

Fortum Corporation

Interim Report
January–June 2015

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Financial results discussed in this interim report are for the continuing operations of Fortum Group. The Distribution segment has been reclassified as discontinued operations in the tables including the comparative period information. As a result, continuing operations and discontinued operations are presented separately for Fortum Group. Comparative period information for 2014 has been restated accordingly and can be found in the stock exchange release published on 15 April 2015. For further information, see notes 2 and 6.

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

Low electricity prices continued to impact results negatively – somewhat compensated by hydro volumes

April–June 2015, continuing operations

- Comparable operating profit EUR 143 (210) million, -32%
- Operating profit EUR 144 (233) million, of which EUR 1 (23) million relates to items affecting comparability and sales gains
- Earnings per share EUR 0.13 (0.22), -41%, of which EUR 0.00 (0.03) per share relates to items affecting comparability and sales gains. EPS for total Fortum including the effect from discontinued operations, is EUR 4.98 (0.28)
- Cash flow from operating activities totalled EUR 229 (394) million, -42%
- Fortum's Distribution divestment finalised

January–June 2015, continuing operations

- Comparable operating profit EUR 486 (568) million, -14%
- Operating profit EUR 494 (599) million, of which EUR 8 (30) million relates to items affecting comparability and sales gains
- Earnings per share EUR 0.46 (0.57), -19%, of which EUR 0.01 (0.04) per share relates to items affecting comparability and EPS for total Fortum, including the effect from discontinued operations, is EUR 5.38 (2.81)
- Cash flow from operating activities totalled EUR 745 (799) million, -7%
- Distribution business treated as discontinued operations from Q1/2015, consistent with IFRS 5
- Pekka Lundmark appointed Fortum's President and CEO as of the beginning of September 2015

Summary of outlook

- Fortum continues to expect the annual electricity demand to grow in the Nordic countries by approximately 0.5% on average in the coming years
- Power and Technology segment's Nordic generation hedges: for the rest of 2015, approximately 45% hedged at EUR 41 per MWh; and for 2016, approximately 25% hedged at EUR 35 per MWh
- The run-rate operating profit level (EBIT) for the Russia segment, RUB 18.2 billion, is targeted to be reached during 2015. The euro-denominated result level will be volatile, due to the translation effect

Key financial ratios *	2014	LTM
Return on capital employed, %	19.5	29.0
Net debt/EBITDA	1.1	-0.3
Comparable net debt/EBITDA	2.3	-1.1
Comparable net debt/EBITDA without Värme financing	2.0	-1.3

* Key figure financial ratios are based on total Fortum, including discontinued operations

Key figures	II/15	II/14	I-II/15	I-II/14	2014	LTM
Sales, EUR million	794	886	1,834	2,094	4,088	3,828
Operating profit, EUR million						
continuing operations	144	233	494	599	1,296	1,191
discontinued operations	4,314	63	4,395	2,030	2,132	4,497
total Fortum	4,458	295	4,889	2,629	3,428	5,688
Comparable operating profit, EUR million						
continuing operations	143	210	486	568	1,085	1,003
discontinued operations	32	45	114	164	266	216
total Fortum	175	255	600	732	1,351	1,219
Profit before taxes, EUR million						
continuing operations	143	224	493	597	1,232	1,128
discontinued operations	4,313	61	4,394	2,029	2,128	4,493
total Fortum	4,456	284	4,887	2,626	3,360	5,621
Earnings per share, EUR						
continuing operations	0.13	0.22	0.46	0.57	1.22	1.11
discontinued operations	4.85	0.06	4.92	2.24	2.33	5.01
total Fortum	4.98	0.28	5.38	2.81	3.55	6.12
Net cash from operating activities, EUR million, continuing operations	229	394	745	799	1,406	1,352
Shareholders' equity per share, EUR			16.76	12.86	12.23	
Interest-bearing net debt (at end of period), EUR million			-1,846	5,008	4,217	
Interest-bearing net debt without Värme financing			-2,109	4,136	3,664	

Fortum's interim CEO Timo Karttinen

"Fortum's results continued to be pressured by low electricity prices. Comparable operating profit for continuing operations declined by 32% during the second quarter. The improvement in operating profit for total Fortum was due to the sale of the Swedish electricity distribution business completed in June: Fortum booked a one-time sales gain of approximately EUR 4.3 billion, corresponding to EUR 4.82 per share.

The ongoing slowdown in Asia together with the European macro-economy situation could lead to increasing uncertainty and consequently slow the European recovery. Additionally, Greece remains a major internal risk to the whole eurozone.

Also the weather has been unusual. The second quarter was characterised by among the highest precipitation in recent history, which resulted in high and partly must-run hydro power production during the quarter. On top of this, as low temperatures have delayed the snow melting in Norway, there is an increased possibility for must-run hydro production also later in the summer. As a result, the Nordic power prices have weakened, and electricity spot prices have been even under EUR 10/MWh. Also area price differences have been volatile. The cost of coal condense, however, which is typically the benchmark for Nordic power prices, remained fairly stable during the quarter.

Fortum continued the negotiations on the restructuring of the territorial generating company, TGC-1 in Russia. The negotiations did not, however, come to conclusions; therefore, Fortum was unable to commit to the Finnish Fennovoima nuclear power project by the end of June. Should the negotiations proceed later, and depending on the conditions of the construction license decision by the Finnish Government, Fortum would still be ready to participate with a minority share of maximum 15% in the nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Our strategy is based on our strong competence in CO2-free hydro and nuclear power, efficient CHP production and expertise in energy markets. We believe sustainable and energy-efficient solutions will increase in importance as urbanisation and electrification of the world continues.”

Fortum’s Distribution divestment completed

In June 2015, Fortum completed the divestment of its Swedish electricity distribution business.

The total consideration was approximately SEK 60.6 billion on a debt- and cash-free basis, corresponding to approximately EUR 6.4 billion. Fortum booked a one-time sales gain of approximately EUR 4.3 billion, corresponding to EUR 4.82 per share, in the second-quarter 2015 results.

The transaction concluded the divestment of Fortum's Distribution, a process that began in 2013. The total consideration from the divestments in Finland, Sweden and Norway is approximately EUR 9.3 billion on a debt- and cash-free basis and approximately EUR 6.3 billion in non-taxable sales gains booked during 2014 and 2015.

Fortum updated its long-term financial targets

Fortum updated its long-term financial targets in March 2015. After the divestment of Distribution, Fortum's business has a somewhat higher risk profile, which will correspondingly require a stronger balance sheet in order to maintain financial flexibility. The financial targets continue to reflect the long-term business nature of the company and give relevant guidance on Fortum's view of the company's long-term value creation potential and growth strategy.

The updated long-term financial targets are: Return on capital employed (ROCE) 12% and comparable net debt/EBITDA around 2.5 times.

The previous financial targets were: ROCE 12%, comparable net debt/EBITDA around 3 and return on shareholders' equity (ROE) 14%.

IFRS restatement relating to discontinued operations

After the divestment of the Swedish distribution business, Fortum has no distribution operations. Therefore, as of the first-quarter 2015 interim report, the Distribution segment has been treated as discontinued operations, consistent with IFRS 5 "Non-current assets held for sale and Discontinued operations". The income statement including other comprehensive income, cash flow statement and certain key ratios has been restated for the 2014 comparative period. In the segment information, the Distribution segment is reclassified as discontinued operations.

Financial results discussed in this interim report are for the continuing operations of Fortum Group.

Financial results

April–June 2015

In the second quarter of 2015, sales were EUR 794 (886) million. Comparable operating profit totalled EUR 143 (210) million and the reported operating profit totalled EUR 144 (233) million. Fortum's operating profit for the period was affected by non-recurring items including approximately EUR -15 million effect from the cancellation of Olkiluoto 4 nuclear power project, as well as an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and nuclear fund adjustments for continuing operations amounted to EUR 1 (23) million (Note 4). Total Fortum's operating profit EUR 4,458 (295) million includes the sales gain EUR 4.3 billion of the Swedish electricity distribution business.

Sales by segment

EUR million	II/15	II/14	I-II/15	I-II/14	2014	LTM
Power and Technology	404	487	904	1,072	2,156	1,988
Heat, Electricity Sales and Solutions	244	269	650	715	1,332	1,267
Russia	211	234	474	567	1,055	962
Other	29	14	58	28	58	88
Netting of Nord Pool transactions	-64	-101	-183	-234	-422	-371
<i>Eliminations</i>	-31	-17	-69	-55	-91	-105
Total continuing operations	794	886	1,834	2,094	4,088	3,828
Discontinued operations	95	148	275	449	751	577
<i>Eliminations</i>	-11	-18	-31	-53	-89	-67
Total Fortum	878	1,016	2,078	2,489	4,751	4,340

Comparable operating profit by segment

EUR million	II/15	II/14	I-II/15	I-II/14	2014	LTM
Power and Technology	114	183	317	434	877	760
Heat, Electricity Sales and Solutions	11	11	68	59	104	113
Russia	35	28	132	102	161	191
Other	-17	-13	-32	-27	-57	-62
Total continuing operations	143	210	486	568	1,085	1,003
Discontinued operations	32	45	114	164	266	216
Total Fortum	175	255	600	732	1,351	1,219

Operating profit by segment

EUR million	II/15	II/14	I-II/15	I-II/14	2014	LTM
Power and Technology	117	151	320	413	855	762
Heat, Electricity Sales and Solutions	9	67	73	112	337	298
Russia	36	28	133	101	161	193
Other	-17	-13	-32	-28	-58	-62
Total continuing operations	144	233	494	599	1,296	1,191
Discontinued operations	4,314	63	4,395	2,030	2,132	4,497
Total Fortum	4,458	295	4,889	2,629	3,428	5,688

January–June 2015

In January-June 2015, sales were EUR 1,834 (2,094) million. Comparable operating profit totalled EUR 486 (568) million and the reported operating profit totalled EUR 494 (599) million. Fortum's operating profit for the period was affected by non-recurring items including approximately EUR -15 million effect from the cancellation of Olkiluoto 4 nuclear power project, as well as an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and nuclear fund adjustments for continuing operations amounted to EUR 8 (30) million (Note 4). Total Fortum's operating profit EUR 4,889 (2,629) million includes the sales gain from the divestment of the Swedish electricity distribution business, approximately EUR 4.3 billion (approximately EUR 1.9 billion from Finnish and Norwegian operations in 2014).

The share of profit from associates was EUR 80 (107) million, of which Fortum Värme represented EUR 31 (48) million. The share of profit from Hafslund and TGC-1 are based on the companies' published first-quarter 2015 interim reports (Note 13).

The net financial expenses were EUR -81 (-109) million. Net financial expenses include changes in the fair value of financial instruments of EUR -11 (0) million.

Profit before taxes was EUR 493 (597) million.

Taxes for the period totalled EUR 80 (89) million. The tax rate according to the income statement was 16.2% (14.9%). 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 19.4% (20.4%).

The profit for the period for continuing operations was EUR 413 (508) million. Earnings per share for continuing operations were EUR 0.46 (0.57), of which EUR 0.01 (0.04) per share relates to items affecting comparability. Earnings per share for total Fortum, including the effect from discontinued operations, were EUR 5.38 (2.81), including the EUR 4.82 gain from the sale of the Swedish electricity distribution business. Earnings per share for total Fortum in 2014 were impacted by EUR 2.08 per share from the sale of the Finnish electricity distribution business (Note 7).

Financial position and cash flow

Cash flow

In January-June 2015, net cash from operating activities from total Fortum decreased by EUR 123 million to EUR 899 (1,022) million, mainly due to lower EBITDA and in 2014 divested Finnish and Norwegian distribution businesses, which were offset by the positive impact of realised foreign exchange differences and other financial income. Realised foreign exchange gains and losses of EUR 203 (155) million were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Capital expenditures decreased by EUR 48 million to EUR 209 (257) million.

Net cash from investing activities for total Fortum was EUR 6,372 (2,706) million including the impact from discontinued operations amounting to EUR 6,303 (2,648) million. Cash flow before financing activities for total Fortum increased by EUR 3,545 million to EUR 7,272 (3,727) million, including the net impact of discontinued operations of EUR 6,457 (2,870) million.

Fortum paid dividends totalling EUR 1,155 million in April. During the period net increase in liquid funds were EUR 5,877 million.

Assets and capital employed

Total assets increased by EUR 3,173 million to EUR 24,548 (21,375 at year-end 2014) million.

Liquid funds increased by EUR 5,846 million to EUR 8,612 (2,766 at year-end 2014) million, netted by the decrease of property, plant and equipment of EUR 2,049 million, mainly arising from the divestment of Swedish distribution.

Capital employed for total Fortum was EUR 21,733 (17,918 at year-end 2014) million, an increase of EUR 3,815 million.

Equity

Total equity was EUR 14,968 (10,935 at year-end 2014) million, of which equity attributable to owners of the parent company totalled EUR 14,889 (10,864 at year-end 2014) million.

The increase in equity attributable to owners of the parent company totalled EUR 4,025 million and was mainly from the gain on divestment of Swedish distribution approximately EUR 4.3 billion and dividend payment for 2014, EUR -1,155 million, offset by the net profit of EUR 413 million for continuing operations for the period, and translation differences totalling EUR 427 million.

Financing

Fortum was net cash positive at the end of the period as net debt decreased by EUR 6,063 million during January-June 2015 from net debt EUR 4,217 million at year-end 2014 to net cash EUR 1,846 million. Without Fortum Värme financing Fortum was net cash positive EUR 2,109 million (net debt 3,664 at year-end 2014).

At the end of June 2015, the Group's liquid funds totalled EUR 8,612 (2,766 at year-end 2014) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 158 (134 at year-end 2014) million. In addition to liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities (Note 15).

The net financial expenses were EUR -81 (-109) million. Net financial expenses include changes in the fair value of financial instruments of EUR -11 (0) million.

On 5 June 2015, Standard & Poor's downgraded Fortum's long-term rating to BBB+ from A- and affirmed the A-2 short-term rating. The outlook is stable. The long-term corporate credit rating was removed from CreditWatch, where it had been placed since 18 March 2015. The Fitch rating remained unchanged as A- (negative outlook).

