Fortum Corporation

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Fortum Corporation
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A very demanding market environment in 2012 – efficiency programme proceeding as planned

October - December 2012

- Comparable operating profit EUR 587 (508) million, +16%
- Operating profit EUR 619 (579) million, of which EUR 32 (71) million relates to items affecting comparability
- Earnings per share EUR 0.68 (0.47), +45%, of which EUR 0.03 (0.06) per share relates to items affecting comparability and EUR 0.22 per share to the change in the Swedish corporate tax rate
- Efficiency programme proceeding as planned
- In Russia, the construction work of the new units progressed

January - December 2012

- Comparable operating profit EUR 1,739 (1,802) million, -3%
- Operating profit EUR 1,861 (2,402) million, of which EUR 122 (600) million relates to items affecting comparability; i.e. derivatives and the sale of Fingrid in 2011
- Earnings per share EUR 1.59 (1.99), -20%, of which EUR 0.14 (0.55) per share relates to items affecting comparability; i.e. derivatives and the sale of Fingrid in 2011, and EUR 0.22 per share to the Swedish corporate tax rate change that impacted positively in 2012
- Nordic power prices clearly lower compared to 2011
- Fortum launched an efficiency programme to improve cash flow by more than EUR 1 billion during 2013-2014
- The Board has decided to review the strategic position of Fortum's electricity distribution business
- The Board proposes a dividend of EUR 1.00 per share

Key figures	IV/12	IV/11	2012	2011
Sales, EUR million	1,834	1,667	6,159	6,161
Operating profit, EUR million	619	579	1,861	2,402
Comparable operating profit, EUR million	587	508	1,739	1,802
Profit before taxes, EUR million	538	532	1,575	2,228
Earnings per share, EUR	0.68	0.47	1.59	1.99
Net cash from operating activities, EUR million	399	472	1,382	1,613
Shareholders' equity per share, EUR			11.49	10.84
Interest-bearing net debt (at end of period), EUR million			7,814	7,023
Average number of shares, 1,000s			888,367	888,367

Key financial ratios	2012	2011
Return on capital employed, %	10.0	14.8
Return on shareholders' equity, %	14.3	19.7
Net debt/EBITDA	3.1	2.3
Comparable net debt/EBITDA	3.3	3.0

Outlook

- Fortum currently expects the annual electricity demand growth in the Nordic countries to be on average 0.5% in the coming years.
- Capital expenditure guidance: EUR 1.1-1.4 billion in 2013, and EUR 0.9-1.1 billion in 2014
- Power Division's Nordic generation hedges: For 2013, 70% hedged at EUR 45 per megawatt-hour (MWh), for 2014, 35% hedged at EUR 43 per MWh.

Fortum's President and CEO Tapio Kuula

”Fortum's year in 2012 was good, considering the very demanding business environment. Group comparable operating profit totalled EUR 1,739 million in 2012 and net cash flow from operating activities EUR 1,382 million. The economic situation in Europe and globally – and the uncertainty regarding its duration – burdened Fortum. In addition, the hydrological situation – with historically high water reservoir levels – put additional pressure on Nordic prices, which were clearly lower in 2012 than in 2011.

In order to ensure the company's strategic flexibility and competitiveness and to enable the company to continue to reach its financial targets in the future, Fortum launched an efficiency programme in the autumn of 2012. The aim is to increase the company's cash flow by more than EUR 1 billion during 2013 – 2014 by reducing capital expenditures, divesting non-core assets, reducing fixed costs and by focusing on working capital efficiency. These targeted actions will increase the efficiency of our core processes and lead to cost reductions.

During 2012, Fortum continued to develop its operations to enable future growth in a continuously difficult market situation. While the company continued with investments to support its long-term goals, there was also an emphasis on driving efficiency into existing operations. Some of the year's key topics in the divisions are highlighted below:

In the Power Division, outages causing production losses and somewhat higher costs in Oskarshamn, Sweden, burdened the result significantly. Meanwhile water reservoirs were at high levels throughout the year resulting in an all-time high in Fortum's hydro production that compensated for the lower nuclear volumes and lower price levels compared to 2011.

The highlight of the Heat Division was the investment decision of approximately EUR 500 million into a new biofuel-fired combined heat and power plant (CHP) in Stockholm, Sweden. The new plant will replace some of the existing heat production with a less expensive biofuel alternative as well as increase Fortum Värme's total electricity production by approximately one third.

In 2012, the Russia Division faced delays in its greenfield project in Nyagan. However, in mid-January 2013 the testing of the gas turbine at Nyagan unit 1 was successfully on-going. Development in the heat business was also positive as a commission to address issues such as heat regulation was set up by the Russian Government.

In Distribution, the focus was on accelerated improvement of network reliability in Finland spurred by the year-end 2011 storms - most severe in 30 years - that caused considerable damage to the electricity distribution network as well as unfortunate outages for Fortum's customers.

In the Electricity Sales business area attention is now on retail sales of electricity to a total of 1.2 million private customers. An emphasis is on eco-labelled and CO_2-free electricity as well as on smart electricity solutions and services, which were successfully launched in 2012.

In January 2013, Fortum decided that the company will assess the strategic position of its electricity distribution business. Fortum expects to conclude the assessment during 2013. This decision does not change the basics of the efficiency programme, which will continue as originally planned.

Fortum's purpose is to create energy that improves life for present and future generations, the aim is to build on our strong Nordic core business, create solid earnings growth in Russia and build a platform for future growth.

I feel confident that Fortum is well prepared going into 2013, and I would like to thank all our employees for their efforts and commitment during 2012."

Efficiency programme 2013-2014

In the fourth quarter, due to the increasingly demanding business environment, Fortum started an efficiency programme in order to maintain and strengthen strategic flexibility and competitiveness, and to enable the company to reach its financial targets in the future.

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

Capex in 2013 will be EUR 1.1–1.4 billion and in 2014 EUR 0.9–1.1 billion. At the end of 2014, the cost run rate will be approximately EUR 150 million lower compared to 2012, including growth projects.

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

The programme has proceeded according to plan and is integrated into division plans for 2013–2014. Already in 2012, minor cost reductions were achieved. In addition, the divestment of the Naantali power plant resulted in a net cash flow effect of approximately EUR 50 million.

Financial results

October - December

In the fourth quarter of 2012, Group sales were EUR 1,834 (1,667) million. The comparable operating profit totalled EUR 587 (508) million and the reported operating profit totalled EUR 619 (579) million. Fortum's operating profit for the period was affected by non-recurring items, an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR 32 (71) million (Note 4).

The share of profits from associates in the fourth quarter was EUR -5 (19) million. The share of profits from Hafslund and TGC-1 are based on the companies' published third-quarter interim reports (Note 11).

Sales by division

EUR million	IV/12	IV/11	2012	2011
Power	719	654	2,415	2,481
Heat	477	478	1,628	1,737
Russia	319	274	1,030	920
Distribution*	314	244	1,070	973
Electricity Sales*	221	205	722	900
Other	41	32	137	108
Netting of Nord Pool transactions	-161	-134	-503	-749
Eliminations	-96	-86	-340	-209
Total	1,834	1,667	6,159	6,161

* Part of the Electricity Solutions and Distribution Division

Comparable operating profit by division

EUR million	IV/12	IV/11	2012	2011
Power	380	351	1,144	1,201
Heat	93	96	266	278
Russia	28	35	68	74
Distribution*	101	49	317	295
Electricity Sales*	9	2	38	27
Other	-24	-25	-94	-73
Total	587	508	1,739	1,802

* Part of the Electricity Solutions and Distribution Division

Operating profit by division

EUR million	IV/12	IV/11	2012	2011
Power	387	443	1,173	1,476
Heat	118	100	339	380
Russia	28	35	79	74
Distribution*	103	41	328	478
Electricity Sales*	5	-6	38	3
Other	-22	-34	-96	-9
Total	619	579	1,861	2,402

* Part of the Electricity Solutions and Distribution Division

January–December

In 2012, Group sales were EUR 6,159 (6,161) million. The comparable operating profit totalled EUR 1,739 (1,802) million and reported operating profit totalled EUR 1,861 (2,402) million. Fortum's operating profit for the period was affected by non-recurring items, an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR 122 (600) million (Note 4).

Non-recurring items, mark-to-market effects and nuclear fund adjustments in 2012 amounted to EUR 122 (600) million. Changes in fair values of derivatives hedging future cash flow accounted for EUR -2 (344) million. Non-recurring items totalled EUR 155 (284) million and were mainly related to the divestments of shares in power and heat operations (Note 4).

The share of profits of associates and joint ventures was EUR 21 (91) million. The decrease from last year was mainly due to the lower share of profits from Hafslund ASA and TGC-1 as well as the share of profits from Fingrid Oyj, which was divested during the second quarter in 2011 (Note 11).

Hafslund, an associated company of which Fortum owns 34.1%, announced in October that their third quarter 2012 profit after tax was negatively affected by NOK 551 million due to extraordinary write-downs and provisions. The company stated that this was a result of challenging market conditions and negative profit development within BioWood Norway AS and Bio-El Fredrikstad, and a tax provision following the development of an on-going tax dispute. Fortum booked its share of the impact, approximately EUR -25 million, in its fourth quarter result.

The Group's net financial expenses increased to EUR 307 (265) million. The increase is attributable to higher interest expenses, mainly due to higher SEK interest rates, and to higher average net debt in 2012 than in 2011. Net financial expenses were also negatively affected by changes in the fair value of financial instruments of EUR -23 (5) million.

Profit before taxes was EUR 1,575 (2,228) million.

Taxes for the period totalled EUR 72 (366) million. The tax rate according to the income statement was 4.6% (16.4%), largely due to the Swedish corporate tax rate that was lowered from 26.3% to 22% starting 1 January 2013. The decrease caused a one-time positive effect in 2012 of approximately EUR 0.22 per share. The tax rate, excluding change in tax rate in Sweden, the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains, was 21.2% (21.4%).

The profit for the period was EUR 1,503 (1,862) million. Fortum's earnings per share were EUR 1.59 (1.99), of which EUR 0.14 (0.55) per share relates to items affecting comparability; in 2011, the impact of the sale of the Fingrid shares was EUR 192 million, or EUR 0.22 per share.

Non-controlling (minority) interests amounted to EUR 94 (93) million. These are mainly attributable to Fortum Värme Holding AB, in which the city of Stockholm has a 50% economic interest.

Financial position and cash flow

Cash flow

In 2012, total net cash from operating activities decreased by EUR 231 million to EUR 1,382 (1,613) million. Capital expenditures in cash flow increased by EUR 137 million to EUR 1,422 (1,285) million. Proceeds from divestments totalled EUR 433 (596) million in cash flow. Cash flow before financing activities, i.e. dividend distributions and financing, decreased by EUR 534 million to EUR 254 (788) million. The strong SEK had a negative impact on the cash flow, especially during the second and third quarters, through realised net foreign exchange losses amounting to EUR -268 (-239) million related to the rollover of foreign exchange contract hedging loans to Fortum Swedish subsidiaries.

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

Assets and capital employed

Total assets increased by EUR 1,630 million to EUR 24,628 (22,998 at year-end 2011) million. Non-current assets increased by EUR 1,534 million from EUR 20,210 million to EUR 21,744 million. The majority, EUR 1,263 million, came from the increased value of property, plants and equipment due to the investments, and the stronger Swedish krona and other currencies. The increase in current assets was EUR 96 million, totalling EUR 2,884 million. The increase relates to the higher trade and other receivables of EUR 250 million and the EUR 232 million increase in liquid funds. The increase in current assets was partly offset by a EUR 183 million decrease in assets held for sale relating to divestments closed during 2012, a EUR 100 million decrease in inventories and a EUR 103 million decrease in derivative financial instruments.

Capital employed was EUR 19,598 (17,931) million, an increase of EUR 1,667 million. The increase was mainly due to the higher amount of total assets, totalling EUR 24,628 million.

Equity

Total equity was EUR 10,821 (10,161 at year-end 2011) million, of which equity attributable to owners of the parent company totalled EUR 10,205 (9,632 at year-end 2011) million and non-controlling interests EUR 616 (529 at year-end 2011) million.

Financing

Net debt increased during the fourth quarter by EUR 50 million to EUR 7,814 (7,023 at year-end 2011) million.

In August, Fortum Corporation issued a EUR 1,000 million ten-year Eurobond under its EMTN (Euro Medium Term Note) programme. The bond carries a coupon of 2.25%.

At the end of 2012, the Group's cash and cash equivalents totalled EUR 963 (747) million. Cash and cash equivalents include cash and bank deposits held by OAO Fortum amounting to EUR 128 (211) million. In addition to cash and cash equivalents, Fortum had access to approximately EUR 2.7 billion of undrawn committed credit facilities.

The Group's net financial expenses during the year 2012 were EUR 307 (265) million. The increase in financial expenses is mainly attributable to higher average net debt in 2012 compared to 2011. Net financial expenses were also negatively affected by changes in the fair value of financial instruments of EUR -23 (5) million.

During the fourth quarter, Fortum Corporation's long-term credit rating with S&P was downgraded from A to A- (negative), while Moody's affirmed the A2 rating. Both rating agencies have a negative outlook on the current rating.

Key figures

Net debt to EBITDA for 2012 was 3.1 (2.3 at year-end 2011) and comparable net debt to EBITDA 3.3 (3.0), impacted by EUR 888 million in dividend payments. Gearing was 72% (69%) and the equity-to-assets ratio 44% (44%). Equity per share was EUR 11.49 (10.84). In 2012, return on capital employed was 10.0% (14.8%) and return on equity 14.3% (19.7%).

