



Fortum Corporation

Interim Report January-March 2017

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Figures in brackets refer to the comparison period, i.e. the same period last year, unless otherwise stated.

Improved results in a demanding market – Russian EBIT target reached

January–March 2017

- Comparable operating profit EUR 313 (275) million, +14%
- Operating profit EUR 389 (369) million, of which EUR 76 (94) million relates to items affecting comparability
- Earnings per share EUR 0.38 (0.37), of which EUR 0.07 (0.08) related to items affecting comparability
- Cash flow from operating activities totalled EUR 282 (375) million
- City Solutions division divided into City Solutions and Consumer Solutions to support strategy implementation
- The operating profit target level (EBIT) RUB 18.2 billion for the Russia segment was reached during the last twelve months

Summary of outlook

- Fortum continues to expect the annual electricity demand to grow in the Nordic countries by approximately 0.5% on average
- The Generation segment's Nordic generation hedges: approximately 55% hedged at EUR 29 per MWh for the rest of 2017 and approximately 45% hedged at EUR 27 per MWh for 2018

Key financial ratios

	2016	LTM
Return on capital employed, %	4.0	4.0
Comparable net debt/EBITDA	0.0	-0.3

Key figures

EUR million or as indicated	I/17	I/16	2016	LTM
Sales	1,232	989	3,632	3,875
Comparable EBITDA	423	357	1,015	1,081
Comparable operating profit	313	275	644	682
Operating profit	389	369	633	653
Share of profits of associates and joint ventures	59	67	131	123
Profit before taxes	412	390	595	617
Earnings per share, EUR	0.38	0.37	0.56	0.57
Net cash from operating activities	282	375	621	528
Shareholders' equity per share, EUR	15.82	15.97	15.15	
Interest-bearing net debt (at end of period)	-347	-2,158	-48	-347

Fortum's President and CEO

Pekka Lundmark:

“After a challenging 2016, the market conditions have been slightly more favourable in the early part of 2017. Wholesale prices have increased, but are still low and continue to burden the results of all power producers. During the first quarter of 2017, the Nordic precipitation and inflow were above the long-term average. This capped the increase in spot prices although the reservoir levels showed a slight deficit.

In spite of the demanding market conditions, the first quarter results were quite satisfactory. Our comparable operating profit increased by 14% to EUR 313 million compared to the first quarter 2016.

One of the highlights was, again, the Russia segment with a comparable operating profit of EUR 132 million, compared to EUR 79 million in the first quarter 2016. Over the last twelve months, the EBIT for the Russia segment was EUR 277 million, exceeding the RUB 18.2 billion target. We have previously communicated that we are expecting to reach the targeted EBIT level during 2017-2018 and thus, our Russia segment has reached the target according to schedule. In the Generation segment, the results weakened mainly due to lower hydro volumes. However, Generation's higher achieved power price partially offset the decline.

During the first quarter, we developed our organisational structure further. We divided our City Solutions division into two; one focusing on heating, cooling and circular economy solutions and one focusing on our retail customers. The respective business models are so different that separate management focus is required in order to be successful.

We have also continued to drive forward the implementation of our strategy along the guidelines presented at Fortum's Capital Markets Day on 16 November 2016. Yesterday, we were pleased to announce the planned restructuring of our assets in Norway. Together with the City of Oslo, we have agreed to rearrange the ownership of Hafslund ASA. According to the agreement, Fortum will sell its 34.1% ownership in Hafslund ASA to the City of Oslo. Further, we will acquire 100% of the electricity sales business of Hafslund, increasing our Nordic customer base from 1.3 to 2.4 million. In the heat and waste-to-energy business, Fortum and the City of Oslo will join forces in a co-owned company combining Hafslund's heat business and Oslo's waste-to-energy plant Klemetsrudanlegget. Finally, Fortum will acquire a 10% share in the production business of Hafslund. The transactions are subject to approval by the Oslo City Council (Bystyret) and necessary regulatory approvals. The planned transaction meets all the key criteria we have defined for investments in the first phase of our strategy implementation.

In the first quarter results we can already see the positive effects of last year's acquisitions of Ekokem and DUON. Our strategy implementation is improving our results and the restructuring of Hafslund will continue to do so. We have consolidated businesses that are within our existing core competencies, we have stayed close to our current home markets, and we have gotten access to existing cash flows.

Our strategy implementation will continue and we still have significant financial headroom available for market consolidation.”

Financial results

Sales by segment

EUR million	I/17	I/16	2016	LTM
Generation	474	467	1,657	1,664
City Solutions	290	228	782	844
Consumer Solutions	242	175	668	735
Russia	349	249	896	996
Other	24	24	92	92
Netting of Nord Pool transactions	-118	-120	-384	-382
<i>Eliminations</i>	-29	-34	-79	-74
Total	1,232	989	3,632	3,875

Comparable EBITDA by segment

EUR million	I/17	I/16	2016	LTM
Generation	166	182	527	511
City Solutions	94	70	186	210
Consumer Solutions	14	14	55	55
Russia	168	105	312	375
Other	-20	-13	-64	-71
Total	423	357	1,015	1,081

Comparable operating profit by segment

EUR million	I/17	I/16	2016	LTM
Generation	136	155	417	398
City Solutions	56	44	64	76
Consumer Solutions	12	14	48	46
Russia	132	79	191	244
Other	-24	-16	-77	-85
Total	313	275	644	682

Operating profit by segment

EUR million	I/17	I/16	2016	LTM
Generation	230	211	338	357
City Solutions	59	58	86	87
Consumer Solutions	-9	5	59	45
Russia	132	111	226	247
Other	-23	-15	-77	-85
Total	389	369	633	653

January–March 2017

In January-March 2017, sales were EUR 1,232 (989) million. The increase was due to the strengthening Russian rouble and the consolidation of Ekokem and DUON. Comparable EBITDA totalled EUR 423 (357) million. Comparable operating profit totalled EUR 313 (275) million and reported operating profit totalled EUR 389 (369) million. Fortum's operating profit for the period was impacted by items affecting comparability, including sales gains, and the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging, as well as nuclear fund adjustments, amounting to EUR 76 (94) million (Note 4).

The share of profit from associates and joint ventures was EUR 59 (67) million, of which Hafslund represented EUR 14 (14), TGC-1 EUR 1 (9) and Fortum Värme EUR 44 (44) million. The share of profit from Hafslund and TGC-1 are based on the companies' published fourth quarter 2016 interim reports (Note 12).

Net financial expenses were EUR -36 (-47) million and include changes in the fair value of financial instruments of EUR 1 (2) million.

Profit before taxes was EUR 412 (390) million.

Taxes for the period totalled EUR -72 (-59) million. The effective income tax rate according to the income statement was 17.4% (15.0%). The comparable effective income tax rate, excluding the impact of the share of profit from associated companies and joint ventures as well as non-taxable capital gains, was 20.4% (18.1%) (Note 8).

The profit for the period was EUR 340 (331) million. Earnings per share were EUR 0.38 (0.37), of which EUR 0.07 (0.08) per share relates to items affecting comparability.

Financial position and cash flow

Cash flow

In January-March 2017, net cash from operating activities decreased by EUR 93 million to EUR 282 (375) million, due to EUR 66 million higher comparable EBITDA, and EUR 186 million lower realised foreign exchange gains and losses. The foreign exchange gains and losses of EUR -58 (128) million in January-March 2017 relate to the rollover of foreign exchange contracts hedging loans to Russian and Swedish subsidiaries.

Capital expenditures increased by EUR 67 million to EUR 180 (113) million. Net cash used in investing activities decreased to EUR 1 (379) million. The change was mainly due to the decrease in cash collaterals given as trading collaterals to commodity exchanges of EUR 182 (-176) million.

Cash flow before financing activities was EUR 280 (-4) million.

Payments of long-term liabilities totalled EUR 292 (3) million, including repayment of two SEK bonds equivalent to EUR 290 million. The net increase in liquid funds was EUR 56 (21) million.

Assets and capital employed

Total assets increased by EUR 228 million to EUR 22,192 (21,964 at the end of 2016) million.

Liquid funds at the end of the period were EUR 5,222 (5,155 at the end of 2016) million.

Capital employed was EUR 19,023 (18,649 at the end of 2016) million, an increase of EUR 374 million.

Equity

Equity attributable to owners of the parent company totalled EUR 14,057 (13,459 at the end of 2016) million.

The increase in equity attributable to owners of the parent company totalled EUR 598 million and was mainly due to the net profit for the period of EUR 335 million and translation differences of EUR 192 million.

Financing

Fortum was net cash positive at the end of the period. Net cash increased by EUR 299 million to EUR 347 (48 at the end of 2016) million.

At the end of March, the Group's liquid funds totalled EUR 5,222 (5,155 at the end of 2016) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 236 (105 at the end of 2016) million. In addition to liquid funds, Fortum had access to EUR 2.0 billion of undrawn committed credit facilities (Note 16).

Net financial expenses were EUR -36 (-47) million, of which net interest expenses were EUR -30 (-39) million.

Fortum's long-term credit ratings were unchanged. Standard & Poor's rating is BBB+ and the short-term rating A-2. The outlook is stable. Fitch Ratings long-term Issuer Default Rating (IDR) and senior unsecured rating is BBB+ and the short-term IDR is F2 with a stable outlook.

Key figures

At the end of March, the comparable net debt to EBITDA for the last 12 months was -0.3 (0.0 at the end of 2016).

Gearing was -2% (0% at the end of 2016) and the equity-to-assets ratio 64% (62% at the end of 2016). Equity per share was EUR 15.82 (15.15 at the end of 2016). Return on capital employed for the last 12 months totalled 4.0% (4.0% at the end of 2016).

Market conditions

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 114 (117) terawatt-hours (TWh) during January-March 2017. The lower consumption was caused by warmer weather in the first quarter compared to the first quarter of 2016.

At the beginning of 2017, the Nordic water reservoirs were at 75 TWh, which is 8 TWh below the long-term average and 23 TWh lower than a year earlier. By the end of March, reservoirs were 3 TWh below the long-term average and 10 TWh lower than a year earlier. The deficit has decreased during the beginning of the year, due to higher than long-term average precipitation and inflow as well as lower consumption and high nuclear availability.

In January-March 2017, the average system spot price in Nord Pool was EUR 31.1 (24.0) per MWh. The main drivers for the price increase were the clearly higher marginal cost of coal condense than a year earlier and hydro reservoirs below the long-term average. The average area price in Finland was EUR 32.9 (30.4) per MWh and in Sweden SE3 (Stockholm) EUR 31.8 (24.1) per MWh.

In Germany, the average spot price in January-March 2017 was EUR 41.3 (25.2) per MWh. The spot price increased due to lower nuclear generation, low hydro reservoirs, increased fuel prices and cold conditions in the continent during January.

The market price of CO₂ emission allowances (EUA) was EUR 6.5 per tonne at the beginning of the year and EUR 4.7 per tonne at the end of March 2017.

Russia

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

According to preliminary statistics, Russian electricity consumption was 283 (279) TWh in January-March 2017. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 217 (212) TWh.

The average electricity spot price, excluding capacity price, increased by 2.9% to RUB 1,180 (1,147) 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 54-55).

European business environment and carbon market

Revision of the EU ETS at the final stage

The last decisive stages of the revision process of the EU Emissions Trading (ETS) Directive for the period 2021-2030 are ongoing. The European Parliament adopted its position and the Council approved a General Approach in February. The trilogue negotiations between the Commission, Parliament and the Council started 4 April 2017 and are expected to be finalised during the summer. The directive could be formally approved during this year.

Strengthening of the Market Stability Reserve (MSR), including a temporary doubling of the MSR intake rate is the key issue from the market balance and pricing perspective. More contentious issues between the Parliament and Council are cancellation of allowances (amount and timing), flexible auction share and the indirect cost compensation.

Circular economy legislation impacting energy recovery of waste

In January 2017, the Commission released a progress report on its Circular Economy (CE) package from 2015. In addition, the Commission issued guidance to member states on converting waste to energy.

The trilogue negotiations on the CE package between the Commission, the Parliament and the Council will officially start after the Council has adopted its final position and the goal is to finalize the legislative package during the summer. The package includes amendments of waste, landfill, packaging waste and three other waste-related directives. The debated key issues are municipal waste and the reuse and recycling targets.

The Waste-to-Energy Communication includes non-legislative guidance on energy recovery of waste in the context of a circular economy. Energy recovery of waste is seen as a way to stop landfilling and as a needed treatment method for the rejects from recycling processes.

Segment reviews

As of 1 March 2017, the City Solutions -division was divided into two divisions: City Solutions and Consumer Solutions, both reported as separate reporting segments. City Solutions comprises heating and cooling, waste-to-energy, biomass and other circular economy solutions. Consumer Solutions comprises electricity sales in the Nordics, electricity sales, gas sales and distribution in Poland, as well as Nordic customer services (previously reported under the Other segment). Comparison figures in accordance with the new organisational structure were published on 11 April 2017.

Generation

Generation is responsible for Nordic power production. The segment comprises nuclear, hydro and thermal power production, portfolio management, and trading and industrial intelligence, as well as nuclear services globally.

EUR million	I/17	I/16	2016	LTM
Sales	474	467	1,657	1,664
- power sales	470	461	1,635	1,644
of which Nordic power sales*	374	393	1,339	1,320
- other sales	4	6	22	20
Comparable EBITDA	166	182	527	511
Comparable operating profit	136	155	417	398
Operating profit	230	211	338	357
Share of profits from associates and joint ventures**	-1	-4	-34	-31
Comparable net assets (at period-end)	5,823	5,835	5,815	
Comparable return on net assets, %			6.9	6.6
Capital expenditure and gross investments in shares	24	27	203	200
Number of employees	984	1,064	979	

* The Nordic power sales income and volume includes hydro and nuclear generation, excluding minorities. It does not include thermal generation, minorities, customer business or other purchases.

** Power plants are often built jointly with other power producers, and owners purchase electricity at cost, including interest cost and production taxes. The share of profit/loss is mainly IFRS adjustments (e.g. accounting for nuclear-related assets and liabilities) and depreciations on fair-value adjustments from historical acquisitions (Note 20 in the consolidated financial statements 2016).

Power generation by source

TWh	I/17	I/16	2016	LTM
Hydro power, Nordic	5.2	6.5	20.7	19.4
Nuclear power, Nordic	6.7	6.8	24.1	24.0
Thermal power, Nordic	0.1	0.1	0.5	0.5
Total	12.0	13.5	45.3	43.8

Nordic sales volumes

TWh	I/17	I/16	2016	LTM
Nordic sales volume	14.3	15.8	52.4	50.9
of which Nordic power sales volume*	11.5	12.8	43.2	41.9

* The Nordic power sales income and volume includes hydro and nuclear generation, excluding minorities. It does not include thermal generation, minorities, customer business or other purchases.

