Fortum Corporation

Interim Report January-June 2014

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Fortum Corporation
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Good results despite seasonality, low spot prices and weak rouble

April−June 2014

- Comparable operating profit EUR 255 (289) million, -12%
- Operating profit EUR 295 (429) million, of which EUR 41 (140) million relates to items affecting comparability, i.e. mainly to the sale of the Norwegian electricity distribution and heat businesses
- Earnings per share EUR 0.28 (0.35), -20%, of which EUR 0.05 (0.12) per share relates to items affecting comparability. The sale of the Norwegian electricity distribution and heat businesses correspond to approximately EUR 0.08 per share
- Cash flow from operating activities totalled EUR 455 (282) million, +61%
- The Finnish Government decided not to introduce a power plant tax (windfall tax)
- The target for the Russia Segment in Russian roubles (RUB 18.2 billion) to be reached during 2015 is intact, but the euro result level will be volatile and with current exchanges rates lower than EUR 500 million

January−June 2014

- Comparable operating profit EUR 732 (813) million
- Operating profit EUR 2,629 (905) million, of which EUR 1,897 (93) million relates to items affecting comparability, i.e. mainly to the sale of the electricity distribution business in Finland
- Earnings per share EUR 2.81 (0.80), +251%, of which EUR 2.14 (0.08) per share relates to items affecting comparability. The main effect relates to the sale of the Finnish electricity distribution business totalling EUR 2.08 per share.
- Sale of the Finnish and Norwegian electricity distribution as well as the Norwegian heat business finalised
- Cash flow from operating activities totalled EUR 1,022 (749) million, +36%

Key figures	II/14	II/13*	I-II/14	I-II/13	2013*	LTM**
Sales, EUR million	1,016	1,205	2,489	2,858	5,309	4,940
Operating profit, EUR million	295	429	2,629	905	1,508	3,232
Comparable operating profit, EUR million	255	289	732	813	1,403	1,322
Profit before taxes, EUR million	284	388	2,626	878	1,398	3,146
Earnings per share, EUR	0.28	0.35	2.81	0.80	1.36	3.36
Net cash from operating activities, EUR million	455	282	1,022	749	1,548	1,821
Shareholders’ equity per share, EUR			12.86	10.89	11.28	
Interest-bearing net debt (at end of period), EUR million			5,008	7,975	7,793	

Key financial ratios	2013*	LTM**
Return on capital employed, %	9.0	18.4
Return on shareholders' equity, %	12.0	28.2
Net debt/EBITDA	3.7	1.3
Comparable net debt/EBITDA	3.9	2.6
Comparable net debt/EBITDA without Värme financing	3.4	2.2

*) Comparative period figures for 2013 presented in the interim report are restated due to an accounting change for Fortum Värme and segment reporting changes; see page 6 as well as Notes 2 and 4.
**) LTM, Last 12 months

Summary of outlook

- Fortum continues to expect the annual electricity demand growth in the Nordic countries to be on average 0.5% in the coming years
- Capital expenditure guidance: EUR 0.9-1.1 billion in 2014, excluding potential acquisitions
- Power and Technology Segment's Nordic generation hedges: for the rest of the calendar year 2014, approx. 55% hedged at EUR 45 per MWh; and for the 2015 calendar year, approx. 30% hedged at EUR 41 per MWh
- The EUR 500 million run-rate level in operating profit (EBIT) target, to be reached during 2015, in the Russia Segment corresponded to RUB 18.2 billion at 2008 prevailing euro-rouble exchange rates. Fortum is keeping its rouble-denominated target intact. The euro-denominated result level will be volatile mainly due to the translation effect, and currently, the unfavourable exchange balance converts into a lower profit level in euros.

Fortum's President and CEO Tapio Kuula

"Electricity spot prices continued to be under pressure. However, even though the wholesale market prices for electricity have decreased, various taxes, fees and subsidies are increasing end-consumers' energy costs. Reducing CO_2 emissions should drive the EU's 2030 climate and energy policy as it would also promote renewables and energy efficiency at the lowest cost to consumers and industry. Furthermore, a common EU-wide, competitive and strongly networked internal energy market, where also renewable energy is developed on market basis, would not just improve competitiveness and mitigate environmental impacts, but improve the EU's internal energy availability and security of supply as well.

The Finnish Government decided in June that it will not, after all, introduce a power plant tax (windfall tax) on nuclear, hydro and wind power built before 2004. The Government's decision is very welcome and the final decision to revoke the tax is expected from the Parliament in fall 2014. Going forward, predictability of the operating and regulatory environment for the capital intensive energy sector continues to be vital.

During the second quarter of 2014, electricity demand was flattish both in the Nordic countries and in Fortum's operating areas in Russia.

Fortum's achieved power price decreased. Nuclear volumes were also lower mainly due to the difference in timing and length of maintenance breaks in Fortum's partly owned plants. Higher hydro production volumes contributed positively and partly offset the negative effects mentioned above. In addition, both heat and distribution volumes were lower, which contributed negatively to the total results. In Russia, better electricity and heat spreads, improved bad debt collections and increased efficiency had a positive effect on the result. Cash flow from operating activities continued strong.

At the time of the acquisition of the Russian subsidiary OAO Fortum in 2008, the EUR 500 million run-rate level in operating profit (EBIT) target set to be reached during 2015 in the Russia Segment corresponded to RUB 18.2 billion at the then prevailing euro-rouble exchange rates. As earlier communicated, the segment’s profits are mainly impacted by changes in currency exchange rates as well as power demand, gas price and other regulatory development. Fortum is keeping its rouble-denominated target intact, but mainly due to the translation effect, the euro-denominated result level will be volatile. Currently, the unfavourable exchange balance converts into a lower profit level in euros. However, the company is making every effort to mitigate the negative impacts.

In line with the conclusions of the assessment of the electricity distribution business in 2013 and what was announced during the first quarter, the sale of the Norwegian electricity distribution business was finalised during the second quarter of 2014. The work on evaluating the possible future divestment of our Swedish electricity distribution business continues according to plan.

Going forward, our strategic focus is on low-carbon power generation, energy-efficient combined heat and power (CHP) production and sales as well as innovative customer offerings. We strive for efficiency throughout our businesses by optimising the current portfolio as well as by managing costs and working capital."

Efficiency programme 2013-2014

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

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

At the end of 2014, the cost run-rate is targeted to be approximately EUR 150 million lower compared to 2012, including growth projects.

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

At the end of June, Fortum had divested non-core assets of approximately EUR 400 million since the start of the efficiency programme. At the end of 2013, the company had been able to decrease its cost run-rate by approximately half of the targeted EUR 150 million and working capital efficiency had been improved. The programme is proceeding according to plan and will be finalized by the end of 2014.

Assessment of the electricity distribution business

In March, Fortum completed the divestment of its Finnish electricity distribution business to Suomi Power Networks Oy, owned by a consortium of Finnish and international investors. In June 2014, Fortum finalised its sale of the Norwegian electricity distribution business. The sales gains were booked in Fortum's Distribution Segment in the first and second quarter of 2014 (Note 6) respectively.

Fortum is currently evaluating possibilities to divest its distribution business in Sweden. The outcome is dependent on the market development and development of national regulation.

The decision to divest Fortum's electricity distribution business in Finland and Norway is linked to last year's strategic assessment of the company's future alternatives for its electricity distribution business. Fortum originally announced the completion of the assessment and the sale of the Finnish business in December 2013. The sale of the Norwegian business was announced in April 2014.

Restatement related to IFRS changes and the new reporting structure

As of 1 January 2014, Fortum has applied the new IFRS 10 Consolidated Financial Statements and 11 Joint Arrangements standards. The major effect of this reassessment relates to Fortum Värme, operating in the capital area in Sweden, which is treated as a joint venture and thus consolidated with the equity method (Note 2). Comparative information for 2013 presented in this interim report has been restated accordingly.

The segment information for 2013 has been restated due to the change in the organisation from 1 March 2014.

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

Financial results

April–June

In the second quarter of 2014, Group sales were EUR 1,016 (1,205) million. Comparable operating profit totalled EUR 255 (289) million and the reported operating profit totalled EUR 295 (429) million. Fortum's operating profit for the period was affected by non-recurring items. The sale of the Norwegian electricity distribution and heat businesses as well as an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments amounted to EUR 41 (140) million (Note 4).

Sales by segment

EUR million	II/14	II/13	I-II/14	I-II/13	2013	LTM
Power and Technology	487	548	1,072	1,213	2,252	2,111
Heat, Electricity Sales and Solutions	269	308	715	839	1,516	1,392
Russia	234	251	567	595	1,119	1,091
Distribution	148	227	449	566	1,064	947
Other	14	14	28	29	63	62
Netting of Nord Pool transactions	-101	-95	-234	-266	-478	-446
Eliminations	-35	-49	-108	-119	-228	-217
Total	**1,016**	**1,205**	**2,489**	**2,858**	**5,309**	**4,940**

Comparable operating profit by segment

EUR million	II/14	II/13	I-II/14	I-II/13	2013	LTM
Power and Technology	183	210	434	513	859	780
Heat, Electricity Sales and Solutions	11	13	59	70	109	98
Russia	28	20	102	61	156	197
Distribution	45	60	164	197	332	299
Other	-13	-14	-27	-28	-54	-53
Total	**255**	**289**	**732**	**813**	**1,403**	**1,322**

Operating profit by segment

EUR million	II/14	II/13	I-II/14	I-II/13	2013	LTM
Power and Technology	151	338	413	600	922	735
Heat, Electricity Sales and Solutions	67	24	112	75	134	171
Russia	28	20	101	61	156	196
Distribution	63	61	2,030	197	349	2,182
Other	-13	-14	-28	-28	-53	-53
Total	**295**	**429**	**2,629**	**905**	**1,508**	**3,232**

January−June

In January-June 2014, Group sales were EUR 2,489 (2,858) million. Comparable operating profit totalled EUR 732 (813) million and the reported operating profit totalled EUR 2,629 (905) million. Fortum's operating profit for the period was affected by non-recurring items. The sale of the Finnish electricity distribution business, the Norwegian electricity distribution and heat businesses as well as an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments amounting to EUR 1,897 (93) million (Note 4).

The share of profit from associates in January-June was EUR 109 (112) million, of which Fortum Värme represents EUR 48 (51) million. The share of profit from Hafslund and TGC-1 are based on the companies' published first quarter 2014 interim reports (Note 12).

The Group’s net financial expenses were EUR 113 (140) million. Net financial expenses include changes in the fair value of financial instruments of EUR 0 (-6) million.

Profit before taxes was EUR 2,626 (878) million.

Taxes for the period totalled EUR 124 (160) million. The tax rate according to the income statement was 4.7 % (18.2 %). In Finland, the corporate tax rate was decreased from 24.5% to 20.0% starting 1 January 2014. The tax rate, excluding the impact of the share of profit from associated companies and joint ventures as well as non-taxable capital gains, was 20.6% (21.0%).

The profit for the period was EUR 2,502 (718) million. Fortum's earnings per share was EUR 2.81 (0.80), of which EUR 2.14 (0.08) per share relates to items affecting comparability. The earnings per share impact from the sale of the Finnish electricity distribution business was EUR 2.08 per share (Note 6).

Financial position and cash flow

Cash flow

In January-June 2014, total net cash from operating activities increased by EUR 273 million to EUR 1,022 (749) million, mainly due to realised foreign exchange differences turning to positive effect being EUR 293 million, which were partly offset with a lower EBITDA. Realised foreign exchange gains and losses of EUR 155 (-138) million were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Capital expenditures decreased by EUR 81 million to EUR 330 (411) million. Proceeds from divestments of shares totalled EUR 2,817 (37) million mainly from the divestment of the Finnish distribution business as well as the Norwegian electricity distribution and heat businesses. Total net cash used in investing activities was positive EUR 2,706 (-248) million. Cash flow before financing activities, i.e. financing, increased by EUR 3,226 million to EUR 3,727 (501) million.

The proceeds were partially used to pay dividends totalling EUR 977 million in April as well as payments of interest-bearing debt amounting to EUR 1,856 million. Cash and cash equivalents at the end of the period were EUR 2,157 (1,265) million.

Assets and capital employed

Total assets decreased by EUR 1,318 million to EUR 22,030 (23,348 at year-end 2013) million which includes the decrease of non-current assets, EUR 787 million. Intangible assets, property, plant and equipment as well as on participation in associates and joint ventures were decreased by translation differences EUR 360 million and divestments, EUR 292 million.

Assets of distribution Finland, amounting to EUR 1,173 million were presented as Assets held for sale at the end of 2013. Cash and cash equivalents increased by EUR 907 million.

Capital employed was EUR 18,675 (19,183 at year-end 2013) million, a decrease of EUR 508 million.

Equity

Total equity was EUR 11,509 (10,124 at year-end 2013) million, of which equity attributable to owners of the parent company totalled EUR 11,424 (10,024) million and non-controlling interests EUR 85 (101) million.

The increase in equity attributable to owners of the parent company totalled EUR 1,400 million and was mainly from the net profit of EUR 2,498 million for the period offset by translation differences of EUR -117 million and paid dividends of EUR 977 million.

Financing

Net debt decreased during January-June 2014 by EUR 2,785million to EUR 5,008 (7,793 at year-end 2013) million.

At the end of June 2014, the Group's liquid funds totalled EUR 2,157 (1,265 at year-end 2013) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 378 (113 at year-end 2013) million. In addition to the liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities.

The Group's net financial expenses during January-June 2014 were EUR 113 (140) million. Net financial expenses include changes in the fair value of financial instruments of EUR 0 (-6) million.

Fortum Corporation's long-term credit rating with both S&P and Fitch has remainted unchanged and is A- (negative outlook).

Key figures

For the last twelve months, net debt to EBITDA was 1.3 (3.7 at year-end 2013) and comparable net debt to EBITDA 2.6 (3.9 at year-end 2013). Fortum is currently financing Fortum Värme, and these loans EUR 873 (1,135 at year-end 2013) million are presented as interest-bearing loan receivables in Fortum's balance sheet. However, the aim is to refinance the loans during 2014-2015. If these loans are deducted from the net debt, the last-twelve-months comparable net debt to EBITDA is 2.2 (3.4 at the year-end 2013).

Gearing was 44% (77%) and the equity-to-assets ratio 52% (43%). Equity per share was EUR 12.86 (11.28). For the last twelve months, return on capital employed totalled 18.4% (9.0% at year-end 2013) and return on shareholders' equity 28.2% (12.0% at year-end 2013). Both return on capital employed and return on equity were positively affected with the capital gain from the sale of the

Finnish electricity distribution business as well as the sale of the Norwegian electricity distribution and heat businesses.

Market conditions

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries during the second quarter of 2014 was 85 (87) terawatt-hours (TWh). In January–June 2014, electricity consumption in the Nordic countries was 196 (203) TWh. Where as industrial consumption realised nearly unchanged, other consumption came out lower due to mild weather.

At the beginning of the year, the Nordic water reservoirs were at 82 TWh, i.e. 1 TWh lower than the long-term average and 3 TWh lower than a year earlier. By the end of the first quarter, the reservoirs were 4 TWh higher than the long-term average and 10 TWh higher than the year before. The second quarter ended with reservoirs at 83 TWh, which is 1 TWh below the long-term average and 1 TWh above the corresponding level in 2013. Precipitation during the second quarter was below both the long-term average and the level the year before.

