Fortum Corporation

Interim Report January–March 2016

28 April 2016

Fortum Corporation
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Contents

Tables to the interim report

Financial results discussed in this interim report are for the continuing operations of Fortum Group. The Distribution segment was classified as discontinued operations in 2015 upon the divestment of the Swedish distribution operations.

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

Fortum Corporation
Interim Report January−March 2016
28 April 2016 at 9:00 EEST

Satisfactory results, considering continuously weak power prices

January−March 2016, continuing operations

- Comparable operating profit EUR 275 (343) million, -20%
- Operating profit EUR 369 (350) million, of which EUR 94 (7) million relates to items affecting comparability
- Earnings per share EUR 0.37 (0.33), +12%, of which EUR 0.08 (0.01) related to items affecting comparability. Earnings per share in the corresponding period of 2015, including the effect from discontinued operations, were EUR 0.40
- Cash flow from operating activities totalled EUR 375 (516) million, -27%
- Fortum completed its multi-year investment programme in Russia
- Fortum acquired the Polish electricity and gas sales company Grupa DUON S.A.
- Fortum sold its 665-MW Tobolsk CHP plant in Russia
- Fortum launched a new vision, strategic cornerstones and updated financial targets
- Fortum business structure reorganised and new Executive Management Team in place as of 1 April 2016

Summary of outlook

- Fortum continues to expect the annual electricity demand to grow in the Nordic countries by approximately 0.5% on average in the coming years
- Power and Technology segment's Nordic generation hedges: for the rest of 2016, approximately 60% hedged at approximately EUR 30 per MWh; for 2017, approximately 30% hedged at approximately EUR 28 per MWh
- Operating profit level (EBIT) for the Russia segment, RUB 18.2 billion, is targeted to be reached during 2017-2018. The euro-denominated result level will be volatile, due to the translation effect

Key financial ratios *	2015	LTM
Return on capital employed, %	22.7	22.5
Comparable net debt/EBITDA	-1.7	-1.9

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

Key figures	I/16	I/15	2015	LTM
Sales, EUR million	989	1,040	3,459	3,408
Operating profit, EUR million				
continuing operations	369	350	-150	-131
discontinued operations	-	81	4,395	4,314
total Fortum	369	431	4,245	4,183
Comparable operating profit, EUR million				
continuing operations	275	343	808	740
discontinued operations	-	82	114	32
total Fortum	275	425	922	772
Profit before taxes, EUR million				

continuing operations	390	350	-305	-265
discontinued operations	-	80	4,393	4,313
total Fortum	390	431	4,088	4,047
Earnings per share, EUR				
continuing operations	0.37	0.33	-0.26	-0.22
discontinued operations		0.07	4.92	
total Fortum	0.37	0.40	4.66	4.63
Net cash from operating activities, EUR million, continuing operations	375	516	1,228	1,087
Shareholders' equity per share, EUR	15.97	11.73	15.53	
Interest-bearing net debt (at end of period), EUR million	-2,158	3,714	-2,195	

Fortum's President and CEO Pekka Lundmark:

"The key factor currently influencing Fortum's business performance is the low wholesale price of electricity. The situation is the same for our peer companies, of which the majority are located outside of the Nordic countries.

Considering the low electricity prices, the first quarter results were quite satisfactory. Fortum's comparable operating profit for continuing operations totaled EUR 275 million, a decline of approximately EUR 70 million compared to the first quarter in 2015. Profit before taxes was up by EUR 40 million and totaled EUR 390 million. Earnings per share were EUR 0.37 compared to EUR 0.33 in the first quarter of 2015.

The highlights of the quarter operationally were the highest ever first quarter hydro production, high utilisation rates in all nuclear power plants, and the finalisation of the multi-year investment programme in Russia, where Fortum now has 2,226 megawatts (MW) of new capacity receiving guaranteed payments. It was also encouraging that the share of profits contributed by Fortum Värme (co-owned with Stockholm city, Sweden) increased.

In February, we launched our new vision and strategic cornerstones. We also adjusted our operational model to better enable the implementation; the new structure has been in place since 1 April and consists of three business divisions: Generation, City Solutions and Russia. In addition, two development units focusing on growing new businesses have been established: M&A and Solar & Wind Development as well as Technology and New Ventures.

At the same time, we have been screening opportunities in line with our strategy. The latest transactions are the acquisition of the Polish electricity and gas sales company DUON, as well as a wind power investment in Sweden. In addition, we announced our targets and next steps in solar in April. We are continuously looking to optimise our production fleet and hence we sold the Tobolsk power plant in Russia.

Our target is to continuously strengthen our position in the current home markets and wider Europe through consolidation. Although some European economies have started to recover, industrial production is still weak, commodity prices low and power demand has not recovered sufficiently to support an increase in electricity prices. This is why we aim to utilise our know-how and capital to create new revenue streams based on other value drivers than the Nordic wholesale power price. However, due to the long-term nature of energy investments, the change will take some time."

Fortum's new vision, strategic cornerstones and updated financial targets

In February, Fortum launched its new vision, strategic cornerstones and updated financial targets. The new vision and strategy targets growth and continued profitability with a strong focus on clean energy, customers and shareholder value creation.

The long-term financial target for return on capital employed (ROCE) is revised to at least 10%, while the target for comparable net debt to EBITDA, around 2.5 times, remains unchanged. Also the dividend policy remains unchanged.

Fortum's strategy has four cornerstones: (1) enhance productivity of the current fleet and drive industry transformation, (2) create sustainable solutions for growing cities and urban areas, (3) increase investments in solar and wind power, and (4) build new energy ventures.

Disclosures for Fortum's capital structure and segment information

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 the Comparable net debt to EBITDA ratio. Net debt is calculated as interest-bearing liabilities minus liquid funds. EBITDA is calculated by adding back depreciation and amortisation to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability and the net release of CSA provision from EBITDA. Fortum's comparable net debt to EBITDA target is around 2.5.

ESMA (European Securities and Markets Authority) has issued new guidelines regarding Alternative Performance Measures ("APM") to be implemented at the latest in the second quarter 2016. Fortum has defined and presented its APMs in a consistent and comprehensive manner since 2005 and therefore the implementation of the guidelines will only have limited effect on the disclosures. When assessing the ESMA guidelines Fortum has now added a reconciliation for one of its APMs, Comparable return on net assets (Note 4).

