Fortum Corporation

Interim Report
January-June 2012

19 July 2012

Fortum Corporation
Domicile Espoo
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Satisfactory results in a very demanding market environment

April - June 2012

- Comparable operating profit EUR 281 (348) million, -19%
- Operating profit was EUR 283 (609) million, of which EUR 2 (261) million relates to items affecting comparability
- Earnings per share EUR 0.21 (0.53), -60%, of which EUR 0.00 (0.27) per share relates to items affecting comparability
- Nuclear volumes decreased mainly due to prolonged repairs in Sweden. Hydro volumes increased due to higher inflow and water reservoir levels
- Nordic power prices were significantly lower compared to second quarter 2011. During the second quarter, the average system spot price of electricity in Nord Pool was EUR 24 per megawatt-hour (MWh) lower. The average area prices in Finland were EUR 20 per MWh and in Sweden (SE3) EUR 23 per MWh lower

January - June 2012

- Comparable operating profit EUR 932 (997) million, -7%
- Operating profit was EUR 1,019 (1,509) million, of which EUR 87 (512) million relates to items affecting comparability
- Earnings per share EUR 0.77 (1.29), -40%, of which EUR 0.10 (0.47) per share relates to items affecting comparability
- Nordic power prices were significantly lower compared to the same period in 2011.The average system spot price was EUR 26 per MWh lower and the average area price in Finland EUR 21 per MWh lower and in Sweden (SE3) EUR 25 per MWh lower
- Financial position remained strong

Key figures	II/12	II/11	I-II/12	I-II/11	2011	LTM*
Sales, EUR million	1,284	1,316	3,185	3,350	6,161	5,996
Operating profit, EUR million	283	609	1,019	1,509	2,402	1,912
Comparable operating profit, EUR million	281	348	932	997	1,802	1,737
Profit before taxes, EUR million	236	552	889	1,456	2,288	1,661
Earnings per share, EUR	0.21	0.53	0.77	1.29	1.99	1.46
Net cash from operating activities, EUR million	319	410	872	864	1,613	1,621
Shareholders' equity per share, EUR			10.66	9.93	10.84	n/a
Interest-bearing net debt (at end of period), EUR million			7,420	6,783	7,023	n/a
Average number of shares, 1,000s			888,367	888,367	888,367	888,367

*) Last twelve months

Key financial ratios	2011	LTM
Return on capital employed, %	14.8	11.3
Return on shareholders' equity, %	19.7	14.0
Net debt/EBITDA	2.3	2.9
Comparable Net debt/EBITDA	3.0	3.2

Outlook

- Fortum currently expects the annual electricity demand growth in the Nordic countries to be on average 0.5% in the coming years.
- Power Division's Nordic generation hedges: For the rest of the calendar year 2012, 65% hedged at EUR 49 per MWh, and for the 2013 calendar year, 55% hedged at EUR 45 per MWh.

Fortum's President and CEO Tapio Kuula, in connection with the second quarter of 2012:

"The result was satisfactory, considering the extremely challenging business environment Fortum operates in at the moment. Operating profit declined in the second quarter mainly due to items affecting comparability, which amounted to approximately EUR 260 million. High uncertainty in Europe and in the world economy in general, has kept the economic activity slow in our main markets.

The Nordic water reservoir surplus levels continued and were above the long-term average throughout the second quarter. In addition, low carbon dioxide (CO_2) emission allowance prices and coal prices have created a downward pressure on system and area prices in the Nordic market. Hence, Nord Pool Spot system prices were at very low levels, and in July the price level has continued to decline. The system price has been as low as at approximately EUR 7 – a level rarely experienced in the 21st century.

Electricity consumption in the Nordic countries increased slightly during the quarter, however, the increase was attributable to colder weather and partly offset by decreased industrial demand. It reflects well the current demanding economic situation in Europe. According to Finnish Energy Industries (Energiateollisuus ry), the domestic industrial electricity consumption grew only in the chemicals industry. The technology sector development was flat, while consumption in the forest industry has been decreasing since the beginning of the year. Also in Sweden, the industrial demand decreased slightly during January-June 2012.

In Russia, electricity prices also decreased during the second quarter and consumption was somewhat down in the areas Fortum operates in. The very extensive and demanding construction project of the new units in Nyagan will be delayed slightly further. Actions are taken to avoid any further delays. This does not change the overall schedule or financial targets of the investment programme, which is to be finalised at the end of 2014.

A satisfactory result, however, is not good enough. Great effort is put in managing the current situation. The coming months still look challenging, both due to the external market and timing of internal operational actions. Therefore, as in 2011, we expect the income stream to be year-end weighted. The industry-typical seasonality and the external environment may cause short-term volatility; nevertheless, Fortum has a strong financial situation and we are continuing to work according to our long-term strategy."

Financial results

April - June

In the second quarter of 2012, Group sales were EUR 1,284 (1,316) million. The comparable operating profit totalled EUR 281 (348) million. Group operating profit totalled EUR 283 (609) million. Fortum's operating profit for the period was affected by non-recurring items, IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments amounting to EUR 2 (261) million.

The share of profits from associates in the second quarter was EUR 26 (15) million. The share of profits from Hafslund and TGC-1 are based on the companies' published first-quarter interim reports. In addition, the share of profits from TGC-1's fourth-quarter 2011 is included (Note 14).

Sales by division

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Power	535	574	1,190	1,267	2,481	2,404
Heat	321	322	946	1,047	1,737	1,636
Russia	198	195	508	490	920	938
Distribution*	223	215	531	526	973	978
Electricity Sales*	135	183	382	556	900	726
Other	29	19	73	49	108	132
Netting of Nord Pool transactions	-88	-150	-276	-516	-749	-509
Eliminations	-69	-42	-169	-69	-209	-309
Total	1,284	1,316	3,185	3,350	6,161	5,996

* Part of the Electricity Solutions and Distribution Division

Comparable operating profit by division

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Power	222	257	563	582	1,201	1,182
Heat	23	25	184	196	278	266
Russia	4	21	52	55	74	71
Distribution*	49	60	159	184	295	270
Electricity Sales*	11	10	20	21	27	26
Other	-28	-25	-46	-41	-73	-78
Total	281	348	932	997	1,802	1,737

* Part of the Electricity Solutions and Distribution Division

Operating profit by division

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Power	214	271	581	760	1,476	1,297
Heat	20	25	233	290	380	323
Russia	15	21	63	55	74	82
Distribution*	50	252	167	377	478	268
Electricity Sales*	11	23	22	3	3	22
Other	-27	17	-47	24	-9	-80
Total	283	609	1,019	1,509	2,402	1,912

* Part of the Electricity Solutions and Distribution Division

January - June

In January-June, Group sales were EUR 3,185 (3,350) million. The comparable operating profit totalled EUR 932 (997) million. Group operating profit totalled EUR 1,019 (1,509) million. Fortum's operating profit for the period was affected by non-recurring items, IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments.

Non-recurring items, mark-to-market effects and nuclear fund adjustments in January-June 2012 amounted to EUR 87 (512) million. Changes in fair values of derivatives hedging future cash flow accounted for EUR -18 (249) million. Non-recurring items totalled EUR 121 (275) million and were mainly related to the divestments of shares in power and heat operations (Note 4).

The share of profits of associates and joint ventures was EUR 19 (74) million. The decrease from last year was mainly due to lower share of profits from Hafslund ASA, and TGC-1 as well as the share of profits from Fingrid Oyj, which was divested during Q2 2011.

The Group's net financial expenses increased to EUR 149 (127) million. The increase is attributable to higher interest expenses, mainly due to higher SEK interest rates and to higher average net debt in 2012 than during the comparable period in 2011. Net financial expenses were also negatively affected by changes in the fair value of financial instruments of EUR 8 (3) million.

Profit before taxes was EUR 889 (1,456) million.

Taxes for the period totalled EUR 165 (232) million. The tax rate according to the income statement was 18.5% (15.9%). The tax rate, excluding mainly the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains, was 21.1% (21.1%).

The profit for the period was EUR 724 (1,224) million. Fortum's earnings per share were EUR 0.77 (1.29), of which EUR 0.10 (0.47) per share relates to items affecting comparability.

Non-controlling (minority) interests amounted to EUR 43 (74) million. These are mainly attributable to Fortum Värme Holding AB, in which the city of Stockholm has a 50% economic interest. The decrease compared to last year is mainly due to the minority's share, EUR 32 million, of the gain recognised in the first quarter 2011 from the divestment of Fortum Värme's heat businesses outside the Stockholm area.

Financial position and cash flow

Cash flow

In January-June 2012, total net cash from operating activities increased slightly to EUR 872 (864) million. Capital expenditures in cash flow increased by EUR 74 million to EUR 577 (503) million. Proceeds from divestments totalled EUR 301 (535) million in cash flow. Cash flow before financing activities, i.e. dividend distributions and financing, decreased by EUR 303 million to EUR 579 (882) million. The strong SEK during the first half of the year had a negative impact on the cash flow through realised net foreign exchange losses amounting to EUR 113 (251) million related to rollover of foreign exchange contracts hedging loans to Fortum Swedish subsidiaries.

During the reporting period, dividends totalling EUR 888 million were paid on 23 April 2012 using the cash and cash equivalents.

Assets and capital employed

Total assets decreased by EUR 379 million to EUR 22,619 (22,998 at year-end 2011) million. Non-current assets increased by EUR 432 million from EUR 20,210 million to EUR 20,642 million. The majority, EUR 391 million, came from the increased value of property, plants and equipment; due to the investments, strengthening Swedish krona and other currencies. The decrease in current assets was EUR 811 million, totalling EUR 1,977 million. The majority of the decrease relates to the lower amount of cash and cash equivalents, EUR 327 million, decrease in trade and other receivables EUR 275 million, and the EUR 183 million decrease in assets held for sale relating to divestments closed during January-June.

Capital employed was EUR 17,848 (17,931 at year-end 2011) million, a decrease of EUR 83 million. The decrease was due to the lower amount of total assets totalling EUR 379 million, and a decrease in interest-free liabilities, totalling EUR 296 million.

Equity

Total equity was EUR 10,024 (10,161 at year-end 2011) million, of which equity attributable to owners of the parent company totalled EUR 9,472 (9,632 at year-end 2011) million and non-controlling interests EUR 552 (529 at year-end 2011) million. The decrease in equity attributable to owners of the parent company totalled EUR 160 million and arose mainly from net profit for the period, amounting to EUR 681 million and from the dividends paid totalling EUR 888 million.

Financing

Net debt increased during the second quarter by EUR 897 million to EUR 7 420 (7,023 at year-end 2011) million mainly as a result of dividend payment in April of EUR 888 million.

At the end of June 2012, the Group's liquid funds totalled EUR 404 (747 at year-end 2011) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 240 (211 at year-end 2011) million. In addition to the liquid funds, Fortum had access to approximately EUR 2.7 billion of undrawn committed credit facilities.

The Group's net financial expenses during January-June 2012 were EUR 149 (127) million. The increase in financial expenses is mainly attributable to higher market interest rates and higher average net debt during the first half of the year. Net financial expenses also include changes in the fair value of financial instruments of EUR 8 (3) million.

Fortum Corporation's long-term credit rating from S&P, A (negative) and Fortum Corporation's long-term credit rating from Moody's, A2 (stable), remained unchanged.

Key figures

For the last twelve months, net debt to EBITDA was 2.9 (2.3 at year-end 2011) and comparable net debt to EBITDA 3.2 (3.0 at year-end 2011), impacted by EUR 888 million in dividend payments. Gearing was 74% (69% at year-end 2011) and the equity-to-assets ratio 44% (44% at year-end 2011). For the last twelve months, return on capital employed was 11.3% (14.8% at year-end 2011) and return on equity 14.0% (19.7% at year-end 2011). Equity per share was EUR 10.66 (10.84 at year-end 2011).

Market conditions

Nordic countries

During the second quarter of 2012, the significantly higher water reservoirs combined with the clearly lower price of coal and CO2 emissions allowance (EUA) kept the Nordic electricity price well below the level of the corresponding period the year before. Area prices for Fortum's key areas, Finland and Sweden (SE3), were above the system price. The export of electricity from the Nordic countries to the Continent and Baltic countries was 5 (0) TWh during the quarter due to the high price differences between the markets.

According to preliminary statistics, electricity consumption in the Nordic countries during the second quarter was 86 (85) terawatt-hours (TWh) i.e. some 1% higher than the year before. The increase was attributable to colder weather, even though its impact was partly outweighed by a decrease in the industrial consumption. In January – June, electricity consumption in the Nordic countries was 200 (201) terawatt-hours (TWh), i.e. some 0.5% lower than the year before.

At the beginning of the year, the Nordic water reservoirs were at 95 TWh, i.e.12 TWh more than the long-term average. At the beginning of the second quarter the Nordic water reservoirs were at 56 TWh, i.e.15 TWh more than the long-term average and 36 TWh above the corresponding level in 2011. By the end of the quarter, the reservoirs were 86 TWh, 2 TWh above the long-term average and 3 TWh above the corresponding level in 2011.

During the second quarter, the average system spot price of electricity in Nord Pool was EUR 28.4 (52.3) per megawatt-hour (MWh). The average area prices in Finland were EUR 32.4 (52.0) per MWh and in Sweden (SE3) 29.6 (52.2) per MWh. The hydrological surplus in the hydropower intensive regions and restrictions in the transmission capacity pressed the area prices.

During January-June 2012, the average system spot price was EUR 33.3 (59.2) per MWh. The average area price in Finland was EUR 37.5 (58.4) per MWh and in Sweden (SE3) EUR 34.3 (59.0) per MWh. The Fenno-Skan 2 connection between Finland and Sweden was down from 17 February to 25 April, which affected Finnish prices during that period and widened price area differences.

In Germany, the average spot price during the second quarter of 2012 was EUR 40.4 (53.6) per MWh and during January–June 2012 EUR 42.7 (52.7) per MWh.

At the beginning of the year, the market price for CO_2 emission allowances was approximately EUR 6.6 per tonne. At the end of the second quarter, CO_2 emission allowances closed at approximately EUR 8.3 per tonne. The highest quoted price during January–June was approximately EUR 9.5 per tonne and the lowest EUR 6.2 per tonne.

Russia

OAO Fortum operates in the Tyumen and Chelyabinsk areas. Both in the Tyumen area, where industrial production is dominated by the oil and gas industries, and in the Chelyabinsk area, which is dominated by the metal industry, electricity demand decreased marginally in the second quarter compared to the same period of the previous year.

According to preliminary statistics, Russia consumed 232 (230) TWh of electricity during the second quarter of 2012. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 172 (172) TWh.

In January-June, Russia consumed 524 (515) TWh of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 389 (383) TWh.

In the second quarter 2012 the average electricity spot price, excluding capacity price, decreased by 9% to RUB 925 (1,017) per MWh in the First price zone.

In January-June 2012, the average electricity spot price, excluding capacity price, decreased by 10% to RUB 920 (1,025) per MWh in the First price zone.

