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Fortum Corporation
Half-Year Financial Report January-June 2018

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.

Uniper transaction closed – improved results on positive market conditions

April-June 2018

- Comparable EBITDA was EUR 282 (219) million, +29%
- Comparable operating profit was EUR 153 (109) million, +40%
- Earnings per share were EUR 0.24 (-0.08), of which EUR 0.11 (-0.04) related to items affecting comparability, including capital gains of EUR 0.09 from the sale of the 10% stake in Hafslund Produksjon. In 2017, the impact from a Swedish income tax case was EUR -0.14
- Cash flow from operating activities totalled EUR 361 (232) million
- On 26 June 2018, Fortum closed the Uniper offer and became the company's largest shareholder with 47.35%

January-June 2018

- Comparable EBITDA was EUR 820 (642) million, +28%
- Comparable operating profit was EUR 558 (421) million, +33%
- Earnings per share were EUR 0.68 (0.30), of which EUR 0.18 (0.03) related to items affecting comparability, including capital gains of EUR 0.09 from the sale of the 10% stake in Hafslund Produksjon. In 2017, the impact from a Swedish income tax case was EUR -0.14
- Cash flow from operating activities totalled EUR 634 (514) million

Summary of outlook

- Generation segment's Nordic generation hedges: approximately 75% hedged at EUR 29 per MWh for the remainder of 2018 and approximately 60% at EUR 28 per MWh for 2019
- Capital expenditure, including maintenance but excluding acquisitions, expected to be in the range of EUR 600-700 million in 2018

Key financial ratios

	2017	LTM
Return on capital employed, %	7.1	8.8
Comparable net debt/EBITDA	0.8	3.6

Key figures

EUR million or as indicated	II/18	II/17	I-II/18	I-II/17	2017	LTM
Sales	1,087	937	2,672	2,169	4,520	5,023
Comparable EBITDA	282	219	820	642	1,275	1,453
Comparable operating profit	153	109	558	421	811	948
Operating profit	256	66	738	456	1,158	1,440
Share of profits of associates and joint ventures	24	35	70	94	148	124
Profit before income taxes	241	49	734	461	1,111	1,384
Earnings per share, EUR	0.24	-0.08	0.68	0.30	0.98	1.35
Net cash from operating activities	361	232	634	514	993	1,113
Shareholders' equity per share, EUR			13.34	14.22	14.69	
Interest-bearing net debt (at the end of the period)			5,271	605	988	

Fortum's President and CEO Pekka Lundmark:

"In September 2017, we announced our intention to launch an offer to become the largest shareholder in Uniper. Since then we have worked persistently to achieve this target. The final regulatory clearances were granted in mid-June, and on 26 June 2018, we closed our offer, thereby becoming the largest shareholder with a 47.35% stake in Uniper.

As Uniper's largest shareholder we will be a committed, long-term and active partner to the company – to the benefit of all stakeholders. It is fair to say that the process leading up to this day has not been without challenges. Now is the time to reset our relationship with Uniper, and we have reinitiated discussions with Uniper leadership on how to best achieve this. As an initial concrete measure, we have nominated Markus Rauramo, the CFO of Fortum, to join the Supervisory Board of Uniper.

The second quarter was positive for Fortum also in other respects. Following the strong development in the first quarter, market prices continued to evolve favourably with clearly increasing power and emission prices. This is positive for Fortum, which is also reflected in our improved hedging prices for the rest of 2018 and next year.

The increased prices and successful production optimisation clearly boosted the results of the Generation segment and consequently the Fortum Group. The results of City Solutions were a disappointment, with the warm weather reducing heat volumes. The weaker result in our recycling and waste business also burdened the results.

Since the Uniper investment has tightened our balance sheet, our intention is to prioritise our capital expenditure and focus on cash flow optimisation, as we already announced in our first-quarter interim report. These measures are proceeding well. In the second quarter, we focused on efficiency improvements, divested our 10% minority ownership in Hafslund Produksjon, and restructured parts of our renewables portfolio, all actions that clearly contribute to strengthening our cash flow.

In June we agreed to sell the majority of our 185-MW solar power production capacity in India in order to free up capital for further investments. Only three weeks later we won the right to build 250 MW of new solar power in India. We are continuing our renewables investments also in Russia. In June we won the right to build 110 MW of solar power and, together with our partner Rusnano, 823 MW of wind power. All of this is part of our 'capital recycling' strategy, by which we intend to use partnerships and other forms of cooperation to create a more asset-light structure and thereby enable more investments into building new renewable capacity."

Uniper investment

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

The PTO was conditional to regulatory and merger control approvals in several countries. During the second quarter 2018, Fortum received the required clearances in Russia under the Strategic Investment Law as well as Competition law. The clearances allow Fortum the acquisition of up to 50% of shares and voting rights in Uniper. During the second quarter Fortum also received an unconditional merger clearance decision from the European Commission. Clearances in the United States and South Africa had already been granted earlier.

On 26 June 2018, Fortum closed the offer and became the largest shareholder in Uniper with 47.35% of the shares. Fortum paid a total consideration of EUR 3.7 billion for all shares tendered (EUR 21.31 per share). The total consideration was financed with existing cash resources of EUR 1.95 billion and bridge loan financing from committed credit facilities of EUR 1.75 billion.

The share of Uniper's profit will contribute to the EPS and dividends to the cash flow of Fortum. As a result of this transaction, Fortum's leverage has risen above our given guidance for net debt/EBITDA level of around 2.5x. Over time, however, Fortum expects its cash generation in combination with the dividend from Uniper to reduce this level towards the stated target.

As of 30 June 2018, Fortum will consolidate Uniper as an associated company. The total acquisition cost, including direct costs relating to the acquisition, EUR 3.7 billion, is reported in 'Participations in associated companies and joint ventures'. The purchase price allocation will be completed within the one-year window, as allowed under IFRS. As Uniper publishes its interim reports later than Fortum, Fortum's share of Uniper's results will be accounted for with a time-lag of one quarter. Fortum's third-quarter 2018 interim report will consequently not include any share of results from Uniper. Fortum's Financial Statements 2018 will only include Fortum's share of Uniper's third-quarter results. (Note 6)

Financial results

Sales by segment

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Generation	425	402	923	876	1,677	1,724
City Solutions	187	205	562	495	1,015	1,082
Consumer Solutions	326	164	873	406	1,097	1,564
Russia	228	238	565	586	1,101	1,080
Other Operations	33	24	64	48	102	118
Netting of Nord Pool transactions	-92	-73	-253	-191	-367	-429
Eliminations	-20	-23	-61	-52	-103	-112
Total	**1,087**	**937**	**2,672**	**2,169**	**4,520**	**5,023**

Comparable EBITDA by segment

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Generation	183	111	435	277	603	761
City Solutions	21	37	150	131	262	281
Consumer Solutions	26	8	57	22	57	92
Russia	73	88	215	256	438	397
Other Operations	-20	-24	-36	-44	-83	-75
Total	**282**	**219**	**820**	**642**	**1,275**	**1,453**

Comparable operating profit by segment

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Generation	152	78	372	214	478	636
City Solutions	-21	1	66	57	98	107
Consumer Solutions	11	6	29	18	41	52
Russia	37	53	141	185	296	252
Other Operations	-27	-28	-50	-52	-102	-100
Total	**153**	**109**	**558**	**421**	**811**	**948**

Operating profit by segment

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Generation	230	34	509	264	501	746
City Solutions	-13	0	75	59	102	118
Consumer Solutions	22	8	38	-1	39	78
Russia	37	53	142	185	295	252
Other Operations	-20	-28	-25	-52	221	248
Total	**256**	**66**	**738**	**456**	**1,158**	**1,440**

April-June 2018

Fortum's sales increased by 16%, mainly due to the consolidation of Hafslund. Comparable operating profit increased by 40%, mainly as a result of the higher achieved power price and lower real-estate and capacity taxes in Swedish hydro and nuclear power plants. The result improvement was partly offset by the lower result in the City Solutions segment, mainly burdened by the warm weather, as well as the weaker Russian rouble.

Operating profit for the period was positively impacted by EUR 103 (-42) million of items affecting comparability, including the fair value change of non-hedge accounted derivatives, capital gains, and nuclear fund adjustments (Note 4).

The share of profit from associates and joint ventures was EUR 24 (35) million, of which Stockholm Exergi (formerly Fortum Värme) accounted for EUR -4 (1) million and TGC-1 accounted for EUR 24 (19) million. The share of profit from TGC-1 is based on the company’s published first-quarter 2018 interim report (Note 11). In the comparison period, the share of profits from Hafslund ASA, divested in August 2017, amounted to EUR 17 million.

January-June 2018

Fortum's sales increased by 23%, mainly reflecting the consolidation of Hafslund. Comparable operating profit increased by 33%, mainly as a result of higher hydro-power production volumes, the higher achieved power price, lower real-estate and capacity taxes in Swedish hydro and nuclear power plants, and the positive impact from the consolidation of the acquired Hafslund businesses. The result improvement was partly offset by the weaker Russian rouble.

Operating profit for the period was positively impacted by EUR 180 (34) million of items affecting comparability, including the fair value change of non-hedge accounted derivatives, capital gains, and nuclear fund adjustments (Note 4).

The share of profit from associates and joint ventures was EUR 70 (94) million, of which Stockholm Exergi (formerly Fortum Värme) accounted for EUR 37 (44) million and TGC-1 accounted for EUR 29 (20) million. The share of profit from TGC-1 is based on the company's published fourth-quarter 2017 and first-quarter 2018 interim reports (Note 11). In the comparison period, the share of profits from Hafslund ASA, divested in August 2017, amounted to EUR 31 million.

Net finance costs amounted to EUR 74 (88) million.

Profit before income taxes was EUR 734 (461) million.

Taxes for the period totalled EUR 119 (190) million. The effective income tax rate according to the income statement was 16.2% (41.2%). The comparable effective income tax rate, excluding the impact of the share of profit from associated companies and joint ventures, non-taxable capital gains, tax rate changes, and other major one-time income tax effects was 21.0% (20.3%) (Note 7).

The profit for the period was EUR 615 (271) million. Earnings per share were EUR 0.68 (0.30), of which EUR 0.18 (0.03) per share was related to items affecting comparability, including capital gains of EUR 0.09 from the sale of the 10% stake in Hafslund Produksjon. In the comparison period in 2017, the impact from a Swedish income tax case was EUR -0.14.

Financial position and cash flow

Cash flow

In January-June 2018, net cash from operating activities increased by EUR 120 million to EUR 634 (514) million, mainly due to an increase in comparable EBITDA of EUR 178 million and an increase of realised foreign exchange gains and losses of EUR 196 million, partly offset by the negative effect of a EUR 239 million increase in working capital. The foreign exchange gains and losses of EUR 133 (-63) million relate to the rollover of foreign exchange contract hedging loans to Russian and Swedish subsidiaries. The EUR -174 (65) million change in working capital during the first half of 2018 was mainly due to the effect of the daily cash settlements for futures in Nasdaq OMX Commodities Europe (Additional cash flow information).

Capital expenditure decreased by EUR 56 million to EUR 252 (308) million. Acquisition of shares was EUR 3,750 (51) million, mainly related to the Uniper transaction (Note 6). Net cash from investing activities decreased to EUR -3,959 (-199) million and includes the EUR -176 (72) million impact from the increase in cash collaterals given as trading collaterals to commodity exchanges and other restricted cash.

Cash flow before financing activities was EUR -3,326 (315) million.

Proceeds from long-term liabilities were EUR 1,764 (36) million, including the bridge loan financing from committed credit facilities for the acquisition of Uniper shares. Payments of long-term liabilities totalled EUR 551 (464) million, including the repayment of bonds of EUR 413 million and other loan repayments of EUR 138 million. The net decrease in liquid funds was EUR 3,107 (1,034) million.

Assets and capital employed

At the end of the reporting period, total assets amounted to EUR 22,045 (end of 2017: 21,753) million. Liquid funds at the end of the period amounted to EUR 770 (end of 2017: 3,897) million. Capital employed was EUR 18,134 (end of 2017: 18,172) million.

Equity

Equity attributable to owners of the parent company totalled EUR 11,850 (end of 2017: 13,048) million. The decrease of EUR 1,198 million was mainly due to the dividend for 2017 of EUR 977 million, the impact from fair valuation of cash flow hedges of EUR -488 million and translation differences of EUR -358 million, partly offset by the net profit for the period of EUR 600 million. The EUR 1.10 per share dividend was approved by the Annual General Meeting on 28 March 2018 and paid on 10 April 2018.

Financing

Net debt increased by EUR 4,238 million to EUR 5,271 (end of 2017: 988) million.

At the end of the reporting period, the Group's liquid funds totalled EUR 770 (end of 2017: 3,897) million. Liquid funds include cash and bank deposits held by PAO Fortum amounting to EUR 401 (end of 2017: 246) million. In addition to liquid funds, Fortum's undrawn committed credit facilities totalled EUR 1.8 billion (Note 13).

Net financial expenses totalled EUR 74 (88) million, of which net interest expenses were EUR 59 (67) million.

In September 2017, Standard & Poor's and Fitch Ratings placed both Fortum's long-term and short-term credit ratings on credit watch negative on possible adverse impacts of the planned Uniper investment. In January 2018, Standard & Poor's downgraded Fortum's long-term credit rating from BBB+ to BBB with a Negative Outlook. The short-term rating was affirmed at level A-2. In June 2018, Fitch Ratings downgraded Fortum's long-term credit rating from BBB+ to BBB with a Stable Outlook. The short-term rating was downgraded to level F3.

Key figures

At the end of the second quarter of 2018, the comparable net debt to EBITDA ratio for the last 12 months was 3.6x (end of 2017: 0.8x), which is above the long-term over-the-cycle target of approximately 2.5x.

Gearing was 44% (end of 2017: 7%) and the equity-to-assets ratio 55% (end of 2017: 61%). Equity per share was EUR 13.34 (end of 2017: 14.69). Return on capital employed (ROCE) for the last twelve months was 8.8% (end of 2017: 7.1). Fortum targets a long-term over-the-cycle return on capital employed of at least 10%.

Segment reviews

Generation

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

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Sales	425	402	923	876	1,677	1,724
- power sales	416	394	905	864	1,649	1,690
of which Nordic power sales*	343	318	755	692	1,342	1,404
- other sales	10	8	18	12	28	34
Comparable EBITDA	183	111	435	277	603	761
Comparable operating profit	152	78	372	214	478	636
Operating profit	230	34	509	264	501	746
Share of profits from associates and joint ventures (Note 11)**	-4	-5	-6	-7	-1	0
Comparable net assets (at period-end)			5,765	5,724	5,672	
Comparable return on net assets, %					8.4	11.1
Capital expenditure and gross investments in shares	37	42	76	67	264	273
Number of employees			1,127	1,075	1,035	

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

** Power plants are often built jointly with other power producers and owners purchase electricity at cost, including interest cost and production taxes. The share of profit/loss is mainly IFRS adjustments (e.g. accounting for nuclear-related assets and liabilities) and depreciations on fair-value adjustments from historical acquisitions (Note 18 in the consolidated financial statements 2017).

Power generation by source

TWh	II/18	II/17	I-II/18	I-II/17	2017	LTM
Hydropower, Nordic	5.1	4.9	11.4	10.1	20.7	22.0
Nuclear power, Nordic	5.6	6.1	11.9	12.8	23.0	22.1
Thermal power, Nordic	0.0	0.4	0.1	0.5	0.5	0.1
Total	**10.7**	**11.4**	**23.4**	**23.4**	**44.2**	**44.2**

Nordic sales volumes

TWh	II/18	II/17	I-II/18	I-II/17	2017	LTM
Nordic sales volume	12.2	13.1	26.4	27.3	51.8	50.9
of which Nordic power sales volume*	10.4	10.6	22.6	22.1	42.2	42.8

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

Achieved power price

EUR/MWh	II/18	II/17	I-II/18	I-II/17	2017	LTM
Generation's Nordic power price*	33.1	30.0	33.4	31.3	31.8	32.8

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

April-June 2018

The Generation segment's total power generation in the Nordic countries decreased slightly. Nuclear power generation was lower mainly due to the closure of Oskarshamn 1 in June 2017. The CO_2-free production accounted for 100% (96%) of the total production.

The achieved power price in the Generation segment increased due to higher spot prices and successful production optimisation.

Comparable operating profit almost doubled, supported by the higher achieved power price and lower real-estate and capacity taxes in Swedish hydro and nuclear power plants. The improvement was partly offset by the lower nuclear production volumes due to the closure of Oskarshamn 1.