In the second quarter of 2014, the average system spot price of electricity in Nord Pool was EUR 25.7 (38.7) per megawatt-hour (MWh). The price declined as both water reservoirs and hydro production were above previous year's level. In addition, downgoing variable cost of coal-fired power generation depressed the price.

The average area price in Finland was EUR 34.6 (39.9) per MWh and in Sweden SE3 (Stockholm) 31.6 (38.3) per MWh. Since introducing the 650-MW Estlink-2 connection with Estonia in late 2013, especially Finland has more frequently been impacted by the higher price level in the southern Baltics, dominated by thermal production.

During January–June 2014, the average system spot price was EUR 27.9 (40.4) per MWh. In Finland, the average area price was EUR 34.9 (41.0) per MWh and in Sweden SE3 (Stockholm) EUR 30.8 (40.1) per MWh.

In Germany, the average spot price during the second quarter of 2014 was EUR 31.2 (32.6) per MWh and during January–June 2014 EUR 32.4 (37.4) per MWh.

The market price of CO_2 emission allowances (EUA) was at approximately EUR 4.8 per tonne at the beginning of the year and had climbed to EUR 5.9 per tonne by the end of June. During January–June 2014, EUA's traded between EUR 4.4 and EUR 7.2 per tonne.

Russia

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

According to preliminary statistics, Russia consumed 230 (230) TWh of electricity during the second quarter of 2014. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 176 (175) TWh. In January-June 2014, Russia consumed 513 (518) TWh of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 387 (389) TWh.

In the second quarter of 2014, the average electricity spot price, excluding capacity price, increased by 15% to RUB (Russian rouble) 1,203 (1,043) per MWh in the First price zone. In January-June 2014, the average electricity spot price, excluding capacity price, increased by 13% to RUB 1,156 (1,020) 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 55).

European business environment and carbon market

EU institutional changes

The European Parliamentary election for the next five-year mandate was held on 25–26 May. The new Parliament, with 751 members, is expected to have somewhat lower ambition in terms of deepening the European integration.

State aid guideline

A new EU energy and environment state aid guideline came into force on 1 July 2014. The guideline will take energy support systems in a more market-driven direction.

Energy security

Following the escalating political crises in Ukraine, energy security became a major topic for the EU. Based on the request by the European Council in March, the EU Commission published a European energy security strategy in May. The strategy contains few new elements, but underlines the already agreed decisions and especially the Commission's proposal for the 2030 energy and climate framework. This is a good base towards improving the EU's energy market and enforcing a common European energy policy. The Commission is preliminarily looking for an EU-level energy efficiency target that could be adopted in connection with the 2030 energy and climate framework in October this year.

2030 Framework and ETS

The discussion on the EU 2030 energy and climate framework seems to be developing away from a single target for greenhouse gas reduction towards multiple targets. Several Member States insist on adopting three binding targets: CO_2, renewables and energy efficiency.

The Council has had a preliminary exchange of views on the market stability reserve (MSR) for the ETS, which would introduce supply elasticity into the system. An early establishment of the mechanism, as promoted by Fortum, is gaining wider support. The Italian Presidency's work programme includes a particular focus on the MSR and Italy is expected to bring the issue forward after the 2030 Framework and Target discussions in the European Council in October.

Swedish hydro investigation

The Water Operations Investigation presented a final proposal in June on the reappraisal of hydro permits in Sweden. The proposal would mean that a vast majority of power plants and dams would be subject to full environmental processes in order to gain new permits. The proposal is now out for public consultation until 31 October 2014.

New Government in Finland

The new Prime Minister Alexander Stubb's Government took the office in Finland at the end of June 2014. The Government adheres to earlier agreements and puts emphasis on economic growth. The Government committed to avoid decisions that would lead to higher costs or regulatory burden for the industry. More specifically, the Government decided not to enforce the already adopted power plant tax (previously called windfall tax). In the autumn of 2014, the Government is expected to prepare a new law repealing the already adopted tax. This very positive development improves the predictability and consistency of the operational framework for all power companies in Finland.

Segment reviews

Power and Technology

Power and Technology consists of Fortum's hydro, nuclear and thermal power generation, Power Solutions with expert services, portfolio management and trading as well as technology and R&D functions. The segment incorporates two divisions: the Hydro Power and Technology Division and the Nuclear and Thermal Power Division.

EUR million	II/14	II/13	I-II/14	I-II/13	2013	LTM
Sales	487	548	1,072	1,213	2,252	2,111
- power sales	454	517	1,000	1,148	2,117	1,969
of which Nordic power sales*	419	450	919	1,002	1,866	1,783
- other sales	32	30	72	63	131	140
Operating profit	151	338	413	600	922	735
Comparable operating profit	183	210	434	513	859	780
Comparable EBITDA	213	241	496	575	1,007	928
Net assets (at period-end)			6,113	6,402	6,355	
Return on net assets, %					14.5	11.6
Comparable return on net assets, %					13.8	12.6
Capital expenditure and gross investments in shares	37	43	72	70	181	183
Number of employees			1,791	2,009	1,723	

Power generation by source, TWh	II/14	II/13	I-II/14	I-II/13	2013	LTM
Hydropower, Nordic	5.9	4.5	12.3	10.3	18.1	20.1
Nuclear power, Nordic	5.0	5.9	11.6	12.6	23.7	22.7
Thermal power, Nordic	0.0	0.5	0.2	1.2	1.9	0.9
Total in the Nordic countries	**10.9**	**10.9**	**24.1**	**24.1**	**43.7**	**43.7**
Thermal power in other countries	0.2	0.3	0.5	0.6	1.0	0.9
Total	**11.1**	**11.2**	**24.6**	**24.7**	**44.7**	**44.6**

Nordic sales volumes, TWh	II/14	II/13	I-II/14	I-II/13	2013	LTM
Nordic sales volume	11.2	11.2	24.8	24.9	45.3	45.2
of which Nordic power sales volume*	10.4	10.0	23.0	22.1	40.2	41.1

* 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/14	II/13	I-II/14	I-II/13	2013	LTM
Power and Technology's Nordic power price**	40.2	44.7	39.9	45.2	46.4	43.4

** Power and Technology'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 2014, Power and Technology's comparable operating profit was EUR 183 (210) million, i.e. EUR 27 million lower than in the corresponding period in 2013. The decline is mainly due to the lower achieved power price caused by lower spot prices as well as the timing and lenght of the partly-owned nuclear power plants' annual maintenance outages. The negative impacts were partly offset by higher hydro volumes.

Operating profit, EUR 151 (338) million, was affected by sales gains totalling EUR 5 (0) million and by the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and by nuclear fund adjustments amounting to EUR -37 (128) million (Note 4).

Power and Technology's achieved Nordic power price was EUR 40.2 (44.7) per MWh, or EUR 4.5 per MWh lower than in the corresponding period in 2013. The system and all area prices were clearly lower during the second quarter of 2014 compared to the same period in 2013. The average system spot price of electricity in Nord Pool was EUR 25.7 (38.7) per MWh. The average area price in Finland was EUR 34.6 (39.9) per MWh and in Sweden SE3 (Stockholm) EUR 31.6 (38.3) per MWh.

Nuclear availability in the second quarter was at a high level in all operating reactors, except in Oskarshamn 2 which has been shut down since 1 June 2013 for an extensive safety modernisation.

In the second quarter of 2014, the segment's total power generation in the Nordic countries was 10.9 (10.9) TWh. The CO_2-free production amounted to 97% (93%).

January–June

In January-June 2014, Power and Technology's comparable operating profit was EUR 434 (513) million, i.e. EUR 79 million lower than in the corresponding period in 2013. This is mainly due to the lower achieved power price caused by lower spot prices. The price impact was partly offset by higher hydro power production volumes.

Operating profit, EUR 413 (600) million, was affected by sales gains totalling EUR 6 (5) million and by the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and by nuclear fund adjustments amounting to EUR -27 (83) million (Note 4).

Power and Technology's achieved Nordic power price was EUR 39.9 (45.2) per MWh, or EUR 5.3 per MWh lower than in the corresponding period in 2013. The system and all area prices were clearly lower during January-June 2014 compared to the same period in 2013. The average system spot price of electricity in Nord Pool was EUR 27.9 (40.4) per MWh. The average area price in Finland was EUR 34.9 (41.0) per MWh and in Sweden SE3, (Stockholm) EUR 30.8 (40.1) per MWh.

In January-June 2014, the segment's total power generation in the Nordic countries was 24.1 (24.1) TWh. Due to normalised hydro inflow and reservoir levels, hydropower production was 2.0 TWh higher during January-June 2014 compared to the same period in 2013. Thermal production was 0.2 (1.2) TWh in Nordic countries. The CO_2-free production amounted to 97% (93%).

Nuclear availability was at a high level in all operating reactors, except in Oskarshamn 2 which has been shut down since 1 June 2013 for an extensive safety modernisation that is currently expected to that may be completed in the summer of 2015.

Heat, Electricity Sales and Solutions

Heat, Electricity Sales and Solutions consists of combined heat and power (CHP) production as well as heat and electricity sales and development of customer-oriented solutions. The business operations are located in the Nordics, the Baltic countries, Poland and India. The segment also includes Fortum's 50% holding in Fortum Värme, which is a joint venture and is accounted for using the equity method.

EUR million	II/14	II/13	I-II/14	I-II/13	2013	LTM
Sales	269	308	715	839	1,516	1,392
- heat sales	79	89	243	284	492	451
- power sales	160	184	417	498	900	819
- other sales	30	35	54	57	124	121
Operating profit	67	24	112	75	134	171
Comparable operating profit	11	13	59	70	109	98
of which Electricity Sales	11	13	21	27	47	41
Comparable EBITDA	36	39	109	119	211	201
Net assets (at period-end)			2,176	2,287	2,295	
Return on net assets, %					9.7	11.5
Comparable return on net assets, %					8.7	8.4
Capital expenditure and gross investments in shares	14	37	27	70	134	91
Number of employees			1,947	2,116	1,968	

As of 2014, the former Heat Division and Electricity Sales and Solutions business area are reported as one segment (Note 4). In addition, Fortum Värme, which earlier was consolidated as a subsidiary under the Heat Division, is treated as a joint venture and thus consolidated with the equity method. The effect of Fortum Värme is hence included in the share of profits in associates and joint ventures. In January-June, this represented EUR 48 (51) million (Note 2).

April–June

Heat sales volumes of Heat, Electricity Sales and Solutions amounted to 1.3 (1.8) TWh during the second quarter of 2014. During the same period, power sales volumes from CHP production totalled 0.6 (0.7) TWh. Despite the new capacity, heat and power sales volumes were lower mainly due to the divestments made in 2013 in Finland.

Comparable operating profit in the second quarter was EUR 11 (13.0) million.

The operating profit in the second quarter totalled EUR 67 (24) million and was affected by sales gains totalling EUR 53 (0) million (Note 4).

January–June

Heat sales volumes of Heat, Electricity Sales and Solutions amounted to 4.6 (6.2) TWh during January-June 2014. During the same period, power sales volumes from CHP production totalled 1.6 (1.9) TWh. Despite the new capacity, heat and power sales volumes were lower mainly due to the warmer than average weather during the first quarter of 2014 and the divestments made in 2013 in Finland. The warm weather also burdened retail sales, especially during the first quarter of 2014.

Comparable operating profit in January-June was EUR 59 (70) million. The result decreased mainly due to the lower volumes and lower power prices.

The operating profit in the first quarter totalled EUR 112 (75) million and was affected by sales gains totalling EUR 54 (0) million (Note 4).
At the end of June 2014, Fortum's customer base in Electricity Sales was approximately 1.3 million.

Heat sales by area, TWh	II/14	II/13	I-II/14	I-II/13	2013	LTM
Finland	0.6	1.1	1.8	3.1	5.4	4.1
Poland	0.5	0.5	2.0	2.5	4.1	3.6
Other countries	0.2	0.2	0.8	0.6	1.2	1.4
Total	**1.3**	**1.8**	**4.6**	**6.2**	**10.7**	**9.1**

Power sales, TWh	II/14	II/13	I-II/14	I-II/13	2013	LTM
CHP	0.6	0.7	1.6	1.9	3.5	3.2
Electricity Sales	2.9	2.8	7.3	7.6	13.6	13.3
Total	**3.5**	**3.5**	**8.9**	**9.5**	**17.1**	**16.5**

Russia

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

EUR million	II/14	II/13	I-II/14	I-II/13	2013	LTM
Sales	234	251	567	595	1,119	1,091
- power sales	183	202	401	428	822	795
- heat sales	51	48	162	164	290	288
- other sales	0	1	3	3	7	7
Operating profit	28	20	101	61	156	196
Comparable operating profit	28	20	102	61	156	197
Comparable EBITDA	64	49	177	120	258	315
Net assets (at period-end)			3,870	3,793	3,846	
Return on net assets, %					5.2	6.2
Comparable return on net assets, %					5.2	6.2
Capital expenditure and gross investments in shares	97	98	156	169	435	422
Number of employees			4,189	4,297	4,162	

The liberalisation of the Russian wholesale power market has been completed since the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity – an amount equalling the consumption of households and a few special groups of consumers – under regulated prices. During January-June 2014, Fortum sold approximately 81% of its power production in Russia at a liberalised electricity price.

The capacity selection for generation built prior to 2008 (CCS – "old capacity") for 2014 was held in September 2013. All of Fortum's capacity was allowed to participate in the selection for 2014 and the majority of Fortum's power plants were also selected. The volume of Fortum's installed capacity not selected in the auction totalled 132 MW, which represents 4.6% of Fortum's total old capacity in Russia.

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

Received capacity payments differ depending on the age, location, type and size of the plant as well as seasonality and availability. The CSA payments can also vary somewhat annually because they are linked to the Russian Government long-term bonds with 8 to 10 years maturity. In addition, the regulator will review the guaranteed CSA payments by re-examining earnings from the electricity-only market three and six years after the commissioning of a unit and may revise the CSA payments accordingly.

April–June

The Russia Segment's power sales volumes amounted to 5.8 (6.4) TWh during the second quarter of 2014. Heat sales totaled 4.5 (4.1) TWh during the same period.

The Russia Segment's comparable operating profit was EUR 28 (20) million in the second quarter of 2014. The positive effect from the new units, receiving CSA payments, amounted to approximately EUR 37 (34) million, including EUR -5 million due to the weak rouble and a reversal of the CSA provisions totalling EUR 4 (10) million. In addition, better electricity spreads due to gas prices indexation in the second half 2013, heat spreads and increased efficiency had a positive effect on the result. Overall, the weakened Russian rouble affected the result negatively by approximately EUR -3 million.

Operating profit was EUR 28 (20) million in the second quarter of 2014.

January–June

The Russia Segment's power sales volumes amounted to 12.9 (13.8) TWh January-June 2014. Heat sales totalled 14.2 (13.8) TWh during the same period.