Sales price

EUR/MWh	I/17	I/16	2016	LTM
Generation's Nordic power price*	32.6	30.7	31.0	31.6

* Generation's Nordic power price includes hydro and nuclear generation, excluding minorities. It does not include thermal generation, minorities, customer business or other purchases.

January–March 2017

In January–March 2017, the Generation segment's total power generation in the Nordic countries decreased to 12.0 (13.5) TWh, mainly due to 1.3 TWh lower hydro volumes. Thermal production totalled 0.1 (0.1) TWh in the Nordic countries. The CO₂-free production amounted to 99% (99%) of the total production.

Comparable EBITDA was EUR 166 (182) million. Comparable operating profit was EUR 136 (155) million. The decline was mainly due to lower hydro volumes. The decline was partly offset by the higher achieved power price and somewhat lower fixed costs.

Operating profit of EUR 230 (211) million was affected by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and by nuclear fund adjustments, amounting to EUR 94 (56) million (Note 4).

The share of profits from associated companies and joint ventures totalled EUR -1 (-4) million (Note 12).

Generation's achieved Nordic power price was EUR 32.6 (30.7) per MWh, EUR 1.9 per MWh higher than in the corresponding period of 2016. The average system spot price of electricity in Nord Pool was EUR 31.1 (24.0) per MWh. The average area price in Finland was EUR 32.9 (30.4) per MWh and in Sweden SE3 (Stockholm) EUR 31.8 (24.1) per MWh.

City Solutions

City Solutions is responsible for developing sustainable city solutions into a growing business for Fortum. The segment comprises heating and cooling, waste-to-energy, biomass and other circular economy solutions. The business operations are located in the Nordics, the Baltic countries and Poland. The segment also includes Fortum's 50% holding in Fortum Värme, which is a joint venture and is accounted for using the equity method.

EUR million	I/17	I/16	2016	LTM
Sales	290	228	782	844
- heat sales	175	170	448	453
- power sales	42	43	122	121
- other sales	73	16	212	269
Comparable EBITDA	94	70	186	210
Comparable operating profit	56	44	64	76
Operating profit	59	58	86	87
Share of profits from associates and joint ventures	46	48	76	74
Comparable net assets (at period-end)	2,894	2,100	2,873	
Comparable return on net assets, %			5.9	6.0
Capital expenditure and gross investments in shares	21	20	807	808
Number of employees	1,691	1,362	1,701	

On 4 April 2017 Ekokem was rebranded to Fortum. As part of Fortum Group the former Ekokem forms the Recycling and Waste Solutions unit, which is part of the City Solutions division.

January–March 2017

In January-March 2017, heat sales volumes of the City Solutions segment amounted to 3.8 (3.5) TWh. Power sales volumes from CHP production totalled 0.9 (1.0) TWh.

Sales increased to EUR 290 (228) million, mainly due to the consolidation of Ekokem.

Comparable EBITDA increased, and totalled EUR 94 (70) million. Comparable operating profit was EUR 56 (44) million. The increase is mainly attributable to the consolidation of Ekokem and a favourable fuel mix.

Operating profit of EUR 59 (58) million was affected mainly by the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging, totalling EUR 3 (2) million (Note 4) and lower sales gains of EUR 0 (12) million.

The share of profits from associated companies and joint ventures totalled EUR 46 (48) million, including mainly the share of profit from Fortum Värme (Note 12).

Heat sales by country

TWh	I/17	I/16	2016	LTM
Finland	1.5	1.4	3.6	3.7
Poland	1.6	1.6	3.6	3.6
Other countries	0.7	0.6	1.5	1.6
Total	3.8	3.5	8.7	8.9

Power sales by country

TWh	I/17	I/16	2016	LTM
Finland	0.6	0.6	1.5	1.5
Poland	0.2	0.2	0.7	0.7
Other countries	0.2	0.2	0.6	0.6
Total	0.9	1.0	2.8	2.7

Consumer Solutions

Consumer Solutions comprises electricity sales in the Nordics, electricity sales, gas sales and distribution in Poland, as well as Nordic customer services.

EUR million	I/17	I/16	2016	LTM
Sales	242	175	668	735
- power sales	176	169	528	535
- other sales	66	6	140	200
Comparable EBITDA	14	14	55	55
Comparable operating profit	12	14	48	46
Operating profit	-9	5	59	45
Share of profits from associates and joint ventures	0	0	0	0
Comparable net assets (at period-end)	158	126	154	
Capital expenditure and gross investments in shares	2	114	120	8
Number of employees	985	990	961	

On 8 November 2016 DUON was rebranded to Fortum. As part of Fortum Group the former DUON forms the Consumer Solutions, Poland unit, which is part of the Consumer Solutions division.

January–March 2017

In January-March 2017, electricity sales volume totalled 4.0 (4.1) TWh. The total customer base at the end of the period was approximately 1.36 (1.34) million.

Sales increased to EUR 242 (175) million, mainly due to the consolidation of DUON.

Comparable EBITDA was EUR 14 (14) million, and the comparable operating profit was EUR 12 (14) million. The consolidation of DUON improved profitability, but lower average margins in electricity products impacted the result negatively.

Operating profit of EUR -9 (5) million was mainly affected by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging EUR -21 (-9) million.

Sales volumes

TWh	I/17	I/16	2016	LTM
Electricity	4.0	4.1	12.3	12.3
Gas*	1.1	n/a	2.2	3.3

* Not including wholesale volumes.

Number of customers

Thousands*	I/17	I/16
Electricity	1,350	1,340
Gas	10	10
Total	1,360	1,340

* Rounded to the closest 10,000 customers.

Russia

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

EUR million	I/17	I/16	2016	LTM
Sales	349	249	896	996
- power sales	235	172	691	754
- heat sales	113	76	199	236
- other sales	1	1	6	6
Comparable EBITDA	168	105	312	375
Comparable operating profit	132	79	191	244
Operating profit	132	111	226	247
Share of profits from associates and joint ventures	1	9	38	30
Comparable net assets (at period-end)	3,520	2,656	3,284	
Comparable return on net assets, %			8.0	9.0
Capital expenditure and gross investments in shares	32	40	201	193
Number of employees	3,769	3,817	3,745	

After the completion of the multi-year investment programme in March 2016, Fortum has a total of 4,482 MW of capacity in Russia.

The new capacity is 2,268 MW. This is generation capacity built after 2007, which under the Russian Capacity Supply Agreement (CSA – “new capacity”) receives guaranteed payments for a period of 10 years after the commissioning of each new unit. The received capacity payments vary depending on the age, location, type and size of the plant, as well as on seasonality and availability. The CSA payments can also vary somewhat annually, as they are linked to Russian Government long-term bonds with 8 to 10 years maturity. In March 2017, the System Administrator of the wholesale market published data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2016, which was used to calculate the capacity price on CSA in 2017. The CSA payments were revised slightly downwards accordingly to reflect the lower bond rates. The regulator also reviewed the guaranteed CSA payments by re-examining earnings from the electricity-only market (done every three and six years after the commissioning of a unit), and revised the CSA payments upwards due to the lower earnings from the electricity-only market.

All of Fortum’s capacity generation built prior to 2008 (Competitive Capacity Selection, CCS – “old capacity”), totalling 2,214 MW in December 2016, was allowed to participate in the CCS for 2017, and the majority of Fortum’s plants were selected. The volume of Fortum’s installed capacity not selected in the auction totalled 195 MW, for which Fortum has obtained forced mode status, i.e. it is receiving payments for the capacity.

January–March 2017

In January-March 2017, the Russia segment's power sales volumes amounted to 7.9 (8.3) TWh and heat sales volumes totalled 8.2 (9.0) TWh. The divestment of the Tobolsk CHP plant in February 2016 decreased both electricity and heat volumes. The revision in Nyagan also decreased electricity volumes.

Sales increased to EUR 349 (249) million, mainly due to the strengthening of the Russian rouble.

The Russia segment’s comparable EBITDA was EUR 168 (105) million. Comparable operating profit was EUR 132 (79) million. The commissioning of the new units, higher received CSA payments as well as improved bad-debt collections positively affected the result. The Russian rouble had a positive effect of EUR 29 million.

Operating profit was EUR 132 (111) million, including sales gains of EUR 0 (32) million (Note 4).

The share of profits from associated companies and joint ventures totalled EUR 1 (9) million (Note 12).

Key electricity, capacity and gas prices for Fortum Russia

	I/17	I/16	2016	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,034	1,018	1,054	1,059
Average regulated gas price, Urals region, RUB/1000 m ³	3,614	3,614	3,614	3,614
Average capacity price for CCS “old capacity”, tRUB/MW/month*	157	149	140	142
Average capacity price for CSA “new capacity”, tRUB/MW/month*	980	871	815	844
Average capacity price, tRUB/MW/month	585	498	481	503
Achieved power price for Fortum in Russia, RUB/MWh	1,868	1,666	1,734	1,790
Achieved power price for Fortum in Russia, EUR/MWh**	29.8	20.7	23.5	26.0

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

** Translated using the average exchange rate.

Capital expenditures, divestments and investments in shares

In January-March 2017, capital expenditures and investments in shares totalled EUR 206 (207) million. Investments, excluding acquisitions, were EUR 172 (82) million (Note 4).

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/started
Generation				
Loviisa, Finland	Nuclear	6		Q4 2017
Several hydro plants in Sweden and Finland	Hydro	~10		2017
City Solutions				
Zabrze, Poland	CHP	75	145	2018
Russia				
Ulyanovsk	Wind	35		Q4 2017
Other				
Solberg, Sweden	Wind	75*		Q4 2017
Ånstadblåheia, Norway	Wind	50		2018
Sørfjord, Norway	Wind	90		2019
Rajasthan, India	Solar	70		Started Q1 2017
Karnataka, India	Solar	100		Q2 2017

* Skellefteå Kraft AB (SKAB) is participating in the project with a 50% (37.5 MW) share.

Generation

Through its interest in Teollisuuden Voima Oyj (TVO), Fortum is participating in the building of Olkiluoto 3 (OL3), a 1,600-MW nuclear power plant unit in Finland. The plant's start of commercial electricity production is expected to take place in late 2018, according to the plant supplier AREVA-Siemens Consortium. TVO has withdrawn a EUR 300 million shareholder loan from the total EUR 600 million commitments. Fortum's share of the EUR 300 million withdrawal is approximately EUR 75 million. Fortum's remaining commitment for OL3 is EUR 75 million (Note 13).

City Solutions

The final decision regarding the minority redemption process of Ekokem Oyj shares was made by the arbitration court 30 March 2017, bringing Fortum's ownership up to 100%.

Other

In early January 2017, Fortum finalised the acquisition of three wind power projects from the Norwegian company Nordkraft. The transaction consists of the Nygårdsfjellet wind farm, which is already operational, as well as the fully-permitted Ånstadblåheia and Sørfjord projects. The wind farms are expected to be commissioned in 2018 and 2019. When built, the total installed capacity of the three wind farms will be approximately 170 MW.

In late March 2017, Fortum commissioned the 70-MW solar plant at Bhadla solar park in Rajasthan, India. Fortum won a reverse auction for the project in January 2016 and the building of the solar plant was conducted on schedule. The power plant will operate based on a Power Purchase Agreement (PPA), with a fixed tariff for 25 years. The Power Purchase Agreement has been made with National Thermal Power Corporation Limited (NTPC), India's largest power utility.

Shares and share capital

Fortum shares on Nasdaq Helsinki

January-March 2017	No. of shares traded	Total value EUR	High EUR	Low EUR	Average* EUR	Last EUR
FORTUM**	126,724,239	1,842,944,585	15.33	13.92	14.54	14.83

* Volume weighted average.

** FUM1V until 25 January 2017.

	31 March 2017	31 March 2016
Market capitalisation, EUR million	13,174	11,824
Number of shareholders	134,646	143,190
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	27.6	24.9
Households, %	11.5	12.6
Financial and insurance corporations, %	1.8	2.5
Other Finnish investors, %	8.3	9.4

In addition to Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, BATS Chi-X and Turquoise, and on the OTC market. In January-March 2017, approximately 64% of Fortum's shares were traded on markets other than Nasdaq Helsinki.

On 31 March 2017, 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.

On 4 April 2017, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase and disposal of the company's own shares up to a maximum number of 20,000,000 shares, which corresponds to approximately 2.25 per cent of all the shares in the company. The authorisation will be effective until the next Annual General Meeting and in any event no longer than for a period of 18 months. The authorisation had not been used by 27 April 2017.

Group personnel

Fortum's operations are mainly based in the Nordic countries, Russia, Poland and the Baltic Rim area. The total number of employees at the end of March 2017 was 8,186 (8,108 at the end of 2016).

At the end of March 2017, the Generation segment had 984 (979 at the end of 2016) employees; City Solutions 1,691 (1,701 at the end of 2016); Consumer Solutions 985 (961 at the end of 2016); Russia 3,769 (3,745 at the end of 2016); and Other 757 (722 at the end of 2016).

Research and development

Sustainability is at the core of Fortum's strategy and, alongside Fortum's current businesses, the company is carefully exploring and developing new sources of growth within renewable energy production.

Fortum's goal is to be at the forefront of energy technology and application development. To accelerate innovation and the commercialisation of new offerings, Fortum strengthens its in-house innovation and digitalisation efforts and builds partnerships with leading global suppliers, promising technology and service companies, and research institutions. Fortum makes direct and indirect investments in start-ups with promising new innovations that focus on connectivity, have disruptive potential and accelerate the transition towards a circular economy. Fortum also invests in technologies that support better utilisation of the current asset base and that can create new markets and products for Fortum. The company is continuously looking for emerging clean energy solutions and for solutions that increase resource and system efficiency.

The Group reports its R&D expenditure on a yearly basis. In 2016, Fortum's R&D expenditure was EUR 52 (47 in 2015) million, or 1.4% (1.4% in 2015) of sales.

Sustainability

Fortum strives for balanced management of economic, social and environmental responsibility in the company's operations. Fortum's sustainability targets consist both 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, employee wellbeing, and the security of power and heat production. Targets are set annually and they are based on continuous operational improvement. The focus of Fortum's monitoring in 2017 is on accidents that have serious consequences, rather than on the length of the sick-leave. These include accidents leading to a fatality or permanent disability and accidents that could have caused serious consequences. The quality of the investigations of occupational accidents, serious EHS incidents, and near misses is a new indicator Fortum also will track.

The achievement of the sustainability targets is monitored in monthly, quarterly and annual reporting. Sustainability target-setting and follow-up, as well as the approval of Fortum's Sustainability Policy, and the review of Fortum's Sustainability Reporting, are included in the working order of the Board of Directors. Complete data on Fortum's sustainability performance is published in Fortum's Sustainability report.

