Fortum Corporation

Half-Year Financial Report
January-June 2017

20 July 2017

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Fortum Corporation
Domicile Espoo
Business ID 1463611-4

Contents

Tables to the Interim Report

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

Strategy implementation proceeds through Hafslund ownership restructuring. Low hydro volumes continue to impact results

April−June 2017

- Comparable EBITDA EUR 219 (209) million, +5%
- Comparable operating profit EUR 109 (122) million, -11%
- Operating profit EUR 66 (67) million, of which EUR -42 (-54) million related to items affecting comparability
- Earnings per share EUR -0.08 (0.06), of which EUR -0.14 (0.00) related to a Swedish income tax case and EUR -0.04 (-0.05) related to items affecting comparability
- Cash flow from operating activities totalled EUR 232 (-5) million
- Fortum and City of Oslo to restructure ownership in Hafslund

January−June 2017

- Comparable EBITDA EUR 642 (566) million, +13%
- Comparable operating profit EUR 421 (397) million, +6%
- Operating profit EUR 456 (437) million, of which EUR 34 (40) million related to items affecting comparability
- Earnings per share EUR 0.30 (0.43), of which EUR -0.14 (0.00) related to a Swedish income tax case and EUR 0.03 (0.03) related to items affecting comparability
- Cash flow from operating activities totalled EUR 514 (370) million
- City Solutions division divided into City Solutions and Consumer Solutions to support strategy implementation
- The operating profit target level (EBIT) of RUB 18.2 billion for the Russia segment was reached in the first quarter of 2017

Summary of outlook

- Fortum continues to expect the annual electricity demand to grow in the Nordic countries by approximately 0.5% on average
- The Generation segment's Nordic generation hedges: approximately 45% hedged at EUR 30 per MWh for the rest of 2017 and approximately 45% hedged at EUR 28 per MWh for 2018

Key financial ratios

	2016	LTM
Return on capital employed, %	4.0	4.3
Comparable net debt/EBITDA	0.0	0.6

Key figures

EUR million or as indicated	II/17	II/16	I-II/17	I-II/16	2016	LTM
Sales	937	768	2,169	1,757	3,632	4,044
Comparable EBITDA	219	209	642	566	1,015	1,091
Comparable operating profit	109	122	421	397	644	668
Operating profit	66	67	456	437	633	652
Share of profits of associates and joint ventures	35	38	94	105	131	120
Profit before taxes	49	61	461	451	595	605
Earnings per share, EUR	-0.08	0.06	0.30	0.43	0.56	0.43
Net cash from operating activities	232	-5	514	370	621	765
Shareholders’ equity per share, EUR			14.22	14.92	15.15	
Interest-bearing net debt (at end of period)			605	-934	-48	

Fortum’s President and CEO Pekka Lundmark:

“Fortum's strategy implementation and capital redeployment continued during the second quarter. Over the last two years we have made three significant acquisitions: DUON, Ekokem and, in the second quarter 2017, Hafslund. At the same time, we have stepped up our investments for the future. Recent initiatives include solar power in India, wind power in the Nordics and Russia, nuclear services in Germany, expanding our Charge & Drive network as well as digitalising our customer interface with the MyFortum app. Once these investments are completed we will have redeployed around 20% of the capital, and recovered close to 100% of the cash flow generated by the divested electricity distribution business. We will continue on the path set out by our strategy to increase our profitability and secure our long-term competitiveness.

The second quarter of 2017 did not show substantial improvements in the market conditions. Nordic spot prices remain on a fairly low level, although higher than the very low prices in 2016. Forward prices have improved somewhat, but are still on lower levels than the current spot prices. The quarter was characterised by colder weather and stable water reservoirs. The reservoir level at the end of June was close to the long-term average levels and changed only marginally during the quarter.

The comparable operating profit for the second quarter declined by 11% to EUR 109 million. Still the half-year result was above last year due to the strong performance in the first quarter.

Heat sales increased thanks to the colder weather, which positively affected the results of City Solutions. Consequently the comparable operating profit increased by EUR 6 million compared to the second quarter of 2016. In spite of good availability in our nuclear production, the result of Generation declined. The result was burdened by slightly lower hydro volumes and a lower achieved power price. The Russia segment continued the strong performance, improving its results by EUR 19 million. We have strengthened our development efforts in new ventures and R&D and expect them to start paying back from 2018.

The highlight of the quarter was the successful restructuring of our ownership in Hafslund, announced at the beginning of the quarter. Fortum will gain 1.1 million new customers through the restructuring, increasing our Nordic customer base to 2.4 million. This offers a great platform for the development of new innovative solutions and services for our customers. Fortum will also join forces with the City of Oslo by merging Hafslund's Heat business area with the City of Oslo's waste-to-energy plant, Klemetsrudanlegget. The transactions are completely in line with our strategic ambitions and will have a positive effect on our EBITDA. In June, the Oslo City Council approved the transactions. Also all required regulatory approvals have been received.

After finalising our investment programme in conventional power and heat generation in Russia last year, we embarked on diversifying our portfolio by investing in the Ulyanovsk wind park. It is the first industrial-scale wind park in Russia, with commissioning expected in the beginning of 2018. During the second quarter of 2017 we announced the establishment of the Fortum-RUSNANO wind investment fund. The investment supports our previously announced ambition to secure around 500 MW of wind power capacity in Russia. The Russian CSA auction in June 2017 was a success for the fund, as it was able to secure substantial capacities for a price range of EUR 115-135 per megawatt-hour.

Fortum advocates for market-based solutions and improved coherence between policies and countries. This was stressed in the joint statement by Fortum and other large Nordic utilities in June. Fortum also fully supports the stronger coordination between the Nordic countries, as proposed in the Nordic Energy Ministers' Ollila-report in June. Coherent energy policy is and will be an essential factor in securing a sustainable transition to a clean energy system largely based on renewables in the decades to come.“

Financial results

Sales by segment

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Generation	402	384	876	851	1,657	1,682
City Solutions	205	121	495	349	782	928
Consumer Solutions	164	146	406	321	668	753
Russia	238	182	586	431	896	1,051
Other	24	23	48	46	92	94
Netting of Nord Pool transactions	-73	-69	-191	-189	-384	-386
Eliminations	-23	-19	-52	-52	-79	-79
Total	**937**	**768**	**2,169**	**1,757**	**3,632**	**4,044**

Comparable EBITDA by segment

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Generation	111	124	277	306	527	498
City Solutions	37	20	131	90	186	227
Consumer Solutions	8	15	22	29	55	48
Russia	88	64	256	169	312	399
Other	-24	-15	-44	-28	-64	-80
Total	**219**	**209**	**642**	**566**	**1,015**	**1,091**

Comparable operating profit by segment

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Generation	78	98	214	253	417	378
City Solutions	1	-5	57	39	64	82
Consumer Solutions	6	13	18	26	48	40
Russia	53	34	185	113	191	263
Other	-28	-18	-52	-34	-77	-95
Total	**109**	**122**	**421**	**397**	**644**	**668**

Operating profit by segment

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Generation	34	32	264	243	338	359
City Solutions	0	-2	59	56	86	89
Consumer Solutions	8	20	-1	25	59	33
Russia	53	36	185	147	226	264
Other	-28	-18	-52	-34	-77	-95
Total	**66**	**67**	**456**	**437**	**633**	**652**

April-June 2017

In the second quarter of 2017, sales were EUR 937 (768) million. The increase was mainly due to higher nuclear and thermal volumes, cold weather, the strengthening Russian rouble and the consolidation of Ekokem. Comparable EBITDA totalled EUR 219 (209) million. Comparable operating profit totalled EUR 109 (122) million. The comparable operating profit was burdened by lower hydro volumes and increased costs in the Other segment, mainly due to increased development efforts in new ventures and R&D. The reported operating profit totalled EUR 66 (67) million. Fortum's operating profit for the period was impacted by items affecting comparability, including sales gains, and the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging, as well as nuclear fund adjustments, amounting to EUR -42 (-54) million (Note 4).

The share of profit from associates and joint ventures was EUR 35 (38) million, of which Hafslund represented EUR 17 (18), TGC-1 EUR 19 (18) and Fortum Värme EUR 1 (1) million. The share of profit from Hafslund and TGC-1 are based on the companies' published first-quarter 2017 interim reports (Note 12).

January-June 2017

In January-June 2017, sales were EUR 2,169 (1,757) million. The increase was mainly due to the strengthening Russian rouble and the consolidation of Ekokem and DUON. Comparable EBITDA totalled EUR 642 (566) million. Comparable operating profit totalled EUR 421 (397) million and reported operating profit totalled EUR 456 (437) million. Fortum's operating profit for the period was impacted by items affecting comparability, including sales gains, and the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging, as well as nuclear fund adjustments, amounting to EUR 34 (40) million (Note 4).

The share of profit from associates and joint ventures was EUR 94 (105) million, of which Hafslund represented EUR 31 (32), TGC-1 EUR 20 (27) and Fortum Värme EUR 44 (45) million. The share of profit from Hafslund and TGC-1 are based on the companies' published fourth quarter 2016 and first quarter 2017 interim reports (Note 12).

Net financial expenses were EUR -88 (-91) million and include changes in the fair value of financial instruments of EUR -6 (2) million.

Profit before taxes was EUR 461 (451) million.

Taxes for the period totalled EUR 190 (62) million. The effective income tax rate according to the income statement was 41.2% (13.9%). The comparable effective income tax rate, excluding the impact of the share of profit from associated companies and joint ventures as well as non-taxable capital gains and Swedish income tax cases, was 20.3% (18.7%) (Note 8).

The profit for the period was EUR 271 (389) million. Earnings per share were EUR 0.30 (0.43), of which EUR -0.14 (0.00) related to a Swedish income tax case effect and EUR 0.03 (0.03) per share relates to items affecting comparability.

Financial position and cash flow

Cash flow

In January-June 2017, net cash from operating activities increased by EUR 144 million to EUR 514 (370) million, due to EUR 76 million increase in comparable EBITDA, EUR 191 million decrease in realised foreign exchange gains and losses, and EUR 169 million lower income taxes paid. The foreign exchange gains and losses of EUR -63 (128) million relate to the rollover of foreign exchange contracts hedging loans to Russian and Swedish subsidiaries. In June 2016, Fortum paid income taxes in Sweden totalling EUR 127 million regarding an ongoing tax dispute. The change in working capital increased by EUR 58 million to EUR 65 (7) million, which includes the effect of the daily cash settlements for futures in Nasdaq OMX Commodities Europe (Additional cash flow information).

Investments including acquisitions remained at the same level as the previous year, EUR 359 (357) million. Net cash used in investing activities decreased to EUR -199 (-641) million. The change was mainly due to the decrease in cash collaterals given as trading collaterals to commodity exchanges of EUR 72 (-269) million.

Cash flow before financing activities was EUR 315 (-271) million.

Fortum paid dividends totaling EUR 977 (977) million in April 2017. Payments of long-term liabilities totalled EUR 464 (808) million, including the repayment of bonds totalling EUR 343 million and loan payments of 120 million. The net decrease in liquid funds was EUR 1,034 (2,063) million.

Assets and capital employed

Total assets decreased by EUR 1,681 million to EUR 20,283 (21,964 at the end of 2016) million.

Liquid funds at the end of the period were EUR 4,106 (5,155 at the end of 2016) million.

Capital employed was EUR 17,431 (18,649 at the end of 2016) million, a decrease of EUR 1,218 million.

Equity

Equity attributable to owners of the parent company totalled EUR 12,635 (13,459 at the end of 2016) million.

The decrease in equity attributable to owners of the parent company totalled EUR 824 million, and was mainly due to the net profit for the period of EUR 265 million, translation differences of EUR -170 million and dividend payment of EUR 977 million.

Financing

Net cash decreased by EUR 653 million to EUR -605 (48 at the end of 2016) million.

At the end of June, the Group’s liquid funds totalled EUR 4,106 (5,155 at the end of 2016) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 223 (105 at the end of 2016) million. In addition to liquid funds, Fortum had access to EUR 1.9 billion of undrawn committed credit facilities (Note 14).

Net financial expenses were EUR -88 (-91) million, of which net interest expenses were EUR -67 (-79) million.

Fortum’s long-term credit ratings were unchanged. Standard & Poor's rating (affirmed in June 2017) is BBB+ and the short-term rating A-2. The outlook is stable. Fitch Ratings long-term Issuer Default Rating (IDR) and senior unsecured rating is BBB+ and the short-term IDR is F2 with a stable outlook.

Key figures

At the end of June, the comparable net debt to EBITDA for the last 12 months was 0.6 (0.0 at the end of 2016).

Gearing was 5% (0% at the end of 2016) and the equity-to-assets ratio 63% (62% at the end of 2016). Equity per share was EUR 14.22 (15.15 at the end of 2016). Return on capital employed for the last 12 months totalled 4.3% (4.0% at the end of 2016).

Market conditions

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 88 (86) terawatt-hours (TWh) during the second quarter of 2017. The higher consumption was mainly caused by colder weather compared to the second quarter of 2016. In January-June 2017, electricity consumption was 202 (203) TWh.

At the beginning of 2017, the Nordic water reservoirs were at 75 TWh, which is 8 TWh below the long-term average and 23 TWh lower than a year earlier. By the end of June, reservoirs were 3 TWh below the long-term average and 2 TWh lower than a year earlier. The reservoir balance turned from a clear deficit to close to the long-term average during the first half of the year, due to the higher than long-term average precipitation in Norway.

In the second quarter of 2017, the average system spot price in Nord Pool was EUR 27.4 (23.9) per MWh. The main driver for the price increase was the clearly higher marginal cost of coal condense than a year earlier, which contributed to strong continental prices, increasing the export from the Nordics. Colder weather and the delayed spring flooding also contributed to the increase. The average area price in Finland was EUR 30.9 (30.2) per MWh and in Sweden SE3 (Stockholm) EUR 28.5 (26.5) per MWh.

In January-June 2017, the average system spot price in Nord Pool was EUR 29.3 (24.0) per MWh, the average area price in Finland was EUR 32.0 (30.3) per MWh and in Sweden SE3 (Stockholm) EUR 30.2 (25.3) per MWh.

In Germany, the average spot price in the second quarter of 2017 was EUR 29.8 (24.8) per MWh. In January-June 2017, the average spot price was EUR 35.5 (25.0) per MWh.

The market price of CO_2 emission allowances (EUA) was EUR 6.5 per tonne at the beginning of the year and EUR 5.0 per tonne at the end of June 2017.

Russia

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

According to preliminary statistics, Russian electricity consumption was 238 (230) TWh during the second quarter of 2017. The corresponding figure in Fortum’s operating area in the First price zone (European and Urals part of Russia) was 184 (176) TWh. In January-June 2017, Russian electricity consumption was 522 (510) TWh and the corresponding figure on Fortum's operating area in the First price zone was 402 (388) TWh.

