

Fortum Corporation

Financial Statements Bulletin 2013

4 February 2014

Fourth quarter burdened by warm weather and low hydro volumes – Dividend proposal EUR 1.10 per share for 2013

October–December 2013

- Comparable operating profit EUR 493 (591) million, -17%
- Operating profit EUR 574 (623) million, of which EUR 81 (32) million relates to items affecting comparability
- Earnings per share EUR 0.52 (0.68), -24%, of which EUR 0.07 (0.03) per share relates to items affecting comparability and EUR 0.09 (0.22) per share to the change in the Finnish corporate tax rate in 2013 and the Swedish Corporate tax rate in 2012
- Cash flow from operating activities totalled EUR 376 (399) million, -6%
- All-time low hydro production, 3.9 (7.1) TWh
- Very warm weather in all regions
- In Russia, Nyagan 2 was commissioned and an agreement was reached with the contractor regarding construction delays in favour of Fortum
- Assessment of electricity distribution business completed; Finnish networks divestment process started

January–December 2013

- Comparable operating profit EUR 1,607 (1,752) million, -8%
- Operating profit EUR 1,712 (1,874) million, of which EUR 105 (122) million relates to items affecting comparability
- Earnings per share EUR 1.36 (1.59), -14%, of which EUR 0.10 (0.14) per share relates to items affecting comparability and EUR 0.09 (0.22) per share to the Finnish Corporate tax rate change in 2013 and the Swedish Corporate tax rate in 2012, which had a positive impact
- Cash flow from operating activities totalled EUR 1,836 (1,382) million, +33%
- Half way through the efficiency programme
- Electricity production at the Inkoo coal-fired power plant in Finland to be discontinued
- Fortum's Board proposes a dividend of EUR 1.10 per share

Key figures	IV/13	IV/12*	2013	2012*
Sales, EUR million	1,590	1,834	6,056	6,159
Operating profit, EUR million	574	623	1,712	1,874
Comparable operating profit, EUR million	493	591	1,607	1,752
Profit before taxes, EUR million	529	543	1,499	1,586
Earnings per share, EUR	0.52	0.68	1.36	1.59
Net cash from operating activities, EUR million	376	399	1,836	1,382
Shareholders' equity per share, EUR			11.28	11.30
Interest-bearing net debt (at end of period), EUR million			7,849	7,814
Average number of shares, 1,000s	888,367	888,367	888,367	888,367

Key financial ratios	2013	2012*
Return on capital employed, %	9.2	10.2
Return on shareholders' equity, %	12.0	14.6
Net debt/EBITDA	3.2	3.1
Comparable net debt/EBITDA	3.4	3.2

*) Comparative period figures for 2012 presented in the interim report are restated due to an accounting change for pensions; see page 4 as well as Note 2.

Summary of outlook

- Fortum continues to expect that the annual electricity demand growth in the Nordic countries will be in average 0.5% in the coming years
- Capital expenditure guidance: EUR 0.9-1.1 billion in 2014, excluding potential acquisitions
- Power Division's Nordic generation hedges: For the 2014 calendar year, appr. 60% hedged at EUR 43 per MWh; and for the 2015 calendar year, appr. 20% hedged at EUR 41 per MWh
- Fortum's goal is to achieve an operating profit level (EBIT) of about EUR 500 million run-rate in its Russia Division during 2015

Fortum's President and CEO Tapio Kuula

"In 2013, electricity consumption in the Nordic countries was slightly lower than last year at 386 terawatt-hours (TWh), even though non-industrial consumption partly offset the decrease in industrial demand especially during the first half of the year. In Russia, in the areas where Fortum operates, consumption was flat at 767 TWh.

The Nordic hydro reservoirs were below the long-term average and although the levels normalised towards the end of the year, they were still clearly lower than last year's record-high levels. Precipitation was weak in Fortum's operating areas during the first three quarters of the year; this put pressure on hydro volumes and thus impacted Fortum's results negatively.

The comparable profit declined compared to the previous year and totalled approximately EUR 1.6 billion, and earnings per share were EUR 1.36. The cash flow from operating activities, however, was strong with all divisions contributing. We made good progress in sustainability and safety in 2013. Fortum received a special award for innovation from the Global District Energy Climate Awards organisation and was ranked as the best company in the Nordic climate index. We had our lowest-ever total recordable incidents (TRIF) among our own personnel.

In December 2013, Fortum completed the strategic assessment of its electricity distribution business. The conclusion was that divesting the electricity distribution business is the best solution in order to further develop our company according to its strategy. We also consider it to be the best solution for the distribution business itself and for its customers. Focusing on electricity and heat production and sales, is estimated to give Fortum more strategic flexibility and to improve the company's long-term value creation.

In line with the conclusions of the completed assessment, Fortum agreed to sell its electricity distribution business in Finland to Suomi Power Networks Oy. The business is in very good shape and deserves to be developed further as a core business from its own standpoint. The buyer has a deep understanding of the social importance of infrastructure assets and is committed to developing reliable networks and services for the customers. We expect to close the deal during the first quarter of 2014; until then, work continues as usual in all business areas. Fortum is also evaluating the possible future divestment opportunities within the electricity distribution business country by country.

In 2014, we will continue our everyday work in serving our customers in all areas of our business. The year-end storms in Finland, Sweden and Norway tested once again our ability to serve

customers in challenging conditions. We have continuously improved the reliability of our networks. The same trend can be seen also in the results of the recent customer satisfaction survey: Fortum improved its ranking in electricity sales, distribution and as a supplier of district heat.

Year 2013 was a year of inaugurations at Fortum. In Jelgava, Latvia, and in Järvenpää, Finland, we commissioned new biomass-fired CHP plants. In Klaipeda, Lithuania, we took into production a waste-to-energy CHP plant, while in Brista, Sweden, test-runs were started. Fortum also commissioned the world's first bio-oil production facility that is integrated with a combined heat and power (CHP) plant in Joensuu, Finland. In Russia, the gas-fired thermal power plant Nyagan GRES was inaugurated by President of Russia Vladimir Putin and President of Finland Sauli Niinistö. Units 1 and 2 are now commissioned, and both are receiving capacity payments. We will continue the determined implementation of our investment programme with three large units still under construction. With both existing and the new power plants, we continue to build Fortum's future growth.

The on-going company wide efficiency programme continued to proceed according to plan, and we are approximately half way through. The work will continue; we are continuously working on reducing fixed costs and capital expenditures, divesting non-core business and focusing on working capital efficiency.

Looking at the operating environment for Fortum overall, it's clear that the markets will remain challenging also in 2014. Only through our own actions can we ensure that the premises for success are in place.

Changes to the EU energy and climate policy are likely to be seen in 2014. It is crucial that determined measures to mitigate climate change are continued. However, in order to safeguard the competitiveness of European industries and get the much needed investments into low-carbon energy production and infrastructure, the EU climate policy should be steered by a single CO2 reduction target post-2020, and the existing overlapping steering mechanisms should be removed. In January, the European Commission published a new proposal for the EU's climate policy and energy policy - the proposal is a step in the right direction, but overlapping targets remain.

Regarding the tax climate, the governments in Finland and Sweden have made positive and material decisions on lowering the corporate tax rates to stimulate businesses, beyond that, the overall tax climate has tightened considerably. Fortum has appealed several cases raised by the tax authorities that have been addressed retroactively and also some cases that have already been scrutinised.

In Finland, the power plant tax (former so called windfall tax) has been adopted as of 2014. It will be applied provided that the European Commission finds that it is in line with the general tax principles and regime in Finland and that it does not include forbidden state aid. The Swedish hydro real-estate tax is also being challenged.

We are pursuing growth, carefully considering and prioritising alternatives in line with our strategy. I consider Fortum to be well positioned among its peers and ready to grab emerging opportunities that are a good fit with our strategy focus on low-carbon power generation, energy-efficient combined heat and power (CHP) production and sales, and innovative customer offerings. Concentrating on electricity and heat production and sales is estimated to improve Fortum's long-term value creation.

To summarise, 2013 was a year full of activity as well as challenges; nevertheless, the result was satisfactory. The dividend proposal reflects Fortum's dividend policy to pay a stable, sustainable and over time increasing dividend that supports shareholder value and the company's strategy.

As a final point, I would like to thank each employee in Fortum for the hard work during the past year. I would also like to give a special thank you to Chairman Sari Baldauf, who during my absence for months took an extraordinary role in advancing Fortum's interests, and to CFO Markus Rauramo who acted admirably as my deputy, as well as to the entire executive Management Team for their strong commitment during this period."

Efficiency programme 2013-2014

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

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

Capex in 2014 is expected to be EUR 0.9–1.1 billion excluding Värme. At the end of 2014, the cost run-rate is targeted to be approximately EUR 150 million lower compared to 2012, including growth projects.

If headcount reductions are needed, Fortum seeks to limit redundancies whenever possible. The assessments will therefore be done at a unit level.

At the end of December 2013, Fortum had divested approximately EUR 300 million in non-core assets since the start of the efficiency programme. The company has been able to decrease its cost run-rate by approximately half of the targeted EUR 150 million and working capital efficiency has been improved.

Assessment of the electricity distribution business

In December, Fortum completed the assessment of the future alternatives of its electricity distribution business; the assessment was launched in January 2013. After thorough consideration, the company concluded that divesting the electricity distribution business is the best solution for the business and its customers, Fortum's shareholders and the company's other businesses. During the assessment process all alternatives were carefully studied in order to find the best solution. Fortum is evaluating the remaining possible future divestment opportunities country by country. The outcome is dependent on market development and development of national regulation in the countries.

Also in December, as the first phase, Fortum agreed to sell its electricity distribution business in Finland to Suomi Power Networks Oy, which is owned by a consortium of Finnish pension funds Keva (12.5%) and LocalTapiola Pension (7.5%) together with international infrastructure investors First State Investments (40%) and Borealis Infrastructure (40%). The total consideration is EUR 2.55 billion on a debt- and cash-free basis. Fortum expects to complete the divestment process during the first quarter of 2014, subject to the necessary regulatory approvals as well as customary closing conditions. Fortum expects to book a one-time sales gain of EUR 1.8-1.9 billion, corresponding to approximately EUR 2.0 per share, in its Electricity Solutions and Distribution Division's first-quarter 2014 results.

A total of 340 employees will transfer with the business at closing with existing terms of employment. The sale has no effect as such on Fortum's approximately 640,000 distribution customers. Upon closing, these customers will transfer with the business with existing terms (Note 6).

Restatements related to IFRS changes in accounting

Fortum is applying an amended IFRS standard for pensions as of 1 January 2013. Adoption of the new standard is done retrospectively and comparative information for 2012 is therefore restated to reflect the change. The change had only a minor impact on Fortum's financial results and financial position; however, it reduced the equity by EUR 124 million as of 1 January 2012. The restated comparative figures for the year 2012 are presented in the attachment to the first-quarter 2013 interim report.

As of 1 January 2014, Fortum will apply the new IFRS 10 Consolidated Financial Statements and 11 Joint Arrangements standards. The major effect of this reassessment relates to Fortum Värme, operating in the capital area in Sweden, which will be treated as a joint venture and thus consolidated with the equity method. The company is currently consolidated as a subsidiary with a 50% minority interest (Note 2).

Financial results

October–December

In the fourth quarter of 2013, Group sales were EUR 1,590 (1,834) million. Comparable operating profit totalled EUR 493 (591) million and the reported operating profit totalled EUR 574 (623) million. Fortum's operating profit for the period was affected by non-recurring items, an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR 81 (32) million (Note 4).

The share of profits from associates in the fourth quarter was EUR 39 (-3) million. The share of profits from Hafslund and TGC-1 are based on the companies' published third-quarter interim reports (Note 12).

Sales by division

EUR million	IV/13	IV/12	2013	2012
Power	542	719	2,248	2,415
Heat	439	477	1,565	1,628
Russia	314	319	1,119	1,030
Distribution*	284	314	1,075	1,070
Electricity Sales*	196	221	744	722
Other	22	41	69	137
Netting of Nord Pool transactions	-132	-161	-510	-503
Eliminations	-75	-96	-254	-340
Total	1,590	1,834	6,056	6,159

* Part of the Electricity Solutions and Distribution Division

Comparable operating profit by division

EUR million	IV/13	IV/12	2013	2012
Power	207	381	858	1,146
Heat	106	94	273	271
Russia	110	28	156	68
Distribution*	77	102	331	320

Electricity Sales*	7	10	48	39
Other	-14	-24	-59	-92
Total	493	591	1,607	1,752

* Part of the Electricity Solutions and Distribution Division

Operating profit by division

EUR million	IV/13	IV/12	2013	2012
Power	278	388	921	1,175
Heat	108	119	288	344
Russia	110	28	156	79
Distribution*	76	104	348	331
Electricity Sales*	11	6	56	39
Other	-9	-22	-57	-94
Total	574	623	1,712	1,874

* Part of the Electricity Solutions and Distribution Division

January–December

In January-December 2013, Group sales were EUR 6,056 (6,159) million. Comparable operating profit totalled EUR 1,607 (1,752) million and the reported operating profit totalled EUR 1,712 (1,874) million. Fortum's operating profit for the period was affected by non-recurring items, an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR 105 (122) million (Note 4).

The share of profits of associates and joint ventures was EUR 105 (23) million. The increase comes mainly from Hafslund and TGC-1. The share of profits from Hafslund and TGC-1 are based on the companies' published fourth-quarter 2012 as well as first-, second- and third-quarter 2013 interim reports (Note 12).

The Group's net financial expenses were EUR 318 (311) million. Net financial expenses included changes in the fair value of financial instruments of EUR 16 (23) million.

Profit before taxes was EUR 1,499 (1,586) million.

Taxes for the period totalled EUR 220 (74) million. The tax rate according to the income statement was 14.7% (4.7%). In Finland, the corporate tax rate was decreased to 20.0% from 24.5% starting 1 January 2014. The tax rate change caused a one-time effect in 2013 of approximately EUR 0.09 per share. In Sweden, the corporate tax rate was decreased to 22.0% from 26.3% starting 1 January 2013. In 2012, the one-time positive effect from the tax rate change was approximately EUR 230 million of which EUR 34 million is attributable to non-controlling interests. The tax rate, excluding the changes in the tax rates, the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains was 22.3% (21.2%).

The profit for the period was EUR 1,279 (1,512) million. Fortum's earnings per share were EUR 1.36 (1.59), of which EUR 0.10 (0.14) per share relates to items affecting comparability and EUR 0.09 per share to the change in Finnish corporate tax rate. In 2012, the impact of the lowered Swedish corporate tax rate was approximately EUR 0.22 per share.

Non-controlling (minority) interests amounted to EUR 75 (96) million. These are mainly attributable to AB Fortum Värme Holding, in which the city of Stockholm has a 50% economic interest.

Financial position and cash flow

Cash flow

In 2013, total net cash from operating activities increased by EUR 454 million to EUR 1,836 (1,382) million, mainly due to a decrease in working capital of EUR 296 million and realised foreign exchange differences turning to positive EUR 320 million which were offset with a lower EBITDA. Capital expenditures decreased by EUR 151 million to EUR 1,271 (1,422) million. Proceeds from divestments totalled EUR 210 (433) million. Total net cash used in investing activities was EUR -1,210 (-1,128) million. Cash flow before financing activities, i.e. dividend distributions and financing, increased by EUR 372 million to EUR 626 (254) million. Realised foreign exchange gains and losses of EUR 52 (-268) million were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries.

Dividends totalling EUR 888 million were paid on 19 April 2013 using cash and cash equivalents.

Assets and capital employed

Total assets decreased by EUR 141 million to EUR 24,420 (24,561 at year-end 2012) million. The net change in total assets was negative, even though capital expenditures and gross investments in shares (EUR 1,299 million) were higher than depreciation during the year (EUR 740 million). The total impact of translation differences on intangible assets, property plant and equipment as well as participations in associates and joint ventures was negative EUR 861 million. Cash and cash equivalents increased by EUR 291 million.

Presenting the Finnish distribution business as assets held for sale impacted the structure of the balance sheet, because all assets and liabilities belonging to those operations were presented separately on one line both in assets and liabilities (Note 6).

Capital employed was EUR 19,780 (19,420 at year-end 2012) million, an increase of EUR 360 million. The increase was due to the lower amount of total assets, EUR 141 million, and a EUR 501 million decrease in interest-free liabilities.

Equity

Total equity was EUR 10,662 (10,643 at year-end 2012) million, of which equity attributable to owners of the parent company totalled EUR 10,024 (10,040) million and non-controlling interests EUR 638 (603) million.

The decrease in equity attributable to owners of the parent company totalled EUR 16 million and is mainly arising from the payment of dividends totalling EUR -888 million, net profit of EUR 1,204 million for the period and translation differences of EUR -471 million.

Financing

Net debt increased during 2013 by EUR 35 million to EUR 7,849 (7,814 at year-end 2012) million.

During 2013 Fortum Oyj issued new long term debt in SEK and EUR amounting to approximately EUR 760 million (Note 14).

At the end of December 2013, the Group's liquid funds totalled EUR 1,269 (963 at year-end 2012) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 113 (128 at year-end 2012) million. In addition to the liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities.

The Group's net financial expenses during 2013 were EUR 318 (311) million. Net financial expenses include changes in the fair value of financial instruments of EUR -16 (-23) million.

Fortum Corporation's long-term credit rating with S&P was reaffirmed at A- (negative outlook) in December 2013. As of April 2013, Fitch Ratings provides a rating of Fortum Corporation and any subsequently issued securities issued under Fortum's EMTN programme. Fitch's current long-term issuer default rating of Fortum Corporation is A- (negative outlook), which was also reaffirmed in December 2013. Fortum decided to terminate the rating relationship with Moody's Investors Service in February 2013. At that time, Moody's had assigned an A2 rating with a negative outlook.

Key figures

At year-end 2013, net debt to EBITDA was 3.2 (3.1 at year-end 2012) and comparable net debt to EBITDA 3.4 (3.2), impacted by EUR 888 million in dividend payments. Gearing was 74% (73%) and the equity-to-assets ratio 44% (43%). Equity per share was EUR 11.28 (11.30). Return on capital employed totalled 9.2% (10.2%) and return on shareholders' equity 12.0% (14.6%).

