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# Fortum Corporation

## Interim Report

### January-March 2018

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

## Favourable market conditions – strong result improvement in the Generation segment

### January-March 2018

- Comparable EBITDA was EUR 538 (423) million, +27%
- Comparable operating profit was EUR 405 (313) million, +29%
- Earnings per share were EUR 0.43 (0.38), of which EUR 0.07 (0.07) related to items affecting comparability
- Cash flow from operating activities totalled EUR 273 (282) million
- Shareholders representing 47.12% of the shares in Uniper accepted Fortum's offer
- Fortum held its Annual General Meeting on 28 March, dividend of EUR 1.10 per share approved

### Summary of outlook

- Generation segment's Nordic generation hedges: approximately 65% hedged at EUR 27 per MWh for the remainder of 2018 and approximately 45% at EUR 26 per MWh for 2019
- Capital expenditure, including maintenance but excluding acquisitions, expected to be in the range of EUR 600-700 million in 2018

### Key financial ratios

	2017	LTM
Return on capital employed, %	7.1	7.7
Comparable net debt/EBITDA	0.8	0.6

### Key figures

EUR million or as indicated	I/18	I/17	2017	LTM
Sales	1,585	1,232	4,520	4,873
Comparable EBITDA	538	423	1,275	1,390
Comparable operating profit	405	313	811	903
Operating profit	482	389	1,158	1,251
Share of profits of associates and joint ventures	47	59	148	136
Profit before income taxes	493	412	1,111	1,192
Earnings per share, EUR	0.43	0.38	0.98	1.03
Net cash from operating activities	273	282	993	984
Shareholders' equity per share, EUR	13.64	15.82	14.69	
Interest-bearing net debt (at the end of the period)	899	-347	988	

## Fortum's President and CEO Pekka Lundmark:

"Following the good performance in 2017, the positive trend continued in the first quarter of 2018. The cold weather in February and March and the clearly lower than normal precipitation increased spot prices in the Nordic market. Further, the revision of the EU Emission Trading Scheme and the strengthening of the Market Stability Reserve had a positive impact on the price of CO<sub>2</sub> emission allowances, which increased from EUR 8 per tonne to EUR 13 per tonne during the first quarter of 2018. This is a welcome development considering the needed decarbonisation. However, it is not yet sufficient for a large-scale market-based switch from coal to lower-emitting power generation.

Fortum's first quarter results improved significantly with comparable operating profit increasing by 29% to EUR 405 million. The higher achieved power price in combination with high hydro volumes strengthened the results of the Generation segment. The integration of the Hafslund business contributed positively to the results of the City Solutions and Consumer Solutions segments. I am also pleased that Teollisuuden Voima has reached a settlement with the supplier consortium of the Olkiluoto 3 nuclear reactor, which ended a dispute that has dragged on for several years. The agreement enables the successful finalisation of the project.

Fortum's offer period for Uniper shares ended in February 2018. A total of 47.12% of the shares were tendered, which will make Fortum the clearly largest shareholder of Uniper. The regulatory approval processes for the transaction are still ongoing in Russia and the EU, and we expect to receive these approvals by mid-2018. The transaction would close shortly thereafter.

The implementation of Fortum's strategy has proceeded well. Since the divestment of our electricity distribution networks in 2014 and 2015, we have been able to refocus our operations and redeploy our capital with solid and increasing returns through several strategically important acquisitions and organic investments, the most significant of which is our investment in Uniper. Once completed, the Uniper investment will increase our net debt to EBITDA ratio to a level above our long-term target. Our aim is to reduce the leverage and at the same time enable efficient use of our balance sheet and maintain the required financial flexibility. Our focus areas will thus be: prioritisation of our capital expenditure, optimisation of cash flow from our operations and overall efficiency improvements. The capital expenditure for the coming years will be scrutinised with strategic prioritisation both for maintenance and growth initiatives. To further improve our cash flow, we will evaluate the need to streamline our operations and assess the future of non-core assets. Continued cost consciousness is a key priority for us and further emphasis will be put on efficiency improvements and fixed cost scrutiny.

Through its ongoing transformation, Fortum is today well positioned in the energy sector. We possess the expertise required and aim to take an active role in successfully and affordably driving Europe's transition towards a low-carbon energy system."

# Uniper investment

In September 2017, Fortum announced it had signed a transaction agreement with E.ON under which E.ON had the right to decide to tender its 46.65% shareholding in Uniper SE into Fortum's public takeover offer. In November 2017, Fortum launched a voluntary public takeover offer to all Uniper shareholders at a total value of EUR 22 per share, implying a premium of 36% to the price prior to intense market speculation on a potential transaction at the end of May 2017. In February 2018, Fortum announced that shareholders representing 47.12% of the shares in Uniper had accepted the offer. In March 2018, Fortum announced its support for the dividend proposal of EUR 0.74 per Uniper share made by Uniper's management board.

In October 2017, Fortum received approval from the US competition authorities and, in February 2018, from the South African competition authorities. The offer is still subject to EU and Russian competition and regulatory approvals. Fortum expects to finalise the transaction in mid-2018.

The offer will be financed with existing cash resources and committed credit facilities. Fortum will account for Uniper as an associated company. Share of profit will contribute to the EPS and dividends to the cash flow of Fortum. As a result of this transaction, Fortum's leverage will rise above our given guidance for net debt/EBITDA level of around 2.5x. Over time, however, Fortum expects its cash generation in combination with the dividend from Uniper to reduce this level towards the stated target.

## Financial results

### Sales by segment

EUR million	I/18	I/17	2017	LTM
Generation	497	474	1,677	1,700
City Solutions	375	290	1,015	1,100
Consumer Solutions	547	242	1,097	1,402
Russia	336	349	1,101	1,088
Other	32	24	102	110
Netting of Nord Pool transactions	-161	-118	-367	-410
<i>Eliminations</i>	-41	-29	-103	-115
<b>Total</b>	<b>1,585</b>	<b>1,232</b>	<b>4,520</b>	<b>4,873</b>

### Comparable EBITDA by segment

EUR million	I/18	I/17	2017	LTM
Generation	252	166	603	689
City Solutions	129	94	262	297
Consumer Solutions	31	14	57	74
Russia	142	168	438	412
Other	-16	-20	-83	-79
<b>Total</b>	<b>538</b>	<b>423</b>	<b>1,275</b>	<b>1,390</b>

### Comparable operating profit by segment

EUR million	I/18	I/17	2017	LTM
Generation	220	136	478	562
City Solutions	87	56	98	129
Consumer Solutions	17	12	41	46
Russia	104	132	296	268
Other	-23	-24	-102	-101
<b>Total</b>	<b>405</b>	<b>313</b>	<b>811</b>	<b>903</b>

## Operating profit by segment

EUR million	I/18	I/17	2017	LTM
Generation	279	230	501	550
City Solutions	88	59	102	131
Consumer Solutions	16	-9	39	64
Russia	104	132	295	267
Other	-5	-23	221	239
<b>Total</b>	<b>482</b>	<b>389</b>	<b>1,158</b>	<b>1,251</b>

## Implementation of new IFRS standards

As of 1 January 2018, Fortum has applied the new IFRS 9 Financial instruments and IFRS 15 Revenue recognition standards. The main impact from the IFRS 9 adoption relates to Fortum's commodity derivative hedging as the vast majority of the previously non-hedge accounted electricity derivatives will qualify for hedge accounting under IFRS 9. This will reduce the volatility in Fortum's income statement in items affecting comparability.

IFRS 15 will change the treatment of sales commission costs for obtaining new customers, which were previously mostly recorded as expenses. According to the new standard the sales commissions are capitalised as intangible assets and depreciated over the expected contract term. The change is mainly impacting comparable EBITDA and capital expenditure of Consumer Solutions.

Furthermore, certain items previously presented in the income statement on gross basis (in sales and costs) are now netted. The reclassification has no impact to the profit. The netting decreased the sales and costs reported for the first quarter by EUR 93 million.

The transition had a minor impact of EUR 7 million on the retained earnings as of 1 January 2018. The comparison information for 2017 presented in these interim financial statements has not been restated. More information of the transition as well as the impact to the first quarter is presented in Note 2.

## January-March 2018

Sales increased by 29% mainly reflecting the consolidation of Hafslund. In the first quarter, market conditions were favourable with cold and dry weather supporting rising power prices. The operational performance was good especially in the Generation segment. Comparable operating profit increased by 29% mainly as a result of higher hydro-power production volumes, higher achieved power price, lower real-estate and capacity taxes in Swedish hydro and nuclear power plants, and the positive impact from the consolidation of the acquired Hafslund businesses. The result improvement was partly offset by the weakening Russian rouble.

Fortum's operating profit for the period was impacted by EUR 77 (76) million of items affecting comparability, including the fair value change of non-hedge accounted derivatives and capital gains (Note 4).

The share of profit from associates and joint ventures was EUR 47 (59) million, of which Stockholm Exergi (formerly Fortum Värme) accounted for EUR 40 (44) million and TGC-1 accounted for EUR 5 (1) million. The share of profit from TGC-1 is based on the company's published fourth quarter 2017 interim report (Note 11). In the comparison period the share of profits from Hafslund ASA, divested in August 2017, amounted to EUR 14 million.

Net finance costs amounted to EUR 36 (36) million.

Profit before income taxes was EUR 493 (412) million.

Taxes for the period totalled EUR 94 (72) million. The effective income tax rate according to the income statement was 19.0% (17.4%). 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 21.0% (20.4%) (Note 7).

The profit for the period was EUR 400 (340) million. Earnings per share were EUR 0.43 (0.38), of which EUR 0.07 (0.07) per share was related to items affecting comparability.

## Financial position and cash flow

### Cash flow

In January-March 2018, net cash from operating activities decreased by EUR 9 million to EUR 273 (282) million, mainly due to the negative impact of a EUR 212 million increase in working capital, a EUR 115 million increase in comparable EBITDA, and a EUR 100 million increase in realised foreign exchange gains and losses. The foreign exchange gains and losses of EUR 42 (-58) million relate to the rollover of foreign exchange contract hedging loans to Russian and Swedish subsidiaries. The EUR -200 (12) million change in working capital during the first quarter of 2018 was mainly due to the effect of the daily cash settlements for futures in Nasdaq OMX Commodities Europe and an increase in the interest-free receivables due to Easter (Additional cash flow information).

Capital expenditure decreased by EUR 47 million to EUR 133 (180) million. Net cash from investing activities decreased to EUR -213 (-1) million and includes the EUR 63 (-182) million increase in cash collaterals given as trading collaterals to commodity exchanges.

Cash flow before financing activities was EUR 60 (280) million.

Payments of long-term liabilities totalled EUR 456 (292) million, including the repayment of bonds of EUR 413 million and other loan repayments of EUR 43 million. The net decrease in liquid funds was EUR 383 million (net increase of EUR 56 million in the comparison period).

### Assets and capital employed

At the end of the reporting period, total assets amounted to EUR 21,272 (21,753 at the end of 2017) million. Liquid funds at the end of the period amounted to EUR 3,504 (3,897 at the end of 2017) million. Capital employed decreased by EUR 1,396 million and was EUR 16,776 (18,172 at the end of 2017) million.

### Equity

Equity attributable to owners of the parent company totalled EUR 12,117 (13,048 at the end of 2017) million. The decrease in equity attributable to owners of the parent company was EUR 931 million, mainly due to the dividend for 2017 of EUR 977 million, the net profit for the period of EUR 384 million and translation differences of EUR -251 million. The dividend was approved by the Annual General Meeting on 28 March 2018 and paid on 10 April 2018.

### Financing

Net debt decreased by EUR 89 million to EUR 899 (988 at the end of 2017) million.

At the end of the reporting period, the Group's liquid funds totalled EUR 3,504 (3,897 at the end of 2017) million. Liquid funds include cash and bank deposits held by PAO Fortum amounting to EUR 354 (246 at the end of 2017) million. In addition to liquid funds, Fortum's undrawn committed credit facilities totalled EUR 1.8 billion (Note 13), excluding committed credit facilities of EUR 3.8 billion for Fortum's offer for Uniper shares.

Net financial expenses totalled EUR 36 (36) million, of which net interest expenses were EUR 33 (30) million.

In September 2017, Standard & Poor's and Fitch Ratings placed both Fortum's long-term and short-term credit ratings on credit watch negative on possible adverse impacts of the planned Uniper investment. In January 2018, Standard & Poor's downgraded Fortum's long-term credit rating from BBB+ to BBB with a Negative Outlook. The short-term rating was affirmed at level A-2. Fitch Ratings rates Fortum's long-term credit rating at level BBB+ and the short-term rating at level F2. In April 2018, Fitch affirmed Fortum's rating and credit watch negative, reflecting the expected one-notch downgrade of Fortum's long-term ratings from BBB+ to BBB after the closing of the investment in Uniper.

## Key figures

At the end of the first quarter of 2018, the comparable net debt to EBITDA ratio for the last 12 months was 0.6x (0.8x at the end of 2017), which is well below the long-term over-the-cycle target of 2.5x.

Gearing was 7% (7% at the end of 2017) and the equity-to-assets ratio 58% (61% at the end of 2017). Equity per share was EUR 13.64 (14.69 at the end of 2017). Return on capital employed for the last twelve months was 7.7% (7.1 at the end of 2017). Fortum targets a long-term over-the-cycle return on capital employed of at least 10%.

## Segment reviews

### Generation

*The Generation segment comprises power production in the Nordics, including nuclear, hydro and thermal power production, power portfolio optimisation, trading and industrial intelligence, and nuclear services globally.*

EUR million	I/18	I/17	2017	LTM
Sales	497	474	1,677	1,700
- power sales	489	470	1,649	1,668
of which Nordic power sales*	417	374	1,342	1,385
- other sales	8	4	28	32
Comparable EBITDA	252	166	603	689
Comparable operating profit	220	136	478	562
Operating profit	279	230	501	550
Share of profits from associates and joint ventures (Note 11)**	-2	-1	-1	-2
Comparable net assets (at period-end)	5,698	5,823	5,672	
Comparable return on net assets, %			8.4	9.8
Capital expenditure and gross investments in shares	38	24	264	278
Number of employees	1,038	984	1,035	

\* 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 18 in the consolidated financial statements 2017).



## Power generation by source

TWh	I/18	I/17	2017	LTM
Hydro-power, Nordic	6.4	5.2	20.7	21.8
Nuclear power, Nordic	6.3	6.7	23.0	22.6
Thermal power, Nordic	0.0	0.1	0.5	0.4
<b>Total</b>	<b>12.7</b>	<b>12.0</b>	<b>44.2</b>	<b>44.9</b>

## Nordic sales volumes

TWh	I/18	I/17	2017	LTM
Nordic sales volume	14.2	14.3	51.8	51.8
of which Nordic power sales volume*	12.2	11.5	42.2	43.0

\* 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.

## Achieved power price

EUR/MWh	I/18	I/17	2017	LTM
Generation's Nordic power price*	33.6	32.6	31.8	32.1

\* 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 2018

The Generation segment's total power generation in the Nordic countries increased due to higher than normal hydro-power volumes. Nuclear availability was at a good level, however, nuclear power generation was slightly lower due to the closure of Oskarshamn 1 in June 2017. The CO<sub>2</sub>-free production accounted for 100% (99%) of the total production.

The achieved power price in the Generation segment increased due to higher spot price driven by cold weather and low precipitation in February and March 2018.

Comparable operating profit increased by 62% due to the higher hydro-power production volumes and the higher achieved power price. Lower real-estate and capacity taxes in Swedish hydro and nuclear power plants also contributed to the result improvement. The increase was partly offset by lower nuclear production volumes resulting from the closure of Oskarshamn 1.

Operating profit was positively affected by EUR 59 (94) million of fair value change of non-hedge accounted derivatives and by adjustments in the nuclear fund (Note 4).

## City Solutions

City Solutions develops sustainable solutions for urban areas into a growing business for Fortum. The segment comprises heating and cooling, waste-to-energy, operation and maintenance services, 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 Stockholm Exergi (formerly Fortum Värme), which is a joint venture and is accounted for using the equity method.

EUR million	I/18	I/17	2017	LTM
Sales	375	290	1,015	1,100
- heat sales	265	175	523	613
- power sales	34	42	121	113
- waste treatment sales*	50	42	195	203
- other sales**	26	31	175	170
Comparable EBITDA	129	94	262	297
Comparable operating profit	87	56	98	129
Operating profit	88	59	102	131
Share of profits from associates and joint ventures (Note 11)	44	46	80	78
Comparable net assets (at period-end)	3,718	2,894	3,728	
Comparable return on net assets, %			5.5	6.1
Capital expenditure and gross investments in shares	29	21	556	564
Number of employees	1,906	1,691	1,907	

\* Waste treatment sales comprises gate fees at waste treatment plants and environmental construction services.

\*\* Other sales comprises mainly operation and maintenance services and fuel sales.

### Heat sales by country

TWh	I/18	I/17	2017	LTM
Finland	1.6	1.5	3.9	4.0
Poland	1.7	1.6	3.7	3.7
Norway	0.8	0.0	0.7	1.4
Other countries	0.8	0.7	1.8	1.9
<b>Total</b>	<b>4.8</b>	<b>3.8</b>	<b>10.0</b>	<b>11.1</b>

### Power sales by country

TWh	I/18	I/17	2017	LTM
Finland	0.5	0.6	1.5	1.4
Poland	0.2	0.2	0.4	0.4
Other countries	0.2	0.2	0.7	0.7
<b>Total</b>	<b>0.9</b>	<b>0.9</b>	<b>2.6</b>	<b>2.5</b>

On 4 August 2017, Fortum concluded the restructuring of its ownership in Hafslund. As of 1 August 2017, Fortum's 50% ownership in Fortum Oslo Varme (the combined company of Hafslund's Heat business area and Klemetsrudanlegget) has been consolidated as a subsidiary to Fortum in the results of City Solutions.

### January-March 2018

The cold weather in the first quarter of 2018 was the main driver for higher heat sales volumes in all of Fortum's heating and cooling areas. The increase in heat sales volume due to the consolidation of Fortum Oslo Varme was 0.8 TWh. Power sales in Finland declined due to lower availability.

