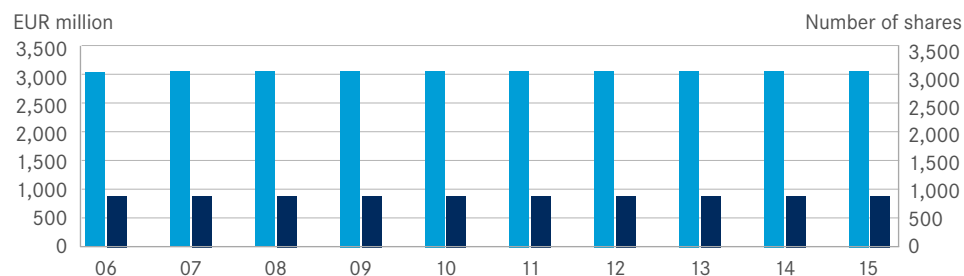




## Share capital

Fortum has one class of shares. By the end of 2015 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 2015 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

### Share capital



■ Share capital, EUR million  
■ Number of shares (million)

## Shareholders

At the end of 2015, 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.

On 25 March 2015, Fortum Corporation received notification pursuant to Chapter 9, Section 5, of the Securities Markets Act that Capital Group Companies Inc's ("CGC") holding in Fortum was below the threshold of 5% on 18 March 2015.

The proportion of nominee registrations and direct foreign shareholders decreased to 25.5% (2014: 32.3%).

## Shareholders, 31 December 2015

Shareholders	No. of shares	Holding %
Finnish State	450,932,988	50.76
Ilmarinen Mutual Pension Insurance Company	10,226,986	1.15
Varma Mutual Pension Insurance Company <sup>1)</sup>	9,100,167	1.03
The State Pension Fund	9,000,000	1.01
The Finnish Social Insurance Institution	7,030,896	0.79
Kurikan Kaupunki	6,203,500	0.70
Elo Mutual Pension Insurance Company	4,545,000	0.51
OP-Delta Mutual Fund	3,050,000	0.34
Schweizerische Nationalbank	2,910,081	0.33
Nordea Fennia Fund	2,864,636	0.32
The Local Government Pensions Institution	2,629,374	0.30
OP-Focus Special Fund	2,485,000	0.28
Society of Swedish Literature in Finland	1,716,375	0.19
Nominee registrations and direct foreign ownership <sup>1)</sup>	223,849,166	25.20
Other shareholders in total	151,822,876	17.09
<b>Total number of shares</b>	<b>888,367,045</b>	<b>100.00</b>

<sup>1)</sup> Excluding Schweizerische Nationalbank

By shareholder category	% of total amount of shares
Finnish shareholders	
Corporations	1.87
Financial and insurance institutions	2.66
General government	56.83
Non-profit organisations	1.72
Households	11.39
Non-Finnish shareholders	25.53
<b>Total</b>	<b>100.00</b>

## Breakdown of share ownership, 31 December 2015

Number of shares owned	No. of shareholders	% of shareholders	No. of shares	% of total amount of shares
1-100	35,386	25.97	2,061,950	0.23
101-500	54,492	40.00	14,648,185	1.65
501-1,000	22,296	16.36	16,541,500	1.86
1,001-10,000	22,738	16.69	59,655,157	6.72
10,001-100,000	1,225	0.90	28,099,826	3.16
100,001-1,000,000	89	0.07	28,155,303	3.17
1,000,001-10,000,000	17	0.01	59,558,489	6.70
over 10,000,000	2	0.00	461,159,974	51.91
	<b>136,245</b>	<b>100.00</b>	<b>669,880,384</b>	<b>75.40</b>
Unregistered/uncleared transactions on 31 December			73,636	0.01
Nominee registrations			218,413,025	24.59
<b>Total</b>			<b>888,367,045</b>	<b>100.00</b>

## Management interests 31 December 2015

At the end of 2015, the President and CEO and other members of the Fortum Management Team owned 347,478 shares (2014: 430,457) representing approximately 0.04% (2014: 0.05%) of the total shares in the company.

A full description of the shareholdings and interests in long-term incentive schemes of the President and CEO and other members of the Fortum Executive Management Team is shown in [Note 11](#) Employee benefits.

## Authorisations from the Annual General Meeting 2015

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 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 2015 amounted to EUR 5,417,422,951.23 including the profit of the period of EUR 1,133,611,072.83. 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 2015.

Based on the number of registered shares as of 2 February 2016 the total amount of dividend proposed to be paid is EUR 977,203,749.50. 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 5 April 2016 at 14:00 EET at Finlandia Hall in Helsinki.

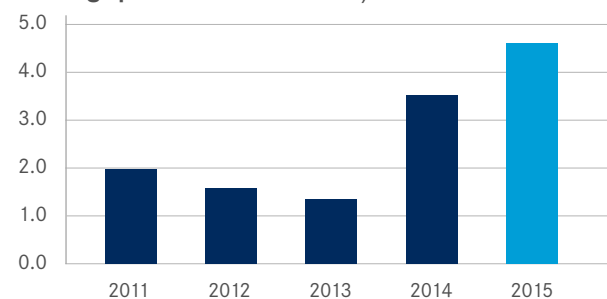
## Total shareholder return

EUR

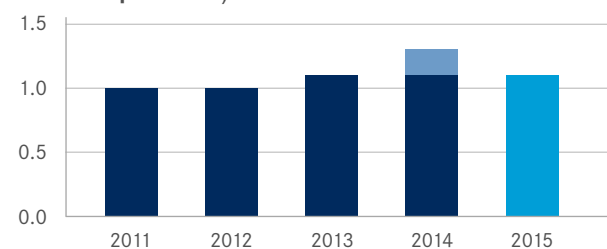


— Fortum's total shareholder return, EUR 22.47 (dividends reinvested) — Fortum's share price, EUR 13.92

## Earnings per share total Fortum, EUR



## Dividend per share, EUR



The dividend for 2015 represents the Board of Directors' proposal for the Annual General Meeting in April 2016.

Fortum paid extra dividend of EUR 0.20 per share for the financial year that ended 31 Dec 2014.

# Consolidated income statement

EUR million	Note	2015	2014
Sales	5	3,459	4,088
Other income	9	38	60
Materials and services	10	-1,515	-1,825
Employee benefits	11	-351	-369
Depreciation and amortisation	5, 18, 19	-346	-377
Other expenses	9	-477	-492
<b>Comparable operating profit</b>	5	<b>808</b>	<b>1,085</b>
Items affecting comparability	6, 7	-958	211
<b>Operating profit</b>	5	<b>-150</b>	<b>1,296</b>
Share of profit of associates and joint ventures	5, 20	20	146
Interest expense	12	-203	-249
Interest income	12	51	84
Fair value gains and losses on financial instruments	12	-18	-5
Other financial expenses - net	12	-4	-40
Finance costs - net	12	-175	-210
<b>Profit before income tax</b>		<b>-305</b>	<b>1,232</b>
Income tax expense	13	78	-143
<b>Profit for the period from continuing operations</b>		<b>-228</b>	<b>1,089</b>
<b>Discontinued operations:</b>			
<b>Profit for the period from discontinuing operations</b>	14	<b>4,369</b>	<b>2,073</b>
<b>Profit for the period</b>		<b>4,142</b>	<b>3,161</b>
<b>Attributable to:</b>			
Owners of the parent		4,138	3,154
Non-controlling interests		4	7
		<b>4,142</b>	<b>3,161</b>
<b>Earnings per share for profit attributable to the equity owners of the company (EUR per share) <sup>1)</sup></b>	15		
Total Fortum		4.66	3.55
Continuing operations		-0.26	1.22
Discontinued operations		4.92	2.33

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

EUR million	Note	2015	2014
<b>Comparable operating profit</b>		<b>808</b>	<b>1,085</b>
Impairment charges	7	-918	0
Non-recurring items (mainly capital gains)		22	305
Changes in fair values of derivatives hedging future cash flow	8	-78	-91
Nuclear fund adjustment	5	16	-3
<b>Items affecting comparability</b>	5, 6	<b>-958</b>	<b>211</b>
<b>Operating profit</b>		<b>-150</b>	<b>1,296</b>

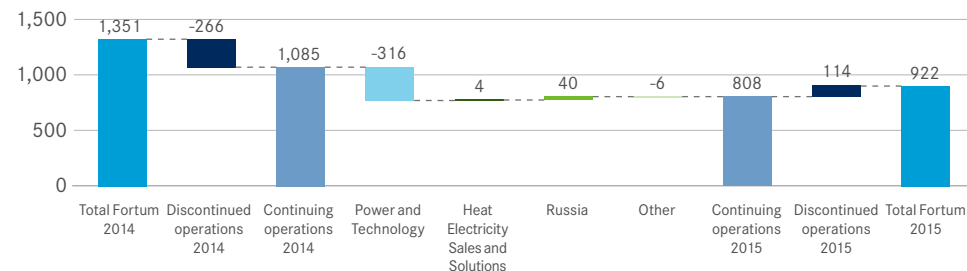
## Early closure of nuclear units in Sweden

The decision made by the Extraordinary shareholders' meeting of OKG AB to close Oskarshamn nuclear power plant units 1 and 2 in Sweden impacted the 2015 net result attributable to the owners of the parent by EUR -729 million. The impact is recognised on several rows of the income statement, but the major part is included in Impairment charges, in Items effecting comparability. See further information in [Note 7](#) Effects from early closure of nuclear units in Sweden.

## Discontinued operations

In 2014 Fortum divested both the Finnish and Norwegian Distribution operations. The sale of the Swedish distribution business was completed in June 2015. After the divestment of these operations Fortum does not have any electricity distribution operations and therefore Distribution segment has been treated as discontinued operations since the first quarter 2015 according to IFRS 5 Non-current Assets held for Sale and Discontinued operations. Comparative period information for 2014 presented in these financial statements has been restated accordingly. See further information in [Note 14](#) Discontinued operations and [Note 41](#) Acquisitions and disposals.

## Comparable operating profit, EUR million



# Consolidated statement of comprehensive income

EUR million	2015	2014
<b>Profit for the period</b>	<b>4,142</b>	<b>3,161</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>		
Cash flow hedges		
Fair value gains/losses in the period	124	17
Transfers to income statement	-48	-70
Transfers to inventory/fixed assets	-6	-4
Deferred taxes	-14	12
Net investment hedges		
Fair value gains/losses in the period	-8	149
Deferred taxes	2	-28
Exchange differences on translating foreign operations	-191	-1,323
Share of other comprehensive income of associates and joint ventures	3	-3
Other changes	3	-3
	<b>-135</b>	<b>-1,253</b>
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>		
Actuarial gains/losses on defined benefit plans	76	-77
Actuarial gains/losses on defined benefit plans in associates and joint ventures	0	-13
	<b>76</b>	<b>-90</b>
<b>Other comprehensive income for the period from continuing operations, net of deferred taxes</b>	<b>-59</b>	<b>-1,344</b>
<b>Other comprehensive income for the period from discontinued operations, net of deferred taxes</b>	<b>0</b>	<b>-19</b>
<b>Total comprehensive income for the year</b>	<b>4,082</b>	<b>1,799</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	4,081	1,815
Non-controlling interests	1	-16
	<b>4,082</b>	<b>1,799</b>

Components of Consolidated statement of comprehensive income (OCI) are items of income and expense that are recognized in equity and not recognized in the consolidated income statement.

They include unrealized items, such as fair value gains and losses on financial instruments hedging future cash flows. These items will be realized in the Consolidated income statement when the underlying hedged items is recognized.

OCI also includes gains and losses on fair valuation on available for sale financial assets, items on comprehensive income in associated companies and translation differences.

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).

Translation differences from translation of foreign entities, mainly RUB.

# Consolidated balance sheet

EUR million	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	18	222	276
Property, plant and equipment	19	8,710	11,195
Participations in associates and joint ventures	20	1,959	2,027
Share in State Nuclear Waste Management Fund	30	810	774
Other non-current assets	21	93	68
Deferred tax assets	29	80	98
Derivative financial instruments	3	509	595
Long-term interest-bearing receivables	22	773	2,041
<b>Total non-current assets</b>		<b>13,157</b>	<b>17,074</b>
<b>Current assets</b>			
Inventories	23	231	256
Derivative financial instruments	3	355	448
Trade and other receivables	24	822	830
Deposits and securities (maturity over three months)		4,913	757
Cash and cash equivalents		3,289	2,009
Liquid funds	25	8,202	2,766
<b>Total current assets</b>		<b>9,610</b>	<b>4,301</b>
<b>Total assets</b>		<b>22,767</b>	<b>21,375</b>

EUR million	Note	31 Dec 2015	31 Dec 2014
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	26	3,046	3,046
Share premium		73	73
Retained earnings		10,507	7,708
Other equity components		168	36
<b>Total</b>		<b>13,794</b>	<b>10,864</b>
Non-controlling interests	27	69	71
<b>Total equity</b>		<b>13,863</b>	<b>10,935</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	28	4,965	5,881
Derivative financial instruments	3	290	247
Deferred tax liabilities	29	483	1,159
Nuclear provisions	30	810	774
Other provisions	31	81	17
Pension obligations	32	65	140
Other non-current liabilities	33	168	154
<b>Total non-current liabilities</b>		<b>6,863</b>	<b>8,373</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	28	1,042	1,103
Derivative financial instruments	3	121	76
Trade and other payables	34	879	888
<b>Total current liabilities</b>		<b>2,042</b>	<b>2,067</b>
<b>Total liabilities</b>		<b>8,904</b>	<b>10,440</b>
<b>Total equity and liabilities</b>		<b>22,767</b>	<b>21,375</b>

# 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 and joint ventures			
<b>BS Total equity 31 December 2014</b>		3,046	73	9,676	-1,968	19	-5	22	10,864	71	10,935
Net profit for the period				4,138					4,138	4	4,142
Translation differences					-189	-1	-1	2	-188	-3	-191
Other comprehensive income						55	73	3	132		132
Total comprehensive income for the period				4,139	-189	54	72	5	4,081	1	4,082
Cash dividend	15			-1,155					-1,155		-1,155
Dividends to non-controlling interests									0	-2	-2
Other changes				3					3	-1	3
<b>BS Total equity 31 December 2015</b>		3,046	73	12,663	-2,156	74	67	27	13,794	69	13,863
<b>Total equity 31 December 2013</b>		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					-1,299	-3	2	0	-1,300	-23	-1,323
Other comprehensive income				-3		-43	44	-17	-19	0	-20
OCI related to discontinued operations					-20				-19		-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	41			6					6	-11	-5
Other changes				-4					-4	-1	-4
<b>BS Total equity 31 December 2014</b>		3,046	73	9,676	-1,968	19	-5	22	10,864	71	10,935

## 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 -188 million during 2015 (2014: -1,300). Translation differences are mainly related to RUB. Part of this translation exposure has been hedged and the foreign currency hedge result, amounting to EUR 8 million (2014: 122), 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 54 million (2014: -47), 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.

# Consolidated cash flow statement

EUR million	Note	2015	2014
<b>Cash flow from operating activities</b>			
Net profit for the period from continuing operations		-228	1,089
<b>Adjustments:</b>			
Income tax expenses		-78	143
Finance costs - net		175	210
Share of profit of associates and joint ventures		-20	-146
Depreciation and amortisation		346	377
<b>Operating profit before depreciations (EBITDA)</b>		<b>196</b>	<b>1,673</b>
Non-cash flow items and divesting activities		891	-244
Interest received		52	99
Interest paid		-263	-323
Dividends received		52	58
Realised foreign exchange gains and losses and other financial items		336	349
Taxes		-65	-163
<b>Funds from operations</b>		<b>1,199</b>	<b>1,447</b>
Change in working capital		29	-42
<b>Total net cash from operating activities continuing operations</b>		<b>1,228</b>	<b>1,406</b>
<b>Total net cash from operating activities discontinued operations</b>		<b>154</b>	<b>356</b>
<b>Total net cash from operating activities</b>		<b>1,381</b>	<b>1,762</b>
<b>Cash flow from investing activities</b>			
Capital expenditures	5, 18, 19	-527	-622
Acquisitions of shares		-43	-69
Proceeds from sales of fixed assets		28	26
Divestments of shares		27	473
Shareholder loans to associated companies and joint ventures		481	425
Change in other interest-bearing receivables		-1	8
<b>Total net cash used in investing activities from continuing operations</b>		<b>-35</b>	<b>241</b>
<b>Total net cash used in investing activities from discontinued operations</b>		<b>6,303</b>	<b>2,574</b>
<b>Total net cash used in investing activities</b>		<b>6,268</b>	<b>2,816</b>

EUR million	Note	2015	2014
<b>Cash flow before financing activities</b>			
		7,650	4,578
<b>Cash flow from financing activities</b>			
Proceeds from long-term liabilities		37	50
Payments of long-term liabilities		-956	-1,480
Change in short-term liabilities		-84	-580
Dividends paid to the owners of the parent	15	-1,155	-977
Other financing items		-2	-1
<b>Total net cash used in financing activities from continuing operations</b>		<b>-2,160</b>	<b>-2,988</b>
<b>Total net cash used in financing activities from discontinued operations</b>		<b>0</b>	<b>-19</b>
<b>Total net cash used in financing activities</b>		<b>-2,160</b>	<b>-3,007</b>
<b>Total net increase(+)/decrease(-) in liquid funds</b>		<b>5,490</b>	<b>1,571</b>
<b>Liquid funds at the beginning of the year</b>			
		2,766	1,265
Foreign exchange differences in liquid funds		-54	-70
<b>Liquid funds at the end of the period</b>	25	<b>8,202</b>	<b>2,766</b>

Non-cash flow items and divesting activities consist mainly of reversal non-recurring items EUR -896 million (2014: 305), changes in provisions (including nuclear) EUR 80 million (2014: 27) and adjustments for unrealised fair value changes of derivatives EUR -78 million (2014:-88). The actual proceeds for divestments are shown under cash flow from investing activities.

Realised foreign exchange gains and losses and other financial items include realised foreign exchange gains and losses of EUR 292 million for 2015 (2014: 352) 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.

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

## Change in net debt

EUR million	2015	2014
<b>Net debt 1 January</b>	4,217	7,793
Foreign exchange rate differences	89	-81
EBITDA	4,640	3,954
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-3,330	-2,147
Change in working capital	71	-46
Capital expenditures	-592	-768
Acquisitions	-43	-69
Divestments	6,217	3,089
Proceeds from interest-bearing receivables relating to divestments	207	131
Shareholder loans to associated companies	481	425
Change in other interest-bearing receivables	-1	8
Dividends	-1,155	-977
Other financing activities	-2	-1
Net cash flow (- increase in net debt)	6,439	3,600
Fair value change of bonds and amortised cost valuation	-8	105
<b>Net debt 31 December</b>	<b>-2,195</b>	<b>4,217</b>

## Additional cash flow information

### Change in working capital

EUR million	2015	2014
Change in interest-free receivables, decrease(+)/increase(-)	-121	4
Change in inventories, decrease(+)/increase(-)	24	-13
Change in interest-free liabilities, decrease(-)/increase(+)	126	-33
<b>CF Total</b>	<b>29</b>	<b>-42</b>

### Capital expenditure

EUR million	Note	2015	2014
Capital expenditure	5, 18, 19	582	626
Change in not yet paid investments, decrease(+)/increase(-)		-11	44
Capitalised borrowing costs		-44	-47
<b>CF Capital expenditure in cash flow</b>		<b>527</b>	<b>622</b>

Capital expenditure in intangible assets and property, plant and equipment in the balance sheet was EUR 582 million (2014: 626). Capital expenditure in cash flow EUR 527 million (2014: 622) is presented without not yet paid investments i.e. change in trade payables related to investments EUR -11 million (2014: 44) and capitalised borrowing costs EUR -44 million (2014: -47), 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 amounted to EUR 43 million during 2015 (2014: 69).

### Divestments of shares in cash flow

EUR million	Note	2015	2014
Proceeds from sales of subsidiaries, net of cash disposed	41	0	160
Proceeds from sales of associates	20, 41	27	311
Proceeds from available for sale financial assets		0	1
<b>CF Total</b>		<b>27</b>	<b>473</b>



# 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 Nordic and Baltic countries, Russia and Poland. Fortum's activities cover generation and sale of electricity, generation, distribution and sale of heat, and energy-related expert services.

These financial statements were approved by the Board of Directors on 2 February 2016.

## 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:

- impairment charges and related provisions (mainly dismantling);
- 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.

On 15 April 2015 Fortum published a stock exchange release regarding the IFRS 5 restatement of income statement and cash flow for 2014. As described in the release, Distribution segment is treated as discontinued operations from the first quarter interim report 2015 onwards. The income statement and cash flow for the comparative period 2014 have been restated accordingly. Reclassification of discontinued operations does not impact the balance sheet. More information on the impact of the reclassification can be found in [Note 41](#) Acquisitions and disposals and the stock exchange release published on 15 April 2015.

### 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 (current Neste Oyj) was separated from Fortum by distributing 85% of its shares to Fortum's shareholders and by selling the remaining 15%. This means that the acquisition cost of Fortum Power and Heat Oy and Fortum Heat and Gas Oy has been eliminated against the share capital of the companies. The difference has been entered as a decrease in shareholders' equity.

### 1.3.1 Subsidiaries

Subsidiaries are defined as companies in which Fortum has control. Control exists when Fortum is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 43](#) Subsidiaries by segment on 31 December 2015.

### 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.

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

### 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.

### 1.3.5. Assets held for sale and discontinued operations

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.

## 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

	Currency	Average rate		Balance sheet date rate	
		2015	2014	31 Dec 2015	31 Dec 2014
Sweden	SEK	9.3414	9.1004	9.1895	9.3930
Norway	NOK	8.9953	8.3940	9.6030	9.0420
Poland	PLN	4.1909	4.1909	4.2639	4.2732
Russia	RUB	69.0427	51.4243	80.6736	72.3370

### 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 on the next page 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	11. Employee benefits	IFRS 2
Income taxes	29. Deferred income taxes	IAS 12
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. Lease commitments	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 2015

Fortum has adopted the following new or amended standards on 1 January 2015:

Standard	Nature of change	Impact	Date of adoption
IFRIC 21 Levies	New interpretation. The interpretation provides guidance on when to recognise a liability to pay a levy.	The interpretation does not have a material impact on Fortum's financial statements.	1 January 2015
Narrow-scope yearly amendments	The amendments primarily remove inconsistencies, provide additional guidance and clarify wording of standards. There are separate transitional provisions for each standard.	The amendments do not have a material impact on Fortum's financial statements.	1 January 2015

### 1.6.2 Adoption of new IFRS standards from 1 Jan 2016 or later

Fortum will apply the following new or amended standards and interpretations starting from 1 January 2016 or later:

Standard	Nature of change	Impact	Date of adoption
IFRS 9 Financial Instruments	Amendment to standard. 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 is currently assessing the impact of the amendment.	1 January 2018
IFRS 15 Revenue from Contracts with Customers	New standard. The standard focuses on revenue recognition models and will replace IAS 11 and IAS 18.	Fortum is currently assessing the impact of the new rules.	1 January 2018
Narrow-scope yearly amendments	The amendments primarily remove inconsistencies, provide additional guidance and clarify wording of standards. There are separate transitional provisions for each standard.	Amendments are not expected to have a material impact on Fortum's financial statements.	1 January 2016

## 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.

In 2015 Fortum has estimated the impact of the early closure of nuclear power plant units 1 and 2 in Fortum's associated company OKG Aktiebolag (OKG) located in Oskarshamn, Sweden. The closing process will take several years and Fortum will monitor the impacts. Further information of Fortum's estimated impact of the early closure of Oskarshamn nuclear power plant units, see [Note 7](#) Effects from early closure of nuclear units in Sweden.

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 above mentioned estimates and judgements.

Critical accounting estimates	Note
Assigned values and useful lives 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 made when estimating provisions	31. Other provisions
Assumptions used to determine future pension obligations	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.

Fortum hedges its exposure to commodity market risks in accordance with annually approved 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 is monitored quarterly by management.

### 3.2 Electricity price and volume risk

Electricity price risk is hedged by entering into electricity derivatives contracts, primarily on the Nordic power exchange, Nasdaq Commodities. The main objective of hedging is to reduce the effect of electricity price volatility on earnings. Hedging strategies cover several years in the short to medium term and are executed within approved 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.

Fortum's sensitivity to electricity market price is dependent on the hedge level for a given time period. As per 31 December 2015, approximately 50% of the Power Segment's estimated Nordic power sales volume was hedged for the calendar year 2016 and approximately 20% for the calendar year 2017. 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 2016 comparable operating profit by approximately EUR 23 million and for 2017 by approximately EUR 36 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<sub>2</sub> 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 2015 (31 December 2014) 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	2015	2014
Effect on Profit before income tax	-/+	5	7
Effect on Equity	-/+	28	13

### 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 8](#) Fair value changes of derivatives and underlying items in income statement.

#### Electricity derivatives by instrument 2015

	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Electricity derivatives	77	57	0	134	583	502	82
<b>Total</b>	<b>77</b>	<b>57</b>	<b>0</b>	<b>134</b>	<b>583</b>	<b>502</b>	<b>82</b>
Netting against electricity exchanges <sup>1)</sup>					-292	-292	0
<b>Total</b>					<b>291</b>	<b>209</b>	<b>82</b>

#### 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
<b>Total</b>	<b>75</b>	<b>33</b>	<b>1</b>	<b>109</b>	<b>304</b>	<b>219</b>	<b>85</b>
Netting against electricity exchanges <sup>1)</sup>					-139	-139	0
<b>Total</b>					<b>164</b>	<b>80</b>	<b>85</b>

<sup>1)</sup> 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.

EUR million	2015				2014			
	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Electricity derivatives assets	156	133	2	291	114	49	1	164
Electricity derivatives liabilities	83	124	3	209	28	51	1	80
Other commodity derivatives, assets	16	5	0	22	12	3		15
Other commodity derivatives, liabilities	12	6	0	18	4	3		7

### 3.3 Fuel price and volume risks

Exposure to fuel prices is limited to some extent due to Fortum's flexible generation capacity, which allows for switching between different fuels according to prevailing market conditions. 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 included in the table above as part of "Other commodity 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<sub>2</sub> forwards and by ensuring that the costs of allowances are taken into account during production planning. Most of these CO<sub>2</sub> forwards are own use contracts valued at cost and some are treated as derivatives in the accounts included in the table above as part of "Other commodity derivatives".

### 3.5 Liquidity and refinancing risk

Fortum's business is capital intensive and the Group 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.