In the second quarter of 2017, the average electricity spot price, excluding capacity price, decreased by 1.6% to RUB 1,148 (1,166) per MWh in the First price zone. In January-June 2017, the average electricity spot price, excluding capacity price, increased by 0.6% to RUB 1,164 (1,157) 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 59).

European business environment and carbon market

Swedish nuclear and hydro taxes adopted

In May 2017, the Swedish parliament adopted the proposed changes of nuclear and hydropower taxation in accordance with the energy agreement from June 2016. The tax on installed effect in nuclear reactors will be reduced by 90%, starting from 1 July 2017, from SEK 14,770/MW/month to SEK 1,500/MW/month, and abolished on 1 January 2018. The hydro real-estate tax will be reduced from 2.8% to 0.5% in four steps until 2020.

Finnish waste plan published

In May 2017, the National Waste Plan was published for consultation. The main objective is to increase waste recycling. The target rate for municipal solid waste recycling is set to 55% by 2023. According to the plan, the current waste-to-energy capacity is sufficient for municipal solid waste, but for other waste requiring thermal treatment additional capacity of at least one waste-to-energy plant is needed. More capacity is also needed e.g. for pretreatment of waste and biogasification.

The plan also covers taxation of waste incineration and inclusion of waste incineration into the EU emissions trading system.

Finnish Parliament’s statement on the national climate and energy strategy

In May 2017, the Parliament gave its statement on the government’s proposal (November 2016) for the national climate and energy strategy for 2030. The Parliament requires, among others, that the government renews the support schemes for electricity and heat from renewable energy sources with the objective of having cost-efficient and truly technology-neutral schemes. The Parliament also highlights the preparatory measures for the electrification of transport. The government is requested to strengthen regional cooperation and coordination in the Nordic energy market and to study the preconditions for establishing a joint Nordic energy and climate strategy.

Development of Nordic energy cooperation: report by Jorma Ollila

The Nordic Council appointed Mr Jorma Ollila as an independent investigator to make proposals on how to improve Nordic energy cooperation. In June, Mr Ollila delivered his report, which contains several positive suggestions related to stronger coordination of national energy and climate policies, energy research as well as EU positions in order to strengthen the Nordic voice in Brussels. One important proposal is the establishment of a Nordic power market forum to bring together different energy stakeholders. The report supports further development of the energy-only market, stronger real-time price signals and harmonised retail markets. The Nordic energy ministers will discuss the report in their annual meeting in November 2017.

Segment reviews

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

Generation

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

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Sales	402	384	876	851	1,657	1,682
- power sales	394	379	864	840	1,635	1,659
of which Nordic power sales*	318	325	692	718	1,339	1,313
- other sales	8	5	12	11	22	23
Comparable EBITDA	111	124	277	306	527	498
Comparable operating profit	78	98	214	253	417	378
Operating profit	34	32	264	243	338	359
Share of profits from associates and joint ventures**	-5	-1	-7	-5	-34	-36
Comparable net assets (at period-end)			5,724	5,832	5,815	
Comparable return on net assets, %					6.9	6.0
Capital expenditure and gross investments in shares	42	50	67	77	203	193
Number of employees			1,075	1,119	979	

* The Nordic power sales income and volume includes hydro and nuclear generation, excluding minorities. It does not include thermal generation, minorities, customer business or other purchases.
** Power plants are often built jointly with other power producers, and owners purchase electricity at cost, including interest cost and production taxes. The share of profit/loss is mainly IFRS adjustments (e.g. accounting for nuclear-related assets and liabilities) and depreciations on fair-value adjustments from historical acquisitions (Note 20 in the consolidated financial statements 2016).

Power generation by source

TWh	II/17	II/16	I-II/17	I-II/16	2016	LTM
Hydro power, Nordic	4.9	5.7	10.1	12.2	20.7	18.6
Nuclear power, Nordic	6.1	5.4	12.8	12.2	24.1	24.7
Thermal power, Nordic	0.4	0.0	0.5	0.1	0.5	0.9
Total	**11.4**	**11.1**	**23.4**	**24.5**	**45.3**	**44.2**

Nordic sales volumes

TWh	II/17	II/16	I-II/17	I-II/16	2016	LTM
Nordic sales volume	13.1	12.1	27.3	28.0	52.4	51.7
of which Nordic power sales volume*	10.6	10.7	22.1	23.5	43.2	41.8

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

Sales price

EUR/MWh	II/17	II/16	I-II/17	I-II/16	2016	LTM
Generation's Nordic power price*	30.0	30.5	31.3	30.6	31.0	31.4

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

April-June 2017

In the second quarter of 2017, the Generation segment's total power generation in the Nordic countries increased to 11.4 (11.1) TWh. Higher nuclear and thermal volumes were partly offset by lower hydro volumes. CO_2-free production accounted for 96% (100%) of the total production.

Comparable EBITDA was EUR 111 (124) million. Comparable operating profit was EUR 78 (98) million. The decline was mainly due to lower hydro volumes and a lower achieved power price, partly offset by higher nuclear and thermal volumes.

Operating profit of EUR 34 (32) million was affected by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and by nuclear fund adjustments, amounting to EUR -43 (-66) million (Note 4).

The share of profits from associated companies and joint ventures totalled EUR -5 (-1) million (Note 12).

Generation’s achieved Nordic power price was EUR 30.0 (30.5) per MWh, EUR 0.5 per MWh lower than in the corresponding period of 2016, due to a lower average hedge price. The average system spot price of electricity in Nord Pool was EUR 27.4 (23.9) per MWh. The average area price in Finland was EUR 30.9 (30.2) per MWh and in Sweden SE3 (Stockholm) EUR 28.5 (26.5) per MWh.

In 2015, Swedish OKG AB decided to permanently discontinue electricity production at Oskarshamn’s nuclear plant unit 1 by the end of June 2017. Unit 1 was shut down on 17 June 2017, approximately 2 weeks earlier than planned.

January-June 2017

In January-June 2017, the Generation segment's total power generation in the Nordic countries was 23.4 (24.5) TWh. CO_2-free production accounted for 98% (99%) of the total production.

Comparable EBITDA was EUR 277 (306) million. Comparable operating profit was EUR 214 (253) million. The decline was mainly due to lower hydro volumes and was partly offset by the higher achieved power price, higher nuclear volumes and somewhat lower fixed costs.

Operating profit of EUR 264 (243) million was affected by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and by nuclear fund adjustments, amounting to EUR 51 (-10) million (Note 4).

The share of profits from associated companies and joint ventures totalled EUR -7 (-5) million (Note 12).

Generation’s achieved Nordic power price was EUR 31.3 (30.6) per MWh, EUR 0.7 per MWh higher than in the corresponding period of 2016. The average system spot price of electricity in Nord Pool was EUR 29.3 (24.0) per MWh. The average area price in Finland was EUR 31.9 (30.3) per MWh and in Sweden SE3 (Stockholm) EUR 30.1 (25.3) per MWh.

City Solutions

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

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Sales	205	121	495	349	782	928
- heat sales	90	72	266	242	448	472
- power sales	25	22	68	65	122	125
- other sales	89	26	162	42	212	332
Comparable EBITDA	37	20	131	90	186	227
Comparable operating profit	1	-5	57	39	64	82
Operating profit	0	-2	59	56	86	89
Share of profits from associates and joint ventures	4	4	50	52	76	74
Comparable net assets (at period-end)			2,889	2,020	2,873	
Comparable return on net assets, %					5.9	5.8
Capital expenditure and gross investments in shares	43	17	63	37	807	833
Number of employees			1,789	1,382	1,701	

On 4 April 2017, Ekokem was rebranded to Fortum. The rebranded Ekokem forms City Solutions' Recycling and Waste Solutions unit.

April-June 2017

In the second quarter of 2017, heat sales volumes of the City Solutions segment amounted to 1.7 (1.2) TWh. Power sales volumes from CHP production totalled 0.6 (0.5) TWh.

Sales increased to EUR 205 (121) million, mainly due to the consolidation of Ekokem.

Comparable EBITDA increased and totalled EUR 37 (20) million. Comparable operating profit was EUR 1 (-5) million. The increase is mainly attributable to higher heat sales due to cold weather, a favourable fuel mix and the consolidation of Ekokem.

Operating profit of EUR 0 (-2) million was affected mainly by the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging, totalling EUR -2 (4) million (Note 4), and higher sales gains of EUR 1 (0) million.

The share of profits from associated companies and joint ventures totalled EUR 4 (4) million, including mainly the share of profit from Fortum Värme (Note 12).

January-June 2017

In January-June 2017, heat sales volumes of the City Solutions segment amounted to 5.4 (4.7) TWh. Power sales volumes from CHP production totalled 1.5 (1.5) TWh.

Sales increased to EUR 495 (349) million, mainly due to the consolidation of Ekokem.

Comparable EBITDA increased and totalled EUR 131 (90) million. Comparable operating profit was EUR 57 (39) million. The increase is mainly attributable to higher heat sales during the second quarter of 2017, a favourable fuel mix and the consolidation of Ekokem.

Operating profit of EUR 59 (56) million was affected mainly by the IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging, totalling EUR 1 (5) million (Note 4), and lower sales gains of EUR 1 (12) million.

The share of profits from associated companies and joint ventures totalled EUR 50 (52) million, including mainly the share of profit from Fortum Värme (Note 12).

Heat sales by country

TWh	II/17	II/16	I-II/17	I-II/16	2016	LTM
Finland	0.8	0.5	2.2	1.9	3.6	3.9
Poland	0.6	0.5	2.2	2.0	3.6	3.8
Other countries	0.3	0.2	1.0	0.7	1.5	1.7
Total	**1.7**	**1.2**	**5.4**	**4.7**	**8.7**	**9.4**

Power sales by country

TWh	II/17	II/16	I-II/17	I-II/16	2016	LTM
Finland	0.3	0.3	0.9	0.9	1.5	1.5
Poland	0.1	0.1	0.3	0.3	0.7	0.7
Other countries	0.1	0.1	0.3	0.3	0.6	0.6
Total	**0.6**	**0.5**	**1.5**	**1.5**	**2.8**	**2.8**

Consumer Solutions

Consumer Solutions provides electricity and gas products, and develops new digital services and solutions for consumer. The segment comprises electricity sales and customer services in the Nordics and in Poland, as well as gas sales and distribution in Poland.

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Sales	164	146	406	321	668	753
- power sales	115	104	291	273	528	546
- other sales	49	42	115	48	140	207
Comparable EBITDA	8	15	22	29	55	48
Comparable operating profit	6	13	18	26	48	40
Operating profit	8	20	-1	25	59	33
Share of profits from associates and joint ventures	0	0	0	0	0	0
Comparable net assets (at period-end)			129	125	154	
Capital expenditure and gross investments in shares	1	3	3	117	120	6
Number of employees			986	1,019	961	

On 8 November 2016, DUON was rebranded to Fortum. The rebranded DUON forms the Consumer Solutions' Poland unit.

April-June 2017

In the second quarter of 2017, electricity and gas sales volume totalled 3.5 (3.3) TWh. The total customer base at the end of the period was approximately 1.36 (1.35) million.

Sales increased to EUR 164 (146) million, mainly due to increased electricity market prices in the Nordics and higher trading activity of electricity and gas in Poland.

Comparable EBITDA was EUR 8 (15) million and comparable operating profit was EUR 6 (13) million. The decrease in the average margin in electricity and gas products and the increased focus and spend on the development of new digital services impacted the result negatively.

Operating profit of EUR 8 (20) million was affected by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging EUR 2 (7) million.

January-June 2017

In January-June 2017, electricity and gas sales volume totalled 8.8 (7.4) TWh.

Sales increased to EUR 406 (321) million, mainly due to the consolidation of DUON from 1 April 2016.

Comparable EBITDA was EUR 22 (29) million and comparable operating profit was EUR 18 (26) million. The consolidation of DUON improved profitability, but the decrease in the average margin in electricity and gas products and the increased focus and spend on the development of new digital services impacted the result negatively.

Operating profit of EUR -1 (25) million was affected by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging EUR -19 (-2) million.

Sales volumes

TWh	II/17	II/16	I-II/17	I-II/16	2016	LTM
Electricity	2.7	2.6	6.7	6.7	12.3	12.4
Gas*	0.8	0.7	2.1	0.7	2.5	2.5

* Not including wholesale volumes.

Number of customers

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

* Rounded to the nearest 10,000.

Russia

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

EUR million	II/17	II/16	I-II/17	I-II/16	2016	LTM
Sales	238	182	586	431	896	1,051
- power sales	192	155	427	327	691	791
- heat sales	42	25	155	101	199	253
- other sales	3	2	4	3	6	7
Comparable EBITDA	88	64	256	169	312	399
Comparable operating profit	53	34	185	113	191	263
Operating profit	53	36	185	147	226	264
Share of profits from associates and joint ventures	19	18	20	27	38	31
Comparable net assets (at period-end)			3,156	2,871	3,284	
Comparable return on net assets, %					8.0	9.3
Capital expenditure and gross investments in shares	42	53	73	93	201	181
Number of employees			3,714	3,757	3,745	

After the completion of the multi-year investment programme in March 2016, Fortum has a total of 4,512 MW of capacity in Russia.

The new capacity is 2,298 MW. This is generation capacity built after 2007, which under the Russian Capacity Supply Agreement (CSA – "new capacity") receives guaranteed payments for a period of 10 years after the commissioning of each new unit. The received capacity payments vary depending on the age, location, type and size of the plant, as well as on seasonality and availability. The CSA payments can also vary somewhat annually, as they are linked to Russian Government long-term bonds with 8 to 10 years maturity. In March 2017, the System Administrator of the wholesale market published data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2016, which was used to calculate the capacity price on CSA in 2017. The CSA payments were revised slightly downwards accordingly to reflect the lower bond rates. The regulator also reviewed the guaranteed CSA payments by re-examining earnings from the electricity-only market (done every three and six years after the commissioning of a unit), and revised the CSA payments upwards due to the lower earnings from the electricity-only market.

All of Fortum's capacity generation built prior to 2008 (Competitive Capacity Selection, CCS – "old capacity"), totalling 2,214 MW in December 2016, was allowed to participate in the CCS for 2017, and all Fortum's plants were selected. For 195 MW, Fortum has obtained forced mode status, i.e. it receives payments for the capacity at a higher rate.

April-June 2017

In the second quarter of 2017, the Russia segment's power sales volumes amounted to 7.1 (6.9) TWh and heat sales volumes totalled 3.2 (2.4) TWh. Cold weather increased the heat volumes.

Sales increased to EUR 238 (182) million, mainly due to the strengthening of the Russian rouble, higher received CSA payments, and the change in heat supply scheme in Tyumen.

The Russia segment's comparable EBITDA was EUR 88 (64) million. Comparable operating profit was EUR 53 (34) million. The higher received CSA payments, lower fuel costs, higher heat volumes, as well as improved bad-debt collections positively affected the result. The Russian rouble had a positive effect of EUR 4 million.