Operating profit was positively affected by EUR 78 (-43) million of capital gains, fair value change of non-hedge accounted derivatives, and nuclear fund adjustments (Note 4).

In June 2018, Fortum sold its 10% ownership in Hafslund Produksjon and booked a one-time tax-free capital gain of EUR 77 million in the Generation segment.

January-June 2018

The Generation segment's total power generation in the Nordic countries was unchanged. The higher than normal hydropower volumes were offset by lower nuclear power generation, mainly due to the closure of Oskarshamn 1 in June 2017. The CO_2-free production accounted for 100% (98%) of the total production.

The achieved power price in the Generation segment increased due to higher spot prices and successful production optimisation.

Comparable operating profit increased by 74%, driven by the higher achieved power price and higher hydropower production volumes. Lower real-estate and capacity taxes in Swedish hydro and nuclear power plants also contributed to the result improvement. The improvement was partly offset by lower nuclear production volumes due to the closure of Oskarshamn 1.

Operating profit was positively affected by EUR 137 (51) million of capital gains, fair value change of non-hedge accounted derivatives, and nuclear fund adjustments (Note 4).

In June 2018, Fortum sold its 10% ownership in Hafslund Produksjon and booked a one-time tax-free capital gain of EUR 77 million in the Generation segment.

City Solutions

City Solutions develops sustainable solutions for urban areas into a growing business for Fortum. The segment comprises heating and cooling, waste-to-energy, operation and maintenance services, biomass, and other circular economy solutions. The business operations are located in the Nordics, the Baltic countries and Poland. The segment also includes Fortum's 50% holding in Stockholm Exergi (formerly Fortum Värme), which is a joint venture and is accounted for using the equity method.

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Sales	187	205	562	495	1,015	1,082
- heat sales	85	90	350	266	523	607
- power sales	16	25	50	68	121	103
- waste treatment sales*	47	46	97	88	195	204
- other sales**	39	43	64	73	175	166
Comparable EBITDA	21	37	150	131	262	281
Comparable operating profit	-21	1	66	57	98	107
Operating profit	-13	0	75	59	102	118
Share of profits from associates and joint ventures (Note 11)	-1	4	43	50	80	73
Comparable net assets (at period-end)			3,623	2,889	3,728	
Comparable return on net assets, %					5.5	5.1
Capital expenditure and gross investments in shares	54	43	84	63	556	577
Number of employees			1,990	1,789	1,907	

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

** Other sales comprise mainly operation and maintenance services and fuel sales.

Heat sales by country

TWh	II/18	II/17	I-II/18	I-II/17	2017	LTM
Finland	0.6	0.8	2.3	2.2	3.9	3.9
Poland	0.3	0.6	2.0	2.2	3.7	3.5
Norway	0.2	0.0	1.0	0.0	0.7	1.6
Other countries	0.3	0.3	1.0	1.0	1.8	1.8
Total	**1.4**	**1.7**	**6.3**	**5.4**	**10.0**	**10.8**

Power sales by country

TWh	II/18	II/17	I-II/18	I-II/17	2017	LTM
Finland	0.2	0.3	0.7	0.9	1.5	1.4
Poland	0.0	0.1	0.2	0.3	0.4	0.4
Other countries	0.2	0.1	0.4	0.3	0.7	0.7
Total	**0.4**	**0.6**	**1.3**	**1.5**	**2.6**	**2.4**

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

April-June 2018

Due to the warm weather in all of Fortum's heating areas in the quarter, heat sales volumes, excluding Fortum Oslo Varme, declined by 29%. The consolidation of Fortum Oslo Varme contributed to the heat sales volumes by 0.2 TWh.

Comparable operating profit turned into a loss, mainly due to the clearly lower heat and power sales volumes. The change to seasonal heat pricing in Finland and a weaker result in the recycling and waste business also burdened the results. Due to the seasonality of the business, the consolidation of Fortum Oslo Varme had a negative impact of EUR 2 million. The seasonality of the City Solutions business is expected to increase due to the consolidation of Fortum Oslo Varme and the new seasonal pricing. The annual effect of the seasonal pricing is expected to be neutral.

The consolidation of Fortum Oslo Varme had a positive effect of EUR 6 million on the comparable EBITDA.

Operating profit was positively affected by EUR 8 (-1) million of fair value change of non-hedge accounted derivatives and capital gains (Note 4).

January-June 2018

Heat sales volumes increased by 17% due to the consolidation of Fortum Oslo Varme. The negative impact of the warm weather in the second quarter offset the positive effects of the cold weather in the first quarter.

Comparable operating profit increased by 16% due to the good result in the first quarter, partly offset by the loss in the second quarter. The consolidation of Fortum Oslo Varme had a positive impact of EUR 30 million. The positive effect of the consolidation of Fortum Oslo Varme was partly offset by higher fuel prices in the first quarter, the lower second-quarter heat and power sales volumes, and a weaker result in the recycling and waste business in the second quarter.

The consolidation of Fortum Oslo Varme had a positive effect of EUR 46 million on the comparable EBITDA.

Operating profit was positively affected by EUR 9 (2) million of fair value change of non-hedge accounted derivatives and capital gains (Note 4).

Consumer Solutions

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

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Sales	326	164	873	406	1,097	1,564
- power sales	278	115	760	291	862	1,331
- other sales	48	49	112	115	235	232
Comparable EBITDA	26	8	57	22	57	92
Comparable operating profit	11	6	29	18	41	52
Operating profit	22	8	38	-1	39	78
Comparable net assets (at period-end)			645	129	638	
Capital expenditure and gross investments in shares	12	1	21	3	493	511
Number of employees			1,485	986	1,543	

Sales volumes

TWh	II/18	II/17	I-II/18	I-II/17	2017	LTM
Electricity*	5.9	2.7	16.5	6.7	20.5	30.3
Gas*	2.8	0.8	4.3	2.1	4.0	6.3

* Not including wholesale volumes.

Number of customers

Thousands*	II/18	II/17	2017
Electricity	2,460	1,340	2,470
Gas	20	10	20
Total	**2,480**	**1,360**	**2,490**

* Rounded to the nearest 10,000.

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

April-June 2018

The consolidation of Hafslund significantly increased electricity sales volumes and, consequently, sales for the segment. The competition and customer churn in the Nordic market continued to be a challenge.

Comparable operating profit increased by 83%. The contribution from the consolidation of Hafslund was EUR 8 million. The comparable operating profit, excluding the contribution from the consolidation of Hafslund, declined as a consequence of the negative impact from the amended service agreements for the divested electricity distribution companies and lower sales margins partly offset by improved cost efficiency.

The consolidation of Hafslund had a positive effect of EUR 18 million on the comparable EBITDA. The implementation of IFRS 15 had a positive effect of EUR 8 million on the comparable EBITDA, due to the capitalisation of sales commissions. EUR 6 million of the IFRS 15 effect was related to the Hafslund operations.

Operating profit was positively affected by EUR 10 (2) million of fair value change of non-hedge accounted derivatives (Note 4).

January-June 2018

The consolidation of Hafslund and the cold weather in February and March increased electricity sales volumes and, consequently, sales for the segment. The competition and customer churn in the Nordic market continued to be a challenge.

Comparable operating profit increased by 61%. The contribution from the consolidation of Hafslund was EUR 21 million. The profitability was burdened by lower sales margins and the amended service agreements for the divested electricity distribution companies.

The consolidation of Hafslund had a positive effect of EUR 40 million on the comparable EBITDA. Due to the capitalisation of sales commissions, the implementation of IFRS 15 had a positive effect of EUR 14 million on the comparable EBITDA. EUR 10 million of the IFRS 15 effect was related to the Hafslund operations.

Operating profit was positively affected by EUR 9 (-19) million of fair value change of non-hedge accounted derivatives (Note 4).

Russia

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

EUR million	II/18	II/17	I-II/18	I-II/17	2017	LTM
Sales	228	238	565	586	1,101	1,080
- power sales	195	192	443	427	837	853
- heat sales	33	42	121	155	258	224
- other sales	0	3	1	4	6	3
Comparable EBITDA	73	88	215	256	438	397
Comparable operating profit	37	53	141	185	296	252
Operating profit	37	53	142	185	295	252
Share of profits from associates and joint ventures (Note 11)	26	19	31	20	31	42
Comparable net assets (at period-end)			2,986	3,156	3,161	
Comparable return on net assets, %					10.1	9.5
Capital expenditure and gross investments in shares	22	42	40	73	277	244
Number of employees			3,427	3,714	3,495	

Russian power generation and heat production

TWh	II/18	II/17	I-II/18	I-II/17	2017	LTM
Russian power generation	6.7	6.1	15.0	13.0	26.3	28.3
Russian heat production	3.7	3.1	12.4	11.3	20.0	21.1

Key electricity, capacity, and gas prices for Fortum Russia

	II/18	II/17	I-II/18	I-II/17	2017	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,004	1,012	1,008	1,023	1,041	1,033
Average regulated gas price, Urals region, RUB/1000 m^3	3,755	3,614	3,755	3,614	3,685	3,755
Average capacity price for CCS and other, tRUB/MW/month*	137	138	147	148	148	148
Average capacity price for CSA, tRUB/MW/month**	957	819	1,054	901	899	977
Average capacity price, tRUB/MW/month	539	492	600	539	535	567
Achieved power price for Fortum in Russia, RUB/MWh	1,803	1,738	1,840	1,807	1,813	1,830
Achieved power price for Fortum in Russia, EUR/MWh***	24.4	27.0	25.7	28.5	27.5	26.1

* Including capacity receiving payments under "forced mode status", regulated tariffs and bilateral agreements.
** Capacity prices paid for the capacity volumes, excluding unplanned outages, repairs and own consumption.
*** Translated using the average exchange rate.

The Chelyabinsk GRES unit 3 was commissioned in November 2017. Fortum's 35-MW wind power plant was commissioned in January 2018 and the 35-MW solar plants have been consolidated since December 2017.

April-June 2018

The power generation volumes increased due to the commissioning of the Chelyabinsk GRES unit 3. The positive impact was, partly offset by an unplanned outage in the Tyumen CHP 1 power plant. Heat production volumes increased due to cold weather.

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

Comparable operating profit decreased by 30%. The negative effect of the change in the Russian rouble exchange rate was EUR 6 million. The result was negatively impacted by bad-debt provisions, the unplanned outage at Tyumen 1, and lower electricity margins. The new production units and higher received CSA payments had a positive effect on the results. The increase in CSA payments was related to Nyagan 1 receiving higher payments for the last years of the CSA period, positive spot market corrections, and contributions from renewable generation. The increase in CSA payments was partly offset by the corrections due to lower bond yields.

January-June 2018

The power generation volumes increased due to the commissioning of the Chelyabinsk GRES unit 3 and good availability. Heat production volumes increased due to cold weather. In the comparison period's first quarter of 2017, power volumes were lower due to a maintenance outage at the Nyagan power plant.

Sales in euros decreased due to the weaker Russian rouble, partly offset by higher received CSA payments and higher power and heat sales volumes.

Comparable operating profit decreased by 24%. The negative effect of the change in the Russian rouble exchange rate was EUR 18 million. The new production units and higher received CSA payments had a positive effect on the results. The result was negatively impacted by bad-debt provisionsand lower electricity margins. The increase in CSA payments was related to Nyagan 1 receiving higher payments for the last years of the CSA period, positive spot market corrections, and contributions from renewable generation. The increase in CSA payments was partly offset by the corrections due to lower bond yields. The result for the comparison period in the first half of 2017 was positively affected by a one-time item from improved bad-debt collections.

Other Operations

Other Operations comprises the two development units 'M&A and Solar & Wind Development' and 'Technology and New Ventures' as well as corporate functions. Other Operations also includes Fortum's shareholding in Uniper, which is consolidated as an associated company as of 30 June 2018 (Note 6).

The total acquisition cost for Uniper, including direct costs relating to the acquisition, is reported in 'Participations in associated companies and joint ventures'. The purchase price allocation will be completed within the one-year window, as allowed under IFRS. As Uniper publishes its interim reports later than Fortum, Fortum's share of Uniper's results will be accounted for with a time-lag of one quarter. Consequently, Fortum’s third-quarter 2018 interim report will not include any share of results from Uniper. Fortum’s Financial Statements 2018 will only include Fortum’s share of Uniper's third-quarter results. (Note 6)

In June 2018, Fortum agreed to sell a 54% share of its solar power company operating four solar power plants in India. The total consideration from the divestment on a debt- and cash-free basis, including the effect of deconsolidating Fortum's minority part of the net debt, is expected to be approximately EUR 150 million. The positive impact on Fortum's results will be approximately EUR 20 million. The transaction is expected to close in the beginning of the third quarter 2018.

Capital expenditures, divestments and investments in shares

In the second quarter of 2018, capital expenditures and investments in shares totalled EUR 3,868 (153) million, mainly due to the purchase of Uniper shares (Note 6). Investments, excluding acquisitions, were EUR 122 (136) million (Note 4).

In January-June 2018, capital expenditures and investments in shares totalled EUR 3,988 (360) million. Investments, excluding acquisitions, were EUR 224 (308) million (Note 4).

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts/started
Generation				
Loviisa, Finland	Nuclear	6		2018
Hydro plants in Sweden and Finland	Hydro	~12		2018
City Solutions				
Zabrze, Poland	CHP	75	145	2018
Russia				
Ulyanovsk	Wind	35		Jan 2018
Solar*	Solar	110		2021-2022
Other Operations				
Ånstadblåheia, Norway	Wind	50		2018
Sørfjord, Norway	Wind	97		2019
Pavagada 2, India	Solar	250		2019

* Separate investment decision needed.

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. According to the time plan updated by plant supplier Areva-Siemens Consortium in June 2018, the plant is expected to start regular electricity production in September 2019. OL3 is funded through external loans, share issues and shareholder loans according to shareholder agreements between the owners and TVO. As a 25% shareholder in OL3, Fortum has committed to funding of the project pro rata. At the end of June 2018, Fortum's outstanding receivables regarding OL3 were EUR 145 million and the outstanding commitment was EUR 88 million (Note 12). In March 2018, TVO and the supplier consortium companies signed a comprehensive settlement agreement whereby the arbitration concerning the delay of OL3 is settled by financial compensation of EUR 450 million to be paid to TVO. Based on the project schedule and the effect of the settlement agreement, TVO estimated the total investment in OL3 to be approximately EUR 5.5 billion.

In June 2018, Fortum sold its 10% ownership in Hafslund Produksjon Holding AS to Svartisen Holding AS. As part of the restructuring of the Hafslund ownership in 2017, Fortum acquired the ownership in Hafslund Produksjon. The sales price for the shares was EUR 160 million. Fortum booked a capital gain of EUR 77 million in the Generation segment in the second-quarter 2018 results.

City Solutions

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

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

Russia

In June 2018, Fortum won the right to build 110 MW of solar capacity in a CSA auction. The power plants are to be commissioned during the years 2021-2022.

In June 2018, the Fortum-Rusnano wind investment fund (Fortum's ownership 50%) won the right to build 823 MW of wind capacity in a CSA auction. The wind parks are to be commissioned during the years 2019-2023.

In June 2017, the Fortum-Rusnano wind investment fund won the right to build 1,000 MW of wind capacity in a CSA auction. The wind parks were to be commissioned during the years 2018-2022. In October 2017, the wind investment fund made an investment decision on the first 50-MW wind farm, and power production is expected to start during the first half of 2019.

The investment decisions related to the renewable capacities won by Fortum and the Fortum-Rusnano wind investment fund in 2017 and 2018 will be made on a case-by-case basis. Fortum’s maximum equity commitment is RUB 15 billion. In the longer term, Fortum seeks to maintain an asset-light structure by forming potential partnerships and other forms of co-operation.

Other Operations

In June 2018, Fortum won the right to build a 250-MW solar power plant in the Pavagada solar park in Karnataka, India. The capital expenditure is estimated to be approximately EUR 120 million. Commissioning of the plant is expected in 2019. Fortum already has a 100-MW operational plant in Pavagada solar park.

In June 2018, Fortum signed an agreement to sell a 54% share of its solar power company operating four solar power plants in India to UK Climate Investments (40%) and Elite Alfred Berg (14%). Elite Alfred Berg has the option to buy up to an additional 16% from Fortum. The total capacity of this portfolio is 185 MW. Fortum aims to retain a significant minority ownership in the solar power company and to continue to provide operation and maintenance services based on a long-term agreement. The total consideration from the divestment on a debt- and cash-free basis, including the effect of deconsolidating Fortum's minority part of the net debt, is expected to be approximately EUR 150 million. The positive impact on Fortum's results will be approximately EUR 20 million. The transaction is expected to close in the beginning of the third quarter 2018.