The Russia Segment's comparable operating profit was EUR 102 (61) million in January-June 2014. The positive effect from the new units, receiving CSA payments, amounted to approximately EUR 86 (63) million, including EUR -15 million due to the weak rouble and a reversal of the CSA provisions totalling EUR 4 (10) million. In addition, better electricity and heat spreads, improved bad debt collections and increased efficiency positively affected the result. Overall, the weakened Russian rouble affected the result negatively by approximately EUR -17 million.

Operating profit was EUR 101 (61) million in January-June 2014.

Key electricity, capacity and gas prices for Fortum Russia	II/14	II/13	I-II/14	I-II/13	2013	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,132	970	1,075	950	1,021	1,074
Average regulated gas price, Urals region, RUB/1000 m3	3,362	2,836	3,362	2,880	3,131	3,362
Average capacity price for CCS “old capacity”, tRUB/MW/month*	129	146	156	162	163	160
Average capacity price for CSA “new capacity”, tRUB/MW/month*	493	513	553	575	576	563
Average capacity price, tRUB/MW/month	256	252	296	262	276	293
Achieved power price for OAO Fortum, EUR/MWh	31.7	31.1	31.2	30.8	32.1	32.3

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

Distribution

Fortum owns and operates electricity distribution and regional networks and distributes electricity to a total of 0.9 million customers in Sweden.

EUR million	II/14	II/13	I-II/14	I-II/13	2013	LTM
Sales	148	227	449	566	1,064	947
- distribution network transmission	114	190	355	485	896	766
- regional network transmission	25	29	71	66	129	134
- other sales	9	8	23	15	39	47
Operating profit	63	61	2,030	197	349	2,182
Comparable operating profit	45	60	164	197	332	299
Comparable EBITDA	80	113	251	304	548	495
Net assets (at period-end)			2,642	3,742	3,745	
Return on net assets, %					9.3	65.3
Comparable return on net assets, %					8.8	9.1
Capital expenditure and gross investments in shares	35	59	60	109	255	206
Number of employees			384	782	805	

April–June

The volume of distribution and regional network transmissions during the second quarter of 2014 totalled 3.3 (5.6) TWh and 3.0 (3.8) TWh, respectively. Volumes in Sweden were in line with last year. The lower volume in total, compared to the same period in 2013, was due to the divestment of the Finnish electricity business in the first quarter and the Norwegian distribution business in the second quarter of 2014.

The Distribution Segment's comparable operating profit was EUR 45 (60) million.

Operating profit in the second quarter of 2014 totalled EUR 63 (61) million and was affected by sales gains totalling EUR 16 (0) million from the Norwegian electricity distribution business (Note 6).

January–June

The volume of distribution and regional network transmissions during January-June 2014 totalled 11.0 (14.2) TWh and 7.5 (8.6) TWh, respectively. Volumes were lower due to warmer weather, especially during the first quarter of 2014. The lower total volume was mainly due to the divestment of the Finnish and Norwegian distribution businesses.

The Distribution Segment's comparable operating profit was EUR 164 (197) million. The decrease was mainly due to the very mild weather during the first quarter and, and the divestment of the electricity distribution in Finland that was finalised at the end of March.

Operating profit in January-June 2014 totalled EUR 2,030 (197) million and was affected by sales gains totalling approximately EUR 1.865 billion from the Finnish and Norwegian electricity distribution businesses (Note 6).

In line with the conclusions of the completed assessment of the electricity distribution business in 2013, the sale of the Finnish electricity distribution business was finalised in March 2014. Furthermore, the Norwegian sale was finalised during the second quarter. Currently, Fortum is evaluating the possible future divestment of the Swedish electricity distribution business.

Volume of distributed electricity in distribution network, TWh	II/14	II/13	I-II/14	I-II/13	2013	LTM
Sweden	3.0	3.1	7.2	7.7	14.1	13.6
Finland	0.0	2.0	2.8	5.1	9.5	7.2
Norway	0.3	0.5	1.1	1.4	2.5	2.2
Total	**3.3**	**5.6**	**11.0**	**14.2**	**26.1**	**22.9**

Number of electricity distribution customers by area, thousands	30 June 2014	30 June 2013
Sweden	904	903
Finland	0	636
Norway	0	102
Total	**904**	**1,641**

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares totalled EUR 179 (239) million in the second quarter of 2014 (Note 4).

Capital expenditures and investments in shares totalled EUR 315 (420) million in January-June 2014 (Note 4). Investments, excluding acquisitions, were EUR 288 (407) 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 and Technology				
Hydro refurbishment	Hydropower	14		2014
Russia*				
Nyagan 3	Gas (CCGT)	418		2H 2014
Chelyabinsk 1	Gas (CCGT)	248	175	1H 2015
Chelyabinsk 2	Gas (CCGT)	248	175	1H 2015

*) Start of commercial operation.

Power and Technology

Through its interest in Teollisuuden Voima Oyj (TVO), Fortum is participating in the building of Olkiluoto 3 (OL3), a 1,600-MW nuclear power plant unit in Finland. (Note 13)

In March 2014, Fortum started an extensive refurbishment of two of the Imatra hydropower plant's seven units. The refurbishment will increase the capacity of the power plant by 14 MW's to 192 MW's and will improve safety and reliability. After the refurbishment, the Imatra plant will be Finland's largest hydropower plant in terms of capacity and production.

In May 2014, Fortum and the Areva-Siemens Consortium agreed on the discontinuation of the current automation modernisation project agreement at the Loviisa nuclear power plant in Finland. The Areva-Siemens Consortium will complete the ongoing agreed and resized work in cooperation with Fortum. Furthermore, Fortum signed an agreement with Rolls-Royce about the continued modernisation of automation of the power plant. The modernisation will be carried out over several years.

Heat, Electricity Sales and Solutions

Through Fortum’s interests in Fortum Värme, Fortum's joint venture with the City of Stockholm, the company is investing in a new biofuelled combined heat and power (CHP) plant in Värtan, Stockholm. The new CHP plant will replace some existing heat production and is planned to be commissioned in 2016. The new plant will have a production capacity of 280 MW heat and 130 MW electricity.

In addition, Fortum is participating in its joint venture Turun Seudun Energiantuotanto Oy’s (TSE) new combined heat and power (CHP) plant in Naantali, Finland replacing the old existing plant. The plan is to commission the new power plant in 2017. The plant’s production capacity will be 142 MW electricity and 244 MW heat.

In June, Fortum completed the divestment of its Norwegian heat business to the iCON Infrastructure Partners II, L.P. fund (Note 6).

Distribution

In March 2014, Fortum completed the divestment of its Finnish electricity distribution business to Suomi Power Networks Oy, owned by a consortium of Finnish and international investors. The total consideration was EUR 2.55 billion on a debt- and cash-free basis. Fortum's one-time sales gain of approximately EUR 1.85 billion corresponds to EUR 2.08 per share. The sales gain is booked in Fortum's Distribution Segment in the first quarter of 2014 (Note 6).

In May, Fortum completed the divestment of its Norwegian electricity distribution business to the Hafslund Group, listed on the Oslo Stock Exchange (Note 6).

Shares and share capital

Fortum Corporation is listed on the NASDAQ OMX Helsinki Ltd. During January-June 2014, a total of 254.2 (298.4) million Fortum Corporation shares, totalling EUR 4,328 million, were traded. The highest quotation of Fortum Corporation shares during the reporting period was EUR 20.32, the lowest EUR 15.13, and the volume-weighted average EUR 17.02. The closing quotation on the last trading day of the quarter, 30 June 2014, was EUR 19.61 (14.40). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the review period, was approximately EUR 17,421 million.

In addition to the NASDAQ OMX Helsinki Ltd., Fortum shares were traded on several alternative market places, for example Boat, BATS Chi-X and Turquoise, and on the OTC market. In the first half of 2014, approximately 58% of Fortum's shares were traded on markets other than the NASDAQ OMX Helsinki Ltd.

On 30 June 2014, 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 121,220. The Finnish State's holding in Fortum was 50.8%, and the proportion of nominee registrations and direct foreign shareholders was 29.9% at the end of the review period.

Fortum Corporation received on 5 April 2014 notification under Chapter 2 Section 9 of the Securities Markets Act that Capital Group Companies Inc's ("CGC") holding in Fortum was above the threshold of 5 per cent on 3 April 2014.

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 the Baltic Rim area. The total number of employees at the end of June was 8,846 (9,186 at the end of 2013).

At the end of June 2014, Power and Technology had 1,791 (1,723) employees; Heat, Electricity Sales and Solutions 1,947 (1,968); Russia 4,189 (4,162); Distribution 384 (805); and Other 535 (528).

Headcount reductions were mainly due to the sale of the Finnish and Norwegian distribution business and Fortum's efficiency programme. Reductions related to the efficiency programme have been implemented on a unit level by using natural rotation, rearrangement of vacancies and by retirement. Vacant jobs have primarily been filled internally. The possibilities for internal rotation have been improved. By rotating staff between different countries and divisions, the company improves know-how and develops the exchange of competencies throughout the organisation.

Research and development

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

In January-June 2014, Fortum signed a leasing agreement with the UK-based Wave Hub. The agreement provides Fortum with a opportunity to study advanced, full-scale wave power converters in ocean conditions. In addition, Fortum, UPM and Valmet joined forces to develop a new technology to produce advanced high-value lignocellulosic fuels, such as transportation fuels or higher value bio liquids in order to develop catalytic pyrolysis technology for upgrading bio-oil and to commercialise the new technology.

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

Sustainability

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

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

The achievements of the sustainability targets are monitored through monthly, quarterly and annual reporting. Sustainability target-setting and follow-up as well as the approval of Fortum's Sustainability policy and the review of Fortum's Sustainability Report are included in the working order of the Board of Directors.

The company is listed on STOXX Global ESG Leaders, the NASDAQ OMX, OMX GES Sustainability Finland and ECPI® indices. Fortum is also included in the Carbon Disclosure Project's Nordic Climate Index and has received Prime Status (B-) rating by the German oekom research AG.

Fortum's sustainability targets and performance*

Targets		II/14	I-II/2014	Five-year average
Specific CO_2 emissions from power generation in the EU as a five-year average, g/kWh	< 80	33	35	59
Specific CO_2 emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	188	186	197
Overall efficiency of fuel use as a five-year average, %	> 70	59	65	64
Environmental incidents	< 35	2	12	-
Energy availability of CHP plants in the EU, %	> 95	95	97	-
SAIDI, (minutes) Sweden	< 100	15	33	-
Lost workday injury frequency (LWIF) for own personnel	< 1.0	1.3	1.0	-
Lost workday injury frequency (LWIF) for contractors	< 3.5	1.7	3.1	-

*Targets for the reputation and customer satisfaction are monitored annually.

Economic responsibility

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

Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources as well as management of the impacts of our energy production, distribution and supply chain. Our know-how in 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 CO_2 emissions, energy efficiency as well as major environment, health and safety (EHS) incidents. At the end of June 2014, ISO 14001 certification covered 100% of Fortum's power and heat production and distribution operations worldwide.

Fortum's climate targets over the next five years are: specific CO_2 emissions from power generation in the EU below 80 grams per kilowatt-hour (g/kWh) and total specific CO_2 emissions from both electricity and heat production in all countries below 200 g/kWh. Both targets are calculated as a five-year average. At the end of June 2014, the five-year average for specific CO_2 emissions from power generation in the EU was at 59 (58) g/kWh and the total specific CO_2 emissions from energy production was at 197 (191) g/kWh, both better than the target level.

Fortum's total CO_2 emissions in January-June 2014 amounted to 10.1 (10.9) million tonnes (Mt), of which 1.7 (3.1) Mt were within the EU's emissions trading scheme (ETS). Since 2013, electricity production does not receive free allowances in the EU ETS. The amount of free allowances for heat will gradually decrease during 2013-2020 as well. Fortum's free allowances in 2014 total 1.4 Mt.

Fortum's total CO_2 emissions (million tonnes, Mt)	II/14	II/13	I-II/14	I-II/13	2013	LTM
Total emissions	4.1	4.6	10.1	11.3	20.5	19.3
Emissions subject to ETS	0.7	1.4	1.7	3.1	5.1	3.7
Free emissions allocation					1.8	
Emissions in Russia	3.5	3.4	8.4	8.1	15.3	15.5

Fortum's energy efficiency target is to raise the overall efficiency of fuel use to 70% as a five-year average. In January-June 2014, the overall efficiency of fuel use was 65% (60%) and the five-year average after June 2014 was 64% (66%), meaning the target level was not met.

Fortum's target is for fewer than 35 major EHS incidents annually. In January-June 2014, a total of 12 (16) major EHS incidents took place in Fortum's operations. This includes 5 environmental permit non-compliances, 3 explosions, 2 leaks into the environment, one fire and one International Nuclear Event Scale1 incident (INES). These incidents did not have significant environmental or financial impacts, but the explosion in the Pyrolysis unit in Joensuu has caused a prolonged shut down of the pyrolysis process.

Social responsibility

In the area of social responsibility, Fortum's innovations and the secure supply of low-carbon power and heat support the development of society and increase well-being. Good corporate citizenship, reliable energy supply and ensuring a safe working environment for all employees and contractors at Fortum sites are emphasised. At the end of June 2014, OHSAS 18001 certification covered 74% of Fortum's power and heat production and distribution operations worldwide.

In January-June 2014, the average energy availability of Fortum's CHP plants was 97%, which is above the annual target level of 95%. In electricity distribution in Sweden, the cumulative SAIDI (System Average Interruption Duration Index) was 33 (33) minutes, while the annual target is less than 100 minutes.

In January-June 2014, the lost-workday injury frequency (LWIF) for Fortum employees was 1.0 (0.9). This complies with the Group-level frequency target of less than one per million working hours for own personnel. In contrast to Fortum's own employees, contractor safety has not developed as desired. The lost-workday injury frequency for contractors has improved and is 3.1 (3.8). Unfortunately, there has been two fatal accidents for contractors this year in Fortum's operations in Sweden. Implementation of agreed actions to improve contractor safety continues. Fortum's categorical target is to avoid serious injuries.

Fortum wants to conduct business with viable companies that act responsibly and comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. In January-June 2014, Fortum audited altogether 11 suppliers located in Brazil, China, Czech Republic, Russia and Sweden. The emphasis in the audits was on contractors and biofuel suppliers.

Changes in Fortum's Management

Fortum renewed its business structure as of 1 March 2014. The target of the reorganisation is to strengthen Fortum's capability to execute the company's strategy in the fast developing operating environment.

Matti Ruotsala was appointed Chief Operating Officer (COO) and is acting as deputy to the CEO. Fortum's CFO is Timo Karttinen. New Executive Management members are Tiina Tuomela, who was appointed Executive Vice President (EVP), Nuclear and Thermal Power; Kari Kautinen, Senior Vice President (SVP), Strategy, Mergers and Acquisitions; and Esa Hyvärinen, Senior Vice President, Corporate Relations.