Comparable operating profit increased by 55%. The consolidation of Fortum Oslo Varme had a positive impact of EUR 32 million. The result improvement related to higher heat sales was offset by higher fuel prices, an unfavourable fuel mix, and lower power plant availability in Finland.

The consolidation of Fortum Oslo Varme had a positive effect of EUR 40 million on the comparable EBITDA.

Operating profit was positively affected by the fair value change of non-hedge accounted derivatives EUR 1 (3) million (Note 4).

## Consumer Solutions

*Consumer Solutions comprises electricity and gas retail businesses in the Nordics and Poland, including the customer service, invoicing and debt collection business. Fortum is the largest electricity retailer in the Nordics, with approximately 2.5 million customers across different brands in Finland, Sweden, Norway and Poland. The business provides electricity and related value-added products as well as new digital customer solutions.*

EUR million	I/18	I/17	2017	LTM
Sales	547	242	1,097	1,402
- power sales	482	176	862	1,168
- other sales	65	66	235	234
Comparable EBITDA	31	14	57	74
Comparable operating profit	17	12	41	46
Operating profit	16	-9	39	64
Comparable net assets (at period-end)	792	158	638	
Capital expenditure and gross investments in shares	10	2	493	501
Number of employees	1,510	985	1,543	

## Sales volumes

TWh	I/18	I/17	2017	LTM
Electricity*	10.6	4.0	20.5	27.1
Gas*	1.5	1.3	4.0	4.2

\* Not including wholesale volumes.

## Number of customers

Thousands*	I/18	I/17	2017
Electricity	2,470	1,350	2,470
Gas	20	10	20
<b>Total</b>	<b>2,490</b>	<b>1,360</b>	<b>2,490</b>

\* Rounded to the nearest 10,000.

On 4 August 2017, Fortum concluded the restructuring of its ownership in Hafslund. As of 1 August 2017, Hafslund Markets has been consolidated into the results of Consumer Solutions.

## January-March 2018

The consolidation of Hafslund and the cold weather in February and March 2018 increased electricity sales volumes and consequently sales for the segment. During the first quarter of 2018, the total customer base increased marginally as a result of net growth in Poland. The competition in the Nordic market continued to be challenging.

Comparable operating profit increased by 42%. The contribution from the consolidation of Hafslund was EUR 13 million. The profitability was burdened by higher electricity purchasing costs caused by the cold

weather, lower gas sales margins in Poland, and the amended service agreements for the divested distribution companies. The results in the comparison period includes the contribution from the gas infrastructure company DUON Dystrybucja, which was divested in July 2017.

The consolidation of Hafslund had a positive effect of EUR 22 million on the comparable EBITDA. The implementation of IFRS 15 had a positive effect of EUR 7 million on the comparable EBITDA, due to the capitalisation of sales commissions. EUR 4 million of the effect was related to the Hafslund operations.

Operating profit was negatively affected by the fair value change of non-hedge accounted derivatives EUR -1 (-21) million (Note 4).

## 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/18	I/17	2017	LTM
Sales	336	349	1,101	1,088
- power sales	248	235	837	850
- heat sales	88	113	258	233
- other sales	0	1	6	5
Comparable EBITDA	142	168	438	412
Comparable operating profit	104	132	296	268
Operating profit	104	132	295	267
Share of profits from associates and joint ventures (Note 11)	5	1	31	35
Comparable net assets (at period-end)	3,091	3,520	3,161	
Comparable return on net assets, %			10.1	9.4
Capital expenditure and gross investments in shares	16	32	277	261
Number of employees	3,401	3,769	3,495	

## Russian power generation and heat production

TWh	I/18	I/17	2017	LTM
Russia power generation	8.3	6.9	26.3	27.7
Russia heat production	8.8	8.2	20.0	20.7

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

	I/18	I/17	2017	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,011	1,034	1,041	1,035
Average regulated gas price, Urals region, RUB/1000 m <sup>3</sup>	3,755	3,614	3,685	3,720
Average capacity price for CCS, tRUB/MW/month*	158	157	148	148
Average capacity price for CSA, tRUB/MW/month*	1,147	980	899	943
Average capacity price, tRUB/MW/month	661	585	535	556
Achieved power price for Fortum in Russia, RUB/MWh	1,872	1,868	1,813	1,817
Achieved power price for Fortum in Russia, EUR/MWh**	26.8	29.8	27.5	26.7

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

\*\* Translated using the average exchange rate.

## January-March 2018

The power volumes increased due to the commissioning of the Chelyabinsk GRES unit 3 in November 2017 and good availability (maintenance outage at the Nyagan power plant in the first quarter of 2017). Heat volumes increased due to cold weather.

Sales in euros decreased due to the weakening Russian rouble, partly offset by higher received Capacity Supply Agreement (CSA) payments (see Key drivers and risks and Outlook) and higher volumes.

Comparable operating profit decreased by 21%, negatively affected by the Russian rouble EUR 12 million. The new units and higher received CSA payments affected the results positively, slightly offset by lower electricity margins. The increase in CSA payments was related to Nyagan 1 receiving higher payments during the last years of the CSA period, positive spot market corrections, and contributions from renewable generation. The increase was partly offset by the corrections due to lower bond yields. The result for the comparison period in the first quarter of 2017 was positively affected by a one-time item from improved bad-debt collections.

## Capital expenditures, divestments and investments in shares

In the first quarter of 2018, capital expenditures and investments in shares totalled EUR 120 (206) million. Investments excluding acquisitions were EUR 103 (172) million (Note 4).

Fortum expects to start power and heat production capacity of new power plants and to upgrade existing plants as follows:

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts/started
<b>Generation</b>				
Loviisa, Finland	Nuclear	6		2018
Hydro plants in Sweden and Finland	Hydro	~12		2018
<b>City Solutions</b>				
Zabrze, Poland	CHP	75	145	2018
<b>Russia</b>				
Ulyanovsk	Wind	35		1 Jan 2018
<b>Other</b>				
Ånstadblåheia, Norway	Wind	50		2018
Sørfjord, Norway	Wind	97		2019

## 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 regular electricity production is expected to take place in May 2019, according to the plant supplier AREVA-Siemens Consortium.

OL3 is funded through external loans, share issues and shareholder loans according to shareholder agreements between the owners and TVO. As a 25% shareholder in OL3, Fortum has committed to funding of the project pro rata. At the end of March 2018, Fortum's outstanding receivables regarding OL3 were EUR 145 million and the outstanding commitment was EUR 88 million (Note 12). In March 2018, TVO and the supplier consortium companies signed a comprehensive settlement agreement whereby the arbitration concerning the delay of OL3 is settled by financial compensation of EUR 450 million to be paid

to TVO. Based on the current project schedule and the effect of the settlement agreement, TVO estimates the total investment in OL3 to be approximately EUR 5.5 billion.

## City Solutions

The joint venture Kauno Kogeneracinė Jėgainė, owned by Fortum and Lietuvos Energija, will build a waste-to-energy combined heat and power (CHP) plant in Kaunas, Lithuania. The electricity capacity of the Kaunas plant is 24 MW and the thermal capacity is approximately 70 MW. Fortum's ownership in the joint venture is 49%. The CHP plant is expected to be commissioned in mid-2020.

In 2015, Fortum decided to build a new multi-fuel CHP plant in Zabrze, Poland, which primarily will be fuelled by refuse derived fuel (RDF) and coal but can also use biomass and a mixture of fuels. The new plant will replace the existing purely coal-fired units in Zabrze and Bytom. It will have a production capacity of 145 MW of heat and 75 MW of electricity and is planned to start commercial operations by the end of 2018.

## Russia

On 27 April 2017, Fortum and RUSNANO, a Russian state-owned development company, signed a 50/50 investment partnership (joint venture) in order to secure the possibility of a Russian CSA wind portfolio. In June 2017, 1,000 MW of the bids of the Fortum-RUSNANO wind investment fund were selected in the Russian renewable energy auction. The bids were for projects to be commissioned during 2018-2022 at a price currently corresponding to approximately EUR 105-125 per MWh. The projects will be covered by CSA for a period of approximately 15 years. The amount is to be invested over time (approx. 5 years), subject to separate investment decisions within the total mandate of the wind investment fund. Fortum's equity stake in the wind investment fund totals a maximum of RUB 15 billion (currently approximately EUR 210 million). In October 2017, the wind investment fund made an investment decision on the first 50-MW wind farm and power production is expected to start during the first half of 2019.

## Other

In January 2017, Fortum finalised the acquisition of three wind power projects from the Norwegian company Nordkraft. The transaction consists of the Nygardsfjellet wind farm, which is already operational, as well as the fully-permitted Ånstadblåheia and Sørffjord 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 180 MW. In March and September 2017, Fortum announced the decisions to start the building of the Ånstadblåheia and Sørffjord wind farms respectively.

In 2016, Fortum made the final investment decision on the 75-MW Solberg wind park project in northern Sweden. Skellefteå Kraft is participating in the project with a 50% share. The wind park was taken into operation in the first quarter of 2018 and the operational takeover is ongoing.

# Operating and regulatory environment

## Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 121 (113) TWh during the first quarter of 2018. The increase was mainly due to lower temperatures and increased industrial demand.

At the beginning of 2018, the Nordic water reservoirs were at 86 TWh, which is 3 TWh above the long-term average and 11 TWh higher than a year earlier. At the end of the first quarter of 2018, the reservoirs were at 34 TWh, which is 7 TWh below the long-term average and 4 TWh lower than a year earlier. Precipitation in the Nordics was clearly below the normal level in the first quarter of 2018.

In the first quarter of 2018, the average system spot price in Nord Pool was EUR 38.6 (31.1) per MWh. The average area price in Finland was EUR 42.0 (32.9) per MWh and EUR 39.0 (31.8) per MWh in Sweden (SE3, Stockholm). The cold and dry weather combined with the higher marginal cost for coal condense contributed to the higher price.

In Germany, the average spot price fell to EUR 35.5 (41.3) per MWh in the first quarter of 2018.

The market price of CO<sub>2</sub> emission allowances (EUA) increased from EUR 8.1 per tonne at the beginning of the year to EUR 13.3 per tonne at the end of the first quarter of 2018.

## Russia

Fortum operates mainly 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. The Russian market is divided into two price zones and Fortum operates in the First Price Zone.

According to preliminary statistics, Russian electricity consumption was 289 (283) TWh during the first quarter of 2018. The corresponding figure for the First Price Zone (European and Urals part of Russia), was 220 (217) TWh.

In the first quarter of 2018, the average electricity spot price, excluding capacity prices, increased by 0.6% to RUB 1,187 (1,180) 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 (pages 57-59).

## European business environment and carbon market

### Finnish coal phase-out

On 10 April 2018, the Finnish Government decided that a coal phase-out will be done by law from 1 May 2029. There will be a EUR 90 million incentive package for those district heating companies that commit to stop using coal already in 2025 to compensate for bio-CHP and other coal-replacement investments. In parallel, the planned renewables (RES) subsidy scheme will be reduced from 2 TWh to 1.4 TWh. A legal proposal to ban coal will be presented during the first half of 2018.

The Finnish Government plans to increase the CO<sub>2</sub> tax for heating fuels to improve the competitiveness of gas against coal. This would be implemented by abolishing the current 50% CO<sub>2</sub> tax reduction for CHP production. However, a combination of increased CO<sub>2</sub> tax and lower energy content tax is not expected to enable a fuel switch from coal to gas, but it will increase the production costs of district heating.

### Implementation of the EU Anti-Tax Avoidance Directive in Finland

The Finnish Government has proposed to implement the Anti-Tax Avoidance Directive (ATAD) by substantially limiting the possibilities to deduct interest expenses when the interest expenses exceed EUR 3 million. The ATAD provides various flexibilities, but the Finnish Government has decided to go above what is required by the directive. The public consultation has now been closed and the Government is expected to present a new proposal in the coming months. The proposed limitations to interest deductions are challenging for the capital-intensive energy sector and international companies including Fortum.

### Revised hydro-power legislation in Sweden

The revision of the Swedish hydro-power legislation is part of the energy agreement of June 2016. It aims at fulfilling the requirements of the EU Water Framework Directive and at facilitating modernisation and better utilisation of hydro-power. Most environmental permits will be updated during a 20-year period and, in general, will be valid for a period of 40 years. Fortum's main concerns with earlier proposals are well

addressed in the final proposal. According to the plan, the legislation will be adopted before summer 2018 and will enter into force in 2019.

The energy agreement requires hydro-power companies to carry the full cost of environmental improvements. The largest hydro-power companies are planning a joint fund in order to secure financing for the improvements. The fund is expected to be established from July 2018, provided that the revision of hydro legislation has been completed.

### **EU Plastics strategy**

In January 2018, the EU Commission published a communication for an EU plastics strategy as part of Europe's transition towards a circular economy. The target is to transform the way plastic products are designed, produced, used and recycled in the EU. The better design of plastic products, higher recycling rates, and better quality recyclates will help in boosting the markets for secondary raw material plastics with greater added value for a competitive European plastics industry.

Fortum welcomes the initiative to boost the markets for recycled plastics. The plastics strategy is expected to result in business opportunities for Fortum's recycling and waste solutions.

## **Key drivers and risks**

Fortum's financial results are exposed to a number of economic, strategic, energy policy and regulation, 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 short-term drivers behind the wholesale price development in the Nordic region are the prices of fuels and CO<sub>2</sub> emission allowances, the hydrological situation, temperature, economic development, and the electricity import-export balance.

The world economy has recently been growing at an increasing pace. The overall economic growth impacts commodity and CO<sub>2</sub> emission allowance prices, which impacts the Nordic wholesale price of electricity. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates could have both translation and transaction effects on Fortum's financials, especially through the Russian rouble and Swedish krona.

In the Nordic countries, changes in the regulatory and fiscal environment also have added risks for the energy and environmental management sectors. 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 of the revenue base and diversification into new businesses, technologies and markets. The environmental management business is based on the framework and opportunities created by environmental regulation. Being able to respond to customer needs created by the tightening regulation is a key success factor.

For Fortum's Russian business, the key drivers are economic growth, the rouble exchange rate, regulation of the heat business, and the further development of the electricity and capacity markets. A key profitability driver is the received capacity payment based on the Capacity Supply Agreements (CSA) and Competitive Capacity Selection (CCS). The main part of Fortum's generation capacity built after 2007 is entitled to CSA payments for approximately 10 years after commissioning of each new unit (approximately 15 years for renewable generation). The received capacity payments vary, depending on age, location, type and size of the plant, as well as on seasonality and availability. The CSA payments vary based on, among others factors, the weighted average cost of capital (WACC), the consumer price index (CPI) and re-examination of earnings from the electricity-only (spot) market (done every three and six years after commissioning of a



unit). In addition, power plants are entitled to clearly higher CSA payments from year seven after commissioning.

For further information about the risks, see Fortum's Annual Report.

## Outlook

### Hedging

At the end of March 2018, approximately 65% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 27 per MWh for the rest of 2018, and approximately 45% at EUR 26 per MWh for 2019.

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.

### Capital expenditure and divestments

Fortum currently estimates its capital expenditure, including maintenance but excluding acquisitions, to be in the range of EUR 600-700 million in 2018. The maintenance capital expenditure in 2018 is estimated at approximately EUR 300 million, well below the level of depreciation.

### Nordic market

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 the first quarter of 2018, oil prices increased while coal prices decreased. The price of CO<sub>2</sub> emission allowances (EUA) increased significantly during the quarter. The price of electricity for the upcoming 12 months increased in the Nordics due to a weaker hydrological balance but decreased in Germany.

In late April 2018, the forward quotation for coal (ICE Rotterdam) for the remainder of 2018 was around USD 84 per tonne and the market price for CO<sub>2</sub> emission allowances for 2018 around EUR 14 per tonne. The Nordic system electricity forward price at Nasdaq Commodities for the remainder of 2018 was around EUR 33 per MWh and for 2019 around EUR 31 per MWh. In Germany, the electricity forward price for the remainder of 2018 was around EUR 38 per MWh and for 2019 around EUR 39 per MWh. The Nordic water reservoirs were about 10 TWh below the long-term average and were 9 TWh lower than a year earlier.

### Generation

The Generation segment's achieved Nordic power price typically depends on such factors as hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible production portfolio, as well as 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. The achieved power price also includes the results of optimisation of Fortum's hydro and nuclear production as well as operations in the physical and financial commodity markets.

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 that safety investments should be in place no later than 2020.

The process to review the Swedish nuclear waste fees is done in a three-year cycle. In March 2017, the Swedish Government decided on the new nuclear waste fees for years 2018-2020. In October 2017, the Swedish Parliament decided on changes in the legal framework impacting calculations of nuclear waste fees and the investment of the nuclear waste fund. In the revised legal framework the assumed operating time for calculating the waste fee is 50 years, as opposed to the previous assumption of 40 years. The fund is now also allowed to invest in other financial instruments in addition to bonds. Based on these changes, the annual waste fees for Fortum will increase by approximately EUR 8 million.

On 9 March 2018, the Swedish Government presented the proposed legislation regarding the future of hydro-power following last year's parliamentary Energy Commission. The proposed legislation says that all hydro-power should have modernised permits, but also states clearly that existing hydro-power need to be protected to be able to play a key role in the future energy system. The proposed legislation also points to the classification of water bodies and says that they shall be done in a manner that protects hydro-power and other infrastructure. The Government proposal also states that the industry should create a common hydro-power fund that will finance large parts of the environmental actions that will be needed. According to the Energy Commission, the fund has a total financial cap of SEK 10 billion to be paid over a 20-year period, and the largest operators will contribute to the fund proportionately according their market share in hydro-power production. Fortum's share is expected to be 20-25% of the funds total financing.

On 3 July 2017, Fortum announced the decision by the Administrative Court in Stockholm, Sweden, related to Fortum Sverige AB's hydro production-related real-estate tax assessments for the years 2009–2014. The Court decided in Fortum's favour. The disputed amount for the five years was a total of SEK 520 million (EUR 53 million). Fortum will book the tax income (subject to income tax) only after the legal decision has entered into force. Hydro-power plants have been subject to a real-estate tax rate that has resulted in an approximately 12 times higher real-estate tax per kWh compared to any other production, due to different tax rates and different valuation factors. The tax authority has appealed the decision and the case is pending before the Administrative Court of Appeal.