More detailed information about the market fundamentals is included in the tables at the end of the report (page 52).

Division reviews

Power

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

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Sales	535	574	1,190	1,267	2,481	2,404
- power sales	508	546	1,139	1,203	2,353	2,289
of which Nordic power sales*	473	476	1,042	980	2,041	2,103
- other sales	27	28	51	64	128	115
Operating profit	214	271	581	760	1,476	1,297
Comparable operating profit	222	257	563	582	1,201	1,182
Comparable EBITDA	250	284	619	636	1,310	1,293
Net assets (at period-end)			6,258	5,998	6,247	
Return on net assets, %					24.6	21.3
Comparable return on net assets, %					19.9	19.5
Capital expenditure and gross investments in shares	36	36	60	69	148	139
Number of employees			2,019	1,995	1,847	

Power generation by source, TWh	II/12	II/11	I-II/12	I-II/11	2011	LTM
Hydropower, Nordic	5.7	4.8	11.8	8.9	21.0	23.9
Nuclear power, Nordic	5.4	5.7	11.9	12.5	24.9	24.3
Thermal power, Nordic	0.0	0.3	0.2	2.0	2.2	0.4
Total in the Nordic countries	11.1	10.8	23.9	23.4	48.1	48.6
Thermal power in other countries	0.3	0.3	0.6	0.6	1.2	1.2
Total	11.4	11.1	24.5	24.0	49.3	49.8

Nordic sales volumes, TWh	II/12	II/11	I-II/12	I-II/11	2011	LTM
Nordic sales volume	11.5	11.2	24.7	24.4	50.0	50.3
of which Nordic power sales volume*	10.8	10.1	22.8	20.6	44.3	46.5

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

Sales price, EUR/MWh	II/12	II/11	I-II/12	I-II/11	2011	LTM
Power's Nordic power price**	43.9	47.4	45.7	47.6	46.1	45.2

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

April - June

In the second quarter of 2012, the Power Division's comparable operating profit in the second quarter was EUR 222 (257) million, i.e. EUR 35 million lower than in the corresponding period in 2011. The system and all area prices were clearly lower during the second quarter of 2012 compared to the same period in 2011. The average system spot price of electricity in Nord Pool was EUR 28.4 (52.3) per MWh. The average area prices in Finland were EUR 32.4 (52.0) per MWh and in Sweden (SE3) EUR 29.6 (52.2) per MWh. The lower prices impacted on the achieved power price which was EUR 3.5 per MWh lower than in the corresponding period in 2011. In addition, the Power Division's result was burdened by the weak performance at the Oskarshamn nuclear power plant. Production volumes decreased considerably due to the shutdown and prolonged repairs of unit 1 and a strike related to certain outage works at unit 3. These setbacks were partly offset by the significantly increased hydro generation, which was attributable to higher water reservoir levels and inflow in the second quarter compared to the corresponding period in 2011. During the second quarter of 2012, Fortum had no thermal production in the Nordic countries.

The operating profit, EUR 214 (271) million, was affected by non-recurring items, IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production amounting to EUR -1 (20) million and nuclear fund adjustments (Note 4).

In the second quarter of 2012, the division's total power generation in the Nordic countries was 11.1 (10.8) TWh, which corresponds to an approximately 3% increase compared to the same period in 2011. Power's achieved Nordic power price amounted to EUR 43.9 per MWh, which was EUR 3.5 per MWh lower than in the second quarter of 2011.

The negative effect of lower nuclear and thermal volumes and the lower achieved power price inspite of higher hydro volumes was approximately EUR 10 million during the second quarter of 2012 compared to the corresponding period in 2011. Operating costs increased by approximately EUR 25 million, mainly due to higher nuclear fuel costs, higher nuclear waste fees in Sweden, higher co-owned nuclear procurement costs mainly caused by longer outages in Oskarshamn, increased depreciation and interest costs as well as inflationary effects.

January - June

In January-June 2012, the Power Division's comparable operating profit was EUR 563 (582) million, i.e. EUR 19 million lower than in the corresponding period in 2011. The achieved power price was EUR 1.9 per MWh lower than in the corresponding period in 2011 as the system and all area prices were clearly lower in January-June 2012 than during the same period a year ago. The average system spot price was EUR 33.3 (59.2) per MWh and the average area price in Finland EUR 37.5 (58.4) per MWh and in Sweden (SE3) EUR 34.3 (59.0) per MWh. High water reservoir levels as well as high inflow increased hydro generation significantly. Nuclear availability was at a high level in all reactors except Oskarshamn 1 and 3. The total nuclear volume was thus lower than during the corresponding period in 2011. Thermal production was clearly lower than the year before, due to low power prices.

The operating profit was EUR 581 (760) million. A gain of EUR 47 million, related to the divestments of small hydro plants in Finland, was booked into the first quarter of 2012. The operating profit was also affected by the IFRS accounting treatment (IAS 39) of derivatives used mainly for hedging Fortum's power production amounting to EUR -13 (188) million and nuclear fund adjustments (Note 4).

The combined effect of increased hydro generation, lower nuclear and thermal volumes as well as a lower achieved power price had a positive impact of approximately EUR 20 million during January-June 2012 compared to the corresponding period in 2011. Operating costs increased by approximately EUR 40 million, mainly due to higher nuclear fuel prices, higher nuclear waste fees in Sweden, higher co-owned nuclear procurement costs, mainly caused by longer outages in Oskarshamn, increased depreciation and interest costs, as well as inflationary effects and other costs. The increase in waste fees is estimated to be approximately EUR 15 million for the full year 2012. Also the increase in nuclear fuel prices is estimated to be approximately EUR 15 million for the full year 2012.

In January-June 2012, the division's total power generation in the Nordic countries was 23.9 (23.4) TWh, which corresponds to an approximately 2% increase compared to the same period in 2011. Power's achieved Nordic power price amounted to EUR 45.7 per MWh, which was EUR 1.9 per MWh lower than in the same period of 2011. The system price and both Finnish and Swedish area prices were clearly lower during January–June 2012 compared to the same period in 2011.

Fortum has two fully-owned reactors in Loviisa and the company is also a co-owner in eight reactors at the Olkiluoto, Oskarshamn and Forsmark nuclear power plants. Nuclear availability was at a high level in all of the reactors except Oskarshamn 1 and 3. Oskarshamn 1 was shut down at the end of October 2011 for an extensive turbine overhaul, and according to current data, will stay shut down until 12 September 2012 for further maintenance of the systems. Oskarshamn 3 was shut down for a total of approximately six weeks due to technical problems and a strike related to certain outage works. Oskarshamn 3 was operating at an approximately 100-MW reduced output until the planned annual outage that started 12 April. The outage ended on 4 June, after which the unit has reached the new increased power level of 1,400 MW; however, all power increase-related tests have not yet been completed.

European-wide safety evaluations have been carried out after the Fukushima incident in 2011. As part of the evaluations, so-called peer reviews were carried out in several European nuclear power plants, including the Loviisa nuclear power plant, in March 2012. The European Commission is expected to submit a consolidated report of the national reports to the European Council in October 2012.

Fortum’s preparations for the French hydro concession bidding have progressed as planned.

Heat

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

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Sales	321	322	946	1,047	1,737	1,636
- heat sales	193	214	658	743	1,238	1,153
- power sales	44	75	140	226	342	256
- other sales	84	33	148	78	157	227
Operating profit	20	25	233	290	380	323
Comparable operating profit	23	25	184	196	278	266
Comparable EBITDA	72	74	283	294	471	460
Net assets (at period-end)			4,072	3,911	4,191	
Return on net assets, %					9.9	8.5
Comparable return on net assets, %					7.4	7.1
Capital expenditure and gross investments in shares	99	72	166	130	329	365
Number of employees			2,439	2,793	2,504	

April - June

The Heat Division’s heat sales volumes amounted to 3.3 (3.6) TWh during the second quarter of 2012. During the same period, power sales volumes from CHP production totalled 0.8 (1.2) TWh. The decrease in volumes is mainly attributable to the divestments in Finland and Estonia in January 2012. The restructuring of the Turku region energy production in Finland also decreased volumes.

The Heat Division’s comparable operating profit in the second quarter was EUR 23 (25) million, EUR 2 million lower than in the corresponding period of 2011. The main reasons for the decline were lower volumes related to the restructuring and lower power market prices.

The operating profit in the second quarter totalled EUR 20 (25) million.

January - June

Heat sales volumes during January-June 2012 amounted to 11.4 (14.0) TWh. During the same period, power sales volumes from CHP production totalled 2.5 (3.9) TWh. The divestment in Sweden in March 2011 and the divestments in Finland and Estonia in January 2012 reduced volumes. In addition, the restructuring of the Turku region energy production in Finland decreased volumes. Average temperature levels have been close to last year’s corresponding period; the first quarter of the year was somewhat warmer than last year.

The Heat Division's comparable operating profit in January-June 2012 was EUR 184 (196) million, i.e., EUR 12 million lower than in the corresponding period of 2011. The decrease in the result was mainly due to lower volumes attributable to divestments and restructuring, and lower power market prices. However, in Sweden, the result improved due to good availability, fuel flexibility and the introduction of new district heat products.

The operating profit in January-June 2012 totalled EUR 233 (290) million, and includes a gain of EUR 58 (80) million related to divestments.

Heat sales by area, TWh	II/12	II/11	I-II/12	I-II/11	2011	LTM
Finland	1.0	1.7	3.2	5.1	8.5	6.6
Sweden	1.6	1.2	4.9	5.4	8.5	8.0
Poland	0.6	0.5	2.6	2.6	4.3	4.3
Other countries	0.1	0.2	0.7	0.9	1.3	1.1
Total	3.3	3.6	11.4	14.0	22.6	20.0

Power sales, TWh	II/12	II/11	I-II/12	I-II/11	2011	LTM
Total	0.8	1.2	2.5	3.9	6.2	4.8

Russia

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

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Sales	198	195	508	490	920	938
- power sales	150	135	331	297	590	624
- heat sales	47	60	173	192	324	305
- other sales	1	0	4	1	6	9
EBITDA	47	52	124	109	182	197
Operating profit	15	21	63	55	74	82
Comparable operating profit	4	21	52	55	74	71
Comparable EBITDA	36	30	113	87	148	174
Net assets (at period-end)			3,437	3,051	3,273	
Return on net assets, %					3.5	2.9
Comparable return on net assets, %					3.5	2.5
Capital expenditure and gross investments in shares	126	192	207	267	694	634
Number of employees			4,272	4,497	4,379	

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

The liberalisation of the Russian wholesale power market was completed by the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity - an amount equalling the consumption of households and a few special groups of consumers - under regulated prices. During the second quarter, OAO Fortum sold approximately 83% of its power production at a liberalised electricity price.

The new rules for the capacity market, starting from 2011, were approved by the Russian Government. The generation capacity built after 2007 under the government capacity supply agreements (CSA – "new capacity") receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined to ensure a sufficient return on investments.

At the time of the acquisition in 2008, Fortum made a provision, as penalty clauses are included in the CSA agreement in case of possible delays. Possible penalties can be claimed if the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not otherwise fulfilled. The effect of changes in the timing of commissioning of new units is assessed at each balance sheet date and the provision is changed accordingly (see Note 18).

The capacity selection for 2012 (CCS for “old capacity”, built prior to 2008) was held in September 2011. The majority of Fortum’s power plants were selected in the auction, with a price level close to the level received in 2011. Approximately 4% (120 MW) of Fortum’s old capacity was not allowed to participate in the selection, due to tightened minimal technical requirements. The capacity will, however, receive capacity payments at the average capacity market price for two additional years.

April - June

The Russia Division's power sales volumes amounted to 5.1 (4.6) TWh during the second quarter of 2012. Heat sales totalled 4.2 (4.3) TWh during the same period.

The Russia Division’s comparable operating profit was EUR 4 (21) million in the second quarter of 2012. The comparison figure from 2011 includes a reversal of CSA provision of EUR 22 million. The positive effect from the commissioning of the new units in 2011 amounted to approximately EUR 17 (9) million, in the second quarter. The improvement was offset by the lower electricity price compared to the corresponding period last year. In addition, decreased capacity payments and volumes for the old capacity had a negative impact.

The operating profit was EUR 15 (21) million in the second quarter of 2012. It includes a gain of EUR 11 million relating to a divestment of heating network assets.

The commissioning of Fortum’s largest new investment projects in Nyagan have been somewhat further postponed and the company estimates the commissioning of Nyagan 1 to take place around the turn of the year and Nyagan 2 during the first half of 2013 due to construction delays.

Fortum will build the last two units of its Russian investment programme in Chelyabinsk instead of in Tyumen. The units are to be constructed at Chelyabinsk GRES. Within the scope of the project, Fortum also plans to modernise and upgrade the existing equipment of the power plant.

Key electricity, capacity and gas prices for OAO Fortum	II/12	II/11	I-II/12	I-II/11	2011	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	888	954	869	950	925	884
Average regulated gas price, Urals region, RUB/1000 m3	2,548	2,548	2,548	2,548	2,548	2,548
Average capacity price for CCS “old capacity”, tRUB/MW/month*	136	141	151	163	160	156
Average capacity price for CSA “new capacity”, tRUB/MW/month*	470	496	523	593	560	550
Average capacity price, tRUB/MW/month	202	174	223	194	209	218
Achieved power price for OAO Fortum, EUR/MWh	29.4	29.0	29.3	29.1	29.2	29.3

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

January - June

The Russia Division's power sales volumes amounted to 11.3 (10.2) TWh during January-June 2012. Heat sales totalled 15.5 (15.3) TWh during the same period.

The Russia Division’s comparable operating profit was EUR 52 (55) million in January-June 2012. The positive effect from the commissioning of the new units amounted to approximately EUR 41 (16) million. January-June 2011 included a reversal of provisions of EUR 22 million. The improvement was offset by the lower electricity price compared to the corresponding period last year. In addition, decreased capacity payments and volumes for the old capacity had a negative impact.

The operating profit was EUR 63 (55) million in January-June 2012, and includes a gain of EUR 11 million relating to a divestment of heating network assets.

OAO Fortum's new capacity will be a key driver for earnings growth in Russia, as it will bring income from new volumes sold and also receive considerably higher capacity payments than the old capacity. However, received capacity payments will differ depending on the age, location, type and size of the plant as well as seasonality and availability.

The return for the new capacity is guaranteed as regulated in the Capacity Supply Agreement (CSA). The regulator will review the earnings from the electricity-only market after three years and six years and could revise the CSA payments accordingly. CSA payments can vary annually somewhat because they are linked to Russian Government long-term bonds with 8 to 10 years maturity.

The commissioning of Fortum’s largest new investment greenfield projects in Nyagan has been somewhat further postponed. Fortum has ongoing discussions with its main contractor and Fortum estimates the commissioning of Nyagan 1 to take place around the turn of the year and Nyagan 2 during the first half of 2013 due to construction delays. This does not change the overall schedule or financial targets of the investment programme. In 2008, Fortum made a provision for penalties caused by possible commissioning delays, already. According to the agreement with the contractor, Fortum is entitled to adequate remedies in case of damages caused by contractor delays.