Key figures

For the last twelve months, net debt to EBITDA was -0.3 (1.1 at year-end 2014) and comparable net debt to EBITDA -1.1 (2.3 at year-end 2014). Fortum is currently financing Fortum Värme, and these loans, EUR 263 (553 at year-end 2014) million, are presented as interest-bearing loan receivables in Fortum's balance sheet. However, the aim is to refinance the loans during 2015. If these loans are deducted from the net debt, the last-twelve-months comparable net debt to EBITDA was -1.3 (2.0 at the year-end 2014).

Gearing was -12% (39% at year-end 2014) and the equity-to-assets ratio 61% (51% at year-end 2014). Equity per share was EUR 16.76 (12.23 at the year-end 2014). For the last twelve months, return on capital employed totalled 29.0% (19.5% at the year-end 2014).

Market conditions

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 87 (86) terawatt-hours (TWh) during the second quarter of 2015. In January-June 2015, it was 197 (196) terawatt-hours (TWh). The increase in non-industrial demand compensated the decrease in industrial demand.

At the beginning of 2015, the Nordic water reservoirs were at 80 TWh, 3 TWh below the long-term average and 2 TWh lower than a year earlier. By the end of the second quarter, the reservoirs were 15 TWh lower than the long-term average and 14 TWh lower than a year before. The precipitation during January-June, however, was among the highest recorded this century in Norway and Sweden. In Norway, by the end of the second quarter, large amounts of the precipitation still remained as snow because of the delayed snow melt.

In the second quarter of 2015, the average system spot price of electricity in Nord Pool was EUR 20.7 (25.7) per megawatt-hour (MWh). The decline was mainly due to the very high precipitation leading to high hydropower production, but also partly to substantially higher wind power production than a year ago. In Finland, the average area price was EUR 25.8 (34.6) per MWh and in Sweden SE3 (Stockholm) EUR 21.1 (31.6) per MWh.

During January–June 2015, the average system spot price was EUR 24.4 (27.9), and the area price in Finland EUR 28.9 (34.9) and in Sweden SE3 (Stockholm) EUR 24.8 (30.8).

In Germany, the average spot price during the second quarter of 2015 was EUR 28.3 (31.2) per MWh and during January-June 2015 EUR 30.2 (32.4) per MWh.

The market price of CO₂ emission allowances (EUA) was at approximately EUR 7.1 per tonne at the beginning of the year and EUR 7.5 in the end of June 2015. The volatility of the price decreased during the second quarter when the political uncertainties in the ETS Market Stability Reserve (MSR) started to decrease. The content on the MSR was agreed in May and formal approval is foreseen during the summer or early autumn.

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 2015. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 178 (176) TWh. In January-June 2015 Russia consumed 506 (507) TWh of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 388 (387) TWh.

In the second quarter of 2015, the average electricity spot price, excluding capacity price, decreased by 6% to RUB (Russian rouble) 1,132 (1,203) per MWh in the First price zone. In January-June 2015, the average electricity spot price, excluding capacity price, decreased by 3% to RUB 1,127 (1,156) per MWh in the First price zone.

More detailed information about the market fundamentals is included in the tables at the end of the report (page 54).

European business environment and carbon market

EU power market development

In July, the European Commission published a consultative Communication on the future EU market design. The emphasis of the Commission is on further development of the current energy-only market design rather than promoting a capacity-based market design. In May the Commission launched a first-ever state-aid sector inquiry on capacity mechanisms to collect input for the market design development.

EU emissions trading reform

A compromise between the EU institutions on the market stability reserve (MSR) of the EU emissions trading system was reached in May 2015. The main elements of the agreement are the implementation of the mechanism in 2019 and the placing of backloaded and non-allocated allowances directly into the reserve. The Commission published a proposal to revise the Emissions Trading Directive in 15 July. The main aim of the revision is to enable meeting the tighter emission cuts agreed for 2030 by increasing the factor according to which the amount of emission allowances put on the market decreases.

German decisions

In a so-called White Paper on market design, published in early July, the country decided against capacity market, but chooses instead to develop the current electricity market further as well as to set up a separate capacity reserve as a backup. In addition, the controversial plan to introduce a special climate levy for older lignite plants (in addition to the EU ETS) has been abandoned. The targeted cuts in German CO₂ emissions will be delivered, among other measures, by moving 2.7 GW of lignite power plants to the capacity reserve stepwise between 2017 and 2020.

New Finnish Government

Following the general elections in April, the new three party Government (Centre Party, National Coalition Party, and the Finns Party), led by Prime Minister Juha Sipilä (Centre Party) published its programme in May. The main objectives are improving Finland's competitiveness and job creation through structural reforms, as well as making the country a forerunner in cleantech and bioeconomy; increasing renewables and phasing out coal in the energy sector.

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/15	II/14	I-II/15	I-II/14	2014	LTM
Sales	404	487	904	1,072	2,156	1,988
- power sales	379	454	863	1,000	2,026	1,889
of which Nordic power sales*	357	419	810	919	1,845	1,736
- other sales	25	32	41	72	130	99
Operating profit	117	151	320	413	855	762
Comparable operating profit	114	183	317	434	877	760
Comparable EBITDA	143	213	375	496	998	877

Net assets (at period-end)			6,093	6,113	6,001	
Return on net assets, %					13.6	12.5
Comparable return on net assets, %					14.2	12.6
Capital expenditure and gross investments in shares	42	37	70	72	198	196
Number of employees			1,429	1,791	1,639	

Power generation by source, TWh	II/15	II/14	I-II/15	I-II/14	2014	LTM
Hydro and wind power, Nordic	6.4	5.9	12.6	12.3	22.4	22.7
Nuclear power, Nordic	5.4	5.0	11.7	11.6	23.8	23.9
Thermal power, Nordic	0.0	0.0	0.1	0.2	0.9	0.8
Total in the Nordic countries	11.9	10.9	24.4	24.1	47.1	47.4
Thermal power in other countries	0.0	0.2	0.0	0.5	0.7	0.2
Total	11.9	11.1	24.4	24.6	47.9	47.7

Nordic sales volumes, TWh	II/15	II/14	I-II/15	I-II/14	2014	LTM
Nordic sales volume	12.4	11.2	25.7	24.8	48.6	49.5
of which Nordic power sales volume*	11.5	10.4	23.5	23.0	44.6	45.1

* 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/15	II/14	I-II/15	I-II/14	2014	LTM
Power and Technology's Nordic power price**	31.1	40.2	34.5	39.9	41.4	38.5

** 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 2015

In the second quarter of 2015, the Power and Technology segment's comparable operating profit was EUR 114 (183) million, i.e. EUR 69 million lower than in the corresponding period in 2014. The main reason was the lower achieved power price. The clearly higher precipitation had a positive impact on the hydro volumes but put pressure on the electricity spot price.

Operating profit, EUR 117 (151) million, was affected by non-recurring items totalling EUR -15 (5) million, resulting mainly from the approximately EUR -15 million effect from the cancelled Olkiluoto 4 nuclear power project in Finland (Note 4) 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 17 (-37) million.

Power and Technology's achieved Nordic power price was EUR 31.1 (40.2) per MWh, EUR 9.1 per MWh lower than in the corresponding period in 2014. The system price and all area prices were clearly lower during the second quarter of 2015 compared to the same period in 2014. The average system spot price of electricity in Nord Pool was EUR 20.7 (25.7) per MWh. The average area price in Finland was EUR 25.8 (34.6) per MWh and in Sweden SE3 (Stockholm) EUR 21.1 (31.6) per MWh.

The segment's total power generation in the Nordic countries was 11.9 (10.9) TWh. Thermal production totalled 0.0 (0.0) TWh. CO₂-free production amounted to 99.9% (97.5%) of the total production.

January–June 2015

In January-June 2015, the Power and Technology segment's comparable operating profit was EUR 317 (434) million, i.e. EUR 117 million lower than in the corresponding period in 2014. The achieved power price was clearly lower than in the corresponding period in 2014.

Operating profit, EUR 320 (413) million, was affected by non-recurring items totalling EUR -12 (6) million, resulting mainly from the approximately EUR -15 million effect from the cancelled Olkiluoto 4 nuclear power project in Finland (Note 4) 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 14 (-27) million.

Power and Technology's achieved Nordic power price was EUR 34.5 (39.9) per MWh, EUR 5.4 per MWh lower than in the corresponding period in 2014. The system price and all area prices were clearly lower during the first half of 2015 compared to the same period in 2014. The average system spot price of electricity in Nord Pool was EUR 24.4 (27.9) per MWh. The average area price in Finland was EUR 28.9 (34.9) per MWh and in Sweden SE3 (Stockholm) EUR 24.8 (30.8) per MWh. The weather during the first half of the year was extraordinary. The first quarter in 2015 was exceptionally mild whereas the second quarter was characterised by among the highest precipitation in recent history – impacting the electricity price level.

The segment's total power generation in the Nordic countries was 24.4 (24.1) TWh. Thermal production totalled 0.1 (0.2) TWh. CO₂-free production amounted to 99.6% (96.8%).

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/15	II/14	I-II/15	I-II/14	2014	LTM
Sales	244	269	650	715	1,332	1,267
- heat sales	83	79	244	243	430	431
- power sales	143	160	372	417	783	738
- other sales	19	30	35	54	119	100
Operating profit	9	67	73	112	337	298
Comparable operating profit	11	11	68	59	104	113
of which Electricity Sales	13	11	24	21	48	51
Comparable EBITDA	35	36	117	109	204	212
Net assets (at period-end)			2,073	2,176	2,112	
Return on net assets, %					19.1	16.9
Comparable return on net assets, %					8.7	8.3
Capital expenditure and gross investments in shares	22	14	33	27	124	130
Number of employees			1,493	1,947	1,807	

April–June 2015

In the second quarter of 2015, heat sales volumes of the Heat, Electricity Sales and Solutions segment amounted to 1.4 (1.3) TWh. During the same period, power sales volumes from CHP production totalled 0.5 (0.6) TWh.

Comparable operating profit was EUR 11 (11) million. The lower electricity power price was partly compensated by lower fuel costs.

Operating profit totalled EUR 9 (67) million, including sales gains totalling EUR 0 (53) million and the IFRS accounting treatment (IAS 39) of derivatives (Note 4).

January–June 2015

Heat sales volumes of the Heat, Electricity Sales and Solutions segment amounted to 4.6 (4.6) TWh in January-June 2015. During the same period, power sales volumes from CHP production totalled 1.4 (1.6) TWh.

Comparable operating profit was EUR 68 (59) million. The main drivers for the improvement were lower fuel costs and higher heat prices during the period. In retail electricity sales, the customer base continued to grow and the sales margin improved.

Operating profit totalled EUR 73 (112) million and was affected by sales gains totalling EUR 3 (54) million and the IFRS accounting treatment (IAS 39) of derivatives (Note 4).

Heat sales by country, TWh	II/15	II/14	I-II/15	I-II/14	2014	LTM
Finland	0.6	0.6	1.8	1.8	3.2	3.2
Poland	0.5	0.5	2.0	2.0	3.4	3.4
Other countries	0.2	0.2	0.7	0.8	1.3	1.2
Total	1.4	1.3	4.6	4.6	7.9	7.9

Power sales, TWh	II/15	II/14	I-II/15	I-II/14	2014	LTM
CHP	0.5	0.6	1.4	1.6	2.8	2.6
Electricity Sales	3.1	2.9	7.4	7.3	13.8	13.9
Total	3.6	3.5	8.8	8.9	16.5	16.4

Russia

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

EUR million	II/15	II/14	I-II/15	I-II/14	2014	LTM
Sales	211	234	474	567	1,055	962
- power sales	166	183	348	401	758	705
- heat sales	44	51	124	162	285	247
- other sales	1	0	1	3	11	9
Operating profit	36	28	133	101	161	193
Comparable operating profit	35	28	132	102	161	191
Comparable EBITDA	65	64	159	177	304	286
Net assets (at period-end)			3,159	3,870	2,597	
Return on net assets, %					5.6	6.8
Comparable return on net assets, %					5.6	6.8
Capital expenditure and gross investments in shares	69	97	114	156	367	325
Number of employees			4,189	4,189	4,213	

The liberalisation of the Russian wholesale power market was completed in 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 2015, Fortum sold approximately 83% of its power production in Russia at a liberalised electricity price.

The capacity selection for generation built prior to 2008 (CCS – “old capacity”) for 2015 was held in September 2014. All of Fortum’s capacity was allowed to participate in the selection for 2015, and the majority of Fortum’s plants were also selected. The volume of Fortum’s installed capacity not selected in the auction totalled 195 MW (approximately 7% of Fortum’s total old capacity in Russia), for which Fortum has obtained forced mode status, i.e. will receive payments for the capacity.

The generation capacity built after 2007 under the Russian Government's 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 17).

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 could revise the CSA payments accordingly.

In February 2015, the System Administrator of the wholesale market published data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2014, which is used to calculate the sales price on CSA in 2015. The CSA payments were revised upwards accordingly to reflect the higher bond rates.

April–June 2015

In the second quarter of 2015, the Russia segment's power sales volumes amounted to 6.6 (5.8) TWh and heat sales volumes totalled 4.4 (4.5) TWh

The Russia segment’s comparable operating profit was EUR 35 (28) million. The positive effect from the new units receiving CSA payments amounted to approximately EUR 50 (37) million, including EUR 0 (4) million of CSA provision release and EUR -10 (-5) million due to the weaker rouble. Lower electricity prices, as well as bad debt provisions for heat trade receivables impacted the result negatively. Overall, the weakened Russian rouble affected the Russia segment's result negatively by EUR 3 (3) million.

Operating profit was EUR 36 (28) million.

January–June 2015

In January-June 2015, the Russia segment's power sales volumes amounted to 15.0 (12.9) TWh and heat sales volumes totalled 13.9 (14.2) TWh.