Market conditions

Nordic countries

The year 2012 started with the Nordic water reservoir levels clearly above the long-term average - exceptional rainfalls in 2011 contributed to the extreme levels. The reservoir levels remained historically high until late November 2012, but then started to normalise. During 2012, Nordic electricity prices were below Continental prices, resulting in a nearly constant export of electricity from the Nordic area to the Continent.

According to preliminary statistics, electricity consumption in the Nordic countries during the fourth quarter of 2012 increased some 7% compared to the same period in 2011 and was 109 (102) terawatt-hours (TWh). This was attributable to lower temperatures and thus higher non-industrial consumption, while industrial consumption remained fairly unchanged. In 2012, electricity consumption in the Nordic countries was 391 (384) TWh, i.e. some 2% higher than the year before.

At the beginning of the year, the Nordic water reservoirs were at 95 TWh, i.e. 12 TWh above the long-term average. At the beginning of the fourth quarter, the reservoirs were at 109 TWh, i.e. 8 TWh above the long-term average and 5 TWh above the corresponding level in 2011. By the end of the quarter, the reservoirs had declined to 85 TWh, which is 2 TWh more than the long-term average, but 10 TWh less than in the year before.

During the fourth quarter, the average system spot price of electricity in Nord Pool was EUR 37.3 (34.2) per MWh). The average area price in Finland was EUR 40.8 (37.4) per MWh, and in Sweden (SE3) EUR 37.5 (35.7) per MWh. In 2012, the average system spot price was EUR 31.2 (47.1) per MWh, the area price in Finland EUR 36.6 (49.3) per MWh and in Sweden (SE3) EUR 32.3 (47.9) per MWh.

The annual system price remained below the 2011 level due to the clearly stronger hydro situation, which depressed prices in the hydropower intensive price areas, particularly during the third quarter. However, long outages in the transmission capacity limited imports from Sweden to Finland, and the difference between the Finnish area price and the system price was higher than in the year before. In the spring, there was a two-month outage in the Fenno-Skan 2 connection; Fenno-Skan 1 has been out of operation since August. Additionally, during 2012, the Finnish area price was impacted by lower imports from Russia compared to the year before.

In Germany, the average spot price during the fourth quarter of 2012 was EUR 41.4 (49.9) per MWh and during 2012 EUR 42.6 (51.1) per MWh.

At the beginning of 2012, the market price for CO_2 emission allowances (EUA) was approximately EUR 6.6 per tonne. During the year, EUA traded between approximately EUR 5.7 and EUR 9.5 per tonne and closed at around EUR 6.7 per tonne.

Russia

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

According to preliminary statistics, Russia consumed 284 (279) TWh of electricity during the fourth quarter of 2012. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 209 (207) TWh.

In 2012, Russia consumed 1,037 (1,020) TWh of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 769 (760) TWh.

In the fourth quarter of 2012, the average electricity spot price, excluding capacity price, increased by 13% to RUB 1,037 (918) per MWh in the First price zone.

In 2012, the average electricity spot price, excluding capacity price, increased by 1% to RUB 1,001 (990) per MWh in the First price zone.

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

Division reviews

Power

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

EUR million	IV/12	IV/11	2012	2011
Sales	719	654	2,415	2,481
- power sales	668	618	2,282	2,353
of which Nordic power sales*	609	570	2,086	2,041
- other sales	51	36	133	128
Operating profit	387	443	1,173	1,476
Comparable operating profit	380	351	1,144	1,201
Comparable EBITDA	409	379	1,258	1,310
Net assets (at period-end)			6,454	6,247
Return on net assets, %			18.4	24.6
Comparable return on net assets, %			18.2	19.9
Capital expenditure and gross investments in shares	64	48	190	148
Number of employees			1,846	1,847

Power generation by source, TWh	IV/12	IV/11	2012	2011
Hydropower, Nordic	7.1	6.4	25.2	21.0
Nuclear power, Nordic	6.5	6.7	23.4	24.9
Thermal power, Nordic	0.2	0.1	0.6	2.2
Total in the Nordic countries	13.8	13.2	49.2	48.1
Thermal power in other countries	0.3	0.3	1.1	1.2
Total	14.1	13.5	50.3	49.3

Nordic sales volumes, TWh	IV/12	IV/11	2012	2011
Nordic sales volume	14.2	13.6	50.7	50.0
of which Nordic power sales volume*	13.0	12.7	46.8	44.3

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

Sales price, EUR/MWh	IV/12	IV/11	2012	2011
Power's Nordic power price**	46.8	45.2	44.6	46.1

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

October—December

In the fourth quarter of 2012, the Power Division's comparable operating profit was EUR 380 (351) million, i.e. EUR 29 million higher than in the corresponding period in 2011. The system and all area prices were higher during the fourth quarter of 2012 compared to the same period in 2011. The average system spot price of electricity in Nord Pool was EUR 37.3 (34.2) per MWh. The average area price in Helsinki, Finland, was EUR 40.8 (37.4) per MWh and in Stockholm, Sweden, (SE3) EUR 37.5 (35.7) per MWh. The higher prices impacted the achieved power price, which was EUR 46.8 per MWh, EUR 1.6 per MWh higher than in the corresponding period in 2011. Hydro production was historically high for a quarter. Water reservoir levels were still above average, but inflow in the fourth quarter was at a lower level compared to the corresponding period in 2011. Nuclear production was approximately at the same level as in the fourth quarter of 2011, even though prolonged repairs continued at Oskarshamn nuclear power plant’s unit 1 in Sweden. In addition, an extended maintenance outage, which is done every eight years, took place at Loviisa nuclear power plant’s unit 1 in Finland. During the fourth quarter of 2012, Fortum's thermal production volume in the Nordic countries was low. Hence, the CO_2-free production amounted to 96% (97%).

Operating profit, EUR 387 (443) million, was affected by non-recurring items, IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power generation totalling EUR 4 (102) million, and nuclear fund adjustments (Note 4). The divestment of small hydro plants in Sweden had only a minor impact on the results.

In the fourth quarter of 2012, the division's total power generation in the Nordic countries was 13.8 (13.2) TWh, some 5% higher than in the corresponding period in 2011. Power’s achieved Nordic power price amounted to EUR 46.8 per MWh, which was EUR 1.6 per MWh higher than in the fourth quarter of 2011. The system price as well as both the Finnish and the Swedish area prices were higher during October-December 2012 compared to the same period in 2011.

The positive effect of the higher achieved power price and higher hydro volumes and the somewhat higher thermal volumes (despite the slightly lower nuclear volumes) was approximately EUR 40 million during the fourth quarter of 2012 compared to the corresponding period in 2011. Fortum continued to deliver ion exchange materials for the purification process of the Fukushima nuclear power plant in Japan. Operating costs including profits from the division's Power Solution increased by approximately EUR 10 million due to the stronger SEK (EUR 6 million) and due to higher nuclear fuel costs as well as the higher nuclear waste fees in Sweden. Higher costs caused by outages and higher co-owned nuclear procurement costs due to higher operation and maintenance costs also impacted the operating cost level.

The European Commission published its final report on the nuclear stress tests on 4 October 2012. The report concluded that the design basis for the Loviisa nuclear power plant is proper in terms of external events. The implementation of the required actions at the Loviisa power plant has been started and can be done within the framework and cost of the annual maintenance programmes. The implementation will not affect the power plant’s availability.

Fortum's co-owned nuclear companies in Sweden, OKG AB in Oskarshamn and Forsmark Kraftgrupp AB in Forsmark, submitted plans to improve safety in September, as was requested by the Swedish Radiation Safety Authority, SSM. The Swedish stress test action plan was then submitted by the SSM to the European Nuclear Safety Regulators Group (ENSREG) in December. The investigations described in the action plan are to be implemented by 2013, 2014 or 2015.

In December 2012, the SSM decided to strengthen the control of the Oskarshamn nuclear plant by conducting a special supervision. Oskarshamn has since started a specific programme to improve the performance in order to avoid further extraordinary authority supervision. At the end of October, a third-party inspection authority declared the need for more time in order to study further the power upgrade at Forsmark 2; the attempt to reach the new capacity is now scheduled for March 2013.

January—December

In 2012, the Power Division’s comparable operating profit was EUR 1,144 (1,201) million, i.e. EUR 57 million lower than in 2011. The achieved power price was EUR 1.5 per MWh lower than in 2011, as the system price and all area prices were clearly lower in 2012 than during 2011. The average system spot price was EUR 31.2 (47.1) per MWh and the average area price in Helsinki, Finland, EUR 36.6 (49.3) per MWh, and in Stockholm, Sweden, (SE3) EUR 32.3 (47.9) per MWh. High water reservoir levels as well as high inflow increased hydro generation significantly. Nuclear availability was at a high level in all reactors except Oskarshamn 1 and 3 in Sweden; Oskarshamn 1 was shut down for the whole year 2012. The total nuclear volume was thus lower than during 2011. Thermal production was also clearly lower than a year before, due to low power prices; hence CO_2-free production amounted to 97% (93%).

Operating profit was EUR 1,173 (1,476) million. A gain of EUR 47 million related to the divestments of small hydro plants in Finland was booked in the first quarter of 2012. The divestment of small hydro plants in Sweden in the fourth quarter had only a minor impact on the result. Operating profit was also affected by a EUR 3 (301) million IFRS accounting treatment (IAS 39) of derivatives used mainly for hedging Fortum's power production, and somewhat affected by nuclear fund adjustments (Note 4).

The combined effect of increased hydro generation, lower nuclear and thermal volumes as well as a lower achieved power price had a positive impact of approximately EUR 15 million in 2012 compared to 2011. Fortum has delivered ion exchange materials since July 2012 for the purification process of the Fukushima nuclear power plant's contaminated water. Operating costs including profits from the division's Power Solution increased by approximately EUR 70 million, mainly due to a stronger SEK (EUR 20 million), higher nuclear fuel prices (EUR 15 million), higher nuclear waste fees in Sweden (EUR 15 million), costs from longer outages, as well as higher co-owned nuclear procurement costs mainly caused by longer outages, operation and maintenance costs, increased depreciation and interest costs.

In 2012, the prolonged shutdown of Oskarshamn 1 in Sweden had an approximately EUR 50 million negative impact, mainly due to lost production, but also due to somewhat higher costs.

In 2012, the division's total power generation in the Nordic countries was 49.2 (48.1) TWh, approximately 2% higher than in 2011. Power's achieved Nordic power price amounted to EUR 44.6 per MWh, which was EUR 1.5 per MWh lower than in 2011. The system price and both Finnish and Swedish area prices were clearly lower during 2012 compared to 2011.

Fortum has two fully-owned reactors in Loviisa and the company is also a co-owner in eight reactors at the Olkiluoto, Oskarshamn and Forsmark nuclear power plants. Nuclear availability was at a high level in all of the reactors, except in the Oskarshamn units. Initially, Oskarshamn 1 was shut down at the end of October 2011 for an extensive turbine overhaul, but problems with emergency power supplies further extended the downtime. Oskarshamn 2 was shut down in December 2012 for maintenance and inspection of emergency power supplies in order to fully secure reliable operation in case of an emergency; the plant was back in operation in January 2013. Oskarshamn 3 successfully completed its commissioning tests in December 2012.

European-wide safety evaluations, carried out after the Fukushima incident in 2011, were finalised in 2012. As part of the evaluations, so-called peer reviews were carried out in several European nuclear power plants, including the Loviisa nuclear power plant. The results from the evaluations were announced during the summer, and the final report on the nuclear stress tests by the European Commission was published in October. The design basis for the Loviisa nuclear power plant was found sufficient in terms of external events. The implementation of required actions at the Loviisa nuclear plant has been started and can be done within the framework of the annual investment programmes. The implementation will not affect the power plant's availability.

Fortum has improved the safety of the Loviisa nuclear plant with comprehensive measures for several decades; the company sees the harmonisation of safety requirements for nuclear power plants as necessary and considers it essential that national authorities have supervisory responsibility. Nuclear liability should be implemented in the frame of the Paris Convention and harmonised at the European level.

At year-end, the Power Division's total power generating capacity was 9,702 (9,752) megawatts (MW), of which 9,562 (9,612) MW was in the Nordic countries. Hydro power capacity in the Nordic countries totalled 4,627 (4,693) MW, nuclear power capacity 3,247 (3,231) MW and condensing capacity 1,688 (1,688) MW.

Heat

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

EUR million	IV/12	IV/11	2012	2011
Sales	477	478	1,628	1,737
- heat sales	366	353	1,158	1,238
- power sales	68	82	232	342
- other sales	43	43	238	157
Operating profit	118	100	339	380
Comparable operating profit	93	96	266	278
Comparable EBITDA	152	145	476	471
Net assets (at period-end)			4,335	4,191
Return on net assets, %			8.5	9.9
Comparable return on net assets, %			6.8	7.4
Capital expenditure and gross investments in shares	190	136	474	329
Number of employees			2,212	2,504

October—December

The Heat Division's heat sales volumes amounted to 6.4 (6.5) TWh during the fourth quarter of 2012. During the same period, power sales volumes totalled 1.3 (1.5) TWh. The decrease in volumes was attributable to the divestments in Finland and Estonia in January 2012, as well as to the restructuring of the Turku region energy production in Finland and to some availability problems after the revisions that had disturbed production. The colder weather than during the same period in 2011 partly compensated for the decline in volumes.