In January 2017, Fortum finalised the acquisition of three wind power projects from the Norwegian company Nordkraft. The transaction consists of the already operational Nygårdsfjellet wind farm 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 180 MW. In March and September 2017, Fortum announced the decisions to start the building of the Ånstadblåheia and Sørfjord wind farms, respectively.

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

Operating and regulatory environment

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 88 (88) TWh during the second quarter of 2018. During January-June 2018, electricity consumption in the Nordic countries was 209 (201) TWh. The higher consumption was mainly driven by colder weather during the first quarter of 2018 and the somewhat higher industrial consumption.

At the beginning of 2018, the Nordic water reservoirs were at 86 TWh, which is 3 TWh above the long-term average and 11 TWh higher than one year earlier. At the end of the second quarter of 2018, the reservoirs were at 76 TWh, which is 7 TWh below the long-term average and 5 TWh lower than one year earlier. Precipitation was clearly below the normal level in the second quarter of 2018.

In the second quarter of 2018, the average system spot price in Nord Pool was EUR 39.0 (27.4) per MWh. The average area price in Finland was EUR 42.0 (30.9) per MWh and in Sweden (SE3, Stockholm) EUR 38.5 (28.5) per MWh. The dry weather combined with the higher marginal cost for coal condense contributed to the price increase. In January-June 2018, the average system spot price in Nord Pool was EUR 38.8 (29.3) per MWh, the average area price in Finland was EUR 42.0 (31.9) per MWh and in Sweden SE3 (Stockholm) EUR 38.8 (30.1) per MWh.

In Germany, the average spot price increased to EUR 36.0 (29.8) per MWh in the second quarter of 2018. In January-June 2018, the average spot price was EUR 35.7 (35.5) per MWh.

The market price of CO_2 emission allowances (EUA) increased from EUR 13.3 per tonne at the beginning of the second quarter to EUR 15.0 per tonne at the end of the second quarter of 2018.

Russia

Fortum operates mainly in the Tyumen and Khanty-Mansiysk area of Western Siberia, where industrial production is dominated by the oil and gas industries, and in the Chelyabinsk area of the Urals, which is dominated by the metal industry. The Russian market is divided into two price zones and Fortum operates in the First Price Zone (European and Urals part of Russia).

According to preliminary statistics, Russian electricity consumption was 241 (238) TWh during the second quarter of 2018. The corresponding figure for the First Price Zone was 185 (184) TWh. In January-June 2018, Russian electricity consumption was 530 (522) TWh and the corresponding figure for the First Price Zone was 406 (402) TWh.

In the second quarter of 2018, the average electricity spot price, excluding capacity prices, increased by 3.8% to RUB 1,191 (1,148) per MWh in the First Price Zone. The spot price in the Urals hub decreased by 0.8% and was RUB 1,004 (1,012) per MWh. In January-June 2018, the average electricity spot price, excluding capacity price, increased by 2.1% to RUB 1,189 (1,164) per MWh in the First price zone and decreased by 1.5% to RUB 1,008 (1,023) per MWh in the Urals hub.

More detailed information about the market fundamentals is included in the tables at the end of the report (pages 59-61).

European regulatory environment

Legislation on sustainable financing proposed

In May 2018, the EU Commission presented the first set of legislative proposals based on the strategy and action plan on sustainable financing. This includes a proposal to develop an EU-wide taxonomy system to help investors assess the sustainability and impact of economic activities. In addition, the guidelines on non-financial reporting will be revised and EU labels for green financial products will be developed. These types of rules will affect the whole financing sector in Europe. It is important to ensure that the planned taxonomy will be developed in a transparent manner with a market-based approach.

EU waste package published

The EU waste package, expected to effectively promote a circular economy, was officially published and member states are to implement the legislation by July 2020. The recycling targets for municipal solid waste and packaging waste will be increased, and the landfilling of municipal waste will be further limited by 2030. In addition, the quality and comparability of waste statistics will be improved, the calculation methods for recycling targets will be aligned, and e-registers for hazardous waste will be established.

German "Coal Commission" appointed

In June 2018, the Commission for Growth, Structural Change and Employment ("the Coal Commission") was appointed; it will present a strategy for the phase-out of coal-fired power generation in Germany. The focus is on mitigating regional impacts expected from the coal phase-out. As Germany is likely to miss its 40% emission reduction target for 2020, the Commission will also propose measures to reduce this gap.

The Coal Commission is scheduled to give its recommendations on mitigating regional impacts in October, on minimising the 2020 target gap in November, and to present its final report in December 2018. The time schedule is extremely tight given the magnitude and complicated nature of the task. In addition to the timing, the mandate is considered to miss a broader European context and the link to EU's Emissions Trading System (ETS) in particular. Furthermore, the mandate does not include any assessment of possible impacts of the coal phase-out on wholesale electricity prices. The power industry is represented in the Commission by the German Association of Energy and Water Industries (BDEW).

Norwegian parliament supported the financing of Fortum's CCS project

In June 2018, the Norwegian parliament approved the NOK 80 million financing to continue the pre-studies of Fortum's carbon capture and storage (CCS) project in Klemetsrud for the next 12 months.The Ministry of Petroleum and Energy will make the final decision on the pre-study within a few months based on the results from the ongoing quality assurance initiated by the Government earlier this year.

Finnish renewable electricity support scheme approved

In May 2018, the Finnish Parliament adopted legislation on the new support scheme for electricity from renewable energy sources for 2018-2020. The system is based on the tendering of 1.4 TWh of renewable electricity and will most likely be based on one tendering round, expected in late 2018.

The scheme is technology neutral, however, hydropower is excluded and there are certain special requirements for bio-based electricity. Only new installations can participate in the tendering. The premium will be based on bids and will be a combination of fixed and variable premiums. The projects are entitled to the support for a 12-year period.

Changes to Finnish energy taxation proposed

In May 2018, the Finnish Government announced several changes to energy taxation: elimination of the existing 50% reduction of the CO_2 tax for CHP production and alignment of the CO_2 taxation of heating fuels with the taxation of transport fuels, abolishing the double taxation of big electricity storages, as well as simplification of the taxation for work-place-related charging of electric vehicles. These changes will be applicable from 2019 onwards, but details have not been published yet. While Fortum considers the latter two proposals to be positive developments, the decision to further increase the tax burden of CHP production and district heating is seen as negative.

Key drivers and risks

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

One of the key factors influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key short-term drivers behind the wholesale price development in the Nordic region are the prices of fuels and CO_2 emission allowances, the hydrological situation, temperature, economic development, and the electricity import-export balance.

The world economy has recently been growing at an increasing pace. The overall economic growth impacts commodity and CO_2 emission allowance prices, which, in turn, impact the Nordic wholesale price of electricity. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates could have both translation and transaction effects on Fortum's financials, especially through the Russian rouble and Swedish krona.

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

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

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

Outlook

Hedging

At the end of June 2018, approximately 75% of the Generation segment's estimated Nordic power sales volume was hedged at EUR 29 per MWh for the rest of 2018 and approximately 60% at EUR 28 per MWh for 2019.

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

Capital expenditure and divestments

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

Nordic market

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

During the second quarter of 2018, oil, coal, and CO_2 emission allowance (EUA) prices increased. The price of electricity for the upcoming 12 months increased in the Nordics and Germany, driven by the higher marginal cost for coal condense. The price increase was higher in the Nordics compared to Germany due to a weaker hydrological balance in the Nordics.

In mid-July 2018, the forward quotation for coal (ICE Rotterdam) for the remainder of 2018 was around USD 97 per tonne and the market price for CO_2 emission allowances for 2018 at the level of EUR 16 per tonne. The Nordic system electricity forward price at Nasdaq Commodities for the remainder of 2018 was around EUR 53 per MWh and for 2019 around EUR 37 per MWh. In Germany the electricity forward price for the remainder of 2018 was around EUR 50 per MWh and for 2019 around EUR 44 per MWh. The Nordic water reservoirs were about 12 TWh below the long-term average and were 8 TWh lower than one year earlier.

Generation

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

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

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

On 11 June 2018, the Swedish Administrative Court of Appeal gave its decisions on Fortum Sverige AB’s hydro production-related real-estate tax assessments for the years 2009-2014. The court decisions were not in Fortum’s favour and are contrary to the Administrative Court’s earlier decision. Fortum will apply for leave to appeal to the Supreme Administrative Court. The disputed amount, including interest for the time period, totals approximately SEK 520 million (approximately EUR 50 million). In case the Administrative Court of Appeal’s ruling becomes final, there will be no impact on Fortum's results. In Sweden, hydropower plants have been subject to a real-estate tax that has resulted in a per-kWh real-estate tax that is approximately 12 times higher compared to any other production form due to different tax rates and different valuation factors.

On 12 April 2018, the Swedish Government presented to the parliament the proposed legislation regarding the future of hydropower following last year’s parliamentary Energy Commission. The proposed legislation states that all hydropower should have modernised permits, but also clearly states that existing hydropower needs to be protected to be able to play a key role in the future energy system. The proposed legislation also points to the classification of water bodies, demanding that they shall be done in a manner that protects hydropower and other infrastructure. The Government proposal also states that the industry should create a common hydropower fund to finance large parts of the environmental actions needed. According to the Energy Commission, the fund has a total financial cap of SEK 10 billion to be paid over a 20-year period, and the largest operators will contribute to the fund proportionately based on their respective market share of hydropower production. Fortum's share is expected to be 20-25% of the funds' total financing. On 19 June 2018, the legislation was adopted by the parliament, supported by a broad majority of six parties that agreed on the Energy Commission results.

In September 2016, the Swedish Government presented the budget proposal for the coming years, according to which the nuclear capacity tax will be reduced to 1,500 SEK/MW per month from 1 July 2017 and abolished on 1 January 2018. In 2017, Fortum's Swedish nuclear capacity tax was EUR 44 million. In 2018, there is no capacity tax. Further, the Swedish hydropower real-estate tax will decrease from 2.8% to 0.5%. The tax is being reduced in four steps: in January 2017 to 2.2%; in January 2018 to 1.6%; in January 2019 to 1.0%; and in January 2020 to 0.5%. In 2017, the tax for Fortum decreased by EUR 20 million to EUR 95 million. In addition to the decrease in the tax rate, the 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 electricity prices, the tax values for the 2019-2024 period would be lower than today.

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

City Solutions

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

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

Consumer Solutions

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

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

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

Russia

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

Fortum’s other Russian generation capacity, totalling 2,544 MW, is allowed to participate in the CCS auction. The long-term CCS for the years 2017-2019 was held at the end of 2015, the CCS for the year 2020 in September 2016, and the CCS for the year 2021 in September 2017. All Fortum plants offered in the auction were selected. Fortum also obtained "forced mode status", i.e. it receives payments for the capacity at a higher rate for some of the units at the Argayash power plant. For the years 2017-2019, "forced mode status" was obtained for 195 MW; for the year 2020 for 175 MW, and for the year 2021 for 105 MW.

In June 2018, Fortum won the right to build 110 MW of solar capacity in a CSA auction. The power plants are to be commissioned during the years 2021-2022 and will receive a guaranteed CSA price corresponding to approximately RUB 14,000 per MWh for a period of 15 years (price corrected compared to previously communicated).

In June 2018, the Fortum-Rusnano wind investment fund (Fortum's ownership 50%) won the right to build 823 MW of wind capacity in a CSA auction. The wind parks are to be commissioned during the years 2019-2023 and will receive a guaranteed CSA price corresponding to approximately RUB 7,000-8,000 per MWh for a period of 15 years (price corrected compared to previously communicated).

As of January 2018, Fortum’s Ulyanovsk wind farm is listed in the registry of capacity. The 35-MW power plant is Russia’s first industrial wind park. It will receive CSA payments for a period of approximately 15 years after commissioning. The CSA price currently corresponds to approximately RUB 11,000 per MWh.

In December 2017, Fortum acquired three solar power companies. All three power plants are operational and will receive CSA payments for approximately 15 years after commissioning. The CSA price currently corresponds to approximately RUB 24,000 per MWh. The plants were commissioned in 2016 and 2017.

In June 2017, the Fortum-Rusnano wind investment fund won the right to build 1,000 MW of wind capacity in a CSA auction. The wind parks were to be commissioned during the years 2018-2022 and will receive a guaranteed CSA price corresponding to approximately RUB 7,000-9,000 per MWh for a period of 15 years. In October 2017, the wind investment fund made an investment decision on the first 50-MW wind farm, and power production is expected to start during the first half of 2019.

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

Other Operations

For information on the financial impact of the Uniper shareholding, please see the Uniper investment section of this interim report and Note 6.

In June 2018, Fortum won the right to build a 250-MW solar power plant in the Pavagada solar park in Karnataka, India. The capital expenditure is estimated to be approximately EUR 120 million, and the solar park will be entitled to a fixed tariff of 2.85 INR/kWh for 25 years. Commissioning of the plant is expected in 2019.

Income taxation

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

In June 2018, the Swedish government decided to lower the Swedish corporate tax in two steps, from the current 22.0% to 21.4% from January 2019 and to 20.6% from January 2021.

In March 2018, the Swedish Supreme Administrative Court decided not to grant leave to appeal to Fortum with respect to the interest deduction cases relating to the years 2009-2012. The unfavourable decision of the Administrative Court of Appeal from June 2017 therefore remains in force. The additional tax and interest, in total SEK 1,175 million (EUR 122 million), was booked as a cost in the second-quarter 2017 results and was paid already in 2016. There are strong grounds to argue that the aforementioned decisions of the Administrative Court of Appeal and the Supreme Administrative Court violate EU law and fundamental rights under EU law. Fortum plans to make use of legal remedies which are available for breaches of EU law. (Note 19)

On 11 May 2017, the Administrative Court in Stockholm gave its decisions related to Fortum's income tax assessments for the year 2013. The Court's rulings were not in Fortum's favour and Fortum has appealed the decisions. If the decisions remain in force despite the appeal, the negative impact on the net profit would be SEK 239 million (EUR 23 million). Fortum has not made any provision for this, as, based on legal analysis, the EU Commission's view and supporting legal opinions, the cases should be ruled in Fortum's favour. (Note 19)

Shares and share capital

Fortum shares on Nasdaq Helsinki

January-June 2018	No. of shares traded	Total value EUR	High EUR	Low EUR	Average* EUR	Last EUR
FORTUM	290,984,229	5,324,123,576	21.04	16.43	18.29	20.44

* Volume weighted average.

	30 June 2018	30 June 2017
Market capitalisation, EUR million	18,158	12,197
Number of shareholders	124,845	135,183
Finnish State holding, %	50.8	50.8
Nominee registrations and direct foreign shareholders, %	30.6	27.9
Households, %	9.8	11.4
Financial and insurance corporations, %	1.5	1.8
Other Finnish investors, %	7.4	8.2

In addition to Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, Cboe and Turquoise, and on the OTC market. In January-June 2018, approximately 65% of Fortum's shares were traded on markets other than Nasdaq Helsinki.

On 30 June 2018, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation owned 72,580 of its own shares.

On 28 March 2018, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase and disposal of the company's own shares up to a maximum of 20,000,000 shares, which corresponds to approximately 2.25% 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 19 July 2018.

Group personnel

Fortum's operations are mainly based in the Nordic countries, Russia, Poland and the Baltic Rim area. The total number of employees at the end of June 2018 was 8,951 (end of 2017: 8,785).

At the end of June 2018, the Generation segment had 1,127 (end of 2017: 1,035) employees, City Solutions 1,990 (end of 2017: 1,907), Consumer Solutions 1,485 (end of 2017: 1,543), Russia 3,427 (end of 2017: 3,495), and Other Operations 922 (end of 2017: 805).

Research and development

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

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

The Group reports its R&D expenditure on a yearly basis. In 2017, Fortum's R&D expenditure was EUR 53 (52) million, or 1.2% (1.4%) of sales.

Sustainability

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

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

The Group-level sustainability targets are linked to the main sustainability focus areas and emphasise Fortum's role in society. They measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, employee wellbeing, and the security of power and heat production. Targets are set annually and are based on continuous operational improvement. Regarding safety, the target indicators in 2018 are the number of severe occupational accidents and the combined own personnel and contractor lost workday injury frequency (LWIF). A new indicator in 2018 is the GAP index measuring how well the Group's EHS minimum requirements are realised at the power plant level.