In September 2016, the Swedish Government presented the budget proposal for the coming years, according to which 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 Swedish nuclear capacity tax was EUR 44 million. In 2018, there is no capacity tax. As stated in the Government's budget, the hydro-power real-estate tax will decrease from 2.8% to 0.5%. The tax will 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 decreased by EUR 20 million to EUR 95 million. In addition to the decrease in the tax rate, the hydro-power 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 would be clearly lower than today.

In 2015, the Swedish OKG AB decided to permanently discontinue electricity production at Oskarshamn's nuclear plant units 1 and 2. Unit 1 was shut down on 17 June 2017, approximately 2 weeks earlier than planned, and unit 2 has been out of operation since June 2013. The closing processes for both units are estimated to take several years.

## City Solutions

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

The development of Fortum Oslo Varme's business operations is estimated to require integration-related one-time costs and increased investments over the coming years. The realisation of cost synergies are estimated to gradually start materialising from 2019 onwards with targeted annual synergies of EUR 5-10 million expected to be achieved by the end of 2020.

## Consumer Solutions

After the acquisition of Hafslund Markets in August 2017, a new business strategy for Consumer Solutions was approved by the Fortum Board of Directors in December 2017. The strategic objective is to establish Consumer Solutions as the leading consumer business in the Nordics, with a customer-centric, multi-brand structure.

Competition in the Nordic electricity retail market is expected to remain challenging, with continued pressure on sales margins and increasing customer churn. To counter the market challenges and create a solid foundation for competitive operations, Consumer Solutions will continue its cost spend in developing new digital services for consumers.

The combined Hafslund Markets and Fortum Markets business, while largely complementary, have identified synergy potential, in terms of both revenue and costs. The short-term priority will be on achieving identified revenue synergies by leveraging established best practices and providing additional products and services to the whole customer base. The realisation of cost synergies will start materialising once the integration of Hafslund Markets is completed, expected from 2019, with cost synergy realisation gradually increasing over the coming years, and targeted annual synergies of approximately EUR 10 million to be achieved by the end of 2020.

## Russia

In the Russia segment, capacity payments based on CSA contracts is a key driver for earnings growth, as it receives considerably higher capacity payments than through the CCS auctions. Currently Fortum's CSA capacity amounts to 2,368 MW. In February 2018, the System Administrator of the wholesale market published data on the WACC and the CPI for 2017, which were used to calculate the 2018 CSA price. The CSA payments were revised 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, and revised the CSA payments upwards due to the lower earnings from the electricity-only market.

Fortum's other Russian generation capacity, totalling 2,483 MW, is allowed to participate in the CCS. The long-term CCS for the years 2017-2019 was held at the end of 2015, the CCS for the year 2020 in September 2016, and the CCS for the year 2021 in September 2017. All Fortum plants offered in the auction were selected. Fortum also obtained "forced mode status", i.e. it receives payments for the capacity at a higher rate for some of the units at the Argayash power plant. For the years 2017-2019, "forced mode status" was obtained for 195 MW; for the year 2020, 175 MW, and for the year 2021, 105 MW.

As of January 2018, Fortum's Ulyanovsk wind farm is listed in the registry of capacity. The 35 MW power plant is Russia's first industrial wind park. It will receive CSA payments at a price currently corresponding to approximately EUR 180 per MWh for a guaranteed period of approximately 15 years.

In December 2017, Fortum acquired three solar power companies from Hevel Group, Russia's largest integrated solar power company. All three power plants are operational and will receive CSA payments for approximately 15 years after commissioning at an average CSA price currently corresponding to approximately EUR 400 per MWh. The plants were commissioned in 2016 and 2017.

In June 2017, 1,000 MW of the bids of the 50/50-owned Fortum-RUSNANO wind investment fund were selected in the Russian wind auction. The bids are for projects to be commissioned during the years 2018-2022 at a price currently corresponding to approximately EUR 105-125 per MWh. The projects will be covered by CSA for a period of approximately 15 years.

The Russian annual average gas price growth was 2% in 2017. Fortum estimates the Russian annual average gas price growth to be 3.6% in 2018.

## Income taxation

In 2018, the effective corporate income tax rate for Fortum is estimated to be 19-21%, excluding the impact of the share of profits of associated companies and joint ventures, as well as non-taxable capital gains.

In March 2018, the Swedish Supreme Administrative Court decided not to grant leave to appeal to Fortum with respect to the interest deduction cases relating to the years 2009-2012. The unfavourable decision of the Administrative Court of Appeal from June 2017 therefore remains in force. There are strong grounds to argue that the aforementioned decisions of the Administrative Court of Appeal and the Supreme Administrative Court violate EU law and fundamental rights under EU law. Fortum plans to make use of legal remedies which are available for breaches of EU law. (Note 19)

On 11 May 2017, the Administrative Court in Stockholm, Sweden, gave its decisions related to Fortum's income tax assessments for the year 2013. The Court's rulings were not in Fortum's favour and Fortum has appealed the decisions. If the decisions remain in force despite the appeal, the negative impact on the net profit would be EUR 27 million (SEK 273 million). Fortum has not made any provision for this, as, based on legal analysis, the EU Commission's view and supporting legal opinions, the cases should be ruled in Fortum's favour. (Note 19)

## Shares and share capital

### Fortum shares on Nasdaq Helsinki

January-March 2018	No. of shares traded	Total value EUR	High EUR	Low EUR	Average* EUR	Last EUR
FORTUM	176,739,648	3,138,935,311	18.88	16.43	17.76	17.45

\* Volume weighted average.

	31 March 2018	31 March 2017
Market capitalisation, EUR million	15,502	13,174
Number of shareholders	129,097	134,646
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	30.0	27.6
Households, %	10.3	11.5
Financial and insurance corporations, %	1.4	1.8
Other Finnish investors, %	7.5	8.3

In addition to Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, Cboe and Turquoise, and on the OTC market. In 2017, approximately 61% of Fortum's shares were traded on markets other than Nasdaq Helsinki.

On 31 March 2018, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation owned 72,580 own shares.

On 28 March 2018, 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 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 26 April 2018.

## 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 2018 was 8,731 (8,785 at the end of 2017).

At the end of March 2018, the Generation segment had 1,038 (1,035 at the end of 2017) employees, City Solutions 1,906 (1,907 at the end of 2017), Consumer Solutions 1,510 (1,543 at the end of 2017), Russia 3,401 (3,495 at the end of 2017), and Other 876 (805 at the end of 2017).

## 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 is strengthening its in-house innovation and digitalisation efforts and building partnerships with leading global suppliers, promising technology and service companies, and research institutions. Fortum makes direct and indirect investments in start-ups that have promising new innovations focused 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 2017, Fortum's R&D expenditure was EUR 53 (52) million, or 1.2% (1.4%) of sales.

## Sustainability

Fortum strives for balanced management of economic, social and environmental responsibility in the company's operations, emphasising the following focus areas:

Economic responsibility	Social responsibility	Environmental responsibility
Economic benefits to our stakeholders	Operational and occupational safety	Energy and resource efficiency
Long-term value and growth	Secure energy supply for customers	Reduction of environmental impacts
Sustainable supply chain	Personnel well-being	Climate-benign energy production and systems
Customer satisfaction	Business ethics and compliance	Solutions for sustainable cities

The Group-level sustainability targets are linked to the main sustainability focus areas and emphasise Fortum's role in society. They 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 are based on continuous operational improvement. Regarding safety, the target indicators in 2018 are the number of severe occupational accidents and the combined own personnel and contractor lost workday injury frequency (LWIF). A new indicator in 2018 is the GAP index measuring how well the Group's EHS minimum requirements are realised at the power plant level.

The achievement of the sustainability targets is monitored in monthly, quarterly and annual reporting. Fortum publishes a yearly Sustainability Report with additional information on the company's sustainability performance.

## Group sustainability targets and performance 2018\*

	Target	I/18	2017	Five-year average
<b>Environmental responsibility</b>				
Specific CO <sub>2</sub> emissions from total energy production as a five-year average, g/kWh	< 200	179	188	186
Major EHS incidents, no.	≤ 20	10	20	-
<b>Social responsibility</b>				
Energy availability of CHP plants, %	> 95.0	96.8	96.1	-
Lost workday injury frequency (LWIF), own personnel and contractors	≤ 2.1	1.4	2.4	-
Severe occupational accidents, no.	0	0	1	-
Quality of investigation process of occupational accidents, major EHS incidents and near misses	Level 3.0	Level 3.0	Level 0.75	-
Sickness-related absences, %	≤ 2.2	3.1**	2.2***	-

\* Group targets for reputation index, customer satisfaction, energy efficiency and GAP index are monitored annually.

\*\* Sickness-related absences in January-February 2018.

\*\*\* Excluding DUON and Hafslund.

Fortum is listed on the Nasdaq Helsinki exchange and is included in the STOXX Global ESG Leaders, OMX GES Sustainability Finland, and ECPI® and Euronext Vigeo Eurozone 120 indices. Fortum is also ranked in category A- in the annual CDP (formerly the Carbon Disclosure Project) rating 2017, and it has received a Prime Status (B-) rating by the German oekom research AG.

Fortum's sustainability reporting covers all functions under Fortum's operational control, including subsidiaries in all countries of operation.

## Economic responsibility

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: at least 10%) and capital structure (target: comparable net debt/EBITDA around 2.5).

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 2018, Fortum conducted two supplier audits in Finland and India. In addition, one of Fortum's Russian coal suppliers was audited against the Bettercoal Code by a third party.

## Environmental responsibility

Fortum's Group-level environmental targets are related to CO<sub>2</sub> emissions, energy efficiency, and major environmental, health and safety (EHS) incidents. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard; at the beginning of 2018, 99.8% (99.9% at the beginning of 2017) of Fortum's power and heat production worldwide had ISO 14001 certification.

Fortum's aim is to promote resource efficiency improvements and the transition towards a more extensive circular economy.

Fortum's energy production is primarily based on carbon dioxide-free hydro-power and nuclear power and on energy-efficient combined heat and power (CHP). In line with the strategy, Fortum is targeting a gigawatt-scale solar and wind portfolio. Fortum expects the concern about climate change to increase the demand for low-carbon production and energy-efficient solutions and products. Fortum aims to mitigate

climate change by investing in CO<sub>2</sub>-free energy production and by improving energy and resource efficiency.

In January-March 2018, Fortum's direct CO<sub>2</sub> emissions were 6.4 (5.6) Mt. Of the total CO<sub>2</sub> emissions, 1.1 (0.9) Mt were within the EU's emissions trading scheme (ETS). The estimate for Fortum's free emission allowances in 2018 is 0.9 (1.0) Mt.

Fortum's total CO <sub>2</sub> emissions (million tonnes, Mt)	I/18	I/17	2017	LTM
Total emissions	6.4	5.6	18.4*	19.2
Emissions subject to ETS	1.1	0.9	2.4*	2.6
Free emissions allowances	-	-	1.0	-
Emissions in Russia	5.1	4.6	15.4	16.0

\* The figure has been revised from the one presented in the Financial statements bulletin 2017, Financials 2017 and Sustainability 2017.

In January-March 2018, Fortum's specific carbon dioxide emissions from total energy production were 179 (184) g/kWh. The specific CO<sub>2</sub> emissions from total energy production as a five-year average were 186 (188) g/kWh, which is better than Fortum's Group target of 200 g/kWh.

Fortum's target is at the most 20 major EHS incidents annually. Major EHS incidents are monitored, reported and investigated, and corrective actions are implemented. In January-March 2018, there were 10 (4) major EHS (environment, health and safety) incidents in Fortum's operations. The major EHS incidents included seven fires, two environmental non-compliances and one leak. The major EHS incidents did not have significant environmental impacts.

## Social responsibility

Fortum's social responsibility targets are related to the secure supply of electricity and heat for customers, operational and occupational safety, as well as employee wellbeing.

For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. Fortum strives to be a safe workplace for the employees and for the contractors and service providers who work for the company. At the beginning of 2018, a certified OHSAS 18001 safety management system covered 98.4% (99.9% at the beginning of 2017) of Fortum's power and heat production worldwide.

In January-March 2018, the combined lost-workday injury frequency (LWIF) for own personnel and contractors was 1.4 (2.3), which was better than the set target level ( $\leq 2.1$ ). In January-March 2018, there were no severe occupational accidents in the company's operations. The Group target in 2018 is zero severe occupational accidents.

In January-March 2018, the quality of investigation process of occupational accidents, major EHS incidents and serious near misses was at the level of 3, and the set target level of 3 was achieved. In 2018, Fortum will implement new tools to assess contractor safety performance as part of the supplier qualification process and will also evaluate their safety practices in a more systematic manner during work.

In January-February 2018, the percentage of sickness-related absences was 3.1 (2.7), which did not meet the target level of  $\leq 2.2$ .

An uninterrupted and reliable energy supply is critical for society to function. The energy availability of the company's CHP plants in January-March 2018 was, on average, 96.8% (98.8%); outperforming the target of  $>95.0\%$ .

# Annual General Meeting 2018

Fortum Corporation's Annual General Meeting, held in Helsinki on 28 March 2018, adopted the Financial Statements and the Consolidated Financial Statements for the financial period 1 January-31 December 2017 and discharged from liability the members of the Fortum Board of Directors and the President and CEO for the year 2017.

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share for the financial year that ended on 31 December 2017. The record date for the dividend payment was 3 April 2018, and the dividend payment date was 10 April 2018.

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. Mr Matti Lievonon was elected as Chairman, Klaus-Dieter Maubach as a new member and Deputy Chairman, Mr Heinz-Werner Binzel, Ms Eva Hamilton, Mr Kim Ignatius, Ms Anja McAlister, and Mr Veli-Matti Reinikkala were re-elected as members, and Ms Essimari Kairisto was elected as a new member.

In addition, Deloitte 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 2017 and it will be effective until the next Annual General Meeting and, in any event, for a period of no longer than 18 months.

Amendment of Art. 6, Art. 11 and Art. 12 of the Articles of Association of the company

The Annual General Meeting decided on the following amendments to the Articles of Association of the company:

The first sentence of Art. 6 is amended in order to set the maximum number of members of the Board of Directors of the company at ten members instead of the current eight members, as follows: "The Board of Directors shall have a Chairman, a Deputy Chairman, and a minimum of three (3) and a maximum of eight (8) ordinary members who are elected at the General Meeting." Art. 6 is otherwise unchanged.



Due to the new Auditing Act (1141/2015) which entered into force on 1 January 2015, the reference to approval by the Central Chamber of Commerce set forth in the first sentence of Art. 11 shall be deleted and replaced with a reference to an auditing firm referred to in the Auditing Act, as follows: "The company shall have one regular auditor who must be an Auditing Firm referred to in the Auditing Act." Art. 11 is otherwise unchanged.

Due to the amendment of the Limited Liability Companies Act that entered into force on 21 June 2017, the reference to Chapter 4, Section 2, Subsection 2 of the Finnish Limited Liability Companies Act set forth in the last sentence of Art. 12 shall be replaced with a reference to Chapter 5, Section 6 a of the Limited Liability Companies Act, as follows: "However, the notice of GM must in any event be delivered at least nine (9) days prior to the General Meeting Record Date referred to in Chapter 5, Section 6 a of the Finnish Limited Liability Companies Act." Art. 12 is otherwise unchanged.

The Annual General Meeting of Fortum Corporation decided, in accordance with Chapter 3, Section 14 a (3) of the Finnish Companies Act, that the rights to all such shares entered in the Joint Account and to the rights attached to such shares that had not been requested to be registered in the book-entry system in accordance with Chapter 6, Section 3 of the Act on the Book-Entry System and Clearing Operations prior to the decision by the Annual General Meeting, are forfeited. In the merger of Länsivoima Oyj (former Lounais-Suomen Sähkö Oy) to Fortum Corporation in 2000, those shareholders of Länsivoima Oyj that had not produced their share certificates and had not requested their rights to be registered in the book-entry system, received their respective shares of Fortum Corporation as merger consideration to a joint book-entry account opened on their behalf (the "Joint Account"). In addition to the shares, the rights attached to such shares, such as undrawn dividend, are forfeited. The provisions applicable to treasury shares held by the company will apply to the forfeited shares.

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 Eva Hamilton, Klaus-Dieter Maubach and Anja McAlister as members.

Furthermore, the Board elected to the Audit and Risk Committee Kim Ignatius as Chairman and Heinz-Werner Binzel, Essimari Kairisto and Veli-Matti Reinikkala as members.

## Dividend payment

The Annual General Meeting 2018 decided to pay a dividend of EUR 1.10 per share for the financial year that ended 31 December 2017. The record date for the dividend was 3 April 2018 and the dividend payment date was 10 April 2018.

Espoo, 25 April 2018

Fortum Corporation  
Board of Directors

**Further information:**

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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 2018**

In 2018, Fortum will publish:

- Half-year Financial Report January-June on 19 July 2018, at approximately 9:00 EEST
- Interim Report January-September on 24 October 2018, at approximately 9:00 EEST

Fortum's Capital Markets Day will be held on 13 November 2018 at Fortum's new headquarters in Espoo, Finland.