Market conditions

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries during the fourth quarter was 103 (109) terawatt-hours (TWh). The decrease was mostly due to mild weather, but also to lower industrial demand. In January–December, electricity consumption in the Nordic countries was 386 (391) TWh.

At the beginning of the year, the Nordic water reservoirs were at 85 TWh, i.e. 2 TWh above the long-term average. By the beginning of the fourth quarter, the reservoirs were up at 91 TWh, i.e. 10 TWh below the long-term average and 18 TWh below the corresponding level in 2012. At the end of the quarter, the reservoirs were at 82 TWh, which is 1 TWh below the long-term average and 3 TWh below the corresponding level in 2012. Heavy precipitation, mild weather and moderate consumption led to rapid normalisation of reservoirs.

In the fourth quarter of 2013, the average system spot price of electricity in Nord Pool was EUR 35.9 (37.3) per megawatt-hour (MWh). Prices declined towards the end of the quarter. The average area price in Finland was EUR 39.9 (40.8) per MWh and in Sweden (SE3) 37.5 (37.5) per MWh. There was wide variation in area prices due to high precipitation and, consequently, high hydropower generation in Norway. Exports from Finland to Estonia increased after the Estlink-2 interconnector was commissioned on 6 December.

In January–December 2013, the average system spot price was EUR 38.1 (31.2) per MWh. In Finland, the average area price was EUR 41.2 (36.6) per MWh and in Sweden (SE3) EUR 39.4 (32.3) per MWh.

In Germany, the average spot price during the fourth quarter of 2013 was EUR 37.5 (41.4) per MWh and during January–December 2013 EUR 37.8 (42.6) per MWh.

The market price of CO₂ emission allowances (EUA) dropped from approximately EUR 6.6 per tonne at the beginning of the year to approximately EUR 5.0 per tonne at the beginning of the fourth quarter, to which it also returned by the quarter-end. During January–December, EUA traded between EUR 2.8 and EUR 6.7 per tonne.

Russia

Fortum operates in the Urals and Western Siberia. Both in the Tyumen and Khanty-Mansiysk area, where industrial production is dominated by the oil and gas industries, and in the Chelyabinsk area, which is dominated by the metal industry, electricity demand declined somewhat in the fourth quarter as well as for the full year 2013 compared to the same periods of the previous year.

According to preliminary statistics, Russia consumed 273 (284) TWh of electricity during the fourth quarter of 2013. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 207 (209) TWh.

In January-December 2013, Russia consumed 1,026 (1,037) TWh of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 767 (769) TWh.

In the fourth quarter of 2013, the average electricity spot price, excluding capacity price, increased by 10% to RUB (Russian rouble) 1,136 (1,037) per MWh in the First price zone.

In January-December 2013, the average electricity spot price, excluding capacity price, increased by 10% to RUB 1,104 (1,001) per MWh in the First price zone.

More detailed information about the market fundamentals is included in the tables at the end of the report (page 62).

European business environment and carbon market

In January 2014, the European Commission published its proposal for the EU's climate and energy policy for 2020-2030. As a part of the proposal the Commission proposed an emissions reduction target of 40% by 2030 which is in line with the political target to reduce emissions by 80.95% by 2050. It is positive that in the 2030 framework the main focus is now more clearly on reducing greenhouse gases. In addition, a new stability mechanism for the emission trading was proposed.

Contrary to the current policy, only an EU-level target is proposed for renewable energy. Fortum considers this as a step in the right direction, although this EU-level target is binding and therefore creates some overlapping with the greenhouse gas emissions reduction target.

Fortum's view is that a energy and climate framework based on one single binding target for CO₂ and a non-binding target for renewables in 2030 would be a more cost-efficient solution to tackle climate change without compromising Europe's industrial competitiveness.

Fortum supports a technology-neutral approach both regarding climate policy and renewable energy, and the target for renewable energy (RES) should concentrate on promotion of research and development, innovations and demonstration, not on production. It is also important to integrate renewable electricity fully into the electricity market, as its amount and share will grow in the future. Increasing the share of renewable energy in the EU energy mix is a positive and desired development.

The EU carbon market was characterised by a significant surplus of allowances and therefore a low market price in 2013. The revision of the European emissions trading scheme (EU ETS) was lively debated throughout the whole year. After a lengthy process, in late 2013 and early 2014, the amendment of the emissions trading directive and changes to the auctioning regulation enabling the backloading of allowances from 2014-2016 to 2019-2020 were approved. The backloading concerns a total of 900 million allowances, is not expected to substantially increase the price. Backloading is expected to be implemented during the first half of 2014 and is the first step in the revision of the ETS. This revision aims at restoring confidence in the system and giving a price signal that encourages investments in low-carbon production methods.

The Commission released a proposal on the structural reform of the European Trading system (ETS) in January 2014. The proposal includes a market stability reserve, where the supply-demand balance is automatically managed by pre-defined rules from 2021 onwards. The proposal will be processed further by the new Commission and the Parliament.

Division reviews

Power

The Power Division consists of Fortum's power generation, power trading and power capacity development as well as expert services for power producers.

EUR million	IV/13	IV/12	2013	2012
Sales	542	719	2,248	2,415
- power sales	500	668	2,117	2,282
of which Nordic power sales*	455	609	1,866	2,086
- other sales	42	51	131	133
Operating profit	278	388	921	1,175
Comparable operating profit	207	381	858	1,146
Comparable EBITDA	241	410	1,003	1,260
Net assets (at period-end)			6,329	6,389
Return on net assets, %			14.6	18.7
Comparable return on net assets, %			13.8	18.5
Capital expenditure and gross investments in shares	62	64	180	190
Number of employees			1,709	1,846

Power generation by source, TWh	IV/13	IV/12	2013	2012
Hydropower, Nordic	3.9	7.1	18.1	25.2
Nuclear power, Nordic	6.0	6.5	23.7	23.4
Thermal power, Nordic	0.3	0.2	1.9	0.6
Total in the Nordic countries	10.2	13.8	43.7	49.2
Thermal power in other countries	0.1	0.3	1.0	1.1
Total	10.3	14.1	44.7	50.3

Nordic sales volumes, TWh	IV/13	IV/12	2013	2012
Nordic sales volume	10.6	14.2	45.3	50.7
of which Nordic power sales volume*	9.4	13.0	40.2	46.8

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

Sales price, EUR/MWh	IV/13	IV/12	2013	2012
Power's Nordic power price**	48.1	46.8	46.4	44.6

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

October–December

In the fourth quarter of 2013, the Power Division's comparable operating profit was EUR 207 (381) million, i.e. EUR 174 million lower than in the corresponding period in 2012. The all-time low hydropower production was the main reason for the decrease. Even though the Nordic inflow was approximately 20% higher compared to the corresponding period in 2012, inflow in Fortum's hydropower areas was approximately 25% lower than in the corresponding period in 2012.

Operating profit, EUR 278 (388) million, was affected by sales gains totalling EUR 7 (10) million and by non-recurring items, and the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments amounting to EUR 64 (-3) million (Note 4).

Power's achieved Nordic power price was EUR 48.1 (46.8) per MWh, or EUR 1.3 per MWh higher than in the corresponding period in 2012. The system and almost all area prices were slightly lower during the fourth quarter of 2013 compared to the same period in 2012. The average system spot price of electricity in Nord Pool was EUR 35.9 (37.3) per MWh. The average area price in Finland was EUR 39.9 (40.8) per MWh and in Stockholm, Sweden, (SE3) EUR 37.5 (37.5) per MWh.

The Power Division's result was burdened by the all-time low fourth quarter hydropower production 3.9 (7.1) TWh compared to the record-high production in 2012. Production volumes were affected by the clearly lower inflow and reservoir levels. Reservoir levels were at very low levels in the beginning of the quarter and were further affected by very low inflow. During the fourth quarter, Fortum's nuclear production was 6.0 (6.5) TWh. The decline was due to the temporary power restriction at Oskarshamn 3 and the outage at Oskarshamn 2 nuclear power plants in Sweden. The company had 0.3 (0.2) TWh of thermal production in the Nordic countries. The CO₂-free production amounted to 96% (96%).

The combined effect of volumes and the achieved Nordic power price had a negative impact of approximately EUR 175 million in the fourth quarter of 2013 compared to the corresponding period in 2012. Operating costs decreased due to savings achieved through the efficiency programme. The Swedish hydro-power property taxes increased by approximately EUR 15 million due to higher taxation values.

In the fourth quarter of 2013, the division's total power generation in the Nordic countries was 10.2 (13.8) TWh, which corresponds to an approximately 26% decrease compared to the same period in 2012.

In October, Fortum announced that it will supply nitrogen oxides reduction systems to coal-fired power plants owned by EDF Group in Krakow and Wroclaw, Poland. The deliveries are part of a project to be implemented in 2014-2015. The systems delivered by Fortum will bring the nitrogen emissions of the power plants to clearly below the European Union's new, strict emissions norms that take effect in 2016. The value of the delivery is EUR 90 million, and the project is being implemented in co-operation with Instal Kraków S.A.

January–December

In 2013, the Power Division's comparable operating profit was EUR 858 (1,146) million, i.e. EUR 288 million lower than in 2012. Significantly lower hydro volumes, the increased real-estate tax for hydropower in Sweden and the write-down of the Inkoo power plant were the main reasons for the decreased profit. The Nordic annual inflow was approximately 10% lower in 2013 compared to 2012. The annual inflow in Fortum's hydropower production areas was approximately 30% lower than in 2012.

Operating profit was EUR 921 (1,175) million. The operating profit was affected by sales gains totalling EUR 25 (57) million and by the IFRS accounting treatment (IAS 39) of derivatives used mainly for hedging Fortum's power production and nuclear fund adjustments amounting to EUR 38 (-28) million (Note 4).

The achieved Nordic power price was EUR 46.4 per MWh, or EUR 1.8 per MWh higher than in 2012. The average system spot price was EUR 38.1 (31.2) per MWh, and the average area price in Finland EUR 41.2 (36.6) per MWh and in Stockholm, Sweden, (SE3) 39.4 (32.3) per MWh.

Significantly lower water reservoir levels and lower inflow decreased hydro generation significantly compared to 2012. Olkiluoto and Forsmark had record-high production in 2013, nuclear outages were also shorter in 2013 resulting in higher volumes than during the corresponding period in 2012. Nuclear availability was at a good level in all reactors except Oskarshamn 1 and 2. The total nuclear volume was thus lower than during the corresponding period in 2012. In 2013, the Power Division had 1.9 (0.6) TWh of thermal production in the Nordic countries. Hence, the CO₂-free production amounted to 94% (97%).

The combined effect of volumes and the achieved Nordic power price had a negative impact of approximately EUR 235 million during January-December 2013 compared to the corresponding period in 2012. Operating costs decreased as a result of savings achieved through the efficiency programme, even with higher depreciation (EUR 9 million). In addition, the Swedish hydro power property taxes increased by EUR 45 million due to higher taxation values. The discontinuation of the Inkoo power plant caused an impairment loss of approximately EUR 20 million.

In 2013, the division's total power generation in the Nordic countries was 43.7 (49.2) TWh, which corresponds to an approximately 11% decrease compared to 2012.

Fortum has two fully-owned reactors in Loviisa, Finland, and the company is also a co-owner in eight reactors at the Olkiluoto, Oskarshamn and Forsmark nuclear power plants in Finland and Sweden. Nuclear availability was at a good level in all of the reactors except Oskarshamn 1 and 2, and all the annual outages were executed with good results.

2013 was a good production year for Fortum's Loviisa nuclear power plant. The plant produced a total of 8.04 terawatt hours, which is approximately 9% of Finland's total electricity production. The load factor, which depicts the power plant's availability, was 92.5%; Loviisa 1's load factor was 92.1% and Loviisa 2's 93%. On an international scale this was good compared to the worldwide load factor for pressurised water power plants of approximately 83% last year.

The process to update the real estate taxation values in Sweden for 2013 was finalised in the third quarter of 2013. The update is done on a six-year cycle and Fortum's costs increased by approximately EUR 45 million in 2013 compared to 2012. At the end of April 2013, Fortum filed a complaint with the EU Commission on the Swedish hydro tax to find out whether the structure of the tax is in line with the EU tax and State Aid regulations. The EU Commission informed Fortum in June that it will investigate the case in more detail, and the investigation was still on-going at the end of 2013.

In 2013, Fortum announced that it had decided to discontinue electricity production at its Inkoo coal-fired power plant in Finland. Production operations will end in February 2014, after which the company will mothball three units. As a consequence of the decision to cease production, Fortum booked an impairment loss of approximately EUR 20 million in the Power Division's results. The decision is based on the weak profitability of the Inkoo power plant.

At year-end, the Power Division's total power generating capacity was 9,475 (9,702) megawatts (MW), of which 9,335 (9,562) MW was in the Nordic countries. Hydropower capacity in the Nordic countries totalled 4,624 (4,627) MW, nuclear power capacity 3,276 (3,247) MW and condensing capacity 1,435 (1,688) MW.

Heat

The Heat Division consists of combined heat and power (CHP) generation, district heating activities and business-to-business heating solutions in the Nordic countries and other parts of the Baltic Rim.

EUR million	IV/13	IV/12	2013	2012
Sales	439	477	1,565	1,628
- heat sales	328	366	1,164	1,158
- power sales	69	68	234	232
- other sales	42	43	167	238
Operating profit	108	119	288	344
Comparable operating profit	106	94	273	271
Comparable EBITDA	164	153	489	481
Net assets (at period-end)			4,283	4,286
Return on net assets, %			7.2	8.8
Comparable return on net assets, %			6.8	7.0
Capital expenditure and gross investments in shares	131	190	397	474
Number of employees			2,102	2,212

October–December

The Heat Division's heat sales volumes amounted to 5.7 (6.4) TWh during the fourth quarter of 2013. During the same period, power sales volumes from CHP production totalled 1.4 (1.3) TWh. Power sales volumes were higher mainly due to better availability in Uimaharju, Finland, and new CHP production capacity. The warm weather burdened heat sales, as the temperatures were higher than average and much higher than in 2012.

The Heat Division's comparable operating profit in the fourth quarter was EUR 106 (94) million. The result increased mainly due to lower fuel costs and new CHP plants that were taken into production.

The operating profit in the fourth quarter totalled EUR 108 (119) million and was affected by sales gains totalling EUR 9 (23) million (Note 4).

January–December

Heat sales volumes during 2013 amounted to 19,0 (19.7) and power sales volumes from CHP production totalled 4.8 (4.2) TWh. The warm weather in the last quarter reduced heat volumes.

The Heat Division's comparable operating profit in 2013 was EUR 273 (271) million. The profit increase was mainly due to lower fuel costs. New CHP capacity and better availability, especially in Finland, increased power volumes. In 2013, fixed costs were lower due to the efficiency programme. Income from sales of CO₂ allowances decreased.

Operating profit in 2013 totalled EUR 288 (344) million. Sales gains related to divestments totalled EUR 18 (80) million (Note 4).

Heat sales by area, TWh	IV/13	IV/12	2013	2012
Finland	1.5	1.7	5.4	5.8
Sweden	2.4	2.9	8.3	8.5
Poland	1.3	1.5	4.1	4.3
Other countries	0.5	0.3	1.2	1.1
Total	5.7	6.4	19.0	19.7

Power sales, TWh	IV/13	IV/12	2013	2012
Total	1.4	1.3	4.8	4.2

At year-end, the Heat Division's power generating capacity totalled 1,398 (1,569) MW, of which 1,048 (1,315) MW was in the Nordic countries. The Heat Division's total heat production capacity was 7,943 (8,785) MW, of which 5,751 (6,785) MW was in the Nordic countries.

In September, Fortum disclosed that Fortum and the City of Stockholm have renewed their co-ownership agreement of Fortum Värme, the jointly-owned power and heat company operating in the capital area in Sweden. The agreement will come into force as of 2016, when the existing ownership agreement expires.

Russia

The Russia Division consists of power and heat generation and sales in Russia. The division also includes Fortum's over 25% holding in TGC-1, which is an associated company and is accounted for using the equity method.

EUR million	IV/13	IV/12	2013	2012
Sales	314	319	1,119	1,030
- power sales	214	207	822	713
- heat sales	98	102	290	300
- other sales	2	10	7	17
Operating profit	110	28	156	79
Comparable operating profit	110	28	156	68
Comparable EBITDA	115	57	258	189
Net assets (at period-end)			3,846	3,848
Return on net assets, %			5.2	3.0
Comparable return on net assets, %			5.2	2.7
Capital expenditure and gross investments in shares	141	257	435	568
Number of employees			4,162	4,253

Fortum operates in the well-developed industrial regions of the Urals and in the oil-producing Western Siberia.

The liberalisation of the Russian wholesale power market has been completed since the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity – an amount equalling the consumption of households and a few special groups of consumers – under regulated prices. During the fourth quarter of 2013, Fortum sold approximately 83% of its power production in Russia at a liberalised electricity price.

The capacity selection for generation built prior to 2008 (CCS -“old capacity”) for 2013 was held at the end of 2012. In the selection auction, the majority of Fortum's power plants were selected, with a price level close to the level received in 2012. Approximately 10% (265 MW) of the old capacity was

not allowed to participate in the selection for 2013, due to tightened technical requirements. It did, however, receive capacity payments at the capacity market price during 2013.

The generation capacity built after 2007 under the government capacity supply agreements (CSA – “new capacity”) receives guaranteed payments for a period of 10 years. The period and the prices for capacity under CSA are defined to ensure a sufficient return on investments. At the time of the acquisition in 2008, Fortum made a provision, as penalty clauses are included in the CSA agreement in case of possible delays. If the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not otherwise fulfilled, possible penalties can be claimed. The effect of changes in the timing of commissioning of new units is assessed at each balance sheet date and the provision is changed accordingly (Note 16).

The new capacity will bring income from new volumes sold and will receive considerably higher capacity payments than the old capacity. However, received capacity payments will differ depending on the age, location, type and size of the plant as well as seasonality and availability. The regulator will review the guaranteed CSA payments by re-examining 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 addition, CSA payments can vary somewhat annually because they are linked to the Russian Government long-term bonds with 8 to 10 years maturity.