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 2015, 97% (2014: 96%) of the Group's total external financing was raised by the parent company Fortum Oyj.

On 31 December 2015, the total interest-bearing debt was EUR 6,007 million (2014: 6,983) and the interest-bearing net debt was EUR -2,195 million (2014: 4,217).

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 2015, loan maturities for the coming twelve-month period amounted to EUR 1,042 million (2014: 1,103). Liquid funds amounted to EUR 8,202 million (2014: 2,766) and the total amount of committed credit facilities amounted to EUR 2,215 million (2014: 2,214) of which EUR 2,215 million (2014: 2,214) was undrawn.

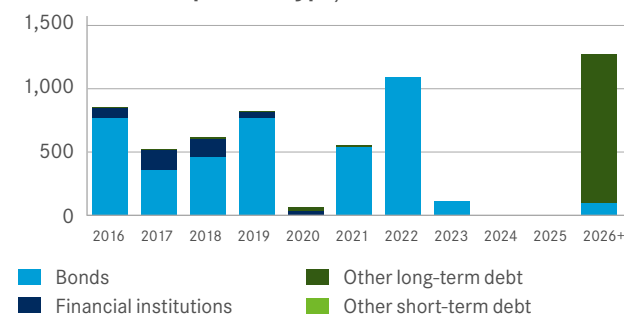
### Maturity of interest-bearing liabilities

EUR million	2015
2016	1,042
2017	513
2018	602
2019	804
2020	70
2021 and later	2,976
<b>Total</b>	<b>6,007</b>

### Liquid funds, major credit lines and debt programmes 2015

EUR million	Total facility	Drawn amount	Available amount
<b>Liquid funds</b>			
Cash and cash equivalents			3,289
Bank deposits over 3 months			4,913
<b>Total</b>			<b>8,202</b>
of which in Russia (OAO Fortum)			76
<b>Committed credit lines</b>			
EUR 2,000 million syndicated credit facility	2,000	-	2,000
Bilateral overdraft facilities	215	-	215
<b>Total</b>	<b>2,215</b>	<b>-</b>	<b>2,215</b>
<b>Debt programmes (uncommitted)</b>			
Fortum Corporation, CP programme EUR 500 million	500	-	500
Fortum Corporation, CP programme SEK 5,000 million	544	-	544
Fortum Corporation, EMTN programme EUR 8,000 million	8,000	4,094	3,906
<b>Total</b>	<b>9,044</b>	<b>4,094</b>	<b>4,950</b>

### Loan maturities per loan type, EUR million



### Liquid funds, major credit lines and debt programmes 2014

EUR million	Total facility	Drawn amount	Available amount
<b>Liquid funds</b>			
Cash and cash equivalents			2,009
Bank deposits over 3 months			757
<b>Total</b>			<b>2,766</b>
of which in Russia (OAO Fortum)			134
<b>Committed credit lines</b>			
EUR 2,000 million syndicated credit facility	2,000	-	2,000
Bilateral overdraft facilities	214	-	214
<b>Total</b>	<b>2,214</b>	<b>-</b>	<b>2,214</b>
<b>Debt programmes (uncommitted)</b>			
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
<b>Total</b>	<b>9,032</b>	<b>4,748</b>	<b>4,284</b>

Liquid funds amounted to EUR 8,202 million (2014: 2,766), including OAO Fortum's bank deposits amounting to EUR 72 million (2014: 131). Of these deposits at year-end 2015 EUR 15 million (2014: 30) were in euros and EUR million 57 (2014: 101) 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.

EUR million	2015				2014			
	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Interest-bearing liabilities	1,208	2,412	3,168	6,788	1,295	3,370	3,265	7,930
Interest rate and currency derivatives liabilities	2,879	1,286	66	4,231	5,955	1,650	100	7,705
Interest rate and currency derivatives receivables	-3,026	-1,438	-80	-4,544	-6,228	-1,890	-134	-8,252
<b>Total</b>	<b>1,061</b>	<b>2,260</b>	<b>3,154</b>	<b>6,475</b>	<b>1,022</b>	<b>3,130</b>	<b>3,231</b>	<b>7,383</b>

Interest-bearing liabilities include loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj of EUR 1,074 million (2014: 1,040). These loans are renewed yearly and the related interest payments are calculated for ten years in the table above. 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 2015 that the average duration of the debt portfolio shall always be kept within a range of 12 and 36 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 2015, the average duration of the debt portfolio (including derivatives) was 2.0 years (2014: 2.3). Approximately 54% (2014: 46%) 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 117 million on 31 December 2015 (2014: 151). 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 6 million (2014: 23).

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 2.6% at the balance sheet date (2014: 2.9%). Part of the external loans EUR 641 million (2014: 681) have been swapped to RUB and the average interest cost for these loans, including cost for hedging the RUB, was 12.8% at the balance sheet date (2014: 11.3%). The average interest rate on loans and derivatives on 31 December 2015 was 3.7% (2014: 3.7%). Average cumulative interest rate on loans and derivatives for 2015 was 3.9% (2014: 4.0%).

The average interest rate on investments excl. Russian deposits on 31 December 2015 was 0.1% (2014: 0.2%). Liquid funds held by OAO Fortum amounted to EUR 76 million (Dec 31 2014: 134) and the average interest rate for this portfolio was 5.9% at the balance sheet date.

### 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 2015 the open transaction and translation exposures were EUR 0 million (2014: 0) and EUR 7 292 million (2014: 4,310) respectively. The VaR for the transaction exposure was EUR 0 million (2014: 0) and VaR for the translation exposure was EUR 130 million (2014: 246).

### Group Treasury's transaction exposure

EUR million	2015			2014		
	Net position	Hedge	Open	Net position	Hedge	Open
SEK	81	-81	0	4,821	-4,821	0
USD	-36	36	0	-12	12	0
NOK	-71	71	0	-75	75	0
RUB	477	-477	0	483	-483	0
PLN	165	-165	0	88	-88	0
Other	-19	19	0	-10	10	0
<b>Total</b>	<b>597</b>	<b>-597</b>	<b>0</b>	<b>5,295</b>	<b>-5,295</b>	<b>0</b>

In addition OAO Fortum is hedging its euro investments with euro deposits EUR 15 million (2014: 30), 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 non-euro 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

EUR million	2015			2014		
	Investment	Hedge	Open	Investment	Hedge	Open
RUB	1,997	-167	1,830	2,109	-198	1,911
SEK	5,390	-471	4,919	1,964	-364	1,600
NOK	337	-	337	580	-	580
PLN	162	-	162	152	-	152
Other	45	-	45	67	-	67
<b>Total</b>	<b>7,930</b>	<b>-638</b>	<b>7,292</b>	<b>4,872</b>	<b>-562</b>	<b>4,310</b>

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 -188 million in 2015 (2014: -1,300). Part of this translation exposure has been hedged and the foreign currency hedge result amounted to EUR 8 million in 2015 (2014: 122).

### Interest rate and currency derivatives by instrument 2015

EUR million	Notional amount				Fair value		
	Remaining lifetimes						
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Forward foreign exchange contracts	8,777	295	-	9,072	81	13	68
Interest rate swaps	1,050	2,213	1,934	5,197	303	162	141
Interest rate and currency swaps	417	827	-	1,244	167	9	158
<b>Total</b>	<b>10,244</b>	<b>3,335</b>	<b>1,934</b>	<b>15,513</b>	<b>551</b>	<b>184</b>	<b>367</b>
Of which long-term					369	152	217
Short-term					182	32	150

### Interest rate and currency derivatives by instrument 2014

EUR million	Notional amount				Fair value		
	Remaining lifetimes						
	Under 1 year	1-5 years	Over 5 years	Total	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
<b>Total</b>	<b>6,037</b>	<b>4,556</b>	<b>1,931</b>	<b>12,524</b>	<b>863</b>	<b>237</b>	<b>626</b>
Of which long-term					541	193	348
Short-term					322	44	278

### 3.7 Credit risk

Fortum is exposed to credit risk whenever there is a contractual obligation with an external counterparty.

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. 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 Credit Support Annex agreements, are in place with most of these counterparties. Commodity derivative 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.

Due to the financing needs and management of liquidity, Fortum has counterparty credit 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. Deposits in Russia have been concentrated to the most creditworthy state-owned or controlled banks. Limits with banks and financial institutions are monitored so that exposures can be adjusted as ratings or the financial situation changes, and Fortum is following the development of economic sanctions against Russia as part of the monitoring process.

Credit risk relating to customers is spread over a large number of private individuals and businesses across several geographic regions and industry sectors. The majority of exposure is to the Nordic market, Poland and Russia. The risk of non-payment in the electricity and heat sales business in Russia is higher than in the Nordic market.



### 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	2015		2014	
	Carrying amount	of which past due	Carrying amount	of which past due
Investment grade receivables	8,087	-	3,505	-
Electricity exchanges	52	-	75	-
Associated companies and joint ventures	812	-	2,061	-
Other	834	-	145	-
<b>Total</b>	<b>9,785</b>	<b>-</b>	<b>5,786</b>	<b>-</b>

Investment grade receivables consist of deposits, commercial papers and Treasury bank accounts EUR 7,521 million (2014: 2,636), fair values of interest rate and currency derivatives EUR 549 million (2014: 859) and fair values of electricity, coal, oil and CO<sub>2</sub> emission allowance derivatives EUR 17 million (2014: 10). 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 773 million (2014: 2,041), fair values of interest rate and currency derivatives EUR 1 million (2014: 4) and fair values of electricity, coal, oil and CO<sub>2</sub> emission allowance derivatives EUR 38 million (2014: 16). Other receivables consist of investments in commercial papers EUR 563 million (2014: 0), Russian deposits with non-investment grade banks EUR 65 million (2014: 63), loan and other interest bearing receivables EUR 1 million (2014: 4) and fair values of electricity, coal, oil, and CO<sub>2</sub> emission allowance derivatives EUR 205 million (2014: 78).

The following tables indicate how bank deposits, commercial papers and fair values of derivatives are distributed by rating class.

#### Deposits and Securities

EUR million	2015	2014
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings		
AAA	-	-
AA+/AA/AA-	1,201	632
A+/A/A-	4,820	1,923
BBB+/BBB/BBB-	1,501	81
<b>Total investment grade ratings</b>	<b>7,521</b>	<b>2,636</b>

EUR million	2015	2014
BB+/BB/BB-	92	63
B+/B/B-	-	-
Below B-	-	-
<b>Non-investment grade ratings</b>	<b>92</b>	<b>63</b>
Counterparties without external credit rating from Standard & Poor's and/or Moody's	-	-
Government or municipality	34	-
Fortum Rating 5 - Lowest Risk	301	-
Fortum Rating 4 - Low Risk	114	-
Fortum Rating 3 - Normal Risk	83	-
Fortum Rating 2 - High Risk	-	-
Fortum Rating 1 - Highest Risk	-	-
No rating	4	-
<b>Total non-rated counterparties</b>	<b>536</b>	<b>-</b>
<b>Total</b>	<b>8,149</b>	<b>2,699</b>

In addition, cash in other bank accounts totalled EUR 53 million on 31 December 2015 (2014: 67).

#### Interest rate and currency derivatives

EUR million	2015		2014	
	Receivables	Netted amount <sup>1)</sup>	Receivables	Netted amount <sup>1)</sup>
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings				
AAA	-	-	-	-
AA+/AA/AA-	66	21	147	88
A+/A/A-	353	133	712	274
BBB+/BBB/BBB-	131	28	-	-
<b>Total investment grade ratings</b>	<b>549</b>	<b>182</b>	<b>859</b>	<b>362</b>
<b>Total associated companies and joint ventures</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>4</b>
Counterparties without external credit rating from Standard & Poor's and/or Moody's	-	-	-	-
<b>Total</b>	<b>551</b>	<b>183</b>	<b>863</b>	<b>366</b>

<sup>1)</sup> The netted amount includes the cash received in accordance with Credit Support Annex agreements EUR 202 million (2014: 286).

## Electricity, coal and oil derivatives and CO<sub>2</sub> emission allowances treated as derivatives

EUR million	2015		2014	
	Receivables	Netted amount	Receivables	Netted amount
<b>Counterparties with external credit rating from Standard &amp; Poor's and/or Moody's investment grade ratings</b>				
AAA	-	-	-	-
AA+ / AA / AA-	0	0	0	0
A+ / A / A-	13	5	10	6
BBB+ / BBB / BBB-	4	2	0	0
<b>Total investment grade ratings</b>	<b>17</b>	<b>7</b>	<b>10</b>	<b>6</b>
<b>Non-investment grade ratings</b>				
BB+ / BB / BB-	7	7	6	6
B+ / B / B-	-	-	-	-
Below B-	-	-	-	-
<b>Total non-investment grade ratings</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>
<b>Total associated companies and joint ventures</b>	<b>38</b>	<b>19</b>	<b>16</b>	<b>5</b>
<b>Counterparties without external credit rating from Standard &amp; Poor's or Moody's</b>				
Government or municipality	1	1	0	0
Fortum Rating 5 - Lowest risk	54	51	15	15
Fortum Rating 4 - Low risk	76	71	37	34
Fortum Rating 3 - Normal risk	67	65	18	17
Fortum Rating 2 - High risk	0	0	1	1
Fortum Rating 1 - Highest risk	0	0	0	0
No rating	0	0	1	1
<b>Total non-rated counterparties</b>	<b>198</b>	<b>188</b>	<b>72</b>	<b>68</b>
<b>Total</b>	<b>260</b>	<b>221</b>	<b>104</b>	<b>85</b>

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/or 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, the lower of the two ratings is used.

In the commodity derivatives and commercial paper 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 minus liquid funds. EBITDA is calculated by adding back depreciation and amortisation to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability and the net release of CSA provision from EBITDA. Fortum's comparable net debt to EBITDA target is around 2.5.

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.

On 5 June 2015, Standard & Poor's downgraded Fortum's long-term rating to BBB+ from A- and affirmed the A-2 short-term rating. The outlook is stable. The long-term corporate credit rating was removed from CreditWatch, where it had been placed since 18 March 2015. On 17 November 2015, Fitch Ratings downgraded Fortum's long-term Issuer Default Rating (IDR) and senior unsecured rating to BBB+ from A-, while affirming the short-term IDR at F2 with a stable outlook.

### Net debt/EBITDA ratios

EUR million	Note	2015	2014
Interest-bearing liabilities	28	6,007	6,983
<b>BS</b> Less: Liquid funds	25	8,202	2,766
<b>Net debt</b>		<b>-2,195</b>	<b>4,217</b>
<b>Net debt without Värme financing</b>		<b>N/A</b>	<b>3,664</b>
Operating profit		4,245	3,428
Add: Depreciation and amortisation		395	526
<b>EBITDA, total Fortum</b>		<b>4,640</b>	<b>3,954</b>
Less: Items affecting comparability		3,323	2,077
Less: Net release of CSA provision		52	4
<b>Comparable EBITDA, total Fortum</b>		<b>1,265</b>	<b>1,873</b>
<b>Net debt/EBITDA, total Fortum</b>		<b>-0.5</b>	<b>1.1</b>
<b>Comparable net debt/EBITDA, total Fortum</b>		<b>-1.7</b>	<b>2.3</b>
<b>Comparable net debt/EBITDA without Värme financing</b>		<b>N/A</b>	<b>2.0</b>

# 5 Segment reporting

## Accounting policies

### 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.

The prices charged of customers for the distribution of electricity as well as the sale and distribution of heat are regulated in some areas. 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.

Physical energy sales and purchase contracts are accounted for on accrual basis based expected purchase, sale and usage requirements.

The Distribution segment is presented as discontinued operations in these financial statements. Revenues for discontinued operations include the distribution of electricity until divestment of the operations. The Swedish operations are included until end of May 2015, Norwegian operations until end of May 2014 and Finnish operations until end of March 2014. See further information in [Note 14](#) Discontinued operations.

### 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 were refundable until 2013. These connection fees have not been recognised in the income statement and are included in other liabilities in the balance sheet.

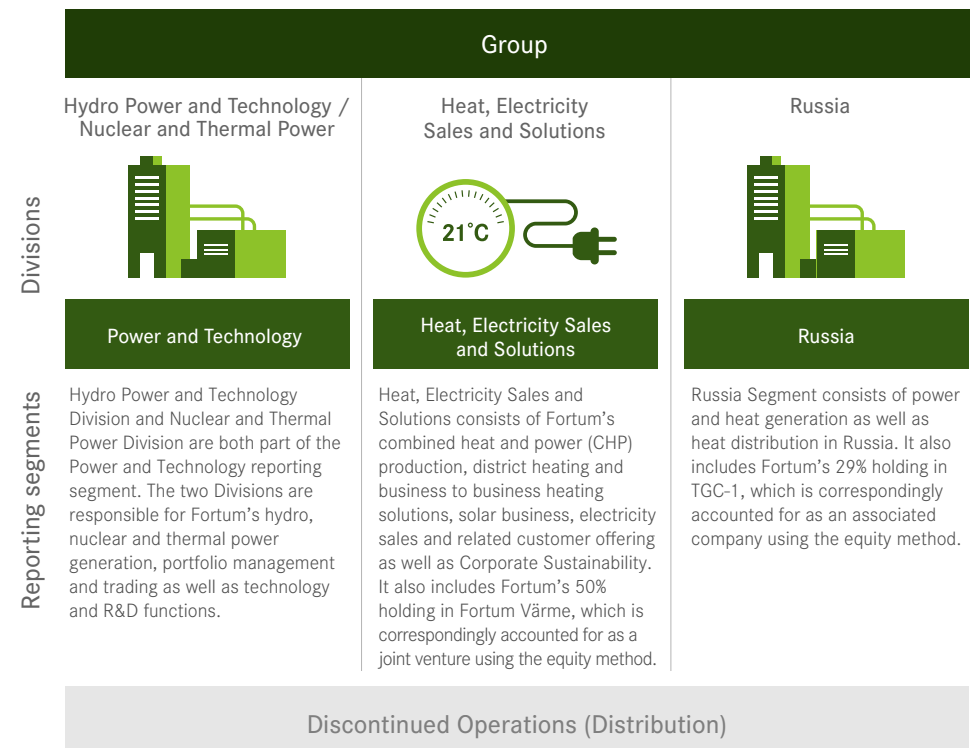
### Contract revenue

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.

### Netting and inter-segment transactions

Power and Technology segment sells its production to Nord Pool 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.

Below is the description of the reportable segments:



On 1 June 2015, Fortum completed the divestment of its Swedish electricity distribution business. Upon the closing of the transaction, Fortum completed the divestment process of its distribution businesses in Sweden, Norway and Finland. The Distribution segment has been presented as discontinued operations in the financial reporting since the first quarter 2015.

## 5.1 Fortum's business structure

Fortum's business operations are organised in four divisions and six corporate staff functions. The business divisions are Hydro Power and Technology, Nuclear and Thermal Power, Heat, Electricity Sales and Solutions and Russia. The staff functions are Finance, Strategy and Mergers & Acquisitions, Legal, Human Resources and IT, Communications and Corporate Relations. Other segment includes mainly the shareholding in the associated company Hafslund ASA and corporate staff functions.

## 5.2 Segment structure in Fortum

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. Fortum's reportable segments under IFRS are the business divisions Heat, Electricity Sales and Solutions and Russia as well as the Power and Technology segment that consists of the Hydro Power and Technology and Nuclear and Thermal Power divisions. Distribution segment was sold in 2015 and is treated as

discontinued operations in this financial statements. See additional information in [Note 14](#) Discontinued operations.

## 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. See definition of the segment information in [Definition of key figures](#).

Quarterly segment information from 2006 to 2015 is available on Fortum's website [www.fortum.com/investors](http://www.fortum.com/investors). See also [Quarterly financial information](#).

## 5.4 Segment information

### Income statement

EUR million	Note	Power and Technology <sup>1)</sup>		Heat, Electricity Sales and Solutions		Russia		Other		Netting and eliminations for continuing operations <sup>2)</sup>		Total for continuing operations		Discontinued operations (Distribution)		Eliminations for total Fortum <sup>3)</sup>		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sales		1,722	2,156	1,187	1,332	893	1,055	114	58	-458	-513	3,459	4,088	274	751	-31	-89	3,702	4,751
of which internal		83	85	-13	34	0	0	75	44	-122	-91	24	72	7	17	-31	-89	0	0
IS External sales		1,638	2,071	1,200	1,298	893	1,055	39	13	-336	-422	3,435	4,016	267	735	0	0	3,702	4,751
IS Depreciation and amortisation		-118	-121	-101	-100	-117	-147	-10	-8			-346	-377	-50	-150			-395	-526
Comparable EBITDA		680	998	209	204	267	304	-53	-49			1,102	1,457	163	416			1,265	1,873
IS Comparable operating profit		561	877	108	104	201	161	-63	-57			808	1,085	114	266			922	1,351
Impairment charges	6	-915	0	-3	0	0	0	0	0			-918	0	0	0			-918	0
Non-recurring items (mainly capital gains)	6	18	52	3	254	1	0	0	0			22	305	4,285	1,865			4,304	2,171
Changes in fair values of derivatives hedging future cash-flow	6, 8	-76	-70	-4	-20	0	0	1	0			-79	-91	-1	0			-80	-90
Nuclear fund adjustment	6, 30	16	-3	0	0	0	0	0	0			16	-3	0	0			16	-3
IS Operating profit		-396	855	105	337	203	161	-62	-58			-150	1,296	4,395	2,132			4,245	3,428
IS Share of profit of associated companies and joint ventures	20, 30	-111	-14	59	88	32	35	40	37			20	146	0	3			20	149
IS Finance costs - net												-175	-210	-1	-7			-176	-217
IS Income taxes												78	-143	-24	-56			54	-199
IS Profit for the year												-228	1,089	4,369	2,073			4,142	3,161

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.

2) Netting and eliminations include eliminations of internal sales for continuing operations and netting of Nord Pool transactions. Sales and purchases with Nord Pool, EUR -336 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.

3) Eliminations for total Fortum include sales to and from discontinued operations.

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

## Assets and liabilities

EUR million	Power and Technology		Heat, Electricity Sales and Solutions		Russia		Other		Discontinued operations (Distribution)		Eliminations for total Fortum		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Non-interest-bearing assets	6,531	6,205	2,116	2,127	2,347	2,444	198	324	-	2,707	-179	-186	11,013	13,620
<b>BS</b> Participations in associated companies and joint ventures	758	859	559	523	316	326	326	319	-	0	0	0	1,959	2,027
<b>Assets included in Net assets</b>	<b>7,289</b>	<b>7,064</b>	<b>2,674</b>	<b>2,650</b>	<b>2,663</b>	<b>2,769</b>	<b>524</b>	<b>643</b>	<b>-</b>	<b>2,707</b>	<b>-179</b>	<b>-186</b>	<b>12,972</b>	<b>15,647</b>
Interest-bearing receivables													773	2,045
<b>BS</b> Deferred taxes													80	98
Other assets													740	818
<b>BS</b> Liquid funds													8,202	2,766
<b>Total assets</b>													<b>22,767</b>	<b>21,375</b>
<b>Liabilities included in Net assets</b>	<b>1,377</b>	<b>1,063</b>	<b>504</b>	<b>538</b>	<b>102</b>	<b>172</b>	<b>233</b>	<b>147</b>	<b>-</b>	<b>92</b>	<b>-179</b>	<b>-186</b>	<b>2,038</b>	<b>1,827</b>
<b>BS</b> Deferred tax liabilities													483	1,159
Other liabilities													377	470
<b>Total liabilities included in Capital employed</b>													<b>2,898</b>	<b>3,456</b>
Interest-bearing liabilities													6,007	6,983
<b>BS</b> Total equity													13,863	10,935
<b>Total equity and liabilities</b>													<b>22,767</b>	<b>21,375</b>

## Investments/Divestments

EUR million	Note	Power and Technology		Heat, Electricity Sales and Solutions		Russia		Other		Total for continuing operations		Discontinued operations (Distribution)		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross investments in shares	20, 41	16	2	23	37	0	27	4	4	43	69	0	0	43	69
Capital expenditure	18, 19	187	197	105	86	285	340	6	3	582	626	44	147	626	774
of which capitalised borrowing costs		3	3	0	1	41	43	0	0	44	47	0	0	44	47
Gross divestments of shares	14, 41	0	67	27	446	0	0	0	2	27	515	6,369	2,681	6,395	3,196

## Comparable return on net assets

	Net assets by segments EUR million		Return on net assets, %		Comparable return on net assets, %	
	2015	2014	2015	2014	2015	2014
Power and Technology	5,913	6,001	-8.5	13.6	9.5	14.2
Heat, Electricity Sales and Solutions	2,170	2,112	7.7	19.1	7.9	8.7
Russia	2,561	2,597	8.3	5.6	8.2	5.6
Other	291	496	-7.6	-5.3	-8.5	-5.8
Discontinued operations (Distribution)	-	2,615	-	73.6	-	9.3

## Employees

	Power and Technology		Heat, Electricity Sales and Solutions		Russia		Other		Total for continuing operations		Discontinued operations (Distribution)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Number of employees 31 Dec	1,341	1,639	1,417	1,807	4,126	4,213	951	543	7,835	8,202	-	390	7,835	8,592
Average number of employees	1,389	1,685	1,458	1,913	4,180	4,196	983	536	8,009	8,329	-	492	8,193	8,821

### 5.5 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 operates 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 and Lithuania. 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	2015	2014
Power sales excluding indirect taxes	2,582	3,102
Heat sales	651	753
Other sales	226	233
<b>IS Total</b>	<b>3,459</b>	<b>4,088</b>
Discontinued operations (Distribution)	244	662
<b>Total</b>	<b>3,702</b>	<b>4,751</b>

Heat sales include sale of delivered heat and transmission of heat.

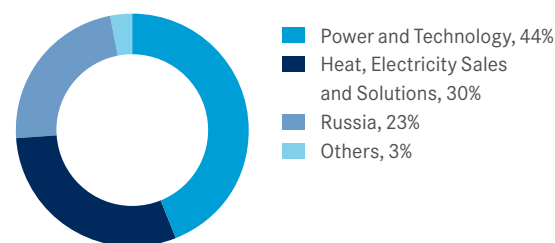
Due to the large number of customers and the variety of its business activities, there is no individual customer whose business volume is material compared with Fortum's total business volume.