Presentation of segment note (Note 4) has been reorganised to a more condensed presentation in order to give more coherent picture of the performance of the reporting segments. Presentation is now in line with the format used in the consolidated financial statements. In addition, Fortum is disclosing Comparable net assets instead of Net assets from first quarter 2016 onwards.

Reorganisation of operations

Fortum has reorganised its corporate structure as of 1 April 2016. The target of the new organisation is to enable the implementation of the company's new vision and strategy. The new organisation consists of three business divisions: Generation, City Solutions and Russia. In addition, two development units focusing on growing new businesses were established: M&A and Solar & Wind Development as well as Technology and New Ventures.

Changes to Fortum's segment reporting are minor at this point and the company will keep four reporting segments. The segments as of the second quarter 2016 are: Generation (mainly the former Power and Technology), City Solutions (mainly the former Heat, Electricity Sales and Solutions) and Russia. M&A and Solar & Wind Development as well as Technology and New Ventures will be reported under Other. Some businesses will be repositioned due to the reorganisation, but because of the minor financial impact at this point, the comparable segment information for 2015 will not be restated.

After the divestment of the Swedish distribution business, Fortum has no electricity distribution operations. The Distribution segment was reclassified as discontinued operations as of the first quarter of 2015.

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

Financial results

Sales by segment

EUR million	I/16	I/15	2015	LTM
Power and Technology	474	500	1,722	1,696
Heat, Electricity Sales and Solutions	392	406	1,187	1,173
Russia	249	263	893	879
Other	29	29	114	114
Netting of Nord Pool transactions	-120	-119	-336	-337
Eliminations	-34	-38	-122	-118
Total continuing operations	**989**	**1,040**	**3,459**	**3,408**
Discontinued operations	-	180	274	94
Eliminations	-	-20	-31	-11
Total Fortum	**989**	**1,200**	**3,702**	**3,491**

Comparable operating profit by segment

EUR million	I/16	I/15	2015	LTM
Power and Technology	153	203	561	511
Heat, Electricity Sales and Solutions	56	58	108	106
Russia	79	97	201	183
Other	-13	-15	-63	-61
Total continuing operations	**275**	**343**	**808**	**740**
Discontinued operations	-	82	114	32
Total Fortum	**275**	**425**	**922**	**772**

Operating profit by segment

EUR million	I/16	I/15	2015	LTM
Power and Technology	209	203	-396	-390
Heat, Electricity Sales and Solutions	61	64	105	102
Russia	111	98	203	216
Other	-12	-15	-62	-59
Total continuing operations	**369**	**350**	**-150**	**-131**
Discontinued operations	-	81	4,395	4,314
Total Fortum	**369**	**431**	**4,245**	**4,183**

January–March 2016

In the first quarter of 2016, sales were EUR 989 (1,040) million, the decrease was mainly due to weak power prices. Comparable operating profit totalled EUR 275 (343) million and the reported operating profit totalled EUR 369 (350) million. Fortum's operating profit for the period was affected by items affecting comparability, including sales gains and IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments for continuing operations amounting to EUR 94 (7) million (Note 4).

The share of profit from associates was EUR 67 (58) million, of which Fortum Värme represented EUR 44 (38) million. The share of profit from Hafslund and TGC-1 are based on the companies' published fourth-quarter 2015 interim reports (Note 14).

Net financial expenses were EUR -47 (-57) million. Net financial expenses include changes in the fair value of financial instruments of EUR 2 (-8) million.

Profit before taxes was EUR 390 (350) million.

Taxes for the period totalled EUR -59 (-55) million. The effective income tax rate according to the income statement was 15.0% (15.8%). The comparable effective income tax rate, excluding the impact of the share of profit from associated companies, joint ventures as well as non-taxable capital gains, was 18.1% (19.0%) (Note 10).

The profit for the period for continuing operations was EUR 331 (295) million. Earnings per share for continuing operations were EUR 0.37 (0.33), of which EUR 0.08 (0.01) per share relates to items affecting comparability. (Earnings per share for total Fortum in the first quarter of 2015 including the effect from discontinued operations were EUR 0.40).

Financial position and cash flow

Cash flow

In the first quarter of 2016, net cash from operating activities from continuing operations decreased by EUR 141 million to EUR 375 (516) million, mainly due to lower comparable EBITDA, higher taxes paid, and lower realised foreign exchange gains and losses. Realised foreign exchange gains and losses of EUR 132 (168) million were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Total net cash from operating activities including divested Distribution operations, amounted to EUR 375 (603) million.

Capital expenditures increased by EUR 12 million to EUR 113 (101) million. Net cash used in investing activities increased by EUR 333 million to EUR 379 (46) million, mainly due to the acquisition of shares of EUR 104 (1) million and an increase in interest-bearing receivables of EUR 176 (0) million. Cash flow before financing activities, including the effect of divested Distribution operations, decreased by EUR 518 million to EUR -4 (514) million.

Fortum paid dividends totalling EUR 977 million in April 2016.

Assets and capital employed

Total assets increased by EUR 328 million to EUR 23,095 (22,767 at year-end 2015) million.

Liquid funds were at the year-end level of EUR 8,228 (8,202 at year-end 2015) million.

Capital employed was EUR 20,338 (19,870 at year-end 2015) million, an increase of EUR 468 million.

Equity

Total equity attributable to owners of the parent company totalled EUR 14,191 (13,794 at year-end 2015) million.

The increase in equity attributable to owners of the parent company totalled EUR 397 million and was mainly from the net profit of EUR 326 million for the period and translation differences of EUR 100 million.

Financing

Fortum was net cash positive at the end of the period. Net cash decreased by EUR 37 million to EUR 2,158 (2,195 at year-end 2015) million during the first quarter of 2016.

At the end of March, the Group's liquid funds totalled EUR 8,228 (8,202 at year-end 2015) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 129 (76 at year-end 2015) million. In addition to liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities (Note 16).

Net financial expenses were EUR -47 (-57) million, of which net interest expenses were EUR -39 (-39) million. Net financial expenses include changes in the fair value of financial instruments of EUR 2 (-8) million.

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

Key figures

For the last twelve months comparable net debt to EBITDA was -1.9 (-1.7 at year-end 2015).

Gearing was -15% (-16% at year-end 2015) and the equity-to-assets ratio 62% (61% at year-end 2015). Equity per share was EUR 15.97 (15.53 at year-end 2015). For the last twelve months return on capital employed totalled 22.5% (22.7% at year-end 2015).