The company is listed on the Nasdaq Helsinki exchange and is included in the STOXX Global ESG Leaders, OMX GES Sustainability Finland, and ECPI@ indices. Fortum is also ranked in category A- and as the top Nordic company in the utilities sector in the annual CDP (formerly the Carbon Disclosure Project) rating 2016, and it has received a Prime Status (B-) rating by the German oekom research AG.

Fortum's sustainability targets and performance*

Targets		I/17	2016	Five-year average
Specific CO ₂ emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	184	184	188
Number of major EHS incidents	≤ 21	4	22	-
Energy availability of CHP plants, %	> 95	98.8	97.4	-
Total recordable injury frequency (TRIF) for own personnel	≤ 2.5	1.1	1.9	-
Lost workday injury frequency (LWIF) for own personnel	≤ 1.0	0.9	1.0	-
Lost workday injury frequency (LWIF) for contractors	≤ 3.5	4.5	3.0	-
Number of severe occupational accidents	≤ 5	0	5	-
Sickness-related absences, %	≤ 2.3	2.7	2.3**	-

* Group-targets for reputation, customer satisfaction, energy efficiency and the quality of incident investigations are monitored annually.

** The figure has been revised from the one presented in the Financial statements bulletin 2016 and the Operating and financial review (previously reported as 2.4).

Economic responsibility

For Fortum, economic responsibility means competitiveness, performance excellence and market-driven production, which create long-term value for our stakeholders and enable profitable growth. Satisfied customers are key to Fortum's success. Fortum aims to manage its supply chain in a responsible manner.

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. Fortum measures financial performance with return on capital employed (target: 10%) and capital structure (target: comparable net debt/EBITDA around 2.5). In addition, Fortum has used the applicable Global Reporting Initiative (GRI) G4 indicators for reporting economic responsibility as of 1 January 2014.

Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier qualification and supplier audits. In January-March 2017, Fortum audited three suppliers in China and India.

Environmental responsibility

Fortum's aim is to provide its customers with environmentally benign products and services. A circular economy, resource and energy efficiency, and maximising the added value of waste and biomass are key priorities in Fortum's environmental approach. In addition, climate change mitigation, and the reduction of environmental impacts are emphasised in Fortum's environmental responsibility. The company's know-how in CO₂-free hydro and nuclear power production and in energy-efficient combined heat and power production, investments in solar and wind power, as well as solutions for sustainable cities play a key role in this.

Fortum's Group-level environmental targets are related to CO₂ emissions, energy efficiency, and major environmental, health and safety (EHS) incidents. In the beginning of 2017, 99.9% of Fortum's power and heat production worldwide had ISO 14001 certification.

Fortum's climate target over the next five years is for total specific CO₂ emissions, from both electricity and heat production, to be below 200 g/kWh in all countries Fortum operates in. The target is calculated as a five-year average. At the end of March 2017, the total specific CO₂ emissions from energy production were at 188 (190) g/kWh, which is better than the target level.

Fortum's total CO₂ emissions in January-March 2017 amounted to 5.6 (5.9) million tonnes (Mt), of which 0.9 (1.0) Mt were within the EU's emissions trading scheme (ETS). The estimate for Fortum's free emissions allowances in 2017 is 1.0 (1.0) Mt.

Fortum's total CO₂ emissions

Million tonnes, Mt	I/17	I//16	2016	LTM
Total emissions	5.6	5.9	18.6	18.3
Emissions subject to ETS	0.9	1.0	2.7	2.6
Free emissions allocation	-	-	1.0	-
Emissions in Russia	4.6	4.9	15.5	15.2

By 2020, Fortum's target is to achieve an energy savings of more than 1,400 GWh annually, compared to 2012. At the end of 2016, about 1,372 GWh had been achieved.

Fortum's target is fewer than 21 major EHS incidents annually. In January-March 2017, 4 (4) major EHS incidents took place in Fortum's operations: the incidents included 3 leaks and 1 INES (International Nuclear and Radiological Event Scale) event exceeding level 0. These incidents did not have significant environmental or financial impacts.

Social responsibility

Fortum's social responsibility emphasises the secure supply of electricity and heat, creating solutions for sustainable cities, operational and occupational safety, employee wellbeing, as well as ethical business operations and compliance with regulations. At the end of 2016, OHSAS 18001 certification covered 99.9% of Fortum's power and heat production worldwide.

The average energy availability of Fortum's CHP plants in January-March 2017 was 98.8% (98.7%), clearly above the annual target level of 95%.

The total recordable injury frequency (TRIF) for Fortum employees in January-March 2017 was 1.1 (1.5) per one million working hours, which is better than the Group-level frequency target (≤ 2.5). Fortum's target for the lost-workday injury frequency (LWIF) for own personnel was 1.0 and it was achieved 0.9 (0.9). The lost-workday injury frequency for contractors was 4.5 (2.3), which is above the set target level (≤ 3.5). The number of serious occupational accidents was 0 (1).

Implementation of the agreed actions to improve safety will continue with a specific focus on contractor safety and the integration of the Ekokem and DUON operations. As of 1 January 2017, Fortum has changed the definition of the severity of work-related accidents and is focusing on the accidents that have serious consequences, rather than the length of the sick-leave. The Group target for 2017 is ≤ 5 severe occupational accidents. Our target is to reduce severe accidents to zero by 2020.

The percentage of sickness-related absences in January-March 2017 was 2.7 (2.8), which is above the target level (≤ 2.3).

Changes in Fortum's Management

On 8 February 2017 Markus Rauramo, Executive Vice President, City Solutions, was appointed Chief Financial Officer of the company as of 1 March 2017 following Timo Karttinen's resignation from his CFO duties. At the same time, Per Langer, Senior Vice President, Technology and New Ventures, was appointed Executive Vice President, City Solutions, also as of 1 March 2017.

On 20 March 2017, Mikael Rönneblad, M.Sc. (Econ.), was appointed Executive Vice President, Consumer Solutions, and member of Fortum's Executive Management starting 15 June 2017 at the latest. Consumer Solutions is temporarily headed by CFO Markus Rauramo.

Annual General Meeting 2017

Fortum Corporation's Annual General Meeting, which was held in Helsinki on 4 April 2017, adopted the financial statements of the parent company and the Group for the financial period 1 January - 31 December 2016, and discharged the members of Fortum's Board of Directors and the President and CEO from liability for the year 2016.

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share for the financial year that ended on 31 December 2016. The record date for the dividend payment was 6 April 2017, and the dividend payment date was 13 April 2017.

The Annual General Meeting confirmed the remuneration of EUR 75,000 per year to the Chairman, EUR 57,000 per year to the Deputy Chairman, EUR 40,000 per year to each member of the Board, as well as EUR 57,000 per year to the Board member acting as the Chairman of the Audit and Risk Committee if he or she is not at the same time acting as Chairman or Deputy Chairman of the Board. In addition, a EUR 600 meeting fee is paid for Board meetings as well as for committee meetings. The meeting fee is doubled for Board members who live outside Finland in Europe and tripled for members living outside Europe. For Board members living in Finland, the fee for each Board and Board Committee meeting is doubled for meetings held outside Finland, and tripled for meetings outside Europe. For Board and Committee meetings held as a telephone conference, the basic meeting fee is paid to all members. No fee is paid for decisions made without a separate meeting.

The Annual General Meeting also confirmed the number of members in the Board of Directors to be eight. Ms Sari Baldauf was re-elected as Chairman, Mr Matti Lievonen was elected as a new member and Deputy Chairman, Mr Heinz-Werner Binzel, Ms Eva Hamilton, Mr Kim Ignatius, Mr Tapio Kuula and Mr Veli-Matti Reinikkala were re-elected as members, and Ms Anja McAlister was elected as a new member.

In addition, Authorised Public Accountant Deloitte & Touche Ltd was re-elected as auditor, with Authorised Public Accountant Ms Reeta Virolainen as the principal auditor. The auditor's fee is paid pursuant to an invoice approved by the company.

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and disposal of the company's own shares up to a maximum number of 20,000,000 shares, which corresponds to approximately 2.25 per cent of all the shares in the company. It was also decided that own shares could be repurchased or disposed of in connection with acquisitions, investments or other business transactions, or be retained or cancelled. The repurchases or disposals could not be made for the purposes of the company's incentive and remuneration schemes. The authorisation cancelled the authorisation resolved by the Annual General Meeting of 2016 and it will be effective until the next Annual General Meeting and in any event no longer than for a period of 18 months.

At the meeting held after the Annual General Meeting, Fortum's Board of Directors elected, from among its members, to the Nomination and Remuneration Committee Matti Lievonen as Chairman and Sari Baldauf, Eva Hamilton, and Tapio Kuula as members. Furthermore, the Board elected to the Audit and Risk Committee Kim Ignatius as Chairman and Heinz-Werner Binzel, Anja Mc Alister and Veli-Matti Reinikkala as members.

Events after the balance sheet date

On 26 April 2017, Fortum and the City of Oslo entered into an agreement to restructure their ownership in Hafslund ASA, one of the largest listed power groups in the Nordic region. The transactions are subject to approval by the Oslo City Council (Bystyret), the necessary regulatory approvals and fulfilment of the customary closing conditions. The closing of the transactions is expected during the third quarter of 2017.

Fortum will sell its 34.1% stake in Hafslund ASA to the City of Oslo for approximately EUR 730 million before the proposed dividend for the Annual General Meeting 2017. Fortum will book a one-time tax-free sales gain totalling approximately EUR 330 million, which corresponds to EUR 0.37 earnings per share. The final gain will be determined at the closing of all transactions and will be reported in Fortum's Other segment.

Fortum will acquire 100% of Hafslund's current Markets business area, which operates in Norway, Sweden and Finland. This will almost double Fortum's number of electricity retail customers in the Nordics – from 1.3 million to 2.4 million.

Hafslund's Heat business area and the City of Oslo's waste-to-energy company Klemetsrudanlegget AS (KEA) will be combined into one company, forming an integrated value chain in the waste-to-energy system. Fortum will acquire 50% of the combined company. The combined entity will be owned 50/50 by Fortum and the City of Oslo, with Fortum having operational responsibility. Heat and KEA will be consolidated as a subsidiary to Fortum, with a 50% minority interest. In addition, Fortum will acquire 10% of Hafslund's current Production business area.

The total debt-free price of the acquisitions is approximately EUR 970 million.

The combined net cash investment of the transactions is expected to be approximately EUR 240 million. In 2016, the combined consolidated Sales and EBITDA of Hafslund Markets and Heat & KEA (on a 100% basis) were approximately EUR 950 million and approximately EUR 130 million respectively.

On 27 April, Fortum and RUSNANO, a Russian state-owned development company, have agreed to sign a 50/50 investment partnership in order to secure the possibility of a Russian Capacity Supply Agreement (CSA) wind portfolio in Russia. Further progress in the matter is still dependent on several factors such as the Russian prerequisite for domestic production of wind power generating components as well as auction outcome.

Fortum's equity stake in the joint venture totals a maximum of RUB 15 billion (currently approximately EUR 240 million). The amount is invested over time (approximately within 5 years) as it is subject to positive investment decisions. Separate investment decisions will be made on a case-by-case basis for each possible investment. The projects will be financed with the equity invested to the joint venture and local non-recourse debt.

As earlier communicated at Fortum's Capital Markets Day held in November 2016, Fortum's long-term ambition is to have approximately 500 megawatts (MW) of wind capacity in Russia.

Key drivers and risks

Fortum's financial results are exposed to a number of economic, strategic, political, financial and operational risks.

One of the key factors influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, the prices of fuel and CO₂ emissions allowances, and the hydrological situation.

The continued uncertainty in the global and European economies 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 of electricity. In Fortum's Russian business, the key drivers are economic growth, the rouble exchange rate, regulation around the heat business, and the further development of the electricity and capacity markets. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates due to financial turbulence could have both translation and transaction effects on Fortum's financials, especially through the Russian rouble and Swedish krona.

In the Nordic countries, the regulatory and fiscal environment for the energy and environmental management sectors has also added risks for companies. The main strategic risk is that the regulatory and market environment develops in a way that we have not been able to foresee and prepare for. In response to these uncertainties, Fortum has analysed and assessed a number of future energy market and regulation scenarios, including the impact of these on different generation forms and technologies. As a result, Fortum's strategy was renewed in 2016 to include broadening the base of revenues and diversification into new businesses, technologies and markets. The environmental management business is based on the framework and opportunities created by the environmental regulation. Being able to respond to the customer needs created by the tightening regulation is a key success factor.

Outlook

Nordic market

Despite macroeconomic uncertainty, electricity is expected to continue to gain a higher share of total energy consumption. Electricity demand in the Nordic countries is expected to grow by approximately 0.5% on average, while the growth rate for the next few years will largely be determined by macroeconomic developments in Europe, and especially in the Nordic countries.

During January-March 2017, the oil price continued to increase, the coal price stayed fairly stable, and the price of CO₂ emission allowances (EUA) declined. The price of electricity for the upcoming twelve months decreased in the Nordic area as well as in Germany.

In mid-April 2017, the quotation for coal (ICE Rotterdam) for the remainder of 2017 was around USD 71 per tonne and for CO₂ emission allowances for 2017 around EUR 5 per tonne. The Nordic system electricity forward price in Nasdaq Commodities for the rest of 2017 was around EUR 26 per MWh and for 2018 around EUR 23 per MWh. In Germany, the electricity forward price for the rest of 2017 was around EUR 33 per MWh and for 2018 around EUR 30 per MWh. Nordic water reservoirs were about 2 TWh below the long-term average and 8 TWh below the corresponding level in 2016.

Generation

The Generation segment's achieved Nordic power price typically depends on such factors as the hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible production portfolio, and currency fluctuations. Excluding the potential effects from changes in the power generation mix, a 1 EUR/MWh change in the Generation segment's Nordic power sales achieved price will result in an

approximately EUR 45 million change in Fortum's annual comparable operating profit. In addition, the comparable operating profit of the Generation segment will be affected by possible thermal power generation volumes and its profits.

As a result of the nuclear stress tests in the EU, the Swedish Radiation Safety Authority (SSM) has decided on new regulations for Swedish nuclear reactors. For the operators, this means safety investments that should be in place no later than 2020.

The process to review the Swedish nuclear waste fees is done in a three-year cycle. The Swedish Nuclear Fuel and Waste Management Co (SKB) has updated the new technical plan for the SSM to review. The final decision on the new nuclear waste fees will be made by the Swedish government in December 2017. However, as a result of the decision on early closure of nuclear power plants, SSM recalculated the waste fees for the Oskarshamn and Ringhals power plants.