The company’s extensive investment programme is a key driver of growth in Russia. The last units have been slightly delayed by some months and the programme is now due to be completed during the first half of 2015. After the completion of the investment programme, the power generation capacity of the Russia Division will have nearly doubled and will exceed 5,100 MW. Fortum’s goal is to achieve an operating profit level (EBIT) of about EUR 500 million run-rate in its Russia Division during 2015 and to create positive economic value added in Russia.

October–December

The Russia Division's power sales volumes amounted to 6.4 (6.7) TWh during the fourth quarter of 2013. Heat sales totalled 7.8 (8.6) TWh during the same period.

The Russia Division’s comparable operating profit was EUR 110 (28) million in the fourth quarter of 2013. The positive effect from the new units, receiving CSA payments, amounted to approximately EUR 79 (26) million, which included a reversal of the CSA provision totalling 38 million. In addition, EUR 40 million in compensation for CSA penalties was received from E4, the general contractor of the Nyagan power plant. The result was negatively impacted by approximately EUR 10 million, mainly due to unplanned outages, and therefore lost capacity and electricity income. The weakened Russian rouble exchange rate affected the result negatively by approximately EUR 6 million.

The operating profit was EUR 110 (28) million in the fourth quarter of 2013.

Key electricity, capacity and gas prices for Fortum Russia	IV/13	IV/12	2013	2012
Electricity spot price (market price), Urals hub, RUB/MWh	1,043	973	1,021	956
Average regulated gas price, Urals region, RUB/1000 m ³	3,423	2,924	3,131	2,736
Average capacity price for CCS “old capacity”, tRUB/MW/month*	181	168	163	152
Average capacity price for CSA “new capacity”, tRUB/MW/month*	635	627	576	539
Average capacity price, tRUB/MW/month	326	254	276	227
Achieved power price for Fortum Russia, EUR/MWh	33.3	30.9	32,1	30.6

*Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs and own consumption

January–December

The Russia Division's power sales volumes amounted to 25.6 (23.3) TWh during January-December 2013. Heat sales totalled 24.1 (26.4) TWh during the same period.

The Russia Division's comparable operating profit was EUR 156 (68) million in January-December 2013. The positive effect from the commissioning of the new units amounted to approximately EUR 163 (87) million, including a reversal of the CSA provision totalling EUR 48 million. In addition, the EUR 40 million in compensation for CSA penalties received from E4 (the general contractor of the Nyagan power plant) was booked and recognised in the fourth quarter. The result was burdened by EUR 16 million in bad debt losses for Energostream group and EUR 23 million due to unplanned outages. In addition, volumes were impacted negatively by the lower heat volumes due to exceptionally warm weather at both the beginning and end of 2013 as well as by the divestment of the heating network assets in Surgut in 2012.

Operating profit was EUR 156 (79) million in January-December 2013. In 2012, the operating profit included a gain of EUR 11 million relating to the divestment of heating network assets in Surgut.

In late March, Fortum finished the final stages in the construction of its Nyagan power plant unit 1. Accordingly, the company started receiving capacity payments for the unit from 1 April 2013 onwards. As of 1 December also Nyagan power plant unit 2 was commissioned and started receiving capacity payments. Nyagan 3 will be finalised at the end of 2014. The capacity payments for the Nyagan unit 3 will start as of 1 January 2015.

At year-end, the Russia Division's total power generating capacity was 4,250 (3,404) MW and the division's total heat production capacity was 13,466 (13,396) MW.

Electricity Solutions and Distribution

The division is responsible for Fortum's electricity sales and distribution activities and consists of two business areas: Distribution and Electricity Sales.

Distribution

Fortum owns and operates distribution and regional networks and distributes electricity to a total of 1.6 million customers in Sweden, Finland and Norway.

EUR million	IV/13	IV/12	2013	2012
Sales	284	314	1,075	1,070
- distribution network transmission	234	250	896	877
- regional network transmission	33	33	129	125
- other sales	17	31	50	68
Operating profit	76	104	348	331
Comparable operating profit	77	102	331	320
Comparable EBITDA	133	158	550	529
Net assets (at period-end)			3,770	3,889
Return on net assets, %			9.2	9.1
Comparable return on net assets, %			8.8	8.8
Capital expenditure and gross investments in shares	92	117	260	324
Number of employees			852	870

October–December

The volume of distribution and regional network transmissions during the fourth quarter of 2013 totalled 7.1 (7.8) TWh and 4.3 (4.7) TWh, respectively. Volumes were lower due to warmer weather.

The Distribution business area's comparable operating profit was EUR 77 (102) million. The decrease was due to costs from heavy storms in Sweden and Finland particularly in December and the very mild weather.

Operating profit in the fourth quarter of 2013 totalled EUR 76 (104) million and was affected by sales gains totalling EUR 0 (0) million (Note 4).

January–December

In 2013, the volume of distribution and regional network transmissions totalled 26.1 (26.6) TWh and 16.3 (17.3) TWh, respectively.

The Distribution business area's comparable operating profit was EUR 331 (320) million. The increased profits are mainly attributable to an increased amount of relocation of cables and parts of the network.

Operating profit in January-December 2013 totalled EUR 348 (331) and was affected by sales gains totalling EUR 17 (5) million (Note 4).

In January 2013, Fortum announced that it had decided to assess the strategic position of its electricity distribution business; the assessment was concluded in December. The assessment has no impact on Fortum's electricity distribution customers and excludes the company's electricity retail business.

The Finnish government submitted a Government Bill for the renewal of electricity market legislation in the spring of 2013, and the new Electricity Market act came into force on 1 September 2013. The new legislation includes implementation of the 3rd electricity market directive and functional demands on electricity grids. This includes that the maximum length of outages should be limited to six hours for urban areas and 36 hours for rural areas after a 15-year transition period. Also, gradual increases in customer compensation for long outages have been included; 150% of the annual grid fee after 8 days of outage and 200% of the annual grid fee for outages longer than 12 days. The maximum amount would be increased from 700 euros to 2,000 euros by 2015.

Both in Finland and Sweden, legal processes are under way concerning the appeals filed regarding the network income regulatory period 2012-2015, which came into force as of 1 January 2012. In Finland, the appeal of the national grid company Fingrid is being processed in the Supreme Administrative Court; in Sweden the Administrative Court ruled in favour of the network companies, in December. The Energy Market Inspectorate decided, however, to appeal the decision, and the process continues.

At the end of 2013, a total of almost 620,000 smart meters with hourly measurement capabilities have been installed for network customers in Finland over the course of three years in Fortum's electricity distribution areas (434,000 at year-end 2012). The new meters are part of the smart electricity network of the future, enabling more efficient energy use through, for example, hourly measurement of electricity consumption and real-time billing, and supporting the transition towards a more sustainable energy system. The new legislation on hourly meter reading in Finland became effective as of 1 January 2014.

Volume of distributed electricity in distribution network, TWh	IV/13	IV/12	2013	2012
Sweden	3.8	4.2	14.1	14.4
Finland	2.6	2.8	9.5	9.8
Norway	0.7	0.8	2.5	2.4
Total	7.1	7.8	26.1	26.6

Number of electricity distribution customers by area, thousands	31 December 2013	31 December 2012
Sweden	903	898
Finland	642	633
Norway	103	102
Total	1,648	1,633

Electricity Sales

The Electricity Sales business area is responsible for retail sales of electricity as well as smart electricity solutions and services to a total of 1.2 million private customers. In addition, standardised products are offered for large corporate customers (Sales Trading). Fortum is a leading seller of CO₂-free electricity in the Nordic countries. Electricity Sales buys its electricity from the Nordic power exchange.

EUR million	IV/13	IV/12	2013	2012
Sales	196	221	744	722
- power sales	191	214	723	697
- other sales	5	7	21	25
Operating profit	11	6	56	39
Comparable operating profit	7	10	48	39
Comparable EBITDA	8	10	50	40
Net assets (at period-end)			39	51
Return on net assets, %			148.9	152.3
Comparable return on net assets, %			137.9	203.1
Capital expenditure and gross investments in shares	1	1	1	1
Number of employees			496	509

October–December

During the fourth quarter of 2013, the business area's electricity volume sales to retail customers totalled 3.4 (3.7) TWh and Sales Trading 0.3 (0.5) TWh (reported until 2012 in the Other segment). The lower volume was due to much warmer weather than average.

Electricity Sales' comparable operating profit in the fourth quarter of 2013 totalled EUR 7 (10) million.

The operating profit totalled EUR 11 (6) million and was affected by an IFRS accounting treatment (IAS 39) of derivatives (Note 4).

January–December

In 2013, the business area's electricity sales volume to retail customers totalled 12.1 (12.1) TWh and Sales Trading 1.5 (2.1) TWh (reported until 2012 in the Other segment).

Electricity Sales' comparable operating profit in 2013 totalled EUR 48 (39) million. The increase was mainly due to favourable wholesale market conditions, an increased customer base and Sales Trading.

The operating profit totalled EUR 56 (39) million and was affected by an IFRS accounting treatment (IAS 39) of derivatives (Note 4).

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares totalled EUR 436 (632) million in the fourth quarter of 2013. Investments, excluding acquisitions, were EUR 434 (621) million.

In 2013, capital expenditures and investments in shares totalled EUR 1,299 (1,574) million. Investments, excluding acquisitions, were EUR 1,284 (1,558) million.

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts *
Power				
Hydro refurbishment	Hydropower	10		2014
Heat				
Värtan, Sweden	Biofuel (CHP)	130	280	Q2 2016
Russia*				
Nyagan 3	Gas (CCGT)	418		2H 2014
Chelyabinsk 1	Gas (CCGT)	248	175	1H 2015
Chelyabinsk 2	Gas (CCGT)	248	175	1H 2015

*) Start of commercial operation.

Power

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. Based on the progress reports received from the plant supplier, AREVA-Siemens Consortium, TVO is preparing for the possibility that the start of regular electricity production at OL3 may be postponed until 2016.

The Board of Directors of TVO proposed in February a new EUR 300 million shareholder loan commitment to the company's B-series shareholders. By means of the shareholder loan, TVO will prepare to maintain a sufficient level of equity in the OL3 project and cope with possible additional delays and costs in finalising the project. In June, all the B-series shareholders signed the loan agreement in accordance with the proposal made by the Board of Directors. Fortum's share of the new shareholder loan is 25% (EUR 75 million). In addition, Fortum has earlier committed to another EUR 300 million shareholder loan in the OL3 project; Fortum's share of that shareholder loan is 25% as well.

In June, TVO withdrew EUR 100 million from the first EUR 300 million shareholder loan commitment for the OL3 project; Fortum's share was EUR 25 million.

Wind power production was started at the Blaiken wind power park (75 MW) in the first quarter of the year. The first 30 windmills underwent test runs in February and commercial production was started in the second quarter. The Blaiken wind power park is co-owned by Skellefteå Kraft (60%) and Fortum (40%).

In July, Fortum completed the divestment of its 33% holding in Infratek ASA to a fund managed by Triton, following the approval of the Swedish and Norwegian competition authorities. The sales price was approximately EUR 38 million. A sales gain of EUR 11 million was booked in the Power Division's third-quarter 2013 results.

In September, Fortum and Metsähallitus agreed to sell their Kuolavaara-Keulakkopää (50 MW) and Joukhaiselkä (25 MW) pre-construction stage wind power projects in Lapland to the Impax New Energy Investors II Fund ("NEF II") managed by Impax Asset Management. Fortum's share of the projects is 51% and Metsähallitus' 49%. The transaction will be implemented in phases and the sale is expected to be completed during the first quarter of 2014. The transaction will have a minor impact on Fortum's Power Division's financial results and it will be booked over several quarters. The sale price and other terms are not disclosed.

Heat

In January, the cornerstone for the new, EUR 500 million biofuel-fired CHP plant was laid in Stockholm (Värtan), Sweden; the plant is scheduled to be ready in 2016. This project is the largest ongoing investment in the Heat Division.

In May, Fortum's new waste-fuelled CHP plant was inaugurated in Klaipeda, Lithuania. Commercial operation started at the end of the first quarter. The Klaipeda CHP plant has a capacity of 60 MW heat and 20 MW electricity. With an efficiency of almost 90%, it is able to incinerate 230,000 tonnes of waste and biomass annually, and by replacing gas-fired capacity it reduces CO₂ emissions by approximately 100,000 tons annually.

In June, a new bio-fuelled CHP plant was inaugurated in Järvenpää, Finland. Commercial operation started in April. The plant has a capacity of 63 MW heat and 23 MW electricity. Also in June, Fortum announced that it is acquiring district heating operations from the Estonian company Eraküte in the city of Tartu. Eventually, Fortum plans to connect the acquired network area to Fortum's current network supplied by the company's biomass and peat-fired Tartu CHP plant. This will enable a larger use of biomass, reduce CO₂ emissions and increase efficiency of heat production. After the acquisition, Fortum owns the whole district heating network of Tartu.

In September, Fortum inaugurated the first large-scale biomass CHP plant in Latvian city of Jelgava. The new plant covers approximately 85% of the city's district heating demand. Fortum's new power plant uses wood chips as fuel and replaces old natural gas-fired heat production in Jelgava. The production capacity of the Jelgava power plant is 23 MW electricity and 45 MW heat. The plant will produce approximately 110 GWh of electricity and 230 GWh of heat per year.

In October, Fortum disclosed that it had sold its Kuusamo combined heat and power plant to the Finnish energy company Adven Oy. The sale had a minor impact on Fortum's financial result.

In November, Fortum sold its 50% stake in the Finnish district heating company Riihimäen Kaukolämpö Oy to the City of Riihimäki and to Riihimäen Kaukolämpö Oy. The divestment had a minor impact on Fortum's financial result. The total sales price was EUR 11 million.

In November, Fortum inaugurated the second unit at the Brista CHP plant in Sigtuna, Stockholm. Brista 2 produces heat and power from 240,000 tonnes of sorted municipal and industrial waste annually and has a capacity of 57 MW heat and 20 MW electricity. The annual heat production is about 500 GWh, and the estimated annual electricity production is 140 GWh. Fortum co-owns the plant (85%) together with the municipal energy company Sollentuna Energi (15%). Final testing was started late 2013.

In 2013, Heat launched a new commercial concept for bio-oil. In the future, besides heat and electricity, CHP+ plants will produce bio-oil; in these plants, pyrolysis is integrated into the production process. The commercial scale CHP+ plant is the first of its kind in the world and is being integrated with Fortum's Joensuu CHP plant in Finland. The Joensuu bio-oil plant's annual production of 50,000 tonnes corresponds to the heating needs of more than 10,000 households. Fortum Otso® bio-oil can be used at heat plants or in industrial steam production as a replacement for heavy and light fuel oil, and in the future, bio-oil can be used as a raw material for various biochemicals or traffic fuels.

In December, Fortum announced that it sold its combined heat and power (CHP) plant as well as its natural gas and district heating network in the town of Nokia to the Finnish energy company Leppäkosken Sähkö. Fortum also announced the sale of the Kauttua combined heat and power plant in Eura, in south-western Finland, to the Finnish energy company Adven Oy. The sales had a minor impact on Fortum's financial performance and the parties have agreed not to disclose the sales price. In addition, in December, Fortum's Uimaharju combined heat and power plant ownership was transferred to Stora Enso as part of an arrangement signed in 1990. According to the agreement, the transfer price paid by Stora Enso is approximately EUR 15 million. The impact on Fortum's financial result was marginal.

Russia

In late March, Fortum finished the final stages in the construction of its Nyagan power plant unit 1. Accordingly, the company started receiving capacity payments for the unit as of 1 July 2013. The unit's capacity was certified to exceed 420 MW.

As of 1 December, Nyagan unit 2 was commissioned and started receiving capacity payments. The second unit's certified capacity is 424 megawatts (MW).

Distribution

In June, Fortum agreed to sell its 47.9% ownership in the Swedish energy company Härjeåns Kraft Ab to the Finnish energy company Oy Herrfors Ab, a subsidiary of Katternö Group. The sales price was SEK 445 million (approximately EUR 51 million). The transaction was completed in July and Fortum booked a sales gain of EUR 17 million to Distribution's third-quarter 2013 financial result.

In December, Fortum disclosed that it had completed the assessment of the future alternatives of its electricity distribution business; the assessment was launched in January 2013. After thorough consideration, the company concluded that divesting the electricity distribution business is the best solution for the business and its customers, Fortum's shareholders and the company's other businesses. Fortum is evaluating the possible further divestment opportunities country by country.

In December 2013, Fortum disclosed that it has agreed to sell its electricity distribution business in Finland to Suomi Power Networks Oy. The total consideration is EUR 2.55 billion on a debt- and cash-free basis. Fortum expects to complete the divestment process during the first quarter of 2014, subject to the necessary regulatory approvals as well as customary closing conditions. Fortum expects to book a one-time sales gain of EUR 1.8-1.9 billion corresponding to approximately EUR 2.00 per share.

Other

In June, Fortum acquired a solar power plant in the state of Rajasthan, in north-western India. The company's short-term ambition is to build a small photo-voltaic (PV) solar portfolio in order to gain experience in different solar technologies and in operating in the Indian power market. The power plant's nominal peak capacity is 5.4 MW and its annual production is approximately 9 gigawatt-hours. The plant will receive a higher, guaranteed electricity price for 25 years. The period and the prices for power generation under the government's power purchase agreement are defined to ensure a sufficient return on investment. In the short term, Fortum is looking to invest some tens of

millions of euros – including this acquisition – in developing its PV solar competence and operations in India.

Shares and share capital

Fortum Corporation is listed on the NASDAQ OMX Helsinki Ltd. During 2013, a total of 465.0 (494.8) million Fortum Corporation shares, totalling EUR 7,027 million, were traded on the NASDAQ OMX Helsinki Ltd. The highest quotation of Fortum Corporation shares during the reporting period was EUR 18.18, the lowest EUR 13.10, and the volume-weighted average EUR 15.11. The closing quotation on the last trading day of 2013 was EUR 16.63 (14.15). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was approximately EUR 14,774 million.

In addition to the NASDAQ OMX Helsinki Ltd., Fortum shares were traded on several alternative market places, for example Boat, BATS Chi-X and Turquoise, and on the OTC market. In 2013, approximately 58% of Fortum's traded shares were traded on markets other than the NASDAQ OMX Helsinki Ltd.