Market conditions

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 117 (110) terawatt-hours (TWh) during the first quarter of 2016. The increase was mainly driven by the colder temperature, which remained below last year's levels for most of the quarter. In addition, the underlying electricity consumption was higher in Norway and Sweden.

At the beginning of 2016, the Nordic water reservoirs were at 98 TWh, which is 15 TWh above the long-term average and 18 TWh higher than a year earlier. By the end of the first quarter 2016, reservoirs were at 7 TWh above the long-term average and 6 TWh higher than at the end of March 2015. Reservoir levels decreased due to high Nordic hydro power production, while inflows were close to the long-term average. Overall, Nordic hydrological conditions were close to normal at the end of the first quarter of 2016, as the snow level was below historical average.

In the first quarter of 2016, the average system spot price was EUR 24.0 (28.1). Higher hydro power production and a lower marginal cost of coal condense were the main drivers. The average area price in Finland was EUR 30.4 (32.1) and in Sweden SE3 (Stockholm) EUR 24.1 (28.6). Finnish prices were somewhat higher during the beginning of the quarter, but decreased as a result of the opening of the Sweden-Lithuania power cable and mild weather during the latter part of the quarter.

In Germany the average spot price during the first quarter of 2016 was EUR 25.2 (32.1) per MWh.

The market price of CO_2 emission allowances (EUA) was at approximately EUR 8 per tonne at the beginning of the year and EUR 5.2 per tonne at the end of March 2016.

Russia

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

According to preliminary statistics, Russia consumed 279 (276) TWh of electricity during the first quarter of 2016. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 212 (211) TWh.

In the first quarter of 2016, the average electricity spot price, excluding capacity price, increased by 2% to RUB (Russian rouble) 1,147 (1,122) per MWh in the First price zone.

More detailed information about the market fundamentals is included in the tables at the end of the report (page 53).

European business environment and carbon market

Assessment of Paris climate change conference outcome

In March, the EU Commission released a Communication on the Implications of the Paris Agreement. The Commission does not propose any tightening of the EU climate target for the time being. The issue will be discussed again in 2018-2023. The European Council decided not to amend the EU's strategy following the Paris Agreement.

The revision of the emissions trading directive is under discussion in the Parliament and the Council. Fortum believes the emission reduction factor should be raised somewhat in order to tighten the EU Emission Trading System (ETS) cap faster and ensure meeting the EU long-term emissions reduction target.

EU Heating and Cooling Strategy

In February, the European Commission published an EU Strategy on Heating and Cooling. This is the first time the EU is addressing heating and cooling in a comprehensive manner. The Strategy underlines not only the importance of decarbonisation of heating and cooling, but also the improvement of energy efficiency in the residential sector. It also recognises the importance of district heating in the utilisation of recovered heat and cogeneration.

A new ambitious climate target for Sweden

A Parliamentarian Environmental Committee proposed in February a new long-term climate policy and target. Sweden aims to be a carbon-neutral country by 2045, five years earlier than the previous target. In addition, the Energy Minister made an initiative to shift to a 100% renewable electricity system in 20 years. The initiative will be negotiated with the opposition during the next few months.

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	I/16	I/15	2015	LTM
Sales	474	500	1,722	1,696
- power sales	461	484	1,625	1,602
of which Nordic power sales*	393	453	1,526	1,466
- other sales	13	16	97	94
Operating profit	209	203	-396	-390
Comparable operating profit	153	203	561	511
Comparable EBITDA	181	232	680	629
Comparable net assets (at period-end)	5,894	5,968	5,931	
Comparable return on net assets, %			9.5	8.7
Capital expenditure and gross investments in shares	31	28	203	206
Number of employees	1,331	1,350	1,341	

* The Nordic power sales income and volume does not include thermal generation, market price-related purchases or minorities

Power generation by source, TWh	I/16	I/15	2015	LTM
Hydro and wind power, Nordic	6.6	6.2	25.1	25.5
Nuclear power, Nordic	6.8	6.3	22.7	23.2
Thermal power, Nordic	0.1	0.1	0.3	0.3
Total in the Nordic countries	**13.5**	**12.6**	**48.1**	**49.0**
Thermal power in other countries	0.0	0.0	0.0	0.0
Total	**13.5**	**12.6**	**48.1**	**49.0**

Nordic sales volumes, TWh	I/16	I/15	2015	LTM
Nordic sales volume	15.8	13.2	50.5	53.1
of which Nordic power sales volume*	12.8	12.0	46.3	47.1

* The Nordic power sales income and volume does not include thermal generation, market price-related purchases or minorities

Sales price, EUR/MWh	I/16	IV/15	2015	LTM
Power and Technology's Nordic power price**	30.7	37.7	33.0	31.1

** Power and Technology's Nordic power price does not include sales income from thermal generation, market price-related purchases or minorities

January–March 2016

In the first quarter of 2016, the Power and Technology segment's comparable operating profit was EUR 153 (203) million, i.e. EUR 50 million lower than in the corresponding period in 2015. Even though hydro and nuclear volumes were almost 1 TWh higher compared to the corresponding period, it did not compensate for the EUR 7 lower achieved power price.

Operating profit, EUR 209 (203) million, was affected by sales gains totalling EUR 0 (3) million 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 56 (-3) million (Note 4).

Power and Technology's achieved Nordic power price was EUR 30.7 (37.7) per MWh, EUR 7.0 per MWh lower than in the corresponding period in 2015. The system price and all area prices were clearly lower in the first quarter of 2016 compared to the same period in 2015. The average system spot price of electricity in Nord Pool was EUR 24.0 (28.1) per MWh. The average area price in Finland was EUR 30.4 (32.1) per MWh and in Sweden SE3 (Stockholm) EUR 24.1 (28.6) per MWh.

The segment's total power generation in the Nordic countries was 13.5 (12.6) TWh, 0.9 TWh higher than in the corresponding period in 2015, due to both higher hydro as well as nuclear volumes. Thermal production totalled 0.1 (0.1) TWh in the Nordic countries. CO2-free production amounted to 99% (99%) of the total production.