#### Sales by market area based on customer location

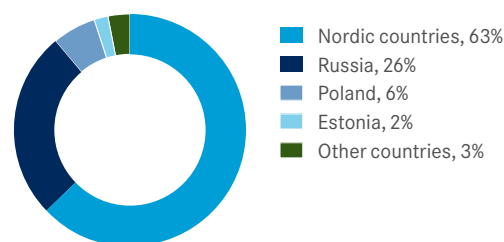
EUR million	2015	2014
Nordic	2,172	2,534
Russia	895	1,056
Poland	213	223
Estonia	75	66
Other countries	103	210
<b>IS Total for continuing operations</b>	<b>3,459</b>	<b>4,088</b>
Discontinued operations (Distribution)	244	662
<b>Total</b>	<b>3,702</b>	<b>4,751</b>

The Nordic power production is not split by countries since Nordic power production is mainly sold through Nord Pool.

#### Sales by segment, %



#### Sales by country, %



## Capital expenditure by location

EUR million	2015	2014
Finland	156	152
Sweden	87	91
Russia	285	340
Poland	37	16
Estonia	11	8
Other countries	7	19
<b>Total for continuing operations</b>	<b>582</b>	<b>626</b>
Discontinued operations (Distribution)	44	147
<b>Total</b>	<b>626</b>	<b>774</b>

## Segment assets by location

EUR million	2015	2014
Finland	3,413	3,417
Sweden	4,568	7,005
Russia	2,347	2,444
Poland	350	342
Estonia	196	199
Other countries	319	400
Eliminations	-179	-186
Non-interest bearing assets	<b>11,013</b>	<b>13,620</b>
<b>BS</b> Participations in associates and joint ventures	1,959	2,027
<b>Total</b>	<b>12,972</b>	<b>15,647</b>

## Number of employees on 31 December by location

	2015	2014
Finland	1,959	2,040
Sweden	618	811
Russia	4,126	4,213
Poland	586	603
Estonia	214	206
Other countries	332	329
<b>Total for continuing operations</b>	<b>7,835</b>	<b>8,202</b>
Discontinued operations (Distribution)	-	390
<b>Total</b>	<b>7,835</b>	<b>8,592</b>

## 6 Items affecting comparability

EUR million	2015	2014
Impairment charges	-918	0
Non-recurring items (mainly capital gains)	22	305
Fair value changes on derivatives that do not qualify for hedge accounting	-78	-91
Nuclear fund adjustments	16	-3
<b>IS Total</b>	<b>-958</b>	<b>211</b>

Items affecting comparability are not included in Comparable operating profit. Comparable operating profit 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 separately in Fortum's income statement as it is deemed necessary for the purposes of understanding the financial performance when comparing the results.

### Impairment charges and non-recurring items

EUR million	Segment	Country	2015	2014
<b>Impairment charges</b>				
Impact from early closure of units 1 and 2 in OKG AB	Power and Technology	Sweden	-794	
Teollisuuden Voima Oyj's decision to discontinue the Olkiluoto 4 project	Power and Technology	Finland	-15	
Dismantling provision for the Finnish coal-fired power plant Inkoo and impairment loss for Fortum's share of the Finnish coal-fired power plant Meri-Pori and other related items	Power and Technology	Finland	-106	
Other impairment charges	Heat, Electricity Sales and Solutions		-3	
<b>Total</b>			<b>-918</b>	<b>0</b>

### Capital gains in non-recurring items

Heat business in Norway	Heat, Electricity Sales and Solutions	Norway		52
Grangemouth CHP plant	Power and Technology	UK		40
Natural gas company Gasum Oy, 31% ownership	Heat, Electricity Sales and Solutions	Finland		190
Other non-recurring items			22	23
<b>Total</b>			<b>22</b>	<b>305</b>

### 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 waste management 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 41](#) Acquisitions and disposals.

For more information regarding impact from early closure of units 1 and 2 in OKG AB, see [Note 7](#) Effects from early closure of nuclear units in Sweden.

For more information regarding fair value changes of derivatives, see [Note 8](#) 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 Effects from early closure of nuclear units in Sweden

The financial impacts of the decision made in the Extraordinary shareholder's meeting on 14 October 2015 to close early units 1 and 2 in Oskarshamn are recognised as Impairment charges, included in Items affecting comparability. E.ON is the majority owner of OKG and E.ON did unilaterally decide on the closing of units. The closing process will take several years and Fortum will monitor the impacts.

OKG is a non profit making company and sells produced electricity at production costs to its owners in proportion to the ownership. OKG is funded entirely by its shareholders. Fortum's part of the funding is recognised as long-term interest bearing receivables, which are increased when OKG needs additional funds and decreased when OKG invoices Fortum for the produced electricity.

### OKG's impairment charges in Fortum income statement

EUR million	2015
<b>Comparable operating profit</b>	<b>0</b>
Items affecting comparability - Impairment charges	-794
<b>Operating profit</b>	<b>-794</b>
Share of profit/loss of associates and joint ventures	-116
<b>Profit before income tax</b>	<b>-910</b>
Income tax expenses	175
<b>Profit for the period from continuing operations</b>	<b>-735</b>
<b>Attributable to:</b>	
Owners of the parent	-729
Non-controlling interests	-5



Earnings per share effect of the closing of Oskarshamn 1 and 2 nuclear units in Sweden is EUR -0.82 per share.

Items affecting comparability include EUR -566 million which mainly relates to write-down of existing assets in OKG and a provision of EUR -228 million, which relates to additional future costs due to the early closure of units 1 and 2 as well as to future committed investments. These future costs and investments will have an impact on Fortum's net cash when they occur. The total amount of EUR -794 million has been netted against the shareholder loans to OKG. Main part of the netted amount has already been invoiced to Fortum, the remaining part will be invoiced when the costs occur.

Share of profit/loss in associates and joint ventures includes the impairment of IFRS adjustments related to units 1 and 2 for OKG in Fortum's consolidated financial statements, mainly related to write-down of asset retirement obligations and capitalised borrowing costs. These adjustments are recognised net of taxes. The asset retirement obligation represents the future costs for decommissioning of the nuclear power plant. 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.

Income tax expenses relates to the items affecting comparability.

## 8 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 -9 million (2014: -13). The net effect of fair value changes of hedging derivative and hedged bonds are EUR 0 million (2014: 1).

EUR million	2015	2014
<b>In operating profit</b>		
Fair value changes from derivatives not getting hedge accounting status		
Electricity derivatives	-69	-56
Currency derivatives	-6	8
Coal and CO <sub>2</sub> derivatives	-5	-15
Ineffectiveness from cash flow hedges	0	-28
<b>Total effect in operating profit</b>	<b>-79</b>	<b>-91</b>
<b>In finance costs</b>		
Exchange gains and losses on loans and receivables	-50	-574
Fair value changes of derivatives not getting hedge accounting status		
Cross currency interest rate derivatives	-12	39
Foreign currency derivatives	63	536
Rate difference on forward contracts	-9	8
Currency derivatives	42	583
Interest rate derivatives	-9	-13
Fair value change of hedging derivatives in fair value hedge relationship	-13	67
Fair value change of hedged items in fair value hedge relationship	13	-66
<b>Total<sup>1)</sup></b>	<b>33</b>	<b>571</b>
<b>Total effect in finance costs</b>	<b>-17</b>	<b>-3</b>
<b>Total effect on profit before income tax</b>	<b>-96</b>	<b>-94</b>

1) Including fair value gains and losses on financial instruments and exchange gains and losses on derivatives.

# 9 Other income and other expenses

## Accounting policies

### 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.

### 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.

## 9.1 Other income

EUR million	2015	2014
Rental income	10	11
Insurance compensation	1	5
Other items	26	44
<b>IS Total</b>	<b>38</b>	<b>60</b>

## 9.2 Other expenses

EUR million	2015	2014
Operation and maintenance costs	70	70
Property taxes	150	158
IT and telecommunication costs	54	57
Other items	203	207
<b>IS Total</b>	<b>477</b>	<b>492</b>

The major components recorded in other expenses are the external operation and maintenance costs of power and heat plants. Property taxes include property taxes relating to directly owned hydropower production EUR 126 million (2014: 132). Other items includes expenses relating to properties and other operative expenses.

## Principal auditors fees

EUR million	2015	2014
Audit fees	1.3	1.3
Audit related assignments	0.3	0.1
Tax assignments	0.0	0.2
<b>Total</b>	<b>1.6</b>	<b>1.7</b>

Deloitte & Touche Oy is the appointed auditor until the next Annual General Meeting, to be held in 2016. 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.

# 10 Materials and services

EUR million	2015	2014
Materials	958	1,225
Materials purchased from associated companies and joint ventures	513	566
Transmission costs	30	22
External services	15	13
<b>IS Total</b>	<b>1,515</b>	<b>1,825</b>

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) and purchased steam.

Total materials and services include production taxes EUR 133 million (2014: 131), of which nuclear related capacity and property taxes EUR 82 million (2014: 81) and hydro power related property taxes EUR 14 million (2014: 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.

# 11 Employee benefits

EUR million	2015	2014
Wages and salaries	246	269
Pensions		
Defined contribution plans	25	29
Defined benefit plans	5	7
Social security costs	42	44
Share-based remuneration <sup>1)</sup>	19	8
Other employee costs	15	13
<b>IS Total</b>	<b>351</b>	<b>369</b>

1) LTI costs in 2015 includes a one-time cost increase arising from shortening the accounting period over which the LTI costs are accrued. For more information see 11.2 Long-term incentives below.

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 remuneration policy is determined by the Board of Directors. Board of Directors' 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.

## 11.1 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 are covered by the STI programme or a comparable local variable pay arrangement.

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.

## 11.2 Long-term incentives

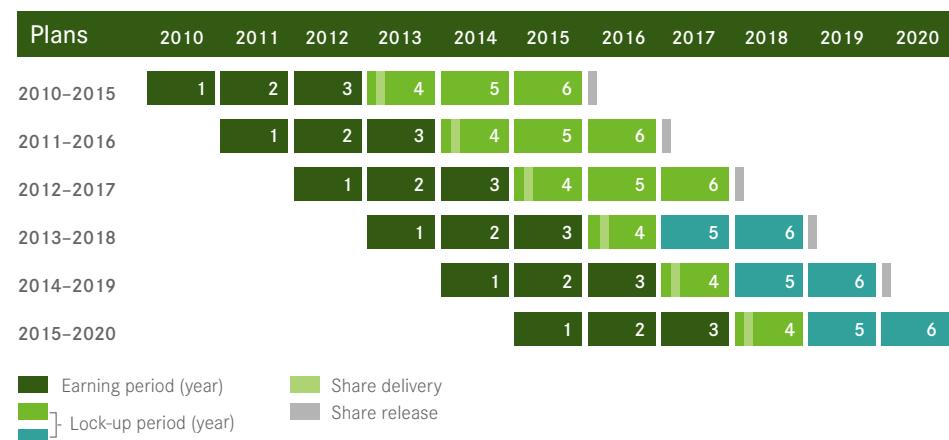
Fortum's share bonus system is a performance-based, long-term incentive (LTI) arrangement. A new share plan commences annually if the Board of Directors so decides. The potential reward is based on the performance of the Group and its divisions.

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. This means that the total LTI period is either four or six years, depending on the participant and his or her shareholding in Fortum. 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 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

## Share bonus programme



Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

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 earning 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. The LTI liability including social charges at the end of the year 2015 was EUR 20 million (2014: 9), including EUR 5 million (2014: 1) recorded in equity.

The increase in the LTI costs for 2015 was mainly caused by an adjustment arising from the shortening of the accounting period as well as other smaller adjustments. Costs from the total plans were previously accrued over four or six year period depending on the participant. In 2015 Fortum changed the accounting method and the LTI costs are allocated over three years. The terms of the LTI arrangements were not changed and the total cost for LTI plans was not increased. The change impacts only the allocation of costs over the years. The shorter accounting period allocates the costs more appropriately to the earning period.

At present, approximately 120 managers, all of whom have been elected by the Board of Directors, are participants in at least one of the six on-going annual LTI plans (plans 2010-2015, 2011-2016, 2012-2017, 2013-2018, 2014-2019 and 2015-2020).

## Shares granted

	Plan 2012-2017	Plan 2011-2016	Plan 2010-2015
Grant date	13 Feb 2015	14 Feb 2014	13 Feb 2013
Grant price, EUR	19.96	16.62	13.90
Number of shares granted	126,515	101,753	187,493
Number of shares subsequently forfeited or released from lock-up	-7,587	-42,458	-82,687
Number of shares under lock-up at the end of the year 2015	118,928	59,295	104,806

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 2015 for plan 2012-2017 was 92,975, for plan 2011-2016 64,264 share rights and for plan 2010-2015 109,102 share rights.

In addition 16,423 shares were delivered for plan 2008-2012 in 2014.

## 11.3 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 2015 and the fund then had a total of 2,170 members (2014: 2,635). At the end of April 2015 Fortum contributed EUR 3.7 million (2014: 0.4) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2014. The combined amount of members' shares in the fund was EUR 24 million (2014: 22).

The contribution to the personnel fund is expensed as it is earned.

## 11.4 The President and CEO and the management team remuneration

The Fortum Executive Management Team (FEM) consists of twelve 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 on Fortum's webpage.

## Management remuneration

EUR thousand	2015				2014	
	Pekka Lundmark, President and CEO since 7 Sep 2015	Timo Karttinen, Interim President and CEO until 6 Sep 2015 <sup>3)</sup>	Tapio Kuula, President and CEO until 31 Jan 2015 <sup>4)</sup>	Other FEM members <sup>5)</sup>	Tapio Kuula, President and CEO	Other FEM members
Salaries and fringe benefits	305	372	279	3,367	1,005	3,321
Performance bonuses <sup>1)</sup>	21	15	0	225	127	511
Share-based remuneration <sup>2)</sup>	114	282	903	4,299	235	1,018
Pensions (statutory)	55	66	47	705	188	594
Pensions (voluntary)	0	37	25	841	255	803
Social security expenses	17	20	14	280	57	219
<b>Total</b>	<b>513</b>	<b>791</b>	<b>1,269</b>	<b>9,717</b>	<b>1,867</b>	<b>6,465</b>

1) Performance bonuses are based on estimated amounts.

2) LTI costs in 2015 includes a one-time cost increase arising from shortening the accounting period over which the LTI costs are accrued. For more information see 11.2 Long-term incentives.

3) Includes the compensation CFO Timo Karttinen received during his position as Fortum's Interim President and CEO during 1 February-6 September 2015 and as a substitute to the President and CEO in January 2015. Also included is a lump sum payment of EUR 70 thousand for his success in assuming the responsibilities of Interim President and CEO.

4) Share-based remuneration includes the gross payment Tapio Kuula received from the share plans commenced in 2012, 2013 and 2014. Mr Kuula received the net amount of the payment as shares, after deducting the taxes and tax-related charges arising from the payment. These shares, totalling 30,271 shares, are under lock-up until the spring 2018.

5) Includes remuneration of CFO Timo Karttinen from 7 September 2015 onwards.

The annual contribution for the President and CEO Pekka Lundmark's pension arrangement is 25% of the annual salary. The annual salary consists of a base salary and fringe benefits. The President and CEO'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.

The supplementary pension of Timo Karttinen, who served as substitute to the President and CEO during January 2015 and as Fortum's Interim President and CEO during the period from February 1 to September 6 2015, is a defined benefit pension plan, and the final level of pension, together with statutory pension, is equal to 66% of the pensionable salary. The pensionable salary consists of base salary, fringe benefits and bonus.

Tapio Kuula, Fortum's President and CEO until his entitlement to disability pension on 1 February 2015. The voluntary pension arrangement of Mr. Kuula was defined contribution plan and annual contribution for the arrangement was 25% of the annual salary. The annual salary consisted of a base salary, fringe benefits and bonus.

For the other members of the Fortum management team the retirement age varies between 60–65. According to group policy all new supplementary pension arrangements are defined contribution plans. For the members of the Fortum Executive Management Team that have defined contribution arrangements, the maximum pension premium percentage can be 25% of the salary. Members, who have joined Fortum prior 1 January 2009, are participating in defined benefit pension arrangements, where the benefit is 60–66% of the final pensionable salary with the pension provided by the insurance company or Fortum's Pension Fund.

A pension liability of EUR 2,444 thousand (2014: 2,514) 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 12 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 in the Remuneration statement and Remuneration section available on Fortum's webpage.

## Number of shares delivered to the management

The table below shows the number of shares delivered during 2015 and 2014 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.

	2015 <sup>3)</sup>	2014 <sup>4)</sup>
<b>FEM members</b>		
Pekka Lundmark (CEO from 7 September 2015)	-	N/A
Helena Aatinen	2,352	909
Alexander Chuvaev <sup>1)</sup>	21,781	13,793
Mikael Frisk	3,926	6,463
Esa Hyvärinen (member of the FEM from 1 March 2014)	2,384	1,382
Timo Karttinen	4,261	6,639
Kari Kautinen (member of the FEM from 1 March 2014)	2,956	1,739
Per Langer	3,751	5,517
Markus Rauramo	5,029	1,679
Matti Ruotsala	6,706	3,463
Sirpa-Helena Sormunen (member of the FEM from 1 September 2014)	-	-
Tiina Tuomela (member of the FEM from 1 March 2014)	2,648	1,156
<b>Former FEM members</b>		
Tapio Kuula (CEO until 31 January 2015) <sup>2)</sup>	30,271	15,187
Kaarina Ståhlberg (member of the FEM until 31 March 2014)	N/A	210
<b>Total</b>	<b>86,065</b>	<b>58,137</b>

1) Share rights will be paid in cash instead of shares after the three-year lock-up period due to local legislation.

2) Includes the shares Tapio Kuula received in 2015 from the share plans commenced in 2012, 2013 and 2014. The shares are under lock-up until spring 2018.

3) Share delivery based on share plan 2012–2017.

4) Share delivery based on share plans 2008–2012 and 2011–2016.

## 11.5 Board of Directors and management shareholding

On 31 December 2015, the members of the Board of Directors owned a total of 205,940 shares (2014: 10,950), which corresponds to 0.02% (2014: 0.00%) of the company's shares and voting rights.

### Number of shares held by members of the Board of Directors

	2015	2014
<b>Board members</b>		
Sari Baldauf, Chairman	2,300	2,300
Kim Ignatius, Deputy Chairman	2,400	2,400
Minoo Akhtarzand	-	-
Heinz-Werner Binzel	-	-
Eva Hamilton	40	N/A
Tapio Kuula	201,200	N/A
Petteri Taalas	-	-
Jyrki Talvitie	-	-
<b>Former Board members</b>		
Ilona Ervasti-Vaintola	-	4,000
Christian Ramm-Schmidt	-	2,250
<b>Total</b>	<b>205,940</b>	<b>10,950</b>

The President and CEO and other members of the Fortum Executive Management Team owned a total of 347,478 shares (2014: 430,457) which corresponds to approximately 0.04% (2014: 0.05%) of the company's shares and voting rights.

### Number of shares held by members of the Fortum Executive Management Team

	2015	2014
<b>FEM members</b>		
Pekka Lundmark	56,250	N/A
Helena Aatinen	3,880	1,528
Alexander Chuvayev	14,713	14,713
Mikael Frisk	43,017	46,591
Esa Hyvärinen	17,540	15,156
Timo Karttinen	80,691	76,430
Kari Kautinen	25,232	22,276
Per Langer	34,535	30,784
Markus Rauramo	20,464	15,435
Matti Ruotsala	39,066	32,360
Sirpa-Helena Sormunen	3,000	-
Tiina Tuomela	9,090	6,442
<b>Former FEM member</b>		
Tapio Kuula	-	168,742
<b>Total</b>	<b>347,478</b>	<b>430,457</b>

## 11.6 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 2015 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 22 thousand (2014: 12) have been recorded for the fees in accordance with local legislation in respective countries.

### Fees for the Board of Directors

EUR thousands	2015	2014
Chairman	75	75
Deputy Chairman	57	57
Chairman of the Audit and Risk Committee <sup>1)</sup>	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 EUR 600 is also paid for Committee meetings. For Board members living outside Finland and Europe, the fee for each meeting is doubled; for Board members living outside Europe, it is tripled. However, as a change to the previous years, the Annual General Meeting held on 31 March 2015 decided that for Board members living in Finland, the fee for each Board and Board Committee meeting is doubled for meetings held outside Finland and tripled for meetings held outside Europe. For Board and Committee meetings held as a telephone conference, the meeting fee is paid as single to all members. No fee will be paid for decisions made without a separate meeting.

### Compensation for the Board of Directors

EUR thousands	2015	2014
<b>Board members</b>		
Sari Baldauf, Chairman	86	83
Kim Ignatius, Deputy Chairman (from 8 April 2014)	68	67
Minoo Akhtarzand	61	57
Heinz-Werner Binzel	60	60
Eva Hamilton (member of the Board from 31 March 2015)	43	N/A
Tapio Kuula (member of the Board from 31 March 2015)	38	N/A
Petteri Taalas (member of the Board from 8 April 2014)	51	37
Jyrki Talvitie (member of the Board from 8 April 2014)	66	53
<b>Former Board members</b>		
Ilona Ervasti-Vaintola (member of the board until 31 March 2015)	13	48
Christian Ramm-Schmidt (member of the board until 31 March 2015)	13	53
Joshua Larson (member of the Board until 8 April 2014)	N/A	19
<b>Total</b>	<b>499</b>	<b>477</b>

## 12 Finance costs – net

EUR million	Note	2015	2014
Interest expense			
Borrowings		-247	-296
Other interest expense		0	0
Capitalised borrowing costs	19	44	47
<b>Total</b>		<b>-203</b>	<b>-249</b>
Interest income			
Loan receivables and deposits		49	82
Other interest income		2	2
<b>Total</b>		<b>51</b>	<b>84</b>
Fair value gains and losses on financial instruments	8		
Fair value change of interest rate derivatives not getting hedge accounting status		-9	-13
Fair value change of hedging derivatives in fair value hedge relationship		-13	67
Fair value change of hedged items in fair value hedge relationship		13	-66
Rate difference on forward contracts		-9	8
<b>Total</b>		<b>-18</b>	<b>-5</b>
Exchange gains and losses			
Loans and receivables	8	-50	-574
Cross currency interest rate derivatives	8	-12	39
Foreign currency derivatives	8	63	536
Interest income on share of State Nuclear Waste Management Fund	30	10	11
Unwinding of discount on nuclear provisions	30	-44	-43
Unwinding of discount on other provisions	31, 32	-5	-7
Other financial income		38	2
Other financial expenses		-5	-5
<b>Total</b>		<b>-4</b>	<b>-40</b>
<b>IS Finance costs - net</b>		<b>-175</b>	<b>-210</b>

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 15 million (2014: 31) from shareholders' loans in Finnish and Swedish nuclear companies, EUR 12 million (2014: 27) from Fortum Värme and EUR 20 million (2014: 19) from deposits and commercial papers.

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.

Other financial income include compensation from early prepayment of loans by Fortum Värme EUR 37 million (2014: 0).

### Fair value changes on interest rate and currency derivatives

EUR million	2015	2014
<b>Interest rate and cross currency swaps</b>		
Interest expenses on borrowings	4	6
Exchange rate difference from derivatives	-12	39
Rate difference in fair value gains and losses on financial instruments <sup>1)</sup>	-22	54
<b>Total fair value change of interest rate derivatives in finance costs - net</b>	<b>-30</b>	<b>99</b>
<b>Forward foreign exchange contracts</b>		
Interest expenses on borrowings	-79	-80
Exchange rate difference from derivatives	63	536
Rate difference in fair value gains and losses on financial instruments	-9	8
<b>Total fair value change of currency derivatives in finance costs - net</b>	<b>-25</b>	<b>464</b>
<b>Total fair value change of interest and currency derivatives in finance costs - net</b>	<b>-55</b>	<b>563</b>

<sup>1)</sup> Fair value gains and losses on financial instruments include fair value changes from interest rate swaps not getting hedge accounting amounting to EUR -9 million (2014: -13) and fair value change of hedging derivatives in fair value hedge relationship EUR -13 million (2014: 67), totalling EUR -22 million (2014: 54).

# 13 Income tax expense

## 13.1 Profit before tax

EUR million	2015	2014
Finnish companies	154	546
Swedish companies	-922	56
Russian companies	173	152
Other companies	291	477
<b>IS Total</b>	<b>-305</b>	<b>1,232</b>

## 13.2 Major components of income tax expense by major countries

EUR million	2015	2014
<b>Current taxes</b>		
Finnish companies	-64	-82
Swedish companies	0	-9
Russian companies	-3	-3
Other companies	-38	-43
<b>Total</b>	<b>-106</b>	<b>-138</b>
<b>Deferred taxes</b>		
Finnish companies	35	15
Swedish companies	193	24
Russian companies	-30	-25
Other companies	-15	-9
<b>Total</b>	<b>184</b>	<b>6</b>
<b>Adjustments recognised for current tax of prior periods</b>		
Finnish companies	-2	-6
Swedish companies	1	0
Russian companies	0	1
Other companies	0	-5
<b>Total</b>	<b>-1</b>	<b>-11</b>
<b>IS Income tax expense</b>	<b>78</b>	<b>-143</b>

## 13.3 Income tax rate

The table on the right explains the difference between the theoretical enacted tax rate in Finland compared to the tax rate in the consolidated income statement.

EUR million	2015	%	2014	%
Profit before tax	-305		1,232	
Tax calculated at nominal Finnish tax rate	61	20.0	-246	20.0
Differences in tax rates and regulations	23	7.6	12	-0.9
Income not subject to tax	1	0.2	0	0.0
Tax exempt capital gains	2	0.7	64	-5.2
Expenses not deductible for tax purposes	-2	-0.6	-2	0.1
Share of profit of associated companies and joint ventures	5	1.7	33	-2.7
Taxes related to dividend distributions	-7	-2.2	-3	0.3
Changes in tax valuation allowance related to not recognised tax losses	-1	-0.4	0	0.0
Other items	-1	-0.4	5	-0.4
Adjustments recognised for taxes of prior periods	-3	-1.1	-6	0.5
<b>IS Income tax expense</b>	<b>78</b>	<b>25.4</b>	<b>-143</b>	<b>11.6</b>

### Key tax indicators:

- The weighted average applicable income tax rate for 2015 is 20.2% (2014: 21.0%)
- The effective income tax rate in the income statement for 2015 is 25.4% (2014: 11.6%)
- The comparable effective income tax rate (excluding the share of profits from associates and joint ventures, tax exempt capital gains and tax rate changes) for 2015 is 23.5% (2014: 18.0%)
- The total tax rate and comparable total tax rate (excluding the share of profits from associates and joint ventures and tax exempt capital gains) for 2015 is not applicable (2014: 30.0% and 41.9%)

Taxes for the period are positive as the group is in loss position. This is mainly due to the write-down related to early closure of O1 and O2 units in Oskarshamn in Sweden. Deferred tax asset is recognized on this loss. Deferred tax asset can be used against future profits.