The Russia segment’s comparable operating profit was EUR 132 (102) million. The positive effect from the new units receiving CSA payments amounted to approximately EUR 134 (86) million, including EUR 32 (4) million of CSA provision release and EUR -51 (-15) million due to the weaker rouble. Lower heat volumes, due to warm weather, lower electricity prices, as well as bad debt provisions for heat trade receivables impacted the result negatively. Overall, the weakened Russian rouble affected the Russia segment's result negatively by EUR 50 (17) million.

Operating profit was EUR 133 (101) million.

The third unit of Fortum's Nyagan power plant started commercial operation at the end of 2014 and started receiving capacity payments under the Russian Government's capacity supply agreement for 418 megawatts (MW) as of 1 January 2015.

Key electricity, capacity and gas prices for Fortum Russia	II/15	II/14	I-II/15	I-II/14	2014	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,021	1,132	1,036	1,075	1,089	1,069
Average regulated gas price, Urals region, RUB/1000 m ³	3,362	3,362	3,362	3,362	3,362	3,362
Average capacity price for CCS "old capacity", tRUB/MW/month*	140	152	152	168	167	159
Average capacity price for CSA "new capacity", tRUB/MW/month*	578	493	647	553	552	605
Average capacity price, tRUB/MW/month	326	271	360	303	304	333
Achieved power price for Fortum in Russia, EUR/MWh	27.9	32.3	26.8	31.4	30.4	28.1

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

Discontinued operations (Distribution)

EUR million	II/15	II/14	I-II/15	I-II/14	2014	LTM
Sales	95	148	275	449	751	577
- distribution network transmission	76	114	229	355	590	464
- regional network transmission	16	25	40	71	120	89
- other sales	3	9	7	23	41	25
Operating profit	4,314	63	4,395	2,030	2,132	4,497
Comparable operating profit	32	45	114	164	266	216
Comparable EBITDA	52	80	164	251	416	329
Net assets (at period-end)			0	2,642	2,615	
Capital expenditure and gross investments in shares	25	35	44	60	147	131
Number of employees			0	384	390	

The table above includes January-May 2015 Swedish electricity distribution business, January-March 2014 for the Finnish electricity distribution business, January-May 2014 for the Norwegian electricity distribution business, as well as the full-year 2014 for the Swedish electricity distribution business.

April-June 2015

On 1 June 2015, Fortum completed the divestment of its Swedish electricity distribution business, which was announced on 13 March 2015.

The comparable operating profit from the discontinued operations was EUR 32 (45) million, and operating profit totalled EUR 4,314 (63) million, includes the sales gain from the divestment of the Swedish electricity distribution business, approximately EUR 4.3 billion.

January-June 2015

The comparable operating profit from the discontinued operations was EUR 114 (164) million, and operating profit totalled EUR 4,395 (2,030) million, includes the sales gain from the divestment of the Swedish electricity distribution business, approximately EUR 4.3 billion (approximately EUR 1.9 billion from Finnish and Norwegian operations in 2014).

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares for continuing operations totalled EUR 134 (144) million in the second quarter of 2015.

Capital expenditures and investments in shares for continuing operations totalled EUR 220 (255) million in January-June 2015. Investments, excluding acquisitions, were EUR 215 (228) million (Note 4).

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts
Power and Technology				
Hydro refurbishment	Hydro	12		2015
Loviisa 1 refurbishment	Nuclear	6		2H 2015
Russia*				
Chelyabinsk 1	Gas (CCGT)	248	175	2H 2015
Chelyabinsk 2	Gas (CCGT)	248	175	2H 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. The start of commercial electricity production of the plant is expected to take place in late 2018, according to the plant supplier AREVA-Siemens Consortium. TVO has withdrawn a EUR 200 million shareholder loan from the total EUR 600 million commitment. Fortum's share of the EUR 200 million withdrawal is approximately EUR 50 million. Fortum's remaining commitment for OL3 is EUR 100 million (Note 14).

In June, the Extraordinary General Meeting of TVO decided not to apply for a construction licence for Olkiluoto 4 (OL4) nuclear power plant during the validity of the decision-in-principle made in 2010 (Note 14).

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 biofuel CHP plant in Värtan, Stockholm, Sweden. The new CHP plant will replace some of the existing heat production, and it 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 CHP plant in Naantali, Finland, which will replace the existing old plant. The plan is to commission the new power plant in 2017. The plant's production capacity will be 244 MW heat and 142 MW electricity.

In March 2015, Fortum decided to build a new multifuel CHP plant in Zabrze, Poland. The total value of the investment is approximately EUR 200 million. The new plant is planned to start commercial operation by the end of 2018. The plant's production capacity will be 145 MW heat and 75 MW electricity.

Shares and share capital

Fortum Corporation is listed on the Nasdaq Helsinki. During January-June 2015, a total of 242.8 (254.2) million Fortum Corporation shares, totalling EUR 4,527 million, were traded. The highest quotation of Fortum Corporation shares during the reporting period was EUR 21.59, the lowest EUR 15.89, and the volume-weighted average EUR 18.62. The closing quotation on the last trading day of the quarter, 30 June 2015, was EUR 15.94 (19.61). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the review period, was approximately EUR 14,161 million.

In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, BATS, Chi-X and Turquoise, and on the OTC market. In the first half of 2015, approximately 62% of Fortum's shares were traded on markets other than the Nasdaq Helsinki.

On 30 June 2015, 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 115,692. The Finnish State's holding in Fortum was 50.8%, and the proportion of nominee registrations and direct foreign shareholders was 30.4% at the end of the review period.

On 25 March 2015, Fortum Corporation received notification pursuant to Chapter 9, Section 5, of the Securities Markets Act that Capital Group Companies Inc's ("CGC") holding in Fortum was below the threshold of 5 per cent on 18 March 2015.

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 2015 was 8,139 (8,202 at the end of 2014).

At the end of June 2015, Power and Technology had 1,429 (1,639) employees; Heat, Electricity Sales and Solutions 1,493 (1,807); Russia 4,189 (4,213); and Other 1,028 (543).

At the beginning of 2015, Fortum centralised the IT and customer service functions. As a result of the centralisation, a total of 464 employees transferred from the Heat, Electricity Sales and Solutions and Power and Technology segments to Other.

Research and development

Sustainability is at the core of Fortum's strategy and, alongside Fortum's current businesses, the company is carefully exploring and developing new sources of growth within renewable energy production. Fortum is particularly interested in developing environmentally-benign energy solutions (CO₂-free) and new CHP concepts, such as pyrolysis. The company is also researching and developing its solar energy competences and is also involved in wave power pilot projects. In addition, Fortum is developing new customer solutions in electricity and heat for better user experience and demand-response services.

In January, Fortum launched a greenfield solar PV plant Kapeli, in Madhya Pradesh, India. This solar plant is Fortum's second solar energy project in the country. The 10-MW solar plant will offset more than 18,000 tonnes of CO₂ emissions equivalent annually.

The Group reports its R&D expenditure on a yearly basis. In 2014, Fortum's R&D expenditure was EUR 41 (49) million or 0.9% (0.9%) of sales.

Sustainability

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

The Group-level sustainability targets emphasise Fortum's role in society and measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, and the security of production of power and heat. At the beginning of 2015, Group-level target setting was changed by taking the energy savings yielded by energy-efficiency measures as an indicator in energy efficiency, and total recordable injury frequency (TRIF) as an indicator in occupational safety for Fortum employees. Moreover, a new target of reducing serious injuries by 50% as compared to 2014 was added to Group-level target setting.

The achievement of the sustainability targets is monitored in the 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. Complete data on Fortum's sustainability performance is published as part of the online Annual Report.

The company is listed on STOXX Global ESG Leaders, Nasdaq Helsinki, 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 performance¹

Targets		II/15	2014	Five-year average
Specific CO ₂ emissions from power generation in the EU as a five-year average, g/kWh	< 80	16	21	56
Specific CO ₂ emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	176	183	195
Number of major EHS incidents ²	≤ 27	5	7	-
Energy availability of CHP plants, %	> 95	97.4	97.7	-
Total recordable injury frequency (TRIF) for own personnel ²	≤ 2.5	1.5	1.7	-
Lost workday injury frequency (LWIF) for contractors ²	≤ 3.2	1.8	2.1	-
Number of serious accidents ²	≤ 8	2	7	-

¹ Targets for reputation, customer satisfaction and energy efficiency are monitored annually

² Includes the impact from the Distribution divestment

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. Fortum measures financial success with return on capital employed (target: 12%) and capital structure (target: net debt/EBITDA around 2.5). In addition, as of January 1, 2014, Fortum has used the applicable Global Reporting Initiative (GRI) G4 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 its energy production and supply chain. The company's know-how in carbon-free hydro and nuclear power production and in energy-efficient CHP production is highlighted in environmental responsibility. Fortum's Group-level environmental targets are related to CO₂ emissions, energy efficiency as well as major environmental, health and safety (EHS) incidents. At the end of June 2015, ISO 14001 certification covered 100% of Fortum's power and heat production worldwide.

Fortum's climate targets over the next five years are: specific CO₂ emissions from power generation in the EU below 80 grams per kilowatt-hour (g/kWh) and total specific CO₂ emissions from both electricity and heat production in all countries below 200 g/kWh. Both targets are calculated as a five-year average. At the end of June 2015, the five-year average for specific CO₂ emissions from power generation in the EU was at 55 (59) g/kWh and the total specific CO₂ emissions from energy production was at 195 (197) g/kWh, both better than the target level.

Fortum's total CO₂ emissions in January-June 2015 amounted to 10.0 (10.1) million tonnes (Mt), of which 1.1 (1.7) Mt were within the EU's emissions trading scheme (ETS). Since 2013, electricity production has not received free allowances in the EU ETS. The amount of free allowances for heat will also gradually decrease during 2013-2020. Fortum's free allowances in 2014 totalled 1.4 Mt and the estimate for 2015 is 1.3 Mt.

Fortum's total CO ₂ emissions (million tonnes, Mt)	II/15	II/14	I-II/15	I-II/14	2014	LTM
Total emissions	4.0	4.2	10.0	10.1	20.3	20.2
Emissions subject to ETS	0.4	0.7	1.1	1.7	3.6	3.0
Free emissions allocation					1.4	
Emissions in Russia	3.6	3.5	8.8	8.4	16.7	17.2

By 2020, Fortum's target is to improve energy efficiency of the existing power plants and heat distribution networks by over 1,400 GWh annually, as compared with 2012. At the end of 2014, about 680 GWh of this target was achieved. During January-June 2015, Fortum commissioned the Suomenoja heat pump facility in Finland and the Kapeli solar power plant in India. Ongoing projects include, among others, a flue-gas condenser in Joensuu and hydropower plant refurbishments in Finland and Sweden. The projects in 2015 are estimated to result in an annual energy savings of at least 350 GWh.

Fortum's target is fewer than 27 major EHS incidents annually. In January-June 2015, 7 (15) major EHS incidents took place in Fortum's operations: one explosion, one leak of district heat water into the environment and five non-compliances with environmental permits. These incidents did not have significant environmental or financial impact.

Social responsibility

In the area of social responsibility, Fortum's innovations and the secure production of low-CO₂ power and heat support the development of society and increase well-being. Good corporate citizenship, and ensuring a safe working environment for all employees and contractors at Fortum's sites are emphasised. At the end of June 2015, OHSAS 18001 certification covered 100% of Fortum's power and heat production worldwide.

In January-June 2015, the average energy availability of Fortum's CHP plants was 97.7% (95.7%), which is clearly above the annual target level of 95%.

At the end of June 2015, the total recordable injury frequency (TRIF) for Fortum employees was 1.7 (2.1). This complies with the Group-level frequency target of less than 2.5 per million working hours for own personnel. The lost-workday injury frequency for contractors was 2.1 (3.1). The number of serious occupational accidents was 6, which is still too many. Implementation of the agreed actions to improve contractor safety continues with a specific focus on construction projects. Fortum's categorical target is to avoid serious injuries.

Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier pre-selection and supplier audits. In January-June 2015 Fortum audited 6 suppliers in Poland, the Czech Republic, India and Kazakhstan.

Changes in Fortum's Management

Tapio Kuula, President and CEO, retired on 1 February 2015. Tapio Kuula had been President and CEO of Fortum Corporation since 2009.

On 2 April 2015, Pekka Lundmark, M.Sc. (Eng.), 51, was appointed President and CEO of Fortum Corporation. He is transferring from Konecranes Plc, where he has been President and CEO for the past ten years. Mr. Lundmark will start at Fortum at the beginning of September 2015.

Until Mr. Lundmark joins Fortum, CFO Timo Karttinen will continue to act as interim President and CEO of Fortum.

Annual General Meeting 2015

Fortum Corporation's Annual General Meeting, which was held in Helsinki on 31 March 2015, adopted the financial statements of the parent company and the Group for the financial period 1 January - 31 December 2014 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 2014.

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share and an extra dividend of EUR 0.20 per share, i.e. a total amount of EUR 1.30 per share, for the financial year that ended 31 December 2014. The record date for the dividend payment was 2 April 2015, and the dividend payment date was 14 April 2015.

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, Ms Minoo Akhtarzand, Mr Heinz-Werner Binzel, Mr Petteri Taalas and Mr Jyrki Talvitie were re-elected as members, and Ms Eva Hamilton and Mr Tapio Kuula were elected as new members.

The Annual General Meeting confirmed the remuneration of EUR 75,000 per year to the Chairman, EUR 57,000 per year to the Deputy Chairman 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. For Board members living in Finland, the fee for each Board and Board Committee meeting will be doubled for meetings held outside Finland, and tripled for meetings outside Europe. For Board and Committee meetings held as a telephone conference, the basic meeting fee will be paid to all members. No fee will be paid for decisions made without a separate meeting.

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.

After the Annual General Meeting, Fortum's Board of Directors elected from among its members to the Nomination and Remuneration Committee Sari Baldauf as Chairman, and Eva Hamilton, Tapio Kuula and Petteri Taalas as members.