The Heat Division's comparable operating profit in the fourth quarter was EUR 93 (96) million, EUR 3 million lower than in the corresponding period of 2011. The decline was mainly attributable to lower volumes, but it was somewhat offset by higher sales of CO_2 emission allowances.

Operating profit in the fourth quarter totalled EUR 118 (100) million and includes a gain of EUR 23 (6) million related to divestments (Note 4).

January—December

Heat sales volumes in 2012 amounted to 19.7 (22.6) TWh. During the same period, power sales volumes totalled 4.2 (6.2) TWh. The divestment in Sweden in March 2011 and the divestments in Finland and Estonia in January 2012 reduced volumes. In addition, the restructuring of the Turku region energy production in Finland decreased volumes. The power production in Finland was lower also due to the low power market price. In addition, problems after revisions impacted production volumes especially during the last quarter of 2012.

The Heat Division's comparable operating profit in 2012 was EUR 266 (278) million, i.e., EUR 12 million lower than in 2011. The decrease in the result was mainly due to lower volumes attributable to divestments and restructuring, and a lower power price. Higher sales of CO_2 emission allowances contributed positively to the result and offset some of the lost volume.

Operating profit in 2012 totalled EUR 339 (380) million and includes a gain of EUR 80 (86) million related to divestments.

Heat sales by area, TWh	IV/12	IV/11	2012	2011
Finland	1.7	2.2	5.8	8.5
Sweden	2.9	2.5	8.5	8.5
Poland	1.5	1.5	4.3	4.3
Other countries	0.3	0.3	1.1	1.3
Total	6.4	6.5	19.7	22.6

Power sales, TWh	IV/12	IV/11	2012	2011
Total	1.3	1.5	4.2	6.2

At year-end, the Heat Division's power generating capacity totalled 1,569 (1,670) MW, of which 1,315 (1,420) MW was in the Nordic countries. The Heat Division's total heat production capacity was 8,785 (10,375) MW, of which 6,785 (7,944) MW was in the Nordic countries.

Russia

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

EUR million	IV/12	IV/11	2012	2011
Sales	319	274	1,030	920
- power sales	207	161	713	590
- heat sales	102	110	300	324
- other sales	10	3	17	6
EBITDA	57	63	200	182
Operating profit	28	35	79	74
Comparable operating profit	28	35	68	74
Comparable EBITDA	57	50	189	148
Net assets (at period-end)			3,846	3,273
Return on net assets, %			3.0	3.5
Comparable return on net assets, %			2.7	3.5
Capital expenditure and gross investments in shares	257	208	568	694
Number of employees			4,253	4,379

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

The liberalisation of the Russian wholesale power market has been completed since the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity – an amount equalling the consumption of households and a few special groups of consumers – under regulated prices. During the fourth quarter of 2012, OAO Fortum sold approximately 82% of its power production at a liberalised electricity price.

In 2012, the heat market progressed as new pricing rules and heat system development rules were adopted.

The Russian Government increased gas prices as of 1 July 2012; the increase was approximately 15%. The spot price development, however, was under pressure in the beginning of the year due to restrictions in the pre-election period. In addition, very extensive nuclear and hydro production combined with somewhat lower demand pressed prices in the fourth quarter.

The capacity selection for generation built prior to 2008 (CCS -“old capacity”) for the year 2012 was held in September 2011. The majority of Fortum’s power plants were selected in the auction, with a price level close to the level received in 2011. Approximately 4% (120 MW) of Fortum’s old capacity was not allowed to participate in the selection, due to tightened minimum technical requirements. The capacity, however, received capacity payments at the average capacity market price in 2012 and will do so again in 2013. The capacity selection for 2013 was held at the end of 2012. Also in the selection auction for 2013, the majority of Fortum’s power plants were selected, with a price level close to the level received in 2012. Approximately 10% (265 MW) of the old capacity was not allowed to participate in the selection for 2013, due to tightened minimal technical requirements. It will, however, receive capacity payments at the capacity market price for 2013.

The generation capacity built after 2007 under the government capacity supply agreements (CSA – “new capacity”) receives guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined to ensure a sufficient return on investments. At the time of the acquisition in 2008, Fortum made a provision, as penalty clauses are included in the CSA agreement in case of possible delays. Possible penalties can be claimed if the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not otherwise fulfilled. The effect of changes in the timing of commissioning of new units is assessed at each balance sheet date and the provision is changed accordingly (Note 14).

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

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

October—December

The Russia Division's power sales volumes amounted to 6.7 (5.6) TWh during the fourth quarter of 2012. Heat sales totalled 8.6 (9.2) TWh during the same period.

The Russia Division’s comparable operating profit was EUR 28 (35) million in the fourth quarter of 2012. The positive effect from the commissioning of the new units in 2011 amounted to approximately EUR 26 (21) million in the fourth quarter. The 2011 comparable operating profit included a reversal of provision totalling EUR 12 million.

Operating profit was EUR 28 (35) million in the fourth quarter of 2012.

Key electricity, capacity and gas prices for OAO Fortum	IV/12	IV/11	2012	2011
Electricity spot price (market price), Urals hub, RUB/MWh	973	858	956	925
Average regulated gas price, Urals region, RUB/1000 m3	2,924	2,548	2,736	2,548
Average capacity price for CCS “old capacity”, tRUB/MW/month*	168	174	152	160
Average capacity price for CSA “new capacity”, tRUB/MW/month*	627	534	539	560
Average capacity price, tRUB/MW/month	254	246	227	209
Achieved power price for OAO Fortum, EUR/MWh	30.9	28.9	30.6	29.2

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

In December 2012, Fortum's subsidiary in Russia, OAO Fortum, delisted its shares on the Moscow Stock Exchange. Stocks of OAO “TGK-10” (OAO Fortum) were excluded from the Moscow Stock Exchange List B already in October 2008 and had since been included in the unlisted securities section. More than 90% of OAO Fortum has been owned by Fortum Corporation since 2008.

January—December

The Russia Division's power sales volumes amounted to 23.3 (20.2) TWh in 2012. Heat sales totalled 26.4 (26.7) TWh in 2012.

The Russia Division’s comparable operating profit was EUR 68 (74) million in 2012. The positive effect from the commissioning of the new units amounted to approximately EUR 87 (51) million. The 2011 comparable operating profit included a reversal of the CSA provision totalling EUR 34 million. Decreased capacity payments for the old capacity and an increase in gas prices, that exceeded the development in power and heat prices, had a negative impact.

Operating profit was EUR 79 (74) million in 2012 and includes a gain of EUR 11 million relating to a divestment of heating network assets (Note 4).

Fortum is committed to its EUR 2.5 billion investment programme in Russia, and the schedule of the programme is to commission the last new units in 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2012, is estimated to be approximately EUR 540 million as of January 2013. Altogether, the investment programme consists of eight new power plant units, of which the first three units were commissioned in 2011.

The commissioning of Fortum’s largest new investment greenfield projects in Nyagan was somewhat further postponed during the second quarter of 2012. Fortum has worked hard to resolve the delay and estimates the commissioning of Nyagan 1 to take place during the first quarter of 2013 and Nyagan 2 during the first half of 2013 as a result of the construction delays. This does not change the overall schedule or financial targets of the investment programme. In 2008, Fortum made a provision for penalties caused by possible commissioning delays. According to the agreement with the contractor, Fortum is entitled to adequate remedies in case of damages caused by contractor delays.

During the second quarter of 2012, Fortum announced that it will build the last two units of its Russian investment programme in Chelyabinsk instead of in Tyumen. The units are to be constructed at Chelyabinsk GRES power plant. The last new units of the CSA agreement are planned to be commissioned by the end of 2014. In addition, Fortum plans to modernise and upgrade the existing equipment of the power plant.

At year-end, the Russia Division's total power generating capacity was 3,404 (3,404) MW and the division's total heat production capacity was 13,396 (14,107) MW.

Electricity Solutions and Distribution

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

Distribution

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

EUR million	IV/12	IV/11	2012	2011
Sales	314	244	1,070	973
- distribution network transmission	250	190	877	809
- regional network transmission	33	26	125	96
- other sales	31	28	68	68
Operating profit	103	41	328	478
Comparable operating profit	101	49	317	295
Comparable EBITDA	157	97	526	482
Net assets (at period-end)			3,911	3,589
Return on net assets, %			9.0	13.7
Comparable return on net assets, %			8.7	8.6
Capital expenditure and gross investments in shares	117	120	324	289
Number of employees			870	898

October—December

The volume of distribution and regional network transmissions during the fourth quarter of 2012 totalled 7.8 (7.0) TWh and 4.7 (4.4) TWh, respectively. The higher volumes were a result of the colder weather in December 2012 compared to the same month in 2011.

The Distribution business area's comparable operating profit was EUR 101 (49) million. The 2011 result was burdened by a EUR 57 million provision that was made due to the massive storm at the end of 2011.

Operating profit in the fourth quarter of 2012 totalled EUR 103 (41) million.

January—December

In 2012, the volume of distribution and regional network transmissions totalled 26.6 (26.1) TWh and 17.3 (16.7) TWh, respectively.

The Distribution business area's comparable operating profit was EUR 317 (295) million. Taking into account the EUR 57 million provision included in the 2011 figure, the comparable result decreased year on year. The main reasons for the decrease were the warm weather during the early part of

2012, the timing of the relocation of cables and parts of the network, the higher than previously accounted for fault repair costs, the customer compensations related to the 2011 year-end storm in Finland and costs relating to the improvement of network reliability.

Operating profit in 2012 totalled EUR 328 (478) million. The 2011 figure includes a gain of EUR 192 million relating to the divestment of Fingrid Oyj shares.

The rollout of smart metering with hourly measurement capabilities to network customers in Finland continued throughout 2012. By the end of 2012 approximately 434,000 customers had received new meters (160,000 at the end of 2011). Before the end of 2013, a total of approximately 620,000 network customers will have smart metering. At year-end 2012, 365,000 customers had hourly meter reading. Benefits of the new system include invoicing based on actual electricity consumption and better control of the use of electricity. The new Finnish legislation on hourly meter reading will become effective as of 1 January 2014.

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

A new network income regulation came into effect both in Finland and Sweden on 1 January 2012. In Finland, the Energy Market Authority (EMV) introduced some changes to the regulation model going in to the third regulatory period, 2012-2015. The industry found some of the changes unreasonable and appealed against the new model to the Market Court. The Market Court ruling came in December 2012 and requires that sanctions, due to outages caused by big storms, have to have an annual maximum limit in the regulation model.

In Sweden, the Energy Market Inspectorate (EI) introduced a new network income regulation model with a first regulatory period 2012-2015. With the new model, Sweden moved to a pre-regulation model where the income for a four-year period is decided by EI in advance. Among other things, the new model introduced a transition rule that Fortum and approximately half of the Swedish network companies believe lacks legal ground. The network companies therefore appealed the new network regulation. During the fall, EI agreed to some adjustments to the model. The court appeal continues.

Volume of distributed electricity in distribution network, TWh	IV/12	IV/11	2012	2011
Sweden	4.2	3.9	14.4	14.2
Finland	2.8	2.5	9.8	9.5
Norway	0.8	0.6	2.4	2.3
Estonia	0.0	0.0	0.0	0.1
Total	7.8	7.0	26.6	26.1

Number of electricity distribution customers by area, thousands	31 December 2012	31 December 2011
Sweden	898	893
Finland	633	627
Norway	102	101
Estonia	0	24
Total	1,633	1,645

Electricity Sales

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

EUR million	IV/12	IV/11	2012	2011
Sales	221	205	722	900
- power sales	214	199	697	879
- other sales	7	6	25	21
Operating profit	5	-6	38	3
Comparable operating profit	9	2	38	27
Comparable EBITDA	9	3	39	29
Net assets (at period-end)			59	11
Return on net assets, %			118.0	4.2
Comparable return on net assets, %			148.4	33.5
Capital expenditure and gross investments in shares	1	1	1	5
Number of employees			509	519

October—December

During the fourth quarter of 2012, the business area's electricity sales volume totalled 4.0 (3.6) TWh. The higher volume was due to colder weather and a higher customer base compared to the same period in 2011.

Electricity Sales' comparable operating profit in the fourth quarter of 2012 totalled EUR 9 (2) million. The increase was a result of higher volumes and favourable market conditions.

Operating profit totalled EUR 5 (-6) million and was affected by non-recurring items and an IFRS accounting treatment (IAS 39) of derivatives (Note 4).

January—December

In 2012, the business area's electricity sales volume totalled 13.0 (14.4) TWh. The lower volume was due to the Business Market restructuring that is now completed, but which was still on-going until the end of the third quarter in 2011. In addition, smart electricity solutions and services were successfully launched in 2012.

Electricity Sales' comparable operating profit in 2012 totalled EUR 38 (27) million.

Operating profit totalled EUR 38 (3) million and was affected by non-recurring items and an IFRS accounting treatment (IAS 39) of derivatives (Note 4).

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares totalled EUR 632 (520) million in the fourth quarter of 2012. Investments, excluding acquisitions, were EUR 621 (509) million.

In 2012, capital expenditures and investments in shares totalled EUR 1,574 (1,482) million. Investments, excluding acquisitions, were EUR 1,558 (1,408) million.