When the pre-tax profit is close to null or negative, the total tax rate is not illustrating the tax contribution in an informative way. Therefore we use "not applicable" for total tax rate in 2015.

Effective income tax rate and total tax rate are impacted by gains or losses on sale of shares. In many countries like in Finland, Sweden and Netherlands income on capital gains and losses is treated as tax exempt. The purpose of this is 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.

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 asset's lifetime and higher tax payments at the end of its lifetime. This difference results in a deferred tax liability.

During 2015 Swedish entities released major part of the deferred tax liability related to property, plant and equipment. Together with increase in deferred tax asset related to taxable loss in Sweden the change in deferred tax is positive.



Fortum has had several tax audits ongoing during 2015. Fortum has received income tax assessments in Sweden for the years 2009–2013, in Belgium for the years 2008–2012 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 these tax audits.

### 13.4 Total taxes

Taxes borne indicate different taxes that Fortum pays for the period. In 2015 Fortum's taxes borne were EUR 413 million (2014: 464). Taxes borne include corporate income taxes (excluding deferred taxes), production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include also taxes 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. In 2015 the total tax rate is not applicable because the group is in loss position but taxes borne are still a cost.

#### Tax indicator based on Country by Country reporting requirements

Ownership Steering Department requires country specific tax key indicators as part of published tax reporting. Fortum has selected tax indicators that reflect the nature of the industry, its value creation and the related contribution to the governments in form of tax. Fortum's operations are capital and asset intensive. Consequently, one of the most important key indicators for the industry is the return on net assets. Therefore Fortum uses total taxes borne in relation to segment assets by location as a tax indicator. This illustrates the portion of the return on segment assets created by the company that is allocated to governments in form of taxes. Total taxes borne in relation to segment assets by location was in 2015 in Finland 3.8% (2014: 4.6%), in Sweden 5.4% (2014: 4.0%), in Russia 1.0% (2014: 1.0%) and Other countries 7.3% (2014: 8.6%).

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 352 million (2014: 336).

See also [Note 29](#) Deferred income taxes, [Note 10](#) Materials and services, [Operating and financial review](#); [Sustainability](#) and [Fortum as a taxpayer](#).

For further information regarding the on-going tax appeals see [Note 39](#) Legal actions and official proceedings.

## 14 Discontinued operations

In March 2015 Fortum signed a binding agreement to sell the Swedish Distribution business. The transaction was completed in June 2015. In 2014 Fortum divested both the Finnish and Norwegian Distribution operations.

After the divestment of the Swedish Distribution business Fortum does not have any distribution operations and therefore Distribution segment has been treated as discontinued operations since the first quarter of 2015 according to IFRS 5 Non-current Assets held for Sale and Discontinued operations. Discontinued operations are disclosed on one line, net of tax, in the face of the income statement. In the cash flow statement the net cash flows attributable to the operating, investing and financing activities

of the discontinued operations are disclosed separately. In accordance with IFRS 5 the 2014 comparable information for income statement and cash flow statement has been restated.

Discontinued operations include the distribution operations in Fortum, including sales gains from the divestment of Swedish operations in June 2015 and Finnish and Norwegian distribution operations in 2014, and effects from internal sales and purchases have also been included. The net financial costs allocated to discontinued operations are based on the fact that the financing activities and risk management have been centralised on group level and subsidiaries have been funded with intra-group loans. No corporate overhead costs have been allocated to the discontinued operations. The assets relating to Distribution businesses have continued to be depreciated until the businesses were disposed.

Cash flow from discontinued operations include cash flow from distribution operations and allocated taxes, impact from sale of shares in Distribution companies and proceeds from interest-bearing receivables from sold subsidiaries.

#### Results of discontinued operations

EUR million	2015	2014 restated
Sales	243	662
Other income	2	15
Materials and services	-34	-114
Employee benefits	-14	-44
Depreciation and amortisation	-50	-150
Other expenses	-34	-104
<b>Comparable operating profit</b>	<b>114</b>	<b>266</b>
Changes in fair values of derivatives	-1	0
Capital gains <sup>1)</sup>	4,282	1,865
<b>Operating profit</b>	<b>4,395</b>	<b>2,132</b>
Share of profit/loss of associates and joint ventures	0	3
Finance costs - net	-1	-7
<b>Profit before income tax</b>	<b>4,393</b>	<b>2,128</b>
Income tax expenses	-24	-56
<b>IS Profit for the year from discontinued operations</b>	<b>4,369</b>	<b>2,073</b>

#### Net cash flows attributable to the discontinued operations

EUR million	2015	2014 restated
Net cash from operating activities	154	356
Net cash used in investing activities	6,303	2,574
Net cash from financing activities	0	-19
<b>Total net increase in liquid funds</b>	<b>6,457</b>	<b>2,911</b>

<sup>1)</sup> Including gains on sale of shares of Swedish Distribution in 2015 and Finnish and Norwegian Distribution in 2014. All gains are tax exempt.

For more information see [Note 41](#) Acquisitions and disposals.

# 15 Earnings and dividend per share

## Accounting policies

### Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

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.

## 15.1 Earnings per share

### Earnings per share, basic

	2015	2014
IS Profit attributable to owners of the parent (EUR million)	4,138	3,154
Weighted average number of shares (thousands)	888,367	888,367
Basic earnings per share (EUR)		
Total Fortum	4.66	3.55
Continuing operations	-0.26	1.22
Discontinued operations	4.92	2.33

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

## 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 Annual General Meeting.

A dividend in respect of 2015 of EUR 1.10 per share, amounting to a total dividend of EUR 977 million based on the amount of shares registered as of 2 February 2016, is to be proposed at the Annual General Meeting on 5 April 2016. These Financial statements do not reflect this dividend.

A dividend for 2014 of EUR 1.10 per share and an extra dividend of EUR 0.20 per share, amounting to a total of EUR 1,155 million, was decided at the Annual General Meeting on 31 March 2015. The dividend and the extra dividend were paid on 14 April 2015.

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.

# 16 Financial assets and liabilities by categories

## Accounting policies

### 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 off.

## 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.

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

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 2015

EUR million	Note	Loans and receivables	Financial assets at fair value through profit and loss		Fair value recognised in equity, cash flow hedges	Available-for-sale financial assets	Total financial assets
		Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting			
<b>Financial instruments in non-current assets</b>							
Other non-current assets	21	50				43	93
Derivative financial instruments	3						
Electricity derivatives				105	30		135
Interest rate and currency derivatives			170	115	84		369
Oil and other futures and forward contracts				5			5
Long-term interest-bearing receivables	22	773					773
<b>Financial instruments in current assets</b>							
Derivative financial instruments	3						
Electricity derivatives				55	101		156
Interest rate and currency derivatives				114	67		181
Oil and other futures and forward contracts				16	0		16
Trade receivables	24	396					396
Other short-term interest-bearing receivables	24	0					0
Liquid funds	25	2,854				5,348	8,202
<b>Total</b>		<b>4,073</b>	<b>170</b>	<b>410</b>	<b>282</b>	<b>5,391</b>	<b>10,326</b>

### Financial assets by categories 2014

EUR million	Note	Loans and receivables	Financial assets at fair value through profit and loss		Fair value recognised in equity, cash flow hedges	Available-for-sale financial assets	Total financial assets
		Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting			
<b>Financial instruments in non-current assets</b>							
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					2,041
<b>Financial instruments in current assets</b>							
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					4
Liquid funds	25	1,880				886	2,766
<b>Total</b>		<b>5,398</b>	<b>191</b>	<b>591</b>	<b>260</b>	<b>30</b>	<b>6,470</b>

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Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

## Financial liabilities by categories 2015

EUR million	Note	Financial liabilities at fair value through profit and loss		Fair value recognised in equity, cash flow hedges	Other financial liabilities		Total financial liabilities
		Hedge accounting, fair value hedges	Non-hedge accounting		Amortised costs	Fair value	
<b>Financial instruments in non-current liabilities</b>							
Interest-bearing liabilities	28				3,697	1,268 <sup>1)</sup>	4,965
Derivative financial instruments	3						
Electricity derivatives			122	4			126
Interest rate and currency derivatives		31	60	62			153
Oil and other futures and forward contracts			12				12
<b>Financial instruments in current liabilities</b>							
Interest-bearing liabilities	28				1,042		1,042
Derivative financial instruments	3						
Electricity derivatives			81	1			82
Interest rate and currency derivatives			28	4			32
Oil and other futures and forward contracts			6	0			6
Trade payables	34				249		249
Other liabilities	34				67		67
<b>Total</b>		<b>31</b>	<b>309</b>	<b>71</b>	<b>5,055</b>	<b>1,268</b>	<b>6,734</b>

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

## Financial liabilities by categories 2014

EUR million	Note	Financial liabilities at fair value through profit and loss		Fair value recognised in equity, cash flow hedges	Other financial liabilities		Total financial liabilities
		Hedge accounting, fair value hedges	Non-hedge accounting		Amortised costs	Fair value	
<b>Financial instruments in non-current liabilities</b>							
Interest-bearing liabilities	28				4,427	1,454 <sup>1)</sup>	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
<b>Financial instruments in current liabilities</b>							
Interest-bearing liabilities	28				1,103		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
<b>Total</b>		<b>0</b>	<b>197</b>	<b>126</b>	<b>5,897</b>	<b>1,454</b>	<b>7,675</b>

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

# 17 Financial assets and liabilities by fair value hierarchy

## Accounting policies

Fair value measurements are classified using a fair value hierarchy i.e. Level 1, Level 2 and Level 3 that reflects the significance of the inputs used in making the measurements.

### Fair values under Level 1 measurement hierarchy

The fair value of 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

Investments in unlisted shares classified as Available for sale financial assets, for which the fair value cannot be reliably determined. These assets are measured at cost less any impairments.

### Other measurements

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

## Financial assets

EUR million	Note	Level 1		Level 2		Level 3		Netting <sup>2)</sup>		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>In non-current assets</b>											
Available for sale financial assets <sup>1)</sup>	21	1	1			42	29			43	30
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				40	6			-9	-5	30	1
Non-hedge accounting				175	66			-70	-17	105	49
Interest rate and currency derivatives											
Hedge accounting				254	335					254	335
Non-hedge accounting				115	206					115	206
Oil and other futures and forward contracts											
Non-hedge accounting		7	1		6			-2	-3	5	3
<b>In current assets</b>											
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				117	79			-16	-11	101	67
Non-hedge accounting		1		251	153			-196	-106	55	47
Interest rate and currency derivatives											
Hedge accounting				67	48					67	48
Non-hedge accounting				114	274					114	274
Oil and other futures and forward contracts											
Hedge accounting										0	0
Non-hedge accounting		47	30		9			-31	-26	16	12
<b>Total</b>		<b>56</b>	<b>32</b>	<b>1,133</b>	<b>1,182</b>	<b>42</b>	<b>29</b>	<b>-324</b>	<b>-168</b>	<b>907</b>	<b>1,073</b>

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 42 million (Dec 31 2014: 29), for which the fair value cannot be reliably determined. This includes EUR 11 million from Fortum's indirect shareholding in Fennovoima. These assets are measured at cost less any impairments.

Available for sale financial assets include listed shares at fair value of EUR 1 million (2014: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (2014: -3).

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

## Financial liabilities

EUR million	Note	Level 1		Level 2		Level 3		Netting <sup>2)</sup>		Total	
		2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>In non-current liabilities</b>											
Interest-bearing liabilities	28			1,268 <sup>1)</sup>	1,454 <sup>1)</sup>					1,268	1,454
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				13	11			-9	-5	4	7
Non-hedge accounting				192	62			-70	-17	122	45
Interest rate and currency derivatives											
Hedge accounting				93	96					93	96
Non-hedge accounting				60	96					60	96
Oil and other futures and forward contracts											
Non-hedge accounting		14	5		2			-2	-3	12	3
<b>In current liabilities</b>											
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				18	12			-16	-11	1	1
Non-hedge accounting		1		277	134			-196	-106	81	27
Interest rate and currency derivatives											
Hedge accounting				4	22					4	22
Non-hedge accounting				28	22					28	22
Oil and other futures and forward contracts											
Hedge accounting										0	0
Non-hedge accounting		37	29		2			-31	-26	6	4
<b>Total</b>		<b>52</b>	<b>34</b>	<b>1,953</b>	<b>1,913</b>	<b>0</b>	<b>0</b>	<b>-324</b>	<b>-168</b>	<b>1,680</b>	<b>1,778</b>

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

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

Net fair value amount of interest rate and currency derivatives is EUR 367 million, assets EUR 551 million and liabilities EUR 184 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of December 2015 Fortum had received EUR 202 million from Credit Support Annex agreements. The received cash has been booked as short term liability.



# 18 Intangible assets

## Accounting policies

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.

### 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. For CO<sub>2</sub> emissions from power and heat production, a provision is recognized. CO<sub>2</sub> emission costs is settled by returning emission allowances. To the extent that the Group already holds allowances to cover emission costs, 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 emission cost is recognised in the income statement within materials and services. The sales gains and losses of emission allowances not used for covering the obligation from CO<sub>2</sub> emissions, are reported in other income.

## Critical accounting estimates: Assigned values and useful lives in acquisitions

In an acquisition acquired intangible and tangible assets are fair valued and their remaining useful lives are determined. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable. Different assumptions and assigned lives could have a significant impact on the reported amounts.

The Group has significant carrying values in property, plant and equipment as well as goodwill which are tested for impairment according to the accounting policies.

See [Note 19](#) Property, plant and equipment for more information.

EUR million	Goodwill		Other intangible assets		Total	
	2015	2014	2015	2014	2015	2014
<b>Cost 1 January</b>	<b>170</b>	<b>275</b>	<b>379</b>	<b>368</b>	<b>549</b>	<b>644</b>
Translation differences and other adjustments	-18	-101	2	-12	-16	-113
Increases through business combinations	0	0	1	0	1	0
Capital expenditure	0	0	8	22	8	22
Change in emission rights	0	0	-8	-1	-8	-1
Disposals	0	0	-6	-1	-6	-1
Sale of subsidiary companies <sup>1)</sup>	0	-4	-58	-24	-58	-28
Reclassifications	0	0	14	27	14	27
<b>Cost 31 December</b>	<b>153</b>	<b>170</b>	<b>332</b>	<b>379</b>	<b>485</b>	<b>549</b>
<b>Accumulated depreciation 1 January</b>	<b>0</b>	<b>0</b>	<b>273</b>	<b>260</b>	<b>273</b>	<b>260</b>
Translation differences and other adjustments	0	0	1	-11	1	-11
Disposals	0	0	-6	-2	-6	-2
Sale of subsidiary companies <sup>1)</sup>	0	0	-28	-5	-28	-5
Reclassifications	0	0	0	5	0	5
Depreciation for the period <sup>2)</sup>	0	0	22	25	22	25
<b>Accumulated depreciation 31 December</b>	<b>0</b>	<b>0</b>	<b>262</b>	<b>273</b>	<b>262</b>	<b>273</b>
<b>BS Carrying amount 31 December</b>	<b>153</b>	<b>170</b>	<b>70</b>	<b>106</b>	<b>222</b>	<b>276</b>

1) Divestment of assets related to the Finnish Distribution business are not included in the comparative period figures as they were presented as 'Assets held for sale' in the balance sheet as of 31 December 2013. For more information about divestments of subsidiaries, see [Note 41](#) Acquisitions and disposals.

2) Including depreciations related to discontinued operations (see [Note 14](#) Discontinued operations).

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](#) Property, plant and equipment for information about 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

## Accounting policies

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 capitalized borrowing costs. 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 and [Note 30](#), Nuclear related assets and liabilities, for information about provisions for decommissioning nuclear power plants.

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 (related to discontinued operations)	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.

## Critical accounting estimates: Assumptions related to impairment testing

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.

Estimates are also made in an acquisition when determining the fair values and remaining useful lives of acquired intangible and tangible assets, see [Note 8](#) Intangible 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Cost 1 January</b>	<b>2,810</b>	<b>2,974</b>	<b>3,110</b>	<b>3,424</b>	<b>9,728</b>	<b>11,120</b>	<b>136</b>	<b>144</b>	<b>904</b>	<b>1,161</b>	<b>16,687</b>	<b>18,824</b>
Translation differences and other adjustments	59	-164	-72	-426	-124	-1,176	1	-4	-24	-274	-160	-2,043
Increases through business combinations	0	0	1	0	1	0	0	0	0	0	2	0
Capital expenditure	1	2	24	22	20	28	0	0	575	700	619	752
Nuclear asset retirement cost	0	0	0	0	0	-3	0	0	0	0	0	-3
Disposals	0	-1	-11	-5	-54	-259	0	0	-1	-1	-67	-266
Sale of subsidiary companies <sup>1)</sup>	-11	-1	-92	-88	-4,319	-443	-2	-1	-132	-16	-4,556	-549
Reclassifications	0	0	187	182	363	461	2	-4	-566	-666	-14	-27
<b>Cost 31 December</b>	<b>2,859</b>	<b>2,810</b>	<b>3,146</b>	<b>3,110</b>	<b>5,614</b>	<b>9,728</b>	<b>136</b>	<b>136</b>	<b>755</b>	<b>904</b>	<b>12,510</b>	<b>16,687</b>
<b>Accumulated depreciation 1 January</b>	<b>0</b>	<b>0</b>	<b>1,328</b>	<b>1,321</b>	<b>4,054</b>	<b>4,542</b>	<b>111</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>5,492</b>	<b>5,974</b>
Translation differences and other adjustments	0	0	-10	-67	-16	-330	1	-3	0	0	-25	-400
Increases through business combinations	0	0	0	0	1	0	0	0	0	0	1	0
Disposals	0	0	-8	-1	-52	-258	0	0	0	0	-60	-259
Sale of subsidiary companies <sup>1)</sup>	0	0	-43	-31	-1,978	-287	-2	-1	0	0	-2,023	-319
Depreciation for the period <sup>2)</sup>	0	0	100	111	312	387	3	3	0	0	416	502
Reclassifications	0	0	0	-5	-1	-1	0	0	0	0	-1	-5
<b>Accumulated depreciation 31 December</b>	<b>0</b>	<b>0</b>	<b>1,367</b>	<b>1,328</b>	<b>2,319</b>	<b>4,054</b>	<b>113</b>	<b>111</b>	<b>0</b>	<b>0</b>	<b>3,799</b>	<b>5,492</b>
<b>BS Carrying amount 31 December</b>	<b>2,859</b>	<b>2,810</b>	<b>1,779</b>	<b>1,782</b>	<b>3,295</b>	<b>5,674</b>	<b>23</b>	<b>25</b>	<b>755</b>	<b>904</b>	<b>8,710</b>	<b>11,195</b>

1) Divestment of assets related to the Finnish Distribution business are not included in the comparative period figures as they were presented as 'Assets held for sale' in the balance sheet as of 31 December 2013. For more information about divestments of subsidiaries, see [Note 41](#) Acquisitions and disposals.

2) Including depreciations related to discontinued operations (see [Note 14](#) Discontinued operations), as well as impairment loss for Fortum's share of the Finnish coal-fired power plant Meri-Pori.

The change in property, plant and equipment was negative, even though capital expenditures were higher than depreciation during the year. The decrease was mainly due to the sale of the Swedish electricity distribution business and translation differences. The main increase was due to the ongoing investment programme in OAO Fortum.

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 255 million (2014: 274).

See [Note 35](#) Pledged assets.

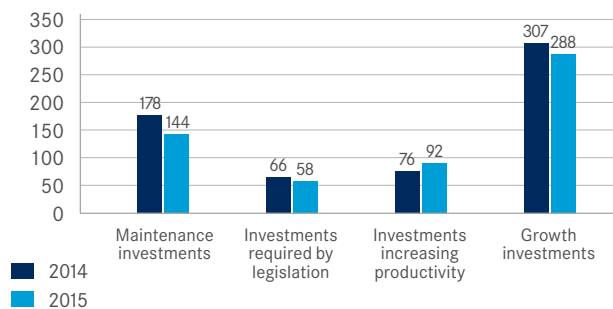
## 19.1 Capitalised borrowing costs

EUR million	Buildings, plants and structures		Machinery and equipment		Advances paid and construction in progress		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>1 January</b>	35	40	125	162	42	57	202	259
Translation differences and other adjustments	-4	-14	-13	-56	-4	-21	-21	-91
Increases / disposals	0	-6	6	12	38	37	44	43
Reclassification	14	9	21	21	-36	-31	-1	-1
Depreciation	-1	5	-6	-14	0	0	-7	-9
<b>31 December</b>	<b>43</b>	<b>35</b>	<b>133</b>	<b>125</b>	<b>41</b>	<b>42</b>	<b>217</b>	<b>202</b>

Borrowing costs of EUR 44 million were capitalised in 2015 (2014: 47) mainly for the OAO Fortum investment program. The interest rate used for capitalisation varied between 2.0%–19.2% (2014: 3.3%–16.6%).

## 19.2 Capital expenditure

Fortum classifies investments in four main categories, (continuing operations), EUR million



Capital expenditure<sup>1)</sup>

EUR million	Finland		Sweden		Russia		Poland		Estonia		Other countries		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>Power and Technology</b>														
Hydropower	25	16	77	87									102	103
Nuclear power	75	80											75	80
Fossil-based electricity														0
Renewable-based electricity		7	8	1							0	3	8	11
Other	2	3	0										2	3
<b>Total Power and Technology</b>	<b>102</b>	<b>106</b>	<b>85</b>	<b>88</b>		0		0		0	0	3	<b>187</b>	<b>197</b>
<b>Heat, Electricity Sales and Solutions</b>														
Fossil-based heat	7	3					14	5					21	8
Fossil-based electricity							1	1					1	1
Renewable, of which	26	24					11				1	13	38	37
waste							11				1	3	12	3
biofuels	25	6									1	0	25	6
other	2	18										10	2	28
District heat network	12	13					11	8	7	8	1	2	31	31
Other	5	4	1				0	1	3	1	5	3	14	9
<b>Total Heat, Electricity Sales and Solutions</b>	<b>49</b>	<b>44</b>	<b>1</b>	<b>0</b>		0	<b>37</b>	<b>15</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>18</b>	<b>105</b>	<b>86</b>
<b>Other</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>0</b>		0	<b>0</b>	<b>0</b>		<b>0</b>		<b>1</b>	<b>6</b>	<b>3</b>
<b>Russia</b>														
Fossil-based electricity					267	305							267	305
Fossil-based heat					18	35							18	35
Other					0	0							0	0
<b>Total Russia</b>					<b>285</b>	<b>340</b>							<b>285</b>	<b>340</b>
<b>Total for continuing operations</b>	<b>156</b>	<b>152</b>	<b>87</b>	<b>88</b>	<b>285</b>	<b>340</b>	<b>37</b>	<b>15</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>22</b>	<b>582</b>	<b>626</b>
<b>Discontinued operations (Distribution)</b>		<b>11</b>	<b>44</b>	<b>133</b>		<b>0</b>		<b>0</b>		<b>0</b>		<b>3</b>	<b>44</b>	<b>147</b>
<b>Total</b>	<b>156</b>	<b>163</b>	<b>132</b>	<b>221</b>	<b>285</b>	<b>340</b>	<b>37</b>	<b>15</b>	<b>11</b>	<b>9</b>	<b>7</b>	<b>25</b>	<b>626</b>	<b>774</b>

1) Includes capital expenditure to both intangible assets and property, plant and equipment.

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

### 19.2.1 Power and Technology

In Finland, Fortum invested EUR 75 million (2014: 80) into the Loviisa nuclear power plant. Fortum invested additionally EUR 102 million (2014: 103) into hydro production, mainly refurbishment and productivity investments. The biggest of these were Höljes refurbishment and Ljusnans dam safety in Sweden, EUR 19 million (2014: 29) and Imatra refurbishment in Finland, EUR 5 million (2014: 8). Investments in CO<sub>2</sub> free production were EUR 184 million (2014: 194).

### 19.2.2 Heat, Electricity Sales and Solutions

Growth investments in Heat segment totaled EUR 42 million (2014: 34) in year 2015. Refurbishment and legislation investments totaled EUR 62 million (2014: 53). 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 2015 comprised of bio-pellet heat boiler in Espoo and new CHP plant in Zabrze, Poland. Investments in CO<sub>2</sub> free production were EUR 39 million (2014: 37).

### 19.2.3 Russia

OAo Fortum has commissioned seven out of eight new units of its extensive investment programme aiming to almost double its power capacity with 2,300 MW. During 2015 EUR 161 million (2014: 235) was invested in this programme. In November 2015 Fortum commissioned Chelyabinsk GRES 1, which started to receive capacity payments as of 1 December 2015. The final unit, Chelyabinsk GRES 2, is scheduled to be commissioned during the first quarter of 2016.

## 19.3. Impairment testing of non-financial assets in 2015

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 11.1% (2014: 10.8%).

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 2015, the recoverable values were greater than their carrying values and therefore no impairments were booked.

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 EBITDA 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 EBITDA 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

## Accounting policies

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.

## Critical accounting estimates and judgements

Management is required to make significant judgements when assessing the nature of Fortum's interest in its investees and when considering the classification of Fortum's joint arrangements. In the classification, emphasis has been put on decision-making, legal structure and financing of the arrangements.

## 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, % <sup>1)</sup>	46	26	60	34	29	26	50
Votes, %	46	26	28	33	29	26	50

<sup>1)</sup> 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 2014 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.

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

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, and Fortum's ownership in this share series is 26.6%. The Meri-Pori power plant is accounted for as a joint operation in Fortum.

See also Joint operations in the accounting principles in [Note 19](#) Property, plant and equipment.

The most significant hydro production company shareholding is 63.8% of the hydro shares and 28.27% 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% ownership in AB Fortum Värme Holding samägt med Stockholms stad (Fortum Värme) that is co-owned with the City of Stockholm through Stockholms Stadshus AB. Fortum Värme produces district heating, district cooling and electricity and supplies heat and cooling to customers in the Stockholm area. Fortum and the City of Stockholm has renewed the shareholders' agreement which came into force as of 1 January 2016. Parties also agreed that Fortum Värme's shareholder loans from Fortum would be replaced with external financing by the end of 2015. The refinancing has been done and as of 31 December 2015 Fortum Värme no longer has interest-bearing liabilities to Fortum.