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	I/16	I/15	2015	LTM
Sales	392	406	1,187	1,173
- heat sales	170	161	423	431
- power sales	212	230	682	664
- other sales	10	15	83	78
Operating profit	61	64	105	102
Comparable operating profit	56	58	108	106
of which Electricity Sales	14	12	55	57
Comparable EBITDA	83	82	209	210
Comparable net assets (at period-end)	2,316	2,168	2,182	
Comparable return on net assets, %			7.9	7.9
Capital expenditure and gross investments in shares	135	12	128	251
Number of employees	1,812	1,434	1,417	

January–March 2016

In the first quarter of 2016, heat sales volumes of the Heat, Electricity Sales and Solutions segment amounted to 3.5 (3.2) TWh. Power sales volumes from CHP production totalled 1.0 (0.9) TWh.

Comparable operating profit was EUR 56 (58) million. The result was burdened by an unfavourable fuel-mix and lower achieved power price.

Operating profit, EUR 61 (64) million, was affected by mainly sales gains and the IFRS accounting treatment (IAS 39) of derivatives totalling EUR 5 (6) million (Note 4).

Heat sales by country, TWh	I/16	I/15	2015	LTM
Finland	1.4	1.2	3.1	3.3
Poland	1.6	1.5	3.4	3.5
Other countries	0.6	0.5	1.2	1.3
Total	**3.5**	**3.2**	**7.8**	**8.1**

Power sales, TWh	I/16	I/15	2015	LTM
CHP	1.0	0.9	2.5	2.6
Electricity Sales	4.1	4.4	14.2	14.0
Total	**5.1**	**5.2**	**16.7**	**16.6**

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	I/16	I/15	2015	LTM
Sales	249	263	893	879
- power sales	172	183	661	650
- heat sales	76	80	228	224
- other sales	1	0	4	5
Operating profit	111	98	203	216
Comparable operating profit	79	97	201	183
Comparable EBITDA	105	94	267	278
Comparable net assets (at period-end)	2,656	3,104	2,561	
Comparable return on net assets, %			8.2	7.4
Capital expenditure and gross investments in shares	40	45	285	280
Number of employees	3,817	4,198	4,126	

After the completion of the multi-year investment programme in March 2016, Fortum has 2,226 MW of new capacity, the generation capacity built after 2007, which under the Russian Government's capacity supply agreement (CSA – "new capacity") receives guaranteed payments for a period of 10 years.

Received capacity payments vary 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 March 2016, the System Administrator of the wholesale market published data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2015, which was used to calculate the capacity price on CSA in 2016. The CSA payments were revised upwards in the winter of 2016 accordingly to reflect the higher bond rates. 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.

All of Fortum's capacity generation built prior to 2008 (CCS – "old capacity"), 2,257 MW, was allowed to participate in the capacity selection for 2016, 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 8.6% of Fortum's total old capacity in Russia), for which Fortum has obtained forced mode status, i.e. it is receiving payments for the capacity.

January–March 2016

In the first quarter of 2016, the Russia segment's power sales volumes amounted to 8.3 (8.4) TWh and heat sales volumes totalled 9.0 (9.5) TWh. Volumes were down mainly due to the divestment of the Tobolsk CHP plant.

The Russia segment’s comparable operating profit was EUR 79 (97) million. The decline is mainly the result of the large CSA provision release in the comparison period in 2015, EUR 29 million compared to EUR 2 million in the first quarter 2016. In addition, the weakened Russian rouble affected the Russia segment’s comparable operating profit negatively by EUR 11 million.

Operating profit was EUR 111 (98) million, including sales gains EUR 32 (1) million (Note 4).

Fortum started receiving capacity payments under the Russian Government's capacity supply agreement (CSA) for Chelyabinsk 2 as of 1 March 2016. Fortum’s extensive investment programme in Russia that started in 2008 is now completed as the final unit of the programme has started its commercial operation.

Key electricity, capacity and gas prices for Fortum Russia	I/16	I/15	2015	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,018	1,051	1,047	1,039
Average regulated gas price, Urals region, RUB/1000 m3	3,614	3,362	3,488	3,551
Average capacity price for CCS “old capacity”, tRUB/MW/month*	149	163	149	145
Average capacity price for CSA “new capacity”, tRUB/MW/month*	871	715	641	687
Average capacity price, tRUB/MW/month	498	394	359	385
Achieved power price for Fortum in Russia, RUB/MWh	1,666	1,541	1,555	1,596
Achieved power price for Fortum in Russia, EUR/MWh**	20.7	21.7	22.5	22.2

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

Discontinued operations (Distribution)

EUR million	I/16	I/15	2015	LTM
Sales	-	180	274	94
- distribution network transmission	-	152	40	-112
- regional network transmission	-	24	229	205
- other sales	-	4	7	3
Operating profit	-	81	4,395	4,314
Comparable operating profit	-	82	114	32
Comparable EBITDA	-	112	163	51
Capital expenditure and gross investments in shares	-	20	44	24
Number of employees	-	401	-	-

The table above includes the Swedish electricity distribution business for January-May 2015.

Fortum has had no distribution business since June 2015 when Fortum completed the divestment of its Swedish electricity distribution business. The transaction concluded the divestment of Fortum's Distribution segment, a process that began in 2013.

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares for continuing operations totalled EUR 207 (86) million in the first quarter of 2016. Investments, excluding acquisitions, were EUR 82 (85) million (Note 4).

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts
Power and Technology				
Blaiken, Sweden	Wind	12		2016
Hydro refurbishment, Nordic	Hydro	12		2016
Loviisa 1 and 2 refurbishment, Finland	Nuclear	11		2016
Solberg, Sweden	Wind	75		2018
Heat, Electricity Sales and Solutions				
Bhadla, India	Solar	70		2017
Zabrze, Poland	CHP	75	145	2018
Russia				
Ulyanovsk	Wind	35		2017

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 300 million shareholder loan from the total EUR 600 million commitments. Fortum's share of the EUR 300 million withdrawals is approximately EUR 75 million. Fortum’s remaining commitment for OL3 is EUR 75 million (Note 15).

In February, Fortum acquired a 75-MW wind farm project. The Solberg site is fully-permitted and construction-ready. It is located in Västernorrland County in northern Sweden. In April, Fortum made a final investment decision on the project. Skellefteå Kraft AB (SKAB) has an option to participate in the project with a 50% share, subject to decision by their municipal owner and authority approvals. SKAB is expected to decide on their participation during the second quarter of 2016.

Heat, Electricity Sales and Solutions

In January, Fortum won a reverse auction in India, for a 70-MW solar project with a fixed tariff of 4.34 INR/kWh (about 60 EUR/MWh) for 25 years. Fortum signed the Power Purchase Agreement with NTPC, India's largest utility in April.