Operating profit was EUR 53 (36) million.

The share of profits from associated companies and joint ventures totalled EUR 19 (18) million (Note 12).

January-June 2017

In January-June 2017, the Russia segment's power sales volumes amounted to 15.0 (15.2) TWh and heat sales volumes totalled 11.5 (11.4) TWh. Cold weather increased the heat volumes. At the same time, the divestment of the Tobolsk CHP plant in February 2016 decreased both electricity and heat volumes. The revision in Nyagan also decreased electricity volumes.

Sales increased to EUR 586 (431) million, mainly due to the strengthening of the Russian rouble, higher received CSA payments, and the change in heat supply scheme in Tyumen.

The Russia segment's comparable EBITDA was EUR 256 (169) million. Comparable operating profit was EUR 185 (113) million. The commissioning of the new units, higher received CSA payments, lower fuel costs, higher heat volumes, as well as improved bad-debt collections positively affected the result. The Russian rouble had a positive effect of EUR 33 million.

Operating profit was EUR 185 (147) million, including sales gains of EUR 0 (32) million (Note 4).

The share of profits from associated companies and joint ventures totalled EUR 20 (27) million (Note 12).

Key electricity, capacity and gas prices for Fortum Russia

	II/17	II/16	I-II/17	I-II/16	2016	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,012	1,011	1,023	1,015	1,055	1,059
Average regulated gas price, Urals region, RUB/1000 m^3	3,614	3,614	3,614	3,614	3,614	3,614
Average capacity price for CCS "old capacity", tRUB/MW/month*	138	129	148	139	140	145
Average capacity price for CSA "new capacity", tRUB/MW/month*	819	737	901	804	815	864
Average capacity price, tRUB/MW/month	492	434	539	467	481	517
Achieved power price for Fortum in Russia, RUB/MWh	1,738	1,663	1,807	1,665	1,734	1,808
Achieved power price for Fortum in Russia, EUR/MWh**	27.0	22.6	28.5	21.5	23.5	27.0

* Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs and own consumption.
** Translated using the average exchange rate.

Capital expenditures, divestments and investments in shares

In the second quarter of 2017, capital expenditures and investments in shares totalled EUR 153 (140) million. Investments, excluding acquisitions, were EUR 136 (133) million (Note 4).

In January-June 2017, capital expenditures and investments in shares totalled EUR 360 (347) million. Investments, excluding acquisitions, were EUR 308 (215) million (Note 4).

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts/started
Generation				
Loviisa, Finland	Nuclear	6		Q4 2017
Several hydro plants in Sweden and Finland	Hydro	~10		2017
City Solutions				
Zabrze, Poland	CHP	75	145	2018
Russia				
Ulyanovsk	Wind	35		Q1 2018**
Other				
Solberg, Sweden	Wind	75*		Q4 2017
Ånstadblåheia, Norway	Wind	50		2018
Sørfjord, Norway	Wind	90		2019
Karnataka, India	Solar	100		Q3 2017**

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

Generation

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

City Solutions

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

Consumer Solutions

In May 2017, Fortum agreed to sell 100% of its shares in the Polish gas infrastructure company DUON Dystrybucja S.A. to Infracapital, the infrastructure investment arm of M&G Investments. DUON Dystrybucja S.A. is transporting grid gas and LNG in Poland. The company was acquired as part of the acquisition of the electricity and gas sales company Grupa DUON S.A. (currently Fortum Markets Polska S.A.) in 2016. Fortum expects to finalise the transaction during the third quarter of 2017. The parties have agreed not to disclose the sales price. The sale is expected to have a minor positive impact on Fortum's results.

Russia

On 27 April, Fortum and RUSNANO, a Russian state-owned development company, signed a 50/50 investment partnership in order to secure the possibility of a Russian Capacity Supply Agreement (CSA) wind portfolio in Russia. In June, 1,000 MW of the bids of the Fortum-RUSNANO wind investment fund were selected in the Russian renewable energy auction. The bids were for projects to be commissioned during 2018-2022 with a price corresponding to approximately EUR 115-135 per MWh. The projects will be covered by Capacity Supply Agreements (CSA) for a period of 15 years. The investment decisions will be made on a case-by-case basis within the total mandate of the wind investment fund. Fortum's equity stake in the wind investment fund totals a maximum of RUB 15 billion (currently approximately EUR 240 million). The amount is invested over time (approx. 5 years) as it is subject to positive investment decisions. The investment fund has selected Vestas as the supplier of wind turbines in Russia.

Other

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

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

On 26 April, Fortum and the City of Oslo entered into an agreement to restructure their ownership in Hafslund ASA, one of the largest listed power groups in the Nordic region. The total debt-free price of the acquisitions is approximately EUR 970 million. The combined net cash investment of the transactions is expected to be approximately EUR 240 million. The Oslo City Council (Bystyret) approved the restructuring in June and all regulatory approvals have been received. The closing of the transactions is expected during the third quarter of 2017.

Shares and share capital

Fortum shares on Nasdaq Helsinki

January-June 2017	No. of shares traded	Total value EUR	High EUR	Low EUR	Average* EUR	Last EUR
FORTUM**	270,967,880	3,838,497,781	15.33	12.69	14.17	13.73

* Volume weighted average.
** FUM1V until 25 January 2017.

	30 June 2017	30 June 2016
Market capitalisation, EUR million	12,197	12,775
Number of shareholders	135,183	137,305
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	27.9	26.9
Households, %	11.4	11.6
Financial and insurance corporations, %	1.8	1.8
Other Finnish investors, %	8.2	9.0

In addition to Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, BATS Chi-X and Turquoise, and on the OTC market. In January-June 2017, approximately 66% of Fortum's shares were traded on markets other than Nasdaq Helsinki.

On 30 June 2017, Fortum Corporation’s share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not own its own shares.

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

Group personnel

Fortum’s operations are mainly based in the Nordic countries, Russia, Poland and the Baltic Rim area. The total number of employees at the end of June 2017 was 8,368 (8,108 at the end of 2016).

At the end of June 2017, the Generation segment had 1,075 (979 at the end of 2016) employees; City Solutions 1,789 (1,701 at the end of 2016); Consumer Solutions 986 (961 at the end of 2016); Russia 3,714 (3,745 at the end of 2016); and Other 804 (722 at the end of 2016).

Research and development

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

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

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

Sustainability

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

The Group-level sustainability targets emphasise Fortum's role in society and measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, employee wellbeing, and the security of power and heat production. Targets are set annually and they are based on continuous operational improvement. The focus of Fortum's monitoring in 2017 is on accidents that have serious consequences, rather than on the length of the sick-leave. These include accidents leading to a fatality or permanent disability and accidents that could have caused serious consequences. The quality of the investigations of occupational accidents, serious EHS incidents, and near misses is a new indicator Fortum is tracking.

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

The company is listed on the Nasdaq Helsinki exchange and is included in the STOXX Global ESG Leaders, OMX GES Sustainability Finland, ECPI® and Euronext Vigeo Eurozone 120 indices. Fortum is also ranked in category A- and as the top Nordic company in the utilities sector in the annual CDP (formerly the Carbon Disclosure Project) rating 2016, and it has received a Prime Status (B-) rating by the German oekom research AG.

Fortum's sustainability targets and performance*

Targets		II/17	I-II/17	2016	Five-year average
Specific CO_2 emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	187	185	184	188
Number of major EHS incidents	≤ 21	5	10	22	-
Energy availability of CHP plants, %	> 95	98.3	93.3	97.4	-
Total recordable injury frequency (TRIF) for own personnel	≤ 2.5	2.3	1.7	1.9	-
Lost workday injury frequency (LWIF) for own personnel	≤ 1.0	0.8	0.9	1.0	-
Lost workday injury frequency (LWIF) for contractors	≤ 3.5	4.6	4.8	3.0	-
Number of severe occupational accidents	≤ 5	0	0	5	-
Sickness-related absences, %	≤ 2.3	1.9	2.3	2.3**	-

* Group-targets for reputation, customer satisfaction, energy efficiency and the quality of incident investigations are monitored annually.
** Sickness-related absences in January-May 2017.

Economic responsibility

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

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

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

Environmental responsibility

Fortum’s aim is to provide its customers with environmentally benign products and services. A circular economy, resource and energy efficiency, and maximising the added value of waste and biomass are key priorities in Fortum's environmental approach. In addition, climate change mitigation and the reduction of environmental impacts are emphasised in Fortum's environmental responsibility. The company's know-how in CO_2-free hydro and nuclear power production and in energy-efficient combined heat and power production, investments in solar and wind power, as well as solutions for sustainable cities play a key role in this.

Fortum’s Group-level environmental targets are related to CO_2 emissions, energy efficiency, and major environmental, health and safety (EHS) incidents. At the beginning of 2017, 99.9% of Fortum's power and heat production worldwide had ISO 14001 certification.

Fortum’s climate target over the next five years is for total specific CO_2 emissions, from both electricity and heat production, to be below 200 g/kWh in all countries in which Fortum operates. The target is calculated as a five-year average. At the end of June 2017, the total specific CO_2 emissions from energy production were at 188 (188) g/kWh, which is better than the target level.

Fortum's total CO_2 emissions in January-June 2017 amounted to 9.7 (9.3) million tonnes (Mt), of which 1.5 (1.3) Mt were within the EU's emissions trading scheme (ETS). Fortum's free emission allowances in 2016 were 1.0 Mt, and the estimate for 2017 is 0.9 Mt.

Fortum's total CO_2 emissions

Million tonnes, Mt	II/17	II/16	I-II/17	I-II/16	2016	LTM
Total emissions	4.1	3.4	9.7	9.3	18.6	19.0
Emissions subject to ETS	0.6	0.3	1.5	1.3	2.7	2.9
Free emission allowances	-	-	-	-	1.0	-
Emissions in Russia	3.4	3.1	7.9	7.9	15.5	15.5

By 2020, Fortum's target is to achieve an energy savings of more than 1,400 GWh annually, compared to 2012. At the end of 2016, about 1,372 GWh had been achieved. Ongoing projects include, among others, hydropower plant refurbishments in Finland and Sweden, and a new CHP plant in Zabrze, Poland.

Fortum's target is fewer than 21 major EHS incidents annually. In January-June 2017, 10 (9) major EHS incidents took place in Fortum's operations: the incidents included 4 leaks, 4 fires, 1 explosion and 1 INES (International Nuclear and Radiological Event Scale) event exceeding level 0. These incidents did not have significant environmental or financial impacts.

Social responsibility

Fortum’s social responsibility emphasises the secure supply of electricity and heat, creating solutions for sustainable cities, operational and occupational safety, employee wellbeing, as well as ethical business operations and compliance with regulations. At the beginning of 2017, OHSAS 18001 certification covered 99.9% of Fortum's power and heat production worldwide.

The average energy availability of Fortum's CHP plants in January-June 2017 was 98.3% (98.8%), clearly above the annual target level of 95%.

The total recordable injury frequency (TRIF) for Fortum employees in January-June 2017 was 1.7 (1.5) per one million working hours, which is better than the Group-level frequency target (≤ 2.5). Fortum’s target for the lost-workday injury frequency (LWIF) for own personnel was 1.0 and it was achieved 0.9 (0.9). The lost-workday injury frequency for contractors was 4.8 (2.7), which is above the set target level (≤3.5). A project focusing on the purchasing processes has been launched targeting to improve contractor safety. The number of severe occupational accidents was 0 (3).

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

The percentage of sickness-related absences in January-May 2017 was 2.3 (2.5), which is at the target level (≤2.3).

Changes in Fortum’s Management

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

On 20 March 2017, Mikael Rönnblad, M.Sc. (Econ.), was appointed Executive Vice President, Consumer Solutions, and member of Fortum’s Executive Management. Rönnblad started in his position on 15 May 2017.

Annual General Meeting 2017

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

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

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

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

In addition, Authorised Public Accountant Deloitte & Touche Ltd (Deloitte Ltd as of 1 June 2017) was re-elected as auditor, with Authorised Public Accountant Ms Reeta Virolainen as the principal auditor. The auditor’s fee is paid pursuant to an invoice approved by the company.

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

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

Events after the balance sheet date

On 3 July 2017, Fortum announced the decision by the Administrative Court in Stockholm, Sweden, related to Fortum Sverige AB's hydro production-related real-estate tax assessments for the years 2009–2014. The Court decisions were in Fortum's favour. The tax authority may appeal the decision. The disputed amount for the five years was a total of SEK 510 million (EUR 53 million). Fortum will book the tax income (subject to income tax) only after the legal decision has entered into force. Hydro-power plants have been subject to a real-estate tax rate that has resulted in an approximately 12 times higher real-estate tax per kWh compared to any other production due to different tax rates and different valuation factors.

Key drivers and risks

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

One of the key factors influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, the prices of fuel and CO_2 emission allowances, and the hydrological situation.

The continued uncertainty in the global and European economies has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO_2 emission allowance prices, and this could maintain downward pressure on the Nordic wholesale price of electricity. In Fortum's Russian business, the key drivers are economic growth, the rouble exchange rate, regulation around the heat business, and the further development of the electricity and capacity markets. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates due to financial turbulence could have both translation and transaction effects on Fortum's financials, especially through the Russian rouble and Swedish krona.

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

Outlook

Nordic market

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

During January-June 2017, the oil price decreased, whereas the coal price continued increasing and is at a clearly higher level than the second quarter of 2016. The price of CO_2 emission allowances (EUA) remained on the same level. The price of electricity for the upcoming twelve months increased both in the Nordic area and in Germany.

In mid-July 2017, the quotation for coal (ICE Rotterdam) for the remainder of 2017 was around USD 80 per tonne and for CO_2 emission allowances for 2017 around EUR 5.5 per tonne. The Nordic system electricity forward price in Nasdaq Commodities for the rest of 2017 was around EUR 30 per MWh and for 2018 around EUR 26 per MWh. In Germany, the electricity forward price for the rest of 2017 was around EUR 35 per MWh and for 2018 around EUR 31 per MWh. Nordic water reservoirs were about 2 TWh below the long-term average, close to the levels one year ago.

Generation

The Generation segment's achieved Nordic power price typically depends on such factors as the hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible production portfolio, and currency fluctuations. Excluding the potential effects from changes in the power generation mix, a 1 EUR/MWh change in the Generation segment's Nordic power sales achieved price will result in an approximately EUR 45 million change in Fortum's annual comparable operating profit.

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

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

On 1 June 2017, the Swedish government submitted a proposal to the parliament regarding the calculations of nuclear waste fees and the investment of the nuclear waste fund. According to the proposal the operating time for calculating the waste fee will be 50 years, as opposed to the current 40 years. The fund would also be allowed to invest in other financial instruments than government bonds. The proposed changes and the legislation are expected to be effective from 1 December 2017.

