Financials

2014

Next generation energy company | Fortum

Financials 2014

FINANCIALS 2014

In a challenging market environment, our result remained at a satisfactory level. The cash flow from operating activities was very strong with all divisions contributing.

Financial performance and position

The strategic assessment of the electricity distribution business and inaugurations of power plants were in focus.

Key financial figures

EUR million	2014	2013 1)	2012 2)	Change 14/13
Sales	4,751	5,309	6,159	-11%
Operating profit	3,428	1,508	1,874	127%
Operating profit, % of sales	72.2	28.4	30.4	154%
Comparable operating profit	1,351	1,403	1,752	-4%
Profit before taxes	3,360	1,398	1,586	140%
Profit for the period attributable to owners of the parent	3,154	1,204	1,416	162%
Earnings per share, EUR	3.55	1.36	1.59	161%
Net cash from operating activities	1,762	1,548	1,382	14%
Shareholders' equity per share, EUR	12.23	11.28	11.30	8%
Capital employed	17,918	19,183	19,420	-7%
Interest-bearing net debt	4,217	7,793	7,814	-46%
Interest-bearing net debt without Värme financing	3,664	6,658	N/A	-45%
Equity-to-assets ratio, %	51	43	43	19%
Average number of shares, 1,000s	888,367	888,367	888,367	0%

1) Comparative period information for 2013 presented in these financial statements has been restated due to the accounting change for Fortum Värme, see Note 1.6.1.

2) The adoption of IFRS 10 and IFRS 11 is not restated in the figures of financial period 2012.

Group financial targets

		2014	2013 1)	2012 2)	Change 14/13
ROCE, %	12	19.5	9.0	10.2	117%
ROE, %	14	30.0	12.0	14.6	150%
Capital structure					
Comparable net debt/EBITDA	Around 3	2.3	3.9	3.2	-41%
Comparable net debt/EBITDA without Värme financing	Around 3	2.0	3.4	N/A	-41%
Net debt/EBITDA		1.1	3.7	3.1	-70%

1) Comparative period information for 2013 presented in these financial statements has been restated due to the accounting change for Fortum Värme, see Note 1.6.1.

2) The adoption of IFRS 10 and IFRS 11 is not restated in the figures of financial period 2012.

2014 was a challenging year for Fortum. Power prices and global macro economic performance as well as the rouble weakness – were obviously disappointing. In addition, the decline in commodity prices during the fourth quarter was unforeseen. Though commodity prices declined during the year, power prices declined less, one reason being the positive development of CO_2 emission allowances market price.

Fortum's internal transformation continued to further increase our efficiency and flexibility. Fortum was able to reach a strong result largely due to its successful execution of both the efficiency programme and divestments according to plan. Fortum's 2014 results were good in a market dominated by negative drivers: low spot prices, a very weak rouble and warm weather. In the Nordic countries, electricity demand declined only somewhat, and demand in Russia was at the same level as in 2013. Comparable operating profit was EUR 1,351 million and cash flow was strong at EUR 1,762 million in 2014.

In Russia, Fortum finalised the third unit of the Nyagan power plant; the most extensive part of the investment programme is now complete. The run-rate operating profit (EBIT) target for the Russia Segment, RUB 18.2

billion, is to be reached during 2015, while the euro-denominated result level will be volatile, mainly due to the translation effect.

In March 2014 we broadened the management team as the disvestment of the electricity distribution business strategically put the company in a new positio; major disvestment and investment programmes are still ongoing; and the company is reorganising and preparing for the changing European power markett in order to capture growth. This means that we need a wide range of competences recovering strategy, M&A and corporate relations in the management team. In addition, after succesfully finalizing our 2013-2014 efficiency programme, we see that there is internal potential to be reached.

With the restructured management team, we are able to further improve our performance and efficiency, unlock further synergies between various businesses and staff functions, and scrutinise our investment programmes in a way that gives the best returns in line with our strategy.

Preparations for future growth are starting to take shape. The Finnish and Norwegian electricity distribution businesses were divested during 2014, and the divestment of the Swedish electricity distribution business is being prepared and evaluated. Furthermore, we announced in December that we aim to increase our hydro portfolio by 60 % through the restructuring of TGC-1, Territorial Generating Company, in Russia. Provided that we obtain more than 75 % ownership in TGC-1 hydro assets, we would also be ready to participate with a minority stake (max. 15 %) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Increasing the share of hydropower is in line with our mission and strategy: We are committed to create energy that improves life for current and future generations. Therefore, we want to take a responsible approach not only short term but also long term. Through sustainable solutions and operations, we aim to deliver excellent value to our shareholders. This approach gives us a unique opportunity to be even more competitive. We believe that sustainable operations lead to good financial results, and give us a solid platform to increase shareholder value.

Fortum's strategy is based on CO_2-free production: hydro, nuclear and CHP being our core competencies. In order to grow in these areas, we strive to create added value through restructuring and acquisitions.

In addition to CO_2-free production, we also consider the retail business important, and are committed to growth also in this area.

In order to continue to build on our strong Nordic core, an integrated European-wide market is a key priority – in hydro, in nuclear and in CHP. Creating a solid earnings base and growth in Russia continues to be equally important.

We also aim to build a platform for future growth. Solar technology offers a clearly interesting and sustainable, CO_2-free production form; we are currently researching and developing our solar technology competencies in India. In addition, we are for example studying and developing pyrolysis in Finland.

Even though the wholesale market prices for electricity have continued to decrease, various taxes, fees and subsidies are increasing end-consumers' energy costs. A predictable electricity market built on consumer participation and the utilisation of all the different energy value components as well as different producers is vital. The setup should be market-driven, commercial, predictable and harmonised in as big geographical area as possible, and it should have enough physical transmission capacity, as well as good cooperation between transmission system operators, grid companies, power exchanges etc. Giving environmental consequences the right price through CO_2 would create an energy market that provides security of supply, competitiveness and environmental sustainability.

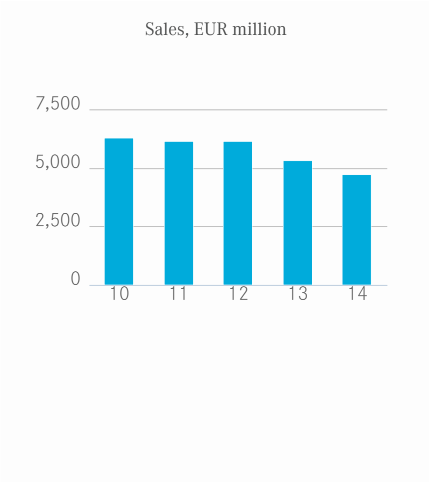
The key criteria and parameters for the European power market in the future are complex. Instead of promoting any single technology solution or innovation, it is most important to have a well-functioning, competitive market that gives producers and consumers access to competitive energy solutions.

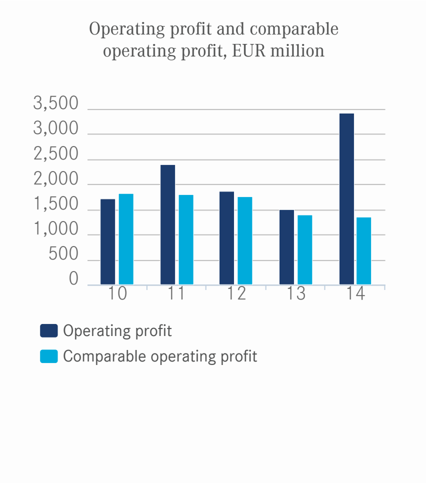
The supply and demand balance is very critical on the power market. It is important to realise that there are different values associated with electricity, values like energy, capacity and how different production types contribute to peak capacity. The supply-demand balance requires the ability to respond; obviously, hydropower is excellent for this. For this reason flexible hydro is very attractive for Fortum.

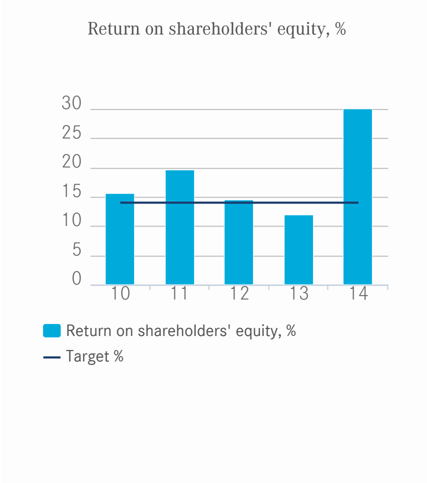
There are many important market developments ongoing in the EU. A market stability reserve (EU MSR) is under discussion and preparation, but it will take some time before it can be implemented. The capacity remuneration mechanism is also under discussion; if and when that mechanism were implemented, it is important that it would be a technology-neutral, cross-border mechanism and that it would include both old and new assets. In addition, the CO_2 reduction target for 2030 was accepted as 40 %. This is the framework Fortum is actively working for in Europe, Brussels, and with key decision makers.

Another big issue – in addition to the energy market development and the energy market model – is climate change. Unfortunately, it seems that we are clearly headed towards a global warming of more than 2 degrees Celsius. Some indicators show that we are actually heading towards a three to four-degree Celsius increase. The situation is hence extremely serious and will be much more so in ten years. We at Fortum have taken environmental issues and sustainability very seriously for several years. We are committed to climate change mitigation and give it a high priority on the company agenda.

Fortum is already in a very strong competitive position – whether measured by CO_2-free production, competencies, portfolio, asset flexibility, cost structure, sustainability or safety. We have a solid view on how to develop the company – both in terms of the near future and long-term sustainability – in order to achieve value creation, improving earnings per share growth, and, through that, a continued good platform for stable, sustainable and over time increasing dividends.

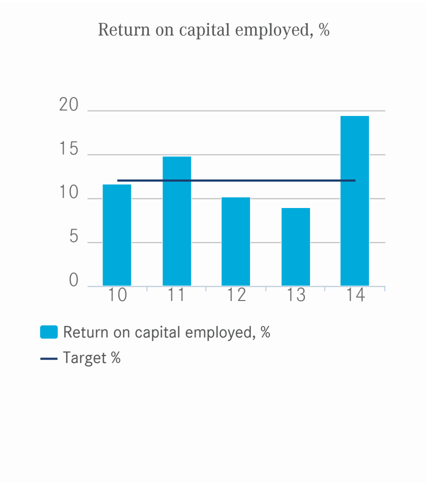






Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the the consolidated financial statements. For further information, see Note 1.6.1. New IFRS standards adopted from 1 Jan 2014.



Restructuring according to strategy in Russia

In December, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1, a Territorial Generating Company in Russia. TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg. Currently, Gazprom Energoholding owns 51.8 % of the TGC-1 shares and Fortum 29.5 %.

As part of the restructuring, Fortum will establish a company together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding will continue with the heat and thermal power businesses of TGC-1. By utilising our present stake in TGC-1, Fortum would obtain a more than 75 % ownership in the hydro power company. Rosatom would have a less than 25 % minority holding in the hydro power company. The company would be consolidated to Fortum Group as a subsidiary.

Provided that Fortum obtains a more than 75 % ownership in TGC-1 hydro assets, Fortum would be ready to participate with a minority stake (max. 15 %) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Efficiency programme 2013-2014

The efficiency programme was successfully finished during the fourth quarter of 2014.

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

The aim was 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.

Assessment of the electricity distribution business

The decision to start a strategic assessment of future alternatives for Fortum's electricity distribution business was made in 2013.

In March 2014, Fortum completed the divestment of its Finnish electricity distribution business. In May, Fortum finalised its sale of the Norwegian electricity distribution business. The sales gains from the both transactions were booked in Fortum's Distribution Segment in the first and second quarter of 2014, respectively.

Fortum is continuing to prepare and evaluate possibilities to divest its distribution business in Sweden.

For further information, see Note 9 Assets held for sale.

Restatement related to IFRS changes and the new reporting structure

As of 1 January 2014, Fortum has applied the new IFRS 10 Consolidated Financial Statements and 11 Joint Arrangements standards. The major effect of this reassessment relates to Fortum Värme, which is treated as a joint venture and thus consolidated with the equity method.

Comparative information for 2013 presented in this financial statements has been restated accordingly.

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

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

Market conditions

Nordic countries

In 2014, according to preliminary statistics, electricity consumption in the Nordic countries was 378 TWh (2013: 386). Industrial consumption was nearly unchanged, while non-industrial consumption decreased due to the exceptionally warm weather particularly during the first half of the year.

At the beginning of 2014, the Nordic water reservoirs were at 82 TWh, 1 TWh below the long-term average and 3 TWh lower than a year earlier. The year 2014 ended with reservoirs at 80 TWh, 3 TWh below the long-term average and 2 TWh below the level at the end of 2013.

The average area price in Finland was EUR 36.4 per MWh (2013: 39.9) and in Sweden SE3 (Stockholm) EUR 31.3 per MWh (2013: 37.5). The difference in area prices compared to the spot price was mainly due to the fact that Finland continued exporting power to Estonia, while high Swedish hydropower volumes and good availability of the Swedish nuclear power plants kept Swedish area prices close to the system level.

In 2014, the average system spot price was EUR 29.6 per MWh (2013: 38.1). In Finland, the average area price was EUR 36.0 per MWh (2013: 41.2) and in Sweden SE3 (Stockholm) EUR 31.6 per MWh (2013: 39.4).

In Germany, the average spot price during the fourth quarter of 2014 was EUR 34.8 per MWh (2013: 37.5) and in 2014 EUR 32.8 per MWh (2013: 37.8).

The market price of CO_2 emission allowances (EUA) was at approximately EUR 4.8 per tonne at the beginning of the year and approximately EUR 7.3 per tonne by the end of December 2014. In 2014, the EUA daily close ranged between EUR 4.4 and EUR 7.5 per tonne.

Russia

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

In 2014 according to preliminary statistics, Russia consumed 1,021 TWh (2013: 1,026) of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 777 TWh (2013: 772).

In 2014, the average electricity spot price, excluding capacity price, increased by 5 % to RUB 1,163 per MWh (2013: 1,104) in the First price zone.

Power consumption

TWh	2014	2013	2012
Nordic countries	378	386	391
Russia	1,021	1,026	1,037
Tyumen	93	87	83
Chelyabinsk	36	36	36
Russia Urals area	260	257	252

Average prices

	2014	2013	2012
Spot price for power in Nord Pool power exchange, EUR/MWh	29.6	38.1	31.2
Spot price for power in Finland, EUR/MWh	36.0	41.2	36.6
Spot price for power in Sweden, SE3, Stockholm, EUR/MWh	31.6	39.4	32.3
Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh	31.4	39.2	31.8
Spot price for power in European and Urals part of Russia, RUB/MWh 1)	1,163	1,104	1,001
Average capacity price, tRUB/MW/month	304	276	227
Spot price for power in Germany, EUR/MWh	32.8	37.8	42.6
Average regulated gas price in Urals region, RUB/1,000 m^3	3,362	3,131	2,736
Average capacity price for old capacity, tRUB/MW/month 2)	167	163	152
Average capacity price for new capacity, tRUB/MW/month 2)	552	576	539
Spot price for power (market price), Urals hub, RUB/MWh 1)	1,089	1,021	956
CO_2, (ETS EUA), EUR/tonne CO_2	6	5	7
Coal (ICE Rotterdam), USD/tonne	75	82	93
Oil (Brent Crude), USD/bbl	99	109	112

1) Excluding capacity tariff.

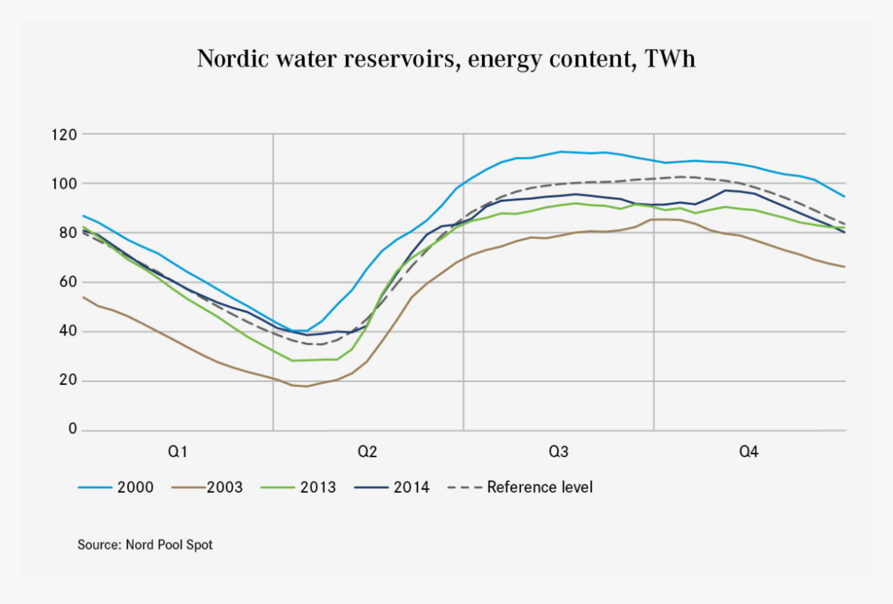
2) Capacity prices paid only for the capacity available at the time.

Water reservoirs

TWh	31 Dec 2014	31 Dec 2013	31 Dec 2012
Nordic water reservoirs level	80	82	85
Nordic water reservoirs level, long-term average	83	83	83

Export/import

TWh (+ = import to, - = export from Nordic area)	2014	2013	2012
Export/import between Nordic area and Continental Europe+Baltics	-14	-3	-19
Export/import between Nordic area and Russia	4	5	5
Export/import Nordic area, total	-10	-2	-14



European business environment and carbon market

EU 2030 climate and energy policy framework

The European Council agreed in October 2014 on the following energy and climate targets for 2030: at least 40% cut in domestic greenhouse gas emissions, at least 27% share of renewable energy as an EU-level binding target, and at least 27% improvement in energy efficiency as an EU-level indicative target.

An additional target for electricity transmission infrastructure investment was included in the framework. The EU Commission will prepare legislative proposals to implement the agreed 2030 framework during 2015-2016.

Fortum considers the framework as a good foundation, and it should enforce the role of emissions trading as the main instrument for emissions reduction.

EU's emissions trading scheme (ETS) reform

The Commission launched a stakeholder consultation on revision of the Emissions Trading Directive in December 2014. A decision on the market stability reserve (MSR) of the EU ETS is expected during the first half of 2015.

EU power market development

The Commission has indicated that it is in the process of developing a reference target model for capacity remuneration mechanisms (CRM). The first preliminary proposals are expected from the Commission during the first half of 2015. Countries choosing to implement CRMs should follow these principles. This would be important in terms of avoiding fragmentation in the internal electricity market.

However, a common EU-wide, competitive and strongly networked internal energy market, where also renewable energy is developed on a market basis, would not just improve competitiveness and mitigate environmental impacts, it would also improve the EU’s internal energy availability and security of supply.

EU Commission work programme

In December 2014, the newly nominated EU Commission published its strategic work programme for 2015. The first major initiative will be a Communication on the EU Energy Union in late February 2015. Among other issues, it should explain in more concrete terms how the Commission aims to tackle security of supply challenges.

In Sweden an agreement between the government and the opposition

In order to avoid a new election, the new government alliance reached an agreement with the former government. The “December Agreement” is valid until 2022 and will establish a new praxis enabling minority governments to get state budgets through the Parliament. The agreement also covers cooperation in three areas: energy, pensions and military defence.

Finnish nuclear decisions

In September 2014, the government issued a positive decision-in-principle (DIP) for the Fennovoima nuclear power plant. In the DIP, the government set an important precondition according to which Fennovoima has to have a domestic ownership (i.e. EU/EEA) of at least 60% at the time of submitting the construction license.

Ukraine crisis and EU sanctions

As a consequence of the situation in Ukraine, an amended list of EU restrictive measures against Russia entered into force during the autumn; the gas industry and nuclear energy were not included.

Lima climate conference

The United Nation's climate conference (COP20) in Lima, Peru, in December, made modest progress in international climate negotiations.

The meeting agreed on the scope and format of the pledges, which countries will present during the first quarter of 2015, and compiled the elements of the Paris Agreement. The outcome, called Lima Call for Climate Action, also includes some references to carbon pricing and markets. In order to speed up the deployment of low-carbon solutions, market mechanisms and carbon pricing should be at the core of the future agreement.

Financial results

Sales by segment

EUR million	2014	2013	Change 14/13
Power and Technology	2,156	2,252	-4%
Heat, Electricity Sales and Solutions	1,332	1,516	-12%
Russia	1,055	1,119	-6%
Distribution	751	1,064	-29%
Other	58	63	-8%
Netting of Nord Pool transactions 1)	-422	-478	-12%
Eliminations	-179	-228	-21%
Total	**4,751**	**5,309**	**-11%**

Comparable operating profit by segment

EUR million	2014	2013	Change 14/13
Power and Technology	877	859	2%
Heat, Electricity Sales and Solutions	104	109	-5%
Russia	161	156	3%
Distribution	266	332	-20%
Other	-57	-54	6%
Total	**1,351**	**1,403**	**-4%**

Operating profit by segment

EUR million	2014	2013	Change 14/13
Power and Technology	855	922	-7%
Heat, Electricity Sales and Solutions	337	134	151%
Russia	161	156	3%
Distribution	2,132	349	511%
Other	-58	-53	9%
Total	**3,428**	**1,508**	**127%**

1) Sales and purchases with Nord Pool Spot are netted at the Group level on an hourly basis and posted either as revenue or cost depending on whether Fortum is a net seller or net buyer during any particular hour.

For further information, see Note 5 Segment reporting.

In 2014, Group sales were EUR 4,751 million (2013: 5,309). Comparable operating profit totalled EUR 1,351 million (2013: 1,403), and the reported operating profit totalled EUR 3,428 million (2013: 1,508). Fortum's operating profit for the period was affected by non-recurring items, mainly the divestment of the Finnish electricity distribution business, as well as an IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR 2,077 million (2013: 106).

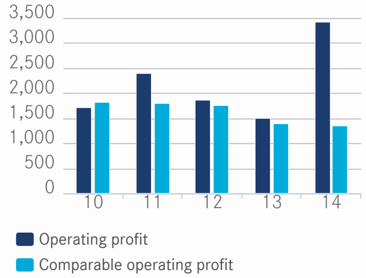
The share of profit from associates in 2014 was EUR 149 million (2013: 178), of which Fortum Värme represents EUR 67 million (2013: 73). The share of profit from Hafslund and TGC-1 are based on the companies' published third-quarter 2014 interim reports.

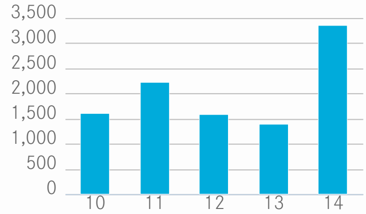
The Group's net financial expenses were EUR 217 million (2013: 289). Net financial expenses include changes in the fair value of financial instruments of EUR -5 million (2013: -16).

Profit before taxes was EUR 3,360 million (2013: 1,398).

Taxes for the period totalled EUR 199 million (2013: 186). The tax rate according to the income statement was 5.9% (2013: 13.3%). In Finland, the corporate tax rate was decreased from 24.5% to 20.0% starting 1 January 2014; the decrease impacted approximately EUR 0.09 per share the fourth quarter of 2013. In 2014, the tax rate, excluding the impact of the share of profit from associated companies and joint ventures as well as non-taxable capital gains, was 18.8% (2013: 22.7%).

The profit for the period was EUR 3,161 million (2013. 1,212). Fortum's earnings per share were EUR 3.55 (2013: 1.36), of which EUR 2.36 (2013: 0.10) per share relates to items affecting comparability. The earnings per share impact from the divestment of the Finnish electricity distribution business was EUR 2.08 per share.





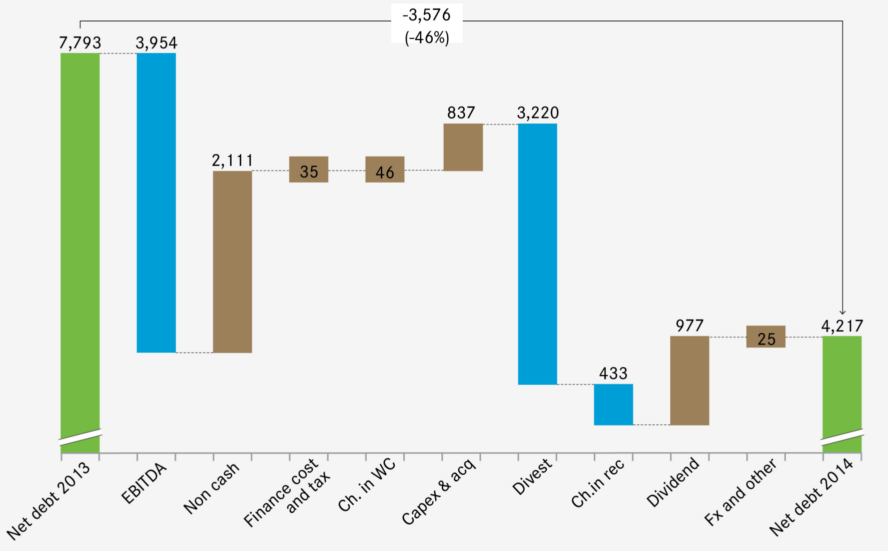
Financial position and cash flow

EUR million	2014	2013	Change 14/13
Interest expense	-256	-301	-15%
Interest income	84	75	12%
Fair value gains and losses	-5	-16	-69%
Other financial expenses	-40	-47	-15%
Finance costs - net	**-217**	**-289**	**-25%**
Interest-bearing liabilities 1)	6,983	9,058	-23%
Less: Liquid funds 2)	2,766	1,265	119%
Interest-bearing net debt	**4,217**	**7,793**	**-46%**
Interest-bearing net debt without Värme financing	**3,664**	**6,658**	**-45%**

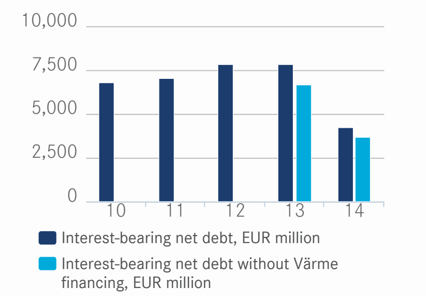
1) 2013 includes EUR 20 million presented as asset held for sale.

2) 2013 includes EUR 15 million presented as asset held for sale.

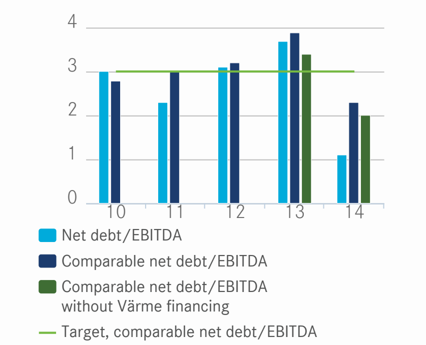
Change in net debt during 2014



Interest-bearing net debt, EUR million



Net debt/EBITDA



Cash flow

In 2014, total net cash from operating activities increased by EUR 214 million to EUR 1,762 million (2013: 1,548), mainly due to the EUR 300 million positive impact of realised foreign exchange differences, which were offset by changes in working capital EUR -125 million. Realised foreign exchange gains and losses of EUR 352 million (2013: 52) were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Capital expenditures decreased by EUR 236 million to EUR 768 million (2013: 1,004). Proceeds from divestments of shares totalled EUR 3,062 million (2013: 122), mainly from the divestment of the Finnish distribution business and Gasum shares (Note 8). Proceeds from interest-bearing receivables included EUR 534 million paid by Fortum Värme. Total net cash used in investing activities was positive EUR 2,816 million (2013: -944). Cash flow before financing activities, i.e. financing, increased by EUR 3,974 million to EUR 4,578 million (2013: 604).

The proceeds were partially used to pay dividends totalling EUR 977 million in April 2014 as well as payments of interest-bearing debt amounting to EUR 2,079 million. Liquid funds at year-end 2014 were EUR 2,766 million (2013: 1,265).

Assets and capital employed

Total assets decreased by EUR 1,973 million to EUR 21,375 million (2013: 23,348), which includes the decrease of non-current assets, EUR 2,412 million. Translation differences decreased intangible assets, property, plant and equipment as well as participation in associates and joint ventures by EUR 2,015 million and divestments by EUR 433 million.

Assets of the Finnish distribution business, amounting to EUR 1,173 million, were presented as Assets held for sale at the end of 2013. Liquid funds increased by EUR 1,501 million.

Capital employed was EUR 17,918 million (2013: 19,183), a decrease of EUR 1,265 million.

For further information, see Note 9 Assets held for sale.

Equity

Total equity was EUR 10,935 million (2013: 10,124), of which equity attributable to owners of the parent company totalled EUR 10,864 million (2013: 10,024). The increase in equity attributable to owners of the parent company totalled EUR 840 million and was mainly from the net profit of EUR 3,154 million for the period, offset by translation differences of EUR -1,320 million and paid dividends of EUR 977 million.

Financing

Net debt decreased during 2014 by EUR 3,576 million to EUR 4,217 million (2013: 7,793). Net debt without Värme financing was EUR 3,664 million (2013: 6,658).

At the end of December 2014, the Group’s liquid funds totalled EUR 2,766 million (2013: 1,265). Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 134 million (2013: 113). In addition to the liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities.

The Group's net financial expenses in 2014 were EUR 217 million (2013: 289). Net financial expenses include changes in the fair value of financial instruments of EUR -5 million (2013: -16).

Fortum Corporation's long-term credit rating with both S&P and Fitch remained unchanged during 2014 and is A- (negative outlook).

Key figures

At year-end 2014, net debt to EBITDA was 1.1 (3.7 at year-end 2013) and comparable net debt to EBITDA 2.3 (2013: 3.9). Fortum is currently financing Fortum Värme, and these loans, EUR 553 million (2013: 1,135), are presented as interest-bearing loan receivables in Fortum’s balance sheet.

However, the aim is to refinance the loans during 2015. If these loans are deducted from the net debt, the last-twelve-months comparable net debt to EBITDA is 2.0 (2013: 3.4).

Gearing was 39% (2013: 77%) and the equity-to-assets ratio 51% (2013: 43%). Equity per share was EUR 12.23 (2013: 11.28). Return on capital employed totalled 19.5% (2013: 9.0%) and return on shareholders' equity 30.0% (2013: 12.0%). Both return on capital employed and return on equity were positively affected by the capital gain from the divestment of the Finnish electricity distribution business as well as the divestment of the Norwegian electricity distribution and heat businesses.

Segment reviews

Power and Technology

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

EUR million	2014	2013	Change 14/13
Sales	2,156	2,252	-4%
- power sales	2,026	2,117	-4%
- other sales	130	135	-4%
Operating profit	855	922	-7%
Comparable operating profit	877	859	2%
Comparable EBITDA	998	1,007	-1%
Net assets (at period-end)	6,001	6,355	-6%
Return on net assets, %	13.6	14.5	-6%
Comparable return on net assets, %	14.2	13.8	3%
Capital expenditure and gross investments in shares	198	181	9%
Number of employees	1,639	1,723	-5%

In 2014, Power and Technology's comparable operating profit was EUR 877 million (2013: 859), i.e. EUR 18 million higher than in 2013. This was mainly due to the higher hydropower production volumes, lower operating costs and SEK development, which offset the negative impact from the lower achieved price as well as lower thermal volumes and Grangemouth divestment. In addition, an impairment loss totalling EUR 20 million in 2013 was booked due to the decision to discontinue electricity production at Fortum's Inkoo coal-fired power plant in Finland.

Operating profit, EUR 855 million (2013: 922), was affected by sales gains totalling EUR 52 million (2013: 25) and by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and by nuclear fund adjustments amounting to EUR -73 million (2013: 38).

Power generation by source

TWh	2014	2013	Change 14/13
Hydro and wind power	22.4	18.1	24%
Nuclear power	23.8	23.7	0%
Thermal power	0.9	1.9	-53%
Total in the Nordic countries	**47.1**	**43.7**	**8%**
Thermal in other countries	0.7	1.0	-30%
Total	**47.9**	**44.7**	**7%**

Nordic sales volume

TWh	2014	2013	Change 14/13
Nordic sales volume	48.6	45.3	7%
of which Nordic Power sales volume 1)	44.6	40.2	11%

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

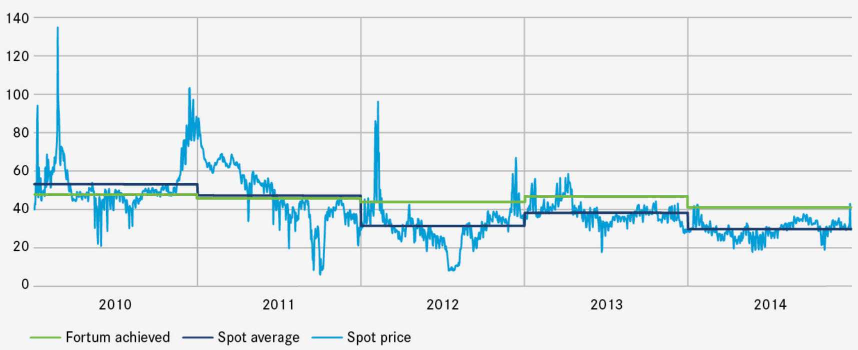
Sales price

EUR/MWh	2014	2013	Change 14/13
Power and Technology's Nordic power price 2)	41.4	46.4	-11%

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

Power and Technology's achieved Nordic power price was EUR 41.4 per MWh (2013: 46.4), or EUR 5.0 per MWh lower than in 2013. The system and all area prices were clearly lower during 2014 compared to 2013. The average system spot price of electricity in Nord Pool was EUR 29.6 per MWh (2013: 38.1). The average area price in Finland was EUR 36.0 per MWh (2013: 41.2) and in Sweden SE3 (Stockholm) EUR 31.6 per MWh (2013: 39.4).

Nord Pool Spot, power price, 2010–2014, EUR/MWh

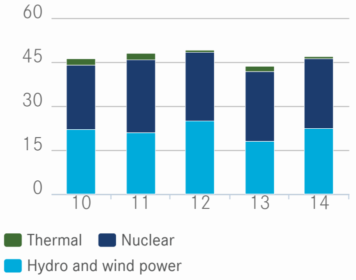


Source: Nord Pool Spot, Fortum

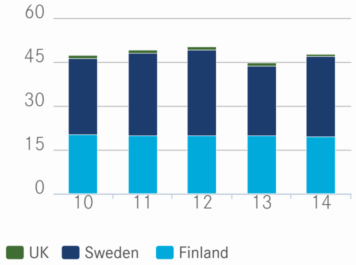
The segment's total power generation in the Nordic countries was 47.1 TWh (2013: 43.7). Due to normalised hydro inflow and reservoir levels, hydropower production was 4.3 TWh higher in 2014 compared to 2013. Nuclear volumes were 0.2 TWh higher due to improved availability. Overall nuclear availability was at a high level in Fortum's fully owned and co-owned reactors, except in Oskarshamn 2. Availability in Forsmark and Olkiluoto nuclear plants were at all time high in 2014. Oskarshamn 2 has been shut down since 1 June 2013 for an extensive safety modernisation.

Thermal production was 0.9 TWh (2013: 1.9) in the Nordic countries. The CO_2-free production amounted to 97% (2013: 94%).

Power and Technology segment's power generation in the Nordic area by source, TWh



Power and Technology segment's power generation by area, TWh



Heat, Electricity Sales and Solutions

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

EUR million	2014	2013	Change 14/13
Sales	1,332	1,516	-12%
- heat sales	430	492	-13%
- power sales	783	900	-13%
- other sales	119	124	-4%
Operating profit	337	134	151%
Comparable operating profit	104	109	-5%
of which Electricity Sales	48	47	2%
Comparable EBITDA	204	211	-3%
Net assets (at period-end)	2,112	2,295	-8%
Return on net assets, %	19.1	9.7	97%
Comparable return on net assets, %	8.7	8.7	0%
Capital expenditure and gross investments in shares	124	134	-7%
Number of employees	1,807	1,968	-8%

As of 2014, the former Heat Division and Electricity Sales and Solutions business area are reported as one segment. In addition, Fortum Värme, which earlier was consolidated as a subsidiary under the Heat Division, is treated as a joint venture and thus consolidated with the equity method. The effect of Fortum Värme is hence included in the share of profits in associates and joint ventures. In January-December 2014, this represented EUR 67 (73) million.

In 2014, heat sales volumes of Heat, Electricity Sales and Solutions amounted to 7.9 TWh (2013: 10.7). Power sales volumes from CHP production totalled 2.8 TWh (2013: 3.5). Despite the new capacity and lower fuel costs, heat and power sales volumes were lower, mainly due to the warmer weather during the first and third quarter of 2014 and to the divestments made in 2013 and 2014. The warm weather also burdened retail sales, especially during the first quarter of 2014.

Comparable operating profit was EUR 104 million (2013: 109). The result decreased, mainly due to the lower volumes and lower power prices, despite new capacity and lower fuel costs.

Operating profit totalled EUR 337 million (2013: 134) and was affected by sales gains totalling EUR 254 million (2013: 18).

At the end of December 2014, Fortum's customer base in Electricity Sales exceeded 1.3 million.

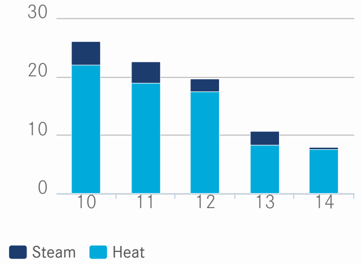
Heat sales by area

TWh	2014	2013	Change 14/13
Finland	3.2	5.4	-41%
Poland	3.4	4.1	-15%
Other countries	1.3	1.2	8%
Total	**7.9**	**10.7**	**-26%**

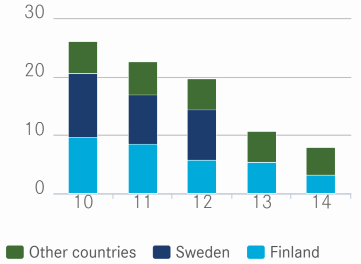
Power sales

TWh	2014	2013	Change 14/13
CHP	2.8	3.5	-20%
Electricity Sales	13.8	13.6	1%
Total	**16.5**	**17.1**	**-4%**

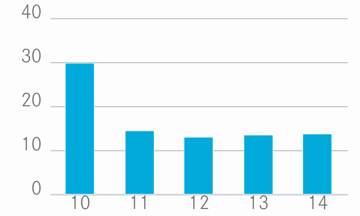
Heat, Electricity sales and Solutions segment's district heating and industrial steam sales, TWh



Heat, Electricity Sales and Solutions segment's district heating and industrial steam sales by area, TWh



Electricity Sales in Heat, Electricity Sales and Solutions segment, TWh



Russia

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

EUR million	2014	2013	Change 14/13
Sales	1,055	1,119	-6%
- power sales	758	822	-8%
- heat sales	285	290	-2%
- other sales	11	7	57%
Operating profit	161	156	3%
Comparable operating profit	161	156	3%
Comparable EBITDA	304	258	18%
Net assets (at period-end)	2,597	3,846	-32%
Return on net assets, %	5.6	5.2	8%
Comparable return on net assets, %	5.6	5.2	8%
Capital expenditure and gross investments in shares	367	435	-16%
Number of employees	4,213	4,162	1%

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 2014, Fortum sold approximately 80% of its power production in Russia at a liberalised electricity price.

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

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

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

In 2014, the Russia Segment's power sales volumes amounted to 26.5 TWh (2013: 25.6). Heat sales totalled 26.0 TWh (2013: 24.1) during the same period.

The Russia Segment’s comparable operating profit was EUR 161 million (2013: 156). The positive effect from the new units receiving CSA payments amounted to approximately EUR 165 million (2013: 163), including EUR -35 million due to the weaker rouble, a reversal of the CSA provisions totalling EUR 4 million (2013: 48). In addition, better electricity and heat spreads, income from heat connections, improved bad-debt collections and increased efficiency positively affected the result. Overall, the weakened Russian rouble affected the result negatively by approximately EUR 34 million. Note for comparison that 2013 figures included a reversal of the CSA provision totalling EUR 48 million and EUR 40 million in compensation for CSA penalties.

Operating profit was EUR 161 million (2013: 156).

In late September, the third unit at Fortum's Nyagan Power Plant passed the comprehensive and certification tests that precede commissioning. Fortum started the commercial operation of the unit at the end of 2014. Capacity payments under the Russian Government's capacity supply agreement for 418 megawatts (MW) started as of 1 January 2015.

Key electricity, capacity and gas prices for Fortum Russia

	2014	2013	Change 14/13
Electricity spot price (market price), Urals hub, RUB/MWh	1,089	1,021	7%
Average regulated gas price, Urals region, RUB/1,000 m^3	3,362	3,131	7%
Average capacity price for CCS "old capacity", tRUB/MW/month [1)]	167	163	2%
Average capacity price for CSA "new capacity", tRUB/MW/month [1)]	552	576	-4%
Average capacity price, tRUB/MW/month	304	276	10%
Achieved power price for OAO Fortum, EUR/MWh	30.4	32.1	-5%

1) Capacity prices paid for the capacity volumes excluding unplanned outages, repairs and own consumption.

Distribution

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

EUR million	2014	2013	Change 14/13
Sales	751	1,064	-29%
- distribution network transmission	590	896	-34%
- regional network transmission	120	129	-7%
- other sales	41	39	5%
Operating profit	2,132	349	511%
Comparable operating profit	266	332	-20%
Comparable EBITDA	416	548	-24%
Net assets (at period-end)	2,615	3,745	-30%
Return on net assets, %	73.6	9.3	691%
Comparable return on net assets, %	9.3	8.8	6%
Capital expenditure and gross investments in shares	147	255	-42%
Number of employees	390	805	-52%

In 2014, the volume of distribution and regional network transmissions totalled 17.6 TWh (2013: 26.1) and 13.8 TWh (2013: 16.3), respectively. Volumes were lower due to warmer weather, especially during the first quarter of 2014. The lower total volume was mainly due to the divestment of the Finnish and Norwegian distribution businesses.

The Distribution Segment's comparable operating profit was EUR 266 million (2013: 332). The decrease was mainly due to the very mild weather during the first quarter and to the divestment of the electricity distribution business in Finland that was finalised at the end of March.

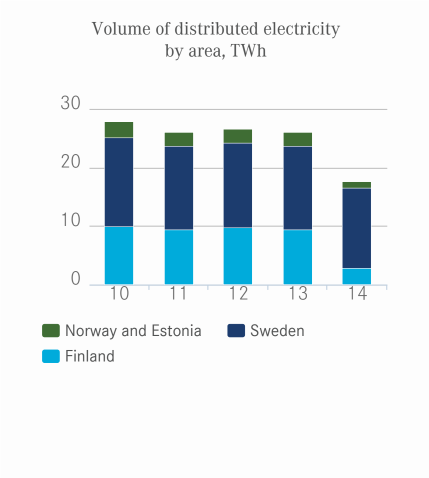
Operating profit totalled EUR 2,132 million (2013: 349) and was affected by sales gains totalling approximately EUR 1,865 billion from the Finnish and Norwegian electricity distribution businesses.

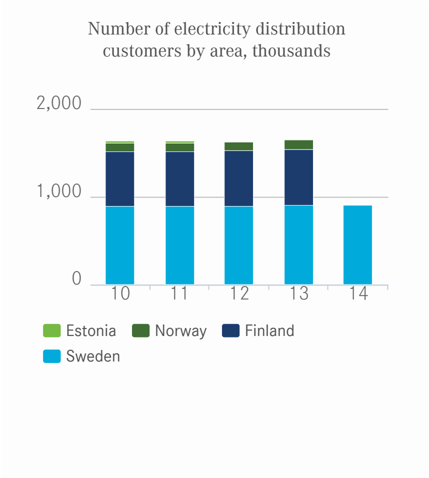
Volume of distributed electricity in distribution network

TWh	2014	2013	Change 14/13
Sweden	13.7	14.1	-3%
Finland	2.8	9.5	-71%
Norway	1.1	2.5	-56%
Total	**17.6**	**26.1**	**-33%**

Number of electricity distribution customers by area

Thousands	Dec 31 2014	Dec 31 2013	Change 14/13
Sweden	906	903	0%
Finland	-	642	-
Norway	-	103	-
Total	**906**	**1,648**	**-45%**





Capital expenditure, divestments & investments in shares

EUR million	2014	2013
Capital expenditure		
Intangible assets	22	46
Property, plant and equipment	752	959
Total	**774**	**1,005**
Gross investments in shares		
Subsidiaries	7	11
Associated companies	60	0
Available for sale financial assets	2	4
Total	**69**	**15**

In 2014, capital expenditures and investments in shares totalled EUR 843 million (2013: 1,020). Investments, excluding acquisitions, were EUR 774 million (2013: 1,005).

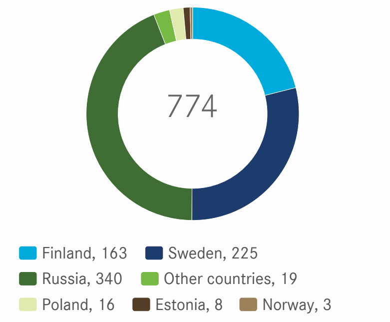
See also Note 19.2 Capital expenditure.

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

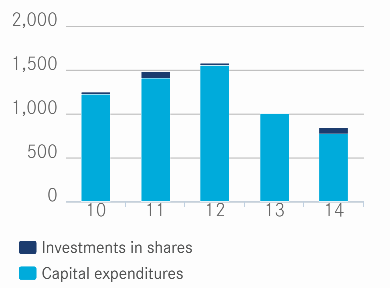
	Type	Electricity capacity MW	Heat capacity MW	Supply starts
Power and Technology				
Hydro refurbishment	Hydropower	14		2015
Russia [1)]				
Chelyabinsk 1	Gas (CCGT)	248	175	1H 2015
Chelyabinsk 2	Gas (CCGT)	248	175	1H 2015

1) Start of commercial operation.

Capital expenditure by area, EUR million



Capital expenditure and gross investments in shares, EUR million



Power and Technology

Through its interest in Teollisuuden Voima Oyj (TVO), Fortum is participating in the building of Olkiluoto 3 (OL3), a 1,600-MW nuclear power plant unit in Finland. The start of commercial electricity production of the plant is expected to take place in late 2018, according to the plant supplier AREVA-Siemens Consortium. TVO has withdrawn a EUR 200 million shareholder loan from the total EUR 600 million commitment. Fortum's share of the EUR 200 million withdrawals is approximately EUR 50 million. Fortum’s remaining commitment for OL3 is EUR 100 million.

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

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

In September, the Finnish Government rejected TVO’s application to extend the period of validity of the existing decision-in-principle of the Olkiluoto 4 nuclear power plant. The decision-in-principle is still in force, and the deadline for submitting the construction license application is 30 June 2015.

In October, Fortum sold its UK-based subsidiary Grangemouth CHP Limited to INEOS Industries Holdings Ltd. Grangemouth CHP Limited owns and operates a natural gas-fired CHP plant located at Grangemouth in Scotland.