In February, Fortum agreed to sell its 51.4% shareholding in the Estonian natural gas import, sales and distribution company AS Eesti Gaas. Fortum finalised the transaction in March 2016.

In March, Fortum completed the acquisition of 93.35% of shares in the Polish gas and electricity sales company Grupa DUON S.A. In April Fortum announced that it had purchased the remaining shares through a mandatory squeeze-out procedure after which the extraordinary meeting of shareholders of Grupa DUON S.A. decided to delist the company from the Warsaw Stock Exchange.

Russia

In February Fortum sold its 100% shareholding in its Russian subsidiary OOO Tobolsk CHP. OOO Tobolsk CHP owns and operates the combined heat and power plant in the city of Tobolsk in Western Siberia.

Shares and share capital

Fortum Corporation is listed on the Nasdaq Helsinki. During the first quarter of 2016, a total of 189.7 (133.8) million Fortum Corporation shares, totalling EUR 2,439 million, were traded. The highest quotation of Fortum Corporation shares during the reporting period was EUR 14.52, the lowest EUR 10.99, and the volume-weighted average EUR 12.86. The closing quotation on the last trading day of the first quarter of 2016 was EUR 13.31 (19.56). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the review period, was approximately EUR 11,824 million.

In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example Boat, BATS Chi-X and Turquoise, and on the OTC market. During the first quarter of 2016, approximately 60% of Fortum's shares were traded on markets other than the Nasdaq Helsinki.

On 31 March 2016, Fortum Corporation’s share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not own its own shares. The number of registered shareholders was 143,190. The Finnish State's holding in Fortum was 50.8%, and the proportion of nominee registrations and direct foreign shareholders was 24.9% at the end of the review period.

On 5 April 2016, the Annual General Meeting decided to authorise the Board of Directors to decide on the repurchase and disposal of the company's own shares up to a maximum number of 20,000,000 shares, which corresponds to approximately 2.25 per cent of all the shares in the company. The authorisation will be effective for a period of 18 months from the resolution of the General Meeting.

Group personnel

Fortum’s operations are mainly based in the Nordic countries, Russia and the Baltic Rim area. The total number of employees at the end of March 2016 was 7,916 (7,835 at the end of 2015).

At the end of March 2016, Power and Technology had 1,331 (1,341) employees; Heat, Electricity Sales and Solutions 1,812 (1,417); Russia 3,817 (4,126); and Other 956 (951).

Research and development

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

Fortum's goal is to be in the forefront of energy technology and application development. To accelerate innovation and commercialisation of new offerings, Fortum will strengthen its in-house focus on innovation and digitalisation, partner with global leading suppliers, promising technology companies and research institutions, as well as make direct and indirect investments in start-ups with promising new innovations.

The Group reports its R&D expenditure on a yearly basis. In 2015, Fortum's R&D expenditure was EUR 47 (41) million or 1.4% (1.0%) of sales.

Sustainability

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

The Group-level sustainability targets emphasise Fortum's role in society and measure not only environmental and safety targets, but also Fortum's reputation, customer satisfaction, employee wellbeing and the security of supply of production of power and heat. At the beginning of 2016, Group-level target setting was changed by taking work well-being, measured as a percentage of sickness-related absences, as a new Group target. In terms of specific carbon dioxide emissions (gCO_2/kWh), Fortum now focuses on measuring Group-level specific emissions from total energy production.

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

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

Fortum's sustainability targets and performance[1]

Targets		I/16	2015	Five-year average
Specific CO_2 emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	177	181	190
Major EHS incidents, no.	≤ 23	4	18	-
Energy availability of CHP plants, %	> 95	98.7	96.4	-
Total recordable injury frequency (TRIF) for own personnel	≤ 2.5	1.5	1.6	-
Lost workday injury frequency (LWIF) for own personnel	≤ 1.0	0.9	1.1	-
Lost workday injury frequency (LWIF) for contractors	≤ 3.0	2.3	2.7	-
Serious occupational accidents, no.	≤ 8	2	16	-
Sickness-related absences, %	≤2.4	2.8	2.4	-

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

Economic responsibility

For Fortum, economic responsibility means competitiveness, performance excellence and market-driven production, which create long-term value for our stakeholders and enable profitable growth. We manage our supply chain in a responsible manner. Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. Fortum measures financial performance with return on capital employed (target: 10%) and capital structure (target: comparable net debt/EBITDA around 2.5). In addition, as of 1 January

2014, Fortum has used the applicable Global Reporting Initiative (GRI) G4 indicators for reporting economic responsibility.

Environmental responsibility

Energy and resource efficiency, climate change mitigation, and reducing environmental impacts are emphasised in Fortum's environmental responsibility. The company's know-how in CO_2-free hydro and nuclear power production and in energy-efficient combined heat and power production, investments in solar and wind power as well as solutions for sustainable cities play a key role in this. Through research and development activities, Fortum creates prerequisites for environmentally benign energy solutions. 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 March 2016, ISO 14001 certification covered 99.9% of Fortum's power and heat production worldwide.

Fortum's climate target over the next five years is: total specific CO_2 emissions from both electricity and heat production in all countries below 200 g/kWh. The target is calculated as a five-year average. At the end of March 2016, the total specific CO_2 emissions from energy production were at 190 (197) g/kWh, better than the target level.

Fortum's total CO_2 emissions in January-March 2016 amounted to 5.9 (6.0) million tonnes (Mt), of which 1.0 (0.8) Mt were within the EU's emissions trading scheme (ETS). Fortum's free emissions allowances in 2015 were 1.3 Mt and the estimate for 2016 is 1.0 Mt.

Fortum's total CO_2 emissions (million tonnes, Mt)	I/16	I/15	2015	LTM
Total emissions	5.9	6.0	19.2	19.0
Emissions subject to ETS	1.0	0.8	2.1	2.3
Free emissions allocation	-	-	1.3	-
Emissions in Russia	4.9	5.2	17.0	16.6

By 2020, Fortum's target is to improve energy efficiency of the existing power plants and heat distribution networks by over 1,400 GWh annually, as compared with 2012. At the end of 2015, about 1,240 GWh of this target was achieved. Fortum's target is fewer than 23 major EHS incidents annually. In January-March 2016, 4 (7) major EHS incidents took place in Fortum's operations: the incidents included two non-compliances with environmental permits, one fire and one explosion. These incidents did not have significant environmental or financial impacts.