In the new structure, Fortum has four reporting segments:
- Power and Technology (reporting to COO)
    - Hydro Power and Technology, Per Langer, EVP
    - Nuclear and Thermal Power, Tiina Tuomela, EVP
- Heat, Electricity Sales and Solutions (reporting to COO), Markus Rauramo, EVP
- Russia, Alexander Chuvaev, EVP
- Distribution, Timo Karttinen, CFO

Fortum's six staff functions are:
- Finance, Timo Karttinen, CFO
- Strategy and Mergers & Acquisitions, Kari Kautinen, SVP
- Legal, Kaarina Ståhlberg, General Counsel (has left the position as of April)
- Human Resources and IT, Mikael Frisk, SVP
- Communications, Helena Aatinen, SVP
- Corporate Relations, Esa Hyvärinen, SVP

COO Matti Ruotsala, CFO Timo Karttinen and Alexander Chuvaev, EVP of Russia Division, as well as the heads of the staff functions report to President and CEO Tapio Kuula.

In April 2014, Fortum announced that the company's General Counsel and Executive Team member Kaarina Ståhlberg left her position as General Counsel and member of Fortum's Executive Management as of 8 April 2014, due to family reasons. She will continue as Legal Advisor in nuclear business-related matters, reporting to COO Matti Ruotsala.

In June 2014, Sirpa-Helena Sormunen, LL.M. (Helsinki University), 54, was appointed General Counsel and member of Fortum Corporation's Executive Management as of 1 September 2014. She will report to President and CEO Tapio Kuula.

Annual General Meeting 2014

Fortum Corporation's Annual General Meeting, which was held in Helsinki on 8 April 2014, adopted the financial statements of the parent company and the Group for the financial period 1 January-31 December 2013 and discharged the members of Fortum's Board of Directors as well as the President and CEO and his deputy from liability for the year 2013.

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share for the financial year that ended 31 December 2013. The record date for the dividend payment was 11 April 2014 and the dividend payment date was 22 April 2014.

The Annual General Meeting confirmed the number of members in the Board of Directors to be eight. Ms Sari Baldauf was re-elected as Chairman, Mr Kim Ignatius was elected as Deputy Chairman, and Ms Minoo Akhtarzand, Mr Heinz-Werner Binzel, Ms Ilona Ervasti-Vaintola, Mr Christian Ramm-Schmidt were re-elected as members, and Mr Petteri Taalas and Mr Jyrki Talvitie were elected as new members.

The Annual General Meeting confirmed the 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 Board member acting as the Chairman of the Audit and Risk Committee if he or she is not at the same time acting as Chairman or Deputy Chairman of the Board. In addition, a EUR 600 meeting fee is paid for Board meetings as well as for committee meetings. The meeting fee is doubled for Board members who live outside Finland in Europe and tripled for members living outside Europe.

The Annual General Meeting also resolved to amend the Articles of Association as follows. Firstly, in accordance with the stand of the Ownership Steering of the Finnish State, the age limit of Board member elects is removed from § 6. Secondly, the possibility to deliver the notice to a General Meeting by publishing the notice on the company's website is added to § 12; and thirdly, certain linguistic and technical amendments are made to § 3 and 4, i.a. by removing the par value of shares referred to in the Finnish Companies Act.

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

Events after the balance sheet date

In July, Fortum acquired E.ON Ruhrgas International GmbH's shareholding of 33.66% in the Estonian natural gas import, sales and distribution company AS Eesti Gaas and a similar shareholding in the gas transmission service company AS Võrguteenus Valdus. The acquired shares will increase Fortum's holding in both companies to approximately 51.4%.

The transaction is subject to necessary regulatory approvals and customary closing conditions. Fortum expects to finalise the transaction during the third quarter of 2014.

Outlook

Key drivers and risks

Fortum's financial results are exposed to a number of economic, strategic, political, financial and operational risks. One of the key factors influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, 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, due to the increase in production volumes and CSA payments.

The continued global economic uncertainty and Europe's sovereign-debt crisis has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO_2 emissions allowance prices, and this could maintain downward pressure on the Nordic wholesale price for electricity in the short term. In Fortum's Russian business, the key factors are economic growth, the rouble exchange rate, the regulation around the heat business and further development of electricity and capacity markets. Operational risks related to the investment projects in the current investment programme are still valid. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates due to financial turbulence could have both translation and transaction effects on Fortum's financials, especially through the Swedish krona (SEK) and the Russian rouble (RUB). In the Nordic countries, also the regulatory and fiscal environment for the energy sector has added risks for utility companies.

Nordic market

Despite macroeconomic uncertainty, electricity is expected to continue to gain a higher share of the total energy consumption. Fortum continues to expect the 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 macroeconomic development in Europe and especially in the Nordic countries.

During January-June 2014, the price of oil and European Union emissions allowances (EUA) appreciated, whereas the coal price declined. Price of electricity for the upcoming twelve months ended practically unchanged in the Nordic area whereas in Germany it decreased.

In mid-July 2014, the future quotation for coal (ICE Rotterdam) for the rest of 2014 was around USD 74 per tonne, and the price for CO_2 for 2014 was about EUR 6 per tonne. The electricity forward price in Nord Pool for the rest of 2014 was around EUR 33 per MWh. For 2015, the price was around EUR 32 per MWh, and, for 2016, around EUR 31 per MWh. In Germany, the electricity forward price for the rest of 2014 was around EUR 34 per MWh and for 2015 EUR 35 per MWh. Nordic water reservoirs were about 2 TWh below the long-term average and 1 TWh above the corresponding level of 2013.

Power and Technology

The Power and Technology's Nordic power price typically depends on factors such as hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible production portfolio, and currency fluctuations. Excluding the potential effects from the changes in the power generation mix, a 1 EUR/MWh change in the Power and Technology Segment’s Nordic power sales (achieved) price will result in an approximately EUR 45 million change in Fortum's annual comparable operating profit. In addition, the comparable operating profit of the Power and Tehnology Segment will be affected by the possible thermal power generation volumes and its profits.

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

As a result of the nuclear stress tests in the EU, the Swedish nuclear safety authority (SSM) has decided to propose new regulations for Swedish nuclear reactors. The process is on-going and the final proposal is expected by the end 2014. Fortum emphasis that maintaining a high level of nuclear safety is highest priority, but considers EU level harmonisation of nuclear safety requirements to be of utmost importance.

The process to review the Swedish nuclear waste fees is done in a three-year cycle, and therefore SSM has given a new proposal for the nuclear waste fees. A Government decision is expected by the end of 2014.

Russia

The generation capacity built after 2007 under the Russian Government's Capacity Supply Agreements (CSA – “new capacity”) receives guaranteed capacity payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments. The issue of prolonged CSA payments from 10 to 15 years have been under discussion in the Russian Government; however, no official decisions have yet been made.

Capacity not under CSA competes in the competitive capacity selection (CCS – “old capacity”). The capacity selection for generation built prior to 2008 (CCS – “old capacity”) for 2014 was held in September 2013. All of Fortum’s capacity was allowed to participate in the selection for 2014 and the majority of Fortum’s power plants were also selected. The volume of Fortum’s installed capacity not selected in the auction totalled 132 MW, which represents 4.6% of Fortum’s total old capacity in Russia.

The Russia Segment's new capacity will be a key driver for earnings growth in Russia as it is expected to bring income from new volumes sold and to also receive considerably higher capacity payments than the old capacity. However, the received capacity payment will differ depending on the age, location, size and type of the plants as well as seasonality and availability. The return on the new capacity is guaranteed, as regulated in the CSA. CSA payments can vary somewhat annually because they are linked to Russian Government long-term bonds with 8 to 10 years maturity. In addition, the regulator will review the earnings from the electricity-only market three years and six years after the commissioning of a unit and may revise the CSA payments accordingly.

The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of June 2014, is estimated to be approximately EUR 0.4 billion, as of July 2014.

The Russian result is impacted by seasonal volatility caused by the heat business' characteristics, with the first and last quarter being clearly the strongest.

At the time of the acquisition of the Russian subsidiary OAO Fortum in 2008, the EUR 500 million run-rate level in operating profit (EBIT) target set to be reached during 2015 in the Russia Segment corresponded to approximately RUB 18 billion at the then prevailing euro-rouble exchange rates. As earlier communicated, the segment’s profits are mainly impacted by changes in currency exchange rates as well as power demand, gas price- and other regulatory development. Fortum is keeping its rouble-denominated target intact, but mainly due to the translation effect, the euro-denominated result level will be volatile. Currently, the unfavourable exchange balance converts into a lower profit level in euros. However, every effort to mitigate the negative impacts is continuously being made.

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

According to a forecast made by the Russian Ministry of Economic Development, Russian gas price indexation will not take place as of July 2014. However, year-on-year gas price growth is estimated to be 7.6% in 2014.

Distribution

Fortum is preparing for a possible sale of the Swedish electricity distribution business. The decision to complete the process is dependent on market development and development of national regulation, among other factors.

In Sweden, legal processes are under way concerning the appeal filed regarding the network income regulatory period 2012-2015. The Administrative Court in Sweden ruled in favour of the network companies in December 2013. The Energy Market Inspectorate decided to appeal the decision, and was given during leave to appeal to the Administrative Court of Appeals during the first quarter; therefore, the process continues. The court hearing is expected in Q4 2014 or Q1 2015.

The work to define the Swedish network income regulation model for the next regulatory period 2016-2019 is ongoing, and a first proposal by the Energy Market Inspectorate was given in March. Decisions are expected to be made during 2014.

Capital expenditure and divestments

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

Fortum will gradually decrease its financing to Fortum Värme, the co-owned power and heat company operating in the capital area in Sweden, during 2014-2015. At the end of 2013, Fortum Värme's share of debt totalled approximately EUR 1 billion.

Taxation

The effective corporate tax rate for Fortum in 2014 is estimated to be 19–21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items. In Finland, the corporate tax rate was reduced from 24.5% to 20% as of 1 January 2014.

The Finnish Government decided in June that it will not, after all, introduce a power plant tax (windfall tax) on nuclear, hydro and wind power built before 2004. The final decision to revoke the tax will be made by the Parliament in autumn 2014.

Hedging

At the end of June 2014, approximately 55% of Power and Technology's estimated Nordic power sales volume was hedged at approximately EUR 45 per MWh for the rest of 2014. The corresponding figures for the calendar year 2015 were approximately 30% at approximately EUR 41 per MWh.

The hedge price for Power and Technology's Nordic generation excludes hedging of the condensing power margin. In addition, the hedge ratio excludes the financial hedges and physical volume of Fortum's coal-condensing generation as well as the segment’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 2014 decided to pay a dividend of EUR 1.10 per share for 2013. The record date for the dividend was 11 April 2014, and the dividend payment date was 22 April 2014.

Espoo, 17 July 2014
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 2014:

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

Condensed consolidated income statement

EUR million	Note	Q2 2014	Q2 2013 restated*	Q1-Q2 2014	Q1-Q2 2013 restated*	2013 restated*	Last twelve months
Sales	4	**1,016**	1,205	**2,489**	2,858	5,309	4,940
Other income		**16**	18	**23**	30	93	86
Materials and services		**-411**	-512	**-1,011**	-1,250	-2,270	-2,031
Employee benefits		**-101**	-117	**-216**	-237	-460	-439
Depreciation, amortisation and impairment charges	4,10,11	**-131**	-150	**-281**	-290	-621	-612
Other expenses		**-134**	-155	**-273**	-299	-648	-622
Comparable operating profit		**255**	289	**732**	813	1,403	1,322
Items affecting comparability		**41**	140	**1,897**	93	106	1,910
Operating profit		**295**	429	**2,629**	905	1,508	3,232
Share of profit/loss of associates and joint ventures	4, 12	**37**	34	**109**	112	178	175
Interest expense		**-63**	-80	**-134**	-150	-301	-285
Interest income		**23**	19	**42**	37	75	80
Fair value gains and losses on financial instruments		**2**	-4	**0**	-6	-16	-10
Other financial expenses - net		**-10**	-10	**-20**	-23	-47	-44
Finance costs - net		**-48**	-75	**-113**	-140	-289	-262
Profit before income tax		**284**	388	**2,626**	878	1,398	3,146
Income tax expense	8	**-37**	-74	**-124**	-160	-186	-150
Profit for the period		**247**	314	**2,502**	718	1,212	2,996
Attributable to:							
Owners of the parent		**247**	314	**2,498**	715	1,204	2,987
Non-controlling interests		**0**	0	**4**	3	8	9
		247	314	**2,502**	718	1,212	2,996
Earnings per share (in € per share)							
Basic		**0.28**	0.35	**2.81**	0.80	1.36	3.36
Diluted		**0.28**	0.35	**2.81**	0.80	1.36	3.36

EUR million	Q2 2014	Q2 2013 restated*	Q1-Q2 2014	Q1-Q2 2013 restated*	2013 restated*	Last twelve months
Comparable operating profit	**255**	289	**732**	813	1,403	1,322
Non-recurring items (capital gains and losses)	**73**	0	**1,925**	5	61	1,981
Changes in fair values of derivatives hedging future cash flow	**-32**	106	**-24**	58	21	-61
Nuclear fund adjustment	**0**	34	**-4**	31	23	-12
Items affecting comparability	**41**	140	**1,897**	93	106	1,910
Operating profit	**295**	429	**2,629**	905	1,508	3,232

**Comparative period information for 2013 presented in this interim statement has been restated due to the accounting change for Fortum Värme, see Note 2.*

Condensed consolidated statement of comprehensive income

EUR million	Q2 2014	Q2 2013 restated	Q1-Q2 2014	Q1-Q2 2013 restated	2013 restated	Last twelve months
Profit for the period	**247**	314	**2,502**	718	1,212	2,996
Other comprehensive income						
Items that may be reclassified to profit or loss in subsequent periods						
Cash flow hedges						
Fair value gains/losses in the period	**-62**	103	**-5**	67	96	24
Transfers to income statement	**-25**	-24	**-38**	-25	-51	-64
Transfers to inventory/fixed assets	**-1**	1	**-3**	1	-8	-12
Tax effect	**18**	-24	**9**	-15	-6	18
Net investment hedges						0
Fair value gains/losses in the period	**-14**	12	**22**	12	28	38
Tax effect	**4**	-3	**-3**	-3	-7	-7
Exchange differences on translating foreign operations	**116**	-334	**-119**	-271	-478	-326
Share of other comprehensive income of associates	**6**	5	**7**	3	42	46
Other changes	**-3**	0	**-3**	0	0	-3
	39	-264	**-133**	-231	-384	-286
Items that will not be reclassified to profit or loss in subsequent periods						
Actuarial gains/losses on defined benefit plans	**-3**	2	**-3**	2	44	39
Actuarial gains/losses on defined benefit plans in associates	**4**	-1	**4**	34	9	-21
	1	1	**1**	36	53	18
Other comprehensive income for the period, net of tax	**40**	-263	**-131**	-195	-331	-267
Total comprehensive income for the year	**287**	49	**2,371**	522	882	2,731
Total comprehensive income attributable to						
Owners of the parent	**285**	55	**2,368**	524	881	2,725
Non-controlling interests	**3**	-6	**3**	-2	1	6
	287	49	**2,371**	522	882	2,731