Fortum is committed to its EUR 2.5 billion investment programme in Russia, and the schedule of the programme is to commission the last new units in 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of June 2012, is estimated to be approximately EUR 800 million as of July 2012. Altogether, the investment programme consists of eight new power plant units, of which the first three units were commissioned in 2011.

After completing the ongoing investment programme, Fortum’s goal is to achieve an operating profit level of about EUR 500 million in its Russia Division and to create positive economic value added in Russia.

In March 2012, the Russian Ministry for Economic Development approved three of OAO Fortum's power plant units as Joint Implementation projects: one Chelyabinsk CHP-3 unit and two Nyagan GRES units. All of these units are part of Fortum’s extensive investment programme. The Joint Implementation projects, as defined in the Kyoto Protocol, will reduce carbon dioxide emissions in Russia, and Fortum will be able to use the related emission reduction units in the EU's emissions trading scheme or sell them on the market.

Electricity Solutions and Distribution

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

Distribution

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

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Sales	223	215	531	526	973	978
- distribution network transmission	183	181	444	452	809	801
- regional network transmission	28	21	63	49	96	110
- other sales	12	13	24	25	68	67
Operating profit	50	252	167	377	478	268
Comparable operating profit	49	60	159	184	295	270
Comparable EBITDA	101	106	260	277	482	465
Net assets (at period-end)			3,700	3,487	3,589	
Return on net assets, %					13.7	7.7
Comparable return on net assets, %					8.6	7.7
Capital expenditure and gross investments in shares	79	62	123	96	289	316
Number of employees			907	928	898	

April - June

The volume of distribution and regional network transmissions during the second quarter of 2012 totalled 5.6 (5.6) TWh and 3.9 (3.8) TWh, respectively.

The Distribution business area's comparable operating profit was EUR 49 (60) million. The main reason to the result decrease was somewhat higher fault repair and customer compensation costs than provisioned for at year-end 2011. In addition, costs relating to the accelerated improvement of network reliability in Finland impacted the result somewhat negatively already in the second quarter.

The operating profit in the second quarter of 2012 totalled 50 (252). The second quarter in 2011 includes a gain of EUR 192 million related to divestments.

January - June

In January–June 2012, the volume of distribution and regional network transmissions totalled 13.9 (14.2) TWh and 8.8 (8.7) TWh, respectively.

The Distribution business area's comparable operating profit was EUR 159 (184) million. The decrease in the result was mainly due to warm weather during the early part of 2012, the timing of the relocation of cables and parts of network, higher fault repair costs and customer compensations.

The operating profit in January-June 2012 totalled 167 (377). The January-June 2011 figure includes a gain of EUR 192 million relating to the divestment of Fingrid Oyj shares.

The rollout of smart metering with hourly measurement capabilities to network customers in Finland continued; by the end of second quarter of 2012, altogether 301,000 customers had received new meters (160,000 at the end of 2011). Before the end of 2013, a total of approximately 620,000 network customers will have smart metering. The benefits of the new system include invoicing based on actual electricity consumption and better control of the use of electricity. The new Finnish legislation on hourly meter reading will become effective 1 January 2014.

In Sweden, the Government's bill on the hourly measurement of electricity consumption for household customers was passed in the Parliament in mid-June 2012. The legislation stipulates that network companies should be able to offer hourly measurement to customers who have signed an electricity sales agreement that requires hourly measurement. It will come into force on 1 October 2012. The aim is to have all household customers on the hourly system by the end of 2015.

Both in Finland and Sweden, there are legal processes under way concerning the industry appeals made regarding the network income regulatory period 2012-2015, which came into force on 1 January 2012.

Volume of distributed electricity in distribution network, TWh	II/12	II/11	I-II/12	I-II/11	2011	LTM
Sweden	3.1	3.1	7.5	7.6	14.2	14.1
Finland	2.0	2.0	5.1	5.2	9.5	9.4
Norway	0.5	0.5	1.3	1.3	2.3	2.3
Estonia	-	0.0	-	0.1	0.1	0.0
Total	5.6	5.6	13.9	14.2	26.1	25.8

Number of electricity distribution customers by area, thousands	30 June 2012	30 June 2011
Sweden	898	893
Finland	629	624
Norway	102	101
Estonia	-	24
Total	1,629	1,642

Electricity Sales

The Electricity Sales business area is responsible for retail sales of electricity to a total of 1.2 million private customers. It is the leading seller of eco-labelled and CO_2-free electricity in the Nordic countries. Electricity Sales buys its electricity from the Nordic power exchange.

EUR million	II/12	II/11	I-II/12	I-II/11	2011	LTM
Sales	135	183	382	556	900	726
- power sales	129	178	369	546	879	702
- other sales	6	5	13	10	21	24
Operating profit	11	23	22	3	3	22
Comparable operating profit	11	10	20	21	27	26
Comparable EBITDA	11	10	20	22	29	27
Net assets (at period-end)			28	77	11	
Return on net assets, %					4.2	51.2
Comparable return on net assets, %					33.5	80.7
Capital expenditure and gross investments in shares	0	1	0	4	5	1
Number of employees			528	518	519	

April - June

During the second quarter of 2012, the business area's electricity sales volume totalled 2.6 (2.9) TWh. The lower volume is due to the Business Market restructuring, which was still ongoing in the second quarter of 2011, but is now completed.

Electricity Sales' comparable operating profit in the second quarter of 2012 totalled EUR 11 (10) million.

The operating profit totalled EUR 11 (23) million and was affected by non-recurring items, IFRS accounting treatment (IAS 39) of derivatives (Note 4).

January - June

During January–June 2012, the business area's electricity sales volume totalled 6.8 (8.4) TWh. The lower volume was due to the Business Market restructuring, which was still ongoing in the second quarter of 2011, but is now completed.

Electricity Sales' comparable operating profit in January–June 2012 totalled EUR 20 (21) million. Warmer weather than last year and customer retention activities decreased profits slightly compared to last year.

The operating profit totalled EUR 22 (3) million and was affected by non-recurring items, IFRS accounting treatment (IAS 39) of derivatives (Note 4).

New legislation on the hourly measurement of electricity consumption for household customers in Sweden was approved by the Parliament in mid-June. The legislation will come into force on 1 October 2012.

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares totalled EUR 348 (367) million in the second quarter of 2012. Investments, excluding acquisitions, were EUR 343 (366) million.

In January-June 2012, capital expenditures and investments in shares totalled EUR 566 (572) million. Investments, excluding acquisitions, were EUR 561 (533) million.

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts *
Power				
Hydro refurbishment	Hydropower	10		2012
Heat				
Klaipeda, Lithuania	Waste (CHP)	20	60	Q1 2013
Järvenpää, Finland	Biofuel (CHP)	23	63	Q2 2013
Jelgava, Latvia	Biofuel (CHP)	23	45	Q3 2013
Brista, Sweden	Waste (CHP)	20	57	Q4 2013
Russia**				
Nyagan 1	Gas (CCGT)	418		Q4 2012/Q1 2013
Nyagan 2	Gas (CCGT)	418		1H 2013
Nyagan 3	Gas (CCGT)	418		2H 2013

*) Start of commercial operation, preceded by test runs, licensing, etc.
**) Start of capacity sales, preceded by test runs, licensing, etc.

Power

Fortum completed the divestment of small hydropower plants in Finland during January–June 2012. The capital gains from these transactions were EUR 47 million, which were booked in the Power Division's first-quarter results.

Through its interest in TVO (Teollisuuden Voima Oyj), Fortum is participating in the building of Olkiluoto 3, a 1,600-MW nuclear power plant unit in Finland. Based on the information submitted by AREVA-Siemens Consortium, Teollisuuden Voima Oyj (TVO) estimates that the Olkiluoto 3 nuclear power plant unit will not be ready for regular electricity production in 2014. TVO received an International Chamber of Commerce arbitration tribunal decision concerning a few partial payments previously made, to a blocked account, and to be released to the Olkiluoto 3 plant supplier. The decision takes no position on the delay of the plant unit and the cost resulting from the delay.

TVO completed plant upgrades and further improved the safety of Olkiluoto nuclear power plant during 2010 – 2012. As a result, the power output of both Olkiluoto 1 and Olkiluoto 2 increased by approximately 20 MW each.

In addition, TVO has started the bidding and engineering phase of the company’s fourth nuclear unit at Olkiluoto. Fortum’s share of the commitment for this phase is approximately EUR 77 million. During the first quarter of 2012, TVO raised EUR 20 million in shareholder loans; Fortum’s share of this is approximately EUR 5 million.

Fortum also decided to refurbish the Höljes dam in the northwest part of Värmland in Sweden. The value of the refurbishment is about EUR 50 million over a four-year period. The Höljes refurbishment will meet the latest requirements for dam safety. The dam safety work has started in early summer 2012 and will be finalised during 2015.

Heat

In January, Fortum concluded its divestment of Fortum Energiaratkaisut Oy and Fortum Termest AS to EQT Infrastructure Fund. The divestment has been approved by the relevant competition authorities both in Finland and Estonia. The total sales price, including net debt, was approximately EUR 200 million. Fortum's sales gain was EUR 58 million. The divestment is in line with the strategy to focus on large-scale CHP production.

The energy production of the co-owned Turun Seudun Maakaasu ja Energiatuotanto Oy (TSME) started on 1 January, as agreed by the different partners in late 2011. TSME is a co-owned company that consolidates the energy production in the Turku region in Finland.

In February, Fortum opened up the possibility for customers to sell their own surplus heat to Fortum's grid at market price in Stockholm, Sweden. The first agreement was signed in June and is part of a pilot project. Many customers have expressed their interest by signing letters of intent. The first customers will be able to sell surplus heat in 2012; the aim is for all customers to be able to sell their surplus heat starting in 2013.

In March, Fortum decided to invest about EUR 20 million in the commercialisation of new technology by building a bio-oil plant connected to the Joensuu power plant in Finland. The total value of the investment is about EUR 30 million, of which the Ministry of Employment and the Economy has granted EUR 8.1 million as a new technology investment.

The modernisation of the district heating networks continued in Poland during January–June 2012 and the production plants were upgraded at the same time. The aim is to increase efficiency and the usage of biomass. During 2012, the use of biomass has increased at the Czestochowa CHP plant in Poland; the long- term target is to increase the amount of biomass from 25% to 35%.

In Jelgava, Latvia, Fortum started the construction of the first large-scale bio-fuel CHP plant in April. Fortum is proceeding with the construction of the Klaipeda waste-to-energy CHP plant, the first of its kind in the Baltics.

Russia

In June, Fortum sold its heating network assets in Surgut, Russia, to Surgut City Grid LLC. Fortum does not have its own CHP production in Surgut. In addition, Surgut is distant from the other operations of Fortum's Russian subsidiary OAO. The divestment was finalised on 30 June 2012, and resulted in a EUR 11 million gain.

In June, Fortum announced its decision to build the last two 250-megawatt units of its Russian investment programme at Chelyabinsk in the Urals. Initially, the units were planned for construction in the Tyumen region in Western Siberia. The units are included in the Capacity Supply Agreement, originally agreed upon in 2008. Fortum has received approval for the relocation from the Russian Government, including the Ministry of Economic Development of the Russian Federation and the Russian Ministry of Energy as well as the local authorities.

The new units are to be constructed at Chelyabinsk GRES. Within the scope of the project, Fortum also plans to modernise and upgrade the existing equipment of the power plant.

Distribution

According to a deal signed with Imatran Seudun Sähkö on 20 December 2011, Imatran Seudun Sähkö acquired Distribution's Estonian subsidiary Fortum Elekter. In connection with the agreement, Distribution also sold its ownership in Imatran Seudun Sähkö Oy. The deal was finalised at the beginning of January 2012.

Shares and share capital

Fortum Corporation is listed on the NASDAQ OMX Helsinki Ltd. During January-June 2012, a total of 274.5 (254.9) million Fortum Corporation shares, totalling EUR 4,611 million, were traded on the NASDAQ OMX Helsinki Ltd. The highest quotation of Fortum Corporation shares during the reporting period was EUR 19.36, the lowest EUR 13.87, and the volume-weighted average EUR 16.79. The closing quotation on the last trading day of the second quarter of 2012 was EUR 14.97 (19.97). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 13,299 million.

In addition to the NASDAQ OMX Helsinki Ltd., Fortum shares were traded on several alternative market places, for example at Boat, BATS Chi-X and Turquoise. During January - June 2012 approximately 56% of Fortum's traded shares were traded on alternative market places.

At the end of June 2012, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not own its own shares. The number of registered shareholders was 114,742. The Finnish State's holding in Fortum was 50.8% and the proportion of nominee registrations and direct foreign shareholders was 27.3% at the end of the review period.

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

Group personnel

Fortum's operations are mainly based in the Nordic countries, Russia and Baltic Rim area. The company has employees in Finland, Sweden, Norway, Russia, Poland, Estonia, Latvia, Lithuania and Great Britain. The total number of employees at the end of the period was 10,848 (10,780 at the end of 2011), including summer trainees.

At the end of the period, the Power Division had 2,019 (1,847) employees, the Heat Division 2,439 (2,504), the Russia Division 4,272 (4,379), the Distribution business area 907 (898), Electricity Sales business area 528 (519) and Other 683 (633).

Research and development

Sustainability is at the core of Fortum's strategy, and Fortum's research and development activities promote environmentally benign energy solutions.

During January–June, Fortum decided to invest in the commercialisation of new technology by building a bio-oil plant connected to the Joensuu power plant in Finland. The CHP-integrated bio-oil plant, based on fast pyrolysis technology, is the first of its kind in the world on an industrial scale. The new technology has been developed in cooperation between Metso, UPM, VTT (as part of the TEKES Biorefine research programme) and Fortum. The bio-oil plant, which will be integrated with the CHP plant in Joensuu, will produce electricity and district heat, and, in the future, 50,000 tonnes of bio-oil per year. The bio-oil raw materials will include forest residues and other wood-based biomass.

A new research programme on efficient energy use (EFEU) was started by CLEEN Ltd. The value of the five-year programme is approximately EUR 12 million and it will be carried out by a wide group of equipment manufacturers, energy companies and research institutions. Energy efficiency presents the most important means in managing global climate change. Fortum's main activities in the EFEU programme include eco-efficient heating and cooling solutions, climate-benign electricity and heat production chains and new energy efficiency service business models integrated with new technologies.

In addition, Fortum introduced a Smart Grid product to buy back the excess production from customers who produce their own electricity with small wind, hydro and solar power plants in parts of Sweden. In Estonia, a home charging package was launched for owners of the 100% electric Nissan LEAF. The system has been developed in partnership with Fortum and Nissan's Electric Mobility Operator (EMO). In Poland, a four year contract with Wroclaw Technical University was signed in order to increase the efficiency of absorption cooling units when operating in low temperatures and to increase CHP's summer loads in district heating networks.