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts *
Power				
Hydro refurbishment	Hydropower	10		2013
Blaiken, Sweden	Wind power	30		2013
Heat				
Klaipeda, Lithuania	Waste (CHP)	20	60	Q1 2013
Järvenpää, Finland	Biofuel (CHP)	23	63	Q2 2013
Jelgava, Latvia	Biofuel (CHP)	23	45	Q3 2013
Brista, Sweden	Waste (CHP)	20	57	Q4 2013
Russia**				
Nyagan 1	Gas (CCGT)	418		Q1 2013
Nyagan 2	Gas (CCGT)	418		1H 2013
Nyagan 3	Gas (CCGT)	418		2H 2013
Chelyabinsk	Gas (CCGT)	248		2H 2014
Chelyabinsk	Gas (CCGT)	248		2H 2014

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

Power

Fortum completed the divestment of small hydropower plants in Finland during the first quarter of 2012. The capital gains from these transactions were EUR 47 million, which were booked in the Power Division's first-quarter results. In the fourth quarter, small hydro divestments were to a large extent completed in Sweden. The effect on the result was minor.

Through its interest in Teollisuuden Voima Oyj (TVO), Fortum is participating in the building of Olkiluoto 3, a 1,600-MW nuclear power plant unit in Finland. Based on the information submitted by AREVA-Siemens Consortium, TVO estimates that the Olkiluoto 3 nuclear power plant unit will not be ready for regular electricity production in 2014. During the second quarter of 2012, TVO received an International Chamber of Commerce (ICC) arbitration tribunal decision according to which a few partial payments previously made to a blocked account are to be released to the Olkiluoto 3 plant supplier. The decision takes no position on the delay of the plant unit and the cost resulting from the delay.

In September, TVO submitted a claim and defence in the ICC arbitration proceedings concerning the delay and the ensuing costs incurred at the Olkiluoto 3 nuclear power plant project. The quantification estimate of TVO's costs and losses is approximately EUR 1.8 billion (Note 19).

TVO completed plant upgrades and further improved the safety of the Olkiluoto nuclear power plant during 2010—2012. As a result, the power output of both Olkiluoto 1 and Olkiluoto 2 increased by approximately 20 MW each.
In addition, TVO has started the bidding and engineering phase of the company’s fourth nuclear unit at Olkiluoto. Fortum’s share of the commitment for this phase is approximately EUR 77 million. By the end of December, TVO raised EUR 50 million in shareholder loans; Fortum’s share of this is approximately EUR 13 million.

Heat

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

The energy production of the co-owned Turun Seudun Maakaasu ja Energiatuotanto Oy (TSME) started on 1 January 2012, as agreed by the different partners in late 2011. TSME is a co-owned company that consolidates the energy production in the Turku region in Finland.

In February, Fortum opened up the possibility for customers in Stockholm, Sweden, to sell their own surplus heat to Fortum's grid at market price. The first agreement was signed in June and is part of a pilot project. The first customers will be able to sell surplus heat in 2013; the aim is for all customers to be able to sell their surplus heat starting in 2014.

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

In April, Fortum started the construction of a bio-fuel-fired CHP plant, the first of this size in Jelgava, Latvia. The construction of the Klaipeda waste-to-energy CHP plant, the first of its kind in the Baltics, has progressed as planned.

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

In Finland, new district heating offerings are under development and two new customer offerings were started as a pilot in the market during the third quarter.

Construction of four CHP plants in Sweden, Finland, Latvia and Lithuania is advancing according to plan. In Stockholm, Sweden, the construction of a new silo for bio-fuel and a new transporting system has been started. The project is scheduled for completion at the end of 2013 and operational testing will start at the beginning of 2014. The investment will increase the amount of bio-fuel in the heating system and reduce CO_2 emissions by 50,000 tons on a yearly basis.

In December 2012, Fortum agreed to sell its shares in Fortum Heat Naantali Oy (owning Naantali power plant) to co-owned Turun Seudun Maakaasu ja Energiantuotanto Oy (TSME), a regional energy producer in Turku, Finland. A letter of intent on restructuring the Naantali power plant's ownership was signed in December 2010. The transaction took effect on 31 December 2012. A sales gain of approximately EUR 21 million from the transaction was booked in Fortum Heat Division's 2012 fourth-quarter operating profit. The net cash flow impact was approximately EUR 50 million. Fortum's shareholding in TSME is 49.5% (Note 6).

In Sweden, in December, Fortum Värme, Fortum's subsidiary (co-owned with the City of Stockholm) decided to invest in a new bio-fuel-fired CHP plant in Värtan, Stockholm. The value of the investment is approximately EUR 500 million. The construction of the plant started immediately and it is planned to be commissioned in 2016.

Russia

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

In addition, Fortum announced its decision to build the last two 250-megawatt units of its Russian investment programme in Chelyabinsk, in the Urals. Initially, the units were planned for construction in the Tyumen region in Western Siberia. The units are included in the Capacity Supply Agreement, originally agreed upon in 2008. Fortum has received final approval for this relocation from the Russian Government. The new units are to be constructed at Chelyabinsk GRES power plant. Fortum also plans to completely modernise and upgrade the existing equipment of the power plant.

Distribution

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

Electricity Sales

Fortum agreed to sell its 18.7% ownership in the Swedish electricity supplier Dala Kraft AB to the energy company Jämtkraft AB. The transaction was made on 21 September 2012. The effect of the divestment on Fortum's financial result is very minor. The sales gain from the transaction was booked in the third-quarter financial result.

Shares and share capital

Fortum Corporation is listed on the NASDAQ OMX Helsinki Ltd. In 2012, a total of 494.8 (524.9) million Fortum Corporation shares, totalling EUR 7,749 million, were traded on the NASDAQ OMX Helsinki Ltd. The highest quotation of Fortum Corporation shares during the reporting period was EUR 19.36, the lowest EUR 12.81, and the volume-weighted average was EUR 15.65. The closing quotation on the last trading day of the fourth quarter of 2012 was EUR 14.15 (16.49). Fortum's market capitalisation, calculated using the closing quotation on the last trading day of the quarter, was EUR 12,570 million.

In addition to the NASDAQ OMX Helsinki Ltd., Fortum shares were traded on several alternative market places, for example at Boat, BATS Chi-X and Turquoise, and on the OTC market as well. In 2012, approximately 55% of Fortum's traded shares were traded on markets other than NASDAQ OMX Helsinki Ltd.

At the end of 2012, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not own its own shares. The number of registered shareholders was 124,475. The Finnish State's holding in Fortum was 50.8%, and the proportion of nominee registrations and direct foreign shareholders was 25.4% at the end of the review period.

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

Group personnel

Fortum's operations are mainly based in the Nordic countries, Russia and the Baltic Rim area. The total number of employees at the end of the period was 10,371 (10,780).

At the end of 2012, the Power Division had 1,846 (1,847) employees, the Heat Division 2,212 (2,504), the Russia Division 4,253 (4,379), the Distribution business area 870 (898), the Electricity Sales business area 509 (519) and Other 681 (633).

Research and development

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

In 2012, Fortum decided to invest in the commercialisation of new technology by building a bio-oil plant connected to the Joensuu power plant in Finland. The CHP-integrated bio-oil plant, based on fast pyrolysis technology, is the first of its kind in the world on an industrial scale. The new technology has been developed in co-operation between Metso, UPM, VTT (as part of the TEKES Biorefine research programme) and Fortum. The bio-oil plant, which will be integrated with the CHP plant in Joensuu, will produce electricity and district heat, and, in the future, 50,000 tonnes of bio-oil per year. The bio-oil raw materials will include forest residues and other wood-based biomass.

In addition, Fortum decided to support Lappeenranta University of Technology (LUT) in the establishment of a solar economy professorship, which is the first in its research field in Finland. The professorship will strengthen LUT's curriculum in electricity, energy and environmental technology.

The Group reports its R&D expenditure on a yearly basis. In 2012, Fortum's R&D expenditure was EUR 41 million (2011: 38 million) or 0.7% of sales (2011: 0.6%).

Sustainability

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

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

Economic responsibility

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

Environmental responsibility

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

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

At the end of 2012, the five-year average for specific CO_2 emissions from power generation in the EU was at 60 g/kWh and the specific CO_2 emissions from the total energy production was at 179 g/kWh, both better than the target level. Fortum's total CO_2 emissions in 2012 amounted to 20.7 (23.5) million tonnes (Mt), of which 4.8 (8.0) Mt were within the EU's emissions trading scheme (ETS).

In 2012, approximately 68% (65%) of the power generated by Fortum was CO_2-free. The corresponding figure for Fortum's generation within the EU was 93% (85%).The main reason behind the high share of CO_2-free power is that very little condensing power was produced at the Inkoo and Meri-Pori coal-fired power plants.

Overall efficiency of fuel use was 67% as a five-year average; the target is >70%. At the end of the fourth quarter of 2012, 95% of Fortum’s operations globally had ISO 14001 environmental certification.

Fortum’s total CO_2 emissions (million tonnes, Mt)	IV/12	IV/11	2012	2011
Total emissions	6.2	6.1	20.7	23.5
Emissions subject to ETS	1.7	1.8	4.8	8.0
Free emissions allocation			6.6	6.8
Emissions in Russia	4.5	4.3	15.6	14.7

Fortum’s specific CO_2 emissions from power generation (g/kWh)	IV/12	IV/11	2012	2011
Total emissions	165	161	171	192
Emissions in the EU	51	53	42	88
Emissions in Russia	490	541	516	483

Social responsibility

In the area of social responsibility, Fortum's innovations and the secure supply of low-carbon power and heat support the development of society and increase well-being. Good corporate citizenship and ensuring a safe working environment for all employees and contractors at Fortum sites are emphasised. A Group-level target has been defined for occupational safety. In addition to ISO 14001, the goal is to have OHSAS 18001 certification for all operational management systems. In 2012, the Group-level lost workday injury frequency (LWIF) continued at a good level at 1.5 (1.6). An unfortunate fatal accident occurred to a Fortum contractor in Russia in April. Fortum’s safety target is to reach a LWIF level that is less than one per million working hours for its own personnel. This reflects the Group’s zero tolerance for accidents.

Fortum wants to conduct business with viable companies that act responsibly and comply with the Fortum Code of Conduct and Fortum Supplier Code of Conduct. In 2012, altogether 10 supplier audits were conducted. In the beginning of 2012, Fortum joined the Bettercoal Initiative, aiming for continuous improvement of corporate responsibility in the supply chain of coal.

Changes in Fortum's Management

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

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

Helena Aatinen, MSc Econ., was appointed Senior Vice President, Corporate Communications and member of Fortum Corporation's Management Team. Helena Aatinen reports to President and CEO Tapio Kuula from 1 November 2012.

Anne Brunila, Executive Vice President, Corporate Relations and Strategy and a member of Fortum Corporation's Management Team leaves her position at her own request. Anne Brunila will continue in agreed development projects until spring 2013 and reports to President and CEO Tapio Kuula. The change came into effect on 1 November 2012.

Annual General Meeting 2012

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

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

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

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

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

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

Events after the balance sheet date

Fortum announced 31January 2013 that the company has decided to assess the strategic position of its electricity distribution business. In accordance with its strategy, Fortum seeks growth in low-carbon power generation, energy-efficient combined heat and power (CHP) production and customer offerings. The assessment has no impact on Fortum's electricity distribution customers and excludes the company's electricity retail business. Fortum expects to conclude the assessment during 2013.

Outlook

Key drivers and risks

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

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

Nordic market

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

During the fourth quarter of 2012, the overall price of crude oil and coal was quite steady, whereas the EUA price weakened clearly. The forward price of electricity for the next twelve months improved somewhat in the Nordic area, but declined in Germany.

In late January 2013, the future quotations for coal (ICE Rotterdam) for the rest of 2013 were around USD 92 per tonne and the market price for CO_2 emission allowances (EUA) for 2013 was about EUR 4 per tonne.

In late January 2013, the electricity forward price in Nord Pool for the rest of 2013 was around EUR 37 per MWh. For 2014, the electricity forward price was around EUR 36 per MWh and for 2015 around EUR 35 per MWh. In Germany, the electricity forward price for the rest of 2013 was around EUR 41 per MWh and for 2014 EUR 41 per MWh.

In late January 2013, Nordic water reservoirs were approximately at the same level as the long-term average and 12 TWh below the corresponding level of 2012.

Power

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

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

European-wide safety evaluations have been carried out post-Fukushima. As part of the evaluations, so-called peer reviews were carried out in March 2012 in several European nuclear power plants, including the Loviisa nuclear power plant. The European Commission submitted a consolidated report of the national reports to the European Council in October 2012. Some additional safety criteria were already introduced after the spring evaluations for nuclear power plants. The required improvements will be done within the framework of the annual investment programmes and planned maintenance.

Russia

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

Capacity not under CSA competes in competitive capacity selection (CCS – “old capacity”). The capacity selection for 2013 was held at the end of 2012. The majority of Fortum’s power plants were selected in the auction, with a price level close to the level received in 2012. Approximately 10% (265 MW) of the old capacity was not allowed to participate in the selection for 2013, due to tightened minimal technical requirements. It will, however, receive capacity payments at the capacity market price for 2013.

The generation capacity built after 2007 under government Capacity Supply Agreements (CSA – “new capacity”) receives guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments.