Condensed consolidated balance sheet

EUR million	Note	June 30 2014	June 30 2013 restated	Dec 31 2013 restated	Jan 1 2013 restated
ASSETS					
Non-current assets					
Intangible assets	10	**364**	402	384	427
Property, plant and equipment	11	**12,327**	13,984	12,849	14,235
Participations in associates and joint ventures	4, 12	**2,321**	2,339	2,341	2,373
Share in State Nuclear Waste Management Fund	15	**756**	729	744	678
Other non-current assets		**69**	68	77	68
Deferred tax assets		**116**	130	126	169
Derivative financial instruments	5	**454**	373	367	452
Long-term interest-bearing receivables	13	**2,291**	2,366	2,598	2,555
Total non-current assets		**18,699**	20,393	19,486	20,958
Current assets					
Inventories		**262**	285	264	298
Derivative financial instruments	5	**314**	445	307	233
Trade and other receivables		**597**	749	869	1,044
Cash and cash equivalents	14	**2,157**	1,025	1,250	961
Assets held for sale	6	**0**	58	1,173	0
Total current assets		**3,331**	2,563	3,863	2,537
Total assets		**22,030**	22,955	23,348	23,495
EQUITY					
Equity attributable to owners of the parent					
Share capital		**3,046**	3,046	3,046	3,046
Share premium		**73**	73	73	73
Retained earnings		**8,262**	6,574	6,851	7,020
Other equity components		**42**	-22	54	-99
Total		**11,424**	9,672	10,024	10,039
Non-controlling interests		**85**	103	101	108
Total equity		**11,509**	9,775	10,124	10,147
LIABILITIES					
Non-current liabilities					
Interest-bearing liabilities	14	**6,828**	7,048	6,936	7,647
Derivative financial instruments	5	**194**	129	181	182
Deferred tax liabilities		**1,297**	1,533	1,338	1,561
Nuclear provisions	15	**756**	729	744	678
Other provisions	16	**34**	165	94	199
Pension obligations		**37**	116	50	120
Other non-current liabilities		**147**	460	148	467
Total non-current liabilities		**9,292**	10,180	9,492	10,854
Current liabilities					
Interest-bearing liabilities	14	**338**	1,953	2,103	1,071
Derivative financial instruments	5	**113**	134	95	271
Trade and other payables		**778**	914	994	1,152
Liabilities related to assets held for sale	6	**0**	0	540	0
Total current liabilities		**1,228**	3,001	3,732	2,494
Total liabilities		**10,521**	13,181	13,224	13,348
Total equity and liabilities		**22,030**	22,955	23,348	23,495

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 2013	**3,046**	**73**	**7,500**	**-649**	**66**	**-51**	**38**	**10,024**	**101**	**10,124**
Net profit for the period			2,498					2,498	4	2,502
Translation differences				-115	-1	1	-2	-117	-2	-119
Other comprehensive income			-3		-37	23	4	-12	0	-12
Total comprehensive income for the period			2,495	-115	-38	24	3	2,368	3	2,371
Cash dividend			-977					-977		-977
Dividends to non-controlling interests								0	-2	-2
Changes due to business combinations			9					9	-16	-7
Other			1					1	0	0
Total equity 30 June 2014	**3,046**	**73**	**9,026**	**-764**	**28**	**-27**	**41**	**11,424**	**85**	**11,509**
Total equity 1 January 2013	**3,046**	**73**	**7,193**	**-173**	**36**	**-118**	**-17**	**10,039**	**108**	**10,147**
Net profit for the period			715					715	3	718
Translation differences				-268	-1	2	2	-265	-4	-269
Other comprehensive income					28	9	38	74	-1	73
Total comprehensive income for the period			715	-268	27	11	40	524	-2	522
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-3	-3
Other			-5					-5		-5
Total equity 30 June 2013	**3,046**	**73**	**7,015**	**-441**	**63**	**-107**	**23**	**9,672**	**103**	**9,775**
Total equity 31 December 2012, as previously reported	**3,046**	**73**	**7,193**	**-173**	**34**	**-133**	**0**	**10,040**	**603**	**10,643**
Change in accounting policy (Note 2)					2	15	-17	-1	-495	-496
Total equity 1 January 2013	**3,046**	**73**	**7,193**	**-173**	**36**	**-118**	**-17**	**10,039**	**108**	**10,147**
Net profit for the period			1,204					1,204	8	1,212
Translation differences				-476	-1	2	4	-471	-7	-478
Other comprehensive income					31	65	51	148	0	148
Total comprehensive income for the period			1,204	-476	30	67	55	881	1	882
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-3	-3
Changes due to business combinations			1					1		1
Other			-10					-10	-5	-15
Total equity 31 December 2013	**3,046**	**73**	**7,500**	**-649**	**66**	**-51**	**38**	**10,024**	**101**	**10,124**

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR -117 million during Q1-Q2 2014 (Q1-Q2 2013: -265). Translation differences are mainly related to RUB and SEK amounting to EUR -116 million in Q1-Q2 2014 (Q1-Q2 2013 mainly related to RUB, SEK and NOK: -243).

Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are booked to equity. For information regarding exchange rates used, see Note 7 Exchange rates.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -38 million during Q1-Q2 2014 (Q1-Q2 2013: 27), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividends

A dividend for 2013 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided at the Annual General Meeting on 8 April 2014. The dividend was paid on 22 April 2014.

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

Condensed consolidated cash flow statement

EUR million	Q2 2014	Q2 2013 restated	Q1-Q2 2014	Q1-Q2 2013 restated	2013 restated	Last twelve months
Cash flow from operating activities						
Net profit for the period	**247**	314	**2,502**	718	1,212	2,996
Adjustments:						
Income tax expenses	**37**	74	**124**	160	186	150
Finance costs - net	**48**	75	**113**	140	289	262
Share of profit of associates and joint ventures	**-37**	-34	**-109**	-112	-178	-175
Depreciation, amortisation and impairment charges	**131**	150	**280**	290	620	610
Operating profit before depreciations (EBITDA)	**427**	579	**2,909**	1,196	2,129	3,842
Non-cash flow items and divesting activities	**-58**	-189	**-1,921**	-163	-262	-2,020
Interest received	**18**	13	**44**	25	62	81
Interest paid	**-113**	-137	**-241**	-251	-371	-361
Dividends received	**47**	55	**48**	57	74	65
Realised foreign exchange gains and losses and other financial items	**77**	-31	**153**	-140	47	340
Taxes	**-67**	-51	**-95**	-81	-210	-224
Funds from operations	**330**	240	**897**	641	1,469	1,725
Change in working capital	**125**	42	**125**	107	79	97
Total net cash from operating activities	**455**	282	**1,022**	749	1,548	1,821
Cash flow from investing activities						
Capital expenditures	**-168**	-201	**-330**	-411	-1,004	-923
Acquisitions of shares	**-26**	-12	**-27**	-12	-15	-30
Proceeds from sales of fixed assets	**7**	2	**10**	3	66	73
Divestments of shares	**262**	2	**2,686**	15	122	2,793
Proceeds from interest-bearing receivables from sold subsidiaries	**54**	0	**131**	22	22	131
Shareholder loans to associated companies and joint ventures	**177**	29	**223**	136	-136	-49
Change in other interest-bearing receivables	**13**	-1	**13**	-1	2	16
Total net cash used in investing activities	**319**	-181	**2,706**	-248	-944	2,010
Cash flow before financing activities	**774**	101	**3,727**	501	604	3,830
Cash flow from financing activities						
Proceeds from long-term liabilities	**0**	389	**46**	768	781	59
Payments of long-term liabilities	**-471**	-16	**-1,244**	-20	-636	-1,860
Change in short-term liabilities	**-165**	-267	**-658**	-289	438	69
Dividends paid to the owners of the parent	**-977**	-888	**-977**	-888	-888	-977
Other financing items	**-7**	6	**-7**	5	22	10
Total net cash used in financing activities	**-1,620**	-777	**-2,839**	-425	-284	-2,698
Total net increase(+) / decrease(-) in cash and cash equivalents	**-846**	-676	**888**	76	320	1,132
						0
Cash and cash equivalents at the beginning of the period	**2,989**	1,716	**1,265**	961	961	1,265
Foreign exchange differences in cash and cash equivalents	**14**	-15	**4**	-12	-17	-1
Cash and cash equivalents at the end of the period [1)]	**2,157**	1,025	**2,157**	1,025	1,265	2,397

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

Non-cash flow items and divesting activities

Non-cash flow items and divesting activities mainly consist of capital gains EUR -1,925 million (Q1-Q2 2013: -5) and adjustments for unrealised fair value changes of derivatives EUR 22 million (Q1-Q2 2013: -58). The actual proceeds for divestments are shown under cash flow from investing activities.

Realised foreign exchange gains and losses and other financial items

Realised foreign exchange gains and losses and other financial items include foreign exchange gains and losses of EUR 155 million for Q1-Q2 2014 (Q1-Q2 2013: -138) related mainly to financing of Fortum's Swedish and Russian subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise from 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 2014	Q2 2013 restated	Q1-Q2 2014	Q1-Q2 2013 restated	2013 restated	Last twelve months
Change in interest-free receivables, decrease (+)/increase (-)	**243**	276	**194**	251	92	35
Change in inventories, decrease (+)/increase (-)	**-24**	-50	**-1**	4	24	19
Change in interest-free liabilities, decrease (-)/increase (+)	**-91**	-183	**-66**	-147	-37	44
Total	**125**	42	**125**	107	79	97

Capital expenditure in cash flow

EUR million	Q2 2014	Q2 2013 restated	Q1-Q2 2014	Q1-Q2 2013 restated	2013 restated	Last twelve months
Capital expenditure	**154**	227	**288**	407	1,005	886
Change in not yet paid investments, decrease(+)/increase(-)	**26**	-14	**64**	38	60	86
Capitalised borrowing costs	**-12**	-12	**-22**	-35	-60	-47
Total	**168**	201	**330**	411	1,004	923

Capital expenditures for intangible assets and property, plant and equipment were in Q1-Q2 2014 EUR 288 million (Q1-Q2 2013: 407). Capital expenditure in cash flow in Q1-Q2 2014 EUR 330 million (Q1-Q2 2013: 411) is without not yet paid investments i.e. change in trade payables related to investments EUR 64 million (Q1-Q2 2013: 38) and capitalised borrowing costs EUR -22 million (Q1-Q2 2013: -35), which are presented in interest paid.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 27 million during Q1-Q2 2014 (Q1-Q2 2013: 12).

Divestment of shares in cash flow

EUR million	Q2 2014	Q2 2013 restated	Q1-Q2 2014	Q1-Q2 2013 restated	2013 restated	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	**261**	2	**2,684**	15	22	2,691
Proceeds from interest-bearing receivables from sold subsidiaries	**54**	0	**131**	22	22	131
Proceeds from sales of associates	**0**	0	**1**	0	100	101
Proceeds from available for sale financial assets	**1**	0	**1**	0	0	1
Total	**316**	2	**2,817**	37	144	2,924

Gross divestment of shares totalled EUR 2,820 million in Q1-Q2 2014 (Q1-Q2 2013: 35), see Note 6.

Change in net debt

EUR million	Q2 2014	Q2 2013 restated	Q1-Q2 2014	Q1-Q2 2013 restated	2013 restated	Last twelve months
Net debt beginning of the period	**4,838**	7,376	**7,793**	7,757	7,757	7,975
Foreign exchange rate differences	**-75**	-139	**-98**	-83	-106	-121
EBITDA	**427**	579	**2,909**	1,196	2,129	3,842
Paid net financial costs, taxes and adjustments for non-cash and divestment items	**-96**	-338	**-2,013**	-553	-660	-2,120
Change in working capital	**125**	42	**125**	107	79	97
Capital expenditures	**-168**	-201	**-330**	-411	-1,004	-923
Acquisitions	**-26**	-12	**-27**	-12	-15	-30
Divestments	**269**	4	**2,696**	18	188	2,866
Proceeds from the interest-bearing receivables relating to divestments	**54**	0	**131**	22	22	131
Shareholder loans to associated companies	**177**	29	**223**	136	-136	-49
Change in other interest-bearing receivables	**13**	-1	**13**	-1	2	16
Dividends	**-977**	-888	**-977**	-888	-888	-977
Other financing activities	**-7**	6	**-7**	5	22	10
Net cash flow (- increase in net debt)	**-210**	-780	**2,743**	-381	-261	2,863
Fair value change of bonds, amortised cost valuation and other	**35**	-42	**56**	-80	-119	17
Net debt end of the period	**5,008**	7,975	**5,008**	7,975	7,793	5,008

Key ratios

	June 30 2014	June 30 2013 restated	Dec 31 2013 restated	Last twelve months
EBITDA, EUR million	2,909	1,196	2,129	**3,843**
Comparable EBITDA, EUR million	1,009	1,093	1,975	**1,892**
Earnings per share (basic), EUR	2.81	0.80	1.36	**3.36**
Capital employed, EUR million	18,675	18,775	19,183	**18,675**
Interest-bearing net debt, EUR million	5,008	7,975	7,793	**5,008**
Interest-bearing net debt without Värme financing, EUR million	4,136	6,969	6,658	**4,136**
Capital expenditure and gross investments in shares, EUR million	315	420	1,020	**915**
Capital expenditure, EUR million	288	407	1,005	**886**
Return on capital employed, % [1)]	19.2	10.5	9.0	**18.4**
Return on shareholders' equity, % [1)]	28.7	13.5	12.0	**28.2**
Net debt / EBITDA [1)]	1.3	3.5	3.7	**1.3**
Comparable net debt / EBITDA [1)]	2.5	3.6	3.9	**2.6**
Comparable net debt / EBITDA without Värme financing [1)]	2.0	3.2	3.4	**2.2**
Interest coverage	28.7	8.1	6.7	**15.7**
Interest coverage including capitalised borrowing costs	23.2	6.2	5.3	**12.8**
Funds from operations/interest-bearing net debt, % [1)]	32.7	17.8	18.8	**34.4**
Funds from operations/interest-bearing net debt without Värme financing, % [1)]	39.6	20.4	22.1	**41.7**
Gearing, %	**44**	82	77	
Equity per share, EUR	**12.86**	10.89	11.28	
Equity-to-assets ratio, %	**52**	43	43	
Number of employees	**8,846**	9,768	9,186	
Average number of employees	**8,939**	9,640	9,532	
Average number of shares, 1 000 shares	**888,367**	888,367	888,367	
Diluted adjusted average number of shares, 1 000 shares	**888,367**	888,367	888,367	
Number of registered shares, 1 000 shares	**888,367**	888,367	888,367	

1) Quarterly figures are annualised except items affecting comparability.
For definitions, see Note 24.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2013.

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

2. Accounting policies

The same accounting policies and presentation have been followed in these condensed interim financial statements as were applied in the preparation of the consolidated financial statements for the year ended 31 December 2013 except for the policies and presentation described below.

Adoption of new IFRS standards from 1 Jan 2014

Change in accounting for Fortum Värme

Fortum has applied the new IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements from 1 January 2014 onwards. IFRS 10 builds on the principle of identifying the concept of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 11 replaces IAS 31 Interests in joint ventures. Joint control under IFRS 11 is defined as the contractual sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

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

More information of the impact from the restatement can be found in Q1/2014 interim report (Note 2 and separate attachment).

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 2013.