In April 2017, the Swedish government announced that during the second quarter they will submit a proposal to the parliament regarding the calculations of nuclear waste fees and the investment of the nuclear waste fund. According to the announcement the operating time for calculating the waste fee would be 50 years, as opposed to the current 40 years. The fund would also be allowed to invest in other financial instruments than government bonds. The proposed changes are expected to reduce the nuclear waste fees.

In September 2016, the Swedish government presented the budget proposal for the coming years. One of the key elements was the proposal that taxation of different energy production forms should be more equal and the tax burden of nuclear and hydro should be taken to the level of other production technologies. The budget states that the nuclear capacity tax will be reduced to 1,500 SEK/MW per month from 1 July 2017 and abolished on 1 January 2018. In 2017, the tax for Fortum is estimated to decrease by approximately EUR 32 million to EUR 52 million due to the tax decrease and by another EUR 5 million due to the premature closure of Oskarshamn 1 in the middle of the year. In 2018, there is no capacity tax.

The hydropower real-estate tax will decrease over a four-year period beginning in 2017, from today's 2.8% to 0.5%. The real-estate tax on hydro will, as stated in the government's budget, be reduced in four steps: in January 2017 to 2.2%; in January 2018 to 1.6%; in January 2019 to 1.0%; and in January 2020 to 0.5%. In 2017, the tax for Fortum is estimated to decrease by approximately EUR 20 million to approximately EUR 95 million.

In addition to the decrease in the tax rate, the hydropower real-estate tax values, which are linked to electricity prices, will be updated in 2019. The real-estate tax values are updated every six years. With the current low electricity prices, the tax values in 2019 will be clearly lower than today. The process for renewing existing hydro permits will also be reformed.

In October 2016, the Swedish Energy Agency presented a concrete proposal on how to increase the production of renewable electricity by 18 TWh in 2020-2030 within the electricity certificate system, as part of the Energy Agreement. In April 2017, the Swedish government decided that the increase will be carried out in a linear manner.

In 2015, Swedish OKG AB decided to permanently discontinue electricity production at Oskarshamn's nuclear plant unit 1 and 2. The discontinuing of production and start of decommissioning has been set to 30 June 2017 in unit 1. Unit 2, which has been out of operation since June 2013, will stay out of operation. The closing processes for both units are estimated to take several years.

City Solutions

In City Solutions steady growth, cash flow and earnings are achieved through investments in new plants and through acquisitions. Fuel cost, availability, flexibility and efficiency as well as gate fees are key drivers in profitability, but also power supply/demand balance, electricity price and the weather affect the profitability.

In May 2016, the Finnish government decided to increase the tax on heating fuels by EUR 90 million annually from 2017 onwards. The negative impact on Fortum is estimated to be approximately EUR 5 million per year.

Consumer Solutions

In the Consumer Solutions profitability is achieved by competitive product offerings, efficient operations, scale benefits in systems and operations as well as prudent risk management. As the Consumer Solutions segment hedges most of the market risk exposure it is typically more exposed to short-term variations in power prices and demand than long-term price trends. Short-term volatility, often caused by temperature, can have a substantial impact on power prices as well as power demand. The competitive environment affects the Consumer Solutions segment both through the sales margins of the products sold as well as the size of the customer base.

Russia

The Russia segment's new capacity generation built after 2007 under the Russian Capacity Supply Agreement (CSA) is a key driver for earnings growth in Russia, as it is expected to bring income from new volumes sold and also to receive considerably higher capacity payments than the old capacity. Fortum will receive guaranteed capacity payments for a period of 10 years from the commissioning of a plant. The received CSA payment will vary depending on the age, location, size and type of the plants, as well as on seasonality and availability. CSA payments can vary somewhat annually because they are linked to Russian Government long-term bonds with 8 to 10 years maturity. In addition, the regulator will review the earnings from the electricity-only market three years and six years after the commissioning of a unit and could revise the CSA payments accordingly.

The long-term Competitive Capacity Selection (CCS) for the years 2017-2019 was held at the end of 2015, and the long-term CCS for year 2020 was held in September 2016. The majority of Fortum's plants were selected. The volume of Fortum's installed "old" capacity not selected in the auctions totalled 195 MW (out of 2,214 MW), for which Fortum has obtained forced mode status, i.e. it will receive payments for the capacity.

The Russian annual average gas price growth was 3.6% in 2016. Fortum estimates the Russian annual average gas price growth to be 2.0% in 2017.

Capital expenditure and divestments

Fortum currently expects its capital expenditure, excluding acquisitions, to be approximately EUR 800 million in 2017. The annual maintenance capital expenditure is estimated to be below EUR 300 million in 2017, well below the level of depreciation.

Taxation

The effective corporate income tax rate for Fortum in 2017 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.

Hedging

At the end of March 2017, approximately 55% of Generation's estimated Nordic power sales volume was hedged at EUR 29 per MWh for the rest of 2017 and approximately 45% at EUR 27 per MWh for 2018.

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 electricity derivatives quoted on Nasdaq Commodities.

Change of Fortum Corporation's trading and issuer codes

As of 25 January 2017, Fortum Corporation changed its trading and issuer codes. The trading code of Fortum Corporation's share changed from FUM1V to FORTUM, and Fortum's issuer code was changed from FUM to FORTUM.

Dividend payment

The Annual General Meeting 2017 decided to pay a dividend of EUR 1.10 per share for the financial year that ended 31 December 2016. The record date for the dividend was 6 April 2017 and the dividend payment date was 13 April 2017.

Espoo, 26 April 2017

Fortum Corporation
Board of Directors

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The condensed Interim Report has been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The interim financials have not been audited.

Financial calendar in 2017

In 2017, Fortum will publish:

- Half-year Financial Report January-June on 20 July 2017, at approximately 9:00 EEST
- Interim Report January-September on 26 October 2017, at approximately 9:00 EEST

Distribution:

Nasdaq Helsinki
Key media
www.fortum.com

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

Condensed consolidated income statement

EUR million	Note	Q1 2017	Q1 2016	2016	Last twelve months
Sales	4, 7	1,232	989	3,632	3,875
Other income		8	9	34	33
Materials and services		-604	-456	-1,830	-1,978
Employee benefits		-93	-79	-334	-348
Depreciation and amortisation	4,10,11	-110	-84	-373	-399
Other expenses		-120	-105	-485	-500
Comparable operating profit	4	313	275	644	682
Items affecting comparability		76	94	-11	-29
Operating profit	4	389	369	633	653
Share of profit/loss of associates and joint ventures	4, 12	59	67	131	123
Interest expense		-37	-47	-169	-159
Interest income		7	8	30	29
Fair value gains and losses on financial instruments		1	2	-2	-3
Other financial expenses - net		-7	-10	-29	-26
Finance costs - net		-36	-47	-169	-158
Profit before income tax		412	390	595	617
Income tax expense	8	-72	-59	-90	-103
Profit for the period		340	331	504	513
Attributable to:					
Owners of the parent		335	326	496	505
Non-controlling interests		5	5	8	8
		340	331	504	513
Earnings per share for profit attributable to the equity owners of the company (EUR per share)					
Basic		0.38	0.37	0.56	0.57

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

EUR million	Note	Q1 2017	Q1 2016	2016	Last twelve months
Comparable operating profit		313	275	644	682
Impairment charges	4	0	0	27	27
Capital gains and other	4, 6	1	44	38	-5
Changes in fair values of derivatives hedging future cash flow	4	74	50	-65	-41
Nuclear fund adjustment	4, 15	2	0	-11	-9
Items affecting comparability		76	94	-11	-29
Operating profit		389	369	633	653

Condensed consolidated statement of comprehensive income

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Profit for the period	340	331	504	513
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	67	7	-142	-82
Transfers to income statement	37	-25	-85	-23
Transfers to inventory/fixed assets	-6	-5	-10	-11
Deferred taxes	-20	5	51	26
Net investment hedges				
Fair value gains/losses in the period	-11	-10	-2	-3
Deferred taxes	2	2	0	0
Exchange differences on translating foreign operations	195	101	342	436
Share of other comprehensive income of associates and joint ventures	4	-9	-9	4
Other changes	-1	-1	0	0
	267	64	145	348
Items that will not be reclassified to profit or loss in subsequent periods:				
Actuarial gains/losses on defined benefit plans	0	0	-7	-7
Actuarial gains/losses on defined benefit plans in associates and joint ventures	-2	8	12	2
	-2	9	5	-6
Other comprehensive income for the period, net of deferred taxes	265	73	150	342
Total comprehensive income for the period	606	404	654	856
Total comprehensive income attributable to				
Owners of the parent	598	397	639	840
Non-controlling interests	8	7	15	16
	606	404	654	856

Condensed consolidated balance sheet

EUR million	Note	Mar 31 2017	Mar 31 2016	Dec 31 2016
ASSETS				
Non-current assets				
Intangible assets	10	507	289	467
Property, plant and equipment	11	10,207	8,770	9,930
Participations in associates and joint ventures	4, 12	2,201	2,034	2,112
Share in State Nuclear Waste Management Fund	15	837	818	830
Other non-current assets		114	100	113
Deferred tax assets		48	70	66
Derivative financial instruments	5	371	539	415
Long-term interest-bearing receivables	13	977	927	985
Total non-current assets		15,262	13,546	14,918
Current assets				
Inventories		215	205	233
Derivative financial instruments	5	166	238	130
Short-term interest-bearing receivables	13	216	178	395
Income tax receivables		270	116	290
Trade and other receivables		841	584	844
Deposits and securities (maturity over three months)		2,484	3,788	3,475
Cash and cash equivalents		2,738	4,440	1,679
Liquid funds	14	5,222	8,228	5,155
Total current assets		6,930	9,549	7,046
Total assets		22,192	23,095	21,964
EQUITY				
Equity attributable to owners of the parent				
Share capital		3,046	3,046	3,046
Share premium		73	73	73
Retained earnings		10,897	10,933	10,369
Other equity components		40	139	-29
Total		14,057	14,191	13,459
Non-controlling interests		91	77	84
Total equity		14,148	14,268	13,542
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	14	4,056	4,729	4,468
Derivative financial instruments	5	176	263	262
Deferred tax liabilities		671	511	616
Nuclear provisions	15	837	818	830
Other provisions	16	126	80	116
Pension obligations		77	66	76
Other non-current liabilities		172	169	179
Total non-current liabilities		6,114	6,636	6,546
Current liabilities				
Interest-bearing liabilities	14	819	1,341	639
Derivative financial instruments	5	312	170	396
Trade and other payables		799	681	841
Total current liabilities		1,930	2,191	1,876
Total liabilities		8,044	8,827	8,422
Total equity and liabilities		22,192	23,095	21,964

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	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies and joint ventures			
Total equity 31 December 2016	3,046	73	12,186	-1,817	-115	58	27	13,459	84	13,542
Net profit for the period			335					335	5	340
Translation differences				193				192	3	195
Other comprehensive income					78	-10	2	70		71
Total comprehensive income for the period			335	193	78	-10	2	598	8	606
Cash dividend										
Other										
Total equity 31 March 2017	3,046	73	12,521	-1,624	-37	48	29	14,057	91	14,148
Total equity 31 December 2015	3,046	73	12,663	-2,156	74	67	27	13,794	69	13,863
Net profit for the period			326					326	5	331
Translation differences				100				100	2	101
Other comprehensive income					-18	-9	-1	-28		-28
Total comprehensive income for the period			326	100	-18	-9	-2	397	7	404
Other									1	1
Total equity 31 March 2016	3,046	73	12,989	-2,056	56	58	25	14,191	77	14,268
Total equity 31 December 2015	3,046	73	12,663	-2,156	74	67	27	13,794	69	13,863
Net profit for the period			496					496	8	504
Translation differences				339	-2	1	-3	335	7	342
Other comprehensive income			1		-186	-10	3	-192		-192
Total comprehensive income for the period			497	339	-188	-9	0	639	15	654
Cash dividend			-977					-977		-977
Other			3					3	-1	2
Total equity 31 December 2016	3,046	73	12,186	-1,817	-115	58	27	13,459	84	13,542

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR 192 million during Q1 2017 (Q1 2016: 100). Translation differences are mainly related to RUB. Part of this translation exposure has been hedged and the foreign currency hedge result amounting to EUR -11 million during Q1 2017 (Q1 2016: -5), is included in the other OCI items.

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 2 Accounting policies.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR 78 million during Q1 2017 (Q1 2016: -18), 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 for 2016 was decided in the Annual General Meeting on 4 April 2017. The dividend has not been booked as a liability in these interim financial statements. See Note 9 Dividend per share.

Condensed consolidated cash flow statement

EUR million	Note	Q1 2017	Q1 2016	2016	Last twelve months
Cash flow from operating activities					
Profit for the period		340	331	504	513
Adjustments:					
Income tax expenses	8	72	59	90	103
Finance costs - net		36	47	169	158
Share of profit of associates and joint ventures	12	-59	-67	-131	-123
Depreciation and amortisation	10, 11	110	84	373	399
Operating profit before depreciations (EBITDA)		499	453	1,006	1,052
Items affecting comparability	4	-76	-94	11	29
Net release of CSA provision	4	0	-2	-2	0
Comparable EBITDA		423	357	1,015	1,081
Non-cash flow items		3	-22	-49	-24
Interest received		8	10	39	37
Interest paid		-87	-91	-214	-210
Dividends received		0	0	54	54
Realised foreign exchange gains and losses		-58	128	110	-76
Income taxes paid		-18	-41	-216	-193
Other items		-1	4	-18	-23
Funds from operations		270	346	723	647
Change in working capital		12	29	-102	-119
Total net cash from operating activities		282	375	621	528
Cash flow from investing activities					
Capital expenditures	10, 11	-180	-113	-599	-666
Acquisitions of shares	6	-26	-104	-695	-617
Proceeds from sales of fixed assets	10, 11	2	5	10	7
Divestments of shares	6	0	39	39	0
Shareholder loans to associated companies and joint ventures	13	10	-30	-117	-77
Change in cash collaterals	13	182	-176	-359	-1
Change in other interest-bearing receivables	13	11	0	20	31
Total net cash from investing activities		-1	-379	-1,701	-1,323
Cash flow before financing activities		280	-4	-1,080	-796
Cash flow from financing activities					
Proceeds from long-term liabilities	14	34	31	32	35
Payments of long-term liabilities	14	-292	-3	-934	-1,223
Change in short-term liabilities	14	31	1	-97	-67
Dividends paid to the owners of the parent	9	0	0	-977	-977
Other financing items		2	-4	-8	-2
Total net cash used in financing activities		-225	26	-1,984	-2,235
Total net increase(+)/decrease(-) in liquid funds		56	21	-3,064	-3,029
Liquid funds at the beginning of the period	14	5,155	8,202	8,202	8,228
Foreign exchange differences in liquid funds		12	5	18	25
Liquid funds at the end of the period	14	5,222	8,228	5,155	5,222

Realised foreign exchange gains and losses

Realised foreign exchange gains and losses relate mainly to financing of Fortum's Russian and Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise from rollover of foreign exchange contracts hedging these internal loans as major part of the forwards are entered into with short maturities i.e. less than twelve months.