Previously Fortum owned 90.1% of the shares representing 50.1% of the votes in Fortum Värme and the City of Stockholm owned 9.9% of the shares as preference shares representing 49.9% of the votes. The preference shares entitled the City of Stockholm to 50% of the economic output of Fortum Värme. On 1 December 2015 the City of Stockholm exchanged their preference shares to ordinary shares after which the voting rights are equally divided (50/50) between Fortum and the City of Stockholm. The City of Stockholm and Fortum have had and will continue to have 50% right to the economic output. The shareholding is accounted for as a joint venture with the equity method 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.

### Summarised financial information of the principal associated companies in 2015

EUR million	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1
<b>Balance sheet</b>	<b>31 Dec 2014</b>	<b>31 Dec 2014</b>	<b>31 Dec 2014</b>	<b>30 Sept 2015</b>	<b>30 Sept 2015</b>
Non-current assets	2,271	2,261	449	2,301	1,625
Current assets	475	491	4	336	236
Non-current liabilities	2,648	2,601	305	1,268	417
Current liabilities	85	114	71	496	156
Equity	12	38	77	873	1,288
Attributable to NCI				2	109
Attributable to the owners of the parent	12	38	77	872	1,178
<b>Statement of comprehensive income</b>	<b>1 Jan 2014– 31 Dec 2014</b>	<b>1 Jan 2014– 31 Dec 2014</b>	<b>1 Jan 2014– 31 Dec 2014</b>	<b>1 Oct 2014– 30 Sep 2015</b>	<b>1 Oct 2014– 30 Sep 2015</b>
Revenue	542	707	55	1,351	1,011
Profit or loss from continuing operations	0	1	-10	120	62
Other comprehensive income				8	1
Total comprehensive income	0	1	-10	128	63
Attributable to NCI				0	4
Attributable to the owners of the parent	0	1	-10	128	59
<b>Reconciliation to carrying amount in the Fortum group</b>					
Group's interest in the equity of the associate at 1 January	6	9	52	289	374
Change in share of profit and from OCI items			-6	44	18
Dividends received				-18	-4
Translation differences and other adjustments	0	1		-17	-41
<b>Group's interest in the equity of the associate at 31 December</b>	<b>6</b>	<b>10</b>	<b>46</b>	<b>297</b>	<b>374</b>
Fair values on acquisitions and different accounting principles <sup>1)</sup>	39	88	160	9	-31
<b>Carrying amount at 31 December</b>	<b>45</b>	<b>97</b>	<b>206</b>	<b>306</b>	<b>316</b>
Market value for listed shares <sup>2)</sup>				411	59

1) Impact of different accounting principles include mainly IFRS adjustments for Nuclear liabilities and assets and capitalised borrowing costs in Swedish associates. Fortum records its share of nuclear related assets and liabilities in its nuclear associated companies according to equity method. The basis for recognition is similar as for Loviisa power plant, see accounting principles in [Note 30](#) Nuclear related assets and liabilities.

2) 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 2015 trading volumes of TGC-1 shares in relation to the number of shares of the company were approximately 10% (2014: 9%).



## Summarised financial information of the principal associated companies in 2014

EUR million	Forsmarks Kraftgrupp				
	OKG AB	AB	Kemijoki Oy	Hafslund ASA	TGC-1
<b>Balance sheet</b>	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
<b>Statement of comprehensive income</b>	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
<b>Reconciliation to carrying amount in the Fortum group</b>					
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
<b>Group's interest in the equity of the associate at 31 December</b>	<b>6</b>	<b>9</b>	<b>52</b>	<b>289</b>	<b>374</b>
Fair values on acquisitions and different accounting principles <sup>1)</sup>	145	79	158	11	-48
<b>Carrying amount at 31 December</b>	<b>151</b>	<b>88</b>	<b>210</b>	<b>299</b>	<b>326</b>
Market value for listed shares				373	71

1) Impact of different accounting principles include mainly IFRS adjustments for Nuclear liabilities and assets and capitalised borrowing costs in Swedish associates. Fortum records its share of nuclear related assets and liabilities in its nuclear associated companies according to equity method. The basis for recognition is similar as for Loviisa power plant, see accounting principles in Note 30 Nuclear related assets and liabilities.

## Summarised financial information of the principal joint ventures in 2015 and 2014

EUR million	2015		2014	
	TVO	Fortum Värme	TVO	Fortum Värme
<b>Balance sheet</b>	30 Sept 2015	31 Dec 2015	30 Sept 2014	31 Dec 2014
Non-current assets	6,785	2,777	6,567	2,552
Current assets	521	308	423	313
of which cash and cash equivalents	141	0	128	6
Non-current liabilities	5,201	1,645	4,994	1,362
of which non-current interest-bearing liabilities	4,247	1,247	4,078	995
Current liabilities	578	305	516	432
of which current financial liabilities	432	145	351	298
Equity <sup>1)</sup>	1,528	1,135	1,480	1,071
Attributable to NCI		0		0
Attributable to the shareholders of the company	1,528	1,135	1,480	1,071
<b>Statement of comprehensive income</b>	1 Oct 2014– 30 Sep 2015	1 Jan 2015– 31 Dec 2015	1 Oct 2013– 30 Sep 2014	1 Jan 2014– 31 Dec 2014
Revenue	379	661	353	716
Depreciation and amortisation	-115	-127	-58	-128
Interest income	23	0	23	1
Interest expense	-64	-57	-67	-28
Income tax expense or income	0	-25		-30
Profit or loss from continuing operations	8	84	4	126
Other comprehensive income	4	-2	12	-22
Total comprehensive income	12	82	16	104
Attributable to NCI		0		0
Attributable to the shareholders of the company	12	82	16	104
<b>Reconciliation to carrying amount in the Fortum group</b>				
Group's interest in the equity of the joint venture at 1 January	292	535	289	537
Change in share of profit and from OCI items	2	37	3	53
Dividends received		-21		-22
Translation differences and other adjustments		16		-32
<b>Group's interest in the equity of the joint venture at 31 December</b>	<b>294</b>	<b>567</b>	<b>292</b>	<b>535</b>
Fair values on acquisitions and different accounting principles <sup>2)</sup>	-11	-88	-7	-91
<b>Carrying amount at 31 December</b>	<b>283</b>	<b>479</b>	<b>285</b>	<b>445</b>

1) The equity of TVO includes subordinated loans of EUR 379 million (2014: 339). Fortum has given part of these loans, pro rata to the ownership.

2) Impact of different accounting principles include mainly IFRS adjustments for Nuclear liabilities and assets and capitalised borrowing costs. Fortum records its share of nuclear related assets and liabilities in its nuclear associated companies according to equity method. The basis for recognition is similar as for Loviisa power plant, see accounting principles in Note 30 Nuclear related assets and liabilities.

See also Associated companies in [Note 39](#) Legal actions and official proceedings. See [Note 30](#) Nuclear related assets and liabilities.

## 20.2 Participations and shares of profits in associated companies and joint ventures

### Participations in associated companies and joint ventures in the balance sheet

EUR million	2015	2014
Principal associates	970	1,074
Principal joint ventures	762	730
Other associates	43	42
Other joint ventures	184	182
<b>BS Carrying amount 31 December</b>	<b>1,959</b>	<b>2,027</b>

### Changes in participation during the year

EUR million	Joint ventures 2015	Associated companies 2015	Joint ventures 2014	Associated companies 2014
<b>Historical cost</b>				
1 January	546	838	518	1,130
Translation differences and other adjustments	4	-37	-11	-166
Acquisitions	22	5	36	26
Reclassifications	6	-5	5	-9
Divestments	-21	0	-3	-143
<b>Historical cost 31 December</b>	<b>558</b>	<b>800</b>	<b>546</b>	<b>838</b>
<b>Equity adjustments</b>				
1 January	366	277	334	359
Translation differences and other adjustments	9	-17	-23	-71
Share of profits of associates and joint ventures <sup>1) 2)</sup>	56	-37	76	72
Reclassifications	-6	5	12	-7
Divestments	-6	0	0	-36
Dividends received	-29	-23	-27	-30
OCI items associated companies and joint ventures	-2	7	-6	-10
<b>Equity adjustments 31 December</b>	<b>388</b>	<b>213</b>	<b>366</b>	<b>277</b>
<b>Carrying amount at 31 December</b>	<b>946</b>	<b>1,013</b>	<b>912</b>	<b>1,115</b>

1) In 2014 including share of profits related to discontinued operations.

2) Including impairment charges of EUR -116 million (2014: 0), see [Note 7](#) Effects from early closure of nuclear units in Sweden.

For information about investments and divestments of shares in associated companies, see [Note 4](#) Acquisitions and disposals.

### Share of profit of associates and joint ventures

EUR million	2015	2014
Principal associates		
OKG AB <sup>1)</sup>	-107	5
Forsmarks Kraftgrupp AB	7	-9
Kemijoki Oy	-9	-5
Hafslund ASA	39	36
TGC-1	32	35
<b>Principal associates, total</b>	<b>-38</b>	<b>61</b>
Principal joint ventures		
Fortum Värme	47	67
TVO	-2	-4
<b>Principal joint ventures, total</b>	<b>45</b>	<b>64</b>
Other associates <sup>2)</sup>	1	11
Other joint ventures	11	12
<b>IS Total</b>	<b>20</b>	<b>149</b>

1) Including impairment charges of EUR -116 million (2014: 0), see [Note 7](#) Effects from early closure of nuclear units in Sweden.

2) In 2014 including share of profits related to discontinued operations.

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 -37 million (2014: 2) arising from accounting of nuclear related assets and liabilities.

Share of profits from Värme include compensation paid to Fortum for early prepayment of the interest-bearing loans from Fortum EUR -19 million (2014: 0).

## 20.3 Transactions and balances

### Associated company transactions

EUR million	2015	2014
Sales to associated companies	2	1
Interest on associated company loan receivables	15	31
Purchases from associated companies	418	483

Purchases from joint ventures include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

## Associated company balances

EUR million	2015	2014
<b>Receivables from associated companies</b>		
Long-term interest-bearing loan receivables	601	1,327
Trade receivables	0	1
Other receivables	0	0
<b>Liabilities to associated companies</b>		
Long-term loan payables	2	1
Trade payables	4	1
Other payables	160	0

For more info about receivables from associated companies, see [Note 22](#) Long-term and short-term interest-bearing receivables.

## Joint venture transactions

EUR million	2015	2014
Sales to joint ventures	79	75
Interest on joint venture loan receivables	12	28
Purchases from joint ventures	91	81
Other financial income	37	1

Purchases from joint ventures include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

Other financial income includes compensation from early prepayment of loans by Fortum Värme.

## Joint venture balances

EUR million	2015	2014
<b>Receivables from joint ventures</b>		
Long-term interest-bearing loan receivables	172	714
Trade receivables	11	17
Other receivables	14	15
<b>Liabilities to joint ventures</b>		
Long-term loan payables	268	261
Trade payables	6	5
Other payables	6	4

For more info about receivables from joint ventures, see [Note 22](#) Long-term and short-term interest-bearing receivables.

# 21 Other non-current assets

EUR million	2015	2014
Available for sale financial assets	43	30
Other	50	38
<b>BS Total</b>	<b>93</b>	<b>68</b>

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 43 million (2014: 30), for which the fair value can not be reliably determined. These assets are measured at cost less possible impairment.

Fortum has decided to participate in the Fennovoima nuclear power project in Finland with an indirect ownership of 6.6% at the commercial date of the power plant. Fortum has in 2015 invested EUR 11 million in Fennovoima, with an indirect ownership of 4.1% at the end of 2015. The participation is carried out through Voimaosakeyhtiö SF. The indirect investment in Fennovoima is classified as Available for sale financial assets, measured at cost, since fair value cannot be reliably determined.

# 22 Long-term and short-term interest-bearing receivables

EUR million	2015	2014
Long-term loan receivables	773	2,041
<b>BS Total long-term interest-bearing receivables</b>	<b>773</b>	<b>2,041</b>
Other short-term interest-bearing receivables	0	4
Total short-term interest-bearing receivables <sup>1)</sup>	0	4
<b>Total</b>	<b>773</b>	<b>2,045</b>

<sup>1)</sup> Included in trade and other receivables in the balance sheet, see [Note 24](#) Trade and other receivables.

Long-term loan receivables include receivables from associated companies and joint ventures EUR 773 million (2014: 2,041). These receivables include EUR 582 million (2014: 1,310) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership. The impairment charges in OKG AB due to the decision to close down nuclear power units 1 and 2 will be invoiced from the shareholders when the costs are incurred. Fortum has estimated the impact to be EUR 794 million and netted that against the shareholder loan. The main part of the netted amount has already been invoiced to Fortum, the remaining part will be invoiced when the costs occur. Long-term loan receivables include also receivables from Teollisuuden Voima Oyj (TVO), EUR 120 million (2014: 110). At the end of 2015 Fortum does not have any loan receivables from Fortum Värme (2014: 553).

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 2015 Fortum has EUR 120 million (2014: 95) outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum EUR 75 million.

TVO's Extraordinary General Meeting made a decision on 24 June 2015 not to apply for a construction license for Olkiluoto 4. The incurred costs relating to the project were invoiced from TVO's shareholders in June and Fortum's share of these costs was EUR 15 million. The invoice was not paid and it was netted against the subordinated shareholder loan that Fortum had given to TVO for funding the planning of Olkiluoto 4. The additional commitment related to Olkiluoto 4, EUR 57 million, has been cancelled and Fortum does not have any further commitments related to Olkiluoto 4.

For further information regarding credit risk management, see [Note 3.7](#) Credit risk.

For additional information regarding OKG AB, see [Note 7](#) Effects from early closure of nuclear units in Sweden.

### Interest-bearing receivables

EUR million	Effective interest rate, %	Carrying amount 2015	Repricing			Fair value 2015	Carrying amount 2014	Fair value 2014
			Under 1 year	1-5 years	Over 5 years			
Long-term loan receivables <sup>1)</sup>	0.9	773	752	16	5	813	2,044	2,216

1) Including current portion of long-term receivables EUR 0 million (2014: 3).

## 23 Inventories

### Accounting policies

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.

EUR million	2015	2014
Nuclear fuel	98	105
Coal	62	77
Oil	6	12
Biofuels	5	1
Materials and spare parts	52	52
Other inventories	10	9
<b>BS Total</b>	<b>231</b>	<b>256</b>

Write downs in inventories amounted to EUR 5 million (2014: 0), mainly relating to obsolete spare parts.

## 24 Trade and other receivables

### Accounting policies

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 and cooling already delivered but not yet measured and not yet invoiced.

EUR million	2015	2014
Trade receivables	396	549
Income tax receivables	124	132
Accrued interest income	5	6
Accrued income and prepaid expenses	29	23
Other receivables	269	116
Other short-term interest-bearing receivables	0	4
<b>BS Total</b>	<b>822</b>	<b>830</b>

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

EUR million	2015		2014	
	Gross	Impaired	Gross	Impaired
Not past due	335	2	504	2
Past due 1-90 days	55	3	44	4
Past due 91-180 days	8	2	6	3
Past due more than 181 days	52	48	50	46
<b>Total</b>	<b>449</b>	<b>54</b>	<b>604</b>	<b>55</b>

Impairment losses recognised in the income statement were EUR 11 million (2014: 9), of which EUR 8 million (2014: 4) are impairment losses recognised in the OAO Fortum Group. On 31 December 2015, trade receivables of EUR 54 million (2014: 55) are impaired and provided for, of which EUR 47 million (2014: 46) refers to the OAO Fortum Group.

## Trade receivables by currency (Gross)

EUR million	2015	2014
EUR	190	204
SEK	74	202
RUB	142	132
NOK	7	12
PLN	34	45
Other	4	9
<b>Total</b>	<b>449</b>	<b>604</b>

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

### Accounting policies

Cash and cash equivalents in Liquid funds include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with maturities of three months or less. Deposits and securities with maturity more than 3 months include fixed term deposits and commercial papers with maturity more than three months but less than twelve months. Deposits and securities are classified as available-for-sale financial assets. Used bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

EUR million	2015	2014
Cash at bank and in hand	2,854	1,880
Bank deposits with maturity under 3 months	435	129
<b>Cash and cash equivalents</b>	<b>3,289</b>	<b>2,009</b>
Bank deposits with maturity more than 3 months	4,913	757
<b>BS Total</b>	<b>8,202</b>	<b>2,766</b>

Liquid funds consists of deposits and cash in bank accounts amounting to EUR 7,218 million and commercial papers EUR 984 million. The average interest rate on investments excl. Russian deposits on 31 December 2015 was 0.1% (2014: 0.2%). Liquid funds held by OAO Fortum amounted to EUR 76 million (2014: 134) and the average interest rate for this portfolio was 5.9% at the balance sheet date.

Bank deposits include bank deposits held by OAO Fortum amounting to EUR 72 million (2014: 131). At the year end 2015 OAO Fortum's deposits included EUR 15 million in euros and EUR 57 million in Russian roubles. The bank deposits in euros held by OAO Fortum are hedging future payments in euros.

Liquid funds totaling EUR 7,521 million (Dec 31 2014: 2,636) are placed with counterparties that have an investment grade rating. In addition, EUR 628 million (Dec 31 2014: 63) have been placed with counterparties separately reviewed and approved by the Group's credit control department.

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	2015		2014	
	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 2015, 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 2015 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 11](#) 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 2015, 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		2015	2014
OAo Fortum Group	Russia	27	29
AS Fortum Tartu Group	Estonia	27	24
Other		16	18
<b>BS Total</b>		<b>69</b>	<b>71</b>

## 28 Interest-bearing liabilities

### Accounting policies

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.

EUR million	2015	2014
Bonds	3,345	4,088
Loans from financial institutions	411	576
Other long-term interest-bearing debt	1,209	1,216
<b>BS Total long-term interest-bearing debt</b>	<b>4,965</b>	<b>5,881</b>
Current portion of long-term bonds	750	660
Current portion of loans from financial institutions	78	146
Current portion of other long-term interest-bearing debt	10	10
Other short-term interest-bearing debt	204	287
<b>BS Total short-term interest bearing debt</b>	<b>1,042</b>	<b>1,103</b>
<b>Total interest-bearing debt</b>	<b>6,007</b>	<b>6,983</b>

## Interest-bearing debt

EUR million	Effective interest rate, %	Carrying amount 2015	Repricing			Fair value 2015	Carrying amount 2014	Fair value 2014
			Under 1 year	1-5 years	Over 5 years			
Bonds	3.4	4,094	1,293	1,114	1,687	4,375	4,748	5,093
Loans from financial institutions	2.8	490	259	66	165	531	722	777
Reborrowing from the Finnish State Nuclear Waste Management Fund	0.7	1,074	1,074	-	-	1,132	1,040	1,104
Other long-term interest-bearing debt <sup>1)</sup>	1.9	145	145	-	-	155	186	192
<b>Total long-term interest-bearing debt <sup>2)</sup></b>	<b>2.8</b>	<b>5,803</b>	<b>2,771</b>	<b>1,180</b>	<b>1,852</b>	<b>6,193</b>	<b>6,696</b>	<b>7,166</b>
Other short-term interest-bearing debt	0.0	204	204	-	-	204	287	287
<b>Total short-term interest-bearing debt</b>	<b>0.0</b>	<b>204</b>	<b>204</b>	<b>-</b>	<b>-</b>	<b>204</b>	<b>287</b>	<b>287</b>
<b>Total interest-bearing debt <sup>3)</sup></b>	<b>2.7</b>	<b>6,007</b>	<b>2,975</b>	<b>1,180</b>	<b>1,852</b>	<b>6,397</b>	<b>6,983</b>	<b>7,453</b>

1) Includes loans from Finnish pension institutions EUR 68 million (2014: 78) and other loans EUR 77 million (2014: 108).

2) Including current portion of long-term debt.

3) The average interest rate on loans and derivatives on 31 December 2015 was 3.7% (2014: 3.7%).

The interest-bearing debt decreased in 2015 by EUR 976 million to EUR 6,007 million (2014: 6,983). The amount of short-term financing decreased with EUR 83 million, and at the end of the year the amount of short-term financing EUR 204 million (2014: 287) included 202 million (2014: 286) from Credit Support Annex agreements.

In March 2015 Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund and Teollisuuden Voima by EUR 34 million to EUR 1,074 million. In the second quarter Fortum repaid bilateral loans of EUR 164 million and in the third quarter two SEK bonds equivalent to EUR 664 million (SEK 6,200 million) and EUR 50 million bilateral loan.

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 2.6% at the balance sheet date (2014: 2.9%). Part of the external loans EUR 641 million (2014: 681) have been swapped to RUB and the average interest cost for these loans including cost for hedging the RUB was 12.8% at the balance sheet date (2014: 11.3%). The average interest rate on total loans and derivatives at the balance sheet date was 3.7% (2014: 3.7%).

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 value million	Carrying amount EUR million
<b>Fortum Oyj EUR 8,000 million EMTN Programme <sup>1)</sup></b>						
2006/2016	Fixed	4.500	4.615	EUR	750	750
2009/2017	Fixed	6.125	6.240	NOK	500	52
2009/2019	Fixed	6.000	6.095	EUR	750	747
2011/2021	Fixed	4.000	4.123	EUR	500	525
2012/2017	Floating	Stibor 3M+1.2		SEK	1,000	109
2012/2017	Fixed	3.250	3.260	SEK	1,750	190
2012/2022	Fixed	2.250	2.344	EUR	1,000	1,066
2013/2018	Fixed	2.750	2.855	SEK	1,150	125
2013/2018	Floating	Stibor 3M+1.0		SEK	3,000	326
2013/2023	Floating	Stibor 3M+1.13		SEK	1,000	109
2013/2043	Fixed	3.500	3.719	EUR	100	96
<b>Total outstanding carrying amount 31 December 2015</b>						<b>4,094</b>

1) EMTN = Euro Medium Term Note

# 29 Deferred income taxes

## Accounting policies

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided in full, using the 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.

## Critical accounting estimates: 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 43 million as of 31 December 2015.

## Deferred taxes in balance sheet

EUR million	2015			2014		
	1 Jan	Change	31 Dec	1 Jan	Change	31 Dec
BS Deferred tax assets	98	-18	80	126	-28	98
BS Deferred tax liabilities	-1,159	676	-483	-1,338	179	-1,159
<b>Net deferred taxes</b>	<b>-1,061</b>	<b>658</b>	<b>-404</b>	<b>-1,212</b>	<b>151</b>	<b>-1,061</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

## Movement in deferred tax assets and liabilities 2015

EUR million	1 Jan 2015	Charged to income statement	Charged to other comprehensive income	Exchange rate differences, reclassifications and other changes	Acquisitions and disposals	31 Dec 2015
Property, plant and equipment	-1,150	96		7	496	-551
Pension obligations	28	3	-20			11
Provisions	1	13				14
Derivative financial instruments	-40	13	-13	2	-5	-42
Tax losses and tax credits carry-forward	70	71		4		146
Other	30	-12				18
<b>Net deferred taxes</b>	<b>-1,061</b>	<b>184</b>	<b>-32</b>	<b>13</b>	<b>491</b>	<b>-404</b>



Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

Retained earnings when distributed as dividends are subject to withholding tax (Russia) or distribution tax (Estonia). Provision has been made for these taxes only to extent that it is expected that these earnings will be remitted in the foreseeable future. Deferred income tax liabilities of EUR 13 million (2014: 8) have been recognised for the withholding tax and other taxes that would be payable on the distributions.

Deferred tax assets and liabilities from acquisitions and disposals in 2015 relate to the sale of Swedish electricity distribution business. Also during 2015 Swedish entities released a major part of the deferred tax liability related to property, plant and equipment. Additionally, deferred tax asset was recognized for the taxable loss in Sweden, which was mainly due to the write-down related to early closure of O1 and O2 units in Oskarshamn. This deferred tax asset can be used against future profits. The change in deferred taxes in income statement is positive mainly due to the above mentioned release in the deferred tax liability and increase in the deferred tax asset related to taxable loss in Sweden.

### Movement in deferred tax assets and liabilities 2014

EUR million	1 Jan 2014	Charged to income statement	Charged to other comprehensive income	Exchange rate differences, reclassifications and other changes	Acquisitions and disposals	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
<b>Net deferred taxes</b>	<b>-1,212</b>	<b>5</b>	<b>29</b>	<b>115</b>	<b>2</b>	<b>-1,061</b>

Change in deferred tax is mainly coming from exchange rate differences in Russia and in Sweden, EUR 115 million.

### Deferred income tax assets recognised for tax loss carry-forwards

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.

EUR million	2015		2014	
	Tax losses	Deferred tax asset	Tax losses	Deferred tax asset
Losses without expiration date	470	97	29	4
Losses with expiration date	217	49	260	66
<b>Total</b>	<b>687</b>	<b>146</b>	<b>289</b>	<b>70</b>

Deferred tax assets of EUR 50 million (2014: 50) 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.

Tax loss carry-forwards increased in 2015 mainly because of the taxable loss in Sweden, which was mainly due to the impairments related to early closure of O1 and O2 units in Oskarshamn.

# 30 Nuclear related assets and liabilities

## Accounting policies

Fortum owns Loviisa nuclear power plant in Finland. In Fortum's consolidated balance sheet, Share in the State Nuclear Waste Management Fund and the Nuclear provisions relate to Loviisa nuclear power plant. Fortum's 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 interests in nuclear power companies, i.e. Teollisuuden Voima Oyj (TVO) in Finland and OKG Aktiebolag (OKG) and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are classified as associated companies and joint ventures and are consolidated with equity method. Both the Finnish and the Swedish companies are non-profit making, i.e. electricity production is invoiced to the owners at cost including depreciations, interest costs and production taxes accounted for according to local GAAP. 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.

## Critical accounting estimates: 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.

Both in Finland and in Sweden nuclear operators are legally obligated for the decommissioning of the plants and the disposal of spent fuel (nuclear waste management). In both countries the nuclear operators are obligated to secure the funding of nuclear waste management by paying to government operated nuclear waste funds. The nuclear operators also have to give securities to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plant and disposal of spent fuel.

### 30.1 Nuclear related assets and liabilities for 100% owned nuclear power plant, Loviisa

EUR million	2015	2014
<b>Carrying values in the balance sheet</b>		
BS Nuclear provisions	810	774
BS Fortum's share of the State Nuclear Waste Management Fund	810	774
<b>Legal liability and actual share of the State Nuclear Waste Management Fund</b>		
Liability for nuclear waste management according to the Nuclear Energy Act	1,094	1,084
Funding obligation target	1,094	1,074
Fortum's share of the State Nuclear Waste Management Fund	1,083	1,039
Share of the fund not recognised in the balance sheet	273	265

#### Legal liability for Loviisa nuclear power plant

The legal liability on 31 December 2015, decided by the Ministry of Employment and Economy in December 2015, was EUR 1,094 million.