In December 2014, Fortum announced that provided that the company would obtain a more than 75% ownership in Russian TGC-1 hydro assets, it would be ready to participate with a minority stake (max 15%) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Heat, Electricity Sales and Solutions

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

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

In June 2014, Fortum completed the divestment of its Norwegian heat business to the iCON Infrastructure Partners II, L.P. fund.

In September 2014, Fortum finalized the acquisitions of E.ON Ruhrgas International GmbH's shareholding of 33.66% in the Estonian natural gas import, sales and distribution company AS Eesti Gaas and a similar shareholding in the gas transmission service company AS Võrguteenus Valdus. The acquired shares increased Fortum's holding in both companies to approximately 51%. Fortum continues to account for its holdings in the Estonian natural gas businesses using the equity method.

In November, Fortum agreed to sell its 51.4% shareholding in the associated company AS Võrguteenus Valdus. Fortum finalised the transaction in early January of 2015. The sale is expected to have a minor impact on Fortum's result.

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

Russia

In December 2014, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1, a Territorial Generating Company in Russia. TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg. Currently Gazprom Energoholding owns 51.8% of the TGC-1 shares and Fortum 29.5%.

As part of the restructuring, Fortum will establish a company together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding continues with the heat and thermal power businesses of TGC-1. By utilising its present stake in TGC-1, Fortum would obtain a more than 75% ownership in the hydro power company. Rosatom would have a less than 25% minority holding in the hydropower company.

Distribution

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

In May 2014, Fortum completed the divestment of its Norwegian electricity distribution business to the Hafslund Group.

Employees

	2014	2013
Number of employees, 31 Dec	8,592	9,186
Average number of employees	8,821	9,532
Total amount of employee costs, EUR million	413	460

Fortum’s operations are mainly based in the Nordic countries, Russia, Poland and the Baltic Rim area. The total number of employees at the end of December was 8,592 (9,186 at the end of 2013).

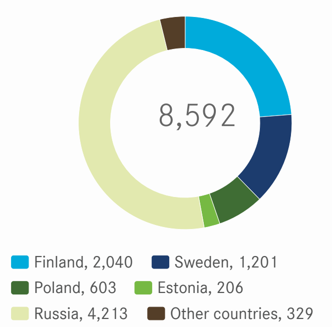
At the end of December 2014, Power and Technology had 1,639 (2013: 1,723) employees; Heat, Electricity Sales and Solutions 1,807 (2013: 1,968); Russia 4,213 (2013: 4,162); Distribution 390 (2013: 805); and Other 543 (2013: 528).

Headcount reductions were mainly due to the divestment of the Finnish and Norwegian distribution businesses and Fortum’s efficiency programme. Reductions related to the efficiency programme have been implemented on a unit level by using natural rotation, rearrangement of vacancies and by retirement. Vacant jobs have primarily been filled internally. The possibilities for internal rotation have been improved.

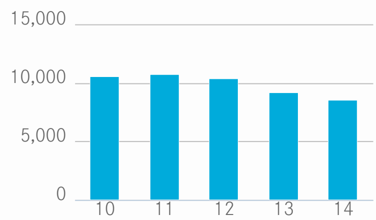
By rotating staff between different countries and divisions, the company improves know-how and develops the exchange of competencies throughout the organisation.

For further details of Group personnel see Note 12 Employee benefits.

Personnel by country, 31 Dec. 2014



Number of employees, 31 Dec.



Changes in Fortum’s Management

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

Matti Ruotsala was appointed Chief Operating Officer (COO) and Timo Karttinen Chief Financial Officer (CFO). New Executive Management Team members are Tiina Tuomela, who was appointed Executive Vice President (EVP), Nuclear and Thermal Power;

Kari Kautinen, Senior Vice President (SVP), Strategy,

Mergers and Acquisitions; and Esa Hyvärinen, Senior Vice President, Corporate Relations.

In the new structure, Fortum has four reporting segments:

- Power and Technology (reporting to COO), including
  - Hydro Power and Technology, Per Langer, EVP
  - Nuclear and Thermal Power, Tiina Tuomela, EVP
- Heat, Electricity Sales and Solutions (reporting to COO), Markus Rauramo, EVP
- Russia, Alexander Chuvaev, EVP
- Distribution, Timo Karttinen, CFO

Fortum's six staff functions are:

- Finance, Timo Karttinen, CFO
- Strategy and Mergers & Acquisitions, Kari Kautinen, SVP
- Legal, Sirpa-Helena Sormunen, General Counsel (as of September 2014)
- Human Resources and IT, Mikael Frisk, SVP
- Communications, Helena Aatinen, SVP
- Corporate Relations, Esa Hyvärinen, SVP

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

The company's General Counsel and Executive Team member Kaarina Ståhlberg left her position as General Counsel and member of Fortum's Executive Management as of 8 April 2014, due to family reasons.

In June 2014, Sirpa-Helena Sormunen, LL.M., 54, was appointed General Counsel and member of Fortum Corporation's Executive Management as of 1 September 2014. She reports to the President and CEO.

Events after the balance sheet date

On 22 January 2015, it was announced that Tapio Kuula, President and CEO of Fortum Corporation, will go on a disability pension starting 1 February 2015. Tapio Kuula has been the President and CEO of Fortum Corporation since 2009. Fortum's Board has started the search process for a new CEO covering internal and external candidates. In the meanwhile, Timo Karttinen, CFO of Fortum will also act as interim President and CEO.

On 22 January, Fortum's Nomination Board proposed to the Annual General Meeting that the Board consists of eight (8) members and that the following persons be elected to the Board of Directors for a term ending at the end of the Annual General Meeting 2016. To be re-elected: Ms Sari Baldauf as Chairman, Mr Kim Ignatius as Deputy Chairman, and as members; Ms Minoo Akhtarzand, Mr Heinz-Werner Binzel, Mr Petteri Taalas and Mr Jyrki Talvitie. To be elected as new board members; Ms Eva Hamilton and Mr Tapio Kuula.

Outlook

Key drivers and risks

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

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

For further details on Fortum's risks and risk management, see the Risk management section of the Operating and financial review and Note 3 Financial risk management.

Nordic market

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

During 2014, the price of European Union emissions allowances (EUA) appreciated, whereas the oil and coal prices declined. The price of electricity for the upcoming twelve months declined in the Nordic area as well as in Germany.

In late January 2015, the future quotation for coal (ICE Rotterdam) for the rest of 2015 was around USD 58 per tonne, and the price for CO_2 emission allowances for 2015 was about EUR 7 per tonne. The electricity forward price in Nord Pool for the rest of 2015 was around EUR 28 per MWh and for 2016 around EUR 29 per MWh. In Germany, the electricity forward price for the rest of 2015 was around EUR 32 per MWh and for 2016 around EUR 32 per MWh. Nordic water reservoirs were about 1 TWh below the long-term average and 1 TWh below the corresponding level of 2014.

Restructuring according to strategy in Russia

In December, Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1, a Territorial Generating Company in Russia. TGC-1 owns and operates hydro and thermal power plants in north-western Russia as well as heat distribution networks in St. Petersburg. Currently, Gazprom Energoholding owns 51.8% of the TGC-1 shares and Fortum 29.5%.

As part of the restructuring, Fortum will establish a company together with Rosatom to own the hydro assets of TGC-1, while Gazprom Energoholding continues with the heat and thermal power businesses of TGC-1. By utilising its present stake in TGC-1, Fortum would obtain a more than 75% ownership in the hydro power company. Rosatom would have a less than 25% minority holding in the hydro power company. The company would be consolidated to Fortum Group as a subsidiary.

Provided that Fortum obtains a more than 75% ownership in TGC-1 hydro assets, Fortum would be ready to participate with a minority stake (max. 15%) in the Finnish Fennovoima nuclear power project on the same terms and conditions as the other Finnish companies currently participating in the project.

Power and Technology

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

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

As a result of the nuclear stress tests in the EU, the Swedish nuclear safety authority (SSM) has decided to propose new regulations for Swedish nuclear reactors. The process is ongoing. Fortum emphasises that maintaining a high level of nuclear safety is the highest priority, but considers EU-level harmonisation of nuclear safety requirements to be of utmost importance.

In 2014, the Swedish Government decided to increase the nuclear waste fund fee from approximately 0.022 to approximately 0.04 SEK/kWh for the period 2015 to 2017. The estimated impact on Fortum would be approximately EUR 25 million annually. The process to review the Swedish nuclear waste fees is done in a three-year cycle.

The previously announced Swedish Government state budget proposal to increase the tax on the installed effect in nuclear power plants by 17 % iscurrently on hold.

Russia

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

The capacity selection for generation built prior to 2008 (CCS – “old capacity”) for 2015 was held in September 2014. All of Fortum’s capacity was allowed to participate in the selection for 2015, and the majority of Fortum’s plants were also selected. The volume of Fortum’s installed capacity not selected in the auction totalled 195 MW (approximately 3.7% of Fortum’s total old capacity in Russia) for which Fortum plans to obtain forced mode status.

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

The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2014, is estimated to be approximately EUR 0.2 billion, as of December 2014.

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

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

In 2014, the Ministry of Energy proposed a new heat market model (for public discussion), which is supposed to ensure a transition to economically justified heat tariffs by 2020 and attract investments into the heat sector. In September 2014, the heat market reform roadmap was approved by the Russian Government; according to the roadmap, the reform shall give heat market liberalisation by 2020 or, in some specific areas, by 2023.

As forecasted by the Russian Ministry of Economic Development, Russian gas price indexation did not take place in October 2014. However, year-on-year gas price growth is estimated to be 3.5% in 2015.

Distribution

Fortum continues to prepare and evaluate for a possible sale of the Swedish electricity distribution business.

In Sweden, legal processes are under way concerning the appeal filed regarding the network income regulatory period 2012-2015. The Administrative Court in Sweden ruled in favour of the network companies in November 2013. The Energy Market Inspectorate decided to appeal the decision to the next final-law court, the Supreme Administrative Court, which still needs to decide on granting a leave to appeal.

The work to define the Swedish network income regulation model for the next regulatory period 2016-2019 is ongoing. In September 2014, the Swedish Government made a decision regarding the capital base ordinance; however, the details will be decided by the Energy Market Inspectorate. Decisions are expected to be made during the spring 2015.

Capital expenditure and divestments

Fortum currently expects its capital expenditure in 2015 to be approximately EUR 0.9 billion, excluding potential acquisitions (including Distribution segment). The annual maintenance capital expenditure (excluding Distribution segment) is estimated to be about EUR 300-350 million in 2015, below the level of depreciation.

Fortum will gradually decrease its financing to Fortum Värme, the co-owned power and heat company operating in the capital area in Sweden, during 2014-2015. At the end of December 2014, Fortum Värme's remaining interest-bearing liability to Fortum is approximately EUR 0.6 billion.

Taxation

The effective corporate income tax rate for Fortum in 2015 is estimated to be 19–21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items.

The Finnish Government decided in June 2014 that it will not, after all, introduce a power plant tax (windfall tax) on nuclear, hydro and wind power built before 2004. The final decision to revoke the tax was made by the Parliament in November 2014, and the revocation entered into force on 1 January 2015.

In August, the Finnish Board of Adjustment of the Large Taxpayers' Office had unanimously approved Fortum Corporation's appeal of the income tax assessment imposed on Fortum for the year 2007 in December 2013. The Tax Recipients' Legal Services Unit has appealed in the matter (Note 39). In December 2014, Fortum received a non-taxation decision regarding its financing companies for the remaining years 2008-2011, based on the same audit. This is in line with the Supreme Administrative Court's (SAC) precedent decision. The Tax Recipients' Legal Services unit within the tax authorities has the right to appeal the decision.

The new Swedish Government proposed to increase the tax on installed nuclear capacity by 17% as of 2015. This issue is currently on hold. Fortum's position is that the tax issue should be referred to an upcoming parliamentary energy commission in order to get a broadly established view on how the needs of energy and effect can be resolved. If implemented, the estimated impact on Fortum would be approximately EUR 15 million annually, however corporate tax-deductable.

Hedging

At the end of December 2014, approximately 50% of Power and Technology's estimated Nordic power sales volume was hedged at approximately EUR 40 per MWh for the calendar year 2015. The corresponding figures for the calendar year 2016 were approximately 10% at approximately EUR 39 per MWh.

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

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

Research and development

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

In 2014, Fortum, UPM and Valmet joined forces to develop a new technology to produce advanced, high-value lignocellulosic fuels, such as transportation fuels, or higher value bio liquids in order to develop catalytic pyrolysis technology for upgrading bio-oil and to commercialise the new technology.

Fortum also signed an agreement with Cleantech Invest Plc on partnership with regard to business development activities, potential future cleantech investments as well as information sharing. The company also started a collaboration with St1 to build Finland's first industrial-scale geothermal pilot heat plant. St1 will begin planning the pilot production plant, which is estimated to be completed in 2016.

Furthermore, Fortum's leasing agreement signed during the period with the UK-based Wave Hub provides Fortum with an opportunity to study advanced, full-scale wave power converters in ocean conditions. Fortum also acquired a minority share in the Finnish wave energy developer Wello Oy.

The Group reports its R&D expenditure on a yearly basis. In 2014, Fortum's R&D expenditure was EUR 41 million (2013: 49) or 0.9% (2013: 0.9%) of sales.

	2014	2013	Change 14/13
R&D expenditure, EUR million	41	49	-16%
R&D expenditure, % of sales	0.9	0.9	0%

Sustainability

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

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

The achievement of the sustainability targets is monitored through monthly, quarterly and annual reporting.

Sustainability target-setting and follow-up as well as the approval of Fortum's Sustainability policy and the review of Fortum's Sustainability Report are included in the working order of the Board of Directors.

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

Sustainability indicators at the Group level

	Target	2014	Five-year average
Specific CO_2 emissions from power generation in the EU as a five-year average, g/kWh	< 80	39	60
Specific CO_2 emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	189	198
Overall efficiency of fuel use as a five-year average, %	> 70	64	63
Major EHS incidents	< 35	27	-
Energy availability of CHP plants, %	> 95	94.7	-
SAIDI, (minutes), Sweden	< 100	97	-
Lost workday injury frequency (LWIF) for own personnel	< 1.0	1.0	-
Lost workday injury frequency (LWIF) for contractors	< 3.5	3.2	-

Targets for reputation and customer satisfaction are monitored annually. Company reputation among the key stakeholders in the One Fortum Survey in 2014 improved to 70.4 (2013: 69.8) i.e. slightly below the target of 70.8. Customer satisfaction improved in all Divisions, and the Group target (70-74 points) was achieved in the Heat and Power Solutions business areas.

Economic responsibility

In the area of economic responsibility, the focus is on competitiveness, performance excellence and market-driven production. The aim is to create long-term economic value and enable profitable growth and added value for shareholders, customers, employees, suppliers and other key stakeholders in the company's operating areas. Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. The key figures by which Fortum measures its financial success include return on capital employed (target: 12%), return on shareholders' equity (target: 14%) and capital structure (target: net debt/EBITDA around 3). In addition, as of January 1, 2014, Fortum had used the applicable Global Reporting Initiative (GRI) G4 indicators for reporting economic responsibility.

Fortum as a tax payer

Fortum supports social development and well-being of the areas of operations by e.g. paying taxes. The tax benefits Fortum produces to society include not only corporate income taxes EUR 199 million (2013: 186) but also several other taxes. In 2014, Fortum's taxes borne were EUR 525 million (2013: 558). Taxes borne include corporate income taxes, production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include also production taxes and taxes on property paid through electricity purchased from associated companies.

Fortum's effective income tax rate was 5.9% (2013: 13.3%) and total tax rate14.3% (2013: 31.8%). See also note 14 Income tax expense.

The effective income tax rate, excluding the changes in the tax rates, the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains was 18.8% (2013: 22.7%).

The total tax rate excluding the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains was 38.2% (2013: 36.6%). In addition, Fortum administers and collects different taxes on behalf of governments and authorities. Such taxes include e.g. VAT, excise taxes on power consumed by customers, payroll taxes and withholding taxes. The amount of taxes collected by Fortum was EUR 527 million (2013: 700).

The total tax rate excluding the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains was 38.2% (2013: 36.6%).

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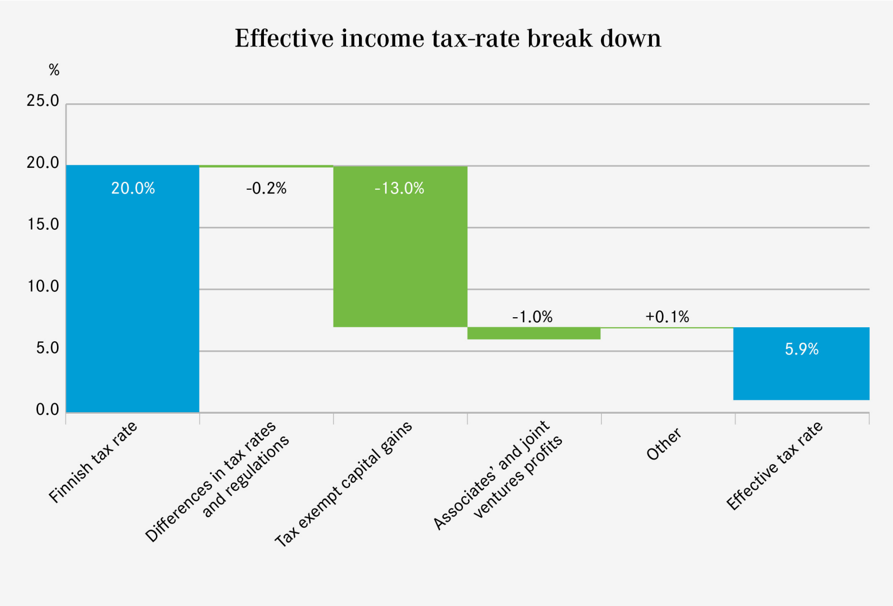
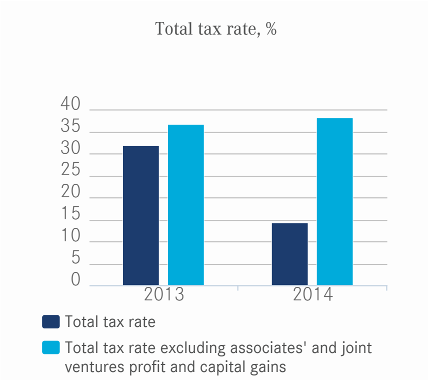




Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources as well as management of the impacts of our energy production, distribution and supply chain. Our know-how in CO_2-free hydro and nuclear power production and in energy-efficient CHP production is highlighted in environmental responsibility. Fortum's Group-level environmental targets are related to CO_2 emissions, energy efficiency as well as major environmental, health and safety (EHS) incidents. At the end of December 2014, ISO 14001 certification covered 100% of Fortum's power and heat production and distribution operations worldwide.

Fortum's climate targets over the next five years are: specific CO_2 emissions from power generation in the EU below 80 grams per kilowatt-hour (g/kWh) and total specific CO_2 emissions from both electricity and heat production in all countries below 200 g/kWh. Both targets are calculated as a five-year average. At the end of December 2014, the five-year average for specific CO_2 emissions from power generation in the EU was at 60 g/kWh (2013: 60) and the total specific CO_2 emissions from energy production was at 198 g/kWh (2013: 197), both better than the target level.

Fortum's total CO_2 emissions in 2014 amounted to 20.2 million tonnes (Mt) (2013: 20.5), of which 3.6 Mt (2013: 5.1) were within the EU's emissions trading scheme (ETS). Since 2013, electricity production has not received free allowances in the EU ETS. The amount of free allowances for heat will gradually decrease during 2013-2020 as well. Fortum's free allowances in 2014 totalled 1.4 Mt.

Fortum's total CO_2 emissions (million tonnes, Mt)	2014	2013	Change 14/13
Total emissions	20.2	20.5	-1%
Emissions subject to ETS	3.6	5.1	-29%
Free emission allocation	1.4	1.8	-22%
Emissions in Russia	16.6	15.3	8%

Fortum's energy-efficiency target was to raise the overall efficiency of fuel use to 70% as a five-year average. In 2014, the overall efficiency of fuel use was 64% (2013: 59%) and the five-year average after December 2014 was 63% (2013: 64%), meaning the target level was not met.

Fortum's target is for fewer than 35 major EHS incidents annually. In 2014, a total of 27 (2013: 35) major EHS incidents took place in Fortum's operations. This includes 15 environmental permit non-compliances, four explosions, four oil leaks into the environment, three fires and one International Nuclear Event Scale1 incident (INES). These EHS incidents did not have significant environmental or financial impacts, but the explosion in the Pyrolysis unit in Joensuu in March 2014 caused a prolonged interruption in the production of pyrolysis oil. The cause of the explosion has been identified, and work to restart production is ongoing.

Social responsibility

n the area of social responsibility, Fortum's innovations and the secure supply of low-carbon power and heat support the development of society and increase well-being. Good corporate citizenship, reliable energy supply and ensuring a safe working environment for all employees and contractors at Fortum sites are emphasised. At the end of December 2014, OHSAS 18001 certification covered 75% of Fortum's power and heat production and distribution operations worldwide.

In 2014, the average energy availability of Fortum's CHP plants was 94.7%, which is slightly below the annual target level of 95%. In electricity distribution in Sweden, the cumulative SAIDI (System Average Interruption Duration Index) was 97 (2013: 103) minutes, while the annual target is less than 100 minutes.

The lost workday injury frequency (LWIF) for Fortum employees was 1.0 (2013: 1.0) in 2014. This complies with the Group-level frequency target of less than one per million working hours for own personnel. The lost-workday injury frequency for contractors has improved and was 3.2 (2013: 3.9). Unfortunately, there were three fatal accidents for contractors in Fortum's operations, two in Sweden and one in Russia. Additionally, in Fortum Värme's CHP8 project, there was a serious accident in November in which two contractors' employees perished. Implementation of agreed actions to improve contractor safety continues with a specific focus on construction projects. Fortum's categorical target is to avoid serious injuries.

Fortum wants to conduct business with viable companies that act responsibly and comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. In 2014, Fortum audited altogether 13 suppliers located in Bulgaria, China, Czech Republic, Poland, Russia and Sweden.

Risk management

Risk management is an integrated part of business planning and performance management. The objective of risk management within Fortum is to support the creation of the corporate strategy, enable the strategy execution, support the achievement of agreed financial targets and avoid unwanted operational events.

Risk management framework and objectives

Involvement in the power and heat business exposes Fortum to several types of risks. The main sources of risk in the Nordic business are electricity prices and volumes, which in turn are affected by the weather in the Nordic region, the development of the global commodity markets and availability of power production. The Russian business is exposed to risks related to fuel, electricity and capacity prices and volumes, which are to a large extent subject to regulation, although the market is developing.

Fortum is continuously developing its risk management capabilities to cope with prevailing market conditions, developing operations and an ever changing business environment. In the operational risk management area, the focus has been on further enhancing the framework for internal controls, compliance risk management and business continuity management. There is continuos improvement in market and credit risk modelling in order to cope with an increasingly global and volatile market. Also the new market entries like India add complexity and risk in operations. Therefore new practices for country and partner assessments have been created and processes implemented. These processes also include sustainability and human rights impact assessment.

Risk management objective

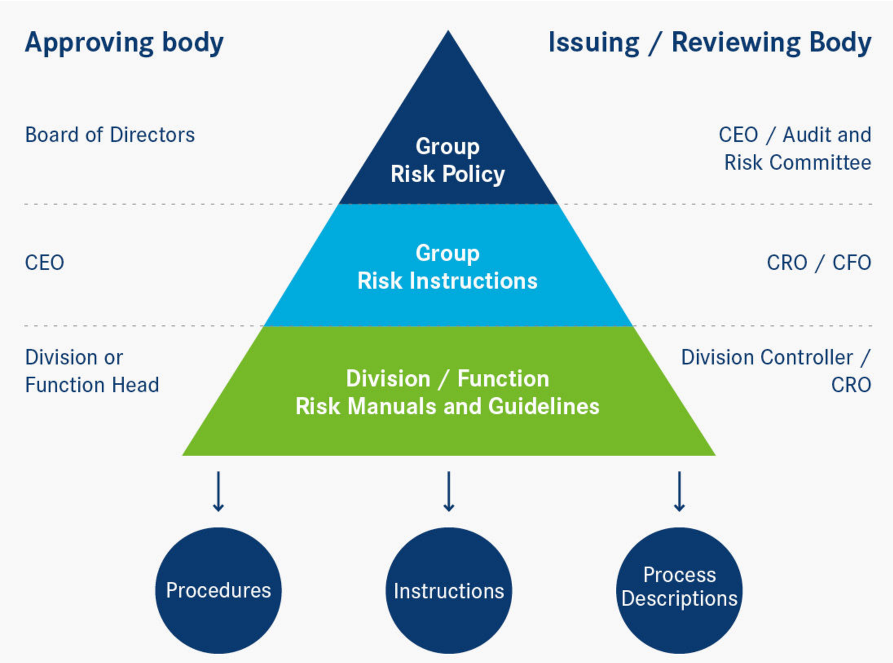
The objective of risk management within Fortum is to support the creation of the corporate strategy, enable the straregy execution, support the achievement of agreed financial targets and avoid unwanted operational events.

Group risk policy

Fortum's Board of Directors annually approves the Group Risk Policy, which sets the objective, principles and division of responsibilities for risk management activities within the Group as well as defines the overall risk management process.

The CEO approves Group Risk Policy appendices, which include instructions for managing commodity market risks, counterparty risks, operational risks, financial risks, compliance risks and insurances. Corporate Treasury is responsible for managing the Group’s currency, interest rate, liquidity and refinancing risks as well as for insurance management. Credit Control in Corporate Risk Management is responsible for assessing and consolidating the Group's exposure to counterparty risks, monitoring the creditworthiness of counterparties and approving counterparty credit limits. Corporate IT is responsible for managing IT information and security risks. There are also corporate units dealing with risks related to human resources, laws and regulation, and sustainability.

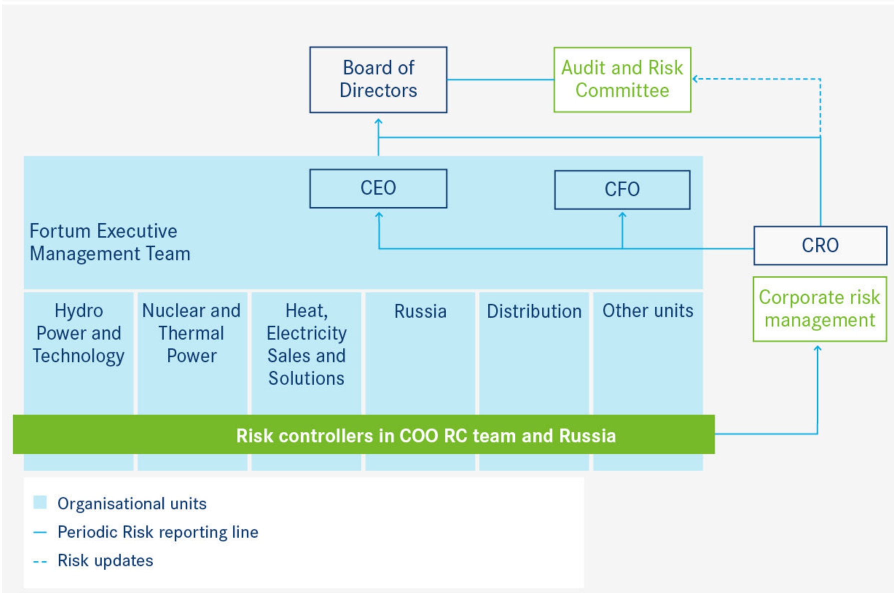
Corporate risk policy structure



Risk management organisation

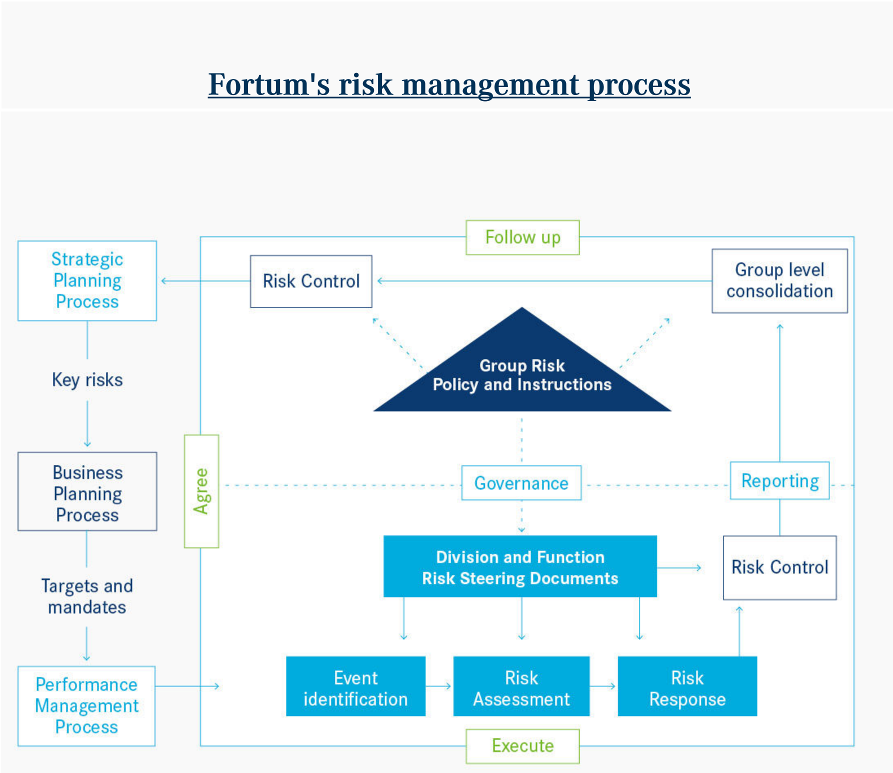
The Audit and Risk Committee is responsible for risk oversight within the Group. Corporate Risk Management is an independent function headed by the Chief Risk Officer (CRO), who reports to the CFO, and is responsible for assessing and reporting the Group's consolidated risk exposure to the Board of Directors and Group Management. Corporate Risk Management also monitors and reports risks in relation to mandates approved by the CEO. The main principle is that risks are managed at the source, unless otherwise agreed. In order to maintain a strict segregation of duties, risk control functions in the divisions and corporate units, like Treasury, are responsible for reporting risks to Corporate Risk Management. In connection with the organisation change, in March 2014, the Division Risk Control teams in the three COO divisions were centralised; that now the responsibility for risk control services for these divisions is shared and based on the requirements set by Corporate Risk Management.

Fortum's risk reporting structure



Risk management process

The risk management process consists of identification of risks, risk assessment, risk response and risk control. Risks are primarily identified and assessed by divisions and corporate units in accordance with Group instructions and models that are approved by Corporate Risk Management. Every function is also responsible for responding to risks by taking appropriate actions. Risk responses can be one of, or a combination of, mitigating, transferring or absorbing the risk.



Risk factors

Risk control, monitoring and reporting is carried out by both the divisional and corporate unit risk control functions. The frequency of reporting is dependent upon the scope of the business. For example, trading activities and limit breaches are reported daily whereas strategic and operational risks are reported as part of the annual business planning process and followed up at least quarterly in management reviews. Corporate Risk Management assesses and reports the Group's consolidated exposure to financial and market risks to Group Management and the Board of Directors on a monthly basis.

Fortum's risk map

Strategic risks

Fortum's strategy is based on three areas of focus:

- Leverage the strong Nordic core
- Create solid earnings growth in Russia
- Build a platform for future growth

Investment, integration and project risks

Fortum's growth strategy includes expansion of operations. As a result of ongoing integrations or any future acquisitions, there is a risk to existing operations, including:

- addtional demands placed on senior management, who are also responsible for managing existing operations;
- increased overall operating complexity and requirements for personnel and other resources in other cultures;
- the need to attract and retain sufficient numbers of qualified management and other personnel;
- the need to understand and manage the new markets and different cultural and compliance requirements;
- the need to understand and manage subcontractor risks and related safety issues

Political and regulatory risks

The political and regulatory environment has a clear impact on energy businesses. This applies both to existing and potential new businesses and market areas. Fortum is thus exposed to regulatory risks in various countries.

Nordic/EU

Nordic/EU Policy harmonisation, infrastructure development and integration of the Nordic electricity market towards continental Europe depend to large extent on the actions of authorities. The current trend of national policies could even endanger market-driven development of the energy sector and the uncertainty with regard to future policy targets and framework is currently considerable. Fortum favours market-driven development, which would mean e.g. more interconnections and competition in addition to policy harmonisation, by maintaining an active dialogue with all stakeholders.

Currently the biggest potential risks within the policy framework relate to the electricity market model, targets with regard to future climate change mitigation and renewable energy and taxation.

In particular, the interlinkages of these issues create uncertainty, as they are overlapping and undermine the effects of each other.

The EU is currently discussing capacity remuneration mechanisms that would change the market model. The specific details of targets for CO_2 emissions and renewables for 2030 are also under discussion. The planned Government Bill for a windfall tax on some non-emitting and old power plants was removed during 2014. Furthermore, the nuclear safety directive is under revision, and a discussion on broadening nuclear liability in the EU is starting.

All these would pose risks, but also opportunities, for energy companies. To manage these risks and proactively participate in the development of the political and regulatory framework, Fortum maintains an active dialogue with the bodies involved in the development of laws and regulations at national and EU-levels.

Russia

Russia is exposed to political, economic and social uncertainties and risks resulting from changes in policies, legislation, economic and social upheaval and other similar factors, as other countries. The Ukraine crisis and EU and US sanctions have increased the risks and made the business environment for Russian business more challenging. Fortum is continuously monitoring the development and impliments risk mitigation actions if deemed necessary.

Fortum owns and operates heat and power generation assets in Russia under the operations of OAO Fortum. The wholesale power market deregulation in Russia has proceeded well, and to a large extent, according to original plans. The main policy-related risks in Russia are linked to the development of the whole energy sector, part of which, namely wholesale electricity, is liberalised while other parts, like gas, heat, and retail electricity, are not. Currently, there is the risk that the Government will freeze tariffs of certain regulated products including gas, which creates a risk for Fortum's efficient operations. Cross-subsidies, which are supposed to be eliminated but still exist, compromise the competitiveness of energy-efficient combined heat and power (CHP) production. Artificially low energy prices do not benefit anyone in the long run, as they promote inefficiency by limiting investments efficient capacity.

Political risk concerning taxes

The current economic situation in Fortum's key operating territories has created an unstable tax environment that is leading to new or increased taxes and new interpretations of existing tax laws. This in turn has led to unexpected challenges for Fortum in the way the Group is organised and how its operations are taxed. The certainty and visibility around taxes has decreased. Where there is uncertainty, Fortum seeks to maintain its position in line with its tax policy.

Legal and compliance risks

Fortum's operations are subject to rules and regulations set forth by the relevant authorities, exchanges, and other regulatory bodies in all markets in which it operates.

Inadequacies in the legal systems and law enforcement mechanisms expose Fortum to a risk of loss resulting from possible illegal or abusive practices by competitors, suppliers, or contracting parties. Fortum's ability to operate in Russia may also be adversely affected by difficulties in protecting and enforcing its rights in disputes with its contractual partners or other parties concerning, for example, regulatory influence on business and unfair market conditions, and also by future changes to local laws and regulations.

Fortum maintains strict internal market conduct rules and has procedures in place to prevent, for example, the use of confidential information before it is published.

Segregation of duties and internal controls are enforced to minimise the possibilities of unauthorised activities.

Compliance with competition legislation is an important area for Fortum. Fortum has enhanced its compliance risk management by establishing a process to systematically and separately identify and mitigate compliance risks linked to the operational risk framework. This process also includes risks related to sustainability and business ethics and aims to capture also potential bribery risks. Fortum has zero tolerance against corruption. Systematic compliance risk management has also been enhanced by forming a cross-functional network sharing views on changing regulations. Fortum has also established a Code of Conduct, including bribery risk assessment process, to enhance the compliance to business ethics.

Corporate Risk Management, together with other functions like the tax department and sustainability unit, has developed a country and partner risk evaluation processes to support understanding of compliance needs at local and business partner level.The review of compliance risks assessment is periodic, documented and discussed with the Compliance Risk Network, with the Fortum Executive Management Team having oversight of the process. A systematic compliance risk assessment is included in the business plans, and follow-up is a part of the business performance review. Line management regularly reports on the ethical compliance activities to the Fortum Executive Management Team and further to the Audit and Risk Committee. Fortum employees are encouraged to report suspected misconduct to their own supervisors, to other management or, if necessary, directly to Internal Audit.

Commodity market risks

Commodity market risk refers to the potential negative effects of market price movements or volume changes in electricity, fuels and environmental values. A number of different methods, such as Profit-at-Risk and Value-at-Risk, are used throughout the Group to quantify these risks and to take into account their interdependencies. Stress-testing is carried out in order to assess the effects of extreme price movements on Fortum's earnings.

Fortum hedges its exposure to commodity market risks in accordance with the Hedging Guidelines. Risk taking is limited by risk mandates, including volumetric limits, Profit-at-Risk limits and stop-loss limits. The Profit-at-Risk measure in the form of Group minimum EBITDA is monitored by management to ensure that Fortum can deliver on its financial commitments without weakening its financial position. The development of minimum EBITDA is monitored in quarterly meetings and in monthly reporting.

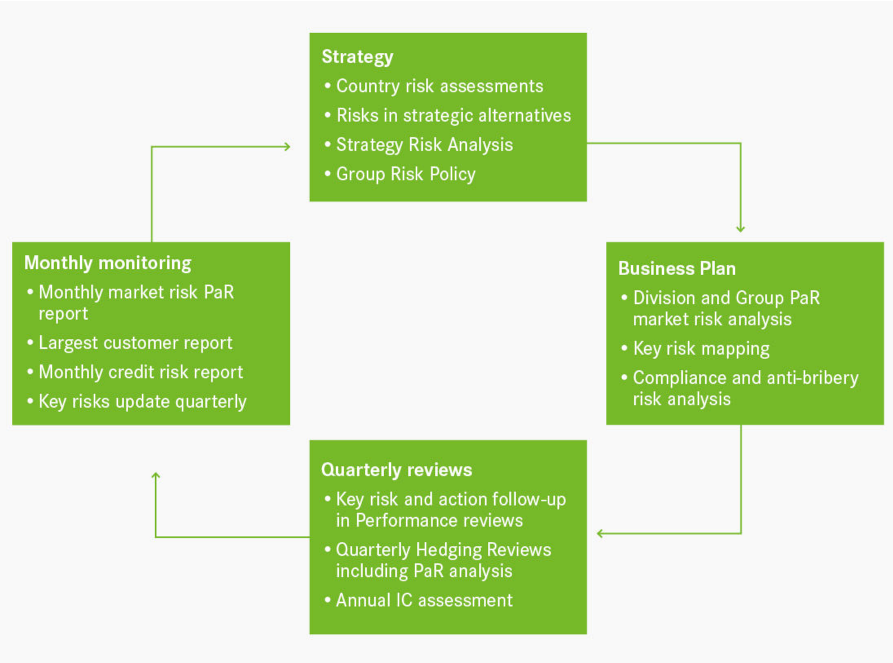
All products and marketplaces used for hedging and trading are approved by the CRO.

For further information on hedge ratios, exposures, sensitivities and outstanding derivatives contracts, see Note 3 Financial risk management.

Electricity price and volume risks

Fortum is exposed to electricity market price movements and volume changes mainly through its power generation and customer sales businesses. In competitive markets, such as in the Nordic region, the price is determined as the balance between supply and demand. The short-term factors affecting electricity prices on the Nordic market include hydrological conditions, temperature,

Risk Management in Fortum's Performance Management



CO_2 allowance prices, fuel prices, and the import/export situation.

In the Nordic business, power and heat generation, customer sales and electricity distribution volumes are subject to changes in, for example, hydrological conditions and temperature. Uncertainty in nuclear production due to prolonged maintenance or delays in upgrades, especially in co-owned plants in Sweden, has also increased in recent years.

Electricity price and volume risks are hedged by entering into electricity derivatives contracts, primarily on the Nordic power exchange, Nasdaq Commodities (Nord Pool). The objective of hedging is to reduce the effect of electricity price volatility on earnings and cash flows, and to secure a minimum level of cash flow, which ensures that financial commitments can be met. Hedging strategies cover several years in the short to medium term and are executed by the trading unit within set mandates. These hedging strategies are continuously evaluated as electricity and other commodity market prices, the hydrological balance and other relevant parameters change.

In Russia, electricity prices and capacity sales are the main sources of market risk. Market deregulation has developed as planned and the electricity price is highly correlated with the gas price. Hedges are mainly done through regulated bilateral agreements, but the financial market is developing and Fortum is utilising the possibilities in these markets to further mitigate electricity price risks.

Emission and environmental value risks

The European Union has established an emissions trading scheme to reduce the amount of CO_2 emissions. The CO_2 emissions trading scheme enhances the integration of the Nordic market with the rest of Europe. In addition to the emissions trading scheme, there are other trading schemes in environmental values in place in Sweden, Norway and Poland. There is currently no trading scheme in Russia for emissions or other environmental values. The main factor influencing the prices of CO_2 allowances and other environmental values is the supply and demand balance.

Part of Fortum's power and heat generation is subject to requirements of these schemes. Fortum manages its exposure to these prices and volumes through the use of derivatives, such as CO_2 forwards, and by ensuring that the costs of allowances are taken into account during production planning.

Fuel price and volume risks

Heat and power generation requires the use of fuels that are purchased on global or local markets. The main fuels used by Fortum are uranium, coal, natural gas, peat, oil, and various biomass-based fuels such as wood pellets.

For fuels that are traded on global markets such as coal and oil, the uncertainty in price is the main factor. Prices are largely affected by demand and supply imbalances that can be caused by, for example, increased demand growth in developing countries, natural disasters or supply constraints in countries experiencing political or social unrest. The main fuel source for heat and power generation in Russia is natural gas. Natural gas prices are partially regulated, so the exposure is limited. For fuels traded on local markets, such as bio-fuels, the volume risk in terms of access to the raw material of appropriate quality is more significant as there may be a limited number of suppliers. Due to the sanctions and economic development in Russia, the risks related to imported fuels from Russia have been increased.

Exposure to fuel prices is limited to some extent because of Fortum's flexible generation possibilities that allow for switching between different fuels according to prevailing market conditions and, in some cases, the fuel price risk can be transferred to the customer. The remaining exposure to fuel price risk is mitigated through fixed-price purchases that cover forecasted consumption levels. Fixed-price purchases can be either for physical deliveries or in the form of financial hedges.

Financial Risks

Liquidity and refinancing risks

The power and heat business is capital intensive. Consequently, Fortum has a regular need to raise financing.

In order to manage these risks, Fortum maintains a diversified financing structure in terms of debt maturity profile, debt instruments and geographical markets. Fortum manages liquidity and refinancing risks through a combination of cash positions and committed credit facility agreements with its core banks. Fortum shall at all times have access to cash, bank deposits and unused committed credit facilities, including overdrafts, to cover all loans maturing within the next twelve-month period. Due to the volatile rouble develpoment and sanctions imposed, special attention has been paid to ensure that Russia Division has sufficient liquidity to undertake committed investments.

Interest rate risks

Fortum's debt portfolio consists of interest-bearing assets and liabilities on a fixed- and floating-rate basis with differing maturity profiles. Fortum manages the duration of the debt portfolio by entering into different types of financing contracts and interest rate derivative contracts, such as interest rate swaps and forward rate agreements (FRAs).

Currency risks

Fortum has cash flows, assets and liabilities in currencies other than the euro. Changes in exchange rates can therefore have an effect on Fortum's earnings and balance sheet. The main currency exposures are EUR/RUB from translation exposure of OAO Fortum in Russia and EUR/SEK, arising from Fortum's extensive operations in Sweden. Due to the low oil prices and weakened Russian economy, also the rouble has weakened and volatility of the exchange rate versus the euro has increased in 2014. The weaker rouble is effecting Fortum's profit level and equity when translating the Russia Division results and net assets to euros.

Fortum's currency exposures are divided into transaction exposures (foreign exchange exposures relating to contracted cash flows and balance sheet items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (foreign exchange exposure that arises when profits and balance sheets in foreign entities are consolidated at the Group level). For transaction risks, the main principle is that all material exposures are hedged while translation exposures are not hedged or are hedged selectively. The rouble exposures are monitored continuously.

Counterparty risks

Fortum is exposed to counterparty risk whenever there is a contractual arrangement with an external party; customer, supplier, financing partner or trading counterparty. During 2013 Fortum enhanced the country entry and partner risk assessment processes when entering new markets and/or partnerships. These processes have been fully implemented during 2014.

Credit risk exposures relating to financial derivative instruments are often volatile. Although the majority of commodity derivatives are cleared through exchanges, derivatives contracts are also entered into directly with external counterparties. Such contracts are limited to high-credit-quality counterparties active on the financial or commodity markets.

Due to the financing needs and management of liquidity, Fortum has counterparty exposure to a number of banks and financial institutions. This includes exposure to the Russian financial sector in terms of deposits with financial institutions as well as to banks that provide guarantees for suppliers and contracting parties. Limits with banks and financial institutions are followed closely so that exposures can be adjusted as ratings or the financial situation changes. Fortum is closely following the sanction development in Russia. Special attention is put to the credit risk management.

Credit risk exposures relating to customers and suppliers are spread across a wide range of industrial counterparties, small businesses and private individuals over a range of geographic regions. The majority of exposure is to the Nordic market, but there is also significant exposure in Russia and Poland as a result of increased operations. The risk of non-payment in the electricity and heat sales business in Russia is higher than in the Nordic market.

In order to minimise counterparty risk, Fortum has well established routines and processes to identify, assess and control counterparty exposure. No contractual obligations are entered into without proper, reasonable and viable credit checks, and creditworthiness is continuously monitored through the use of internal and external sources to ensure that actions can be taken immediately if changes occur.

Corporate Credit Control is responsible for assuring stringent controls for all larger individual counterparty exposures. Annual credit reviews are performed manually for all larger approved limits. Each division or corporate unit is responsible for ensuring that exposures remain within approved limits. Mitigation of counterparty risk includes the use of collateral, such as guarantees, managing payment terms and contract length, and netting agreements. Corporate Credit Control continuously monitors and reports counterparty exposures against the approved limits.

Operational risks

Operational risks are defined as the negative effects resulting from inadequate or failed internal processes, people and systems or equipment, or from external events. The main objective of operational risk management is to reduce the risk of unwanted operational events by clearly documenting and automating processes and by ensuring a strict segregation of duties between decision-making and controlling functions. Quality, environmental and occupational health and safety management systems are tools for achieving this objective. Fortum's operational activies are 100% ISO 14001 certified. The coverage of OHSAS 18001 certification is 74%. Equipment and system risks are primarily managed within maintenance investment planning, and there are contingency plans in place to ensure business continuity. Operational risks in production facilities (nuclear, hydro and heat plants) are mitigated by continuous maintenance, condition monitoring, and other operational improvements.