At the end of 2013, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not own its own shares. The number of registered shareholders was 132,072. The Finnish State's holding in Fortum was 50.8% and the proportion of nominee registrations and direct foreign shareholders was 26.2% at the end of the review period.

The Board of Directors has no unused authorisations from the Annual General Meeting of Shareholders to issue convertible loans or bonds with warrants or to issue new shares.

Group personnel

Fortum's operations are mainly based in the Nordic countries, Russia and Baltic Rim area. The total number of employees at the end of December was 9,886 (10,371 at the end of 2012).

The Power Division had 1,709 (1,846) employees, the Heat Division 2,102 (2,212), the Russia Division 4,162 (4,253), the Distribution business area 852 (870), the Electricity Sales business area 496 (509) and Other 565 (681) at the end of December 2013.

Possible headcount reductions due to Fortum's efficiency program have been implemented on a unit level by using natural rotation, rearranging of vacant jobs and by retirement. During 2013, the efficiency programme proceeded according to plan and vacant jobs have primarily been filled internally. The possibilities for internal rotation were improved during the year. By rotating staff between different countries and divisions, we improve know-how and develop the exchange of competencies throughout the organisation.

Research and development

Sustainability is at the core of Fortum's strategy, and Fortum's research and development activities promote environmentally-benign energy solutions. Investments in the development of renewable energy production, like wave and solar power, are an important part of Fortum's strategy implementation.

In 2013, Fortum decided to participate in the Sustainable Bioenergy Solutions for Tomorrow (BEST) research programme established by two Strategic Centres for Science, Technology and Innovation

(SHOK), CLEEN Oy and FIBIC Oy, in Finland and India. The programme's goal is to encompass a completely new kind of collaboration between forestry and energy know-how.

Fortum is also a co-signer along with DCNS and AW-Energy of a development agreement in wave power research and development with the support of La Région Bretagne. As part of the agreement, the companies will develop a joint 1.5-MW wave power demonstration project. Fortum will be responsible for project development and will be the owner of the demonstration park. The agreement is an extension to the wave power research and development collaboration initiated in 2011 by DCNS and Fortum.

In addition, Fortum received a special award for innovation from the Global District Energy Climate Awards organisation. The prize was awarded to Fortum for its investment project using fast pyrolysis technology to produce bio-oil in connection with existing district heating production and a combined heat and power plant. Commissioned at the end of the year, the commercial plant is the first of its kind in the world and integrated with Fortum's Joensuu CHP plant. The use of bio-oil has significant positive environmental impacts because energy produced with bio-oil reduces greenhouse gas emissions by as much as 90% or more compared to fossil fuels.

Fortum acquired a solar power plant in the state of Rajasthan, in north-western India. The company's short-term ambition is to build a small photo-voltaic (PV) solar portfolio in order to gain further experience in different solar technologies.

The Group reports its R&D expenditure on a yearly basis. In 2013, Fortum's R&D expenditure was EUR 49 (41) million or 0.8% (0.7%) of sales.

Sustainability

Fortum strives for balanced management of economic, social and environmental responsibility in the company's operations. Fortum's sustainability targets consist of Group-level key indicators and division-level indicators.

The Group-level sustainability targets emphasise Fortum's role in society and measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, and the security of supply of power and heat.

The achievements of the sustainability targets are monitored through monthly, quarterly and annual reporting. As of the beginning of 2013, results of the sustainability indicators have been regularly reported to Fortum's Board of Directors. In June 2013, the Board of Directors decided on a more systematic handling of sustainability issues and supplemented their working order with the approval of Fortum Corporation's Sustainability Policy, sustainability target setting as well as follow-up and the review of Fortum's Sustainability Report.

The company is listed on the STOXX Global ESG Leaders, the NASDAQ OMX and OMX GES Sustainability Finland indices. In October 2013, Fortum was awarded as the best Nordic company in the Nordic Climate Disclosure Leadership Index focusing on management and reporting of climate issues. Fortum received its all-time high score – a full 100/100. In December Fortum was listed in ECPI® Indices.

Sustainability target setting and performance

Sustainability targets		IV/13	2013	Five-year average
Specific CO ₂ emissions from power generation in the EU as a five-year average, g/kWh	< 80	65	70	66
Specific CO ₂ emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	195	196	186
Overall efficiency of fuel use as a five-year average, %	> 70	67	61	66
Environmental incidents	< 40	16	51	
Energy availability of CHP plants in the EU, %	> 92	93	94	
SAIDI*, minutes in 2013	< 110	157	220	
Lost workday injury frequency (LWIF) for own personnel	< 1.0	1.2	1.1	

* System Average Interruption Duration Index

Targets for reputation and customer satisfaction are monitored annually. In the One Fortum Survey for 2013 the result was 69.8 (target for 2013 was 69.6) and the company's reputation among the key stakeholders was good. Customer satisfaction improved in all divisions.

Economic responsibility

In the area of economic responsibility, the focus is on competitiveness, performance excellence and market-driven production. The aim is to create long-term economic value and enable profitable growth and added value for shareholders, customers, employees, suppliers, and other key stakeholders in the company's operating areas. Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. The key figures by which Fortum measures its financial success include return on capital employed (target: 12%), return on shareholders' equity (target: 14%) and capital structure (target: comparable net debt/EBITDA around 3). In addition, Fortum also uses the applicable Global Reporting Initiative (GRI) G3.1 indicators for reporting economic responsibility.

Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources as well as management of the impacts of our energy production, distribution and supply chain. Our know-how in CO₂-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 CO₂ emissions, energy efficiency as well as environmental incidents and non-compliances. At the end of September 2013, ISO 14001 certification covered 96% of Fortum's power and heat production and distribution operations worldwide.

Fortum's climate targets over the next five years are: specific CO₂ emissions from power generation in the EU below 80 grams per kilowatt-hour (g/kWh) and total specific CO₂ emissions from both electricity and heat production in all countries below 200 g/kWh. Both targets are calculated as a five-year average. At the end of December 2013, the five-year average for specific CO₂ emissions from power generation in the EU was at 66 (60) g/kWh and the total specific CO₂ emissions from energy production were at 186 (179) g/kWh, both better than the target level.

Fortum's total CO₂ emissions in 2013 amounted to 20.9 (20.7) million tonnes (Mt), of which 6.0 (4.8) Mt were within the EU's emissions trading scheme (ETS). Since 2013, electricity production does not

receive free allowances in the EU ETS. The amount of free allowances for heat will gradually decrease during 2013-2020 as well. Plant-specific free allowances have not yet been confirmed for 2013. The preliminary estimate for Fortum is about 3.0 Mt, which is clearly less than the 5.4 Mt in 2012.

Fortum's total CO ₂ emissions (million tonnes, Mt)	IV/13	IV/12	2013	2012
Total emissions	5.6	6.2	21.3	20.7
Emissions subject to ETS	1.4	1.7	6.0	4.8
Free emissions allocation			3.0*	5.4
Emissions in Russia	4.2	4.5	15.3	15.6

*pending the European Commission's approval

Fortum's energy efficiency target is to raise the overall efficiency of fuel use to 70% as a five-year average. In 2013, the overall efficiency of fuel use was 61% (64%) and the five-year average after September was 66% (67%), meaning the target level was not met.

Fortum's target is for fewer than 40 environmental incidents annually. In 2013, a total of 51 (36) environmental incidents took place in Fortum's operations. This includes 19 leaks or spills of oil into the environment, 12 fires, 14 environmental non-compliances, four explosions and two International Nuclear Event Scale 1 incidents (INES). None of these incidents had significant environmental or financial impacts.

Social responsibility

In the area of social responsibility, Fortum's innovations and the secure supply of low-carbon power and heat support the development of society and increase well-being. Good corporate citizenship, reliable energy supply and ensuring a safe working environment for all employees and contractors at Fortum sites are emphasised. At the end of 2013, OHSAS 18001 certification covered 75% of Fortum's power and heat production and distribution operations worldwide.

In 2013, the average energy availability of Fortum's European CHP plants was 93.9 (90.9), which is above the annual target level of 92%. In electricity distribution, the cumulative SAIDI (System Average Interruption Duration Index) was 220 (103) minutes in 2013, while the annual target is less than 110 minutes. The high SAIDI was caused by severe storms in Finland and Sweden in December 2013.

In 2013, the Group-level lost workday injury frequency (LWIF) was 1.1 (1.5), which is close to the target level of less than one per million working hours for Fortum's own personnel. In contrast to the LWIF for Fortum's own employees, contractor safety has not developed as desired. The injury frequency is higher than in 2012. In 2013, safety improvements have been implemented and include more precise instructions and requirements and increased supervision of high risk jobs. Fortum's categorical target is to avoid serious injuries.

Fortum wants to conduct business with viable companies that act responsibly and comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. In 2013, Fortum audited 13 suppliers, focusing on biomass suppliers and contractors.

Changes in Fortum's Management

In March, Fortum Corporation's President and CEO Tapio Kuula was diagnosed with a condition requiring medical treatment. He started his sick leave immediately. During Tapio Kuula's leave of absence, Fortum's CFO Markus Rauramo assumed responsibility for the duties of President and CEO. President and CEO Kuula returned to work during the second half of November 2013.

Kaarina Ståhlberg, LL.M. (Helsinki University), LL.M. (Columbia University, New York), 46, was appointed General Counsel and member of Fortum Corporation's Management Team as of 1 September 2013. She reports to the President and CEO.

Annual General Meeting 2013

Fortum Corporation's Annual General Meeting, which was held in Helsinki on 9 April 2013, adopted the financial statements of the parent company and the Group for 2012 and discharged the members of Fortum's Board of Directors as well as the President and CEO from liability for 2012.

The Annual General Meeting decided to pay a dividend of EUR 1.00 per share for 2012. The record date for the dividend payment was 12 April 2013 and the dividend payment date was 19 April 2013.

The Annual General Meeting confirmed the number of members in the Board of Directors to be seven. Sari Baldauf was re-elected as Chairman and Christian Ramm-Schmidt as Deputy Chairman, and members Minoo Akhtarzand, Heinz-Werner Binzel, Ilona Ervasti-Vaintola, Kim Ignatius and Joshua Larson were re-elected.

The Annual General Meeting confirmed the annual compensation of EUR 75,000 per year to the Chairman, EUR 57,000 per year to the Deputy Chairman and EUR 40,000 per year to each member of the Board, as well as EUR 57,000 per year to the Chairman of the Audit and Risk Committee if he or she is not at the same time acting as Chairman or Deputy Chairman. In addition, a EUR 600 fee is paid for Board meetings as well as for committee meetings. The meeting fee is doubled for Board members who live outside Finland but in Europe and tripled for members living elsewhere outside Finland. Members of the Board of Directors are compensated for travel expenses in accordance with the company's travel policy.

The Annual General Meeting also resolved to appoint a permanent Shareholders' Nomination Board. The purpose and task of the Nomination Board is to prepare and present to the Annual General Meeting, and if necessary, to an Extraordinary General Meeting, a proposal on the number of the members of the Board of Directors, on the members of the Board of Directors as well as on their remuneration. In addition, the Nomination Board is responsible for identifying candidates as potential board members. The Nomination Board will consist of four members, three of which shall be appointed by the Company's three largest shareholders, who will appoint one member each. The Chairman of the Company's Board of Directors serves as the fourth member. The Chairman of the Board of Directors shall convene the first meeting of the Nomination Board. Once the Nomination Board has been appointed, Fortum will disclose its composition with a stock exchange release. The Nomination Board shall elect a Chairman from its members and the Nomination Board's Chairman shall be responsible for convening subsequent meetings. The Nomination Board is established to exist and serve until the General Meeting of the Company decides otherwise. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them. The Nomination Board shall forward its proposals for the Annual General Meeting to the Company's Board of Directors by 31 January each year. Proposals intended for an Extraordinary General Meeting shall be forwarded to the Company's Board of Directors in time for them to be included in the notice to the General Meeting.

In addition, Authorised Public Accountant Deloitte & Touche Oy was re-elected as auditor, and the auditor's fee is paid pursuant to an invoice approved by the company.

Updated dividend policy

In April 2013, Fortum's Board of Directors updated the company's dividend policy. The new 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.

Events after the balance sheet date

In February, Fortum announced that it will renew its business structure as of 1 March 2014. The target of the reorganisation is to strengthen Fortum's capability to execute the company's strategy in the fast developing operating environment. Fortum will report its 2014 first quarter financial results according to the new structure.

The new structure will consist of four reporting segments and staff functions. The four segments are Heat, Electricity Sales and Solutions, Power and Technology, Russia and Distribution. The staff functions Finance, Strategy, Mergers and Acquisitions, Legal, Human Resources and IT, Communications and Corporate Relations.

Matti Ruotsala is appointed Chief Operating Officer (COO) and will act as deputy to the CEO. Fortum's new CFO will be Timo Karttinen, who also will head the Distribution Division. Markus Rauramo will continue in a new role as Executive Vice President, Heat, Electricity Sales and Solutions, Per Langer as Executive Vice President, Hydro Power and Technology and Alexander Chuvaev as Executive Vice President, Russia.

New Executive Management members are Tiina Tuomela, Executive Vice President, Nuclear and Thermal Power; Kari Kautinen, Senior Vice President, Strategy, Mergers and Acquisitions and Esa Hyvärinen, Senior Vice President, Corporate Relations.

Outlook

Key drivers and risks

Fortum's financial results are exposed to a number of strategic, political, financial and operational risks. The key factor influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, fuel and CO₂ emissions allowance prices as well as the hydrological situation. The completion of Fortum's investment programme in Russia is also one key driver to the company's result growth, due to the increase in production volumes.

The continued global economic uncertainty and Europe's sovereign-debt crisis has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO₂ emissions allowance prices, and this could maintain downward pressure on the Nordic wholesale price for electricity in the short term. In the Russian business, the key factors are 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 SEK and RUB. In the Nordic countries, also the regulatory and fiscal environment for the energy sector has added risks for utility companies.

Nordic market

Despite macroeconomic uncertainty, electricity will continue to gain a higher share of the total energy consumption. Fortum continues to expect the annual growth rate in electricity consumption to be in average 0.5%, while the growth rate for the nearest years will largely be determined by macroeconomic development in Europe and especially in the Nordic countries. The new 650-MW Estlink-2 interconnector between Finland and Estonia increases market coupling between the Nordic and Baltic countries.

During the fourth quarter of 2013, the price of oil improved, whereas coal and EUA ended close to their opening levels. The price of electricity for the upcoming twelve months clearly decreased in the Nordic area, whereas in Germany it was largely unchanged.

In late January 2014, the future quotation for coal (ICE Rotterdam) for the rest of 2014 was around USD 81 per tonne, and the price for CO₂ for 2014 was about EUR 6 per tonne.

In late January 2014, the electricity forward price in Nord Pool for the rest of 2014 was around EUR 32 per MWh. For 2015 the price was around EUR 33 per MWh, and for 2016 around EUR 33 per MWh. In Germany, the electricity forward price for the rest of 2014 was around EUR 36 per MWh and for 2015 EUR 37 per MWh.

In late January 2014, Nordic water reservoirs were about 1 TWh above the long-term average and 1 TWh above the corresponding level of 2013.

Power

The Power Division's 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 the changes in the power generation mix, a 1 EUR/MWh change in the Power Division'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 Division will be affected by the possible thermal power generation volumes and its profits.

The on-going multi-year Swedish nuclear investment programmes are expected to enhance safety, improve availability and increase the capacity of the current nuclear fleet. The implementation of the investment programmes could, however, affect availability. Fortum's power procurement costs from co-owned nuclear companies are affected by these investment programmes through increased depreciation and finance costs of associated companies.

Russia

The generation capacity built after 2007 under the Russian Government's Capacity Supply Agreements (CSA – “new capacity”) receives guaranteed capacity payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments.

Capacity not under CSA competes in the competitive capacity selection (CCS – “old capacity”). The capacity selection for 2014 was held in September 2013. In the selection auction, the majority of Fortum's power plants were selected. The volume of Fortum's installed capacity not selected in the auction totalled 132 MW, which is approximately 4.6% of Fortum's total installed capacity. All of Fortum's capacity was allowed to participate in the selection for 2014.

The Russia Division's new capacity will be a key driver for earnings growth in Russia as it will bring income from new volumes sold and also receive considerably higher capacity payments than the old

capacity. However, the received capacity payment will differ depending on the age, location, size and type of the plants as well as seasonality and availability. The return on the new capacity is guaranteed, as regulated in the CSA. 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. CSA payments can vary somewhat annually because they are linked to Russian Government long-term bonds with 8 to 10 years maturity.

Fortum estimates that the commissioning of the Nyagan unit 3 will be finalised at the end of 2014. The capacity payments for Nyagan unit 3 will start as of 1 January 2015, one year earlier than originally planned in 2008. In accordance with the CSA terms, no penalties for unit 3 can start to run before 1 January 2016.

The last two units of Fortum's Russian investment programme under construction are being built in Chelyabinsk instead of Tyumen, as originally planned. The units constructed at the Chelyabinsk GRES power plant, originally planned to be commissioned by the end of 2014, have been slightly delayed and are scheduled to be finalised during the first half of 2015 mainly due to extensive groundwork at the brownfield site. The delay will not cause any penalties. In addition, Fortum plans to modernise and upgrade the existing equipment of the power plant.

The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2013, is estimated to be approximately EUR 0.5 billion, as of January 2014.

After completing the on-going investment programme by mid-2015, Fortum's goal is to achieve an operating profit level (EBIT) of about EUR 500 million run-rate in its Russia Division during 2015 and to create positive economic added value in Russia. The Russian Government's earlier target to increase gas prices by 15% annually to reach netback price parity with European prices by 2018 has recently been changed. The forecast by the Russian Ministry of Economic Development now suggests much lower annual increases. The Russia Division's profits are impacted by possible changes in gas prices, currency exchange rates and other regulations. The suggested gas price development and the weaker Russian rouble make the approximately EUR 500 million operating profit level (EBIT) goal more challenging for the Division, but the company is making every effort to mitigate the negative impacts.

In 2013, the Ministry of Energy stated that a Heat reform should be developed before changing the current Electricity and Capacity Market model. Therefore, at the end of the year, the Ministry of Energy proposed a new heat market model (for public discussion), which is supposed to ensure transition to economically justified heat tariffs by 2020 and to attract investments into the heat sector. The new regulation concept is at an early stage and expected to be further developed during 2014.