**Distribution:**

Nasdaq Helsinki

Key media

[www.fortum.com](http://www.fortum.com)

More information, including detailed quarterly information, is available on Fortum's website at [www.fortum.com/investors](http://www.fortum.com/investors)

## Condensed consolidated income statement

EUR million	Note	Q1 2018	Q1 2017	2017	Last twelve months
Sales	4	1,585	1,232	4,520	4,873
Other income		24	8	55	71
Materials and services		-825	-604	-2,301	-2,522
Employee benefits		-113	-93	-423	-443
Depreciation and amortisation	4,9,10	-133	-110	-464	-487
Other expenses		-133	-120	-576	-589
<b>Comparable operating profit</b>	4	<b>405</b>	<b>313</b>	<b>811</b>	<b>903</b>
Items affecting comparability		77	76	347	348
<b>Operating profit</b>	4	<b>482</b>	<b>389</b>	<b>1,158</b>	<b>1,251</b>
Share of profit/loss of associates and joint ventures	4, 11	47	59	148	136
Interest expense		-41	-37	-164	-168
Interest income		8	7	32	33
Fair value gains and losses on financial instruments		0	1	-12	-13
Other financial expenses - net		-2	-7	-50	-45
Finance costs - net		-36	-36	-195	-195
<b>Profit before income tax</b>		<b>493</b>	<b>412</b>	<b>1,111</b>	<b>1,192</b>
Income tax expense	7	-94	-72	-229	-251
<b>Profit for the period</b>		<b>400</b>	<b>340</b>	<b>882</b>	<b>942</b>
<b>Attributable to:</b>					
Owners of the parent		384	335	866	915
Non-controlling interests		16	5	16	27
		<b>400</b>	<b>340</b>	<b>882</b>	<b>942</b>
<b>Earnings per share for profit attributable to the equity owners of the company (EUR per share)</b>					
Basic		<b>0.43</b>	0.38	0.98	<b>1.03</b>

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

EUR million	Note	Q1 2018	Q1 2017	2017	Last twelve months
<b>Comparable operating profit</b>		<b>405</b>	<b>313</b>	<b>811</b>	<b>903</b>
Impairment charges	4	0	0	6	6
Capital gains and other	4, 6	26	1	326	351
Changes in fair values of derivatives hedging future cash flow	4	54	74	14	-6
Nuclear fund adjustment	4, 14	-4	2	1	-5
Items affecting comparability		77	76	347	348
<b>Operating profit</b>		<b>482</b>	<b>389</b>	<b>1,158</b>	<b>1,251</b>

## Condensed consolidated statement of comprehensive income

EUR million	Q1 2018	Q1 2017	2017	Last twelve months
<b>Profit for the period</b>	<b>400</b>	<b>340</b>	<b>882</b>	<b>942</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit or loss in subsequent periods:</b>				
Cash flow hedges				
Fair value gains/losses in the period	-186	67	22	-231
Transfers to income statement	19	37	76	58
Transfers to inventory/fixed assets	0	-6	-4	2
Deferred taxes	34	-20	-19	35
Net investment hedges				0
Fair value gains/losses in the period	49	-11	23	83
Deferred taxes	-10	2	-5	-17
Exchange differences on translating foreign operations	-250	195	-372	-817
Share of other comprehensive income of associates and joint ventures	-2	4	-10	-16
Other changes	-1	-1	-2	-2
	<b>-346</b>	<b>267</b>	<b>-291</b>	<b>-904</b>
<b>Items that will not be reclassified to profit or loss in subsequent periods:</b>				
Actuarial gains/losses on defined benefit plans	0	0	-13	-13
Actuarial gains/losses on defined benefit plans in associates and joint ventures	0	-2	6	8
	<b>0</b>	<b>-2</b>	<b>-7</b>	<b>-5</b>
<b>Other comprehensive income for the period, net of deferred taxes</b>	<b>-346</b>	<b>265</b>	<b>-298</b>	<b>-909</b>
<b>Total comprehensive income for the period</b>	<b>54</b>	<b>606</b>	<b>584</b>	<b>32</b>
<b>Total comprehensive income attributable to</b>				
Owners of the parent	38	598	571	11
Non-controlling interests	16	8	13	21
	<b>54</b>	<b>606</b>	<b>584</b>	<b>32</b>

## Condensed consolidated balance sheet

EUR million	Note	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	9	1,094	507	1,064
Property, plant and equipment	10	10,245	10,207	10,510
Participations in associates and joint ventures	4, 11	2,074	2,201	1,900
Share in State Nuclear Waste Management Fund	14	838	837	858
Other non-current assets		109	114	140
Deferred tax assets		61	48	73
Derivative financial instruments	5	247	371	281
Long-term interest-bearing receivables	12	833	977	1,010
<b>Total non-current assets</b>		<b>15,502</b>	<b>15,262</b>	<b>15,835</b>
<b>Current assets</b>				
Inventories		218	215	216
Derivative financial instruments	5	275	166	240
Short-term interest-bearing receivables	12	458	216	395
Income tax receivables		156	270	172
Trade and other receivables		1,158	841	997
Deposits and securities (maturity over three months)		84	2,484	715
Cash and cash equivalents		3,420	2,738	3,182
Liquid funds	13	3,504	5,222	3,897
<b>Total current assets</b>		<b>5,770</b>	<b>6,930</b>	<b>5,918</b>
<b>Total assets</b>		<b>21,272</b>	<b>22,192</b>	<b>21,753</b>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Share capital		3,046	3,046	3,046
Share premium		73	73	73
Retained earnings		9,039	10,897	9,875
Other equity components		-41	40	54
<b>Total</b>		<b>12,117</b>	<b>14,057</b>	<b>13,048</b>
<b>Non-controlling interests</b>		<b>255</b>	<b>91</b>	<b>239</b>
<b>Total equity</b>		<b>12,372</b>	<b>14,148</b>	<b>13,287</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities	13	3,338	4,056	4,119
Derivative financial instruments	5	188	176	214
Deferred tax liabilities		791	671	819
Nuclear provisions	14	838	837	858
Other provisions	15	90	126	100
Pension obligations		102	77	102
Other non-current liabilities		169	172	175
<b>Total non-current liabilities</b>		<b>5,515</b>	<b>6,114</b>	<b>6,388</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	13	1,066	819	766
Derivative financial instruments	5	309	312	200
Trade and other payables <sup>1)</sup>		2,009	799	1,112
<b>Total current liabilities</b>		<b>3,384</b>	<b>1,930</b>	<b>2,078</b>
<b>Total liabilities</b>		<b>8,900</b>	<b>8,044</b>	<b>8,466</b>
<b>Total equity and liabilities</b>		<b>21,272</b>	<b>22,192</b>	<b>21,753</b>

1) Trade and other payables as of 31 March 2018 include dividend EUR 977 million decided in the Annual General Meeting 28 of March 2018. Dividend was paid on 10 April 2018. Dividend for 2016 was decided in the Annual General Meeting on 4 of April 2017. Therefore the comparative period does not reflect dividend for 2016.

## 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			
<b>Total equity 31 December 2017</b>	<b>3,046</b>	<b>73</b>	<b>12,062</b>	<b>-2,187</b>	<b>-40</b>	<b>70</b>	<b>24</b>	<b>13,048</b>	<b>239</b>	<b>13,287</b>
Impact from change in accounting principle (IFRS 9 and 15)			7					7		7
<b>Total equity 1 January 2018</b>	<b>3,046</b>	<b>73</b>	<b>12,069</b>	<b>-2,187</b>	<b>-40</b>	<b>70</b>	<b>24</b>	<b>13,055</b>	<b>239</b>	<b>13,295</b>
Net profit for the period			384					384	16	400
Translation differences				-252	0	1	-1	-251	1	-250
Other comprehensive income			0		-132	39	-2	-95	-1	-96
Total comprehensive income for the period			384		-132	41	-3	38	16	54
Cash dividend			-977					-977		-977
Other			1					1		1
<b>Total equity 31 March 2018</b>	<b>3,046</b>	<b>73</b>	<b>11,477</b>	<b>-2,438</b>	<b>-172</b>	<b>110</b>	<b>21</b>	<b>12,117</b>	<b>255</b>	<b>12,372</b>
<b>Total equity 31 December 2016</b>	<b>3,046</b>	<b>73</b>	<b>12,186</b>	<b>-1,817</b>	<b>-115</b>	<b>58</b>	<b>27</b>	<b>13,459</b>	<b>84</b>	<b>13,542</b>
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
<b>Total equity 31 March 2017</b>	<b>3,046</b>	<b>73</b>	<b>12,521</b>	<b>-1,624</b>	<b>-37</b>	<b>48</b>	<b>29</b>	<b>14,057</b>	<b>91</b>	<b>14,148</b>
<b>Total equity 31 December 2016</b>	<b>3,046</b>	<b>73</b>	<b>12,186</b>	<b>-1,817</b>	<b>-115</b>	<b>58</b>	<b>27</b>	<b>13,459</b>	<b>84</b>	<b>13,542</b>
Net profit for the period			866					866	16	882
Translation differences				-369	1	1	-1	-369	-3	-372
Other comprehensive income			-9		74	11	-2	73	0	74
Total comprehensive income for the period			857	-369	75	11	-3	571	13	584
Cash dividend			-977					-977	-2	-979
Other			-4					-4	145	141
<b>Total equity 31 December 2017</b>	<b>3,046</b>	<b>73</b>	<b>12,062</b>	<b>-2,187</b>	<b>-40</b>	<b>70</b>	<b>24</b>	<b>13,048</b>	<b>239</b>	<b>13,287</b>

### Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR -251 million during Q1 2018 (Q1 2017: 192). Translation differences in Q1 2018 are mainly related to SEK (Q1 2017: RUB). Part of this translation exposure has been hedged and the foreign currency hedge result amounting to EUR 51 million during Q1 2018 (Q1 2017: -11), 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 -132 million during Q1 2018 (Q1 2017: 78), 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 2017 was decided in the Annual General Meeting on 28 March 2018. See Note 8 Dividend per share.

### Non-controlling interests

Non-controlling interests increased with EUR 155 million during 2017 mainly due to the acquisition of Fortum Oslo Varme AS which is consolidated as a subsidiary with 50% non-controlling interest. See also Note 6 Acquisitions and disposals.

## Condensed consolidated cash flow statement

EUR million	Note	Q1 2018	Q1 2017	2017	Last twelve months
<b>Cash flow from operating activities</b>					
<b>Profit for the period</b>		<b>400</b>	<b>340</b>	<b>882</b>	<b>942</b>
<b>Adjustments:</b>					
Income tax expenses	7	94	72	229	251
Finance costs - net		36	36	195	195
Share of profit of associates and joint ventures	11	-47	-59	-148	-136
Depreciation and amortisation	9, 10	133	110	464	487
<b>Operating profit before depreciations (EBITDA)</b>		<b>615</b>	<b>499</b>	<b>1,623</b>	<b>1,739</b>
Items affecting comparability	4	-77	-76	-347	-348
<b>Comparable EBITDA</b>		<b>538</b>	<b>423</b>	<b>1,275</b>	<b>1,390</b>
Non-cash flow items		-3	3	-76	-82
Interest received		4	8	35	31
Interest paid		-90	-87	-187	-190
Dividends received		0	0	58	58
Realised foreign exchange gains and losses		42	-58	-83	17
Income taxes paid		-17	-18	-83	-82
Other items		-2	-1	-28	-29
<b>Funds from operations</b>		<b>473</b>	<b>270</b>	<b>912</b>	<b>1,115</b>
Change in working capital		-200	12	81	-131
<b>Total net cash from operating activities</b>		<b>273</b>	<b>282</b>	<b>993</b>	<b>984</b>
<b>Cash flow from investing activities</b>					
Capital expenditures	9, 10	-133	-180	-657	-610
Acquisitions of shares	6	-18	-26	-972	-964
Proceeds from sales of fixed assets	9, 10	0	2	8	6
Divestments of shares	6	0	0	741	741
Shareholder loans to associated companies and joint ventures	12	-1	10	43	32
Change in cash collaterals	12	-63	182	-3	-248
Change in other interest-bearing receivables	12	2	11	34	25
<b>Total net cash from investing activities</b>		<b>-213</b>	<b>-1</b>	<b>-807</b>	<b>-1,019</b>
<b>Cash flow before financing activities</b>					
		<b>60</b>	<b>280</b>	<b>187</b>	<b>-33</b>
<b>Cash flow from financing activities</b>					
Proceeds from long-term liabilities	13	31	34	35	32
Payments of long-term liabilities	13	-456	-292	-543	-707
Change in short-term liabilities	13	-20	31	68	17
Dividends paid to the owners of the parent	8	0	0	-977	-977
Other financing items		2	2	-12	-12
<b>Total net cash used in financing activities</b>		<b>-444</b>	<b>-225</b>	<b>-1,428</b>	<b>-1,647</b>
<b>Total net increase(+)/decrease(-) in liquid funds</b>					
		<b>-383</b>	<b>56</b>	<b>-1,241</b>	<b>-1,680</b>
<b>Liquid funds at the beginning of the period <sup>1)</sup></b>	13	<b>3,896</b>	<b>5,155</b>	<b>5,155</b>	<b>3,896</b>
Foreign exchange differences in liquid funds		-8	12	-16	-36
<b>Liquid funds at the end of the period</b>	13	<b>3,504</b>	<b>5,222</b>	<b>3,897</b>	<b>2,179</b>

1) Opening balance 1 January 2018 adjusted EUR -1 million due to adoption of IFRS 9, see Note 2.1 Adoption of new IFRS standards.

### 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 2018	Q1 2017	2017	Last twelve months
Change in settlements for futures, decrease(+)/increase(-)	-91	19	141	31
Change in interest-free receivables, decrease(+)/increase(-)	-104	2	-94	-200
Change in inventories, decrease(+)/increase(-)	12	21	19	10
Change in interest-free liabilities, decrease(-)/increase(+)	-17	-30	15	28
<b>Total</b>	<b>-200</b>	<b>12</b>	<b>81</b>	<b>-131</b>

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. 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. The cash collaterals are included in the short-term interest-bearing receivables, see note 12.

### Capital expenditure in cash flow

EUR million	Q1 2018	Q1 2017	2017	Last twelve months
Capital expenditure	103	172	690	621
Change in not yet paid investments, decrease(+)/increase(-)	32	12	-17	3
Capitalised borrowing costs	-1	-4	-16	-13
<b>Total</b>	<b>133</b>	<b>180</b>	<b>657</b>	<b>610</b>

Capital expenditures for intangible assets and property, plant and equipment were in Q1 2018 EUR 103 million (Q1 2017: 172). Capital expenditure in cash flow in Q1 2018 EUR 133 million (Q1 2017: 180) is including payments related to capital expenditure made in previous year i.e. change in trade payables related to investments EUR 32 million (Q1 2017: 12) and excluding capitalised borrowing costs EUR -1 million (Q1 2017: -4), which are presented in interest paid.

### Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 18 million during Q1 2018 (Q1 2017: 26). Acquisition of shares during Q1 2018 include mainly the acquisition of subsidiary shares in Plugsurfing GmbH, a company delivering cloud-based EV charging solutions, and investments to the wind investment fund owned 50/50 by Fortum and RUSNANO.

### Divestment of shares in cash flow

EUR million	Q1 2018	Q1 2017	2017	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	0	0	54	54
Proceeds from sales of associates and joint ventures	0	0	687	687
<b>Total</b>	<b>0</b>	<b>0</b>	<b>741</b>	<b>741</b>

There were no disposals during Q1 2018. For further information regarding 2017, see note 6 Acquisitions and disposals.



## Change in net debt

EUR million	Q1 2018	Q1 2017	2017	Last twelve months
<b>Net debt, beginning of the period</b>	<b>988</b>	<b>-48</b>	<b>-48</b>	<b>-347</b>
Impact from change in accounting principle (IFRS 9)	1			1
Foreign exchange rate differences	-16	-7	-15	-24
Comparable EBITDA	538	423	1,275	1,390
Non-cash flow items	-3	3	-76	-82
Paid net financial costs	-45	-137	-199	-107
Income taxes paid	-17	-18	-83	-82
Change in working capital	-200	12	81	-131
Capital expenditures	-133	-180	-657	-610
Acquisitions	-18	-26	-972	-964
Divestments	0	2	749	747
Shareholder loans to associated companies	-1	10	43	32
Change in other interest-bearing receivables	-61	193	31	-223
Dividends	0	0	-977	-977
Other financing activities	2	2	-17	-17
Net cash flow (- increase in net debt)	62	282	-802	-1,022
Fair value change of bonds, amortised cost valuation, acquired debt and other	-11	-11	248	248
<b>Net debt, end of the period</b>	<b>899</b>	<b>-347</b>	<b>988</b>	<b>899</b>

## Capital structure

Fortum wants to have an 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 1,291 million (Dec 31 2017: 1,406). EBITDA is calculated by adding back depreciation and amortisation to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability from EBITDA. Fortum's comparable net debt to EBITDA target is around 2.5x.

## Comparable Net debt/EBITDA ratio

EUR million	Last twelve months	2017
Interest-bearing liabilities	4,403	4,885
Less: Liquid funds	3,504	3,897
<b>Net debt</b>	<b>899</b>	<b>988</b>
Operating profit	1,251	1,158
Add: Depreciation and amortisation	487	464
<b>EBITDA</b>	<b>1,738</b>	<b>1,623</b>
Less: Items affecting comparability	348	347
<b>Comparable EBITDA</b>	<b>1,390</b>	<b>1,275</b>
<b>Comparable net debt/EBITDA</b>	<b>0.6</b>	<b>0.8</b>

## Key ratios

Definition of key figures are presented in Note 22.

	Mar 31 2018	Mar 31 2017	Dec 31 2017	Last twelve months
Comparable EBITDA, EUR million	538	423	1,275	<b>1,390</b>
Earnings per share (basic), EUR	0.43	0.38	0.98	<b>1.03</b>
Capital employed, EUR million	16,776	19,023	18,172	<b>16,776</b>
Interest-bearing net debt, EUR million	899	-347	988	
Capital expenditure and gross investments in shares, EUR million	120	207	1,815	<b>1,728</b>
Capital expenditure, EUR million	103	172	690	<b>621</b>
Return on capital employed, % <sup>1)</sup>	11.0	8.3	7.1	<b>7.7</b>
Return on shareholders' equity, % <sup>1)</sup>	10.7	8.2	6.6	<b>7.1</b>
Comparable net debt / EBITDA <sup>1)</sup>	0.4	-0.2	0.8	<b>0.6</b>
Interest coverage	14.5	13.2	8.7	<b>9.2</b>
Interest coverage including capitalised borrowing costs	14.0	11.5	7.8	<b>8.4</b>
Funds from operations/interest-bearing net debt, %	196.4	-360.9	83.9	<b>124.1</b>
Gearing, %	7	-2	7	
Equity per share, EUR	13.64	15.82	14.69	
Equity-to-assets ratio, %	58	64	61	
Number of employees	8,731	8,186	8,785	
Average number of employees	8,748	8,136	8,507	
Average number of shares, 1 000 shares	888,312	888,367	888,367	
Diluted adjusted average number of shares, 1 000 shares	888,312	888,367	888,367	
Number of registered shares, 1 000 shares	888,367	888,367	888,367	
Number of registered shares excluding Treasury shares, 1 000 shares <sup>2)</sup>	888,294	-	-	

1) Quarterly figures are annualised except items affecting comparability.