Additional cash flow information

Change in working capital

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Change in settlements for futures, decrease(+)/increase(-)	19	-12	-138	-107
Change in interest-free receivables, decrease(+)/increase(-)	2	146	92	-52
Change in inventories, decrease(+)/increase(-)	21	26	14	9
Change in interest-free liabilities, decrease(-)/increase(+)	-30	-131	-70	31
Total	12	29	-102	-119

Fortum is hedging electricity production and retail portfolios mainly with derivatives in Nasdaq OMX Commodities Europe. For these transactions Nasdaq requires collaterals. In 2016 Nasdaq moved from bank guarantees to cash collaterals due to EMIR requirements. The cash collaterals are included in the short-term interest-bearing receivables, see note 13.

In the end of 2016 Nasdaq's market making for forwards ended and the trading moved from forwards with cash collaterals to futures with daily cash settlements. In Fortum's cash flow statement the daily cash settlements for futures are shown as change in working capital whereas the changes in cash collaterals for forwards are included in cash flow from investing activities.

Capital expenditure in cash flow

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Capital expenditure	172	82	591	681
Change in not yet paid investments, decrease(+)/increase(-)	12	35	24	1
Capitalised borrowing costs	-4	-4	-16	-16
Total	180	113	599	666

Capital expenditures for intangible assets and property, plant and equipment were in Q1 2017 EUR 172 million (Q1 2016: 82). Capital expenditure in cash flow in Q1 2017 EUR 180 million (Q1 2016: 113) is including payments related to capital expenditure made in previous year i.e. change in trade payables related to investments EUR 12 million (Q1 2016: 35) and excluding capitalised borrowing costs EUR -4 million (Q1 2016: -4), which are presented in interest paid.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 26 million during Q1 2017 (Q1 2016: 104) including shares in the three wind power projects in Norway. For further information see note 6 Acquisitions and disposals.

Divestment of shares in cash flow

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	0	6	6	0
Proceeds from sales of associates and joint ventures	0	33	34	1
Total	0	39	39	0

There were no divestments of shares in Q1 2017.

Change in net debt

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Net debt, beginning of the period	-48	-2,195	-2,195	-2,158
Foreign exchange rate differences	-7	-11	-70	-67
Comparable EBITDA	423	357	1,015	1,081
Non-cash flow items	3	-22	-49	-24
Paid net financial costs	-137	51	-29	-217
Income taxes paid	-18	-41	-216	-193
Change in working capital	12	29	-102	-119
Capital expenditures	-180	-113	-599	-666
Acquisitions	-26	-104	-695	-617
Divestments	2	44	49	7
Shareholder loans to associated companies	10	-30	-117	-77
Change in other interest-bearing receivables	193	-176	-340	29
Dividends	0	0	-977	-977
Other financing activities	2	-4	-8	-2
Net cash flow (- increase in net debt)	282	-8	-2,065	-1,775
Fair value change of bonds, amortised cost valuation, acquired debt and other	-11	40	152	103
Net debt, end of the period	-347	-2,158	-48	-347

Capital structure

Fortum wants to have a prudent and efficient capital structure which at the same time allows the implementation of its strategy. Maintaining a strong balance sheet and the flexibility of the capital structure is a priority. The Group monitors the capital structure based on Comparable net debt to EBITDA ratio. Net debt is calculated as interest-bearing liabilities minus liquid funds without deducting interest-bearing receivables amounting to EUR 1,193 million (Dec 31 2016: 1,380). EBITDA is calculated by adding back depreciation and amortisation to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability and the net release of CSA provision from EBITDA. Fortum's comparable net debt to EBITDA target is around 2.5.

Comparable Net debt/EBITDA ratio

EUR million	Last twelve months	2016
Interest-bearing liabilities	4,875	5,107
Less: Liquid funds	5,222	5,155
Net debt	-347	-48
Operating profit	653	633
Add: Depreciation and amortisation	399	373
EBITDA	1,052	1,006
Less: Items affecting comparability	-29	-11
Less: Net release of CSA provision	-	2
Comparable EBITDA	1,081	1,015
Comparable net debt/EBITDA	-0.3	0.0

Key ratios

Definition of key figures are presented in Note 23.

	Mar 31 2017	Mar 31 2016	Dec 31 2016	Last twelve months
Comparable EBITDA, EUR million	423	357	1,015	1,081
Earnings per share (basic), EUR	0.38	0.37	0.56	0.57
Capital employed, EUR million	19,023	20,338	18,649	
Interest-bearing net debt, EUR million	-347	-2,158	-48	
Capital expenditure and gross investments in shares, EUR million	207	207	1,435	1,435
Capital expenditure, EUR million	172	82	591	681
Return on capital employed, % ¹⁾	8.3	7.3	4.0	4.0
Return on shareholders' equity, % ¹⁾	8.2	7.4	3.7	3.6
Comparable net debt / EBITDA ¹⁾	-0.2	-1.5	0.0	-0.3
Interest coverage	13.2	9.5	4.6	5.1
Interest coverage including capitalised borrowing costs	11.5	8.6	4.1	4.5
Funds from operations/interest-bearing net debt, % ¹⁾	-360.9	-46.3	-1,503.4	-186.4
Gearing, %	-2	-15	0	
Equity per share, EUR	15.82	15.97	15.15	
Equity-to-assets ratio, %	64	62	62	
Number of employees	8,186	7,916	8,108	
Average number of employees	8,136	7,737	7,994	
Average number of shares, 1 000 shares	888,367	888,367	888,367	
Diluted adjusted average number of shares, 1 000 shares	888,367	888,367	888,367	
Number of registered shares, 1 000 shares	888,367	888,367	888,367	

1) Quarterly figures are annualised except items affecting comparability.

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 2016.

The figures in the consolidated interim financial statements have been rounded and consequently the sum of individual figures may deviate from the sum presented. Key figures have been calculated using exact figures.

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 2016.

Fortum will adopt two new IFRS standards in 2018 (IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers) and one in 2019 (IFRS 16 Leases). Information of the impact can be read from the Note 1.6.2 of the consolidated financial statements for the year ended 31 December 2016. Additional information will be published in the upcoming interim releases during 2017.

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-March 2017	Jan-Dec 2016	Jan-Sept 2016	Jan-June 2016	Jan-March 2016
Sweden (SEK)	9.5257	9.4496	9.3673	9.2813	9.2713
Norway (NOK)	9.0030	9.2888	9.3614	9.4060	9.5016
Poland (PLN)	4.3189	4.3659	4.3570	4.3621	4.3289
Russia (RUB)	62.6996	73.8756	75.8412	77.2497	80.6173

Balance sheet date rate	March 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	March 31 2016
Sweden (SEK)	9.5322	9.5525	9.6210	9.4242	9.2253
Norway (NOK)	9.1683	9.0863	8.9865	9.3008	9.4145
Poland (PLN)	4.2265	4.4103	4.3192	4.4362	4.2576
Russia (RUB)	60.3130	64.3000	70.5140	71.5200	76.3051

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. Provisions for present obligations require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period.

In preparing these interim financial statements, the significant judgements made by management 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 for the year ended 31 December 2016.

4. Segment information

As of 1 March 2017, the City Solutions -division was divided into two divisions: City Solutions and Consumer Solutions, both reported as separate reporting segments. City Solutions comprises heating and cooling, waste-to-energy, biomass and other circular economy solutions. Consumer Solutions comprises electricity sales in the Nordics, electricity sales, gas sales and distribution in Poland, as well as Nordic customer services (previously reported under the Other segment).

The new organisation consists of the following segments: Generation, City Solutions, Consumer Solutions, Russia and Other. M&A and Solar & Wind Development as well as Technology and New Ventures will continue to be reported under Other.

Fortum has restated its 2016 comparison segment reporting figures in accordance with the new organisation structure. The restated and previously communicated quarterly information for 2016 were published on 11 April 2017 and can be found in the Interim reports section in Fortum's webpage.

Due to the seasonal nature of Fortum's operations the comparable operating profits are usually higher for the first and fourth quarter of the year. Columns labelled as "LTM" or "last twelve months" are presenting figures for twelve months preceding the reporting date.

Quarter	Note	Generation ¹⁾		City Solutions ¹⁾		Consumer Solutions		Russia		Other		Total	
		Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Income statement data by segment													
External sales		465	451	287	228	242	174	349	249	8	8	1,350	1,110
Internal sales		10	16	3	0	0	1	0	0	16	16	29	34
Netting of Nord Pool transactions ²⁾												-118	-120
Eliminations ²⁾												-29	-34
Sales	7	474	467	290	228	242	175	349	249	24	24	1,232	989
Comparable EBITDA		166	182	94	70	14	14	168	105	-20	-13	423	357
Net release of CSA provision								0	2			0	2
Depreciation and amortisation		-30	-27	-38	-25	-2	-1	-36	-28	-4	-3	-110	-84
Comparable operating profit		136	155	56	44	12	14	132	79	-24	-16	313	275
Impairment charges		0	0	0	0	0	0	0	0	0	0	0	0
Capital gains and other	6	1	0	0	12	0	0	0	32	0	0	1	44
Changes in fair values of derivatives hedging future cash-flow		92	56	3	2	-21	-9	0	0	1	1	74	50
Nuclear fund adjustment	15	2	0	0	0	0	0	0	0	0	0	2	0
Items affecting comparability		94	56	3	14	-21	-9	0	32	1	1	76	94
Operating profit		230	211	59	58	-9	5	132	111	-23	-15	389	369
Share of profit/loss of associates and joint ventures	12	-1	-4	46	48	0	0	1	9	14	14	59	67
Finance costs - net												-36	-47
Income taxes	8											-72	-59
Profit for the period												340	331
Investments / divestments by segment													
Gross investments in shares	6	0	2	0	5	0	114	0	0	34	3	34	125
Capital expenditure	10, 11	24	25	21	15	2	0	32	40	94	2	172	82
of which capitalised borrowing costs		1	0	0	0	0	0	2	4	1	0	4	4
Gross divestments of shares	6	0	0	0	33	0	0	0	117	0	0	0	150

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

2) Netting and eliminations include eliminations of internal sales and netting of Nord Pool transactions. Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Last twelve months	Note	Generation ¹⁾		City Solutions ¹⁾		Consumer Solutions		Russia		Other		Total	
		LTM	2016	LTM	2016	LTM	2016	LTM	2016	LTM	2016	LTM	2016
EUR million													
Income statement data by segment													
External sales		1,657	1,643	839	780	734	666	996	896	31	31	4,256	4,016
Internal sales		9	15	4	1	1	2	0	0	61	61	74	79
Netting of Nord Pool transactions ²⁾												-382	-384
Eliminations ²⁾												-74	-79
Sales	7	1,664	1,657	844	782	735	668	996	896	92	92	3,875	3,632
Comparable EBITDA		511	527	210	186	55	55	375	312	-71	-64	1,081	1,015
Net release of CSA provision								0	2			0	2
Depreciation and amortisation		-113	-110	-134	-121	-8	-7	-131	-123	-14	-13	-399	-373
Comparable operating profit		398	417	76	64	46	48	244	191	-85	-77	682	644
Impairment charges ³⁾		27	27	0	0	0	0	0	0	0	0	27	27
Capital gains and other	6	2	1	-12	0	0	0	3	35	2	2	-5	38
Changes in fair values of derivatives hedging future cash flow		-60	-96	23	22	-1	11	0	0	-2	-2	-41	-65
Nuclear fund adjustment	15	-9	-11	0	0	0	0	0	0	0	0	-9	-11
Items affecting comparability		-41	-79	11	22	-1	11	3	35	0	0	-29	-11
Operating profit		357	338	87	86	45	59	247	226	-85	-77	653	633
Share of profit of associated companies and joint ventures	12	-31	-34	74	76	0	0	30	38	51	51	123	131
Finance costs - net												-158	-169
Income taxes	8											-103	-90
Profit for the period												513	504
Investments / divestments by segment													
Gross investments in shares	6	5	7	693	698	3	117	0	0	53	22	753	844
Capital expenditure	10, 11	195	196	115	109	5	3	193	201	175	83	681	591
of which capitalised borrowing costs		4	3	1	1	0	0	8	10	3	2	16	16
Gross divestments of shares	6	0	0	0	33	1	1	10	127	0	0	11	161

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

2) Netting and eliminations include eliminations of internal sales and netting of Nord Pool transactions. Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

3) No impairment charges have been made during Q1 2017. The provision for the early closure of units 1 and 2 in OKG Aktiebolag was updated during fourth quarter 2016 resulting in a positive impairment charge of EUR 22 million in Generation segment.

Segment assets and liabilities

		Generation		City Solutions		Consumer Solutions		Russia		Other		Total	
		Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016	Mar 31 2017	Dec 31 2016
EUR million													
Non-interest bearing assets													
Participations in associated companies and joint ventures	12	717	711	620	573	0	0	465	436	398	392	2,201	2,112
Eliminations												-14	-18
Total segment assets		6,882	6,917	3,250	3,245	361	348	3,662	3,402	779	632	14,919	14,526
Interest-bearing receivables	13											1,193	1,380
Deferred tax assets												48	66
Other assets												810	838
Liquid funds	14											5,222	5,155
Total assets												22,192	21,964
Segment liabilities													
Eliminations												-14	-18
Total segment liabilities		1,058	1,102	356	371	203	194	142	119	144	117	1,903	1,903
Deferred tax liabilities												671	616
Other liabilities												609	814
Total liabilities included in capital employed												3,169	3,315
Interest-bearing liabilities	14											4,875	5,107
Total equity												14,148	13,542
Total equity and liabilities												22,192	21,964
Number of employees		984	979	1,691	1,701	985	961	3,769	3,745	757	722	8,186	8,108
Average number of employees ¹⁾		983	1,064	1,698	1,529	961	877	3,753	3,814	741	711	8,136	7,994

1) Average number of employees is based on a monthly average for the period in review.