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

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

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

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

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

City Solutions

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

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

Consumer Solutions

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

The competitive environment affects the Consumer Solutions segment both through the sales margins of the products sold as well as the size of the customer base. The competition in the Nordic electricity retail market is expected to remain challenging, putting pressure on sales margins.

Russia

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

In June, 1,000 MW of the bids of the 50/50 owned Fortum-RUSNANO wind investment fund were selected in the Russian wind auction. The bids are for projects to be commissioned during the years 2018-2022 with a price corresponding to approximately EUR 115-135 per MWh. The projects will be covered by Capacity Supply Agreements (CSA) for a period of 15 years.

The long-term Competitive Capacity Selection (CCS) for the years 2017-2019 was held at the end of 2015, and the long-term CCS for year 2020 was held in September 2016. All Fortum’s plants were selected. For the volume of Fortum’s installed "old" capacity, 195 MW (out of 2,214 MW), Fortum has obtained forced mode status, i.e. it receives payments for the capacity at a higher rate.

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

Capital expenditure and divestments

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

Taxation

The effective corporate income tax rate for Fortum in 2017 is estimated to be 19-21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains, and a Swedish income tax case.

On 11 May 2017, the administrative court in Stockholm, Sweden, gave its decisions related to Fortum's income tax assessments for the year 2013. The court decisions were not in Fortum's favour. Fortum will appeal the decisions. If the decisions remain in force despite the appeal, the impact on the net profit would be approximately EUR 28 million (approximately SEK 273 million). Fortum has not made a provision as, based on legal analysis, the EU Commission's view and supporting legal opinions, the cases should be ruled in Fortum's favour. The assessments concern the loans given in 2013 by Fortum's Dutch financing company to Fortum's subsidiaries in Sweden. The interest income for these loans was taxed in the Netherlands. The Swedish tax authority considers just over a half of the interest relating to each loan as deductible, i.e. deriving from business needs. The rest of the interest is seen as non-deductible. The decisions are based on the changes in the Swedish tax regulation in 2013.

On 30 June 2017, the Court of Appeal in Stockholm, Sweden, ruled against Fortum related to Fortum's income tax assessments in Sweden for the years 2009-2012. Due to the decision of the Court of Appeal, Fortum booked a tax cost of 1,175 MSEK (EUR 123 million) in the second-quarter 2017 results. The booking did not have any cash flow effect for Fortum, as the additional taxes and interest have already been paid in 2016. The case concerns Fortum's right to deduct intra-group interest expenses in Sweden in the years 2009-2012. Fortum restructured its operations and reallocated loans in 2004-2005 to ensure future operations. Fortum does not agree with the Court's decision and will apply for the right to appeal from the Supreme Administrative Court.

Hedging

At the end of June 2017, approximately 45% of Generation's estimated Nordic power sales volume was hedged at EUR 30 per MWh for the rest of 2017 and approximately 45% at EUR 28 per MWh for 2018.

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

Change of Fortum Corporation's trading and issuer codes

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

Dividend payment

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

Espoo, 19 July 2017

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

Financial calendar in 2017

Interim Report January-September will be published on 26 October 2017 at approximately 9:00 EEST

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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 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Sales	4, 7	937	768	2,169	1,757	3,632	4,044
Other income		9	9	18	19	34	33
Materials and services		-483	-380	-1,088	-836	-1,830	-2,082
Employee benefits		-106	-80	-199	-159	-334	-374
Depreciation and amortisation	4,10,11	-111	-87	-220	-171	-373	-422
Other expenses		-138	-108	-258	-213	-485	-530
Comparable operating profit	4	**109**	**122**	**421**	**397**	**644**	**668**
Items affecting comparability		-42	-54	34	40	-11	-17
Operating profit	4	**66**	**67**	**456**	**437**	**633**	**652**
Share of profit/loss of associates and joint ventures	4, 12	35	38	94	105	131	120
Interest expense		-46	-48	-83	-95	-169	-157
Interest income		9	8	16	16	30	30
Fair value gains and losses on financial instruments		-7	0	-6	2	-2	-10
Other financial expenses - net		-8	-5	-15	-14	-29	-30
Finance costs - net		-52	-44	-88	-91	-169	-166
Profit before income tax		**49**	**61**	**461**	**451**	**595**	**605**
Income tax expense	8	-118	-4	-190	-62	-90	-218
Profit for the period		**-69**	**57**	**271**	**389**	**504**	**386**
Attributable to:							
Owners of the parent		-70	57	265	383	496	378
Non-controlling interests		0	1	5	6	8	7
		-69	**57**	**271**	**389**	**504**	**386**
Earnings per share for profit attributable to the equity owners of the company (EUR per share)							
Basic		**-0.08**	0.06	**0.30**	0.43	0.56	0.43

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

EUR million	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Comparable operating profit		**109**	**122**	**421**	**397**	**644**	**668**
Impairment charges	4	0	0	0	0	27	27
Capital gains and other	4, 6	1	2	2	46	38	-6
Changes in fair values of derivatives hedging future cash flow	4	-46	-57	27	-7	-65	-31
Nuclear fund adjustment	4, 15	4	0	5	0	-11	-6
Items affecting comparability		-42	-54	34	40	-11	-17
Operating profit		**66**	**67**	**456**	**437**	**633**	**652**

Condensed consolidated statement of comprehensive income

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Profit for the period	**-69**	**57**	**271**	**389**	**504**	**386**
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	-31	-48	36	-41	-142	-65
Transfers to income statement	13	-22	50	-47	-85	12
Transfers to inventory/fixed assets	2	-3	-3	-8	-10	-5
Deferred taxes	3	16	-17	21	51	13
Net investment hedges						
Fair value gains/losses in the period	7	19	-4	9	-2	-15
Deferred taxes	-1	-4	1	-2	0	3
Exchange differences on translating foreign operations	-367	27	-172	129	342	41
Share of other comprehensive income of associates and joint ventures	-3	0	1	-10	-9	2
Other changes	0	1	-1	-1	0	0
	-378	**-14**	**-111**	**51**	**145**	**-17**
Items that will not be reclassified to profit or loss in subsequent periods:						
Actuarial gains/losses on defined benefit plans	0	0	0	1	-7	-8
Actuarial gains/losses on defined benefit plans in associates and joint ventures	0	0	-2	9	12	1
	0	**1**	**-2**	**9**	**5**	**-6**
Other comprehensive income for the period, net of deferred taxes	**-378**	**-13**	**-113**	**60**	**150**	**-23**
Total comprehensive income for the period	**-447**	**45**	**158**	**449**	**654**	**363**
Total comprehensive income attributable to						
Owners of the parent	-444	42	154	440	639	353
Non-controlling interests	-4	3	4	9	15	10
	-447	**45**	**158**	**449**	**654**	**363**

Condensed consolidated balance sheet

EUR million	Note	June 30 2017	June 30 2016	Dec 31 2016
ASSETS				
Non-current assets				
Intangible assets	10	486	286	467
Property, plant and equipment	11	9,882	8,864	9,930
Participations in associates and joint ventures	4, 12	2,111	2,037	2,112
Share in State Nuclear Waste Management Fund	15	845	826	830
Other non-current assets		115	102	113
Deferred tax assets		39	68	66
Derivative financial instruments	5	353	494	415
Long-term interest-bearing receivables	13	941	928	985
Total non-current assets		**14,772**	**13,605**	**14,918**
Current assets				
Inventories		234	234	233
Derivative financial instruments	5	88	175	130
Short-term interest-bearing receivables	13	321	297	395
Income tax receivables		146	293	290
Trade and other receivables		615	489	844
Deposits and securities (maturity over three months)		1,277	2,847	3,475
Cash and cash equivalents		2,829	3,303	1,679
Liquid funds	14	4,106	6,150	5,155
Total current assets		**5,511**	**7,638**	**7,046**
Total assets		**20,283**	**21,243**	**21,964**
EQUITY				
Equity attributable to owners of the parent				
Share capital		3,046	3,046	3,046
Share premium		73	73	73
Retained earnings		9,485	10,042	10,369
Other equity components		30	97	-29
Total		**12,635**	**13,258**	**13,459**
Non-controlling interests		**85**	**77**	**84**
Total equity		**12,720**	**13,335**	**13,542**
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	14	3,942	4,533	4,468
Derivative financial instruments	5	173	235	262
Deferred tax liabilities		638	495	616
Nuclear provisions	15	845	826	830
Other provisions	16	133	77	116
Pension obligations		77	66	76
Other non-current liabilities		174	171	179
Total non-current liabilities		**5,983**	**6,405**	**6,546**
Current liabilities				
Interest-bearing liabilities	14	769	683	639
Derivative financial instruments	5	191	246	396
Trade and other payables		621	574	841
Total current liabilities		**1,581**	**1,503**	**1,876**
Total liabilities		**7,563**	**7,908**	**8,422**
Total equity and liabilities		**20,283**	**21,243**	**21,964**

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
			Retained earnings	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies and joint ventures			
Total equity 31 December 2016	**3,046**	**73**	**12,186**	**-1,817**	**-115**	**58**	**27**	**13,459**	**84**	**13,542**
Net profit for the period			265					265	5	271
Translation differences				-171	0	0	0	-170	-2	-172
Other comprehensive income					65	-5	-1	59	0	59
Total comprehensive income for the period			265	-171	65	-5	-1	155	4	158
Cash dividend			-977					-977	-2	-979
Other			-2					-2	0	-1
Total equity 30 June 2017	**3,046**	**73**	**11,473**	**-1,988**	**-49**	**54**	**26**	**12,635**	**85**	**12,720**
Total equity 31 December 2015	**3,046**	**73**	**12,663**	**-2,156**	**74**	**67**	**27**	**13,794**	**69**	**13,863**
Net profit for the period			383					383	6	389
Translation differences				128	-1		-2	125	3	129
Other comprehensive income					-75	8	-1	-68		-68
Total comprehensive income for the period			383	128	-76	8	-3	440	9	449
Cash dividend			-977					-977		-977
Other			2					2	-1	1
Total equity 30 June 2016	**3,046**	**73**	**12,070**	**-2,028**	**-3**	**75**	**24**	**13,258**	**77**	**13,335**
Total equity 31 December 2015	**3,046**	**73**	**12,663**	**-2,156**	**74**	**67**	**27**	**13,794**	**69**	**13,863**
Net profit for the period			496					496	8	504
Translation differences				339	-2	1	-3	335	7	342
Other comprehensive income			1		-186	-10	3	-192		-192
Total comprehensive income for the period			497	339	-188	-9	0	639	15	654
Cash dividend			-977					-977		-977
Other			3					3	-1	2
Total equity 31 December 2016	**3,046**	**73**	**12,186**	**-1,817**	**-115**	**58**	**27**	**13,459**	**84**	**13,542**

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR -170 million during Q1-Q2 2017 (Q1-Q2 2016: 125). Translation differences are mainly related to RUB. Part of this translation exposure has been hedged and the foreign currency hedge result amounting to EUR -2 million during Q1-Q2 2017 (Q1-Q2 2016: 15), is included in the other OCI items.

Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are booked to equity. For information regarding exchange rates used, see Note 2 Accounting policies.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR 65 million during Q1-Q2 2017 (Q1-Q2 2016: -76), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividends

A dividend for 2016 was decided in the Annual General Meeting on 4 April 2017. See Note 9 Dividend per share.

Condensed consolidated cash flow statement

EUR million	Note	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Cash flow from operating activities							
Profit for the period		**-69**	**57**	**271**	**389**	**504**	**386**
Adjustments:							
Income tax expenses	8	118	4	190	62	90	218
Finance costs - net		52	44	88	91	169	166
Share of profit of associates and joint ventures	12	-35	-38	-94	-105	-131	-120
Depreciation and amortisation	10, 11	111	87	220	171	373	422
Operating profit before depreciations (EBITDA)		**177**	**155**	**676**	**608**	**1,006**	**1,074**
Items affecting comparability	4	42	54	-34	-40	11	17
Net release of CSA provision	4	0	0	0	-2	-2	0
Comparable EBITDA		**219**	**209**	**642**	**566**	**1,015**	**1,091**
Non-cash flow items		-36	-13	-33	-35	-49	-47
Interest received		10	13	18	23	39	34
Interest paid		-48	-76	-135	-168	-214	-181
Dividends received		53	50	53	50	54	57
Realised foreign exchange gains and losses		-6	-1	-63	128	110	-81
Income taxes paid		-12	-159	-31	-200	-216	-47
Other items		-1	-7	-2	-3	-18	-17
Funds from operations		**179**	**17**	**449**	**363**	**723**	**809**
Change in working capital		54	-22	65	7	-102	-44
Total net cash from operating activities		**232**	**-5**	**514**	**370**	**621**	**765**
Cash flow from investing activities							
Capital expenditures	10, 11	-128	-130	-308	-244	-599	-663
Acquisitions of shares	6	-25	-9	-51	-113	-695	-633
Proceeds from sales of fixed assets	10, 11	3	1	5	6	10	9
Divestments of shares	6	0	1	0	39	39	0
Shareholder loans to associated companies and joint ventures	13	54	-39	63	-68	-117	14
Change in cash collaterals	13	-110	-93	72	-269	-359	-18
Change in other interest-bearing receivables	13	8	8	19	8	20	31
Total net cash from investing activities		**-198**	**-262**	**-199**	**-641**	**-1,701**	**-1,259**
Cash flow before financing activities		**34**	**-266**	**315**	**-271**	**-1,080**	**-494**
Cash flow from financing activities							
Proceeds from long-term liabilities	14	2	-4	36	27	32	41
Payments of long-term liabilities	14	-172	-806	-464	-808	-934	-590
Change in short-term liabilities	14	29	-30	61	-28	-97	-8
Dividends paid to the owners of the parent	9	-977	-977	-977	-977	-977	-977
Other financing items		-6	-2	-4	-6	-8	-6
Total net cash used in financing activities		**-1,124**	**-1,818**	**-1,349**	**-1,792**	**-1,984**	**-1,541**
Total net increase(+)/decrease(-) in liquid funds		**-1,090**	**-2,084**	**-1,034**	**-2,063**	**-3,064**	**-2,035**
Liquid funds at the beginning of the period	14	**5,222**	**8,228**	**5,155**	**8,202**	**8,202**	**6,150**
Foreign exchange differences in liquid funds		**-26**	**6**	**-14**	**11**	**18**	**-7**
Liquid funds at the end of the period	14	**4,106**	**6,150**	**4,106**	**6,150**	**5,155**	**4,106**

Realised foreign exchange gains and losses

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

Additional cash flow information

Change in working capital

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Change in settlements for futures, decrease(+)/increase(-)	75	-44	**94**	-57	-138	13
Change in interest-free receivables, decrease(+)/increase(-)	143	145	**145**	291	92	-54
Change in inventories, decrease(+)/increase(-)	-25	-29	**-4**	-3	14	13
Change in interest-free liabilities, decrease(-)/increase(+)	-139	-93	**-170**	-224	-70	-16
Total	**54**	**-22**	**65**	**7**	**-102**	**-44**

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

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

Capital expenditure in cash flow

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Capital expenditure	136	133	**308**	215	591	684
Change in not yet paid investments, decrease(+)/increase(-)	-3	0	**9**	35	24	-2
Capitalised borrowing costs	-4	-2	**-9**	-6	-16	-19
Total	**128**	**130**	**308**	**244**	**599**	**663**

Capital expenditures for intangible assets and property, plant and equipment were in Q1-Q2 2017 EUR 308 million (Q1-Q2 2016: 215). Capital expenditure in cash flow in Q1-Q2 2017 EUR 308 million (Q1-Q2 2016: 244) is including payments related to capital expenditure made in previous year i.e. change in trade payables related to investments EUR 9 million (Q1-Q2 2016: 35) and excluding capitalised borrowing costs EUR -9 million (Q1-Q2 2016: -6), which are presented in interest paid.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 51 million during Q1-Q2 2017 (Q1-Q2 2016: 113) including shares in three wind power projects in Norway. For further information see note 6 Acquisitions and disposals.