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

Group sustainability targets and performance 2018*

	Target	II/18	I-II/18	2017	Five-year average
Environmental responsibility					
Specific CO_2 emissions from total energy production as a five-year average, g/kWh	< 200	186	182	188	186
Major EHS incidents, no.	≤ 20	4	12	20	-
Social responsibility					
Energy availability of CHP plants, %	> 95.0	95.4	96.3	96.1	-
Lost workday injury frequency (LWIF), own personnel and contractors	≤ 2.1	2.2	1.8	2.4	-
Severe occupational accidents, no.	0	1	1	1	-
Quality of investigation process of occupational accidents, major EHS incidents and near misses	Level 3.0	Level 3.0	Level 3.0	Level 2.0**	-
Sickness-related absences, %	≤ 2.2	2.9***	3.2***	2.2****	-

* Group targets for reputation index, customer satisfaction, energy efficiency and GAP index are monitored annually.
** Scaling revised.
*** Sickness-related absences in January-May 2018.
**** Excluding DUON and Hafslund.

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

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

Economic responsibility

Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. Fortum measures financial performance with return on capital employed (target: at least 10%) and capital structure (target: comparable net debt/EBITDA around 2.5).

Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier qualification and supplier audits. In January-June 2018, Fortum conducted a total of six supplier audits in Finland, Poland, Vietnam, and India. In addition, one of Fortum's Russian coal suppliers was audited against the Bettercoal Code by a third party.

Environmental responsibility

Fortum's Group-level environmental targets are related to CO_2 emissions, energy efficiency, and major environmental, health and safety (EHS) incidents. Operational-level activities follow the requirements set forth in the ISO 14001 environmental management standard; 99.8% (99.9%) of Fortum's power and heat production worldwide has ISO 14001 certification.

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

Fortum's energy production is primarily based on carbon dioxide-free hydropower and nuclear power and on energy-efficient CHP. In line with the strategy, Fortum is targeting a gigawatt-scale solar and wind portfolio. Fortum expects the concern about climate change to increase the demand for low-carbon production and energy-efficient solutions and products. Fortum aims to mitigate climate change by investing in CO_2-free energy production and by improving energy and resource efficiency.

In January-June 2018, Fortum's direct CO_2 emissions were 10.6 (9.7) Mt. Of the total CO_2 emissions, 1.4 (1.5) Mt were within the EU's ETS. The estimate for Fortum's free emission allowances in 2018 is 0.8 (1.0) Mt.

Fortum's total CO_2 emissions (million tonnes, Mt)	II/18	II/17	I-II/18	I-II/17	2017	LTM
Total emissions	4.3	4.1	10.6	9.7	18.4*	19.3
Emissions subject to ETS	0.3	0.7	1.4	1.5	2.4*	2.2
Free emissions allowances	-	-	-	-	1.0	-
Emissions in Russia	3.8	3.4	8.9	7.9	15.4	16.3

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

In January-June 2018, Fortum's specific carbon dioxide emissions from total energy production were 182 (186) g/kWh. The specific CO_2 emissions from total energy production as a five-year average were 186 (188) g/kWh, which is better than Fortum's Group target of 200 g/kWh.

Fortum's target regarding major EHS (environment, health, and safety) incidents is to have no more than 20 major EHS incidents annually. Major EHS incidents are monitored, reported and investigated, and corrective actions are implemented. In January-June 2018, there were 12 (10) major EHS incidents in Fortum's operations. The major EHS incidents included eight fires, two environmental non-compliances, one leak, and one dam safety incident. The major EHS incidents did not have significant environmental impacts.

Social responsibility

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

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

In January-June 2018, the combined lost-workday injury frequency (LWIF) for own personnel and contractors was 1.8 (2.4), which was better than the set target level (≤2.1). In January-June 2018, one occupational accident leading to a fatality took place in the company's operations in Sweden, thus the number of severe occupational accidents was 1 (0). The Group target in 2018 is zero severe occupational accidents.

In January-June 2018, the quality of investigation process of occupational accidents, major EHS incidents, and serious near misses was at the level of 3.0, achieving the set target level of 3.0. In 2018, Fortum is implementing new tools to assess contractor safety performance as part of the supplier qualification process and also evaluates their safety practices in a more systematic manner during work.

In January-May 2018, the percentage of sickness-related absences was 3.2 (2.3), which did not meet the target level of ≤2.2.

An uninterrupted and reliable energy supply is critical for society to function. The energy availability of the company’s CHP plants in January-June 2018 was, on average, 96.3% (98.3%), outperforming the target of >95.0%.

Espoo, 18 July 2018

Fortum Corporation
Board of Directors

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

Financial calendar in 2018

Fortum will publish its January-September 2018 Interim Report on 24 October 2018, at approximately 9:00 EEST.

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

Distribution:

Nasdaq Helsinki
Key media
www.fortum.com

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 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Sales	4	1,087	937	2,672	2,169	4,520	5,023
Other income		18	9	42	18	55	79
Materials and services		-555	-483	-1,380	-1,088	-2,301	-2,593
Employee benefits		-121	-106	-235	-199	-423	-459
Depreciation and amortisation	4,9,10	-130	-111	-262	-220	-464	-506
Other expenses		-145	-138	-278	-258	-576	-596
Comparable operating profit	4	**153**	**109**	**558**	**421**	**811**	**948**
Items affecting comparability		103	-42	180	34	347	493
Operating profit	4	**256**	**66**	**738**	**456**	**1,158**	**1,440**
Share of profit/loss of associates and joint ventures	4, 11	24	35	70	94	148	124
Interest expense		-36	-46	-77	-83	-164	-158
Interest income		10	9	18	16	32	34
Fair value gains and losses on financial instruments		-2	-7	-2	-6	-12	-8
Other financial expenses - net		-11	-8	-13	-15	-50	-48
Finance costs - net		-39	-52	-74	-88	-195	-181
Profit before income tax		**241**	**49**	**734**	**461**	**1,111**	**1,384**
Income tax expense	7	-25	-118	-119	-190	-229	-158
Profit for the period		**215**	**-69**	**615**	**271**	**882**	**1,226**
Attributable to:							
Owners of the parent		216	-70	600	265	866	1,201
Non-controlling interests		-1	0	15	5	16	26
		215	**-69**	**615**	**271**	**882**	**1,226**
Earnings per share for profit attributable to the equity owners of the company (EUR per share)							
Basic		**0.24**	-0.08	**0.68**	0.30	0.98	1.35

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

EUR million	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Comparable operating profit		**153**	**109**	**558**	**421**	**811**	**948**
Impairment charges	4	0	0	0	0	6	6
Capital gains and other	4, 6	76	1	102	2	326	426
Changes in fair values of derivatives hedging future cash flow	4	49	-46	103	27	14	90
Nuclear fund adjustment	4, 14	-22	4	-26	5	1	-30
Items affecting comparability		103	-42	180	34	347	493
Operating profit		**256**	**66**	**738**	**456**	**1,158**	**1,440**

Condensed consolidated statement of comprehensive income

EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Profit for the period	**215**	**-69**	**615**	**271**	**882**	**1,226**
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	-456	-31	-642	36	22	-656
Transfers to income statement	-5	13	15	50	76	41
Transfers to inventory/fixed assets	-2	2	-2	-3	-4	-3
Deferred taxes	96	3	130	-17	-19	128
Net investment hedges						0
Fair value gains/losses in the period	-31	7	18	-4	23	45
Deferred taxes	6	-1	-4	1	-5	-10
Exchange differences on translating foreign operations	-105	-367	-355	-172	-372	-555
Share of other comprehensive income of associates and joint ventures	3	-3	1	1	-10	-10
Other changes	1	0	0	-1	-2	-1
	-492	**-378**	**-839**	**-111**	**-291**	**-1,019**
Items that will not be reclassified to profit or loss in subsequent periods:						
Actuarial gains/losses on defined benefit plans	0	0	0	0	-13	-13
Actuarial gains/losses on defined benefit plans in associates and joint ventures	0	0	0	-2	6	8
	0	**0**	**0**	**-2**	**-7**	**-5**
Other comprehensive income for the period, net of deferred taxes	**-492**	**-378**	**-838**	**-113**	**-298**	**-1,023**
Total comprehensive income for the period	**-277**	**-447**	**-224**	**158**	**584**	**202**
Total comprehensive income attributable to						
Owners of the parent	-268	-444	-230	154	571	187
Non-controlling interests	-9	-4	7	4	13	16
	-277	**-447**	**-224**	**158**	**584**	**202**

Condensed consolidated balance sheet

EUR million	Note	June 30 2018	June 30 2017	Dec 31 2017
ASSETS				
Non-current assets				
Intangible assets	9	1,110	486	1,064
Property, plant and equipment	10	10,088	9,882	10,510
Participations in associates and joint ventures	4, 11	5,668	2,111	1,900
Share in State Nuclear Waste Management Fund	14	846	845	858
Other non-current assets		107	115	140
Deferred tax assets		59	39	73
Derivative financial instruments	5	244	353	281
Long-term interest-bearing receivables	12	776	941	1,010
Total non-current assets		**18,898**	**14,772**	**15,835**
Current assets				
Inventories		243	234	216
Derivative financial instruments	5	362	88	240
Short-term interest-bearing receivables	12	569	321	395
Income tax receivables		163	146	172
Trade and other receivables		1,041	615	997
Deposits and securities (maturity over three months)		68	1,277	715
Cash and cash equivalents		701	2,829	3,182
Liquid funds	13	770	4,106	3,897
Total current assets		**3,148**	**5,511**	**5,918**
Total assets		**22,045**	**20,283**	**21,753**
EQUITY				
Equity attributable to owners of the parent				
Share capital		3,046	3,046	3,046
Share premium		73	73	73
Retained earnings		9,150	9,485	9,875
Other equity components		-419	30	54
Total		**11,850**	**12,635**	**13,048**
Non-controlling interests		**243**	**85**	**239**
Total equity		**12,093**	**12,720**	**13,287**
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	13	5,030	3,942	4,119
Derivative financial instruments	5	316	173	214
Deferred tax liabilities		740	638	819
Nuclear provisions	14	846	845	858
Other provisions	15	89	133	100
Pension obligations		101	77	102
Other non-current liabilities		169	174	175
Total non-current liabilities		**7,290**	**5,983**	**6,388**
Current liabilities				
Interest-bearing liabilities	13	1,011	769	766
Derivative financial instruments	5	724	191	200
Trade and other payables		928	621	1,112
Total current liabilities		**2,663**	**1,581**	**2,078**
Total liabilities		**9,953**	**7,563**	**8,466**
Total equity and liabilities		**22,045**	**20,283**	**21,753**

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings: Retained earnings	Retained earnings: Translation of foreign operations	Other equity components: Cash flow hedges	Other equity components: Other OCI items	Other equity components: OCI items associated companies and joint ventures	Owners of the parent	Non-controlling interests	Total equity
Total equity 31 December 2017	**3,046**	**73**	**12,062**	**-2,187**	**-40**	**70**	**24**	**13,048**	**239**	**13,287**
Impact from change in accounting principle (IFRS 9 and 15)			7					7		7
Total equity 1 January 2018	**3,046**	**73**	**12,069**	**-2,187**	**-40**	**70**	**24**	**13,055**	**239**	**13,295**
Net profit for the period			600					600	15	615
Translation differences				-358	1	2	-2	-358	3	-355
Other comprehensive income			0		-489	15	1	-473	-10	-483
Total comprehensive income for the period			600	-358	-488	17	-1	-230	7	-224
Cash dividend			-977					-977	-3	-980
Other			2					2	-1	2
Total equity 30 June 2018	**3,046**	**73**	**11,695**	**-2,545**	**-528**	**86**	**23**	**11,850**	**243**	**12,093**
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 2016	**3,046**	**73**	**12,186**	**-1,817**	**-115**	**58**	**27**	**13,459**	**84**	**13,542**
Net profit for the period			866					866	16	882
Translation differences				-369	1	1	-1	-369	-3	-372
Other comprehensive income			-9		74	11	-2	73	0	74
Total comprehensive income for the period			857	-369	75	11	-3	571	13	584
Cash dividend			-977					-977	-2	-979
Other			-4					-4	145	141
Total equity 31 December 2017	**3,046**	**73**	**12,062**	**-2,187**	**-40**	**70**	**24**	**13,048**	**239**	**13,287**

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR -358 million during Q1-Q2 2018 (Q1-Q2 2017: -170). Translation differences in Q1-Q2 2018 are mainly related to SEK and RUB (Q1-Q2 2017: RUB). Part of this translation exposure has been hedged and the foreign currency hedge result amounting to EUR 18 million during Q1-Q2 2018 (Q1-Q2 2017: -2), 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 -488 million during Q1-Q2 2018 (Q1-Q2 2017: 65), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividends

A dividend for 2017 was decided in the Annual General Meeting on 28 March 2018. See Note 8 Dividend per share.

Non-controlling interests

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

Condensed consolidated cash flow statement

EUR million	Note	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Cash flow from operating activities							
Profit for the period		**215**	**-69**	**615**	**271**	**882**	**1,226**
Adjustments:							
Income tax expenses	7	25	118	119	190	229	158
Finance costs - net		39	52	74	88	195	181
Share of profit of associates and joint ventures	11	-24	-35	-70	-94	-148	-124
Depreciation and amortisation	9, 10	130	111	262	220	464	506
Operating profit before depreciations (EBITDA)		**385**	**177**	**1,000**	**676**	**1,623**	**1,947**
Items affecting comparability	4	-103	42	-180	-34	-347	-493
Comparable EBITDA		**282**	**219**	**820**	**642**	**1,275**	**1,453**
Non-cash flow items		-23	-36	-26	-33	-76	-69
Interest received		6	10	10	18	35	27
Interest paid		-44	-48	-134	-135	-187	-186
Dividends received		53	53	53	53	58	58
Realised foreign exchange gains and losses		91	-6	133	-63	-83	113
Income taxes paid		-30	-12	-46	-31	-83	-98
Other items		-1	-1	-3	-2	-28	-29
Funds from operations		**334**	**179**	**807**	**449**	**912**	**1,270**
Change in working capital		27	54	-174	65	81	-158
Total net cash from operating activities		**361**	**232**	**634**	**514**	**993**	**1,113**
Cash flow from investing activities							
Capital expenditures	9, 10	-118	-128	-252	-308	-657	-601
Acquisitions of shares	6	-3,732	-25	-3,750	-51	-972	-4,671
Proceeds from sales of fixed assets	9, 10	34	3	35	5	8	38
Divestments of shares and capital returns	6	170	0	170	0	741	911
Shareholder loans to associated companies and joint ventures	12	-4	54	-5	63	43	-25
Change in cash collaterals and restricted cash	12	-113	-110	-176	72	-3	-251
Change in other interest-bearing receivables	12	17	8	19	19	34	34
Total net cash from investing activities		**-3,747**	**-198**	**-3,959**	**-199**	**-807**	**-4,567**
Cash flow before financing activities		**-3,386**	**34**	**-3,326**	**315**	**187**	**-3,454**
Cash flow from financing activities							
Proceeds from long-term liabilities	13	1,733	2	1,764	36	35	1,763
Payments of long-term liabilities	13	-94	-172	-551	-464	-543	-630
Change in short-term liabilities	13	4	29	-17	61	68	-10
Dividends paid to the owners of the parent	8	-977	-977	-977	-977	-977	-977
Other financing items		-2	-6	0	-4	-12	-8
Total net cash used in financing activities		**662**	**-1,124**	**218**	**-1,349**	**-1,428**	**139**
Total net increase(+)/decrease(-) in liquid funds		**-2,724**	**-1,090**	**-3,107**	**-1,034**	**-1,241**	**-3,314**
Liquid funds at the beginning of the period 1)	13	**3,504**	**5,222**	**3,896**	**5,155**	**5,155**	**3,896**
Foreign exchange differences in liquid funds		-11	-26	-19	-14	-16	-21
Liquid funds at the end of the period	13	**770**	**4,106**	**770**	**4,106**	**3,897**	**561**

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

Realised foreign exchange gains and losses

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

Additional cash flow information

Change in working capital

EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Change in settlements for futures, decrease(+)/increase(-)	-199	75	-290	94	141	-243
Change in interest-free receivables, decrease(+)/increase(-)	365	143	260	145	-94	21
Change in inventories, decrease(+)/increase(-)	-28	-25	-16	-4	19	7
Change in interest-free liabilities, decrease(-)/increase(+)	-111	-139	-128	-170	15	57
Total	**27**	**54**	**-174**	**65**	**81**	**-158**

In Fortum's cash flow statement the daily cash settlements for futures are shown as change in working capital whereas the changes in cash collaterals for forwards are included in cash flow from investing activities. In the end of 2016 Nasdaq's market making for forwards ended and the trading moved from forwards with cash collaterals to futures with daily cash settlements. The cash collaterals are included in the short-term interest-bearing receivables, see Note 12.