Comparable operating profit including share of profits from associates and joint ventures and Comparable return on net assets

EUR million	Note	Generation		City Solutions		Consumer Solutions		Russia		Other	
		LTM	Dec 31 2016	LTM	Dec 31 2016	LTM	Dec 31 2016	LTM	Dec 31 2016	LTM	Dec 31 2016
Comparable operating profit		398	417	76	64	46	48	244	191	-85	-77
Share of profit of associated companies and joint ventures	12	-31	-34	74	76	0	0	30	38	51	51
Adjustment for Share of profit of associated companies and joint ventures		15	16	0	0	0	0	0	0	0	0
Comparable operating profit including share of profits from associates and joint ventures		382	399	151	140	46	48	275	229	-34	-26
Segment assets at the end of the period		6,882	6,917	3,250	3,245	361	348	3,662	3,402	779	632
Segment liabilities at the end of the period		1,058	1,102	356	371	203	194	142	119	144	117
Comparable net assets		5,823	5,815	2,894	2,873	158	154	3,520	3,284	636	514
Comparable net assets average ¹⁾		5,798	5,820	2,537	2,384	135	109	3,049	2,857	492	422
Comparable return on net assets, %		6.6	6.9	6.0	5.9	34.6	44.3	9.0	8.0	-6.9	-6.1

1) Average net assets are calculated using the opening balance and end of each quarter values.

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 2016.

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 accounting policies in the consolidated financial statements 2016, in Note 17 Financial assets and liabilities by fair value hierarchy.

Financial assets

EUR million	Level 1			Level 2			Level 3			Netting ²⁾			Total		
	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016
In non-current assets															
Available for sale financial assets ¹⁾	0	1	0				58	45	58				58	46	58
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				7	52	4				-7	-10	-3	0	42	1
Non-hedge accounting	0		0	98	222	98				-23	-99	-31	76	123	67
Interest rate and currency derivatives															
Hedge accounting				226	284	240							226	284	240
Non-hedge accounting				66	85	103							66	85	103
Oil and other futures and forward contracts															
Non-hedge accounting	6	9	7	0		0				-3	-5	-2	3	4	5
Total in non-current assets	6	10	7	397	643	445	58	45	58	-33	-114	-36	429	585	473
In current assets															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				15	76	9				-14	-13	-9	1	64	0
Non-hedge accounting	0	1	0	283	237	381				-148	-172	-293	135	66	88
Interest rate and currency derivatives															
Hedge accounting				15	4	16							15	4	16
Non-hedge accounting				4	52	7							4	52	7
Oil and other futures and forward contracts															
Non-hedge accounting	78	79	106	2		2				-69	-26	-90	12	53	18
Total in current assets	78	80	106	319	369	415	0	0	0	-231	-211	-392	166	238	130
Total	84	90	113	716	1,012	860	58	45	58	-264	-325	-428	595	823	603

Financial liabilities

EUR million	Level 1			Level 2			Level 3			Netting ²⁾			Total		
	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016
In non-current liabilities															
Interest-bearing liabilities ³⁾				1,270	1,294	1,280							1,270	1,294	1,280
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				23	14	51				-7	-10	-3	16	4	48
Non-hedge accounting				101	215	121				-23	-99	-31	78	116	90
Interest rate and currency derivatives															
Hedge accounting				53	92	70							53	92	70
Non-hedge accounting				23	38	51							23	38	51
Oil and other futures and forward contracts															
Non-hedge accounting	6	17	5	2		0				-3	-5	-2	5	12	3
Total in non-current liabilities	6	17	5	1,472	1,653	1,573	0	0	0	-33	-114	-36	1,445	1,556	1,542
In current liabilities															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				34	15	92				-14	-13	-9	20	2	83
Non-hedge accounting	0	1	0	284	211	448				-148	-172	-293	136	39	155
Interest rate and currency derivatives															
Hedge accounting				16	7	10							16	7	10
Non-hedge accounting				122	67	130							122	67	130
Oil and other futures and forward contracts															
Non-hedge accounting	84	80	106	3		2				-69	-26	-90	18	55	18
Total in current liabilities	84	81	106	459	300	682	0	0	0	-231	-211	-392	312	170	396
Total	90	98	111	1,931	1,953	2,255	0	0	0	-264	-325	-428	1,757	1,726	1,938

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 58 million (Dec 31 2016: 58), for which the fair value cannot be reliably determined. This includes Fortum's shareholding in Fennovoima of EUR 18 million (Dec 31 2016: 18). These assets are measured at cost less any impairment costs.

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

3) 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 97 million, including assets EUR 311 million and liabilities EUR 214 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of March 2017 Fortum had received EUR 109 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 net debt and Note 19 Pledged assets and contingent liabilities.

6. Acquisitions and disposals

6.1 Acquisitions

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Gross investments in shares in subsidiary companies	34	114	813	733
Gross investments in shares in associated companies and joint ventures	0	8	17	9
Gross investments in available for sale financial assets	0	3	14	11
Gross investments in shares	34	125	844	753

Acquisitions during 2017

In January 2017 Fortum completed the acquisition of 100% shares in three wind power companies from the Norwegian company Nordkraft. The transaction consists of the Nygårdsfjellet wind farm, which is already operational, as well as the fully-permitted Anstadblåheia and Sørfjord projects. Fortum is preparing for the construction of the Anstadblåheia and Sørfjord projects, expected to be commissioned in 2018 and 2019. When built the installed capacity of the three wind farms would total approximately 170 MW.

In October 2016 Fortum started a redemption process for the remaining shares of Ekokem Corporation. The process was finalized in April 2017 after which Fortum owns 100% of the shares in the company.

Acquisitions during 2016

The acquisition of approximately 81% of the shares in the Nordic circular economy company Ekokem Corporation was finalised on 31 August 2016. The debt and cash-free purchase price for 100% of the company is approximately EUR 680 million. Fortum also made a tender offer valid until end of September to the remaining shareholders at the same price of 165 EUR per share. By the end of December Fortum's total shareholding was 98.2%.

The accounting of the acquisition is still preliminary as all valuation effects, especially regarding the provisions, have not been finalised. The total consideration includes also the price paid upon completion of the redemption process. The initial goodwill from the purchase price allocation, prepared based on the balance sheet as of 31 August 2016, is EUR 141 million and arises mainly from the growth opportunities and synergies.

Ekokem is fully consolidated into Fortum Group from the end of August 2016 and has been integrated as a business area into the City Solutions segment. The comparative numbers in this interim report include the income statement effect of Ekokem from 1 September 2016 onwards. The consolidated sales for the first quarter 2017 included in the City Solutions segment was EUR 67 million (Sept to Dec 2016: 105), comparable operating profit EUR 8 million (Sept to Dec 2016: 7) and comparable EBITDA EUR 21 million (Sept to Dec 2016: 26).

On 8 January 2016, Fortum made a public tender offer in Poland to purchase all shares in Grupa DUON S.A. (renamed as Fortum Markets Polska S.A.), an electricity and gas sales company listed on the Warsaw Stock Exchange. During the subscription period that ended on 26 February 2016 Fortum received subscriptions from shareholders representing altogether 93.35% shares in the company at the offered price PLN 3.85 per share. The remaining shares were purchased from shareholders under the mandatory squeeze-out procedure at the same price per share. In April Fortum obtained 100% of shares in Fortum Markets Polska S.A. and in June the company was delisted.

The comparative numbers in this interim report include the income statement effect of Fortum Markets Polska S.A. from 1 April 2016 onwards. The consolidated sales for the first quarter 2017 included in the Consumer Solutions segment was EUR 81 million (April-Dec 2016: 155), comparable operating profit EUR 2 million (April-Dec 2016: 4) and comparable EBITDA EUR 3 million (April-Dec 2016: 8). The initial purchase price allocation as of 31 March 2016 has been finalised during Q1/2017. No material changes have been made compared to the information disclosed in the consolidated financial statements for 2016.

On 1 April 2016 Fortum acquired 100% of the shares in the Swedish IT company Info24 AB (renamed as Tingcore AB), a company specialised in the development of business solutions within the IoT, Internet of Things. On 21 December 2016 Fortum acquired 100% of the shares in Turebergs Recycling AB, a Swedish company with main business in environmental construction, recycling and processing of bottom ash from waste-to-energy plants.

EUR million	Ekokem Corporation	Fortum Markets Polska S.A.	Other	Fortum total
Consideration paid in cash	570	106	15	691
Unpaid consideration	10		3	13
Total consideration	580	106	17	703
Fair value of the acquired net assets	440	86	17	543
Translation difference	0	2	0	2
Goodwill	141	22	0	163

Fair value of the acquired net identifiable assets	Ekokem Corporation			Fortum Markets Polska S.A.			Fortum total ¹⁾		
	Acquired book values	Allocated fair values	Total fair value	Acquired book values	Allocated fair values	Total fair value	Acquired book values	Allocated fair values	Total fair value
Cash and cash equivalents	17		17	8		8	26		26
Tangible and intangible assets	315	387	702	49	34	83	366	438	804
Other assets	67		67	37		37	108		108
Deferred tax liabilities	-34	-77	-112	-1	-7	-7	-35	-88	-123
Other non-interest bearing liabilities	-117		-117	-16		-16	-135		-135
Interest-bearing liabilities	-117		-117	-19		-19	-136		-136
Net identifiable assets	131	309	441	58	28	86	194	351	545
Non-controlling interests	1	0	1	1		1	2		2
Total	131	309	440	58	28	86	192	351	543
Gross investment									
Purchase consideration settled in cash			570			106			691
Cash and cash equivalents in acquired subsidiaries			17			8			26
Cash outflow in acquisition			553			98			664
Unpaid consideration			10						13
Interest-bearing debt in acquired subsidiaries			117			19			136
Total gross investment in acquired subsidiaries			680			117			813

1) Including acquired book values and allocated fair values from the acquisition of Tingcore AB and Turebergs Recycling AB.

6.2 Disposals

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Gross divestments of shares in subsidiary companies	0	117	127	10
Gross divestments of shares in associated companies and joint ventures	0	33	34	1
Gross divestments of shares	0	150	161	11

Disposals during 2017

There were no disposals during Q1 2017.

Disposals during 2016

Fortum sold its 100% shareholding in its Russian subsidiary OOO Tobolsk CHP to SIBUR, Russia's largest integrated gas processing and petrochemicals company in February 2016. OOO Tobolsk CHP owns and operates the combined heat and power (CHP) plant in the city of Tobolsk in Western Siberia. Fortum booked in Q1 2016 a one-time pre-tax sales gain in Russia segment totalling EUR 32 million.

In March 2016 Fortum concluded the divestment of its 51.4%-shareholding in the Estonian natural gas import, sales and distribution company AS Eesti Gaas. Fortum sold its shareholding to Trilini Energy OÜ. The sale resulted in a one-time pre-tax sales gain in City Solutions segment totalling EUR 11 million in the first quarter 2016 results.

7. Sales

EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Power sales excluding indirect taxes	794	710	2,587	2,671
Heating sales	289	245	648	692
Other sales	149	32	398	515
Total	1,232	989	3,632	3,875

8. Income taxes

Taxes for Q1 2017 totalled EUR -72 (Q1 2016: -59) million. The effective income tax rate according to the income statement was 17.4% (Q1 2016: 15.0%). The comparable effective income tax rate, excluding the impact of the share of profit from associated companies, joint ventures as well as non-taxable capital gains, was 20.4% (Q1 2016: 18.1 %).

In June 2016 Fortum paid income taxes in Sweden totalling EUR 127 million regarding ongoing tax disputes. Fortum has also paid taxes in Belgium regarding ongoing tax disputes. The appeal processes are ongoing and based on legal analysis and legal opinions the payments are booked as a receivable, EUR 237 (31 Dec 2016: 237) million, included in Income tax receivables. For additional information see Note 20 Legal actions and official proceedings.

9. Dividend per share

A dividend for 2016 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 4 April 2017. The dividend was paid on 13 April 2017 and it has not been booked as a liability in these financial statements.

A dividend for 2015 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 5 April 2016. The dividend was paid on 14 April 2016.

10. Changes in intangible assets

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Opening balance	467	222	222
Acquisitions	23	58	216
Capital expenditures	7	0	3
Disposals	0	-1	0
Depreciation and amortisation	-6	-4	-19
Reclassifications	1	2	4
Translation differences and other adjustments	16	10	39
Closing balance	507	289	467

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Goodwill included in opening balance	353	152	152
Translation differences	14	9	38
Acquisitions ¹⁾	0	29	163
Goodwill included in closing balance	367	190	353

1) See additional information in Note 6 Acquisitions and disposals.

11. Changes in property, plant and equipment

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Opening balance	9,930	8,710	8,710
Acquisitions	20	51	747
Capital expenditures	166	82	588
Changes of nuclear asset retirement cost	-1	0	-6
Disposals	-1	-4	-7
Depreciation and amortisation	-104	-80	-355
Divestments	0	-84	-92
Reclassifications	-1	-2	-4
Translation differences and other adjustments	198	97	348
Closing balance	10,207	8,770	9,930

12. Changes in participations in associates and joint ventures

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Opening balance	2,112	1,959	1,959
Acquisitions	0	8	17
Share of profits of associates and joint ventures	59	67	131
Dividend income received	0	0	-54
OCI items associated companies	2	-2	0
Divestments	0	-22	-22
Translation differences and other adjustments	28	23	81
Closing balance	2,201	2,034	2,112

Share of profits from associates and joint ventures

Fortum's share of profit from associates and joint ventures in Q1 2017 was EUR 59 million (Q1 2016: 67), of which Hafslund represented EUR 14 million (Q1 2016: 14), Territorial Generating Company (TGC-1) EUR 1 million (Q1 2016: 9) and Fortum Värme EUR 44 million (Q1 2016: 44).

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

13. Interest-bearing receivables

EUR million	Carrying amount	Fair value	Carrying amount	Fair value
	Mar 31 2017	Mar 31 2017	Dec 31 2016	Dec 31 2016
Long-term loan receivables from associated companies	686	731	704	744
Long-term loan receivables from joint ventures	193	215	182	206
Other long-term interest-bearing receivables	99	99	99	99
Total long-term interest-bearing receivables	977	1,045	985	1,049
Short-term interest bearing receivables	216	216	395	395
Total interest-bearing receivables	1,193	1,261	1,380	1,444

Long-term loan receivables include receivables from associated companies and joint ventures EUR 879 million (Dec 31 2016: 886). These receivables include EUR 667 million (Dec 31 2016: 686) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership.

TVO is building Olkiluoto 3, a nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At the end of March 2017 Fortum has EUR 120 million (Dec 31 2016: 120) outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum EUR 75 million.

Interest-bearing receivables includes also EUR 133 million (Dec 31 2016: 131) receivable from SIBUR, a Russian gas processing and petrochemicals company regarding divested shares of OOO Tobolsk CHP.

Short-term interest-bearing receivables include EUR 178 million (Dec 31 2016: 360) restricted cash mainly given as collateral for commodity exchanges. The new European Market Infrastructure Regulation (EMIR) came into force in 2016 requiring fully-backed guarantees.