Furthermore, the Board elected to the Audit and Risk Committee Kim Ignatius as Chairman, and Minoo Akhtarzand, Heinz-Werner Binzel and Jyrki Talvitie as members.

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, prices of fuel and CO₂ emissions allowances 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 and European uncertainty has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO₂ emissions allowance prices, and this could maintain downward pressure on the Nordic wholesale price for electricity. In 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 Russian rouble (RUB) and Swedish krona (SEK). 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 approximately 0.5%, while the growth rate for the next few years will largely be determined by macroeconomic development in Europe and especially in the Nordic countries.

During January-June 2015, the price of the European Union emissions allowances (EUA) and oil prices appreciated, whereas coal prices declined. The price of electricity for the upcoming twelve months declined in the Nordic area as well as in Germany.

In mid-July 2015, the future quotation for coal (ICE Rotterdam) for the rest of 2015 was around USD 59 per tonne, and the price for CO₂ emission allowances for 2015 was about EUR 8 per tonne. The electricity forward price in Nasdaq Commodities for the rest of 2015 was around EUR 21 per MWh and for 2016 around EUR 26 per MWh. In Germany, the electricity forward price for the rest of 2015 was around EUR 33 per MWh and for 2016 around EUR 32 per MWh. Nordic water reservoirs were about 6 TWh below the long-term average and 5 TWh below the corresponding level of 2014.

Power and Technology

The Power and Technology segment's Nordic power price typically depends on such factors as hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible production portfolio and currency fluctuations. Excluding the potential effects from 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 Technology 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 long-term 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 ongoing. Fortum emphasises that maintaining a high level of nuclear safety is the highest priority, but considers EU-level harmonisation of nuclear safety requirements to be of utmost importance.

The Swedish Government has increased the nuclear waste fund fee for the period 2015-2017 from approximately 0.022 to approximately 0.04 SEK/kWh. The estimated impact on Fortum will be approximately EUR 25 million annually. The process to review the Swedish nuclear waste fees is done in a three-year cycle.

In June 2015, the Swedish Parliament decided to approve the proposed tax increase of 17% on installed nuclear capacity. The tax will be implemented as of 1 August 2015. The estimated impact on Fortum is approximately EUR 15 million annually, albeit corporate tax-deductible.

In June, E.ON, as the majority owner of Oskarshamn nuclear reactors 1 and 2 in Sweden, announced their intention to start the closing process of the two reactors. In contrast to E.ON's view, Fortum believes that it is possible to continue production with Oskarshamn units 1 and 2 until the end of their planned operational lifetimes. The final decision will be made by the OKG Aktiebolag shareholders – after which Fortum will assess the impact of the decision.

Provided that Fortum reaches an agreement on the restructuring of TGC-1 in Russia, and depending on the content of the construction license decision by the Finnish Government, Fortum would be ready to participate with a minority stake of maximum 15% in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

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. A regulation draft concerning the extension of CSA payments from 10 to 15 years has been submitted to the Russian Government, and a decision is anticipated during 2015. A prolonged period is expected to have a neutral net present value impact.

The capacity selection for generation built prior to 2008 (CCS – “old capacity”) for 2015 was held in September 2014. All of Fortum's capacity was allowed to participate in the selection for 2015, and the majority of Fortum's plants were also selected. The volume of Fortum's installed capacity not selected in the auction totalled 195 MW (approximately 7% of Fortum's total old capacity in Russia) for which Fortum has obtained forced mode status, i.e. will receive payments for the capacity.

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 also receive considerably higher capacity payments than the old capacity. The received capacity payment will differ depending on the age, location, size and type of the plants as well as on 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 could revise the CSA payments accordingly.

In February 2015, the System Administrator of the wholesale market published data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2014, which is used to calculate the sales price on CSA in 2015. The CSA payments were revised upwards accordingly to reflect the higher bond rates.

The value of the remaining part of Fortum's investment programme, calculated at the exchange rates prevailing at the end of June 2015, is estimated to be approximately EUR 0.1 billion, as of July 2015.

The Russia segment's result is impacted by seasonal volatility caused by the nature of the heat business, with the first and last quarter being clearly the strongest.

The run-rate operating profit (EBIT) level of RUB 18.2 billion in the Russia segment is targeted to be reached during 2015 after finalising the ongoing investment programme. The segment's profits are mainly impacted by changes in power demand, gas prices 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. The income statements of non-euro subsidiaries are translated into the Group reporting currency using the average exchange rates.

In 2014, the new heat market model roadmap proposed by the Ministry of Energy was approved by the Russian Government; the reform should give heat market liberalisation by 2020 or, in some specific areas, by 2023.

As forecasted by the Russian Ministry of Economic Development, Russian gas price growth is estimated to be 3.5% in 2015.

Restructuring of TGC-1 according to strategy in Russia

In December 2014, Fortum, Gazprom Energoholding LLC and Rosatom State Corporation signed a protocol to start a restructuring process of the ownership of TGC-1 in Russia. The negotiations have not yet come to a conclusion. It is not possible to estimate the negotiating timetable.

Capital expenditure and divestments

Fortum currently expects its capital expenditure for its continuing operations in 2015 to be approximately EUR 0.8 billion. The annual maintenance capital expenditure is estimated to be about EUR 300-350 million in 2015, below the level of depreciation.

During 2015, Fortum will gradually decrease its financing to Fortum Värme, the CHP joint venture with the City of Stockholm, operating in the capital area in Sweden. At the end of June 2015, Fortum Värme's remaining interest-bearing liability to Fortum was approximately EUR 0.3 billion.

Taxation

The effective corporate income tax rate for Fortum in 2015 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 August 2014, the Finnish Board of Adjustment of the Large Taxpayers' Office approved Fortum Corporation's appeal of the income tax assessment imposed on Fortum for the year 2007 in December 2013. The Tax Recipients' Legal Services Unit appealed the matter (Note 22). In December 2014, Fortum received a non-taxation decision regarding its financing companies for the remaining years 2008–2011, based on the same audit. This is in line with the Supreme Administrative Court's (SAC) precedent decision. The Tax Recipients' Legal Services Unit has appealed the decisions in February 2015, and the cases for years 2008–2011 are now pending the Board of Adjustment of the Large Taxpayers' Office decision. In line with the 2007 case, Fortum considers the claims unjustifiable.

In June, the Swedish Parliament approved the 17% increase on the tax on installed nuclear capacity, re-proposed by the Swedish Government. The tax will be implemented as of 1 August 2015. The estimated impact on Fortum is approximately EUR 15 million annually, albeit corporate tax-deductible.

Hedging

At the end of June 2015, approximately 45% of Power and Technology's estimated Nordic power sales volume was hedged at approximately EUR 41 per MWh for the rest of 2015. The corresponding figures for the 2016 calendar year were approximately 25% at approximately EUR 35 per MWh.

The hedge price for Power and Technology segment'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 Nasdaq Commodities forwards.

Dividend payment

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share and an extra dividend of EUR 0.20 per share, i.e. a total amount of EUR 1.30 per share, for the financial year that ended 31 December 2014.

The record date for the dividend was 2 April 2015, and the dividend payment date was 14 April 2015.

*Espoo, 16 July 2015
Fortum Corporation
Board of Directors*

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

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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 2015	Q2 2014 restated*	Q1-Q2 2015	Q1-Q2 2014 restated*	2014 restated*	Last twelve months
Continuing operations:							
Sales	4	794	886	1,834	2,094	4,088	3,828
Other income		12	9	19	15	60	64
Materials and services		-362	-388	-796	-938	-1,825	-1,683
Employee benefits		-93	-91	-177	-188	-369	-358
Depreciation, amortisation and impairment charges	4,11,12	-87	-96	-170	-193	-377	-354
Other expenses		-120	-110	-225	-220	-492	-497
Comparable operating profit	4	143	210	486	568	1,085	1,003
Items affecting comparability		1	23	8	30	211	189
Operating profit	4	144	233	494	599	1,296	1,191
Share of profit/loss of associates and joint ventures	4, 13	22	37	80	107	146	119
Interest expense		-51	-62	-105	-130	-249	-224
Interest income		15	23	29	42	84	71
Fair value gains and losses on financial instruments		-3	2	-11	0	-5	-16
Other financial expenses - net		16	-10	6	-20	-40	-14
Finance costs - net		-24	-47	-81	-109	-210	-182
Profit before income tax		143	224	493	597	1,232	1,128
Income tax expense	9	-25	-27	-80	-89	-143	-134
Profit for the period from continuing operations		118	196	413	508	1,089	994
Discontinued operations:							
Profit for the period from discontinued operations	6	4,306	51	4,369	1,994	2,073	4,448
Profit for the period		4,424	247	4,782	2,502	3,161	5,441
Attributable to:							
Owners of the parent		4,424	247	4,777	2,498	3,154	5,433
Non-controlling interests		1	0	5	4	7	8
		4,424	247	4,782	2,502	3,161	5,441
Earnings per share for profit from total Fortum attributable to the equity owners of the company (in € per share)							
Basic		4.98	0.28	5.38	2.81	3.55	6.12
Diluted		4.98	0.28	5.38	2.81	3.55	6.12
Earnings per share for profit from continuing operations attributable to the equity owners of the company (in € per share)							
Basic		0.13	0.22	0.46	0.57	1.22	1.11
Diluted		0.13	0.22	0.46	0.57	1.22	1.11
Earnings per share for profit from discontinued operations attributable to the equity owners of the company (in € per share)							
Basic		4.85	0.06	4.92	2.24	2.33	5.01
Diluted		4.85	0.06	4.92	2.24	2.33	5.01

EUR million	Q2 2015	Q2 2014 restated*	Q1-Q2 2015	Q1-Q2 2014 restated*	2014 restated*	Last twelve months
Comparable operating profit	143	210	486	568	1,085	1,003
Non-recurring items	-15	58	-8	59	305	238
Changes in fair values of derivatives hedging future cash flow	13	-34	10	-25	-91	-56
Nuclear fund adjustment	3	0	6	-4	-3	7
Items affecting comparability	1	23	8	30	211	189
Operating profit	144	233	494	599	1,296	1,191

*Comparative period information for the income statement and cash flow for 2014 in this interim statement has been restated as Distribution segment has been treated as discontinued operations according to IFRS 5. For further information, see Notes 2 and 6.

Condensed consolidated statement of comprehensive income

EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Profit for the period	4,424	247	4,782	2,502	3,161	5,441
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	32	-62	48	-5	17	70
Transfers to income statement	-18	-25	-27	-38	-70	-59
Transfers to inventory/fixed assets	-2	-1	-3	-3	-4	-4
Deferred taxes	-2	18	-4	9	12	-1
Net investment hedges						
Fair value gains/losses in the period	-15	-14	-48	22	149	79
Deferred taxes	3	4	10	-3	-28	-15
Exchange differences on translating foreign operations	45	126	432	-106	-1,323	-785
Share of other comprehensive income of associates and joint ventures	3	6	3	7	-3	-7
Other changes	3	-3	3	-3	-3	3
	49	49	413	-120	-1,253	-720
Items that will not be reclassified to profit or loss in subsequent periods:						
Actuarial gains/losses on defined benefit plans	1	-5	0	-5	-77	-72
Actuarial gains/losses on defined benefit plans in associates	-1	4	-3	4	-13	-20
	0	-1	-3	-1	-90	-92
Other comprehensive income for the period from continuing operations, net of tax	49	48	410	-121	-1,344	-813
Other comprehensive income for the period from discontinued operations, net of tax	-5	-7	0	-10	-19	-9
Total comprehensive income for the year	4,468	288	5,192	2,371	1,799	4,620
Total comprehensive income attributable to						
Owners of the parent	4,468	285	5,183	2,368	1,815	4,630
Non-controlling interests	0	3	9	3	-16	-10
	4,468	288	5,192	2,371	1,799	4,620

Condensed consolidated balance sheet

EUR million	Note	June 30 2015	June 30 2014	Dec 31 2014
ASSETS				
Non-current assets				
Intangible assets	11	262	364	276
Property, plant and equipment	12	9,146	12,327	11,195
Participations in associates and joint ventures	4, 13	2,115	2,321	2,027
Share in State Nuclear Waste Management Fund	16	790	756	774
Other non-current assets		71	69	68
Deferred tax assets		83	116	98
Derivative financial instruments	5	411	454	595
Long-term interest-bearing receivables	14	1,812	2,291	2,041
Total non-current assets		14,692	18,699	17,074
Current assets				
Inventories		270	262	256
Derivative financial instruments	5	364	314	448
Trade and other receivables		612	597	830
Deposits and securities (maturity over three months)		5,837	0	757
Cash and cash equivalents		2,774	2,157	2,009
Liquid funds	15	8,612	2,157	2,766
Total current assets		9,857	3,331	4,301
Total assets		24,548	22,030	21,375
EQUITY				
Equity attributable to owners of the parent				
Share capital		3,046	3,046	3,046
Share premium		73	73	73
Retained earnings		11,742	8,262	7,708
Other equity components		28	42	36
Total		14,889	11,424	10,864
Non-controlling interests		79	85	71
Total equity		14,968	11,509	10,935
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	15	5,029	6,828	5,881
Derivative financial instruments	5	199	194	247
Deferred tax liabilities		704	1,297	1,159
Nuclear provisions	16	790	756	774
Other provisions	17	14	34	17
Pension obligations		143	37	140
Other non-current liabilities		159	147	154
Total non-current liabilities		7,037	9,292	8,373
Current liabilities				
Interest-bearing liabilities	15	1,736	338	1,103
Derivative financial instruments	5	136	113	76
Trade and other payables		671	778	888
Total current liabilities		2,543	1,228	2,067
Total liabilities		9,580	10,521	10,440
Total equity and liabilities		24,548	22,030	21,375

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 and joint ventures			
Total equity 31 December 2014	3,046	73	9,676	-1,968	19	-5	22	10,864	71	10,935
Net profit for the period			4,777					4,777	5	4,782
Translation differences				427	2	-1	-1	427	5	432
Other comprehensive income			-13		14	-22	0	-22		-22
Total comprehensive income for the period			4,764	427	15	-23	0	5,183	9	5,192
Cash dividend			-1,155					-1,155		-1,155
Dividends to non-controlling interests									-2	-2
Other			-2					-2		-2
Total equity 30 June 2015	3,046	73	13,283	-1,541	35	-28	22	14,889	79	14,968
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				-102	-1	1	-2	-104	-2	-106
Other comprehensive income			-3		-37	20	4	-16	0	-16
OCI related to discontinued operations				-14		3		-10		-10
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									-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 31 December 2013	3,046	73	7,500	-649	66	-51	38	10,024	101	10,124
Net profit for the period			3,154					3,154	7	3,161
Translation differences				-1,299	-3	2	0	-1,300	-23	-1,323
Other comprehensive income			-3		-43	44	-17	-19	0	-20
OCI related to discontinued operations				-20				-19		-19
Total comprehensive income for the period			3,151	-1,319	-47	46	-16	1,815	-16	1,799
Cash dividend			-977					-977		-977
Dividends to non-controlling interests									-2	-2
Changes due to business combinations			6					6	-11	-5
Other			-4					-4	-1	-4
Total equity 31 December 2014	3,046	73	9,676	-1,968	19	-5	22	10,864	71	10,935

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR 427 million during Q1-Q2 2015 (Q1-Q2 2014: -104). Translation differences are mainly related to RUB. Part of this translation exposure has been hedged and the hedge result, amounting to EUR -48 million during Q1-Q2 2015 (Q1-Q2 2014: 22), is included in the other OCI items.

Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are booked to equity. For information regarding exchange rates used, see Note 8 Exchange rates.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR 15 million during Q1-Q2 2015 (Q1-Q2 2014: -38), 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 2014 of EUR 1.10 per share and an extra dividend of EUR 0.20 per share, amounting to a total of EUR 1,155 million, was decided at the Annual General Meeting on 31 March 2015. The dividend and the extra dividend were paid on 14 April 2015.

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.

Condensed consolidated cash flow statement

EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Cash flow from operating activities						
Net profit for the period	118	196	413	508	1,089	994
Adjustments:						
Income tax expenses	25	27	80	89	143	134
Finance costs - net	24	47	81	109	210	182
Share of profit of associates and joint ventures	-22	-37	-80	-107	-146	-119
Depreciation, amortisation and impairment charges	87	96	170	193	376	353
Operating profit before depreciations	232	329	664	792	1,673	1,545
Non-cash flow items and divesting activities	-13	-39	-59	-53	-244	-250
Interest received	14	18	28	44	99	83
Interest paid	-92	-111	-196	-237	-323	-282
Dividends received	49	48	49	48	58	59
Realised foreign exchange gains and losses and other financial items	59	77	227	153	349	423
Taxes	-56	-65	-37	-45	-163	-155
Funds from operations	193	257	675	702	1,447	1,420
Change in working capital	36	137	70	97	-42	-69
Net cash from operating activities continuing operations	229	394	745	799	1,406	1,352
Net cash from operating activities discontinued operations	66	61	154	222	356	288
Total net cash from operating activities	296	455	899	1,022	1,762	1,639
Cash flow from investing activities						
Capital expenditures	-107	-135	-209	-257	-622	-574
Acquisitions of shares	-5	-26	-6	-27	-69	-48
Proceeds from sales of fixed assets	1	7	10	10	26	26
Divestments of shares	0	96	27	97	473	403
Shareholder loans to associated companies and joint ventures	227	177	248	223	425	450
Change in other interest-bearing receivables	0	13	-1	13	8	-6
Net cash used in investing activities continuing operations	116	132	69	59	241	251
Net cash used in investing activities discontinued operations	6,345	187	6,303	2,648	2,574	6,229
Total net cash from investing activities	6,461	319	6,372	2,706	2,816	6,482
Cash flow before financing activities	6,757	774	7,272	3,727	4,578	8,123
Cash flow from financing activities						
Proceeds from long-term liabilities	4	-1	37	46	50	41
Payments of long-term liabilities	-161	-471	-164	-1,224	-1,480	-420
Change in short-term liabilities	-38	-165	-112	-658	-580	-34
Dividends paid to the owners of the parent	-1,155	-977	-1,155	-977	-977	-1,155
Other financing items	-2	-6	0	-7	-1	6
Net cash used in financing activities continuing operations	-1,352	-1,620	-1,394	-2,820	-2,988	-1,562
Net cash used in financing activities discontinued operations	0	0	0	-19	-19	0
Total net cash used in financing activities	-1,352	-1,620	-1,394	-2,839	-3,007	-1,562
Total net increase(+) / decrease(-) in liquid funds	5,405	-846	5,877	888	1,571	6,560
Liquid funds at the beginning of the period	3,268	2,989	2,766	1,265	1,265	2,157
Foreign exchange differences in liquid funds	-61	14	-32	4	-70	-106
Liquid funds at the end of the period	8,612	2,157	8,612	2,157	2,766	8,612

Non-cash flow items and divesting activities

Non-cash flow items and divesting activities Q1-Q2 2015 mainly consist of reversal non-recurring items EUR -8 million (Q1-Q2 2014: 59), unrealised fair value changes of derivatives EUR 12 million (Q1-Q2 2014: -23) and changes in provisions EUR 54 million (Q1-Q2 2014: 16). 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 203 million for Q1-Q2 2015 (Q1-Q2 2014: 155) 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 for continuing operations

Change in working capital

EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Change in interest-free receivables, decrease (+)/increase (-)	125	251	176	237	4	-57
Change in inventories, decrease (+)/increase (-)	-22	-24	-8	-1	-13	-20
Change in interest-free liabilities, decrease (-)/increase (+)	66	-89	-98	-139	-33	8
Total	36	137	70	97	-42	-69

Capital expenditure in cash flow

EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Capital expenditure	129	119	215	226	625	614
Change in not yet paid investments, decrease(+)/increase(-)	-8	28	18	53	44	9
Capitalised borrowing costs	-14	-12	-24	-22	-47	-49
Total	107	135	209	257	622	574

Capital expenditures for intangible assets and property, plant and equipment were in Q1-Q2 2015 EUR 215 million (Q1-Q2 2014: 226). Capital expenditure in cash flow in Q1-Q2 2015 EUR 209 million (Q1-Q2 2014: 257) is without not yet paid investments i.e. change in trade payables related to investments EUR 18 million (Q1-Q2 2014: 53) and capitalised borrowing costs EUR -24 million (Q1-Q2 2014: -22), which are presented in interest paid.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 6 million during Q1-Q2 2015 (Q1-Q2 2014: 27).

Divestment of shares in cash flow

EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	0	95	0	95	160	65
Proceeds from sales of associates	0	0	27	1	311	337
Proceeds from available for sale financial assets	0	1	0	1	1	0
Total	0	96	27	97	473	403

Change in net debt, total Fortum

EUR million	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Net debt beginning of the period	3,714	4,838	4,217	7,793	7,793	5,008
Foreign exchange rate differences	77	-75	78	-98	-81	95
EBITDA	4,565	427	5,109	2,909	3,954	6,154
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-4,322	-96	-4,322	-2,013	-2,147	-4,456
Change in working capital	52	125	112	125	-46	-59
Capital expenditures	-131	-168	-274	-330	-768	-712
Acquisitions	-5	-26	-6	-27	-69	-48
Divestments	6,163	269	6,199	2,696	3,089	6,592
Proceeds from the interest-bearing receivables relating to divestments	207	54	207	131	131	207
Shareholder loans to associated companies	227	177	248	223	425	450
Change in other interest-bearing receivables	0	13	-1	13	8	-6
Dividends	-1,155	-977	-1,155	-977	-977	-1,155
Other financing activities	-2	-7	0	-7	-1	6
Net cash flow (- increase in net debt)	5,600	-210	6,117	2,743	3,600	6,974
Fair value change of bonds, amortised cost valuation and other	-36	35	-24	56	105	25
Net debt end of the period	-1,846	5,008	-1,846	5,008	4,217	-1,846

Key ratios

	June 30 2015	June 30 2014	Dec 31 2014	Last twelve months
EBITDA total Fortum, EUR million	5,109	2,909	3,954	6,154
EBITDA continuing operations, EUR million	664	792	1,673	1,545
Comparable EBITDA total Fortum, EUR million	788	1,009	1,873	1,652
Comparable EBITDA continuing operations, EUR million	624	758	1,457	1,323
Earnings per share total Fortum (basic), EUR	5.38	2.81	3.55	6.12
Earnings per share continuing operations (basic), EUR	0.46	0.57	1.22	1.11
Earnings per share discontinued operations (basic), EUR	4.92	2.24	2.33	5.01
Capital employed, EUR million	21,733	18,675	17,918	
Interest-bearing net debt, EUR million	-1,846	5,008	4,217	
Interest-bearing net debt without Värme financing, EUR million	-2,109	4,136	3,664	
Capital expenditure and gross investments in shares total Fortum, EUR million	265	315	843	793
Capital expenditure total Fortum, EUR million	259	288	774	745
Capital expenditure and gross investments in shares continuing operations, EUR million	220	255	695	660
Capital expenditure continuing operations, EUR million	215	228	626	613
Return on capital employed total Fortum, %	28.8	19.2	19.5	29.0
Return on shareholders' equity total Fortum, %	40.7	28.7	30.0	41.1
Net debt / EBITDA total Fortum	-0.3	1.3	1.1	-0.3
Comparable net debt / EBITDA total Fortum	-1.2	2.5	2.3	-1.1
Comparable net debt / EBITDA without Värme financing total Fortum	-1.3	2.0	2.0	-1.3
Interest coverage total Fortum	63.7	28.7	19.9	36.3
Interest coverage including capitalised borrowing costs total Fortum	48.4	23.2	15.7	27.5
Funds from operations/interest-bearing net debt total Fortum, %	-74.2	32.7	42.9	-91.9
Funds from operations/interest-bearing net debt without Värme financing total Fortum, %	-65.0	39.6	49.3	-80.5
Gearing, %	-12	44	39	
Equity per share, EUR	16.76	12.86	12.23	
Equity-to-assets ratio, %	61	52	51	
Number of employees continuing operations	8,139	8,462	8,202	
Average number of employees continuing operations	8,056	8,353	8,329	
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	

For definitions, see Note 25.

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 2014.

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 2014.

Discontinued operations

On 15 April 2015 Fortum published a stock exchange release regarding the IFRS 5 restatement of income statement and cash flow for 2014. As described in the release, Distribution segment is treated as discontinued operations from the first quarter interim report 2015 onwards. The income statement and cash flow for the comparative period 2014 have been restated accordingly. Reclassification of discontinued operations does not impact the balance sheet.

More information on the impact of the reclassification can be found in Note 6 and the stock exchange release published on 15 April 2015.

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 2014.

4. Segment information

As of January 1 2015 Fortum centralised IT and customer service functions. As a result of this centralisation a total of 464 employees transferred from Heat, Electricity Sales and Solutions and Power and Technology segments to Other segment. The comparable segment information has not been restated due to the reorganisation.

The distribution operations have been classified as discontinued operations from the first quarter interim report 2015 onwards. See further information on the reclassification in Note 6 and in the stock exchange release on 15 April 2015.

Due to the seasonal nature of Fortum's operations the comparable operating profits are usually higher for the first and fourth quarter of the year.

Sales		Q2 2014	Q1-Q2	Q1-Q2	2014	Last
EUR million	Q2 2015	restated	2015	restated	restated	twelve
Power sales excluding indirect taxes	612	690	1,369	1,551	3,102	2,920
Heating sales	127	142	368	431	753	690
Other sales	55	54	97	111	233	219
Total for continuing operations	794	886	1,834	2,094	4,088	3,828

Sales by segment		Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
EUR million							
Power and Technology ¹⁾		404	487	904	1,072	2,156	1,988
- of which internal		22	16	51	55	85	81
Heat, Electricity Sales and Solutions ¹⁾		244	269	650	715	1,332	1,267
- of which internal		-3	4	0	22	34	12
Russia		211	234	474	567	1,055	962
- of which internal		0	0	0	0	0	0
Other ¹⁾		29	14	58	28	58	88
- of which internal		21	11	42	23	44	63
Netting of Nord Pool transactions ²⁾		-64	-101	-183	-234	-422	-371
Eliminations		-31	-17	-69	-55	-91	-105
Total for continuing operations		794	886	1,834	2,094	4,088	3,828
Discontinued operations (Distribution)		95	148	275	449	751	577
Eliminations ³⁾		-11	-18	-31	-53	-89	-67
Total		878	1,016	2,078	2,489	4,751	4,340

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.

³⁾ Sales to and from discontinued operations

Comparable operating profit by segment		Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
EUR million							
Power and Technology		114	183	317	434	877	760
Heat, Electricity Sales and Solutions		11	11	68	59	104	113
Russia		35	28	132	102	161	191
Other		-17	-13	-32	-27	-57	-62
Total for continuing operations		143	210	486	568	1,085	1,003
Discontinued operations (Distribution)		32	45	114	164	266	216
Total		175	255	600	732	1,351	1,219

Operating profit by segment		Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
EUR million							
Power and Technology		117	151	320	413	855	762
Heat, Electricity Sales and Solutions		9	67	73	112	337	298
Russia		36	28	133	101	161	193
Other		-17	-13	-32	-28	-58	-62
Total for continuing operations		144	233	494	599	1,296	1,191
Discontinued operations (Distribution)		4,314	63	4,395	2,030	2,132	4,497
Total		4,458	295	4,889	2,629	3,428	5,688

Non-recurring items by segment		Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
EUR million							
Power and Technology		-15	5	-12	6	52	34
Heat, Electricity Sales and Solutions		0	53	3	54	254	203
Russia		0	0	1	0	0	1
Other		0	0	0	0	0	0
Total for continuing operations		-15	58	-8	59	305	238
Discontinued operations (Distribution)		4,282	15	4,282	1,865	1,865	4,282
Total		4,267	73	4,274	1,925	2,171	4,520

Non-recurring items of Power and Technology segment in the second quarter 2015 include an effect of EUR -15 million arising from Teollisuuden Voima Oyj's (TVO) decision to discontinue the Olkiluoto 4 project. See more info in Note 14.