The Group reports its R&D expenditure on a yearly basis. In 2011, Fortum's R&D expenditure was EUR 38 million (2010: 30 million) or 0.6% of sales (2010: 0.5%) and 1.1% of total expenses (2010: 0.8%).

Sustainability

Fortum strives for balanced management of economic, social and environmental responsibility in the company's operations. The company's sustainability approach defines Group-level targets guiding operations and the key indicators to monitor them. Based on these, the divisions set their division-level targets and indicators and outline the measures needed to achieve the targets.

The company is listed on the Dow Jones Sustainability Index World (the only Nordic utility in the index), and Fortum is also included in the STOXX Global ESG Leaders indices and in the NASDAQ OMX and GES Investment Service's new OMX GES Sustainability Finland index.

Economic responsibility

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

Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources and management of the impacts of our energy production, distribution and supply chain. Our know-how in CO_2-free hydro and nuclear power production and in energy-efficient CHP production is highlighted in environmental responsibility. Fortum's Group-level environmental targets are related to carbon-dioxide emissions, energy efficiency and environmental management system certifications. In addition, the divisions have defined their own environmental goals related to their respective business. The achievements of the environmental targets are monitored through monthly, quarterly and annual reporting.

Fortum's climate targets over the next five years comprise specific CO_2 emissions from power generation in the EU of below 80 grams per kilowatt-hour (g/kWh) and specific CO_2 emissions from the total energy production (electricity and heat) of below 200 g/kWh, covering all operating countries. Both targets are calculated as a five-year average.

At the end of June 2012, the five-year average for specific CO_2 emissions from power generation in the EU was at 63 g/kWh and the specific CO_2 emissions from the total energy production was at 173 g/kWh, both better than the target level. Fortum's total CO_2 emissions in January - June 2012 amounted to 10.7 (14.0) million tonnes (Mt), of which 2.6 (5.7) Mt were within the EU's emissions trading scheme (ETS).

In January - June 2012, approximately 67% (58%) of the power generated by Fortum was CO_2-free. The corresponding figure for Fortum's generation within the EU was 92% (79%).The main reason behind the high share of CO_2-free power is that no condensing power was produced at the Inkoo and Meri-Pori coal-fired power plants.

Overall efficiency of fuel use was 68% as a five-year average, the target is >70%. At the end of the second quarter of 2012, 95% of Fortum's operations globally had ISO 14001 environmental certification.

Fortum's total CO_2 emissions (million tonnes, Mt)	II/12	II/11	I-II/12	I-II/11	2011	LTM
Total emissions	4.1	4.6	10.7	14.0	23.6	20.2
Emissions subject to ETS	0.7	1.5	2.6	5.7	8.3	5.0
Free emissions allocation		-		-	6.8	
Emissions in Russia	3.2	2.8	7.9	7.6	14.8	15.0

Fortum's specific CO_2 emissions from power generation (g/kWh)	II/12	II/11	I-II/12	I-II/11	2011	LTM
Total emissions	168	178	172	222	192	167
Emissions in the EU	31	75	47	133	88	46
Emissions in Russia	549	460	503	469	483	501

Social responsibility

In the area of social responsibility, Fortum's innovations and the secure supply of low-carbon power and heat support the development of society and increase well-being. Good corporate citizenship and ensuring a safe working environment for all employees and contractors at Fortum sites are emphasised. A Group-level target has been defined for occupational safety. In addition to ISO 14001, the goal is to have OHSAS 18001 certification for all operational management systems. In January - June 2012, the Group-level lost workday injury frequency (LWIF) continued at a good level at 1.7 (2.3). An unfortunate fatal accident occurred to a Fortum contractor in Russia in April. Fortum's safety target is to reach a LWIF level that is less than one per million working hours for its own personnel. This reflects the Group's zero tolerance for accidents.

Fortum wants to conduct business with viable companies that act responsibly and comply with the Fortum Code of Conduct and Fortum Supplier Code of Conduct. In January–June 2012, altogether six supplier audits were conducted. In the beginning of 2012, Fortum joined the Better Coal Initiative, aiming for continuous improvement of corporate responsibility in the supply chain of coal.

Changes in Fortum's Management

Markus Rauramo (43), M.Sc., Political Sciences, has been appointed as the new Chief Financial Officer (CFO) at Fortum Corporation. He will be a member of Fortum Management Team and will report to President and CEO Tapio Kuula. Markus Rauramo joins Fortum from Stora Enso, where he has held various managerial and leadership positions since 1993, most recently as CFO. Markus Rauramo will start at Fortum in August 2012 and as a CFO on 1 September 2012.

Fortum's long-time CFO, Juha Laaksonen, will retire according to his terms of employment at the beginning of 2013.

Annual General Meeting 2012

Fortum Corporation's Annual General Meeting, which was held in Helsinki on 11 April 2012, adopted the financial statements of the parent company and the Group for 2011, discharged Fortum's Supervisory Board from liability for the time period 1 January - 4 April 2011, and Fortum's Board of Directors as well as the President and CEO from liability for 2011.

The Annual General Meeting decided to pay a dividend of EUR 1.00 per share for 2011. The record date for the dividend payment was 16 April 2012 and the dividend payment date was 23 April 2012.

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

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

The Annual General Meeting also confirmed the appointment of a Nomination Board to prepare proposals concerning Board members and their remuneration for the next Annual General Meeting. The Nomination Board will consist of the representatives of the three main shareholders and, in addition, the Chairman of the Board of Directors as an expert member. The Nomination Board will be convened by the Chairman of the Board of Directors, and the Nomination Board will choose a chairman from among its own members. The Nomination Board shall give its proposal to the Board of Directors of the company at the latest by 1 February preceding the Annual General Meeting.

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

Outlook

Key drivers and risks

Fortum's financial results are exposed to a number of strategic, financial and operational risks. The key factor influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, fuel and CO_2 emissions allowance prices as well as the hydrological situation. The completion of Fortum's investment programme in Russia is also one key driver to the company's result growth.

The continued global economic uncertainty and Europe's sovereign-debt crisis weaken the outlook for economic growth in the mid-term, especially in the Euro zone. The overall economic uncertainty impacts the commodity and CO_2 emission allowance prices and this in combination with the stronger hydrological situation in the Nordic region, could maintain downward pressure on the Nordic wholesale price for electricity in the short-term. In the Russian business, the key factors are the development of the regulation around electricity and capacity markets and operational risks related to the investment projects according to the investment programme. In all regions, fuel prices and power plant availability also impact the profitability. In addition, increased volatility in exchange rates due to financial turbulence might have both translation and transaction effects on Fortum's financials especially through the SEK and RUB.

Nordic market

Despite macroeconomic uncertainty, electricity will continue to gain a higher share of the total energy consumption. Fortum currently expects the average annual growth rate in electricity consumption to be on average 0.5%, while the growth rate for the nearest years will largely be determined by the macroeconomic development in Europe and especially in the Nordic countries.

During the second quarter of 2012, the price of crude oil decreased steadily, whereas the decrease in the coal price stabilised towards the end of the quarter. The price of CO_2 emissions allowances (EUA) weakened somewhat during the quarter. The forward price of electricity for the next twelve months came down both in the Nordic area and in Germany.

The future quotations for coal (ICE Rotterdam) for the rest of 2012 were around USD 92 per tonne and the market price for CO2 emissions allowances (EUA) for 2012 was about EUR 8 per tonne.

In mid-July 2012, the electricity forward price in Nord Pool for the rest of 2012 was around EUR 34 per MWh. For 2013, the electricity forward price was around EUR 38 per MWh and for 2014 around EUR 39 per MWh. In Germany, the electricity forward price for the rest of 2012 was around EUR 45 per MWh and for 2013 EUR 49 per MWh.

In mid-July 2012, Nordic water reservoirs were about 2 TWh above the long-term average and 3 TWh above the corresponding level of 2011.

Power

The Power Division's Nordic power price typically depends on e.g. the hedge ratio, hedge price, spot prices, availability and utilisation of Fortum's flexible production portfolio, and currency fluctuations. Excluding the potential effects from the changes in the power generation mix, a 1 EUR/MWh change in the Power Division's Nordic power sales price will result in an approximately EUR 45 million change in Fortum's annual comparable operating profit. In addition, the comparable operating profit of the Power Division will be affected by the possible thermal power generation amount and its profit.

The several years of ongoing Swedish nuclear investment programmes will enhance safety, improve availability and increase the capacity of the current nuclear fleet. The implementation of the investment programmes might affect availability. Fortum's power procurement costs from co-owned nuclear companies are affected by these investment programmes through increased depreciation and finance costs.

European-wide safety evaluations have been carried out post Fukushima. As part of the evaluations, so-called peer reviews were carried out in March 2012 in several European nuclear power plants, including the Loviisa nuclear power plant. The European Commission is estimated to submit a consolidated report of the national reports to the European Council in October 2012. Fortum believes that some additional safety criteria could be introduced for nuclear power plants based on the evaluations and that they could be implemented for the Loviisa nuclear power plant within the framework of the annual investment programmes.

According to the legislation in Sweden, nuclear waste fees and guarantees are updated at regular intervals. At the end of December 2011, the Government decided upon fees and guarantees for 2012-2014. The negative impact from increased nuclear waste fees on Fortum's comparable operating profit is estimated to be approximately EUR 15 million per year in 2012-2014.

Nuclear fuel costs in all Fortum nuclear power plants are expected to increase in total by approximately EUR 15 million in 2012, due to the increased market price of uranium and enrichment.

Russia

The Russian wholesale power market was liberalised from the beginning of 2011. All generating companies continue to sell a part of their electricity and capacity equalling the consumption of households and a special group of consumers (Northern Caucasus Republic, Tyva Republic, Buryat Republic) under regulated prices.

The new rules for the capacity market starting from 2011 have been approved by the Russian Government. The generation capacity built after 2007 under government Capacity Supply Agreements (CSA – “new capacity”) receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments.

Capacity not under CSA competes in competitive capacity selection (CCS – “old capacity”). The capacity selection for 2012 was held in September 2011. The majority of Fortum's power plants were selected in the auction, with a price level close to the level received in 2011. Approximately 4% (120 MW) of the old capacity was not allowed to participate in the selection due to tightened minimal technical requirements. It will, however, receive capacity payments at the capacity market price for two additional years.

OAO Fortum's new capacity will be a key driver for earnings growth in Russia as it will bring income from new volumes sold and also receive considerably higher capacity payments than the old capacity. However, the received capacity payment will differ depending on age, the location, size and type of the plants as well as seasonality and availability. Especially the old capacity payments for CHP power plants are burdened during the summer period due to the temperature constraints evolving from lower heat demand.

The return on the new capacity is guaranteed as regulated in the Capacity Supply Agreement. The regulator will review the earnings from the electricity-only market after three years and six years and could revise the CSA payments accordingly. CSA payments can vary annually somewhat because they are linked to Russian Government long-term bonds with 8 to 10 years maturity.

The commissioning of Fortum's largest new investment greenfield projects in Nyagan has been somewhat further postponed. Fortum has ongoing discussions with its main contractor and Fortum estimates the commissioning of Nyagan 1 to take place around the turn of the year and Nyagan 2 during the first half of 2013 due to construction delays. This does not change the overall schedule or financial targets of the investment programme. In 2008, Fortum made a provision for penalties caused by possible commissioning delays, already. According to the agreement with the contractor, Fortum is entitled to adequate remedies in case of damages caused by contractor delays.

In June, Fortum announced its decision to build the last two 250-megawatt (MW) units of its Russian investment programme at Chelyabinsk in the Urals. Initially, the units were planned for construction in the Tyumen region in Western Siberia. The units are included within the sphere of the Capacity Supply Agreement originally agreed in 2008.

The new units are to be constructed at Chelyabinsk GRES. Within the scope of the project, Fortum also plans to modernise and upgrade the existing power plant equipment.

Fortum is planning to commission the last new units of its EUR 2.5 billion investment programme in Russia by the end of 2014. The value of the remaining part of the investment programme, calculated at exchange rates prevailing at the end of June 2012, is estimated to be approximately EUR 800 million as of July 2012.

After completing the ongoing investment programme, Fortum's goal is to achieve an operating profit level of about EUR 500 million in its Russia Division and to create positive economic added value in Russia.

The Russian Government decided to increase the gas prices as of the beginning 1 July 2012; the increase was approximately 15%. On the other hand, prices for regulated electricity sales, heat sales and CCS capacity income will be indexed at rates lower than in 2011.

Capital expenditure and divestments

Fortum currently expects its capital expenditure in 2012 to be around EUR 1.6-1.8 billion and in 2013-2014 around EUR 1.1 -1.4 billion, excluding potential acquisitions. The main reason for the high capital expenditures in 2012 is the acceleration of Fortum's Russian investment programme. The annual maintenance capital expenditure is estimated to be about EUR 500-550 million in 2012, approximately at the level of depreciation.

Taxation

The effective corporate tax rate for Fortum in 2012 is estimated to be 19-21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items. In Finland, the corporate tax rate was decreased to 24.5% from 26% starting 1 January 2012.

In March 2012, the Finnish Government announced that a so-called windfall tax will be introduced in 2014.

The process to update the real-estate taxation values for the year 2013 is ongoing in Sweden. The update is done in a cycle of six years.

Hedging

At the end of June 2012, approximately 65% of the Power Division's estimated Nordic power sales volume was hedged at approximately EUR 49 per MWh for the rest of the calendar year 2012. The corresponding figures for the calendar year 2013 were about 55% at approximately EUR 45 per MWh.

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

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

Dividend Payment

The Annual General Meeting decided to pay a dividend of EUR 1.00 per share for 2011. The record date for the dividend payment was 16 April 2012 and the dividend payment date was 23 April 2012.

Espoo, 18 July 2012
Fortum Corporation
Board of Directors

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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 interim financials have not been audited.

Publication of financial results in 2012:
- Interim Report January – September on 19 October 2012 at approximately 9:00 EEST

Publication of financial results in 2013:
- Financial statement bulletin for the year 2012 will be published on 31 January 2013 at approximately 9:00 EET
- Interim Report January – March on 25 April 2013 at approximately 9:00 EEST
- Interim Report January – June on 19 July 2013 at approximately 9:00 EEST
- Interim Report January – September on 23 October 2013 at approximately 9:00 EEST

Fortum's Financial statements and Operating and financial review for 2012 will be published during week 12 at the latest.