Divestment of shares in cash flow

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	0	0	**0**	6	6	0
Proceeds from sales of associates and joint ventures	0	1	**0**	34	34	0
Total	**0**	**1**	**0**	**39**	**39**	**0**

There were no divestments of shares in Q1-Q2 2017.

Change in net debt

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Net debt, beginning of the period	**-347**	**-2,158**	**-48**	**-2,195**	**-2,195**	**-934**
Foreign exchange rate differences	11	-36	3	-47	-70	-20
Comparable EBITDA	219	209	642	566	1,015	1,091
Non-cash flow items	-36	-13	-33	-35	-49	-47
Paid net financial costs	7	-20	-130	33	-29	-192
Income taxes paid	-12	-159	-31	-200	-216	-47
Change in working capital	54	-22	65	7	-102	-44
Capital expenditures	-128	-130	-308	-244	-599	-663
Acquisitions	-25	-9	-51	-113	-695	-633
Divestments	3	1	5	45	49	9
Shareholder loans to associated companies	54	-39	63	-68	-117	14
Change in other interest-bearing receivables	-102	-85	91	-261	-340	12
Dividends	-977	-977	-977	-977	-977	-977
Other financing activities	-6	-2	-4	-6	-8	-6
Net cash flow (- increase in net debt)	-949	-1,245	-667	-1,253	-2,065	-1,479
Fair value change of bonds, amortised cost valuation, acquired debt and other	-7	15	-17	55	152	80
Net debt, end of the period	**605**	**-934**	**605**	**-934**	**-48**	**605**

Capital structure

Fortum wants to have a prudent and efficient capital structure which at the same time allows the implementation of its strategy. Maintaining a strong balance sheet and the flexibility of the capital structure is a priority. The Group monitors the capital structure based on Comparable net debt to EBITDA ratio. Net debt is calculated as interest-bearing liabilities minus liquid funds without deducting interest-bearing receivables amounting to EUR 1,262 million (Dec 31 2016: 1,380). EBITDA is calculated by adding back depreciation and amortisation to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability and the net release of CSA provision from EBITDA. Fortum's comparable net debt to EBITDA target is around 2.5.

Comparable Net debt/EBITDA ratio

EUR million	Last twelve months	2016
Interest-bearing liabilities	4,711	5,107
Less: Liquid funds	4,106	5,155
Net debt	**605**	**-48**
Operating profit	652	633
Add: Depreciation and amortisation	423	373
EBITDA	1,075	1,006
Less: Items affecting comparability	-17	-11
Less: Net release of CSA provision	0	2
Comparable EBITDA	**1,091**	**1,015**
Comparable net debt/EBITDA	**0.6**	**0.0**

Key ratios

Definition of key figures are presented in Note 23.

	June 30 2017	June 30 2016	Dec 31 2016	Last twelve months
Comparable EBITDA, EUR million	642	566	1,015	1,091
Earnings per share (basic), EUR	0.30	0.43	0.56	0.43
Capital employed, EUR million	17,431	18,552	18,649	
Interest-bearing net debt, EUR million	605	-934	-48	
Capital expenditure and gross investments in shares, EUR million	360	347	1,435	1,448
Capital expenditure, EUR million	308	215	591	684
Return on capital employed, % [1)]	5.9	5.5	4.0	4.3
Return on shareholders' equity, % [1)]	3.9	5.4	3.7	3.0
Comparable net debt / EBITDA [1)]	0.5	-0.8	0.0	0.6
Interest coverage	6.8	5.6	4.6	5.1
Interest coverage including capitalised borrowing costs	6.0	5.2	4.1	4.5
Funds from operations/interest-bearing net debt, % [1)]	159.1	-64.1	-1,503.4	133.8
Gearing, %	5	-7	0	
Equity per share, EUR	14.22	14.92	15.15	
Equity-to-assets ratio, %	63	63	62	
Number of employees	8,368	7,981	8,108	
Average number of employees	8,205	7,830	7,994	
Average number of shares, 1 000 shares	888,367	888,367	888,367	
Diluted adjusted average number of shares, 1 000 shares	888,367	888,367	888,367	
Number of registered shares, 1 000 shares	888,367	888,367	888,367	

1) Quarterly figures are annualised except items affecting comparability.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

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

2. Accounting policies

The same accounting policies and presentation have been followed in these condensed interim financial statements as were applied in the preparation of the consolidated financial statements for the year ended 31 December 2016.

Fortum will adopt two new IFRS standards in 2018 (IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers) and one in 2019 (IFRS 16 Leases). Below is information of the on-going implementation projects. Additional information will be published in the upcoming interim releases.

IFRS 9 Financial instruments

Fortum has completed the initial gapping and design phase of the project. The initial interpretations taken are:
• Classification and measurement of financial assets - Most financial assets will be classified under "Hold-to-Collect" business model and accounted for as amortised cost when they meet the SPPI criteria.
• Fortum's commodity derivative hedging will benefit from the possibility to apply hedge accounting for one or several risk components separately or in aggregation. In Nordic area Fortum considers system and electricity price area differential (EPAD) products perfect hedges for corresponding electricity price risk components. This will reduce the volatility in Fortum's profit and loss currently recognized as items affecting comparability.
• Implementation of expected credit loss (“ECL”) model is ongoing. Fortum plans to implement counterparty specific ECL models to be used on individual contract basis for deposits, shareholder loans and trade receivables with large customers whereas portfolio models will be used for trade receivables with consumers and small business customers.

The IFRS 9 project is currently in the implementation and testing phase including model validations, process and system updates and preparation of the new disclosures including possible opening balance sheet adjustments.

IFRS 15 Revenue from Contracts with Customers

Fortum does not expect material changes from IFRS 15 implementation, however final conclusions require thorough analysis together with business. Analysis includes the following main steps:
• Identification and assessment of the main revenue streams,
• Determining key areas of potential differences between old and new revenue recognition principles and
• Reviewing a sample of contracts.

The analysis completed so far includes most of the Nordic operations. The initial conclusions requiring the greatest degree of management judgement are as follows:
• *Electricity sales to wholesale market:* Physical electricity trades to Nord Pool are made either during the same day or day before the delivery and the duration of the contract is thus very short. The transaction price is the spot price and there are no variable elements. Electricity sales continue to be recognized upon delivery and hence there are no changes identified compared to the current recognition principles.
• *District heating:* In the Nordic countries the district heating service covers both the distribution and sale of heat. Fortum has concluded that these are not separate performance obligations and are both covered by the promise to stand-ready to supply heat to the customer. Also the fees charged for connecting the customer to the district heat network are part of the same performance obligation. The fees charged from the customer comprise a fixed monthly charge and a variable component that is determined based on the volume of heat supplied. In accordance to the IFRS15 principles, the fixed charge and the variable heat volume charge are allocated and recognised in line with the fees chargeable from the customer. The fee received for connecting the client is recognised, once the connection is ready, as the contracts are open-ended with short termination period. There are no changes identified compared to the current revenue recognition principles.
• *Waste management services:* Majority of the revenues from waste management services arises from the fees charged for receiving the waste from customers (i.e. gate fees). The fee is usually determined based on the volume of waste received and there are no variable elements in the pricing. Fortum is required to treat the waste and this performance obligation is satisfied when the treatment is performed. Transportation of the waste form another performance obligation, which is recognized once the service is performed. There are no changes identified to the current practices.
• *Electricity sales to retail customers:* Fortum’s contracts with the consumer and business customers cover the electricity sales, while the distribution service is delivered by the transmission company operating the local network. There is only one performance obligation, which is to stand-ready to supply electricity to the customer. The transaction price includes both a fixed monthly fee and a variable fee that depends on the volume of electricity supplied. As with the district heating business, the fixed and variable components are to be recognized as revenue based on the fees chargeable from the customer. Potential changes to the current accounting include the treatment of sales commissions, which are currently expensed in Finland. The impact is being further analyzed but it is not expected to be significant.

The analysis and assessment is on-going in other operating areas and will be completed during the second half of 2017.

Fortum will use the transition relief for not to restate the comparative information at the date of initial application.

IFRS 16 Leases

Currently under IAS 17, lessees recognize leases either as operating leases or finance leases. The new standard no longer distinguishes between operating and finance leases from a lessees point of view, and most right-of-use assets are recognized in the balance sheet. For lessors, there are no significant changes. In brief, IFRS 16 requirements contain the following:
• A lessee shall recognize all leases, except for short-term and low value leases, in the balance sheet.
• For lessees, both the value of the right-of-use asset and the corresponding liability shall be recognized in the balance sheet.

IFRS 16 is effective for financial periods starting on 1 January 2019 or later. EU endorsement to be expected to be made by the end of 2017.

Currently, Fortum has mainly operating leases with varying lease terms and prolongation rights. The majority of the operating leases are for the use of land, office buildings and parking lots. Total future lease obligations amounted to EUR 120 million at the end of the reporting period (Dec 31 2016: 74). Hence, the impacts of the standard to the consolidated financial statements are not expected to be material.

The key exchange rates applied in the Fortum Group accounts

The balance sheet date rate is based on exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of each 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 2017	Jan-March 2017	Jan-Dec 2016	Jan-Sept 2016	Jan-June 2016	Jan-March 2016
Sweden (SEK)	9.5900	9.5257	9.4496	9.3673	9.2813	9.2713
Norway (NOK)	9.1923	9.0030	9.2888	9.3614	9.4060	9.5016
Poland (PLN)	4.2707	4.3189	4.3659	4.3570	4.3621	4.3289
Russia (RUB)	63.4507	62.6996	73.8756	75.8412	77.2497	80.6173

Balance sheet date rate	June 30 2017	March 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	March 31 2016
Sweden (SEK)	9.6398	9.5322	9.5525	9.6210	9.4242	9.2253
Norway (NOK)	9.5713	9.1683	9.0863	8.9865	9.3008	9.4145
Poland (PLN)	4.2259	4.2265	4.4103	4.3192	4.4362	4.2576
Russia (RUB)	67.5449	60.3130	64.3000	70.5140	71.5200	76.3051

3. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Provisions for present obligations require management to assess the best estimate of the expenditure needed to settle the present obligation at the end of the reporting period.

In preparing these interim financial statements, the significant judgements made by management applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4. Segment information

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

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

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

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

Quarter		Generation[1)]		City Solutions[1)]		Consumer Solutions		Russia		Other		Total	
EUR million	Note	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Income statement data by segment													
External sales		399	380	201	121	164	146	238	182	8	7	1,010	837
Internal sales		2	4	4	0	0	0	0	0	16	15	23	19
Netting of Nord Pool transactions [2)]												-73	-69
Eliminations [2)]												-23	-19
Sales	7	**402**	**384**	**205**	**121**	**164**	**146**	**238**	**182**	**24**	**23**	**937**	**768**
Comparable EBITDA		**111**	**124**	**37**	**20**	**8**	**15**	**88**	**64**	**-24**	**-15**	**219**	**209**
Net release of CSA provision								0	0			0	0
Depreciation and amortisation		-34	-26	-36	-26	-2	-2	-35	-30	-5	-3	-111	-87
Comparable operating profit		**78**	**98**	**1**	**-5**	**6**	**13**	**53**	**34**	**-28**	**-18**	**109**	**122**
Impairment charges		0	0	0	0	0	0	0	0	0	0	0	0
Capital gains and other	6	0	0	1	0	0	0	0	0	0	0	1	2
Changes in fair values of derivatives hedging future cash-flow		-47	-67	-2	4	2	7	0	0	0	-1	-46	-57
Nuclear fund adjustment	15	4	0	0	0	0	0	0	0	0	0	4	0
Items affecting comparability		-43	-66	-1	4	2	7	0	2	0	-1	-42	-54
Operating profit		**34**	**32**	**0**	**-2**	**8**	**20**	**53**	**36**	**-28**	**-18**	**66**	**67**
Share of profit/loss of associates and joint ventures	12	-5	-1	4	4	0	0	19	18	17	18	35	38
Finance costs - net												-52	-44
Income taxes	8											-118	-4
Profit for the period												**-69**	**57**
Investments / divestments by segment													
Gross investments in shares	6	2	0	9	0	0	3	0	0	6	4	17	7
Capital expenditure	10, 11	40	50	34	17	1	0	42	53	19	13	136	133
of which capitalised borrowing costs		1	0	0	0	0	0	2	2	1	0	4	2
Gross divestments of shares	6	0	0	0	0	0	1	0	5	0	0	0	6

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.
2) Netting and eliminations include eliminations of internal sales and netting of Nord Pool transactions. Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Year-to-date		Generation[1)]		City Solutions[1)]		Consumer Solutions		Russia		Other		Total	
EUR million	Note	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016	Q1-Q2 2017	Q1-Q2 2016
Income statement data by segment													
External sales		864	831	488	349	406	320	586	431	16	16	2,360	1,947
Internal sales		12	20	7	0	1	1	0	0	32	31	52	52
Netting of Nord Pool transactions [2)]												-191	-189
Eliminations [2)]												-52	-52
Sales		**876**	**851**	**495**	**349**	**406**	**321**	**586**	**431**	**48**	**46**	**2,169**	**1,757**
Comparable EBITDA		**277**	**306**	**131**	**90**	**22**	**29**	**256**	**169**	**-44**	**-28**	**642**	**566**
Net release of CSA provision	18							0	2			0	2
Depreciation and amortisation		-64	-53	-74	-51	-4	-3	-71	-58	-8	-6	-220	-171
Comparable operating profit		**214**	**253**	**57**	**39**	**18**	**26**	**185**	**113**	**-52**	**-34**	**421**	**397**
Impairment charges	6	0	0	0	0	0	0	0	0	0	0	0	0
Capital gains and other	8	1	0	1	12	0	0	0	32	0	0	2	46
Changes in fair values of derivatives hedging future cash-flow		45	-11	1	5	-19	-2	0	0	1	0	27	-7
Nuclear fund adjustment	17	5	0	0	0	0	0	0	0	0	0	5	0
Items affecting comparability		51	-10	2	17	-19	-2	0	34	1	0	34	40
Operating profit		**264**	**243**	**59**	**56**	**-1**	**25**	**185**	**147**	**-52**	**-34**	**456**	**437**
Share of profit/loss of associates and joint ventures	14	-7	-5	50	52	0	0	20	27	31	32	94	105
Finance costs - net												-88	-91
Income taxes												-190	-62
Profit for the period												**271**	**389**
Investments / divestments by segment													
Gross investments in shares		3	2	9	5	0	117	0	0	40	8	52	132
Capital expenditure		64	75	54	32	3	0	73	93	114	15	308	215
of which capitalised borrowing costs		1	0	1	0	0	0	5	6	2	0	9	6
Gross divestments of shares		0	0	0	33	0	1	0	122	0	0	0	156