Since the beginning of 2013, wholesale gas prices (except for private household and industrial consumers) have been reviewed quarterly. In February 2013, the Board of Russia's Federal Tariff Service (FTS) adopted a decision according to which the wholesale gas price for industrial consumers decreased by 3% as of the second quarter 2013, compared to first quarter. As of 1 July 2013, the Russian Government increased gas prices by 15% compared to June 2013, and in October 2013 they were further increased by 1.9% in order to reach the planned total increase of approximately 15% in 2013 compared to 2012. According to a forecast made by the Russian Ministry of Economic Development, Russian gas price indexation will not take place as of July 2014. However, year-on-year gas price growth is estimated to be 7.6% in 2014.

Distribution

Fortum has disclosed that it has completed the assessment of the future alternatives of its electricity distribution business; the assessment was launched in January 2013. As a result, Fortum is evaluating the possible divestment opportunities country by country.

Fortum's electricity distribution business in Finland is to be sold to Suomi Power Networks Oy. The divestment process is expected to be finalised during the first quarter of 2014 subject to the necessary regulatory approvals as well as customary closing conditions. The total consideration is EUR 2.55 billion on a debt- and cash-free basis. Fortum expects to book a one-time sales gain of

EUR 1.8-1.9 billion, corresponding to approximately EUR 2.00 per share in its Electricity Distribution and Sales Division's first quarter 2014 results. A total of 340 employees will transfer with the business at closing (Note 6).

The work to define the Swedish network income regulation model for the next regulatory period 2016-2019 has been ongoing and a first proposal from the Energy Market Inspectorate is expected to come during the first quarter of 2014.

Capital expenditure and divestments

Fortum currently expects its capital expenditure, excluding Värme, in 2014, to be approximately EUR 0.9-1.1 billion, excluding potential acquisitions (including the Finnish distribution business until the end of first quarter 2014). The annual maintenance capital expenditure is estimated to be about EUR 400-500 million in 2014, below the level of depreciation. Capex for electricity distribution in Finland has been approximately EUR 150 million annually.

Fortum will gradually decrease its financing to Värme during 2014-2015. At the end of 2013, Värme's share of debt totalled approximately EUR 1 billion.

Taxation

The effective corporate tax rate for Fortum in 2014 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 Finland, the corporate tax rate was reduced from 24.5% to 20% as of 1 January 2014. In Sweden, the corporate tax rate was decreased from 26.3% to 22% as of 1 January 2013.

The Finnish Parliament approved the power plant tax (so-called windfall tax) in December 2013. It will be enacted later and will be applied from the beginning of 2014, provided that the EU Commission approves it. Fortum has filed a complaint on the tax to the Commission, arguing that it is not in line with general tax principles in Finland and that it constitutes illegal state aid for those plants that are not subject to the tax. If implemented, the estimated impact on Fortum would be approximately EUR 25 million annually.

Hedging

At the end of December 2013, approximately 60% of the Power Division's estimated Nordic power sales volume was hedged at approximately EUR 43 per MWh for the calendar year 2014. The corresponding figures for the calendar year 2015 were approximately 20% at approximately EUR 41 per MWh.

The hedge price for the Power Division's Nordic generation excludes hedging of the condensing power margin. In addition, the hedge ratio excludes the financial hedges and physical volume of Fortum's coal-condensing generation as well as the division's imports from Russia.

The reported hedge ratios may vary significantly, depending on Fortum's actions on the electricity derivatives markets. Hedges are mainly financial contracts, most of them Nord Pool forwards.

Dividend distribution proposal

Fortum Oyj's distributable funds as on 31 December 2013 amounted to EUR 4,151,029,137.59 including the profit of the period of EUR 477,747,032.48. 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 2013, totalling EUR 977,203,749.50 when calculated based on the number of registered shares as of 3 February 2014. The Board of Directors proposes that the remaining part of the profit be retained in the shareholders' equity. The dividend is proposed to be paid on 22 April 2014.

Annual General Meeting 2014

Fortum Corporation's Annual General Meeting is planned to take place at 14:00 on Tuesday, 8 April 2014, at the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

*Espoo, 3 February 2014
Fortum Corporation
Board of Directors*

*Further information:
Tapio Kuula, President and CEO, tel. +358 10 452 4112
Markus Rauramo, CFO, tel. +358 10 452 1909*

Fortum's Investor Relations, Sophie Jolly, tel. +358 10 453 2552, Rauno Tiihonen, tel. +358 10 453 6150, Janna Haahtela, tel. +358 10 453 2538 and investors@fortum.com

The Board of Directors has approved Fortum's 2013 financial statements and Fortum's auditors have issued their unqualified audit report for 2013 on 3 February 2014. The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

Publication of financial results in 2014:

- Interim Report January-March on 29 April 2014 at approximately 9.00 EEST
- Interim Report January-June on 18 July 2014 at approximately 9.00 EEST
- Interim Report January-September on 23 October 2014 at approximately 9.00 EEST

Fortum's Financial statements and Operating and financial review for 2013 will be published during week 12 at the latest.

Fortum's Annual General Meeting is planned to take place on 8 April 2014 and the possible dividend-related dates planned for 2014 are:

- Ex-dividend date 9 April 2014
- Record date for dividend payment 11 April 2014
- Dividend payment date 22 April 2014

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More information, including detailed quarterly information, is available on Fortum's website at www.fortum.com/investors.

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Condensed consolidated income statement

EUR million	Note	Q4 2013	Q4 2012 *	2013	2012 *
Sales	4	1,590	1,834	6,056	6,159
Other income		52	46	94	109
Materials and services		-594	-732	-2,533	-2,548
Employee benefits		-140	-143	-529	-543
Depreciation, amortisation and impairment charges	4,10,11	-194	-175	-740	-664
Other expenses		-221	-239	-741	-761
Comparable operating profit		493	591	1,607	1,752
Items affecting comparability		81	32	105	122
Operating profit		574	623	1,712	1,874
Share of profit/loss of associates and joint ventures	4, 12	39	-3	105	23
Interest expense		-73	-72	-295	-300
Interest income		11	13	42	54
Fair value gains and losses on financial instruments		-9	-7	-16	-23
Other financial expenses - net		-13	-11	-49	-42
Finance costs - net		-84	-77	-318	-311
Profit before income tax		529	543	1,499	1,586
Income tax expense	8	-43	122	-220	-74
Profit for the period		486	665	1,279	1,512
Attributable to:					
Owners of the parent		458	606	1,204	1,416
Non-controlling interests		28	59	75	96
		486	665	1,279	1,512
Earnings per share (in € per share)					
Basic		0.52	0.68	1.36	1.59
Diluted		0.52	0.68	1.36	1.59

EUR million	Q4 2013	Q4 2012 *	2013	2012 *
Comparable operating profit	493	591	1,607	1,752
Non-recurring items (capital gains and losses)	17	33	61	155
Changes in fair values of derivatives hedging future cash flow	68	6	21	-2
Nuclear fund adjustment	-4	-7	23	-31
Items affecting comparability	81	32	105	122
Operating profit	574	623	1,712	1,874

*Comparative period information for 2012 presented in this interim statement has been restated due to the accounting change for pensions, see Note 2.

Condensed consolidated statement of comprehensive income

EUR million	Q4 2013	Q4 2012	2013	2012
Profit for the period	486	665	1,279	1,512
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods				
Cash flow hedges				
Fair value gains/losses in the period	89	-24	105	15
Transfers to income statement	-5	-24	-51	-152
Transfers to inventory/fixed assets	-1	-1	-8	-5
Tax effect	-18	10	-8	33
Net investment hedges				
Fair value gains/losses in the period	10	0	28	0
Tax effect	-2	0	-7	0
Available for sale financial assets				
Fair value changes in the period	0	0	0	0
Exchange differences on translating foreign operations	-165	-26	-496	204
Share of other comprehensive income of associates	19	-12	39	-23
Other changes	-	0	0	0
	-73	-77	-398	72
Items that will not be reclassified to profit or loss in subsequent periods				
Actuarial gains/losses on defined benefit plans	45	-20	58	-24
Actuarial gains/losses on defined benefit plans in associates	-19	2	2	-36
	26	-18	60	-60
Other comprehensive income for the period, net of tax	-47	-95	-338	12
Total comprehensive income for the year	439	570	941	1,524
Total comprehensive income attributable to				
Owners of the parent	417	520	881	1,412
Non-controlling interests	22	50	60	112
	439	570	941	1,524

Condensed consolidated balance sheet

EUR million	Note	Dec 31 2013	Dec 31 2012
ASSETS			
Non-current assets			
Intangible assets	10	392	442
Property, plant and equipment	11	15,201	16,497
Participations in associates and joint ventures	4, 12	1,905	1,979
Share in State Nuclear Waste Management Fund	15	744	678
Other non-current assets		75	69
Deferred tax assets		130	177
Derivative financial instruments	5	363	451
Long-term interest-bearing receivables	13	1,463	1,384
Total non-current assets		20,273	21,677
Current assets			
Inventories		375	428
Derivative financial instruments	5	297	223
Trade and other receivables		1,048	1,270
Cash and cash equivalents	14	1,254	963
Assets held for sale	6	1,173	-
Total current assets		4,147	2,884
Total assets		24,420	24,561
EQUITY			
Equity attributable to owners of the parent			
Share capital		3,046	3,046
Share premium		73	73
Retained earnings		6,851	7,020
Other equity components		54	-99
Total		10,024	10,040
Non-controlling interests		638	603
Total equity		10,662	10,643
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	14	6,960	7,699
Derivative financial instruments	5	177	182
Deferred tax liabilities		1,648	1,879
Nuclear provisions	15	744	678
Other provisions	16	103	207
Pension obligations		65	152
Other non-current liabilities		151	472
Total non-current liabilities		9,848	11,269
Current liabilities			
Interest-bearing liabilities	14	2,138	1,078
Derivative financial instruments	5	85	264
Trade and other payables		1,147	1,307
Liabilities related to assets held for sale	6	540	-
Total current liabilities		3,910	2,649
Total liabilities		13,758	13,918
Total equity and liabilities		24,420	24,561

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
			Retained earnings and other funds	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies			
Total equity 31 December 2012	3,046	73	7,193	-173	34	-133	0	10,040	603	10,643
Net profit for the period			1,204					1,204	75	1,279
Translation differences				-476	-1	2	4	-471	-25	-496
Other comprehensive income					35	72	41	148	10	158
Total comprehensive income for the period			1,204	-476	34	74	45	881	60	941
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-26	-26
Changes due to business combinations			1					1		1
Other			-10					-10	1	-9
Total equity 31 Dec 2013	3,046	73	7,500	-649	68	-59	45	10,024	638	10,662

Total equity 31 December 2011, as previously reported	3,046	73	6,670	-352	136	-2	61	9,632	529	10,161
Change in accounting policy						-106	-5	-111	-13	-124
Total equity 1 January 2012	3,046	73	6,670	-352	136	-108	56	9,521	516	10,037
Net profit for the period			1,416					1,416	96	1,512
Translation differences				179	4	-3	3	183	21	204
Other comprehensive income					-106	-22	-59	-187	-5	-192
Total comprehensive income for the period			1,416	179	-102	-25	-56	1,412	112	1,524
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-26	-26
Changes due to business combinations								0	2	2
Other			-5					-5	-1	-6
Total equity 31 December 2012	3,046	73	7,193	-173	34	-133	0	10,040	603	10,643

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR -471 million during 2013 (2012: 183). Translation differences are mainly related to RUB, NOK and SEK amounting to EUR -465 million in 2013 (2012: 173).

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. For information regarding exchange rates used, see Note 7 Exchange rates.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR 34 million during 2013 (2012: -102), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividends

A dividend in respect of 2012 of EUR 1.00 per share, amounting to a total of EUR 888 million, was decided at the Annual General Meeting on 9 April 2013. The dividend was paid on 19 April 2013.

The dividend in respect of 2011 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million, was decided at the Annual General Meeting on 11 April 2012. The dividend was paid on 23 April 2012.

Change in accounting policy

Comparative period information for 2012 has been restated due to the accounting change for pensions, see Note 2.

Condensed consolidated cash flow statement

EUR million	Q4 2013	Q4 2012	2013	2012
Cash flow from operating activities				
Net profit for the period	486	665	1,279	1,512
Adjustments:				
Income tax expenses	43	-122	220	74
Finance costs - net	84	77	318	311
Share of profit of associates and joint ventures	-39	4	-105	-23
Depreciation, amortisation and impairment charges	194	175	740	664
Operating profit before depreciations (EBITDA)	768	799	2,452	2,538
Non-cash flow items and divesting activities	-156	-36	-260	-192
Interest received	7	28	28	59
Interest paid	-72	-78	-374	-352
Dividends received	2	0	50	45
Realised foreign exchange gains and losses and other financial items	96	-37	46	-274
Taxes	-71	-17	-229	-269
Funds from operations	574	659	1,713	1,555
Change in working capital	-198	-260	123	-173
Total net cash from operating activities	376	399	1,836	1,382
Cash flow from investing activities				
Capital expenditures	-394	-503	-1,271	-1,422
Acquisitions of shares	-3	-11	-15	-14
Proceeds from sales of fixed assets	50	4	66	13
Divestments of shares	15	102	122	239
Proceeds from the interest-bearing receivables relating to divestments	-	12	22	181
Shareholder loans to associated companies	-91	-100	-136	-138
Change in other interest-bearing receivables	3	6	2	13
Total net cash used in investing activities	-420	-490	-1,210	-1,128
Cash flow before financing activities	-44	-91	626	254
Cash flow from financing activities				
Proceeds from long-term liabilities	7	10	790	1,375
Payments of long-term liabilities	-546	-123	-642	-669
Change in short-term liabilities	747	52	438	168
Dividends paid to the owners of the parent	-	0	-888	-888
Other financing items	12	-1	-2	-33
Total net cash used in financing activities	220	-62	-304	-47
Total net increase(+)/ decrease(-) in cash and cash equivalents	176	-153	322	207
Cash and cash equivalents at the beginning of the period	1,095	1,117	963	747
Foreign exchange differences in cash and cash equivalents	-2	-1	-16	9
Cash and cash equivalents at the end of the period ¹⁾	1,269	963	1,269	963

¹⁾ Including cash balances of EUR 15 million relating to assets held for sale as of 31 December 2013.

Non-cash flow items and divesting activities

Non-cash flow items and divesting activities consist mainly of changes in provisions (including nuclear) EUR -178 million (2012: -40), adjustments for unrealised fair value changes of derivatives EUR -21 million (2012: 3) and capital gains EUR -61 million (2012: -155). The actual proceeds for divestments are shown under cash flow from investing activities.

Realised foreign exchange gains and losses and other financial items

Realised foreign exchange gains and losses and other financial items include foreign exchange gains and losses of EUR 52 million for 2013 (2012: -268) 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.

Additional cash flow information

Change in working capital

EUR million	Q4 2013	Q4 2012	2013	2012
Change in interest-free receivables, decrease (+)/increase (-)	-343	-505	123	-226
Change in inventories, decrease (+)/increase (-)	-2	56	39	109
Change in interest-free liabilities, decrease (-)/increase (+)	147	189	-39	-56
Total	-198	-260	123	-173

Positive effect from change in working capital during 2013, EUR 123 million (2012: -173) is mainly due to decrease in receivables.

Capital expenditure in cash flow

EUR million	Q4 2013	Q4 2012	2013	2012
Capital expenditure	434	621	1,284	1,558
Change in not yet paid investments, decrease(+)/increase(-)	-25	-94	56	-56
Capitalised borrowing costs	-15	-24	-69	-80
Total	394	503	1,271	1,422

Capital expenditures for intangible assets and property, plant and equipment were in 2013 EUR 1,284 million (2012: 1,558). Capital expenditure in cash flow in 2013 EUR 1,271 million (2012: 1,422) is without not yet paid investments i.e. change in trade payables related to investments EUR -56 million (2012: 56) and capitalised borrowing costs EUR 69 million (2012: 80), which are presented in interest paid.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 15 million during 2013 (2012: 14).

Divestment of shares in cash flow

EUR million	Q4 2013	Q4 2012	2013	2012
Proceeds from sales of subsidiaries, net of cash disposed	4	97	22	223
Proceeds from sales of associates	11	4	100	13
Proceeds from available for sale financial assets	0	1	0	3
Total	15	102	122	239

Gross divestment of shares totalled EUR 142 million in 2013 (2012: 410) including interest-bearing debt in sold subsidiaries of EUR 22 million (2012: 181), see Note 6. Proceeds from divestments of shares totalled EUR 122 million in 2013 (2012: 239) relating mostly to divestment of Fortum's shareholding in Härjeåns Kraft AB, Infratek ASA and divestments of small hydropower plants in Sweden.

Change in net debt

EUR million	Q4 2013	Q4 2012	2013	2012
Net debt beginning of the period	7,897	7,764	7,814	7,023
Foreign exchange rate differences	-67	-49	-110	89
EBITDA	768	799	2,452	2,538
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-194	-140	-739	-983
Change in working capital	-198	-260	123	-173
Capital expenditures	-394	-503	-1,271	-1,422
Acquisitions	-3	-11	-15	-14
Divestments	65	106	188	252
Proceeds from the interest-bearing receivables relating to divestments	0	12	22	181
Shareholder loans to associated companies	-91	-100	-136	-138
Change in other interest-bearing receivables	3	6	2	13
Dividends	-	-	-888	-888
Other financing activities	12	-13	-2	-45
Net cash flow (- increase in net debt)	-32	-104	-264	-679
Fair value change of bonds, amortised cost valuation and other	-13	-5	-119	23
Net debt end of the period	7,849	7,814	7,849	7,814

Key ratios

	Dec 31 2013	Dec 31 2012
EBITDA, EUR million	2,452	2,538
Comparable EBITDA, EUR million	2,299	2,416
Earnings per share (basic), EUR	1.36	1.59
Capital employed, EUR million	19,780	19,420
Interest-bearing net debt, EUR million	7,849	7,814
Capital expenditure and gross investments in shares, EUR million	1,299	1,574
Capital expenditure, EUR million	1,284	1,558
Return on capital employed, %	9.2	10.2
Return on shareholders' equity, %	12.0	14.6
Net debt / EBITDA	3.2	3.1
Comparable net debt / EBITDA	3.4	3.2
Interest coverage	6.8	7.6
Interest coverage including capitalised borrowing costs	5.3	5.7
Funds from operations/interest-bearing net debt, %	21.8	19.9
Gearing, %	74	73
Equity per share, EUR	11.28	11.30
Equity-to-assets ratio, %	44	43
Number of employees	9,886	10,371
Average number of employees	10,246	10,600
Average number of shares, 1 000 shares	888,367	888,367
Diluted adjusted average number of shares, 1 000 shares	888,367	888,367
Number of registered shares, 1 000 shares	888,367	888,367

For definitions, see Note 24.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2012.