4. Segment information

Fortum renewed its business structure as of 1 March 2014. The reorganisation lead to a change in Fortum's external financial reporting structure as previously separately reported segments Heat and Electricity Sales are now combined into one segment: Heat, Electricity Sales and Solutions. Reorganisation had also some minor changes to the composition of the segments mainly due to the transfer of certain centralised functions to the business areas. Fortum reports its 2014 first quarter financial results according to the new structure. The reportable segments under IFRS have been renamed correspondingly.

The four reporting segments and their business divisions are as follows:
- Power and Technology consists of Fortum's hydro, nuclear and thermal power generation, Power solutions with expert services, portfolio management and trading as well as technology and R&D functions. The segment incorporates two divisions Hydro Power and Technology and Nuclear and Thermal Power.
- Heat, Electricity Sales and Solutions comprises of Fortum's combined heat and power (CHP) production, district heating activities and business to business heating solutions, solar business, electricity sales and related customer offering and corporate sustainability.
- Russia comprises of Fortum's activities in Russia.
- Distribution comprises of Fortum's electricity distribution activities.

Please see the attachment to Q1/2014 interim report for the quarterly segment information 2013 revised based on the new business structure.

The divested distribution operations are included in the segment information until the closing of the transactions. See additional information by country in the Quarterly information excel published with this interim report.

Sales EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power sales excluding indirect taxes	**682**	799	**1,525**	1,771	3,284	3,038
Heating sales	**142**	150	**431**	474	828	785
Network transmissions	**139**	219	**426**	551	1,024	899
Other sales	**54**	36	**108**	62	173	219
Total	**1,016**	1,205	**2,489**	2,858	5,309	4,940

Sales by segment EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology [1)]	**487**	548	**1,072**	1,213	2,252	2,111
- of which internal	***16***	*13*	***55***	*35*	*69*	*89*
Heat, Electricity Sales and Solutions [1)]	**269**	308	**715**	839	1,516	1,392
- of which internal	***4***	*20*	***22***	*52*	*87*	*57*
Russia	**234**	251	**567**	595	1,119	1,091
- of which internal	***0***	*0*	***0***	*0*	*0*	*0*
Distribution	**148**	227	**449**	566	1,064	947
- of which internal	***4***	*3*	***9***	*8*	*19*	*20*
Other [1)]	**14**	14	**28**	29	63	62
- of which internal	***11***	*12*	***23***	*25*	*54*	*52*
Netting of Nord Pool transactions [2)]	**-101**	-95	**-234**	-266	-478	-446
Eliminations	***-35***	*-49*	***-108***	*-119*	*-228*	*-217*
Total	**1,016**	1,205	**2,489**	2,858	5,309	4,940

[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 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology	**183**	210	**434**	513	859	780
Heat, Electricity Sales and Solutions	**11**	13	**59**	70	109	98
Russia	**28**	20	**102**	61	156	197
Distribution	**45**	60	**164**	197	332	299
Other	**-13**	-14	**-27**	-28	-54	-53
Total	**255**	289	**732**	813	1,403	1,322

Operating profit by segment EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology	**151**	338	**413**	600	922	735
Heat, Electricity Sales and Solutions	**67**	24	**112**	75	134	171
Russia	**28**	20	**101**	61	156	196
Distribution	**63**	61	**2,030**	197	349	2,182
Other	**-13**	-14	**-28**	-28	-53	-53
Total	**295**	429	**2,629**	905	1,508	3,232

Non-recurring items by segment EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology	**5**	0	**6**	5	25	26
Heat, Electricity Sales and Solutions	**53**	0	**54**	0	18	72
Russia	**0**	0	**0**	0	0	0
Distribution	**15**	0	**1,865**	0	17	1,882
Other	**0**	0	**0**	0	1	1
Total	**73**	0	**1,925**	5	61	1,981

Non-recurring items in Distribution and Heat, Electricity Sales and Solutions segment in Q2 include a gain of approximately EUR 68 million from the sale of Norwegian heat and electricity distribution businesses.

Other items affecting comparability by segment

EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology [1)]	**-37**	128	**-27**	83	38	-72
Heat, Electricity Sales and Solutions	**3**	10	**-1**	5	7	1
Russia	**0**	0	**0**	0	0	0
Distribution	**2**	1	**1**	0	0	1
Other	**-1**	0	**0**	1	1	0
Total	**-32**	140	**-28**	88	45	-71
[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	0	34	-4	31	23	-12

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 and Technology 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 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology	**213**	241	**496**	575	1,007	928
Heat, Electricity Sales and Solutions	**36**	39	**109**	119	211	201
Russia	**64**	49	**177**	120	258	315
Distribution	**80**	113	**251**	304	548	495
Other	**-11**	-13	**-24**	-26	-49	-47
Total	**382**	429	**1,009**	1,093	1,975	1,891

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

Depreciation, amortisation and impairment charges by segment

EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology [1)]	**30**	32	**61**	63	148	146
Heat, Electricity Sales and Solutions	**25**	25	**50**	49	102	103
Russia	**40**	39	**79**	69	150	160
Distribution	**35**	53	**87**	107	216	196
Other	**2**	1	**3**	2	5	6
Total	**131**	150	**281**	290	621	612

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

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

EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology [1), 2)]	**-10**	2	**-20**	-9	4	-7
Heat, Electricity Sales and Solutions	**6**	5	**63**	63	91	91
Russia	**18**	22	**32**	41	46	37
Distribution	**0**	-2	**3**	1	4	6
Other	**23**	7	**32**	17	32	47
Total	**37**	34	**109**	112	178	175
[1)] Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):	**-2**	0	**-3**	-2	-6	-7

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

Participation in associates and joint ventures by segment EUR million	June 30 2014	June 30 2013	Dec 31 2013
Power and Technology [1)]	**862**	902	896
Heat, Electricity Sales and Solutions	**606**	581	592
Russia	**507**	487	463
Distribution	**0**	86	52
Other	**346**	342	339
Total	**2,321**	2,397	2,341

[1)] Including participations in associates relating to Assets held for sale, EUR 58 million, in June 2013.

See Note 12 for information on participation in associates and joint ventures and Note 6 for information on associated company divestments.

Capital expenditure by segment EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology	**37**	43	**72**	69	179	182
Heat, Electricity Sales and Solutions	**14**	26	**27**	59	123	91
Russia	**71**	98	**129**	169	435	395
Distribution	**35**	59	**60**	109	255	206
Other	**-3**	2	**0**	2	12	10
Total	**153**	227	**288**	407	1,005	886
Of which capitalised borrowing costs	**12**	12	**22**	35	60	47

Gross investments in shares by segment EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology	**0**	1	**0**	1	2	1
Heat, Electricity Sales and Solutions	**0**	11	**0**	11	11	0
Russia	**26**	0	**27**	0	0	27
Distribution	**0**	0	**0**	0	0	0
Other	**0**	0	**0**	0	2	2
Total	**26**	12	**27**	13	15	29

Gross divestments of shares by segment EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power and Technology	**0**	0	**1**	35	79	45
Heat, Electricity Sales and Solutions	**135**	0	**136**	0	11	147
Russia	**1**	0	**1**	0	0	1
Distribution	**180**	0	**2,681**	0	52	2,733
Other	**2**	0	**2**	0	0	2
Total	**319**	0	**2,820**	35	142	2,927

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

Net assets by segment EUR million	June 30 2014	June 30 2013	Dec 31 2013
Power and Technology	**6,113**	6,402	6,355
Heat, Electricity Sales and Solutions	**2,176**	2,287	2,295
Russia	**3,870**	3,793	3,846
Distribution	**2,642**	3,742	3,745
Other	**354**	415	295
Total	**15,155**	16,639	16,537

Comparable return on net assets by segment %	Last twelve months	Dec 31 2013
Power and Technology	12.6	13.8
Heat, Electricity Sales and Solutions	8.4	8.7
Russia	6.2	5.2
Distribution	9.1	8.8
Other	-1.8	-6.9

Return on net assets by segment %	Last twelve months	Dec 31 2013
Power and Technology	11.6	14.5
Heat, Electricity Sales and Solutions	11.5	9.7
Russia	6.2	5.2
Distribution [1)]	65.3	9.3
Other	-1.7	-8.5

[1)] LTM figure impacted by capital gain (see Note 6).

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 2014**	June 30 2013	Dec 31 2013
Power and Technology	**7,062**	7,454	7,366
Heat, Electricity Sales and Solutions	**2,648**	2,771	2,860
Russia	**4,114**	4,193	4,150
Distribution	**2,715**	4,239	4,271
Other	**509**	546	437
Eliminations	**-178**	-256	-293
Assets included in net assets	**16,870**	18,947	18,791
Interest-bearing receivables	**2,296**	2,386	2,477
Deferred taxes	**116**	130	126
Other assets [1)]	**589**	465	704
Cash and cash equivalents	**2,157**	1,025	1,250
Total assets	**22,030**	22,955	23,348

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

Liabilities by segments EUR million	**June 30 2014**	June 30 2013	Dec 31 2013
Power and Technology	**949**	1,053	1,010
Heat, Electricity Sales and Solutions	**472**	483	565
Russia	**244**	400	304
Distribution	**73**	498	526
Other	**155**	131	142
Eliminations	**-178**	-256	-293
Liabilities included in net assets	**1,716**	2,309	2,254
Deferred tax liabilities	**1,297**	1,533	1,338
Other liabilities	**342**	339	573
Total liabilities included in capital employed	**3,355**	4,180	4,166
Interest-bearing liabilities [1)]	**7,166**	9,000	9,058
Total equity	**11,509**	9,775	10,124
Total equity and liabilities	**22,030**	22,955	23,348

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

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

Number of employees	June 30 2014	June 30 2013	Dec 31 2013
Power and Technology	**1,791**	2,009	1,723
Heat, Electricity Sales and Solutions	**1,947**	2,116	1,968
Russia	**4,189**	4,297	4,162
Distribution	**384**	782	805
Other	**535**	564	528
Total	**8,846**	9,768	9,186

Average number of employees	Q1-Q2 2014	Q1-Q2 2013	2013
Power and Technology	**1,681**	1,936	1,900
Heat, Electricity Sales and Solutions	**1,960**	2,098	2,051
Russia	**4,172**	4,279	4,245
Distribution	**585**	766	786
Other	**541**	560	550
Total	**8,939**	9,640	9,532

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

5. Financial risk management

The Group has not made any significant changes in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2013.

Fair value hierarchy information

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

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

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

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

See also accounting policies in the consolidated financial statements 2013, in Note 17 Financial assets and liabilities by fair value hierarchy

Financial assets

	Level 1			Level 2			Level 3			Netting [2]			Total		
EUR million	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013
In non-current assets															
Available for sale financial assets [1]	**1**	1	1				**29**	30	30				**30**	31	31
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				**33**	69	54				**-9**	-16	-12	**25**	54	42
Non-hedge accounting				**82**	91	71				**-28**	-34	-28	**54**	57	43
Interest rate and currency derivatives															
Hedge accounting				**184**	131	94							**184**	131	94
Non-hedge accounting				**185**	110	186							**185**	110	186
Oil and other futures and forward contracts															
Hedge accounting													**0**	0	0
Non-hedge accounting	**9**	34	3	**1**	1					**-3**	-13		**7**	21	3
Total in non-current assets	**10**	35	4	**485**	402	405	**29**	30	30	**-40**	-63	-40	**484**	404	399
In current assets															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				**101**	94	127				**-17**	-30	-23	**84**	64	104
Non-hedge accounting	**2**	16	2	**172**	215	250				**-100**	-116	-164	**74**	115	88
Interest rate and currency derivatives															
Hedge accounting				**13**	6	5							**13**	6	5
Non-hedge accounting				**113**	176	80							**113**	176	80
Oil and other futures and forward contracts															
Hedge accounting		3	1							**0**		-1	**0**	3	0
Non-hedge accounting	**59**	220	59			2				**-29**	-139	-32	**31**	81	29
Total in current assets	**61**	239	62	**399**	492	464	**0**	0	0	**-146**	-286	-220	**314**	445	307
Total	**71**	275	66	**884**	894	869	**29**	30	30	**-186**	-349	-260	**798**	849	706

Financial liabilities

	Level 1			Level 2			Level 3			Netting [2]			Total		
EUR million	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013	June 30 2014	June 30 2013	Dec 31 2013
In non-current liabilities															
Interest-bearing liabilities [3]				1,363	1,637	1,299							1,363	1,637	1,299
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				16	23	19				-9	-16	-12	7	7	7
Non-hedge accounting		1		73	55	58				-28	-34	-28	45	21	30
Interest rate and currency derivatives															
Hedge accounting				80	50	72							80	50	72
Non-hedge accounting				59	42	71							59	42	71
Oil and other futures and forward contracts															
Non-hedge accounting	5	21	2							-3	-13		3	7	2
Total in non-current liabilities	5	22	2	1,591	1,807	1,519	0	0	0	-40	-63	-40	1,557	1,766	1,480
In current liabilities															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				18	31	23				-17	-30	-23	0	1	0
Non-hedge accounting	2	16	3	128	124	192				-100	-116	-164	30	23	31
Interest rate and currency derivatives															
Hedge accounting				13	5	5							13	5	5
Non-hedge accounting				59	30	48							59	30	48
Oil and other futures and forward contracts															
Hedge accounting		6	2									-1	0	6	1
Non-hedge accounting	40	208	41							-29	-139	-32	11	69	10
Total in current liabilities	42	230	46	218	190	268	0	0	0	-146	-286	-220	113	134	95
Total	47	252	48	1,809	1,997	1,787	0	0	0	-186	-349	-260	1,670	1,900	1,575

[1] Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consists mainly of shares in unlisted companies of EUR 29 million (Dec 31 2013: 30), for which the fair value cannot be reliably determined. These assets are measured at cost less possible impairment. Available for sale financial assets include listed shares at fair value of EUR 1 million (Dec 31 2013: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (Dec 31 2013: -3).

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

[3] Fair valued part of bonds when hedge accounting is applied (fair value hedge).

Net fair value amount of interest rate and currency derivatives is EUR 284 million, assets EUR 495 million and liabilities EUR 211 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of June 2014 Fortum had received EUR 142 million from Credit Support Annex agreements. The received cash has been booked as short term liability.

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

6. Acquisitions, disposals and assets held for sale

Acquisitions

There were no material acquisitions during Q1-Q2 2014 or during 2013.

Disposals

Disposals during Q1-Q2 2014

In April 2014 Fortum agreed to sell its Norwegian electricity distribution to the Hafslund Group, listed on the Oslo Stock Exchange, and its heat businesses in Norway to iCON Infrastructure Partners II, L.P. fund. In addition, Fortum agreed to sell its shareholding in Fredrikstad Energi AS (49%) and Fredrikstad Energi Nett AS (35%) to the Hafslund Group. The divestments were completed during the second quarter after the necessary regulatory approvals and customary closing conditions were met.

The total consideration is approximately EUR 340 million on a debt- and cash-free basis. The sales gains are booked in Fortum's Distribution segment, EUR 16 million, and Heat and Electricity Sales and Solutions segment, EUR 52 million in the second quarter 2014 results. The one time sales gains correspond to approximately EUR 0.08 per share.

In January 2014, Fortum agreed to sell its Tohkoja wind power project located in Kalajoki, in western Finland, to wpd europe GmbH, part of the international wpd group. The transaction was completed during the second quarter of 2014 and had a minor positive impact on Power and Technology segment's results.