Sales gain from the Swedish electricity distribution business of approximately EUR 4.3 billion (Finnish and Norwegian electricity distribution business of approximately EUR 1.9 billion) is included in the non-recurring items in Discontinued operations, see Note 6 and 7.

Other items affecting comparability by segment						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power and Technology ¹⁾	17	-37	14	-27	-73	-32
Heat, Electricity Sales and Solutions	-1	3	2	-1	-20	-17
Russia	0	0	0	0	0	0
Other	0	-1	0	0	0	0
Total for continuing operations	16	-35	16	-29	-94	-49
Discontinued operations (Distribution)	0	2	-1	1	0	-2
Total	16	-32	15	-28	-94	-51

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

3	0	6	-4	-3	7
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Other items affecting comparability mainly include effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39. Other segment includes mainly the effect arising from changes in hedge accounting status on group level. In Power 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 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power and Technology	143	213	375	496	998	877
Heat, Electricity Sales and Solutions	35	36	117	109	204	212
Russia	65	64	159	177	304	286
Other	-15	-11	-27	-24	-49	-52
Total for continuing operations	228	302	624	758	1,457	1,323
Discontinued operations (Distribution)	52	80	164	251	416	329
Total	280	382	788	1,009	1,873	1,652

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 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power and Technology	29	30	58	61	121	118
Heat, Electricity Sales and Solutions	24	25	48	50	100	98
Russia	32	40	59	79	147	127
Other	3	1	5	3	8	10
Total for continuing operations	87	96	170	193	377	354
Discontinued operations (Distribution)	20	35	50	87	150	113
Total	107	131	220	281	526	465

Share of profit/loss in associates and joint ventures by segment						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power and Technology ^{1), 2)}	-4	-10	-9	-20	-14	-3
Heat, Electricity Sales and Solutions	-4	6	40	63	88	65
Russia	16	18	28	32	35	31
Other	14	23	21	32	37	26
Total for continuing operations	22	37	80	107	146	119
Discontinued operations (Distribution)	0	0	0	3	3	0
Total	22	37	80	109	149	120

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

0	-2	0	-3	-1	2
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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 2015	June 30 2014	Dec 31 2014
Power and Technology	862	862	859
Heat, Electricity Sales and Solutions	516	606	523
Russia	408	507	326
Other	330	346	319
Total	2,115	2,321	2,027

See Note 13 for information on participation in associates and joint ventures and Note 7 for information on divestments of associated company shares.

Capital expenditure by segment						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power and Technology	37	37	65	72	197	190
Heat, Electricity Sales and Solutions	22	14	33	27	86	92
Russia	69	71	114	129	340	325
Other	2	-3	3	0	3	6
Total for continuing operations	129	118	215	228	626	613
Discontinued operations (Distribution)	25	35	44	60	147	131
Total	154	153	259	288	774	745
Of which capitalised borrowing costs	14	12	24	22	47	49

Gross investments in shares by segment						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power and Technology	5	0	4	0	2	6
Heat, Electricity Sales and Solutions	0	0	1	0	37	38
Russia	0	26	0	27	27	0
Other	0	0	0	0	4	4
Total for continuing operations	5	26	6	27	69	48

Gross divestments of shares by segment						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power and Technology	0	0	0	1	67	66
Heat, Electricity Sales and Solutions	0	135	27	136	446	337
Russia	0	1	0	1	0	-1
Other	0	2	0	2	2	0
Total for continuing operations	0	138	27	139	515	403
Discontinued operations (Distribution)	6,369	180	6,369	2,681	2,681	6,369
Total	6,369	319	6,395	2,820	3,196	6,771

See Note 7 and additional cash flow information for more information about gross divestments in shares.

Net assets by segment			
EUR million	June 30 2015	June 30 2014	Dec 31 2014
Power and Technology	6,093	6,113	6,001
Heat, Electricity Sales and Solutions	2,073	2,176	2,112
Russia	3,159	3,870	2,597
Other	230	354	496
Net assets related to discontinued operations (Distribution)		2,642	2,615
Total	11,555	15,155	13,820

Comparable return on net assets by segment			Last twelve months	Dec 31 2014 restated
%				
Power and Technology			12.6	14.2
Heat, Electricity Sales and Solutions			8.3	8.7
Russia			6.8	5.6
Other			-12.2	-5.8

Return on net assets by segment			Last twelve months	Dec 31 2014 restated
%				
Power and Technology			12.5	13.6
Heat, Electricity Sales and Solutions			16.9	19.1
Russia			6.8	5.6
Other			-11.2	-5.3

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

Assets by segments			
EUR million	June 30 2015	June 30 2014	Dec 31 2014
Power and Technology	7,171	7,062	7,064
Heat, Electricity Sales and Solutions	2,470	2,648	2,650
Russia	3,297	4,114	2,769
Other	505	509	643
Discontinued operations (Distribution)		2,715	2,707
Eliminations	-127	-178	-186
Assets included in net assets	13,316	16,870	15,647
Interest-bearing receivables	1,814	2,296	2,045
Deferred taxes	83	116	98
Other assets	723	589	818
Liquid funds	8,612	2,157	2,766
Total assets	24,548	22,030	21,375

Liabilities by segments			
EUR million	June 30 2015	June 30 2014	Dec 31 2014
Power and Technology	1,078	949	1,063
Heat, Electricity Sales and Solutions	397	472	538
Russia	138	244	172
Other	275	155	147
Discontinued operations (Distribution)		73	92
Eliminations	-127	-178	-186
Liabilities included in net assets	1,761	1,716	1,827
Deferred tax liabilities	704	1,297	1,159
Other liabilities	350	342	470
Total liabilities included in capital employed	2,815	3,355	3,456
Interest-bearing liabilities	6,765	7,166	6,983
Total equity	14,968	11,509	10,935
Total equity and liabilities	24,548	22,030	21,375

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 2015	Q2 2014 restated	Dec 31 2014 restated
Power and Technology	1,429	1,791	1,639
Heat, Electricity Sales and Solutions	1,493	1,947	1,807
Russia	4,189	4,189	4,213
Other	1,028	535	543
Total for continuing operations	8,139	8,462	8,202
Discontinued operations (Distribution)		384	390
Total		8,846	8,592

Average number of employees	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated
Power and Technology	1,400	1,681	1,685
Heat, Electricity Sales and Solutions	1,454	1,960	1,913
Russia	4,197	4,172	4,196
Other	1,005	541	536
Total for continuing operations	8,056	8,353	8,329
Discontinued operations (Distribution)		585	492
Total		8,939	8,821

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

IT and customer service functions were centralised in January 2015. For more information see Note 4.

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 2014.

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 2014, in Note 17 Financial assets and liabilities by fair value hierarchy

Financial assets

EUR million	Level 1			Level 2			Level 3			Netting ²⁾			Total		
	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014
In non-current assets															
Available for sale financial assets ¹⁾	1	1	1				28	29	29				29	30	30
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				8	33	6				-4	-9	-5	4	25	1
Non-hedge accounting				111	82	66				-29	-28	-17	81	54	49
Interest rate and currency derivatives															
Hedge accounting				219	184	335							219	184	335
Non-hedge accounting				101	185	206							101	185	206
Oil and other futures and forward contracts															
Non-hedge accounting	11	9	1		1	6				-4	-3	-3	7	7	3
Total in non-current assets	12	10	2	439	485	619	28	29	29	-37	-40	-25	440	484	625
In current assets															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				94	101	79				-13	-17	-11	81	84	67
Non-hedge accounting		2		241	172	153				-165	-100	-106	77	74	47
Interest rate and currency derivatives															
Hedge accounting				80	13	48							80	13	48
Non-hedge accounting				111	113	274							111	113	274
Oil and other futures and forward contracts															
Non-hedge accounting	35	59	30			9				-20	-29	-26	15	31	12
Total in current assets	35	61	30	526	399	563	0	0	0	-198	-146	-143	364	314	448
Total	47	71	32	965	884	1,182	28	29	29	-235	-186	-168	804	798	1,073

Financial liabilities

EUR million	Level 1			Level 2			Level 3			Netting ²⁾			Total		
	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014
In non-current liabilities															
Interest-bearing liabilities ³⁾				1,077	1,363	1,454							1,077	1,363	1,454
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				11	16	11				-4	-9	-5	6	7	7
Non-hedge accounting				96	73	62				-29	-28	-17	66	45	45
Interest rate and currency derivatives															
Hedge accounting				79	80	96							79	80	96
Non-hedge accounting				42	59	96							42	59	96
Oil and other futures and forward contracts															
Non-hedge accounting	9	5	5			2				-4	-3	-3	5	3	3
Total in non-current liabilities	9	5	5	1,305	1,591	1,721	0	0	0	-37	-40	-25	1,275	1,557	1,701
In current liabilities															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				15	18	12				-13	-17	-11	1	0	1
Non-hedge accounting		2		211	128	134				-165	-100	-106	46	30	27
Interest rate and currency derivatives															
Hedge accounting				20	13	22							20	13	22
Non-hedge accounting				62	59	22							62	59	22
Oil and other futures and forward contracts															
Non-hedge accounting	27	40	29			2				-20	-29	-26	7	11	4
Total in current liabilities	27	42	29	308	218	192	0	0	0	-198	-146	-143	136	113	76
Total	36	47	34	1,613	1,809	1,913	0	0	0	-235	-186	-168	1,411	1,670	1,778

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 28 million (Dec 31 2014: 29), 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 2014: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (Dec 31 2014: -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 308 million, assets EUR 511 million and liabilities EUR 203 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of June 2015 Fortum had received EUR 162 million from Credit Support Annex agreements. The received cash has been booked as short term liability.

Regarding the relevant interest-bearing liabilities, see Note 15 Interest-bearing liabilities and Note 18 Pledged assets.

6. Discontinued operations

In March 2015 Fortum signed a binding agreement to sell the Swedish Distribution business. The transaction was completed in June 2015. In 2014 Fortum divested both the Finnish and Norwegian Distribution operations. For information regarding the divestments see Note 7.

After the divestment of the Swedish Distribution business Fortum does not have any distribution operations and therefore Distribution segment has been treated as discontinued operations since the first quarter 2015 according to IFRS 5 Non-current Assets held for Sale and Discontinued operations. Discontinued operations are disclosed on one line, net of tax, in the face of the income statement. In the cash flow statement the net cash flows attributable to the operating, investing and financing activities of the discontinued operations are disclosed separately. In accordance with IFRS 5 the 2014 comparable information for income statement and cash flow statement has been restated.

Discontinued operations include the distribution operations in Fortum, including sales gains from the divestment of Swedish operations in June 2015 and Finnish and Norwegian distribution operations in 2014, and effects from internal sales and purchases have also been included. The net financial costs allocated to discontinued operations are based on the fact that the financing activities and risk management have been centralised on group level and subsidiaries have been funded with intra-group loans. No corporate overhead costs have been allocated to the discontinued operations. The assets relating to Distribution businesses have continued to be depreciated until the businesses were disposed.

Cash flow from discontinued operations include cash flow from distribution operations and allocated taxes, impact from sale of shares in Distribution companies and proceeds from interest-bearing receivables from sold subsidiaries.

Results of discontinued operations						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Sales	84	130	244	396	662	510
Other income	1	6	2	8	15	9
Materials and services	-12	-23	-34	-72	-114	-76
Employee benefits	-5	-10	-14	-28	-44	-30
Depreciation, amortisation and impairment charges	-20	-35	-50	-87	-150	-113
Other expenses	-15	-24	-34	-53	-104	-85
Comparable operating profit	32	45	114	164	266	216
Changes in fair values of derivatives	0	0	-1	0	0	-1
Capital gains ¹⁾	4,282	18	4,282	1,866	1,866	4,282
Operating profit	4,314	63	4,395	2,030	2,132	4,497
Share of profit/loss of associates and joint ventures	0	0	0	3	3	0
Finance costs - net	0	-2	-1	-4	-7	-4
Profit before income tax	4,313	61	4,394	2,029	2,128	4,493
Income tax expenses	-7	-10	-25	-34	-56	-47
Profit for the year from discontinued operations attributable to the owners of the parent	4,306	51	4,369	1,994	2,073	4,448

¹⁾ Including gains on sale of shares of Swedish Distribution in Q2 2015 and Finnish and Norwegian Distribution in 2014. All gains are tax exempt.

Net cash flows attributable to the discontinued operations						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Net cash from operating activities	66	61	154	222	356	288
Net cash used in investing activities	6,345	187	6,303	2,648	2,574	6,229
Net cash from financing activities	0	0	0	-19	-19	0
Total net increase in liquid funds	6,411	248	6,457	2,851	2,911	6,517

7. Acquisitions and disposals

Acquisitions

There were no material acquisitions during the first half of 2015.

In July 2014, 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 Valdu.

Disposals

Disposals during 2015

In March 2015 Fortum signed a binding agreement to sell the Swedish Distribution business to a consortium comprising Swedish national pension funds Första AP-Fonden (12.5%) and Tredje AP-Fonden (20.0%), Swedish mutual insurance and pension savings company Folksam (17.5%) and the international infrastructure investor, Borealis Infrastructure Management Inc. (50%). The divestment was completed on 1 June 2015. The total consideration from the divestment is SEK 60.6 billion on a debt- and cash-free basis corresponding to approximately EUR 6.5 billion. Fortum recognised a one-time sales gain of approximately EUR 4.3 billion corresponding to close to EUR 5 per share. The sales gain is reported as part of the second quarter 2015 results of the discontinued operations. Distribution segment has been presented as discontinued operations since the first quarter of 2015.

In Q1 Fortum sold its 51.4%-shareholding in the associated company AS Võrguteenus Valdu to the Estonian electricity transmission system operator Elering AS.