The Group Insurance Instructions defines the management of insurable operational risks. The objective of insurance management is to optimise loss prevention activities, self retentions and insurance coverage in a long-term cost-efficient manner. Fortum has established Group-wide insurance programmes for risks related to property damages, business interruption and liability exposures.

Hydro power

Operational events at hydro power generation facilities can lead to physical damages, business interruptions, and third- party liabilities. A long-term programme is in place for improving the surveillance of the condition of dams and for securing the discharge capacity in extreme flood situations.

In Sweden, third-party liabilities from dam failures are strictly the plant owner's responsibility. Together with other hydro power producers, Fortum has a shared dam liability insurance programme in place that covers Swedish dam failure liabilities up to SEK 9,000 million.

Nuclear power

Fortum owns the Loviisa nuclear power plant, and has minority interests in one Finnish and two Swedish nuclear power companies. At the Loviisa power plant, the assessment and improvement of nuclear safety is a continuous process performed under the supervision of the Radiation and Nuclear Safety Authority of Finland (STUK).

In Finland and Sweden, third-party liability relating to nuclear accidents is strictly the plant operator's responsibility and must be covered by insurance.

As the operator of the Loviisa power plant, Fortum has a statutory liability insurance policy of 600M SDR (Special Drawing Right). The same type of insurance policies are in place for the operators where Fortum has a minority interest. In Sweden, the limits are compliant with the national legislation.

Decisions have been made in both Finland and Sweden to renew the current nuclear liability legislation to align more with the Paris and Brussels convention. The new legislation is not likely to come into force during 2015 in Finland and Sweden. The changes in the new national legislation consist of a liability on plant operators covering damages up to EUR 700 million in Finland and up to EUR 1,200 million per nuclear incident in Sweden. The liability should be covered by insurance or other form of financial guarantee, as well as a strict and unlimited liability for the plant operators in each respective country.

Under Finnish law, Fortum bears full legal and financial responsibility for the management and disposal of nuclear waste produced by the Loviisa power plant. In both Finland and Sweden, Fortum bears partial responsibility, proportionate to the output share, for the costs of the management and disposal of nuclear waste produced by co-owned nuclear power plants.

In both Finland and Sweden, the future costs of the final disposal of spent fuel, the management of low and intermediate-level radioactive waste and nuclear power plant decommissioning are provided for by a state-established fund to which nuclear power plant operators make annual contributions.

Multi-layered containment systems and sophisticated safety protocols effectively isolate radioactive materials from the surrounding environment during the process of interim storage, packaging, transport, relocation and encasement of nuclear waste in the final storage repositories.

Distribution facilities

Operational events at distribution facilities can lead to physical damages, business interruptions, and third-party liabilities. Storms and other unexpected events can result in electricity outages that create costs in the form of repairs and customer compensations. Although outages are typically short, it is not possible to completely prevent long outages. There are extensive procedures in place to minimise the length and consequences of outages. After the divestments in Finland and Norway, Fortum is exposed to distributions risks only in Sweden.

Sustainability risks

The assessment of sustainability risks is also included in the assessment of business risks. The Corporate Sustainability function assesses the risks related to both Group and their own operations as part of the annual planning. The divisions assess the risks identified by the Corporate Sustainability function in their own annual planning and prepare for their control. Business divisions with ISO 14001 certification manage their environmental risks and their preparedness to operate in exceptional and emergency situations in compliance with the requirements of the standard. The same approach applies to risks management related to occupational health and safety and actions in emergency situations for operations with OHSAS 18001 certification.

Operating power and heat generation and distribution facilities involves the use, storage and transportation of fuels and materials that can have adverse effects on the environment. Operation and maintenance of the facilities expose the personnel to potential safety risks. The risks involved with these activities and their supply chain are receiving increased attention. There is also a growing public awareness of sustainable development and the expectations on companies' responsible conduct.

Environmental, health and safety (EHS) risks as well as social risks related to Fortum's activities are regularly evaluated through internal and external audits and risk assessments, and corrective and preventive actions are launched when necessary. EHS related risks together with social risks arising in investments are systematically evaluated in accordance with Fortum's Investment

Evaluation and Approval Procedure. Environmental risks and liabilities in relation to past actions have been assessed and necessary provisions made for future remedial costs.

Technology risks

Fortum actively explores opportunities in new technologies in a solar economy. Fortum is participating in technologies and projects in solar and wave energy, and since 2013 Fortum has operated its first solar plant in India. New technologies, like bio-oil and solar, expose Fortum to new types of risks, such as IPR risks and viability of technologies. These, in combination with operating in new markets, add complexity.

IT and information security risks

Information security risks are managed centrally by the Corporate Security and IT functions. Business-specific IT risks are managed within the divisions and corporate units. Group IT instructions set procedures for reducing risks and managing IT and other information security incidents. The main objective is to ensure high availability and fast recovery of IT systems. Fortum's IT community identifies the IT-related operational risks that might threaten business continuity, and the mitigating actions are planned accordingly. Fortum IT is exposed to hardware and software risks including cyber attacks, as is any other corporate function, however, taking into account the size and complexity of the business. The management of these risks is coordinated by Corporate IT, headed by the CIO, who also manages the IT architecture and strategy.

Fortum share and shareholders

Fortum Corporation's shares have been listed on Nasdaq Helsinki since 18 December 1998. The trading code is FUM1V. Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finland Ltd which also maintains the official share register of Fortum Corporation

Share key figures

EUR	2014		2013	2012
Earnings per share	3.55		1.36	1.59
Cash flow per share	1.98		1.74	1.56
Equity per share	12.23		11.28	11.30
Dividend per share	1.10	1)	1.10	1.00
Extra dividend per share	0.20	1)		
Payout ratio, %	36.6	1)	80.9	62.9
Dividend yield, %	7.2	1)	6.6	7.1

1) Board of Directors' proposal for the Annual General Meeting 31 March 2015.

For the full set of share key figures, 2004-2014, see the Key figures section in the Financial Statements.

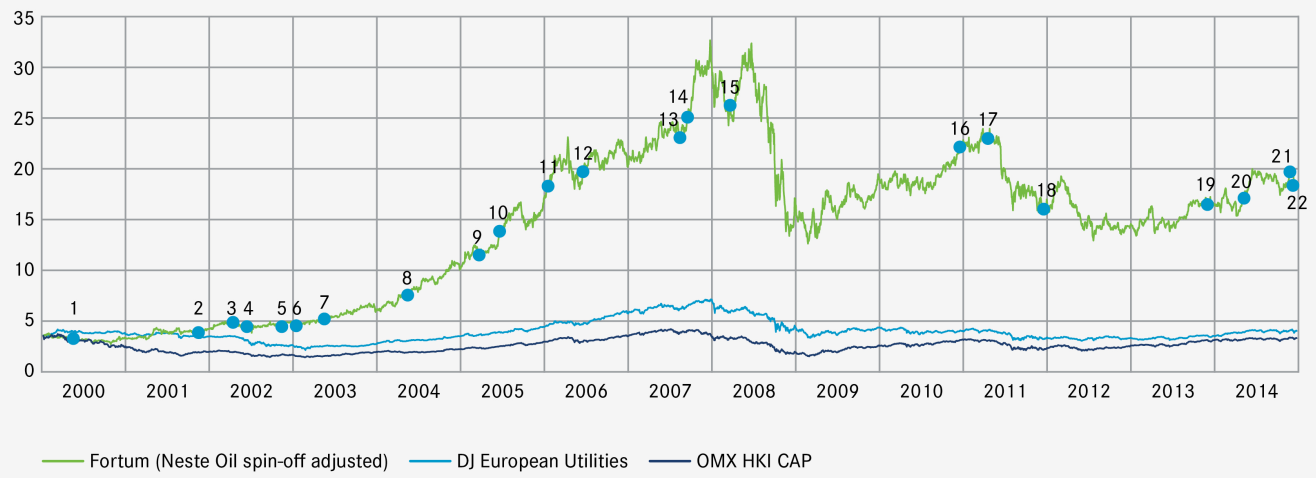
Shareholders value, share price performance and volumes

Fortum's mission is to deliver excellent value to it's shareholders. Fortum's share price has depreciated approximately 8% during the last five years, while Dow Jones European Utility Index has decreased 9%. During the same period Nasdaq Helsinki Cap index has increased 28%. During 2014 Fortum's share price appreciated approximately 8%, while Dow Jones European Utility index increased 13% and Nasdaq Helsinki Cap index increased 6%.

During 2014, a total of 454.8 million (2013: 465.0) Fortum Corporation shares, totalling EUR 8,134 million, were traded on the Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2014 was EUR 20.32, the lowest EUR 15.13, and the volume-weighted average EUR 17.89. The closing quotation on the last trading day of the year 2014 was EUR 17.97 (2013: 16.63). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 15,964 million (2013: 14,774).

In addition to the Nasdaq Helsinki, 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 2014, approximately 58% (2013: 58%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

Share price performance, EUR



1. Acquisition of Stora Enso power generation assets 1.9 bn EUR

2. Birka acquisition remaining 50% 3.6 bn EUR

3. Sale of Fortum Energie GmbH 545 MEUR

4. Ministry of Trade and Industry sells down to 61%

5. Sale of Norwegian E&P for $1.1 bn

6. Asset swap worth 800 MEUR gaining shareholdings in Hafslund and Lenenergo

7. Increase in Hafslund stake to 31%

8. Increase in Lenenergo stake

9. Dividending out and sale of Neste Oil shares market value 3.8 bn EUR

10. Ministry of Trade and Industry sells down to 51.7%

11. Acquisition of Wroclaw 120 MEUR

12. E.ON Finland acquisition 713 MEUR

13. Sale of Russian Lenenergo stake for 295 MEUR

14. Participation in 243 MEUR share issue in TGC-1

15. Acquisition of TGC-10 (Changed name to OAO Fortum) EUR 2.5 bn

16. Divestment of district heat operations outside Stockholm area in Sweden, total sales price appr. 220 MEUR

17. Final agreement over sale of Fingrid shares appr. 325 MEUR

18. Fortum agreed to sell Fortum Energiaratkaisut Oy and Fortum Termest AS total sales price appr. 200 MEUR

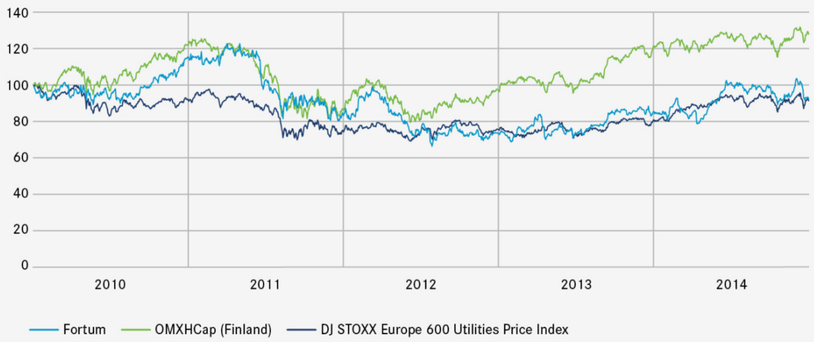
19. Fortum agreed to sell its electricity distribution business in Finland for a total consideration of EUR 2.55 billion

20. Fortum agreed to sell its Norwegian electricity distribution and heat businesses for 340 MEUR

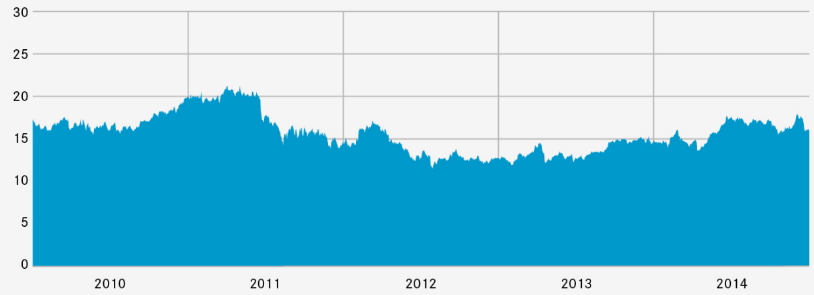
21. Divestment of shares in Gasum Oy for 310 MEUR

22. Fortum and Gazprom Energoholding signed a protocol to start a restructuring process of their ownership of TGC-1

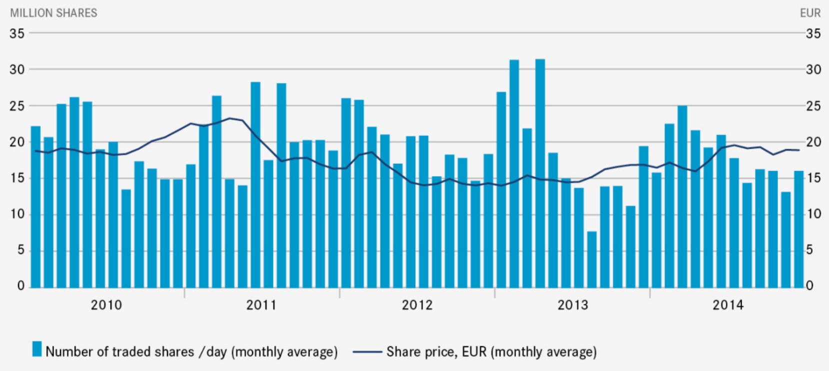
Share quotations 2010-2014, INDEX 100 = Quote on 2 January 2010



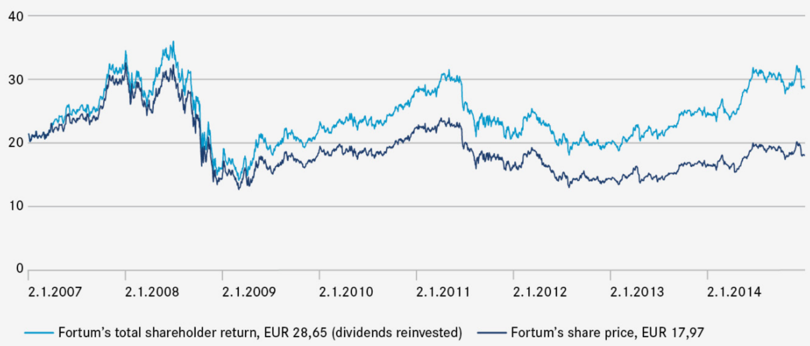
Market capitalisation 2010-2014, EUR billion



Share trading 2010-2014

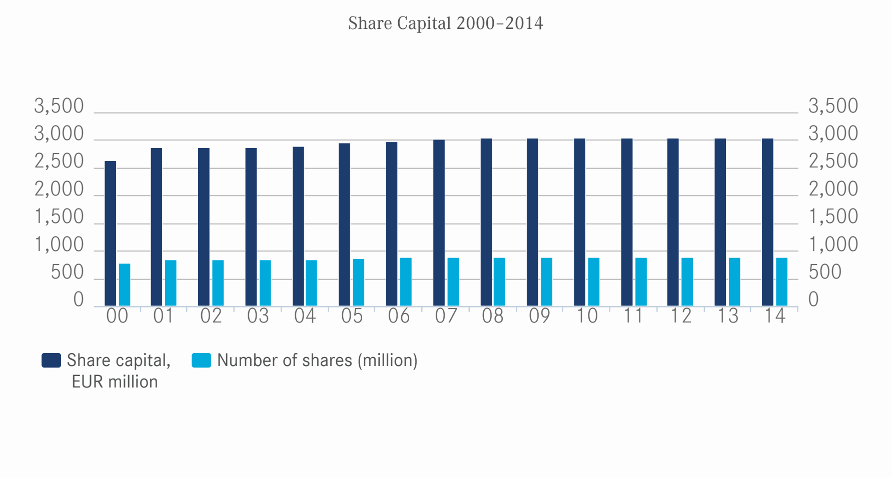


Total shareholder return



Share capital

Fortum has one class of shares. By the end of 2014, a total of 888,367,045 shares had been issued. Each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2014 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.



Shareholders

At the end of 2014, the Finnish State owned 50.76% of the company's shares. The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the share capital and voting rights.

The proportion of nominee registrations and direct foreign shareholders increased to 32.3 % (2013: 26.2%).

Shareholders, 31 December 2014

Shareholders	No. of shares	Holding %
Prime Minister's Office	450,932,988	50.76
The Finnish Social Insurance Institution	7,030,896	0.79
Kurikan Kaupunki	6,203,500	0.70
The State Pension Fund	5,960,000	0.67
Varma Mutual Pension Insurance Company	5,224,300	0.59
Elo Mutual Pension Insurance Company	4,620,800	0.52
Ilmarinen Mutual Pension Insurance Company	4,487,880	0.51
The Local Government Pensions Institution	3,679,403	0.41
Schweizerische Nationalbank	2,618,136	0.30
Nordea Fennia Fund	2,174,227	0.25
OP-Delta Mutual Fund	1,725,726	0.19
Society of Swedish Literature in Finland	1,452,675	0.16
Nordea Pro Finland Fund	1,433,767	0.16
Nominee registrations and direct foreign ownership*	284,749,426	32.05
Other shareholders in total	106,073,321	11.94
Total number of shares	**888,367,045**	**100.00**

*Excluding Schweizerische Nationalbank

By shareholder category	% of total amount of shares
Finnish shareholders	
Corporations	1.02
Financial and insurance institutions	1.61
General government	55.35
Non-profit organisations	1.51
Households	8.16
Non-Finnish shareholders	32.35
Total	**100.00**

Breakdown of share ownership, 31 December 2014

Number of shares owned	No. of shareholders	% of shareholders	No. of shares	% of total amount of shares
1-100	29,472	26.94	1,721,860	0.19
101-500	44,876	41.02	11,906,551	1.34
501-1,000	17,940	16.40	13,039,313	1.47
1,001-10,000	16,212	14.82	41,048,458	4.62
10,001-100,000	817	0.75	18,561,714	2.09
100,001-1,000,000	73	0.06	21,058,847	2.37
1,000,001-10,000,000	12	0.01	46,611,310	5.25
over 10,000,000	1	0.00	450,932,988	50.76
	109,403	**100.00**	**604,881,041**	**68.09**
Unregistered/uncleared transactions on 31 December			73,636	0.01
Nominee registrations			283,412,368	31.90
Total			**888,367,045**	**100.00**

Management interests, 31 December 2014

At the end of 2014, the President and CEO and other members of the Fortum Executive Management Team owned 430,457 shares (2013: 346,106) representing approximately 0.05% (2013: 0.04%) of the total shares in the company.

A full description of the shareholdings and interests in long-term incentive schemes of the President and CEO and of other members of the Fortum Executive Management Team is shown in Note 12 Employee benefits.

Authorisations from the Annual General Meeting 2014

Currently the Board of Directors has no unused authorisations from the Annual General Meeting of Shareholders to issue convertible loans or bonds with warrants to issue new shares or to buy Fortum Corporation’s own shares.

Dividend

Dividend policy

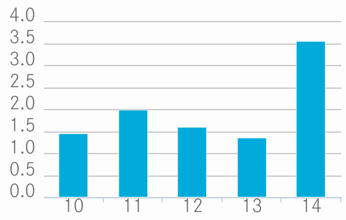
The dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company's long-term strategy that aims at increasing earnings per share and thereby the dividend. When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans. Fortum Corporation's target is to pay a stable, sustainable and over time increasing dividend, in the range of 50-80% of earnings per share, excluding one-off items.

Dividend distribution proposal

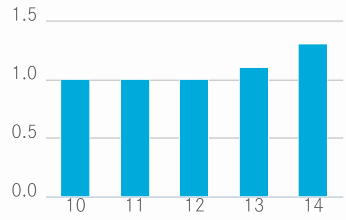
The distributable funds of Fortum Oyj as at 31 December 2014 amounted to EUR 5,438,689,036.90 including the profit of the period of EUR 2,264,863,648.81. After the end of the financial period there have been no material changes in the financial position of the Company.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for 2014. In addition the Board of Directors proposes to the Annual General Meeting an extra dividend of EUR 0.20 per share be paid for 2014. Based on the number of registered shares as of 3 February 2015 the total amount of dividend proposed to be paid is EUR 1,154,877,158.50. The Board of Directors proposes, that the remaining part of the profit be retained in the shareholders' equity. The Annual General Meeting will be held on 31 March 2015 at 14:00 EET at Finlandia Hall in Helsinki.

Earnings per share, EUR



Dividend per share, EUR



The dividend for 2014 represents the Board of Directors' proposal for the Annual General Meeting in March 2015

Financial key figures

The operations of Fortum Corporation and its subsidiaries (together the Fortum Group) focus on the Nordic and Baltic countries, Russia and Poland. Fortum's activities cover the generation, distribution and sale of electricity and heat, and energy-related expert services. Neste Oil was included in the Fortum Group until 31 March 2005, when the Annual General Meeting made the final decision to separate the oil operations by distributing approximately 85% of Neste Oil Corporation shares as a dividend. The remaining approximately 15% of the shares were sold to investors in April 2005.

Oil operations were presented as discontinued operations in years 2004 and 2005.

From 2005, Fortum applies International Financial Reporting Standards (IFRS) for the annual and interim reports. The 2005 annual report included one comparison year 2004, which was restated to IFRS.

Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the the consolidated financial statements. For further information, see Note 1.6.1. New IFRS standards adopted from 1 Jan 2014.

EUR million	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	Change 14/13
or as indicated	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	%
Sales total Fortum	11,659	5,918	4,491	4,479	5,636	5,435	6,296	6,161	6,159	5,309	4,751	-11
Sales continuing operations	3,835	3,877	4,491	4,479	5,636	5,435	6,296	6,161	6,159	5,309	4,751	-11
EBITDA total Fortum [1)]	2,443	2,307	1,884	2,298	2,478	2,292	2,271	3,008	2,538	2,129	3,954	86
EBITDA continuing operations	1,583	1,754	1,884	2,298	2,478	2,292	2,271	3,008	2,538	2,129	3,954	86
Comparable EBITDA continuing operations		1,741	1,866	2,015	2,360	2,398	2,396	2,374	2,416	1,975	1,873	-5
Operating profit total Fortum	1,916	1,864	1,455	1,847	1,963	1,782	1,708	2,402	1,874	1,508	3,428	127
- of sales %	*16.4*	*31.5*	*32.4*	*41.2*	*34.8*	*32.8*	*27.1*	*39.0*	*30.4*	*28.4*	*72.2*	
Operating profit continuing operations	1,195	1,347	1,455	1,847	1,963	1,782	1,708	2,402	1,874	1,508	3,428	127
- of sales %	*31.2*	*34.7*	*32.4*	*41.2*	*34.8*	*32.8*	*27.1*	*39.0*	*30.4*	*28.4*	*72.2*	
Comparable operating profit continuing operations	1,148	1,334	1,437	1,564	1,845	1,888	1,833	1,802	1,752	1,403	1,351	-4
Profit before income tax total Fortum	1,700	1,776	1,421	1,934	1,850	1,636	1,615	2,228	1,586	1,398	3,360	140
- of sales %	*14.6*	*30.0*	*31.6*	*43.2*	*32.8*	*30.1*	*25.7*	*36.2*	*25.8*	*26.3*	*70.7*	
Profit before income tax continuing operations	962	1,267	1,421	1,934	1,850	1,636	1,615	2,228	1,586	1,398	3,360	140
- of sales %	*25.1*	*32.7*	*31.6*	*43.2*	*32.8*	*30.1*	*25.7*	*36.2*	*25.8*	*26.3*	*70.7*	
Profit for the period continuing operations	703	936	1,120	1,608	1,596	1,351	1,354	1,862	1,512	1,212	3,161	161
- of which attributable to owners of the parent	670	884	1,071	1,552	1,542	1,312	1,300	1,769	1,416	1,204	3,154	162
Capital employed total Fortum	12,890	11,357	12,663	13,544	15,911	15,350	16,124	17,931	19,420	19,183	17,918	-7
Capital employed continuing operations	10,739	11,357	12,663	13,544	15,911	15,350	16,124	17,931	19,420	19,183	17,918	-7
Interest-bearing net debt	5,095	3,158	4,345	4,466	6,179	5,969	6,826	7,023	7,814	7,793	4,217	-46
Interest-bearing net debt without Värme financing										6,658	3,664	-45
Capital expenditure and gross investments in shares total Fortum	830	578	1,395	972	2,624	929	1,249	1,482	1,574	1,020	843	-17
- of sales %	*7.1*	*9.8*	*31.1*	*21.7*	*46.6*	*17.1*	*19.8*	*24.1*	*25.6*	*19.2*	*15.9*	

Capital expenditure and gross investments in shares continuing operations	514	479	1,395	972	2,624	929	1,249	1,482	1,574	1,020	843	-17
Capital expenditure continuing operations	335	346	485	655	1,108	862	1,222	1,408	1,558	1,005	774	-23
Net cash from operating activities total Fortum	1,758	1,404	1,151	1,670	2,002	2,264	1,437	1,613	1,382	1,548	1,762	14
Net cash from operating activities continuing operations	1,232	1,271	1,151	1,670	2,002	2,264	1,437	1,613	1,382	1,548	1,762	14
Return on capital employed total Fortum, %	15.8	16.6	13.4	16.5	15.0	12.1	11.6	14.8	10.2	9.0	19.5	
Return on capital employed continuing operations, %	11.4	13.5	13.4	16.5	15.0	12.1	11.6	14.8	10.2	9.0	19.5	
Return on shareholders' equity total Fortum, %	18.2	18.7	14.4	19.1	18.7	16.0	15.7	19.7	14.6	12.0	30.0	
Return on shareholders' equity continuing operations, % [2]		13.5	14.4	19.1	18.7	16.0	15.7	19.7	14.6	12.0	30.0	
Interest coverage	8.0	11.6	11.5	12.8	9.4	12.4	13.7	10.5	7.6	6.7	19.9	
Interest coverage including capitalised borrowing costs					8.6	10.3	10.0	8.5	5.7	5.3	15.7	
Funds from operations/interest-bearing net debt, %	36.4	43.2	30.6	36.3	34.1	37.6	20.5	21.5	19.9	18.8	42.9	
Funds from operations/interest-bearing net debt without Värme financing, %										22.1	49.3	
Gearing, %	67	43	53	52	73	70	78	69	73	77	39	
Net debt/EBITDA	2	1	2	2	3	3	3	2	3	4	1.1	
Net debt/EBITDA continuing operations	-	1.8	2.3	1.9	2.5	2.6	3.0	2.3	3.1	3.7	1.1	
Comparable net debt/EBITDA continuing operations	-	1.8	2.3	2.2	2.6	2.5	2.8	3.0	3.2	3.9	2.3	
Comparable net debt/EBITDA without Värme financing										3.4	2.0	
Equity-to-assets ratio, %	44	49	48	49	41	43	40	44	43	43	51	
Dividends [3]	506	987	1,122	1,198	888	888	888	888	888	977	1,155 [4]	18
Dividends continuing operations		511	650	683								
Dividends additional in 2006 and 2007/ discontinued operations in 2005		476	472	515								
Research and development expenditure	26	14	17	21	27	30	30	38	41	49	41	-16
- of sales %	*0.2*	*0.2*	*0.4*	*0.5*	*0.5*	*0.5*	*0.5*	*0.6*	*0.7*	*0.9*	*0.9*	
Average number of employees total Fortum	12,859	10,026	8,910	8,304	14,077	13,278	11,156	11,010	10,600	9,532	8,821	
Average number of employees continuing operations	8,592	8,939	8,910	8,304	14,077	13,278	11,156	11,010	10,600	9,532	8,821	

1) EBITDA is defined as Operating profit continuing operations + Depreciation, amortisation and impairment charges.

2) Return on equity for continuing operations for 2005 is calculated based on profit for the period from continuing operations divided by total equity at the end of the period. Profit for the period from discontinued operations has been subtracted from total equity on 31 December 2005.

3) In addition to cash dividend Fortum distributed approximately 85% of Neste Oil Corporation shares as dividend in 2005.

4) Board of Directors' proposal for the Annual General Meeting on 31 March 2015.

See Definitions of key figures.

Share key figures

EUR or as indicated	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007	IFRS 2008	IFRS 2009	IFRS 2010	IFRS 2011	IFRS 2012	IFRS 2013	IFRS 2014	Change 14/13 %
Earnings per share total Fortum	1.48	1.55	1.22	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Earnings per share continuing operations	0.79	1.01	1.22	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Earnings per share discontinued operations	0.69	0.54	-	-	-	-	-	-	-	-	-	
Diluted earnings per share total Fortum	1.46	1.53	1.21	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Diluted earnings per share continuing operations	0.78	1.00	1.21	1.74	1.74	1.48	1.46	1.99	1.59	1.36	3.55	161
Diluted earnings per share discontinued operations	0.68	0.53	-	-	-	-	-	-	-	-	-	
Cash flow per share total Fortum	2.06	1.61	1.31	1.88	2.26	2.55	1.62	1.82	1.56	1.74	1.98	14
Cash flow per share continuing operations	1.44	1.46	1.31	1.88	2.26	2.55	1.62	1.82	1.56	1.74	1.98	14
Equity per share	8.65	8.17	8.91	9.43	8.96	9.04	9.24	10.84	11.30	11.28	12.23	8
Dividend per share [1]	0.58	1.12	1.26	1.35	1.00	1.00	1.00	1.00	1.00	1.10	1.10 [2]	0
Extra dividend											0.20 [2]	
Dividend per share continuing operations	-	0.58	0.73	0.77	-	-	-	-	-	-	-	
Dividend per share additional in 2006 and 2007/discontinued operations in 2005	-	0.54	0.53	0.58	-	-	-	-	-	-	-	
Payout ratio, %	39.2	72.3	103.3 [4]	77.6 [4]	57.5	67.6	68.5	50.3	62.9	80.9	36.6 [2]	
Payout ratio continuing operations, %	-	57.4 [3]	59.8 [4]	44.3 [4]	-	-	-	-	-	-	-	
Payout ratio additional dividend in 2006 and 2007/ discontinued operations in 2005, %	-	100.0 [3]	43.4 [4]	33.3 [4]	-	-	-	-	-	-	-	
Dividend yield, %	4.3	7.1	5.8	4.4	6.6	5.3	4.4	6.1	7.1	6.6	7.2 [2]	
Price/earnings ratio (P/E)	9.2	10.2	17.7	17.7	8.8	12.8	15.4	8.3	8.9	12.2	5.1	
Share prices												
At the end of the period	13.62	15.84	21.56	30.81	15.23	18.97	22.53	16.49	14.15	16.63	17.97	
Average	10.29	13.87	20.39	23.57	24.79	15.91	19.05	19.77	15.66	15.11	17.89	
Lowest	7.45	10.45	15.71	20.01	12.77	12.60	17.18	15.53	12.81	13.1	15.13	
Highest	13.99	16.90	23.48	31.44	33.00	19.20	22.69	24.09	19.36	18.18	20.32	
Market capitalisation at the end of the period, EUR million	11,810	13,865	19,132	27,319	13,519	16,852	20,015	14,649	12,570	14,774	15,964	

Trading volumes [5)]											
Number of shares, 1 000 shares	478,832	900,347	830,764	787,380	628,155	580,899	493,375	524,858	494,765	465,004	454,796
In relation to weighted average number of shares, %	59.2	103.2	94.3	88.5	70.8	65.4	55.5	59.1	55.7	52.3	51.2
Number of shares, 1 000 shares	867,084	875,294	887,394	886,683	887,638	888,367	888,367	888,367	888,367	888,367	888,367
Number of shares excluding own shares, 1 000 shares	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average number of shares, 1 000 shares	852,625	872,613	881,194	889,997	887,256	888,230	888,367	888,367	888,367	888367	888,367
Diluted adjusted average number of shares, 1 000 shares	861,772	887,653	886,929	891,395	887,839	888,230	888,367	888,367	888,367	888,367	888,367

1) In addition to cash dividend Fortum distributed approximately 85% of Neste Oil Corporation shares as dividend in 2005.

2) Board of Directors' proposal for the Annual General Meeting on 31 March 2015.

3) Payout ratios in 2005 are calculated for continuing and discontinued operations based on the respective earnings per share from continuing and discontinued operations.

4) Payout ratios for dividends in 2006 and 2007 are based on the total earnings per share.

5) Trading volumes in the table represent volumes traded on Nasdaq Helsinki. In addition to the Nasdaq Helsinki, 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 2014, approximately 58% (2013: 58%) of Fortum's traded shares were traded on other markets than Nasdaq Helsinki.

See Definitions of key figures.

Operational key figures, volumes

Comparability of information presented in tables and graphs

Information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the the consolidated financial statements. For further information, see Note 1.6.1. New IFRS standards adopted from 1 Jan 2014.

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fortum's total power and heat generation in EU and Norway												
Power generation	TWh	55.5	52.3	54.4	52.2	52.6	49.3	53.7	55.3	53.9	47.4	50.1
Heat generation	TWh	25.4	25.1	25.8	26.1	25.0	23.2	26.1	22.0	18.5	10.4	8.2
Fortum's total power and heat generation in Russia												
Power generation	TWh	-	-	-	-	11.6	16.0	16.1	17.4	19.2	20.0	23.3
Heat generation	TWh	-	-	-	-	15.3	25.6	26.0	25.4	24.8	24.2	26.4
Fortum's own power generation by source, total in the Nordic area												
Hydro and wind power	TWh	19.1	21.2	19.8	20.0	22.9	22.1	22.0	21.0	25.2	18.1	22.4
Nuclear power	TWh	25.8	25.8	24.4	24.9	23.7	21.4	22.0	24.9	23.4	23.7	23.8
Thermal power	TWh	9.5	4.2	9.0	6.2	5.0	4.6	8.3	7.2	3.0	3.4	1.8
Total	**TWh**	**54.4**	**51.2**	**53.2**	**51.1**	**51.6**	**48.1**	**52.3**	**53.1**	**51.6**	**45.2**	**48.0**
Fortum's own power generation by source, total in the Nordic area												
Hydro and wind power	%	35	42	37	39	44	46	42	40	49	40	46
Nuclear power	%	47	50	46	49	46	44	42	47	45	52	50
Thermal power	%	18	8	17	12	10	10	16	13	6	8	4
Total	**%**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Power generation capacity by segment												
Power	MW		10,003	9,540	9,560	9,575	9,709	9,728	9,752	9,702	9,475	9,063
Heat	MW		1,278	1,373	1,360	1,213	1,446	1,600	1,670	1,569		
Heat, Electricity Sales and Solutions	MW										793	803
Russia	MW		-	-	-	2,785	2,785	2,785	3,404	3,404	4,250	4,758
Total	**MW**		**11,281**	**10,913**	**10,920**	**13,573**	**13,940**	**14,113**	**14,826**	**14,675**	**14,518**	**14,624**
Heat production capacity by segment												
Power	MW		250	250	250	250	250	250	250	250	250	0
Heat	MW		9,757	10,633	10,973	10,218	10,284	10,448	10,375	8,785		
Heat, Electricity Sales and Solutions	MW										4,317	3,936
Russia	MW		-	-	-	13,796	13,796	13,796	14,107	13,396	13,466	13,466
Total	**MW**		**10,007**	**10,883**	**11,223**	**24,264**	**24,330**	**24,494**	**24,732**	**22,431**	**18,033**	**17,402**
Fortum's total power and heat sales in EU and Norway												
Electricity sales	EUR million	2,017	2,002	2,437	2,370	2,959	2,802	3,110	2,868	2,700	2,462	2,299

Heat sales	EUR million	809	867	1,014	1,096	1,157	1,095	1,309	1,278	1,201	538	468
Fortum's total power and heat sales in Russia												
Electricity sales	EUR million	-	-	-	-	332	390	505	590	713	822	758
Heat sales	EUR million	-	-	-	-	141	219	287	324	300	290	285
Fortum's total power sales by area												
Finland	TWh	31.1	26.0	29.6	29.0	28.7	26.1	30.7	24.6	21.6	23.4	21.6
Sweden	TWh	27.6	30.4	28.5	27.6	28.5	26.9	28.3	29.4	30.1	23.3	28.2
Russia	TWh	-	-	-	-	14.8	19.5	18.7	20.2	23.3	25.6	26.5
Other countries	TWh	3.6	3.3	3.5	3.1	3.0	3.2	3.2	3.6	3.8	4.3	3.8
Total	**TWh**	**62.3**	**59.7**	**61.6**	**59.7**	**75.0**	**75.7**	**80.9**	**77.8**	**78.8**	**76.6**	**80.1**
Fortum's total heat sales by area												
Finland	TWh	10.5	9.8	10.7	11.1	10.8	8.0	9.6	8.5	5.8	5.5	3.2
Russia	TWh	-	-	-	-	15.3	25.6	26.8	26.7	26.4	24.1	26.0
Sweden	TWh	9.6	9.5	9.3	9.2	9.1	9.8	10.9	8.5	8.5	-	-
Poland	TWh	0.4	1.1	3.6	3.5	3.6	3.7	4.0	4.3	4.3	4.1	3.4
Other countries	TWh	3.3	3.4	3.2	3.3	3.4	3.5	3.6	3.4	2.9	3.1	2.8
Total	**TWh**	**23.8**	**23.8**	**26.8**	**27.1**	**42.2**	**50.6**	**54.9**	**51.4**	**47.9**	**36.8**	**35.4**
Volume of distributed electricity in distribution networks												
Finland	TWh	6.2	6.3	7.7	9.2	9.3	9.4	10.0	9.5	9.8	9.5	2.8
Sweden	TWh	14.2	14.4	14.4	14.3	14.0	14.0	15.2	14.2	14.4	14.1	13.7
Norway	TWh	2.1	2.2	2.3	2.3	2.3	2.3	2.5	2.3	2.4	2.5	1.1
Estonia	TWh	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.0	-	-
Total	**TWh**	**22.7**	**23.1**	**24.6**	**26.0**	**25.8**	**25.9**	**27.9**	**26.1**	**26.6**	**26.1**	**17.6**

Operational key figures, segments

From 2005, Fortum applies International Financial Reporting Standards (IFRS) for the annual and interim reports. The 2005 annual report included one comparison year 2004, which was restated to IFRS. Segment numbers are presented based only on IFRS for comparison purposes, because in the transition to IFRS reportable segments were redefined and segment reporting as such was reassessed.

Following the acquisition of the Russian company, OAO Fortum, Fortum changed its segment reporting during 2008. Comparison numbers for 2004-2007 were restated in 2008.

Fortum renewed its business structure as of 1 March 2014. The reorganisation lead to a change in Fortum's external financial reporting structure as previously separately reported segments Heat and Electricity Sales are now combined into one segment: Heat, Electricity Sales and Solutions.

For further information see Note 5 Segment reporting.

Fortum has applied new IFRS 10 Consolidated financial statements and IFRS 11 Joint arrangements from 1 January 2014. The effect of applying the new standards to Fortum Group financial information relates to AB Fortum Värme samägt med Stockholm Stad (Fortum Värme), that is treated as a joint venture and thus consolidated with equity method from 1 January 2014 onwards. Before the change the company was consolidated as a subsidiary with 50% minority interest.

For further information see Note 1.6.1 Adoption of new IFRS standards from 1 Jan 2014 or later

Information for 2013 has been restated to reflect both the change in business structure and adoption of new IFRS standards.

Sales by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	2,084	2,058	2,439	2,350	2,892	2,531	2,702	2,481	2,415	2,252	**2,156**
- of which internal	*128*	*-97*	*-133*	*323*	*0*	*254*	*-281*	*-24*	*296*	*69*	*85*
Heat	1,025	1,063	1,268	1,356	1,466	1,399	1,770	1,737	1,628		
- of which internal	*49*	*-12*	*-32*	*38*	*0*	*23*	*-8*	*8*	*18*		
Heat, Electricity Sales and Solutions										1,516	**1,332**
- of which internal										*87*	*34*
Russia					489	632	804	920	1,030	1,119	**1,055**
- of which internal					-	-	-	-	-	-	*0*
Distribution	707	707	753	769	789	800	963	973	1,070	1,064	**751**
- of which internal	*10*	*-8*	*8*	*9*	*10*	*13*	*18*	*15*	*37*	*19*	*17*
Electricity Sales	1,387	1,365	1,912	1,683	1,922	1,449	1,798	900	722		
- of which internal	*92*	*-101*	*149*	*155*	*177*	*67*	*158*	*95*	*55*		
Other	90	91	78	81	83	71	51	108	137	63	**58**
- of which internal	*93*	*-63*	*62*	*72*	*82*	*-5*	*169*	*115*	*-66*	*54*	*44*
Eliminations	-1,458	-1,407	-1,959	-1,760	-2,005	-1,447	-1,792	-958	-843	-706	**-601**
Total	**3,835**	**3,877**	**4,491**	**4,479**	**5,636**	**5,435**	**6,296**	**6,161**	**6,159**	**5,309**	**4,751**

Comparable operating profit by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	730	854	985	1,095	1,528	1,454	1,298	1,201	1,146	859	877
Heat	207	253	253	290	250	231	275	278	271		
Heat, Electricity Sales and Solutions										109	104
Russia					-92	-20	8	74	68	156	161
Distribution	240	244	250	231	248	262	307	295	320	332	266
Electricity Sales	23	30	-4	-1	-33	22	11	27	39		
Other	-52	-47	-47	-51	-56	-61	-66	-73	-92	-54	-57
Comparable operating profit	**1,148**	**1,334**	**1,437**	**1,564**	**1,845**	**1,888**	**1,833**	**1,802**	**1,752**	**1,403**	**1,351**
Non-recurring items	18	30	61	250	85	29	93	284	155	61	2,171
Other items affecting comparability	29	-17	-43	33	33	-135	-218	316	-33	45	-94
Operating profit	**1,195**	**1,347**	**1,455**	**1,847**	**1,963**	**1,782**	**1,708**	**2,402**	**1,874**	**1,508**	**3,428**

Comparable EBITDA by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	834	966	1,093	1,198	1,625	1,547	1,398	1,310	1,260	1,007	998
Heat	331	376	397	453	419	393	462	471	481		
Heat, Electricity Sales and Solutions										211	204
Russia					-25	55	94	148	189	258	304
Distribution	373	389	397	393	413	426	485	482	529	548	416
Electricity Sales	39	45	15	10	-26	28	13	29	40		
Other	-41	-35	-36	-39	-46	-51	-56	-66	-83	-49	-49
Total	**1,536**	**1,741**	**1,866**	**2,015**	**2,360**	**2,398**	**2,396**	**2,374**	**2,416**	**1,975**	**1,873**

Depreciation, amortisation and impairment charges by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	104	112	108	103	97	93	100	109	114	148	121
Heat	124	123	144	163	169	162	187	193	210		
Heat, Electricity Sales and Solutions										102	100
Russia					67	75	86	108	121	150	147
Distribution	133	145	147	162	165	164	178	187	209	216	150
Electricity Sales	16	15	19	11	7	6	2	2	1		
Other	11	12	11	12	10	10	10	7	9	5	8
Total	**388**	**407**	**429**	**451**	**515**	**510**	**563**	**606**	**664**	**621**	**526**

Share of profit of associates and joint ventures by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	-21	-21	-9	-23	26	-35	-25	3	-12	4	-14
Heat	15	11	23	24	12	30	31	19	20		
Heat, Electricity Sales and Solutions										91	88
Russia					19	20	8	30	27	46	35
Distribution	16	20	15	18	16	10	19	14	8	4	3
Electricity Sales	0	1	1	0	5	0	1	2	0		
Other	2	44	39	222	48	-4	28	23	-20	32	37
Total	**12**	**55**	**69**	**241**	**126**	**21**	**62**	**91**	**23**	**178**	**149**

Capital expenditure by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	84	83	95	93	134	96	97	131	190	179	197
Heat	123	124	184	309	408	358	304	297	464		
Heat, Electricity Sales and Solutions										123	86
Russia					256	215	599	670	568	435	340
Distribution	106	115	183	236	296	188	213	289	324	255	147
Electricity Sales	10	10	8	3	3	1	0	5	1		
Other	12	14	15	14	11	4	9	16	11	12	3
Total	**335**	**346**	**485**	**655**	**1,108**	**862**	**1,222**	**1,408**	**1,558**	**1,005**	**774**

Gross investments in shares by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	23	45	5	52	0	57	25	17	-	2	2
Heat	53	87	589	18	23	1	1	32	10		
Heat, Electricity Sales and Solutions										11	37
Russia	103	2	140	245	1,492	3	-	24	-	0	27
Distribution	0	-	130	1	0	5	0	-	-	0	0
Electricity Sales	0	-	6	0	0	-	-	-	-		
Other	0	-	40	1	1	1	1	1	6	2	4
Total	**179**	**134**	**910**	**317**	**1,516**	**67**	**27**	**74**	**16**	**15**	**69**

Gross divestments of shares by segment, EUR million	2009	2010	2011	2012	2013	2014
Power and Technology	10	0	3	102	79	67
Heat	1	52	203	269		
Heat, Electricity Sales and Solutions					11	446
Russia	-	43	23	-	-	0
Distribution	1	46	323	37	52	2,681
Electricity Sales	-	-	16	2		
Other	2	6	0	0	-	2
Total	**14**	**147**	**568**	**410**	**142**	**3,196**

Net assets by segment, EUR million	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	5,804	5,493	5,690	5,599	5,331	5,494	5,806	6,247	6,389	6,355	6,001
Heat	2,440	2,551	3,407	3,507	3,468	3,787	4,182	4,191	4,286		
Heat, Electricity Sales and Solutions										2,295	2,112
Russia	151	153	294	456	2,205	2,260	2,817	3,273	3,848	3,846	2,597
Distribution	3,091	3,021	3,412	3,239	3,032	3,299	3,683	3,589	3,889	3,745	2,615
Electricity Sales	194	228	176	247	188	125	210	11	51		
Other	220	447	835	1,237	796	382	29	208	158	295	496
Total	**11,900**	**11,893**	**13,814**	**14,285**	**15,020**	**15,347**	**16,727**	**17,519**	**18,621**	**16,537**	**13,820**

Return on net assets by segment, %	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	12.6	14.3	17.5	19.2	29.6	24.5	19.5	24.6	18.7	14.5	13.6
Heat	9.8	11.6	9.6	9.3	8.9	7.9	8.4	9.9	8.8		
Heat, Electricity Sales and Solutions										9.7	19.1
Russia				66.3	3.7	0.0	2.4	3.5	3.0	5.2	5.6
Distribution	8.1	8.8	8.4	7.7	8.1	8.7	9.7	13.7	9.1	9.3	73.6
Electricity Sales	25.2	17.4	-1.6	6.9	-14.0	28.9	38.4	4.2	152.3		

Comparable return on net assets by segment, %	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	12.0	14.9	17.4	18.9	28.0	26.4	22.3	19.9	18.5	13.8	14.2
Heat	9.3	11.0	9.2	9.2	7.3	7.6	7.7	7.4	7.0		
Heat, Electricity Sales and Solutions										8.7	8.7
Russia				0.0	-3.8	0.0	0.7	3.5	2.7	5.2	5.6
Distribution	8.3	8.6	8.3	7.6	8.2	8.6	9.3	8.6	8.8	8.8	9.3
Electricity Sales	17.1	16.4	-0.8	-0.6	-15.3	18.6	9.3	33.5	203.1		

Average number of personnel	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Power and Technology	4,588	4,374	4,147	3,475	3,591	2,068	1,891	1,873	1,896	1,900	1,685
Heat	1,605	2,186	2,345	2,302	2,422	2,652	2,482	2,682	2,354		
Heat, Electricity Sales and Solutions										2,051	1,913
Russia					5,566	6,170	4,555	4,436	4,301	4,245	4,196
Distribution	995	1,008	983	1,060	1,222	1,166	1,098	902	873	786	492
Electricity Sales	682	745	825	936	766	629	538	510	515		
Other	722	626	610	531	510	593	592	607	661	550	536
Total	**8,592**	**8,939**	**8,910**	**8,304**	**14,077**	**13,278**	**11,156**	**11,010**	**10,600**	**9,532**	**8,821**

Definitions 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 usage/availability and/or maintains reliability. Productivity improves 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 a 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 capital employed continuing operations, %	=	$\frac{\text{Profit before taxes continuing operations + interest and other financial expenses continuing operations}}{\text{Capital employed continuing operations average}} \times 100$
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, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses)}}{\text{Comparable net assets average}} \times 100$
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)	
Comparable net assets	=	Net assets adjusted for non-interest-bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39	
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds	
Gearing, %	=	Interest-bearing net debt / Total equity	x 100
Equity-to-assets ratio, %	=	Total equity including non-controlling interests / Total assets	x 100
Net debt/EBITDA	=	Interest-bearing net debt / Operating profit + Depreciation, amortisation and impairment charges	
Comparable net debt/EBITDA	=	Interest-bearing net debt / Comparable EBITDA	
Net debt/EBITDA continuing operations	=	Interest-bearing net debt / Operating profit continuing operations + Depreciation, amortisation and impairment charges continuing operations	
Comparable net debt/EBITDA continuing operations	=	Interest-bearing net debt / Comparable EBITDA continuing operations	
Interest coverage	=	Operating profit / Net interest expenses	
Interest coverage including capitalised borrowing costs	=	Operating profit / Net interest expenses-capitalised borrowing costs	
Average number of employees		Based on monthly average for the whole period	
Earnings per share (EPS)	=	Profit for the period - non-controlling interests / Average number of shares during the period	
Cash flow per share	=	Net cash from operating activities / Average number of shares during the period	
Equity per share	=	Shareholders' equity / Number of shares at the end of the period	
Payout ratio, %	=	Dividend per share / Earnings per share	x 100
Payout ratio continuing operations, %	=	Dividend per share continuing operations / Earnings per share continuing operations	x 100

Dividend yield, %	=	Dividend per share / Share price at the end of the period	x 100
Price/earnings (P/E) ratio	=	Share price at the end of the period / Earnings per share	
Average share price	=	Amount traded in euros during the period / Number of shares traded during the period	
Market capitalisation	=	Number of shares at the end of the period x share price at the end of the period	
Trading volumes	=	Number of shares traded during the period in relation to the weighted average number of shares during the period	

Consolidated income statement

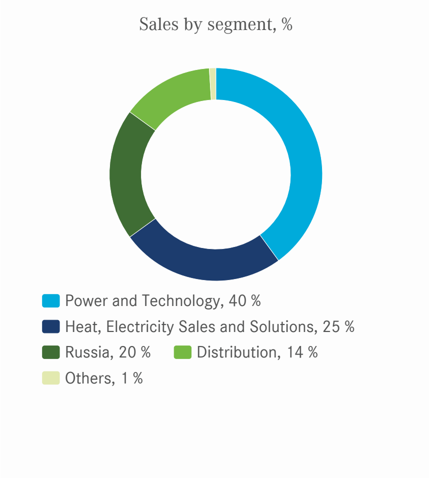
EUR million	Note	2014	2013*
Sales	5	4,751	5,309
Other income	10	75	93
Materials and services	11	-1,939	-2,270
Employee benefits	12	-413	-460
Depreciation, amortisation and impairment charges	5, 18, 19	-526	-621
Other expenses	10	-596	-648
Comparable operating profit	5	**1,351**	**1,403**
Items affecting comparability	6, 7	2,077	106
Operating profit	5	**3,428**	**1,508**
Share of profit of associates and joint ventures	5, 20	149	178
Interest expense	13	-256	-301
Interest income	13	84	75
Fair value gains and losses on financial instruments	13	-5	-16
Other financial expenses - net	13	-40	-47
Finance costs - net	13	**-217**	**-289**
Profit before income tax		**3,360**	**1,398**
Income tax expense	14	-199	-186
Profit for the period		**3,161**	**1,212**
Attributable to:			
Owners of the parent		3,154	1,204
Non-controlling interests		7	8
		3,161	**1,212**
Earnings per share (in EUR per share)	15		
Basic		3.55	1.36
Diluted		3.55	1.36

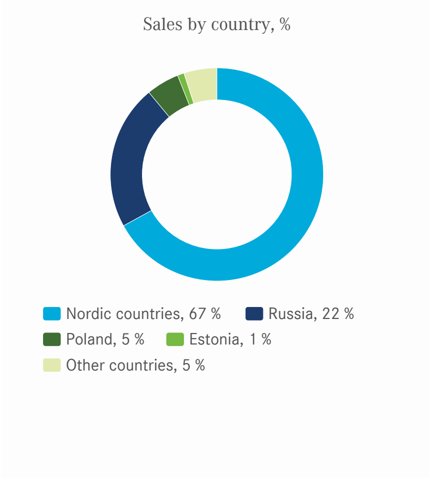
1

EUR million	2014	2013	
Comparable operating profit	**1,351**	**1,403**	
Non-recurring items (sales gains)	2,171	61	1
Changes in fair values of derivatives hedging future cash flow	-91	21	
Nuclear fund adjustment	-3	23	
Items affecting comparability	**2,077**	**106**	
Operating profit	**3,428**	**1,508**	

** Comparative period information for 2013 presented in these financial statements has been restated due to the accounting change for Fortum Värme, see Note 1.6.1.*

1 Items affecting comparability includes 1.85 billion sales gains from sale of the Finnish electricity distribution business in 2014.