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.
2) Netting and eliminations include eliminations of internal sales for continuing operations and netting of Nord Pool transactions. Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Last twelve months		Generation[1)]		City Solutions[1)]		Consumer Solutions		Russia		Other		Total	
EUR million	Note	LTM	2016	LTM	2016	LTM	2016	LTM	2016	LTM	2016	LTM	2016
Income statement data by segment													
External sales		1,676	1,643	919	780	752	666	1,051	896	31	31	4,429	4,016
Internal sales		7	15	8	1	2	2	0	0	62	61	79	79
Netting of Nord Pool transactions [2)]												-386	-384
Eliminations [2)]												-79	-79
Sales	7	**1,682**	**1,657**	**928**	**782**	**753**	**668**	**1,051**	**896**	**94**	**92**	**4,044**	**3,632**
Comparable EBITDA		**498**	**527**	**227**	**186**	**48**	**55**	**399**	**312**	**-80**	**-64**	**1,091**	**1,015**
Net release of CSA provision								0	2			0	2
Depreciation and amortisation		-121	-110	-144	-121	-8	-7	-136	-123	-15	-13	-422	-373
Comparable operating profit		**378**	**417**	**82**	**64**	**40**	**48**	**263**	**191**	**-95**	**-77**	**668**	**644**
Impairment charges [3)]		27	27	0	0	0	0	0	0	0	0	27	27
Capital gains and other	6	2	1	-11	0	0	0	3	35	2	2	-6	38
Changes in fair values of derivatives hedging future cash flow		-40	-96	18	22	-6	11	0	0	-1	-2	-31	-65
Nuclear fund adjustment	15	-6	-11	0	0	0	0	0	0	0	0	-6	-11
Items affecting comparability		-18	-79	7	22	-6	11	1	35	1	0	-17	-11
Operating profit		**359**	**338**	**89**	**86**	**33**	**59**	**264**	**226**	**-95**	**-77**	**652**	**633**
Share of profit/loss of associates and joint ventures	12	-36	-34	74	76	0	0	31	38	50	51	120	131
Finance costs - net												-166	-169
Income taxes	8											-218	-90
Profit for the period												**386**	**504**
Investments / divestments by segment													
Gross investments in shares	6	8	7	702	698	0	117	0	0	54	22	764	844
Capital expenditure	10, 11	185	196	131	109	6	3	181	201	182	83	684	591
of which capitalised borrowing costs		4	3	2	1	0	0	9	10	4	2	19	16
Gross divestments of shares	6	0	0	0	33	0	1	5	127	0	0	5	161

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.
2) Netting and eliminations include eliminations of internal sales and netting of Nord Pool transactions. Sales and purchases with Nord Pool Spot are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.
3) No impairment charges have been made during Q1-Q2 2017. The provision for the early closure of units 1 and 2 in OKG Aktiebolag was updated during fourth quarter 2016 resulting in a positive impairment charge of EUR 22 million in Generation segment.

Segment assets and liabilities

		Generation		City Solutions		Consumer Solutions		Russia		Other		Total	
EUR million	Note	June 30 2017	Dec 31 2016	June 30 2017	Dec 31 2016	June 30 2017	Dec 31 2016	June 30 2017	Dec 31 2016	June 30 2017	Dec 31 2016	June 30 2017	Dec 31 2016
Non-interest bearing assets		**6,079**	**6,206**	**2,590**	**2,672**	**283**	**348**	**2,817**	**2,967**	**400**	**240**	**12,169**	**12,432**
Participations in associated companies and joint	12	704	711	596	573	0	0	433	436	377	392	2,111	2,112
Eliminations												6	-18
Total segment assets		**6,783**	**6,917**	**3,186**	**3,245**	**283**	**348**	**3,250**	**3,402**	**778**	**632**	**14,286**	**14,526**
Interest-bearing receivables	13											1,262	1,380
Deferred tax assets												39	66
Other assets	14											590	838
Liquid funds												4,106	5,155
Total assets												**20,283**	**21,964**
Segment liabilities		**1,059**	**1,102**	**297**	**371**	**154**	**194**	**94**	**119**	**141**	**117**	**1,745**	**1,903**
Eliminations												6	-18
Total segment liabilities												**1,751**	**1,885**
Deferred tax liabilities												638	616
Other liabilities												463	814
Total liabilities included in capital employed												**2,852**	**3,315**
Interest-bearing liabilities	14											4,711	5,107
Total equity												12,720	13,542
Total equity and liabilities												**20,283**	**21,964**
Number of employees		1,075	979	1,789	1,701	986	961	3,714	3,745	804	722	8,368	8,108
Average number of employees [1)]		1,007	1,064	1,722	1,529	970	877	3,746	3,814	760	711	8,205	7,994

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

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

		Generation		City Solutions		Consumer Solutions		Russia		Other	
EUR million	Note	LTM	Dec 31 2016	LTM	Dec 31 2016	LTM	Dec 31 2016	LTM	Dec 31 2016	LTM	Dec 31 2016
Comparable operating profit		**378**	**417**	**82**	**64**	**40**	**48**	**263**	**191**	**-95**	**-77**
Share of profit of associated companies and joint ventures	12	-36	-34	74	76	0	0	31	38	50	51
Adjustment for Share of profit of associated companies and joint ventures		7	16	0	0	0	0	0	0	0	0
Comparable operating profit including share of profits from associates and joint ventures		**349**	**399**	**157**	**140**	**40**	**48**	**294**	**229**	**-45**	**-26**
Segment assets at the end of the period		6,783	6,917	3,186	3,245	283	348	3,250	3,402	778	632
Segment liabilities at the end of the period		1,059	1,102	297	371	154	194	94	119	141	117
Comparable net assets		**5,724**	**5,815**	**2,889**	**2,873**	**129**	**154**	**3,156**	**3,284**	**637**	**514**
Comparable net assets average 1)		**5,776**	**5,820**	**2,695**	**2,384**	**136**	**109**	**3,149**	**2,857**	**538**	**422**
Comparable return on net assets, %		**6.0**	**6.9**	**5.8**	**5.9**	**29.3**	**44.3**	**9.3**	**8.0**	**-8.4**	**-6.1**

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

5. Financial risk management

The Group has not made any significant changes in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2016.

Fair value hierarchy information

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

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

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

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

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

Financial assets

	Level 1			Level 2			Level 3			Netting [2]			Total		
EUR million	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016
In non-current assets															
Available for sale financial assets [1]	0	1	0				60	45	58				60	46	58
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				2	38	4				-2	-16	-3	0	22	1
Non-hedge accounting	0		0	100	179	98				-29	-77	-31	71	103	67
Interest rate and currency derivatives															
Hedge accounting				209	275	240							209	275	240
Non-hedge accounting				68	92	103							68	92	103
Oil and other futures and forward contracts															
Non-hedge accounting	11	19	7	1		0				-8	-16	-2	4	3	5
Total in non-current assets	**11**	**20**	**7**	**380**	**584**	**445**	**60**	**45**	**58**	**-39**	**-109**	**-36**	**413**	**540**	**473**
In current assets															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				8	34	9				-7	-19	-9	1	16	0
Non-hedge accounting	0	1	0	179	182	381				-135	-126	-293	44	57	88
Interest rate and currency derivatives															
Hedge accounting				10	18	16							10	18	16
Non-hedge accounting				23	7	7							23	7	7
Oil and other futures and forward contracts															
Non-hedge accounting	81	110	106	3		2				-73	-34	-90	10	76	18
Total in current assets	**81**	**111**	**106**	**223**	**241**	**415**	**0**	**0**	**0**	**-215**	**-179**	**-392**	**88**	**175**	**130**
Total	**92**	**131**	**113**	**603**	**825**	**860**	**60**	**45**	**58**	**-254**	**-288**	**-428**	**501**	**715**	**603**

Financial liabilities

EUR million	Level 1			Level 2			Level 3			Netting [2]			Total		
	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016	June 30 2017	June 30 2016	Dec 31 2016
In non-current liabilities															
Interest-bearing liabilities [3]				1,262	1,301	1,280							1,262	1,301	1,280
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				14	20	51				-2	-16	-3	12	4	48
Non-hedge accounting				122	185	121				-29	-77	-31	93	109	90
Interest rate and currency derivatives															
Hedge accounting				38	73	70							38	73	70
Non-hedge accounting				24	37	51							24	37	51
Oil and other futures and forward contracts															
Non-hedge accounting	14	27	5	1	2	0				-8	-16	-2	7	12	3
Total in non-current liabilities	**14**	**27**	**5**	**1,461**	**1,618**	**1,573**	**0**	**0**	**0**	**-39**	**-109**	**-36**	**1,436**	**1,536**	**1,542**
In current liabilities															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				37	21	92				-7	-19	-9	31	3	83
Non-hedge accounting	0	1	0	221	204	448				-135	-126	-293	86	79	155
Interest rate and currency derivatives															
Hedge accounting				13	5	10							13	5	10
Non-hedge accounting				46	78	130							46	78	130
Oil and other futures and forward contracts															
Non-hedge accounting	85	114	106	4	1	2				-73	-34	-90	16	82	18
Total in current liabilities	**85**	**115**	**106**	**321**	**309**	**682**	**0**	**0**	**0**	**-215**	**-179**	**-392**	**191**	**246**	**396**
Total	**99**	**142**	**111**	**1,782**	**1,927**	**2,255**	**0**	**0**	**0**	**-254**	**-288**	**-428**	**1,627**	**1,782**	**1,938**

1) Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consists mainly of shares in unlisted companies of EUR 60 million (Dec 31 2016: 58), for which the fair value cannot be reliably determined. This includes Fortum's shareholding in Fennovoima of EUR 20 million (Dec 31 2016: 18). These assets are measured at cost less any impairment costs.

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

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

Net fair value amount of interest rate and currency derivatives is EUR 190 million, including assets EUR 310 million and liabilities EUR 120 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of June 2017 Fortum had received EUR 116 million from Credit Support Annex agreements. The received cash has been booked as short term liability.

Regarding the relevant interest-bearing liabilities, see Note 14 Interest-bearing net debt and Note 19 Pledged assets and contingent liabilities.

6. Acquisitions and disposals

6.1 Acquisitions

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Gross investments in shares in subsidiary companies	8	6	42	120	813	735
Gross investments in shares in associated companies and joint ventures	6	1	6	10	17	13
Gross investments in available for sale financial assets	4	0	4	2	14	16
Gross investments in shares	**17**	**7**	**52**	**132**	**844**	**764**

Acquisitions during 2017

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

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

In April 2017, Fortum and the City of Oslo entered into an agreement to restructure their ownership in Hafslund ASA. Fortum will sell its 34.1% stake in Hafslund ASA to the City of Oslo for approximately EUR 730 million before the proposed dividend for the Annual General Meeting 2017. Fortum will book a one-time tax-free sales gain totaling approximately EUR 330 million, which corresponds to EUR 0.37 earnings per share. At the same time Fortum will acquire 100% of Hafslund’s current Markets business area, which operates in Norway, Sweden and Finland. Hafslund’s Heat business area and the City of Oslo’s waste-to-energy company Klemetsrudanlegget AS (KEA) will be combined into one company and Fortum will acquire 50 % of the combined company. In addition, Fortum will acquire 10% of Hafslund’s current Production business area.

The total debt-free price of the acquisitions is approximately EUR 970 million.The transactions are subject to fulfilment of the customary closing conditions. The closing of the transactions is expected during the third quarter of 2017.

In April 2017, Fortum and RUSNANO, a Russian state-owned development company, signed a 50/50 investment partnership in order to secure the possibility of a Russian Capacity Supply Agreement (CSA) wind portfolio in Russia. The wind investment fund 50/50 owned by Fortum and RUSNANO was awarded 1,000 MW wind capacity in Russian wind CSA auction in June 2017. The investments decisions will be made on a case-by-case basis within the total mandate of the wind investment fund. Fortum’s equity stake in the wind investment fund totals a maximum of RUB 15 billion (currently approximately EUR 240 million). The amount is invested over time (within approximately 5 years) as it is subject to positive investment decisions.

Acquisitions during 2016

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

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

Fortum Waste Solutions Oy is fully consolidated into Fortum Group from the end of August 2016 and has been integrated as a business area into the City Solutions segment. The comparative numbers in this interim report include the income statement effect of Fortum Waste Solutions from 1 September 2016 onwards. The consolidated sales for Q1-Q2 2017 included in the City Solutions segment was EUR 133 million (Sept to Dec 2016: 105), comparable operating profit EUR 7 million (Sept to Dec 2016: 7) and comparable EBITDA EUR 32 million (Sept to Dec 2016: 26). The consolidated sales for the second quarter 2017 was EUR 66 million, comparable operating profit EUR -1 million and comparable EBITDA EUR 11 million.

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

The comparative numbers in this interim report include the income statement effect of Fortum Markets Polska S.A. from 1 April 2016 onwards. The consolidated sales for Q1-Q2 2017 included in the Consumer Solutions segment was EUR 145 million (April-Dec 2016: 155), comparable operating profit EUR 2 million (April-Dec 2016: 4) and comparable EBITDA EUR 5 million (April-Dec 2016: 8). The consolidated sales for the second quarter 2017 was EUR 64 million, comparable operating profit EUR 0 million and comparable EBITDA EUR 1 million.

The initial purchase price allocation as of 31 March 2016 was finalised during Q1/2017. No material changes were made compared to the information disclosed in the consolidated financial statements for 2016.

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

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

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

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

6.2 Disposals

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Gross divestments of shares in subsidiary companies	0	5	0	122	127	5
Gross divestments of shares in associated companies and joint ventures	0	1	0	34	34	0
Gross divestments of shares	**0**	**6**	**0**	**156**	**161**	**5**

Disposals during 2017

There were no material disposals during Q1-Q2 2017.

In May 2017, Fortum agreed to sell 100% of its shares in the Polish gas infrastructure company DUON Dystrybucja S.A. to Infracapital, the infrastructure investment arm of M&G Investments. DUON Dystrybucja S.A. is transporting grid gas and LNG in Poland. The company was acquired as part of the acquisition of the electricity and gas sales company Grupa DUON S.A. (currently Fortum Markets Polska S.A.) in 2016. Fortum expects to finalise the transaction during the third quarter of 2017.