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

The commissioning of Fortum’s largest new investment greenfield projects in Nyagan was somewhat further postponed during the second quarter of 2012. Fortum has worked hard to resolve the delay and estimates the commissioning of Nyagan 1 to take place during the first quarter 2013 and Nyagan 2 during the first half of 2013 as a result of construction delays. This does not change the overall schedule or financial targets of the investment programme. In 2008, Fortum made a provision for penalties caused by possible commissioning delays. According to the agreement with the contractor, Fortum is entitled to adequate remedies in case of damages caused by contractor delays.

In June 2012, Fortum announced its decision to build the last two units of its Russian investment programme at Chelyabinsk in the Urals. Initially, the units were planned for construction in the Tyumen region in Western Siberia. The units are included within the sphere of the Capacity Supply Agreement originally agreed in 2008. The new units are to be constructed at Chelyabinsk GRES power plant. Fortum also plans to modernise and upgrade the existing power plant equipment. Fortum is planning to commission the last new units of its EUR 2.5 billion investment programme in Russia by the end of 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2012, is estimated to be approximately EUR 540 million as of January 2013.

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

A commission for heat business development has been set up by the Russian Government. Top priorities will be issues regarding heat regulation, centralised district heating and co-generation efficiency.

The Russian Government is likely to increase gas prices beginning 1 July 2013; the increase is expected to be 15%.

Efficiency programme 2013-2014

Due to the increasingly demanding business environment, Fortum started an efficiency programme in order to maintain and strengthen strategic flexibility and competitiveness and to enable the company to reach its financial targets in the future.

The aim is to improve the company's cash flow by more than approximately EUR 1 billion during 2013—2014 by reducing capital expenditures (capex) by EUR 250—350 million, divesting approximately EUR 500 million of non-core assets, reducing fixed costs and focusing on working capital efficiency. At the end of 2014, the cost run rate will be approximately EUR 150 million lower compared to 2012, including growth projects.

The Board's decision to review the strategic position of the electricity distribution business does not change the basics of the efficiency programme, which will continue as originally planned.

Capital expenditure

Fortum currently expects its capital expenditure in 2013 to be EUR 1.1—1.4 billion and in 2014 EUR 0.9—1.1 billion, excluding potential acquisitions. The annual maintenance capital expenditure is estimated to be about EUR 500—550 million in 2013, somewhat below the level of depreciation.

Taxation

The effective corporate tax rate for Fortum in 2013 is estimated to be 19—21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items. In Finland, the corporate tax rate was decreased from 26% to 24.5% starting 1 January 2012. In Sweden, the corporate tax rate was decreased from 26.3% to 22% starting 1 January 2013.

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

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

Hedging

At the end of December 2012, approximately 70% of the Power Division's estimated Nordic power sales volume was hedged at approximately EUR 45 per MWh for the calendar year 2013. The corresponding figures for the calendar year 2014 were about 35% at approximately EUR 43 per MWh.

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

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

Dividend distribution proposal

The parent company's distributable equity as of 31 December 2012 amounted to EUR 4,561,649,150.11. Since the end of the financial period, there have been no material changes in the financial position of the Company.

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pays a cash dividend of EUR 1.00 per share for 2012, totalling EUR 888 million based on the number of registered shares as of 30 January 2013. The dividend is proposed to be paid on 19 April 2013.

Annual General Meeting 2013

Fortum Corporation's Annual General Meeting will be held at 14:00 on Tuesday, 9 April 2013, at the Finlandia Hall, Mannerheimintie 13, in Helsinki, Finland.

Espoo, 30 January 2013
Fortum Corporation
Board of Directors

Further information:
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The Board of Directors has approved Fortum's 2012 financial statements and Fortum's auditors have issued their unqualified audit report for 2012 on 30 January 2013. The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

Publication of financial results in 2013:

- Interim Report January – March on 25 April 2013 at approximately 9:00 EEST
- Interim Report January – June on 19 July 2013 at approximately 9:00 EEST
- Interim Report January – December on 23 October 2013 at approximately 9:00 EEST

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

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

Distribution:
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Key media
www.fortum.com

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

Tables to the interim financial statements

Condensed consolidated income statement

EUR million	Note	Q4 2012	Q4 2011	2012	2011
Sales	4	**1,834**	1,667	**6,159**	6,161
Other income		**46**	40	**109**	91
Materials and services		**-732**	-659	**-2,548**	-2,566
Employee benefits		**-147**	-142	**-556**	-529
Depreciation, amortisation and impairment charges	4,9,10	**-175**	-155	**-664**	-606
Other expenses		**-239**	-243	**-761**	-749
Comparable operating profit		**587**	508	**1,739**	1,802
Items affecting comparability		**32**	71	**122**	600
Operating profit		**619**	579	**1,861**	2,402
Share of profit/loss of associates and joint ventures	4, 11	**-5**	19	**21**	91
Interest expense		**-72**	-78	**-300**	-284
Interest income		**13**	13	**54**	56
Fair value gains and losses on financial instruments		**-7**	7	**-23**	5
Other financial expenses - net		**-10**	-8	**-38**	-42
Finance costs - net		**-76**	-66	**-307**	-265
Profit before income tax		**538**	532	**1,575**	2,228
Income tax expense	8	**123**	-88	**-72**	-366
Profit for the period		**661**	444	**1,503**	1,862
Attributable to:					
Owners of the parent		**603**	421	**1,409**	1,769
Non-controlling interests		**58**	23	**94**	93
		661	444	**1,503**	1,862
Earnings per share (in € per share)					
Basic		**0.68**	0.47	**1.59**	1.99
Diluted		**0.68**	0.47	**1.59**	1.99

EUR million	Q4 2012	Q4 2011	2012	2011
Comparable operating profit	**587**	508	**1,739**	1,802
Non-recurring items (capital gains and losses)	**33**	9	**155**	284
Changes in fair values of derivatives hedging future cash flow	**6**	72	**-2**	344
Nuclear fund adjustment	**-7**	-10	**-31**	-28
Items affecting comparability	**32**	71	**122**	600
Operating profit	**619**	579	**1,861**	2,402

Condensed consolidated statement of comprehensive income

EUR million	Q4 2012	Q4 2011	2012	2011
Profit for the period	**661**	444	**1,503**	1,862
Other comprehensive income				
Cash flow hedges				
Fair value gains/losses in the period	**-24**	106	**15**	299
Transfers to income statement	**-24**	81	**-152**	480
Transfers to inventory/fixed assets	**-1**	-7	**-5**	-23
Tax effect	**10**	-46	**33**	-195
Net investment hedges				
Fair value gains/losses in the period	**0**	0	**0**	2
Tax effect	**0**	0	**0**	0
Available for sale financial assets				
Fair value changes in the period	**0**	0	**0**	-1
Exchange differences on translating foreign operations	**-26**	166	**207**	-75
Share of other comprehensive income of associates	**-12**	2	**-23**	2
Other changes	**0**	-3	**0**	3
Other comprehensive income for the period, net of tax	**-77**	299	**75**	492
Total comprehensive income for the year	**584**	743	**1,578**	2,354
Total comprehensive income attributable to				
Owners of the parent	**533**	697	**1,466**	2,255
Non-controlling interests	**51**	46	**112**	99
	584	743	**1,578**	2,354

Condensed consolidated balance sheet

EUR million	Note	Dec 31 2012	Dec 31 2011
ASSETS			
Non-current assets			
Intangible assets	9	**442**	433
Property, plant and equipment	10	**16,497**	15,234
Participations in associates and joint ventures	4, 11	**2,019**	2,019
Share in State Nuclear Waste Management Fund	13	**678**	653
Pension assets		**54**	60
Other non-current assets		**71**	69
Deferred tax assets		**148**	150
Derivative financial instruments	5	**451**	396
Long-term interest-bearing receivables		**1,384**	1,196
Total non-current assets		**21,744**	20,210
Current assets			
Inventories		**428**	528
Derivative financial instruments	5	**223**	326
Trade and other receivables		**1,270**	1,020
Cash and cash equivalents	12	**963**	731
Assets held for sale [1)]	6	**-**	183
Total current assets		**2,884**	2,788
Total assets		**24,628**	22,998
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,046**	3,046
Share premium		**73**	73
Retained earnings		**7,013**	6,318
Other equity components		**73**	195
Total		**10,205**	9,632
Non-controlling interests		**616**	529
Total equity		**10,821**	10,161
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	12	**7,699**	6,845
Derivative financial instruments	5	**182**	192
Deferred tax liabilities		**1,893**	2,013
Nuclear provisions	13	**678**	653
Other provisions	14	**207**	205
Pension obligations		**27**	26
Other non-current liabilities		**472**	465
Total non-current liabilities		**11,158**	10,399
Current liabilities			
Interest-bearing liabilities	12	**1,078**	925
Derivative financial instruments	5	**264**	219
Trade and other payables		**1,307**	1,265
Liabilities related to assets held for sale	6	**-**	29
Total current liabilities		**2,649**	2,438
Total liabilities		**13,807**	12,837
Total equity and liabilities		**24,628**	22,998

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

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
			Retained earnings and other funds	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies			
Total equity 31 December 2011	**3,046**	**73**	**6,670**	**-352**	**136**	**-2**	**61**	**9,632**	**529**	**10,161**
Net profit for the period			1,409					1,409	94	1,503
Translation differences				179	4		3	186	21	207
Other comprehensive income					-106		-23	-129	-3	-132
Total comprehensive income for the period			1,409	179	-102	0	-20	1,466	112	1,578
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-26	-26
Changes due to business combinations								0	2	2
Other			-5					-5	-1	-6
Total equity 31 December 2012	**3,046**	**73**	**7,186**	**-173**	**34**	**-2**	**41**	**10,205**	**616**	**10,821**
Total equity 31 December 2010	**3,046**	**73**	**5,726**	**-278**	**-419**	**0**	**62**	**8,210**	**532**	**8,742**
Net profit for the period			1,769					1,769	93	1,862
Translation differences				-74				-74		-74
Other comprehensive income			6		555		-1	560	6	566
Total comprehensive income for the period			1,775	-74	555	0	-1	2,255	99	2,354
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-21	-21
Changes due to business combinations			54			-2		52	-81	-29
Other			3					3		3
Total equity 31 December 2011	**3,046**	**73**	**6,670**	**-352**	**136**	**-2**	**61**	**9,632**	**529**	**10,161**

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR 186 million during 2012 (2011: -74) mainly relating to RUB, SEK and NOK amounting to EUR 173 million in 2012 (2011: -63).

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

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -102 million during 2012 (2011: 555), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividend

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

Condensed consolidated cash flow statement

EUR million	Q4 2012	Q4 2011	2012	2011
Cash flow from operating activities				
Net profit for the period	**661**	444	**1,503**	1,862
Adjustments:				
Income tax expenses	**-123**	88	**72**	366
Finance costs-net	**76**	66	**307**	265
Share of profit of associates and joint ventures	**5**	-19	**-21**	-91
Depreciation, amortisation and impairment charges	**175**	155	**664**	606
Operating profit before depreciations (EBITDA)	**794**	734	**2,525**	3,008
Non-cash flow items and divesting activities	**-31**	-126	**-181**	-726
Interest received	**28**	11	**59**	59
Interest paid	**-78**	-71	**-352**	-298
Dividends received	**0**	0	**45**	108
Realised foreign exchange gains and losses and other financial items	**-37**	-26	**-274**	-245
Taxes	**-17**	-32	**-269**	-394
Funds from operations	**659**	490	**1,553**	1,512
Change in working capital	**-260**	-18	**-171**	101
Total net cash from operating activities	**399**	472	**1,382**	1,613
Cash flow from investing activities				
Capital expenditures	**-503**	-421	**-1,422**	-1,285
Acquisitions of shares	**-11**	-18	**-14**	-62
Proceeds from sales of fixed assets	**4**	4	**13**	15
Divestments of shares	**102**	18	**239**	492
Proceeds from the interest-bearing receivables relating to divestments	**12**	0	**181**	89
Shareholder loans to associated companies	**-100**	-63	**-138**	-109
Change in other interest-bearing receivables	**6**	3	**13**	35
Total net cash used in investing activities	**-490**	-477	**-1,128**	-825
Cash flow before financing activities	**-91**	-5	**254**	788
Cash flow from financing activities				
Proceeds from long-term liabilities	**10**	0	**1,375**	951
Payments of long-term liabilities	**-123**	-60	**-669**	-365
Change in short-term liabilities	**52**	115	**168**	-278
Dividends paid to the owners of the parent	**0**	0	**-888**	-888
Other financing items	**-1**	4	**-33**	-10
Total net cash used in financing activities	**-62**	59	**-47**	-590
Total net increase(+) / decrease(-) in cash and cash equivalents	**-153**	54	**207**	198
Cash and cash equivalents at the beginning of the period	**1,117**	685	**747**	556
Foreign exchange differences in cash and cash equivalents	**-1**	8	**9**	-7
Cash and cash equivalents at the end of the period [1)]	**963**	747	**963**	747

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

Non-cash flow items and divesting activities

Non-cash flow items and divesting activities mainly consist of adjustments for unrealised fair value changes of derivatives EUR 3 million for 2012 (2011: -358) and capital gains EUR -155 million for 2012 (2011: -285). The actual proceeds for divestments are shown under cash flow from investing activities.

Realised foreign exchange gains and losses and other financial items

Realised foreign exchange gains and losses EUR -268 million for 2012 (2011: -239) mainly related to financing of Fortum's Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise for rollover of foreign exchange contracts hedging the internal loans as major part of these forwards is entered into with short maturities i.e. less than twelve months.