Fortum's Annual General Meeting is planned to take place for 9 April 2013 and the possible dividend related dates planned for 2013 are:
- The ex-dividend date 10 April 2013
- The record date for dividend payment 12 April 2013
- The dividend payment date 19 April 2013

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

Tables to the interim financial statements

Condensed consolidated income statement

EUR million	Note	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Sales	4	**1,284**	1,316	**3,185**	3,350	6,161	5,996
Other income		**16**	20	**30**	33	91	88
Materials and services		**-532**	-518	**-1,333**	-1,469	-2,566	-2,430
Employee benefit costs		**-143**	-141	**-281**	-271	-529	-539
Depreciation, amortisation and impairment charges	4,12,13	**-163**	-155	**-321**	-304	-606	-623
Other expenses		**-181**	-174	**-348**	-342	-749	-755
Comparable operating profit		**281**	348	**932**	997	1,802	1,737
Items affecting comparability		**2**	261	**87**	512	600	175
Operating profit		**283**	609	**1,019**	1,509	2,402	1,912
Share of profit/loss of associates and joint ventures	4, 14	**26**	15	**19**	74	91	36
Interest expense		**-75**	-70	**-151**	-132	-284	-303
Interest income		**14**	15	**28**	30	56	54
Fair value gains and losses on financial instruments		**-1**	-2	**-8**	-3	5	0
Other financial expenses - net		**-11**	-15	**-18**	-22	-42	-38
Finance costs - net		**-73**	-72	**-149**	-127	-265	-287
Profit before income tax		**236**	552	**889**	1,456	2,228	1,661
Income tax expense	9	**-46**	-74	**-165**	-232	-366	-299
Profit for the period		**190**	478	**724**	1,224	1,862	1,362
Attributable to:							
Owners of the parent		**186**	472	**681**	1,150	1,769	1,300
Non-controlling interests		**4**	6	**43**	74	93	62
		190	478	**724**	1,224	1,862	1,362
Earnings per share (in € per share)	10						
Basic		**0.21**	0.53	**0.77**	1.29	1.99	1.46
Diluted		**0.21**	0.53	**0.77**	1.29	1.99	1.46

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Comparable operating profit	**281**	348	**932**	997	1,802	1,737
Non-recurring items (capital gains and losses)	**11**	193	**121**	275	284	130
Changes in fair values of derivatives hedging future cash flow	**-2**	76	**-18**	249	344	77
Nuclear fund adjustment	**-7**	-8	**-16**	-12	-28	-32
Items affecting comparability	**2**	261	**87**	512	600	175
Operating profit	**283**	609	**1,019**	1,509	2,402	1,912

Condensed consolidated statement of comprehensive income

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	2010
Profit for the period	**190**	478	**724**	1,224	1,862	1,354
Other comprehensive income						
Cash flow hedges						
Fair value gains/losses in the period	**17**	95	**83**	145	299	-583
Transfers to income statement	**-56**	99	**-88**	331	480	1
Transfers to inventory/fixed assets	**-2**	-6	**-4**	-6	-23	-16
Tax effect	**11**	-49	**2**	-123	-195	151
Net investment hedges						
Fair value gains/losses in the period	**-**	3	**-**	2	2	-1
Tax effect	**-**	0	**-**	0	0	0
Available for sale financial assets						
Fair value changes in the period	**0**	-1	**0**	-1	-1	0
Exchange differences on translating foreign operations	**-144**	-46	**70**	-8	-75	344
Share of other comprehensive income of associates [1)]	**1**	-20	**-11**	1	2	-69
Other changes	**1**	6	**0**	7	3	-16
Other comprehensive income for the period, net of tax	**-172**	81	**52**	348	492	-189
Total comprehensive income for the year	**18**	559	**776**	1,572	2,354	1,165
Total comprehensive income attributable to						
Owners of the parent	**14**	564	**728**	1,503	2,255	1,064
Non-controlling interests	**4**	-5	**48**	69	99	101
	18	559	**776**	1,572	2,354	1,165
[1)] Of which fair value change in Hafslund ASA's shareholding in REC incl. translation differences	-	-6	-	0	0	-77

Condensed consolidated balance sheet

EUR million	Note	June 30 2012	June 30 2011	Dec 31 2011
ASSETS				
Non-current assets				
Intangible assets	12	**411**	416	433
Property, plant and equipment	13	**15,625**	14,685	15,234
Participations in associates and joint ventures	4, 14	**2,016**	2,014	2,019
Share in State Nuclear Waste Management Fund	17	**664**	638	653
Pension assets		**59**	65	60
Other non-current assets		**68**	72	69
Deferred tax assets		**146**	152	150
Derivative financial instruments	6	**403**	137	396
Long-term interest-bearing receivables		**1,250**	1,139	1,196
Total non-current assets		**20,642**	19,318	20,210
Current assets				
Inventories		**470**	410	528
Derivative financial instruments	6	**358**	193	326
Trade and other receivables		**745**	787	1,020
Bank deposits		**-**	131	-
Cash and cash equivalents		**404**	680	731
Liquid funds	16	**404**	811	731
Assets held for sale [1]	7		-	183
Total current assets		**1,977**	2,201	2,788
Total assets		**22,619**	21,519	22,998
EQUITY				
Equity attributable to owners of the parent				
Share capital	15	**3,046**	3,046	3,046
Share premium		**73**	73	73
Retained earnings		**6,174**	5,721	6,318
Other equity components		**179**	-17	195
Total		**9,472**	8,823	9,632
Non-controlling interests		**552**	581	529
Total equity		**10,024**	9,404	10,161
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	16	**7,266**	6,818	6,845
Derivative financial instruments	6	**160**	132	192
Deferred tax liabilities		**2,037**	1,887	2,013
Nuclear provisions	17	**664**	638	653
Other provisions	18	**211**	227	205
Pension obligations		**25**	30	26
Other non-current liabilities		**464**	467	465
Total non-current liabilities		**10,827**	10,199	10,399
Current liabilities				
Interest-bearing liabilities	16	**558**	776	925
Derivative financial instruments	6	**324**	248	219
Trade and other payables		**886**	892	1,265
Liabilities related to assets held for sale	7	**-**	-	29
Total current liabilities		**1,768**	1,916	2,438
Total liabilities		**12,595**	12,115	12,837
Total equity and liabilities		**22,619**	21,519	22,998

[1] Assets held for sale as of 31 December 2011 includes cash balances of EUR 16 million.

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
			Retained earnings and other funds	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies			
Total equity 31 December 2011	**3,046**	**73**	**6,670**	**-352**	**136**	**-2**	**61**	**9,632**	**529**	**10,161**
Net profit for the period			681					681	43	724
Translation differences				63	1		1	65	7	72
Other comprehensive income					-6		-12	-18	-2	-20
Total comprehensive income for the period			681	63	-5	0	-11	728	48	776
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-26	-26
Changes due to business combinations								0	1	1
Total equity 30 June 2012	**3,046**	**73**	**6,463**	**-289**	**131**	**-2**	**50**	**9,472**	**552**	**10,024**
Total equity 31 December 2010	**3,046**	**73**	**5,726**	**-278**	**-419**	**0**	**62**	**8,210**	**532**	**8,742**
Net profit for the period			1,150					1,150	74	1,224
Translation differences				1	-1		-1	-1	-9	-10
Other comprehensive income			10		344	1	-1	354	4	358
Total comprehensive income for the period			1,160	1	343	1	-2	1,503	69	1,572
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-21	-21
Changes due to business combinations						-2		-2	1	-1
Total equity 30 June 2011	**3,046**	**73**	**5,998**	**-277**	**-76**	**-1**	**60**	**8,823**	**581**	**9,404**
Total equity 31 December 2010	**3,046**	**73**	**5,726**	**-278**	**-419**	**0**	**62**	**8,210**	**532**	**8,742**
Net profit for the period			1,769					1,769	93	1,862
Translation differences				-74				-74		-74
Other comprehensive income			6		555		-1	560	6	566
Total comprehensive income for the period			1,775	-74	555	0	-1	2,255	99	2,354
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-21	-21
Changes due to business combinations			54			-2		52	-81	-29
Other			3					3		3
Total equity 31 December 2011	**3,046**	**73**	**6,670**	**-352**	**136**	**-2**	**61**	**9,632**	**529**	**10,161**

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR 65 million during Q1-Q2 2012 (Q1-Q2 2011: -1) mainly relating to RUB, NOK and SEK amounting to EUR 56 million in Q1-Q2 2012 (Q1-Q2 2011: 5).

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 8 Exchange rates.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -5 million during Q1-Q2 2012 (Q1-Q2 2011: 343), 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 dividend

The dividend for 2011 was decided at the Annual General Meeting on 11 April 2012. The dividend was paid on 23 April 2012. The dividend for 2010 was decided at the Annual General Meeting on 31 March 2011. See Note 11 Dividend per share.

Condensed consolidated cash flow statement

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Cash flow from operating activities						
Net profit for the period	**190**	478	**724**	1,224	1,862	1,362
Adjustments:						
Income tax expenses	**46**	74	**165**	232	366	299
Finance costs-net	**73**	72	**149**	127	265	287
Share of profit of associates and joint ventures	**-26**	-15	**-19**	-74	-91	-36
Depreciation, amortisation and impairment charges	**163**	155	**321**	304	606	623
Operating profit before depreciations (EBITDA)	**446**	764	**1,340**	1,813	3,008	2,535
Non-cash flow items and divesting activities	**-16**	-299	**-115**	-569	-726	-272
Interest received	**9**	14	**23**	33	59	49
Interest paid	**-143**	-104	**-213**	-170	-298	-341
Dividends received	**32**	101	**32**	101	108	39
Realised foreign exchange gains and losses and other financial items	**-29**	1	**-115**	-254	-245	-106
Taxes	**-89**	-144	**-167**	-258	-394	-303
Funds from operations	**210**	333	**785**	696	1,512	1,601
Change in working capital	**109**	77	**87**	168	101	20
Total net cash from operating activities	**319**	410	**872**	864	1,613	1,621
Cash flow from investing activities						
Capital expenditures	**-305**	-297	**-577**	-503	-1,285	-1,359
Acquisitions of shares	**-3**	-1	**-3**	-20	-62	-45
Proceeds from sales of fixed assets	**9**	2	**9**	3	15	21
Divestments of shares	**3**	328	**132**	445	492	179
Proceeds from the interest-bearing receivables relating to divestments	**22**	0	**169**	90	89	168
Shareholder loans to associated companies	**-3**	-5	**-27**	-29	-109	-107
Change in other interest-bearing receivables	**1**	6	**4**	32	35	7
Total net cash used in investing activities	**-276**	33	**-293**	18	-825	-1,136
Cash flow before financing activities	**43**	443	**579**	882	788	485
Cash flow from financing activities						
Proceeds from long-term liabilities	**56**	823	**374**	908	951	417
Payments of long-term liabilities	**-530**	-285	**-542**	-297	-365	-610
Change in short-term liabilities	**180**	-592	**158**	-333	-278	213
Dividends paid to the owners of the parent	**-888**	-888	**-888**	-888	-888	-888
Other financing items	**-19**	-18	**-26**	-20	-10	-16
Total net cash used in financing activities	**-1,201**	-960	**-924**	-630	-590	-884
Total net increase(+) / decrease(-) in liquid funds	**-1,158**	-517	**-345**	252	198	-399
Liquid funds at the beginning of the period	**1,574**	1,329	**747**	556	556	811
Foreign exchange differences in liquid funds	**-12**	-1	**2**	3	-7	-8
Liquid funds at the end of the period [1)]	**404**	811	**404**	811	747	404

[1)] Including cash balances of EUR 16 million relating to assets held for sale as of 31 December 2011.

Non-cash flow items and divesting activities
Non-cash flow items and divesting activities mainly consist of adjustments for unrealised fair value changes of derivatives EUR 21 million for Q1-Q2 2012 (Q1-Q2 2011: -268) and capital gains EUR -121 million for Q1-Q2 2012 (Q1-Q2 2011: -275). The actual proceeds for divestments are shown under cash flow from investing activities.

Realised foreign exchange gains and losses and other financial items
Realised foreign exchange gains and losses EUR -113 million for Q1-Q2 2012 (Q1-Q2 2011: -251) mainly related to financing of Fortum's Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise for rollover of foreign exchange contracts hedging the internal loans as major part of these forwards is entered into with short maturities i.e. less than twelve months.

Additional cash flow information

Change in working capital

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Change in interest-free receivables, decrease (+)/increase (-)	**314**	389	**251**	472	266	45
Change in inventories, decrease (+)/increase (-)	**8**	-96	**62**	-21	-143	-60
Change in interest-free liabilities, decrease (-)/increase (+)	**-213**	-216	**-226**	-283	-22	35
Total	**109**	77	**87**	168	101	20

Positive effect from change in working capital during Q1-Q2 2012, EUR 87 million (Q1-Q2 2011: 168) is mainly due to decrease of inventories.

Capital expenditure in cash flow

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Capital expenditure	**343**	366	**561**	533	1,408	1,436
Change in not yet paid investments	**-19**	-57	**53**	-6	-70	-11
Capitalised borrowing costs	**-19**	-12	**-37**	-24	-53	-66
Total	**305**	297	**577**	503	1,285	1,359

Capital expenditures for intangible assets and property, plant and equipment were EUR 561 million (Q1-Q2 2011: 533). Capital expenditure in cash flow EUR 577 million (Q1-Q2 2011: 503) is without not yet paid investments i.e. change in trade payables related to investments EUR -53 million (Q1-Q2 2011: 6) and capitalised borrowing costs EUR 37 million (Q1-Q2 2011: 24), which are presented in interest paid.

Acquisition of shares in cash flow

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Acquisition of subsidiaries, net of cash acquired	**3**	-	**3**	19	44	28
Acquisition of associates [1)]	**0**	0	**0**	0	16	16
Acquisition of available for sale financial assets [2)]	**0**	1	**0**	1	2	1
Total	**3**	1	**3**	20	62	45

[1)] Acquisition of associates includes share issues and other capital contributions.

[2)] Available for sale financial assets are presented under Other non-current assets in the Balance sheet.

Acquisition of shares in subsidiaries, net of cash acquired

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Gross investments of shares	**5**	-	**5**	22	47	30
Changes in not yet paid acquisitions	**-**	-	**-**	-2	-2	-
Interest bearing debt in acquired subsidiaries	**-2**	-	**-2**	-1	-1	-2
Total	**3**	-	**3**	19	44	28

Acquisition of shares in associates

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Gross investments of shares	**0**	0	**0**	16	25	9
Changes in not yet paid acquisitions	**0**	-	**0**	-16	-9	7
Total	**0**	0	**0**	0	16	16

Additional cash flow information

Divestment of shares in cash flow

EUR million	**Q2 2012**	Q2 2011	**Q1-Q2 2012**	Q1-Q2 2011	2011	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	**0**	2	**126**	112	117	131
Proceeds from sales of associates	**3**	326	**6**	333	375	48
Total	**3**	328	**132**	445	492	179

Gross divestment of shares in subsidiaries totalled EUR 295 million in Q1-Q2 2012 (Q1-Q2 2011: 532) including interest-bearing debt in sold subsidiaries of EUR 169 million (Q1-Q2/2011: 90), see Note 7. Proceeds from divestments of shares totalled EUR 132 million in Q1-Q2 2012 (Q1-Q2 2011: 445) including EUR 79 million related to divestment of certain heat businesses in Finland and Estonia (Fortum Energiaratkaisut Oy and Fortum Termest AS) and EUR 34 million related to divestment of small hydropower plants in Finland.