The legal liability is based on a cost estimate, which is done every year, and a technical plan, which is made every third year. The current technical plan was updated in 2013. Following the update of the technical plan in 2013, the liability increased due to updated cost estimates related to interim and final storage of spent fuel. The legal liability is determined by assuming that the decommissioning would start at the beginning of the year following the assessment year.

#### Fortum's share in the State Nuclear Waste Management Fund

According to Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2015 is EUR 1,094 million.

#### Nuclear provisions

EUR million	2015	2014
BS 1 January	774	744
Additional provisions	10	11
Used during the year	-18	-24
Unwinding of discount	44	43
BS 31 December	810	774
Fortum's share in the State Nuclear Waste Management Fund	810	774

#### Nuclear provision and fund accounted according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spent fuel. The carrying value of the nuclear provisions, calculated according to IAS 37, increased by EUR 36 million compared to 31 December 2014, totaling EUR 810 million on 31 December 2015. The provisions are based on the same cash flows for future costs as the legal liability, but based on the estimated future timing of the expenditures. 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.

The carrying value of the Fund in the balance sheet cannot exceed the carrying value of the nuclear provisions according to IFRIC Interpretation 5. The Fund is from an IFRS perspective overfunded with EUR 273 million, since Fortum's share of the Fund on 31 December 2015 was EUR 1,083 million and the carrying value in the balance sheet was EUR 810 million.

Fortum's share of the Finnish Nuclear Waste Management Fund in Fortum's balance sheet can in maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the effects to 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. This accounting effect is not included in Comparable operating profit in Fortum financial reporting. For more information see [Note 6](#) Other items affecting comparability.

#### Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. See [Note 28](#) Interest-bearing liabilities and [Note 35](#) Pledged assets.

### 30.2 Nuclear power plants in associated companies and joint ventures

OKG, Forsmark and TVO are non-profit making companies, i.e. electricity production is invoiced to the owners at cost including depreciations, interest costs and production taxes. Invoiced cost is accounted according to local GAAP. In addition to the invoiced electricity production cost, Fortum makes IFRS adjustments to comply with Fortum's accounting principles. These adjustments include also Fortum's share of the companies' nuclear waste funds and nuclear provisions.

The tables below present the 100% figures relating to nuclear funds and provisions for the companies as well as Fortum's net share.

#### TVO's total nuclear related assets and liabilities (100%)

EUR million	2015	2014
<b>Carrying values in TVO's balance sheet</b>		
Nuclear provisions	971	930
Share of the State Nuclear Waste Management Fund	971	930
<b>of which Fortum's net share consolidated with equity method</b>	<b>0</b>	<b>0</b>
<b>TVO's legal liability and actual share of the State Nuclear Waste Management Fund</b>		
Liability for nuclear waste management according to the Nuclear Energy Act	1,369	1,349
Share of the State Nuclear Waste Management Fund	1,358	1,345
Share of the fund not recognised in the balance sheet	387	415

TVO's legal liability and contribution to the fund are based on same principles as described above for Loviisa nuclear power plant.

TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 387 million (of which Fortum's share EUR 103 million), since TVO's share of the

Fund on 31 December 2015 was EUR 1,358 million and the carrying value in the balance sheet was EUR 971 million.

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in [Note 28](#) Interest-bearing liabilities.

### OKG's and Forsmark's total nuclear related assets and liabilities (100%)

EUR million	2015	2014
<b>OKG's and Forsmark's nuclear related assets and liabilities <sup>1)</sup></b>		
Nuclear provisions	3,210	3,143
Share in the State Nuclear Waste Management Fund	3,025	2,790
<b>Net amount</b>	<b>-185</b>	<b>-353</b>
<b>of which Fortum's net share consolidated with equity method</b>	<b>-71</b>	<b>-138</b>

1) Accounted for according to Fortum's accounting principles. Companies' statutory financial statements are not prepared according to IFRS.

In Sweden Svensk Kärnbränslehantering AB (SKB), a company owned by the nuclear operators, takes care of all nuclear waste management related activities on behalf of nuclear operators. SKB receives its funding from the Swedish State Nuclear Waste Management Fund, which in turn is financed by the nuclear operators.

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered liability and unexpected events.

For more information regarding Fortum's guarantees given on behalf of nuclear associated companies, see [Note 38](#) Contingent liabilities.

Nuclear waste fees and guarantees are updated every third year by governmental decision after a proposal from Swedish Radiation Safety Authority (SSM). Proposal is based on cost estimates done by SKB. Currently the fees and guarantees are decided for years 2015–2017. Nuclear waste fees are based on future costs with the assumed lifetime of 40 years for each unit of a nuclear power plant.

# 31 Other provisions

## Accounting policies

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 employee termination payments and lease termination costs.

## Critical accounting estimates: Assumptions made when estimating provisions

Provisions for present obligations require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period. The actual amount and timing of the expenditure might differ from estimates made.

EUR million	2015				2014			
	CSA provision	Environmental	Other	Total	CSA provision	Environmental	Other	Total
<b>1 January</b>	56	2	24	82	103	2	12	117
Provisions for the period	0	1	83	84	0	0	22	22
Provisions used	0	-1	-15	-16	-14	0	-4	-18
Provisions reversed	-50	0	-3	-53	-4	0	-3	-7
Unwinding of discount	1	0	0	1	6	0	0	6
Exchange rate differences	1	0	0	1	-35	0	-3	-39
<b>31 December</b>	<b>8</b>	<b>2</b>	<b>89</b>	<b>98</b>	<b>56</b>	<b>2</b>	<b>24</b>	<b>82</b>
Of which current provisions <sup>1)</sup>	8	0	9	17	56	0	10	66
BS Of which non-current provisions	0	2	79	81	0	2	15	17

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 2015 EUR 50 million of the provision was reversed to the income statement after the finalisation of Nyagan 3 and Chelyabinsk GRES unit 1. The remaining CSA provision at the end of 2015 amounts to EUR 8 million (Dec 31 2014: 56) and includes provision for Chelyabinsk GRES 2 unit for 2016 as well as unpaid penalties for 2015 for both Chelyabinsk units. Paid penalties during 2015 amounted to EUR 0 million (2014: 14). The provision increases due to unwinding of the discounting of potential future penalty payments, which during 2015 resulted in an increase of the provision with EUR 1 million (2014: 6). The unwinding effect is recognised in other financial expenses.

Environmental provisions are mainly related to cleaning of contaminated land. Main part of the provision is estimated to be used within ten years.

The increase in other provisions during 2015 mainly arises from a dismantling provision for the Finnish coal-fired power plant Inkoo.

Restructuring provisions, included in other provisions, amounts to EUR 2 million (2014: 1). Other provisions include also provisions for insurance payments 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](#) Nuclear related assets.

## 32 Pension obligations

### Accounting policies

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 the Group's pension funds 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.

### Critical accounting estimates: Assumptions used to determine future pension obligations

The present value of the pension obligations is based on actuarial calculations that use several assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

### Fortum's pension arrangements

#### Finland

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

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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, survivors' pension and funeral grant.

The Fortum Pension Fund is a closed fund managed by a Board, consisting of both employers' 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 payable 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 the ten last years' salaries, which are indexed with a common salary index to the 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 employers' 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 include payments made to the state pension fund. These arrangements are treated as defined contribution plans. The Russian (in addition to the defined contribution plans) 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 (according to IFRS) 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 of 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

Sweden: The pension fund operation is regulated by law and supervised by central administrative authorities (Finansinspektionen and the County Administrative Board). The pension fund board decides yearly on a policy for asset allocation and a risk management model that stipulates a maximum acceptable market value decrease of the assets. The major assets are fixed income instruments, stock index funds and cash.

Finland: The pension fund's board accepts yearly an Investment Plan, which is based on an 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.

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## Movement in the net defined benefit liability

EUR million	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset(-)/liability(+)	
	2015	2014	2015	2014	2015	2014
<b>Balance at 1 January</b>	540	466	-400	-415	140	51
<b>Included in profit or loss <sup>1)</sup></b>						
Current service cost	9	7	0	0	9	7
Past service cost	-5	1	2	0	-3	1
Settlements	-3	-7	2	6	-1	-1
Net interest <sup>2)</sup>	9	14	-6	-13	3	1
	<b>10</b>	<b>15</b>	<b>-3</b>	<b>-7</b>	<b>7</b>	<b>8</b>
<b>Included in OCI</b>						
Remeasurement gains(-)/losses(+)	-65	115	-14	-15	-79	101
Actuarial gains/losses arising from changes in demographic assumptions <sup>3)</sup>	7	0			7	0
Actuarial gains/losses arising from changes in financial assumptions	-65	120			-65	120
Actuarial gains/losses arising from experience adjustments	-7	-4			-7	-4
Return on plan assets (excluding amounts included in net interest expense)			-14	-15	-14	-15
Exchange rate differences	3	-12	-3	9	0	-3
	<b>-63</b>	<b>103</b>	<b>-16</b>	<b>-6</b>	<b>-79</b>	<b>97</b>
<b>Other</b>						
Contributions paid by the employer			-2	-2	-2	-2
Benefits paid	-16	-17	13	13	-3	-4
Disposals of subsidiary companies	-23	-27	23	17	0	-10
<b>Balance at 31 December</b>	<b>448</b>	<b>540</b>	<b>-384</b>	<b>-400</b>	<b>64</b>	<b>140</b>
Present value of funded defined obligation					444	532
Fair value of plan assets					-384	-400
<b>Funded status</b>					<b>60</b>	<b>133</b>
Present value of unfunded obligation <sup>4)</sup>					4	7
<b>Net liability arising from defined benefit obligation</b>					<b>64</b>	<b>140</b>
Pension assets included in other non-current assets in the balance sheet					1	0
<b>BS Pension obligations in the balance sheet</b>					<b>65</b>	<b>140</b>

1) Items in the profit and loss for 2014 include items related to discontinued operations.

2) 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 the staff cost specification in [Note 11](#) Employee benefits).

3) The mortality rates for Finland and Sweden used in the calculations for year 2015 have been changed. Finnish and Swedish pension insurance companies will change the mortality rate at 31 December 2016. The new mortality rate is already defined and because it is the best estimate of the future mortality, Fortum has decided to use them already now.

4) The unfunded obligation relates to arrangements in Russia and Poland.

At the end of 2015 a total of 1,103 (2014: 1,230) Fortum employees are included in defined benefit plans providing pension benefits. During 2015 pensions or related benefits were paid to a total of 2,855 (2014: 2,929) persons.

Contributions expected to be paid during year 2016 are EUR 2 million.

## Fair value of plan assets

EUR million	2015	2014
Equity instruments	128	129
Debt instruments	136	133
Cash and cash equivalents	33	38
Real estate, of which the total EUR 65 million (2014: 67) occupied by the Group	68	72
Company's own ordinary shares	0	5
Other assets	18	23
<b>Total</b>	<b>384</b>	<b>400</b>

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 20 million (2014: 27).

## Amounts recognised in the balance sheet by country 2015

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	302	134	8	444
Fair value of plan assets	-265	-114	-5	-384
<b>Deficit(+)/surplus(-)</b>	<b>37</b>	<b>20</b>	<b>3</b>	<b>60</b>
Present value of unfunded obligations			4	4
<b>Net asset(-)/liability(+)</b> in the balance sheet	<b>37</b>	<b>20</b>	<b>7</b>	<b>64</b>
Pension assets included in non-current assets	0	0	1	1
<b>BS Pension obligations in the balance sheet</b>	<b>37</b>	<b>20</b>	<b>7</b>	<b>65</b>

## 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
<b>Deficit(+)/surplus(-)</b>	<b>90</b>	<b>39</b>	<b>3</b>	<b>133</b>
Present value of unfunded obligations			7	7
<b>Net asset(-)/liability(+)</b> in the balance sheet	<b>90</b>	<b>39</b>	<b>11</b>	<b>140</b>
Pension assets included in non-current assets	0	0	0	0
<b>BS Pension obligations in the balance sheet</b>	<b>90</b>	<b>39</b>	<b>11</b>	<b>140</b>

## The principal actuarial assumptions used

	2015				2014			
	Finland	Sweden	Russia	Other countries	Finland	Sweden	Russia	Other countries
Discount rate, %	2.07	3.30	10.00	2.31	1.30	2.50	9.00	3.00
Future salary increases, %	2.20	3.00	6.50	2.50	2.20	3.00	7.50	3.25
Future pension increases, %	2.10	2.00	6.50	1.48	2.10	2.00	6.50	2.23
Rate of inflation, %	2.00	2.00	6.50	1.75	2.00	2.00	6.50	1.75

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	Finland	Sweden
45 - male	22.0	23.4
45 - female	27.0	25.3
65 - male	21.4	21.7
65 - female	25.4	24.2

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 2015, holding all other assumptions stable, are presented in the table below.

## Sensitivity of defined benefit obligation to changes in assumptions

Change in the assumption	Impact to the pension obligation increase+ / decrease-	
	Finland	Sweden
0.5% increase in discount rate	-7%	-10%
0.5% decrease in discount rate	8%	12%
0.5% increase in benefit	7%	8%
0.5% decrease in benefit	-6%	-7%
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 the net liability in Finland and Sweden with EUR 18 million (30.9%).

## Maturity profile of the undiscounted defined benefit obligation for Finland and Sweden as of 31 December 2015

EUR million	Future benefit payments
Maturity under 1 year	12
Maturity between 1 and 5 years	52
Maturity between 5 and 10 years	69
Maturity between 10 and 20 years	125
Maturity between 20 and 30 years	94
Maturity over 30 years	55

The weighted average duration of defined benefit obligation in Finland and Sweden at the end of year 2015 is 16.0 years.



## 33 Other non-current liabilities

EUR million	2015	2014
Connection fees	109	110
Other liabilities	58	44
<b>BS Total</b>	<b>168</b>	<b>154</b>

Refundable connection fees to the district heating network in Finland amounted to EUR 109 million (2014: 110).

## 34 Trade and other payables

EUR million	2015	2014
Trade payables	249	298
Accrued expenses and deferred income		
Accrued personnel expenses	63	71
Accrued interest expenses	175	205
Other accrued expenses and deferred income	77	64
Other liabilities		
VAT-liability	22	35
Current tax liability	20	35
Energy taxes	13	12
Advances received	18	33
Current provisions <sup>1)</sup>	17	66
Other liabilities	227	69
<b>BS Total</b>	<b>879</b>	<b>888</b>

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	2015	2014
On own behalf		
For debt		
Pledges	294	292
Real estate mortgages	137	137
For other commitments		
Real estate mortgages	118	137

### 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 2015 (2014: 269).

Pledges also include bank deposits as trading collateral of EUR 6 million (2014: 3) for trading of electricity and CO<sub>2</sub> 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 (2014: 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 (2014: 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 118 million (2014: 137) 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 decreased by EUR 19 million.

See also [Note 30](#) Nuclear related assets and liabilities and [Note 38](#) Contingent liabilities.

# 36 Lease commitments

## Accounting policies

### 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.

### 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.

## 36.1 Leases as a lessor

### Operating leases

The operating rental income recognised in income statement was EUR 3 million (2014: 1).

### Finance leases

Fortum does not have material finance lease arrangements where the Group is acting as a lessor.

## 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 13 million (2014: 16) 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	2015	2014
Not later than 1 year	14	24
Later than 1 year and not later than 5 years	23	43
Later than 5 years	24	76
<b>Total <sup>1)</sup></b>	<b>60</b>	<b>142</b>

1) In 2014 including discontinued operations.

### Finance leases

Fortum does not have material finance lease arrangements where the Group is acting as a lessee.

# 37 Capital commitments

EUR million	2015	2014
Property, plant and equipment	426	458
Intangible assets	2	3
<b>Total</b>	<b>428</b>	<b>461</b>

Capital commitments are capital expenditures contracted for at the balance sheet date but not recognised in the financial statements. Capital commitments have not materially changed in comparison to last year. Capital commitments have increased during the year due to the investment in the new CHP plant in Zabrze, Poland. Decreases come mainly from the progressing of the automation investment in Loviisa nuclear power plant and OAO Fortum investment program in the Russia as well as divestment of the Swedish distribution business.

In addition Fortum has committed to provide a maximum of EUR 107 million to Voimaosakeyhtiö SF, for its participation in the Fennovoima nuclear power project in Finland.

For more information regarding capital expenditure, see [Note 19](#) Property, plant and equipment.

## 38 Contingent liabilities

### Accounting policies

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.

EUR million	2015	2014
On own behalf		
Other contingent liabilities	192	189
On behalf of associated companies and joint ventures		
Guarantees	624	459

### 38.1 Contingencies on own behalf

Other contingent liabilities on own behalf contain various contingent liabilities for group companies, EUR 192 million in 2015 (2014: 189).

Fortum owns 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%. Based on the participation agreement Fortum has to give a guarantee to TVO against breach in contract. The amount of the guarantee is set to EUR 125 million (2014: 125).

### 38.2 Contingencies 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 37 million (2014: 41). The guarantee covers the unpaid legal liability due to periodisation as well as risks for unexpected future costs.

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. New guarantees for the period of 2015–2017 has

been given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounting to SEK 5,393 million (EUR 587 million) at 31 December 2015 (Dec 31 2014: EUR 393 million). There are two types of guarantees given on behalf of Forsmark Kraftgrupp AB and OKG AB. The Financing Amount is given to compensate for the current deficit in the Nuclear Waste Fund, assuming that no further nuclear waste fees are paid in. This deficit is calculated as the difference between the expected costs and the funds to cover these costs at the time of the calculation. The Supplementary Amount constitutes a guarantee for deficits that can arise as a result of unplanned events. The Financing Amount given by Fortum on behalf of Forsmark Kraftgrupp AB and OKG AB was SEK 3,843 million (EUR 418 million) and the Supplementary Amount was SEK 1,550 million (EUR 169 million) at 31 December 2015.

### 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

#### Tax cases in Sweden

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. Moreover, in December 2015 the Swedish tax authority abandoned a part of the claims (total tax effect SEK 142 million) relating to the reallocation of loans in 2004–2005, as a part of the interest had been paid on capitalized accrued interest.

In addition Fortum has received income tax assessments in Sweden for the year 2013 in December 2015. The assessments concern the loans given in 2013 by Fortum's Dutch financing company to Fortum's subsidiaries in Sweden. The interest income for these loans was taxed in the Netherlands. The tax authority considers just over a half of the interest relating to each loan as deductible, i.e. deriving from business needs. The rest of the interest is seen as non-deductible. The decision is based on the changes in the Swedish tax regulation in 2013. Fortum considers the claims unjustifiable and has appealed the decisions. The cases are pending before the Administrative Court.

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Basis of preparation	Risks	Income statement	Balance sheet	Off balance sheet items	Group structure and related parties			

Based on legal analysis supporting legal opinions, no provision has been recognised in the financial statements for the above mentioned Swedish tax cases. If the decisions by the tax authority remain final despite the appeals processes, the negative impact on net profit would be approximately SEK 389 million (EUR 42 million) for the year 2009, approximately SEK 347 million (EUR 38 million) for the year 2010, approximately SEK 467 million (EUR 51 million) for the year 2011, approximately SEK 143 million (EUR 16 million) for the year 2012 and SEK 273 million (EUR 30 million) for the year 2013.

### Tax cases in Belgium

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 found the decision unjustifiable and appealed to the Court of Appeal.

In January 2016 Fortum received a favorable decision from the Court of Appeal in which the Court disagreed with the tax authorities' interpretation and the tax assessment for 2008 was nullified. Fortum appeals concerning 2009–2011 are still pending and Fortum expects the remaining years to follow the decision from the Court of Appeal for 2008. The tax authorities can still file an appeal to Hof van Cassatie (Supreme Court) in the case for 2008. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements. The amount of additional tax claimed is 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. When the tax is repaid to Fortum, Fortum will receive a 7% interest on the amount.

In November 2015 Fortum received an income tax assessment from the Belgian tax authorities for the year 2012. The tax authorities disagree with the tax treatment of Fortum Project Finance NV. Fortum finds the tax authorities' interpretation not to be based on the local regulation and will file an objection against the tax adjustment. In line with treatment of the cases concerning 2008–2011, no provision has been accounted for in the financial statements. The amount of additional tax claimed is approximately EUR 15 million for the year 2012.

### Tax cases in Finland

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 by the Tax Recipients' Legal Services Unit would be successful in court, the negative 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 appealed the decisions in February 2015 and the cases are now pending before the Board of Adjustment of the Large Taxpayers' Office. According to the claim of correction, the non-taxation decision of the Large Taxpayers' office should be reversed and the interest income that Fortum Project Finance NV has received from its loans in 2008–2011 should be taxed in Finland, not in Belgium. If the claim of correction by the Tax Recipients' Legal Services Unit would be successful, the negative impact on net profit would be approximately EUR 140 million for the year 2008, EUR 99 million for the year 2009, EUR 76 million for the year 2010 and EUR 90 million for the year 2011. Moreover, Fortum Oyj would be liable to pay penalty interest. In line with the 2007 case Fortum considers the claims unjustifiable. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements.

See [Note 13](#) Income tax expense and [Note 29](#) Deferred 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. The installation of the electrical systems, the instrumentation and control system (I&C), and mechanical systems is still in progress. Factory acceptance testing of the process I&C system was completed, and the system was transferred to Olkiluoto in August. The factory testing of the safety I&C systems was completed in December. The first phase of the turbine plant commissioning is completed. Some of the systems and components will be kept in operation; the rest will be preserved in accordance with a separate plan. According to the schedule updated by the AREVA-Siemens in September 2014, regular electricity production in the unit will commence at the end of 2018.

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 Supplier's monetary claim, updated in July 2015, is approximately EUR 3.4 billion in total. The claim covers events that occurred during the construction period until the end of June 2011.

In 2012, TVO submitted a counter-claim and defense in the matter. In July 2015, TVO updated its quantification estimate of its costs and losses to amount to approximately EUR 2.6 billion until December 2018, which 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 AG) 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 Events after the balance sheet date

On 8 January 2016, Fortum made a public tender offer in Poland to purchase all shares in Grupa Duon SA, an electricity and gas sales company listed on the Warsaw Stock Exchange. Fortum will carry out the acquisition if it receives at least 51% of the shares by the end of the offer period. The offer period commences on 28 January 2016 and is estimated to close on 26 February 2016. The offer has been made in compliance with the Polish legislation and rules of the Warsaw Stock Exchange, and it is subject to clearance of the Polish competition authority.

# 41 Acquisitions and disposals

## 41.1 Acquisitions in 2015 and 2014

Total gross investments in shares amounted to EUR 43 million (2014: 69), of which investment in subsidiary shares were EUR 1 million (2014: 7), shares in associated companies and joint ventures EUR 27 million (2014: 60) and available for sale financial assets EUR 15 million (2014: 2).

Fortum decided in 2015 to participate in the Fennovoima nuclear power project in Finland with an indirect owning of 6.6% at the commercial date of the power plant, planned to be in operation in 2024. Fortum has in 2015 invested EUR 11 million in Fennovoima, with an indirect ownership of 4.1% at the end of 2015. Participation is carried out through Voimaosakeyhtiö SF. The indirect investment in Fennovoima is classified as Available for sale financial assets.

During 2014 Fortum 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.

## 41.2 Disposals in 2015 and 2014

Summary of significant disposals	Year	Segment	Country	Owned share %
<b>Continuing operations</b>				
AS Võrguteenus Valdus	2015	Heat, Electricity Sales and Solutions	Estonia	51%
Gasum Oy	2014	Heat, Electricity Sales and Solutions	Finland	31%
Norwegian district heating business	2014	Heat, Electricity Sales and Solutions	Norway	100%
Grangemouth CHP Ltd	2014	Power and Technology	UK	100%
Karlshamns Kraft AB	2014	Power and Technology	Sweden	30%
<b>Discontinued operations</b>				
Swedish distribution business	2015	Distribution	Sweden	100%
Norwegian distribution business	2014	Distribution	Norway	100%
Finnish distribution business	2014	Distribution	Finland	100%

### Disposals 2015

In March 2015 Fortum signed a binding agreement to sell the Swedish Distribution business to a consortium comprising Swedish national pension funds Första AP-Fonden (12.5%) and Tredje AP-Fonden (20.0%), Swedish mutual insurance and pension savings company Folksam (17.5%) and the international infrastructure investor, Borealis Infrastructure Management Inc. (50%). The divestment was completed on 1 June 2015. The total consideration from the divestment is SEK 60.6 billion on a debt- and cash-free basis corresponding to approximately EUR 6.5 billion. Fortum recognised a one-time sales gain of approximately EUR 4.3 billion corresponding to close to EUR 5 per share. The sales gain is reported as part of the second quarter 2015 results of the discontinued operations. Distribution segment has been presented as discontinued operations since the first quarter of 2015.

In Q1 Fortum sold its 51.4%-shareholding in the associated company AS Võrguteenus Valdus to the Estonian electricity transmission system operator Elering AS.

### 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 business 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.

### Divestments total Fortum

EUR million	2015	2014
Divestment of subsidiaries <sup>1)</sup>		
Intangible assets and property, plant and equipment	2,577	1,342
Other non-current and current assets	120	204
Liquid funds	12	10
Interest-bearing loans	-207	-131
Other liabilities and provisions	-611	-622
Gain on sale	4,282	1,958
<b>Sales price received</b>	<b>6,174</b>	<b>2,761</b>
Less proceeds not yet settled in cash	-	2
Less liquid funds	12	10
<b>Sales price for the shares (net of cash)</b>	<b>6,162</b>	<b>2,750</b>
Proceeds from interest-bearing receivables	207	131
Proceeds not yet settled in cash	-	2
<b>Total</b>	<b>6,369</b>	<b>2,884</b>
Divestments in associated companies	27	311
Divestments of available for sale financial assets	0	1
<b>Gross divestment of shares</b>	<b>6,395</b>	<b>3,196</b>

1) Including assets and liabilities relating to discontinued operations (Distribution).

## 42 Related party transactions

### 42.1 The Finnish State and companies owned by the Finnish State

At the end of 2015, 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 41 Acquisitions and disposals](#).

### 42.2 Board of Directors and Fortum 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 2015. The total compensation (including pension benefits and social costs) for the key management personnel for 2015 was EUR 13 million (2014: 9).

See [Note 11 Employee benefits](#) for further information on the Board of Directors and Fortum Executive Management Team remuneration and shareholdings.

### 42.3 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.

For further information on transactions and balances with associated companies and joint ventures, see [Note 20 Participations in associated companies and joint ventures](#).