In the end of 2016 Nasdaq's market making for forwards ended and the trading moved from forwards with cash collaterals to futures with daily cash settlements. In Fortum's cash flow statement the daily cash settlements for futures are shown as change in working capital whereas the changes in cash collaterals for forwards are included in cash flow from investing activities.

14. Interest-bearing net debt

Net debt	Mar 31 2017	Mar 31 2016	Dec 31 2016
EUR million			
Interest-bearing liabilities	4,875	6,070	5,107
Liquid funds	5,222	8,228	5,155
Net debt	-347	-2,158	-48

Net debt is calculated as interest-bearing liabilities less liquid funds without deducting interest-bearing receivables amounting to EUR 1,193 million (Dec 31 2016: 1,380). Interest-bearing receivables mainly consist of shareholder loans to partly owned nuclear companies regarded long-term financing. For more information see Note 13 Interest-bearing receivables.

Interest-bearing debt	Carrying amount	Fair value	Carrying amount	Fair value
	Mar 31 2017	Mar 31 2017	Dec 31 2016	Dec 31 2016
EUR million				
Bonds	3,032	3,259	3,329	3,609
Loans from financial institutions	391	422	393	425
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,129	1,188	1,094	1,156
Other long term interest-bearing debt ¹⁾	151	163	151	157
Total long term interest-bearing debt ²⁾	4,702	5,033	4,967	5,348
Short term interest-bearing debt	173	173	140	140
Total	4,875	5,206	5,107	5,488

1) Including loans from Finnish pension institutions EUR 58 million (Dec 31 2016: 58) and other loans EUR 93 million (Dec 31 2016: 93).

2) Including current portion of long-term debt EUR 646 million (Dec 31 2016: 499).

The reborrowing from the Finnish State Nuclear Waste Management Fund includes the part relating to Loviisa nuclear power plant as well as borrowing done through TVO.

During the first quarter of 2016 Fortum increased the amount of reborrowing from the Finnish State Nuclear Waste Management Fund and TVO by EUR 35 million to EUR 1,129 million. In March Fortum repaid two SEK bonds equivalent to EUR 290 million (SEK 2,750 million).

At the end of March 2017, the amount of short term financing included 109 million (Dec 31 2016: 135) from Credit Support Annex agreements. The interest-bearing debt decreased during the first quarter by EUR 232 million from EUR 5,107 million to EUR 4,875 million.

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 2.0% at the balance sheet date (Dec 31 2016: 2.1%). Part of the external loans, EUR 858 million (Dec 31 2016: 805) have been swapped to RUB and the average interest cost for these loans including cost for hedging the RUB was 11.0% at the balance sheet date (Dec 31 2016: 11.4%). The average interest rate on total loans and derivatives at the balance sheet date was 3.6% (Dec 31 2016: 3.5%).

Maturity of interest-bearing liabilities	Mar 31 2017
EUR million	
2017 ¹⁾	378
2018	586
2019	803
2020	69
2021	538
2022 and later	2,501
Total	4,875

1) The cash received as collateral based on Credit Support Annex agreements, amounting to EUR 109 million, has been booked as short-term liability.

Liquid funds	Mar 31 2017	Mar 31 2016	Dec 31 2016
EUR million			
Deposits and securities with maturity more than 3 months	2,484	3,788	3,475
Cash and cash equivalents	2,738	4,440	1,679
Total	5,222	8,228	5,155

Total liquid funds increased by EUR 67 million from EUR 5,155 million to EUR 5,222 million during the first quarter.

Liquid funds consist of deposits and cash in bank accounts amounting to EUR 4,537 million and commercial papers EUR 685 million. Deposits and securities include fixed term deposits and commercial papers with maturity more than three months but less than twelve months. The average interest rate on deposits and securities excluding Russian deposits on 31 March 2017 was -0.09% (Dec 31 2016: -0.01%). Liquid funds held by OAO Fortum amounted to EUR 236 million (Dec 31 2016: 105) and the average interest rate for this portfolio was 8.5% at the balance sheet date.

Liquid funds totaling EUR 4,640 million (Dec 31 2016: 4,663) are placed with counterparties that have an investment credit rating. In addition, EUR 562 million (Dec 31 2016: 377) have been placed with counterparties separately reviewed and approved by the Group's credit control department.

15. Nuclear related assets and liabilities

Fortum owns Loviisa nuclear power plant in Finland. In Fortum's consolidated balance sheet, Share in the State Nuclear Waste Management Fund and the Nuclear provisions relate to Loviisa nuclear power plant.

Fortum also has minority interests in nuclear power companies, i.e. Teollisuuden Voima Oyj (TVO) in Finland and OKG Aktiebolag (OKG) and Forsmarks Kraftgrupp AB (Forsmark) in Sweden. The minority shareholdings are classified as associated companies and joint ventures and are consolidated with equity method. Both the Finnish and the Swedish companies are non-profit making, i.e. electricity production is invoiced to the owners at cost including depreciations, interest costs and production taxes accounted for according to local GAAP.

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

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

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Carrying values in the balance sheet			
Nuclear provisions	837	818	830
Fortum's share of the State Nuclear Waste Management Fund	837	818	830
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	1,141	1,094	1,141
Funding obligation target	1,125	1,094	1,125
Fortum's share of the State Nuclear Waste Management Fund	1,125	1,094	1,094
Share of the fund not recognised in the balance sheet	288	276	264

Legal liability for Loviisa nuclear power plant

The legal liability on 31 March 2017, decided by the Ministry of Economic Affairs and Employment in December 2016, was EUR 1,141 million.

The legal liability is based on a cost estimate, which is done every year, and a technical plan, which is made every third year. The current technical plan was updated in 2016. Following the update of the technical plan in 2016, the liability increased due to updated cost estimates related to interim and final storage of spent fuel. The legal liability is determined by assuming that the decommissioning would start at the beginning of the year following the assessment year.

Fortum's share in the State Nuclear Waste Management Fund

According to Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2016 is EUR 1,125 million.

Nuclear provision and fund accounted for according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spent fuel. The carrying value of the nuclear provisions, calculated according to IAS 37, increased by EUR 7 million compared to 31 December 2016, totaling EUR 837 million on 31 March 2017. The provisions are based on the same cash flows for future costs as the legal liability, but the legal liability is not discounted to net present value.

Fortum's share of the Finnish Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 288 million, since Fortum's share of the Fund on 31 March 2017 was EUR 1,125 million and the carrying value in the balance sheet was EUR 837 million. The Fund in Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the operating profit is adjusted positively if the provisions increase more than the Fund and negatively 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 Note 4 Segment information.

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. (See Note 14 Interest-bearing net debt and Note 19 Pledged assets and contingent liabilities).

15.2 Nuclear power plants in associated companies and joint ventures

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

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

TVO's total nuclear related assets and liabilities (100%)			
EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Carrying values in TVO's balance sheet			
Nuclear provisions	959	978	955
Share of the State Nuclear Waste Management Fund	959	978	955
of which Fortum's net share consolidated with equity method	0	0	0
TVO's legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	1,450	1,369	1,450
Share of the State Nuclear Waste Management Fund	1,428	1,369	1,380
Share of the fund not recognised in the balance sheet	469	391	425

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

TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 469 million (of which Fortum's share EUR 125 million), since TVO's share of the Fund on 31 March 2017 was EUR 1,428 million and the carrying value in the balance sheet was EUR 959 million.

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in Note 14 Interest-bearing net debt.

OKG's and Forsmark's total nuclear related assets and liabilities (100%)			
EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
OKG's and Forsmark's nuclear related assets and liabilities ¹⁾			
Nuclear provisions	3,429	3,220	3,297
Share in the State Nuclear Waste Management Fund	3,103	3,048	3,068
Net amount	-327	-172	-229
of which Fortum's net share consolidated with equity method	-127	-68	-106

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

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

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered liability and unexpected events. Fortum's guarantees given on behalf of nuclear associated companies are presented in Note 19 Pledged assets and contingent liabilities.

Nuclear waste fees and guarantees are updated every third year by governmental decision after a proposal from Swedish Radiation Safety Authority (SSM). The proposal is based on cost estimates done by SKB. Currently the fees and guarantees are decided for years 2015-2017. A new technical plan for nuclear waste management has been decided by SKB during 2016. During 2017 SKB will submit the cost estimates based on the revised technical plan to SSM, after which the Swedish government will decide the waste fees and guarantees for years 2018-2020. Nuclear waste fees are currently based on future costs with the assumed lifetime of 40 years for each unit of a nuclear power plant.

16. Other provisions

EUR million	Environmental provisions			Other provisions		
	Mar 31 2017	Mar 31 2016	Dec 31 2016	Mar 31 2017	Mar 31 2016	Dec 31 2016
Opening balance	47	2	2	82	96	96
Acquisitions	0	0	44	0	0	4
Increase in the provisions	0	0	1	12	2	14
Provisions used	0	0	0	-4	-9	-25
Unused provisions reversed	0	0	0	0	-2	-9
Unwinding of discount	-1	0	0	0	0	0
Exchange rate differences	0	0	0	0	0	2
Closing balance	47	2	47	90	87	82
Current provisions ¹⁾	1	0	1	9	9	11
Non-current provisions	45	2	46	80	78	70

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

Environmental provisions include mainly provisions for obligations to cover and monitor landfills as well as to clean contaminated land areas. Main part of the provisions are estimated to be used within 10-15 years. The increase in environmental provisions in 2016 was mainly arising from the acquisition of Ekokem (see Note 6 Acquisitions and disposals).

Dismantling provision for the Finnish coal fired power plant Inkoo is included in Other provisions.

17. Operating lease commitments

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Due within a year	18	13	16
Due after one year and within five years	58	24	31
Due after five years	50	23	27
Total	126	60	74

Increase in operating lease commitments arises mainly from the new lease agreement relating to the head office in Espoo.

18. Capital commitments

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Property, plant and equipment	443	486	467
Intangible assets	0	4	0
Total	443	490	467

In addition Fortum has committed to provide a maximum of EUR 100 million (Dec 31 2016: 100) to Voimaosakeyhtiö SF, for its participation in the Fennovoima nuclear power project in Finland. Furthermore, Fortum's remaining direct commitment regarding the construction of a waste-to-energy combined heat and power plant (CHP) in Kaunas, Lithuania is EUR 22 million at maximum. The investment is made through Kauno Kogeneracinė Jėgainė (KKJ), a joint venture owned together with Lietuvos Energija.

For information regarding shareholder loan commitments related to associated companies and joint ventures, see Note 13 Interest-bearing receivables.

19. Pledged assets and contingent liabilities

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Pledged assets on own behalf			
For debt			
Pledges	288	316	291
Real estate mortgages	137	137	137
For other commitments			
Pledges	197	170	379
Real estate mortgages	99	118	99
Contingent liabilities on own behalf			
Other contingent liabilities	212	193	205
Contingent liabilities on behalf of associated companies and joint ventures			
Guarantees	604	621	603

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 March 2017 the value of the pledged shares amounted to EUR 269 million (Dec 31 2016: 269).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (Dec 31 2016: 96) as a security for an external loan. Real estate mortgages have also been given for loan from Fortum's pension fund for EUR 41 million (Dec 31 2016: 41).

Regarding the relevant interest-bearing liabilities, see Note 14 Interest-bearing net debt.

Pledged assets for other commitments

Pledges also include restricted cash given as trading collateral of EUR 166 million (Dec 31 2016: 345) for trading of electricity, gas and CO₂ emission allowances in Nasdaq Commodities Europe, Intercontinental Exchange (ICE), European Energy Exchange (EEX) and Polish Power Exchange (TGE) and EUR 21 million (Dec 31 2016: 21) for windfarm construction in Russia. See also note 13 Interest-bearing receivables.

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 99 million in March 2017 (Dec 31 2016: 99), 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. According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Any uncovered legal liability relates to periodising of the payments to the fund, see more information in Note 15 Nuclear related assets and liabilities. 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.

Contingent liabilities on own behalf

Fortum owns the coal condensing power plant Meri-Pori in Finland. Teollisuuden Voima Oyj (TVO) has the contractual right to participate in the plant with 45.45%. Based on the participation agreement Fortum has to give a guarantee to TVO against breach in contract. The amount of the guarantee is set to EUR 125 million (Dec 31 2016: 125).

Contingent liabilities on behalf of associated companies

Guarantees 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). Guarantees for the period of 2015-2017 have been given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounting to SEK 5 393 million (EUR 566 million) at 31 March 2017 (Dec 31 2016: EUR 565 million). There are two types of guarantees given on behalf of Forsmark Kraftgrupp AB and OKG AB. The Financing Amount is given to compensate for the current deficit in the Nuclear Waste Fund, assuming that no further nuclear waste fees are paid in. This deficit is calculated as the difference between the expected costs and the funds to cover these costs at the time of the calculation. The Supplementary Amount constitutes a guarantee for deficits that can arise as a result of unplanned events. The Financing Amount given by Fortum on behalf of Forsmark Kraftgrupp AB and OKG AB was SEK 3 843 million (EUR 403 million) and the Supplementary Amount was SEK 1 550 million (EUR 163 million) at 31 March 2017.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounted to EUR 38 million at 31 March 2017 (Dec 31 2016: 38). The guarantee covers the unpaid legal liability due to periodisation as well as risks for unexpected future costs.

Fortum has minority shares in legal companies owning nuclear power plants in Finland and Sweden. Fortum consolidates these companies according to equity method meaning that Fortum's share of the assets and liabilities are netted to the balance sheet. For information regarding nuclear related assets and liabilities of Loviisa nuclear power plant as well as Swedish and Finnish nuclear production companies where Fortum has a minority shareholding see Note 15 Nuclear related assets and liabilities.

Other contingent liabilities

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a collective contingent liability with Neste Oyj of the in 2004 demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's (734/1978) Chapter 14a Paragraph 6.

20. Legal actions and official proceedings

Tax cases in Finland

No tax cases with material impact in Finland.

Tax cases in Sweden

Fortum received income tax assessments in Sweden for the years 2009, 2010, 2011 and 2012 in December 2011, December 2012, December 2013 and October 2014, respectively. According to the tax authorities, Fortum would have to pay additional income taxes for the years 2009, 2010, 2011 and 2012 for the reallocation of loans between the Swedish subsidiaries in 2004-2005, as well as additional income taxes for the years 2010, 2011 and 2012 for financing of the acquisition of TGC 10 (current OAO Fortum) in 2008. The claims are based on a change in tax regulation as of 2009. Fortum considered the claims unjustifiable and appealed the decisions.