Change in net debt

EUR million	**Q2 2012**	Q2 2011	**Q1-Q2 2012**	Q1-Q2 2011	2011	Last twelve months
Net debt beginning of the period	**6,523**	6,367	**7,023**	6,826	6,826	6,783
Foreign exchange rate differences	**13**	-67	**42**	-61	7	110
EBITDA	**446**	764	**1,340**	1,813	3,008	2,535
Paid net financial costs, taxes and adjustments for non-cash and divestment items	**-236**	-431	**-555**	-1,117	-1,496	-934
Change in working capital	**109**	77	**87**	168	101	20
Capital expenditures	**-305**	-297	**-577**	-503	-1,285	-1,359
Acquisitions	**-3**	-1	**-3**	-20	-62	-45
Divestments	**12**	330	**141**	448	507	200
Proceeds from the interest-bearing receivables relating to divestments	**22**	0	**169**	90	89	168
Shareholder loans to associated companies	**-3**	-5	**-27**	-29	-109	-107
Change in other interest-bearing receivables	**1**	6	**4**	32	35	7
Dividends	**-888**	-888	**-888**	-888	-888	-888
Other financing activities	**-19**	-18	**-26**	-20	-10	-16
Net cash flow (- increase in net debt)	**-864**	-463	**-335**	-26	-110	-419
Fair value change of bonds, amortised cost valuation and other	**20**	20	**20**	-8	80	108
Net debt end of period	**7,420**	6,783	**7,420**	6,783	7,023	7,420

Key ratios

	June 30 2012	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011	Last twelve months
EBITDA, EUR million	**1,340**	894	3,008	2,274	1,813	1,049	2,535
Comparable EBITDA, EUR million	**1,253**	809	2,374	1,723	1,279	798	2,348
Earnings per share (basic), EUR	**0.77**	0.56	1.99	1.52	1.29	0.76	1.46
Capital employed, EUR million	**17,848**	19,016	17,931	17,034	16,998	16,560	N/A
Interest-bearing net debt, EUR million	**7,420**	6,523	7,023	6,929	6,783	6,367	N/A
Capital expenditure and gross investments in shares, EUR million	**566**	218	1,482	962	572	205	1,476
Capital expenditure, EUR million	**561**	218	1,408	899	533	167	1,436
Return on capital employed, % [1)]	**11.2**	14.5	14.8	14.3	16.1	19.1	11.3
Return on shareholders' equity, % [1)]	**13.5**	17.9	19.7	19.1	22.0	26.9	14.0
Net debt / EBITDA [1)]	**2.9**	2.0	2.3	2.4	2.2	1.8	2.9
Comparable net debt / EBITDA [1)]	**3.0**	2.0	3.0	3.0	**2.7**	2.0	3.2
Interest coverage	**8.3**	11.9	10.5	11.2	14.8	19.0	7.7
Interest coverage including capitalised borrowing costs	**6.4**	9.2	8.5	9.1	12.0	15.1	6.1
Funds from operations/interest-bearing net debt, % [1)]	**22.7**	39.1	21.5	20.7	24.2	34.8	21.6
Gearing, %	**74**	60	69	74	72	72	N/A
Equity per share, EUR	**10.66**	11.65	10.84	10.05	9.93	9.30	N/A
Equity-to-assets ratio, %	**44**	45	44	44	44	39	N/A
Number of employees	**10,848**	10,542	10,780	11,041	11,342	10,976	N/A
Average number of employees	**10,644**	10,587	11,010	11,062	11,030	10,913	N/A
Average number of shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367	888,367
Diluted adjusted average number of shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367	888,367
Number of registered shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367	888,367

[1)] Quarterly figures are annualised except items affecting comparability.
For definitions, see Note 26.

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 annual financial statements for the year ended 31 December 2011.

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 as at and for the year ended 31 December 2011.

3. Critical accounting estimates and judgements

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

4. Segment information

Sales EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power sales excluding indirect taxes	**755**	794	**1,703**	1,828	3,458	3,333
Heating sales	**251**	284	**855**	955	1,602	1,502
Network transmissions	**211**	202	**507**	501	905	911
Other sales	**67**	36	**120**	66	196	250
Total	**1,284**	1,316	**3,185**	3,350	6,161	5,996

Sales by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power [1)]	**535**	574	**1,190**	1,267	2,481	2,404
- of which internal	***79***	*-24*	***126***	*-127*	*-24*	*229*
Heat [1)]	**321**	322	**946**	1,047	1,737	1,636
- of which internal	***2***	*1*	***11***	*0*	*8*	*19*
Russia	**198**	195	**508**	490	920	938
- of which internal	**-**	-	**-**	-	-	-
Distribution	**223**	215	**531**	526	973	978
- of which internal	***7***	*4*	***17***	*8*	*15*	*24*
Electricity Sales [1)]	**135**	183	**382**	556	900	726
- of which internal	***6***	*22*	***32***	*71*	*95*	*56*
Other [1)]	**29**	19	**73**	49	108	132
- of which internal	***-25***	*39*	***-17***	*117*	*115*	*-19*
Netting of Nord Pool transactions [2)]	**-88**	-150	**-276**	-516	-749	-509
Eliminations	***-69***	*-42*	***-169***	*-69*	*-209*	*-309*
Total	**1,284**	1,316	**3,185**	3,350	6,161	5,996

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

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

Comparable operating profit by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power	**222**	257	**563**	582	1,201	1,182
Heat	**23**	25	**184**	196	278	266
Russia	**4**	21	**52**	55	74	71
Distribution	**49**	60	**159**	184	295	270
Electricity Sales	**11**	10	**20**	21	27	26
Other	**-28**	-25	**-46**	-41	-73	-78
Total	**281**	348	**932**	997	1,802	1,737

Operating profit by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power	**214**	271	**581**	760	1,476	1,297
Heat	**20**	25	**233**	290	380	323
Russia	**15**	21	**63**	55	74	82
Distribution	**50**	252	**167**	377	478	268
Electricity Sales	**11**	23	**22**	3	3	22
Other	**-27**	17	**-47**	24	-9	-80
Total	**283**	609	**1,019**	1,509	2,402	1,912

Non-recurring items by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power [1)]	**0**	2	**47**	2	2	47
Heat [2)]	**0**	-1	**58**	79	86	65
Russia [3)]	**11**	0	**11**	0	0	11
Distribution	**0**	192	**5**	193	193	5
Electricity Sales	**-**	0	**-**	1	3	2
Other	**0**	0	**0**	0	0	0
Total	**11**	193	**121**	275	284	130

[1)] Including a gain of EUR 47 million recognised on the divestment of small hydropower plants in Finland in Q1 2012.
[2)] Including a gain of EUR 58 million recognised on the divestment of certain heat businesses (Fortum Energiaratkaisut Oy and Fortum Termest AS) in Q1 2012.
[3)] Including a gain of EUR 11 million recognised on the disposal of heating network assets in Surgut, Russia in Q2 2012.

Non-recurring items include capital gains and losses.

Other items affecting comparability by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power [1)]	**-8**	12	**-29**	176	273	68
Heat	**-3**	1	**-9**	15	16	-8
Russia	**-**	-	**-**	-	-	-
Distribution	**1**	0	**3**	0	-10	-7
Electricity Sales	**0**	13	**2**	-19	-27	-6
Other	**1**	42	**-1**	65	64	-2
Total	**-9**	68	**-34**	237	316	45
[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-7**	-8	**-16**	-12	-28	-32

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

Comparable EBITDA by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power	**250**	284	**619**	636	1,310	1,293
Heat	**72**	74	**283**	294	471	460
Russia	**36**	30	**113**	87	148	174
Distribution	**101**	106	**260**	277	482	465
Electricity Sales	**11**	10	**20**	22	29	27
Other	**-26**	-23	**-42**	-37	-66	-71
Total	**444**	481	**1,253**	1,279	2,374	2,348

Depreciation, amortisation and impairment charges by segment	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power	**28**	27	**56**	54	109	111
Heat	**49**	49	**99**	98	193	194
Russia	**32**	31	**61**	54	108	115
Distribution	**52**	46	**101**	93	187	195
Electricity Sales	**0**	0	**0**	1	2	1
Other	**2**	2	**4**	4	7	7
Total	**163**	155	**321**	304	606	623

Share of profit/loss in associates and joint ventures by segment	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power [1), 2)]	**-7**	-12	**-14**	-16	3	5
Heat	**1**	5	**10**	9	19	20
Russia	**21**	30	**21**	38	30	13
Distribution	**1**	3	**2**	11	14	5
Electricity Sales	**0**	0	**0**	1	2	1
Other	**10**	-11	**0**	31	23	-8
Total	**26**	15	**19**	74	91	36
[1)] Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):	**-2**	-2	**-4**	-3	-6	-7

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

Participation in associates and joint ventures by segment	June 30 2012	June 30 2011	Dec 31 2011
Power	**896**	893	921
Heat	**167**	148	160
Russia	**467**	466	443
Distribution	**102**	96	101
Electricity Sales	**0**	10	0
Other	**384**	401	395
Total [1)]	**2,016**	2,014	2,020

Capital expenditure by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power	**36**	35	**60**	52	131	139
Heat	**99**	72	**166**	108	297	355
Russia	**126**	192	**207**	267	670	610
Distribution	**79**	62	**123**	96	289	316
Electricity Sales	**0**	1	**0**	4	5	1
Other	**3**	4	**5**	6	16	15
Total	**343**	366	**561**	533	1,408	1,436
Of which capitalised borrowing costs	**19**	12	**37**	24	53	66

Gross investments in shares by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power	**0**	1	**0**	17	17	0
Heat	**0**	-	**0**	22	32	10
Russia	**0**	0	**0**	0	24	24
Distribution	**-**	-	**-**	-	-	-
Electricity Sales	**-**	-	**-**	-	-	-
Other	**5**	0	**5**	0	1	6
Total	**5**	1	**5**	39	74	40

Gross divestments in shares by segment EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power	**0**	2	**63**	2	3	64
Heat	**0**	-3	**195**	196	203	202
Russia	**0**	5	**0**	5	23	18
Distribution	**0**	322	**37**	323	323	37
Electricity Sales	**-**	1	**-**	6	16	10
Other	**0**	-	**0**	-	0	0
Total	**0**	327	**295**	532	568	331

See Note 7 and additional cash flow information for more information about the gross divestment in shares in Q1-Q2 2012.

Net assets by segment EUR million	June 30 2012	June 30 2011	Dec 31 2011
Power	**6,258**	5,998	6,247
Heat	**4,072**	3,911	4,191
Russia	**3,437**	3,051	3,273
Distribution	**3,700**	3,487	3,589
Electricity Sales	**28**	77	11
Other	**227**	387	208
Total	**17,722**	16,911	17,519

Comparable return on net assets by segment %	Last twelve months	Dec 31 2011
Power	19.5	19.9
Heat	7.1	7.4
Russia	2.5	3.5
Distribution	7.7	8.6
Electricity Sales	80.7	33.5
Other	-23.4	-12.7

Return on net assets by segment %	Last twelve months	Dec 31 2011
Power	21.3	24.6
Heat	8.5	9.9
Russia	2.9	3.5
Distribution	7.7	13.7
Electricity Sales	51.2	4.2
Other	-29.1	5.3

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

Assets by segments

EUR million	June 30 2012	June 30 2011	Dec 31 2011
Power	**7,218**	6,834	7,134
Heat	**4,403**	4,262	4,597
Russia	**3,841**	3,441	3,692
Distribution	**4,178**	3,978	4,187
Electricity Sales	**231**	300	249
Other	**837**	625	628
Eliminations	**-504**	-230	-306
Assets included in Net assets	**20,204**	19,210	20,181
Interest-bearing receivables	**1,273**	1,178	1,219
Deferred taxes	**146**	152	150
Other assets	**592**	168	717
Liquid funds	**404**	811	731
Total assets	**22,619**	21,519	22,998

Liabilities by segments

EUR million	June 30 2012	June 30 2011	Dec 31 2011
Power	**960**	836	887
Heat	**331**	351	406
Russia	**404**	390	419
Distribution	**478**	491	598
Electricity Sales	**203**	223	238
Other	**610**	238	420
Eliminations	**-504**	-230	-306
Liabilities included in Net assets	**2,482**	2,299	2,662
Deferred tax liabilities	**2,037**	1,887	2,013
Other liabilities	**252**	335	392
Total liabilities included in Capital employed	**4,771**	4,521	5,067
Interest-bearing liabilities	**7,824**	7,594	7,770
Total equity	**10,024**	9,404	10,161
Total equity and liabilities	**22,619**	21,519	22,998

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

Number of employees

	June 30 2012	June 30 2011	Dec 31 2011
Power	**2,019**	1,995	1,847
Heat	**2,439**	2,793	2,504
Russia	**4,272**	4,497	4,379
Distribution	**907**	928	898
Electricity Sales	**528**	518	519
Other	**683**	611	633
Total	**10,848**	11,342	10,780

Average number of employees

	Q1-Q2 2012	Q1-Q2 2011	2011
Power	**1,883**	1,856	1,873
Heat	**2,388**	2,748	2,682
Russia	**4,337**	4,421	4,436
Distribution	**870**	901	902
Electricity Sales	**517**	510	510
Other	**649**	594	607
Total	**10,644**	11,030	11,010

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

5. Quarterly segment information

Extended quarterly information is available on Fortum's website www.fortum.com (about Fortum/Investors/Financial information/Interim reports).

Quarterly sales by segment

EUR million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**535**	655	654	560	574	693
- of which internal	***79***	*47*	*68*	*35*	*-24*	*-103*
Heat	**321**	625	478	212	322	725
- of which internal	***2***	*9*	*6*	*2*	*1*	*-1*
Russia	**198**	310	274	156	195	295
- of which internal	**-**	-	-	-	-	-
Distribution	**223**	308	244	203	215	311
- of which internal	***7***	*10*	*4*	*3*	*4*	*4*
Electricity Sales	**135**	247	205	139	183	373
- of which internal	***6***	*26*	*13*	*11*	*22*	*49*
Other	**29**	44	32	27	19	30
- of which internal	***-25***	*8*	*-5*	*3*	*39*	*78*
Netting of Nord Pool transactions	**-88**	-188	-134	-99	-150	-366
Eliminations	***-69***	*-100*	*-86*	*-54*	*-42*	*-27*
Total	**1,284**	1,901	1,667	1,144	1,316	2,034

Quarterly comparable operating profit by segments

EUR million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**222**	341	351	268	257	325
Heat	**23**	161	96	-14	25	171
Russia	**4**	48	35	-16	21	34
Distribution	**49**	110	49	62	60	124
Electricity Sales	**11**	9	2	4	10	11
Other	**-28**	-18	-25	-7	-25	-16
Total	**281**	651	508	297	348	649

Quarterly operating profit by segments

EUR million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**214**	367	443	273	271	489
Heat	**20**	213	100	-10	25	265
Russia	**15**	48	35	-16	21	34
Distribution	**50**	117	41	60	252	125
Electricity Sales	**11**	11	-6	6	23	-20
Other	**-27**	-20	-34	1	17	7
Total	**283**	736	579	314	609	900

Quarterly non-recurring items by segment

EUR million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**0**	47	0	0	2	0
Heat	**0**	58	7	0	-1	80
Russia	**11**	0	0	0	0	0
Distribution	**0**	5	0	0	192	1
Electricity Sales	**-**	-	2	0	0	1
Other	**0**	0	0	0	0	0
Total	**11**	110	9	0	193	82

Quarterly other items affecting comparability

EUR million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power [1)]	**-8**	-21	92	5	12	164
Heat	**-3**	-6	-3	4	1	14
Russia	**-**	-	-	-	-	-
Distribution	**1**	2	-8	-2	0	0
Electricity Sales	**0**	2	-10	2	13	-32
Other	**1**	-2	-9	8	42	23
Total	**-9**	-25	62	17	68	169
[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-7**	-9	-10	-6	-8	-4

6. 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 as at and for the year ended 31 December 2011.