Social responsibility

Fortum's social responsibility emphasises the secure supply of electricity and heat, creating solutions for sustainable cities, operational and occupational safety, as well as ethical business operations and compliance with regulations. At the end of March 2016, OHSAS 18001 certification covered 99.9% of Fortum's power and heat production worldwide.

The average energy availability of Fortum's CHP plants in January-March 2016 was 98.7% (97%), which is clearly above the annual target level of 95%.

The total recordable injury frequency (TRIF) for Fortum employees in January-March 2016 was 1.5 (2.0) per one million working hours, which complies with the Group-level frequency target (≤ 2.5). The lost-workday injury frequency for own personnel was 0.9 (0.8) and for contractors 2.3 (2.6), both below the set target levels. The number of serious occupational accidents was 2. Implementation of the agreed actions to improve contractor safety continues with a specific focus on construction projects. Fortum's target is to eliminate serious injuries by 2020. The percentage of sickness-related absences was 2.8.

Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier pre-selection and supplier audits. In January-March 2016, Fortum audited one supplier in India.

Changes in Fortum’s Management

In February 2016 Fortum announced that it will reorganise its corporate structure as of 1 April 2016. The target of the new organisation is to enable the implementation of the company’s new vision and strategy, which were announced on 3 February 2016. The new organisation consists of three business divisions: Generation, City Solutions and Russia. In addition, two development units focusing on growing new businesses are established: M&A and Solar & Wind Development as well as Technology and New Ventures. The new organisation will also have four staff functions: Finance; Legal; Strategy, People and Performance; as well as Corporate Affairs and Communications.

Fortum's Executive Management Team as of 1 April 2016:

Pekka Lundmark, President and CEO
Matti Ruotsala is appointed Deputy CEO until his planned retirement in summer 2017.
Timo Karttinen will continue as Fortum’s CFO.
Tiina Tuomela is appointed Executive Vice President, Generation.
Markus Rauramo is appointed Executive Vice President, City Solutions.
Alexander Chuvaev will continue as Executive Vice President, Russia.
Per Langer is appointed Senior Vice President, Technology and New Ventures.
Kari Kautinen is appointed Senior Vice President, M&A and Solar & Wind Development.
Sirpa-Helena Sormunen will continue as General Counsel.
Risto Penttinen is appointed Senior Vice President, Strategy, People and Performance.
Arto Räty is appointed Senior Vice President, Corporate Affairs and Communications.

All the members of the Executive Management Team will report to the President and CEO, apart from the General Counsel who reports to the CFO.

Regarding the previous Executive Management Team members: Mikael Frisk, Senior Vice President, Human Resources and IT, has requested rotation to new tasks after serving 15 years on the Fortum management team; Esa Hyvärinen, Senior Vice President, Corporate Relations, reports in the new organisation to Arto Räty; and Helena Aatinen, Senior Vice President, Corporate Communications, has decided to leave the company.

Annual General Meeting 2016

Fortum Corporation’s Annual General Meeting, which was held in Helsinki on 5 April 2016, adopted the financial statements of the parent company and the Group for the financial period 1 January - 31 December 2015 and discharged the members of Fortum's Board of Directors as well as the President and CEOs and the deputy CEO from liability for the year 2015.

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share for the financial year that ended 31 December 2015. The record date for the dividend payment was 7 April 2016, and the dividend payment date was 14 April 2016.

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

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

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

The Annual General Meeting also authorised the Board of Directors to decide on the repurchase of the company's own shares up to a maximum number of 20,000,000 shares, which corresponds to approximately 2.25 per cent of all the shares in the company. It was also decided that own shares could be disposed in connection with acquisitions, investments or other business transactions. The disposals could not be made for the purposes of the company's incentive and remuneration schemes.

After the Annual General Meeting, Fortum’s Board of Directors elected from among its members to the Nomination and Remuneration Committee Sari Baldauf as Chairman, and Eva Hamilton, Tapio Kuula and Veli-Matti Reinikkala as members.

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

Events after the balance sheet date

In April, Fortum announced its solar targets and next steps. Fortum's solar strategy targets a wider geographic scope than the company's current business portfolio, and hence will entail entering selected new locations globally. Fortum will carefully select a few geographies with excellent solar conditions. With technologies rapidly maturing, utility competences are becoming increasingly important in solar business, and expansion in solar fits very well Fortum's vision to be the forerunner in clean energy. Overall, Fortum is targeting a gigawatt-scale wind and solar portfolio.

India is the first country Fortum has decided to enter, as the country offers one of the best solar resources and a sound government support for the development of the solar sector. The country provides a good platform for Fortum to further develop its business in solar also elsewhere.

Fortum seeks to allocate of its planned growth capital in the range of EUR 200–400 million in solar projects in India.

In April, Fortum won a 100 MW bid in the reverse auction process conducted by NTPC. The solar power plant will be built in Pavagada Solar Park in Tumkur District Karnataka in India with a fixed tariff of 4.79 INR/kWh for 25 years.

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, the prices of fuel and CO_2 emissions allowances, as well as the hydrological situation. The completion of Fortum’s investment programme in Russia is also a key driver in the company's result growth, due to the increase in production volumes and CSA payments.

The continued uncertainty in the global and European economies has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO_2 emissions allowance prices, and this could maintain downward pressure on the Nordic wholesale price of 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. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates due to financial turbulence could have both translation and transaction effects on Fortum's financials, especially through the Russian rouble and Swedish krona. In the Nordic countries, also the regulatory and fiscal environment for the energy sector has added risks for utility companies.

Nordic market

Despite macroeconomic uncertainty, electricity is expected to continue to gain a higher share of the total energy consumption. Electricity demand in the Nordic countries is expected to grow by approximately 0.5% on average in the coming years.

During the first quarter of 2016, the price of European Union emissions allowances, oil and coal declined. The price of electricity for the upcoming twelve months declined in the Nordic area as well as in Germany.

In late-April 2016 the quotation for coal (ICE Rotterdam) for the rest of 2016 was around USD 46 per tonne, and for CO_2 emission allowances for 2016 about EUR 6 per tonne. The Nordic system electricity forward price in Nasdaq Commodities for the rest of 2016 was around EUR 21 per MWh and for 2017 around EUR 21 per MWh. In Germany, the electricity forward price for the rest of 2016 was around EUR 25 per MWh and for 2017 around EUR 25 per MWh. Nordic water reservoirs were about 7 TWh above the long-term average and 6 TWh above the corresponding level of 2015.