Disposals during 2016

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

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

7. Sales

EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Power sales excluding indirect taxes	654	591	1,448	1,300	2,587	2,735
Heating sales	133	98	422	343	648	727
Other sales	150	80	300	114	398	584
Total	**937**	**768**	**2,169**	**1,757**	**3,632**	**4,044**

8. Income taxes

Taxes for the period totalled EUR 190 (Q1-Q2 2016: 62) million. The effective income tax rate according to the income statement was 41.2% (Q1-Q2 2016: 13.9%). The comparable effective income tax rate, excluding the impact of the share of profits from associated companies, joint ventures as well as non-taxable capital gains and other major one time income tax effects, was 20.3% (Q1-Q2 2016: 18.7 %).

The major one time income tax effect was related to decision from Administrative court of appeal in Sweden and was totaling EUR 115 million. It did not have any cash flow effect as the additional taxes have already been paid in June 2016.

Fortum has paid taxes in previous years also regarding other ongoing tax disputes. The appeal processes are ongoing and based on legal analysis and legal opinions the payments are booked as a receivable, EUR 113 (31 Dec 2016: 237) million, included in Income tax receivables. For additional information see Note 20 Legal actions and official proceedings.

9. Dividend per share

A dividend for 2016 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 4 April 2017. The dividend was paid on 13 April 2017.

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

10. Changes in intangible assets

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Opening balance	**467**	**222**	**222**
Acquisitions	30	56	216
Capital expenditures	7	1	3
Changes in emission rights	-6	-5	0
Depreciation and amortisation	-11	-9	-19
Reclassifications	8	3	4
Translation differences and other adjustments	-8	19	39
Closing balance	**486**	**286**	**467**

Of which goodwill EUR million	June 30 2017	June 30 2016	Dec 31 2016
Goodwill included in opening balance	**353**	**152**	**152**
Translation differences	-8	19	38
Acquisitions [1)]	1	22	163
Goodwill included in closing balance	**347**	**193**	**353**

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

11. Changes in property, plant and equipment

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Opening balance	**9,930**	**8,710**	**8,710**
Acquisitions	21	52	747
Capital expenditures	302	214	588
Changes of nuclear asset retirement cost	-1	6	-6
Disposals	-4	-4	-7
Depreciation and amortisation	-209	-162	-355
Divestments	0	-88	-92
Reclassifications	-8	-3	-4
Translation differences and other adjustments	-149	139	348
Closing balance	**9,882**	**8,864**	**9,930**

12. Changes in participations in associates and joint ventures

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Opening balance	**2,112**	**1,959**	**1,959**
Acquisitions	6	10	17
Share of profits of associates and joint ventures	94	105	131
Dividend income received	-53	-50	-54
OCI items associated companies	-1	-3	0
Divestments	0	-22	-22
Translation differences and other adjustments	-47	39	81
Closing balance	**2,111**	**2,037**	**2,112**

Share of profits from associates and joint ventures

Fortum's share of profit from associates and joint ventures in Q2 2017 was EUR 35 million (Q2 2016: 38), of which Hafslund represented EUR 17 million (Q2 2016: 18), Territorial Generating Company (TGC-1) EUR 19 million (Q2 2016: 18) and Fortum Värme EUR 1 million (Q2 2016: 1).

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.

Fortum's share of profit from associates and joint ventures for the period January-June 2017 amounted to EUR 94 million (Q1-Q2 2016: 105), of which Hafslund represented EUR 31 million (Q1-Q2 2016: 32), Territorial Generating Company (TGC-1) EUR 20 million (Q1-Q2 2016: 27) and Fortum Värme EUR 44 million (Q1-Q2 2016: 45).

At the end of June 2017 carrying amount of Hafslund in the balance sheet was EUR 342 million (Dec 31 2016: 356) including share of profits of Q1 2017 and impact from dividends received in May 2017.

Dividends received

During Q1-Q2 2017 Fortum has received EUR 53 million (Q1-Q2 2016: 50) in dividends from associates of which EUR 21 million (Q1-Q2 2016: 22) was received from Fortum Värme and EUR 24 million (Q1-Q2 2016: 21) from Hafslund.

13. Interest-bearing receivables

EUR million	Carrying amount June 30 2017	Fair value June 30 2017	Carrying amount Dec 31 2016	Fair value Dec 31 2016
Long-term loan receivables from associated companies	670	711	704	744
Long-term loan receivables from joint ventures	187	209	182	206
Other long-term interest-bearing receivables	84	85	99	99
Total long-term interest-bearing receivables	**941**	**1,005**	**985**	**1,049**
Short-term interest bearing receivables	321	321	395	395
Total interest-bearing receivables	**1,262**	**1,326**	**1,380**	**1,444**

Long-term loan receivables include receivables from associated companies and joint ventures EUR 857 million (Dec 31 2016: 886). These receivables include EUR 652 million (Dec 31 2016: 686) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership.

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

Interest-bearing receivables includes also EUR 114 million (Dec 31 2016: 131) receivable from SIBUR, a Russian gas processing and petrochemicals company regarding divested shares of OOO Tobolsk CHP.

Short-term interest-bearing receivables include EUR 288 million (Dec 31 2016: 360) restricted cash mainly given as collateral for commodity exchanges. The new European Market Infrastructure Regulation (EMIR) came into force in 2016 requiring fully-backed guarantees.

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

14. Interest-bearing net debt

Net debt EUR million	June 30 2017	June 30 2016	Dec 31 2016
Interest-bearing liabilities	4,711	5,216	5,107
Liquid funds	4,106	6,150	5,155
Net debt	**605**	**-934**	**-48**

Net debt is calculated as interest-bearing liabilities less liquid funds without deducting interest-bearing receivables amounting to EUR 1,262 million (Dec 31 2016: 1,380). Interest-bearing receivables mainly consist of shareholder loans to partly owned nuclear companies regarded as long-term financing. For more information see Note 13 Interest-bearing receivables.

Interest-bearing debt	Carrying amount	Fair value	Carrying amount	Fair value
EUR million	June 30 2017	June 30 2017	Dec 31 2016	Dec 31 2016
Bonds	2,964	3,160	3,329	3,609
Loans from financial institutions	279	304	393	425
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,129	1,188	1,094	1,156
Other long term interest-bearing debt [1]	143	149	151	157
Total long term interest-bearing debt [2]	4,514	4,801	4,967	5,348
Short term interest-bearing debt	197	198	140	140
Total	**4,711**	**4,999**	**5,107**	**5,488**

1) Including loans from Finnish pension institutions EUR 53 million (Dec 31 2016: 58) and other loans EUR 90 million (Dec 31 2016: 93).
2) Including current portion of long-term debt EUR 572 million (Dec 31 2016: 499).

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

During the first quarter of 2017 Fortum increased the amount of reborrowing from the Finnish State Nuclear Waste Management Fund and TVO by EUR 35 million to EUR 1,129 million. In March Fortum repaid two SEK bonds equivalent to EUR 290 million (SEK 2,750 million). During the second quarter Fortum repaid a NOK bond equivalent to EUR 53 million (NOK 500 million) and a bilateral SEK loan to NIB equivalent to EUR 78 million (SEK 750 million).

At the end of June 2017, the amount of short term financing included 116 million (Dec 31 2016: 135) from Credit Support Annex agreements. The interest-bearing debt decreased during the second quarter by EUR 164 million from EUR 4,875 million to EUR 4,711 million.

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 2.0% at the balance sheet date (Dec 31 2016: 2.1%). Part of the external loans, EUR 761 million (Dec 31 2016: 805) have been swapped to RUB and the average interest cost for these loans including cost for hedging the RUB was 10.7% at the balance sheet date (Dec 31 2016: 11.4%). The average interest rate on total loans and derivatives at the balance sheet date was 3.4% (Dec 31 2016: 3.5%).

Maturity of interest-bearing liabilities EUR million	June 30 2017
2017 [1]	215
2018	598
2019	803
2020	69
2021	536
2022 and later	2,490
Total	**4,711**

1) The cash received as collateral based on Credit Support Annex agreements, amounting to EUR 116 million, has been booked as short-term liability.

Liquid funds EUR million	June 30 2017	June 30 2016	Dec 31 2016
Deposits and securities with maturity more than 3 months	1,277	2,847	3,475
Cash and cash equivalents	2,829	3,303	1,679
Total	**4,106**	**6,150**	**5,155**

Total liquid funds decreased by EUR 1,116 million from EUR 5,222 million to EUR 4,106 million during the second quarter.

Liquid funds consist of deposits and cash in bank accounts amounting to EUR 3,577 million and commercial papers EUR 529 million. Deposits and securities include fixed term deposits and commercial papers with maturity more than three months but less than twelve months. The average interest rate on deposits and securities excluding Russian deposits on 30 June 2017 was -0.16% (Dec 31 2016: -0.01%). Liquid funds held by OAO Fortum amounted to EUR 223 million (Dec 31 2016: 105) and the average interest rate for this portfolio was 7.4% at the balance sheet date.

Liquid funds totaling EUR 3,513 million (Dec 31 2016: 4,663) are placed with counterparties that have an investment grade credit rating. In addition, EUR 593 million (Dec 31 2016: 377) have been placed with counterparties separately reviewed and approved by the Group's credit control department.

15. Nuclear related assets and liabilities

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

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

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

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

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Carrying values in the balance sheet			
Nuclear provisions	845	826	830
Fortum's share of the State Nuclear Waste Management Fund	845	826	830
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	1,141	1,094	1,141
Funding obligation target	1,125	1,094	1,125
Fortum's share of the State Nuclear Waste Management Fund	1,125	1,094	1,094
Share of the fund not recognised in the balance sheet	280	268	264

Legal liability for Loviisa nuclear power plant

The legal liability on 30 June 2017, decided by the Ministry of Economic Affairs and Employment in December 2016, was EUR 1,141 million.

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

Fortum's share in the State Nuclear Waste Management Fund

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

Nuclear provision and fund accounted for according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spent fuel. The carrying value of the nuclear provisions, calculated according to IAS 37, increased by EUR 15 million compared to 31 December 2016, totaling EUR 845 million on 30 June 2017. The provisions are based on the same cash flows for future costs as the legal liability, but the legal liability is not discounted to net present value.

Fortum's share of the Finnish Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 280 million, since Fortum's share of the Fund on 30 June 2017 was EUR 1,125 million and the carrying value in the balance sheet was EUR 845 million. The Fund in Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the operating profit is adjusted positively if the provisions increase more than the Fund and negatively if actual value of the fund increases more than the provisions. This accounting effect is not included in Comparable operating profit in Fortum financial reporting, see Note 4 Segment information.

Borrowing from the State Nuclear Waste Management Fund

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

15.2 Nuclear power plants in associated companies and joint ventures

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

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

TVO's total nuclear related assets and liabilities (100%) EUR million	June 30 2017	June 30 2016	Dec 31 2016
Carrying values in TVO's balance sheet			
Nuclear provisions	966	948	955
Share of the State Nuclear Waste Management Fund	966	948	955
of which Fortum's net share consolidated with equity method	**0**	**0**	**0**
TVO's legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	1,450	1,369	1,450
Share of the State Nuclear Waste Management Fund	1,428	1,369	1,380
Share of the fund not recognised in the balance sheet	462	421	425

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

TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 462 million (of which Fortum's share EUR 123 million), since TVO's share of the Fund on 30 June 2017 was EUR 1,428 million and the carrying value in the balance sheet was EUR 966 million.

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

OKG's and Forsmark's total nuclear related assets and liabilities (100%) EUR million	June 30 2017	June 30 2016	Dec 31 2016
OKG's and Forsmark's nuclear related assets and liabilities [1)]			
Nuclear provisions	3,298	3,177	3,297
Share in the State Nuclear Waste Management Fund	3,095	3,018	3,068
Net amount	**-203**	**-159**	**-229**
of which Fortum's net share consolidated with equity method	**-97**	**-64**	**-106**

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

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

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

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

16. Other provisions

EUR million	Environmental provisions June 30 2017	Environmental provisions June 30 2016	Environmental provisions Dec 31 2016	Other provisions June 30 2017	Other provisions June 30 2016	Other provisions Dec 31 2016
Opening balance	**47**	**2**	**2**	**82**	**96**	**96**
Acquisitions	0	0	44	0	0	4
Increase in the provisions	0	0	1	25	6	14
Provisions used	0	0	0	-8	-13	-25
Unused provisions reversed	0	0	0	-3	-4	-9
Unwinding of discount	0	0	0	0	0	0
Exchange rate differences	0	0	0	0	1	2
Closing balance	**48**	**2**	**47**	**94**	**86**	**82**
Current provisions [1)]	**1**	**0**	**1**	**8**	**11**	**11**
Non-current provisions	**46**	**2**	**46**	**87**	**75**	**70**

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

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

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

17. Operating lease commitments

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Due within a year	17	13	16
Due after one year and within five years	58	25	31
Due after five years	45	22	27
Total	**120**	**61**	**74**

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

18. Capital commitments

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Property, plant and equipment	425	510	467
Intangible assets	0	1	0
Total	**425**	**510**	**467**

In addition Fortum has committed to provide a maximum of EUR 98 million (Dec 31 2016: 100) to Voimaosakeyhtiö SF, for its participation in the Fennovoima nuclear power project in Finland. Furthermore, Fortum's remaining direct commitment regarding the construction of a waste-to-energy combined heat and power plant (CHP) in Kaunas, Lithuania is EUR 15 million at maximum. The investment is made through Kauno Kogeneracinė Jėgainė (KKJ), a joint venture owned together with Lietuvos Energija.

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

19. Pledged assets and contingent liabilities

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Pledged assets on own behalf			
For debt			
Pledges	288	316	291
Real estate mortgages	137	137	137
For other commitments			
Pledges	303	270	379
Real estate mortgages	141	99	99
Contingent liabilties on own behalf			
Other contingent liabilities	179	162	205
Contingent liabilties on behalf of associated companies and joint ventures			
Guarantees	609	611	603

Pledged assets for debt

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the Fund. Fortum has pledged shares in Kemijoki Oy as a security. As of 30 June 2017 the value of the pledged shares amounted to EUR 269 million (Dec 31 2016: 269).

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

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

Pledged assets for other commitments

Pledges also include restricted cash given as trading collateral of EUR 277 million (Dec 31 2016: 345) for trading of electricity, gas and CO_2 emission allowances in Nasdaq Commodities Europe, Intercontinental Exchange (ICE), European Energy Exchange (EEX) and Polish Power Exchange (TGE) and EUR 13 million (Dec 31 2016: 21) for windfarm construction in Russia. See also note 13 Interest-bearing receivables.