Consolidated statement of comprehensive income

The components of the Consolidated statement of comprehensive income (OCI) are items of income and expense that are recognised in equity and not recognised in the Consolidated income statement. They include unrealised items, such as fair value gains and losses on financial instruments hedging future cash flows. These items will be realised in the Consolidated income statement when the underlying hedged item is recognised. OCI also includes gains and losses on fair valuation on available for sale financial assets, items in comprehensive income in associated companies and translation differences.

EUR million	2014	2013	
Profit for the period	**3,161**	**1,212**	
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedges			
Fair value gains/losses in the period	17	96	1
Transfers to income statement	-70	-51	
Transfers to inventory/fixed assets	-4	-8	
Tax effect	12	-6	
Net investment hedges			
Fair value gains/losses in the period	149	28	
Tax effect	-28	-7	
Exchange differences on translating foreign operations	-1,343	-478	2
Share of other comprehensive income of associates	-3	42	
Other changes	-3	0	
	-1,273	**-384**	
Items that will not be reclassified to profit or loss in subsequent periods			
Actuarial gains/losses on defined benefit plans	-77	44	
Actuarial gains/losses on defined benefit plans in associates	-13	9	
	-90	**53**	
Other comprehensive income for the period, net of tax	**-1,363**	**-331**	
Total comprehensive income for the year	**1,799**	**882**	
Total comprehensive income attributable to:			
Owners of the parent	1,815	881	
Non-controlling interests	-16	1	
	1,799	**882**	

1 Fair valuation of cash flow hedges mainly relates to electricity prices in future cash flows. When electricity price is higher (lower) than the hedging price, the impact on equity is negative (positive).

2 Translation differences from translation of foregin entities, mainly RUB.

Consolidated balance sheet

EUR million	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	18	276	384
Property, plant and equipment	19	11,195	12,849
Participations in associates and joint ventures	20	2,027	2,341
Share in State Nuclear Waste Management Fund	30	774	744
Other non-current assets	21	68	77
Deferred tax assets	29	98	126
Derivative financial instruments	3	595	367
Long-term interest-bearing receivables	22	2,041	2,598
Total non-current assets		**17,074**	**19,486**
Current assets			
Inventories	23	256	264
Derivative financial instruments	3	448	307
Trade and other receivables	24	830	869
Bank deposits		757	0
Cash and cash equivalents		2,009	1,250
Liquid funds	25	2,766	1,250
Assets held for sale	9	0	1,173
Total current assets		**4,301**	**3,863**
Total assets		**21,375**	**23,348**
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	3,046	3,046
Share premium		73	73
Retained earnings		7,708	6,851
Other equity components		36	54
Total		**10,864**	**10,024**
Non-controlling interests	27	71	101
Total equity		**10,935**	**10,124**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	28	5,881	6,936
Derivative financial instruments	3	247	181
Deferred tax liabilities	29	1,159	1,338
Nuclear provisions	30	774	744
Other provisions	31	17	94
Pension obligations	32	140	50
Other non-current liabilities	33	154	148
Total non-current liabilities		**8,373**	**9,492**
Current liabilities			
Interest-bearing liabilities	28	1,103	2,103
Derivative financial instruments	3	76	95
Trade and other payables	34	888	994
Liabilities related to assets held for sale	9	0	540
Total current liabilities		**2,067**	**3,732**
Total liabilities		**10,440**	**13,224**
Total equity and liabilities		**21,375**	**23,348**

Consolidated statement of changes in total equity

EUR million	Note	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
				Retained earnings and other funds	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies			
Total equity 31 December 2013		**3,046**	**73**	**7,500**	**-649**	**66**	**-51**	**38**	**10,024**	**101**	**10,124**
Net profit for the period				3,154					3,154	7	3,161
Translation differences					-1,319	-3	2	0	-1,320	-23	-1,343
Other comprehensive income				-3		-43	44	-17	-19	0	-19
Total comprehensive income for the period				3,151	-1,319	-47	46	-16	1,815	-16	1,799
Cash dividend	15			-977					-977		-977
Dividends to non-controlling interests									0	-2	-2
Changes due to business combinations	8			6					6	-11	-5
Other changes				-4					-4	-1	-4
Total equity 31 December 2014		**3,046**	**73**	**9,676**	**-1,968**	**19**	**-5**	**22**	**10,864**	**71**	**10,935**
Total equity 31 December 2012, as previously reported		**3,046**	**73**	**7,193**	**-173**	**34**	**-133**	**0**	**10,040**	**603**	**10,643**
Change in accounting policy 1)						2	15	-17	-1	-495	-496
Total equity 1 January 2013		**3,046**	**73**	**7,193**	**-173**	**36**	**-118**	**-17**	**10,039**	**108**	**10,147**
Net profit for the period				1,204					1,204	8	1,212
Translation differences					-476	-1	2	4	-471	-7	-478
Other comprehensive income						31	65	51	148	0	148
Total comprehensive income for the period				1,204	-476	30	67	55	881	1	882
Cash dividend	15			-888					-888		-888
Dividends to non-controlling interests									0	-3	-3
Changes due to business combinations	8			1					1		1
Other changes				-10					-10	-5	-15
Total equity 31 December 2013		**3,046**	**73**	**7,500**	**-649**	**66**	**-51**	**38**	**10,024**	**101**	**10,124**

Translation differences

Translation 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. Translation differences impacted equity attributable to owners of the parent company with EUR -1,320 million during 2014 (2013: -471). Translation differences are mainly related to RUB. Part of this translation exposure has been hedged and the hedge result, amounting to EUR 149 million, is included in the other OCI items.

For information regarding exchange rates used, see Note 1 Accounting policies.
For information about translation exposure see Note 3.6 Interest rate risk and currency risk.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -47 million (2013: 30), mainly relates to cash flow hedges hedging electricity price for future transactions. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

1) Comparative period information has been restated due to the accounting change, see Note 1.6.1

Consolidated cash flow statement

EUR million	Note	2014	2013	
Cash flow from operating activities				
Net profit for the period		**3,161**	**1,212**	
Adjustments:				
Income tax expenses		199	186	
Finance costs - net		217	289	
Share of profit of associates and joint ventures		-149	-178	
Depreciation, amortisation and impairment charges		526	620	
Operating profit before depreciations (EBITDA)		**3,954**	**2,129**	
Non-cash flow items and divesting activities		-2,111	-262	1
Interest received		99	62	
Interest paid		-330	-371	
Dividends received		58	74	
Realised foreign exchange gains and losses and other financial items		349	47	2
Taxes		-211	-210	
Funds from operations		**1,808**	**1,469**	
Change in working capital		-46	79	
Total net cash from operating activities		**1,762**	**1,548**	
Cash flow from investing activities				
Capital expenditures	5, 18, 19	-768	-1,004	3
Acquisitions of shares		-69	-15	
Proceeds from sales of fixed assets		26	66	
Divestments of shares		3,062	122	
Proceeds from interest-bearing receivables relating to divestments		131	22	
Shareholder loans to associated companies		425	-136	
Change in other interest-bearing receivables		8	2	
Total net cash used in investing activities		**2,816**	**-944**	
Cash flow before financing activities		**4,578**	**604**	
Cash flow from financing activities				
Proceeds from long-term liabilities		50	781	
Payments of long-term liabilities		-1,499	-636	
Change in short-term liabilities		-580	438	
Dividends paid to the owners of the parent	15	-977	-888	
Other financing items		-1	22	
Total net cash used in financing activities		**-3,007**	**-284**	
Total net increase(+)/decrease(-) in liquid funds		**1,571**	**320**	
Liquid funds at the beginning of the year		1,265	**961**	
Foreign exchange differences in liquid funds		-70	-17	
Liquid funds at the end of the period [1)]	25	**2,766**	**1,265**	

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

1 Non-cash flow items and divesting activities consist mainly of changes in provisions (including nuclear) EUR -29 million (2013: -168), adjustments for unrealised fair value changes of derivatives EUR 88 million (2013: -22) and capital gains EUR -2.171 million (2013: -61). The actual proceeds for divestments are shown under cash flow from investing activities.

2 Realised foreign exchange gains and losses and other financial items include realised foreign exchange gains and losses of EUR 352 million for 2014 (2013: 52) related mainly to financing of Fortum's Swedish and Russian subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise 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.

3 Capital expenditures in cash flow do not include not yet paid investments. Capitalised borrowing costs are included in interest costs paid.

Change in net debt

EUR million	2014	2013
Net debt 1 January	**7,793**	**7,757**
Foreign exchange rate differences	-81	-106
EBITDA	3,954	2,129
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-2,147	-660
Change in working capital	-46	79
Capital expenditures	-768	-1,004
Acquisitions	-69	-15
Divestments	3,089	188
Proceeds from interest-bearing receivables relating to divestments	131	22
Shareholder loans to associated companies	425	-136
Change in other interest-bearing receivables	8	2
Dividends	-977	-888
Other financing activities	-1	22
Net cash flow (- increase in net debt)	3,600	-261
Fair value change of bonds and amortised cost valuation	105	-119
Net debt 31 December	**4,217**	**7,793**

Additional cash flow information

Change in working capital

EUR million	2014	2013
Change in interest-free receivables, decrease(+)/increase(-)	-82	92
Change in inventories, decrease(+)/increase(-)	-13	24
Change in interest-free liabilities, decrease(-)/increase(+)	49	-37
Total	**-46**	**79**

Negative effect from change in working capital during 2014, EUR -46 million (2013: +79).

Capital expenditure

EUR million	Note	2014	2013
Capital expenditure	5, 18, 19	774	1,005
Change in not yet paid investments, decrease(+)/increase(-)		41	60
Capitalised borrowing costs		-47	-60
Capital expenditure in cash flow		**768**	**1,004**

Capital expenditure in intangible assets and property, plant and equipment in the balance sheet was EUR 774 million (2013: 1,005). Capital expenditure in cash flow EUR 768 million (2013: 1,004) is presented without not yet paid investments i.e. change in trade payables related to investments EUR 41 million (2013: 60) and capitalised borrowing costs EUR -47 million (2013: -60), which are presented in interest paid.

See also information about the investments by segments and countries in Note 5 Segment reporting

and the investment projects by segment in Note 19.2 Capital expenditure.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 69 million during 2014 (2013: 15).

Divestments of shares in cash flow

EUR million	Note	2014	2013
Proceeds from sales of subsidiaries, net of cash disposed	8	2,750	22
Proceeds from interest-bearing receivables from sold subsidiaries		131	22
Proceeds from sales of associates	8, 20	311	100
Proceeds from available for sale financial assets		1	0
Total		**3,193**	**144**

Gross divestment of shares totalled EUR 3,196 million in 2014 (2013: 142) including interest-bearing debt in sold subsidiaries of EUR 131 million (2013: 22). Proceeds from divestments of shares totalled EUR 3,193 million in 2014 (2013: 144).

Notes to the consolidated financial statements

1 Accounting policies

1.1 Basic information

Fortum Corporation (the Company) is a Finnish public limited liability company with its domicile in Espoo, Finland. Fortum's shares are traded on Nasdaq Helsinki.

The operations of Fortum Corporation and its subsidiaries (together the Fortum Group) focus on the focus on the Nordic and Baltic countries, Russia and Poland. Fortum's activities cover generation, distribution and sale of electricity and heat, and energy-related expert services.

These financial statements were approved by the Board of Directors on 3 February 2015.

1.2 Basis of preparation

The consolidated financial statements of the Fortum Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union. The financial statements also comply with Finnish accounting principles and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for available for sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and items hedged at fair value.

1.2.1 Income Statement presentation:

In the Consolidated income statement Comparable operating profit-key figure is presented to better reflect the Group's business performance when comparing results for the current period with previous periods.

Items affecting comparability are disclosed as a separate line item. The following items are included in "Items affecting comparability":

• non-recurring items, which mainly consist of capital gains and losses;
• effects from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. The major part of Fortum's cash flow hedges obtain hedge accounting where fair value changes are recorded in equity;
• effects from accounting of Fortum's part of the State Nuclear Waste Management Fund where the assets can not exceed the related liabilities according to IFRIC5.

Comparable operating profit is used for financial target setting, follow up and allocation of resources in the group's performance management.

1.2.2 Classification of current and non-current assets and liabilities

An asset or a liability is classified as current when it is expected to be realised in the normal operating cycle or within twelve months after the balance sheet date or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

All other assets and liabilities are classified as non-current assets and liabilities.

1.3 Principles for consolidation

The consolidated financial statements comprise of the parent company, subsidiaries, joint ventures and associated companies.

The Fortum Group was formed in 1998 by using the pooling-of-interests method for consolidating Fortum Power and Heat Oy and Fortum Oil and Gas Oy (the latter demerged to Fortum Oil Oy and Fortum Heat and Gas Oy 1 May 2004). In 2005 Fortum Oil Oy was separated from Fortum by distributing 85% of its shares to Fortum's shareholders and by selling the remaining 15%. This means that the acquisition cost of Fortum Power and Heat Oy and Fortum Heat and Gas Oy has been eliminated against the share capital of the companies. The difference has been entered as a decrease in shareholders' equity.

1.3.1 Subsidiaries

Subsidiaries are defined as companies in which Fortum has control. Control exists when Fortum is exposed to, or has rigths to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the aggregate of fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, subsidiaries' accounting policies have been changed to ensure consistency with the policies the Group has adopted.

The Fortum Group subsidiaries are disclosed in Note 42 Subsidiaries by segment on 31 December 2014.

1.3.2 Associates

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's interests in associated companies are accounted for using the equity method of accounting.

1.3.3. Joint ventures

Joint ventures are arrangement in which the Group has joint control. Joint ventures are accounted for using the equity method of accounting.

1.3.4. Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the equity of the owners of the parent company. The non-controlling interests are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

1.4 Foreign currency transactions and translation

1.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

1.4.2 Transactions and balances

Transactions denominated in foreign currencies are translated using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the closing date are translated using the exchange rate quoted on the closing date. Exchange rate differences have been entered in the income statement. Net conversion differences relating to financing are entered under financial income or expenses, except when deferred in equity as qualifying cash flow hedges. Translation differences on available for sale financial assets are included in Other equity components section of the equity.

1.4.3 Group companies

The income statements of subsidiaries, whose measurement and reporting currencies are not euros, are translated into the Group reporting currency using the average exchange rates for the year based on the month-end exchange rates, whereas the balance sheets of such subsidiaries are translated using the exchange rates on the balance sheet date. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

The key exchange rates applied in the Fortum Group accounts

		Average rate		Balance sheet date rate	
	Currency	2014	2013	31 Dec 2014	31 Dec 2013
Sweden	SEK	9.1004	8.6624	9.3930	8.8591
Norway	NOK	8.3940	7.8266	9.0420	8.3630
Poland	PLN	4.1909	4.2027	4.2732	4.1543
Russia	RUB	51.4243	42.4441	72.3370	45.3246

1.4.4 Associates and joint ventures

The Group's interests in associated companies and jointly ventures are accounted for by the equity method. Associates and joint ventures, whose measurement and reporting currencies are not euro, are translated into the Group reporting currency using the same principles as for subsidiaries, see 1.4.3 Group companies.

1.5 Accounting policies

Fortum describes the accounting principles in conjunction with the relevant note information. The table below lists the significant accounting policies and the note where they are presented as well as the relevant IFRS standard.

Accounting principle	Note	IFRS-standard
Segment reporting	5. Segment reporting	IFRS 8
Revenue recognition	5. Segment reporting and 24. Trade and other receivables	IAS 18
Government grants	19. Property, plant and equipment	IAS 20
Share-based payments	12. Employee benefits	IFRS 2
Income taxes	29. Deferred income taxes	IAS 12
Non-current assets held for sale and discontinued operations	9. Assets held for sale	IFRS 5
Joint arrangements	20. Participations in associated companies and joint ventures	IFRS 11, IAS 28, IFRS 12
Investments in associates	20. Participations in associated companies and joint ventures	IAS 28, IFRS 12
Other shares and participations	16. Financial assets and liabilities by categories	IAS 32, IAS 36, IAS 39
Intangible assets	18. Intangible assets	IAS 38
Tangible assets	19. Property, plant and equipment	IAS 16, IAS 36, IAS 40
Leasing	36. Leasing	IAS 17
Inventories	23. Inventories	IAS 2
Earnings per share	15. Earnings and dividend per share	IAS 33
Pensions and similar obligations	32. Pension obligations	IAS 19
Decommissioning obligation	30. Nuclear related assets and liabilities	IFRIC 5
Provisions	31. Other provisions	IAS 37
Contingent liabilities	38. Contingent liabilities	IAS 37
Financial instruments	16. Financial assets and liabilities by categories and 17. Financial assets and liabilities by fair value hierarchy	IAS 32, IAS 39, IFRS 7
Liquid funds	25. Liquid funds	IAS 7
Borrowings	28. Interest-bearing liabilities	IAS 39

1.6 New accounting principles

1.6.1 New IFRS standards adopted from 1 Jan 2014

Fortum has adopted the following new or amended standards on 1 January 2014:

IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements and IFRS 12 Disclosures of interests in other entities.

IFRS 10 Consolidated financial statements
The standard builds on existing principles by identifying the concept of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11 Joint arrangements
The standard replaces IAS 31 Interests in joint ventures. Joint control under IFRS 11 is defined as the contractual sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

IFRS 12 Disclosures of interests in other entities
The standard includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

When adopting the new standards Fortum has reassessed its control conclusions for its investees and re-evaluated its involvement in its partially owned investments. The reassessment has lead reclassification of some entities from an associated company to a joint venture. Notwithstanding the reclassification, these investments will continu to be recognised by applying the equity method and there was no impact on the recognised assets, liabilities and comprehensive income of Fortum.

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

In the restated balance sheet shares of Fortum Värme are included in the Shares in associated companies and joint ventures. Fortum Oyj and its subsidiaries have given loans to Fortum Värme which are presented as shareholders loans in the restated balance sheet. There is a plan to refinance those shareholder loans with external financing by the end of 2015.

Restatement did not have any or only limited effect on Fortum's key ratios such as earnings per share, return on capital employed and return on shareholders' equity. The current financing arrangement effects the restated comparable net debt to EBITDA ratio negatively, increase from 3.4 to 3.9 in 2013, due to Fortum's definition of net debt where interest-bearing receivables are not deducted from net debt. The effect will decrease as Fortum's shareholder loans are replaced with external financing. Comparable net debt to EBITDA ratio would have been 3.4 at the end of 2013, if the interest-bearing receivables from Fortum Värme were deducted from net debt.

When applying IFRS 10 and 11 in 2014, the standards require the comparative information to be restated. Therefore the comparative period information for 2013 presented in the consolidated financial statement for 2014 has been restated. Full set of restated quarterly information for 2013 was presented in the Q1/2014 interim report.

In the following tables Fortum's income statement, balances sheet and certain key figures are presented before and after restatement.

Impact on income statement for 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum group restated Värme as joint venture	Change
Sales	6,056	5,309	-747
Other income	94	93	-1
Materials and services	-2,533	-2,270	263
Employee benefit costs	-529	-460	69
Other expenses	-740	-621	119
Depreciation, amortisation and impairment charges	-741	-648	93
Comparable operating profit	**1,607**	**1,403**	**-204**
Items affecting comparability	105	105	0
Operating profit	**1,712**	**1,508**	**-204**
Share of profits in associates and joint ventures	105	178	73
Finance costs - net	-318	-289	29
Profit before income taxes	**1,499**	**1,397**	**-102**
Income taxes	-220	-185	35
Profit for the period	**1,279**	**1,212**	**-67**
Non-controlling interests	-75	-8	67
Net profit for the period, owners of the parent	**1,204**	**1,204**	**0**
Earnings per share, EUR	**1.36**	**1.36**	**0**

Impact on balance sheet as of 31 December 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum group restated Värme as joint venture	Change
ASSETS			
Intangible assets	392	384	-8
Property, plant and equipement	15,201	12,849	-2,352
Shares in associated companies and joint ventures	1,905	2,341	436
Long-term interest-bearing receivables	1,463	2,597	1,134
Other non-current assets	1,312	1,314	2
Total non-current assets	**20,273**	**19,485**	**-788**
Inventories, total	375	263	-112
Trade and other receivables [1)]	2,518	2,350	-168
Liquid funds	1,254	1,250	-4
Total current assets	**4,147**	**3,863**	**-284**
Total assets	**24,420**	**23,348**	**-1,072**
EQUITY AND LIABILITIES			
Share capital	3,046	3,046	0
Other equity	6,978	6,978	0
Total	**10,024**	**10,024**	**0**
Non-controlling interests	638	100	-538
Total equity	**10,662**	**10,124**	**-538**
Interest-bearing liabilities	9,098	9,039	-59
Deferred tax liabilities	1,648	1,338	-310
Other interest-free liabilities [2)]	3,012	2,847	-165
Total liabilities	**13,758**	**13,224**	**-534**
Total liabilities and equity	**24,420**	**23,348**	**-1,072**

1) Include assets held for sale EUR 1,173 million.

2) Include liabilities related to assets held for sale EUR 540 million.

Impact on key ratios for 2013

EUR million	Fortum Group with Värme as subsidiary	Fortum group restated Värme as joint venture	Change
Comparable EBITDA, EUR million	2,299	1,976	-323
Earnings per share (basic), EUR	1.36	1.36	0
Capital expenditure, EUR million	1,284	1,004	-280
Capital employed, EUR million	19,780	19,183	-597
Interest-bearing net debt, EUR million	7,849	7,794	-55
Interest-bearing net debt without Värme financing, EUR million	7,849	6,660	-1,189
Return on capital employed, %	9.2	9.0	-0.2
Return on shareholders' equity, %	12.0	12.0	0.0
Comparable net debt/EBITDA	3.4	3.9	0.5
Comparable net debt/EBITDA without Värme financing	3.4	3.4	0.0

Fortum has also applied the annual improvements to IFRSs issued in December 2013 from 1 January 2014 onwards. The improvements primarily remove inconsistencies and clarified wording of standards. Amendments did not have an impact on Fortum's financial statements.

1.6.2 Adoption of new IFRS standards from 1 Jan 2015 or later

Fortum will apply the following new or amended standards and interpretations starting from 1 January 2016 or later:

IFRIC 21 Levies (effective for annual periods beginning on or after 1 January 2014). The interpretation has guidance on when to recognise a liability to pay a levy. Fortum will apply the new standard from 1 January 2015 onwards. The interpretation will not have a material impact on Fortum's financial statements.

IFRS 9 Financial instruments (effective for annual periods beginning on or after 1 January 2018). The standard has new requirements for the classification and measurement of financial assets and liabilities and hedge accounting and it will replace IAS 39 and IFRS 7. Fortum will apply the new standard from beginning of 2018. The Standard is still subject to endorsement by EU.

IFRS 15 Revenue from contracts with Customers (effective for annual periods beginning on or after 1 January 2017). The standard focuses on revenue recognition models and will replace IAS 11 and IAS 18. Fortum will apply the new standard from beginning of 2017. The Standard is still subject to endorsement by EU.

Annual Improvements to IFRSs 2012–2014 Cycle issued in September 2014 (effective for annual periods beginning on or after 1 January 2016). The improvements primarily remove inconsistencies and clarify wording of standards. There are separate transitional provisions for each standard. Amendments are not expected to have an impact on Fortum's financial statements. The improvements are still subject to endorsement by EU.

1.7 Segment reporting

Fortum discloses segment information in a manner consistent with internal reporting to Fortum's Board of Directors and to Fortum Executive Management Team led by the President and CEO. Fortum has segments based on type of business operations, combined with one segment based on geographical area.

The Group's businesses are divided into the following reporting segments: Power and Technology, Heat, Electricity Sales and Solutions, Russia and Distribution.

Revenue recognition

Revenue comprises the fair value consideration received or receivable at the time of delivery of products and/or upon fulfilment of services. Revenue is shown net of rebates, discounts, value-added tax and selective taxes such as electricity tax. Revenue is recognised as follows:

Sale of electricity, heat, cooling and distribution of electricity

Sale of electricity, heat, cooling and distribution of electricity is recognised at the time of delivery. The sale to industrial and commercial customers and to end-customers is recognised based on the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and year-end.

Physical energy sales and purchase contracts are accounted for on accrual basis as they are contracted with the Group's expected purchase, sale or usage requirements.

Electricity tax is levied on electricity delivered to retail customers by domestic utilities in Sweden. The tax is calculated on the basis of a fixed tax rate per kWh. The rate varies between different classes of customers. Sale of electricity in the income statement is shown net of electricity tax.

Physical electricity sales and purchases are done through Nord Pool Spot. The sales and purchases are netted on Group level on an hourly basis and posted either as revenue or cost, according to whether Fortum is a net seller or a net buyer during any particular hour.

The prices charged of customers for the sale of distribution of electricity are regulated. The regulatory mechanism differs from country to country. Any over or under income decided by the regulatory body is regarded as regulatory assets or liabilities that do not qualify for balance sheet recognition due to the fact that no contract defining the regulatory aspect has been entered into with a specific customer and thus the receivable is contingent on future delivery. The over or under income is normally credited or charged over a number of years in the future to the customer using the electricity connection at that time. No retroactive credit or charge can be made.

Connection fees

Fees paid by the customer when connected to the electricity, gas, heat or cooling network are recognised as income to the extent that the fee does not cover future commitments. If the connection fee is linked to the contractual agreement with the customer, the income is recognised over the period of the agreement with the customer.

Fees paid by the customer when connected to district heating network in Finland are refundable. These connection fees have not been recognised in the income statement and are included in other liabilities in the balance sheet.

Contract revenue

Contract revenue is recognised under the percentage of completion method to determine the appropriate amount to recognise as revenue and expenses in a given period. The stage of completion is measured by reference to the contract costs incurred up to the closing date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'. The Group presents as a liability the amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

See Note 5. Segment reporting

1.8 Assets held for sale

Non-current assets (or disposal groups) classified as held for sale are valued at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These classification criteria do not include non-current assets to be abandoned or those that have been temporarily taken out of use. An impairment loss (or subsequent gain) reduces (or increases) the carrying amount of the non-current assets or disposal groups. The assets are not depreciated or amortised. Interest or other expenses related to these assets are recognised as before the classification as held for sale.

Discontinued operations represent a separate major line of business that either has been disposed of or is classified as held for sale. Assets and liabilities attributable to the discontinued operations must be clearly distinguishable from the other consolidated entities in terms of their operations and cash flows. In addition, the reporting entity must not have any significant continuing involvement in the operations classified as a discontinued operation.

See Note 9. Assets held for sale

1.9 Other income and other expenses

Other income

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as rental income and non-recurring items such as insurance compensation.

Emission allowances

The Group accounts for emission allowances based on currently valid IFRS standards where purchased emission allowances are accounted for as intangible assets at cost, whereas emission allowances received free of charge are accounted for at nominal value. A provision is recognised to cover the obligation to return emission allowances. To the extent that Group already holds allowances to meet the obligation the provision is measured at the carrying amount of those allowances. Any shortfall of allowances held over the obligation is valued at the current market value of allowances. The cost of the provision is recognised in the income statement within materials and services. Gains/losses from sales of emission rights are reported in other income.

Research and development costs

Research and development costs are recognised as expense as incurred and included in other expenses in the income statement. If development costs will generate future income, they are capitalised as intangible assets and depreciated over the period of the income streams.

See Note 10. Other income and other expenses

1.10 Long-term incentives

Fortum's share bonus system is a performance-based, long-term incentive (LTI) arrangement. A new plan commences annually if the Board of Directors so decides. The potential reward is based on the performance of the Group and its divisions.

In the LTI arrangement each share plan begins with a three-year earning period during which participants may earn share rights if the earnings criteria set by the Board of Directors are fulfilled. The value of the share participation is defined after the three-year earning period when the participants are paid the earned rights in the form of shares. After the earning period, income tax and statutory employment related expenses are deducted from the reward and the net reward is used to acquire Fortum shares in the name of the participant. The maximum value of shares, before taxation, to be delivered to a participant after the earning period cannot exceed the participant's annual salary.

The earning period is followed by a three-year lock-up period. During the lock-up period the shares may not be sold, transferred, pledged or disposed in any other way. Dividends and other financial returns paid on the shares during the lock-up period are, however, not subject to restrictions. From plan 2013-2018 onwards the lock-up period may be shortened to one year for the Fortum Executive Management Team members on individual basis if the value of the aggregate ownership of Fortum shares corresponds to a minimum of annual base salary. For other participants the lock-up period is changed into one year from plan 2013-2018 onwards. The shares are released from the lock-up after publishing of the Company's financial results for the last calendar year of the lock-up period, provided that the participant remains employed by the Group.

The share plans under the new LTI arrangement are accounted for as partly cash- and partly equity-settled arrangements. The portion of the earned reward that the participants receive in shares is accounted for as an equity settled transaction, and the portion of the earned reward settled in cash covering the tax and other charges, is accounted for as cash settled transaction. For participants receiving cash only, the total arrangement is accounted for as cash-settled transaction. The reward is recognised as an expense during the vesting period with a corresponding increase in the liabilities and for the transactions settled in shares in the equity. The social charges related to the arrangement payable by the employer are accrued as a liability.

See Note 12. Employee benefits

1.11 Earnings and dividend per share

Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the warrants and stock options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Fortum share) based on the monetary value of the subscription rights attached to outstanding stock options.

The number of shares calculated as above is deducted from the number of shares that would have been issued assuming the exercise of the stock options. The incremental shares obtained through the assumed exercise of the options and warrants are added to the weighted average number of shares outstanding.

Options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options or warrants. Previously reported earnings per share are not retroactively adjusted to reflect changes in price of ordinary shares.

Dividends

Dividends proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the Company's shareholders at the Annual General Meeting.

See Note 15. Earnings and dividend per share

1.12 Financial assets and liabilities by categories

Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the closing date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor. They are included in non-current assets, except for maturities under 12 months after the closing date. These are classified as current assets.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of the closing date.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each closing date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Accounting for derivative financial instruments and hedging activities

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities. The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements. Such contracts are not within the scope of IAS 39. All other net-settled commodity contracts are measured at fair value with gains and losses taken to the income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (3) hedges of net investments in foreign operations. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives are divided into non-current and current based on maturity. Only for those electricity derivatives, which have cash flows in different years, the fair values are split between non-current and current assets or liabilities.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in the income statement when the forecast transaction is ultimately also recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss for the period to maturity.

Net investment hedging in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments hedging future cash flows do not qualify for hedge accounting. Fair value changes of these financial derivative instruments are recognised in items affecting comparability in the income statement.

See Note 16. Financial assets and liabilities by categories

1.13 Financial assets and liabilities by fair value hierarchy

Fair value measurements are classified using a fair value hierarchy i.e. Level 1, Level 2 and Level 3 that reflects the significance of the inputs used in making the measurements.

Fair values under Level 1 measurement hierarchy

The fair value of some commodity derivatives traded in active markets (such as publicly traded electricity options, coal and oil forwards) are market quotes at the closing date.

Fair values under Level 2 measurement hierarchy

The fair value of financial instruments including electricity derivatives traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the closing date. Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the closing date. Fair values of options are determined by using option valuation models. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. In fair valuation, credit spread has not been adjusted, as quoted market prices of the instruments used are believed to be consistent with the objective of a fair value measurement.

The Group bases the calculation on existing market conditions at each closing date. Financial instruments used in Fortum are standardised products that are either cleared via exchanges or widely traded in the market. Commodity derivatives are generally cleared through exchanges such as for example NASDAQ OMX Commodities Europe and financial derivatives done with creditworthy financial institutions with investment grade ratings.

Fair values under Level 3 measurement hierarchy

Fair valuation of electricity derivatives maturing over ten years which are not standard NASDAQ OMX Commodities Europe products are based on prices collected from reliable market participants. Other financial assets and liabilities that are not based on observable market data.

Other measurements

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

See Note 17. Financial assets and liabilities by fair value hierarchy

1.14 Intangible assets

Intangible assets, except goodwill, are stated at the historical cost less accumulated amortisation and impairment losses. They are amortised on a straight-line method over their expected useful lives.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred when bringing the software into use. Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software costs recognised as assets are amortised over their estimated useful lives (three to five years).

Trademarks and licenses

Trademarks and licences are shown at historical cost less accumulated amortisation and impairment losses, as applicable. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (15-20 years).

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value on acquisition date. The contractual customer relations have a finite useful life and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected duration of the customer relationship.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

See Note 18. Intangible assets

1.15 Property, plant and equipment

Property, plant and equipment comprise mainly power and heat producing buildings and machinery, transmission lines, tunnels, waterfall rights and district heating network. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses as applicable in the consolidated balance sheet. Historical cost includes expenditure that is directly attributable to the acquisition of an item and borrowing costs capitalised in accordance with the Group's accounting policy. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Additionally the cost of an item of property, plant and equipment includes the estimated cost of its dismantlement, removal or restoration.

See Note 31 Other provisions for information about asset retirement obligations.

Land, water areas, waterfall rights and tunnels are not depreciated since they have indefinite useful lives. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Hydro power plant buildings, structures and machinery 40-50 years
- Thermal power plant buildings, structures and machinery 25 years
- Nuclear power plant buildings, structures and machinery 25 years
- CHP power plant buildings, structures and machinery 15-25 years
- Substation buildings, structures and machinery 30-40 years
- Distribution network 15-40 years
- District heating network 30-40 years
- Other buildings and structures 20-40 years
- Other tangible assets 20-40 years
- Other machinery and equipment 3-20 years
- Other non-current investments 5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each closing date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of non-financial assets

The individual assets' carrying values are reviewed at each closing date to determine whether there is any indication of impairment. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than the estimated recoverable amount.

When considering the need for impairment the Group assesses if events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment is documented once a year in connection with the Business Plan process. Indications for impairment are analysed separately by each division as they are different for each business and include risks such as changes in electricity and fuel prices, regulatory/political changes relating to energy taxes and price regulations etc. Impairment testing needs to be performed if any of the impairment indications exists. Assets that have an indefinite useful life and goodwill, are not subject to amortisation and are tested annually for impairment.

An impairment loss is recognised in the income statement for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Value in use is determined by discounting the future cash flows expected to be derived from an asset or cash-generating unit. Cash flow projections are based on the most recent Business Plan that has been approved by management and the Board of Directors. Cash flows arising from future investments such as new plants are excluded unless projects have been started. The cash outflow needed to complete the started projects is included.

The period covered by cash flows is related to the useful lives of the assets reviewed for impairment. According to IFRS, projections used should cover a maximum period of five years, but longer period can be justifiable in certain circumstances. The Group uses a longer projection period than normally allowed by IFRS, which reflects the long useful lives of power plants and other major assets. Cash flow projections beyond the period covered by the most recent business plan are estimated by extrapolating the projections using growth rates estimated by management for subsequent years.

Non-financial assets other than goodwill that suffered an impairment charge are reviewed for possible reversal of the impairment at each reporting date.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset and are recognised as income by reducing the depreciation charge of the asset they relate to.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Joint operations

Fortum owns, through its subsidiary Fortum Power and Heat Oy, the coal condensing power plant Meri-Pori in Finland. Teollisuuden Voima Oyj (TVO) has the contractual right to participate in the plant with 45.45%. The capacity and production is divided between Fortum and TVO. Each owner can decide when and how much capacity to use for production. Both Fortum and TVO purchase fuel and emission rights independently. Since Fortum and TVO are sharing control of the power plant, Meri-Pori is accounted for as a joint operation. Fortum is accounting for its part of the investment, i.e. 54.55%. Fortum is also entitled to part of the electricity TVO produces in Meri-Pori through its shareholding of 26.58% of TVO C-series shares.

For further information regarding Fortum’s shareholding in TVO, see Note 20 Participations in associated companies and joint ventures.

See Note 19. Property, plant and equipment

1.16 Participations in associated companies and joint ventures

The Group’s interests in associated companies and jointly controlled entities are accounted for using the equity method of accounting. Assets acquired and liabilities assumed in the investment in associates or joint ventures are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the associate or joint venture acquired, the difference is recognised directly in the income statement.

The Group’s share of its associates or joint ventures post-acquisition profits or losses after tax and the expenses related to the adjustments to the fair values of the assets and liabilities assumed are recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group's share of post-acquisition adjustments to associates or joint ventures equity that has not been recognised in the associates or joint ventures income statement, is recognised directly in Group's shareholder's equity and against the carrying amount of the investment.

When the Group’s share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

If more recent information is not available, the share of the profit of certain associated or joint venture companies is included in the consolidated accounts based on the latest available information.

See Note 20. Participations in associated companies and joint ventures

1.17 Inventories

Inventories mainly consist of fuels consumed in the production process or in the rendering of services. Inventories are stated at the lower of cost and net realisable value being the estimated selling price for the end product, less applicable variable selling expenses and other production costs. Cost is determined using the first-in, first-out (FIFO) method.

Inventories which are acquired primarily for the purpose of trading are stated at fair value less selling expenses.

See Note 23. Inventories

1.18 Trade and other receivables

Trade receivables are recorded at their fair value. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivable is impaired. The amount of the impairment charge is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Trade receivables include revenue based on an estimate of electricity, heat, cooling and distribution of electricity already delivered but not yet measured and not yet invoiced.

See Note 24. Trade and other receivables

1.19 Liquid funds

Cash and cash equivalents in Liquid funds include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

See Note 25. Liquid funds

1.20 Share capital

Where any group company purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received is included in equity.

See Note 26. Share capital

1.21 Interest-bearing liabilities

Borrowings are recognised initially at fair value less transaction costs incurred. In subsequent periods, they are stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised as interest cost over the period of the borrowing using the effective interest method. Borrowings or portion of borrowings being hedged with a fair value hedge are recognised at fair value.

See Note 28. Interest-bearing liabilities

1.22 Deferred income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the closing date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are set off against deferred tax liabilities if they relate to income taxes levied by the same taxation authority.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

See Note 29. Deferred income taxes

1.23 Nuclear related assets and liabilities

Fortum owns Loviisa nuclear power plant in Finland. Fortum's nuclear related provisions and the related part of the State Nuclear Waste Management Fund are both presented separately in the balance sheet. Fortum's share in the State Nuclear Waste Management Fund is accounted for according to IFRIC 5, Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds which states that the fund assets are measured at the lower of fair value or the value of the related liabilities since Fortum does not have control or joint control over the State Nuclear Waste Management Fund. The Nuclear Waste Management Fund is managed by governmental authorities. The related provisions are the provision for decommissioning and the provision for disposal of spent fuel.

The fair values of the provisions are calculated according to IAS 37 by discounting the separate future cash flows, which are based on estimated future costs and actions already taken. The initial net present value of the provision for decommissioning (at the time of commissioning the nuclear power plant) has been included in the investment cost and is depreciated over the estimated operating time of the nuclear power plant. Changes in the technical plans etc., which have an impact on the future cash flow of the estimated costs for decommissioning, are accounted for by discounting the additional costs to the current point in time. The increased asset retirement cost due to the increased provision is added to property, plant and equipment and depreciated over the remaining estimated operating time of the nuclear power plant.

The provision for spent fuel covers the future disposal costs for fuel used until the end of the accounting period. Costs for disposal of spent fuel are expensed during the operating time based on fuel usage. The impact of the possible changes in the estimated future cash flow for related costs is recognised immediately in the income statement based on the accumulated amount of fuel used until the end of the accounting period. The related interest costs due to unwinding of the provision, for the period during which the spent fuel provision has been accumulated and present point in time, are also recognised immediately in the income statement.

The timing factor is taken into account by recognising the interest expense related to discounting the nuclear provisions. The interest on the State Nuclear Waste Management Fund assets is presented as financial income.

Fortum's actual share of the State Nuclear Waste Management Fund, related to Loviisa nuclear power plant, is higher than the carrying value of the Fund in the balance sheet. The legal nuclear liability should, according to the Finnish Nuclear Energy Act, be fully covered by payments and guarantees to the State Nuclear Waste Management Fund. The legal liability is not discounted while the provisions are, and since the future cash flow is spread over 100 years, the difference between the legal liability and the provisions are material.

The annual fee to the Fund is based on changes in the legal liability, the interest income generated in the State Nuclear Waste Management Fund and incurred costs of taken actions.

Fortum also has minority shareholdings in the associated nuclear power production companies Teollisuuden Voima Oyj (TVO) in Finland and directly and indirectly in OKG AB and Forsmarks Kraftgrupp AB in Sweden. The Group’s interests in associated companies are accounted for by the equity method. Accounting policies of the associates regarding nuclear assets and liabilities have been changed where necessary to ensure consistency with the policies adopted by the Group.

See Note 30. Nuclear related assets and liabilities

1.24 Other provisions

Provisions for environmental restorations, asset retirement obligations, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events to a third party, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Environmental provisions

Environmental provisions are recognised, based on current interpretation of environmental laws and regulations, when it is probable that a present obligation has arisen and the amount of such liability can be reliably estimated. Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do contribute to current or future revenues, are expensed as incurred.

Asset retirement obligations

Asset retirement obligation is recognised either when there is a contractual obligation towards a third party or a legal obligation and the obligation amount can be estimated reliably. Obligating event is e.g. when a plant is built on a leased land with an obligation to dismantle and remove the asset in the future or when a legal obligation towards Fortum changes. The asset retirement obligation is recognised as part of the cost of an item of property and plant when the asset is put in service or when contamination occurs. The costs will be depreciated over the remainder of the asset's useful life.

Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Restructuring provisions comprise mainly of employee termination payments and lease termination costs.