Capital expenditure in cash flow

EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Capital expenditure	122	136	224	308	690	606
Change in not yet paid investments, decrease(+)/increase(-)	-2	-3	30	9	-17	4
Capitalised borrowing costs	-2	-4	-3	-9	-16	-10
Total	**118**	**128**	**252**	**308**	**657**	**601**

Capital expenditures for intangible assets and property, plant and equipment were in Q1-Q2 2018 EUR 224 million (Q1-Q2 2017: 308). Capital expenditure in cash flow in Q1-Q2 2018 EUR 252 million (Q1-Q2 2017: 308) is including payments related to capital expenditure made in previous year i.e. change in trade payables related to investments EUR 30 million (Q1-Q2 2017: 9) and excluding capitalised borrowing costs EUR -3 million (Q1-Q2 2017: -9), which are presented in interest paid.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 3,750 million during Q1-Q2 2018 (Q1-Q2 2017: 51). Acquisition of shares during Q2 2018 include mainly the acquisition of shares in Uniper SE. For additional information, see note 6 Acquisitions and disposals.

Divestment of shares in cash flow

EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	0	0	0	0	54	54
Proceeds from sales and capital returns of associates and joint ventures	170	0	170	0	687	857
Total	**170**	**0**	**170**	**0**	**741**	**911**

During Q2 2018 Fortum sold its 10% ownership in Hafslund Produksjon Holding AS. For further information, see note 6 Acquisitions and disposals.

Change in net debt

EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Net debt, beginning of the period	**899**	**-347**	**988**	**-48**	**-48**	**605**
Impact from change in accounting principle (IFRS 9)			1			1
Foreign exchange rate differences	13	11	-3	3	-15	-21
Comparable EBITDA	282	219	820	642	1,275	1,453
Non-cash flow items	-23	-36	-26	-33	-76	-69
Paid net financial costs	105	7	60	-130	-199	-9
Income taxes paid	-30	-12	-46	-31	-83	-98
Change in working capital	27	54	-174	65	81	-158
Capital expenditures	-118	-128	-252	-308	-657	-601
Acquisitions	-3,732	-25	-3,750	-51	-972	-4,671
Divestments	204	3	204	5	749	948
Shareholder loans to associated companies	-4	54	-5	63	43	-25
Change in other interest-bearing receivables	-96	-102	-157	91	31	-217
Dividends	-977	-977	-977	-977	-977	-977
Other financing activities	-3	-6	-1	-4	-17	-14
Net cash flow (- increase in net debt)	-4,366	-949	-4,303	-667	-802	-4,438
Fair value change of bonds, amortised cost valuation, acquired debt and other	-6	-7	-18	-17	248	247
Net debt, end of the period	**5,271**	**605**	**5,271**	**605**	**988**	**5,271**

Capital structure

Fortum wants to have an efficient capital structure which at the same time allows the implementation of its strategy. Maintaining a strong balance sheet and the flexibility of the capital structure is a priority. The Group monitors the capital structure based on Comparable net debt to EBITDA ratio. Net debt is calculated as interest-bearing liabilities minus liquid funds without deducting interest-bearing receivables amounting to EUR 1,344 million (Dec 31 2017: 1,406). EBITDA is calculated by adding back depreciation and amortisation to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability from EBITDA. Fortum's comparable net debt to EBITDA target is around 2.5x.

Comparable Net debt/EBITDA ratio

EUR million	Last twelve months	2017
Interest-bearing liabilities	6,041	4,885
Less: Liquid funds	770	3,897
Net debt	**5,271**	**988**
Operating profit	1,440	1,158
Add: Depreciation and amortisation	506	464
EBITDA	**1,946**	**1,623**
Less: Items affecting comparability	493	347
Comparable EBITDA	**1,453**	**1,275**
Comparable net debt/EBITDA	**3.6**	**0.8**

Key ratios

Definition of key figures are presented in Note 22.

	June 30 2018	June 30 2017	Dec 31 2017	Last twelve months
Comparable EBITDA, EUR million	820	642	1,275	**1,453**
Earnings per share (basic), EUR	0.68	0.30	0.98	**1.35**
Capital employed, EUR million	18,134	17,431	18,172	**18,134**
Interest-bearing net debt, EUR million	5,271	605	988	
Capital expenditure and gross investments in shares, EUR million	3,988	360	1,815	**5,443**
Capital expenditure, EUR million	224	308	690	**606**
Return on capital employed, % 1)	8.0	5.9	7.1	**8.8**
Return on shareholders' equity, % 1)	8.3	3.9	6.6	**9.9**
Comparable net debt / EBITDA 1)	3.2	0.5	0.8	**3.6**
Interest coverage	12.4	6.8	8.7	**11.5**
Interest coverage including capitalised borrowing costs	11.9	6.0	7.8	**10.7**
Funds from operations/interest-bearing net debt, %	28.1	159.1	83.9	**24.1**
Gearing, %	44	5	7	**44**
Equity per share, EUR	13.34	14.22	14.69	
Equity-to-assets ratio, %	55	63	61	**55**
Number of employees	8,951	8,368	8,785	
Average number of employees	8,811	8,205	8,507	
Average number of shares, 1 000 shares	888,312	888,367	888,367	
Diluted adjusted average number of shares, 1 000 shares	888,312	888,367	888,367	
Number of registered shares, 1 000 shares	888,367	888,367	888,367	
Number of registered shares excluding Treasury shares, 1 000 shares 2)	888,294	-	-	

1) Quarterly figures are annualised except items affecting comparability.

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

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017.

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

2. Accounting policies

The same accounting policies and presentation have been followed in these condensed interim financial statements as were applied in the preparation of the consolidated financial statements for the year ended 31 December 2017 except for the two new IFRS standards (IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers) and amendment to IFRS 2 Share-based payment that were adopted 1 January 2018. The accounting policies updated due to IFRS 9 and IFRS 15 are presented in the Q1 2018 interim report.

2.1 Adoption of the new IFRS standards

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

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

The IFRS 9 and IFRS 15 impacts to opening balance as of 1 January 2018 are disclosed in the Q1 2018 interim report.

2.2 IFRS 9 - Transition impacts

Hedging

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

Impairment

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

2.3 IFRS 15 - Transition impacts

IFRS 15 transition does not have a significant impact to Fortum’s financial statements. The biggest change relates to treatment of sales commission costs for obtaining customers in Consumer Solutions segment. Under IFRS 15 the sales commissions are capitalised and depreciated over the expected contract term. Before adoption of IFRS 15 the sales commissions were mostly expensed and the adoption of the new accounting standard will thus impact the timing and classification of expenses. The change is mainly impacting Comparable EBITDA and capital expenditure of Consumer Solutions segment.
In addition to the changed treatment of sales commissions, there are certain reclassification changes in income statement and balance sheet, which mostly arise from IFRS 15 scope and principal versus agent considerations.

Impact to the Q2/2018 income statement is presented below:

Impact to income statement EUR million	Q2/2018 without IFRS 15	Sales com-missions	Reclassi-fications	Q2 2018 as reported	Q1-Q2/2018 without IFRS 15	Sales com-missions	Reclassi-fications	Q1-Q2 2018 as reported
Sales	1,156		-70	1,087	2,834		-162	2,672
Other income	11		6	18	28		14	42
Materials and services	-618		63	-555	-1,529		149	-1,380
Depreciation and amortisation	-122	-8		-130	-247	-15		-262
Other expenses	-153	8		-145	-292	14		-278
Comparable operating profit	**153**	**0**	**0**	**153**	**559**	**-1**	**0**	**558**
Income tax expense	-25			-25	-119			-119
Profit for the period	**215**	**0**	**0**	**215**	**615**	**-1**	**0**	**615**
Comparable EBITDA	**275**	**8**	**0**	**282**	**806**	**14**	**0**	**820**

Impact to balance sheet EUR million	June 30 2018 without IFRS 15	Sales com-missions	Reclassi-fications	June 30 2018 as reported
Intangible assets	1,091	20		1,110
Other non-current assets	113	-6		107
Inventories	236	0	7	243
Trade and other receivables	1,051	-3	-7	1,041
Total assets	**22,034**	**11**	**0**	**22,045**
Retained earnings	9,140	9		9,150
Net profit	615	-1		615
Deferred tax liabilities	740	0		740
Trade and other payables	925	3		928
Total equity and liabilities	**22,034**	**11**	**0**	**22,045**

2.4 Amendment to IFRS 2 Share-based payment

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

2.5 IFRS 16 Leases

IFRS 16 Leases is effective for financial periods starting on 1 January 2019 or later. 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.

Currently, Fortum is assessing the impact of the new standard to its statement of financial position. Assessment includes:

- Reviewing current lease contracts reported as operating lease commitments
- Going through supplier lists and identifying potential lease arrangements
- Determining incremental borrowing rates
- Calculation of accounting impacts
- Implementing and integrating the new IFRS 16 software

Most of the contracts have been gathered and reviewed. No material new leases have been identified so far. Majority of the current operating leases are for the use of land and office buildings. The total future lease obligations amount to EUR 170 million at the end of the reporting period, so the impact of IFRS 16 to the consolidated financial statements is not expected to be material. The assessment will be completed during 2018.

Fortum plans to apply the standard using the modified retrospective method, which means the comparative figures will not be restated. Right-of-use assets will be initially recognized equal to the value of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet before the initial application.

2.6 The key exchange rates applied in the Fortum Group accounts

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

Key exchange rates for Fortum Group applied in the accounts:

Average rate	Jan-June 2018	Jan-March 2018	Jan-Dec 2017	Jan-Sept 2017	Jan-June 2017	Jan-March 2017
Sweden (SEK)	10.1722	9.9962	9.6392	9.5803	9.5900	9.5257
Norway (NOK)	9.6294	9.6737	9.3497	9.2343	9.1923	9.0030
Poland (PLN)	4.2316	4.1790	4.2556	4.2707	4.2707	4.3189
Russia (RUB)	71.5430	69.7770	66.0349	65.1995	63.4507	62.6996

Balance sheet date rate	June 30 2018	Mar 31 2018	Dec 31 2017	Sept 30 2017	June 30 2017	March 31 2017
Sweden (SEK)	10.4530	10.2843	9.8438	9.6490	9.6398	9.5322
Norway (NOK)	9.5115	9.6770	9.8403	9.4125	9.5713	9.1683
Poland (PLN)	4.3732	4.2106	4.1770	4.3042	4.2259	4.2265
Russia (RUB)	73.1582	70.8897	69.3920	68.2519	67.5449	60.3130

3. Critical accounting estimates and judgements

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

In preparing these interim financial statements, the significant judgements made by management applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

4. Segment information

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

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 Operations		Total	
EUR million	**Note**	**Q2 2018**	**Q2 2017**	**Q2 2018**	**Q2 2017**	**Q2 2018**	**Q2 2017**	**Q2 2018**	**Q2 2017**	**Q2 2018**	**Q2 2017**	**Q2 2018**	**Q2 2017**
Income statement data by segment													
Power sales		416	394	16	25	278	115	195	192	9	3	913	730
Heat sales		0	0	85	90	0	0	33	42	0	0	118	133
Waste treatment sales		0	0	47	46	0	0	0	0	0	0	47	46
Other sales		10	8	39	43	48	49	0	3	24	21	120	123
Sales		**425**	**402**	**187**	**205**	**326**	**164**	**228**	**238**	**33**	**24**	**1,199**	**1,033**
Internal eliminations		7	-2	-7	-4	-1	0	0	0	-20	-16	-20	-23
Netting of Nord Pool transactions [2)]												-92	-73
External sales		433	399	180	201	325	164	228	238	12	8	1,087	937
Comparable EBITDA		**183**	**111**	**21**	**37**	**26**	**8**	**73**	**88**	**-20**	**-24**	**282**	**219**
Depreciation and amortisation		-30	-34	-42	-36	-14	-2	-36	-35	-7	-5	-130	-111
Comparable operating profit		**152**	**78**	**-21**	**1**	**11**	**6**	**37**	**53**	**-27**	**-28**	**153**	**109**
Impairment charges		0	0	0	0	0	0	0	0	0	0	0	0
Capital gains and other	6	77	0	0	1	0	0	0	0	-1	0	76	1
Changes in fair values of derivatives hedging future cash-flow		23	-47	8	-2	10	2	0	0	8	0	49	-46
Nuclear fund adjustment	14	-22	4	0	0	0	0	0	0	0	0	-22	4
Items affecting comparability		78	-43	8	-1	10	2	0	0	6	0	103	-42
Operating profit		**230**	**34**	**-13**	**0**	**22**	**8**	**37**	**53**	**-20**	**-28**	**256**	**66**
Share of profit/loss of associates and joint ventures	11	-4	-5	-1	4	0	0	26	19	2	17	24	35
Finance costs - net												-39	-52
Income taxes	7											-25	-118
Profit for the period												**215**	**-69**
Gross investments / divestments by segment													
Gross investments in shares	6	0	2	6	9	0	0	13	0	3,727	6	3,746	17
Capital expenditure	9, 10	37	40	48	34	12	1	9	42	15	19	122	136
of which capitalised borrowing costs		0	1	1	0	0	0	0	2	0	1	2	4
Gross divestments of shares	6	160	0	0	0	0	0	0	0	0	0	160	0

Year-to-date		Generation[1)]		City Solutions[1)]		Consumer Solutions		Russia		Other Operations		Total	
EUR million	**Note**	**Q1-Q2 2018**	**Q1-Q2 2017**	**Q1-Q2 2018**	**Q1-Q2 2017**	**Q1-Q2 2018**	**Q1-Q2 2017**	**Q1-Q2 2018**	**Q1-Q2 2017**	**Q1-Q2 2018**	**Q1-Q2 2017**	**Q1-Q2 2018**	**Q1-Q2 2017**
Income statement data by segment													
Power sales		905	864	50	68	760	291	443	427	17	6	2,175	1,656
Heat sales		0	0	350	266	0	0	121	155	0	0	472	422
Waste treatment sales		0	0	97	88	0	0	0	0	0	0	97	88
Other sales		18	12	64	73	112	115	1	4	47	42	242	245
Sales		**923**	**876**	**562**	**495**	**873**	**406**	**565**	**586**	**64**	**48**	**2,986**	**2,412**
Internal eliminations		-2	-12	-18	-7	-2	-1	0	0	-39	-32	-61	-52
Netting of Nord Pool transactions [2)]												-253	-191
External sales		921	864	544	488	870	406	565	586	25	16	2,672	2,169
Comparable EBITDA		**435**	**277**	**150**	**131**	**57**	**22**	**215**	**256**	**-36**	**-44**	**820**	**642**
Depreciation and amortisation		-63	-64	-84	-74	-28	-4	-73	-71	-14	-8	-262	-220
Comparable operating profit		**372**	**214**	**66**	**57**	**29**	**18**	**141**	**185**	**-50**	**-52**	**558**	**421**
Impairment charges		0	0	0	0	0	0	0	0	0	0	0	0
Capital gains and other	6	77	1	0	1	0	0	0	0	25	0	102	2
Changes in fair values of derivatives hedging future cash-flow		85	45	9	1	9	-19	0	0	0	1	103	27
Nuclear fund adjustment	14	-26	5	0	0	0	0	0	0	0	0	-26	5
Items affecting comparability		137	51	9	2	9	-19	0	0	25	1	180	34
Operating profit		**509**	**264**	**75**	**59**	**38**	**-1**	**142**	**185**	**-25**	**-52**	**738**	**456**
Share of profit/loss of associates and joint ventures	11	-6	-7	43	50	0	0	31	20	2	31	70	94
Finance costs - net												-74	-88
Income taxes	7											-119	-190
Profit for the period												**615**	**271**
Gross investments / divestments by segment													
Gross investments in shares	6	0	3	8	9	0	0	20	0	3,736	40	3,764	52
Capital expenditure	9, 10	76	64	76	54	21	3	20	73	32	114	224	308
of which capitalised borrowing costs		1	1	2	1	0	0	0	5	0	2	3	9
Gross divestments of shares	6	160	0	0	0	0	0	0	0	0	0	160	0

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) 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.