2) At the end of March 2018 Fortum had Treasury shares amounting to 72,580 due to the decision made in the Annual General Meeting held on 28 March 2018. It was decided, that the rights to all such shares entered in the Joint Account and to the rights attached to such shares that had not been requested to be registered in the book-entry system to the decision by the Annual General Meeting, were forfeited. In the merger of Länsivoima Oyj (former Lounais-Suomen Sähkö Oy) to Fortum Corporation in 2000, those shareholders of Länsivoima Oyj that had not produced their share certificates and had not requested their rights to be registered in the book-entry system, received their respective shares of Fortum Corporation as merger consideration to a joint book-entry account opened on their behalf. The provisions applicable to treasury shares held by the company will apply to the forfeited shares.

## 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 2017.

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 2017 except for the two new IFRS standards (IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers) and amendment to IFRS 2 Share-based payment that were adopted 1 January 2018.

#### 2.1 Adoption of the new IFRS standards

IFRS 9 Financial Instruments -standard has been adopted as of 1 January 2018. The standard has new requirements for the classification and measurement of financial assets and liabilities, hedge accounting and impairment of financial assets. Fortum has applied the new rules retrospectively, but utilises the transition relief for not restating the comparative figures and thus the transition effect is recognised as an adjustment to the retained earnings as of 1 January 2018. Changes to hedge accounting requirements are however implemented prospectively and have no impact on the prior year figures nor presentation.

IFRS 15 Revenue from Contracts with Customers introduces a comprehensive five-step model for recognising revenue. As a result of applying the five steps, revenue will be recognised when goods are transferred or services performed at the price that the company expects to be entitled to. Fortum has adopted the new standard from 1 January 2018 onwards by applying the modified retrospective approach, which means that comparative information from 2017 is not restated. In the modified retrospective approach the cumulative effect of transition is booked as an adjustment to the retained earnings as of 1 January 2018.

The following table presents the impact of applying IFRS 9 and 15 to the opening balance sheet as of 1 January 2018.

EUR million	1 Jan 2018 (IAS 39 and 18)	Change in hedge accounting status	Change of measurement basis	Remea- surement	Capitalisati on of sales commis- sions	Other	1 Jan 2018 (IFRS 9 and 15)
<b>ASSETS</b>							
Intangible assets	1,064				20		1,084
Participations in associates and joint ventures	1,900					165	2,066
Long-term interest-bearing receivables							
Measured at amortized cost	969		-77	-2		-145	746
Measured at fair value through income statement			77	-2			75
Other non-current assets	11,902				-5	-20	11,877
<b>Total non-current assets</b>	<b>15,835</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>15</b>	<b>1</b>	<b>15,848</b>
Derivative financial instruments							
Cash flow hedges	106	14					121
Non-hedge accounting	134	-14					120
Short-term interest-bearing receivables							
Measured at amortized cost	395		-32				363
Measured at fair value through income statement			32				32
Other current assets	5,282				-3		5,279
<b>Total current assets</b>	<b>5,918</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>0</b>	<b>5,915</b>
<b>Total assets</b>	<b>21,753</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>12</b>	<b>1</b>	<b>21,763</b>
<b>EQUITY</b>							
<b>Total equity</b>	<b>13,287</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>10</b>	<b>1</b>	<b>13,295</b>
<b>LIABILITIES</b>							
Derivative financial instruments							
Cash flow and fair value hedges	68	70					138
Non-hedge accounting	146	-70					76
Other non-current liabilities	6,174				3		6,176
<b>Total non-current liabilities</b>	<b>6,388</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>6,390</b>
Derivative financial instruments							
Cash flow hedges	44	82					126
Non-hedge accounting	156	-82					74
Other current liabilities	1,879						1,879
<b>Total current liabilities</b>	<b>2,078</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,078</b>
<b>Total liabilities</b>	<b>8,466</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>8,469</b>
<b>Total equity and liabilities</b>	<b>21,753</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>12</b>	<b>1</b>	<b>21,763</b>

## 2.2 IFRS 9 - Transition impacts

### Hedging

IFRS 9 simplifies the hedge accounting requirements and aligns them with the company's risk management strategy and objectives. Fortum's profit and loss volatility from commodity derivatives hedging future cash flows will be reduced as all fair value changes of the hedge accounted commodity derivatives are fully recognised in other comprehensive income. Majority of the non-hedge accounted electricity derivatives qualify for hedge accounting under IFRS 9. Income statement volatility will be reduced gradually due to prospective implementation.

All Fortum's derivatives (electricity, currency and interest rate) that have qualified for hedge accounting under IAS 39 continue to do so also under IFRS 9. In addition the system price products that have previously failed to meet the rule-based criteria of IAS 39 will qualify for hedge accounting under IFRS 9. Additionally, the possibility to apply hedge accounting for one or several risk components, separately or in aggregation, has allowed Fortum to expand the scope of hedge accounting to electricity price area differential (EPAD) commodity derivatives and FX derivatives, also being perfect hedges for corresponding electricity price risk components.

### Impairment

The new impairment requirements are based on an expected credit loss ("ECL") model and replace the incurred loss model of IAS 39. The new impairment model is applied to financial assets such as trade receivables, loan receivables and liquid funds.

The implementation of new ECL models resulted in minor increase in bad debt provision, that was recognised as an adjustment of EUR 3 million (net of tax) in the retained earnings as of 1 January 2018. Future impacts will fluctuate due to seasonality and the amount of the trade receivables.

### Classification and measurement

Most of Fortum's financial assets such as interest bearing receivables and liquid funds are classified under "Held-to-Collect" business model. These assets are measured at Amortised cost as they meet the SPPI criteria (contractual terms define solely payments of principal and interest on specified dates). When the SPPI criteria is not met, financial assets are classified to Fair valued through profit or loss-category. Reclassification of financial assets into the IFRS 9 categories had no impact on their respective measurement basis and therefore no adjustment to retained earnings as of 1 January 2018 was recognized.

Certain investments (shareholder loan to Teollisuuden Voima Oyj, EUR 145 million, and shareholding in Lapin Sähkövoima Oy, EUR 20 million) have been reclassified as Participation in associated company and joint venture.

## 2.3 Accounting policies according to IFRS 9

### Hedging

Fortum documents the relationship between hedging instruments and hedged items, as well as its risk management objective and hedge strategy. Fortum also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are meeting the following hedge effectiveness criteria:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedge accounting is discontinued only when the hedging relationship ceases to meet the hedge effectiveness criteria.

### Impairment

Fortum recognises the loss allowance for expected credit losses on financial asset classified to amortised cost category at each reporting date. Loss allowances are recognised for loan receivables, trade receivables and liquid funds. If the credit risk on the financial asset has not increased significantly since the initial recognition, loss allowance equals to 12 month expected credit losses. If the credit risk on the financial asset has increased significantly since initial recognition, loss allowance equals to the lifetime expected credit losses. No impairment loss is recognised on cash at bank and in hand nor cash collaterals.

Fortum has two ECL models: counterparty model and portfolio model. Counterparty model is used on individual contract basis for deposits, loans and trade receivables with large customers. The expected credit losses according to this model are based on assessment of the individual counterparty's risk of default. Portfolio model is used for trade receivables with consumers and small business customers and defined separately for each business and country. The expected credit losses are based on historical analysis of credit losses taking into account also expected future development.

### Classification and measurement

Measurement category is driven by the entity's business model for managing financial assets and their contractual cash flow characteristics. Fortum classifies its financial assets in the following categories:

Measurement category	Business model
Amortised cost	Objective is to hold financial assets in order to collect contractual cash flows and the SPPI criteria is met
Fair value through other comprehensive income	Objective is to collect contractual cash flows and sell financial assets and the SPPI criteria is met
Fair value through profit and loss	Business models with other objectives as well as financial assets that do not meet the SPPI criteria.

## 2.4 IFRS 15 - Transition impacts

IFRS 15 transition does not have a significant impact to Fortum's financial statements. The biggest change relates to treatment of sales commission costs for obtaining customers in Consumer Solutions segment. Under IFRS 15 the sales commissions are capitalised and depreciated over the expected contract term. Before adoption of IFRS 15 the sales commissions were mostly expensed and the adoption of the new accounting standard will thus impact the timing and classification of expenses. The change is mainly impacting Comparable EBITDA and capital expenditure of Consumer Solutions segment.

In addition to the changed treatment of sales commissions, there are certain reclassification changes in income statement and balance sheet, which mostly arise from IFRS 15 scope and principal versus agent considerations.

Impact to the Q1/2018 income statement is presented below:

EUR million	Q1/2018 without IFRS 15	Sales com- missions	Reclassi- fications	Q1/2018 as reported
<b>Condensed consolidated income statement</b>				
Sales	1,678		-93	1,585
Other income	17		7	24
Materials and services	-911		86	-825
Depreciation and amortisation	-125	-7		-133
Other expenses	-139	7		-133
<b>Comparable operating profit</b>	<b>406</b>	<b>-1</b>	<b>0</b>	<b>405</b>
Income tax expense	-95	0		-94
<b>Profit for the period</b>	<b>400</b>	<b>-1</b>	<b>0</b>	<b>400</b>
<b>Comparable EBITDA</b>	<b>531</b>	<b>7</b>	<b>0</b>	<b>538</b>

## 2.5 Accounting policies according to IFRS 15

### Costs for obtaining customers

Incremental costs for obtaining new customers as well as renewing existing customer contracts in Consumer Solutions division are capitalised as intangible assets and amortised over the expected contract duration.

### Power sales to wholesale markets

Physical electricity trades to Nord Pool or to other wholesale markets are made either during the same day or day before the delivery and the duration of the contract is thus very short. The transaction price is the spot price and there are no variable elements. Electricity sales are recognized upon delivery at the price defined in Nordpool or in other wholesale market.

### Power sales to retail customers

Fortum's contracts with the consumer and business customers cover the electricity sales, while the distribution service is delivered by the transmission company operating the local network. There is only one performance obligation, which is to stand-ready to supply electricity to the customer. The transaction price generally includes both a fixed monthly fee and a variable fee that depends on the volume of electricity supplied. The fixed and variable components are recognised based on the fees chargeable from the customer. If automated meter reading is not available, the electricity consumption between the last meter reading and end of the month is estimated.

### Heating sales

In many areas the district heating service covers both the distribution and sale of heat. Even if heat is produced by a third party, Fortum is usually responsible for delivering the whole service and is acting as a principal for the heat sales as well. Fortum has concluded that the distribution and sale of heat are not separate performance obligations and are both covered by the promise to stand-ready to supply heat to the customer. The fees charged from the customer generally comprise a fixed monthly charge and a variable component that is determined based on the volume of heat supplied. In accordance with the IFRS 15 principles, the fixed charge and the variable heat volume charge are allocated and recognised in line with the fees chargeable from the customer. In Russia, Baltics and Poland there are also areas, where Fortum operates only the heat production facilities while some third party is responsible for the distribution of heat. In these areas the performance obligation is to supply heat and revenue is recognised based on the volume of heat that Fortum is entitled to charge from the customer.

### Waste treatment sales

Majority of the revenues from waste management services arises from the fees charged for receiving the waste from customers (i.e. gate fees). The fee is usually determined based on the volume of waste received and there are no variable elements in the pricing. Fortum is required to treat the waste and this performance obligation is satisfied when the treatment is performed. Transportation of the waste forms another performance obligation, which is recognised once the service is performed.

Waste treatment business sales includes also various types of soil and landfill site projects which mostly take place at the customer site. The customer obtains the benefits of the construction work simultaneously when the construction work proceeds and therefore the projects are recognised over time. The progress of the construction is best measured through the costs incurred or the completed area of the construction site.

## 2.6 Amendment to IFRS 2 Share-based payment

Amendment to IFRS 2 clarifies the classification of share-based payment transactions between equity and liabilities. The amendment did not have material effect on Fortum's financial statements.

## 2.7 IFRS 16 Leases

IFRS 16 is effective for financial periods starting on 1 January 2019 or later. Currently under IAS 17, lessees recognise leases either as operating leases or finance leases. The new standard no longer distinguishes between operating and finance leases from a lessees point of view, and most right-of-use assets are recognised in the balance sheet. For lessors, there are no significant changes. In brief, IFRS 16 requirements contain the following:

- A lessee shall recognise all leases, except for short-term and low value leases, in the balance sheet.
- For lessees, both the value of the right-of-use asset and the corresponding liability shall be recognised in the balance sheet.

Currently, Fortum has mainly operating leases with varying lease terms and prolongation rights. The majority of the operating leases are for the use of land and office buildings. Total future lease obligations amounted to EUR 161 million at the end of the reporting period (Dec 31 2017: 160). Hence, the impacts of the standard to the consolidated financial statements are not expected to be material.

The IFRS 16 analysis is on-going and will be completed during 2018. Analysis include:

- Reviewing current lease contracts reported as operating lease commitments
- Going through supplier lists and identifying potential lease arrangements
- Determining incremental borrowing rates
- Calculation of accounting impacts
- Selection of the accounting software

No major issues have been identified so far. Fortum plans to apply the modified retrospective method, which means the comparative figures will not be restated.

## 2.8 The key exchange rates applied in the Fortum Group accounts

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 month's 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 2018	Jan-Dec 2017	Jan-Sept 2017	Jan-June 2017	Jan-March 2017
Sweden (SEK)	9.9962	9.6392	9.5803	9.5900	9.5257
Norway (NOK)	9.6737	9.3497	9.2343	9.1923	9.0030
Poland (PLN)	4.1790	4.2556	4.2707	4.2707	4.3189
Russia (RUB)	69.7770	66.0349	65.1995	63.4507	62.6996

  

Balance sheet date rate	Mar 31 2018	Dec 31 2017	Sept 30 2017	June 30 2017	March 31 2017
Sweden (SEK)	10.2843	9.8438	9.6490	9.6398	9.5322
Norway (NOK)	9.6770	9.8403	9.4125	9.5713	9.1683
Poland (PLN)	4.2106	4.1770	4.3042	4.2259	4.2265
Russia (RUB)	70.8897	69.3920	68.2519	67.5449	60.3130

## 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 2017.

## 4. Segment information

Fortum's reportable segments under IFRS are Generation, City Solutions, Consumer Solutions and Russia. M&A and Solar & Wind Development, Technology and New Ventures as well as corporate functions are reported under Other.

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 <sup>1)</sup>		City Solutions <sup>1)</sup>		Consumer Solutions		Russia		Other		Total	
		Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2017
<b>Income statement data by segment</b>													
Power sales		489	470	34	42	482	176	248	235	9	3	1,262	926
Heat sales		0	0	265	175	0	0	88	113	0	0	354	289
Waste treatment sales		0	0	50	42	0	0	0	0	0	0	50	42
Other sales		8	4	26	31	65	66	0	1	23	21	122	122
<b>Sales</b>		<b>497</b>	<b>474</b>	<b>375</b>	<b>290</b>	<b>547</b>	<b>242</b>	<b>336</b>	<b>349</b>	<b>32</b>	<b>24</b>	<b>1,787</b>	<b>1,379</b>
Internal eliminations <sup>2)</sup>		-10	-10	-11	-3	-1	0	0	0	-19	-16	-41	-29
Netting of Nord Pool transactions <sup>2)</sup>												-161	-118
External sales		488	465	364	287	545	242	336	349	13	8	1,585	1,232
<b>Comparable EBITDA</b>		<b>252</b>	<b>166</b>	<b>129</b>	<b>94</b>	<b>31</b>	<b>14</b>	<b>142</b>	<b>168</b>	<b>-16</b>	<b>-20</b>	<b>538</b>	<b>423</b>
Depreciation and amortisation		-33	-30	-42	-38	-14	-2	-37	-36	-7	-4	-133	-110
<b>Comparable operating profit</b>		<b>220</b>	<b>136</b>	<b>87</b>	<b>56</b>	<b>17</b>	<b>12</b>	<b>104</b>	<b>132</b>	<b>-23</b>	<b>-24</b>	<b>405</b>	<b>313</b>
Impairment charges		0	0	0	0	0	0	0	0	0	0	0	0
Capital gains and other	6	0	1	0	0	0	0	0	0	26	0	26	1
Changes in fair values of derivatives hedging future cash-flow		63	92	1	3	-1	-21	0	0	-8	1	54	74
Nuclear fund adjustment	14	-4	2	0	0	0	0	0	0	0	0	-4	2
Items affecting comparability		59	94	1	3	-1	-21	0	0	18	1	77	76
<b>Operating profit</b>		<b>279</b>	<b>230</b>	<b>88</b>	<b>59</b>	<b>16</b>	<b>-9</b>	<b>104</b>	<b>132</b>	<b>-5</b>	<b>-23</b>	<b>482</b>	<b>389</b>
Share of profit/loss of associates and joint ventures	11	-2	-1	44	46	0	0	5	1	-1	14	47	59
Finance costs - net												-36	-36
Income taxes	7											-94	-72
<b>Profit for the period</b>												<b>400</b>	<b>340</b>
<b>Gross investments / divestments by segment</b>													
Gross investments in shares	6	0	0	2	0	0	0	6	0	9	34	17	34
Capital expenditure	9, 10	38	24	27	21	10	2	10	32	17	94	103	172
of which capitalised borrowing costs		0	1	1	0	0	0	0	2	0	1	1	4
Gross divestments of shares	6	0	0	0	0	0	0	0	0	0	0	0	0

  

Last twelve months	Note	Generation <sup>1)</sup>		City Solutions <sup>1)</sup>		Consumer Solutions		Russia		Other		Total	
		LTM	2017	LTM	2017	LTM	2017	LTM	2017	LTM	2017	LTM	2017
<b>Income statement data by segment</b>													
Power sales		1,668	1,649	113	121	1,168	862	850	837	21	15	3,819	3,483
Heat sales		0	0	613	523	0	0	233	258	0	0	847	782
Waste treatment sales		0	0	203	195	0	0	0	0	0	0	203	195
Other sales		32	28	170	175	234	235	5	6	89	87	531	531
<b>Sales</b>		<b>1,700</b>	<b>1,677</b>	<b>1,100</b>	<b>1,015</b>	<b>1,402</b>	<b>1,097</b>	<b>1,088</b>	<b>1,101</b>	<b>110</b>	<b>102</b>	<b>5,399</b>	<b>4,991</b>
Internal eliminations <sup>2)</sup>		-15	-15	-27	-19	-4	-3	0	0	-70	-67	-115	-103
Netting of Nord Pool transactions <sup>2)</sup>												-410	-367
External sales		1,685	1,662	1,073	996	1,397	1,094	1,088	1,101	40	35	4,873	4,520
<b>Comparable EBITDA</b>		<b>689</b>	<b>603</b>	<b>297</b>	<b>262</b>	<b>74</b>	<b>57</b>	<b>412</b>	<b>438</b>	<b>-79</b>	<b>-83</b>	<b>1,390</b>	<b>1,275</b>
Depreciation and amortisation		-128	-125	-167	-163	-28	-16	-143	-142	-21	-18	-487	-464
<b>Comparable operating profit</b>		<b>562</b>	<b>478</b>	<b>129</b>	<b>98</b>	<b>46</b>	<b>41</b>	<b>268</b>	<b>296</b>	<b>-101</b>	<b>-102</b>	<b>903</b>	<b>811</b>
Impairment charges		6	6	0	0	0	0	0	0	0	0	6	6
Capital gains and other	6	0	1	1	1	2	2	0	0	348	322	351	326
Changes in fair values of derivatives hedging future cash flow		-14	15	1	3	16	-4	0	0	-9	0	-6	14
Nuclear fund adjustment	14	-5	1	0	0	0	0	0	0	0	0	-5	1
Items affecting comparability		-12	23	2	4	18	-2	0	0	339	322	348	347
<b>Operating profit</b>		<b>550</b>	<b>501</b>	<b>131</b>	<b>102</b>	<b>64</b>	<b>39</b>	<b>267</b>	<b>295</b>	<b>239</b>	<b>221</b>	<b>1,251</b>	<b>1,158</b>
Share of profit/loss of associates and joint ventures	11	-2	-1	78	80	0	0	35	31	23	38	136	148
Finance costs - net												-195	-195
Income taxes	7											-251	-229
<b>Profit for the period</b>												<b>942</b>	<b>882</b>
<b>Gross investments / divestments by segment</b>													
Gross investments in shares	6	90	90	388	386	486	486	131	125	14	39	1,108	1,125
Capital expenditure	9, 10	188	174	176	170	15	7	130	152	110	187	621	690
of which capitalised borrowing costs		2	3	3	2	0	0	5	7	3	4	13	16
Gross divestments of shares	6	0	0	0	0	55	55	0	0	687	687	742	742

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.