In April 2016 the Administrative Court in Stockholm, Sweden, announced its decisions relating to the income tax assessments for 2009-2012. A part of the decisions were positive. The Court repealed the income assessments relating to the financing of the acquisition of TGC 10 for the years 2010-2012. However, with respect to the reallocation of the loans between the Swedish subsidiaries in 2004-2005, the Court mainly rejected the appeals of Fortum for the years 2009-2012. Fortum disagrees with the argumentation of the Court in those cases which were ruled in the favor of the Swedish tax authorities. Fortum has therefore in June 2016 filed an appeal to the Court of Appeal in Stockholm in these cases. The decisions of the Administrative Court which were favorable to Fortum have become non-appealable and thus final in July 2016.

In addition Fortum has received income tax assessments in Sweden for the years 2013 and 2014 in December 2015 and December 2016, respectively. The assessments concern the loans given in 2013 and 2014 by Fortum's Dutch financing company to Fortum's subsidiaries in Sweden. The interest income for these loans was taxed in the Netherlands. The tax authority considers just over a half of the interest relating to each loan as deductible, i.e. deriving from business needs. The rest of the interest is seen as non-deductible. The decision is based on the changes in the Swedish tax regulation in 2013. Fortum considers the claims unjustifiable and has appealed the decisions. The cases are pending before the Administrative Court.

Based on legal analysis supporting legal opinions, no provision has been recognised in the interim report for the above mentioned Swedish tax cases. Fortum's legal view has therefore not changed. If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately SEK 389 million (EUR 41 million) for the year 2009, approximately SEK 347 million (EUR 36 million) for the year 2010, approximately SEK 301 million (EUR 32 million) for the year 2011, approximately SEK 69 million (EUR 7 million) for the year 2012, SEK 273 million (EUR 29 million) for the year 2013 and SEK 282 million (EUR 30 million) for the year 2014. Moreover, for the years 2009-2012 an interest cost would impact the net profit with 69 MSEK (EUR 7 million). The additional taxes and interest for 2009-2012 have already been paid in June 2016, in total 1,175 MSEK (EUR 123 million) and based on the legal opinion booked as a receivable.

Tax cases in Belgium

Fortum has received income tax assessments in Belgium for the years 2008, 2009, 2010 and 2011. Tax authorities disagree with the tax treatment of Fortum EIF NV. Fortum finds the tax authorities' interpretation not to be based on the local regulation and has appealed the decisions. The court of First instance in Antwerpen rejected Fortum's appeal for the years 2008 and 2009 in June 2014. Fortum found the decision unjustifiable and appealed to the Court of Appeal.

In January 2016 Fortum received a favorable decision from the Court of Appeal in which the Court disagreed with the tax authorities' interpretation and the tax assessment for 2008 was nullified. The tax authorities disagreed with the decision and filed an appeal to Hof van Cassatie (Supreme Court) in March 2016. Fortum appeals concerning 2009-2011 are still pending and Fortum expects the remaining years to follow the final decision for 2008. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in this interim report. The amount of additional tax claimed is approximately EUR 36 million for the year 2008, approximately EUR 27 million for the year 2009, approximately EUR 15 million for the year 2010 and approximately EUR 21 million for the year 2011. The tax has already been paid. If the tax is repaid to Fortum, Fortum will receive a 7% interest on the amount.

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

Litigations in 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 OL3 plant unit have been mainly completed. The installation of the electrical systems, the instrumentation and control system (I&C), and mechanical systems is still in progress. In April 2016 TVO submitted to the Ministry of Economic Affairs and Employment (TEM) an application for an operating license. The simulator training for operating personnel commenced in February 2017. The first phase of the turbine plant commissioning is completed. Some of the systems and components will be kept in operation; the rest will be preserved in accordance with a separate plan. In January 2017, de-preservation was started at the turbine plant. According to the schedule updated by the AREVA-Siemens in September 2014, regular electricity production in the unit will commence at the end of 2018. In December 2008 the OL3 Supplier initiated the International Chamber of Commerce (ICC) arbitration proceedings and submitted a claim concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The Supplier's monetary claim, updated in February 2016, is approximately EUR 3.5 billion in total. The sum is based on the supplier's updated analysis of events that occurred through September 2014, with certain claims quantified to 31 December 2014.

In 2012, TVO submitted a counter-claim and defense in the matter. In July 2015, TVO updated its quantification estimate of its costs and losses to the amount of approximately EUR 2.6 billion until December 2018, which is the estimated start of the regular electricity production of OL3. The companies belonging to the Plant Supplier Consortium (AREVA GmbH, AREVA NP SAS and Siemens AG) are jointly and severally liable of the Plant Contract obligations.

In November 2016, the ICC Tribunal made a final and binding partial award. In the partial award, the ICC Tribunal addressed the early period of the project (time schedule, licensing and licensability, and system design). This comprised many of the facts and matters that TVO relies upon in its main claims against the supplier, as well as certain key matters that the supplier relies upon in its claims against TVO. In doing so, the partial award finally resolved the great majority of these facts and matters in favour of TVO, and conversely rejected the great majority of the supplier's contentions in this regard. The partial award did not take a position on the claimed monetary amounts. The arbitration proceeding is still going on with further partial awards to come before the final award where the Tribunal will declare the liabilities of the parties to pay compensation.

In 2016, Areva Group announced a restructuring of its business. The restructuring plan apparently involves a transfer of the operations of Areva NP, excluding the OL3 project and certain other operations, to an ad hoc structure which is to be sold to EDF. On November 16, Areva and EDF announced a binding agreement on the restructuring, which was informed to be completed during the second semester of 2017. The implementation of the restructuring plan is subject to decisions and clearances, such as those related to the contemplated state aid and merger connected with the plan. In January 2017, the EU Commission made a conditional decision on the state aid. TVO requires that the restructuring respects the completion of the OL3 project within the current schedule and that all liabilities of the plant contract are respected.

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.

21. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2016. No material changes have occurred during 2017. On 31 August 2016 Fortum finalised the acquisition of Ekokem Corporation with the four biggest owners, representing approximately 81% of the shares. The Finnish State was among the biggest owners with a 34%-shareholding in Ekokem. For more information see Note 6 Acquisitions and disposals.

At the year-end 2016 the Finnish State owned 50.76% of the shares in Fortum. There has been no change in the shareholding during 2017.

Transactions with associated companies and joint ventures

EUR million	Q1 2017	Q1 2016	2016
Sales	22	15	105
Purchases	148	140	536
Interest on loan receivables	4	4	16

Associated company and joint ventures balances

EUR million	Mar 31 2017	Mar 31 2016	Dec 31 2016
Long-term interest-bearing loan receivables	879	806	886
Trade receivables	13	12	20
Other receivables	17	15	17
Long-term loan payables	285	274	278
Trade payables	3	5	6
Other payables	7	4	6

22. Events after the balance sheet date

On 26 April 2017, Fortum and the City of Oslo entered into an agreement to restructure their ownership in Hafslund ASA, one of the largest listed power groups in the Nordic region. The transactions are subject to approval by the Oslo City Council (Bystyret), the necessary regulatory approvals and fulfilment of the customary closing conditions. The closing of the transactions is expected during the third quarter of 2017.

On 27 April, Fortum and RUSNANO, a Russian state-owned development company, announced that they had agreed to sign a 50/50 investment partnership in order to secure the possibility of a Russian Capacity Supply Agreement (CSA) wind portfolio in Russia. Further progress in the matter is still dependent on several factors such as the Russian prerequisite for domestic production of wind power generating components as well as auction outcome.

23. Definition of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + depreciation and amortisation
Comparable EBITDA	=	EBITDA - items affecting comparability - net release of CSA provision
Items affecting comparability	=	Impairment charges + capital gains and other + changes in fair values of derivatives hedging future cash flow + nuclear fund adjustment
Comparable operating profit	=	Operating profit - items affecting comparability
Impairment charges	=	Impairment charges and related provisions (mainly dismantling)
Capital gains and other	=	Capital gains, transaction costs from acquisitions and other
Changes in fair values of derivatives hedging future cash flow	=	Effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39.
Nuclear fund adjustment	=	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.
Adjustment for Share of profit of associated companies and joint ventures	=	Adjustment for IAS 39 effects, major sales gains and impairment charges
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, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + share of profit (loss) in associated companies and joint ventures + adjustment for Share of profit of associated companies and joint ventures}}{\text{Comparable net assets average}} \times 100$
Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions

23. Definition of key figures

Comparable 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 used for hedging future cash flows)
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$
Equity-to-assets ratio, %	=	$\frac{\text{Total equity including non-controlling interest}}{\text{Total assets}} \times 100$
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	=	$\frac{\text{Operating profit}}{\text{Net interest expenses - capitalised borrowing costs}}$
Earnings per share (EPS)	=	$\frac{\text{Profit for the period - non-controlling interests}}{\text{Average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares at the end of the period}}$
Effective income tax rate	=	$\frac{\text{Income tax expense}}{\text{Profit before income tax}}$
Comparable effective income tax rate	=	$\frac{\text{Income tax expense - effects from tax rate changes}}{\text{Profit before income tax decreased by profits from associated companies and joint ventures as well as tax exempt capital gains or losses}}$
Last twelve months (LTM)	=	Twelve months preceding the reporting date

Market conditions and achieved power prices

Power consumption				Last twelve months
TWh	Q1 2017	Q1 2016	2016	
Nordic countries	114	117	390	387
Russia	283	279	1,027	1,031
Tyumen	25	24	94	94
Chelyabinsk	9	9	35	35
Russia Urals area	70	69	259	260

Average prices				Last twelve months
	Q1 2017	Q1 2016	2016	
Spot price for power in Nord Pool power exchange, EUR/MWh	31.1	24.0	26.9	28.7
Spot price for power in Finland, EUR/MWh	32.9	30.4	32.4	33.1
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	31.8	24.1	29.2	31.1
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	31.7	23.1	29.0	31.1
Spot price for power in European and Urals part of Russia, RUB/MWh ¹⁾	1,180	1,147	1,204	1,210
Average capacity price, tRUB/MW/month	585	498	481	503
Spot price for power in Germany, EUR/MWh	41.3	25.2	29.0	33.1
Average regulated gas price in Urals region, RUB/1000 m ³	3,614	3,614	3,614	3,614
Average capacity price for old capacity, tRUB/MW/month ²⁾	157	149	140	142
Average capacity price for new capacity, tRUB/MW/month ²⁾	980	871	815	844
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	1,034	1,018	1,054	1,059
CO ₂ , (ETS EUA), EUR/tonne CO ₂	5	6	5	5
Coal (ICE Rotterdam), USD/tonne	81	45	59	68
Oil (Brent Crude), USD/bbl	55	35	45	49

1) Excluding capacity tariff.

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

Water reservoirs			
TWh	Mar 31 2017	Mar 31 2016	Dec 31 2016
Nordic water reservoirs level	38	48	75
Nordic water reservoirs level, long-term average	41	41	83

Export/import				Last twelve months
TWh (+ = import to, - = export from Nordic area)	Q1 2017	Q1 2016	2016	
Export / import between Nordic area and Continental Europe + Baltics	-3	-4	-10	-8
Export / import between Nordic area and Russia	1	2	6	5
Export / import Nordic area, Total	-2	-2	-4	-3

Power market liberalisation in Russia				Last twelve months
%	Q1 2017	Q1 2016	2016	
Share of power sold at the liberalised price	81%	82%	81%	80%

Achieved power prices				Last twelve months
	Q1 2017	Q1 2016	2016	
Generation segment's Nordic power price, EUR/MWh	32.6	30.7	31.0	31.6
Russia segment's power price, RUB/MWh	1,868	1,666	1,734	1,790
Russia segment's power price, EUR/MWh ¹⁾	29.8	20.7	23.5	26.0

¹⁾ Translated using average exchange rate.

Fortum's production and sales volumes

Power generation				Last twelve months
TWh	Q1 2017	Q1 2016	2016	
Power generation in Europe	12.9	14.3	47.5	46.1
Power generation in Russia	6.9	7.4	25.5	25.0
Total	19.8	21.7	73.1	71.2

Heat production				Last twelve months
TWh	Q1 2017	Q1 2016	2016	
Heat production in Europe	2.8	2.6	7.1	7.3
Heat production in Russia	8.2	8.8	20.7	20.1
Total	11.0	11.4	27.8	27.4

Power generation capacity by segment				
MW		Mar 31 2017	Mar 31 2016	Dec 31 2016
Generation ¹⁾		8,038	8,016	8,039
City Solutions		760	717	760
Russia		4,482	4,483	4,482
Other		155	45	53
Total		13,434	13,261	13,334

1) Including 308 MW of Meri-Pori power plant, which will be under reserve capacity agreement during period July 2017 - June 2020. Capacities include also unit 1 (205 MW) in Oskarshamn that will be taken out of operation at the end of June 2017.

Heat production capacity by segment				
MW		Mar 31 2017	Mar 31 2016	Dec 31 2016
City Solutions		3,818	3,707	3,818
Russia		9,920	10,125	9,920
Total		13,738	13,832	13,738

Power generation by source in the Nordic area				
TWh	Q1 2017	Q1 2016	2016	Last twelve months
Hydro and wind power	5.3	6.5	20.8	19.6
Nuclear power	6.7	6.8	24.1	24.0
Thermal power	0.5	0.5	1.4	1.4
Total	12.5	13.9	46.2	44.8

Power generation by source in the Nordic area				
%	Q1 2017	Q1 2016	2016	Last twelve months
Hydro and wind power	42	47	45	40
Nuclear power	54	49	52	57
Thermal power	4	4	3	3
Total	100	100	100	100

Power sales				
EUR million	Q1 2017	Q1 2016	2016	Last twelve months
Power sales in Europe	558	537	1,893	1,914
Power sales in Russia	235	172	691	754
Power sales in other countries	1	1	3	3
Total	794	710	2,587	2,671

Fortum's production and sales volumes

Heat sales				Last twelve months
EUR million	Q1 2017	Q1 2016	2016	
Heat sales in the Europe	176	170	449	455
Heat sales in Russia	113	76	199	236
Total	289	245	648	692

Power sales by area				Last twelve months
TWh	Q1 2017	Q1 2016	2016	
Finland	5.8	6.8	22.8	21.8
Sweden	8.5	9.0	28.8	28.3
Russia	7.9	8.3	29.5	29.1
Other countries	1.2	0.9	3.6	3.9
Total	23.4	25.1	84.7	83.0

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

Heat sales by area				Last twelve months
TWh	Q1 2017	Q1 2016	2016	
Russia	8.2	9.0	20.7	19.9
Finland	1.5	1.4	3.6	3.7
Poland	1.6	1.6	3.6	3.6
Other countries	0.7	0.6	1.5	1.6
Total	12.0	12.5	29.4	28.9