See Note 31. Other provisions

1.25 Pension obligations

The Group companies have various pension schemes in accordance with the local conditions and practises in the countries in which they operate. The schemes are generally funded through payments to insurance companies or Group's pension fund as determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement as to spread the service cost over the service lives of employees. The net interest is presented in financial items and the rest of the income statement effect as pension cost.

The defined benefit obligation is calculated annually on the balance sheet date and is measured as the present value of the estimated future cash flows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, market yields on government bonds are used instead. The plan assets for pensions are valued at market value. The liability recognised in the balance sheet is the defined benefit obligation at the closing date less the fair value of plan assets. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss related to a curtailment is recognised immediately in profit or loss. Gains or losses on settlements of defined benefits plans are recognised when the settlement occurs.

See Note 32. Pension obligations

1.26 Leasing

Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments determined at the inception of the lease. Each lease payment is allocated between the reduction of the outstanding liability and the finance charges. The corresponding rental obligations, net of finance charges, are included in the long-term or short-term interest-bearing liabilities according to their maturities. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases of property, plant and equipment, where the Group does not have substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement as costs on a straight-line basis over the lease term.

Payments received under operating leases where the Group leases out fixed assets are recognised as other income in the income statement.

See Note 36. Leasing

1.27 Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is only confirmed by one or more doubtful future events or when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required or the amount of the obligation cannot be reliably estimated.

See Note 38. Contingent liabilities

2 Critical accounting estimates and judgements

The preparation of IFRS consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities existing at the balance sheet date as well as the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results and timing may differ from these estimates.

The table below is listing the areas where management's accounting estimates and judgements are most critical to reported results and financial position. The table is also showing where to find more information about those estimates.

Critical accounting estimates	Note
Assigned values and useful lifes determined for intangible assets and property, plant and equipment acquired in a business combination	18. Intangible assets
Assumptions related to impairment testing of property, plant and equipment and intangible assets	19. Property, plant and equipment
Judgement used when assessing the nature of Fortum's interest in its investees and when considering the classification of Fortum's joint arrangements	20. Participations in associated companies and joint ventures
Assumptions and estimates regarding future tax consequences	29. Deferred income taxes 39. Legal actions and official proceedings
Assumptions made to determine long-term cash flow forecasts of estimated costs for provision related to nuclear production	30. Nuclear related assets and liabilities
Assumptions used to determine future pension obligations	32. Pension obligations

2 Critical accounting estimates

2.1 Intangible assets

In an acquisition acquired intangible and tangible assets are fair valued and their remaining useful lives are determined. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable. Different assumptions and assigned lives could have a significant impact on the reported amounts.

The Group has significant carrying values in property, plant and equipment as well as goodwill which are tested for impairment according to the accounting policies.

See Note 18 Intangible assets and Note 19 Property, plant and equipment.

2.2 Property, plant and equipment

The Group has significant carrying values in property, plant and equipment as well as goodwill which are tested for impairment according to the accounting policy described in the notes. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations are based on estimated future cash flows from most recent approved business plan. Preparation of these estimates requires management to make assumptions relating to future expectations. Assumptions vary depending on the business the tested assets are in. For power and heat generation business the main assumptions relate to the estimated future operating cash flows and the discount rates used to present value them. The distribution business is regulated and supervised by national authorities. Estimated future cash flows include assumptions relating to the development of the future regulatory framework.

Estimates are also made in an acquisition when determining the fair values and remaining useful lives of acquired intangible and tangible assets.

See Note 18 Intangible assets and Note 19 Property, plant and equipment.

2.3 Participations in associated companies and joint ventures

Management is required to make significant judgements when assessing the nature of Fortum's interest in its investees and when considering the classification of Fortum's joint arrangements. In the classification, emphasis has been put on decision-making, legal structure and financing of the arrangements.

See Note 20 Participation in associated companies and joint ventures.

2.4 Deferred income taxes

Assumptions and estimates regarding future tax consequences

Fortum has deferred tax assets and liabilities which are expected to be realised through the income statement over the extended periods of time in the future. In calculating the deferred tax items, Fortum is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Assumptions made include the expectation that future operating performance for subsidiaries will be consistent with historical levels of operating results, recoverability periods for tax loss carry-forwards will not change, and that existing tax laws and rates will remain unchanged into foreseeable future. Fortum believes that it has prudent assumptions in developing its deferred tax balances.

The Group recognises liabilities for anticipated tax dispute issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

If the actual final outcome (regarding tax disputes) would differ negatively from management's estimates with 10%, the Group would need to increase the income tax liability by EUR 39 million as of 31December 2014.

See Note 29 Deferred income taxes.

2.5 Nuclear related assets and liabilities

Assumptions made when estimating provisions related to nuclear production

The provision for future obligations for nuclear waste management including decommissioning of Fortum's nuclear power plant and related spent fuel is based on long-term cash flow forecasts of estimated future costs. The main assumptions are technical plans, timing, cost estimates and discount rate. The technical plans, timing and cost estimates are approved by governmental authorities.

Any changes in the assumed discount rate would affect the provision. If the discount rate used would be lowered, the provision would increase. Fortum has contributed cash to the State Nuclear Waste Management Fund based on a non-discounted legal liability, which leads to that the increase in provision would be offset by an increase in the recorded share of Fortum's part of the State Nuclear Waste Management Fund in the balance sheet. The total effect on the income statement would be positive since the decommissioning part of the provision is treated as an asset retirement obligation. This situation will prevail as long as the legal obligation to contribute cash to the State Nuclear Waste Management Fund is based on a non-discounted liability and IFRS is limiting the carrying value of the assets to the amount of the provision since Fortum does not have control or joint control over the fund.

Based on the Nuclear Energy Act in Finland, Fortum has a legal obligation to fully fund the legal liability decided by the governmental authorities, for decommissioning of the power plant and disposal of spent fuel through the State Nuclear Waste Management Fund.

See Note 30 Nuclear related assets and liabilities.

2.6 Pension obligations

Assumptions used to determine future pension obligations

The present value of the pension obligations is based on actuarial calculations that use several assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

See Note 32 Pension obligations.

3 Financial risk management

Risk management objectives, principles and framework including governance, organisation and processes as well as description of risks i.e. strategic, financial and operational risks are described in the Operating and financial review (OFR).

See also Risk management.

3.1 Commodity market risks

Commodity market risk refers to the potential negative effects of market price movements or volume changes in electricity, fuels and environmental values. A number of different methods, such as Profit-at-Risk and Value-at-Risk, are used throughout Fortum to quantify these risks taking into account their interdependencies. Stress-testing is carried out in order to assess the effects of extreme price movements on Fortum’s earnings.

Commodity market risk management aims to limit downside and capture potential upside by optimising hedging activities. Risk taking is limited through the use of risk mandates approved according to authority levels defined by the CEO. These risk mandates including volumetric limits, Profit-at-Risk limits and Stop-Loss limits.

3.2 Electricity price and volume risk

Strategies for hedging the electricity price are developed and executed within the framework and risk mandates approved by the CEO. In the Nordic markets, the hedging strategies are executed by entering into commodity derivatives contracts such as forward or futures, mainly on Nasdaq OMX Commodities Europe. The majority of electricity price risk in Russia is hedged with physical fixed priced delivery contracts. Hedging strategies for Russia are developed in line with the development of the financial electricity market. Risk in the hedging strategies and their execution are continuously evaluated in accordance with models approved by the Chief Risk Officer.

Fortum's sensitivity to electricity market price is dependent on the hedge level for a given time period. As per 31 December 2014, approximately 50% of the Power Segment's estimated Nordic power sales volume was hedged for the calendar year 2015 and approximately 10% for the calendar year 2016. Assuming no changes in generation volumes, hedge ratios or cost structure a 1 EUR/MWh change in the market price of electricity would affect Fortum's 2015 comparable operating profit by approximately EUR 23 million and for 2016 by approximately EUR 41 million. The volume used in this sensitivity analysis is 45 TWh which includes the electricity generation sold to the spot market in Sweden and Finland in the Power Segment without minority owner's shares of electricity or other pass-through sales, and excluding the volume of Fortum's coal-condensing generation. This volume is heavily dependent on price level, the hydrological situation, the length of annual maintenance periods and availability of power plants. Sensitivity is calculated only for electricity market price movements. Hydrological conditions, temperature, CO_2 allowance prices, fuel prices and the import/export situation all affect the electricity price on short-term basis and effects of individual factors cannot be separated.

3.2.1 Sensitivity arising from financial instruments according to IFRS 7

Sensitivity analysis shows the sensitivity arising from financial electricity derivatives as defined in IFRS 7. These derivatives are used for hedging purposes within Fortum. Sensitivities are calculated based on 31 December 2014 (31 December 2013) position. Positions are actively managed in the day-to-day business operations and therefore the sensitivities vary from time to time. Sensitivity analysis includes only the market risks arising from derivatives i.e. the underlying physical electricity sales and purchase are not included. Sensitivity is calculated with the assumption that electricity forward quotations in NASDAQ OMX Commodities Europe and in EEX would change 1 EUR/MWh for the period Fortum has derivatives.

Sensitivity according to IFRS 7

+/- 1 EUR/MWh change in electricity forward quotations, EUR million	Effect	2014	2013
Effect on Profit before income tax	-/+	7	7
Effect on Equity	-/+	13	22

3.2.2 Electricity derivatives

The tables below disclose the Group's electricity derivatives used mainly for hedging electricity price risk. The fair values represent the values disclosed in the balance sheet.

See also Note 16 Financial assets and liabilities by categories for accounting principles and basis for fair value estimations and Note 7 Fair value changes of derivatives and underlying items in income statement.

Electricity derivatives by instrument 2014

	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Electricity derivatives	75	33	1	109	304	219	85
Total	**75**	**33**	**1**	**109**	**304**	**219**	**85**
Netting against electricity exchanges [1)]					**-139**	**-139**	**0**
Total					**164**	**80**	**85**

Electricity derivatives by instrument 2013

	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Electricity derivatives	79	36	0	115	502	292	209
Total	**79**	**36**	**0**	**115**	**502**	**292**	**209**
Netting against electricity exchanges [1)]					**-227**	**-227**	**0**
Total					**277**	**68**	**209**

1) Receivables and liabilities against electricity exchanges arising from standard derivative contracts with same delivery period are netted.

Maturity analysis of commodity derivatives

Amounts in the table are fair values.

	2014				2013			
EUR million	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Electricity derivatives assets	114	49	1	164	192	83	2	277
Electricity derivatives liabilities	28	51	1	80	31	35	2	68
Other commodity derivatives, assets	12	3		15	29	3	0	32
Other commodity derivatives, liabilities	4	3		7	11	2	0	13

3.3 Fuel price and volume risks

Exposure to fuel prices is to some extent limited because of Fortum's flexible generation possibilities, which allow for switching between different fuels according to prevailing market conditions, and in some cases, the fuel price risk can be transferred to the customer. The remaining exposure to fuel price risk is mitigated through fixed price purchases that cover forecasted consumption levels. Fixed price purchases can be either for physical deliveries or in the form of financial hedges, such as oil and coal derivatives.

3.4 Emission allowance price and volume risk

Part of Fortum's power and heat generation is subject to requirements of emission trading schemes. Fortum manages its exposure to these prices and volumes through the use of CO_2 forwards and by ensuring that the costs of allowances are taken into account during production planning. Most of these CO_2 forwards are own use contracts valued at cost and some are treated as derivatives in the accounts.

3.5 Liquidity and refinancing risk

Fortum's business is capital intensive and the Group has a regular need to raise financing. Fortum has a diversified loan portfolio mainly consisting of long-term financing denominated in EUR and SEK. Long-term financing is primarily raised by issuing bonds under Fortum's Euro Medium Term Note programme as well as through bilateral and syndicated loan facilities from a variety of different financial institutions. Seasonal variations in working capital are generally financed by issuing short-term commercial papers under the Group's Swedish (SEK) and Finnish (EUR) Commercial Paper programmes.

Financing is primarily raised on parent company level and distributed internally through various internal financing arrangements. For example Fortum's Russian operations are mainly financed via intra group internal long term RUB denominated loans. The internal RUB loan receivables are hedged via external forward contracts offsetting the currency exposure for the internal lender. On 31 December 2014, 96% (2013: 95%) of the Group's total external financing was raised by the parent company Fortum Oyj.

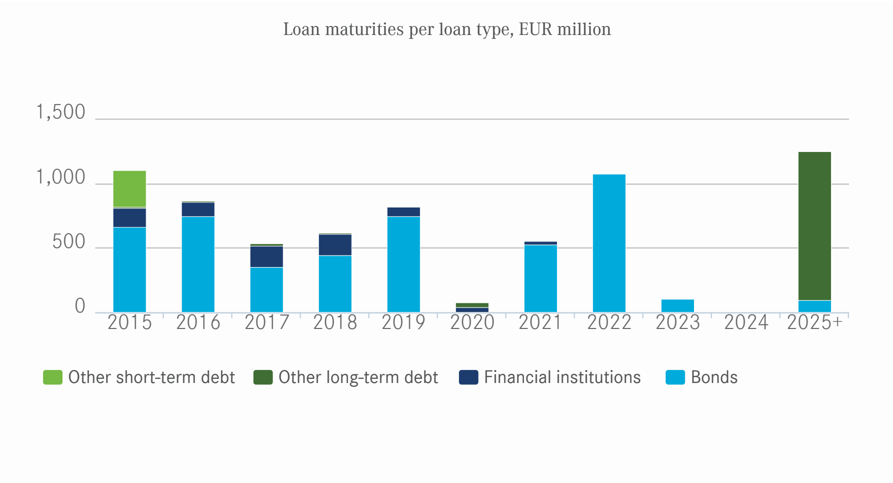
On 31 December 2014, the total interest-bearing debt was EUR 6,983 million (2013: 9,058) and the interest-bearing net debt was EUR 4,217 million (2013: 7,793). Net debt without Värme financing was EUR 3,664 million (2013: 6,658).

Fortum manages liquidity and refinancing risks through a combination of cash positions and committed credit facility agreements with its core banks. The Group shall at all times have access to cash, marketable securities and unused committed credit facilities including overdrafts, to cover all loans maturing within the next twelve-month period. However, cash/marketable securities and unused committed credit facilities shall always amount to at least EUR 500 million.

On 31 December 2014, loan maturities for the coming twelve-month period amounted to EUR 1,103 million (2013: 2,106). Liquid funds amounted to EUR 2,766 million (2013: 1,265) and the total amount of committed credit facilities amounted to EUR 2,214 million (2013: 2,218) of which EUR 2,214 million (2013: 2,218) was undrawn.

Maturity of interest-bearing liabilities

EUR million	2014
2015	1,103
2016	860
2017	530
2018	614
2019	820
2020 and later	3,056
Total	**6,983**



Liquid funds, major credit lines and debt programmes 2014

EUR million	Total facility	Drawn amount	Available amount
Liquid funds			
Cash and cash equivalents			2,009
Bank deposits over 3 months			757
Total			**2,766**
of which in Russia (OAO Fortum)			134
Committed credit lines			
EUR 2,000 million syndicated credit facility	2,000	-	2,000
Bilateral overdraft facilities	214	-	214
Total	**2,214**	**-**	**2,214**
Debt programmes (uncommitted)			
Fortum Corporation, CP programme EUR 500 million	500	-	500
Fortum Corporation, CP programme SEK 5,000 million	532	-	532
Fortum Corporation, EMTN programme EUR 8,000 million	8,000	4,748	3,252
Total	**9,032**	**4,748**	**4,284**

Liquid funds, major credit lines and debt programmes 2013

EUR million	Total facility	Drawn amount	Available amount
Liquid funds			
Cash and cash equivalents [1)]			1,265
Bank deposits over 3 months			-
Total			**1,265**
of which in Russia (OAO Fortum)			113
Committed credit lines			
EUR 2,500 million syndicated credit facility	2,000	-	2,000
Bilateral overdraft facilities	218	-	218
Total	**2,218**	**-**	**2,218**
Debt programmes (uncommitted)			
Fortum Corporation, CP programme EUR 500 million	500	381	119
Fortum Corporation, CP programme SEK 5,000 million	564	337	227
Fortum Corporation, EMTN programme EUR 8,000 million	8,000	5,839	2,161
Total	**9,064**	**6,557**	**2,507**

1) Including cash balances of EUR 0 million (2013: 15) classified as assets held for sale in the balance sheet.

Liquid funds amounted to EUR 2,766 million (2013: 1,265), including OAO Fortum's bank deposits amounting to EUR 131 million (2013: 101) earmarked for capacity increase investments in Russia. Of these deposits at year-end 2014 EUR 30 million (2013: 58) were in euros and EUR million 101 (2013: 43) in Russian roubles.

See also Note 25 Liquid funds.

Maturity analysis of interest-bearing liabilities and derivatives

Amounts disclosed below are non-discounted expected cash flows (future interest payments and amortisations) of interest-bearing liabilities and interest rate and currency derivatives.

	2014				2013			
EUR million	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Interest-bearing liabilities	1,295	3,370	3,265	7,930	2,374	3,896	4,249	10,519
Interest rate and currency derivatives liabilities	5,955	1,650	100	7,705	7,286	2,098	294	9,678
Interest rate and currency derivatives receivables	-6,228	-1,890	-134	-8,252	-7,311	-2,179	-271	-9,761
Total	**1,022**	**3,130**	**3,231**	**7,383**	**2,349**	**3,815**	**4,272**	**10,436**

Interest-bearing liabilities include loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj of EUR 1,040 million (2013: 995). These loans are renewed yearly and the related interest payments are calculated for ten years in the table above.

For further information regarding loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj, see Note 30 Nuclear related assets and liabilities.

3.6 Interest rate risk and currency risk

3.6.1 Interest rate risk

The Treasury risk policy stipulated in 2014 that the average duration of the debt portfolio shall always be kept within a range of 24 and 48 months and that the flow risk i.e. changes in interest rates shall not affect the net interest payments of the Group by more than EUR 50 million for the next rolling 12-month period. Within these mandates, strategies are evaluated and developed in order to find an optimal balance between risk and financing cost.

On 31 December 2014, the average duration of the debt portfolio (including derivatives) was 3.7 years (2013: 2.4). Approximately 46% (2013: 51%) of the debt portfolio was on a floating rate basis or fixed rate loans maturing within the next 12 month period. The effect of one percentage point change in interest rates on the present value of the debt portfolio was EUR 151 million on 31 December 2014 (2013: 179). The flow risk, measured as the difference between the base case net interest cost estimate and the worst case scenario estimate for Fortum's debt portfolio for the coming 12 months, was EUR 18 million (2013: 14).

The average interest rate on loans and derivatives on 31 December 2014 was 3.7% (2013: 3.6%). Average cumulative interest rate on loans and derivatives for 2014 was 4.0% (2013: 4.1%).

3.6.2 Currency risk

Fortum's policy is to hedge major transaction exposures to avoid exchange differences in the profit and loss statement. These exposures are mainly hedged with forward contracts.

Translation exposures in the Fortum Group are generally not hedged as the majority of these assets are considered to be long-term strategic holdings. In Fortum this means largely entities operating in Sweden, Russia, Norway and Poland, whose base currency is not euro.

The currency risk relating to transaction exposures is measured using Value-at-Risk (VaR) for a one-day period at 95% confidence level. Translation exposures relating to net investments in foreign entities are measured using a five day period at 95% confidence level. The limit for transaction exposure is VaR EUR 5 million. On 31 December 2014 the open transaction and translation exposures were EUR 0 million (2013: 1) and EUR 4,310 million (2013: 4,837) respectively. The VaR for the transaction exposure was EUR 0 million (2013: 0) and VaR for the translation exposure was EUR 246 million (2013: 55).

Group Treasury's transaction exposure

EUR million	2014			2013		
	Net position	Hedge	Open	Net position	Hedge	Open
SEK	4,821	-4,821	0	5,595	-5,595	0
USD	-12	12	0	-11	11	0
NOK	-75	75	0	39	-39	0
RUB	483	-483	0	523	-523	0
PLN	88	-88	0	110	-110	0
Other	-10	10	0	59	-58	1
Total	**5,295**	**-5,295**	**0**	**6,315**	**-6,314**	**1**

In addition OAO Fortum is hedging its euro investments with euro deposits EUR 30 million (2013: 58), which qualifies as a cash flow hedge in Fortum group accounts.

Transaction exposure is defined as already contracted or forecasted foreign exchange dependent items and cash flows. Transaction exposure is divided into balance sheet exposure and cash flow exposure. Balance sheet exposure reflects currency denominated assets and liabilities for example loans, deposits and accounts receivable/payable in currencies other than the company's base currency. Cash flow exposure reflects future forecasted or contracted currency flows in foreign currency deriving from business activities such as sales, purchases or investments. Net conversion differences from transaction exposure are entered under financial income or expense when related to financial items or when related to accounts receivable/payable entered under items included in operating profit. Conversion differences related to qualifying cash flow hedges are deferred to equity.

Fortum's policy is to hedge balance sheet exposures in order to avoid exchange rate differences in the income statement. The Group's balance sheet exposure mainly relates to financing of Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. For derivatives hedging this balance exposure Fortum does not apply hedge accounting, because they have a natural hedge in the income statement.

Contracted cash flow exposures shall be hedged to reduce volatility in future cash flows. These hedges normally consist of currency derivative contracts, which are matched against the underlying future cash flow according to maturity. Fortum has currency cash flow hedges both with and without hedge accounting treatment under IFRS. Those currency cash flow hedges, which do not qualify for hedge accounting are mainly hedging electricity derivatives. Unrealised hedges create volatility in the operating profit.

Group Treasury's translation exposure

EUR million	2014			2013		
	Invest-ment	Hedge	Open	Invest-ment	Hedge	Open
RUB	2,109	-198	1,911	3,187	-317	2,870
SEK	1,964	-364	1,600	1,303	-	1,303
NOK	580	-	580	440	-	440
PLN	152	-	152	138	-	138
Other	67	-	67	86	-	86
Total	**4,872**	**-562**	**4,310**	**5,154**	**-317**	**4,837**

Translation exposure position includes net investments in foreign subsidiaries and associated companies. On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. The net effect of exchange differences on equity attributable to equity holders mainly from RUB was EUR - 1,320 million in 2014 (2013: -471). Part of this translation exposure has been hedged and the hedge result amounted to EUR 149 million in 2014 (2013: 28).

Interest rate and currency derivatives by instrument 2014

EUR million	Notional amount Remaining lifetimes Under 1 year	1-5 years	Over 5 years	Total	Fair value Positive	Negative	Net
Forward foreign exchange contracts	5,167	163	-	5,330	270	31	239
Interest rate swaps	508	3,282	1,931	5,721	360	206	154
Interest rate and currency swaps	362	1,111	-	1,473	233	0	233
Forward rate agreements	-	-	-	0	0	0	0
Total	**6,037**	**4,556**	**1,931**	**12,524**	**863**	**237**	**626**
Of which long-term					541	193	348
Short-term					322	44	278

Interest rate and currency derivatives by instrument 2013

EUR million	Notional amount Remaining lifetimes Under 1 year	1-5 years	Over 5 years	Total	Fair value Positive	Negative	Net
Forward foreign exchange contracts	7,092	420	-	7,513	76	49	27
Interest rate swaps	944	2,215	3,499	6,658	252	147	105
Interest rate and currency swaps	-	928	-	928	36	0	36
Forward rate agreements	56	-	-	56	0	0	0
Total	**8,092**	**3,563**	**3,499**	**15,155**	**365**	**196**	**170**
Of which long-term					280	143	137
Short-term					85	53	32

3.7 Credit risk

Fortum is exposed to credit risk whenever there is a contractual obligation with an external counterparty. Fortum has procedures in place to ensure that credit risks are kept at an acceptable level. All larger exposures are monitored centrally against limits which are approved according to authority levels defined in the Group Credit Instructions. Counterparty creditworthiness is continuously monitored and reported. Collaterals are used if dealing with counterparties without approved limits or when exposures arising from engagements are considered too high in relation to the counterparty creditworthiness. Parent company guarantees are requested when dealing with subsidiaries not considered creditworthy on a stand-alone basis.

Credit risk exposures relating to derivative instruments are often volatile due to rapidly changing market prices and are therefore monitored closely. Currency and interest rate derivative counterparties are limited to investment grade banks and financial institutions. ISDA Master agreements, which include netting clauses and in some cases collateral support agreements, are in place with most of these counterparties. The majority of the Group's commodity derivatives are cleared through an exchange such as NASDAQ OMX Commodities Europe. Some derivative transactions are also executed on the OTC market. These OTC counterparties are limited to those considered of high creditworthiness. Master agreements, such as ISDA, FEMA and EFET, which include netting clauses, are in place with the majority of the counterparties.

Fortum, like any capital intensive business, is exposed to credit risks in the financial sector. Credit risk relating to banks is monitored closely as the creditworthiness of financial institutions can deteriorate quickly. Where possible, exposures have been concentrated to key relationship banks considered to be of high credit quality and importance to the financial stability of their respective countries. In Russia, bank guarantees are used to cover exposures to suppliers related to the investment programme of OAO Fortum. In case a contractor defaults or does not fulfil its obligations, there are guarantees covering prepayments as well as performance guarantees in place. Issuers of these guarantees are banks with a strong local presence and understanding of the contractor. The creditworthiness of these banks as well as exposures arising from issued guarantees is monitored closely.

Credit risk relating to customers is well diversified over a large number of private individuals and businesses across several geographic regions and industry sectors. Russia, Finland and Sweden account for most of the exposure, of which exposure to Russia represents the highest risk of non-payment.

3.7.1 Credit quality of major financial assets

Amounts disclosed below are presented by counterparties for interest-bearing receivables including finance lease receivables, bank deposits and derivative financial instruments recognised as assets.

EUR million	2014		2013	
	Carrying amount	of which past due	Carrying amount	of which past due
Investment grade receivables	3,505	-	1,555	-
Electricity exchanges	75	-	185	-
Associated companies and joint ventures	2,061	-	2,601	-
Other	145	-	99	-
Total	**5,786**	**-**	**4,440**	**-**

Investment grade receivables consist of deposits and Treasury bank accounts EUR 2,636 million (2013: 1,163), fair values of interest rate and currency derivatives EUR 859 million (2013: 362) and fair values of electricity, coal, oil and CO_2 emission allowance derivatives EUR 10 million (2013: 30). Electricity exchange receivable is the fair value of derivatives on NASDAQ OMX Commodities Europe. Associated company and joint venture receivables consist of loan receivables EUR 2,041 million (2013: 2,587), fair values of interest rate and currency derivatives EUR 4 million (2013: 3) and fair values of electricity, coal, oil and CO2 emission allowance derivatives EUR 16 million (2013: 11). Other receivables consist of Russian deposits with non-investment grade banks EUR 63 million (2013: 0), loan and other interest bearing receivables EUR 4 million (2013: 14), finance lease receivables EUR 0 million (2013: 2) and fair values of electricity, coal, oil, and CO_2 emission allowance derivatives EUR 78 million (2013: 83).

The following tables indicate how bank deposits and fair values of derivatives are distributed by rating class.

Deposits and Treasury Bank Accounts

EUR million	2014	2013
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings		
AAA	-	-
AA+/AA/AA-	632	410
A+/A/A-	1,923	658
BBB+/BBB/BBB-	81	95
Total investment grade ratings	**2,636**	**1,163**
BB+/BB/BB-	63	-
B+/B/B-	-	-
Below B-	-	-
Non-investment grade ratings	**63**	**-**
Counterparties without external credit rating from Standard & Poor's and/or Moody's	-	-
Total	**2,699**	**1,163**

In addition, cash in other bank accounts totalled EUR 67 million on 31 December 2014 (2013: 102).

Interest rate and currency derivatives

EUR million	2014 Receivables	2014 Netted amount	2013 Receivables	2013 Netted amount
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings				
AAA	-	-	-	-
AA+/AA/AA-	147	88	36	0
A+/A/A-	712	560	308	220
BBB+/BBB/BBB-	-	-	18	-
Total investment grade ratings	**859**	**648**	**362**	**220**
Total associated companies and joint ventures	**4**	**4**	**3**	**3**
Counterparties without external credit rating from Standard & Poor's and/or Moody's	-	-	-	-
Total	**863**	**652**	**365**	**223**

Electricity, coal and oil derivatives and CO_2 emission allowances treated as derivatives

EUR million	2014 Receivables	2014 Netted amount	2013 Receivables	2013 Netted amount
Counterparties with external credit rating from Standard & Poor's and/or Moody's Investment grade ratings				
AAA	-	-	-	-
AA+/AA/AA-	0	0	0	0
A+/A/A-	10	6	30	21
BBB+/BBB/BBB-	0	0	0	0
Total investment grade ratings	**10**	**6**	**30**	**21**
Non-investment grade ratings				
BB+/BB/BB-	6	6	8	7
B+/B/B-	-	-	-	-
Below B-	-	-	-	-
Total non-investment grade ratings	**6**	**6**	**8**	**7**
Total associated companies and joint ventures	16	5	11	2
Counterparties without external credit rating from Standard & Poor's or Moody's				
Government or municipality	0	0	1	1
Fortum Rating 5 - Lowest risk	15	15	1	1
Fortum Rating 4 - Low risk	37	34	23	23
Fortum Rating 3 - Normal risk	18	17	47	46
Fortum Rating 2 - High risk	1	1	-	-
Fortum Rating 1 - Highest risk	0	0	2	1
No rating	1	1	1	1
Total non-rated counterparties	**72**	**68**	**75**	**73**
Total	**104**	**85**	**124**	**103**

For derivatives, the receivable is the sum of the positive fair values, i.e the gross amount. Netted amount includes negative fair values where a valid netting agreement is in place with the counterparty. When the netted amount is less than zero, it is not included. In cases where a parent company guarantee is in place, the exposure is shown on the issuer of the guarantee.

All counterparties for currency and interest rate derivatives and the majority of counterparties for bank deposits have an external rating from Standard & Poor's and Moody's credit agencies. The above rating scale is for Standard & Poor's rating categories. For those counterparties only rated by Moody's, the rating has been translated to the equivalent Standard and Poor's rating category. For counterparties rated by both Standard & Poor's and Moody's, a conservative approach is taken by choosing the lower of the two ratings.

In the electricity, coal and oil derivatives market, there are a number of counterparties not rated by Standard & Poor's or Moody's. For these counterparties, Fortum assigns an internal rating. The internal rating is based on external credit ratings from other credit agencies. The rating from Soliditet is used for Finnish, Norwegian and Swedish counterparties and for other counterparties the rating from Dun & Bradstreet is used. Governments and municipal companies are typically not rated, and are shown separately. This rating category does not include companies owned by governments or municipalities. Counterparties that have not been assigned a rating by the above listed credit agencies are in the "No rating" category.

4 Capital risk management

Fortum wants to have a prudent and efficient capital structure which at the same time allows the implementation of its strategy. Maintaining a strong balance sheet and the flexibility of the capital structure is a priority. The Group monitors the capital structure based on Comparable net debt to EBITDA ratio. Net debt is calculated as interest-bearing liabilities less cash and cash equivalents. EBITDA is calculated by adding back depreciation, amortisation and impairment charges to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability and net release of CSA provision from EBITDA. Fortum's net debt to EBITDA target is around 3.

Dividend policy ensures that shareholders receive a fair remuneration for their entrusted capital, supported by the company’s long-term strategy that aims at increasing earnings per share and thereby the dividend. When proposing the dividend, the Board of Directors looks at a range of factors, including the macro environment, balance sheet strength as well as future investment plans. Fortum Corporation’s target is to pay a stable, sustainable and over time increasing dividend, in the range of 50-80% of earnings per share, excluding one-off items.

Fortum Corporation's long-term credit rating with both S&P and Fitch remained unchanged during year 2014 and is A- (negative outlook).

Net debt/EBITDA ratios

EUR million	Note	2014	2013
Interest-bearing liabilities [1)]	28	6,983	9,058
Less: Liquid funds [1)]	25	2,766	1,265
Net debt		**4,217**	**7,793**
Net debt without Värme financing		**3,664**	**6,658**
Operating profit		3,428	1,508
Add: Depreciation, amortisation and impairment charges		526	621
EBITDA		**3,954**	**2,129**
Less: Items affecting comparability		2,077	106
Less: Net release of CSA provision		4	48
Comparable EBITDA		**1,873**	**1,975**
Net debt/EBITDA		**1.1**	**3.7**
Comparable net debt/EBITDA		**2.3**	**3.9**
Comparable net debt/EBITDA without Värme financing		**2.0**	**3.4**

1) Including interest-bearing debt of EUR 0 million (2013: 20) and cash balances of EUR 0 million (2013: 15) classified as assets held for sale in balance sheet.

5 Segment reporting

5.1 Fortum's business structure

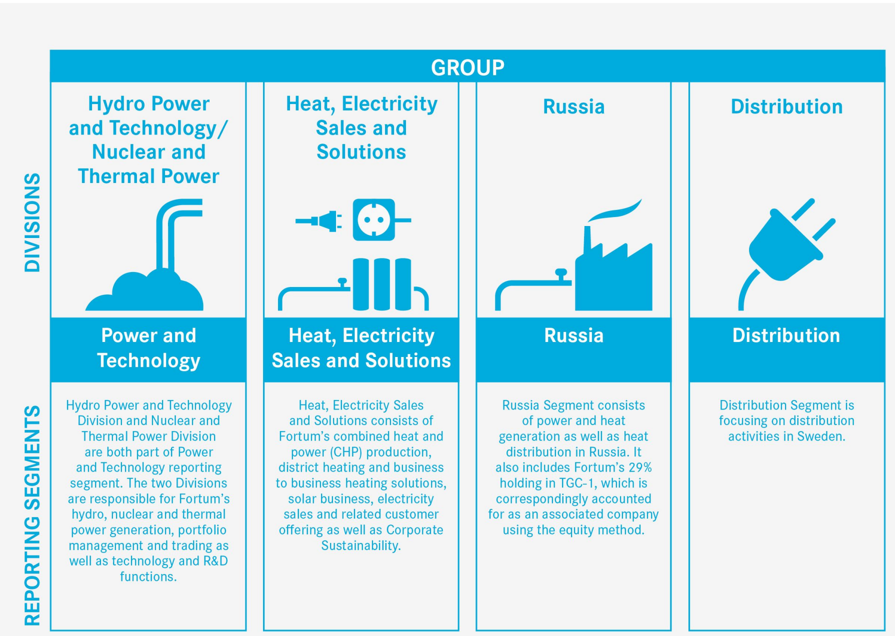
Fortum renewed its business structure as of 1 March 2014. After reorganisation Fortum's business operations are organised in five divisions and six corporate staff functions.

The business divisions are Hydro Power and Technology, Nuclear and Thermal Power, Heat, Electricity Sales and Solutions, Russia, and Distribution. The staff functions are Finance, Strategy and Mergers & Acquisitions, Legal, Human Resources and IT, Communications and Corporate Relations.

5.2 Segment structure in Fortum

Fortum's reportable segments were also revised in connection with the reorganisation in March 2014. New reportable segments under IFRS include the business divisions Heat, Electricity Sales and Solutions, Russia and Distribution as well as the Power and Technology segment that consists of the Hydro Power and Technology and Nuclear and Thermal Power divisions.

Below is the description of the reportable segments:



Other segment includes mainly the shareholding in the associated company Hafslund ASA and corporate staff functions.

5.3 Definitions for segment information

Financial target setting, follow up and allocation of resources in the group's performance management process is mainly based on the divisions' comparable operating profit including share of profit from associated companies and comparable return on net assets. Fortum discloses in the segment information operating profit, comparable operating profit, comparable EBITDA and share of profit from associated companies as well as return on net assets and comparable return on net assets.

Consolidation by segment is based on the same principles as for the Group as a whole.

Segment information	Definition
Comparable operating profit and operating profit	Comparable operating profit is reported to give a better view of each segment's performance. The difference between Comparable operating profit and Operating profit is that Comparable operating profit does not include “Items affecting comparability”, which are: • non-recurring items, which mainly consist of capital gains and losses; • effects from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. The major part of Fortum's cash flow hedges obtain hedge accounting where the fair value changes are recorded in equity; See Note 7 Fair value changes of derivatives and underlying items in income statement. • effects from the accounting of Fortum's part of the State Nuclear Waste Management Fund where the assets in the balance sheet cannot exceed the related liabilities according to IFRIC 5. See Note 30 Nuclear related assets and liabilities.
Net assets	The segments’ net assets consist primarily of non-interest-bearing assets and liabilities such as property, plant and equipment, intangible assets, participations in associated companies, inventories, operative related accruals and trade and other receivables and liabilities. Net assets also include Fortum's share of the State Nuclear Waste Management Fund, nuclear related provisions, pension and other provisions as well as assets and liabilities from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. Interest-bearing receivables and liabilities and related accruals, current and deferred tax items, as well as assets and liabilities from fair valuations of derivatives hedging future cash flows which obtain hedge accounting status according to IAS 39 are not allocated to the segments' net assets.
Comparable net assets	In comparable net assets, segment’s net assets are adjusted for assets and liabilities from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39 to be in line with comparable operating profit.
Gross investments in shares	Gross investments in shares include 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.
Gross divestments in shares	Gross divestments in shares include divestments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Divestments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the sold company.

See also Financial key figures,

Definitions of key figures

and Quarterly financial information.

Quarterly segment information from 2005 to 2014 is available on Fortum's website www.fortum.com/en/investors/financial-information/pages/default.aspx

5.4 Inter-segment transactions and eliminations

Power and Technology segment sells its production to Nord Pool Spot and Electricity Sales buys its electricity from Nord Pool Spot. Eliminations of sales include eliminations of sales and purchases with Nord Pool Spot that are netted on group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour. Inter-segment sales, expenses and results for the different business segments are affected by intra-group deliveries, which are eliminated on consolidation. Inter-segment transactions are based on commercial terms.

5.5 Segment information 2014

Income statement 2014

EUR million	Note	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Netting and eliminations 1)	Total
Sales		2,156	1,332	1,055	751	58	-601	4,751
of which internal		85	34	0	17	44	-179	0
External sales		2,071	1,298	1,055	735	13	-422	4,751
Depreciation, amortisation and impairment		-121	-100	-147	-150	-8	-	-526
Comparable EBITDA		**998**	**204**	**304**	**416**	**-49**	**-**	**1,873**
Comparable operating profit		**877**	**104**	**161**	**266**	**-57**	**-**	**1,351**
Non-recurring items	6	52	254	0	1,865	0	-	2,171
Changes in fair values of derivatives hedging future cash-flow	6 7	-70	-20	0	0	0	-	-90
Nuclear fund adjustment	6 30	-3	-	-	-	-	-	-3
Operating profit		**855**	**337**	**161**	**2,132**	**-58**	**-**	**3,428**
Share of profit of associated companies and joint ventures	20 30	-14	88	35	3	37	-	149
Finance costs - net								-217
Income taxes								-199
Profit for the year								**3,161**

1) Netting and eliminations include eliminations of Group internal sales and netting of Nord Pool Spot transactions. Sales and purchases with Nord Pool Spot, EUR 422 million, are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Impairment losses and restructuring costs 2014

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Recognised impairment losses for trade receivables	0	-5	-4	-2	0	-11
Recognised impairment losses for intangible assets and property, plant and equipment	-1	-1	0	0	0	-2
Restructuring costs	-2	0	0	0	-1	-3

Impairment losses and restructuring costs are included in comparable operating profit.

Assets and liabilities 2014

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Eliminations	Total
Non-interest-bearing assets	6,205	2,127	2,444	2,707	324	-186	13,620
Participations in associated companies and joint ventures	859	523	326	0	319	0	2,027
Assets included in Net assets	**7,064**	**2,650**	**2,769**	**2,707**	**643**	**-186**	**15,647**
Interest-bearing receivables							2,045
Deferred taxes							98
Other assets							818
Liquid funds							2,766
Total assets							**21,375**
Liabilities included in Net assets	**1,063**	**538**	**172**	**92**	**147**	**-186**	**1,827**
Deferred tax liabilities							1,159
Other liabilities							470
Total liabilities included in Capital employed							**3,456**
Interest-bearing liabilities							6,983
Total equity							10,935
Total equity and liabilities							**21,375**

Investments/Divestments 2014

EUR million	Note	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Gross investments in shares	8 20	**2**	**37**	**27**	**0**	**4**	**69**
Capital expenditure	18, 19	**197**	**86**	**340**	**147**	**3**	**774**
of which capitalised borrowing costs		3	1	43	0	0	47
Gross divestments of shares		**67**	**446**	**0**	**2,681**	**2**	**3,196**

Comparable return on net assets 2014

	Net assets by segments EUR millon	Return on net assets, %	Comparable return on net assets, %
Power and Technology	6,001	13.6	14.2
Heat, Electricity Sales and Solutions	2,112	19.1	8.7
Russia	2,597	5.6	5.6
Distribution	2,615	73.6	9.3
Other	496	-5.3	-5.8

Employees 2014

	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Number of employees 31 Dec	1,639	1,807	4,213	390	543	8,592
Average number of employees	1,685	1,913	4,196	492	536	8,821

5.6 Segment information 2013

Income statement 2013

EUR million	Note	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Netting and eliminations [1]	Total
Sales		2,252	1,516	1,119	1,064	63	-706	5,309
of which internal		69	87	0	19	54	-228	0
External sales		2,184	1,430	1,119	1,045	9	-478	5,309
Depreciation, amortisation and impairment		-148	-102	-150	-216	-5	-	-621
Comparable EBITDA		**1,007**	**211**	**258**	**548**	**-49**	**-**	**1,975**
Comparable operating profit		**859**	**109**	**156**	**332**	**-54**	**-**	**1,403**
Non-recurring items	6	25	18	0	17	1	-	61
Changes in fair values of derivatives hedging future cash-flow	6, 7	15	7	0	0		-	21
Nuclear fund adjustment	6, 30	23	-	-	-	-	-	23
Operating profit		**922**	**134**	**156**	**349**	**-53**	**-**	**1,508**
Share of profit of associated companies and joint ventures	20, 30	4	91	46	4	32	-	178
Finance costs - net								-289
Income taxes								-186
Profit for the year								**1,212**

1) Netting and eliminations include eliminations of Group internal sales and netting of Nord Pool Spot transactions. Sales and purchases with Nord Pool Spot, EUR 478 million, are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Impairment losses and restructuring costs 2013

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Recognised impairment losses for trade receivables	0	-4	-18	-2	0	-23
Recognised impairment losses for intangible assets and property, plant and equipment	-24	0	0	0	0	-24
Restructuring costs	0	-1	0	0	-1	-2

Impairment losses and restructuring costs are included in comparable operating profit.

Recognised impairment losses for property, plant and equipment in Power and Technology segment includes EUR 20 million impairment loss relating to the decision to discontinue electricity production at Inkoo power plant.

Assets and liabilities 2013

EUR million	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Elimina-tions	Total
Non-interest-bearing assets	6,470	2,268	3,687	4,219	99	-293	16,449
Participations in associated companies and joint ventures	896	592	463	52	339	0	2,341
Assets included in Net assets	**7,366**	**2,860**	**4,150**	**4,271**	**437**	**-293**	**18,791**
Interest-bearing receivables							2,477
Deferred taxes							126
Other assets 1)							704
Liquid funds							1,250
Total assets							**23,348**
Liabilities included in Net assets	**1,010**	**565**	**304**	**526**	**142**	**-293**	**2,254**
Deferred tax liabilities							1,338
Other liabilities							573
Total liabilities included in Capital employed							**4,166**
Interest-bearing liabilities 2)							9,058
Total equity							10,124
Total equity and liabilities							**23,348**

1) Other assets at 31 December 2013 includes cash, EUR 15 million, included in Assets related to Assets held for sale.

2) Interest-bearing liabilities at 31 December 2013 includes interest-bearing liabilities, EUR 20 million, included in Liabilities related to Assets held for sale.

Investments/Divestments 2013

EUR million	Note		Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Gross investments in shares	8	20	**2**	**11**	**0**	**0**	**2**	**15**
Capital expenditure	18	19	**179**	**123**	**435**	**255**	**12**	**1,005**
of which capitalised borrowing costs			2	2	55	0	0	60
Gross divestments of shares			**79**	**11**	**0**	**52**	**0**	**142**

Comparable return on net assets 2013 3)

	Net assets by segments EUR million	Return on net assets, %	Comparable return on net assets, %
Power and Technology	6,355	14.5	13.8
Heat, Electricity Sales and Solutions	2,295	9.7	8.7
Russia	3,846	5.2	5.2
Distribution	3,745	9.3	8.8
Other	295	-8.5	-6.9

3) Including assets and liabilities relating to Assets held for sale in 2013.

Employees 2013

	Power and Technology	Heat, Electricity Sales and Solutions	Russia	Distri-bution	Other	Total
Number of employees 31 Dec	1,723	1,968	4,162	805	528	9,186
Average number of employees	1,900	2,051	4,245	786	550	9,532

5.7 Group-wide disclosures

The Group's operating segments operate mainly in the Nordic countries, Russia, Poland and other parts of the Baltic Rim area. Power and Technology as well as Distribution operate mainly in Finland and Sweden, whereas Heat, Electricity Sales and Solutions operates in all of these geographical areas except Russia. Other countries are mainly Latvia, Lithuania and the U.K. The home country is Finland.

The information below is disclosing sales by product area as well as sales by the country in which the customer is located. Assets, capital expenditure and personnel are reported where the assets and personnel are located. Participations in associates and joint ventures are not divided by location since the companies concerned can have business in several geographical areas.

External sales by product area

EUR million	2014	2013
Power sales excluding indirect taxes	3,057	3,284
Heat sales	753	828
Network transmissions	710	1,024
Other sales	230	173
Total	**4,751**	**5,309**

Heat sales include sale of delivered heat and transmission of heat.

Due to the large number of customers and the variety of its business activities, there is no individual customer whose business volume is material compared with Fortum's total business volume.

Sales by market area based on customer location

EUR million	2014	2013
Nordic	3,197	3,685
Russia	1,056	1,121
Poland	223	206
Estonia	66	69
Other countries	210	228
Total	**4,751**	**5,309**

The Nordic power production is not split by countries since Nordic power production is mainly sold through Nord Pool Spot.

Capital expenditure by location

EUR million	2014	2013
Finland	163	239
Sweden	225	217
Russia	340	435
Poland	16	10
Estonia	8	16
Norway	3	13
Other countries	19	75
Total	**774**	**1,005**

Segment assets by location [1)]

EUR million	2014	2013
Finland	3,417	4,371
Sweden	7,005	7,427
Russia	2,444	3,687
Poland	342	352
Estonia	199	200
Norway	13	245
Other countries	387	461
Eliminations	-186	-293
Non-interest bearing assets	13,620	16,449
Participations in associates and joint ventures	2,027	2,341
Total	**15,647**	**18,791**

1) Including assets relating to Assets held for sale in 2013.

See also Note 9 Assets held for sale.