Segment assets and liabilities

EUR million	Note	Generation		City Solutions		Consumer Solutions		Russia		Other		Total	
		Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017	Mar 31 2018	Dec 31 2017
<b>Non-interest bearing assets</b>		<b>5,915</b>	<b>6,097</b>	<b>3,507</b>	<b>3,517</b>	<b>1,046</b>	<b>923</b>	<b>2,737</b>	<b>2,812</b>	<b>472</b>	<b>452</b>	<b>13,677</b>	<b>13,801</b>
Participations in associated companies and joint ventures	11	937	785	633	611	0	0	473	472	31	32	2,074	1,900
Eliminations												-17	-19
<b>Total segment assets</b>		<b>6,852</b>	<b>6,882</b>	<b>4,140</b>	<b>4,128</b>	<b>1,046</b>	<b>923</b>	<b>3,210</b>	<b>3,284</b>	<b>503</b>	<b>483</b>	<b>15,733</b>	<b>15,682</b>
Interest-bearing receivables	12											1,291	1,406
Deferred tax assets												61	73
Other assets												682	696
Liquid funds												3,504	3,897
<b>Total assets</b>												<b>21,272</b>	<b>21,753</b>
<b>Segment liabilities</b>		<b>1,154</b>	<b>1,210</b>	<b>422</b>	<b>400</b>	<b>254</b>	<b>285</b>	<b>119</b>	<b>124</b>	<b>141</b>	<b>207</b>	<b>2,090</b>	<b>2,227</b>
Eliminations												-17	-19
<b>Total segment liabilities</b>												<b>2,073</b>	<b>2,208</b>
Deferred tax liabilities												791	819
Other liabilities												1,633	554
<b>Total liabilities included in capital employed</b>												<b>4,496</b>	<b>3,581</b>
Interest-bearing liabilities	13											4,403	4,885
Total equity												12,372	13,287
<b>Total equity and liabilities</b>												<b>21,272</b>	<b>21,753</b>
Number of employees		1,038	1,035	1,906	1,907	1,510	1,543	3,401	3,495	876	805	8,731	8,785
Average number of employees <sup>1)</sup>		1,037	1,036	1,908	1,807	1,522	1,180	3,434	3,710	847	774	8,748	8,507

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 2017	LTM	Dec 31 2017	LTM	Dec 31 2017	LTM	Dec 31 2017	LTM	Dec 31 2017
<b>Comparable operating profit</b>		<b>562</b>	<b>478</b>	<b>129</b>	<b>98</b>	<b>46</b>	<b>41</b>	<b>268</b>	<b>296</b>	<b>-101</b>	<b>-102</b>
Share of profit of associated companies and joint ventures	11	-2	-1	78	80	0	0	35	31	23	38
Adjustment for Share of profit of associated companies and joint ventures		1	0	0	0	0	0	0	0	0	0
<b>Comparable operating profit including share of profits from associates and joint ventures</b>		<b>559</b>	<b>482</b>	<b>208</b>	<b>178</b>	<b>46</b>	<b>41</b>	<b>303</b>	<b>327</b>	<b>-77</b>	<b>-63</b>
Segment assets at the end of the period		6,852	6,882	4,140	4,128	1,046	923	3,210	3,284	503	483
Segment liabilities at the end of the period		1,154	1,210	422	400	254	285	119	124	141	207
<b>Comparable net assets</b>		<b>5,698</b>	<b>5,672</b>	<b>3,718</b>	<b>3,728</b>	<b>792</b>	<b>638</b>	<b>3,091</b>	<b>3,161</b>	<b>362</b>	<b>276</b>
<b>Comparable net assets average <sup>1)</sup></b>		<b>5,729</b>	<b>5,753</b>	<b>3,387</b>	<b>3,218</b>	<b>476</b>	<b>348</b>	<b>3,209</b>	<b>3,248</b>	<b>445</b>	<b>475</b>
<b>Comparable return on net assets, %</b>		<b>9.8</b>	<b>8.4</b>	<b>6.1</b>	<b>5.5</b>	<b>9.6</b>	<b>11.7</b>	<b>9.4</b>	<b>10.1</b>	<b>-17.3</b>	<b>-13.3</b>

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 2017.

### 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 2017, in Note 15 Financial assets and liabilities by fair value hierarchy.

### Financial assets

EUR million	Level 1			Level 2			Level 3			Netting <sup>2)</sup>			Total		
	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>In non-current assets</b>															
Other investments <sup>1)</sup>	0	0	0				48	58	65				48	58	65
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				15	7	5				-14	-7	-5	2	0	0
Non-hedge accounting		0	0	74	98	66				-37	-23	-30	38	76	35
Interest rate and currency derivatives															
Hedge accounting				168	226	153							168	226	153
Non-hedge accounting				31	66	85							31	66	85
Other commodity future and forward contracts															
Non-hedge accounting	33	6	8		0	0				-24	-3	-1	9	3	7
Interest-bearing receivables							67		76				67		76
<b>Total in non-current assets</b>	<b>33</b>	<b>6</b>	<b>8</b>	<b>288</b>	<b>397</b>	<b>309</b>	<b>115</b>	<b>58</b>	<b>141</b>	<b>-75</b>	<b>-33</b>	<b>-36</b>	<b>362</b>	<b>429</b>	<b>422</b>
<b>In current assets</b>															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				51	15	28				-42	-14	-7	10	1	21
Non-hedge accounting	12	0	8	182	283	253				-136	-148	-192	58	135	69
Interest rate and currency derivatives															
Hedge accounting				94	15	85							94	15	85
Non-hedge accounting				60	4	29							60	4	29
Other commodity future and forward contracts															
Non-hedge accounting	119	78	186		2	1				-67	-69	-151	53	12	36
Interest-bearing receivables							31		32				31		32
<b>Total in current assets</b>	<b>131</b>	<b>78</b>	<b>194</b>	<b>387</b>	<b>319</b>	<b>396</b>	<b>31</b>	<b>0</b>	<b>32</b>	<b>-245</b>	<b>-231</b>	<b>-350</b>	<b>306</b>	<b>166</b>	<b>272</b>
<b>Total</b>	<b>164</b>	<b>84</b>	<b>202</b>	<b>675</b>	<b>716</b>	<b>705</b>	<b>146</b>	<b>58</b>	<b>173</b>	<b>-320</b>	<b>-264</b>	<b>-386</b>	<b>669</b>	<b>595</b>	<b>694</b>

Financial liabilities

EUR million	Level 1			Level 2			Level 3			Netting <sup>2)</sup>			Total		
	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>In non-current liabilities</b>															
Interest-bearing liabilities <sup>3)</sup>				1,065	1,270	1,037							1,065	1,270	1,037
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				122	23	28				-14	-7	-5	109	16	23
Non-hedge accounting				57	101	131				-37	-23	-30	20	78	100
Interest rate and currency derivatives															
Hedge accounting				48	53	45							48	53	45
Non-hedge accounting				2	23	43							2	23	43
Other commodity future and forward contracts															
Non-hedge accounting	32	6	3	0	2	1				-24	-3	-1	9	5	3
<b>Total in non-current liabilities</b>	<b>32</b>	<b>6</b>	<b>3</b>	<b>1,294</b>	<b>1,472</b>	<b>1,285</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-75</b>	<b>-33</b>	<b>-36</b>	<b>1,253</b>	<b>1,445</b>	<b>1,251</b>
<b>In current liabilities</b>															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				245	34	39				-42	-14	-7	204	20	31
Non-hedge accounting	1	0	7	182	284	315				-136	-148	-192	48	136	131
Interest rate and currency derivatives															
Hedge accounting				3	16	12							3	16	12
Non-hedge accounting				27	122	12							27	122	12
Other commodity future and forward contracts															
Non-hedge accounting	92	84	160	4	3	4				-67	-69	-151	28	18	13
<b>Total in current liabilities</b>	<b>93</b>	<b>84</b>	<b>167</b>	<b>461</b>	<b>459</b>	<b>382</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-245</b>	<b>-231</b>	<b>-350</b>	<b>309</b>	<b>312</b>	<b>200</b>
<b>Total</b>	<b>125</b>	<b>90</b>	<b>170</b>	<b>1,755</b>	<b>1,931</b>	<b>1,667</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-320</b>	<b>-264</b>	<b>-386</b>	<b>1,562</b>	<b>1,757</b>	<b>1,451</b>

1) Other investments i.e. shares which are not classified as associated companies or joint ventures, consist mainly of shares in unlisted companies of EUR 48 million (Dec 31 2017: 65), for which fair value cannot be reliably determined. This includes Fortum's indirect shareholding in Fennovoima of EUR 25 million (Dec 31 2017: 25).

2) Receivables to and liabilities from electricity 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 274 million, including assets EUR 354 million and liabilities EUR 80 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of March 2018 Fortum had received EUR 98 million from Credit Support Annex agreements. The received cash has been booked as short-term liability.

Regarding the interest-bearing receivables and liabilities, see Note 12 Interest-bearing receivables, Note 13 Interest-bearing net debt and Note 18 Pledged assets and contingent liabilities.

## 6. Acquisitions and disposals

### 6.1 Acquisitions

EUR million	Q1 2018	Q1 2017	2017	Last twelve months
Gross investments in shares in subsidiary companies	7	34	982	955
Gross investments in shares in associated companies and joint ventures	8	0	135	143
Gross investments in other shares	3	0	8	11
<b>Gross investments in shares</b>	<b>17</b>	<b>34</b>	<b>1,125</b>	<b>1,108</b>

#### Uniper investment

On 26 September 2017, Fortum announced it had signed a transaction agreement with E.ON under which E.ON has the right to tender its 46.65% shareholding in Uniper in early 2018. In November 2017 Fortum launched a voluntary public takeover offer to all Uniper shareholders at a total value of EUR 22 per share.

The initial acceptance period ran from 7 November 2017 to 16 January 2018 and the additional acceptance period ran from 20 January 2018 to 2 February 2018. The total number of shares tendered during the initial and additional acceptance periods totaled 172,439,375 shares. This corresponds to 47.12% of the share capital and the voting rights of Uniper. The offer is still subject to competition and regulatory approvals. Fortum expects to finalise the transaction in mid-2018.

#### Acquisitions during 2018

There were no material acquisitions during Q1 2018.

#### Acquisitions during 2017

In January 2017 Fortum completed the acquisition of 100% of the 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 has started 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.

Fortum started a redemption process for the remaining shares of Ekokem Corporation (renamed as Fortum Waste Solution Oy) in October 2016. The process was finalized in March 2017 after which Fortum owns 100% of the shares in the company.

In April 2017, Fortum and RUSNANO, a Russian state-owned development company, signed a 50/50 investment partnership in order to secure the possibility of a Russian Capacity Supply Agreement (CSA) wind portfolio in Russia. The wind investment fund 50/50 owned by Fortum and RUSNANO was awarded 1,000 MW wind capacity in Russian wind CSA auction in June 2017. The investments decisions will be made on a case-by-case basis within the total mandate of the wind investment fund. Fortum's equity stake in the wind investment fund totals a maximum of RUB 15 billion (currently approximately EUR 220 million). The amount is invested over time (within approximately 5 years) as it is subject to positive investment decisions. During 2017 Fortum invested EUR 43 million in the fund.

On 4 August Fortum concluded the restructuring of the ownership in Hafslund together with City of Oslo. Fortum sold its 34.1% stake in Hafslund ASA to the City of Oslo. Fortum acquired 100% of Hafslund Markets AS, 50% of Hafslund Varme AS including the City of Oslo's waste-to-energy company Klemetsrudanlegget AS (KEA), currently Fortum Oslo Varme AS, and 10% of Hafslund Produksjon Holding AS. The total debt-free price of the acquisition was approximately EUR 940 million.

The combined net cash investment of the transactions, including the dividend received in May 2017, was approximately EUR 230 million.

Hafslund Markets and Fortum Oslo Varme are consolidated into Fortum Group from 1 August 2017. Hafslund Markets is consolidated as a part of the Consumer Solutions segment. Fortum has operational responsibility of Fortum Oslo Varme, which is consolidated as a subsidiary with 50% non-controlling interest into the results of City Solutions segment. Hafslund Produksjon Holding is treated as an associated company and reported in the Generation segment. The initial goodwill from the purchase price allocations, prepared based on the 31 July balance sheets, is EUR 215 million for Hafslund Markets and EUR 69 million for Fortum Oslo Varme respectively. The initial purchase price allocation is still preliminary as all valuation effects, especially regarding the provisions, have not been finalised.

The impact from Hafslund acquisition on first quarter sales in 2018 in the Consumer Solutions segment was EUR 315 million, comparable operating profit EUR 13 million and comparable EBITDA EUR 22 million (2017 sales EUR 344 million, comparable operating profit EUR 13 million and comparable EBITDA EUR 22 million). The impact on first quarter sales in 2018 in the City Solutions segment was EUR 67 million, comparable operating profit EUR 32 million and comparable EBITDA EUR 40 million (2017 sales EUR 56 million, comparable operating profit EUR 15 million and comparable EBITDA EUR 29 million).

In October 2017 Fortum and SUENKO established a joint venture, JSC Ural-Siberian Heat and Power Company (YUSTEK), for the heat supply in Tyumen, Russia. Fortum will continue as CHP owner and selling heat to YUSTEK.

In December 2017 Fortum acquired three solar power companies from Hevel Group. The Pleshanovskaya (10 MW) and Grachevskaya (10 MW) solar power plants are located in the Orenburg region and the Bugulchanskaya (15 MW) solar power plant in the Republic of Bashkortostan. All three power plants are operational and will receive capacity Supply Agreement (CSA) payments for approximately 15 years after commissioning at an average CSA price corresponding to approximately EUR 400/MWh. The plants were commissioned in 2016 and 2017.

2017	Hafslund Markets AS	Fortum Oslo Varme AS	Other	Fortum total
EUR million				
Consideration paid in cash	589	152	70	811
Unpaid consideration	0	0	9	9
<b>Total consideration</b>	<b>589</b>	<b>152</b>	<b>79</b>	<b>820</b>
Fair value of the acquired net assets	374	84	77	535
Translation difference	1	0	2	2
<b>Goodwill</b>	<b>215</b>	<b>69</b>	<b>1</b>	<b>286</b>

EUR million	Hafslund Markets AS			Fortum Oslo Varme AS			Fortum total <sup>1)</sup>		
	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
Fair value of the acquired net identifiable assets									
Cash and cash equivalents	158		158	37		37	201		201
Intangible assets	12	284	296	0		0	17	334	352
Property, plant and equipment	5		5	526	207	733	604	208	811
Other assets	179		179	21		21	206		206
Deferred tax liabilities	-19	-68	-88	-21	-50	-71	-46	-129	-175
Other non-interest bearing liabilities	-176		-176	-39		-39	-217		-217
Interest-bearing liabilities	0		0	-445		-445	-489		-489
<b>Net identifiable assets</b>	<b>158</b>	<b>216</b>	<b>374</b>	<b>79</b>	<b>157</b>	<b>237</b>	<b>275</b>	<b>413</b>	<b>688</b>
Non-controlling interests	0	0	0	51	102	153	51	102	153
<b>Total</b>	<b>158</b>	<b>216</b>	<b>374</b>	<b>29</b>	<b>55</b>	<b>84</b>	<b>225</b>	<b>310</b>	<b>535</b>

1) Including acquired book values and allocated fair values from the acquisition of Norwegian wind park companies, Russian solar power companies as well as other smaller acquisitions.