4. Segment information

Last twelve months		Generation[1)]		City Solutions[1)]		Consumer Solutions		Russia		Other Operations		Total	
EUR million	Note	LTM	2017	LTM	2017	LTM	2017	LTM	2017	LTM	2017	LTM	2017
Income statement data by segment													
Power sales		1,690	1,649	103	121	1,331	862	853	837	26	15	4,002	3,483
Heat sales		0	0	607	523	0	0	224	258	0	0	832	782
Waste treatment sales		0	0	204	195	0	0	0	0	0	0	204	195
Other sales		34	28	166	175	232	235	3	6	92	87	528	531
Sales		**1,724**	**1,677**	**1,082**	**1,015**	**1,564**	**1,097**	**1,080**	**1,101**	**118**	**102**	**5,565**	**4,991**
Internal eliminations		-5	-15	-30	-19	-4	-3	0	0	-74	-67	-112	-103
Netting of Nord Pool transactions [2)]												-429	-367
External sales		1,719	1,662	1,052	996	1,558	1,094	1,080	1,101	44	35	5,023	4,520
Comparable EBITDA		**761**	**603**	**281**	**262**	**92**	**57**	**397**	**438**	**-75**	**-83**	**1,453**	**1,275**
Depreciation and amortisation		-124	-125	-173	-163	-40	-16	-144	-142	-24	-18	-506	-464
Comparable operating profit		**636**	**478**	**107**	**98**	**52**	**41**	**252**	**296**	**-100**	**-102**	**948**	**811**
Impairment charges		6	6	0	0	0	0	0	0	0	0	6	6
Capital gains and other	6	77	1	0	1	2	2	0	0	347	322	426	326
Changes in fair values of derivatives hedging future cash flow		55	15	11	3	24	-4	0	0	-1	0	90	14
Nuclear fund adjustment	14	-30	1	0	0	0	0	0	0	0	0	-30	1
Items affecting comparability		109	23	11	4	26	-2	0	0	346	322	493	347
Operating profit		**746**	**501**	**118**	**102**	**78**	**39**	**252**	**295**	**248**	**221**	**1,440**	**1,158**
Share of profit/loss of associates and joint ventures	11	0	-1	73	80	0	0	42	31	9	38	124	148
Finance costs - net												-181	-195
Income taxes	7											-158	-229
Profit for the period												**1,226**	**882**
Gross investments / divestments by segment													
Gross investments in shares	6	87	90	385	386	486	486	145	125	3,735	39	4,837	1,125
Capital expenditure	9, 10	186	174	192	170	25	7	99	152	105	187	606	690
of which capitalised borrowing costs		3	3	3	2	0	0	2	7	2	4	10	16
Gross divestments of shares	6	160	0	0	0	55	55	0	0	687	687	902	742

1) Sales, both internal and external, include effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.
2) 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.

4. Segment information

Segment assets and liabilities

EUR million	Note	Generation June 30 2018	Generation Dec 31 2017	City Solutions June 30 2018	City Solutions Dec 31 2017	Consumer Solutions June 30 2018	Consumer Solutions Dec 31 2017	Russia June 30 2018	Russia Dec 31 2017	Other Operations June 30 2018	Other Operations Dec 31 2017	Total June 30 2018	Total Dec 31 2017
Non-interest bearing assets		**6,152**	**6,097**	**3,397**	**3,517**	**860**	**923**	**2,581**	**2,812**	**468**	**452**	**13,459**	**13,801**
Participations in associated companies and joint ventures	11	846	785	573	611	0	0	496	472	3,753	32	5,668	1,900
Eliminations												-27	-19
Total segment assets		**6,998**	**6,882**	**3,970**	**4,128**	**860**	**923**	**3,077**	**3,284**	**4,222**	**483**	**19,099**	**15,682**
Interest-bearing receivables	12											1,344	1,406
Deferred tax assets												59	73
Other assets												773	696
Liquid funds												770	3,897
Total assets												**22,045**	**21,753**
Segment liabilities		**1,234**	**1,210**	**347**	**400**	**215**	**285**	**91**	**124**	**153**	**207**	**2,041**	**2,227**
Eliminations												-27	-19
Total segment liabilities												**2,013**	**2,208**
Deferred tax liabilities												740	819
Other liabilities												1,159	554
Total liabilities included in capital employed												**3,912**	**3,581**
Interest-bearing liabilities	13											6,041	4,885
Total equity												12,093	13,287
Total equity and liabilities												**22,045**	**21,753**
Number of employees		1,127	1,035	1,990	1,907	1,485	1,543	3,427	3,495	922	805	8,951	8,785
Average number of employees [1]		1,063	1,036	1,929	1,807	1,512	1,180	3,433	3,710	873	774	8,811	8,507

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

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

EUR million	Note	Generation LTM	Generation Dec 31 2017	City Solutions LTM	City Solutions Dec 31 2017	Consumer Solutions LTM	Consumer Solutions Dec 31 2017	Russia LTM	Russia Dec 31 2017	Other Operations LTM	Other Operations Dec 31 2017
Comparable operating profit		**636**	**478**	**107**	**98**	**52**	**41**	**252**	**296**	**-100**	**-102**
Share of profit of associated companies and joint ventures	11	0	-1	73	80	0	0	42	31	9	38
Adjustment for Share of profit of associated companies and joint ventures		-2	0	0	0	0	0	0	0	0	0
Comparable operating profit including share of profits from associates and joint ventures		**633**	**482**	**181**	**178**	**52**	**41**	**295**	**327**	**-90**	**-63**
Segment assets at the end of the period		6,998	6,882	3,970	4,128	860	923	3,077	3,284	4,222	483
Segment liabilities at the end of the period		1,234	1,210	347	400	215	285	91	124	153	207
Comparable net assets		**5,765**	**5,672**	**3,623**	**3,728**	**645**	**638**	**2,986**	**3,161**	**4,069**	**276**
Comparable net assets average [1]		**5,717**	**5,753**	**3,533**	**3,218**	**573**	**348**	**3,102**	**3,248**	**1,131**	**475**
Comparable return on net assets, %		**11.1**	**8.4**	**5.1**	**5.5**	**9.0**	**11.7**	**9.5**	**10.1**	**-8.0**	**-13.3**

5. Financial risk management

The Group has not made any significant changes in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2017.

Fair value hierarchy information

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

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

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

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

See also accounting policies in the consolidated financial statements 2017, in Note 15 Financial assets and liabilities by fair value hierarchy.

Financial assets

	Level 1			Level 2			Level 3			Netting [2]			Total		
EUR million	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017
In non-current assets															
Other investments [1]	0	0	0				48	60	65				48	60	65
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				26	2	5				-25	-2	-5	0	0	0
Non-hedge accounting			0	165	100	66				-117	-29	-30	48	71	35
Interest rate and currency derivatives															
Hedge accounting				162	209	153							162	209	153
Non-hedge accounting				6	68	85							6	68	85
Other commodity future and forward contracts															
Non-hedge accounting	70	11	8		1	0				-42	-8	-1	28	4	7
Interest-bearing receivables							60		76				60		76
Total in non-current assets	**70**	**11**	**8**	**359**	**380**	**309**	**108**	**60**	**141**	**-184**	**-39**	**-36**	**352**	**413**	**422**
In current assets															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				125	8	28				-115	-7	-7	10	1	21
Non-hedge accounting	58	0	8	413	179	253				-367	-135	-192	103	44	69
Interest rate and currency derivatives															
Hedge accounting				70	10	85							70	10	85
Non-hedge accounting				87	23	29							87	23	29
Other commodity future and forward contracts															
Non-hedge accounting	284	81	186	1	3	1				-193	-73	-151	92	10	36
Interest-bearing receivables							31		32				31		32
Total in current assets	**342**	**81**	**194**	**696**	**223**	**396**	**31**	**0**	**32**	**-675**	**-215**	**-350**	**393**	**88**	**272**
Total	**412**	**92**	**202**	**1,055**	**603**	**705**	**139**	**60**	**173**	**-859**	**-254**	**-386**	**745**	**501**	**694**

Financial liabilities

EUR million	Level 1			Level 2			Level 3			Netting [2]			Total		
	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017
In non-current liabilities															
Interest-bearing liabilities [3]				934	1,262	1,037							934	1,262	1,037
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				268	14	28				-25	-2	-5	242	12	23
Non-hedge accounting				149	122	131				-117	-29	-30	32	93	100
Interest rate and currency derivatives															
Hedge accounting				33	38	45							33	38	45
Non-hedge accounting				2	24	43							2	24	43
Other commodity future and forward contracts															
Non-hedge accounting	49	14	3	1	1	1				-42	-8	-1	7	7	3
Total in non-current liabilities	**49**	**14**	**3**	**1,387**	**1,461**	**1,285**	**0**	**0**	**0**	**-184**	**-39**	**-36**	**1,250**	**1,436**	**1,251**
In current liabilities															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				629	37	39				-115	-7	-7	514	31	31
Non-hedge accounting	4	0	7	473	221	315				-367	-135	-192	110	86	131
Interest rate and currency derivatives															
Hedge accounting				2	13	12							2	13	12
Non-hedge accounting				41	46	12							41	46	12
Other commodity future and forward contracts															
Non-hedge accounting	243	85	160	9	4	4				-193	-73	-151	58	16	13
Total in current liabilities	**247**	**85**	**167**	**1,154**	**321**	**382**	**0**	**0**	**0**	**-675**	**-215**	**-350**	**725**	**191**	**200**
Total	**296**	**99**	**170**	**2,541**	**1,782**	**1,667**	**0**	**0**	**0**	**-859**	**-254**	**-386**	**1,975**	**1,627**	**1,451**

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

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

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

Net fair value amount of interest rate and currency derivatives is EUR 248 million, including assets EUR 324 million and liabilities EUR 76 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of June 2018 Fortum had received EUR 101 million from Credit Support Annex agreements. The received cash has been booked as short-term liability.

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

6. Acquisitions and disposals

6.1 Acquisitions

EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Gross investments in shares in subsidiary companies	6	8	12	42	982	952
Gross investments in shares in associated companies and joint ventures	3,741	6	3,749	6	135	3,878
Gross investments in other shares	0	4	2	4	8	6
Gross investments in shares	**3,746**	**17**	**3,764**	**52**	**1,125**	**4,837**

Acquisitions during 2018

In September 2017, Fortum signed a transaction agreement with E.ON under which E.ON had the right to decide to tender its 46.65% shareholding in Uniper SE into Fortum's public takeover offer. In November 2017, Fortum launched a voluntary public takeover offer ("offer") to all Uniper shareholders. On 8 January 2018, E.ON decided to tender its shares to Fortum's offer. In February 2018, Fortum announced that shareholders representing 47.12% of the shares in Uniper had accepted the offer. The completion of Fortum's offer was subject to several competition and regulatory approvals. The final regulatory decisions were received 15 June 2018. In line with the Russian regulatory approvals, Fortum is allowed to purchase additional shares up to the 50% of shares and voting rights in Uniper. The final settlement of the offer took place on 26 June 2018.

The shareholders who tendered their shares to Fortum's offer were paid EUR 21.31 per share. The shareholders also benefitted from Uniper's dividend that was paid following the Annual General Meeting in early June. Fortum paid a total consideration of EUR 3.7 billion for all shares tendered. The total consideration was financed with existing cash resources of EUR 1.95 billion and bridge loan financing from committed credit facilities of EUR 1.75 billion. On 26 June 2018, Fortum closed the Uniper offer and became the company's largest shareholder with 47.35% of the shares.

Uniper is an international energy company with activities in Europe, Russia and other markets worldwide. Uniper's businesses are well aligned with Fortum's core competencies. The company operates power plants in Europe and Russia, with a total installed generation capacity of around 36 gigawatts, and it runs extensive energy trading operations as well as maintains gas storage facilities in Germany, Austria and the UK.

In 2017, Uniper's sales totaled EUR 72.2 billion and adjusted EBITDA was EUR 1.7 billion. The company employs around 12,000 people. Uniper is listed on the Frankfurt stock exchange.

The closing of the transaction took place in late June 2018 and therefore no purchase price allocation is presented in this interim report. Fortum will evaluate potential fair value adjustments for the acquired assets and liabilities and identify potential differences in order to align the accounting principles. Fortum will use Uniper's balance sheet as of 30 June 2018 as the starting point for the purchase price allocation. Uniper has communicated it will publish its half-year interim report on 7 August 2018. The purchase price allocation will be completed within the one-year window as allowed under IFRS.

Fortum consolidates Uniper as an associated company from 30 June 2018. The total acquisition cost including direct costs relating to the acquisition, EUR 3.7 billion, is reported in the 'Participations in associated companies and joint ventures'.

As Uniper publishes its interim reports later than Fortum, Fortum's share of Uniper's results will be accounted for with a time-lag of one quarter with potential adjustments. Fortum's third quarter interim report 2018 will not include any share of results from Uniper. Fortum's fourth quarter interim report 2018 will only include Fortum's share of Uniper's third quarter results.

There were no other material acquisitions during Q1-Q2 2018.

Acquisitions during 2017

In January 2017 Fortum completed the acquisition of 100% of the shares in three wind power companies from the Norwegian company Nordkraft. The transaction consists of the Nygårdsfjellet wind farm, which is already operational, as well as the fully-permitted Ånstadblåheia and Sørfjord projects. Fortum has started 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.

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

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

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

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

Hafslund Markets and Fortum Oslo Varme are consolidated into Fortum Group from 1 August 2017. Hafslund Markets is consolidated as a part of the Consumer Solutions segment. Fortum has operational responsibility of Fortum Oslo Varme, which is consolidated as a subsidiary with 50% non-controlling interest into the results of City Solutions segment. Hafslund Produksjon Holding was treated as an associated company and reported in the Generation segment until the divestment in June 2018, see further information in 6.2 below. The initial goodwill from the purchase price allocations, prepared based on the 31 July balance sheets, is EUR 215 million for Hafslund Markets and EUR 69 million for Fortum Oslo Varme respectively. The initial purchase price allocation is still preliminary as all valuation effects, especially regarding the provisions, have not been finalised.

The impact from Hafslund acquisition on Q1-Q2 2018 sales in the Consumer Solutions segment was EUR 507 million, comparable operating profit EUR 21 million and comparable EBITDA EUR 40 million (2017 sales EUR 344 million, comparable operating profit EUR 13 million and comparable EBITDA EUR 22 million). The impact on Q1-Q2 2018 sales in the City Solutions segment was EUR 84 million, comparable operating profit EUR 30 million and comparable EBITDA EUR 46 million (2017 sales EUR 56 million, comparable operating profit EUR 15 million and comparable EBITDA EUR 29 million).

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

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

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

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

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

EUR million	Hafslund Markets AS	Fortum Oslo Varme AS	Other	Fortum total
Gross investment				
Purchase consideration settled in cash	589	152	70	811
Cash and cash equivalents in acquired subsidiaries	158	37	6	201
Translation difference	1	0	2	3
Cash outflow in acquisition	**432**	**116**	**65**	**613**
Unpaid consideration			9	9
Interest-bearing debt in acquired subsidiaries		445	44	489
of which loans given by Fortum		-213		-213
Transaction adjustments to debt-like items	54	26	0	80
Translation difference	0	1	2	4
Total gross investment in acquired subsidiaries	**486**	**375**	**121**	**982**

6.2 Disposals

EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Gross divestments of shares in subsidiary companies	0	0	0	0	55	55
Gross divestments of shares in associated companies and joint ventures	160	0	160	0	687	847
Gross divestments of shares	**160**	**0**	**160**	**0**	**742**	**902**

Disposals during 2018

In June 2018 Fortum sold its 10% ownership in Hafslund Produksjon Holding AS to Svartisen Holding AS, a Norwegian company owned by the Finnish energy companies Vantaan Energia Oy, Oy Turku Energia – Åbo Energi Ab and Oulun Seudun Sähkö. As part of the restructuring of the Hafslund ownership in 2017, Fortum acquired the ownership in Hafslund Produksjon. The sales price for the shares was EUR 160 million and Fortum booked a sales gain of EUR 77 million in the Generation segment in the second quarter 2018 results.

In June 2018, Fortum announced it had signed an agreement to sell a 54% share of its subsidiary Fortum Sun B.V. to UK Climate Investments (40%) and Elite Alfred Berg (14%). Elite Alfred Berg has the option to buy up to an additional 16% from Fortum. Fortum Sun B.V. owns 100% of Fortum Finnsurya Energy Private Ltd, and Fortum Amrit Energy Private Ltd, which operate four solar power plants in India. The divestment process is expected to be completed during the third quarter of 2018 subject to customary closing conditions.

There were no other material disposals during Q1-Q2 2018.