Number of employees on 31 December by location

	2014	2013
Finland	2,040	2,477
Sweden	1,201	1,239
Russia	4,213	4,162
Poland	603	636
Estonia	206	210
Norway	34	141
Other countries	295	321
Total	**8,592**	**9,186**

6 Items affecting comparability

EUR million	2014	2013
Capital gains on disposals	2,171	61
Fair value changes on derivatives that do not qualify for hedge accounting	-91	21
Nuclear fund adjustments	-3	23
Total	**2,077**	**106**

Items affecting comparability are exceptional items or unrealised items which fluctuate between the years. Items affecting comparability are disclosed separately in Fortum's income statement as they are necessary for understanding the financial performance when comparing results for the current period with previous periods. Items affecting comparability are not included in Comparable operating profit.

Capital gains 2014

Capital gains in 2014 mainly include sales gains of EUR 1,85 billion from the sale of the Finnish electricity distribution business. The sales gain is recognised in Fortum's Distribution segment.

Capital gains also include the sales gains from selling Fortum's Norwegian electricity distribution and its heat businesses in Norway. The sales gains are booked in Fortum's Distribution segment, EUR 16 million, and Heat and Electricity Sales and Solutions segment, EUR 52 million.

Fortum recognised a sales gain from the sale of the UK-based subsidiary Grangemouth CHP. The sales gain was booked in Fortum's Power and Technology segment.

Capital gains include approximately EUR 190 million gain from sale of Fortum's 31%-shareholding in the Finnish natural gas company Gasum Oy. The sales gain is booked in Fortum's Heat, Electricity Sales and Solutions segment.

Capital gains 2013

Capital gains in 2013 mainly include sales gains from finalising the sale of small hydropower plants in Sweden and sale of Fortums's 33% shareholding in Infratek ASA in Norway, both in Power segment. Sale of Fortum's 47.9% shareholding in Härjeåns Kraft AB in Sweden, in Distribution segment. Capital gains includes also gains related to divestment of the combined heat and power plants in Kuusamo and Kauttua, in Finland, and divestments of Fortum's 50% shares in Riihimäen Kaukolämpö Oy, in Finland, which are included in Heat segment.

Fair value changes on derivatives

Changes in the fair values of financial derivative instruments hedging future cash flows that do not qualify for hedge accounting are recognised in items affecting comparability. This is done to improve the understanding of the financial performance when comparing results from one period to another.

Nuclear fund adjustment

Nuclear fund adjustment includes effects from the accounting principle of Fortum´s part of the State Nuclear Waste Management Fund where the assets in the balance sheet cannot exceed the nuclear related provisions according to IFRIC 5. As long as the Fund is overfunded from an IFRS perspective, the effects to the 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.

For more information regarding disposals of shares, see Note 8 Acquisitions and disposals.

For more information regarding fair value changes of derivatives, see Note 7 Fair value changes of derivatives and underlying items in income statement.

For more information regarding nuclear waste management, see Note 30 Nuclear related assets and liabilities.

7 Fair value changes of derivatives and underlying items in income statement

Fair value changes in operating profit presented below are arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39 and the ineffectiveness from cash flow hedges.

Fair value changes of currency derivatives in net financial expenses are arising mainly from balance sheet hedges without hedge accounting status according to IAS 39, because they are natural hedges of loans and receivables. Fair value change of interest rate hedges without hedge accounting is EUR -13 million (2013: -16). The net effect of fair value changes of hedging derivative and hedged bonds are EUR 1 million (2013: 1).

EUR million	2014	2013
In operating profit		
Fair value changes from derivatives not getting hedge accounting status		
Electricity derivatives	-56	-2
Currency derivatives	8	15
Coal and CO_2 derivatives	-15	-8
Ineffectiveness from cash flow hedges	-28	16
Total effect in operating profit	**-91**	**21**
Fair value changes of derivatives not getting hedge accounting included in share of profit of associated companies	**0**	**3**
In finance costs		
Exchange gains and losses on loans and receivables	-574	-214
Fair value changes of derivatives not getting hedge accounting status		
Cross currency interest rate derivatives	39	19
Foreign currency derivatives	536	195
Rate difference on forward contracts	8	-1
Currency derivatives	583	213
Interest rate derivatives	-13	-16
Fair value change of hedging derivatives in fair value hedge relationship	67	25
Fair value change of hedged items in fair value hedge relationship	-66	-24
Total [1)]	571	198
Total effect in finance costs	**-3**	**-16**
Total effect on profit before income tax	**-94**	**8**

1) Including fair value gains and losses on financial instruments and exchange gains and losses on derivatives.

8 Acquisitions and disposals

Gross investments in subsidiary shares by segment

EUR million	2014	2013
Power and Technology	0	0
Heat, Electricity Sales and Solutions	0	10
Russia	6	0
Distribution	0	0
Other	0	0
Total	**7**	**11**

Gross investments in subsidiary shares by country

EUR million	2014	2013
Finland	0	0
Sweden	0	0
Russia	6	0
Other countries	0	11
Total	**7**	**11**

Gross investments in subsidiary shares consist of interest-bearing debt as well as paid cash according to purchase agreement added with direct costs relating to the acquisition less cash and cash equivalents in acquired subsidiary.

8.1 Acquisitions in 2014 and 2013

Total gross investments in shares amounted to EUR 69 million (2013: 15), of which investment in subsidiary shares EUR 7 million (2013: 11), shares in associated companies and joint ventures EUR 60 million (2013: 0) and available for sale financial assets EUR 2 million (2013: 4).

During 2014 Fortum has acquired additional shares in its associated company, Territorial Generating Company 1. After the acquisition Fortum owns 29.45% of the shares in TGC-1.

In July 2014, Fortum acquired E.ON Ruhrgas International GmbH's shareholding of 33.66% in the Estonian natural gas import, sales and distribution company AS Eesti Gaas and a similar shareholding in the gas transmission service company AS Võrguteenus Valdus. The acquired shares increased Fortum's holding in both companies to approximately 51%. The transaction was finalised during the third quarter of 2014. Fortum continues to account for its holdings in the Estonian natural gas businesses using the equity method.

There were no material investments in associated companies or joint ventures during 2013.

8.2 Disposals in 2014 and 2013

Disposals 2014

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

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

In April 2014 Fortum agreed to sell its Norwegian electricity distribution to the Hafslund Group, listed on the Oslo Stock Exchange, and its heat businesses in Norway to iCON Infrastructure Partners II, L.P. fund. In addition, Fortum agreed to sell its shareholding in Fredrikstad Energi AS (49%) and Fredrikstad Energi Nett AS (35%) to the Hafslund Group. The total consideration was approximately EUR 340 million on a debt- and cash-free basis. The sales gains are booked in

Fortum's Distribution segment, EUR 16 million, and Heat and Electricity Sales and Solutions segment, EUR 52 million in the second quarter 2014 results. The one time sales gains correspond to approximately EUR 0.08 per share.

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

In December 2013 Fortum announced that it had agreed to sell its Finnish electricity distribution business to Suomi Power Networks Oy, owned by a consortium of Finnish and international investors. The total consideration is EUR 2.55 billion on a debt- and cash-free basis. Fortum booked a one-time sales gain of EUR 1.85 billion corresponding to EUR 2.08 per share. The sales gain was reported in Fortum's Distribution segment in the first quarter of 2014.

Disposals 2013

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

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

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

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

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

Divestments

EUR million	2014	2013
Divestment of subsidiaries 1)		
Intangible assets and Property, plant and equipment	1,342	30
Other non-current and current assets	204	3
Liquid funds	10	1
Interest-bearing loans	-131	-22
Other liabilities and provisions	-622	-3
Non-controlling interests	-	-
Gain on sale	1,958	12
Sales price received	**2,761**	**21**
Less proceeds not yet settled in cash	2	-2
Less liquid funds	10	1
Sales price for the shares (net of cash)	**2,750**	**22**
Proceeds from interest-bearing receivables	131	22
Proceeds not yet settled in cash	2	-2
Total	**2,884**	**42**
Divestments in associated companies	311	100
Divestments of available for sale financial assets	1	0
Gross divestment of shares	**3,196**	**142**

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

9 Assets held for sale

Assets held for sale 2014

As of 31 December 2014 there were no Assets held for sale.

Assets held for sale 2013

The assets and liabilities relating to Finnish distribution business have been classified as assets held for sale in the balance sheet as of 31 December 2013. Fortum signed in December 2013 an agreement to sell its electricity distribution business in Finland to Suomi Power Networks Oy, which is owned by a consortium of Finnish pension funds Keva (12.5%) and Local Tapiola Pension (7.5%) together with international infrastructure investors First State Investments (40%) and Borealis Infrastructure (40%).

Assets held for sale 1)

EUR million	2014	2013
Intangible assets and property, plant and equipment	-	1,116
Other assets	-	42
Cash and cash equivalents	-	15
Total	**-**	**1,173**

Liabilities related to assets held for sale 1)

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

1) Amounts are presented net of internal balances with other Fortum subsidiaries, such as internal financing amounting to EUR 0 million (2013: 61).

Impact on Distribution segment information

The Finnish distribution operations are included in the segment information presented in Note 5. The impact of Finnish distribution business to Distribution segment's comparable operating profit for 2013 was EUR 73 million. Additional information of the impact to segment information is presented in the table below:

EUR million	Distribution segment 2013	Distribution segment 2013 without Finnish operations	Impact [1)]
Comparable EBITDA	548	408	-140
Comparable operating profit	332	259	-73
Operating profit	349	272	-77
Share of profits in associates and joint ventures	4	6	2
Depreciation and amortisation	216	149	-67
Capital expenditure	255	129	-126
Assets (at period end)	4,271	3,064	-1,206
Liabilities (at period end)	526	141	-385
Net assets (at period end)	3,745	2,923	-821
Comparable return on net assets, %	8.8	8.8	-0.1
Return on net assets, %	9.3	9.3	-0.1
Number of employees (at period end)	805	477	-328
Volume of distributed electricity, TWh	26.1	16.6	-9.5
Number of electricity distribution customers, thousands	1,648	1,006	-642

1)Impact as consolidated to Fortum Group figures for 2013.

For more information see Note 8 Acquisitions and disposals.

10 Other income and other expenses

10.1 Other income

EUR million	2014	2013
Rental income	10	14
Insurance compensation	8	3
Other items	57	76
Total	**75**	**93**

In 2013 Fortum received EUR 40 million in compensation for CSA penalties from E4, the general contractor of the Nyagan power plant, which is included in other items in the table above.

No gains booked for sale of emission rights in 2014 nor 2013. Costs for made emissions which are not covered by emission rights received for free were EUR 8 million (2013: 9). The costs are included in Materials and services.

10.2 Other expenses

EUR million	2014	2013
Operation and maintenance costs	131	167
Property taxes	159	170
IT and telecommunication costs	64	68
Other items	242	243
Total	**596**	**648**

The major components recorded in other expenses are the external operation and maintenance costs of power and heat plants and of transmission lines. Property taxes include property taxes relating to directly owned hydropower production EUR 132 million (2013: 138).

Principal auditors fees

EUR million	2014	2013
Audit fees	1.4	1.4
Audit related assignments	0.1	0.2
Tax assignments	0.2	0.0
Total	**1.8**	**1.6**

Deloitte is the appointed auditor until the next Annual General Meeting, to be held in 2015. Audit fees include fees for the audit of the consolidated financial statements, review of the interim reports as well as the fees for the audit of Fortum Oyj and its subsidiaries. Audit related assignments include fees for assurance of sustainability reporting and other assurance and associated services related to the audit. Tax assignments include fees for tax advice services.

11 Materials and services

EUR million	2014	2013
Materials	1,224	1,405
Materials purchased from associated companies and joint ventures	568	657
Transmission costs	134	194
External services	13	14
Total	**1,939**	**2,270**

Materials consists mainly of coal, gas and nuclear fuels used for producing power and heat.

Materials purchased from associated companies consist of nuclear and hydropower purchased at production cost (including interest costs and production taxes), purchased fuels used in CHP production and purchased steam.

Total materials and services include production taxes and duties EUR 129 million (2013: 148), of which nuclear related capacity and property taxes EUR 81 million (2013: 92) and hydro power related property taxes EUR 14 million (2013: 14). Taxes related to nuclear and hydro production include taxes paid through purchases from associated companies.

See Note 20 Participations in associated companies and joint ventures.

12 Employee benefits

EUR million	2014	2013
Wages and salaries	298	336
Pensions		
Defined contribution plans	32	33
Defined benefit plans	7	6
Social security costs	52	59
Share-based remunerations	8	7
Other employee costs	15	19
Total	**413**	**460**

The compensation package for Fortum employees consists of a combination of salaries, fringe benefits, short-term incentives, profit sharing paid to the Personnel Fund and share-based long-term incentives. The majority of Fortum employees are included in a performance bonus system. The long-term incentive schemes are intended for senior executives and other management of the Fortum Group.

The remuneration policy is determined by the Board of Directors. The Nomination and Remuneration Committee discusses, assesses and makes recommendations and proposals to the Board of Directors on the remuneration policy, pay structures, bonus and incentive systems for the Group and its management, and contributes to the Group's nomination issues.

For further information on pensions see Note 32 Pension obligations.

12.1 Short term incentives

Fortum’s short-term incentive scheme, i.e. bonus system, supports the realisation of the Group’s financial performance targets, sustainability targets, values and structural changes. The system ensures that the performance targets of individual employees align with the targets of the division and the Group. All Fortum employees, with the exception of certain personnel groups in Poland and Russia, are covered by the bonus system.

The criteria used in determining the size of the bonus for senior management (the President and CEO and other members of the Fortum Executive Management Team) are decided annually by the Board of Directors on the recommendation of the Board's Nomination and Remuneration Committee. The size of each senior executive's bonus is dependent on the Group's financial performance, as well as on their own success in reaching personal goals. The performance bonus criteria may also include indicators related to sustainability targets. The maximum bonus level for the senior management is 40% of the executive's annual salary including fringe benefits.

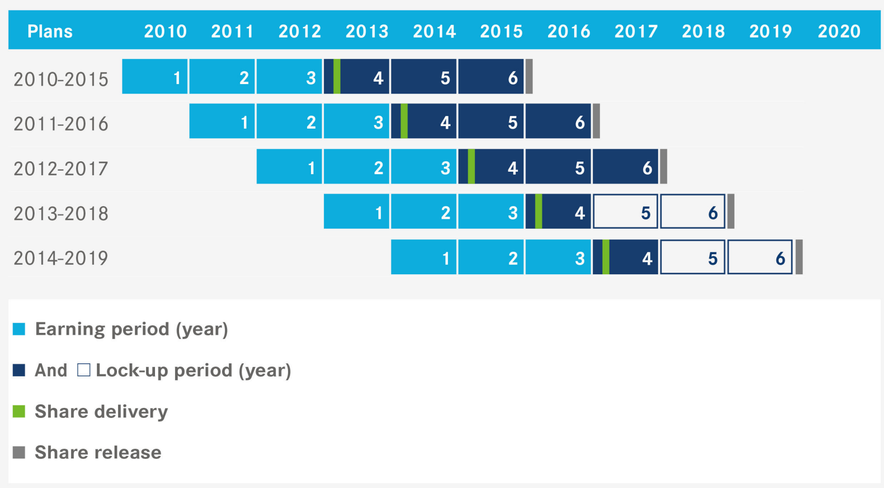
For executives with division responsibilities, the bonus system reflects the performance of their division together with the Group’s financial performance. The criteria for evaluating an executive's personal performance are mutually agreed between the executive and his/her superior in an annual performance discussion at the beginning of each year. The performance of the President and CEO is evaluated annually by the Board of Directors.

12.2 Long-term incentives

At present, approximately 120 managers, all of whom have been elected by the Board of Directors, are participants in at least one of the five on-going annual LTI plans (plans 2010-2015, 2011-2016, 2012-2017, 2013-2018 and 2014-2019).

The expense recorded as employee costs for the period was EUR 8 million (2013: 7). The LTI liability including social charges at the end of the year 2014 was EUR 9 million (2013: 8), including EUR 1 million (2013: 1) recorded in equity.

Share bonus system



Shares granted

	Plan 2011-2016	Plan 2010-2015	Plan 2009-2013
Grant date	14.2.2014	13.2.2013	8.2.2012
Grant price, EUR	16.62	13.90	18.16
Number of shares granted	101,753	187,493	165,132
Number of shares subsequently forfeited or released from lock-up	-9,667	-19,107	-165,132
Number of shares under lock-up at the end of the year 2014	92,086	168,386	0
Fortum share price at the end of the grant year, EUR	17.97	16.63	14.15

In addition to the shares granted above, share rights have been granted to participants that will receive cash payments instead of shares after the lock-up period. The gross amount of share rights outstanding at the end of the year 2014 for plan 2011-2016 was 63,402 share rights and for plan 2010-2015 99,228 share rights.

In addition 16,423 shares were delivered for plan 2008-2012 in 2014.

12.3 Fortum Personnel Fund

The Fortum Personnel Fund (for employees in Finland only) has been in operation since year 2000. The Board of Directors determines the criteria for the fund's annual profit-sharing bonus. Persons included in Fortum's long-term incentive schemes are not eligible to be members of this fund. Members of the personnel fund are the permanent and fixed-term employees of the Group. The membership of employees joining the company starts at the beginning of the next month after the employment relationship has been ongoing for five months. An employee is entitled to make withdrawals right from the beginning of the membership.The membership in the fund terminates when the member has received his/her share of the fund in full.

The profit-sharing received by the fund is distributed equally between the members. Each employee's share is divided into a tied amount and an amount available for withdrawal. It is possible to transfer a maximum of 15% of capital from the tied amount to the amount available for withdrawal each year.

The amount available for withdrawal (maximum 15% of the tied amount) is decided each year by the council of the fund and it is paid to members who want to exercise their withdrawal rights.

The fund's latest financial year ended at 30 April 2014 and the fund then had a total of 2,635 members (2013: 2,722). At the end of April 2014 Fortum contributed EUR 0.4 million (2013: 2.8) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2013. The combined amount of members' shares in the fund was EUR 22 million (2013: 23).

The contribution to the personnel fund is expensed as it is earned.

12.4 The President and CEO and the management team remuneration

The Fortum Executive Management Team (FEM) consists of twelve members (previously nine members), including the President and CEO. The following table presents the total remuneration of the President and CEO and the Fortum Executive Management Team and takes into account the changes in FEM during the year. The expenses are shown on accrual basis.

Additional information about cash based remuneration is available in section Remuneration.

Management remuneration

EUR thousands	2014		2013	
	The President and CEO	Other FEM members	The President and CEO 1)	Other FEM members 2)
Salaries and fringe benefits	1,005	3,321	795	2,860
Performance bonuses 3)	127	511	22	197
Share-based remuneration	235	1,018	448	1,122
Pensions (statutory)	188	594	137	494
Pensions (voluntary)	255	803	204	695
Social security expenses	57	219	48	337
Total	**1,867**	**6,465**	**1,654**	**5,705**

1) Amount is impacted by the sick leave during 2013.

2) Including compensation of EUR 80,000 paid to former CFO Rauramo for assuming the duties of the President and CEO during March-November 2013.

3) Performance bonuses are based on estimated amounts.

The annual contribution for the President and CEO's pension arrangement is 25% of the annual salary. The annual salary consists of a base salary, fringe benefits and bonus. The President and CEO Tapio Kuula's retirement age is 63. In case his assignment is terminated before the retirement age, the President and CEO is entitled to retain the benefits accrued in the arrangement for his benefit.

For other management team members the retirement age is 60 - 65 depending on the arrangement. The pension paid is maximum 66% or 60% of the remuneration upon retirement. In the first case they are defined benefit pension plans and are provided by Fortum's pension fund. In the latter, pensions are either defined benefit or defined contribution schemes and insured by an insurance company.

A pension liability of EUR 2,514 thousand (2013: 1,566) related to the defined benefit plans for management team members has been recognised in the balance sheet.The additional pension arrangement for the President and CEO is a defined contribution pension plan and thus no liability has been recognised in the balance sheet.

In the event that Fortum decides to give notice of termination to the President and CEO, he is entitled to salary of the notice period (6 months) and to severance pay equal to 18 months' salary. Other FEM members' termination compensation is equal to 12 to 24 months' salary.

Additional information about the terms and conditions of the remuneration of the President and CEO is available online at www.fortum.com/en/corporation/corporate-governance/remuneration-board/employment-terms-conditions-president-ceo/pa

and in section Remuneration.

Number of shares delivered to the management

The table below shows the number of shares delivered during 2014 and 2013 to the President and CEO and other FEM members under the LTI arrangements. Shares delivered under the plans are subject to a lock-up period under which they cannot be sold or transferred to a third party.

	2014 [2)]	2013
FEM members at 31 December 2014		
Tapio Kuula	15,187	35,152
Helena Aatinen	909	519
Alexander Chuvaev [1)]	13,793	35,783
Mikael Frisk	6,463	10,079
Esa Hyvärinen (member of the FEM as of 1 March 2014)	1,382	n/a
Timo Karttinen	6,639	9,563
Kari Kautinen (member of the FEM as of 1 March 2014)	1,739	n/a
Per Langer	5,517	8,550
Markus Rauramo	1,679	756
Matti Ruotsala	3,463	12,395
Sirpa-Helena Sormunen (member of the FEM as of 1 September 2014)	0	n/a
Tiina Tuomela (member of the FEM as of 1 March 2014)	1,156	n/a
Kaarina Ståhlberg (member of the FEM until 31 March 2014)	210	n/a
Total	**58,137**	**112,797**

1) Share rights will be paid in cash instead of shares after the three-year lock-up period due to local legislation.
2) Share delivery based on share plans 2008-2012 and 2011-2016.

12.5 Board of Directors and management shareholding

On 31 December 2014, the members of the Board of Directors owned a total of 10,950 shares (2013: 10,950), which corresponds to 0.00% (2013: 0.00%) of the company's shares and voting rights.

Number of shares held by members of the Board of Directors

	2014	2013
Board members at 31 December 2014		
Sari Baldauf, Chairman	2,300	2,300
Kim Ignatius, Deputy Chairman (from 8 April 2014)	2,400	2,400
Minoo Akhtarzand	-	-
Heinz-Werner Binzel	-	-
Ilona Ervasti-Vaintola	4,000	4,000
Christian Ramm-Schmidt (Deputy Chairman until 8 April 2014)	2,250	2,250
Petteri Taalas (member of the Board from 8 April 2014)	-	n/a
Jyrki Talvitie (member of the Board from 8 April 2014)	-	n/a
Total	**10,950**	**10,950**

The President and CEO and other members of the Fortum Executive Management Team owned a total of 430,457 shares (2013: 346,106) which corresponds to approximately 0.05% (2013: 0.04%) of the company's shares and voting rights.

Number of shares held by members of the Fortum Executive Management Team

	2014	2013
FEM members at 31 December 2014		
Tapio Kuula	168,742	153,555
Helena Aatinen	1,528	619
Alexander Chuvaev	14,713	12,093
Mikael Frisk	46,591	42,128
Esa Hyvärinen (member of the FEM from 1 March 2014)	15,156	n/a
Timo Karttinen	76,430	69,791
Kari Kautinen (member of the FEM from 1 March 2014)	22,276	n/a
Per Langer	30,784	25,267
Markus Rauramo	15,435	13,756
Matti Ruotsala	32,360	28,897
Sirpa-Helena Sormunen (member of the FEM from 1 September 2014)	-	n/a
Tiina Tuomela (member of the FEM from 1 March 2014)	6,442	n/a
Total	**430,457**	**346,106**

12.6 Board remuneration

The Board of Directors comprises five to eight members who are elected at the Annual General Meeting for a one-year term of office, which expires at the end of the first Annual General Meeting following the election. At the 2014 Annual General Meeting eight members were elected.

The Annual General meeting confirms the yearly compensation for the Board of Directors. Board members are not offered any long-term incentive benefits or participation in other incentive schemes. There are no pension arrangements for the Board members. Social security costs EUR 12 thousand (2013: 13) have been recorded for the fees in accordance with local legislation in respective countries.

Fees for the Board of Directors

EUR thousands	2014	2013
Chairman	75	75
Deputy Chairman	57	57
Chairman of the Audit and Risk Committee [1)]	57	57
Members	40	40

1) If not Chairman or Deputy Chairman simultaneously.

In addition, a fee of EUR 600 is paid for each Board and Board Committee meeting. The fee is doubled for Board members living outside of Finland in Europe, and tripled for Board members living outside of Europe. The members are entitled to travel expense compensation in accordance with the company's travel policy.

Compensation for the Board of Directors

EUR thousands	2014	2013
Board members at 31 December 2014		
Sari Baldauf, Chairman	83	84
Kim Ignatius, Deputy Chairman (from 8 April 2014)	67	67
Minoo Akhtarzand	57	58
Heinz-Werner Binzel	60	60
Ilona Ervasti-Vaintola	48	49
Christian Ramm-Schmidt (Deputy Chairman until 8 April 2014)	53	66
Petteri Taalas (member of the Board from 8 April 2014)	37	-
Jyrki Talvitie (member of the Board from 8 April 2014)	53	-
Former Board member		
Joshua Larson (member of the Board until 8 April 2014)	19	71
Total	**477**	**455**

13 Finance costs - net

EUR million	Note	2014	2013
Interest expense			
Borrowings		-303	-361
Other interest expense		0	-1
Capitalised borrowing costs	19	47	60
Total		**-256**	**-301**
Interest income			
Loan receivables and deposits		82	72
Other interest income		2	3
Total		**84**	**75**
Fair value gains and losses on financial instruments	7		
Fair value change of interest rate derivatives not getting hedge accounting status		-13	-16
Fair value change of hedging derivatives in fair value hedge relationship		67	25
Fair value change of hedged items in fair value hedge relationship		-66	-24
Rate difference on forward contracts		8	-1
Total		**-5**	**-16**
Exchange gains and losses			
Loans and receivables	7	-574	-214
Cross currency interest rate derivatives	7	39	19
Foreign currency derivatives	7	536	195
Interest income on share of State Nuclear Waste Management Fund	30	11	9
Unwinding of discount on nuclear provisions	30	-43	-35
Unwinding of discount on other provisions	31, 32	-7	-16
Other financial income		2	2
Other financial expenses		-5	-7
Total		**-40**	**-47**
Finance costs - net		**-217**	**-289**

Interest expenses include interest expenses on interest-bearing loans, interest on interest rate and currency swaps and forward points on forward foreign exchange contracts hedging loans and receivables.

Further information can be found in the Notes mentioned in the table.

Interest income includes EUR 31 million (2013: 29) from shareholders' loans in Finnish and Swedish nuclear companies, EUR 27 million (2013: 33) from Fortum Värme and EUR 19 million (2013: 6) from deposits.

Fair value gains and losses on financial instruments include change in clean price of interest rate and cross currency swaps not getting hedge accounting and fair value changes of interest rate derivatives in hedge relationship and hedged items. Accrued interest on these derivatives is entered in interest expenses of borrowings. Fair value gains and losses include also rate difference from forward contracts hedging loans and receivables without hedge accounting.

Exchange gains and losses includes exchange rate differences arising from valuation of foreign currency loans and receivables and exchange rate differences from forward foreign exchange contracts and interest rate and currency swaps.

Fair value changes on interest rate and currency derivatives

EUR million	2014	2013
Interest rate and cross currency swaps		
Interest expenses on borrowings	6	18
Exchange rate difference from derivatives	39	19
Rate difference in fair value gains and losses on financial instruments [1)]	54	9
Total fair value change of interest rate derivatives in finance costs - net	**99**	**46**
Forward foreign exchange contracts		
Interest expenses on borrowings	-80	-89
Exchange rate difference from derivatives	536	195
Rate difference in fair value gains and losses on financial instruments	8	-1
Total fair value change of currency derivatives in finance costs - net	**464**	**105**
Total fair value change of interest and currency derivatives in finance costs - net	**563**	**151**

1) Fair value gains and losses on financial instruments include fair value changes from interest rate swaps not getting hedge accounting amounting to EUR -13 million (2013: -16) and fair value change of hedging derivatives in fair value hedge relationship EUR 67 million (2013: 25), totalling EUR 54 million (2013: 9).

14 Income tax expense

14.1 Profit before tax

EUR million	2014	2013
Finnish companies	2,421	440
Swedish companies	287	375
Other companies	652	583
Total	**3,360**	**1,398**

14.2 Major components of income tax expense by major countries

EUR million	2014	2013
Current taxes		
Finnish companies	-87	-104
Swedish companies	-57	-54
Other companies	-48	-46
Total	**-192**	**-203**
Deferred taxes		
Finnish companies	15	81
Swedish companies	23	-8
Other companies	-34	-56
Total	**5**	**17**
Adjustments recognised for current tax of prior periods		
Finnish companies	-6	-1
Swedish companies	0	0
Other companies	-5	1
Total	**-11**	**0**
Total income taxes	**-199**	**-186**

14.3 Income tax rate

The table below explains the difference between the theoretical enacted tax rate in Finland compared to the effective income tax rate in the income statement.

EUR million	2014	%	2013	%
Profit before tax	3,360		1,398	
Tax calculated at nominal Finnish tax rate	-672	20.0	-343	24.5
Tax rate changes	0	0.0	79	-5.7
Differences in tax rates and regulations	5	-0.2	53	-3.8
Income not subject to tax	0	0.0	2	-0.2
Tax exempt capital gains	438	-13.0	12	-0.9
Expenses not deductible for tax purposes	-2	0.0	-7	0.5
Share of profit of associated companies and joint ventures	34	-1.0	40	-2.9
Taxes related to dividend distributions	-3	0.1	0	0.0
Changes in tax valuation allowance related to not recognised tax losses	0	0.0	-19	1.4
Other items	7	-0.2	-3	0.2
Adjustments recognised for taxes of prior periods	-6	0.2	-1	0.1
Tax charge in the income statement	**-199**	**5.9**	**-186**	**13.3**

Key tax indicators:

- The weighted average applicable income tax rate for 2014 is 20.5% (2013: 22.5%)
- The effective income tax rate in the income statement for 2014 is 5.9% (2013: 13.3%)
- The effective income tax rate excluding the share of profits from associates and joint ventures, tax exempt capital gains and tax rate changes for 2014 is 18.8% (2013: 22.7%)
- The total tax rate for 2014 is 14.3% (2013 31.8%)
- The total tax rate excluding the share of profits from associates and joint ventures and tax exempt capital gains for 2014 is 38.2% (2013: 36.6%)

Effective income tax rate and effective total tax rate are effected by gains or losses on sale of shares. Many countries like Finland, Sweden and Netherlands have exempted income on capital gains and losses from income tax purposes. With this countries aim to tax the operative income of the company and avoid taxing the same income twice in case of the sale of the shares. Taxation of capital gains or losses is in line with the taxation of dividend income.

One time tax exempt capital gains from divestments during 2014 reduced the effective income tax rate with 13%.

In December 2013 the Finnish Parliament passed legislation lowering the income tax rate from 24.5% to 20%. The one-time positive effect in 2013 in the income tax cost from the tax rate change was approximately EUR 79 million.

Fortum has a material deferred tax liability owing to its investments in non current assets. These assets are depreciated more rapidly for tax than for accounting purposes resulting in lower current tax payments at the start of an assets' lifetime and higher tax payments at the end of its lifetime. This difference results in a deferred tax liability, which is valued using the tax rate expected to be in force when the liability unwinds.

14.4 Total taxes

Fortum has current income taxes in 2014 totalling EUR 203 million (2013: 203). The effective income tax rate indicates tax burden taking into account the differences between accounting and tax rules, including tax exempt capital gains, tax rate changes and other differences. The effective tax rate may therefore fluctuate even though current income taxes are stable.

Taxes borne indicate different taxes that Fortum pays for the period. In 2014 Fortum's taxes borne were EUR 525 million (2013: 558). Taxes borne include corporate income taxes, production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include also production taxes and taxes on property paid through electricity purchased from associated companies. The total tax rate indicates the burden on taxes borne by Fortum from its profit before these taxes.

Other tax contribution indicators

Total taxes borne in relation to segment assets by location was in 2014 in Finland 4.6% (2013: 4.0%), in Sweden 4.0% (2013: 4.0%) and Other countries 2.8% (2013: 1.9%). The indicator reflects how much the Total taxes borne are in relation to the segment assets in a country. Total taxes borne in relation to sales volumes was in 2014 in Finland EUR 6.3 million per TWh (2013: 6.0), in Sweden EUR 9.9 million per TWh (2013: 12.7) and Other countries EUR 1.4 million per TWh (2013: 1.4).

For group internal long term financing Fortum has financing companies in the Netherlands, Belgium, Luxembourg and Ireland. Fortum group financing companies' total taxes borne were in 2014 EUR 40 million (2013: 36) and total tax rate was 13.2% (2013: 12.4%). Total taxes borne in relation to net interest bearing receivables and liabilities was in 2014 0.4% (2013: 0.3%), which reflects the current low interest levels.

In addition, Fortum administers and collects different taxes on behalf of governments and authorities. Such taxes include VAT, and excise taxes on power consumed by customers, payroll taxes and withholding taxes. The amount of taxes collected by Fortum was EUR 527 million (2013: 700).

Fortum has had several tax audits ongoing during 2014. Fortum has received income tax assessments in Sweden for the years 2009-2012, in Belgium for the years 2008 -2011 as well as in Finland regarding the year 2007. Fortum has appealed all assessments received. Based on legal analysis, no provision has been accounted for in the financial statements related to tax audits.

See also Note 29 Deferred income taxes,

Note 11 Materials and services and

Operating and financial review; Sustainability.

For further information regarding the on-going tax appeals see Note 39 Legal actions and official proceedings.

15 Earnings and dividend per share

15.1 Earnings per share

Earnings per share, basic

	2014	2013
Profit attributable to owners of the parent (EUR million)	3,154	1,204
Weighted average number of shares (thousands)	888,367	888,367
Basic earnings per share (EUR)	3.55	1.36

At the end of 2014 Fortum had no diluting stock option schemes.

15.2 Dividend per share

Dividends proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the Company's shareholders at the General Meeting of the shareholders.

A dividend in respect of 2014 of EUR 1.10 per share and an extra dividend of EUR 0.20 per share, amounting to a total dividend of EUR 1,155 million based on the amount of shares registered as of 3 February 2015 is to be proposed at the Annual General Meeting on 31 March 2015. These financial statements do not reflect this dividend.

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

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

16 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with IAS 39. The categories are further split into classes which are the basis for valuing a respective asset or liability. Further information can be found in the Notes mentioned in the table.

Financial assets by categories 2014

		Loans and receivables	Financial assets at fair value through profit and loss					
EUR million	Note	Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Available-for-sale financial assets	Finance leases	Total financial assets
Financial instruments in non-current assets								
Other non-current assets	21	38				30		68
Derivative financial instruments	3							
Electricity derivatives				49	1			50
Interest rate and currency derivatives			191	206	144			541
Oil and other futures and forward contracts				3				3
Long-term interest-bearing receivables	22	2,041					0	2,041
Financial instruments in current assets								
Derivative financial instruments	3							
Electricity derivatives				47	67			114
Interest rate and currency derivatives				274	48			322
Oil and other futures and forward contracts				12	0			12
Trade receivables	24	549						549
Other short-term interest-bearing receivables	24	4					0	4
Liquid funds	25	2,766						2,766
Total		**5,398**	**191**	**591**	**260**	**30**	**0**	**6,470**

Financial assets by categories 2013

EUR million	Note	Loans and receivables	Financial assets at fair value through profit and loss					
		Amortised cost	Hedge accounting, fair value hedges	Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Available-for-sale financial assets	Finance leases	Total financial assets
Financial instruments in non-current assets								
Other non-current assets	21	46				31		77
Derivative financial instruments	3							
Electricity derivatives				43	42			85
Interest rate and currency derivatives			70	186	23			279
Oil and other futures and forward contracts				3				3
Long-term interest-bearing receivables	22	2,596					2	2,598
Financial instruments in current assets								
Derivative financial instruments	3							
Electricity derivatives				88	104			192
Interest rate and currency derivatives				80	5			85
Oil and other futures and forward contracts				29				29
Trade receivables	24	618						618
Other short-term interest-bearing receivables	24	6						6
Liquid funds	25	1,265						1,265
Total		**4,531**	**70**	**429**	**174**	**31**	**2**	**5,237**

Financial liabilities by categories 2014

EUR million	Note	Financial liabilities at fair value through profit and loss			Other financial liabilities			
		Hedge accounting, fair value hedges	Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Amortised costs	Fair value	Finance leases	Total financial liabilities
Financial instruments in non-current liabilities								
Interest-bearing liabilities	28				4,427	1,454 [1)]	0	5,881
Derivative financial instruments	3							
Electricity derivatives			45	7				52
Interest rate and currency derivatives			96	96				192
Oil and other futures and forward contracts			3					3
Financial instruments in current liabilities								
Interest-bearing liabilities	28				1,103		0	1,103
Derivative financial instruments	3							
Electricity derivatives			27	1				28
Interest rate and currency derivatives			22	22				44
Oil and other futures and forward contracts			4	0				4
Trade payables	34				298			298
Other liabilities	34				69			69
Total		0	197	126	5,897	1,454	0	7,675

1) Fair valued part of bond in fair value hedge relationship.

Financial liabilities by categories 2013

EUR million	Note	Financial liabilities at fair value through profit and loss			Other financial liabilities			
		Hedge accounting, fair value hedges	Non-hedge accounting	Fair value recognised in equity, cash flow hedges	Amortised costs	Fair value	Finance leases	Total financial liabilities
Financial instruments in non-current liabilities								
Interest-bearing liabilities	28				5,637	1,299 1)		6,936
Derivative financial instruments	3							
Electricity derivatives			30	7				37
Interest rate and currency derivatives		22	71	49				142
Oil and other futures and forward contracts			2					2
Financial instruments in current liabilities								
Interest-bearing liabilities 2)	28				2,103			2,103
Derivative financial instruments	3							
Electricity derivatives			31					31
Interest rate and currency derivatives			48	5				53
Oil and other futures and forward contracts			10	1				11
Trade payables	34				386			386
Other liabilities	34				132			132
Total		**22**	**192**	**62**	**8,258**	**1,299**	**0**	**9,833**

1) Fair valued part of bond in fair value hedge relationship.

2) Including interest-bearing liabilities, EUR 20 million, in Liabilities related to assets held for sale at 31 December 2013 of which EUR 4 million in current liabilities.

17 Financial assets and liabilities by fair value hierarchy

Financial assets

		Level 1		Level 2		Level 3		Netting [2)]		Total	
EUR million	Note	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
In non-current assets											
Available for sale financial assets [1)]	21	1	1			29	30			30	31
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				6	54			-5	-12	1	42
Non-hedge accounting				66	71			-17	-28	49	43
Interest rate and currency derivatives											
Hedge accounting				335	94					335	94
Non-hedge accounting				206	186					206	186
Oil and other futures and forward contracts											
Non-hedge accounting		1	3	6				-3		3	3
In current assets											
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				79	127			-11	-23	67	104
Non-hedge accounting			2	153	250			-106	-164	47	88
Interest rate and currency derivatives											
Hedge accounting				48	5					48	5
Non-hedge accounting				274	80					274	80
Oil and other futures and forward contracts											
Hedge accounting			1						-1	0	0
Non-hedge accounting		30	59	9				-26	-32	12	29
Total		**32**	**66**	**1,182**	**867**	**29**	**30**	**-168**	**-260**	**1,073**	**706**

Financial liabilities

		Level 1		Level 2		Level 3		Netting 2)		Total	
EUR million	Note	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
In non-current liabilities											
Interest-bearing liabilities	28			1,454	1,299 3)					1,454	1,299
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				11	19			-5	-12	7	7
Non-hedge accounting				62	58			-17	-28	45	30
Interest rate and currency derivatives											
Hedge accounting				96	72					96	72
Non-hedge accounting				96	71					96	71
Oil and other futures and forward contracts											
Non-hedge accounting		5	2	2				-3		3	2
In current liabilities											
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				12	23			-11	-23	1	0
Non-hedge accounting			3	134	192			-106	-164	27	31
Interest rate and currency derivatives											
Hedge accounting				22	5					22	5
Non-hedge accounting				22	48					22	48
Oil and other futures and forward contracts											
Hedge accounting			2						-1	0	1
Non-hedge accounting		29	41	2				-26	-32	4	10
Total		**34**	**48**	**1,913**	**1,787**	**0**	**0**	**-168**	**-260**	**1,778**	**1,575**

1) Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consists mainly of shares in unlisted companies of EUR 30 million (2013: 30), for which the fair value cannot be reliably determined. These assets are measured at cost less possible impairment.

Available for sale financial assets include listed shares at fair value of EUR 1 million (2013: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (2013: -3).

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

3) Fair valued part of bond in fair value hedge relationship.

Net fair value amount of interest rate and currency derivatives is EUR 626 million, assets EUR 863 million and liabilities EUR 237 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of December 2014 Fortum had received EUR 286 million from Credit Support Annex agreements. The received cash has been booked as short term liability.

18 Intangible assets

EUR million	Goodwill		Other intangible assets		Total	
	2014	2013	2014	2013	2014	2013
Cost 1 January	**275**	**309**	**368**	**424**	**644**	**733**
Translation differences and other adjustments	-101	-34	-12	-1	-113	-35
Capital expenditure	0	0	22	46	22	46
Change in emission rights	0	0	-1	7	-1	7
Disposals	0	0	-1	-20	-1	-20
Sale of subsidiary companies	-4	0	-24	-3	-28	-3
Reclassifications	0	0	27	5	27	5
Moved to Assets held for sale	0	0	0	-89	0	-89
Cost 31 December	**170**	**275**	**379**	**368**	**549**	**644**
Accumulated depreciation 1 January	**0**	0	**260**	**306**	**260**	**306**
Translation differences and other adjustments	0	0	-11	-1	-11	-1
Disposals	0	0	-2	-20	-2	-20
Sale of subsidiary companies	0	0	-5	0	-5	0
Reclassifications	0	0	5	3	5	3
Depreciation for the period	0	0	25	26	25	26
Moved to Assets held for sale	0	0	0	-54	0	-54
Accumulated depreciation 31 December	**0**	**0**	**273**	**260**	**273**	**260**
Carrying amount 31 December	**170**	**275**	**106**	**109**	**276**	**384**

The goodwill is included in Russia segment and relates to the acquisition of OAO Fortum. The goodwill has been tested for impairment by comparing recoverable amounts of the net operating assets of OAO Fortum, including goodwill, with their carrying amounts. The recoverable amounts were determined on the basis of value in use, applying discounted cash flow calculations.

See also note 19 for information on impairment testing.

The main items in other intangible assets are costs for software products and software licenses, bought emission rights and emission rights received free of charge, which are recognised to the lower of fair value and historical cost.

19 Property, plant and equipment

EUR million	Land, waterfall, rights and tunnels	Buildings, plants and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost 1 January 2014	**2,974**	**3,424**	**11,120**	**144**	**1,161**	**18,824**
Translation differences and other adjustments	-164	-426	-1,176	-4	-274	-2,043
Capital expenditure	2	22	28	0	700	752
Nuclear asset retirement cost	0	0	-3	0	0	-3
Disposals	-1	-5	-259	0	-1	-266
Sale of subsidiary companies	-1	-88	-443	-1	-16	-549
Reclassifications	0	182	461	-4	-666	-27
Cost 31 December 2014	**2,810**	**3,110**	**9,728**	**136**	**904**	**16,687**
Accumulated depreciation 1 January 2014	**0**	**1,321**	**4,542**	**111**	**0**	**5,974**
Translation differences and other adjustments	0	-67	-330	-3	0	-400
Disposals	0	-1	-258	0	0	-259
Sale of subsidiary companies	0	-31	-287	-1	0	-319
Depreciation for the period	0	111	387	3	0	502
Reclassifications	0	-5	-1	0	0	-5
Accumulated depreciation 31 December 2014	**0**	**1,328**	**4,054**	**111**	**0**	**5,492**
Carrying amount 31 December 2014	**2,810**	**1,782**	**5,674**	**25**	**904**	**11,195**

The change in property, plant and equipment was negative, even though capital expenditures were higher than depreciation during the year. The decreases were mainly due to the translation differences and sale of subsidiary companies. The main increase was due to the ongoing investment programme in OAO Fortum.

See Note 9 Assets held for sale

For more information on credit risks regarding ongoing investments, see Note 3.7 Credit risk.

Property, plant and equipment that are subject to restrictions in the form of real estate mortgages amount to EUR 274 million (2013: 240).

See Note 35 Pledged assets.

EUR million	Land, waterfall, rights and tunnels	Buildings, plants and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost 1 January 2013	**3,069**	**3,080**	**12,414**	**137**	**2,284**	**20,985**
Translation differences and other adjustments	-93	-146	-466	5	-139	-839
Increases through business combinations	0	1	9	0	0	10
Capital expenditure	1	74	269	2	613	959
Nuclear asset retirement cost	0	0	45	0	0	45
Disposals	-1	-133	-136	-1	-1	-272
Reclassifications	1	579	960	1	-1,546	-5
Moved to assets held for sale	-3	-30	-1,977	-1	-50	-2,061
Cost 31 December 2013	**2,974**	**3,424**	**11,120**	**144**	**1,161**	**18,824**
Accumulated depreciation 1 January 2013	**0**	**1,343**	**5,300**	**107**	**0**	**6,750**
Translation differences and other adjustments	0	-40	-151	1	0	-190
Increases through business combinations	0	0	0	0	0	0
Disposals	0	-100	-97	-1	0	-198
Depreciation for the period	0	112	478	4	0	594
Reclassifications	0	28	-32	1	0	-3
Moved to assets held for sale	0	-22	-957	-1	0	-980
Accumulated depreciation 31 December 2013	**0**	**1,321**	**4,542**	**111**	**-**	**5,974**
Carrying amount 31 December 2013	**2,974**	**2,103**	**6,579**	**33**	**1,161**	**12,849**

19.1 Capitalised borrowing costs

	Buildings, plants and structures		Machinery and equipment		Advances paid and construction in progress		Total	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013
1 January	**40**	**17**	**162**	**73**	**57**	**143**	**259**	**233**
Translation differences and other adjustments	-14	-2	-56	-11	-21	-11	**-91**	-24
Increases / disposals	-6	0	12	0	37	60	**43**	60
Reclassification	9	27	21	108	-31	-136	**-1**	-1
Depreciation	5	-1	-14	-6	0	0	**-9**	-7
Moved to Assets held for sale	0	0	0	-1	0	0	**0**	-1
31 December	**35**	**40**	**125**	**162**	**42**	**57**	**202**	**259**

Borrowing costs of EUR 47 million were capitalised in 2014 (2013: 60) for the OAO Fortum investment program. The interest rate used for capitalisation varied between 3,3 - 16,6% (2013: 2.8 - 8.7%).