Additional cash flow information

Change in working capital

EUR million	Q4 2012	Q4 2011	2012	2011
Change in interest-free receivables, decrease (+)/increase (-)	**-505**	-246	**-226**	266
Change in inventories, decrease (+)/increase (-)	**56**	-56	**109**	-143
Change in interest-free liabilities, decrease (-)/increase (+)	**189**	284	**-54**	-22
Total	**-260**	-18	**-171**	101

Negative effect from change in working capital during 2012, EUR -171 million (2011: 101) is mainly due to increase in receivables.

Capital expenditure in cash flow

EUR million	Q4 2012	Q4 2011	2012	2011
Capital expenditure	**621**	509	**1,558**	1,408
Change in not yet paid investments	**-94**	-72	**-56**	-70
Capitalised borrowing costs	**-24**	-16	**-80**	-53
Total	**503**	421	**1,422**	1,285

Capital expenditures for intangible assets and property, plant and equipment were EUR 1 558 million (2011: 1 408). Capital expenditure in cash flow EUR 1 422 million (2011: 1 285) is without not yet paid investments i.e. change in trade payables related to investments EUR -56 million (2011: -70) and capitalised borrowing costs EUR -80 million (2011: -53), which are presented in interest paid.

Acquisition of shares in cash flow

EUR million	Q4 2012	Q4 2011	2012	2011
Acquisition of subsidiaries, net of cash acquired	**0**	1	**3**	44
Acquisition of associates [1)]	**10**	16	**10**	16
Acquisition of available for sale financial assets	**1**	1	**1**	2
Total	**11**	18	**14**	62

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

Acquisition of shares in subsidiaries, net of cash acquired				
EUR million	**Q4 2012**	**Q4 2011**	**2012**	**2011**
Gross investments of shares	**-**	1	**5**	47
Changes in not yet paid acquisitions	**-**	0	**-**	-2
Interest bearing debt in acquired subsidiaries	**-**	0	**-2**	-1
Total	**-**	1	**3**	44

Acquisition of shares in associates				
EUR million	**Q4 2012**	**Q4 2011**	**2012**	**2011**
Gross investments of shares	**10**	9	**10**	25
Changes in not yet paid acquisitions	**-**	7	**-**	-9
Total	**10**	16	**10**	16

Divestment of shares in cash flow

EUR million	Q4 2012	Q4 2011	2012	2011
Proceeds from sales of subsidiaries, net of cash disposed	**97**	5	**223**	117
Proceeds from sales of associates	**4**	13	**13**	375
Proceeds from available for sale financial assets	**1**	0	**3**	0
Total	**102**	18	**239**	492

Gross divestment of shares totalled EUR 410 million in 2012 (2011: 568) including interest-bearing debt in sold subsidiaries of EUR 181 million (2011: 89), see Note 6. Proceeds from divestments of shares totalled EUR 239 million in 2012 (2011: 492) including EUR 79 million related to divestment of certain heat businesses in Finland and Estonia (Fortum Energiaratkaisut Oy and Fortum Termest AS), EUR 72 million divestment of Fortum Heat Naantali Oy in Finland, EUR 34 million related to divestment of small hydropower plants in Finland and EUR 25 million related to divestment of small hydropower plants in Sweden.

Change in net debt

EUR million	**Q4 2012**	Q4 2011	**2012**	2011
Net debt beginning of the period	**7,764**	6,929	**7,023**	6,826
Foreign exchange rate differences	**-49**	97	**89**	7
EBITDA	**794**	734	**2,525**	3,008
Paid net financial costs, taxes and adjustments for non-cash and divestment items	**-135**	-244	**-972**	-1,496
Change in working capital	**-260**	-18	**-171**	101
Capital expenditures	**-503**	-421	**-1,422**	-1,285
Acquisitions	**-11**	-18	**-14**	-62
Divestments	**106**	22	**252**	507
Proceeds from the interest-bearing receivables relating to divestments	**12**	0	**181**	89
Shareholder loans to associated companies	**-100**	-63	**-138**	-109
Change in other interest-bearing receivables	**6**	3	**13**	35
Dividends	**0**	-	**-888**	-888
Other financing activities	**-13**	4	**-45**	-10
Net cash flow (- increase in net debt)	**-104**	-1	**-679**	-110
Fair value change of bonds, amortised cost valuation and other	**-5**	-4	**23**	80
Net debt end of the period	**7,814**	7,023	**7,814**	7,023

Key ratios

	Dec 31 2012	Sept 30 2012	June 30 2012	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011
EBITDA, EUR million	**2,525**	1,731	1,340	894	3,008	2,274	1,813	1,049
Comparable EBITDA, EUR million	**2,403**	1,641	1,253	809	2,374	1,723	1,279	798
Earnings per share (basic), EUR	**1.59**	0.91	0.77	0.56	1.99	1.52	1.29	0.76
Capital employed, EUR million	**19,598**	19,120	17,848	19,016	17,931	17,034	16,998	16,560
Interest-bearing net debt, EUR million	**7,814**	7,764	7,420	6,523	7,023	6,929	6,783	6,367
Capital expenditure and gross investments in shares, EUR million	**1,574**	942	566	218	1,482	962	572	205
Capital expenditure, EUR million	**1,558**	937	561	218	1,408	899	533	167
Return on capital employed, % 1)	**10.0**	9.0	11.2	14.5	14.8	14.3	16.1	19.1
Return on shareholders' equity, % 1)	**14.3**	10.7	13.5	17.9	19.7	19.1	22.0	26.9
Net debt / EBITDA 1)	**3.1**	3.4	2.9	2.0	2.3	2.4	2.2	1.8
Comparable net debt / EBITDA 1)	**3.3**	3.5	3.0	2.0	3.0	3.0	2.7	2.0
Interest coverage	**7.5**	6.6	8.3	11.9	10.5	11.2	14.8	19.0
Interest coverage including capitalised borrowing costs	**5.7**	5.1	6.4	9.2	8.5	9.1	12.0	15.1
Funds from operations/interest-bearing net debt, % 1)	**19.9**	16.4	22.7	39.1	21.5	20.7	24.2	34.8
Gearing, %	**72**	76	74	60	69	74	72	72
Equity per share, EUR	**11.49**	10.89	10.66	11.65	10.84	10.05	9.93	9.30
Equity-to-assets ratio, %	**44**	42	44	45	44	44	44	39
Number of employees	**10,371**	10,584	10,848	10,542	10,780	11,041	11,342	10,976
Average number of employees	**10,600**	10,661	10,644	10,587	11,010	11,062	11,030	10,913
Average number of shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367	888,367	888,367
Diluted adjusted average number of shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367	888,367	888,367
Number of registered shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367	888,367	888,367

1) Quarterly figures are annualised except items affecting comparability.
For definitions, see Note 22.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2011.

2. Accounting policies

The same accounting policies and presentation have been followed in these condensed interim financial statements as were applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2011.

3. Critical accounting estimates and judgements

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

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

4. Segment information

Sales

EUR million	Q4 2012	Q4 2011	2012	2011
Power sales excluding indirect taxes	**991**	907	**3,413**	3,458
Heating sales	**481**	474	**1,501**	1,602
Network transmissions	**283**	216	**1,002**	905
Other sales	**79**	70	**243**	196
Total	**1,834**	1,667	**6,159**	6,161

Sales by segment

EUR million	Q4 2012	Q4 2011	2012	2011
Power [1]	**719**	654	**2,415**	2,481
- of which internal	***57***	*68*	***296***	*-24*
Heat [1]	**477**	478	**1,628**	1,737
- of which internal	***6***	*6*	***18***	*8*
Russia	**319**	274	**1,030**	920
- of which internal	**-**	-	**-**	-
Distribution	**314**	244	**1,070**	973
- of which internal	***12***	*4*	***37***	*15*
Electricity Sales [1]	**221**	205	**722**	900
- of which internal	***22***	*13*	***55***	*95*
Other [1]	**41**	32	**137**	108
- of which internal	***-1***	*-5*	***-66***	*115*
Netting of Nord Pool transactions [2]	**-161**	-134	**-503**	-749
Eliminations	***-96***	*-86*	***-340***	*-209*
Total	**1,834**	1,667	**6,159**	6,161

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

Comparable operating profit by segment

EUR million	Q4 2012	Q4 2011	2012	2011
Power	**380**	351	**1,144**	1,201
Heat	**93**	96	**266**	278
Russia	**28**	35	**68**	74
Distribution	**101**	49	**317**	295
Electricity Sales	**9**	2	**38**	27
Other	**-24**	-25	**-94**	-73
Total	**587**	508	**1,739**	1,802

Operating profit by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power	**387**	443	**1,173**	1,476
Heat	**118**	100	**339**	380
Russia	**28**	35	**79**	74
Distribution	**103**	41	**328**	478
Electricity Sales	**5**	-6	**38**	3
Other	**-22**	-34	**-96**	-9
Total	**619**	579	**1,861**	2,402

Non-recurring items by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power	**10**	0	**57**	2
Heat	**23**	7	**80**	86
Russia	**0**	0	**11**	0
Distribution	**0**	0	**5**	193
Electricity Sales	**0**	2	**1**	3
Other	**0**	0	**1**	0
Total	**33**	9	**155**	284

During Q1 2012 Power segment sold small hydropower plants in Finland resulting in a gain of EUR 47 million and Heat segment sold certain heat businesses (Fortum Energiaratkaisut Oy and Fortum Termest AS) resulting in a gain of EUR 58 million. In Q2 2012 Russia segment sold heating network assets in Surgut resulting in a gain of EUR 11 million. During Q4 2012 Power segment divested small hydropower plants in Sweden resulting in a gain of EUR 10 million and Heat segment sold its shares in Fortum Heat Naantali Oy to Turun Seudun Maakaasu ja Energiantuotanto Oy (TSME) resulting in a gain of EUR 21 million. In Q1 2011 Heat segment sold its district heat operations and heat production facilities outside the Stockholm area with a gain of EUR 82 million. In Q2 2011 Distribution segment divested its 25% share in Fingrid Oyj with a gain of EUR 192 million.

Other items affecting comparability by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power [1]	**-3**	92	**-28**	273
Heat	**2**	-3	**-7**	16
Russia	**0**	-	**0**	-
Distribution	**2**	-8	**6**	-10
Electricity Sales	**-4**	-10	**-1**	-27
Other	**2**	-9	**-3**	64
Total	**-1**	62	**-33**	316
[1] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-7**	-10	**-31**	-28

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

Comparable EBITDA by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power	**409**	379	**1,258**	1,310
Heat	**152**	145	**476**	471
Russia	**57**	50	**189**	148
Distribution	**157**	97	**526**	482
Electricity Sales	**9**	3	**39**	29
Other	**-22**	-24	**-85**	-66
Total	**762**	650	**2,403**	2,374

Depreciation, amortisation and impairment charges by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power	**29**	28	**114**	109
Heat	**59**	49	**210**	193
Russia	**29**	28	**121**	108
Distribution	**56**	48	**209**	187
Electricity Sales	**0**	1	**1**	2
Other	**2**	1	**9**	7
Total	**175**	155	**664**	606

Share of profit/loss in associates and joint ventures by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power [1), 2)]	**8**	30	**-12**	3
Heat	**8**	7	**20**	19
Russia	**2**	-8	**27**	30
Distribution	**5**	3	**8**	14
Electricity Sales	**0**	1	**0**	2
Other	**-28**	-14	**-22**	23
Total	**-5**	19	**21**	91
[1)] Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):	**-3**	-1	**-9**	-6

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

Participation in associates and joint ventures by segment EUR million	Dec 31 2012	Dec 31 2011
Power	**906**	921
Heat	**157**	160
Russia	**476**	443
Distribution	**109**	101
Electricity Sales	**0**	0
Other	**371**	395
Total	**2,019**	2,020

Capital expenditure by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power	**64**	48	**190**	131
Heat	**180**	126	**464**	297
Russia	**257**	208	**568**	670
Distribution	**117**	120	**324**	289
Electricity Sales	**1**	1	**1**	5
Other	**2**	6	**11**	16
Total	**621**	509	**1,558**	1,408
Of which capitalised borrowing costs	**24**	16	**80**	53

Gross investments in shares by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power	-	-	-	17
Heat	10	10	10	32
Russia	-	-	-	24
Distribution	-	-	-	-
Electricity Sales	-	-	-	-
Other	1	1	6	1
Total	**11**	**11**	**16**	**74**

Gross divestments in shares by segment EUR million	Q4 2012	Q4 2011	2012	2011
Power	39	-	102	3
Heat	74	5	269	203
Russia	-	-1	-	23
Distribution	-	-3	37	323
Electricity Sales	-	10	2	16
Other	0	-	0	0
Total	**113**	**11**	**410**	**568**

See Note 6 and additional cash flow information for more information about the gross divestment in shares in 2012.