In January 2014 Fortum agreed to sell its 30%-stake in the Swedish power company Karlshamns Kraft AB to the company's majority owner E.ON. The sale has a minor impact on Power and Technology segment's first quarter 2014 results.

In December 2013 Fortum announced that it had agreed to sell its Finnish electricity distribution business to Suomi Power Networks Oy, owned by a consortium of Finnish and international investors.

The total consideration is EUR 2.55 billion on a debt- and cash-free basis. Fortum booked a one-time sales gain of EUR 1.85 billion corresponding to EUR 2.08 per share. The sales gain was reported in Fortum's Distribution segment in the first quarter of 2014.

Disposals during 2013

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

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

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

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

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

Gross divestments of shares

EUR million	**Q2 2014**	Q2 2013	**Q1-Q2 2014**	Q1-Q2 2013	2013	Last twelve months
Proceeds settled in cash	**261**	2	**2,684**	15	22	2,691
Interest bearing debt in sold subsidiaries	**55**	0	**135**	22	22	135
Change in receivables relating to divestments	**0**	-2	**0**	-2	-2	0
Gross divestments of shares in subsidiaries	**318**	0	**2,819**	35	42	2,826
Gross divestment of associates	**0**	0	**1**	0	100	101
Gross divestment of available for sale financial assets	**1**	0	**1**	0	0	1
Total	**319**	0	**2,820**	35	142	2,927

Assets held for sale at the balance sheet date

As of 30 June 2014 there were no Assets held for sale. The assets and liabilities relating to Finnish distribution business were classified as assets held for sale in the balance sheet as of 31 December 2013. The sale was completed in March 2014.

Assets held for sales at the end of June 2013 related to 47.9% shareholding in Härjeåns Kraft AB and 33% shareholding in Infratek ASA. The transactions were completed in the third quarter of 2013.

Assets held for sale [1)]

EUR million	June 30 2014	June 30 2013	Dec 31 2013
Intangible assets and property, plant and equipment	**0**	58	1,116
Other assets	**0**	0	42
Cash and cash equivalents	**0**	0	15
Total	**0**	58	1,173

Liabilities related to assets held for sale [1)]

EUR million	June 30 2014	June 30 2013	Dec 31 2013
Interest-bearing liabilities	**0**	0	20
Deferred tax liabilities	**0**	0	141
Connection fees	**0**	0	306
Other liabilities	**0**	0	73
Total	**0**	0	540

[1)] Amounts are presented net of internal balances with other Fortum subsidiaries, such as internal financing amounting to EUR 61 million as at 31 Dec 2013.

Impact on Distribution segment information

The divested distribution operations are included in the segment information until the closing of the transactions. See additional information by country in the Quarterly information excel published with this interim report.

7. Exchange rates

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

Average rate	Jan-June 2014	Jan-March 2014	Jan-Dec 2013	Jan-Sept 2013	Jan-June 2013	Jan-March 2013
Sweden (SEK)	**8.9774**	8.8777	8.6624	8.6040	8.5599	8.5043
Norway (NOK)	**8.3174**	8.3510	7.8266	7.6958	7.5555	7.4456
Poland (PLN)	**4.1776**	4.1857	4.2027	4.2097	4.1954	4.1501
Russia (RUB)	**47.8497**	47.9490	42.4441	41.7516	40.8468	40.2378

Balance sheet date rate	June 30 2014	March 31 2014	Dec 31 2013	Sept 30 2013	June 30 2013	March 31 2013
Sweden (SEK)	**9.1762**	8.9483	8.8591	8.6575	8.7773	8.3553
Norway (NOK)	**8.4035**	8.2550	8.3630	8.1140	7.8845	7.5120
Poland (PLN)	**4.1568**	4.1719	4.1543	4.2288	4.3376	4.1804
Russia (RUB)	**46.3779**	48.7800	45.3246	43.8240	42.8450	39.7617

8. Income tax expense

Tax rate according to the income statement for Q1-Q2 2014 was 4.7% (Q1-Q2 2013: 18.2%). The main impact on the tax rate related to tax exempt capital gain in Finland and Norway. The tax rate used in the income statement is also always impacted by the fact that the share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax. Tax rate for Q1-Q2 2014, excluding the impact of share of profits of associated companies and joint ventures, non-taxable capital gains was 20.6% (Q1-Q2 2013: 21.0%).

In Finland, the corporate tax rate was decreased to 20.0% from 24.5% starting 1 January 2014. In Q4 2013, the one-time positive effect from the tax rate change was approximately EUR 79 million.

9. Dividend per share

A dividend in respect of 2013 of EUR 1.10 per share, amounting to a total dividend of EUR 977 million, was decided at the Annual General Meeting on 8 April 2014. These Financial statements do not reflect this dividend. The dividend was paid on 22 April 2014.

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

10. Changes in intangible assets

EUR million	**June 30 2014**	June 30 2013	Dec 31 2013
Opening balance	**384**	427	427
Capital expenditures	**22**	12	46
Changes of emission rights	**-14**	-8	7
Disposals	**-1**	0	0
Depreciation, amortisation and impairment	**-13**	-11	-26
Divestments	**-18**	0	-3
Reclassifications	**9**	0	2
Moved to assets held for sale[1)]	**0**	0	-35
Translation differences and other adjustments	**-4**	-19	-34
Closing balance	**364**	402	384

Goodwill included in closing balance	**265**	291	275
Change in goodwill during the period due to translation differences	**-6**	-18	-34

11. Changes in property, plant and equipment

EUR million	**June 30 2014**	June 30 2013	Dec 31 2013
Opening balance	**12,849**	14,235	14,235
Acquisitions	**0**	10	10
Capital expenditures	**266**	394	959
Changes of nuclear asset retirement cost	**0**	46	45
Disposals	**-2**	0	-47
Depreciation, amortisation and impairment	**-268**	-280	-594
Divestments	**-205**	-27	-27
Reclassifications	**-9**	0	-2
Moved to assets held for sale [1)]	**0**	0	-1,081
Translation differences and other adjustments	**-305**	-394	-649
Closing balance	**12,327**	13,984	12,849

[1)] Finnish Distribution business which was classified as assets held for sale at the end of 2013.

12. Changes in participations in associates and joint ventures

EUR million	June 30 2014	June 30 2013	Dec 31 2013
Opening balance	**2,341**	2,373	2,373
Acquisitions	**25**	0	0
Share of profits of associates and joint ventures	**109**	112	178
Dividend income received	**-48**	-57	-73
OCI items associated companies	**3**	40	55
Translation differences and other adjustments	**-41**	-73	-128
Divestments	**-69**	0	-65
Moved to assets held for sale	**0**	-58	0
Closing balance	**2,321**	2,339	2,341

Share of profits from associates and joint ventures

Fortum's share of profit from associates and joint ventures in Q2 2014 was EUR 37 million (Q2 2013: 34), of which Hafslund represented EUR 22 million (Q2 2013: 7), TGC-1 EUR 18 million (Q2 2013: 22) and Fortum Värme EUR 4 million (Q2 2013: 2).

According to Fortum Group accounting policies the share of profits from Hafslund and TGC-1 is included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available. Hafslund published their interim report for Q2 2014 on 10 July 2014. The effect of Hafslund's Q2 is not included in Fortum's Q2 results.

Fortum's share of profit for the period January-June 2014 amounted to EUR 109 million (Q1-Q2 2013: 112), of which Fortum Värme represented EUR 48 million (Q1-Q2 2013: 51), Hafslund EUR 31 million (Q1-Q2 2013: 16), TGC-1 EUR 32 million (Q1-Q2 2013: 41) and Gasum EUR 7 million (Q1-Q2 2013: 6).

Fortum's share of profits for the full year 2013 amounted to EUR 178 million, of which Fortum Värme represented EUR 73 million, Hafslund EUR 31 million, TGC-1 EUR 46 million, and Gasum EUR 8 million.

Acquisitions and divestments

During the period Fortum has acquired additional shares in its associated company, Territorial Generating Company 1. After the acquisition Fortum owns 29.45% of the shares in TGC-1.

During the first quarter 2014 Power and Technology segment divested Fortum's 30% shareholding in Karlshamn Kraft AB (see Note 6).

Dividends received

During Q1-Q2 2014 Fortum has received EUR 48 million (Q1-Q2 2013: 57) in dividends from associates of which EUR 22 million (Q1-Q2 2013: 23) was received from Fortum Värme and EUR 20 million (Q1-Q2 2013: 22) from Hafslund.

13. Interest-bearing receivables

EUR million	Carrying amount June 30 2014	Fair value June 30 2014	Carrying amount Dec 31 2013	Fair value Dec 31 2013
Long-term loan receivables	**2,296**	**2,413**	2,600	2,702
Leasing receivables	**0**	**0**	2	4
Total long-term interest-bearing receivables [1)]	**2,296**	**2,413**	2,602	2,706
Other current receivables	**0**	**0**	1	1
Total	**2,296**	**2,413**	2,603	2,707

1) Carrying amount including current portion of long-term receivables EUR 5 million (Dec 31 2013: 5).

Long-term loan receivables include receivables from associated companies and joint ventures EUR 2,285 million (Dec 31 2013 EUR 2,587). These receivables include EUR 1,266 million (Dec 31 2013: 1,312) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership. Long-term loan receivables include also receivables from Fortum Värme, EUR 873 (Dec 31 2013: 1,135) and Teollisuuden Voima Oyj (TVO), EUR 85 million (Dec 31 2013: 85).

TVO is building Olkiluoto 3, the nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At end of June 2014 Fortum has EUR 70 million outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum EUR 125 million. A subordinated shareholder loan EUR 15 million has also been given to fund planning of Olkiluoto 4, to which Fortum has additionally committed to provide EUR 57 million.

14. Interest-bearing liabilities and cash and cash equivalents

Interest-bearing debt EUR million	Carrying amount June 30 2014	Fair value June 30 2014	Carrying amount Dec 31 2013	Fair value Dec 31 2013
Bonds	**4,739**	**5,097**	5,839	6,232
Loans from financial institutions	**808**	**865**	854	912
Other long term interest-bearing debt [1]	**1,411**	**1,470**	1,494	1,515
Total long term interest-bearing debt [2]	**6,958**	**7,432**	8,187	8,659
Commercial paper	**0**	**0**	718	719
Other short term interest-bearing debt	**208**	**208**	154	154
Total short term interest-bearing debt	**208**	**208**	872	873
Total [3]	**7,166**	**7,640**	9,059	9,532

[1] Including loans from Finnish State Nuclear Waste Fund and Teollisuuden Voima EUR 1,040 million (Dec 31 2013: 995), loans from Fortum´s Finnish pension institutions EUR 83 million (Dec 31 2013: 198) and other loans EUR 288 million (Dec 31 2013: 301).

[2] Including current portion of long-term debt.

[3] Including interest-bearing liabilities, EUR 20 million, in Liabilities related to assets held for sale at 31 December 2013.

In March Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund and Teollisuuden Voima by EUR 45 million to EUR 1,040 million. During the first quarter Fortum repaid a maturing EUR 750 million bond.

In the second quarter Fortum repaid two bonds equivalent to EUR 350 million (SEK 2 600 million and NOK 500 million) and EUR 95 million of pension loans.

At the end of June 2014, the amount of short term financing was EUR 208 million (Dec 31 2013: 872). The interest-bearing debt decreased during the second quarter by EUR 661 million from EUR 7,827 million to EUR 7,166 million.

15. Nuclear related assets and liabilities

EUR million	June 30 2014	June 30 2013	Dec 31 2013
Carrying values in the balance sheet			
Nuclear provisions	**756**	729	744
Share in the State Nuclear Waste Management Fund	**756**	729	744
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	**1,059**	996	1,059
Funding obligation target	**1,039**	996	1,039
Fortum's share of the State Nuclear Waste Management Fund	**1,039**	996	1,005

Nuclear related provisions

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

The legal liability on 30 June 2014, decided by the the Ministry of Employment and Economy in December 2013, was EUR 1,059 million. The provision in the balance sheet related to nuclear waste management is based on cash flows for future costs which uses the same basis as the legal liability. The carrying value of the nuclear provision, calculated according to IAS 37, increased by EUR 12 million compared to 31 December 2013, totalling EUR 756 million on 30 June 2014. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

Fortum's share in the State Nuclear Waste Management Fund

Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2013 is EUR 1,039 million. Fortum has paid the fee of EUR 34 million in March 2014 whereafter Fortum's share of the State Nuclear Waste Management Fund is fully funded. According to Nuclear Energy Act, Fortum is obligated to contribute fund in full to the State Nuclear Waste Management Fund to cover legal liability. Based on the law, Fortum applied for periodising of the payments to the fund over three years, due to proposed increase in the legal liability. The application was approved by the Ministry of the Employment and the Economy in December 2013. The Fund is from an IFRS perspective overfunded with EUR 283 million, since Fortum's share of the Fund on 30 June 2014 was EUR 1,039 million and the carrying value in the balance sheet was EUR 756 million.

Effects to comparable operating profit and operating profit

Operating profit in Power and Technology 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 2014 of EUR 0 million, compared to EUR 34 million in Q2 2013. The cumulative effect 2014 was EUR -4 million compared to EUR +31 million in 2013.

Associated companies

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

16. Other provisions

	CSA provisions			Other provisions		
EUR million	**June 30 2014**	June 30 2013	Dec 31 2013	**June 30 2014**	June 30 2013	Dec 31 2013
Opening balance	**103**	178	178	**14**	28	28
Unused provisions reversed	**-4**	-10	-48	**-1**	-3	-10
Increase in the provisions	**0**	0	0	**6**	3	9
Provisions used	**-3**	-16	-24	**-2**	-8	-13
Unwinding of discount	**3**	7	12	**0**	0	0
Exchange rate differences	**-2**	-10	-16	**0**	0	0
Closing balance	**96**	150	103	**17**	19	14
Current provisions [1]	**76**	0	20	**3**	4	3
Non-current provisions	**20**	150	83	**14**	16	12

[1] Included in trade and other payables in the balance sheet.

Fortum's investment programme in Russia is subject to possible penalties that can be claimed if the new capacity is substantially delayed or agreed major terms of the capacity supply agreement (CSA) are not otherwise fulfilled. The provision made for possible penalties is assessed at each balance sheet date and the assessment is based on changes in estimated risks and timing related to commissioning of the remaining power plants in the investment programme.

The remaining CSA provision at the end of Q2 2014 amounts to EUR 96 million (at year end 2013: 103) including EUR 12 million covering the remaining penalties to be paid in 2014 regarding the delay of Nyagan 2. During Q2 2014 EUR 4 million of the provision was reversed to the income statement relating to the lower penalties for Nyagan 2. Paid penalties during Q1-Q2 2014 amounted to EUR 3 million (Q1-Q2 2013: 16). The provision increases due to unwinding of the discounting of potential future penalty payments, which during Q1-Q2 2014 resulted in an increase of the provision with EUR 3 million (Q1-Q2 2013: 7). The unwinding effect is recognised in other financial expenses.