Power and Technology

The Power and Technology segment's achieved Nordic power price typically depends on such factors as hedge ratios, hedge prices, spot prices, availability and utilisation of Fortum's flexible production portfolio, 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.

In Finland, the technical plan and cost estimates for nuclear waste management are updated every third year. The new technical plan was published in 2015 and related cost estimates will be updated during the second quarter of 2016, and the updated nuclear waste liability will be decided by the Ministry of Employment and the Economy by end of year 2016.

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 2015, the Swedish Government increased the nuclear waste fund fee from approximately 0.022 to approximately 0.04 SEK/kWh for the 2015-2017 period. The estimated impact on Fortum is approximately EUR 25 million annually. The process to review the Swedish nuclear waste fees is done in a three-year cycle. However, as a result of the decision on early closure of nuclear power plants, the Swedish Radiation Safety Authority, SSM, recalculated the waste fees for the Oskarshamn and Ringhals power plants. The new assessment needs the approval of the Swedish Government.

In addition, the Swedish Parliament decided to approve the proposed tax increase of 17% on installed nuclear capacity. The tax was implemented as of 1 August 2015. The estimated impact on Fortum is approximately EUR 15 million in 2016, albeit corporate tax-deductible. The future of the nuclear tax is subject to active political debate in Sweden.

OKG AB decided earlier to permanently discontinue electricity production at Oskarshamn unit 1 and start decommissioning after permission for service operation has been granted by the relevant Swedish authorities. The precise date for discontinuing production and starting decommissioning has now been decided to 30 June 2017. Oskarshamn unit 2, which has been out of operation since June 2013 due to an extensive safety modernisation, will stay out from operation. The closing processes are estimated to take several years.

Russia

The Russia segment's new capacity generation built after 2007 under the Russian Government's capacity supply agreement (CSA) is a key driver for earnings growth in Russia, as it is expected to bring income from new volumes sold and also to receive considerably higher capacity payments than the old capacity. It receives guaranteed capacity payments currently for a period of 10 years. A draft regulation related to the time frame (10 vs.15 years) regarding the calculation of capacity payments has been submitted for review to the federal executive authorities, and a decision is expected during the first half of 2016. The received CSA payment will vary depending on the age, location, size and type of the plants as well as on seasonality and availability. CSA payments can vary somewhat annually because they are linked to Russian Government long-term bonds with 8 to 10 years maturity. In addition, the regulator will review the earnings from the electricity-only market three years and six years after the commissioning of a unit and could revise the CSA payments accordingly.

According to the new rules approved by the Russian Government in 2015, the competitive capacity selection for generation built prior to 2008 (CCS, without capacity supply agreements) takes place annually. At the end of 2015, the CCS for 2016 and the long-term CCS for 2017-2019 were held. The majority of Fortum’s plants were selected. The volume of Fortum’s installed "old" capacity not selected in the auction totalled 195 MW (out of 2,257 MW) for which Fortum has obtained forced mode status, i.e. it will receive payments for the capacity. In 2016, the CCS for year 2020 will take place.

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

The targeted operating profit (EBIT) level of RUB 18.2 billion in the Russia segment is expected to be reached during 2017-2018. The segment’s profits are impacted by changes in power demand, gas prices and other regulatory development. Economic sanctions, the currency crisis, oil prices and the surge in inflation have impacted overall demand. As a result, gas prices and electricity prices have not developed favourably as expected. As forecasted by the Russian Ministry of Economic Development, the Russian annual average gas price growth is estimated to be 4.9% in 2016.

The euro-denominated result level will be volatile due to the translation effect. The income statements of non-euro subsidiaries are translated into the Group reporting currency using the average exchange rates. The Russia segment's result is also impacted by seasonal volatility caused by the nature of the heat business, with the first and last quarter being clearly the strongest.

Restructuring of TGC-1 according to strategy in Russia

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

Capital expenditure and divestments

Fortum currently expects its capital expenditure, excluding acquisitions, for its continuing operations in 2016 to be approximately EUR 650 million. The annual maintenance capital expenditure is estimated to be about EUR 300-350 million in 2016, below the level of depreciation.

Taxation

The effective corporate income tax rate for Fortum in 2016 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.

Hedging

At the end of March 2016 approximately 60% of Power and Technology's estimated Nordic power sales volume was hedged at approximately EUR 30 per MWh for the rest of the year 2016. The corresponding figures for the 2017 calendar year were approximately 30% at approximately EUR 28 per MWh.

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

Dividend payment

The Annual General Meeting decided to pay a dividend of EUR 1.10 per share for the financial year that ended 31 December 2015.

The record date for the dividend was 7 April 2016, and the dividend payment date was 14 April 2016.

Espoo, 27 April 2016
Fortum Corporation
Board of Directors

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

Reporting and Capital Markets Day in 2016*:*

Publication of financial results in 2016:
- January-June on 20 July 2016 at approximately 9:00 a.m. EEST
- January-September on 25 October 2016 at approximately 9:00 a.m. EEST

Fortum's Capital Markets Day is planned to take place on 16 November 2016 in Helsinki.

Distribution:
Nasdaq Helsinki
Key media
www.fortum.com

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

Condensed consolidated income statement

EUR million	Note	Q1 2016	Q1 2015	2015	Last twelve months
Continuing operations:					
Sales	4, 9	**989**	1,040	3,459	3,408
Other income		**9**	8	38	39
Materials and services		**-456**	-433	-1,515	-1,538
Employee benefits		**-79**	-83	-351	-347
Depreciation and amortisation	4,12,13	**-84**	-83	-346	-347
Other expenses		**-105**	-105	-477	-477
Comparable operating profit	4	**275**	343	808	740
Items affecting comparability		**94**	7	-958	-871
Operating profit	4	**369**	350	-150	-131
Share of profit/loss of associates and joint ventures	4, 14	**67**	58	20	29
Interest expense		**-47**	-53	-203	-197
Interest income		**8**	14	51	45
Fair value gains and losses on financial instruments		**2**	-8	-18	-8
Other financial expenses - net		**-10**	-10	-4	-4
Finance costs - net		**-47**	-57	-175	-165
Profit before income tax		**390**	350	-305	-265
Income tax expense	10	**-59**	-55	78	74
Profit for the period from continuing operations		**331**	295	-228	-192
Discontinued operations:					
Profit for the period from discontinued operations	7	**-**	63	4,369	4,306
Profit for the period		**331**	358	4,142	4,115
Attributable to:					
Owners of the parent		**326**	354	4,138	4,110
Non-controlling interests		**5**	4	4	5
		331	358	4,142	4,115
Earnings per share for profit attributable to the equity owners of the company (EUR per share)					
Total Fortum		**0.37**	0.40	4.66	4.63
Continuing operations		**0.37**	0.33	-0.26	-0.22
Discontinued operations	7	**-**	0.07	4.92	-