2. Accounting policies

The same accounting policies and presentation have been followed in these condensed interim financial statements as were applied in the preparation of the consolidated financial statements for the year ended 31 December 2012 except for the policies and presentation described below.

Adoption of new IFRS standards from 1 Jan 2013

Changes in accounting policies for pensions

Fortum has applied the amended IAS19 *Employee benefits* -standard starting from 1 January 2013. The amendment changes the accounting for defined benefit plans by eliminating the corridor approach. Accordingly actuarial gains and losses are immediately recognised in the period they occur in equity. The change did not have a material effect on Fortum's financial results or financial position, however it impacted equity through other comprehensive income.

Amendments in IAS19 entail that the financial information for 2012 is restated. More information about the impact from the restatement can be found in the Q1/2013 report.

New disclosures for financial assets and liabilities

Fortum has applied the new IFRS 13 *Fair value measurement* -standard and amended IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities* -standard from 1 January 2013 onwards. IFRS 13 establishes guidance under IFRS for all fair value measurements. IFRS 13 does not change the requirement when to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by Fortum. IFRS 13 also requires specific disclosures on fair value hierarchy. These disclosures are given in Note 5.

IFRS 7 as amended requires disclosures for financial instruments such as fair value and carrying amount disclosures for each class of financial assets and liabilities as well as information on collaterals. This information is disclosed in Notes 5, 13, 14 and 17.

Adoption of new IFRS standards from 1 Jan 2014

The following new IFRS standards will have a major effect on Fortum's financial statements starting from 1 January 2014.

- IFRS 10 Consolidated financial statements (mandatory application in EU for annual periods beginning on or after 1 January 2014). The standard builds on existing principles by identifying the concept of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11 Joint arrangements (mandatory application in EU for annual periods beginning on or after 1 January 2014). The standard replaces IAS 31 Interests in joint ventures. Joint control under IFRS 11 is defined as the contractual sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

Change in accounting for Fortum Värme

The effect of applying the new standards to Fortum Group financial information relates to AB Fortum Värme samägt med Stockholm Stad (Fortum Värme), that will be treated as a joint venture and thus consolidated with equity method from 1 January 2014. Fortum Värme is a district heating company producing heat and power with CHP plants in Stockholm area. Currently the company is being consolidated as a subsidiary with 50% minority interest.

In the following tables Fortum's income statement, balances sheet and certain key figures are presented before and after restatement.

In the restated income statement the effect of Fortum Värme is included in the share of profits in associates and joint ventures amounting to EUR 73 million and in the restated balance sheet the participation in Fortum Värme is included in the participations in associates and joint ventures. At the year-end Fortum Oyj and its subsidiaries had given loans to Fortum Värme which are presented as long-term interest-bearing receivables, approximately EUR 1.1 billion, in the restated balance sheet. There is a plan to gradually refinance those shareholder loans with external financing by the end of 2015.

Restatement does not have any or only limited effect on Fortum's key ratios such as earnings per share, return on capital employed and return on shareholders' equity. The current financing arrangement effects the restated comparable net debt to EBITDA ratio negatively, increase from 3.4 to 3.9 in 2013, due to Fortum's definition of net debt where interest-bearing receivables are not deducted from net debt. The effect will decrease as Fortum's shareholder loans are replaced with external financing. Comparable net debt to EBITDA ratio would be 3.4, if the interest-bearing receivables from Fortum Värme are deducted from net debt.

When applying IFRS 10 and 11 in 2014, the standards require the comparative information to be restated i.e. 2013 financial information will be restated. Full set of restated quarterly information for 2013 will be given in the Q1/2014 interim report.

Impact on income statement for 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum Group restated Värme as joint venture	Change
Sales	6,056	5,309	-747
Other income	94	93	-1
Materials and services	-2,533	-2,270	263
Employee benefit costs	-529	-460	69
Depreciation, amortisation and impairment charges	-740	-621	119
Other expenses	-741	-648	93
Comparable operating profit	1,607	1,403	-204
Items affecting comparability	105	105	0
Operating profit	1,712	1,508	-204
Share of profits in associates and joint ventures	105	178	73
Finance costs - net	-318	-289	29
Profit before income taxes	1,499	1,397	-102
Income taxes	-220	-185	35
Profit for the period	1,279	1,212	-67
Non-controlling interests	-75	-8	67
Net profit for the period, owners of the parent	1,204	1,204	0
Earnings per share, EUR	1.36	1.36	0.00

Impact on balance sheet as of 31 December 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum Group restated Värme as joint venture	Change
ASSETS			
Intangible assets	392	384	-8
Property, plant and equipment	15,201	12,849	-2,352
Shares in associated companies and joint ventures	1,905	2,341	436
Long-term interest-bearing receivables	1,463	2,597	1,134
Other non-current assets	1,312	1,314	2
Total non-current assets	20,273	19,485	-788
Inventories, total	375	263	-112
Trade and other receivables	2,518	2,350	-168
Liquid funds	1,254	1,250	-4
Total current assets	4,147	3,863	-284
Total assets	24,420	23,348	-1,072
EQUITY AND LIABILITIES			
Share capital	3,046	3,046	0
Other equity	6,978	6,978	0
Total	10,024	10,024	0
Non-controlling interests	638	100	-538
Total equity	10,662	10,124	-538
Interest-bearing liabilities	9,098	9,039	-59
Deferred tax liabilities	1,648	1,338	-310
Other interest-free liabilities	3,012	2,847	-165
Total liabilities	13,758	13,224	-534
Total liabilities and equity	24,420	23,348	-1,072

Impact on key ratios for 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum Group restated Värme as joint venture	Change
Comparable EBITDA, EUR million	2,299	1,976	-323
Earnings per share (basic), EUR	1.36	1.36	0.00
Capital expenditure, EUR million	1,284	1,004	-280
Capital employed, EUR million	19,780	19,183	-597
Interest-bearing net debt, EUR million	7,849	7,794	-55
Interest-bearing net debt without Värme financing, EUR million	7,849	6,660	-1,189
Return on capital employed, %	9.2	9.0	-0.2
Return on shareholders' equity, %	12.0	12.0	0.0
Comparable net debt / EBITDA	3.4	3.9	0.5
Comparable net debt / EBITDA without Värme financing	3.4	3.4	0.0

Impact on Heat segment information for 2013

EUR million	Heat segment with Värme as subsidiary	Heat segment restated Värme as joint venture	Change
Comparable EBITDA	489	166	-323
Comparable operating profit	273	69	-204
Operating profit	288	84	-204
Share of profits in associates and joint ventures	19	92	73
Depreciation and amortisation	216	97	-119
Capital expenditure	397	117	-280
Assets included in net assets (at year end)	4,709	2,478	-2,231
Liabilities included in net assets (at year end)	426	239	-187
Net assets (at year end)	4,283	2,239	-2,044
Comparable RONA, %	6.8	7.1	0.3
RONA, %	7.2	7.8	0.6
Number of employees (at year end)	2,102	1,402	-700
Power generation, TWh	4.0	2.8	-1.2
Heat production, TWh	16.5	8.3	-8.2
Power generation capacity, MW	1,398	788	-610
Heat production capacity, MW	7,943	4,326	-3,617

3. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012.

4. Segment information

Sales				
EUR million	Q4 2013	Q4 2012	2013	2012
Power sales excluding indirect taxes	819	991	3,341	3,413
Heating sales	436	481	1,500	1,501
Network transmissions	266	283	1,024	1,002
Other sales	69	79	191	243
Total	1,590	1,834	6,056	6,159

Sales by segment ¹				
EUR million	Q4 2013	Q4 2012	2013	2012
Power ¹⁾	542	719	2,248	2,415
- of which internal	25	57	70	296
Heat ¹⁾	439	477	1,565	1,628
- of which internal	2	6	8	18
Russia	314	319	1,119	1,030
- of which internal	-	-	-	-
Distribution	284	314	1,075	1,070
- of which internal	10	12	36	37
Electricity Sales ¹⁾	196	221	744	722
- of which internal	17	22	73	55
Other ¹⁾	22	41	69	137
- of which internal	21	-1	67	-66
Netting of Nord Pool transactions ²⁾	-132	-161	-510	-503
Eliminations	-75	-96	-254	-340
Total	1,590	1,834	6,056	6,159

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 Spot is netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Comparable operating profit by segment				
EUR million	Q4 2013	Q4 2012	2013	2012
Power	207	381	858	1,146
Heat	106	94	273	271
Russia	110	28	156	68
Distribution	77	102	331	320
Electricity Sales	7	10	48	39
Other	-14	-24	-59	-92
Total	493	591	1,607	1,752

Operating profit by segment				
EUR million	Q4 2013	Q4 2012	2013	2012
Power	278	388	921	1,175
Heat	108	119	288	344
Russia	110	28	156	79
Distribution	76	104	348	331
Electricity Sales	11	6	56	39
Other	-9	-22	-57	-94
Total	574	623	1,712	1,874

Non-recurring items by segment				
EUR million	Q4 2013	Q4 2012	2013	2012
Power	7	10	25	57
Heat	9	23	18	80
Russia	0	0	0	11
Distribution	0	0	17	5
Electricity Sales	-	0	0	1
Other	1	0	1	1
Total	17	33	61	155

Non-recurring items in Power segment during 2013 includes a gain of EUR 12 million, of which EUR 5 million booked in Q4 from divestment of small hydropower plants in Sweden and a gain of EUR 11 million from sale of Fortum's 33% shareholding in Infratek ASA. In Heat segment the non-recurring items mainly relate to the divestment of the combined heat and power plant in Kuusamo in Q3/2013 and to divestment of Kauttua combined heat and power plant and shares in Riihimäen Kaukolämpö Oy in Q4/2013. In Distribution segment the divestment of 47.9% shareholding in Härjeåns Kraft AB resulted in a gain of EUR 17 million.

Other items affecting comparability by segment				
EUR million	Q4 2013	Q4 2012	2013	2012
Power ¹⁾	64	-3	38	-28
Heat	-7	2	-3	-7
Russia	0	0	0	0
Distribution	-1	2	0	6
Electricity Sales	4	-4	8	-1
Other	4	2	1	-3
Total	64	-1	44	-33

¹⁾ Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):

-4	-7	23	-31
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Other items affecting comparability mainly include effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39. Other segment includes mainly the effect arising from changes in hedge accounting status on group level. In Power segment there are also effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.

Comparable EBITDA by segment				
EUR million	Q4 2013	Q4 2012	2013	2012
Power	241	410	1,003	1,260
Heat	164	153	489	481
Russia	115	57	258	189
Distribution	133	158	550	529
Electricity Sales	8	10	50	40
Other	-12	-22	-51	-83
Total	649	766	2,299	2,416

EBITDA is calculated by adding back depreciation, amortisation and impairment charges to operating profit. Comparable EBITDA does not include items affecting comparability and net release of CSA provision.

Depreciation, amortisation and impairment charges by segment				
EUR million	Q4 2013	Q4 2012	2013	2012
Power ¹⁾	34	29	145	114
Heat	58	59	216	210
Russia	43	29	150	121
Distribution	56	56	219	209
Electricity Sales	1	0	2	1
Other	2	2	8	9
Total	194	175	740	664

¹⁾ Including EUR 20 million impairment loss relating to Inkoo power plant in Q3/2013.

Share of profit/loss in associates and joint ventures by segment

EUR million	Q4 2013	Q4 2012	2013	2012
Power ^{1), 2)}	26	8	4	-12
Heat	4	8	19	20
Russia	-1	2	46	27
Distribution	1	5	5	8
Electricity Sales	0	0	0	0
Other	9	-26	31	-20
Total	39	-3	105	23

¹⁾ Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):

-1 -3 -6 -9

²⁾ The main part of the associated companies in Power are power production companies from which Fortum purchases produced electricity at production costs including interest costs, production taxes and income taxes.

Participation in associates and joint ventures by segment

EUR million	Dec 31 2013	Dec 31 2012
Power	896	903
Heat	156	157
Russia	463	476
Distribution	68	109
Electricity Sales	0	0
Other	322	334
Total	1,905	1,979

See Note 6 for information on associated company divestments.

Capital expenditure by segment

EUR million	Q4 2013	Q4 2012	2013	2012
Power	61	64	178	190
Heat	131	180	397	464
Russia	141	257	435	568
Distribution	92	117	260	324
Electricity Sales	1	1	1	1
Other	8	2	13	11
Total	434	621	1,284	1,558
Of which capitalised borrowing costs	15	24	69	80

Gross investments in shares by segment

EUR million	Q4 2013	Q4 2012	2013	2012
Power	1	-	2	-
Heat	0	10	0	10
Russia	0	-	0	-
Distribution	0	-	0	-
Electricity Sales	-	-	-	-
Other	1	1	13	6
Total	2	11	15	16

Gross divestments of shares by segment

EUR million	Q4 2013	Q4 2012	2013	2012
Power	4	39	79	102
Heat	11	74	11	269
Russia	-	-	-	-
Distribution	0	-	52	37
Electricity Sales	-	-	-	2
Other	-	0	-	0
Total	15	113	142	410

See Note 6 and additional cash flow information for more information about gross divestment in shares.

Net assets by segment

EUR million	Dec 31 2013	Dec 31 2012
Power	6,329	6,389
Heat	4,283	4,286
Russia	3,846	3,848
Distribution	3,770	3,889
Electricity Sales	39	51
Other	315	158
Total	18,582	18,621

Comparable return on net assets by segment

%	Dec 31 2013	Dec 31 2012
Power	13.8	18.5
Heat	6.8	7.0
Russia	5.2	2.7
Distribution	8.8	8.8
Electricity Sales	137.9	203.1
Other	-8.3	-34.1

Return on net assets by segment

%	Dec 31 2013	Dec 31 2012
Power	14.6	18.7
Heat	7.2	8.8
Russia	5.2	3.0
Distribution	9.2	9.1
Electricity Sales	148.9	152.3
Other	-9.6	-68.8

Return on net assets is calculated by dividing the sum of operating profit and share of profit of associated companies and joint ventures with average net assets. Average net assets are calculated using the opening balance and end of each quarter values.

Assets by segments

EUR million	Dec 31 2013	Dec 31 2012
Power	7,337	7,380
Heat	4,709	4,785
Russia	4,150	4,309
Distribution	4,301	4,428
Electricity Sales	310	292
Other	460	660
Eliminations	-268	-403
Assets included in net assets	20,999	21,451
Interest-bearing receivables	1,467	1,393
Deferred taxes	130	177
Other assets ¹⁾	570	577
Cash and cash equivalents	1,254	963
Total assets	24,420	24,561

¹⁾ Other assets 31 December 2013 includes cash, EUR 15 million, included in Assets held for sale.

Liabilities by segments		
	Dec 31 2013	Dec 31 2012
EUR million		
Power	1,008	991
Heat	426	499
Russia	304	461
Distribution	531	539
Electricity Sales	271	241
Other	145	502
Eliminations	-268	-403
Liabilities included in net assets	2,417	2,830
Deferred tax liabilities	1,648	1,879
Other liabilities	575	432
Total liabilities included in capital employed	4,640	5,141
Interest-bearing liabilities ¹⁾	9,118	8,777
Total equity	10,662	10,643
Total equity and liabilities	24,420	24,561

¹⁾Interest-bearing liabilities 31 December 2013 includes interest-bearing liabilities, EUR 20 million, included in Liabilities related to Assets held for sale.

Other assets and Other liabilities not included in segments' Net assets consists mainly of income tax receivables and liabilities, accrued interest expenses, derivative receivables and liabilities qualifying as hedges and receivables and liabilities for interest rate derivatives.

Number of employees		
	Dec 31 2013	Dec 31 2012
Power	1,709	1,846
Heat	2,102	2,212
Russia	4,162	4,253
Distribution	852	870
Electricity Sales	496	509
Other	565	681
Total	9,886	10,371

Average number of employees		
	2013	2012
Power	1,887	1,896
Heat	2,164	2,354
Russia	4,245	4,301
Distribution	866	873
Electricity Sales	506	515
Other	578	661
Total	10,246	10,600

Average number of employees is based on a monthly average for the whole period in question.

5. Financial risk management

The Group has not made any significant changes in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2012.

Fair value hierarchy information

Financial instruments that are measured in the balance sheet at fair value are presented according to following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that is not based on observable market data (unobservable inputs).

See also Note 1 Accounting policies, 1.30 Fair value estimation in the consolidated financial statements for 2012.