17. Pledged assets

EUR million	June 30 2014	June 30 2013	Dec 31 2013
On own behalf			
For debt			
Pledges	**290**	296	301
Real estate mortgages	**137**	137	137
For other commitments			
Real estate mortgages	**137**	103	103
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	**0**	3	3

Pledged assets for debt

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the Fund. Fortum has pledged shares in Kemijoki Oy as a security. As of 30 June 2014 the value of the pledged shares amounted to EUR 269 million (Dec 31 2013: 269).

Pledges also include bank deposits as trading collateral of EUR 1 million (Dec 31 2013: 12) for trading of electricity and CO_2 emission allowances in Nasdaq OMX Commodities Europe, in Intercontinental Exchange (ICE) and European Energy Exchange (EEX).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (Dec 31 2013: 96) as a security for an external loan. Real estate mortgages have also been given for loans from Fortum's pension fund for EUR 41 million (Dec 31 2013: 41).

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

Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 137 million in June 2014 (Dec 31 2013: 103), as a security to the Finnish State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for 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 take place around year end every year.

18. Operating lease commitments

EUR million	June 30 2014	June 30 2013	Dec 31 2013
Due within a year	**21**	16	27
Due after one year and within five years	**37**	32	47
Due after five years	**100**	107	108
Total	**158**	155	181

19. Capital commitments

EUR million	June 30 2014	June 30 2013	Dec 31 2013
Property, plant and equipment	**585**	957	524
Intangible assets	**6**	4	6
Total	**591**	961	530

20. Contingent liabilities

EUR million	June 30 2014	June 30 2013	Dec 31 2013
On own behalf			
Other contingent liabilities	**79**	56	77
On behalf of associated companies and joint ventures			
Guarantees	**484**	518	514
Other contingent liabilities	**125**	125	125
On behalf of others			
Guarantees	**1**	0	3

Guarantees on behalf of associated companies

Guarantees and other contingent liabilities on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). The guarantees given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounted to SEK 3,696 million (EUR 403 million) at 30 June 2014 (Dec 31 2013: EUR 417 million). The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounted to EUR 41 million at 30 June 2014 (Dec 31 2013: 40).

21. Legal actions and official proceedings

Group companies

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

Fortum received income tax assessments in Sweden for the years 2009, 2010 and 2011 in December 2011, December 2012 and December 2013, respectively. According to the tax authorities, Fortum would have to pay additional income taxes for the years 2009, 2010 and 2011 for the reallocation of loans between the Swedish subsidiaries in 2004-2005, as well as additional income taxes for the years 2010 and 2011 for financing of the acquisition of TGC 10 (current OAO Fortum) in 2008. The claims are based on a change in tax regulation as of 2009. Fortum considers the claims unjustifiable and has appealed the decisions. Based on legal analysis, no provision has been recognised in the financial statements.

If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately SEK 425 million (EUR 47 million) for the year 2009, approximately SEK 444 million (EUR 50 million) for the year 2010 and approximately SEK 511 million (EUR 57 million) for the year 2011.

The Administrative Court has now investigated Fortum's appeal for the year 2009 and, on 9 October 2013, ruled against the tax authority. The Administrative Court approved the appeal on formal legal grounds. Both the tax authority and Fortum have appealed the court's decision. The second level court ruled the case in tax authorities favor. Fortum has appealed this decision to Supreme Administrative Court. Decision from the Supreme Administrative Court of appeal is expected in 2015.

Fortum has received income tax assessments in Belgium for the years 2008, 2009 and 2010. Tax authorities disagree with the tax treatment of Fortum EIF NV. Fortum finds the tax authorities' interpretation not to be based on the local regulation. The court of first instance in Antwerpen gave a negative decision to Fortum's appeal on the 25th June 2014. The court's view was that Fortum EIF NV has received an abnormal benefit from Fortum Oyj as no interest on the equity invested was paid. Fortum has appealed the decision to the second instance court on the 30th June 2014. Decision is expected in 2015. No provision has been accounted for in the financial statements and this view is supported by a legal opinion. If the decision by the tax authorities remains final despite the appeal process, the impact on the net profit would be approximately EUR 36 million for the year 2008, approximately EUR 27 million for the year 2009 and approximately EUR 15 million for the year 2010. The tax has already been paid. If the appeal is approved, Fortum will receive a 7% interest on the amount.

Fortum received an income tax assessment in Finland for 2007 in December 2013. Tax authorities claim in the transfer pricing audit, that detailed business decisions are done by Fortum Oyj and therefore re-characterize the equity Fortum has injected to its Belgium subsidiary Fortum Project Finance NV not to be equity, but funds to be available for the subsidiary. Tax authorities' view is that the interest income that Fortum Project Finance NV received from its loans should be taxed in Finland, not Belgium. The Belgium tax authorities have an opposite view on the issue. Fortum considers the claims of the Finnish tax authorities unjustifiable both for legal grounds and interpretation. Fortum thinks tax should be levied based on law, not political interpretation of the law. Fortum has appealed the tax assessment decision in February 2014. Fortum has also appealed the tax authorities communication obligation concerning the audit documents. Further Fortum has started the mutual agreement procedure (MAP) between Finland, Belgium and Netherlands all the audited years. The appeals are based on national legislation in Finland and the EU arbitration between Finland and Belgium. Based on legal analysis, no provision has been recognized in the financial statements. If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately EUR 136 million for the year 2007.

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

Associated companies

In Finland Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The civil construction works of the Olkiluoto 3 plant unit have been mainly completed, and the reactor main components are installed. Reactor containment pressure and leak-tightness tests have been completed. Design of the I&C system and testing continued. Information about the start-up date of electricity production of OL3 plant unit is pending the finalization of the schedule clarification by the Supplier, AREVA-Siemens Consortium. Therefore TVO does not provide an estimate of the start-up time of OL3 nuclear power plant unit at the moment.

In December 2008 the OL3 supplier, AREVA-Siemens, initiated the International Chamber of Commerce (ICC) arbitration proceedings and submitted a claim concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. In 2012, TVO submitted a counter-claim and defense in the matter. The quantification estimate of TVO's costs and losses was approximately EUR 1.8 billion, which included TVO's actual claim and estimated part until August 2014. The arbitration proceedings may continue for several years and TVO's claimed amounts will be updated. The supplier updated its original claim in October 2013. The updated claim including quantification until the end of June 2011 and together with the original claim, is in total approximately EUR 2.7 billion. TVO has considered and found the claim by the supplier to be without merit, and is in the process of scrutinizing the new material and responding to it.

In addition to the litigations described above, some Group companies are involved in other routine tax and other disputes incidental to their normal conduct of business. Based on the information currently available, management does not consider the liabilities arising out of such litigations likely to be material to the Group's financial position.

22. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2013. No material changes have occurred during Q1-Q2 2014.

At the year-end 2013 the Finnish State owned 50.76% of the shares in Fortum. There has been no change in the shareholding during Q1-Q2 2014.

Transactions with associated companies and joint ventures

EUR million	Q1-Q2 2014	Q1-Q2 2013	2013
Sales	**32**	41	94
Interest on loan receivables	**31**	32	62
Purchases	**302**	377	652

Associated company and joint ventures balances

EUR million	June 30 2014	June 30 2013	Dec 31 2013
Long-term interest-bearing loan receivables	**2,285**	2,376	2,587
Trade receivables	**18**	24	28
Other receivables	**25**	33	33
Long-term loan payables	**327**	248	248
Trade payables	**4**	5	15
Other payables	**3**	7	3

23. Events after the balance sheet date

In July, Fortum signed an agreement to acquire E.ON Ruhrgas International GmbH's shareholding of 33.66% in the Estonian natural gas import, sales and distribution company AS Eesti Gaas and a similar shareholding in the gas transmission service company AS Võrguteenus Valdus. The acquired shares will increase Fortum's holding in both companies to approximately 51.4%. Fortum will continue to account for its holdings in the Estonian natural gas businesses using equity method.

The transaction is subject to necessary regulatory approvals and customary closing conditions. Fortum expects to finalise the transaction during the third quarter of 2014.

24. Definition of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + Depreciation, amortisation and impairment charges
Comparable EBITDA	=	EBITDA - items affecting comparability - Net release of CSA provision
Items affecting comparability	=	Non-recurring items + other items affecting comparability
Comparable operating profit	=	Operating profit - non-recurring items - other items affecting comparability
Non-recurring items	=	Mainly capital gains and losses
Other items affecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum´s part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.
Funds from operations (FFO)	=	Net cash from operating activities before change in working capital
Capital expenditure	=	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain useage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.

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

Return on capital employed, % = $\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$

Return on net assets, % = $\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}} \times 100$

Comparable return on net assets, % = $\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects, nuclear fund adjustments and major sales gains or losses)}}{\text{Comparable net assets average}} \times 100$

Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions
Net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)

24. Definition of key figures

Comparable net assets	=	Net assets adjusted for non-interest bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39	
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents	
Gearing, %	=	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 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 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Nordic countries	**85**	87	**196**	203	386	379
Russia	**230**	230	**513**	518	1,021	1,016
Tyumen	**22**	21	**47**	44	87	90
Chelyabinsk	**8**	8	**18**	18	36	36
Russia Urals area	**60**	59	**130**	128	257	259

Average prices	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	**25.7**	38.7	**27.9**	40.4	38.1	31.9
Spot price for power in Finland, EUR/MWh	**34.6**	39.9	**34.9**	41.0	41.2	38.1
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	**31.6**	38.3	**30.8**	40.1	39.4	34.8
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	**31.3**	38.3	**30.6**	40.1	39.2	34.5
Spot price for power in European and Urals part of Russia, RUB/MWh [1)]	**1,203**	1,043	**1,156**	1,020	1,104	1,156
Average capacity price, tRUB/MW/month	**256**	252	**296**	262	276	293
Spot price for power in Germany, EUR/MWh	**31.2**	32.6	**32.4**	37.4	37.8	35.3
Average regulated gas price in Urals region, RUB/1000 m^3	**3,362**	2,836	**3,362**	2,880	3,131	3,362
Average capacity price for old capacity, tRUB/MW/month [2)]	**129**	146	**156**	162	163	160
Average capacity price for new capacity, tRUB/MW/month [2)]	**493**	513	**553**	575	576	563
Spot price for power (market price), Urals hub, RUB/MWh [1)]	**1,132**	970	**1,075**	950	1,021	1,074
CO_2, (ETS EUA), EUR/tonne CO_2	**5**	4	**6**	4	5	5
Coal (ICE Rotterdam), USD/tonne	**75**	80	**77**	84	82	78
Oil (Brent Crude), USD/bbl	**110**	103	**109**	108	109	109

[1)] Excluding capacity tariff.

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

Water reservoirs TWh	June 30 2014	June 30 2013	Dec 31 2013
Nordic water reservoirs level	**83**	82	82
Nordic water reservoirs level, long-term average	**84**	84	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Export / import between Nordic area and Continental Europe+Baltics	**-3**	0	**-8**	-1	-3	-10
Export / import between Nordic area and Russia	**0**	1	**1**	3	5	3
Export / import Nordic area, Total	**-3**	1	**-7**	2	2	-7

Power market liberalisation in Russia %	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Share of power sold at the liberalised price by OAO Fortum	**79**	81	**81**	82	81	81

Achieved power prices EUR/MWh	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Power's Nordic power price	**40.2**	44.7	**39.9**	45.2	46.4	43.4
Achieved power price for OAO Fortum	**31.7**	31.1	**31.2**	30.8	32.1	32.3

Fortum's production and sales volumes

Power generation **TWh**	**Q2 2014**	Q2 2013	**Q1-Q2 2014**	Q1-Q2 2013	2013	Last twelve months
Fortum power generation in the EU and Norway	**11.7**	11.7	**26.0**	26.1	47.4	47.3
Fortum power generation in Russia	**4.9**	4.8	**11.3**	10.3	20.0	21.0
Total	**16.6**	16.5	**37.3**	36.4	67.4	68.3

Heat production **TWh**	**Q2 2014**	Q2 2013	**Q1-Q2 2014**	Q1-Q2 2013	2013	Last twelve months
Heat production in the EU and Norway	**1.7**	2.0	**4.7**	5.8	10.4	9.3
Heat production in Russia	**4.5**	4.1	**14.4**	13.7	24.2	24.9
Total	**6.3**	6.1	**19.1**	19.5	34.6	34.2

Power generation capacity by segment **MW**	**June 30 2014**	June 30 2013	Dec 31 2013
Power	**9,176**	9,696	9,475
Heat, Electricity Sales and Solutions	**793**	897	793
Russia	**4,292**	3,825	4,250
Total	**14,261**	14,418	14,518

Heat production capacity by segment **MW**	**June 30 2014**	June 30 2013	Dec 31 2013
Power	**250**	250	250
Heat, Electricity Sales and Solutions	**3,919**	4,620	4,317
Russia	**13,466**	13,466	13,466
Total	**17,635**	18,336	18,033

Power generation by source in the Nordic area **TWh**	**Q2 2014**	Q2 2013	**Q1-Q2 2014**	Q1-Q2 2013	2013	Last twelve months
Hydropower	**5.9**	4.5	**12.3**	10.3	18.1	20.1
Nuclear power	**5.0**	5.9	**11.6**	12.6	23.7	22.7
Thermal power	**0.3**	0.9	**0.7**	2.1	3.4	2.0
Total	**11.2**	11.3	**24.7**	25.0	45.2	44.9

Power generation by source in the Nordic area **%**	**Q2 2014**	Q2 2013	**Q1-Q2 2014**	Q1-Q2 2013	2013	Last twelve months
Hydropower	**53**	40	**50**	41	40	49
Nuclear power	**45**	52	**47**	51	52	48
Thermal power	**2**	8	**3**	8	8	3
Total	**100**	100	**100**	100	100	100

Power sales **EUR million**	**Q2 2014**	Q2 2013	**Q1-Q2 2014**	Q1-Q2 2013	2013	Last twelve months
Power sales in the EU and Norway	**499**	597	**1,124**	1,343	2,462	2,243
Power sales in Russia	**183**	202	**401**	428	822	795
Total	**682**	799	**1,525**	1,771	3,284	3,038

Fortum's production and sales volumes

Heat sales EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Heat sales in the EU and Norway	**91**	102	**269**	310	538	497
Heat sales in Russia	**51**	48	**162**	164	290	288
Total	**142**	150	**431**	474	828	785

Power sales by area TWh	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Finland	**5.0**	6.0	**11.0**	13.1	23.4	21.3
Sweden	**5.9**	5.7	**14.1**	13.0	23.3	24.4
Russia	**5.8**	6.4	**12.9**	13.8	25.6	24.7
Other countries	**0.9**	0.9	**2.1**	2.3	4.3	4.1
Total	**17.7**	19.0	**40.2**	42.2	76.6	74.5

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

Heat sales by area TWh	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	2013	Last twelve months
Russia	**4.5**	4.1	**14.2**	13.8	24.1	24.5
Finland	**0.6**	1.1	**1.8**	3.1	5.5	4.2
Poland	**0.5**	0.5	**2.0**	2.5	4.1	3.6
Other countries[1)]	**0.7**	0.8	**1.8**	1.8	3.1	3.1
Total	**6.3**	6.5	**19.9**	21.2	36.8	35.4

[1)] Including the UK, which is reported in the Power and Technology segment, other sales.