Net assets by segment EUR million	Dec 31 2012	Dec 31 2011
Power	6,454	6,247
Heat	4,335	4,191
Russia	3,846	3,273
Distribution	3,911	3,589
Electricity Sales	59	11
Other	237	208
Total	**18,842**	**17,519**

Comparable return on net assets by segment %	Dec 31 2012	Dec 31 2011
Power	18.2	19.9
Heat	6.8	7.4
Russia	2.7	3.5
Distribution	8.7	8.6
Electricity Sales	148.4	33.5
Other	-30.9	-12.7

Return on net assets by segment %	Dec 31 2012	Dec 31 2011
Power	18.4	24.6
Heat	8.5	9.9
Russia	3.0	3.5
Distribution	9.0	13.7
Electricity Sales	118.0	4.2
Other	-57.6	5.3

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

Assets by segments EUR million	Dec 31 2012	Dec 31 2011
Power	**7,412**	7,134
Heat	**4,797**	4,597
Russia	**4,309**	3,692
Distribution	**4,433**	4,187
Electricity Sales	**293**	249
Other	**707**	628
Eliminations	**-403**	-306
Assets included in Net assets	**21,548**	20,181
Interest-bearing receivables	**1,393**	1,219
Deferred taxes	**148**	150
Other assets	**576**	717
Cash and cash equivalents	**963**	731
Total assets	**24,628**	22,998

Liabilities by segments EUR million	Dec 31 2012	Dec 31 2011
Power	**958**	887
Heat	**462**	406
Russia	**463**	419
Distribution	**522**	598
Electricity Sales	**234**	238
Other	**470**	420
Eliminations	**-403**	-306
Liabilities included in Net assets	**2,706**	2,662
Deferred tax liabilities	**1,893**	2,013
Other liabilities	**431**	392
Total liabilities included in Capital employed	**5,030**	5,067
Interest-bearing liabilities	**8,777**	7,770
Total equity	**10,821**	10,161
Total equity and liabilities	**24,628**	22,998

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

Number of employees	Dec 31 2012	Dec 31 2011
Power	**1,846**	1,847
Heat	**2,212**	2,504
Russia	**4,253**	4,379
Distribution	**870**	898
Electricity Sales	**509**	519
Other	**681**	633
Total	**10,371**	10,780

Average number of employees	2012	2011
Power	**1,896**	1,873
Heat	**2,354**	2,682
Russia	**4,301**	4,436
Distribution	**873**	902
Electricity Sales	**515**	510
Other	**661**	607
Total	**10,600**	11,010

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

5. Financial risk management

The Group has not made any significant changes in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2011.

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

Derivatives

		Dec 31 2012		Dec 31 2011
Interest and currency derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value
	MEUR	**MEUR**	MEUR	MEUR
Interest rate swaps	**6,268**	**201**	4,737	141
Forward foreign exchange contracts	**8,671**	**-159**	8,257	-143
Forward rate agreements	**116**	**0**	196	0
Interest rate and currency swaps	**544**	**-8**	247	1

Electricity derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	TWh	**MEUR**	TWh	MEUR
Sales swaps	**90**	**314**	95	559
Purchase swaps	**45**	**-138**	48	-289
Purchased options	**0**	**0**	1	1
Written options	**2**	**1**	1	1

Oil derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	1000 bbl	**MEUR**	1000 bbl	MEUR
Sales swaps and futures	**9,419**	**-8**	10,000	-6
Purchase swaps and futures	**9,452**	**3**	9,910	4

Coal derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	kt	**MEUR**	kt	MEUR
Sold	**8,305**	**127**	12,325	94
Bought	**8,390**	**-123**	11,642	-80

CO_2 emission allowance derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	$ktCO_2$	**MEUR**	$ktCO_2$	MEUR
Sold	**-12,810**	**50**	15,283	89
Bought	**14,005**	**-32**	13,981	-59

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

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

6. Acquisitions, disposals and assets held for sale

Acquisitions

There were no material acquisitions during 2012.

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

Disposals

Disposals for 2012

During Q4 2012 Fortum divested small hydropower plants in Sweden, a minor gain was recognised in the Power Division.

Fortum sold its shares in Fortum Heat Naantali Oy to Turun Seudun Maakaasu ja Energiantuotanto Oy (TSME) in which Fortum has 49.5% interest at 31 December 2012. The total sales price (less liquid funds in the sold company) was approximately EUR 74 million, of which EUR 2 million is unpaid as of 31 December 2012. Fortum's capital gain EUR 21 million was recognised in Heat Division. In connection with the sale Fortum participated in a share issue in TSME with EUR 10 million and gave a shareholder loan to the company amounting to EUR 13 million.

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

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

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

Disposals for 2011

In December 2010 Fortum signed an agreement to divest district heat operations and production facilities outside Stockholm in Sweden. The divestment was completed on 31 March 2011. The total sales price was approximately EUR 220 million and the recognised gain EUR 82 million. The operations were part of the Heat segment and the gain is recognised in Heat segment. Major part of the divested operations were owned by Fortum's subsidiary Fortum Värme in which the city of Stockholm has a 50% economic interest.

Fortum's divestment of 25% shareholding in the Finnish transmission system operator Fingrid was completed on 19 April 2011. See Note 11.

Gross divestments of shares

EUR million	Q4 2012	Q4 2011	2012	2011
Proceeds settled in cash	**97**	5	**223**	117
Interest bearing debt in sold subsidiaries	**12**	-1	**181**	89
Proceeds not yet settled in cash	**2**	-	**2**	-
Gross divestments of shares in subsidiaries [1)]	**111**	4	**406**	206
Gross divestment of associates	**1**	7	**1**	362
Gross divestment of available for sale financial assets	**1**	-	**3**	-
Total	**113**	**11**	**410**	**568**

[1)] Cash and cash equivalents in sold subsidiaries EUR 14 million (2011: 14) are netted from gross divestments.

7. Exchange rates

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

Key exchange rates for Fortum Group applied in the accounts:

Average rate	Jan-Dec 2012	Jan-Sept 2012	Jan-June 2012	Jan-March 2012	Jan-Dec 2011	Jan-Sept 2011	Jan-June 2011	Jan-March 2011
Sweden (SEK)	**8.7015**	8.7275	8.8756	8.8658	9.0038	8.9982	8.9273	8.8775
Norway (NOK)	**7.4840**	7.5182	7.5855	7.6136	7.7824	7.7962	7.7996	7.8173
Poland (PLN)	**4.1900**	4.2152	4.2524	4.2389	4.1254	4.0320	3.9655	3.9692
Russia (RUB)	**40.2354**	40.1847	40.1999	39.9714	41.0219	40.7778	40.4461	40.4504

Balance sheet date rate	Dec 31 2012	Sept 30 2012	June 30 2012	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011
Sweden (SEK)	**8.5820**	8.4498	8.7728	8.8455	8.9120	9.2580	9.1739	8.9329
Norway (NOK)	**7.3483**	7.3695	7.5330	7.6040	7.7540	7.8880	7.7875	7.8330
Poland (PLN)	**4.0740**	4.1038	4.2488	4.1522	4.4580	4.4050	3.9903	4.0106
Russia (RUB)	**40.3295**	40.1400	41.3700	39.2950	41.7650	43.3500	40.4000	40.2850

8. Income tax expense

The tax rate for the year 2012, excluding the tax rate change in Sweden, the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.2% (2011: 21.4%). In Sweden, the corporate tax rate was decreased to 22.0% from 26.3% starting 1 January 2013. In 2012, the one-time positive effect from the tax rate change is approximately EUR 230 million of which EUR 34 million is attributable to non-controlling interests. The tax rate used in the income statement is always impacted by the fact that share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax.

9. Changes in intangible assets

EUR million	Dec 31 2012	Dec 31 2011
Opening balance	**433**	421
Increase through acquisition of subsidiary companies	**2**	0
Capital expenditures	**35**	27
Changes of emission rights	**-25**	13
Depreciation, amortisation and impairment	**-22**	-19
Moved to Assets held for sale	**-**	-2
Reclassifications	**6**	-
Translation differences and other adjustments	**13**	-7
Closing balance	**442**	433

Goodwill included in closing balance	**309**	294
Change in goodwill during the period due to translation differences	**15**	-7

10. Changes in property, plant and equipment

EUR million	Dec 31 2012	Dec 31 2011
Opening balance	**15,234**	14,621
Increase through acquisition of subsidiary companies	**0**	26
Capital expenditures	**1,523**	1,381
Changes of nuclear asset retirement cost	**-1**	5
Disposals	**-15**	-13
Depreciation, amortisation and impairment	**-642**	-587
Sale of subsidiary companies	**-84**	-
Moved to assets held for sale	**-**	-128
Reclassifications	**-6**	-
Translation differences and other adjustments	**488**	-71
Closing balance	**16,497**	15,234

11. Changes in participations in associates and joint ventures

EUR million	Dec 31 2012	Dec 31 2011
Opening balance	**2,019**	2,161
Share of profits of associates and joint ventures	**21**	91
Investments	**10**	9
Share issues and shareholders' contributions	**-**	16
Divestments	**-**	-146
Dividend income received	**-45**	-108
OCI items associated companies	**-20**	-1
Moved to assets held for sale	**-**	-1
Translation differences and other adjustments	**34**	-2
Closing balance	**2,019**	2,019

Share of profits from associates and joint ventures

Share of profits from associates in Q4 2012 was EUR -5 million (Q4 2011: 19) of which Hafslund ASA represented EUR -27 million (Q4 2011: -14) and TGC-1 EUR 2 million (Q4 2011: -8). In Q4 2012 share of profit from Hafslund included EUR -25 million related to Hafslund's extraordinary write-downs and provisions on BioWood Norway AS, Bio-El Fredrikstad and an ongoing tax dispute.

Fortum's share of profit for the full year 2012 amounted to EUR 21 million (2011: 91), of which Hafslund represented EUR -22 million (2011: 23), TGC-1 EUR 27 million (2011: 30) and Gasum EUR 15 million (2011: 16). In 2012 the share of profit from Hafslund included EUR -25 million related to extraordinary write-downs and provisions and EUR 7 million loss in relation to Hafslund's divestment of REC shares. In 2011 write-downs on REC shares amounted to EUR 36 million. In December 2010 Hafslund sold its fully-owned subsidiary Hafslund Fibernett AS. Fortum recognised EUR 38 million in relation to Hafslund's divestment of Hafslund Fibernett AS shares as a part of the share of profit of associates and joint ventures in 2011.

According to Fortum Group accounting policies the share of profits from Hafslund and TGC-1 will be included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available.

Investments and share issues

In December 2012 Turun Seudun Maakaasu ja Energiantuotanto Oy increased the company's share capital by EUR 20 million of which Fortum's share is EUR 10 million. The additional participation was recognised and paid in December 2012.

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

Divestments

There were no material divestments of shares in associated companies during 2012.

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

Dividends received

During 2012 Fortum has received EUR 45 million (2011: 108) in dividends from associates of which EUR 22 million (2011: 64) was received from Hafslund, EUR 10 million (2011: 23) from Gasum and EUR 4 million (2011: 3) from Infratek ASA.

12. Interest-bearing liabilities and cash and cash equivalents

On 7 March 2012, Fortum issued two 5 year bonds under its existing Euro Medium Term Note programme. The amount of SEK 2,750 million consisting of SEK 1,000 million floating rate and SEK 1,750 million at 3.25% fixed rate.

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

On 30 August 2012, Fortum issued a EUR 1,000 million ten-year bond under its existing Euro Medium Term Note programme. The bond carries a fixed rate coupon of 2.25%.

During the last quarter OAO Fortum repaid a bilateral loan of RUB 4,000 million.

Short term financing on 31 December 2012 was EUR 432 million (2011: 254). The reported interest-bearing debt on December 31, 2012 was EUR 8,777 million (2011: 7,770). The interest-bearing debt decreased during the fourth quarter by EUR 104 million from EUR 8,881 million to EUR 8,777 million. Total liquid funds decreased by EUR 154 million from EUR 1,117 million to EUR 963 million during the fourth quarter.

13. Nuclear related assets and liabilities

EUR million	Dec 31 2012	Dec 31 2011
Carrying values in the balance sheet		
Nuclear provisions	**678**	653
Share in the State Nuclear Waste Management Fund	**678**	653
Legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	**996**	968
Funding obligation target	**996**	941
Fortum's share of the State Nuclear Waste Management Fund	**956**	903

Nuclear related provisions

The liability regarding the Loviisa nuclear power plant is calculated according to the Nuclear Energy Act and was decided by the Ministry of Employment and Economy in December 2012. The liability is based on a technical plan, which is made every third year. The technical plan and the cost estimates were last updated in Q2 2010.

The legal liability on 31 December 2012 was EUR 996 million. The provision in the balance sheet related to nuclear waste management is based on cash flows for future costs which uses the same basis as the legal liability. The carrying value of the nuclear provision, calculated according to IAS 37, increased by EUR 25 million compared to 31 December 2011, totalling EUR 678 million on 31 December 2012. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

Fortum's share in the State Nuclear Waste Management Fund

Fortum contributes funds to the State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2012 is EUR 996 million. The Fund is from an IFRS perspective overfunded with EUR 278 million, since Fortum's share of the Fund on 31 December 2012 was EUR 956 million and the carrying value in the balance sheet was EUR 678 million.

Effects to comparable operating profit and operating profit

Operating profit in Power segment is affected by the accounting principle for Fortum's share of the Finnish Nuclear Waste Management Fund, since the carrying value of the Fund in Fortum's balance sheet can in maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the effects to operating profit from this adjustment will be positive if the provisions increase more than the Fund and negative if actual value of the fund increases more than the provisions. This accounting effect is not included in Comparable operating profit in Fortum financial reporting, see Other items affecting comparability in Note 4. Fortum had an effect from this adjustment in Q4 of EUR -7 million, compared to EUR -10 million in Q4 2011. The cumulative effect 2012 was EUR -31 million compared to EUR -28 million in 2011.