The tables below disclose the notional values or volumes and net fair values for the Group's derivatives used in different areas mainly for hedging purposes.

Derivatives

		June 30 2012		June 30 2011		Dec 31 2011
Interest and currency derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value	Notional value	Net fair value
	MEUR	**MEUR**	MEUR	MEUR	MEUR	MEUR
Interest rate swaps	**4,861**	**142**	4,605	47	4,737	141
Forward foreign exchange contracts	**8,046**	**-144**	6,945	30	8,257	-143
Forward rate agreements	**114**	**0**	191	0	196	0
Interest rate and currency swaps	**247**	**-3**	430	-8	247	1

Electricity derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	TWh	**MEUR**	TWh	MEUR	TWh	MEUR
Sales swaps	**96**	**502**	105	-226	95	559
Purchase swaps	**49**	**-245**	58	98	48	-289
Purchased options	**1**	**2**	0	0	1	1
Written options	**4**	**2**	2	2	1	1

Oil derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	1000 bbl	**MEUR**	1000 bbl	MEUR	1000 bbl	MEUR
Sales swaps and futures	**21,133**	**217**	26,430	68	10,000	-6
Purchase swaps and futures	**21,878**	**-223**	26,220	-64	9,910	4

Coal derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	kt	**MEUR**	kt	MEUR	kt	MEUR
Sold	**11,325**	**203**	12,380	-76	12,325	94
Bought	**11,270**	**-199**	11,306	76	11,642	-80

CO_2 emission allowance derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	ktCO_2	**MEUR**	ktCO_2	MEUR	ktCO_2	MEUR
Sold	**53,347**	**47**	22,981	51	15,283	89
Bought	**54,676**	**-18**	19,857	-43	13,981	-59

Share derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value	Notional value	Net fair value
	MEUR	**MEUR**	MEUR	MEUR	MEUR	MEUR
Share forwards [1)]	**8**	**7**	9	11	9	9

[1)] Cash-settled share forwards are used as a hedging instrument for Fortum Group's performance share arrangement.

7. Acquisitions, disposals and assets held for sale

Acquisitions

There were no material acquisitions during the half of 2012.

The acquisitions of 85% of the shares in the Polish power and heat companies Elektrociepłownia Zabrze S.A. and Zespół Elektrociepłowni Bytom S.A. was completed in January 2011. Acquisition price for the transaction was EUR 22 million (PLN 82 million).

Disposals

There were no material disposals during the second quarter of 2012.

Fortum closed its divestment of Fortum Energiaratkaisut Oy and Fortum Termest AS to EQT Infrastructure Fund as of January 31, 2012. It has been approved by relevant competition authorities both in Finland and in Estonia. The total sales price, including net debt, was approximately EUR 200 million. Fortum's capital gain was EUR 58 million. The assets and liabilities related to the divested operations were presented as assets and liabilities held for sale in December 2011.

According to a deal signed with Imatran Seudun Sähkö on 20 December 2011, Fortum sold Distribution's Estonian subsidiary Fortum Elekter AS to Imatran Seudun Sähkö. In connection with the agreement, Fortum also sold its ownership in Imatran Seudun Sähkö Oy. The closing was made in the beginning of January, 2012. The assets and liabilities related to the divested operations were presented as assets and liabilities held for sale in December 2011.

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

In December 2010 Fortum signed an agreement to divest district heat operations and production facilities outside Stockholm in Sweden. The divestment was completed on 31 March 2011. The total sales price was approximately EUR 220 million and the recognised gain EUR 82 million. The operations were part of the Heat segment and the gain is recognised in Heat segment. Major part of the divested operations were owned by Fortum's subsidiary Fortum Värme in which the city of Stockholm has a 50% economic interest. The Stockholm City Board and the Swedish Competition Authority have given their approval to the transaction. The assets and liabilities related to the divested operations were presented as assets and liabilities held for sale in December 2010.

Fortum's divestment of 25% shareholding in the Finnish transmission system operator Fingrid was completed on 19 April 2011. See Note 14.

Gross divestments of shares

EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Proceeds settled in cash	**0**	2	**126**	112	117	**131**
Interest bearing debt in sold subsidiaries[1]	**-**	0	**169**	90	89	168
Gross divestments of shares in subsidiaries [2]	**0**	2	**295**	202	206	299
Gross divestment of associates	**0**	325	**0**	330	362	32
Total	**0**	327	**295**	532	568	331

[1] Including EUR 22 million received in April 2012.

[2] Liquid funds in sold subsidiaries EUR 9 million (Q1:2011 14) are netted from gross divestments.

8. Exchange rates

The balance sheet date rate is based on exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of each months ending rate from the European Central Bank during the year and ending rate previous year.

Key exchange rates for Fortum Group applied in the accounts:

Average rate	Jan-June 2012	Jan-March 2012	Jan-Dec 2011	Jan-Sept 2011	Jan-June 2011	Jan-March 2011
Sweden (SEK)	**8.8756**	8.8658	9.0038	8.9982	8.9273	8.8775
Norway (NOK)	**7.5855**	7.6136	7.7824	7.7962	7.7996	7.8173
Poland (PLN)	**4.2524**	4.2389	4.1254	4.0320	3.9655	3.9692
Russia (RUB)	**40.1999**	39.9714	41.0219	40.7778	40.4461	40.4504

Balance sheet date rate	June 30 2012	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011
Sweden (SEK)	**8.7728**	8.8455	8.9120	9.2580	9.1739	8.9329
Norway (NOK)	**7.5330**	7.6040	7.7540	7.8880	7.7875	7.8330
Poland (PLN)	**4.2488**	4.1522	4.4580	4.4050	3.9903	4.0106
Russia (RUB)	**41.3700**	39.2950	41.7650	43.3500	40.4000	40.2850

9. Income tax expense

Tax rate according to the income statement for Q1-Q2 2012 was 18.5% (Q1-Q2 2011: 15.9%).

The tax rate for the period Q1-Q2 2012, excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.1% (Q1-Q2 2011: 21.1%). The tax rate for the full year 2011, excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.4%.The tax rate used in the income statement is always impacted by the fact that share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax.

10. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	Q1-Q2 2012	Q1-Q2 2011	2011
Earnings (EUR million):			
Profit attributable to the owners of the parent	**681**	1,150	1,769
Number of shares (thousands):			
Weighted average number of shares for the purpose of basic earnings per share	**888,367**	888,367	888,367
Weighted average number of shares for the purpose of diluted earnings per share	**888,367**	888,367	888,367

11. Dividend per share

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

A dividend in respect of 2010 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million, was decided at the Annual General Meeting on 31 March 2011. The dividend was paid on 12 April 2011.

12. Changes in intangible assets

EUR million	**June 30 2012**	June 30 2011	Dec 31 2011
Opening balance	**433**	421	421
Increase through acquisition of subsidiary companies	**2**	-1	0
Capital expenditures	**14**	12	27
Changes of emission rights	**-37**	-10	13
Depreciation, amortisation and impairment	**-10**	-10	-19
Moved to Assets held for sale	**-**	-	-2
Reclassifications	**2**	-	-
Translation differences and other adjustments	**7**	4	-7
Closing balance	**411**	416	433
Goodwill included in closing balance	**301**	304	294
Change in goodwill during the period due to translation differences	**7**	3	-7

13. Changes in property, plant and equipment

EUR million	**June 30 2012**	June 30 2011	Dec 31 2011
Opening balance	**15,234**	14,621	14,621
Increase through acquisition of subsidiary companies	**0**	30	26
Capital expenditures	**547**	521	1,381
Changes of nuclear asset retirement cost	**-1**	3	5
Disposals	**-12**	-3	-13
Depreciation, amortisation and impairment	**-311**	-294	-587
Sale of subsidiary companies	**-18**	-	-
Moved to assets held for sale	**-**	-	-128
Reclassifications	**-2**	-	-
Translation differences and other adjustments	**188**	-193	-71
Closing balance	**15,625**	14,685	15,234

14. Changes in participations in associates and joint ventures

EUR million	**June 30 2012**	June 30 2011	Dec 31 2011
Opening balance	**2,019**	2,161	2,161
Share of profits of associates and joint ventures	**19**	74	91
Investments	**-**	-	9
Share issues and shareholders' contributions	**-**	16	16
Divestments	**-**	-134	-146
Dividend income received	**-31**	-101	-108
OCI items associated companies	**-11**	-2	-1
Moved to assets held for sale	**-**	-	-1
Translation differences and other adjustments	**20**	0	-2
Closing balance	**2,016**	2,014	2,019

Share of profits from associates and joint ventures

Share of profits from associates in Q2 2012 was EUR 26 million (Q2 2011: 15) of which Hafslund ASA represented EUR 9 million (Q2 2011: -11) and TGC-1 EUR 21 million (Q2 2011: 30). Share of profits from TGC-1 is based on the company's published IFRS 2011 and Q1 2012 financial statements. Fortum's Q2 profits include TGC-1 profits for Q4 2011 and Q1 2012.

According to Fortum Group accounting policies the share of profits from Hafslund will be included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available. Hafslund published their interim report for Q2 2012 on 11 July 2012. The effect of Hafslund's Q2 is not included in Fortum's Q2 results.

In Q2 2011 share of profits of Hafslund included EUR 20 million write-down on REC shares.

Fortum's share of profit for the period January-June 2012 amounted to 19 million (Q1-Q2 2011: 74), of which Hafslund represented EUR 0 million (Q1-Q2 2011: 31), TGC-1 EUR 21 million (Q1-Q2 2011: 38) and Gasum EUR 7 million (Q1-Q2 2011: 7). In Q1 2012 Fortum recognised EUR 7 million loss in relation to Hafslund's divestment of REC shares while in Q1 2011 Fortum recognised EUR 38 million in relation to Hafslund's divestment of Hafslund Fibernett AS.

Fortum's share of profits for the full year 2011 amounted to EUR 91 million, of which Hafslund represented EUR 23 million, TGC-1 EUR 30 million, and Gasum EUR 16 million.

Investments and share issues

There were no investments or share issues in associated companies during the first half of 2012.

Teollisuuden Voima Oyj's (TVO) Annual General meeting in March 2011 decided to raise the company's share capital by EUR 65 million of which Fortum's share is EUR 16 million. The increase in Fortum's participation in TVO was booked in Q1 2011 and was paid during Q4 2011.

Divestments

There were no divestments of shares in associated companies during the first half of 2012.

In the first quarter of 2011 Electricity Sales segment divested its 30.78% share in Energiapolar Oy. In the second quarter of 2011 Distribution segment divested its 25% share in Fingrid Oyj.

Dividends received

During Q1-Q2 2012 Fortum had received EUR 31 million (Q1-Q2 2011: 101) in dividends from associates of which EUR 22 million (Q1-Q2 2011: 64) was received from Hafslund and EUR 4 million (Q1-Q2 2011: 3) from Infratek ASA.

15. Share capital

EUR million	Number of shares June 30 2012	Share capital June 30 2012	Number of shares Dec 31 2011	Share capital Dec 31 2011
Registered shares at 1 January	**888,367,045**	**3,046**	888,367,045	3,046
Registered shares at the end of the period	**888,367,045**	**3,046**	888,367,045	3,046

16. Interest-bearing liabilities and liquid funds

On 7 March 2012, Fortum issued two 5 year bonds under its existing Euro Medium Term Note Programme. The amount of SEK 2,750 million consisting of SEK 1,000 million floating rate and SEK 1,750 million at 3.25% fixed rate. The proceeds for these new financing arrangements will be used for general corporate purposes.

During the second quarter Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund by EUR 53 million to EUR 940 million. During the same quarter Fortum repaid a maturing SEK 3,500 million bond and maturing debt SEK 1,000 million to Svensk Exportkredit.

Short term financing on 30 June 2012 was EUR 419 million (year-end 2011: 254). The reported interest-bearing debt on 30 June 2012 was EUR 7,824 million (year-end 2011: 7,770). The interest-bearing debt decreased during the second quarter by EUR 273 million from EUR 8,097 million to EUR 7,824 million. Total liquid funds on 30 June 2012 was EUR 404 million (year-end 2011: 731). Total liquid funds decreased by EUR 1,170 million from EUR 1,574 million to EUR 404 million mainly due to dividend payment EUR 888 million.

17. Nuclear related assets and liabilities

EUR million	June 30 2012	June 30 2011	Dec 31 2011
Carrying values in the balance sheet			
Nuclear provisions	**664**	638	653
Share in the State Nuclear Waste Management Fund	**664**	638	653
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	**968**	944	968
Funding obligation target	**941**	886	941
Fortum's share of the State Nuclear Waste Management Fund	**941**	886	903

Nuclear related provisions

The liability regarding the Loviisa nuclear power plant is calculated according to the Nuclear Energy Act and was decided by the Ministry of Employment and Economy in December 2011. The liability is based on a technical plan, which is made every third year. The technical plan and the cost estimates were last updated in Q2 2010.

The legal liability on 30 June 2012 was EUR 968 million. The provision in the balance sheet related to nuclear waste management is based on cash flows for future costs which uses the same basis as the legal liability. The carrying value of the nuclear provision, calculated according to IAS 37, increased by EUR 11 million compared to 31 December 2011, totalling EUR 664 million on 30 June 2012. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

Fortum's share in the State Nuclear Waste Management Fund

Fortum contributes funds to the 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 based on the legal liability decided in December 2011 and approved periodising of the payments to the Fund is EUR 941 million. Fortum has paid the fee of EUR 38 million whereafter Fortum's share of the State Nuclear Waste Management Fund is fully funded. The Fund is from an IFRS perspective overfunded with EUR 277 million, since Fortum's share of the Fund on 30 June 2012 was EUR 941 million and the carrying value in the balance sheet was EUR 664 million.