### 42.4 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% (2014: 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 2015 nor in 2014. Real estate mortgages have also been given for loans from Fortum's pension fund for EUR 41 million (2014: 41).

# 43 Subsidiaries by segment on 31 December 2015

P = Power and Technology

H = Heat, Electricity Sales and Solutions

R = Russia

O = Other

1) New company

2) Shares held by the parent company

Company name	Domicile	Group holding. %	Segment
Fortum Asiakaspalvelu Oy	<sup>2)</sup> Finland	100.0	O
Fortum Assets Oy	Finland	100.0	O
Fortum C&H Oy	Finland	100.0	O
Fortum Growth Oy	Finland	100.0	H
Fortum Heat and Gas Oy	<sup>2)</sup> Finland	100.0	P, H, O
Fortum Markets Oy	<sup>2)</sup> Finland	100.0	H
Fortum Norm Oy	<sup>2)</sup> Finland	100.0	P
Fortum Nuclear Services Oy	Finland	100.0	P
Fortum Power and Heat Holding Oy	Finland	100.0	P
Fortum Power and Heat Oy	<sup>2)</sup> Finland	100.0	P, H, O
Fortum Real Estate Oy	<sup>1, 2)</sup> Finland	100.0	P
Kiinteistö Oy Espoon Energiatalo	Finland	100.0	P
Koillis-Pohjan Energiantuotanto Oy	Finland	100.0	P
Lounais-Suomen Lämpö Oy	Finland	100.0	O
Oy Pauken Ab	Finland	100.0	P
Oy Tersil Ab	Finland	100.0	O
Oy Tertrade Ab	Finland	100.0	O
Fortum Project Finance N.V.	<sup>2)</sup> Belgium	100.0	O
Fortum Energi A/S	Denmark	100.0	H
AS Anne Soojus	Estonia	60.0	H
AS Fortum Tartu	Estonia	60.0	H
AS Tartu Joujaam	Estonia	60.0	H
AS Tartu Keskkatlamaja	Estonia	60.0	H
Fortum CFS Eesti OU	Estonia	100.0	O
Fortum Eesti AS	Estonia	100.0	H
Fortum France S.A.S	France	100.0	P
Fortum Service Deutschland GmbH	Germany	100.0	P
Fortum Energy Ltd	Great Britain	100.0	O
Fortum Insurance Ltd	Great Britain	100.0	O
Fortum O&M (UK) Limited	Great Britain	100.0	P
IVO Energy Limited	Great Britain	100.0	P
Fortum Amrit Energy Private Limited	India	100.0	H
Fortum FinnSurya Energy Private Limited	India	100.0	H
Fortum India Private Limited	India	100.0	H

Company name	Domicile	Group holding. %	Segment
Fortum Solar India Private Limited	India	100.0	H
Fortum C&P Unlimited	Ireland	100.0	O
Fortum Finance Ireland Limited	<sup>2)</sup> Ireland	100.0	O
Fortum Jelgava, SIA	Latvia	100.0	H
Fortum Latvia SIA	Latvia	100.0	H
UAB Fortum Ekosiluma	Lithuania	100.0	H
UAB Fortum Heat Lietuva	Lithuania	100.0	H
UAB Fortum Klaipeda	Lithuania	95.0	H
UAB Joniskio energija	Lithuania	66.2	H
UAB Svencioniu energija	Lithuania	50.0	H
Fortum Baltic Investments SNC	Luxembourg	100.0	H
Fortum Investment SARL	Luxembourg	100.0	O
Fortum L.A.M SNC.	Luxembourg	100.0	H
Fortum Luxembourg SARL	Luxembourg	100.0	O
Fortum Sendi Prima Sdn Bhd	Malaysia	100.0	P
EV Power AS	<sup>1)</sup> Norway	100.0	H
Fortum Förvaltning AS	Norway	100.0	O
Fortum Markets AS	Norway	100.0	H
Fortum Power and Heat Polska Sp.z.o.o	Poland	100.0	H
Fortum Silesia S.A.	Poland	100.0	H
Rejonowa Spółka Ciepłownicza Sp. z o.o.	Poland	100.0	H
Chelyabinsk Energoremont	Russia	98.2	R
LLC Fortum Energy OOO Fortum Energija	Russia	100.0	R
OAD Fortum	Russia	98.2	R
Tobolsk CHP Limited Liability Company	Russia	98.2	R
Ural Heat Networks Company Joint Stock Company	Russia	98.2	R
Blybergs Kraftaktiebolag	Sweden	66.7	P
Brännälven Kraft AB	Sweden	67.0	P
Bullerforsens Kraft Aktiebolag	Sweden	88.0	P
Energikundservice Sverige AB	Sweden	100.0	O
Fortum 1 AB	Sweden	100.0	R
Fortum AMCO AB	Sweden	100.0	O
Fortum Fastigheter AB	Sweden	100.0	O
Fortum Generation AB	Sweden	100.0	P
Fortum Markets AB	Sweden	100.0	H
Fortum Nordic AB	<sup>2)</sup> Sweden	100.0	O
Fortum Power and Heat AB	Sweden	100.0	H, O
Fortum Produktionsnät AB	Sweden	100.0	P
Fortum Sweden AB	<sup>2)</sup> Sweden	100.0	O
Fortum Vind Norr AB	Sweden	100.0	P
Mellansvensk Kraftgrupp Aktiebolag	Sweden	86.9	P
Oreälvens Kraftaktiebolag	Sweden	65.0	P

Company name	Domicile	Group holding, %	Segment
Uddeholm Kraft Aktiefbolag	Sweden	100.0	P
Värmlandskraft-OKG-delägarna Aktiefbolag	Sweden	73.3	P
FB Generation Services B.V.	The Netherlands	100.0	P
Fortum 2 B.V.	The Netherlands	100.0	O
Fortum 3 B.V.	The Netherlands	100.0	O
Fortum 4 B.V.	The Netherlands	100.0	O
Fortum Charge & Drive B.V.	The Netherlands	100.0	H
Fortum Finance II B.V.	The Netherlands	100.0	O
Fortum Holding B.V.	<sup>2)</sup> The Netherlands	100.0	H, O, P
Fortum Hydro B.V.	The Netherlands	100.0	P
Fortum India B.V.	The Netherlands	100.0	H
Fortum India Industry B.V.	The Netherlands	100.0	O
Fortum Power Holding B.V.	The Netherlands	100.0	P
Fortum Russia B.V.	The Netherlands	100.0	R
Fortum Russia Holding B.V.	The Netherlands	100.0	O
Fortum SAR B.V.	The Netherlands	100.0	O
Fortum Sun B.V.	The Netherlands	100.0	O
Fortum Wave Power B.V.	The Netherlands	100.0	P
PolarSolar B.V.	The Netherlands	100.0	H
RPH Investment B.V.	The Netherlands	100.0	R
Fortum Enerji ve Ticaret A.S.	<sup>1)</sup> Turkey	100.0	P



# Financial key figures

## Comparability of information presented in tables and graphs

Fortum announced the sale of Swedish Distribution business in March 2015. After the divestment of the Swedish Distribution business Fortum has no electricity distribution operations and therefore Distribution segment was treated as discontinued operations in 2015, with restatement of year 2014, according to IFRS 5 Non-current Assets held for Sale and Discontinued operations.

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.

EUR or as indicated	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change 15/14, %
<b>Income statement</b>											
Sales total Fortum	4,491	4,479	5,636	5,435	6,296	6,161	6,159	5,309	4,751	3,702	-22
Sales continuing operations									4,088	3,459	-15
EBITDA total Fortum <sup>1)</sup>	1,884	2,298	2,478	2,292	2,271	3,008	2,538	2,129	3,954	4,640	17
EBITDA continuing operations									1,673	196	-88
Comparable EBITDA total Fortum	1,866	2,015	2,360	2,398	2,396	2,374	2,416	1,975	1,873	1,265	-33
Comparable EBITDA continuing operations									1,457	1,102	-24
Operating profit total Fortum	1,455	1,847	1,963	1,782	1,708	2,402	1,874	1,508	3,428	4,245	24
- of sales %	32.4	41.2	34.8	32.8	27.1	39.0	30.4	28.4	72.2	114.7	
Operating profit continuing operations									1,296	-150	-112
- of sales %									31.7	-4.3	
Comparable operating profit total Fortum	1,437	1,564	1,845	1,888	1,833	1,802	1,752	1,403	1,351	922	-32
Comparable operating profit continuing operations									1,085	808	-26
Profit before income tax total Fortum	1,421	1,934	1,850	1,636	1,615	2,228	1,586	1,398	3,360	4,088	22
- of sales %	31.6	43.2	32.8	30.1	25.7	36.2	25.8	26.3	70.7	110.4	
Profit before income tax continuing operations									1,232	-305	-124
- of sales %									30.1	-8.8	
Profit for the period total Fortum	1,120	1,608	1,596	1,351	1,354	1,862	1,512	1,212	3,161	4,142	31
- of which attributable to owners of the parent	1,071	1,552	1,542	1,312	1,300	1,769	1,416	1,204	3,154	4,138	31
Profit for the period continuing operations									1,089	-228	-121
- of which attributable to owners of the parent									1,081	-231	-121
<b>Financial position and cash flow</b>											
Capital employed total Fortum	12,663	13,544	15,911	15,350	16,124	17,931	19,420	19,183	17,918	19,870	11
Interest-bearing net debt	4,345	4,466	6,179	5,969	6,826	7,023	7,814	7,793	4,217	-2,195	-152
Interest-bearing net debt without Värme financing								6,658	3,664	N/A	
Capital expenditure and gross investments in shares total Fortum	1,395	972	2,624	929	1,249	1,482	1,574	1,020	843	669	-21
- of sales %	31.1	21.7	46.6	17.1	19.8	24.1	25.6	19.2	17.7	18.1	
Capital expenditure and gross investments in shares continuing operations									695	625	-10
Capital expenditure total Fortum	485	655	1,108	862	1,222	1,408	1,558	1,005	774	626	-19
Capital expenditure continuing operations									626	582	-7
Net cash from operating activities total Fortum	1,151	1,670	2,002	2,264	1,437	1,613	1,382	1,548	1,762	1,381	-22
Net cash from operating activities continuing operations									1,406	1,228	-13

1) EBITDA is defined as operating profit + depreciation and amortisation.

EUR or as indicated	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change 15/14, %
<b>Key ratios</b>											
Return on capital employed total Fortum, %	13.4	16.5	15.0	12.1	11.6	14.8	10.2	9.0	19.5	22.7	
Return on shareholders' equity total Fortum, %	14.4	19.1	18.7	16.0	15.7	19.7	14.6	12.0	30.0	33.4	
Interest coverage total Fortum	11.5	12.8	9.4	12.4	13.7	10.5	7.6	6.7	19.9	27.6	
Interest coverage including capitalised borrowing costs total Fortum			8.6	10.3	10.0	8.5	5.7	5.3	15.7	21.5	
Funds from operations/interest-bearing net debt total Fortum, %	30.6	36.3	34.1	37.6	20.5	21.5	19.9	18.8	42.9	-59.7	
Funds from operations/interest-bearing net debt without Värme financing total Fortum, %								22.1	49.3	N/A	
Gearing, %	53	52	73	70	78	69	73	77	39	-16	
Net debt/EBITDA total Fortum	2.3	1.9	2.5	2.6	3.0	2.3	3.1	3.7	1.1	-0.5	
Comparable net debt/EBITDA total Fortum	2.3	2.2	2.6	2.5	2.8	3.0	3.2	3.9	2.3	-1.7	
Comparable net debt/EBITDA without Värme financing								3.4	2.0	N/A	
Equity-to-assets ratio, %	48	49	41	43	40	44	43	43	51	61	
<b>Other data</b>											
Dividends	1,122	1,198	888	888	888	888	888	977	1,155	977 <sup>2)</sup>	-15
Dividends according to dividend policy in 2006 and from recurring earnings in 2007	650	683									
Additional dividends in 2006 and 2007	472	515									
Research and development expenditure	17	21	27	30	30	38	41	49	41	47	15
- of sales %	0.4	0.5	0.5	0.5	0.5	0.6	0.7	0.9	1.0	1.4	
Average number of employees total Fortum	8,910	8,304	14,077	13,278	11,156	11,010	10,600	9,532	8,821	8,193	
Average number of employees continuing operations									8,329	8,009	

2) Board of Directors' proposal for the planned Annual General Meeting on 5 April 2016

See [Definitions of key figures](#).

# Share key figures

EUR million or as indicated	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Change 15/14, %
<b>Data per share</b>											
Earnings per share total Fortum	1.22	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	4.66	31
Earnings per share continuing operations									1.22	-0.26	-121
Earnings per share discontinued operations	-	-	-	-	-	-	-	-	2.33	4.92	111
Diluted earnings per share total Fortum	1.21	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	4.66	31
Diluted earnings per share continuing operations									1.22	-0.26	-121
Diluted earnings per share discontinued operations	-	-	-	-	-	-	-	-	2.33	4.92	111
Cash flow per share total Fortum	1.31	1.88	2.26	2.55	1.62	1.82	1.56	1.74	1.98	1.55	-22
Cash flow per share continuing operations									1.38	1.38	0
Equity per share	8.91	9.43	8.96	9.04	9.24	10.84	11.30	11.28	12.23	15.53	27
Dividend per share	1.26	1.35	1.00	1.00	1.00	1.00	1.00	1.10	1.10	1.10 <sup>1)</sup>	
Extra dividend									0.20	-	
Dividend per share continuing operations	0.73	0.77	-	-	-	-	-	-	-	-	
Additional dividend per share in 2006 and 2007	0.53	0.58	-	-	-	-	-	-	-	-	
Payout ratio, %	103.3 <sup>2)</sup>	77.6 <sup>2)</sup>	57.5	67.6	68.5	50.3	62.9	80.9	36.6	23.6 <sup>1)</sup>	
Payout ratio continuing operations, %	59.8 <sup>2)</sup>	44.3 <sup>2)</sup>	-	-	-	-	-	-	-	-	
Payout ratio additional dividend in 2006 and 2007, %	43.4 <sup>2)</sup>	33.3 <sup>2)</sup>	-	-	-	-	-	-	-	-	
Dividend yield, %	5.8	4.4	6.6	5.3	4.4	6.1	7.1	6.6	7.2	7.9 <sup>1)</sup>	
Price/earnings ratio (P/E)	17.7	17.7	8.8	12.8	15.4	8.3	8.9	12.2	5.1	3.0	
<b>Share prices</b>											
At the end of the period	21.56	30.81	15.23	18.97	22.53	16.49	14.15	16.63	17.97	13.92	
Average	20.39	23.57	24.79	15.91	19.05	19.77	15.66	15.11	17.89	16.29	
Lowest	15.71	20.01	12.77	12.60	17.18	15.53	12.81	13.10	15.13	12.92	
Highest	23.48	31.44	33.00	19.20	22.69	24.09	19.36	18.18	20.32	21.59	
<b>Other data</b>											
Market capitalisation at the end of the period, EUR million	19,132	27,319	13,519	16,852	20,015	14,649	12,570	14,774	15,964	12,366	
<b>Trading volumes<sup>3)</sup></b>											
Number of shares, 1,000 shares	830,764	787,380	628,155	580,899	493,375	524,858	494,765	465,004	454,796	541,858	
In relation to weighted average number of shares, %	94.3	88.5	70.8	65.4	55.5	59.1	55.7	52.3	51.2	61.0	
Number of shares, 1,000 shares	887,394	886,683	887,638	888,367	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	
Average number of shares, 1,000 shares	881,194	889,997	887,256	888,230	888,367	888,367	888,367	888,367	888,367	888,367	
Diluted adjusted average number of shares, 1,000 shares	886,929	891,395	887,839	888,230	888,367	888,367	888,367	888,367	888,367	888,367	

1) Board of Directors' proposal for the Annual General Meeting on 5 April 2016.

2) Payout ratios for dividends in 2006 and 2007 are based on the total earnings per share.

3) 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 2015, approximately 58% (2014: 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.

### Fortum's total power and heat generation in EU and Norway

TWh	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power generation	54.4	52.2	52.6	49.3	53.7	55.3	53.9	47.4	50.1	50.2
Heat generation	25.8	26.1	25.0	23.2	26.1	22.0	18.5	10.4	8.2	6.4

### Fortum's total power and heat generation in Russia

TWh	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power generation	-	-	11.6	16.0	16.1	17.4	19.2	20.0	23.3	25.7
Heat generation	-	-	15.3	25.6	26.0	25.4	24.8	24.2	26.4	25.8

### Fortum's own power generation by source, total in the Nordic area

TWh	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Hydro and wind power	19.8	20.0	22.9	22.1	22.0	21.0	25.2	18.1	22.4	25.1
Nuclear power	24.4	24.9	23.7	21.4	22.0	24.9	23.4	23.7	23.8	22.7
Thermal power	9.0	6.2	5.0	4.6	8.3	7.2	3.0	3.4	1.8	1.0
<b>Total</b>	<b>53.2</b>	<b>51.1</b>	<b>51.6</b>	<b>48.1</b>	<b>52.3</b>	<b>53.1</b>	<b>51.6</b>	<b>45.2</b>	<b>48.0</b>	<b>48.8</b>

### Fortum's own power generation by source, total in the Nordic area

%	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Hydro and wind power	37	39	44	46	42	40	49	40	46	51
Nuclear power	46	49	46	44	42	47	45	52	50	47
Thermal power	17	12	10	10	16	13	6	8	4	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Power generation capacity by segment

MW	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology <sup>1)</sup>	9,540	9,560	9,575	9,709	9,728	9,752	9,702	9,475	9,063	8,046
Heat	1,373	1,360	1,213	1,446	1,600	1,670	1,569			
Heat, Electricity Sales and Solutions								793	803	743
Russia	-	-	2,785	2,785	2,785	3,404	3,404	4,250	4,758	4,903
<b>Total</b>	<b>10,913</b>	<b>10,920</b>	<b>13,573</b>	<b>13,940</b>	<b>14,113</b>	<b>14,826</b>	<b>14,675</b>	<b>14,518</b>	<b>14,624</b>	<b>13,692</b>

1) 2015 figure excluding 750MW mothballed capacity of Inkoo power plant of which preparations for permanent dismantling has started.

### Heat production capacity by segment

MW	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	250	250	250	250	250	250	250	250	0	
Heat	10,633	10,973	10,218	10,284	10,448	10,375	8,785			
Heat, Electricity Sales and Solutions								4,317	3,936	3,915
Russia	-	-	13,796	13,796	13,796	14,107	13,396	13,466	13,466	12,696
<b>Total</b>	<b>10,883</b>	<b>11,223</b>	<b>24,264</b>	<b>24,330</b>	<b>24,494</b>	<b>24,732</b>	<b>22,431</b>	<b>18,033</b>	<b>17,402</b>	<b>16,611</b>

### Fortum's total power and heat sales in EU and Norway

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Electricity sales	2,437	2,370	2,959	2,802	3,110	2,868	2,700	2,462	2,344	1,921
Heat sales	1,014	1,096	1,157	1,095	1,309	1,278	1,201	538	468	423

### Fortum's total power and heat sales in Russia

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Electricity sales	-	-	332	390	505	590	713	822	758	661
Heat sales	-	-	141	219	287	324	300	290	285	228

### Fortum's total power sales by area

TWh	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Finland	29.6	29.0	28.7	26.1	30.7	24.6	21.6	23.4	21.6	22.3
Sweden	28.5	27.6	28.5	26.9	28.3	29.4	30.1	23.3	28.2	29.8
Russia	-	-	14.8	19.5	18.7	20.2	23.3	25.6	26.5	29.4
Other countries	3.5	3.1	3.0	3.2	3.2	3.6	3.8	4.3	3.8	2.8
<b>Total</b>	<b>61.6</b>	<b>59.7</b>	<b>75.0</b>	<b>75.7</b>	<b>80.9</b>	<b>77.8</b>	<b>78.8</b>	<b>76.6</b>	<b>80.1</b>	<b>84.3</b>

### Fortum's total heat sales by area

TWh	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Finland	10.7	11.1	10.8	8.0	9.6	8.5	5.8	5.5	3.2	3.1
Russia	-	-	15.3	25.6	26.8	26.7	26.4	24.1	26.0	25.4
Sweden	9.3	9.2	9.1	9.8	10.9	8.5	8.5	-	-	-
Poland	3.6	3.5	3.6	3.7	4.0	4.3	4.3	4.1	3.4	3.4
Other countries	3.2	3.3	3.4	3.5	3.6	3.4	2.9	3.1	2.8	1.2
<b>Total</b>	<b>26.8</b>	<b>27.1</b>	<b>42.2</b>	<b>50.6</b>	<b>54.9</b>	<b>51.4</b>	<b>47.9</b>	<b>36.8</b>	<b>35.4</b>	<b>33.2</b>

### Volume of distributed electricity in distribution networks

TWh	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Finland	7.7	9.2	9.3	9.4	10.0	9.5	9.8	9.5	2.8	-
Sweden	14.4	14.3	14.0	14.0	15.2	14.2	14.4	14.1	13.7	6.4
Norway	2.3	2.3	2.3	2.3	2.5	2.3	2.4	2.5	1.1	-
Estonia	0.2	0.2	0.2	0.2	0.2	0.1	0.0	-	-	-
<b>Total</b>	<b>24.6</b>	<b>26.0</b>	<b>25.8</b>	<b>25.9</b>	<b>27.9</b>	<b>26.1</b>	<b>26.6</b>	<b>26.1</b>	<b>17.6</b>	<b>6.4</b>

# Operational key figures, segments

Following the acquisition of the Russian company, OAO Fortum, Fortum changed its segment reporting during 2008. Comparison numbers were restated in 2008.

Fortum renewed its business structure as of 1 March 2014. The reorganisation led to a change in Fortum's external financial reporting structure as previously separately reported segments Heat and Electricity Sales were combined into one segment: Heat, Electricity Sales and Solutions.

Fortum has applied new IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements from 1 January 2014. The effect of applying the new standards to Fortum Group financial information relates to 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.

Information for 2013 has been restated to reflect both the change in business structure and adoption of new IFRS standards.

Fortum announced the sale of Swedish Distribution business in March 2015. After the divestment of the Swedish Distribution business Fortum does not have any distribution operations and therefore Distribution segment has been treated as discontinued operations starting from Q1 2015 with restatement of year 2014, according to IFRS 5 Non-current Assets held for Sale and Discontinued operations.

## Sales by segment

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	2,439	2,350	2,892	2,531	2,702	2,481	2,415	2,252	2,156	1,722
- of which internal	-133	323	0	254	-281	-24	296	69	85	83
Heat	1,268	1,356	1,466	1,399	1,770	1,737	1,628			
- of which internal	-32	38	0	23	-8	8	18			
Heat, Electricity Sales and Solutions								1,516	1,332	1,187
- of which internal								87	34	-13
Russia			489	632	804	920	1,030	1,119	1,055	893
- of which internal			-	-	-	-	-	-	0	0
Distribution	753	769	789	800	963	973	1,070	1,064		
- of which internal	8	9	10	13	18	15	37	19		
Electricity Sales	1,912	1,683	1,922	1,449	1,798	900	722			
- of which internal	149	155	177	67	158	95	55			
Other	78	81	83	71	51	108	137	63	58	114
- of which internal	62	72	82	-5	169	115	-66	54	44	75
Eliminations	-1,959	-1,760	-2,005	-1,447	-1,792	-958	-843	-706	-91	-122
<b>Total for continuing operations</b>	<b>4,491</b>	<b>4,479</b>	<b>5,636</b>	<b>5,435</b>	<b>6,296</b>	<b>6,161</b>	<b>6,159</b>	<b>5,309</b>	<b>4,088</b>	<b>3,459</b>
Discontinued operations									751	274
Eliminations <sup>1)</sup>									-89	-31
<b>Total</b>									<b>4,751</b>	<b>3,702</b>

1) Sales to and from discontinued operations.