EUR million	Hafslund Markets AS	Fortum Oslo Varme AS	Other	Fortum total
<b>Gross investment</b>				
Purchase consideration settled in cash	589	152	70	811
Cash and cash equivalents in acquired subsidiaries	158	37	6	201
Translation difference	1	0	2	3
<b>Cash outflow in acquisition</b>	<b>432</b>	<b>116</b>	<b>65</b>	<b>613</b>
Unpaid consideration			9	9
Interest-bearing debt in acquired subsidiaries of which loans given by Fortum		445	44	489
Transaction adjustments to debt-like items	54	-213	0	80
Translation difference	0	1	2	4
<b>Total gross investment in acquired subsidiaries</b>	<b>486</b>	<b>375</b>	<b>121</b>	<b>982</b>

## 6.2 Disposals

EUR million	Q1 2018	Q1 2017	2017	Last twelve months
Gross divestments of shares in subsidiary companies	0	0	55	55
Gross divestments of shares in associated companies and joint ventures	0	0	687	687
<b>Gross divestments of shares</b>	<b>0</b>	<b>0</b>	<b>742</b>	<b>742</b>

### Disposals during 2018

There were no disposals during Q1 2018.

### Disposals during 2017

On 3 August 2017 Fortum sold its 34.1% stake in Hafslund ASA to the City of Oslo in connection with the restructuring of the ownership in Hafslund. Fortum booked a one-time tax-free sales gain in Other segment in the third quarter 2017 results totalling approximately EUR 324 million including transaction costs, corresponding EUR 0.36 earnings per share.

In November 2017 Fortum sold its 51% stake in the Norwegian electricity sales company Røyken Kraft AS to the minority shareholder Røyken Energiverk AS. The company was acquired as part of the Hafslund Markets AS group in the restructuring of the ownership in Hafslund.

In July 2017 Fortum sold 100% of its shares in the Polish gas infrastructure company DUON Dystrybcuja S.A. to Infracapital, the infrastructure investment arm of M&G Investments. DUON Dystrybcuja S.A. is transporting grid gas and LNG in Poland. The company was acquired as part of the acquisition of the electricity and gas sales company Grupa DUON S.A. (currently Fortum Markets Polska S.A.) in 2016. Fortum booked in the third quarter of 2017 a one-time pre-tax sales gain in Consumer Solution segment totalling EUR 2 million.

## 7. Income taxes

Taxes for Q1 2018 totalled EUR 94 million (Q1 2017: 72). The effective income tax rate according to the income statement was 19.0% (Q1 2017: 17.4%). 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, tax rate changes and other major one time income tax effects, was 21.0% (Q1 2017: 20.4%).

Fortum has paid taxes in previous years 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 141 million (31 Dec 2017: 142), included in Income tax receivables. For additional information see Note 19 Legal actions and official proceedings.

## 8. Dividend per share

A dividend for 2017 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 28 March 2018 and the dividend was paid on 10 April 2018. Dividend is booked in these financial statements as a liability in Trade and other payables in the balance sheet.

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.

## 9. Changes in intangible assets

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>Closing balance 31 Dec</b>	<b>1,064</b>	<b>467</b>	<b>467</b>
Impact from change in accounting principle (IFRS 15)	20	0	0
<b>Opening balance 1 Jan</b>	<b>1,083</b>	<b>467</b>	<b>467</b>
Acquisitions	9	23	637
Capital expenditures	11	7	18
Changes in emission rights	2	0	0
Depreciation and amortisation	-19	-6	-30
Reclassifications	5	1	14
Translation differences and other adjustments	2	16	-41
<b>Closing balance</b>	<b>1,094</b>	<b>507</b>	<b>1,064</b>

1) See additional information in Note 2 Accounting policies

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>Goodwill included in opening balance</b>	<b>613</b>	<b>353</b>	<b>353</b>
Acquisitions <sup>1)</sup>	0	14	286
Translation differences and other adjustments	2	0	-27
<b>Goodwill included in closing balance</b>	<b>614</b>	<b>367</b>	<b>613</b>

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

## 10. Changes in property, plant and equipment

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>Opening balance</b>	<b>10,510</b>	<b>9,930</b>	<b>9,930</b>
Acquisitions	0	20	811
Capital expenditures	91	166	672
Changes of nuclear asset retirement cost	-16	-1	-6
Disposals	0	-1	-8
Depreciation and amortisation	-114	-104	-434
Divestments	0	0	-53
Reclassifications	-5	-1	-14
Translation differences and other adjustments	-221	198	-389
<b>Closing balance</b>	<b>10,245</b>	<b>10,207</b>	<b>10,510</b>

## 11. Changes in participations in associates and joint ventures

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>Closing balance 31 Dec</b>	<b>1,900</b>	<b>2,112</b>	<b>2,112</b>
Impact from change in accounting principle (IFRS 9) <sup>1)</sup>	166	-	-
<b>Opening balance 1 Jan</b>	<b>2,066</b>	<b>2,112</b>	<b>2,112</b>
Acquisitions	8	0	135
Share of profits from associates and joint ventures	47	59	148
Dividend income received	0	0	-58
OCI items associated companies	-3	2	-3
Divestments	0	0	-363
Translation differences and other adjustments	-43	28	-71
<b>Closing balance</b>	<b>2,074</b>	<b>2,201</b>	<b>1,900</b>

1) See additional information in Note 2 Accounting policies

### Share of profits from associates and joint ventures

Fortum's share of profit from associates and joint ventures in Q1 2018 was EUR 47 million (Q1 2017: 59), of which Territorial Generating Company (TGC-1) represented EUR 5 million (Q1 2017: 1) and Stockholm Exergi (previously named Fortum Värme) EUR 40 million (Q1 2017: 44). Q1 2017 share of profits include EUR 14 million from Hafslund ASA, which was divested in Q3 2017.

According to Fortum Group accounting policies the share of profits from TGC-1 (and Hafslund ASA during 2017) are included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available.

## 12. Interest-bearing receivables

EUR million	Carrying amount Mar 31 2018	Fair value Mar 31 2018	Carrying amount Dec 31 2017	Fair value Dec 31 2017
Long-term loan receivables from associated companies	630	664	656	689
Long-term loan receivables from joint ventures	59	68	208	229
Finance lease receivables from joint ventures	48	48	41	41
Other long-term interest-bearing receivables	97	102	106	111
<b>Total long-term interest-bearing receivables</b>	<b>833</b>	<b>882</b>	<b>1,010</b>	<b>1,071</b>
Short-term interest bearing receivables	458	458	395	395
<b>Total interest-bearing receivables</b>	<b>1,291</b>	<b>1,340</b>	<b>1,406</b>	<b>1,466</b>

Long-term loan receivables include receivables from associated companies and joint ventures EUR 737 million (Dec 31 2017: 905). These receivables include EUR 614 million (Dec 31 2017: 638) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership.

Teollisuuden Voima Oyj (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 December 2017 Fortum had EUR 145 million outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum totally EUR 88 million. As of Jan 1, 2018 TVO shareholder loans EUR 145 million has been classified as participation in joint ventures. For more information see Note 2 Accounting policies.

Finance leases relate to heat pipelines in Tyumen area, which are leased to joint venture YUSTEK.

Interest-bearing receivables includes also EUR 92 million (Dec 31 2017: 102) receivable from SIBUR, a Russian gas processing and petrochemicals company regarding divested shares of OOO Tobolsk CHP.

Short-term interest-bearing receivables include EUR 427 million (Dec 31 2017: 363) 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.

### 13. Interest-bearing net debt

Net debt	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>EUR million</b>			
Interest-bearing liabilities	4,403	4,875	4,885
Liquid funds	3,504	5,222	3,897
<b>Net debt</b>	<b>899</b>	<b>-347</b>	<b>988</b>

Net debt is calculated as interest-bearing liabilities less liquid funds without deducting interest-bearing receivables amounting to EUR 1,291 million (Dec 31 2017: 1,406). Interest-bearing receivables mainly consist of shareholder loans to partly owned nuclear companies regarded as long-term financing. For more information see Note 12 Interest-bearing receivables.

Interest-bearing debt	Carrying amount Mar 31 2018	Fair value Mar 31 2018	Carrying amount Dec 31 2017	Fair value Dec 31 2017
<b>EUR million</b>				
Bonds	2,505	2,684	2,943	3,143
Loans from financial institutions	231	249	283	303
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,158	1,219	1,129	1,192
Other long term interest-bearing debt <sup>1)</sup>	326	374	324	373
<b>Total long term interest-bearing debt <sup>2)</sup></b>	<b>4,220</b>	<b>4,526</b>	<b>4,679</b>	<b>5,011</b>
Short term interest-bearing debt	183	184	206	207
<b>Total</b>	<b>4,403</b>	<b>4,710</b>	<b>4,885</b>	<b>5,218</b>

1) Including loans from Finnish pension institutions EUR 48 million (Dec 31 2017: 48) and other loans EUR 278 million (Dec 31 2017: 276).

2) Including current portion of long-term debt EUR 882 million (Dec 31 2017: 560).

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 2018 Fortum increased the amount of reborrowing from the Finnish State Nuclear Waste Management Fund and TVO by EUR 29 million to EUR 1,158 million. In March Fortum repaid two SEK bonds equivalent to EUR 413 million (SEK 4.15 billion).

At the end of March 2018, the amount of short term financing included 98 million (Dec 31 2017: 113) from Credit Support Annex agreements. The interest-bearing debt decreased during the first quarter by EUR 482 million from EUR 4,885 million to EUR 4,403 million.

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 2.3% at the balance sheet date (Dec 31 2017: 2.4%). Part of the external loans, EUR 775 million (Dec 31 2017: 773) have been swapped to RUB and the average interest cost for these loans including cost for hedging the RUB was 8.6% at the balance sheet date (Dec 31 2017: 9.5%). The average interest rate on total loans and derivatives at the balance sheet date was 3.4% (Dec 31 2017: 3.6%).

Maturity of interest-bearing liabilities	Mar 31 2018
<b>EUR million</b>	
2018 <sup>1)</sup>	314
2019	802
2020	67
2021	533
2022	1,050
2023 and later	1,637
<b>Total</b>	<b>4,403</b>

1) The cash received as collateral based on Credit Support Annex agreements, amounting to EUR 98 million, has been booked as short-term liability.

Liquid funds	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>EUR million</b>			
Deposits and securities with maturity more than 3 months	84	2,484	715
Cash and cash equivalents	3,420	2,738	3,182
<b>Total</b>	<b>3,504</b>	<b>5,222</b>	<b>3,897</b>

Total liquid funds decreased by EUR 393 million from EUR 3,897 million to EUR 3,504 million during Q1 2018.

Liquid funds consist of deposits and cash in bank accounts amounting to EUR 3,198 million and commercial papers EUR 306 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 2018 was -0.29% (Dec 31 2017: -0.27%). Liquid funds held by PAO Fortum amounted to EUR 354 million (Dec 31 2017: 246), of which EUR 342 million (Dec 31 2017: 231) was held as bank deposits. The average interest rate for this portfolio was 5.8% at the balance sheet date.

Liquid funds totaling EUR 2,941 million (Dec 31 2017: 3,348) are placed with counterparties that have an investment grade credit rating. In addition, EUR 563 million (Dec 31 2017: 549) have been placed with counterparties separately reviewed and approved by the Group's credit control department.

The committed and undrawn credit facilities amounted to EUR 1.8 billion (2017: 1.8) , excluding committed credit facilities for Fortum's offer for Uniper shares. In relation to offer for Uniper shares Fortum had commitments from 10 relationship banks to provide credit facilities at the request of Fortum. In February the original amount of EUR 12.0 billion was reduced to EUR 3.8 billion.

#### 14. 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.

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

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>Carrying values in the balance sheet</b>			
Nuclear provisions	838	837	858
Fortum's share of the State Nuclear Waste Management Fund	838	837	858
<b>Legal liability and actual share of the State Nuclear Waste Management Fund</b>			
Liability for nuclear waste management according to the Nuclear Energy Act	1,161	1,141	1,161
Funding obligation target	1,153	1,125	1,153
Fortum's share of the State Nuclear Waste Management Fund	1,153	1,125	1,125
Share of the fund not recognised in the balance sheet	315	288	267

##### Legal liability for Loviisa nuclear power plant

The legal liability on 31 March 2018, decided by the Ministry of Economic Affairs and Employment in December 2017, was EUR 1,161 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 2017 is EUR 1,153 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, decreased by EUR 20 million compared to 31 December 2017, totaling EUR 838 million on 31 March 2018. 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 315 million, since Fortum's share of the Fund on 31 March 2018 was EUR 1,153 million and the carrying value in the balance sheet was EUR 838 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 13 Interest-bearing net debt and Note 18 Pledged assets and contingent liabilities.

#### 14.2 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 2018	Mar 31 2017	Dec 31 2017
<b>Carrying values in TVO's balance sheet</b>			
Nuclear provisions	960	959	953
Share of the State Nuclear Waste Management Fund	960	959	953
<b>of which Fortum's net share consolidated with equity method</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TVO's legal liability and actual share of the State Nuclear Waste Management Fund</b>			
Liability for nuclear waste management according to the Nuclear Energy Act	1,482	1,450	1,482
Share of the State Nuclear Waste Management Fund	1,471	1,428	1,437
Share of the fund not recognised in the balance sheet	511	469	484

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 511 million (of which Fortum's share EUR 136 million), since TVO's share of the Fund on 31 March 2018 was EUR 1,471 million and the carrying value in the balance sheet was EUR 960 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 13 Interest-bearing net debt.

OKG's and Forsmark's total nuclear related assets and liabilities (100%)			
EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>OKG's and Forsmark's nuclear related assets and liabilities <sup>1)</sup></b>			
Nuclear provisions	3,274	3,429	3,398
Share in the State Nuclear Waste Management Fund	3,041	3,103	3,105
<b>Net amount</b>	<b>-233</b>	<b>-327</b>	<b>-293</b>
<b>of which Fortum's net share consolidated with equity method</b>	<b>-94</b>	<b>-127</b>	<b>-114</b>

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 18 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. A new technical plan for nuclear waste management was decided by SKB during 2016. In 2017 SKB submitted the cost estimates based on the revised technical plan to SSM. In December 2017 the Swedish government decided the waste fees and guarantees for years 2018-2020. Nuclear waste fees are currently based on future costs with the assumed lifetime of 50 years (40 years in previous decision) for each unit of a nuclear power plant.

## 15. Other provisions

EUR million	Environmental provisions			Other provisions		
	Mar 31 2018	Mar 31 2017	Dec 31 2017	Mar 31 2018	Mar 31 2017	Dec 31 2017
<b>Opening balance</b>	<b>43</b>	<b>47</b>	<b>47</b>	<b>79</b>	<b>82</b>	<b>82</b>
Acquisitions	0	0	0	0	0	7
Increase in the provisions	0	0	0	1	12	31
Provisions used	0	0	0	-12	-4	-35
Unused provisions reversed	0	0	0	-1	0	-10
Unwinding of discount	0	-1	0	0	0	0
Exchange rate differences and other changes	-1	0	-4	-3	0	4
<b>Closing balance</b>	<b>42</b>	<b>47</b>	<b>43</b>	<b>65</b>	<b>90</b>	<b>79</b>
<b>Current provisions</b> <sup>1)</sup>	<b>0</b>	<b>1</b>	<b>0</b>	<b>17</b>	<b>9</b>	<b>22</b>
<b>Non-current provisions</b>	<b>42</b>	<b>45</b>	<b>43</b>	<b>48</b>	<b>80</b>	<b>57</b>

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.

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

## 16. Operating lease commitments

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
Due within a year	24	18	23
Due after one year and within five years	80	58	72
Due after five years	58	50	65
<b>Total</b>	<b>161</b>	<b>126</b>	<b>160</b>

## 17. Capital commitments

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
Property, plant and equipment	359	443	362

### Other commitments

On 26 September 2017, Fortum announced it had signed a transaction agreement with E.ON under which E.ON has the right to tender its 46.65% shareholding in Uniper in early 2018. In November 2017 Fortum launched a voluntary public takeover offer to all Uniper shareholders at a total value of EUR 22 per share.

The initial acceptance period ran from 7 November 2017 to 16 January 2018 and the additional acceptance period ran from 20 January 2018 to 2 February 2018. The total number of shares tendered during the initial and additional acceptance periods totaled 172,439,375 shares. This corresponds to 47.12% of the share capital and the voting rights of Uniper. The value of the tendered shares from the initial and additional acceptance period is EUR 3.8 billion based on the total value of EUR 22 per share.

Fortum has committed to provide a maximum of EUR 93 million (Dec 31 2017: 93) 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 13 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 12 Interest-bearing receivables.

## 18. Pledged assets and contingent liabilities

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
Pledged assets on own behalf			
For debt			
Pledges	288	288	300
Real estate mortgages	137	137	177
For other commitments			
Pledges	413	197	346
Real estate mortgages	141	99	141
Contingent liabilities on own behalf			
Other contingent liabilities	162	212	161
Contingent liabilities on behalf of associated companies and joint ventures			
Guarantees	574	604	598

### 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 2018 the value of the pledged shares amounted to EUR 269 million (Dec 31 2017: 269).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (Dec 31 2017: 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 2017: 41).

During Q1 2018 mortgage for loans of Russian solar plants was released (Dec 31 2017: 41).

Regarding the relevant interest-bearing liabilities, see Note 13 Interest-bearing net debt.

### Pledged assets for other commitments

Pledges also include restricted cash given as trading collateral of EUR 413 million (Dec 31 2017: 346) for trading of electricity, gas and CO<sub>2</sub> emission allowances in Nasdaq Commodities Europe, Intercontinental Exchange (ICE), European Energy Exchange (EEX) and Polish Power Exchange (TGE). See also note 12 Interest-bearing receivables.

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 141 million in March 2018 (Dec 31 2017: 141), 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. 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.

See more information in Note 14 Nuclear related assets and liabilities.

### 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 2017: 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 have been given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounting to SEK 5 393 million (EUR 524 million) at 31 March 2018 (Dec 31 2017: EUR 548 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 374 million) and the Supplementary Amount was SEK 1 550 million (EUR 151 million) at 31 March 2018.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounted to EUR 50 million at 31 March 2018 (Dec 31 2017: 50). 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 14 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.

## 19. Legal actions and official proceedings

### Tax cases in Finland

No tax cases with material impact in Finland.