Financial assets

EUR million	Level 1		Level 2		Level 3		Netting ³⁾		Total	
	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012
In non-current assets										
Available for sale financial assets ¹⁾	1	1			30	31			31	32
Derivative financial instruments										
Electricity derivatives										
Hedge accounting			54	56			-12	-14	42	42
Non-hedge accounting		1	68	55		2 ²⁾	-28	-24	40	34
Interest rate and currency derivatives										
Hedge accounting			93	183					93	183
Non-hedge accounting			185	175					185	175
Oil and other futures and forward contracts										
Non-hedge accounting	3	10		17				-10	3	17
Total in non-current assets	4	12	400	486	30	33	-40	-48	394	483
In current assets										
Derivative financial instruments										
Electricity derivatives										
Hedge accounting			127	96			-23	-41	104	55
Non-hedge accounting	2	18	244	175			-164	-114	82	79
Interest rate and currency derivatives										
Hedge accounting			3	4					3	4
Non-hedge accounting			80	38					80	38
Oil and other futures and forward contracts										
Hedge accounting	1			2			-1		0	2
Non-hedge accounting	60	125		60			-32	-140	28	45
Total in current assets	63	143	454	375	0	0	-220	-295	297	223
Total	67	155	854	861	30	33	-260	-343	691	706

Financial liabilities

EUR million	Level 1		Level 2		Level 3		Netting ³⁾		Total	
	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012
In non-current liabilities										
Interest-bearing liabilities ⁴⁾			1,299	1,895					1,299	1,895
Derivative financial instruments										
Electricity derivatives										
Hedge accounting			19	17		1 ²⁾	-12	-14	7	4
Non-hedge accounting		12	56	22			-28	-24	28	10
Interest rate and currency derivatives										
Hedge accounting			69	57					69	57
Non-hedge accounting			71	108					71	108
Oil and other futures and forward contracts										
Non-hedge accounting	2	3		10				-10	2	3
Total in non-current liabilities	2	15	1,514	2,109	0	1	-40	-48	1,476	2,077
In current liabilities										
Derivative financial instruments										
Electricity derivatives										
Hedge accounting			23	42			-23	-41	0	1
Non-hedge accounting	3	23	185	109			-164	-114	24	18
Interest rate and currency derivatives										
Hedge accounting			3	4					3	4
Non-hedge accounting			48	197					48	197
Oil and other futures and forward contracts										
Hedge accounting	2			4			-1		1	4
Non-hedge accounting	41	116		64			-32	-140	9	40
Total in current liabilities	46	139	259	420	0	0	-220	-295	85	264
Total	48	154	1,773	2,529	0	1	-260	-343	1,561	2,341

¹⁾ Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consists mainly of shares in unlisted companies of EUR 30 million (Dec 31 2012: 31), for which the fair value cannot be reliably determined. These assets are measured at cost less possible impairment. Available for sale financial assets include listed shares at fair value of EUR 1 million (Dec 31 2012: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (Dec 31 2012: -3).

²⁾ In 2012 NASDAQ OMX Commodities Europe quoted the closest 5 years and in 2013 for the closest 10 years, for years beyond a systematic price estimate made by Fortum is used. Reason for transferring electricity derivatives from level 3 to level 2 is the maturity of contracts.

³⁾ Receivables and liabilities against electricity, oil and other commodity exchanges arising from standard derivative contracts with same delivery period are netted.

⁴⁾ Fair valued part of bonds when hedge accounting is applied (fair value hedge).

Net fair value amount of interest rate and currency derivatives is EUR 170 million, assets EUR 361 million and liabilities EUR 191 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of December 2013 Fortum had received EUR 134 million from Credit Support Annex agreements. The received cash has been booked as short term liability.

Regarding the relevant interest-bearing liabilities, see Note 14 Interest-bearing liabilities and Note 17 Pledged assets.

6. Acquisitions, disposals and assets held for sale

Acquisitions

There were no material acquisitions during 2013 nor 2012.

Disposals

Disposals for 2013

During 2013 Fortum divested small hydropower plants in Sweden and a minor gain was recognised in the Power segment.

In June 2013, Fortum agreed to sell its 47.9% ownership in the Swedish energy company Härjeåns Kraft AB to the Finnish energy company Oy Herrfors Ab, a subsidiary of Katternö Group. The sales price was SEK 445 million (approximately EUR 51 million). The transaction was completed in July and a capital gain of EUR 17 million was booked to Distribution segment's third quarter results.

In July 2013 Fortum completed the divestment of its 33% holding in Infratek ASA to a fund managed by Triton. The sales price was NOK 295 million (approximately EUR 38 million). A capital gain of EUR 11 million was booked in the Power segment's third quarter results.

During fourth quarter there were several divestments that had a minor effect to Fortum's Heat segment's results. In November 2013 Fortum sold its 50% ownership in the Finnish district heating company Riihimäen Kaukolämpö Oy to the City of Riihimäki (40%) and to Riihimäen Kaukolämpö Oy (10%).

In December 2013 Fortum sold its Kauttua combined heat and power (CHP) plant in Eura, Finland to the Finnish energy company Adven Oy. Also in December 2013 Fortum sold its CHP plant as well as its natural gas and district heating network in the town of Nokia to Leppäkosken Sähkö Oy. Furthermore Fortum's Uimaharju CHP plant ownership was transferred to Stora Enso on 31 December 2013 according to an earlier agreement signed in 1990.

Disposals for 2012

Fortum closed its divestment of Fortum Energiaratkaisut Oy and Fortum Termest AS to EQT Infrastructure Fund as of January 31, 2012. The total sales price, including net debt, was approximately EUR 200 million. Fortum's capital gain was EUR 58 million.

In January 2012 Fortum sold Distribution's Estonian subsidiary Fortum Elekter AS to Imatran Seudun Sähkö. In connection with the sale, Fortum also sold its ownership in Imatran Seudun Sähkö Oy.

During Q1 2012 Fortum divested small hydropower plants in Finland with the sale of a 60% share in Killin Voima Oy to Koillis-Satakunnan Sähkö Oy and sale of 14 small hydropower plants in Finland to Koskienergia Oy. Capital gain from these transactions was EUR 47 million booked in the Power segment's first-quarter results. During Q4 2012 Fortum divested also small hydropower plants in Sweden and a minor gain was recognised in the Power segment.

In December 2012 Fortum sold its shares in Fortum Heat Naantali Oy to Turun Seudun Energiantuotanto Oy (TSE) in which Fortum has 49.5% interest. The total sales price (less liquid funds in the sold company) was approximately EUR 74 million, of which EUR 2 million was paid during Q2 2013. Fortum's capital gain EUR 21 million was recognised in Heat segment. In connection with the sale Fortum participated in a share issue in TSE with EUR 10 million and gave a shareholder loan to the company amounting to EUR 13 million.

Gross divestments of shares

EUR million	Q4 2013	Q4 2012	2013	2012
Proceeds settled in cash	4	97	22	223
Interest bearing debt in sold subsidiaries	-	12	22	181
Change in receivables relating to divestments	-	2	-2	2
Gross divestments of shares in subsidiaries ¹⁾	4	111	42	406
Gross divestment of associates	11	1	100	1
Gross divestment of available for sale financial assets	-	1	-	3
Total	15	113	142	410

¹⁾ Cash and cash equivalents in sold subsidiaries EUR 0 million (2012: 14) are netted from gross divestments.

Assets held for sale

The assets and liabilities relating to Finnish distribution business have been classified as assets held for sale in the balance sheet as of 31 December 2013. Fortum signed in December 2013 an agreement to sell its electricity distribution business in Finland to Suomi Power Networks Oy, which is owned by a consortium of Finnish pension funds Keva (12.5%) and Local Tapiola Pension (7.5%) together with international infrastructure investors First State Investments (40%) and Borealis Infrastructure (40%).

The total consideration is EUR 2.55 billion on a debt- and cash-free basis. The divestment is subject to the necessary regulatory approvals as well as customary closing conditions that are estimated to be completed during the first quarter of 2014. Fortum expects to book a one-time sales gain of EUR 1.8-1.9 billion (depending on the timing of the closing) in its Distribution segment's first quarter 2014 results corresponding to approximately EUR 2.0 per share.

As of 31 December 2012 there were no Assets held for sale.

Assets held for sale¹⁾

EUR million	2013	2012
Intangible assets and property, plant and equipment	1,116	-
Other assets	42	-
Cash and cash equivalents	15	-
Total	1,173	-

Liabilities related to assets held for sale¹⁾

EUR million	2013	2012
Interest-bearing liabilities	20	-
Deferred tax liabilities	141	-
Connection fees	306	-
Other liabilities	73	-
Total	540	-

¹⁾ Amounts are presented net of internal balances with other Fortum subsidiaries, such as internal financing amounting to EUR 61 million.

Impact on Distribution segment information

The Finnish distribution operations are included in the segment information presented in Note 4. The impact of Finnish distribution business to Distribution segment's comparable operating profit for 2013 was EUR 73 million. Additional information of the impact to segment information is presented in the table below.

EUR million	Distribution segment 2013	Distribution segment 2013 without Finnish operations	Impact ¹⁾
Comparable EBITDA	550	410	-140
Comparable operating profit	331	258	-73
Operating profit	348	271	-77
Share of profits in associates and joint ventures	5	7	2
Depreciation and amortisation	219	152	-67
Capital expenditure	260	134	-126
Assets included in net assets (at year end)	4,301	3,145	-1,156
Liabilities included in net assets (at year end)	531	195	-336
Net assets (at year end)	3,770	2,950	-820
Comparable RONA, %	8.8	8.7	-0.1
RONA, %	9.2	9.1	-0.1
Number of employees (at year end)	852	515	-337
Volume of distributed electricity, TWh	26.1	16.6	-9.5
Number of electricity distribution customers, thousands	1,648	1,006	-642

¹⁾ Impact as consolidated to Fortum Group figures for 2013.

7. Exchange rates

The balance sheet date rate is based on exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of each months ending rate from the European Central Bank during the year and ending rate previous year. Key exchange rates for Fortum Group applied in the accounts:

Average rate	Jan-Dec 2013	Jan-Sept 2013	Jan-June 2013	Jan-March 2013	Jan-Dec 2012	Jan-Sept 2012	Jan-June 2012	Jan-March 2012
Sweden (SEK)	8.6624	8.6040	8.5599	8.5043	8.7015	8.7275	8.8756	8.8658
Norway (NOK)	7.8266	7.6958	7.5555	7.4456	7.4840	7.5182	7.5855	7.6136
Poland (PLN)	4.2027	4.2097	4.1954	4.1501	4.1900	4.2152	4.2524	4.2389
Russia (RUB)	42.4441	41.7516	40.8468	40.2378	40.2354	40.1847	40.1999	39.9714

Balance sheet date rate	Dec 31 2013	Sept 30 2013	June 30 2013	March 31 2013	Dec 31 2012	Sept 30 2012	June 30 2012	March 31 2012
Sweden (SEK)	8.8591	8.6575	8.7773	8.3553	8.5820	8.4498	8.7728	8.8455
Norway (NOK)	8.3630	8.1140	7.8845	7.5120	7.3483	7.3695	7.5330	7.6040
Poland (PLN)	4.1543	4.2288	4.3376	4.1804	4.0740	4.1038	4.2488	4.1522
Russia (RUB)	45.3246	43.8240	42.8450	39.7617	40.3295	40.1400	41.3700	39.2950

8. Income tax expense

Tax rate according to the income statement for 2013 was 14.7% (2012: 4.7%). Tax rate for 2013, excluding the impact of share of profits of associated companies and joint ventures, non-taxable capital gains as well as the tax rate changes was 22.3% (2012: 21.2%). The tax rate used in the income statement is always impacted by the fact that the share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax.

In Finland, the corporate tax rate was decreased to 20.0% from 24.5% starting 1 January 2014. In 2013, the one-time positive effect from the tax rate change was approximately EUR 79 million. In Sweden, the corporate tax rate was decreased to 22.0% from 26.3% starting 1 January 2013. In 2012, the one-time positive effect from the tax rate change was approximately EUR 230 million of which EUR 34 million is attributable to non-controlling interests.

9. Dividend per share

A dividend in respect of 2012 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million, was decided at the Annual General Meeting on 9 April 2013. The dividend was paid on 19 April 2013.

A dividend in respect of 2011 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million, was decided at the Annual General Meeting on 11 April 2012. The dividend was paid on 23 April 2012.

10. Changes in intangible assets

EUR million	Dec 31 2013	Dec 31 2012
Opening balance	442	433
Increase through acquisition of subsidiary companies	-	2
Capital expenditures	49	35
Changes of emission rights	0	-25
Depreciation, amortisation and impairment	-30	-22
Sale of subsidiary companies	-3	-
Reclassifications	2	6
Moved to assets held for sale	-35	-
Translation differences and other adjustments	-33	13
Closing balance	392	442
Goodwill included in closing balance	275	309
Change in goodwill during the period due to translation differences	-34	15

11. Changes in property, plant and equipment

EUR million	Dec 31 2013	Dec 31 2012
Opening balance	16,497	15,234
Increase through acquisition of subsidiary companies	10	0
Capital expenditures	1,235	1,523
Changes of nuclear asset retirement cost	45	-1
Disposals	-47	-15
Depreciation, amortisation and impairment	-710	-642
Sale of subsidiary companies	-27	-84
Reclassifications	-2	-6
Moved to assets held for sale	-1,081	-
Translation differences and other adjustments	-719	488
Closing balance	15,201	16,497

12. Changes in participations in associates and joint ventures

EUR million	Dec 31 2013	Dec 31 2012
Opening balance	1,979	2,014
Share of profits of associates and joint ventures	105	23
Investments	0	10
Dividend income received	-50	-45
OCI items associated companies	45	-56
Translation differences and other adjustments	-109	33
Divestments	-65	-
Closing balance	1,905	1,979

Share of profits from associates and joint ventures

Fortum's share of profit for the full year 2013 amounted to EUR 105 million (2012: 23), of which Hafslund represented EUR 31 million (2012: -20), TGC-1 EUR 46 million (2012: 27) and Gasum EUR 8 million (2012: 15).

According to Fortum Group accounting policies the share of profits from Hafslund and TGC-1 is included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available.

Divestments

During the third quarter Power segment divested Fortum's 33% shareholding in Infratek ASA and Distribution segment divested Fortum's 47.9% shareholding in Härjeåns Kraft AB.

See note 6 Acquisitions, disposals and assets held for sale for additional information.

Dividends received

During 2013 Fortum received EUR 50 million (2012: 45) in dividends from associates of which EUR 21 million (2012: 22) was received from Hafslund and EUR 12 million (2012: 10) from Gasum.

13. Interest-bearing receivables

EUR million	Carrying amount	Fair value	Carrying amount	Fair value
	Dec 31 2013	Dec 31 2013	Dec 31 2012	Dec 31 2012
Long-term loan receivables	1,466	1,505	1,389	1,440
Leasing receivables	2	4	3	5
Total long-term interest-bearing receivables ¹⁾	1,468	1,509	1,392	1,445
Other current receivables	1	1	1	1
Total	1,469	1,510	1,393	1,446

¹⁾ Carrying amount including current portion of long-term receivables EUR 5 million (Dec 31 2012: 8).

Long-term loan receivables include receivables from associated companies EUR 1,415 million (Dec 31 2012: 1,332), mainly from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, EUR 1,312 million (Dec 31 2012: 1,249). These companies are mainly funded with shareholder loans, pro rata each shareholder's ownership. The increase is related to investments made according to plan in OKG AB and Forsmarks Kraftgrupp AB.

Long-term loan receivables also include receivables from the Finnish associated company Teollisuuden Voima Oyj (TVO) amounting to EUR 85 million (Dec 31 2012: 58). Olkiluoto 3, the nuclear power plant being built by TVO, is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. In March 2009, TVO's shareholders committed to provide a EUR 300 million subordinated shareholders' loan to TVO. The facility will be available until the end of 2015. Fortum's share of this commitment is at maximum EUR 75 million of which EUR 25 was outstanding at end of December 2013. In March 2012 a new subordinated shareholder loan was given to fund planning of Olkiluoto 4, where Fortum's share of the commitment is EUR 72 million of which EUR 15 million was outstanding at end of December 2013. In June 2013, TVO's shareholders committed to provide additional EUR 300 million subordinated shareholders' loan related to Olkiluoto 3. The facility will be available until the end of 2018. Fortum's share of this commitment is at maximum EUR 75 million. At the end of December 2013 no drawdowns were done on this facility.

14. Interest-bearing liabilities and cash and cash equivalents

Interest-bearing debt	Carrying amount	Fair value	Carrying amount	Fair value
	Dec 31 2013	Dec 31 2013	Dec 31 2012	Dec 31 2012
EUR million				
Bonds	5,839	6,232	5,841	6,239
Loans from financial institutions	858	916	983	1,062
Other long term interest-bearing debt ¹⁾	1,549	1,572	1,521	1,566
Total long term interest-bearing debt ²⁾	8,246	8,720	8,345	8,867
Commercial paper	718	719	228	228
Other short term interest-bearing debt	154	154	204	204
Total short term interest-bearing debt	872	873	432	432
Total ³⁾	9,118	9,593	8,777	9,299

¹⁾ Including loan from Finnish State Nuclear Waste Fund and Teollisuuden Voima EUR 995 million (Dec 31 2012: 940), loans from Fortum's Finnish pension institutions EUR 198 million (Dec 31 2012: 228), financial leases EUR 23 million (Dec 31 2012: 25) and other loans EUR 333 million (Dec 31 2012: 328).

²⁾ Including current portion of long-term debt.

³⁾ Including interest-bearing liabilities, EUR 20 million, in Liabilities related to assets held for sale at 31 December 2013 (Dec 31 2012: 0).

On 13 March 2013, Fortum issued two 5 year bonds under its existing Euro Medium Term Note programme. The total nominal value of the bonds is SEK 3,150 million (about EUR 376 million) consisting of SEK 2,000 million at floating rate and SEK 1,150 million at 2.75% fixed interest rate. In April Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund and Teollisuuden Voima by EUR 55 million to EUR 995 million. In the second quarter Fortum issued three new bonds: one 30 year EUR 100 million bond at fixed interest rate 3.5% and two SEK denominated bonds of 1 billion each (in total about EUR 231 million) at floating rate maturing 2018 and 2023. In June the amount of Fortum's Revolving Credit Facility (RCF) was lowered from EUR 2.5 billion to EUR 2.0 billion. The amount of the facility is EUR 2 billion until July 2016 and EUR 1.9 billion until July 2017. During the third quarter OAO Fortum repaid bilateral loans of RUB 3,057 million (approximately EUR 72 million). During the last quarter Fortum repaid a maturing EUR 500 million bond.

At the end of December 2013, the amount of short term financing was EUR 872 million (Dec 31 2012: 432). The interest-bearing debt increased during the last quarter by EUR 126 million from EUR 8,992 million to EUR 9,118 million.

Total cash and cash equivalents increased by EUR 174 million from EUR 1,095 million to EUR 1,269 million during the quarter. At the end of the quarter the cash and cash equivalents held by OAO Fortum amounted to EUR 113 (Dec 31 2012: 128) million.