## Comparable operating profit by segment

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	985	1,095	1,528	1,454	1,298	1,201	1,146	859	877	561
Heat	253	290	250	231	275	278	271			
Heat, Electricity Sales and Solutions								109	104	108
Russia			-92	-20	8	74	68	156	161	201
Distribution	250	231	248	262	307	295	320	332		
Electricity Sales	-4	-1	-33	22	11	27	39			
Other	-47	-51	-56	-61	-66	-73	-92	-54	-57	-63
<b>Comparable operating profit</b>	<b>1,437</b>	<b>1,564</b>	<b>1,845</b>	<b>1,888</b>	<b>1,833</b>	<b>1,802</b>	<b>1,752</b>	<b>1,403</b>	<b>1,085</b>	<b>808</b>
Impairment charges									0	-918
Non-recurring items	61	250	85	29	93	284	155	61	305	22
Other items affecting comparability	-43	33	33	-135	-218	316	-33	45	-94	-62
<b>Operating profit, continuing operations</b>	<b>1,455</b>	<b>1,847</b>	<b>1,963</b>	<b>1,782</b>	<b>1,708</b>	<b>2,402</b>	<b>1,874</b>	<b>1,508</b>	<b>1,296</b>	<b>-150</b>
Discontinued operations									2,132	4,395
<b>Operating profit</b>	<b>1,455</b>	<b>1,847</b>	<b>1,963</b>	<b>1,782</b>	<b>1,708</b>	<b>2,402</b>	<b>1,874</b>	<b>1,508</b>	<b>3,428</b>	<b>4,245</b>

## Comparable EBITDA by segment

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	1,093	1,198	1,625	1,547	1,398	1,310	1,260	1,007	998	680
Heat	397	453	419	393	462	471	481			
Heat, Electricity Sales and Solutions								211	204	209
Russia			-25	55	94	148	189	258	304	267
Distribution	397	393	413	426	485	482	529	548		
Electricity Sales	15	10	-26	28	13	29	40			
Other	-36	-39	-46	-51	-56	-66	-83	-49	-49	-53
<b>Total for continuing operations</b>	<b>1,866</b>	<b>2,015</b>	<b>2,360</b>	<b>2,398</b>	<b>2,396</b>	<b>2,374</b>	<b>2,416</b>	<b>1,975</b>	<b>1,457</b>	<b>1,102</b>
Discontinued operations									416	163
<b>Total</b>									<b>1,873</b>	<b>1,265</b>

## Depreciation and amortisation

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	108	103	97	93	100	109	114	148	121	118
Heat	144	163	169	162	187	193	210			
Heat, Electricity Sales and Solutions								102	100	101
Russia			67	75	86	108	121	150	147	117
Distribution	147	162	165	164	178	187	209	216		
Electricity Sales	19	11	7	6	2	2	1			
Other	11	12	10	10	10	7	9	5	8	10
<b>Total for continuing operations</b>	<b>429</b>	<b>451</b>	<b>515</b>	<b>510</b>	<b>563</b>	<b>606</b>	<b>664</b>	<b>621</b>	<b>377</b>	<b>346</b>
Discontinued operations									150	50
<b>Total</b>									<b>526</b>	<b>395</b>

### Share of profit of associates and joint ventures by segment

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	-9	-23	26	-35	-25	3	-12	4	-14	-111
Heat	23	24	12	30	31	19	20			
Heat, Electricity Sales and Solutions								91	88	59
Russia			19	20	8	30	27	46	35	32
Distribution	15	18	16	10	19	14	8	4		
Electricity Sales	1	0	5	0	1	2	0			
Other	39	222	48	-4	28	23	-20	32	37	40
<b>Total for continuing operations</b>	<b>69</b>	<b>241</b>	<b>126</b>	<b>21</b>	<b>62</b>	<b>91</b>	<b>23</b>	<b>178</b>	<b>146</b>	<b>20</b>
Discontinued operations									3	0
<b>Total</b>									<b>149</b>	<b>20</b>

### Capital expenditure by segment

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	95	93	134	96	97	131	190	179	197	187
Heat	184	309	408	358	304	297	464			
Heat, Electricity Sales and Solutions								123	86	105
Russia			256	215	599	670	568	435	340	285
Distribution	183	236	296	188	213	289	324	255		
Electricity Sales	8	3	3	1	0	5	1			
Other	15	14	11	4	9	16	11	12	3	6
<b>Total for continuing operations</b>	<b>485</b>	<b>655</b>	<b>1,108</b>	<b>862</b>	<b>1,222</b>	<b>1,408</b>	<b>1,558</b>	<b>1,005</b>	<b>626</b>	<b>582</b>
Discontinued operations									147	44
<b>Total</b>									<b>774</b>	<b>626</b>

### Gross investments in shares by segment

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	5	52	0	57	25	17	-	2	2	16
Heat	589	18	23	1	1	32	10			
Heat, Electricity Sales and Solutions								11	37	23
Russia	140	245	1,492	3	-	24	-	0	27	0
Distribution	130	1	0	5	0	-	-	0		
Electricity Sales	6	0	0	-	-	-	-			
Other	40	1	1	1	1	1	6	2	4	4
<b>Total for continuing operations</b>	<b>910</b>	<b>317</b>	<b>1,516</b>	<b>67</b>	<b>27</b>	<b>74</b>	<b>16</b>	<b>15</b>	<b>69</b>	<b>43</b>
Discontinued operations									0	0
<b>Total</b>									<b>69</b>	<b>43</b>



## Gross divestments of shares by segment

EUR million	2009	2010	2011	2012	2013	2014	2015
Power and Technology	10	0	3	102	79	67	0
Heat	1	52	203	269			
Heat, Electricity Sales and Solutions					11	446	27
Russia	-	43	23	-	-	0	0
Distribution	1	46	323	37	52		
Electricity Sales	-	-	16	2			
Other	2	6	0	0	-	2	-
<b>Total for continuing operations</b>	<b>14</b>	<b>147</b>	<b>568</b>	<b>410</b>	<b>142</b>	<b>515</b>	<b>27</b>
Discontinued operations						2,681	6,369
<b>Total</b>						<b>3,196</b>	<b>6,395</b>

## Net assets by segment

EUR million	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	5,690	5,599	5,331	5,494	5,806	6,247	6,389	6,355	6,001	5,913
Heat	3,407	3,507	3,468	3,787	4,182	4,191	4,286			
Heat, Electricity Sales and Solutions								2,295	2,112	2,170
Russia	294	456	2,205	2,260	2,817	3,273	3,848	3,846	2,597	2,561
Distribution	3,412	3,239	3,032	3,299	3,683	3,589	3,889	3,745		
Electricity Sales	176	247	188	125	210	11	51			
Other	835	1,237	796	382	29	208	158	295	496	291
<b>Total for continuing operations</b>	<b>13,814</b>	<b>14,285</b>	<b>15,020</b>	<b>15,347</b>	<b>16,727</b>	<b>17,519</b>	<b>18,621</b>	<b>16,537</b>	<b>11,206</b>	<b>10,934</b>
Net assets related to discontinued operations									2,615	-
<b>Total</b>									<b>13,820</b>	<b>10,934</b>

## Return on net assets by segment

%	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	17.5	19.2	29.6	24.5	19.5	24.6	18.7	14.5	13.6	-8.5
Heat	9.6	9.3	8.9	7.9	8.4	9.9	8.8			
Heat, Electricity Sales and Solutions								9.7	19.1	7.7
Russia		66.3	3.7	0.0	2.4	3.5	3.0	5.2	5.6	8.3
Distribution <sup>1)</sup>	8.4	7.7	8.1	8.7	9.7	13.7	9.1	9.3	73.6	
Electricity Sales	-1.6	6.9	-14.0	28.9	38.4	4.2	152.3			

1) Classified as discontinued operations from 2014 onwards.

## Comparable return on net assets by segment

%	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	17.4	18.9	28.0	26.4	22.3	19.9	18.5	13.8	14.2	9.5
Heat	9.2	9.2	7.3	7.6	7.7	7.4	7.0			
Heat, Electricity Sales and Solutions								8.7	8.7	7.9
Russia		0.0	-3.8	0.0	0.7	3.5	2.7	5.2	5.6	8.2
Distribution <sup>1)</sup>	8.3	7.6	8.2	8.6	9.3	8.6	8.8	8.8	9.3	
Electricity Sales	-0.8	-0.6	-15.3	18.6	9.3	33.5	203.1			

1) Classified as discontinued operations from 2014 onwards.

## Average number of personnel

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Power and Technology	4,147	3,475	3,591	2,068	1,891	1,873	1,896	1,900	1,685	1,389
Heat	2,345	2,302	2,422	2,652	2,482	2,682	2,354			
Heat, Electricity Sales and Solutions								2,051	1,913	1,458
Russia			5,566	6,170	4,555	4,436	4,301	4,245	4,196	4,180
Distribution	983	1,060	1,222	1,166	1,098	902	873	786		
Electricity Sales	825	936	766	629	538	510	515			
Other	610	531	510	593	592	607	661	550	536	983
<b>Total for continuing operations</b>	<b>8,910</b>	<b>8,304</b>	<b>14,077</b>	<b>13,278</b>	<b>11,156</b>	<b>11,010</b>	<b>10,600</b>	<b>9,532</b>	<b>8,329</b>	<b>8,009</b>
Discontinued operations									492	
<b>Total</b>									<b>8,821</b>	

# Definitions of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	= Operating profit + depreciation and amortisation	Return on capital employed, %	= Profit before taxes + interest and other financial expenses Capital employed average	x 100
Comparable EBITDA	= EBITDA - items affecting comparability - net release of CSA provision	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
Items affecting comparability	= Impairment charges + non-recurring items + other items affecting comparability	Return on net assets, %	= Operating profit + share of profit (loss) in associated companies and joint ventures Net assets average	x 100
Comparable operating profit	= Operating profit - impairment charges - non-recurring items - other items affecting comparability	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
Impairment charges	= Impairment charges and related provisions (mainly dismantling)	Capital employed	= Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions	
Non-recurring items	= Mainly capital gains and losses	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)	
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.	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	
Funds from operations (FFO)	= Net cash from operating activities before change in working capital	Interest-bearing net debt	= Interest-bearing liabilities - liquid funds	
Capital expenditure	= Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain usage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at a certain point of time due to legal requirements.	Gearing, %	= Interest-bearing net debt Total equity	x 100
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.	Equity-to-assets ratio, %	= Total equity including non-controlling interests Total assets	x 100
Return on shareholders' equity, %	= Profit for the year Total equity average	Net debt/EBITDA	= Interest-bearing net debt Operating profit + depreciation and amortisation	

Comparable net debt/EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$	Average share price	=	$\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
Net debt/EBITDA continuing operations	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit continuing operations} + \text{depreciation and amortisation}}$	Market capitalisation	=	$\text{Number of shares at the end of the period} \times \text{share price at the end of the period}$
Comparable net debt/EBITDA continuing operations	=	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA continuing operations}}$	Trading volumes	=	$\text{Number of shares traded during the period in relation to the weighted average number of shares during the period}$
Interest coverage	=	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$	Effective income tax rate	=	$\frac{\text{Income tax expense}}{\text{Profit before income tax}}$
Interest coverage including capitalised borrowing costs	=	$\frac{\text{Operating profit}}{\text{Net interest expenses-capitalised borrowing costs}}$	Comparable effective income tax rate	=	$\frac{\text{Income tax expense} - \text{effects from tax rate changes}}{\text{Profit before income tax decreased by profits from associated companies and joint ventures tax exempt capital gains or losses}}$
Average number of employees	=	Based on monthly average for the whole period	Taxes borne	=	Taxes that a company is obliged to pay to a government, directly or indirectly, on that company's own behalf in respect of an accounting period. Taxes borne include corporate income taxes (excluding deferred taxes), production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include also taxes paid through electricity purchased from associated companies.
Earnings per share (EPS)	=	$\frac{\text{Profit for the period} - \text{non-controlling interests}}{\text{Average number of shares during the period}}$	Total tax rate	=	$\frac{\text{Taxes borne}}{\text{Profit before income tax increased by taxes borne in operating profit}}$
Cash flow per share	=	$\frac{\text{Net cash from operating activities}}{\text{Average number of shares during the period}}$	Comparable total tax rate	=	$\frac{\text{Taxes borne}}{\text{Profit before income tax increased by taxes borne in operating profit and decreased by profits from associated companies and joint ventures and by tax exempt capital gains or losses}}$
Equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares at the end of the period}}$	Weighted average applicable income tax rate	=	Sum of the proportionately weighted share of profits before taxes of each group operating country multiplied with an applicable nominal tax rate of the respective countries.
Payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$			
Payout ratio continuing operations, %	=	$\frac{\text{Dividend per share continuing operations}}{\text{Earnings per share continuing operations}} \times 100$			
Dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$			
Price/earnings (P/E) ratio	=	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$			

# Extract of the parent company financial statements

This extract of the parent company financial statements include income statement, balance sheet, cash flow statement, statement of changes in shareholder's equity and information on the management remuneration for the parent company Fortum Oyj. Parent company financial statements are prepared in accordance with Finnish Accounting Standards (FAS). Please see full parent company financial statements including also the notes to the financial statements in [www.fortum.com/investors](http://www.fortum.com/investors).

## Income statement

EUR million	2015	2014
Sales	71	76
Other income	9	1,959
Employee costs	-37	-35
Depreciation, amortisation and write-downs	-9	-9
Other expenses	-78	-72
<b>Operating profit</b>	<b>-44</b>	<b>1,919</b>
Financial income and expenses	794	-129
<b>Profit before extraordinary items</b>	<b>750</b>	<b>1,790</b>
Group contributions <sup>1)</sup>	447	565
<b>Profit before income tax</b>	<b>1,198</b>	<b>2,355</b>
Income tax expense	-64	-90
<b>Profit for the period</b>	<b>1,134</b>	<b>2,265</b>

1) Taxable profits transferred from Finnish subsidiaries.

## Balance sheet

EUR million	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	14	18
Property, plant and equipment	4	4
Investments in group companies	15,800	16,057
Investments in associated companies	6	6
Interest-bearing receivables from group companies	714	1,368
Interest-bearing receivables from associated companies	13	211
Other non-current assets	1	2
Deferred tax assets	1	2
<b>Total non-current assets</b>	<b>16,553</b>	<b>17,668</b>
<b>Current assets</b>		
Other current receivables from group companies	458	586
Other current receivables from associated companies	0	1
Other current receivables	263	170
Deposits and securities (maturity over three months)	4,706	505
Cash and cash equivalents	2,939	1,813
<b>Liquid funds</b>	<b>7,645</b>	<b>2,318</b>
<b>Total current assets</b>	<b>8,366</b>	<b>3,075</b>
<b>Total assets</b>	<b>24,919</b>	<b>20,743</b>

EUR million	31 Dec 2015	31 Dec 2014
<b>EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	3,046	3,046
Share premium	2,822	2,822
Retained earnings	4,284	3,174
Profit for the period	1,134	2,265
<b>Total shareholders' equity</b>	<b>11,285</b>	<b>11,307</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
External interest-bearing liabilities	4,415	5,269
Interest-bearing liabilities to group companies	6,252	2,648
Interest-bearing liabilities to associated companies	268	261
Other non-current liabilities	5	3
<b>Total non-current liabilities</b>	<b>10,940</b>	<b>8,181</b>
<b>Current liabilities</b>		
External interest-bearing liabilities	1,014	1,083
Trade and other payables to group companies	1,545	31
Trade and other payables to associated companies	4	3
Trade and other payables	131	138
<b>Total current liabilities</b>	<b>2,694</b>	<b>1,255</b>
<b>Total liabilities</b>	<b>13,634</b>	<b>9,436</b>
<b>Total equity and liabilities</b>	<b>24,919</b>	<b>20,743</b>

## Changes in shareholders' equity

Extract from parent company financial statements Note 9 Changes in shareholders' equity.

EUR million	Share capital	Share premium	Retained earnings	Total
<b>Total equity 31 December 2014</b>	<b>3,046</b>	<b>2,822</b>	<b>5,439</b>	<b>11,307</b>
Cash dividend			-1,155	-1,155
Profit for the period			1,134	1,134
<b>Total equity 31 December 2015</b>	<b>3,046</b>	<b>2,822</b>	<b>5,417</b>	<b>11,286</b>

EUR million	2015	2014
Distributable funds 31 December	5,417	5,439

## Cash flow statement

EUR million	2015	2014
<b>Cash flow from operating activities</b>		
Profit for the period	1,134	2,265
<b>Adjustments:</b>		
Income tax expense	64	90
Group contributions	-447	-565
Finance costs - net	-794	129
Depreciations, amortisation and write-downs	9	9
<b>Operating profit before depreciations</b>	<b>-35</b>	<b>1,928</b>
Non-cash flow items and divesting activities	0	-1,940
Interest and other financial income	36	45
Interest and other financial expenses paid	-147	-168
Dividend income	1,060	0
Group contribution received	565	609
Realised foreign exchange gains and losses	-80	-283
Taxes	-36	-127
<b>Funds from operations</b>	<b>1,363</b>	<b>64</b>
Other short-term receivables increase(-)/decrease(+)	7	-6
Other short-term payables increase(+)/decrease(-)	0	-9
Change in working capital	7	-15
<b>Net cash from operating activities</b>	<b>1,370</b>	<b>49</b>
<b>Cash flow from investing activities</b>		
Capital expenditures	-4	-5
Acquisition of shares and capital contributions in subsidiaries	-1	0
Capital returns from subsidiaries	97	0
Acquisition of shares in associated companies	0	-3
Acquisition of other shares	0	-2
Proceeds from sales of shares in subsidiaries	0	2,093
Change in interest-bearing receivables and other non-current assets	854	793
<b>Net cash used in investing activities</b>	<b>947</b>	<b>2,876</b>
<b>Cash flow before financing activities</b>	<b>2,317</b>	<b>2,925</b>
<b>Cash flow from financing activities</b>		
Proceeds from long-term liabilities	33	46
Payment of long-term liabilities	-901	-1,340
Change in cash-pool liabilities	3,604	1,178
Change in short-term liabilities	1,429	-573
Dividends paid	-1,155	-977
<b>Net cash used in financing activities</b>	<b>3,010</b>	<b>-1,666</b>
<b>Net increase(+)/decrease(-) in liquid funds</b>	<b>5,327</b>	<b>1,259</b>
<b>Liquid funds at the beginning of the period</b>	<b>2,318</b>	<b>1,059</b>
<b>Liquid funds at the end of the period</b>	<b>7,645</b>	<b>2,318</b>

## Management remuneration

Extract from audited parent company financial statements Note 4 Employee benefits

EUR thousands	2015			2014
	Pekka Lundmark, President and CEO since 7 Sep 2015	Timo Karttinen, Interim President and CEO until 6 Sep 2015 <sup>2)</sup>	Tapio Kuula, President and CEO until 31 Jan 2015 <sup>3)</sup>	Tapio Kuula, President and CEO
<b>Compensation for the President and CEO</b>				
Salaries and fringe benefits	305	372	279	1,005
Performance bonuses <sup>1)</sup>	21	15	0	127
Share-based remuneration	114	282	903	235
Pensions (statutory)	55	66	47	188
Pensions (voluntary)	0	37	25	255
Social security expenses	17	20	14	57
<b>Total</b>	<b>513</b>	<b>791</b>	<b>1,269</b>	<b>1,867</b>

EUR thousands	2015	2014
<b>Compensation for the Board of Directors</b>	<b>499</b>	<b>477</b>

1) Performance bonuses are based on estimated amounts.

2) Includes the compensation CFO Timo Karttinen received during his position as Fortum's Interim President and CEO during 1 February - 6 September 2015 and as a substitute to the President and CEO in January 2015. Also included is a lump sum payment of EUR 70 thousand for his success in assuming the responsibilities of Interim President and CEO.

3) Share-based remuneration includes the gross payment Tapio Kuula received from the share plans commenced in 2012, 2013 and 2014. Mr Kuula received the net amount of the payment as shares, after deducting the taxes and tax-related charges arising from the payment. These shares, totalling 30,271 shares, are under lock-up until the spring 2018.

Compensation above is presented on accrual basis. Paid salaries and remunerations in 2015 for the President and CEO Pekka Lundmark were EUR 305 thousand, for Interim President and CEO Timo Karttinen EUR 372 thousand and for former President and CEO Tapio Kuula EUR 1,595 thousand (2014: 1,592).

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.

For the President and CEO Pekka Lundmark the retirement age of old-age pension is 63. The pension obligations for Pekka Lundmark are covered through insurance company and for Timo Karttinen through pension fund. The pension obligation for Tapio Kuula was 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. The compensation of the Board members is not tied to the sustainability performance of the Group.

See [Note 11](#) Employee benefits and [Note 32](#) Pension obligations in the Consolidated financial statements, and section Remuneration on Fortum's webpage.

# Proposal for the distribution of earnings

The distributable funds of Fortum Oyj as at 31 December 2015 amounted to EUR 5,417,422,951.23 including the profit of the period of EUR 1,133,611,072.83. 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 2015.

Based on the number of registered shares as of 2 February 2016 the total amount of dividend proposed to be paid is EUR 977,203,749.50. The Board of Directors proposes, that the remaining part of the profit be retained in the shareholders' equity.

Espoo, 2 February 2016



Sari Baldauf



Kim Ignatius



Minoo Akhtarzand



Heinz-Werner Binzel



Eva Hamilton



Tapio Kuula



Petteri Taalas



Jyrki Talvitie



Pekka Lundmark  
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.-31.12.2015. 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, 2 February 2016

Deloitte & Touche Oy  
Authorized Public Audit Firm



Jukka Vattulainen  
Authorized Public Accountant



# Quarterly financial information

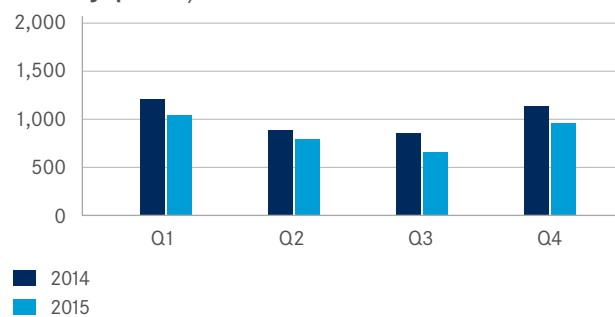
Note: Quarterly financial information is unaudited.

## Selected data based on quarterly consolidated income statement

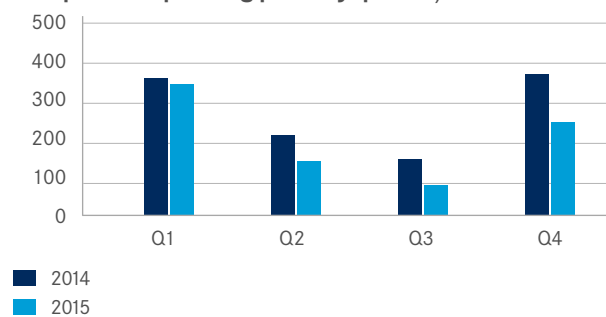
EUR million	Q1/2014	Q2/2014	Q3/2014	Q4/2014	2014	Q1/2015	Q2/2015	Q3/2015	Q4/2015	2015
IS Sales	1,208	886	861	1,133	4,088	1,040	794	661	964	3,459
Comparable EBITDA continuing operations	456	302	242	458	1,457	396	228	163	315	1,102
IS Comparable operating profit	358	210	147	370	1,085	343	143	79	243	808
IS Operating profit	366	233	113	584	1,296	350	144	-682	38	-150
IS Share of profit/loss of associates and joint ventures	69	37	1	38	146	58	22	-95	35	20
IS Finance costs - net	-62	-47	-54	-47	-210	-57	-24	-42	-52	-175
IS Profit before income tax	374	224	61	574	1,232	350	143	-818	20	-305
IS Income tax expense	-62	-27	-3	-51	-143	-55	-25	160	-2	78
IS Profit for the period from continuing operations	312	196	58	523	1,089	295	118	-659	19	-228
IS Profit for the period from discontinued operations	1,943	51	27	52	2,073	63	4,306	-	-	4,369
IS Profit for the period	2,255	247	84	575	3,161	358	4,424	-659	19	4,142
IS Non-controlling interests	-4	0	1	-4	-7	-4	-1	5	-5	-4
IS Profit for the period, owners of the parent	2,251	247	85	571	3,154	354	4,424	-654	14	4,138
<b>Earnings per share for profit from total Fortum Group attributable to the equity owners of the company (EUR per share)</b>										
Total Fortum	2.53	0.28	0.10	0.64	3.55	0.40	4.98	-0.74	0.02	4.66
Continuing operations	0.35	0.22	0.06	0.59	1.22	0.33	0.13	-0.74	0.02	-0.26
Discontinued operations <sup>1)</sup>	2.18	0.06	0.04	0.05	2.33	0.07	4.85	0.00	0.00	4.92

1) Includes impact from sales gains of Finnish and Norwegian distribution businesses amounting to EUR 2.10 in Q1 and Q2 2014 and sales gain of the Swedish distribution business amounting to EUR 4.82 in Q2 2015.

### Sales by quarter, EUR million



### Comparable operating profit by quarter, EUR million



## Quarterly sales by segment

EUR million	Q1/2014	Q2/2014	Q3/2014	Q4/2014	2014	Q1/2015	Q2/2015	Q3/2015	Q4/2015	2015
Power and Technology <sup>1)</sup>	586	487	495	588	2,156	500	404	377	440	1,722
Heat, Electricity Sales and Solutions <sup>1)</sup>	446	269	224	393	1,332	406	244	185	352	1,187
Russia	333	234	207	281	1,055	263	211	154	266	893
Other <sup>1)</sup>	14	14	14	15	58	29	29	28	28	114
Netting of Nord Pool transactions <sup>2)</sup>	-133	-101	-67	-121	-422	-119	-64	-57	-97	-336
Eliminations	-37	-17	-12	-24	-91	-38	-31	-26	-26	-122
<b>IS Total for continuing operations</b>	<b>1,208</b>	<b>886</b>	<b>861</b>	<b>1,133</b>	<b>4,088</b>	<b>1,040</b>	<b>794</b>	<b>661</b>	<b>964</b>	<b>3,459</b>
Discontinued operations	300	148	130	173	751	180	95	0	0	274
Eliminations <sup>3)</sup>	-35	-18	-15	-21	-89	-20	-11	0	0	-31
<b>Total</b>	<b>1,473</b>	<b>1,016</b>	<b>976</b>	<b>1,285</b>	<b>4,751</b>	<b>1,200</b>	<b>878</b>	<b>660</b>	<b>964</b>	<b>3,702</b>

1) Sales, both internal and external, includes effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.

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

3) Sales to and from discontinued operations.

## Quarterly comparable operating profit by segments

EUR million	Q1/2014	Q2/2014	Q3/2014	Q4/2014	2014	Q1/2015	Q2/2015	Q3/2015	Q4/2015	2015
Power and Technology	251	183	167	276	877	203	114	102	142	561
Heat, Electricity Sales and Solutions	48	11	-4	49	104	58	11	-13	53	108
Russia	73	28	1	59	161	97	35	0	69	201
Other	-14	-13	-16	-14	-57	-15	-17	-10	-21	-63
<b>IS Comparable operating profit</b>	<b>358</b>	<b>210</b>	<b>147</b>	<b>370</b>	<b>1,085</b>	<b>343</b>	<b>143</b>	<b>79</b>	<b>243</b>	<b>808</b>
Impairment charges	0	0	0	0	0	0	-15	-784	-119	-918
Non-recurring items	1	58	8	238	305	7	0	14	1	22
Other items affecting comparability	6	-35	-42	-24	-94	0	16	9	-87	-62
<b>IS Operating profit</b>	<b>366</b>	<b>233</b>	<b>113</b>	<b>584</b>	<b>1,296</b>	<b>350</b>	<b>144</b>	<b>-682</b>	<b>38</b>	<b>-150</b>

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

Quarterly information from 2006 to 2015 is available in Excel format on Fortum's website [www.fortum.com/investors](http://www.fortum.com/investors)

# Investor 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. Fortum's 2015 reporting entity, including Financial Statements, Corporate Governance Statement, Remuneration as well as Tax footprint, are published at the same time. Fortum's sustainability reporting is integrated part of annual reporting and the company publishes also additional information on sustainability operations on Fortum's website in Sustainability section.

## Annual General Meeting

The Annual General Meeting of Fortum Corporation will be held on Tuesday, 5 April 2016, 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 for 2015, totalling approximately EUR 977 million based on the registered shares as of 3 February 2016. The possible dividend related dates planned for 2016 are:

- the ex-dividend date 6 April 2016,
- the record date for dividend payment 7 April 2016 and
- the dividend payment date 14 April 2016.

## Financial information in 2016

Fortum will publish three interim reports in 2016: January–March interim report on 28 April, January–June interim report on 20 July, and January–September on 25 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](http://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](http://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, 3 February 2016: 888,367,045.

Sector: Utilities

### Fortum's activities in capital markets during 2015

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 are met on a regular basis in Europe and North America.

In 2015, Fortum met approximately 250 professional equity investors 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 15 presentations at investor conferences and seminars in Scandinavia and the United Kingdom.