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 141 million in June 2017 (Dec 31 2016: 99), as a security to the Finnish State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for decomissioning and disposal of spent fuel in Loviisa nuclear power plant. According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Any uncovered legal liability relates to periodising of the payments to the fund, see more information in Note 15 Nuclear related assets and liabilities. The size of the securities given is updated yearly in Q2 based on the decisions regarding the legal liabilities and the funding target which take place around year end every year.

Contingent liabilities on own behalf

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

Contingent liabilities on behalf of associated companies

Guarantees on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). Guarantees for the period of 2015-2017 have been given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounting to SEK 5 393 million (EUR 560 million) at 30 June 2017 (Dec 31 2016: EUR 565 million). There are two types of guarantees given on behalf of Forsmark Kraftgrupp AB and OKG AB. The Financing Amount is given to compensate for the current deficit in the Nuclear Waste Fund, assuming that no further nuclear waste fees are paid in. This deficit is calculated as the difference between the expected costs and the funds to cover these costs at the time of the calculation. The Supplementary Amount constitutes a guarantee for deficits that can arise as a result of unplanned events. The Financing Amount given by Fortum on behalf of Forsmark Kraftgrupp AB and OKG AB was SEK 3 843 million (EUR 399 million) and the Supplementary Amount was SEK 1 550 million (EUR 161 million) at 30 June 2017.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounted to EUR 50 million at 30 June 2017 (Dec 31 2016: 38). The guarantee covers the unpaid legal liability due to periodisation as well as risks for unexpected future costs.

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

Other contingent liabilities

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

20. Legal actions and official proceedings

Tax cases in Finland

No tax cases with material impact in Finland.

Tax cases in Sweden

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

In April 2016 the Administrative Court in Stockholm, Sweden, announced its decisions relating to the income tax assessments for 2009-2012. A part of the decisions were positive. The Court repealed the income assessments relating to the financing of the acquisition of TGC 10 for the years 2010-2012. However, with respect to the reallocation of the loans between the Swedish subsidiaries in 2004-2005, the Court mainly rejected the appeals of Fortum for the years 2009-2012. Fortum disagreed with the argumentation of the Court in those cases which were ruled in the favor of the Swedish tax authorities. Fortum therefore filed an appeal to the Court of Appeal in Stockholm in these cases in June 2016. In June 2017 the Court of Appeal in Stockholm, Sweden announced its decision relating to the income tax assessments for 2009-2012. The decisions were unfavorable to Fortum. Fortum disagrees with the interpretation of the Court of Appeal and will apply for the right to appeal from the Supreme Administrative Court. Due to the unfavorable decisions from the Court of Appeal Fortum has booked a tax cost of SEK 1106 million (EUR 115 million) and interest expense of SEK 69 million (EUR 7 million), in total SEK 1175 million (EUR 122 million) in the second quarter 2017 results. The additional taxes and interest for 2009-2012 have already been paid in June 2016.

In addition Fortum has received income tax assessments in Sweden for the years 2013 and 2014 in December 2015 and December 2016, respectively. The assessments concern the loans given in 2013 and 2014 by Fortum's Dutch financing company to Fortum's subsidiaries in Sweden. The interest income for these loans was taxed in the Netherlands. The tax authority considers just over a half of the interest relating to each loan as deductible, i.e. deriving from business needs. The rest of the interest is seen as non-deductible. The decision is based on the changes in the Swedish tax regulation in 2013. Fortum considered the claims unjustifiable and appealed the decisions. In May 2017 the Administrative Court in Stockholm, Sweden, announced its decisions relating to the income tax assessment for the year 2013. The decisions were unfavorable to Fortum. Fortum disagrees with the argumentation of the court and has filed an appeal to the Court of Appeal in Stockholm in July 2017. The cases regarding the year 2014 are pending before the Administrative Court.

Based on legal analysis supporting legal opinions, no provision has been recognised in the interim report for the Swedish tax cases regarding the year 2013 and 2014. If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be SEK 273 million (EUR 28 million) for the year 2013 and SEK 282 million (EUR 29 million) for the year 2014. Moreover, for the year 2013 an interest cost would impact the net profit with SEK 9 million (EUR 1 million). The additional taxes and interest for 2013, in total SEK 282 million (EUR 29 million) have been paid in July 2017 and based on the legal opinion booked as receivables.

Tax cases in Belgium

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

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

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

Litigations in associated companies

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The civil construction works of the OL3 plant unit have been mainly completed. The installation of the electrical systems, the instrumentation and control system (I&C), and mechanical systems is still in progress. In April 2016 TVO submitted to the Ministry of Economic Affairs and Employment (TEM) an application for an operating license. The simulator training for operating personnel commenced in February 2017. In June, the cold functional testing to ensure the integrity of the primary circuit started.

The first phase of the turbine plant commissioning is completed. Some of the systems and components will be kept in operation; the rest will be preserved in accordance with a separate plan. In January 2017, de-preservation was started at the turbine plant.

OL3 was procured as a fixed-price turnkey project from a consortium (Supplier) formed by AREVA GmbH, AREVA NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations. According to the schedule updated by the AREVA-Siemens in September 2014, regular electricity production in the unit will commence at the end of 2018.

In December 2008 the OL3 Supplier initiated the International Chamber of Commerce (ICC) arbitration proceedings and submitted a claim concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The Supplier has submitted claims to the ICC for an aggregate amount of approximately EUR 3.59 billion, which includes a total amount of approximately EUR 1.58 billion in penalty interest (calculated up to 30 June 2017) and payments allegedly delayed by TVO under the Plant Contract, as well as approximately EUR 132 million of alleged loss of profit.

In 2012, TVO submitted a counter-claim and defense in the matter. In July 2015, TVO updated its quantification estimate of its costs and losses to the amount of approximately EUR 2.6 billion until December 2018, which is the estimated start of the regular electricity production of OL3.

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

In 2016, Areva announced a restructuring of its business. The restructuring plan involves a transfer of the operations of Areva NP, excluding the OL3 project and resources necessary for its completion, to an ad hoc structure which is to be sold to EDF. The closing of the restructuring is envisaged during the second half of 2017.

The implementation of the restructuring plan is subject to decisions and clearances, such as those related to the contemplated State Aid connected with the plan. In January 2017, the EU Commission made a conditional decision on the state aid, and in April 2017, the Commission has received a merger control notification regarding the restructuring. In May 2017, the EU Commission approved the merger and concluded that the transaction would not raise competition concerns. TVO requires that the restructuring respects the completion of the OL3 project within the current schedule provided by the Supplier and that all liabilities of the Plant Contract are respected and necessary capabilities allocated for OL3.

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

21. Related party transactions

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

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

Transactions with associated companies and joint ventures

EUR million	Q1-Q2 2017	Q1-Q2 2016	2016
Sales	49	34	105
Purchases	290	272	536
Interest on loan receivables	8	8	16

Associated company and joint ventures balances

EUR million	June 30 2017	June 30 2016	Dec 31 2016
Long-term interest-bearing loan receivables	858	832	886
Trade receivables	11	12	20
Other receivables	17	17	17
Long-term loan payables	285	273	278
Trade payables	4	4	6
Other payables	3	2	6

22. Events after the balance sheet date

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

23. Definition of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	= Operating profit + depreciation and amortisation
Comparable EBITDA	= EBITDA - items affecting comparability - net release of CSA provision
Items affecting comparability	= Impairment charges + capital gains and other + changes in fair values of derivatives hedging future cash flow + nuclear fund adjustment
Comparable operating profit	= Operating profit - items affecting comparability
Impairment charges	= Impairment charges and related provisions (mainly dismantling)
Capital gains and other	= Capital gains, transaction costs from acquisitions and other
Changes in fair values of derivatives hedging future cash flow	= Effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39.
Nuclear fund adjustment	= Effects from the accounting of Fortum´s part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.
Adjustment for Share of profit of associated companies and joint ventures	= Adjustment for IAS 39 effects, major sales gains and impairment charges
Funds from operations (FFO)	= Net cash from operating activities before change in working capital
Capital expenditure	= Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain useage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.
Gross investments in shares	= Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.
Return on shareholders' equity, %	= $\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$
Return on capital employed, %	= $\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$
Comparable return on net assets, %	= $\frac{\text{Comparable operating profit + share of profit (loss) in associated companies and joint ventures + adjustment for Share of profit of associated companies and joint ventures}}{\text{Comparable net assets average}} \times 100$
Capital employed	= Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions

23. Definition of key figures

Comparable net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows)
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds
Gearing, %	=	Interest-bearing net debt / Total equity x 100
Equity-to-assets ratio, %	=	Total equity including non-controlling interest / Total assets x 100
Comparable net debt / EBITDA	=	Interest-bearing net debt / Comparable EBITDA
Interest coverage	=	Operating profit / Net interest expenses
Interest coverage including capitalised borrowing costs	=	Operating profit / Net interest expenses - capitalised borrowing costs
Earnings per share (EPS)	=	Profit for the period - non-controlling interests / Average number of shares during the period
Equity per share	=	Shareholder's equity / Number of shares at the end of the period
Effective income tax rate	=	Income tax expense / Profit before income tax
Comparable effective income tax rate	=	Income tax expense - effects from tax rate changes / Profit before income tax decreased by profits from associated companies and joint ventures as well as tax exempt capital gains or losses and major one time income tax effects
Last twelve months (LTM)	=	Twelve months preceding the reporting date

Market conditions and achieved power prices

Power consumption TWh	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Nordic countries	88	86	201	203	390	388
Russia	238	230	522	510	1,027	1,039
Tyumen	23	22	47	47	86	86
Chelyabinsk	8	8	17	17	35	35
Russia Urals area	61	59	131	128	259	262

Average prices	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	27.4	23.9	29.3	24.0	26.9	29.6
Spot price for power in Finland, EUR/MWh	30.9	30.2	31.9	30.3	32.4	33.2
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	28.5	26.5	30.1	25.3	29.2	31.6
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	28.5	26.4	30.1	24.8	29.0	31.6
Spot price for power in European and Urals part of Russia, RUB/MWh 1)	1,148	1,166	1,164	1,157	1,197	1,207
Average capacity price, tRUB/MW/month	492	434	539	467	481	517
Spot price for power in Germany, EUR/MWh	29.8	24.8	35.5	25.0	29.0	34.2
Average regulated gas price in Urals region, RUB/1000 m^3	3,614	3,614	3,614	3,614	3,614	3,614
Average capacity price for old capacity, tRUB/MW/month 2)	138	129	148	139	140	145
Average capacity price for new capacity, tRUB/MW/month 2)	819	737	901	804	815	864
Spot price for power (market price), Urals hub, RUB/MWh 1)	1,012	1,011	1,023	1,015	1,055	1,059
CO_2, (ETS EUA), EUR/tonne CO_2	5	6	5	6	5	5
Coal (ICE Rotterdam), USD/tonne	76	48	79	47	59	75
Oil (Brent Crude), USD/bbl	51	47	53	41	45	51

1) Excluding capacity tariff.

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

Water reservoirs TWh	June 30 2017	June 30 2016	Dec 31 2016
Nordic water reservoirs level	81	83	75
Nordic water reservoirs level, long-term average	84	84	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Export / import between Nordic area and Continental Europe + Baltics	-4	-2	-7	-6	-10	-11
Export / import between Nordic area and Russia	1	1	3	3	6	6
Export / import Nordic area, Total	-3	-1	-4	-3	-4	-5

Power market liberalisation in Russia %	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Share of power sold at the liberalised price	79%	81%	80%	81%	81%	80%

Achieved power prices	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Generation segment's Nordic power price, EUR/MWh	30.0	30.5	31.3	30.6	31.0	31.4
Russia segment's power price, RUB/MWh	1,738	1,663	1,807	1,665	1,734	1,808
Russia segment's power price, EUR/MWh 1)	27.0	22.6	28.5	21.5	23.5	27.0

1) Translated using average exchange rate.

Fortum's production and sales volumes

Power generation TWh	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Power generation in Europe	11.9	11.5	24.7	25.8	47.5	46.4
Power generation in Russia	6.1	5.7	13.0	13.1	25.5	25.4
Power generation in other countries	0.1	0.0	0.1	0.0	0.0	0.1
Total	**18.0**	**17.2**	**37.8**	**38.9**	**73.1**	**72.0**

Heat production TWh	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Heat production in Europe	1.4	1.1	4.3	3.7	7.1	7.7
Heat production in Russia	3.1	2.4	11.3	11.3	20.7	20.7
Total	**4.6**	**3.5**	**15.5**	**14.9**	**27.8**	**28.4**

Power generation capacity by segment MW	June 30 2017	June 30 2016	Dec 31 2016
Generation [1]	7,842	8,016	8,039
City Solutions	756	717	760
Russia	4,512	4,440	4,482
Other	155	45	53
Total	**13,265**	**13,218**	**13,334**

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

Heat production capacity by segment MW	June 30 2017	June 30 2016	Dec 31 2016
City Solutions	3,806	3,705	3,818
Russia	9,920	9,920	9,920
Total	**13,726**	**13,625**	**13,738**

Power generation by source in the Nordic area TWh	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Hydro and wind power	4.9	5.7	10.2	12.2	20.8	18.8
Nuclear power	6.1	5.4	12.8	12.2	24.1	24.7
Thermal power	0.6	0.2	1.1	0.7	1.4	1.8
Total	**11.6**	**11.2**	**24.1**	**25.1**	**46.2**	**45.2**

Power generation by source in the Nordic area %	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Hydro and wind power	42	51	42	49	45	38
Nuclear power	53	48	53	49	52	56
Thermal power	5	1	6	2	3	7
Total	**100**	**100**	**100**	**100**	**100**	**100**

Power sales EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Power sales in Europe	459	434	1,017	971	1,893	1,939
Power sales in Russia	192	155	427	327	691	791
Power sales in other countries	2	1	3	2	3	4
Total	**654**	**591**	**1,448**	**1,300**	**2,587**	**2,735**

Fortum's production and sales volumes

Heat sales EUR million	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Heat sales in Europe	91	73	267	242	449	474
Heat sales in Russia	42	25	155	101	199	253
Total	**133**	**98**	**422**	**343**	**648**	**727**

Power sales by area TWh	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Finland	5.5	5.1	11.4	11.9	22.8	22.3
Sweden	7.4	6.8	15.8	15.9	28.8	28.7
Russia	7.1	6.9	15.0	15.2	29.5	29.3
Other countries	0.9	0.8	2.2	1.7	3.6	4.1
Total	**21.0**	**19.6**	**44.4**	**44.7**	**84.7**	**84.4**

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

Heat sales by area TWh	Q2 2017	Q2 2016	Q1-Q2 2017	Q1-Q2 2016	2016	Last twelve months
Russia	3.2	2.4	11.5	11.4	20.7	20.8
Finland	0.8	0.5	2.2	1.9	3.6	3.9
Poland	0.6	0.5	2.2	2.0	3.6	3.8
Other countries	0.3	0.2	1.0	0.7	1.5	1.8
Total	**4.9**	**3.6**	**16.9**	**16.1**	**29.4**	**30.2**