Disposals during 2017

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

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

In July 2017 Fortum sold 100% of its shares in the Polish gas infrastructure company DUON 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 booked in the third quarter of 2017 a one-time pre-tax sales gain in Consumer Solution segment totalling EUR 2 million.

7. Income taxes

Taxes for Q1-Q2 2018 totalled EUR 119 million (Q1-Q2 2017: 190). The effective income tax rate according to the income statement was 16.2% (Q1-Q2 2017: 41.2%). The comparable effective income tax rate, excluding the impact of the share of profit from associated companies, joint ventures as well as non-taxable capital gains, tax rate changes and other major one time income tax effects, was 21.0% (Q1-Q2 2017: 20.3%).

The major one time income tax effect in Q2 2017 was related to decision from the Administrative Court of Appeal in Sweden. For the years 2009-2012, Fortum had to pay additional tax and interest, in total SEK 1,175 million (EUR 122 million).

Fortum has paid taxes in previous years regarding ongoing tax disputes. The appeal processes are ongoing and based on legal analysis and legal opinions the payments are booked as a receivable, EUR 141 (31 Dec 2017: 142) million, included in Income tax receivables. For additional information see Note 19 Legal actions and official proceedings.

8. Dividend per share

A dividend for 2017 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 28 March 2018 and the dividend was paid on 10 April 2018.

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

9. Changes in intangible assets

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Closing balance 31 Dec	**1,064**	**467**	**467**
Impact from change in accounting principle (IFRS 15) [1)]	20	0	0
Opening balance 1 Jan	**1,083**	**467**	**467**
Acquisitions	16	30	637
Capital expenditures	23	7	18
Changes in emission rights	-4	-6	0
Depreciation and amortisation	-38	-11	-30
Reclassifications	27	8	14
Translation differences and other adjustments	3	-8	-41
Closing balance	**1,110**	**486**	**1,064**

1) See additional information in Note 2 Accounting policies

Goodwill included in the intangible assets EUR million	June 30 2018	June 30 2017	Dec 31 2017
Goodwill included in opening balance	**613**	**353**	**353**
Acquisitions [1)]	0	1	286
Translation differences and other adjustments	1	-8	-27
Goodwill included in closing balance	**614**	**347**	**613**

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

10. Changes in property, plant and equipment

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Opening balance	**10,510**	**9,930**	**9,930**
Acquisitions	1	21	811
Capital expenditures	201	302	672
Changes of nuclear asset retirement cost	-16	-1	-6
Disposals	0	-4	-8
Depreciation and amortisation	-224	-209	-434
Divestments	0	0	-53
Reclassifications	-27	-8	-14
Translation differences and other adjustments	-357	-149	-389
Closing balance	**10,088**	**9,882**	**10,510**

11. Changes in participations in associates and joint ventures

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Closing balance 31 Dec	**1,900**	**2,112**	**2,112**
Impact from change in accounting principle (IFRS 9)[1)]	166	-	-
Opening balance 1 Jan	**2,066**	**2,112**	**2,112**
Acquisitions	3,749	6	135
Share of profits from associates and joint ventures	70	94	148
Dividend income received	-53	-53	-58
OCI items associated companies	-1	-1	-3
Divestments	-83	0	-363
Capital returns	-10	0	0
Translation differences and other adjustments	-69	-47	-71
Closing balance	**5,668**	**2,111**	**1,900**

1) See additional information in Note 2 Accounting policies in the Q1/2018 interim report.

Share of profits from associates and joint ventures

Fortum's share of profit from associates and joint ventures in Q2 2018 was EUR 24 million (Q2 2017: 35), of which Territorial Generating Company (TGC-1) represented EUR 24 million (Q2 2017: 19) and Stockholm Exergi (previously named Fortum Värme) EUR -4 million (Q2 2017: 1). Q2 2017 share of profits inlude EUR 17 million from Hafslund ASA, which was divested in Q3 2017.

According to Fortum Group accounting policies the share of profits from Uniper SE and TGC-1 (Hafslund ASA in 2017) are included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available. For additional information about the Uniper investment, see Note 6 Acquisitions and disposals.

Fortum's share of profit from associates and joint ventures for the period January-June 2018 was EUR 70 million (Q1-Q2 2017: 94), of which Territorial Generating Company (TGC-1) represented EUR 29 million (Q1-Q2 2017: 20) and Stockholm Exergi EUR 37 million (Q1-Q2 2017: 44). Q1-Q2 2017 share of profits include EUR 31 million from Hafslund ASA, which was divested in Q3 2017.

For additional information about divestments of shares in associates and joint ventures see Note 6.2 Disposals.

Dividends received

During Q1-Q2 2018 Fortum received EUR 53 million (Q1-Q2 2017: 53) in dividends from associates and joint ventures of which EUR 39 million (Q1-Q2 2017: 21) was received from Stockholm Exergi. Dividends received during Q1-Q2 2017 include EUR 24 million from Hafslund ASA.

12. Interest-bearing receivables

EUR million	Carrying amount June 30 2018	Fair value June 30 2018	Carrying amount Dec 31 2017	Fair value Dec 31 2017
Long-term loan receivables from associated companies	624	652	656	689
Long-term loan receivables from joint ventures	59	68	208	229
Finance lease receivables from joint ventures	37	37	41	41
Other long-term interest-bearing receivables	56	56	106	111
Total long-term interest-bearing receivables	**776**	**813**	**1,010**	**1,071**
Short-term interest bearing receivables	569	569	395	395
Total interest-bearing receivables	**1,344**	**1,382**	**1,406**	**1,466**

Long-term loan receivables include receivables from associated companies and joint ventures EUR 720 million (Dec 31 2017: 905). These receivables include EUR 607 million (Dec 31 2017: 638) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership.

Teollisuuden Voima Oyj (TVO) is building Olkiluoto 3, a nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At the end of December 2017 Fortum had EUR 145 million outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum totally EUR 88 million. As of January 1, 2018 TVO shareholder loans EUR 145 million has been classified as participation in joint ventures. See additional information in Note 2 Accounting policies in the Q1/2018 interim report.

Finance leases relate to heat pipelines in Tyumen area, which are leased to joint venture YUSTEK. See Note 6.

Interest-bearing receivables includes also EUR 85 million (Dec 31 2017: 102) receivable from SIBUR, a Russian gas processing and petrochemicals company regarding divested shares of OOO Tobolsk CHP.

Short-term interest-bearing receivables include EUR 538 million (Dec 31 2017: 363) restricted cash mainly given as collateral for commodity exchanges. The European Market Infrastructure Regulation (EMIR) requires fully-backed guarantees.

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

13. Interest-bearing net debt

Net debt EUR million	June 30 2018	June 30 2017	Dec 31 2017
Interest-bearing liabilities	6,041	4,711	4,885
Liquid funds	770	4,106	3,897
Net debt	**5,271**	**605**	**988**

Net debt is calculated as interest-bearing liabilities less liquid funds without deducting interest-bearing receivables amounting to EUR 1,344 million (Dec 31 2017: 1,406). Interest-bearing receivables mainly consist of shareholder loans to partly owned nuclear companies regarded as long-term financing. For more information see Note 12 Interest-bearing receivables.

Interest-bearing debt EUR million	Carrying amount June 30 2018	Fair value June 30 2018	Carrying amount Dec 31 2017	Fair value Dec 31 2017
Bonds	2,497	2,668	2,943	3,143
Loans from financial institutions	1,873	1,937	283	303
Reborrowing from the Finnish State Nuclear Waste Management Fund	1,158	1,219	1,129	1,192
Other long term interest-bearing debt 1)	323	368	324	373
Total long term interest-bearing debt 2)	**5,851**	**6,192**	**4,679**	**5,011**
Short term interest-bearing debt	190	190	206	207
Total	**6,041**	**6,382**	**4,885**	**5,218**

1) Including loans from Finnish pension institutions EUR 43 million (Dec 31 2017: 48) and other loans EUR 280 million (Dec 31 2017: 276).

2) Including current portion of long-term debt EUR 821 million (Dec 31 2017: 560).

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

During the first quarter of 2018 Fortum increased the amount of reborrowing from the Finnish State Nuclear Waste Management Fund and TVO by EUR 29 million to EUR 1,158 million. In March Fortum repaid two SEK bonds equivalent to EUR 413 million (SEK 4.15 billion). In June Fortum Oyj made a bridge loan drawdown of EUR 1.75 billion from existing committed credit facilities for Fortum's offer for Uniper shares.

At the end of June 2018, the amount of short term financing included 101 million (Dec 31 2017: 113) from Credit Support Annex agreements. The interest-bearing debt increased during the second quarter by EUR 1,638 million from EUR 4,403 million to EUR 6,041 million.

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 1,8% at the balance sheet date (Dec 31 2017: 2.4%). Part of the external loans, EUR 746 million (Dec 31 2017: 773) have been swapped to RUB and the average interest cost for these loans including cost for hedging the RUB was 8.0% at the balance sheet date (Dec 31 2017: 9.5%). The average interest rate on total loans and derivatives at the balance sheet date was 2.5% (Dec 31 2017: 3.6%).

Maturity of interest-bearing liabilities EUR million	June 30 2018
2018 1)	226
2019	802
2020	66
2021	2,266
2022	1,044
2023 and later	1,637
Total	**6,041**

1) The cash received as collateral based on Credit Support Annex agreements, amounting to EUR 101 million, has been booked as short-term liability.

Liquid funds EUR million	June 30 2018	June 30 2017	Dec 31 2017
Deposits and securities with maturity more than 3 months	68	1,277	715
Cash and cash equivalents	701	2,829	3,182
Total	**770**	**4,106**	**3,897**

Total liquid funds decreased by EUR 2,734 million from EUR 3,504 million to EUR 770 million during Q2 2018.

Liquid funds consist of deposits and cash in bank accounts amounting to EUR 567 million and commercial papers EUR 203 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 2018 was -0.03% (Dec 31 2017: -0.27%). Liquid funds held by PAO Fortum amounted to EUR 401 million (Dec 31 2017: 246), of which EUR 388 million (Dec 31 2017: 231) was held as bank deposits. The average interest rate for this portfolio was 5.9% at the balance sheet date.

Liquid funds totaling EUR 227 million (Dec 31 2017: 3,348) are placed with counterparties that have an investment grade credit rating. In addition, EUR 543 million (Dec 31 2017: 549) have been placed with counterparties separately reviewed and approved by the Group's credit control department.

At the end of June 2018, the committed and undrawn credit facilities amounted to EUR 1.8 billion (2017: 1.8). At the year end, in relation to offer for Uniper shares, Fortum had commitments from 10 relationship banks to provide credit facilities at the request of Fortum. In February 2018 the original amount of EUR 12.0 billion was reduced to EUR 3.8 billion and after EUR 1.75 billion drawdown in June 2018 the total facilities for Fortum’s offer for Uniper shares has been cancelled.

14. Nuclear related assets and liabilities

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

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

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

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

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Carrying values in the balance sheet			
Nuclear provisions	846	845	858
Fortum's share of the State Nuclear Waste Management Fund	846	845	858
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	1,161	1,141	1,161
Funding obligation target	1,153	1,125	1,153
Fortum's share of the State Nuclear Waste Management Fund	1,153	1,125	1,125
Share of the fund not recognised in the balance sheet	307	280	267

Legal liability for Loviisa nuclear power plant

The legal liability on 30 June 2018, decided by the Ministry of Economic Affairs and Employment in December 2017, was EUR 1,161 million.

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

Fortum's share in the State Nuclear Waste Management Fund

According to Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2017 is EUR 1,153 million.

Nuclear provision and fund accounted for according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spent fuel. The carrying value of the nuclear provisions, calculated according to IAS 37, decreased by EUR 12 million compared to 31 December 2017, totaling EUR 846 million on 30 June 2018. The provisions are based on the same cash flows for future costs as the legal liability, but the legal liability is not discounted to net present value.

Fortum's share of the Finnish Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 307 million, since Fortum's share of the Fund on 30 June 2018 was EUR 1,153 million and the carrying value in the balance sheet was EUR 846 million. The Fund in Fortum's balance sheet can at maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the operating profit is adjusted positively if the provisions increase more than the Fund and negatively if actual value of the fund increases more than the provisions. This accounting effect is not included in Comparable operating profit in Fortum financial reporting, see Note 4 Segment information.

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. See Note 13 Interest-bearing net debt and Note 18 Pledged assets and contingent liabilities.

14.2 Nuclear power plants in associated companies and joint ventures

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

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

TVO's total nuclear related assets and liabilities (100%) EUR million	June 30 2018	June 30 2017	Dec 31 2017
Carrying values in TVO's balance sheet			
Nuclear provisions	966	966	953
Share of the State Nuclear Waste Management Fund	966	966	953
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	1,482	1,450	1,482
Share of the State Nuclear Waste Management Fund	1,471	1,428	1,437
Share of the fund not recognised in the balance sheet	505	462	484

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

TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 505 million (of which Fortum's share EUR 134 million), since TVO's share of the Fund on 30 June 2018 was EUR 1,471 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 13 Interest-bearing net debt.

OKG's and Forsmark's total nuclear related assets and liabilities (100%) EUR million	June 30 2018	June 30 2017	Dec 31 2017
OKG's and Forsmark's nuclear related assets and liabilities [1)]			
Nuclear provisions	3,200	3,298	3,398
Share in the State Nuclear Waste Management Fund	2,965	3,095	3,105
Net amount	**-234**	**-203**	**-293**
of which Fortum's net share consolidated with equity method	**-94**	**-97**	**-114**

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

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

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered liability and unexpected events. Fortum's guarantees given on behalf of nuclear associated companies are presented in Note 18 Pledged assets and contingent liabilities.

Nuclear waste fees and guarantees are updated every third year by governmental decision after a proposal from Swedish Radiation Safety Authority (SSM). The proposal is based on cost estimates done by SKB. A new technical plan for nuclear waste management was decided by SKB during 2016. In 2017 SKB submitted the cost estimates based on the revised technical plan to SSM. In December 2017 the Swedish government decided the waste fees and guarantees for years 2018-2020. Nuclear waste fees are currently based on future costs with the assumed lifetime of 50 years (40 years in previous decision) for each unit of a nuclear power plant.

15. Other provisions

	Environmental provisions			Other provisions		
EUR million	June 30 2018	June 30 2017	Dec 31 2017	June 30 2018	June 30 2017	Dec 31 2017
Opening balance	**43**	**47**	**47**	**79**	**82**	**82**
Acquisitions	0	0	0	0	0	7
Increase in the provisions	0	0	0	5	25	31
Provisions used	0	0	0	-17	-8	-35
Unused provisions reversed	0	0	0	-1	-3	-10
Unwinding of discount	0	0	0	0	0	0
Exchange rate differences and other changes	-1	0	-4	-3	0	4
Closing balance	**42**	**48**	**43**	**63**	**94**	**79**
Current provisions [1)]	**0**	**1**	**0**	**15**	**8**	**22**
Non-current provisions	**42**	**46**	**43**	**47**	**87**	**57**

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

Environmental provisions include mainly provisions for obligations to cover and monitor landfills as well as to clean contaminated land areas. Main part of the provisions are estimated to be used within 10-15 years.

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

16. Operating lease commitments

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Due within a year	30	17	23
Due after one year and within five years	76	58	72
Due after five years	64	45	65
Total	**170**	**120**	**160**

17. Capital commitments

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Property, plant and equipment	352	425	362

Other commitments

Fortum has committed to provide a maximum of EUR 93 million 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 7 million at maximum. The investment is made through Kauno Kogeneracinė Jėgainė (KKJ), a joint venture owned together with Lietuvos Energija.

Fortum has also commited to provide a maximum of EUR 13 million to a joint venture with Numaligarh Refinery Limited (NRL) and Chempolis to build and operate a biorefinery in Assam, India.

For information regarding shareholder loan commitments related to associated companies and joint ventures, see Note 12 Interest-bearing receivables.

In June 2018 the Swedish Government approved the legislation regarding Sweden's national strategy for implementation of the EU's Water Framework Directive. The largest hydro industry companies will create a common hydro-power fund to finance large parts of the environmental actions needed. The fund will have a total financial cap of SEK 10 billion to be paid over a 20-year period, and the largest operators will contribute to the fund proportionately based on their respective market share of hydro-power production. Fortum's share is expected to be 20-25% of the funds' total financing.