### Tax cases in Sweden

#### Cases relating to Swedish interest deductions

In March 2018 the Swedish Supreme Administrative Court decided not to grant leave to appeal to Fortum with respect to the interest deduction cases relating to the years 2009-2012. The unfavourable decision of the Administrative Court of Appeal from June 2017 therefore remains in force. For the years 2009-2012, Fortum had to pay additional tax and interest, in total SEK 1,175 million (EUR 122 million) which was booked as a cost in the second quarter 2017 results and paid already in 2016. There are strong grounds to argue that the aforementioned decisions of the Administrative Court of Appeal and the Supreme Administrative Court violate EU law and fundamental rights under EU law. Fortum plans to make use of legal remedies which are available for breaches of EU law. Moreover, Fortum has filed a request to initiate a mutual agreement procedure between Sweden and the Netherlands for the year 2012.

In addition Fortum has received income tax assessments in Sweden for the years 2013, 2014 and 2015 in December 2015, December 2016 and October 2017, respectively. The assessments concern the loans given in 2013, 2014 and 2015 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 authorities 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 that the claims are unjustifiable and has appealed the decisions. In May 2017 the Administrative Court in Stockholm, Sweden, announced its decisions relating to the income tax assessment for the year 2013. The decisions were unfavorable to Fortum. Fortum disagrees with the argumentation of the court and has filed an appeal to the Administrative Court of Appeal in Stockholm in July 2017. The cases regarding the year 2014 and the year 2015 are pending before the Administrative Court. In December 2017, the Swedish tax authorities withdrew a part of their claims with respect to the years 2013 and 2015. Moreover, in March 2018, the Swedish tax authorities withdrew a part of the claims relating to the years 2014 and 2015. Therefore, the additional tax claimed by the tax authorities for the year 2013 is currently SEK 239 million (EUR 23 million), for the year 2014 SEK 242 million (EUR 24 million) and for the year 2015 SEK 179 million (EUR 17 million). The adjusted amount of additional tax for the year 2013 still needs to be confirmed by the Administrative Court of Appeal, as the additional tax according to the decision of Administrative Court from May 2017 was SEK 273 million (EUR 27 million). Also the adjusted amounts for the years 2014 and 2015 are still subject to the approval by the Administrative Court.

Based on legal analysis supporting legal opinions, no provision has been recognised in the financial statements for the Swedish tax cases regarding the years 2013, 2014 and 2015. If the amounts of additional tax claimed by the tax authority remain final despite the appeals processes, the impact on net profit would be SEK 239 million (EUR 23 million) for the year 2013, SEK 242 million (EUR 24 million) for the year 2014 and SEK 179 million (EUR 17 million) for the year 2015. The additional taxes and interest for 2013, in total SEK 282 million (EUR 28 million) have been paid in accordance with the decision from the Administrative Court in July 2017 and based on the legal opinion booked as receivables.

#### Cases relating to the Swedish hydro real estate tax

Fortum Sverige AB has received a favorable decision from the Administrative Court in Stockholm in June 2017 relating to the Swedish hydro real estate tax. According to the decision, the increased property tax on hydro power generated electricity comprises unlawful state aid (i.e. the tax law is in conflict with EU legislation) and the property tax shall be set as 0.5 percent of the tax assessment value. The decision relates to the years 2009-2014 and the disputed amount for the five years totalled SEK 508 million tax and SEK 12 million interest (EUR 49 million tax and EUR 1 million interest). The amount has been repaid to Fortum in July 2017 and it has been booked in other current liabilities, not yet as income. The tax authorities has appealed the decision and the case is pending before the Administrative Court of Appeal.

### Tax cases in Belgium

Fortum has received income tax assessments in Belgium for the years 2008, 2009, 2010 and 2011. The 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's 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.

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 financial statements. 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. Most of the construction work for the plant unit have been 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 commissioning of the plant unit has now reached the hot functional testing phase that will take several months during which time the plant systems are tested as a whole, but without the fuel. In the hot functional testing, the first integrated systems tests of the reactor and turbine plant are carried out.

OL3 was procured as a fixed-price turnkey project from a consortium (Supplier) formed by AREVA GmbH, AREVA NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations. In accordance with the Supplier's schedule, updated in October 2017, regular electricity production in the unit was to commence in May 2019. The Supplier's schedule review for the project completion had reached a phase where the Supplier confirmed the main milestones.

According to the Supplier, the first connection to the grid takes place in December 2018, and the start of regular electricity production will take place in May 2019. According to the Supplier's plant ramp-up program the unit will produce 2–4 TWh of electricity, at varying power levels, during the period of time between the first connection to the grid and the start of regular electricity production.

After the reporting period under review, in April 2018 the Supplier informed that due to some delays in the hot functional testing phase it will perform a schedule review in a few weeks' time and provide TVO with an overall rebaseline schedule for the final phases of the project. TVO cannot estimate whether or not the schedule will influence the start of the regular electricity production in May 2019 or the preceding production of electricity with varying power levels during the test program currently scheduled to start in December 2018.

TVO was a party to arbitration proceedings under the International Chamber of Commerce (ICC) rules with respect to costs and losses incurred in relation to delays in the construction of the OL3 EPR project. The arbitration had begun in December 2008 at the Supplier's initiative.

The Supplier had submitted claims to the ICC for an aggregate amount of approximately EUR 3.59 billion, which included a total amount of approximately EUR 1.58 billion in penalty interest (calculated up to 30 June 2017) and payments allegedly delayed by TVO under the plant contract, as well as approximately EUR 132 million of alleged loss of profit. TVO's estimated quantum of costs and losses in respect of the period ending in late 2018 (which was the Supplier's earlier estimate for the start of regular electricity production at OL3 EPR), which it had counter-claimed from the Supplier, was approximately EUR 2.6 billion, including TVO's actual claim and an estimated part.

In 2016 and 2017, the ICC tribunal made three final and binding partial awards on the initial key issue areas in the arbitration. The partial awards resolved the great majority of the facts and matters covered in these proceedings in favor of TVO, and rejected the great majority of the Supplier's contentions in this regard. The partial awards did not take a position on the claimed monetary amounts.

In March 2018 TVO signed a comprehensive settlement agreement with the plant supplier consortium companies Areva NP, Areva GmbH and Siemens AG as well as with Areva Group parent company Areva SA, a company wholly owned by the French State. The settlement agreement concerns the completion of the OL3 EPR project and related disputes, and it entered into force late March.

The settlement agreement stipulates that:

In order to provide and maintain adequate and competent technical and human resources for the completion of the OL3 EPR project, Areva will source the necessary additional resources from Framatome S.A.S., whose majority owner is Electricité de France (EDF).

The supplier consortium companies undertake that the funds dedicated to the completion of the OL3 EPR project will be adequate and will cover all applicable guarantee periods, including setting up a trust mechanism funded by Areva companies to secure the financing of the costs of completion of the OL3 EPR project.

The turnkey principle of the OL3 EPR plant contract and the joint and several liability of the supplier consortium companies remain in full force.

The agreement also notes the plant supplier's most recent schedule according to which regular electricity production in the unit will commence in May 2019.

The ICC arbitration concerning the costs and losses caused by the delay of the OL3 EPR project is settled by financial compensation of EUR 450 million to be paid to TVO in two installments by the supplier consortium companies.

The parties withdraw all on-going legal actions related to OL3 EPR, including the ICC arbitration and appeals in the General Court of the European Union.

The supplier consortium companies are entitled to receive an incentive payment, in a maximum amount of EUR 150 million, upon timely completion of the OL3 EPR project. In the event that the supplier consortium companies fail to complete the OL3 EPR project by the end of 2019, they will pay a penalty to TVO for such delay in an amount which will depend on the actual time of completion of the OL3 EPR project and may not exceed EUR 400 million.

TVO received the first payment of EUR 328 million of the settlement amount in March at the entry into force of the settlement agreement. The second payment of EUR 122 million is payable upon completion of the OL3 EPR project or, in any event, on 31 December 2019 at the latest. TVO has made a provision of EUR 150 million reflecting the maximum amount of the incentive payment payable to the supplier consortium companies for timely completion of the OL3 EPR project. These settlement payments to TVO, any incentive payment by TVO and any penalty payable to TVO due to any additional project delay have all been taken into account in calculating the final cost of the OL3 EPR project. The amount corresponding to the settlement amount and the incentive fee to be paid by TVO have been entered as property, plant and equipment in the TVO Group balance sheet.

The business restructuring plan announced by Areva in 2016 was implemented at the beginning of 2018. The majority of Areva NP's business was transferred to a company named Framatome, of which 75.5 percent is owned by Electricité de France (EDF). The OL3 EPR project and the means required to complete the project, as well as certain other liabilities remained within Areva NP and Areva GmbH, within the scope of Areva SA.

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.

## 20. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2017. No material changes have occurred during 2018.

At the year-end 2017 the Finnish State owned 50.76% of the shares in Fortum. There has been no change in the shareholding during 2018.

### Transactions with associated companies and joint ventures

EUR million	Q1 2018	Q1 2017	2017
Sales	7	22	110
Purchases	98	148	472
Interest income on loan receivables	3	4	13

### Associated company and joint ventures balances

EUR million	Mar 31 2018	Mar 31 2017	Dec 31 2017
Long-term interest-bearing loan receivables	689	879	864
Finance lease receivable from joint ventures	48	-	41
Trade receivables	18	13	24
Other receivables	20	17	17
Long-term loan payables	293	285	287
Trade payables	1	3	19
Other payables	6	7	7

## 21. Events after the balance sheet date

There have been no material events after the balance sheet date.

## 22. Definitions of key figures

Fortum uses performance measures in financial target setting and forecasting, management's follow up of financial performance of segments and the group as well as allocation of resources in the group's performance management process. The business performance of the operations cannot be compared from one period to another without adjusting for items affecting comparability and therefore they are excluded from Comparable operating profit and Comparable EBITDA. The main business performance measurements have been used consistently since 2005.

Fortum's financial targets for capital structure and long-term value creation and profitability are measured with Comparable net debt to EBITDA (long-term over-the-cycle target: around 2.5 times) and Return on capital employed, (long-term over-the-cycle target: at least 10%).

### Business performance

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + depreciation and amortisation	
Comparable EBITDA	=	EBITDA - items affecting comparability	
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 IFRS 9.	
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.	
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit} + \text{share of profit (loss) in associated companies and joint ventures} + \text{adjustment for Share of profit of associated companies and joint ventures}}{\text{Comparable net assets average}} \times 100$	x 100
Adjustment for Share of profit of associated companies and joint ventures	=	Adjustment for IFRS 9 effects, major sales gains and impairment charges	
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)	

### Capital structure and long-term profitability

Comparable net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$	
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds	
Return on capital employed, %	=	$\frac{\text{Profit before taxes} + \text{interest and other financial expenses}}{\text{Capital employed average}} \times 100$	x 100

## 22. Definitions of key figures

Capital employed = Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions

### Share-based key figures

Earnings per share (EPS) =  $\frac{\text{Profit for the period} - \text{non-controlling interests}}{\text{Average number of shares during the period}}$

Equity per share =  $\frac{\text{Shareholder's equity}}{\text{Number of shares at the end of the period}}$

### Other key figures

FFO/Net debt, % =  $\frac{\text{Funds from operations (FFO)}}{\text{Interest-bearing net debt}} \times 100$

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. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.

Return on shareholders' equity, % =  $\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$

Gearing, % =  $\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$

Equity-to-assets ratio, % =  $\frac{\text{Total equity including non-controlling interest}}{\text{Total assets}} \times 100$

Interest coverage =  $\frac{\text{Operating profit}}{\text{Net interest expenses}}$

Interest coverage including capitalised borrowing costs =  $\frac{\text{Operating profit}}{\text{Net interest expenses} - \text{capitalised borrowing costs}}$

Effective income tax rate =  $\frac{\text{Income tax expense}}{\text{Profit before income tax}}$

Comparable effective income tax rate =  $\frac{\text{Income tax expense} - \text{effects from tax rate changes and major one time tax effects}}{\text{Profit before income tax decreased by profits from associated companies and joint ventures as well as tax exempt capital gains or losses}}$

Last twelve months (LTM) = Twelve months preceding the reporting date



Market conditions and achieved power prices

Power consumption				
TWh	Q1 2018	Q1 2017	2017	Last twelve months
Nordic countries	121	114	392	399
Russia	289	283	1,035	1,041
Tyumen	24	25	95	94
Chelyabinsk	9	9	33	33
Russia Urals area	70	70	261	261

Average prices				
	Q1 2018	Q1 2017	2017	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	38.6	31.1	29.4	31.3
Spot price for power in Finland, EUR/MWh	42.0	32.9	33.2	35.4
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	39.0	31.8	31.2	33.0
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	38.9	31.7	30.8	32.6
Spot price for power in European and Urals part of Russia, RUB/MWh <sup>1)</sup>	1,187	1,180	1,204	1,205
Average capacity price, tRUB/MW/month	661	585	535	556
Spot price for power in Germany, EUR/MWh	35.5	41.3	34.2	32.8
Average regulated gas price in Urals region, RUB/1000 m <sup>3</sup>	3,755	3,614	3,685	3,720
Average capacity price for old capacity, tRUB/MW/month <sup>2)</sup>	158	157	148	148
Average capacity price for new capacity, tRUB/MW/month <sup>2)</sup>	1,147	980	899	943
Spot price for power (market price), Urals hub, RUB/MWh <sup>1)</sup>	1,011	1,034	1,041	1,035
CO <sub>2</sub> , (ETS EUA), EUR/tonne CO <sub>2</sub>	10	5	6	7
Coal (ICE Rotterdam), USD/tonne	87	81	84	86
Oil (Brent Crude), USD/bbl	67	55	55	58

1) Excluding capacity tariff.

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

Water reservoirs				
TWh	Mar 31 2018	Mar 31 2017	Dec 31 2017	
Nordic water reservoirs level	34	38	86	
Nordic water reservoirs level, long-term average	41	41	83	

Export/import				
TWh (+ = import to, - = export from Nordic area)	Q1 2018	Q1 2017	2017	Last twelve months
Export / import between Nordic area and Continental Europe + Baltics	-3	-3	-15	-14
Export / import between Nordic area and Russia	2	1	6	6
Export / import Nordic area, Total	-1	-2	-9	-8

Power market liberalisation in Russia				
%	Q1 2018	Q1 2017	2017	Last twelve months
Share of power sold at the liberalised price	81%	81%	81%	81%

Achieved power prices				
	Q1 2018	Q1 2017	2017	Last twelve months
Generation segment's Nordic power price, EUR/MWh	33.6	32.6	31.8	32.1
Russia segment's power price, RUB/MWh	1,872	1,868	1,813	1,817
Russia segment's power price, EUR/MWh <sup>1)</sup>	26.8	29.8	27.5	26.7

1) Translated using average exchange rate.

### Fortum's production and sales volumes

Power generation				
TWh	Q1 2018	Q1 2017	2017	Last twelve months
Power generation in Europe	13.7	12.9	46.6	47.4
Power generation in Russia	8.3	6.9	26.3	27.7
Power generation in other countries	0.1	0.0	0.3	0.4
<b>Total</b>	<b>22.1</b>	<b>19.8</b>	<b>73.2</b>	<b>75.5</b>

Heat production				
TWh	Q1 2018	Q1 2017	2017	Last twelve months
Heat production in Europe	3.7	2.8	8.6	9.5
Heat production in Russia	8.8	8.2	20.0	20.6
<b>Total</b>	<b>12.4</b>	<b>11.0</b>	<b>28.6</b>	<b>30.0</b>

Power generation capacity by segment				
MW	Mar 31 2018	Mar 31 2017	Dec 31 2017	
Generation <sup>1)</sup>	7,862	8,038	7,862	
City Solutions	768	760	775	
Russia	4,816	4,482	4,794	
Other	292	155	292	
<b>Total</b>	<b>13,738</b>	<b>13,434</b>	<b>13,722</b>	

1) Including 308 MW of Meri-Pori power plant, which will be under reserve capacity agreement during period July 2017 - June 2020. Capacity decreases due to closure of unit 1 (205 MW) in Oskarshamn in end of June 2017.

Heat production capacity by segment				
MW	Mar 31 2018	Mar 31 2017	Dec 31 2017	
City Solutions	4,768	3,818	4,671	
Russia	10,075	9,920	10,094	
<b>Total</b>	<b>14,843</b>	<b>13,738</b>	<b>14,765</b>	

Power generation by source in the Nordic area				
TWh	Q1 2018	Q1 2017	2017	Last twelve months
Hydro and wind power	6.4	5.3	20.9	22.0
Nuclear power	6.3	6.7	23.0	22.6
Thermal power	0.5	0.5	1.6	1.6
<b>Total</b>	<b>13.3</b>	<b>12.5</b>	<b>45.4</b>	<b>46.2</b>

Power generation by source in the Nordic area				
%	Q1 2018	Q1 2017	2017	Last twelve months
Hydro and wind power	48	42	46	48
Nuclear power	48	54	51	49
Thermal power	4	4	3	3
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Power sales				
EUR million	Q1 2018	Q1 2017	2017	Last twelve months
Power sales in Europe	828	558	2,244	2,514
Power sales in Russia	248	235	837	850
Power sales in other countries	6	1	9	14
<b>Total</b>	<b>1,082</b>	<b>794</b>	<b>3,089</b>	<b>3,377</b>

### Fortum's production and sales volumes

Heat sales				
EUR million	Q1 2018	Q1 2017	2017	Last twelve months
Heat sales in Europe	265	176	524	613
Heat sales in Russia	88	113	258	233
<b>Total</b>	<b>353</b>	<b>289</b>	<b>782</b>	<b>846</b>

Power sales by area				
TWh	Q1 2018	Q1 2017	2017	Last twelve months
Finland	6.6	5.8	22.5	23.3
Sweden	9.2	8.5	30.8	31.5
Russia	9.3	7.9	30.5	31.9
Norway	5.4	0.5	7.2	12.1
Other countries	1.2	0.7	2.9	3.4
<b>Total</b>	<b>31.7</b>	<b>23.4</b>	<b>93.9</b>	<b>102.2</b>

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

Heat sales by area				
TWh	Q1 2018	Q1 2017	2017	Last twelve months
Russia	8.4	8.2	19.8	20.0
Finland	1.6	1.5	3.9	4.0
Poland	1.7	1.6	3.7	3.8
Other countries	1.5	0.7	2.5	3.3
<b>Total</b>	<b>13.2</b>	<b>12.0</b>	<b>29.9</b>	<b>31.1</b>