Disposals during 2014

In November 2014 Fortum sold its 31 %-shareholding in the Finnish natural gas company Gasum Oy to the Finnish State. The sales price for the total amount of Fortum's shares was approximately EUR 310 million. Fortum booked a gain of roughly EUR 190 million, corresponding to approximately EUR 0.22 per share. The sales gain was booked in 2014 fourth quarter results of Fortum's Heat, Electricity Sales and Solutions segment.

In October 2014 Fortum sold its UK-based subsidiary Grangemouth CHP Limited to its long term customer INEOS Industries Holdings Ltd. Grangemouth CHP Limited owns and operates a natural gas-fired combined heat and power (CHP) plant located at Grangemouth in Scotland. The total sales price was approximately GBP 54 million (corresponding to approximately EUR 70 million). Fortum booked a gain in 2014 fourth quarter results of Fortum's Power and Technology segment.

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 was approximately EUR 340 million on a debt- and cash-free basis. The sales gains were 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 had 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 was 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.

Gross divestments of shares, Fortum total operations

EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Gross divestments in subsidiary companies ¹⁾	6,369	318	6,369	2,819	2,884	6,434
Gross divestments in associated companies			27	1	311	337
Gross divestments of available for sale financial assets		1		1	1	0
Gross divestment of shares	6,369	319	6,395	2,820	3,196	6,771

Divestments of shares in subsidiaries - Impact on financial position

EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Gross divestments in subsidiary companies ¹⁾	6,369	318	6,369	2,819	2,884	6,434
Proceeds from interest-bearing receivables	207	57	207	135	134	206
Sales price for the shares (net of cash)	6,162	261	6,162	2,684	2,750	6,228
Liquid funds in sold subsidiaries	12	9	12	9	10	13
Sales price received	6,174	271	6,174	2,692	2,761	6,243
Intangible assets and property, plant and equipment ²⁾	2,577	207	2,577	1,319	1,342	2,600
Other non-current and current assets	120	104	120	185	204	139
Liquid funds	12	9	12	9	10	13
Interest-bearing loans	-207	-55	-207	-135	-131	-203
Other liabilities and provisions	-611	-61	-611	-603	-622	-630
Net assets divested	1,891	204	1,891	775	803	1,919
Gain on sale	4,282	67	4,282	1,917	1,958	4,323

¹⁾ In addition to the proceeds from shares and repayments of interest-bearing debt in sold subsidiary, totalling approximately EUR 6.4 billion, Swedish distribution paid group contribution liability net of cash amounting to approximately EUR 0.1 billion as a part of the total consideration of the divestment of Swedish distribution.

²⁾ Divestments of subsidiaries include assets and liabilities that were classified as Assets held for sale in the balance sheet as of December 2013.

8. Exchange rates

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

Average rate	Jan-June 2015	Jan-March 2015	Jan-Dec 2014	Jan-Sept 2014	Jan-June 2014	Jan-March 2014
Sweden (SEK)	9.3260	9.3534	9.1004	9.0380	8.9774	8.8777
Norway (NOK)	8.6949	8.7883	8.3940	8.2893	8.3174	8.3510
Poland (PLN)	4.1521	4.1796	4.1909	4.1807	4.1776	4.1857
Russia (RUB)	65.9096	70.9755	51.4243	48.0976	47.8497	47.9490

Balance sheet date rate	June 31 2015	March 31 2015	Dec 31 2014	Sept 30 2014	June 30 2014	March 31 2014
Sweden (SEK)	9.2150	9.2901	9.3930	9.1465	9.1762	8.9483
Norway (NOK)	8.7910	8.7035	9.0420	8.1190	8.4035	8.2550
Poland (PLN)	4.1911	4.0854	4.2732	4.1776	4.1568	4.1719
Russia (RUB)	62.3550	62.4400	72.3370	49.7653	46.3779	48.7800

9. Income tax expense

Tax rate according to the income statement for Q1-Q2 2015 was 16.2% (Q1-Q2 2014: 14.9%). The tax rate used in the income statement is always impacted by the fact that the share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax. Tax rate for Q1-Q2 2015, excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains, was 19.4% (Q1-Q2 2014: 20.4%).

10. Dividend per share

A dividend for 2014 of EUR 1.10 per share and an extra dividend of EUR 0.20 per share, amounting to a total of EUR 1,155 million, was decided at the Annual General Meeting on 31 March 2015. The dividend and the extra dividend were paid on 14 April 2015.

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. The dividend was paid on 22 April 2014.

11. Changes in intangible assets

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Opening balance	276	384	384
Capital expenditures	4	22	22
Changes of emission rights	-13	-14	-1
Disposals	0	-1	0
Depreciation, amortisation and impairment ¹⁾	-11	-13	-25
Divestments ²⁾	-30	-18	-23
Reclassifications	6	9	21
Translation differences and other adjustments	29	-4	-102
Closing balance	262	364	276
Goodwill included in closing balance	197	265	170
Change in goodwill during the period due to translation differences	27	-6	-101

¹⁾ Including depreciations related to discontinued operations, see Note 6.

²⁾ Assets related to Finnish Distribution business were transferred to 'Assets held for sale' in 2013. For more information for divestments of subsidiaries, see note 7.

12. Changes in property, plant and equipment

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Opening balance	11,195	12,849	12,849
Acquisitions	1	0	0
Capital expenditures	255	266	752
Changes of nuclear asset retirement cost	0	0	-3
Disposals	-2	-2	-7
Depreciation, amortisation and impairment ¹⁾	-209	-268	-502
Divestments ²⁾	-2,538	-205	-229
Reclassifications	-6	-9	-21
Translation differences and other adjustments	450	-305	-1,643
Closing balance	9,146	12,327	11,195

¹⁾ Including depreciations related to discontinued operations, see Note 6.

²⁾ Assets related to Finnish Distribution business were transferred to 'Assets held for sale' in 2013. For more information for divestments of subsidiaries, see note 7.

13. Changes in participations in associates and joint ventures

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Opening balance	2,027	2,341	2,341
Acquisitions	5	25	62
Share of profits of associates and joint ventures ¹⁾	80	109	149
Dividend income received	-49	-48	-57
OCI items associated companies	0	3	-16
Translation differences and other adjustments	79	-41	-270
Divestments	-26	-69	-181
Closing balance	2,115	2,321	2,027

¹⁾ Including share of profits related to discontinued operations

Share of profits from associates and joint ventures

Fortum's share of profit from associates and joint ventures in Q2 2015 was EUR 22 million (Q2 2014: 37), of which Hafslund represented EUR 14 million (Q2 2014: 22), TGC-1 EUR 16 million (Q2 2014: 18) and Fortum Värme EUR -7 million (Q2 2014: 4).

According to Fortum Group accounting policies the share of profits from Hafslund and TGC-1 are included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available. Hafslund published their interim report for Q2 2015 on 10 July 2015. The effect of Hafslund's Q2 is not included in Fortum's Q2 results.

Fortum's share of profit for the period January-June 2015 amounted to EUR 80 million (Q1-Q2 2014: 109), of which Hafslund EUR 21 million (Q1-Q2 2014: 31), TGC-1 EUR 28 million (Q1-Q2 2014: 32), and Fortum Värme represented EUR 31 million (Q1-Q2 2014: 48).

Fortum's share of profits for the full year 2014 amounted to EUR 149 million, of which Hafslund represented EUR 36 million, TGC-1 EUR 35 million and Fortum Värme EUR 67 million.

Dividends received

During Q1-Q2 2015 Fortum has received EUR 49 million (Q1-Q2 2014: 48) in dividends from associates of which EUR 21 million (Q1-Q2 2014: 22) was received from Fortum Värme and EUR 19 million (Q1-Q2 2014: 20) from Hafslund.

14. Interest-bearing receivables

EUR million	Carrying amount June 30 2015	Fair value June 30 2015	Carrying amount Dec 31 2014	Fair value Dec 31 2014
Long-term loan receivables ¹⁾	1,814	1,897	2,044	2,216

¹⁾ Carrying amount including current portion of long-term receivables EUR 3 million (Dec 31 2014: 3).

Long-term loan receivables include receivables from associated companies and joint ventures EUR 1,812 million (Dec 31 2014: 2,041). These receivables include EUR 1,386 million (Dec 31 2014: 1,310) 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 263 (Dec 31 2014: 553) and Teollisuuden Voima Oyj (TVO), EUR 95 million (Dec 31 2014: 110).

TVO is building Olkiluoto 3, a nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At end of June 2015 Fortum has EUR 95 million outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum EUR 100 million.

TVO's Extraordinary General Meeting made a decision on 24 June 2015 not to apply for a construction license for Olkiluoto 4. The incurred costs relating to the project were invoiced from TVO's shareholders in June and Fortum's share of these costs was EUR 15 million. The invoice will not be paid as it is netted against the subordinated shareholder loan that Fortum has given to TVO for funding the planning of Olkiluoto 4. The additional commitment related to Olkiluoto 4, EUR 57 million, has been cancelled and Fortum does not have any further commitments related to Olkiluoto 4.

15. Interest-bearing liabilities, liquid funds and net debt

Interest-bearing debt	Carrying amount	Fair value	Carrying amount	Fair value
EUR million	June 30 2015	June 30 2015	Dec 31 2014	Dec 31 2014
Bonds	4,754	5,071	4,748	5,093
Loans from financial institutions	575	623	722	777
Other long term interest-bearing debt ¹⁾	1,260	1,320	1,226	1,296
Total long term interest-bearing debt ²⁾	6,589	7,014	6,696	7,166
Short term interest-bearing debt	176	176	287	287
Total	6,765	7,190	6,983	7,453

¹⁾ Including loans from Finnish State Nuclear Waste Fund and Teollisuuden Voima EUR 1,074 million (Dec 31 2014: 1,040), loans from Fortum's Finnish pension institutions EUR 73 million (Dec 31 2014: 78) and other loans EUR 113 million (Dec 31 2014: 108).

²⁾ Including current portion of long-term debt.

In March 2015 Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund and Teollisuuden Voima by EUR 34 million to EUR 1,074 million. In the second quarter Fortum repaid loans of EUR 164 million.

At the end of June 2015, the amount of short term financing was EUR 176 million (Dec 31 2014: 287). The interest-bearing debt decreased during the second quarter by EUR 217 million from EUR 6,982 million to EUR 6,765 million.

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 2.9% at the balance sheet date (Dec 31 2014: 2.9%). Part of the external loans EUR 786 million (Dec 31 2014: 681) has been swapped to RUB and the average interest cost for these loans including cost for hedging the RUB was 14.3% at the balance sheet date (Dec 31 2014: 11.3%). The average interest rate on total loans and derivatives at the balance sheet date was 4.2% (Dec 31 2014: 3.7%).

Maturity of interest-bearing liabilities

EUR million	June 30 2015
2015	942
2016	838
2017	516
2018	600
2019	804
2020 and later	3,065
Total	6,765

Liquid funds

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Deposits and securities with maturity more than 3 months	5,837	0	757
Cash and cash equivalents	2,774	2,157	2,009
Total	8,612	2,157	2,766

Total liquid funds increased by EUR 5,344 million from EUR 3,268 million to EUR 8,612 million during the second quarter mainly as a result of the divestment of Swedish Distribution.

Liquid funds consists of deposits and cash in bank accounts amounting to EUR 7,160 million and commercial papers EUR 1,292 million. The average interest on liquid funds excluding OAO Fortum was 0.1% at the balance sheet date. Liquid funds held by OAO Fortum amounted to EUR 158 million (Dec 31 2014: 134) and the average interest rate for this portfolio was 9% at the balance sheet date.

Deposits and securities include fixed term deposits and commercial papers with maturity more than three months but less than twelve months.

Fixed term deposits as well as other deposits in cash and cash equivalents totalling to EUR 7,244 million are in banks with investment credit rating. Counterparties of commercial papers have similar rating or they are separately reviewed and approved by the Group's credit control department.

Net debt	June 30 2015	June 30 2014	Dec 31 2014
EUR million			
Interest-bearing liabilities	6,765	7,166	6,983
Liquid funds	8,612	2,157	2,766
Net debt	-1,846	5,008	4,217
Net debt without Värme financing	-2,109	4,136	3,664

16. Nuclear related assets and liabilities

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Carrying values in the balance sheet			
Nuclear provisions	790	756	774
Share in the State Nuclear Waste Management Fund	790	756	774
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	1,084	1,059	1,084
Funding obligation target	1,074	1,039	1,074
Fortum's share of the State Nuclear Waste Management Fund	1,074	1,039	1,039

Nuclear related provisions

According to Nuclear Energy Act Fortum submits the proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and Economy by end of June every third year. The liability is based on nuclear waste management plan which is also updated every third year. The cost estimates related to the new nuclear waste management plan were completed in Q2 2013. The overall future cost estimate increased mainly due to higher costs for interim and final storage of spent fuel and decommissioning of the power plant. The liability was decided by the Ministry of Employment and Economy at the end of year 2014.

The legal liability on 30 June 2015, decided by the the Ministry of Employment and Economy in December 2014, was EUR 1,084 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 16 million compared to 31 December 2014, totalling EUR 790 million on 30 June 2015. 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 2014 is EUR 1,074 million. Fortum has paid the fee of EUR 24 million in March 2015 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 284 million, since Fortum's share of the Fund on 30 June 2015 was EUR 1,074 million and the carrying value in the balance sheet was EUR 790 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 2015 of EUR 3 million, compared to EUR 0 million in Q2 2014. The cumulative effect for the first half of 2015 was EUR 6 million compared to EUR -4 million for the first half of 2014.

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.

In addition Fortum has given guarantees on behalf of nuclear associated companies (see Note 21).

17. Other provisions

EUR million	CSA provisions			Other provisions		
	June 30 2015	June 30 2014	Dec 31 2014	June 30 2015	June 30 2014	Dec 31 2014
Opening balance	56	103	103	26	14	14
Unused provisions reversed	-32	-4	-4	-1	-1	-3
Increase in the provisions	0	0	0	3	6	22
Provisions used	0	-3	-14	-9	-2	-4
Unwinding of discount	1	3	6	0	0	0
Exchange rate differences	7	-2	-35	1	0	-3
Closing balance	32	96	56	19	17	26
Current provisions ¹⁾	32	76	56	6	3	10
Non-current provisions	0	20	0	14	14	17

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 2015 amounts to EUR 32 million (at year end 2014: 56). In Q1 2015 EUR 32 million of the provision was reversed to the income statement after the finalisation of Nyagan 3.