19.2 Capital expenditure [1)]

EUR million	Finland		Sweden		Estonia		Poland		Norway		Other countries, total		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Power and Technology														
Hydropower	16	17	87	91									103	108
Nuclear power	80	60											80	60
Fossil-based electricity		2											0	2
Renewable-based electricity	7	4	1	3							3		11	7
Other	3	2											3	2
Total Power and Technology	**106**	**85**	**88**	**94**	**0**	**0**	**0**	**0**	**0**	**0**	**3**	**0**	**197**	**179**
Heat, Electricity Sales and Solutions														
Fossil-based heat	3	7					5	2				1	8	10
Fossil-based electricity							1	2					1	2
Renewable, of which	24	17									13	39	37	56
waste											3	14	3	14
biofuels	6	17									0	25	6	42
other	18										10		28	0
District heat network	13	14			8	16	8	6	0	4	2	4	31	44
Other	4	8		2	1		1				3		9	10
Total Heat, Electricity Sales and Solutions	**44**	**46**	**0**	**2**	**9**	**16**	**15**	**10**	**0**	**4**	**18**	**44**	**86**	**123**
Distribution	**11**	**128**	**133**	**121**	**0**	**0**	**0**	**0**	**3**	**9**	**0**	**0**	**147**	**255**
Other	**2**	**10**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**3**	**3**	**12**
Total excluding Russia segment	**163**	**269**	**221**	**217**	**9**	**16**	**15**	**10**	**3**	**13**	**22**	**47**	**433**	**570**
Russia														
Fossil-based electricity													305	387
Fossil-based heat													35	48
Other													0	0
Total Russia													**340**	**435**
Total including Russia segment													**774**	**1,005**

1) Includes capital expenditure to both intangible assets and property, plant and equipment.

Fortum classifies investments in four main categories. Maintence investments during 2014 in property, plant and equipment were EUR 181 million (2013: 200). Investments due to requirements of legislation were EUR 149 million (2013: 174). Investments increasing productivity were EUR 134 million (2013: 176) and growth investments were EUR 309 million (2013: 453).

19.2.1 Power and Technology

In Finland, Fortum invested EUR 80 million (2013: 60) into the Loviisa nuclear power plant. Fortum invested additionally EUR 103 million (2013: 108) into hydro production, mainly refurbishment and productivity investments. The biggest of these were Höljes and Skedvi refurbishment in Sweden, EUR 30 million (2013: 24) and Imatra refurbishment in Finland, EUR 8 million (2013: 4). Investments for CO2 free production were EUR 194 million (2013: 175).

19.2.2 Heat, Electricity Sales and Solutions

Growth investments in Heat, Electricity Sales and Solutions segment totalled EUR 34 million (2013: 89) in year 2014. Refurbishment and legislation investments totalled EUR 53 million (2013: 34). This amount consists mainly of investments in district heat networks and plants as well as the maintenance of existing CHP plants and measures defined by legal requirements. Larger ongoing projects in 2014 comprised of new heat pump and bio-pellet fuel conversion in heat boiler in Espoo and district heat connection in Poland. Investments for CO2 free production were EUR 37 million (2013: 56).

19.2.3 Distribution

Distribution invested EUR 147 million (2013: 255) in reliability of electricity distribution, maintenance and new investments in Finland, Sweden, and Norway. Lower investment level is consequense of Fortum's divestments of its Finnish electricity distribution business to Suomi Power Networks in March 2014 and its Norwegian electricity business to the Hafslund Group in May 2014.

19.2.4 Russia

OAO Fortum has an extensive investment programme aiming to almost double its power capacity with 2,300 MW. During 2014 EUR 235 million (2013: 249) was invested in this programme. The value for the remaining part of the programme is estimated to be approximately EUR 0.2 billion from January 2015 onwards. The last two units are to be completed by mid of 2015. The third unit at Nyagan power plant started commercial operation at the end of 2014. Altogether, Fortum’s extensive investment programme in Russia consists of eight new units.

19.3. Impairment testing of non-financial assets in 2014

Key assumptions used in impairment testing are presented below as well as the basis for determining the value of each assumption. Assumptions are based on internal and external data that are consistent with observable market information, when applicable. The assumptions are determined by management as part of the business planning process for the Fortum Group.

Key assumptions	Basis for determining the value for key assumptions
Power market development	Historical analysis and prospective forecasting
Regulation framework	Current market setup and prospective forecasting (e.g. CSA mechanism)
Utilisation of power plants	Past experience, technical assessment and forecasted market development
Forecasted maintenance investments	Past experience, technical assessment and planned maintenance work
Finalisation of the investment programme	Project forecasts
Discount rate	Mostly market based information

The cash flows used in testing are based on the most recent business plans and are determined in local currency. The period covered by cash flows is related to the useful lives of the assets being reviewed for impairment. The growth rate used to extrapolate the cash flow projections until the end of assets' useful lives is in line with the assumed inflation. In Russia the generation capacity built after 2007 under the Russian Government's Capacity Supply Agreements receives guaranteed capacity payments for a period of 10 years.

The discount rate takes into account the risk profile of the country in which the cash flows are generated. There have not been any major changes in the discount rate components or in the methods used to determine them. The long-term pre-tax discount rate used for Russia was 10.8% (2013: 10.5%).

The net operating assets of OAO Fortum, including fair value adjustments and goodwill arising from the acquisition of the company are tested yearly for possible impairment. As of 31 December 2014, the recoverable values were greater than their carrying values and therefore no impairments were booked. In light with the sharp rise in the Russian interest rates at the end of 2014 an additional assessment has been performed in January 2015 using a pre-tax discount rate of 12.3%. The reassessment confirmed the results from the earlier testing.

The Group has considered the sensitivity of key assumptions as part of the impairment testing. When doing this any consequential effect of the change on the other variables has also been considered. The calculations are most sensitive to changes in estimated future operating profit levels and changes in discount rate.

Management estimates that a reasonably possible change in the discount rate used or in future earnings would not cause Russian cash generating unit's carrying amount to exceed its recoverable amount. Based on the sensitivity analysis done, if the estimated future operating profits before depreciation were 10% lower than management's estimates or pre-tax discount rate applied was 10% higher than the one used, the Group would not need to recognise impairment losses for property plant and equipment or goodwill.

20 Participations in associated companies and joint ventures

20.1 Principal associated companies and joint ventures

	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1	TVO	Fortum Värme
Nature of the relationship	Power production company	Power production company	Power production company	Holding in energy company (listed)	Holding in energy company (listed)	Power production company	Holding in power and heat company
Classification	Associated company	Associated company	Associated company	Associated company	Associated company	Joint venture	Joint venture
Segment	Power and Technology	Power and Technology	Power and Technology	Other	Russia	Power and Technology	Heat, Electricity Sales and Solutions
Domicile	Sweden	Sweden	Finland	Norway	Russia	Finland	Sweden
Ownership interest, % 1)	46	26	59	34	29	26	50
Votes, %	46	26	18	33	29	26	50

1) Kemijoki and TVO have different series of shares. The ownership interest varies due to the changes in equity assigned to the different share series. The ownership interests for 2013 for Kemijoki Oy and TVO were 59% and 26% respectively.

Shareholdings in power production companies

Power plants are often built jointly with other power producers. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership or other agreements and each owner is liable for an equivalent portion of costs. The production companies are not profit making, since the owners purchase electricity at production cost including interest cost and production taxes. The share of profit of these companies is mainly IFRS adjustments (e.g. accounting for nuclear related assets and liabilities) and depreciations on fair value adjustments from historical acquisitions since the companies are not profit making under local accounting principles.

Fortum has material shareholdings in such power production companies (mainly nuclear and hydro) that are consolidated using equity method either as associated companies (OKG AB, Forsmarks Kraftgrupp AB and Kemijoki Oy) or in some cases as joint ventures (Teollisuuden Voima Oyj (TVO)).

In Sweden nuclear production company shareholdings are 45.5% ownership of the shares in OKG AB and 25.5% ownership of the shares in Forsmarks Kraftgrupp AB. Excluding non-controlling interests in the subsidiaries, Fortum’s participation in the companies are 43.4% and 22.2% respectively, which reflects the share of electricity produced that Fortum can sell further to the market. The minority part of the electricity purchased is invoiced further to each minority owner according to their respective shareholding and treated as pass-through. OKG AB and Forsmarks Kraftgrupp AB are accounted for as associated companies as Fortum has a representation on the Board of Directors and it participates in policy-making processes of the companies.

In Finland Fortum has an ownership in power production company TVO that has three series of shares which entitle the shareholders to electricity produced in the different power plants owned by TVO.

Shares in series A entitle to electricity produced in nuclear power plants Olkiluoto 1 and 2 and Fortum owns 26.6% of these shares. Series B entitles to electricity in the nuclear power plant presently being built, Olkiluoto 3, and Fortum's ownership in this share series is 25%. Series C entitles to electricity produced in TVO’s share of the thermal power plant Meri-Pori. The Meri-Pori power plant is accounted for as a joint operation in Fortum. Fortum accounts for its 54.55% of the assets and TVO for 45.45%.

See also Joint operation in Note 19 Property, plant and equipment.

The most significant hydro production company shareholding is 63.8% of the hydro shares and 15.4% of the monetary shares in Kemijoki Oy. Each owner of hydro shares is entitled to the hydropower production in proportion to its hydro shareholding. Since Fortum has a representation on the Board of Directors and it participates in the policy-making processes, Kemijoki Oy is accounted for as an associated company.

Other shareholdings accounted for using the equity method

In Sweden Fortum has a 50.1% ownership in AB Fortum Värme Holding samägt med Stockholms stad (Fortum Värme). Fortum Värme is a district heating company, producing heat and power with CHP plants in Stockholm area, that is co-owned with the City of Stockholm. The shareholding is accounted for as a joint venture as according to the shareholders agreement control is shared.

Fortum owns shareholdings in listed companies such as Hafslund ASA and Territorial Generating Company 1 (TGC-1). The shareholdings are accounted for as associated companies as Fortum has representatives in the Board of Directors of the companies. The share of profit of these companies is accounted for based on previous quarter information since updated interim information is not normally available.

Participations in associated companies and joint ventures in the balance sheet

EUR million	2014	2013
Principal associates	1,074	1,263
Principal joint ventures	730	721
Other associates	42	226
Other joint ventures	182	132
Carrying amount 31 December	**2,027**	**2,341**

Changes in participation during the year

EUR million	Joint ventures 2014	Associated companies 2014	Joint ventures 2013	Associated companies 2013
Historical cost				
1 January	518	1,130	529	1,270
Translation differences and other adjustments	-11	-166	-7	-88
Acquisitions	36	26	0	0
Reclassifications	5	-9	0	-6
Divestments	-3	-143	-4	-45
Historical cost 31 December	**546**	**838**	**518**	**1,130**
Equity adjustments				
1 January	334	359	270	305
Translation differences and other adjustments	-23	-71	-17	-15
Share of profits of associates and joint ventures	76	72	92	86
Reclassifications	12	-7	0	6
Divestments	0	-36	0	-16
Dividends received	-27	-30	-24	-49
OCI items associated companies	-6	-10	13	42
Equity adjustments 31 December	**366**	**277**	**334**	**359**
Carrying amount at 31 December	**912**	**1,115**	**853**	**1,489**

Share of profit of associates and joint ventures

EUR million	2014	2013
Principal associates		
OKG AB	5	13
Forsmarks Kraftgrupp AB	-9	-4
Kemijoki Oy	-5	-8
Hafslund ASA	36	31
TGC-1	35	46
Principal associates, total	**61**	**78**
Principal joint ventures		
Fortum Värme	67	73
TVO	-4	12
Principal joint ventures, total	**64**	**84**
Other associates	11	8
Other joint ventures	12	7
Total	**149**	**178**

The unrecognized share of losses of associated companies and joint ventures (for the reporting period and cumulatively) is zero.

Share of profits from Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB includes EUR 2 million (2013: 17) arising from accounting of nuclear related assets and liabilities.

20.2 Investments in associated companies and joint ventures

During 2014 Fortum has acquired additional shares in its associated company, Territorial Generating Company 1. After the acquisition Fortum owns 29.45% of the shares in TGC-1.

In July 2014 Fortum acquired 33.66% in AS Eesti Gaas and a similar shareholding in AS Võrguteenus Valdus. The acquired shares increased Fortum's holding in both companies to approximately 51%. Fortum continues to account for its holdings in the Estonian natural gas businesses using the equity method.

There were no material investments in associated companies or joint ventures during 2013.

See also Note 8 Acquisitions and disposals.

20.3 Divestments of associated companies and joint ventures

In November Fortum’s Heat, Electricity Sales and Solutions segment sold its 31% shareholding in the Finnish natural gas company Gasum Oy.

During the first quarter 2014 Power and Technology segment divested Fortum's 30% shareholding in its associated company Karlshamn Kraft AB.

In June 2013, Fortum agreed to sell its 47.9% ownership in the Swedish energy associate Härjeåns Kraft AB. The transaction was completed in July.

In July 2013 Fortum completed the divestment of its 33% holding in associated company Infratek ASA.

See also Note 8 Acquisitions and disposals.

Summarised financial information of the principal associated companies in 2014

EUR million	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1
Balance sheet	31 Dec 2013	31 Dec 2013	31 Dec 2013	30 Sept 2014	30 Sept 2014
Non-current assets	2,200	2,094	449	2,426	1,814
Current assets	462	488	9	406	259
Non-current liabilities	2,552	2,348	279	1,452	481
Current liabilities	97	197	90	532	205
Equity	13	37	88	849	1,388
Attributable to NCI				2	118
Attributable to the owners of the parent	13	37	88	847	1,270
Statement of comprehensive income	1 Jan 2013 - 31 Dec 2013	1 Jan 2013 - 31 Dec 2013	1 Jan 2013 - 31 Dec 2013	1 Oct 2013 - 30 Sep 2014	1 Oct 2013 - 30 Sep 2014
Revenue	568	727	57	1,481	1,357
Profit or loss from continuing operations	1	1	-7	120	126
Other comprehensive income				-23	
Total comprehensive income	1	1	-7	96	126
Attributable to NCI					8
Attributable to the owners of the parent	1	1	-7	96	118
Reconciliation to carrying amount in the Fortum group					
Group's interest in the equity of the associate at 1 January	8	10	57	298	489
Change in share of profit and from OCI items			-5	33	35
Dividends received				-20	-4
Acquisitions					52
Translation differences and other adjustments	-2			-23	-198
Group's interest in the equity of the associate at 31 December	**6**	**9**	**52**	**289**	**374**
Fair values on acquisitions and different accounting principles	145	79	158	11	-48
Carrying amount at 31 December	**151**	**88**	**210**	**299**	**326**
Market value for listed shares [1)]				373	71

1) The market quotation for the TGC-1 share is affected by the low liquidity of the TGC-1 shares in the Russian stock exchanges. During 2014 trading volumes of TGC-1 shares in relation to the number of shares of the company were approximately 9% (2013: 10%).

Summarised financial information of the principal associated companies in 2013

EUR million	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1
Balance sheet	31 Dec 2012	31 Dec 2012	31 Dec 2012	30 Sept 2013	30 Sept 2013
Non-current assets	2,191	2,061	453	2,482	2,878
Current assets	429	512	9	388	366
Non-current liabilities	2,480	2,284	237	1,447	732
Current liabilities	121	251	129	545	427
Equity	18	38	96	877	2,085
Attributable to NCI				2	179
Attributable to the owners of the parent	18	38	96	875	1,906
Statement of comprehensive income	1 Jan 2012 - 31 Dec 2012	1 Jan 2012 - 31 Dec 2012	1 Jan 2012 - 31 Dec 2012	1 Oct 2012 - 30 Sep 2013	1 Oct 2012 - 30 Sep 2013
Revenue	594	753	56	1,634	1,641
Profit or loss from continuing operations	6		-8	95	167
Other comprehensive income				-2	0
Total comprehensive income	6		-8	92	167
Attributable to NCI					8
Attributable to the owners of the parent	6		-8	92	159
Reconciliation to carrying amount in the Fortum group					
Group's interest in the equity of the associate at 1 January	6	10	63	305	510
Change in share of profit and from OCI items	3		-6	52	46
Dividends received	-3			-21	-3
Translation differences and other adjustments	2			-38	-64
Group's interest in the equity of the associate at 31 December	**8**	**10**	**57**	**298**	**489**
Fair values on acquisitions and different accounting principles	176	68	158	24	-26
Carrying amount at 31 December	**184**	**78**	**215**	**323**	**463**
Market value for listed shares				369	145

Summarised financial information of the principal joint ventures in 2014 and 2013

EUR million	2014 TVO	2014 Fortum Värme	2013 TVO	2013 Fortum Värme
Balance sheet	30 Sept 2014	31 Dec 2014	30 Sept 2013	31 Dec 2013
Non-current assets	6,567	2,552	6,218	2,490
Current assets	423	313	507	322
of which cash and cash equivalents	128	6	220	3
Non-current liabilities	4,994	1,362	4,870	1,266
of which non-current interest-bearing liabilities	4,078	995	3,982	906
Current liabilities	516	432	387	471
of which current financial liabilities	351	298	180	301
Equity [1]	1,480	1,071	1,468	1,074
Attributable to NCI				1
Attributable to the shareholders of the company	1,480	1,071	1,468	1,073
Statement of comprehensive income	1 Oct 2013 - 30 Sep 2014	1 Jan 2014 - 31 Dec 2014	1 Oct 2012 - 30 Sep 2013	1 Jan 2013 - 31 Dec 2013
Revenue	353	716	386	807
Depreciation and amortisation	-58	-128	-57	-124
Interest income	23	1	36	1
Interest expense	-67	-28	-64	-29
Income tax expense or income		-30		-33
Profit or loss from continuing operations	4	126	36	136
Other comprehensive income	12	-22	12	20
Total comprehensive income	16	104	48	157
Attributable to NCI				1
Attributable to the shareholders of the company	16	104	48	155
Reconciliation to carrying amount in the Fortum group				
Group's interest in the equity of the joint venture at 1 January	289	537	277	498
Change in share of profit and from OCI items	3	53	12	78
Dividends received		-22		-23
Translation differences and other adjustments		-32		-16
Group's interest in the equity of the joint venture at 31 December	**292**	**535**	**289**	**537**
Fair values on acquisitions and different accounting principles	-7	-91	-5	-101
Carrying amount at 31 December	**285**	**445**	**284**	**436**

1) The equity of TVO includes subordinated loans of EUR 339 million (2013: 339). Fortum has given part of these loans, pro rata to the ownership.

See also Associated companies in Note 39 Legal actions and official proceedings.

See Note 30 Nuclear related assets and liabilities.

20.4 Transactions and balances

Associated company transactions

EUR million	2014	2013
Sales to associated companies	1	0
Interest on associated company loan receivables	31	28
Purchases from associated companies	483	539

Purchases from associated companies include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

Associated company balances

EUR million	2014	2013
Receivables from associated companies		
Long-term interest-bearing loan receivables	1,327	1,320
Trade receivables	1	0
Other receivables	0	12
Liabilities to associated companies		
Long-term loan payables	1	0
Trade payables	1	10
Other payables	0	0

For more info about receivables from associated companies, please see note 22 Long-term and short-term interest-bearing receivables.

Joint venture transactions

EUR million	2014	2013
Sales to joint ventures	82	94
Interest on joint venture loan receivables	28	34
Purchases from joint ventures	85	113

Purchases from joint ventures include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

Joint venture balances

EUR million	2014	2013
Receivables from joint ventures		
Long-term interest-bearing loan receivables	714	1,267
Trade receivables	17	27
Other receivables	15	20
Liabilities to joint ventures		
Long-term loan payables	261	248
Trade payables	5	6
Other payables	4	3

For more info about receivables from joint ventures, please see note 22 Long-term and short-term interest-bearing receivables.

21 Other non-current assets

EUR million	2014	2013
Available for sale financial assets	30	31
Other	38	46
Total	**68**	**77**

Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consist mainly of shares in unlisted companies of EUR 30 million (2013: 30), for which the fair value can not be reliably determined. These assets are measured at cost less possible impairment.

Available for sale financial assets include listed shares at fair value of EUR 1 million (2013: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (2013: -3).

22 Long-term and short-term interest-bearing receivables

EUR million	2014	2013
Long-term loan receivables	2,041	2,595
Finance lease receivables	0	2
Total long-term interest-bearing receivables	**2,041**	**2,598**
Other short-term interest-bearing receivables	4	6
Total short-term interest-bearing receivables 1)	**4**	**6**
Total	**2,045**	**2,603**

1) Included in trade and other receivables in the balance sheet, see Note 24.

Long-term loan receivables include receivables from associated companies and joint ventures EUR 2,041 million (2013: 2,587), mainly from Swedish nuclear companies, OKG AB and Forsmark Kraftgrupp AB, EUR 1,310 million (2013: 1,312) and Fortum Värme samägt med Stockholms stad EUR 553 million (2013: 1,135). The nuclear companies are mainly funded with shareholder loans, pro rata each shareholder’s ownership.

TVO is building Olkiluoto 3, the nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At end of December 2014 Fortum has EUR 95 million outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum EUR 100 million. A subordinated shareholder loan EUR 15 million has also been given to fund planning of Olkiluoto 4, to which Fortum has additionally committed to provide EUR 57 million.

For further information regarding credit risk management, see Note 3.7 Credit risk.

Interest-bearing receivables

EUR million	Effective interest rate, %	Carrying amount 2014	Repricing Under 1 year	Repricing 1-5 years	Repricing Over 5 years	Fair value 2014	Carrying amount 2013	Fair value 2013
Long-term loan receivables	2.4	2,044	1,857	3	184	2,216	2,600	2,702
Finance lease receivables	-	-	-	-	-	-	2	4
Total long-term interest-bearing receivables [1)]	**2.4**	**2,044**	**1,857**	**3**	**184**	**2,216**	**2,602**	**2,706**
Other short-term interest-bearing receivables	0.0	0	0	-	-	0	1	1
Total interest-bearing receivables	**2.4**	**2,045**	**1,857**	**3**	**184**	**2,216**	**2,603**	**2,707**

1) Including current portion of long-term receivables EUR 3 million (2013: 5).

23 Inventories

EUR million	2014	2013
Nuclear fuel	105	109
Coal	77	66
Oil	12	15
Biofuels	1	2
Other inventories	61	71
Total	**256**	**264**

No write downs have been booked related to inventories during 2014 or 2013.

24 Trade and other receivables

EUR million	2014	2013
Trade receivables	549	618
Income tax receivables	132	98
Accrued interest income	6	21
Accrued income and prepaid expenses	23	20
Other receivables	116	147
Other short-term interest-bearing receivables	4	6
Moved to assets held for sale	0	-42
Total	**830**	**869**

The management considers that the carrying amount of trade and other receivables approximates their fair value.

24.1 Trade receivables

Ageing analysis of trade receivables

	2014		2013	
EUR million	Gross	Impaired	Gross	Impaired
Not past due	504	2	577	2
Past due 1-90 days	44	4	37	2
Past due 91-180 days	6	3	10	2
Past due more than 181 days	50	46	75	75
Total	**604**	**55**	**699**	**80**

Impairment losses recognised in the income statement were EUR 11 million (2013: 24), of which EUR 4 million (2013: 18) are impairment losses recognised in the OAO Fortum Group. On 31 December 2014, trade receivables of EUR 55 million (2013: 80) are impaired and provided for, of which EUR 46 million (2013: 73) refers to the OAO Fortum Group.

For information regarding impairment losses by segment, see Note 5 Segment reporting.

Trade receivables by currency (Gross)

EUR million	2014	2013
EUR	204	219
SEK	202	223
RUB	132	173
NOK	12	30
PLN	45	31
Other	9	23
Total	**604**	**699**

Trade receivables are arising from a large number of customers mainly in EUR, SEK and RUB mitigating the concentration of risk.

For further information regarding credit risk management and credit risks, see

Counterparty risks in the Operating and financial review

and Note 3.7 Credit risk.

25 Liquid funds

EUR million	2014	2013
Cash at bank and in hand	1,880	1,089
Bank deposits with maturity under 3 months	129	176
Cash and cash equivalents	**2,009**	**1,265**
Bank deposits with maturity more than 3 months	757	0
Total	**2,766**	**1,265**
Cash and cash equivalents moved to assets held for sale	0	-15
Total	**2,766**	**1,250**

Bank deposits include bank deposits held by OAO Fortum amounting to EUR 131 million (2013: 101). At the year end 2014 OAO Fortum's deposits included EUR 30 million in euros and EUR 101 million in Russian roubles. The funds in OAO Fortum are committed to the ongoing investment program. The bank deposits in euros held by OAO Fortum are hedging future payments in euros.

For further information regarding credit risk management and credit risks, see

Counterparty risks in the Operating and financial review

and Note 3.7 Credit risk.

26 Share capital

EUR million	2014		2013	
	Number of shares	Share capital	Number of shares	Share capital
Registered shares at 1 January	888,367,045	3,046	888,367,045	3,046
Registered shares at 31 December	888,367,045	3,046	888,367,045	3,046

Fortum Oyj has one class of shares. By the end of 2014, a total of 888,367,045 shares had been issued. Each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2014 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

Fortum Corporation's shares are listed on Nasdaq Helsinki. The trading code is FUM1V. Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finland Ltd.

Details on the President and CEO and other members of the Fortum Executive Management Team's shareholdings and interest in the equity incentive schemes is presented in Note 12 Employee benefits.

A description of shares, share capital and shareholders in Fortum is shown in the Operating and financial review.

26.1 Treasury shares

At the end of 2014, Fortum Corporation did not own its own shares and the Board of Directors of Fortum Corporation has no unused authorisations from the General Meeting of shareholders to repurchase the company's own shares.

26.2 Convertible bond loans and bonds with warrants

Fortum Corporation has not issued any convertible bonds or bonds with attached warrants, which would entitle the bearer to subscribe for Fortum shares. The Board of Directors of Fortum Corporation has no unused authorisations from the General Meeting of shareholders to issue convertible bond loans or bonds with warrants or increase the company's share capital.

27 Non-controlling interests

Principal non-controlling interests

EUR million		2014	2013
OAO Fortum Group	Russia	29	59
AS Fortum Tartu Group	Estonia	24	21
Other		18	21
Total		**71**	**101**

28 Interest-bearing liabilities

EUR million	2014	2013
Bonds	4,088	4,736
Loans from financial institutions	576	752
Other long-term interest-bearing debt	1,216	1,464
Total long-term interest-bearing debt	**5,881**	**6,952**
Current portion of long-term bonds	660	1,103
Current portion of loans from financial institutions	146	102
Current portion of other long-term interest-bearing debt	10	30
Commercial papers	0	718
Other short-term interest-bearing debt	287	154
Total short-term interest bearing debt	**1,103**	**2,106**
Total interest-bearing debt	**6,983**	**9,058**
Interest-bearing liabilities moved to assets held for sale	0	-20
Total	**6,983**	**9,038**

Interest-bearing debt [1)]

EUR million	Effective interest rate, %	Carrying amount 2014	Repricing Under 1 year	Repricing 1-5 years	Repricing Over 5 years	Fair value 2014	Carrying amount 2013	Fair value 2013
Bonds	3.3	4,748	1,192	1,858	1,698	5,093	5,839	6,232
Loans from financial institutions	2.8	722	462	70	190	777	854	912
Other long-term interest-bearing debt [2)]	1.3	1,226	1,226	-	-	1,296	1,494	1,515
Total long-term interest-bearing debt [3)]	**2.9**	**6,696**	**2,880**	**1,928**	**1,888**	**7,166**	**8,187**	**8,659**
Commercial papers	-	-	-	-	-	-	718	719
Other short-term interest-bearing debt	0.0	287	287	-	-	287	154	154
Total short-term interest-bearing debt	**0.0**	**287**	**287**	**0**	**0**	**287**	**871**	**873**
Total interest-bearing debt [4)]	**2.8**	**6,983**	**3,167**	**1,928**	**1,888**	**7,453**	**9,058**	**9,532**

1) Including interest-bearing liabilities, EUR 0 million, in Liabilities related to assets held for sale at 31 December 2014 (2013: 20).

2) Includes loans from State Nuclear Waste Management Fund and Teollisuuden Voima Oyj EUR 1,040 million (2013: 995), loans from Finnish pension institutions EUR 78 million (2013: 198) and other loans EUR 108 million (2013: 301).

3) Including current portion of long-term debt.

4) The average interest rate on loans and derivatives on 31 December 2014 was 3.7% (2013: 3.6%).

The interest-bearing debt decreased in 2014 by EUR 2,075 million to EUR 6,983 million (2013: 9,058). The amount of short-term financing decreased with EUR 584 million, and at the end of the year the amount of short-term financing was EUR 287 million (2013: 871).

In March Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund and Teollisuuden Voima by EUR 45 million to EUR 1,040 million. During the first quarter Fortum repaid a maturing EUR 750 million bond. In the second quarter Fortum repaid two bonds equivalent to EUR 350 million (SEK 2,600 million and NOK 500 million) and EUR 95 million of pension loans. In the third quarter OAO Fortum repaid bilateral debt RUB 2 billion (EUR 41 million). Fortum Värme Holding prepaid SEK 1,7 billion (EUR 182 million) to Fortum Oyj who prepaid the same amount to the City of Stockholm. Both loans were originally due in December 2015.

For more information please see

Note 3 Financial risk management,

Note 35 Pledged assets

and Note 38 Contingent liabilities.

28.1 Bond issues

Issued/Maturity	Interest basis	Interest rate, %	Effective interest, %	Currency	Nominal million	Carrying amount EUR million
Fortum Oyj EUR 8,000 million EMTN Programme [1)]						
2006/2016	Fixed	4.500	4.615	EUR	750	749
2009/2017	Fixed	6.125	6.240	NOK	500	55
2009/2019	Fixed	6.000	6.095	EUR	750	746
2010/2015	Floating	Stibor 3M+0.95		SEK	3,100	330
2010/2015	Fixed	3.125	3.235	SEK	3,100	330
2011/2021	Fixed	4.000	4.123	EUR	500	528
2012/2017	Floating	Stibor 3M+1.2		SEK	1,000	106
2012/2017	Fixed	3.250	3.260	SEK	1,750	186
2012/2022	Fixed	2.250	2.344	EUR	1,000	1,074
2013/2018	Fixed	2.750	2.855	SEK	1,150	122
2013/2018	Floating	Stibor 3M+1.0		SEK	3,000	319
2013/2023	Floating	Stibor 3M+1.13		SEK	1,000	106
2013/2043	Fixed	3.500	3.719	EUR	100	96
Total outstanding carrying amount 31 December 2014						**4,748**

1) EMTN = Euro Medium Term Note

29 Deferred income taxes

The movement in deferred tax assets and liabilities during 2014

Deferred taxes in balance sheet, EUR million	1 Jan 2014	Change	31 Dec 2014
Deferred tax assets	126	-28	98
Deferred tax liabilities	-1,338	179	-1,159
Net deferred taxes	**-1,212**	**151**	**-1,061**

EUR million	1 Jan 2014	Charged to income statement	Charged to other comprehensive income	Exchange rate differences reclassifications and other changes	Acquisitions, disposals and assets held for sale	31 Dec 2014
Property, plant and equipment	-1,264	-10		118	5	-1,150
Pension obligations	7	1	22		-2	28
Provisions	24	-23				1
Derivative financial instruments	-46	-1	7			-40
Tax losses and tax credits carry-forward	80	-7		-3		70
Other	-13	44			-1	30
Net deferred taxes	**-1,212**	**5**	**29**	**115**	**2**	**-1,061**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax liabilities of EUR 8 million (2013: 7) have been recognised for the withholding tax and other taxes that would be payable on the all unremitted earnings of Estonian subsidiaries. Unremitted earnings from these companies totalled EUR 38 million on 31 December 2014 (2013: 32).

Change in deferred tax is mainly coming from exchange rate differences in Russia and in Sweden, EUR 115 million.

The movement in deferred tax assets and liabilities during 2013

Deferred taxes in balance sheet, EUR million	1 Jan 2013	Change	31 Dec 2013
Deferred tax assets	169	-43	126
Deferred tax liabilities	-1,561	223	-1,338
Net deferred taxes	**-1,392**	**180**	**-1,212**

EUR million	1 Jan 2013	Charged to income statement	Charged to other comprehensive income	Exchange rate differences reclassifications and other changes	Acquisitions, disposals and assets held for sale	31 Dec 2013
Property, plant and equipment	-1,505	55		45	141	-1,264
Pension obligations	22	2	-17			7
Provisions	42	-18				24
Derivative financial instruments	-29	-9	-8			-46
Tax losses and tax credits carry-forward	80					80
Other	-2	-12				-13
Net deferred taxes	**-1,392**	**18**	**-25**	**45**	**141**	**-1,212**

Deferred tax assets and liabilities from acquisitions, disposals and assets held for sale in 2013 relate to the sale of Fortum Sähkönsiirto Oy and Fortum Espoo Distribution Oy shares in 2014.

See Note 9 Assets held for sale.

Deferred income tax assets are recognised for tax loss carry-forward to the extent that realisation of the related tax benefit through future profits is probable. The recognised tax assets relate to losses carry-forward with no expiration date and partly with expiry date as described below.

Deferred income tax assets recognised for tax loss carry-forwards

	2014		2013	
EUR million	Tax losses	Deferred tax asset	Tax losses	Deferred tax asset
Losses without expiration date	29	4	6	2
Losses with expiration date	260	66	320	78
Total	**289**	**70**	**327**	**80**

Deferred tax assets of EUR 50 million (2013: 47) have not been recognised in the consolidated financial statements, because the realisation is not probable. The major part of the unrecognised tax asset relates to loss carry-forwards that are unlikely to be used in the foreseeable future.

30 Nuclear related assets and liabilities

EUR million	2014	2013
Amounts recognised in the balance sheet		
Nuclear provisions	774	744
Share in the State Nuclear Waste Management Fund	774	744
Legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	1,084	1,059
Funding obligation target	1,074	1,039
Fortum's share of the State Nuclear Waste Management Fund	1,039	1,005

30.1 Nuclear related provisions

According to the renewed Nuclear Energy Act Fortum submitted the proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and the Economy at the end of June 2013. The legal liability is calculated according to the Nuclear Energy Act in Finland and is decided by the Ministry of Employment and the Economy in December every year. The liability is based on a technical plan, which is made every third year. Following the update of technical plan in 2013, the discounted liability increased due to updated cost estimates related to interim and final storage of spent fuel.

The legal liability by the end of 2014, decided by the Ministry of Employment and the Economy and calculated according to the Nuclear Energy Act, is EUR 1,084 million (2013: 1,059). The carrying value of the nuclear provisions in the balance sheet, calculated according to IAS 37, have increased by EUR 30 million compared to 31 December 2013, totaling EUR 774 million on 31 December 2014. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

See also Note 19 Property, plant and equipment.

Nuclear provisions

EUR million	2014	2013
1 January	**744**	**678**
Additional provisions	11	51
Used during the year	-24	-20
Unwinding of discount	43	35
31 December	**774**	**744**
Fortum's share in the State Nuclear Waste Management Fund	774	744

30.2 Fortum's share in the State Nuclear Waste Management Fund

According to the Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Based on the law, Fortum applied for periodising of the payments to the fund over three years, due to proposed increase in the legal liability. The application was approved by the Ministry ot the Employment and the Economy in December 2013.

The Fund is from an IFRS perspective overfunded with EUR 265 million (2013: 261), since Fortum's share of the Fund on 31 December 2014 is EUR 1,039 million (2013: 1,005) and the carrying value in the balance sheet is EUR 774 million (2013: 744).

Operating profit for 2014 includes a negative total adjustment of EUR -3 million (2013: +23). These adjustments are recognised in "Items affecting comparability" and are not included in comparable operating profit in the Power segment, see Note 5 Segment reporting and Note 6 Items affecting comparability. As long as the Fund stays overfunded from an IFRS perspective, positive accounting effects to operating profit will always occur when the nuclear provision is increasing more than the net payments to the Fund. Negative accounting effects will occur when the net payments to the Fund are higher than the increase of the provision.

30.2.1 Funding obligation target

The funding obligation target for each year is decided by the Ministry of Employment and the Economy in December each year after the legal liability has been decided. The difference between the funding obligation target for Fortum and Fortum's actual share of the State Nuclear Waste Management Fund is paid in Q1 each year.

The funding obligation target, corresponding to the new legal liability and the approved periodisation amounts to EUR 1,074 million (2013: 1,039). Real estate mortgages and other securities given also cover unexpected events according to the Nuclear Energy Act.

See also Note 35 Pledged assets

and Note 38 Contingent liabilities.

30.3 Borrowing from the Finnish State Nuclear Waste Management Fund

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the Fund according to certain rules. Fortum uses the right to borrow back and has pledged Kemijoki Oy shares as security for the loans. The loans are renewed yearly.

See also Note 28 Interest-bearing liabilities

and Note 35 Pledged assets.

30.4 Associated companies

Fortum has at year-end received updated cash flow information for its nuclear associated companies Teollisuuden Voima Oyj, OKG AB and Forsmarks Kraftgrupp AB. Based on the updated cost estimates, the effect in share of profits was EUR +2 million in 2014, which included EUR -1 million due to decrease of the carrying value of the State Nuclear Waste Management Fund in Finland. In 2013, the effect in share of profits was EUR +17 million, which included EUR -5 million due to decrease of the carrying value of the State Nuclear Waste Management Fund in Finland. The State Nuclear Waste Management Fund in Finland is overfunded from an IFRS perspective whereas the value of the Swedish Nuclear Waste Fund is estimated to be slightly below the value of provisions at year-end 2014.

Fortum has according to law given guarantees to the Finnish and Swedish nuclear Funds on behalf of the associated companies, to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plants and disposal of spent fuel.

Through the shareholding in TVO, Fortum uses the right to borrow from the Fund.

See also Note 38 Contingent liabilities.

31 Other provisions

EUR million	2014				2013			
	CSA provision	Environmental	Other	Total	CSA provision	Environmental	Other	Total
1 January	**103**	**2**	**12**	**117**	**178**	**4**	**24**	**206**
Provisions for the period	0	0	22	22	0	1	9	9
Provisions used	-14	0	-4	-18	-24	-2	-11	-37
Provisions reversed	-4	0	-3	-7	-48	0	-10	-57
Unwinding of discount	6	0	0	6	12	0	0	12
Exchange rate differences	-35	0	-3	-39	-16	0	0	-16
31 December	**56**	**2**	**24**	**82**	**103**	**2**	**12**	**117**
Of which current provisions [1)]	56	0	10	66	20	0	3	23
Of which non-current provisions	0	2	15	17	83	2	10	94

1) Included in trade and other payables in the balance sheet, see note 34.

Fortum's extensive investment programme in Russia is subject to possible penalties that can be claimed if the new capacity is substantially delayed or agreed major terms of the capacity supply agreement (CSA) are not otherwise fulfilled. The remaining provision is assessed at each balance sheet date and the assessment is based on changes in estimated risks and timing related to commissioning of the remaining power plants in the investment programme. During 2014 EUR 4 million of the provision was reversed to the income statement relating to the lower penalties for Nyagan 2. The remaining provision for possible penalties amounts to EUR 56 million (Dec 31 2013: 103). Paid penalties during 2014 amounted to EUR 14 million (2013: 24). The provision increases due to unwinding of the discounting of potential future penalty payments, which during 2014 resulted in an increase of the provision with EUR 6 million (2013: 12). The unwinding effect is recognised in other financial expenses.

Environmental provision are mainly related to cleaning of contaminated land. Main part of the provision is estimated to be used within ten years.

Restructuring provisions, included in other provisions, amounts to EUR 1 million (2013: 2).

Other provisions include also provisions for insurance payments, tax claims and provisions for onerous contracts. The other provisions are estimated to be used within two to five years.

Regarding provisions for decommissioning and provision for disposal of spent fuel for nuclear production, see note 30.

32 Pension obligations

Fortum's pension arrangements

Finland

In Finland the most significant pension plan is the Finnish Statutory Employment Pension Scheme (TyEL) in which benefits are directly linked to employees' earnings. These pensions are funded in insurance companies and treated as defined contribution plans. The benefits provided under TyEL are old age pensions, disability pensions, unemployment pensions and survivors' pensions. Certain Fortum employees in Finland have an additional pension coverage, certain level of benefit promised after retirement, through the company's own pension fund (Fortum Pension Fund) or through insurance companies. The additional pensions through insurance companies provide old age pension and funeral grant and Fortum Pension Fund is providing old age pension, early old age benefit, disability pension, survivor’s pension and funeral grant.

The Fortum Pension Fund is a closed fund managed by a Board, consisting of both employer's and employees' representatives. The Fund is operating under regulation from Financial Supervisory Authority (FSA). The liability has to be fully covered according to the regulations. The national benefit obligation related to the defined benefit plans is calculated so that the promised benefit is fully funded until retirement. After retirement the benefits payables are indexed yearly with TyEL-index. The promised benefit is defined in the rules of the Fund, mostly 66% at a maximum of the salary basis. The salary basis is an average of ten last year's salaries, which are indexed with common salary index to accounting year.

Sweden

In Sweden the Group operates several defined benefit and defined contribution plans like the general ITP-pension plan and the PA-KL and PA-KFS plans that are eligible for employees within companies formerly owned by municipalities. The defined benefit plans are fully funded and have partly been financed through Fortum’s own pension fund and partly through insurance premiums. The pension arrangements comprise normal retirement pension, complementary retirement pensions, survivors' pension and disability pension. The most significant pension plan is the ITP-plan for white-collar employees in permanent employment (or temporary employees after a certain waiting period), who fulfill the age conditions. To qualify for a full pension the employee must have a projected period of pensionable service, from the date of entry until retirement age, of at least 30 years.

The Swedish pension fund is managed by a Board, consisting of both employers' and employees' representatives. The fund is operating under regulation from Swedish Financial Supervisory Authority and the County Administrative Board and governed by Swedish law (no. 1967:531).
The fund constitutes a security for the employer’s defined benefit pension plan liability and the fund has no obligations in relation to pension payments. The employer must have a credit insurance from PRI Pensionsgaranti Mutual Insurance Company for the liability. The liability must not be fully covered by the fund according to the regulations.

The part of the ITP multiemployer pension plan that is secured by paying pension premiums to Alecta, in Fortum’s case the collective family pension, is accounted for as a defined contribution plan due to that there is no consistent and reliable basis to allocate assets or liabilities to the participating entities within the ITP insurance. The reason for this is that it is not possible to determine from the terms of the plan to which extent a surplus or a deficit will affect future contributions.

Pension arrangements in other countries

Pension arrangements in Russia and Poland include payments made to the state pension fund. These arrangements are treated as defined contribution plans. In addition the Russian and Polish companies participate in certain defined benefit plans, defined by collective agreements, which are unfunded and where the company meets the benefit payment obligation as it falls due. The benefits provided under these arrangements include, in addition to pension payments, one-time benefits paid in case of employee mortality or disability as well as lump sum payments for anniversary and financial support to honored workers and pensioners.

The Norwegian companies are part of schemes that are common for municipalities in Norway. These are defined benefit pension plans and provide old age pensions, disability pension and survivor’s pension, including pension benefits from the National Insurance Scheme (Folketrygden). The schemes are fully funded within the rules set out in the Norwegian insurance legislation.

In other countries the pension arrangements are done in accordance with the local legislation and practice, mostly being defined contribution plans.

Main risks relating to defined benefit plans - Sweden and Finland

Overall risks

Sweden - As the pension fund is separated from the funding companies Fortum is not obliged to make additional contributions to the pension fund in any case of deficit. However if the assets decrease to a level lower than the liability according to Swedish GAAP, Fortum's credit insurance cost from PRI will increase.
Finland - If the return of fund’s assets is not enough to cover the raise in liability and benefit payments over the financial year then the employer funds the deficit with contributions unless the fund has sufficient equity.

Change in discount rate

Sweden - The discount rate which is used to calculate the defined benefit obligation is derived from market rates on Swedish covered bonds with an equivalent duration to the pension obligation, and the company therefore has a risk in the development on the bond market. Should the market rates decrease then the liability increases.
Finland - The discount rate which is used to calculate the defined benefit obligation (according to IFRS) depends on the value of corporate bond yields as at reporting date. A decrease in yields increases the benefit obligation that is offset by increase in the value of fixed income holdings.

Investment and volatility risk

Finland - The pension fund's board accepts yearly an Investment Plan, which is based on the external asset-liability analysis. The assets are allocated to stocks and stock funds, fixed income instruments and real estate. The investments are diversified into different asset classes and to different asset managers taking into account the regulation of the Financial Supervisory Authority. The real estate investments consist mainly of the Fortum headquarters, rented by Fortum Oyj.

Risks relating to assumptions used

Actuarial calculations use assumptions for future inflation and salary levels and longevity. Should the actual outcome differ from these assumptions, this might lead to higher liability.

Movement in the net defined benefit liability

EUR million	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset(-)/liability(+)	
	2014	2013	2014	2013	2014	2013
Balance at 1 January	**466**	**550**	**-415**	**-430**	**51**	**119**
Included in profit or loss						
Current service cost	7	11	0	0	7	11
Past service cost	1	0	0	0	1	0
Settlements	-7	-41	6	3	-1	-38
Net interest [1)]	14	15	-13	-12	1	4
	15	**-14**	**-7**	**-8**	**8**	**-23**
Included in OCI						
Remeasurement gains(+)/losses(-)	115	-38	-15	-22	101	-60
Actuarial gains/losses arising from changes in demographic assumptions	0	0			0	0
Actuarial gains/losses arising from changes in financial assumptions	120	-52			120	-52
Actuarial gains/losses arising from experience adjustments	-4	14			-4	14
Return on plan assets (excluding amounts included in net interest expense)			-15	-22	-15	-22
Exchange rate differences	-12	-12	9	8	-3	-4
	103	**-50**	**-6**	**-14**	**97**	**-63**
Other						
Contributions paid by the employer			-2	-6	-2	-6
Benefits paid	-17	-19	13	14	-4	-6
Disposals of subsidiary companies	-27		17		-10	
Transfer of assets in to insurance company in Sweden				29		29
Balance at 31 December	**540**	**466**	**-400**	**-415**	**140**	**51**
Present value of funded defined obligation					532	456
Fair value of plan assets					-400	-415
Funded status					**133**	**41**
Present value of unfunded obligation [2)]					7	10
Net liability arising from defined benefit obligation					**140**	**50**
Defined benefit obligations included in the non-current liabilities					140	50
Defined benefit assets included in the non-current assets					0	0
Net defined benefit asset(-)/liability(+) presented in balance sheet					**140**	**50**

1) Net interest is presented among financial items in income statement, the rest of costs related to defined benefit plans are included in staff costs (row defined benefits plans and part of the amount reduction due to insured defined benefit obligation in staff cost specification in Note 12 Employee benefits).

2) The unfunded obligation relates to arrangements in Russia and Poland.

At the end of 2014 a total of 1,230 (2013: 1,498) Fortum employees are included in defined benefit plans providing pension benefits. During 2014 pensions or related benefits were paid to a total of 2,929 (2013: 3,196) persons.

Contributions expected to be paid during the year 2015 are EUR 9 million.

Fair value of plan assets

EUR million	2014	2013
Equity instruments	129	169
Debt instruments	133	115
Cash and cash equivalents	38	23
Real estate, of which the total EUR 67 million (2013: 74) occupied by the Group	72	81
Company's own ordinary shares	5	5
Other assets	23	22
Total	**400**	**415**

When the pension plan has been financed through an insurance company, a specification of the plan assets has not been available. In these cases the fair value of plan assets has been included in other assets.