Effects to comparable operating profit and operating profit

Operating profit in Power segment is affected by the accounting principle for Fortum's share of the Finnish Nuclear Waste Management Fund, since the carrying value of the Fund in Fortum's balance sheet can in maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the effects to operating profit from this adjustment will be positive if the provisions increase more than the Fund and negative if actual value of the fund increases more than the provisions. This accounting effect is not included in Comparable operating profit in Fortum financial reporting, see Other items affecting comparability in Note 4. Fortum had an effect from this adjustment in Q2 of EUR -7 million, compared to EUR -8 million in Q2 2011. The cumulative effect 2012 was EUR -16 million compared to EUR -12 million in 2011.

Associated companies

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

18. Other provisions

	CSA provision			Total other provisions		
EUR million	**June 30 2012**	June 30 2011	Dec 31 2011	**June 30 2012**	June 30 2011	Dec 31 2011
Opening balance	**180**	208	208	**205**	239	239
Unused provisions reversed	**-**	-33	-42	**-**	-33	-53
Change in the provision	**-**	11	8	**3**	13	16
Provisions used	**-4**	-2	-5	**-5**	-2	-10
Unwinding of discount	**7**	8	16	**7**	8	16
Exchange rate differences	**2**	2	-5	**1**	2	-3
Closing balance	**185**	194	180	**211**	227	205

Fortum's extensive investment programme in Russia (8 units) is subject to possible penalties that can be claimed if the new capacity is substantially delayed or agreed major terms of the capacity supply agreement (CSA) are not otherwise fulfilled. The new rules for the long-term capacity market were approved in the beginning of 2011. This brought also more clarity to the possible penalties imposed on late delivery. Penalties are now defined on power plant level. This means that Fortum's risk for penalties under CSA agreement is proportionally decreasing when a new unit starts operation.

The effect of changes in the timing of commissioning of new power plants is assessed at each balance sheet date and provision is changed accordingly. The increase in the provision due to the discounting during Q1-Q2 2012 amounted to EUR 7 million. This amount was booked in other financial expenses.

19. Pledged assets

EUR million	**June 30 2012**	June 30 2011	Dec 31 2011
On own behalf			
For debt			
Pledges	**292**	294	290
Real estate mortgages	**137**	137	137
For other commitments			
Real estate mortgages	**124**	148	148
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	**3**	3	3

Pledged assets for debt

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the Fund. As of 30 June 2012 the value of the pledged shares amounts to EUR 269 million (31 December 2011: 269).

Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 124 million in June 2012 (2011: 148), as a security to the State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for decomissioning and disposal of spent fuel in Loviisa nuclear power plant. The size of the securities given is updated yearly in Q2 based on the decisions regarding the legal liabilities and the funding target which takes place around year end every year.

20. Operating lease commitments

EUR million	**June 30 2012**	June 30 2011	Dec 31 2011
Due within a year	**32**	27	32
Due after one year and within five years	**71**	60	68
Due after five years	**153**	122	142
Total	**256**	209	242

21. Capital commitments

EUR million	**June 30 2012**	June 30 2011	Dec 31 2011
Property, plant and equipment	**968**	1,215	940
Intangible assets	**7**	17	10
Total	**975**	1,232	950

Capital commitments have increased compared to year end 2011. Commitments have mainly increased relating automatic meter reading investment in Distribution Finland and dam safety investments in Sweden, as well as CHP investments in Joensuu, Finland, Brista in Sweden and Jelgava, Latvia. The capital commitments also include decreases from progressing of OAO Fortum's investment programme.

22. Contingent liabilities

EUR million	**June 30 2012**	June 30 2011	Dec 31 2011
On own behalf			
Other contingent liabilities	**69**	146	68
On behalf of associated companies and joint ventures			
Guarantees	**347**	338	347
Other contingent liabilities	**125**	125	125
On behalf of others			
Guarantees	**1**	0	0

Guarantees on behalf of associated companies

Guarantees and other contingent liabilities on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). The guarantees for Forsmarks Kraftgrupp AB and OKG AB for 2012-2014 will be increased from current SEK 2,574 million (EUR 293 million) to SEK 3,696 million (EUR 421 million) later in 2012.

The guarantee given on behalf of Teollisuuden Voima Oyj (TVO) to the Finnish fund amount to EUR 39 million at 30 June 2012 (31 December 2011: 44).

23. Legal actions and official proceedings

The Swedish Energy Authority (EI), which regulates and supervises the distribution network tariffs in Sweden, has issued a decision concerning the allowed income frame for the years 2012-2015. EI has based its decision on a model with a transition rule stating that it takes 18 years to reach the allowed level of income according to the new model. The EI decision has been appealed to the County Administrative Court by more than 80 distribution companies, including Fortum Distribution AB. The basis for Fortum Distribution AB's appeal is that the model is not compatible with the existing legislation and that EI has applied an incorrect method for the calculation of Weighted Average Cost of Capital (WACC).

In Finland, the Energy market authority has issued methodology decisions for the years 2012-2015. The decisions were appealed by more than 70 distribution companies. Main points of the appeal relate to the changes in WACC-calculation and increased quality sanctions. Market Court ruling is expected earliest by the end of 2012.

Fortum's subsidiaries, Fortum Sweden AB and Fortum Nordic AB, have received an income tax assessment for the year 2009 from the Swedish tax authorities. According to the tax authorities, Fortum would have to pay additional income taxes for the year 2009 for the reallocation of the loans between the Swedish subsidiaries in 2004-2005. The claim is based on the change in tax regulation as of 2009. Fortum considers the claim unjustifiable and has appealed the decision. No provision has been accounted for in the financial statements. If the decision by the tax authority remains final despite the appeals process, the impact on the net profit for the period would be approximately 420 MSEK.

AREVA-Siemens has filed a request for an arbitration in December 2008, concerning Olkiluoto 3 delay and related costs. The supplier has in June 2011 submitted its updated statement of claim, which includes updated claimed amounts with specified sums of indirect items and interest. The Supplier's presented monetary claim including indirect items and interest is currently approximately EUR 1.9 billion. TVO has considered and found the claim by the Supplier to be without merit. TVO has, in response, filed a counter-claim in April 2009 based on costs primarily due to delays. The value of TVO's presented counter-claim is currently approximately EUR 1.4 billion. TVO will update its counter-claim during the arbitration proceedings. The arbitration proceedings may continue for several years and the claimed and counter-claimed amounts may change. TVO received an International Chamber of Commerce arbitration tribunal decision concerning a few partial payments previously made, to a blocked account, to be released to the Olkiluoto 3 plant supplier. The decision takes no position on the delay of the plant unit and the cost resulting from the delay.

In addition to the litigations described above, some Group companies are involved in tax and other disputes incidental to their business. In management's opinion the outcome of such disputes will not have material effect on the Group's financial position.

No other material changes in legal actions and official proceedings have occurred during Q1-Q2 2012 compared to the year-end 2011.

24. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2011. No material changes have occurred during year 2012.

The Finnish State owned 50.76% of the shares in Fortum 31 December 2011. There has been no change in the amount of shares during 2012.

Associated company and joint ventures transactions

EUR million	**Q1-Q2 2012**	Q1-Q2 2011	2011
Sales to associated companies	**74**	14	21
Interest on associated company loan receivables	**21**	18	34
Purchases from associated companies	**345**	398	662

Associated company and joint ventures balances

EUR million	June 30 2012	June 30 2011	Dec 31 2011
Long-term interest-bearing loan receivables	**1,231**	1,075	1,186
Trade receivables	**13**	13	12
Other receivables	**22**	18	11
Long-term loan payables	**234**	223	223
Trade payables	**5**	10	14
Other payables	**6**	22	22

25. Events after the balance sheet date

There are no material events after the balance sheet date.

26. Definition of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + Depreciation, amortisation and impairment charges
Comparable EBITDA	=	EBITDA - items affecting comparability - Net release of CSA provision
Items affecting comparability	=	Non-recurring items + other items affecting comparability
Comparable operating profit	=	Operating profit - non-recurring items - other items affecting comparability
Non-recurring items	=	Capital gains and losses
Other items affecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum´s part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.
Funds from operations (FFO)	=	Net cash from operating activities before change in working capital
Capital expenditure	=	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislatior 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 share in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.
Return on shareholders' equity, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$
Return on capital employed, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$
Return on net assets, %	=	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}} \times 100$
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects, nuclear fund adjustments and major sales gains or losses)}}{\text{Comparable net assets average}} \times 100$
Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions
Net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)

26. Definition of key figures

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

Market conditions and achieved power prices

Power consumption TWh	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Nordic countries	**86**	85	**200**	201	384	383
Russia	**232**	230	**524**	515	1,020	1,029
Tyumen	**19**	20	**42**	42	83	82
Chelyabinsk	**8**	8	**18**	18	36	36
Russia Urals area	**58**	58	**127**	126	250	251

Average prices	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	**28.4**	52.3	**33.3**	59.2	47.1	34.2
Spot price for power in Finland, EUR/MWh	**32.4**	52.0	**37.5**	58.4	49.3	38.9
Spot price for power in Sweden, SE3, Stockholm EUR/MWh [1]	**29.6**	52.2	**34.3**	59.0	47.9	35.6
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh [1]	**29.0**	N/A	**33.5**	N/A	N/A	N/A
Spot price for power in European and Urals part of Russia, RUB/MWh [2]	**925**	1,017	**920**	1,025	990	937
Average capacity price, tRUB/MW/month	**202**	174	**223**	194	209	218
Spot price for power in Germany, EUR/MWh	**40.4**	53.6	**42.7**	52.7	51.1	46.1
Average regulated gas price in Urals region, RUB/1000 m^3	**2,548**	2,548	**2,548**	2,548	2,548	2,548
Average capacity price for old capacity, tRUB/MW/month [3]	**136**	141	**151**	163	160	156
Average capacity price for new capacity, tRUB/MW/month [3]	**470**	496	**523**	593	560	550
Spot price for power (market price), Urals hub, RUB/MWh [2]	**888**	954	**869**	950	925	884
CO_2, (ETS EUA), EUR/tonne CO_2	**7**	16	**7**	16	13	9
Coal (ICE Rotterdam), USD/tonne	**90**	125	**96**	124	122	108
Oil (Brent Crude), USD/bbl	**109**	117	**114**	112	111	112

[1] From 1st Nov 2011 onwards price area SE3 (Stockholm), before Sweden as one area.

[2] Excluding capacity tariff

[3] Capacity prices paid only for the capacity available at the time.

Water reservoirs TWh				June 30 2012	June 30 2011	Dec 31 2011
Nordic water reservoirs level				**86**	83	95
Nordic water reservoirs level, long-term average				**84**	84	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Export / import between Nordic area and Continental Europe+Baltics	**-5**	0	**-10**	5	-6	-21
Export / import between Nordic area and Russia	**1**	3	**3**	6	11	8
Export / import Nordic area, Total	**-4**	3	**-7**	11	5	-13

Power market liberalisation in Russia %	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Share of power sold at the liberalised price by OAO Fortum	**83**	84	**83**	84	85	85

Achieved power prices EUR/MWh	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power's Nordic power price	**43.9**	47.4	**45.7**	47.6	46.1	45.2
Achieved power price for OAO Fortum	**29.4**	29.0	**29.3**	29.1	29.2	29.3

Production and sales volumes

Power generation TWh	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power generation in the EU and Norway	**12.2**	12.3	**26.7**	27.9	55.3	54.1
Power generation in Russia	**4.2**	3.9	**9.6**	8.7	17.4	18.3
Total	**16.4**	16.2	**36.3**	36.6	72.7	72.4

Heat production TWh	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Heat production in the EU and Norway	**3.3**	3.9	**10.6**	13.5	22.0	19.1
Heat production in Russia	**3.7**	3.4	**13.9**	14.4	25.4	24.9
Total	**7.0**	7.3	**24.5**	27.9	47.4	44.0

Power generation capacity by division MW	June 30 2012	June 30 2011	Dec 31 2011
Power	**9,742**	9,738	9,752
Heat	**1,565**	1,703	1,670
Russia	**3,404**	3,242	3,404
Total	**14,711**	14,683	14,826

Heat production capacity by division MW	June 30 2012	June 30 2011	Dec 31 2011
Power	**250**	250	250
Heat	**8,884**	10,131	10,375
Russia	**13,618**	13,796	14,107
Total	**22,752**	24,177	24,732

Power generation by source in the Nordic area TWh	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Hydropower	**5.7**	4.8	**11.8**	8.9	21.0	23.9
Nuclear power	**5.4**	5.7	**11.9**	12.5	24.9	24.3
Thermal power	**0.5**	1.5	**1.8**	5.5	7.2	3.5
Total	**11.6**	12.0	**25.5**	26.9	53.1	51.7

Power generation by source in the Nordic area %	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Hydropower	**49**	40	**46**	33	40	46
Nuclear power	**47**	48	**47**	47	47	47
Thermal power	**4**	12	**7**	20	13	7
Total	**100**	100	**100**	100	100	100

Power sales EUR million	Q2 2012	Q2 2011	Q1-Q2 2012	Q1-Q2 2011	2011	Last twelve months
Power sales in the EU and Norway	**606**	659	**1373**	1,531	2,868	2,710
Power sales in Russia	**149**	135	**330**	297	590	623
Total	**755**	794	**1,703**	1,828	3,458	3,333

Production and sales volumes

Heat sales **EUR million**	**Q2 2012**	Q2 2011	**Q1-Q2 2012**	Q1-Q2 2011	2011	Last twelve months
Heat sales in the EU and Norway	**204**	224	**682**	763	1,278	1,197
Heat sales in Russia	**47**	60	**173**	192	324	305
Total	**251**	284	**855**	955	1,602	1,502

Power sales by area **TWh**	**Q2 2012**	Q2 2011	**Q1-Q2 2012**	Q1-Q2 2011	2011	Last twelve months
Finland	**3.8**	5.7	**11.1**	13.8	24.6	21.9
Sweden	**6.5**	6.5	**14.4**	13.5	29.4	30.3
Russia	**5.1**	4.6	**11.3**	10.2	20.2	21.3
Other countries	**0.9**	0.8	**2.0**	1.9	3.6	3.7
Total	**16.3**	17.6	**38.8**	39.4	77.8	77.2

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

Heat sales by area **TWh**	**Q2 2012**	Q2 2011	**Q1-Q2 2012**	Q1-Q2 2011	2011	Last twelve months
Russia	**4.2**	4.3	**15.5**	15.3	26.7	26.9
Finland	**1.0**	1.7	**3.2**	5.1	8.5	6.6
Sweden	**1.6**	1.2	**4.9**	5.4	8.5	8.0
Poland	**0.6**	0.5	**2.6**	2.6	4.3	4.3
Other countries[1)]	**0.6**	0.8	**1.7**	2.0	3.4	3.1
Total	**8.0**	8.5	**27.9**	30.4	51.4	48.9

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