18. Pledged assets

EUR million	June 30 2015	June 30 2014	Dec 31 2014
On own behalf			
For debt			
Pledges	298	290	292
Real estate mortgages	137	137	137
For other commitments			
Real estate mortgages	118	137	137

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 2015 the value of the pledged shares amounted to EUR 269 million (Dec 31 2014: 269).

Pledges also include bank deposits as trading collateral of EUR 9 million (Dec 31 2014: 3) for trading of electricity and CO₂ emission allowances in Nasdaq OMX Commodities Europe, in Intercontinental Exchange (ICE) and European Energy Exchange (EEX).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (Dec 31 2014: 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 2014: 41).

Regarding the relevant interest-bearing liabilities, see Note 15 Interest-bearing liabilities, liquid funds and net debt.

Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 118 million in June 2015 (Dec 31 2014: 137), as a security to the Finnish State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for decommissioning and disposal of spent fuel in Loviisa nuclear power plant. The size of the securities given is updated yearly in Q2 based on the decisions regarding the legal liabilities and the funding target which take place around year end every year.

19. Operating lease commitments

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Due within a year	16	21	24
Due after one year and within five years	28	37	43
Due after five years	29	100	76
Total	73	158	142

20. Capital commitments

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Property, plant and equipment	522	585	458
Intangible assets	5	6	3
Total	527	591	461

21. Contingent liabilities

EUR million	June 30 2015	June 30 2014	Dec 31 2014
On own behalf			
Other contingent liabilities	72	79	64
On behalf of associated companies and joint ventures			
Guarantees	464	484	459
Other contingent liabilities	125	125	125

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 401 million) at 30 June 2015 (Dec 31 2014: EUR 393 million). The guarantees for Forsmarks Kraftgrupp AB and OKG AB for 2015-2017 will be increased from current SEK 3,696 million (EUR 401 million) to SEK 5,393 million (EUR 585 million) later in 2015.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounted to EUR 37 million at 30 June 2015 (Dec 31 2014: 41).

For information regarding nuclear related assets and liabilities of Loviisa nuclear power plant as well as Swedish and Finnish nuclear production companies where Fortum has a minority shareholding see Note 16.

22. Legal actions and official proceedings

Group companies

Fortum received income tax assessments in Sweden for the years 2009, 2010, 2011 and 2012 in December 2011, December 2012, December 2013 and October 2014, respectively. According to the tax authorities, Fortum would have to pay additional income taxes for the years 2009, 2010, 2011 and 2012 for the reallocation of loans between the Swedish subsidiaries in 2004-2005, as well as additional income taxes for the years 2010, 2011 and 2012 for financing of the acquisition of TGC 10 (current OAO Fortum) in 2008. The claims are based on a change in tax regulation as of 2009. Fortum considers the claims unjustifiable and has appealed the decisions. The cases are pending before the Administrative Court. In January 2015 the Swedish tax authority announced to the Administrative Court that it has abandoned its claim regarding the year 2010 with respect to financing the acquisition of TGC 10.

Based on legal analysis supporting legal opinions, 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 46 million) for the year 2009, approximately SEK 379 million (EUR 41 million) for the year 2010, approximately SEK 511 million (EUR 56 million) for the year 2011 and approximately SEK 173 million (EUR 19 million) for the year 2012.

Fortum has received income tax assessments in Belgium for the years 2008, 2009, 2010 and 2011. Tax authorities disagree with the tax treatment of Fortum EIF NV. Fortum finds the tax authorities' interpretation not to be based on the local regulation and has appealed the decisions. The court of First instance in Antwerpen rejected Fortum's appeal for the years 2008 and 2009 in June 2014. Fortum finds the decision unjustifiable and has appealed to the Court of Appeal. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements. If the decision of 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, approximately EUR 15 million for the year 2010 and approximately EUR 21 million for the year 2011. The tax has already been paid. If the 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. Fortum considered the claims unjustifiable both for legal grounds and interpretation. Fortum appealed the decision.

The Board of Adjustment of the Large Taxpayers' Office approved Fortum's appeal for the year 2007 on 21 August 2014. The Board of Adjustment's decision is in line with the principle adopted in the Supreme Administrative Court's precedent in June 2014, according to which, under transfer pricing rules, the nature of business cannot be re-characterized for tax purposes, but can only adjust the pricing of goods or services. Despite the new precedent, the Tax Recipients' Legal Services Unit within the tax authorities has appealed this decision to the Administrative Court in Helsinki. If the appeal of the Tax Recipients' Legal Services Unit would be successful in court, the impact on net profit would be approximately EUR 136 million for the year 2007. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements.

In December 2014 Fortum Oyj received a non-taxation decision from the large Taxpayers' office for the years 2008-2011 regarding the activities in the Belgian and Dutch financing companies. The decision was given due to the transfer pricing audit carried out in 2013-2014 and was in line with the Board of Adjustment's decision with respect to Fortum for the year 2007. The Tax Recipients' Legal Services Unit has appealed the decisions in February 2015 and the cases are now pending before the Board of Adjustment of the Large Taxpayers' Office. According to the claim of correction, the non-taxation decision of the Large Taxpayers' office should be reversed and the interest income that Fortum Project Finance NV has received from its loans in 2008-2011 should be taxed in Finland, not in Belgium. If the claim of correction of the Tax Recipients' Legal Services Unit would be successful, the negative impact on net profit would be approximately EUR 140 million for the year 2008, EUR 99 million for the year 2009, EUR 76 million for the year 2010 and EUR 90 million for the year 2011. Moreover, Fortum Oyj would be liable to pay penalty interest. In line with the 2007 case Fortum considers the claims unjustifiable. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements.

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. The first phase of the turbine plant commissioning is completed. Some of the systems and components will be kept in operation; the rest will be preserved in accordance with a separate plan. Instrumentation and control system tests in the test bay in Erlangen, Germany, progressed. In September 2014 TVO received additional data about the schedule for the OL3 project from the Supplier, AREVA-Siemens. According to this data, the start of regular electricity production of the plant unit will take place in late 2018. Detailed evaluation of the received data is ongoing.

In December 2008 the OL3 Supplier initiated the International Chamber of Commerce (ICC) arbitration proceedings and submitted a claim concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The updated quantification which the Supplier submitted in October 2014 and corrected in November 2014 brings the total amount claimed by the Supplier for events occurring during the construction period ending June 2011 to approximately EUR 3.4 billion.

In 2012, TVO submitted a counter-claim and defense in the matter. The quantification estimate of TVO's costs and losses updated in October 2014 is approximately EUR 2.3 billion until the end of 2018, which according to the schedule submitted by the OL3 Supplier in September 2014, is the estimated start of the regular electricity production of OL3.

The companies belonging to the Plant Supplier Consortium (AREVA GmbH, AREVA NP SAS and Siemens AG) are jointly and severally liable of the Plant Contract obligations.

The arbitration proceedings may continue for several years and the claimed amounts may change.

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.

23. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2014. No material changes have occurred during 2015.

At the year-end 2014 the Finnish State owned 50.76% of the shares in Fortum. There has been no change in the shareholding during 2015.

In November 2014 Fortum sold its 31 %-shareholding in the Finnish natural gas company Gasum Oy to the Finnish State. See further information on the disposal in Note 7 Acquisitions and disposals.

Transactions with associated companies and joint ventures

EUR million	Q2 2015	Q2 2014 restated	2014 restated
Sales	33	28	76
Interest on loan receivables	16	31	59
Purchases	249	300	564

Associated company and joint ventures balances

EUR million	June 30 2015	June 30 2014	Dec 31 2014
Long-term interest-bearing loan receivables	1,812	2,285	2,041
Trade receivables	7	18	17
Other receivables	18	25	15
Long-term loan payables	279	327	262
Trade payables	0	4	7
Other payables	3	3	4

24. Events after the balance sheet date

There are no material events after balance sheet date.

25. 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)

25. Definition of key figures

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

Market conditions and achieved power prices

Power consumption						Last
TWh	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	twelve months
Nordic countries	87	86	197	196	378	379
Russia	230	230	506	507	1,021	1,020
Tyumen	22	22	46	46	93	93
Chelyabinsk	8	8	18	18	36	36
Russia Urals area	60	60	129	130	260	259

Average prices						Last
	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	20.7	25.7	24.4	27.9	29.6	27.8
Spot price for power in Finland, EUR/MWh	25.8	34.6	28.9	34.9	36.0	33.0
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	21.1	31.6	24.8	30.8	31.6	28.6
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	20.8	31.3	24.3	30.6	31.4	28.3
Spot price for power in European and Urals part of Russia, RUB/MWh ¹⁾	1,132	1,203	1,127	1,156	1,163	1,149
Average capacity price, tRUB/MW/month	326	271	360	303	304	333
Spot price for power in Germany, EUR/MWh	28.3	31.2	30.2	32.4	32.8	31.7
Average regulated gas price in Urals region, RUB/1000 m ³	3,362	3,362	3,362	3,362	3,362	3,362
Average capacity price for old capacity, tRUB/MW/month ²⁾	140	152	152	168	167	159
Average capacity price for new capacity, tRUB/MW/month ²⁾	578	493	647	553	552	605
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	1,021	1,132	1,036	1,075	1,089	1,069
CO ₂ , (ETS EUA), EUR/tonne CO ₂	7	5	7	6	6	7
Coal (ICE Rotterdam), USD/tonne	59	75	60	77	75	67
Oil (Brent Crude), USD/bbl	64	110	59	109	99	75

¹⁾ Excluding capacity tariff.

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

Water reservoirs			
TWh	June 30 2015	June 30 2014	Dec 31 2014
Nordic water reservoirs level	69	83	80
Nordic water reservoirs level, long-term average	84	84	83

Export/import						Last
TWh (+ = import to, - = export from Nordic area)	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	twelve months
Export / import between Nordic area and Continental Europe+Baltics	-5	-3	-9	-8	-14	-15
Export / import between Nordic area and Russia	1	0	3	1	4	6
Export / import Nordic area, Total	-4	-3	-6	-7	-10	-9

Power market liberalisation in Russia						Last
%	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	twelve months
Share of power sold at the liberalised price	83	79	83	81	81	82

Achieved power prices						Last
EUR/MWh	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	twelve months
Power segment's Nordic power price	31.1	40.2	34.5	39.9	41.4	38.5
Russia segment's power price	27.9	32.3	26.8	31.4	30.4	28.1

Fortum's production and sales volumes

Power generation						
TWh	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Power generation in the EU and Norway	12.3	11.7	25.6	26.0	50.1	49.7
Power generation in Russia	5.6	4.9	13.1	11.3	23.3	25.1
Total	18.0	16.6	38.7	37.3	73.4	74.8

Heat production						
TWh	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Heat production in the EU and Norway	1.2	1.7	3.6	4.7	8.2	7.1
Heat production in Russia	4.4	4.5	13.9	14.4	26.4	25.9
Total	5.6	6.3	17.5	19.1	34.6	33.0

Power generation capacity by segment						
MW	June 30 2015	June 30 2014	Dec 31 2014			
Power ¹⁾	9,068	9,176	9,063			
Heat, Electricity Sales and Solutions	749	793	803			
Russia ²⁾	4,663	4,292	4,758			
Total	14,479	14,261	14,624			

1) of which 750 MW mothballed

2) of which 43 MW mothballed

Heat production capacity by segment						
MW	June 30 2015	June 30 2014	Dec 31 2014			
Power	0	250	0			
Heat, Electricity Sales and Solutions	3,927	3,919	3,936			
Russia ¹⁾	12,994	13,466	13,466			
Total	16,921	17,635	17,402			

1) of which 240 MW mothballed

Power generation by source in the Nordic area						
TWh	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Hydro and wind power	6.4	5.9	12.6	12.3	22.4	22.7
Nuclear power	5.4	5.0	11.7	11.6	23.8	23.9
Thermal power	0.2	0.3	0.5	0.7	1.8	1.6
Total	12.0	11.2	24.9	24.7	48.0	48.2

Power generation by source in the Nordic area						
%	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Hydro and wind power	54	53	51	50	46	47
Nuclear power	45	45	47	47	50	50
Thermal power	1	2	2	3	4	3
Total	100	100	100	100	100	100

Power sales						
EUR million	Q2 2015	Q2 2014 restated	Q1-Q2 2015	Q1-Q2 2014 restated	2014 restated	Last twelve months
Power sales in the EU and Norway	446	507	1,021	1,150	2,344	2,215
Power sales in Russia	166	183	348	401	758	705
Total	612	690	1,369	1,551	3,102	2,920

Fortum's production and sales volumes

Heat sales						
EUR million	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Heat sales in the EU and Norway	83	91	244	269	468	443
Heat sales in Russia	44	51	124	162	285	247
Total	127	142	368	431	753	690

Power sales by area						
TWh	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Finland	5.7	5.0	11.4	11.0	21.6	22.0
Sweden	7.1	5.9	15.1	14.1	28.2	29.2
Russia	6.6	5.8	15.0	12.9	26.5	28.6
Other countries	0.6	0.9	1.5	2.1	3.8	3.2
Total	20.0	17.7	43.0	40.2	80.1	82.9

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

Heat sales by area						
TWh	Q2 2015	Q2 2014	Q1-Q2 2015	Q1-Q2 2014	2014	Last twelve months
Russia	4.4	4.5	13.8	14.2	26.0	25.6
Finland	0.6	0.6	1.8	1.8	3.2	3.2
Poland	0.5	0.5	2.0	2.0	3.4	3.4
Other countries ¹⁾	0.2	0.7	0.7	1.8	2.8	1.7
Total	5.7	6.3	18.4	19.9	35.4	33.9

¹⁾ Until October 2014 including the UK, which is reported in the Power and Technology segment, other sales.