Associated companies

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

14. Other provisions

	CSA provision		Other provisions	
EUR million	Dec 31 2012	Dec 31 2011	Dec 31 2012	Dec 31 2011
Opening balance	**180**	208	**29**	40
Unused provisions reversed	**-**	-42	**-2**	-11
Change in the provision	**-**	8	**15**	8
Provisions used	**-23**	-5	**-7**	-9
Unwinding of discount	**15**	16	**-**	0
Exchange rate differences	**6**	-5	**1**	1
Closing balance	**178**	180	**36**	29
Current provisions	**-**	-	**7**	4
Non-current provisions	**178**	180	**29**	25

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

The effect of changes in the timing of commissioning of new power plants is assessed at each balance sheet date and provision is changed accordingly. The increase in the provision due to the discounting during 2012 amounted to EUR 15 million. This amount was booked in other financial expenses.

15. Pledged assets

EUR million	Dec 31 2012	Dec 31 2011
On own behalf		
For debt		
Pledges	**293**	290
Real estate mortgages	**137**	137
For other commitments		
Real estate mortgages	**124**	148
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	**3**	3

Pledged assets for debt

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

Pledged assets for other commitments

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

16. Operating lease commitments

EUR million	Dec 31 2012	Dec 31 2011
Due within a year	**32**	32
Due after one year and within five years	**73**	68
Due after five years	**176**	142
Total	**281**	242

17. Capital commitments

EUR million	Dec 31 2012	Dec 31 2011
Property, plant and equipment	**1,168**	940
Intangible assets	**4**	10
Total	**1,172**	950

Capital commitments have increased compared to year end 2011. Commitments have mainly increased relating OAO Fortum's investment programme and dam safety investments in Sweden, as well as CHP investments in Joensuu, Finland, Stockholm in Sweden and Jelgava, Latvia.

18. Contingent liabilities

EUR million	Dec 31 2012	Dec 31 2011
On own behalf		
Other contingent liabilities	**67**	68
On behalf of associated companies and joint ventures		
Guarantees	**487**	347
Other contingent liabilities	**125**	125
On behalf of others		
Guarantees	**0**	0

Guarantees on behalf of associated companies

Guarantees and other contingent liabilities on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). The guarantees for Forsmarks Kraftgrupp AB and OKG AB for 2012-2014 have been increased from SEK 2,574 million (EUR 289 million) to SEK 3,696 million (EUR 431 million) during 2012.

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

19. Legal actions and official proceedings

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

In Finland, the Energy market authority has issued methodology decisions for the years 2012-2015. The decisions were appealed by more than 70 distribution companies. Main points of the appeal related to the changes in WACC-calculation and increased quality sanctions. Market Court gave its decision on 21 December 2012. It ordered the Energy market authority to reconsider and amend said methodology decisions as regards the calculation of the efficiency incentive in order to limit the financial impact of large outages. Apart from said component, the Market Court dismissed the appeals. Fortum Espoo Distribution Oy and Fortum Sähkönsiirto Oy have not appealed the Market Court decision.

Fortum received income tax assessments in Sweden for the year 2009 in December 2011. The appeal process is ongoing and based on legal analysis, no provision has been accounted for in the financial statements.

Fortum Sweden AB, Fortum Nordic AB and Fortum 1 AB have received income tax assessments for the year 2010 in December 2012 from the Swedish tax authorities. According to the tax authorities, Fortum would have to pay additional income taxes for the reallocation of the loans between the Swedish subsidiaries in 2004-2005 and for financing of the acquisition of TGC 10 (current OAO Fortum) in 2008. The claims are based on the change in tax regulation as of 2009. Fortum considers the claims unjustifiable and has appealed the decisions. No provision has been accounted for in the financial statements. If the decision by the tax authority remains final despite the appeals process, the impact on the net profit for the period would be approximately SEK 444 million (EUR 52 million). Years 2009 and 2010 assessments are totally SEK 869 million (EUR 101 million).

Fortum has 2012 received an income tax assessment in Belgium for the year 2008. Tax authorities disagree the tax treatment of Fortum EIF NV. Fortum finds the tax authorities interpretation not to be based on the local regulation. No provision has been accounted for in the financial statements. If the decision by the tax authorities remains final despite the appeal process, the impact on the net profit for the period would be approximately EUR 36 million. The tax is already paid. If the appeal is approved, Fortum will receive a 7% interest on the amount.

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

In Finland Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3, through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The civil construction works of the Olkiluoto 3 plant unit have been mainly completed, and the major components of the reactor plant have been installed. The installation works and plant automation system engineering of Olkiluoto 3 plant unit have not progressed according to the schedules of AREVA-Siemens Consortium, who is constructing the plant unit as a fixed-price turnkey project. Based on the information submitted by the Supplier, TVO estimates that the plant unit will not be ready for regular electricity production in 2014. During the reporting period TVO submitted a claim and defense in the International Chamber of Commerce (ICC) arbitration proceedings concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The quantification estimate of TVO's costs and losses is approximately EUR 1.8 billion, which includes TVO's current actual claim and estimated part. The arbitration proceedings may continue for several years and TVO's claimed amounts will be updated. The proceedings were initiated in December 2008 by the OL3 supplier, AREVA-Siemens. The supplier's latest monetary claim including indirect items and interest is approximately EUR 1.9 billion. TVO has considered and found the claim by the supplier to be without merit.

During the second quarter 2012 TVO received an International Chamber of Commerce arbitration tribunal decision concerning a few partial payments previously made, to a blocked account, to be released to the Olkiluoto 3 plant supplier. The decision takes no position on the delay of the plant unit and the cost resulting from the delay.

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

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

20. Related party transactions

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

The Finnish State owned 50.76% of the shares in Fortum 31 December 2012.

Transactions with associated companies and joint ventures

EUR million	2012	2011
Sales	**123**	21
Interest on loan receivables	**42**	34
Purchases	**679**	662

Sales during 2012 include sales of inventory and services to Turun Seudun Maakaasu ja Energiantuotanto Oy (TSME).

For information regarding the sale of Fortum Heat Naantali Oy shares to TSME see Note 6.

Associated company and joint ventures balances

EUR million	Dec 31 2012	Dec 31 2011
Long-term interest-bearing loan receivables	**1,370**	1,186
Trade receivables	**15**	12
Other receivables	**16**	11
Long-term loan payables	**234**	223
Trade payables	**23**	14
Other payables	**7**	22

21. Events after the balance sheet date

Fortum announced 31 January 2013 that the company has decided to assess the strategic position of its electricity distribution business. In accordance with its strategy, Fortum seeks growth in low-carbon power generation, energy-efficient combined heat and power (CHP) production and customer offerings. The assessment has no impact on Fortum's electricity distribution customers and excludes the company's electricity retail business. Fortum expects to conclude the assessment during 2013.

22. Definition of key figures

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

22. Definition of key figures

Comparable net assets = Net assets adjusted for non-interest bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39

Interest-bearing net debt = Interest-bearing liabilities - cash and cash equivalents

Gearing, % = $\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$

Equity-to-assets ratio, % = $\frac{\text{Total equity including non-controlling interest}}{\text{Total assets}} \times 100$

Net debt / EBITDA = $\frac{\text{Interest-bearing net debt}}{\text{Operating profit + Depreciation, amortisation and impairment charges}}$

Comparable net debt / EBITDA = $\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$

Interest coverage = $\frac{\text{Operating profit}}{\text{Net interest expenses}}$

Interest coverage including capitalised borrowing costs = $\frac{\text{Operating profit}}{\text{Net interest expenses - capitalised borrowing costs}}$

Earnings per share (EPS) = $\frac{\text{Profit for the period - non-controlling interest}}{\text{Average number of shares during the period}}$

Equity per share = $\frac{\text{Shareholder's equity}}{\text{Number of shares at the end of the period}}$

Last twelve months (LTM) = Twelve months preceding the reporting date

Market conditions and achieved power prices

Power consumption TWh	Q4 2012	Q4 2011	2012	2011
Nordic countries	**109**	102	**391**	384
Russia	**284**	279	**1,037**	1,020
Tyumen	**22**	22	**83**	83
Chelyabinsk	**10**	10	**36**	36
Russia Urals area	**68**	67	**252**	250

Average prices	Q4 2012	Q4 2011	2012	2011
Spot price for power in Nord Pool power exchange, EUR/MWh	**37.3**	34.2	**31.2**	47.1
Spot price for power in Finland, EUR/MWh	**40.8**	37.4	**36.6**	49.3
Spot price for power in Sweden, SE3, Stockholm EUR/MWh [1)]	**37.5**	35.7	**32.3**	47.9
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh [1)]	**37.4**	35.0	**31.8**	N/A
Spot price for power in European and Urals part of Russia, RUB/MWh [2)]	**1,037**	918	**1,001**	990
Average capacity price, tRUB/MW/month	**254**	246	**227**	209
Spot price for power in Germany, EUR/MWh	**41.4**	49.9	**42.6**	51.1
Average regulated gas price in Urals region, RUB/1000 m^3	**2,924**	2,548	**2,736**	2,548
Average capacity price for old capacity, tRUB/MW/month [3)]	**168**	174	**152**	160
Average capacity price for new capacity, tRUB/MW/month [3)]	**627**	534	**539**	560
Spot price for power (market price), Urals hub, RUB/MWh [2)]	**973**	858	**956**	925
CO_2, (ETS EUA), EUR/tonne CO_2	**7**	9	**7**	13
Coal (ICE Rotterdam), USD/tonne	**88**	115	**93**	122
Oil (Brent Crude), USD/bbl	**110**	109	**112**	111

[1)] From 1st Nov 2011 onwards price area SE3 (Stockholm), before Sweden as one area.
[2)] Excluding capacity tariff.
[3)] Capacity prices paid only for the capacity available at the time.

Water reservoirs TWh	Dec 31 2012	Dec 31 2011
Nordic water reservoirs level	**85**	95
Nordic water reservoirs level, long-term average	**83**	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q4 2012	Q4 2011	2012	2011
Export / import between Nordic area and Continental Europe+Baltics	**-4**	-5	**-19**	-6
Export / import between Nordic area and Russia	**2**	2	**5**	11
Export / import Nordic area, Total	**-2**	-2	**-14**	5

Power market liberalisation in Russia %	Q4 2012	Q4 2011	2012	2011
Share of power sold at the liberalised price by OAO Fortum	**82**	86	**82**	85

Achieved power prices EUR/MWh	Q4 2012	Q4 2011	2012	2011
Power's Nordic power price	**46.8**	45.2	**44.6**	46.1
Achieved power price for OAO Fortum	**30.9**	28.9	**30.6**	29.2

Production and sales volumes

Power generation TWh	Q4 2012	Q4 2011	2012	2011
Power generation in the EU and Norway	**15.2**	15.0	**53.9**	55.3
Power generation in Russia	**5.1**	4.9	**19.2**	17.4
Total	**20.3**	19.9	**73.1**	72.7

Heat production TWh	Q4 2012	Q4 2011	2012	2011
Heat production in the EU and Norway*	**6.0**	5.9	**18.5**	22.0
Heat production in Russia	**8.7**	8.6	**24.8**	25.4
Total	**14.7**	14.5	**43.3**	47.4

* Q3/2012 restated

Power generation capacity by division MW	Dec 31 2012	Dec 31 2011
Power	**9,702**	9,752
Heat	**1,569**	1,670
Russia	**3,404**	3,404
Total	**14,675**	14,826

Heat production capacity by division MW	Dec 31 2012	Dec 31 2011
Power	**250**	250
Heat	**8,785**	10,375
Russia	**13,396**	14,107
Total	**22,431**	24,732

Power generation by source in the Nordic area TWh	Q4 2012	Q4 2011	2012	2011
Hydropower	**7.1**	6.4	**25.2**	21.0
Nuclear power	**6.5**	6.7	**23.4**	24.9
Thermal power	**1.0**	1.2	**3.0**	7.2
Total	**14.6**	14.3	**51.6**	53.1

Power generation by source in the Nordic area %	Q4 2012	Q4 2011	2012	2011
Hydropower	**49**	45	**49**	40
Nuclear power	**44**	47	**45**	47
Thermal power	**7**	8	**6**	13
Total	**100**	100	**100**	100

Power sales EUR million	Q4 2012	Q4 2011	2012	2011
Power sales in the EU and Norway	**784**	746	**2,700**	2,868
Power sales in Russia	**207**	161	**713**	590
Total	**991**	907	**3,413**	3,458

Production and sales volumes

Heat sales EUR million	Q4 2012	Q4 2011	2012	2011
Heat sales in the EU and Norway	**379**	364	**1,201**	1,278
Heat sales in Russia	**102**	110	**300**	324
Total	**481**	474	**1,501**	1,602

Power sales by area TWh	Q4 2012	Q4 2011	2012	2011
Finland	**6.0**	6.1	**21.6**	24.6
Sweden	**8.6**	8.2	**30.1**	29.4
Russia	**6.7**	5.6	**23.3**	20.2
Other countries	**1.1**	1.1	**3.8**	3.6
Total	**22.4**	21.0	**78.8**	77.8

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

Heat sales by area TWh	Q4 2012	Q4 2011	2012	2011
Russia	**8.6**	9.2	**26.4**	26.7
Finland	**1.7**	2.2	**5.8**	8.5
Sweden	**2.9**	2.5	**8.5**	8.5
Poland	**1.5**	1.5	**4.3**	4.3
Other countries[1)]	**0.9**	0.8	**2.9**	3.4
Total	**15.6**	16.2	**47.9**	51.4

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