18. Pledged assets and contingent liabilities

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Pledged assets on own behalf			
For debt			
Pledges	288	288	300
Real estate mortgages	137	137	177
For other commitments			
Pledges	461	303	346
Real estate mortgages	21	141	141
Contingent liabilties on own behalf			
Other contingent liabilities	164	179	161
Contingent liabilties on behalf of associated companies and joint ventures			
Guarantees	553	609	598

Pledged assets for debt

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the Fund. Fortum has pledged shares in Kemijoki Oy as a security. As of 30 June 2018 the value of the pledged shares amounted to EUR 269 million (Dec 31 2017: 269).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (Dec 31 2017: 96) as a security for an external loan. Real estate mortgages have also been given for loan from Fortum's pension fund for EUR 41 million (Dec 31 2017: 41).

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

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

Pledged assets for other commitments

Pledges also include restricted cash given as trading collateral of EUR 461 million (Dec 31 2017: 346) 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). See also note 12 Interest-bearing receivables.

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 21 million in June 2018 (Dec 31 2017: 141), as a security to the Finnish State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for 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. The size of the securities given is updated yearly in Q2 based on the decisions regarding the legal liabilities and the funding target which take place around year end every year.

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

Contingent liabilities on own behalf

Fortum owns the coal condensing power plant Meri-Pori in Finland. Teollisuuden Voima Oyj (TVO) has the contractual right to participate in the plant with 45.45%. Based on the participation agreement Fortum has to give a guarantee to TVO against breach in contract. The amount of the guarantee is set to EUR 125 million (Dec 31 2017: 125).

Contingent liabilities on behalf of associated companies

Guarantees on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). Guarantees have been given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounting to SEK 5 393 million (EUR 516 million) at 30 June 2018 (Dec 31 2017: EUR 548 million). There are two types of guarantees given. 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 368 million) and the Supplementary Amount was SEK 1 550 million (EUR 148 million) at 30 June 2018.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounted to EUR 36 million at 30 June 2018 (Dec 31 2017: 50). The guarantee covers the unpaid legal liability due to periodisation as well as risks for unexpected future costs.

Fortum has minority shares in legal companies owning nuclear power plants in Finland and Sweden. Fortum consolidates these companies according to equity method meaning that Fortum's share of the assets and liabilities are netted to the balance sheet. For information regarding nuclear related assets and liabilities of Loviisa nuclear power plant as well as Swedish and Finnish nuclear production companies where Fortum has a minority shareholding see Note 14 Nuclear related assets and liabilities.

Other contingent liabilities

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

19. Legal actions and official proceedings

Tax cases in Finland

No tax cases with material impact in Finland.

Tax cases in Sweden

Cases relating to Swedish interest deductions

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

In addition Fortum has received income tax assessments in Sweden for the years 2013, 2014 and 2015 in December 2015, December 2016 and October 2017, respectively. The assessments concerns the loans given in 2013, 2014 and 2015 by Fortum's Dutch financing company to Fortum's subsidiaries in Sweden. The interest income for these loans was taxed in the Netherlands. The tax authorities considers just over a half of the interest relating to each loan as deductible, i.e. deriving from business needs. The rest of the interest is seen as non-deductible. The decision is based on the changes in the Swedish tax regulation in 2013. Fortum considers that the claims are unjustifiable and has appealed the decisions. In May 2017 the Administrative Court in Stockholm, Sweden, announced its decisions relating to the income tax assessment for the year 2013. The decisions were unfavourable to Fortum. Fortum disagrees with the argumentation of the court and has filed an appeal to the Administrative Court of Appeal in Stockholm in July 2017. The cases regarding the year 2014 and the year 2015 are pending before the Administrative Court. In December 2017, the Swedish tax authorities withdrew a part of their claims with respect to the years 2013 and 2015. Moreover, in March 2018, the Swedish tax authorities withdrew a part of the claims relating to the years 2014 and 2015. Therefore, the additional tax claimed by the tax authorities for the year 2013 is currently SEK 239 million (EUR 23 million), for the year 2014 SEK 242 million (EUR 23 million) and for the year 2015 SEK 179 million (EUR 17 million). The adjusted amount of additional tax for the year 2013 still needs to be confirmed by the Administrative Court of Appeal, as the additional tax according to the decision of Administrative Court from May 2017 was SEK 273 million (EUR 26 million). Also the adjusted amounts for the years 2014 and 2015 are still subject to the approval by the Administrative Court.

Based on legal analysis supporting legal opinions, no provision has been recognised in the financial statements for the Swedish tax cases regarding the years 2013, 2014 and 2015. If the amounts of additional tax claimed by the tax authority remain final despite the appeals processes, the impact on net profit would be SEK 239 million (EUR 23 million) for the year 2013, SEK 242 million (EUR 23 million) for the year 2014 and SEK 179 million (EUR 17 million) for the year 2015. The additional taxes and interest for 2013, in total SEK 282 million (EUR 27 million) have been paid in accordance with the decision from the Administrative Court in July 2017 and based on the legal opinion booked as receivables.

Cases relating to the Swedish hydro real estate tax

Fortum Sverige AB has received a negative decision from the Administrative Court of Appeal in Stockholm in June 2018 relating to the Swedish hydro real estate tax regarding years 2009-2014. The decision is contrary to the Administrative Court's earlier decision. Fortum will apply for a leave to appeal to the Supreme Administrative Court. The disputed amount for the five years totalled SEK 508 million tax and SEK 12 million interest (EUR 49 million tax and EUR 1 million interest). If the decision of the Administrative Court of Appeal becomes final despite the appeal process, there will be no impact on Fortum's results.

Tax cases in Belgium

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

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

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

Litigations in associated companies

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The construction work of the plant unit is mainly finished. Electrical, instrumentation and control (I&C) and mechanical installations are still partly in progress.

In April 2016 TVO submitted to the Ministry of Economic Affairs and Employment (TEM) an application for an operating license. The simulator training for operating personnel commenced in February 2017. The hot functional testing was completed in May 2018. In the hot functional tests, the nuclear and turbine island operated for the first time together as an entity.

OL3 was procured as a fixed-price turnkey project from a consortium (Supplier) formed by AREVA GmbH, AREVA NP SAS and Siemens AG. As stipulated in the plant contract, the consortium companies have joint and several liability for the contractual obligations. In accordance with the Supplier's schedule updated in June 2018, regular electricity generation at the plant unit will commence in September 2019. According to the Supplier, fuel will be loaded into the reactor in January 2019, and the first connection to the grid will take place in May 2019. According to the Supplier's plant ramp-up program, the unit will produce 2–4 TWh of electricity, at varying power levels, during the period of time between the first connection to the grid and the start of regular electricity production.

According to the comprehensive settlement agreement signed in March 2018, TVO and the Supplier jointly withdrew the pending arbitration proceedings under the International Chamber of Commerce (ICC) rules with respect to costs and losses incurred in relation to delays in the construction of the OL3 EPR project. In June 2018, the ICC tribunal confirmed the arbitration settlement by a consent award, and the arbitration proceedings were terminated. The parties also withdrew the pending appeals in the General Court of the European Union.

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

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

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

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

The agreement also noted the plant supplier's schedule at the time the agreement was signed, according to which regular electricity production in the unit will commence in May 2019.

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

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

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

TVO received the first payment of EUR 328 million of the settlement amount in March at the entry into force of the settlement agreement. The second payment of EUR 122 million is payable upon completion of the OL3 EPR project or, in any event, on 31 December 2019 at the latest. In the first quarter of 2018, TVO made a provision of EUR 150 million reflecting the maximum amount of the incentive payment payable to the supplier consortium companies for timely completion of the OL3 EPR project. In June 2018, TVO received from Areva-Siemens Consortium an updated schedule for the commissioning of the OL3 plant unit. According to the received information, the regular electricity generation at OL3 will start in September 2019, so, in the second quarter of 2018, the provision was withdrawn by EUR 50 million. These settlement payments to TVO, any incentive payment by TVO and any penalty payable to TVO due to any additional project delay have all been taken into account in calculating the final cost of the OL3 EPR project. The amount corresponding to the settlement amount and the incentive fee to be paid by TVO have been entered as property, plant and equipment in the TVO Group balance sheet.

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

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

20. Related party transactions

Related parties are described in the consolidated financial statements for the year ended 31 December 2017. There has been no material changes except for the acquisition of 47.35% of the shares in Uniper SE.

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

Transactions with associated companies and joint ventures

EUR million	Q2 2018	Q2 2017	2017
Sales	20	49	110
Purchases	190	290	472
Interest income on loan receivables	7	8	13

Balances with associated companies and joint ventures

EUR million	June 30 2018	June 30 2017	Dec 31 2017
Long-term interest-bearing loan receivables	683	858	864
Finance lease receivable from joint ventures	37		41
Trade receivables	16	11	24
Other receivables	19	17	17
Long-term loan payables	293	285	287
Trade payables	5	4	19
Other payables	4	3	7

21. Events after the balance sheet date

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

22. Definitions of key figures

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

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

Business performance

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + depreciation and amortisation
Comparable EBITDA	=	EBITDA - items affecting comparability
Items affecting comparability	=	Impairment charges + capital gains and other + changes in fair values of derivatives hedging future cash flow + nuclear fund adjustment
Comparable operating profit	=	Operating profit - items affecting comparability
Impairment charges	=	Impairment charges and related provisions (mainly dismantling)
Capital gains and other	=	Capital gains, transaction costs from acquisitions and other
Changes in fair values of derivatives hedging future cash flow	=	Effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IFRS 9.
Nuclear fund adjustment	=	Effects from the accounting of Fortum´s part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + share of profit (loss) in associated companies and joint ventures + adjustment for Share of profit of associated companies and joint ventures}}{\text{Comparable net assets average}} \times 100$
Adjustment for Share of profit of associated companies and joint ventures	=	Adjustment for IFRS 9 effects, major sales gains and impairment charges
Comparable net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives used for hedging future cash flows)

Capital structure and long-term profitability

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

22. Definitions of key figures

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

Share-based key figures

Earnings per share (EPS)	=	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	

Other key figures

FFO/Net debt, %	=	Funds from operations (FFO) / Interest-bearing net debt	x 100
Funds from operations (FFO)	=	Net cash from operating activities before change in working capital	
Capital expenditure	=	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain useage/availability and/or maintains reliability. Productivity investments improve productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.	
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.	
Return on shareholders' equity, %	=	Profit for the year / Total equity average	x 100
Gearing, %	=	Interest-bearing net debt / Total equity	x 100
Equity-to-assets ratio, %	=	Total equity including non-controlling interest / Total assets	x 100
Interest coverage	=	Operating profit / Net interest expenses	
Interest coverage including capitalised borrowing costs	=	Operating profit / Net interest expenses - capitalised borrowing costs	
Effective income tax rate	=	Income tax expense / Profit before income tax	
Comparable effective income tax rate	=	Income tax expense - effects from tax rate changes and major one time tax effects / Profit before income tax decreased by profits from associated companies and joint ventures as well as tax exempt capital gains or losses	
Last twelve months (LTM)	=	Twelve months preceding the reporting date	

Market conditions and achieved power prices

Power consumption TWh	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Nordic countries	88	88	209	201	392	399
Russia	241	238	530	522	1,035	1,046
Tyumen	22	23	46	47	95	92
Chelyabinsk	8	8	18	17	33	35
Russia Urals area	61	61	131	131	261	260

Average prices	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	39.0	27.4	38.8	29.3	29.4	34.1
Spot price for power in Finland, EUR/MWh	42.0	30.9	42.0	31.9	33.2	38.2
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	38.5	28.5	38.8	30.1	31.2	35.5
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	38.5	28.5	38.7	30.1	30.8	35.1
Spot price for power in the First Price Zone of Russia, RUB/MWh [1)]	1,191	1,148	1,189	1,164	1,204	1,217
Average capacity price, tRUB/MW/month	539	492	600	539	535	567
Spot price for power in Germany, EUR/MWh	36.0	29.8	35.7	35.5	34.2	34.3
Average regulated gas price in Urals region, RUB/1000 m^3	3,755	3,614	3,755	3,614	3,685	3,755
Average capacity price for CCS, tRUB/MW/month [2)]	137	138	147	148	148	148
Average capacity price for CSA, tRUB/MW/month [2)]	957	819	1,054	901	899	977
Spot price for power (market price), Urals hub, RUB/MWh [1)]	1,004	1,012	1,008	1,023	1,041	1,033
CO_2, (ETS EUA), EUR/tonne CO_2	14	5	12	5	6	9
Coal (ICE Rotterdam), USD/tonne	89	76	87	79	84	89
Oil (Brent Crude), USD/bbl	75	51	71	53	55	64

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

Water reservoirs TWh	June 30 2018	June 30 2017	Dec 31 2017
Nordic water reservoirs level	76	81	86
Nordic water reservoirs level, long-term average	83	84	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Export / import between Nordic area and Continental Europe + Baltics	-2	-4	-4	-7	-15	-12
Export / import between Nordic area and Russia	2	1	3	3	6	7
Export / import Nordic area, Total	0	-3	-1	-4	-9	-5

Power market liberalisation in Russia %	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Share of power sold at the liberalised price	80%	79%	80%	80%	81%	81%

Achieved power prices	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Generation segment's Nordic power price, EUR/MWh	33.1	30.0	33.4	31.3	31.8	32.8
Russia segment's power price, RUB/MWh	1,803	1,738	1,840	1,807	1,813	1,830
Russia segment's power price, EUR/MWh [1)]	24.4	27.0	25.7	28.5	27.5	26.1

1) Translated using average exchange rate.

Fortum's production and sales volumes

Power generation TWh	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Power generation in Europe	11.2	11.9	24.9	24.7	46.6	46.8
Power generation in Russia	6.7	6.1	15.0	13.0	26.3	28.3
Power generation in other countries	0.1	0.1	0.2	0.1	0.3	0.4
Total	**18.0**	**18.0**	**40.1**	**37.8**	**73.2**	**75.5**

Heat production TWh	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Heat production in Europe	1.7	1.4	5.3	4.3	8.6	9.6
Heat production in Russia	3.7	3.1	12.4	11.3	20.0	21.1
Total	**5.3**	**4.6**	**17.7**	**15.5**	**28.6**	**30.8**

Power generation capacity by segment MW	June 30 2018	June 30 2017	Dec 31 2017
Generation [1)]	7,862	7,842	7,862
City Solutions	782	756	775
Russia	4,913	4,512	4,794
Other	292	155	292
Total	**13,848**	**13,265**	**13,722**

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 2018	June 30 2017	Dec 31 2017
City Solutions	4,771	3,806	4,671
Russia	10,229	9,920	10,094
Total	**14,999**	**13,726**	**14,765**

Power generation by source in the Nordic area TWh	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Hydro and wind power	5.1	4.9	11.6	10.2	20.9	22.3
Nuclear power	5.6	6.1	11.9	12.8	23.0	22.1
Thermal power	0.2	0.6	0.8	1.1	1.6	1.3
Total	**11.0**	**11.6**	**24.3**	**24.1**	**45.4**	**45.6**

Power generation by source in the Nordic area %	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Hydro and wind power	48	42	48	42	46	51
Nuclear power	49	53	49	53	51	47
Thermal power	3	5	3	6	3	1
Total	**100**	**100**	**100**	**100**	**100**	**100**

Power sales EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Power sales in Europe	625	459	1,453	1,017	2,244	2,680
Power sales in Russia	195	192	443	427	837	853
Power sales in other countries	6	2	12	3	9	18
Total	**826**	**654**	**1,908**	**1,448**	**3,089**	**3,549**

Fortum's production and sales volumes

Heat sales EUR million	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Heat sales in Europe	85	91	351	267	524	608
Heat sales in Russia	33	42	121	155	258	224
Total	**118**	**133**	**471**	**422**	**782**	**831**

Power sales by area TWh	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Finland	5.7	5.5	12.3	11.4	22.5	23.4
Sweden	7.3	7.4	16.6	15.8	30.8	31.6
Russia	8.0	7.1	17.2	15.0	30.5	32.7
Norway	2.9	0.3	8.3	0.8	7.2	14.7
Other countries	-0.3	0.7	0.9	1.4	2.9	2.4
Total	**23.6**	**21.0**	**55.3**	**44.4**	**93.9**	**104.8**

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

Heat sales by area TWh	Q2 2018	Q2 2017	Q1-Q2 2018	Q1-Q2 2017	2017	Last twelve months
Russia	3.5	3.2	11.9	11.5	19.8	20.2
Finland	0.6	0.8	2.3	2.2	3.9	4.0
Poland	0.3	0.6	2.0	2.2	3.7	3.5
Other countries	0.5	0.3	2.0	1.0	2.5	3.5
Total	**5.0**	**4.9**	**18.2**	**16.9**	**29.9**	**31.2**