15. Nuclear related assets and liabilities

EUR million	Dec 31 2013	Dec 31 2012
Carrying values in the balance sheet		
Nuclear provisions	744	678
Share in the State Nuclear Waste Management Fund	744	678
Legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	1,059	996
Funding obligation target	1,039	996
Fortum's share of the State Nuclear Waste Management Fund	1,005	956

Nuclear related provisions

According to Nuclear Energy Act Fortum submits the proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and Economy by end of June every third year. The liability is based on nuclear waste management plan which is also updated every third year. The cost estimates related to the new nuclear waste management plan were completed in Q2 2013. The overall future cost estimate increased mainly due to higher costs for interim and final storage of spent fuel and decommissioning of the power plant. The liability was decided by the Ministry of Employment and Economy at the end of year 2013.

The legal liability on 31 December 2013, decided by the the Ministry of Employment and Economy in December 2013, was EUR 1,059 million. The provision in the balance sheet related to nuclear waste management is based on cash flows for future costs which uses the same basis as the legal liability. The carrying value of the nuclear provision, calculated according to IAS 37, increased due to the new cost estimates by EUR 66 million compared to 31 December 2012, totalling EUR 744 million on 31 December 2013. 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.

Fortum's share in the State Nuclear Waste Management Fund

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 2013 is EUR 1,039 million. According to Nuclear Energy Act, Fortum is obligated to contribute fund in full to the State Nuclear Waste Management Fund to cover legal liability. Based on the law, Fortum applied for periodising of the payments to the fund over three years, due to proposed increase in the legal liability. The application was approved by the Ministry of the Employment and the Economy in December 2013. The Fund is from an IFRS perspective overfunded with EUR 261 million, since Fortum's share of the Fund on 31 December 2013 was EUR 1,005 million and the carrying value in the balance sheet was EUR 744 million.

Effects to comparable operating profit and operating profit

Following the updated cost estimates, Fortum had in Q2 2013 a one-time effect to Comparable operating profit of EUR +4 million in Power segment due to lower forecasted nuclear waste management costs related to already spent fuel. Any cost change which is related to already spent fuel is always recognized immediately in Comparable operating profit.

Operating profit in Power segment is affected by the accounting principle for Fortum's share of the Finnish Nuclear Waste Management Fund, since the carrying value of the 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, see Other items affecting comparability in Note 4. Fortum had an effect from this adjustment in Q4 2013 of EUR -4 million, compared to EUR -7 million in Q4 2012. The cumulative effect 2013 was EUR +23 million compared to EUR -31 million in 2012.

Associated companies

Fortum has minority shareholdings in associated Finnish and Swedish nuclear production companies. Fortum has for these companies accounted for its share of the effects from nuclear related assets and provisions according to Fortum accounting principles.

16. Other provisions

EUR million	CSA provisions		Other provisions	
	Dec 31 2013	Dec 31 2012	Dec 31 2013	Dec 31 2012
Opening balance	178	180	36	29
Unused provisions reversed	-48	-	-9	-2
Increase in the provisions	-	-	11	15
Provisions used	-24	-23	-14	-7
Unwinding of discount	12	15		-
Exchange rate differences	-15	6	-1	1
Closing balance	103	178	23	36
Current provisions ¹⁾	20	-	3	7
Non-current provisions	83	178	20	29

¹⁾ Included in trade and other payables in the balance sheet.

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 provision made for possible penalties 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 2013 EUR 48 million of the provision was reversed to the income statement after the finalisation of the two greenfield power plant investments, i.e. Nyagan 1 and Nyagan 2. The remaining provision amounts to EUR 103 million (Dec 31 2012: 178) including EUR 20 million covering the remaining penalties to be paid in 2014 regarding the delay of Nyagan 2. Paid penalties during 2013 amounted to EUR 24 million (2012: 23). The provision increases due to unwinding of the discounting of potential future penalty payments, which during 2013 resulted in an increase of the provision with EUR 12 million (2012: 15). The unwinding effect is recognised in other financial expenses.

17. Pledged assets

EUR million	Dec 31 2013	Dec 31 2012
On own behalf		
For debt		
Pledges	301	293
Real estate mortgages	137	137
For other commitments		
Real estate mortgages	103	124
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	3	3

Pledged assets for debt

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the Fund. Fortum has pledged shares in Kemijoki Oy as a security. As of 31 December 2013 the value of the pledged shares amounted to EUR 269 million (Dec 31 2012: 269).

Pledges also include bank deposits as trading collateral of EUR 12 million (2012: 4) for trading of electricity and CO₂ emission allowances in Nasdaq OMX Commodities Europe, 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 (Dec 31 2012: 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 (Dec 31 2012: 41).

Regarding the relevant interest-bearing liabilities, see Note 14 Interest-bearing liabilities and cash and cash equivalents.

Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 103 million in December 2013 (Dec 31 2012: 124), as a security to the Finnish State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for decommissioning and disposal of spent fuel in Loviisa nuclear power plant. The size of the securities given is updated yearly in Q2 based on the decisions regarding the legal liabilities and the funding target which take place around year end every year.

18. Operating lease commitments

EUR million	Dec 31 2013	Dec 31 2012
Due within a year	30	32
Due after one year and within five years	60	73
Due after five years	154	176
Total	244	281

19. Capital commitments

EUR million	Dec 31 2013	Dec 31 2012
Property, plant and equipment	759	1,168
Intangible assets	6	4
Total	765	1,172

Capital commitments have decreased during the year. The decrease comes mainly from progressing of OAO Fortum's investment programme, finalisation of CHP investments in Klaipeda in Lithuania and Jelgava in Latvia, as well as the implementation of automatic meters in Finland. The decrease is offset by increased CHP investments in Stockholm, Sweden.

20. Contingent liabilities

EUR million	Dec 31 2013	Dec 31 2012
On own behalf		
Other contingent liabilities	78	67
On behalf of associated companies and joint ventures		
Guarantees	472	487
Other contingent liabilities	125	125
On behalf of others		
Guarantees	3	0

Guarantees on behalf of associated companies

Guarantees and other contingent liabilities on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). The guarantees given on behalf of Forsmarks Kraftgrupp AB and OKG AB amount to SEK 3,696 million (EUR 417 million) at 31 December 2013 (Dec 31 2012: EUR 431 million). The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounts to EUR 40 million at 31 December 2013 (Dec 31 2012: 39).

21. Legal actions and official proceedings

Group companies

The Swedish Energy Authority (EI), which regulates and supervises the distribution network tariffs in Sweden, has issued a decision concerning the allowed income frame for the years 2012-2015. EI has based its decision on a model with a transition rule stating that it takes 18 years to reach the allowed level of income. The EI decision has been appealed to the County Administrative Court by more than 80 distribution companies, including Fortum Distribution AB. The basis for Fortum Distribution AB's appeal is that the model is not compatible with the existing legislation and that EI has applied an incorrect method for the calculation of Weighted Average Cost of Capital (WACC). In December 2013, the court decided in favor of the industry on all major topics. However, the decision has been appealed by EI to the next level, the Administrative Court of Appeal. EI is expected to file its detailed appeal by the end of February 2014. Timetable for consideration of the matter by the Administrative Court of Appeal is not yet set.

In Finland, the Supreme Administrative Court gave its ruling on December 23, 2013 on the appeal by Fortum Sähkönsiirto Oy and Fortum Espoo Distribution Oy concerning the level of cost of equity and debt used in the regulatory model for 2009-2011. According to the appeal, the cost of equity and debt used in the model was too low for 2009-2011 due to the impact of the financial crisis. The Supreme Administrative Court stated that according to the main rule the regulatory model confirmed in advance will be applied and amendments to the model should only be made based on significantly changed circumstances. The Court ruled that the change in circumstances was not significant enough and the appeal by Fortum Sähkönsiirto Oy and Fortum Espoo Distribution Oy was rejected.

Additionally, Fortum Sähkönsiirto Oy has a case open in the Supreme Administrative Court in Finland concerning consideration of the extraordinary storm repair costs in 2011 in the regulation. Fortum Sähkönsiirto Oy has appealed for EUR 19 million to be treated as pass through items. Time schedule for the court ruling is still open and Fortum Sähkönsiirto Oy's regulatory decision for 2008-2011 will be further delayed.

Fortum received income tax assessments in Sweden for the years 2009, 2010 and 2011 in December 2011, December 2012 and December 2013, respectively. According to the tax authorities, Fortum would have to pay additional income taxes for the years 2009, 2010 and 2011 for the reallocation of loans between the Swedish subsidiaries in 2004-2005, as well as additional income taxes for the years 2010 and 2011 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. Based on legal analysis, no provision has been recognised in the financial statements.

If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately SEK 425 million (EUR 48 million) for the year 2009, approximately SEK 444 million (EUR 50 million) for the year 2010 and approximately SEK 532 million (EUR 60 million) for the year 2011.

The Administrative Court has now investigated Fortum's appeal for the year 2009 and, on 9 October 2013, ruled against the tax authority. The Administrative Court approved the appeal on formal legal grounds. Both the tax authority and Fortum have appealed the court's decision. Fortum is dissatisfied with the amount of legal costs that the Court ordered the tax authority to pay and appealed this part of the decision.

Fortum has received income tax assessments in Belgium for the years 2008 and 2009. 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. No provision has been accounted for in the financial statements. If the decision by the tax authorities remains final despite the appeal process, the impact on the net profit would be approximately EUR 36 million for the year 2008 and approximately EUR 27 million for the year 2009. The tax has already been paid. If the appeal is approved, Fortum will receive a 7% interest on the amount.

Fortum received an income tax assessment in Finland for 2007 in December 2013. Tax authorities claim in the transfer pricing audit, that detailed business decisions are done by Fortum Oyj and therefore re-characterize the equity Fortum has injected to its Belgium subsidiary Fortum Project Finance NV not to be equity, but funds to be available for the subsidiary. Tax authorities' view is that the interest income that Fortum Project Finance NV received from its loans should be taxed in Finland, not Belgium. The Belgium tax authorities have an opposite view on the issue. Fortum considers the claims unjustifiable both for legal grounds and interpretation. Fortum thinks tax should be levied based on law, not political interpretation of the law. Fortum has appealed the decision. The appeal is based on national legislation in Finland and the EU arbitration between Finland and Belgium. Based on legal analysis, no provision has been recognized in the financial statements. If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately EUR 136 million for the year 2007.

Fortum has on-going tax audits in Finland, Belgium, Russia and some other countries.

Associated companies

In Finland Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The civil construction works of the Olkiluoto 3 plant unit have been mainly completed, and the reactor main components are installed. Installation of the other components and engineering of the plant automation system continued. Based on the progress reports of AREVA-Siemens Consortium, TVO estimates that the start of the regular electricity production of the plant unit may be postponed until year 2016. The supplier is responsible for the time schedule.

In December 2008 the OL3 supplier, AREVA-Siemens, 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. In 2012, TVO submitted a counter-claim and defense in the matter. The quantification estimate of TVO's costs and losses was approximately EUR 1.8 billion, which included TVO's actual claim and estimated part. The arbitration proceedings may continue for several years and TVO's claimed amounts will be updated. The supplier updated its original claim in October 2013. The updated claim including quantification until the end of June 2011 and together with the original claim, is in total approximately EUR 2.7 billion. TVO has considered and found the claim by the supplier to be without merit, and is in the process of scrutinizing the new material and responding to it.

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.

22. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2012. No material changes have occurred during year 2013.

At the year-end 2013 the Finnish State owned 50.76% of the shares in Fortum. There has been no change in the shareholding during 2013.

Transactions with associated companies and joint ventures

EUR million	2013	2012
Sales	66	123
Interest on loan receivables	29	42
Purchases	646	679

Sales during 2012 include the sale of inventory to Turun Seudun Energiantuotanto Oy (TSE).

For information regarding the sale of Fortum Heat Naantali Oy shares to TSE in 2012, see Note 6.

Associated company and joint ventures balances

EUR million	Dec 31 2013	Dec 31 2012
Long-term interest-bearing loan receivables	1,452	1,370
Trade receivables	22	15
Other receivables	25	16
Long-term loan payables	248	234
Trade payables	12	23
Other payables	2	7

23. Events after the balance sheet date

There are no material events after balance sheet date.

24. Definition of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + Depreciation, amortisation and impairment charges
Comparable EBITDA	=	EBITDA - items affecting comparability - Net release of CSA provision
Items affecting comparability	=	Non-recurring items + other items affecting comparability
Comparable operating profit	=	Operating profit - non-recurring items - other items affecting comparability
Non-recurring items	=	Mainly capital gains and losses
Other items affecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum's part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.
Funds from operations (FFO)	=	Net cash from operating activities before change in working capital
Capital expenditure	=	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain useage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.
Return on shareholders' equity, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$
Return on capital employed, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$
Return on net assets, %	=	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}} \times 100$
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects, nuclear fund adjustments and major sales gains or losses)}}{\text{Comparable net assets average}} \times 100$
Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions
Net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)

24. Definition of key figures

Comparable net assets	=	Net assets adjusted for non-interest bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$
Equity-to-assets ratio, %	=	$\frac{\text{Total equity including non-controlling interest}}{\text{Total assets}} \times 100$
Net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit} + \text{Depreciation, amortisation and impairment charges}}$
Comparable net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$
Interest coverage	=	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Interest coverage including capitalised borrowing costs	=	$\frac{\text{Operating profit}}{\text{Net interest expenses} - \text{capitalised borrowing costs}}$
Earnings per share (EPS)	=	$\frac{\text{Profit for the period} - \text{non-controlling interest}}{\text{Average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares at the end of the period}}$
Last twelve months (LTM)	=	Twelve months preceding the reporting date

Market conditions and achieved power prices

Power consumption				
TWh	Q4 2013	Q4 2012	2013	2012
Nordic countries	103	109	386	391
Russia	273	284	1,026	1,037
Tyumen	23	22	87	83
Chelyabinsk	10	10	36	36
Russia Urals area	67	68	253	252

Average prices				
	Q4 2013	Q4 2012	2013	2012
Spot price for power in Nord Pool power exchange, EUR/MWh	35.9	37.3	38.1	31.2
Spot price for power in Finland, EUR/MWh	39.9	40.8	41.2	36.6
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	37.5	37.5	39.4	32.3
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	37.0	37.4	39.2	31.8
Spot price for power in European and Urals part of Russia, RUB/MWh ¹⁾	1,136	1,037	1,104	1,001
Average capacity price, tRUB/MW/month	326	254	276	227
Spot price for power in Germany, EUR/MWh	37.5	41.4	37.8	42.6
Average regulated gas price in Urals region, RUB/1000 m ³	3,423	2,924	3,131	2,736
Average capacity price for old capacity, tRUB/MW/month ²⁾	181	168	163	152
Average capacity price for new capacity, tRUB/MW/month ²⁾	635	627	576	539
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	1,043	973	1,021	956
CO ₂ , (ETS EUA), EUR/tonne CO ₂	5	7	5	7
Coal (ICE Rotterdam), USD/tonne	84	88	82	93
Oil (Brent Crude), USD/bbl	109	110	109	112

¹⁾ Excluding capacity tariff.

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

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

Export/import				
TWh (+ = import to, - = export from Nordic area)	Q4 2013	Q4 2012	2013	2012
Export / import between Nordic area and Continental Europe+Baltics	-1	-4	-3	-19
Export / import between Nordic area and Russia	1	2	5	5
Export / import Nordic area, Total	0	-2	-2	-14

Power market liberalisation in Russia				
%	Q4 2013	Q4 2012	2013	2012
Share of power sold at the liberalised price by OAO Fortum	83	82	81	82

Achieved power prices				
EUR/MWh	Q4 2013	Q4 2012	2013	2012
Power's Nordic power price	48.1	46.8	46.4	44.6
Achieved power price for OAO Fortum	33.3	30.9	32.1	30.6

Fortum's production and sales volumes

Power generation				
TWh	Q4 2013	Q4 2012	2013	2012
Fortum power generation in the EU and Norway	11.6	15.2	48.7	53.9
Fortum power generation in Russia	5.5	5.1	20.0	19.2
Total	17.1	20.3	68.7	73.1

Heat production				
TWh	Q4 2013	Q4 2012	2013	2012
Heat production in the EU and Norway	5.4	6.0	18.6	18.5
Heat production in Russia	8.0	8.7	24.2	24.8
Total	13.4	14.7	42.8	43.3

Power generation capacity by division				
MW			Dec 31 2013	Dec 31 2012
Power			9,475	9,702
Heat			1,398	1,569
Russia			4,250	3,404
Other (solar in India)			5	-
Total			15,128	14,675

Heat production capacity by division				
MW			Dec 31 2013	Dec 31 2012
Power			250	250
Heat			7,943	8,785
Russia			13,466	13,396
Total			21,659	22,431

Power generation by source in the Nordic area				
TWh	Q4 2013	Q4 2012	2013	2012
Hydropower	3.9	7.1	18.1	25.2
Nuclear power	6.0	6.5	23.7	23.4
Thermal power	1.0	1.0	4.7	3.0
Total	10.9	14.6	46.5	51.6

Power generation by source in the Nordic area				
%	Q4 2013	Q4 2012	2013	2012
Hydropower	35	49	39	49
Nuclear power	55	44	51	45
Thermal power	10	7	10	6
Total	100	100	100	100

Power sales				
EUR million	Q4 2013	Q4 2012	2013	2012
Power sales in the EU and Norway	605	784	2,519	2,700
Power sales in Russia	214	207	822	713
Total	819	991	3,341	3,413

Fortum's production and sales volumes

Heat sales				
EUR million	Q4 2013	Q4 2012	2013	2012
Heat sales in the EU and Norway	338	379	1,210	1,201
Heat sales in Russia	98	102	290	300
Total	436	481	1,500	1,501

Power sales by area				
TWh	Q4 2013	Q4 2012	2013	2012
Finland	5.4	6.0	23.4	21.6
Sweden	5.6	8.6	24.6	30.1
Russia	6.4	6.7	25.6	23.3
Other countries	1.3	1.1	4.3	3.8
Total	18.7	22.4	77.9	78.8

NordPool transactions are calculated as a net amount of hourly sales and purchases at the Group level.

Heat sales by area				
TWh	Q4 2013	Q4 2012	2013	2012
Russia	7.8	8.6	24.1	26.4
Finland	1.6	1.7	5.5	5.8
Sweden	2.4	2.9	8.2	8.5
Poland	1.3	1.5	4.1	4.3
Other countries ¹⁾	0.8	0.9	3.1	2.9
Total	13.9	15.6	45.0	47.9

¹⁾ Including the UK, which is reported in the Power division, other sales.