The actual return on plan assets in Finland and Sweden totalled EUR 27 million (2013: 23).

Amounts recognised in the balance sheet by country 2014

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	354	170	9	532
Fair value of plan assets	-264	-130	-5	-400
Deficit(+)/surplus(-)	**90**	**39**	**3**	**133**
Present value of unfunded obligations			7	7
Net asset(-)/liability(+) in the balance sheet	**90**	**39**	**11**	**140**
Defined benefit asset included in the assets	0	0	0	0
Pension obligations in the balance sheet	**90**	**39**	**11**	**140**

Amounts recognised in the balance sheet by country 2013

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	281	136	38	456
Fair value of plan assets	-262	-127	-25	-415
Deficit(+)/surplus(-)	**19**	**9**	**13**	**41**
Present value of unfunded obligations			10	10
Net asset(-)/liability(+) in the balance sheet	**19**	**9**	**23**	**50**
Defined benefit asset included in the assets	0	0	0	0
Pension obligations in the balance sheet	**19**	**9**	**23**	**50**

The principal actuarial assumptions used

	2014				2013			
	Finland	Sweden	Russia	Other countries	Finland	Sweden	Russia	Other countries
Discount rate, %	1.30	2.50	9.00	3.00	3.02	3.90	7.50	4.11
Future salary increases, %	2.20	3.00	7.50	3.25	2.20	3.00	7.50	3.72
Future pension increases, %	2.10	2.00	6.50	2.23	2.10	2.00	6.00	2.80
Rate of inflation, %	2.00	2.00	6.50	1.75	2.00	2.00	6.00	1.89

The discount rate in Finland is based on high quality European corporate bonds with maturity that best reflects the estimated term of the defined benefit pension plans. The discount rate in Sweden and Norway is based on yields on Swedish respectively Norwegian covered bonds with maturity that best reflects the estimated term of the defined benefit pension plans. The covered bonds in Sweden and Norway are considered high quality bonds as they are secured with assets. The discount rate in Russia is based on the yield of long-term government bonds which are consistent with the currency and the estimated term of the post-employment benefit obligations.

The life expectancy is the expected number of years of life remaining at a given age:

Longevity at age 65 aged	Finland	Sweden
45 - male	20.6	21.6
45 - female	26.4	24.1
65 - male	19.0	19.6
65 - female	24.7	22.8

The discount, inflation and salary growth rates used are the key assumptions used when calculating defined benefit obligations. Effects of 0.5 percentage point change in the rates to the defined benefit obligation on 31 December 2014, holding all other assumptions stable, are presented in the table below.

Sensitivity of defined benefit obligation to changes in assumptions

	Impact to the pension obligation increase+/decrease-	
Change in the assumption	Finland	Sweden
0.5 % increase in discount rate	-8%	-11%
0.5 % decrease in discount rate	9%	12%
0.5 % increase in benefit	7%	10%
0.5 % decrease in benefit	-6%	-9%
0.5 % increase in salary growth rate	1%	3%
0.5 % decrease in salary growth rate	-1%	-3%

The methods used in preparing the sensitivity analysis did not change compared to the previous period. Change in mortality basis so that life expectancy increases by one year would increase net liability in Finland and Sweden with EUR 21 million (16.6%).

Maturity profile of the undiscounted defined benefit obligation for Finland and Sweden as of December 2014

EUR million	Future benefit payments
Maturity under 1 year	16
Maturity between 1 and 5 years	71
Maturity between 5 and 10 years	93
Maturity between 10 and 20 years	180
Maturity between 20 and 30 years	145
Maturity over 30 years	120

The weighted average duration of defined benefit obligation in Finland and Sweden at the end of the 2014 is 16.9 years.

33 Other non-current liabilities

EUR million	2014	2013
Connection fees	110	417
Other liabilities	44	38
Moved to assets held for sale	0	-306
Total	**154**	**148**

Refundable connection fees to the district heating network in Finland amounted to EUR 110 million (2013: 111).

34 Trade and other payables

EUR million	2014	2013
Trade payables	298	386
Accrued expenses and deferred income		
Accrued personnel expenses	71	73
Accrued interest expenses	205	254
Other accrued expenses and deferred income	64	79
Other liabilities		
VAT-liability	35	26
Current tax liability	35	11
Energy taxes	12	31
Advances received	33	52
Current provisions [1]	66	23
Other liabilities	69	132
Moved to assets held for sale	0	-73
Total	**888**	**994**

1) See also Note 31 Other provisions.

The management considers that the amount of trade and other payables approximates fair value.

35 Pledged assets

EUR million	2014	2013
On own behalf		
For debt		
Pledges	292	301
Real estate mortages	137	137
For other commitments		
Real estate mortages	137	103
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	0	3

35.1 Pledged assets for debt

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the fund. Fortum has pledged shares in Kemijoki Oy as a security. The value of the pledged shares is unchanged, EUR 269 million on 31 December 2014 (2013: 269).

Pledges also include bank deposits as trading collateral of EUR 3 million (2013: 12) for trading of electricity and CO_2 emission allowances in Nasdaq Commodities, in Intercontinental Exchange (ICE) and European Energy Exchange (EEX).

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

Regarding the relevant interest-bearing liabilities, see Note 28 Interest-bearing liabilities.

35.2 Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland for a value of EUR 137 million (2013: 103) as a security to the Ministry of Employment and Economy for the uncovered part of the legal liability and unexpected events relating to costs for future decommissioning and disposal of spent fuel in the wholly owned Loviisa nuclear power plant. The size of the securities given is updated every year in June, based on the decisions regarding the legal liabilities and the funding target which takes place around year-end every year. Due to the yearly update, the amount of real estate mortgages given as a security increased by EUR 34 million.

See also Note 30 Nuclear related assets and liabilities

and note 38 Contingent liabilities.

36 Leasing

36.1 Leases as a lessor

Operating leases

The operating rental income recognised in income statement was EUR 1 million (2013: 1).

Future minimum lease payments receivable on operating leases

EUR million	2014	2013
Not later than 1 year	2	6
Later than 1 year and not later than 5 years	4	1
Later than 5 years	1	2
Total	**8**	**9**

Assets leased out by operating lease agreements

EUR million	2014	2013
Acquisition cost	4	4
Accumulated depreciation at 1 January	-1	-1
Depreciation charge for the year	0	0
Total	**3**	**2**

Finance leases

Fortum does not have material finance lease arrangements where where the Group is leasing out assets.

36.2 Leases as lessee

Operating leases

Fortum leases office equipment and cars under various non-cancellable operating leases, some of which contain renewal options. The future costs for non-cancellable operating lease contracts are stated below. Lease rental expenses amounting to EUR 16 million (2013: 28) are included in the income statement in other expenses. Future minimum lease payments include land leases with long lease periods.

Future minimum lease payments on operating leases

EUR million	2014	2013
Not later than 1 year	24	27
Later than 1 year and not later than 5 years	43	47
Later than 5 years	76	108
Total	**142**	**181**

Finance leases

Fortum does not have material finance lease arrangements where the Group is leasing in assets.

37 Capital commitments

EUR million	2014	2013
Property, plant and equipment	458	524
Intangible assets	3	6
Total	**461**	**530**

Capital commitments are capital expenditure contracted for at the balance sheet date but not recognised in the financial statements. Capital commitments have decreased compared to year-end 2013. The decrease comes mainly from progressing of OAO Fortum's investment programme and divestments of the Finnish and Norweigan distribution businesses.

For more information regarding capital expenditure, see Note 19 Property, plant and equipment.

38 Contingent liabilities

EUR million	2014	2013
On own behalf		
Other contingent liabilities	64	77
On behalf of associated companies and joint ventures		
Guarantees	459	514
Other contingent liabilities	125	125
On behalf of others		
Guarantees	0	3

38.1 Guarantees on own behalf

Other contingent liabilities on own behalf contain various contingent liabilities for group companies, EUR 64 million in 2014 (2013: 77).

38.2 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 (TVO), Forsmarks Kraftgrupp AB (FKA) and OKG AB (OKG). The guarantees are given in proportion to Fortum's respective ownership in each of these companies.

According to law, nuclear companies operating in Finland and Sweden shall give securities to the Finnish State Nuclear Waste Management Fund and the Swedish Nuclear Waste Fund respectively, to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plant and disposal of spent fuel. In Finland, Fortum has given a guarantee on behalf of TVO to the Finnish State Nuclear Waste Management Fund to cover Fortum's part of TVO's uncovered part of the legal liability and for unexpected events. The amount of guarantees is updated every year in June based on the legal liability decided in December the previous year. Due to the yearly update, the amount of guarantees given were EUR 41 million (2013: 40).

In Sweden, Fortum has given guarantees on behalf of FKA and OKG to the Swedish Nuclear Waste Fund to cover Fortum's part of FKA's and OKG's liability. The guarantees for 2012-2014 were decided in December 2011 by the Swedish government and they became effective from September 2012. The total amount of guarantees for FKA and OKG amount to SEK 3,696 million (EUR 393 million) at year-end 2014 (2013: EUR 417 million).

Meri-Pori power plant in Finland is owned by Fortum 54.55% and TVO 45.45%. Based on the participation agreement Fortum has to give a guarantee to TVO against possible loss of asset or breach in contract of TVO's share of the asset, EUR 125 million (2013: 125).

38.3 Other contingent liabilities

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

39 Legal actions and official proceedings

39.1 Group companies

The Swedish Energy Authority (EI), which regulates and supervises the distribution network tariffs in Sweden, has issued a decision concerning the allowed income frame for the years 2012-2015. EI has based its decision on a model with a transition rule stating that it takes 18 years to reach the allowed level of income. The EI decision has been appealed to the County Administrative Court by more than 80 distribution companies, including Fortum Distribution AB. The basis for Fortum Distribution AB's appeal is that the model is not compatible with the existing legislation and that EI has applied an incorrect method for the calculation of Weighted Average Cost of Capital (WACC). In December 2013, the court decided in favor of the industry on all major topics. However, the decision has been appealed by EI to the next level, the Administrative Court of Appeal. In November 2014, the Administrative Court of Appeal, the second law-court, ruled in favour of the Swedish network companies. In December 2014, however, EI decided to appeal this decision to the next and final law-court, the Supreme Administrative Court. For the case to be reconsidered, it is required that the Supreme Administrative Court grants a leave to appeal. A decision whether to grant such a leave will be made during the spring 2015.

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

Based on legal analysis and supporting legal opinions, no provision has been recognised in the financial statements. If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately SEK 425 million (EUR 45 million) for the year 2009, approximately SEK 379 million (EUR 40 million) for the year 2010, approximately SEK 511 million (EUR 54 million) for the year 2011 and approximately SEK 173 million (EUR 18 million) for the year 2012.

Fortum has received income tax assessments in Belgium for the years 2008, 2009, 2010 and 2011. Tax authorities disagree with the tax treatment of Fortum EIF NV. Fortum finds the tax authorities' interpretation not to be based on the local regulation and has appealed the decisions. The court of First instance in Antwerpen rejected Fortum's appeal for the years 2008 and 2009 in June 2014. Fortum finds the decision unjustifiable and has appealed to the Court of Appeal. Based on legal analysis and a supporting legal opinion, no provision has been accounted for in the financial statements. If the decision of the tax authorities remain final despite the appeal process, the impact on the net profit would be approximately EUR 36 million for the year 2008, approximately EUR 27 million for the year 2009, approximately EUR 15 million for the year 2010 and approximately EUR 21 million for the year 2011.The tax has already been paid. If the appeal is approved, Fortum will receive a 7% interest on the amount.

Fortum received an income tax assessment in Finland for 2007 in December 2013. Tax authorities claim in the transfer pricing audit, that detailed business decisions are done by Fortum Oyj and therefore re-characterize the equity Fortum has injected to its Belgium subsidiary Fortum Project Finance NV not to be equity, but funds to be available for the subsidiary. Tax authorities' view is that the interest income that Fortum Project Finance NV received from its loans should be taxed in Finland, not Belgium. Fortum considered the claims unjustifiable both for legal grounds and interpretation. Fortum appealed the decision.

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

In December 2014 Fortum Oyj received a non-taxation decision from the large Taxpayers' office for the years 2008-2011 regarding the activities in the Belgian and Dutch financing companies. The decision was given due to the transfer pricing audit carried out in 2013-2014 and was in line with the Board of Adjustment's decision with respect to Fortum for the year 2007. The Tax Recipients' Legal Services Unit has the right to appeal the decisions.

See Note 14 Income tax expense and

29 Deffered income taxes

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

39.2 Associated companies

In Finland Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The civil construction works of the Olkiluoto 3 plant unit have been mainly completed, and the reactor main components are installed. Reactor containment pressure and leak-tightness tests have been completed. Instrumentation and control system tests in the test bay in Erlangen, Germany continued alongside planning and licensing. In September 2014 TVO received additional data about the schedule for the OL3 project from the Supplier, AREVA-Siemens. According to this data, the start of regular electricity production of the plant unit will take place in late 2018. Detailed evaluation of the received data is ongoing.

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

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

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

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

40 Related party transactions

40.1 The Finnish State and companies owned by the Finnish State

At the end of 2014, the Finnish State owned 50.76% of the Company's shares. The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the share capital and voting rights.

See The Fortum share and shareholders section of the Operating and financial review for further information on Fortum shareholders.

All transactions between Fortum and other companies owned by the Finnish State are on arms length basis. In the ordinary course of business Fortum engages in transactions on commercial terms with associated companies and other related parties, which are on same terms as they would be for third parties, except for some associates as discussed later in this note.

In November 2014 Fortum sold its 31 %-shareholding in the Finnish natural gas company Gasum Oy to the Finnish State.

See further information on the disposal in note 8 Acquisitions and disposals

40.2 Board of Directors and Fortum Executive Management Team

The key management personnel of the Fortum Group are the members of Fortum Executive Management Team and the Board of Directors. Fortum has not been involved in any material transactions with members of the Board of Directors or Fortum Executive Management Team. No loans exist to any member of the Board of Directors or Fortum Executive Management Team at 31 December 2014. The total compensation (including pension benefits and social costs) for the key management personnel for 2014 was EUR 9 million (2013: 8).

See Note 12 Employee benefits for further information on the Board of Directors and Fortum Executive Management Team remuneration and shareholdings.

40.3 Associated companies and joint ventures

Fortum owns shareholdings in associated companies and joint ventures which in turn own hydro and nuclear power plants. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership or other agreements. Each owner is liable for an equivalent portion of costs regardless of output. These associated companies are not profit making, since the owners purchase electricity at production cost including interest costs and production taxes, which generally is lower than market price.

For further information on transactions and balances with associated companies and joint ventures, see Note 20 Participations in associated companies and joint ventures.

40.4 Pension fund

The Fortum pension funds in Finland and Sweden are stand-alone legal entities which manage pension assets related to the part of the pension coverage in Sweden and Finland. The assets in the pension fund in Finland include Fortum shares representing 0.03% (2013: 0.03%) of the company's outstanding shares. Real estate and premises owned by the Finnish pension fund have been leased to Fortum. Fortum has not paid contributions to the pension funds in 2014 nor in 2013. Real estate mortgages have also been given for loans from Fortum's pension fund for EUR 41 million (2013: 41).

41 Events after the balance sheet date

On 22 January 2015, it was announced that Tapio Kuula, President and CEO of Fortum Corporation, will go on a disability pension starting 1 February 2015. Tapio Kuula has been the President and CEO of Fortum Corporation since 2009. Fortum's Board has started the search process for a new CEO covering internal and external candidates. In the meanwhile, Timo Karttinen, CFO of Fortum will also act as interim President and CEO.

42 Subsidiaries by segment on 31 December 2014

● = Power and Technology
■ = Heat, Electricity Sales and Solutions
▲ = Distribution
□ = Russia
▼ = Other

1) Founded during the year
2) Shares held by the parent company

Company name		Domicile	Segment	Group holding, %
Findis Oy	2)	Finland	▼	100.0
Fortum Asiakaspalvelu Oy	2)	Finland	■	100.0
Fortum Assets Oy		Finland	▼	100.0
Fortum C&H Oy		Finland	▼	100.0
Fortum Growth Oy		Finland	▼	100.0
Fortum Heat and Gas Oy	2)	Finland	● ■ ▼	100.0
Fortum Hyötytuotanto Oy		Finland	●	100.0
Fortum Markets Oy	2)	Finland	■	100.0
Fortum Norm Oy	2)	Finland	▼	100.0
Fortum Nuclear Services Oy		Finland	●	100.0
Fortum Power and Heat Oy	2)	Finland	● ■ ▼	100.0
Kiinteistö Oy Espoon Energiatalo		Finland	▼	100.0
Koillis-Pohjan Energiantuotanto Oy		Finland	●	100.0
KPPV-Sijoitus Oy		Finland	▼	100.0
Lounais-Suomen Lämpö Oy		Finland	▼	100.0
Oy Pauken Ab		Finland	▼	100.0
Oy Tersil Ab		Finland	▼	100.0
Oy Tertrade Ab		Finland	▼	100.0
Varsinais-Suomen Sähkö Oy		Finland	▼	100.0
Fortum Project Finance N.V.	2)	Belgium	▼	100.0
Fortum Energi A/S		Denmark	■	100.0
AS Anne Soojus		Estonia	■	60.0
AS Fortum Tartu		Estonia	■	60.0

AS Tartu Joujaam		Estonia	■	60.0
AS Tartu Keskkatlamaja		Estonia	■	60.0
Fortum CFS Eesti OU		Estonia	▼	100.0
Fortum Eesti AS		Estonia	■	100.0
Fortum France S.A.S		France	●	100.0
Fortum Service Deutschland GmbH		Germany	●	100.0
Fortum Insurance Ltd		Guernsey	▼	100.0
Fortum Energy Ltd		Great Britain	▼	100.0
Fortum O&M(UK) Limited		Great Britain	●	100.0
IVO Energy Limited		Great Britain	●	100.0
Fortum Amrit Energy Private Limited		India	■	100.0
Fortum FinnSurya Energy Private Limited		India	■	100.0
Fortum India Private Limited		India	■	100.0
Fortum Tarapur Heat Private Limited		India	■	100.0
Fortum C&P Unlimited		Ireland	▼	100.0
Fortum Finance Ireland Limited	2)	Ireland	▼	100.0
Fortum Jelgava, SIA		Latvia	■	100.0
Fortum Latvia SIA		Latvia	■	100.0
UAB Fortum Ekosiluma		Lithuania	■	100.0
UAB Fortum Heat Lietuva		Lithuania	■	100.0
UAB Fortum Kaunas	1)	Lithuania	■	100.0
UAB Fortum Klaipeda		Lithuania	■	95.0
UAB Joniskio energija		Lithuania	■	66.0
UAB Svencioniu energija		Lithuania	■	50.0
Fortum Baltic Investments SNC		Luxemburg	■	100.0
Fortum Investment SARL		Luxemburg	▼	100.0
Fortum L.A.M SNC.		Luxemburg	■	100.0
Fortum Luxembourg SARL		Luxemburg	▼	100.0
Fortum Sendi Prima Sdn Bhd		Malaysia	●	100.0
Fortum Förvaltning AS		Norway	▼	100.0
Fortum Markets AS		Norway	■	100.0
Fortum Bytom SA		Poland	■	99.8
Fortum Power and Heat Polska Sp.z.o.o		Poland	● ■ ▼	100.0
Fortum Zabrze SA		Poland	■	99.2
Rejonowa Spółka Ciepłownicza Sp. z o.o.		Poland	■	99.8
Chelyabinsk Energoremont		Russia	□	98.2
LLC Fortum Energy OOO Fortum Energija		Russia	□	100.0
OAO Fortum		Russia	□	98.2
Tobolsk CHP Limited Liability Company		Russia	□	98.2
Urals Heat Network		Russia	□	98.2
Blybergs Kraftaktiebolag		Sweden	●	66.7
Brännälven Kraft AB		Sweden	●	67.0
Bullerforsens Kraft Aktiebolag		Sweden	●	88.0
Energikundservice Sverige AB		Sweden	▼	100.0

Fortum 1 AB		Sweden	□	100.0
Fortum AMCO AB		Sweden	▼	100.0
Fortum Dalälvens Kraft AB		Sweden	●	100.0
Fortum Distribution AB		Sweden	▲	100.0
Fortum Fastigheter AB		Sweden	▼	100.0
Fortum Generation AB		Sweden	●	100.0
Fortum Indalskraft AB		Sweden	●	100.0
Fortum Ljunga Kraft AB		Sweden	●	100.0
Fortum Ljusnans Kraft AB		Sweden	●	100.0
Fortum Markets AB		Sweden	■	100.0
Fortum Nordic AB	2)	Sweden	▼	100.0
Fortum Power and Heat AB		Sweden	●	100.0
Fortum Produktionsnät AB		Sweden	●	100.0
Fortum Sweden AB	2)	Sweden	▼	100.0
Fortum Vind Norr AB		Sweden	●	100.0
Fortum Älvkraft i Värmland AB		Sweden	●	100.0
Laforsen Produktionsnät Aktiebolag		Sweden	▲	80.0
Mellansvensk Kraftgrupp Aktiebolag		Sweden	●	86.9
Oreälvens Kraftaktiebolag		Sweden	●	65.0
Uddeholm Kraft Aktiebolag		Sweden	●	100.0
Värmlandskraft-OKG-delägarna Aktiebolag		Sweden	●	73.3
FB Generation Services B.V.		The Netherlands	●	75.0
Fortum 1 B.V.	1)	The Netherlands	▼	100.0
Fortum 2 B.V.	1)	The Netherlands	▼	100.0
Fortum 3 B.V.	1)	The Netherlands	▼	100.0
Fortum 4 B.V.	1)	The Netherlands	▼	100.0
Fortum Finance II B.V.		The Netherlands	▼	100.0
Fortum Holding B.V.	2)	The Netherlands	▼	100.0
Fortum Hydro B.V.	1)	The Netherlands	●	100.0
Fortum India B.V.		The Netherlands	▼	100.0
Fortum India Industry B.V.		The Netherlands	▼	100.0
Fortum Power Holding B.V.		The Netherlands	●	100.0
Fortum Russia B.V.		The Netherlands	□	100.0
Fortum Russia Holding B.V.		The Netherlands	□	100.0
Fortum SAR B.V.		The Netherlands	▼	100.0
Fortum Sun B.V.		The Netherlands	▼	100.0
Fortum Wave Power B.V.		The Netherlands	●	100.0
PolarSolar B.V.	1)	The Netherlands	■	100.0
RPH Investment B.V.	1)	The Netherlands	□	100.0

Parent company financial statements

Income statement

EUR million	Note	2014	2013
Sales	2	76	84
Other income	3	1,959	7
Employee costs	4	-35	-33
Depreciation, amortisation and write-downs	7	-9	-9
Other expenses		-72	-60
Operating profit		**1,919**	**-11**
Financial income and expenses	5	-129	-16
Profit after financial items		**1,790**	**-27**
Group contributions [1)]		565	608
Profit before income tax		**2,355**	**581**
Income tax expense	6	-90	-104
Profit for the period		**2,265**	**477**

1) Taxable profits transferred from Finnish subsidiaries.

Balance sheet

EUR million	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	7	18	15
Property, plant and equipment	7	4	13
Investments in group companies	7	16,057	16,215
Investments in associated companies	7	6	0
Interest-bearing receivables from group companies	7	1,368	2,382
Interest-bearing receivables from associated companies	7	211	1
Other non-current assets	7	2	5
Deferred tax assets		2	4
Total non-current assets		**17,668**	**18,635**
Current assets			
Other current receivables from group companies	8	586	630
Other current receivables from associated companies	8	1	0
Other current receivables	8	170	11
Bank deposits	9	505	0
Cash and cash equivalents	9	1,813	1,059
Liquid funds		**2,318**	**1,059**
Total current assets		**3,075**	**1,700**
Total assets		**20,743**	**20,335**
EQUITY			
Shareholders' equity	10		
Share capital		3,046	3,046
Share premium		2,822	2,822
Retained earnings		3,174	3,674
Profit for the period		2,265	477
Total shareholders' equity		**11,307**	**10,019**
Provisions for liabilities and charges		0	0
LIABILITIES			
Non-current liabilities			
External interest-bearing liabilities	11	5,269	6,351
Interest-bearing liabilities to group companies	11	2,648	1,470
Interest-bearing liabilities to associated companies	11	261	247
Other non-current liabilities		3	2
Total non-current liabilities		**8,181**	**8,070**
Current liabilities			
External interest-bearing liabilities	11	1,083	2,025
Trade and other payables to group companies	12	31	25
Trade and other payables to associated companies	12	3	2
Trade and other payables	12	138	194
Total current liabilities		**1,255**	**2,246**
Total liabilities		**9,436**	**10,316**
Total equity and liabilities		**20,743**	**20,335**

Cash flow statement

EUR million	2014	2013
Cash flow from operating activities		
Profit for the period	**2,265**	**477**
Adjustments:		
Income tax expense	90	104
Group contributions	-565	-608
Finance costs - net	129	16
Depreciations, amortisation and write-downs	9	9
Operating profit before depreciations	**1,928**	**-2**
Non-cash flow items and divesting activities	-1,940	1
Interest and other financial income	45	60
Interest and other financial expenses paid	-168	-229
Dividend income	0	210
Group contribution received	609	574
Realised foreign exchange gains and losses	-283	-149
Taxes	-127	-87
Funds from operations	**64**	**378**
Other short-term receivables increase(-)/decrease(+)	-6	-5
Other short-term payables increase(+)/decrease(-)	-9	-40
Change in working capital	**-15**	**-45**
Net cash from operating activities	**49**	**333**
Cash flow from investing activities		
Capital expenditures	-5	-9
Acquisition of shares and capital contributions in subsidiaries	0	-19
Acquisition of shares in associated companies	-3	0
Capital returns from subsidiaries	0	210
Acquisition of other shares	-2	-2
Proceeds from sales of fixed assets	0	0
Proceeds from sales of shares in subsidiaries	2,093	0
Change in interest-bearing receivables and other non-current assets	793	-836
Net cash used in investing activities	**2,876**	**-656**
Cash flow before financing activities	**2,925**	**-323**
Cash flow from financing activities		
Proceeds from long-term liabilities	46	759
Payment of long-term liabilities	-1,340	-526
Change in cashpool liabilities	1,178	917
Change in short-term liabilities	-573	406
Dividends paid	-977	-888
Net cash used in financing activities	**-1,666**	**668**
Net increase(+)/decrease(-) in liquid funds	**1,259**	**345**
Liquid funds at the beginning of the period	**1,059**	**714**
Liquid funds at the end of the period	**2,318**	**1,059**

Notes to the parent company financial statement

1 Accounting policies and principles

The financial statements of Fortum Oyj are prepared in accordance with Finnish Accounting Standards (FAS).

1.1 Sales

Sales include sales revenue from actual operations and exchange rate differences on trade receivables, less discounts and indirect taxes such as value added tax.

1.2 Other income

Other income includes gains on the sales of property, plant and equipment and shareholdings, as well as all other operating income not related to the sales of products or services, such as rents.

1.3 Foreign currency items and derivative instruments

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the financial net in the income statement.

Fortum Oyj enters into derivative contracts mainly for hedging foreign exchange and interest rate exposures.

Derivatives used to hedge balance sheet items and other foreign currency positions are valued employing the exchange rate quoted on the balance sheet date and gains or losses are recognised in the income statement in the financial net. The interest element on forward contracts is accrued for the period.

Option premiums are treated as advances paid or received until the option matures, and any losses on options entered into other than for hedging purposes are entered as an expense in the income statement.

Interest income or expense for derivatives used to hedge the interest rate risk exposure is accrued over the period to maturity and is recognised as an adjustment to the interest expense of the liabilities.

1.4 Income taxes

Income taxes presented in the income statement consist of accrued taxes for the financial year and tax adjustments for prior years.

1.5 Shares in group companies

The balance sheet value of shares in group companies consists of historical costs less write-downs. If the estimated future cash flows generated by a non current asset are expected to be permanently lower than the balance of the carrying amount, an adjustment to the value must be made to write-down the difference as an expense. If the basis for the write-down can no longer be justified at the balance sheet date, it must be reversed.

1.6 Property, plant and equipment and depreciation

The balance sheet value of property, plant and equipment consists of historical costs less depreciation and other deductions. Property, plant and equipment are depreciated using straight-line depreciation based on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

Buildings and structures	15 – 40 years
Machinery and equipment	3 – 15 years
Other intangible assets	5 – 10 years

1.7 Pension expenses

Statutory pension obligations are covered through a compulsory pension insurance policy or Group's own pension fund. Payments to Group's pension fund are recorded in the income statement in amounts determined by the pension fund according to the actuarial assumptions pursuant to the Finnish Employees' Pension Act.

1.8 Long-term incentive schemes

Costs related to the Fortum long-term incentive plans are accrued over the plan period and the related liability is booked to the balance sheet.

1.9 Provisions

Foreseeable future expenses and losses that have no corresponding revenue to which Fortum is committed or obliged to settle, and whose monetary value can be reasonably assessed, are entered as expenses in the income statement and included as provisions in the balance sheet.

2.0 Presentation of the primary statements and notes

Information presented in the notes is given seperately for Fortum Group companies and for associated companies of the Group.

Fortum Group implemented new IFRS standards starting from 1 January 2014. This changed the status of AB Fortum Värme samägt med Stockholm Stad in the consolidated accounts from subsidiary to joint venture. The parent company financial statements reflect the reclassification from 1 January 2014 onwards and the comparative period information has not been restated.

2 Sales by market area

EUR million	2014	2013
Finland	52	65
Other countries	24	19
Total	**76**	**84**

3 Other income

EUR million	2014	2013
Gain on sales of shareholdings	1,940	0
Rental and other income	19	7
Total	**1,959**	**7**

4 Employee costs

EUR million	2014	2013
Personnel expenses		
Wages, salaries and remunerations	28	26
Indirect employee costs		
Pension costs	5	5
Other indirect employee costs	1	1
Other personnel expenses	1	1
Total	**35**	**33**

EUR thousands	2014	2013
Compensation for the President and CEO		
Salaries and fringe benefits 1)	1,005	795
Performance bonuses 2)	127	22
Share-based remuneration	235	448
Pensions (statutory)	188	137
Pensions (voluntary)	255	204
Social security expenses	57	48
Total	**1,867**	**1,654**
Compensation for the Board of Directors	**477**	**455**

1) Amount is impacted by the sick leave during 2013.

2) Performance bonuses are based on estimated amounts.

Compensation above is presented on accrual basis. Paid salaries and remunerations for the President and CEO in 2014 were EUR 1,592 thousands (2013: 1,784).

Timo Karttinen, who assumed responsibility for the duties of the President and CEO during Tapio Kuula's sick leave in December 2014, did not receive any compensation during 2014 for these additional duties.

In 2013 a compensation of EUR 80 thousands was paid to Markus Rauramo for assuming the duties of the President and CEO during March-November 2013.

For the President and CEO Tapio Kuula the retirement age of old-age pension is 63. The pension obligations are covered through insurance company.

Board members are not in an employment relationship or service contract with Fortum, and they are not given the opportunity to participate in Fortum’s bonus or share bonus systems, nor does Fortum have a pension plan that they can opt to take part in.

See also Note 12 Employee benefits and

Note 32 Pension obligations in the Consolidated financial statements.

	2014	2013
Average number of employees	301	326

5 Financial income and expenses

EUR million	2014	2013
Dividend income from group companies	0	210
Dividend income from associated companies and other companies	0	0
Interest and other financial income from group companies	24	27
Interest and other financial income from associated companies	9	-
Write-downs of participations in group companies	0	-44
Interest and other financial income	10	13
Exchange rate differences	2	1
Interest and other financial expenses to group companies	-5	-8
Interest and other financial expenses	-169	-215
Total	**-129**	**-16**
Total interest income and expenses		
Interest income	43	40
Interest expenses	-170	-219
Interest net	**-127**	**-179**

Write-downs of participations in group companies are related to shares in Fortum Heat and Gas Oy and received dividend payments. Interest and other financial income fromjoint venture is related to AB Fortum Värme samägt med Stockholm Stad.

6 Income tax expense

EUR million	2014	2013
Taxes on regular business operations	-23	-45
Taxes on group contributions	113	149
Total	**90**	**104**
Current taxes for the period	81	103
Current taxes for prior periods	7	0
Changes in deferred tax	2	1
Total	**90**	**104**

For more information, see note 13 Contingent liabilities.

7 Non-current assets

Intangible assets

EUR million	Intangible assets total
Cost 1 January 2014	49
Additions	9
Disposals	0
Cost 31 December 2014	58
Accumulated depreciation 1 January 2014	34
Disposals	0
Depreciation for the period	6
Accumulated depreciation 31 December 2014	40
Carrying amount 31 December 2014	18
Carrying amount 31 December 2013	15

Property, plant and equipment

EUR million	Buildings and structures	Machinery and equipment	Advances paid and construction in progress	Total
Cost 1 January 2014	1	32	10	43
Additions and transfers between categories	0	2	-9	-7
Disposals		-1		-1
Cost 31 December 2014	1	33	1	35
Accumulated depreciation 1 January 2014	1	29	-	30
Disposals		-1		-1
Depreciation for the period		2		2
Accumulated depreciation 31 December 2014	1	30	-	31
Carrying amount 31 December 2014	0	3	1	4
Carrying amount 31 December 2013	0	3	10	13

Investments

EUR million	Shares in Group companies	Participation in associated companies	Receivables from Group companies	Receivables from associated companies	Other non-current assets	Total
1 January 2014	17,139	0	2,382	1	7	19,529
Reclassifications	-6	6	-378	381	-3	0
Additions 1)	0	0	220	28	1	249
Disposals 2)	-152	0	-856	-199	0	-1,207
31 December 2014	**16,981**	**6**	**1,368**	**211**	**5**	**18,571**
Accumulated write-downs 1 January 2014 3)	**-924**	**0**	**0**	**0**	**-2**	**-926**
Impairment charges					-1	-1
Accumulated write-downs 31 December 2014	**-924**	**0**	**0**	**0**	**-3**	**-927**
Carrying amount 31 December 2014 4)	**16,057**	**6**	**1,368**	**211**	**2**	**17,644**

1) Additions regarding shares comprise acquisitions of shares and capital contributions and reclassification between other non-current assets and shares in Group companies.

2) Disposals regarding shares comprise divestments and repayments of capital.

3) Write-downs of participations in group companies are related to shares in Fortum Heat and Gas Oy due to received dividend payments.

4) Receivables from associated companies are mainly from AB Fortum Värme samägt med Stockholm Stad, EUR 199 million .

8 Other current receivables

EUR million	2014	2013
Other current receivables from group companies		
Trade receivables	13	10
Other receivables	564	609
Accrued income and prepaid expenses	9	11
Total	**586**	**630**
Other current receivables from associated companies		
Trade receivables	1	0
Accrued income and prepaid expenses	0	0
Total	**1**	**0**
Other current receivables		
Trade receivables	1	0
Other receivables	2	1
Accrued income and prepaid expenses	167	10
Total	**170**	**11**

9 Liquid Funds

EUR million	2014	2013
Cash at bank and in hand	1,813	1,059
Bank deposits with maturity more than 3 months	505	0
Liquid funds	**2,318**	**1,059**

10 Changes in shareholders' equity

EUR million	Share capital	Share premium	Retained earnings	Total
Total equity 31 December 2013	**3,046**	**2,822**	**4,151**	**10,019**
Cash dividend			-977	-977
Profit for the period			2,265	2,265
Total equity 31 December 2014	**3,046**	**2,822**	**5,439**	**11,307**
Total equity 31 December 2012	**3,046**	**2,822**	**4,562**	**10,430**
Cash dividend			-888	-888
Profit for the period			477	477
Total equity 31 December 2013	**3,046**	**2,822**	**4,151**	**10,019**

EUR million	2014	2013
Distributable funds 31 December	**5,439**	**4,151**

11 Interest-bearing liabilities

External interest-bearing liabilities

EUR million	2014	2013
Bonds	3,974	4,725
Loans from financial institutions	514	681
Other long-term interest-bearing debt	781	945
Total long-term interest-bearing debt	**5,269**	**6,351**
Current portion of long-term bonds	660	1,103
Current portion of loans from financial institutions	137	49
Commercial papers	0	718
Other short-term interest-bearing debt	286	155
Total short-term interest-bearing debt	**1,083**	**2,025**
Total external interest-bearing debt	**6,352**	**8,376**

Maturity of external interest-bearing liabilities

EUR million	2014
2015	1,083
2016	835
2017	511
2018	594
2019	809
2020 and later	2,520
Total	**6,352**

External interest-bearing liabilities due after five years

EUR million	2014	2013
Bonds	1,690	2,440
Loans from financial institutions	49	118
Other long-term liabilities	781	750
Total	**2,520**	**3,308**

Other interest-bearing liabilities due after five years

EUR million	2014	2013
Interest-bearing liabilities to group companies	9	9
Interest-bearing liabilities to associated companies	261	248
Total	**270**	**257**

12 Trade and other payables

EUR million	2014	2013
Trade and other payables to group companies		
Trade payables	1	1
Other liabilities	30	24
Accruals and deferred income	0	0
Total	**31**	**25**
Trade and other payables to associated companies		
Accruals and deferred income	3	2
Total	**3**	**2**
Trade and other payables		
Trade payables	8	9
Other liabilities	6	8
Accruals and deferred income	124	177
Total	**138**	**194**

13 Contingent liabilities

EUR million	2014	2013
On own behalf		
Other contingent liabilities	2	3
On behalf of group companies		
Guarantees	131	348
On behalf of associated companies		
Guarantees	418	417
Contingent liabilities total	**551**	**768**

Operating leases

EUR million	2014	2013
Lease payments		
Not later than 1 year	4	4
Later than 1 year and not later than 5 years	5	6
Total	**9**	**10**

Derivatives

	2014			2013		
EUR million	Contract or notional value	Fair value	Not recog-nised as income	Contract or notional value	Fair value	Not recog-nised as income
Forward rate agreements	0			56		
Interest rate swaps	5,721	155	160	6,658	105	100
Forward foreign exchange contracts [1)]	14,866	-77	-1	18,614	-39	5
Interest rate and currency swaps	1,473	233	28	928	36	-2

1) Includes also future positions.

Fortum Oyj received in December 2013 an income tax assessment regarding transfer pricing for the year 2007. Fortum appealed the decision. In August 2014 The Board of Adjustment of the large Taxpayers' office approved Fortum's appeal. The Tax Recipients' Legal Services Unit within the tax authorities has appealed this decision to the Administrative Court. If the appeal of the Tax Recipients' Legal Services Unit is successful, the impact on net profit would be approximately EUR 136 million for the year 2007. Based on legal analyses, no provision has been recognized in the financial statements.

For more information, see Note 39 Legal actions and official proceedings to the consolidated financial statements.

14 Related party transactions

See Note 40 Related party transactions in the Consolidated financial statements.

Proposal for the distribution of earnings

The distributable funds of Fortum Oyj as at 31 December 2014 amounted to EUR 5,438,689,036.90 including the profit of the period of EUR 2,264,863,648.81. After 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 a dividend of EUR 1.10 per share be paid for 2014. In addition the Board of Directors proposes to the Annual General Meeting an extra dividend of EUR 0.20 per share be paid for 2014.

Based on the number of registered shares as of 3 February 2015 the total amount of dividend proposed to be paid is EUR 1,154,877,158.50. The Board of Directors proposes, that the remaining part of the profit be retained in the shareholders' equity.

Espoo, 3 February 2015

Sari Baldauf

Kim Ignatius

Minoo Akhtarzand

Heinz-Werner Binzel

Ilona Ervasti-Vaintola

Christian Ramm-Schmidt

Petteri Taalas

Jyrki Talvitie

Timo Karttinen
President and CEO

Auditor's report

To the Annual General Meeting of Fortum Oyj

We have audited the accounting records, the financial statements, the Operating and Financial Review, and the administration of Fortum Oyj for the financial period 1.1.-31.12.2014. The financial statements comprise of the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the Operating and Financial Review that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Operating and Financial Review in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the Operating and Financial Review based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Operating and Financial Review are free from material misstatement, and whether the members of the Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Operating and Financial Review. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and Operating and Financial Review that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and Operating and Financial Review.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the Operating and Financial Review

In our opinion, the financial statements and the Operating and Financial Review give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the Operating and Financial Review in Finland. The information in the Operating and Financial Review is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Espoo, 3 February 2015

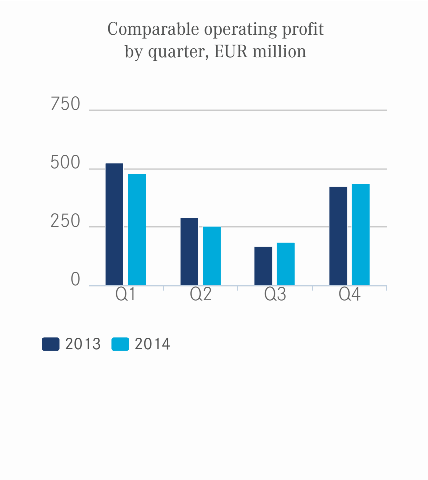
Deloitte & Touche Oy
Authorized Public Audit Firm

Jukka Vattulainen
Authorized Public Accountant

Note: Quarterly financial information is unaudited.

Selected data based on quarterly consolidated income statement

EUR million	Q1/ 2013	Q2/ 2013	Q3/ 2013	Q4/ 2013	2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014	2014
Sales	1,654	1,205	1,060	1,390	5,309	1,473	1,016	976	1,285	4,751
Comparable EBITDA	664	429	336	547	1,975	627	382	309	556	1,873
Comparable operating profit	524	289	167	423	1,403	477	255	183	436	1,351
Operating profit	477	429	96	507	1,508	2,333	295	149	650	3,428
Share of profit/loss of associates and joint ventures	78	34	3	63	178	72	37	1	38	149
Finance costs - net	-65	-75	-72	-77	-289	-64	-48	-56	-48	-217
Profit before income tax	490	388	27	493	1,398	2,341	284	95	639	3,360
Income tax expense	-86	-74	3	-29	-186	-86	-37	-11	-64	-199
Profit for the period	404	314	30	465	1,212	2,255	247	84	575	3,161
Profit for the period, non-controlling interests	-3	0	1	-6	-8	-4	0	1	-4	-7
Profit for the period, owners of the parent	401	314	31	458	1,204	2,251	247	85	571	3,154
Earnings per share, basic, EUR	0.45	0.35	0.04	0.52	1.36	2.53	0.28	0.10	0.64	3.55
Earnings per share, diluted, EUR	0.45	0.35	0.04	0.52	1.36	2.53	0.28	0.10	0.64	3.55



Quarterly sales by segment

EUR million	Q1/ 2013	Q2/ 2013	Q3/ 2013	Q4/ 2013	2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014	2014
Power and Technology	665	548	496	543	**2,252**	586	487	495	588	**2,156**
Heat, Electricity Sales and Solutions	531	308	255	422	**1,516**	446	269	224	393	**1,332**
Russia	344	251	210	314	**1,119**	333	234	207	281	**1,055**
Distribution	339	227	217	280	**1,064**	300	148	130	173	**751**
Other	15	14	14	20	**63**	14	14	14	15	**58**
Netting of Nord Pool transactions [1)]	-171	-95	-90	-122	**-478**	-133	-101	-67	-121	**-422**
Eliminations	-70	-49	-42	-67	**-228**	-72	-35	-26	-45	**-179**
Total	**1,654**	**1,205**	**1,060**	**1,390**	**5,309**	**1,473**	**1,016**	**976**	**1,285**	**4,751**

1) Sales and purchases with Nord Pool Spot are netted at the 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.

Quarterly comparable operating profit by segments

EUR million	Q1/ 2013	Q2/ 2013	Q3/ 2013	Q4/ 2013	2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014	2014
Power and Technology	303	210	139	207	**859**	251	183	167	276	877
Heat, Electricity Sales and Solutions	57	13	-3	42	**109**	48	11	-4	49	**104**
Russia	41	20	-15	110	**156**	73	28	1	59	**161**
Distribution	137	60	59	76	**332**	119	45	36	67	**266**
Other	-14	-14	-14	-12	**-54**	-14	-13	-16	-14	**-57**
Comparable operating profit	**524**	**289**	**167**	**423**	**1,403**	**477**	**255**	**183**	**436**	**1,351**
Non-recurring items	4	0	39	17	**61**	1,851	73	8	238	**2,171**
Other items affecting comparability	-51	140	-110	66	**45**	5	-32	-42	-24	**-94**
Operating profit	**477**	**429**	**96**	**507**	**1,508**	**2,333**	**295**	**149**	**650**	**3,428**

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

Quarterly information from 2005 to 2014 is available in Excel format on Fortum's website www.fortum.com/investors/financial information.

Fortum Corporation's financial statements include the financial statements of the parent company and the consolidated financial statements of the group. The operating and financial review is attached to the financial statements. The Corporate Governance Statement, issued separately from the operating and financial review, and the Remuneration Statement, are published at the same time as the financial statements. The Company's Annual Report, including sustainability reporting, will be published in the annual report 2014 internet site during week ten. The additional GRI section will be published on the same internet site at the end of March 2015.

Annual General Meeting

The Annual General Meeting of Fortum Corporation will be held on Tuesday, 31 March 2015, starting at 14:00 EET at Finlandia Hall, address: Mannerheimintie 13 e, Helsinki, Finland. The reception of shareholders who have registered for the meeting will commence at 13.00 EET.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pays a dividend of EUR 1.10 per share and an extra dividend of EUR 0.20 per share for 2014, totaling approximately EUR 1,155 million based on the registered shares as of 3 February 2015.The possible dividend-related dates planned for 2015 are:

- the ex-dividend date 1 April 2015,
- the record date for dividend payment 2 April 2015 and
- the dividend payment date 14 April 2015.

Financial information in 2015

Fortum will publish three interim reports in 2015: Q1 on 29 April, Q2 on 17 July, and Q3 on 22 October.

The reports are published at approximately 9:00 EET in Finnish and English, and are available on Fortum's website at www.fortum.com/investors

Fortum's management hosts regular press conferences, targeted at analysts and the media. A webcast of these conferences is available online at www.fortum.com. Management also gives interviews on a one-on-one and group basis. Fortum observes a silent period of 30 days prior to publishing its results.

Fortum share basics

Listed on Nasdaq Helsinki
Trading ticker: FUM1V
Number of shares, 4 February 2015: 888,367,045.
Sector: Utilities

Fortum`s activities in capital markets during 2014

Fortum`s Investor Relations (IR) activities cover equity and fixed-income markets to ensure full and fair valuation of the Company`s shares, access to funding sources and stable bond pricing. Investors and analysts primarily in Europe and North America are met on a regular basis.

In 2014 Fortum met approximately 250 professional equity investros individually or in group meetings, whilst maintaining regular contact with equity research analysts at investment banks and brokerage firms. During the year, IR and senior management gave approximately 20 presentations at investor confereces in Scandinavia and the United Kingdom.

2015

Financial Statements Bulletin, February 4th

Financial Statements 2014, February 19th

Annual General Meeting, March 31st

Interim report January-March, April 29th

Interim Report January-June, July 17th

Interim report January-September, October 22nd

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