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

EUR million	Note	Q1 2016	Q1 2015	2015	Last twelve months
Comparable operating profit		**275**	343	808	740
Impairment charges	4	**0**	0	-918	-918
Capital gains and other	4	**44**	7	22	59
Changes in fair values of derivatives hedging future cash flow	4	**50**	-3	-78	-25
Nuclear fund adjustment	4	**0**	3	16	13
Items affecting comparability		**94**	7	-958	-871
Operating profit		**369**	350	-150	-131

In 2015 the decision made by the Extraordinary shareholders' meeting of OKG AB to close Oskarshamn nuclear power plant units 1 and 2 in Sweden impacted net result for 2015 attributable to the owners of the parent by EUR -729 million. The impact is recognised on several rows of the income statement, but major part is included in Impairment charges, in Items affecting comparability, see Note 6 Impairment charges.

Distribution segment has been treated as discontinued operations according to IFRS 5 in the comparative period 2015. For further information, see Note 7 Discontinued operations.

Condensed consolidated statement of comprehensive income

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Profit for the period	**331**	358	4,142	4,115
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	**7**	16	124	115
Transfers to income statement	**-25**	-9	-48	-64
Transfers to inventory/fixed assets	**-5**	-1	-6	-10
Deferred taxes	**5**	-2	-14	-7
Net investment hedges				
Fair value gains/losses in the period	**-10**	-33	-8	15
Deferred taxes	**2**	7	2	-3
Exchange differences on translating foreign operations	**101**	387	-191	-477
Share of other comprehensive income of associates and joint ventures	**-9**	0	3	-6
Other changes	**-1**	0	3	2
	64	366	-135	-437
Items that will not be reclassified to profit or loss in subsequent periods:				
Actuarial gains/losses on defined benefit plans	**0**	-1	76	77
Actuarial gains/losses on defined benefit plans in associates and joint ventures	**8**	-2	0	10
	9	-2	76	87
Other comprehensive income for the period from continuing operations, net of deferred taxes	**73**	363	-59	-349
Other comprehensive income for the period from discontinued operations, net of deferred taxes		5	0	-5
Total comprehensive income for the period	**404**	724	4,082	3,762
Total comprehensive income attributable to				
Owners of the parent	**397**	715	4,081	3,763
Non-controlling interests	**7**	9	1	-1
	404	724	4,082	3,762

Condensed consolidated balance sheet

EUR million	Note	March 31 2016	March 31 2015	Dec 31 2015
ASSETS				
Non-current assets				
Intangible assets	12	**289**	277	222
Property, plant and equipment	13	**8,770**	9,074	8,710
Participations in associates and joint ventures	4, 14	**2,034**	2,130	1,959
Share in State Nuclear Waste Management Fund	17	**818**	781	810
Other non-current assets		**100**	70	93
Deferred tax assets		**70**	83	80
Derivative financial instruments	5	**539**	512	509
Long-term interest-bearing receivables	15	**927**	2,041	773
Total non-current assets		**13,546**	14,969	13,157
Current assets				
Inventories		**205**	247	231
Derivative financial instruments	5	**238**	345	355
Trade and other receivables [1)]	15	**878**	637	822
Deposits and securities (maturity over three months)		**3,788**	1,494	4,913
Cash and cash equivalents		**4,440**	1,773	3,289
Liquid funds	16	**8,228**	3,268	8,202
Assets held for sale			2,716	
Total current assets		**9,549**	7,212	9,610
Total assets		**23,095**	22,182	22,767
EQUITY				
Equity attributable to owners of the parent				
Share capital		**3,046**	3,046	3,046
Share premium		**73**	73	73
Retained earnings		**10,933**	7,290	10,507
Other equity components		**139**	12	168
Total		**14,191**	10,421	13,794
Non-controlling interests		**77**	80	69
Total equity		**14,268**	10,501	13,863
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	16	**4,729**	5,944	4,965
Derivative financial instruments	5	**263**	254	290
Deferred tax liabilities		**511**	692	483
Nuclear provisions	17	**818**	781	810
Other provisions	18	**80**	13	81
Pension obligations		**66**	142	65
Other non-current liabilities		**169**	156	168
Total non-current liabilities		**6,636**	7,983	6,863
Current liabilities				
Interest-bearing liabilities	16	**1,341**	1,038	1,042
Derivative financial instruments	5	**170**	177	121
Trade and other payables [2)]		**681**	1,874	879
Liabilities related to assets held for sale			609	
Total current liabilities		**2,191**	3,698	2,042
Total liabilities		**8,827**	11,681	8,904
Total equity and liabilities		**23,095**	22,182	22,767

1) Trade and other receivables as of 31 March 2016 includes EUR 178 million interest-bearing receivables, see Note 15 Interest-bearing receivables.

2) Trade and other payables as of 31 March 2015 include dividends EUR 1,155 million decided in the Annual General Meeting 31 of March 2015. Dividends were paid on 14 April 2015. Dividends for 2015 were decided in the Annual General Meeting on 5 of April 2016. These interim financial statements do not reflect this dividend.

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
			Retained earnings	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies and joint ventures			
Total equity 31 December 2015	**3,046**	**73**	**12,663**	**-2,156**	**74**	**67**	**27**	**13,794**	**69**	**13,863**
Net profit for the period			326					326	5	331
Translation differences				100			-1	100	2	101
Other comprehensive income					-18	-9	-1	-28		-28
Total comprehensive income for the period			326	100	-18	-9	-2	397	7	404
Other									1	1
Total equity 31 March 2016	**3,046**	**73**	**12,989**	**-2,056**	**56**	**58**	**25**	**14,191**	**77**	**14,268**
Total equity 31 December 2014	**3,046**	**73**	**9,676**	**-1,968**	**19**	**-5**	**22**	**10,864**	**71**	**10,935**
Net profit for the period			354					354	4	358
Translation differences				382	2	-1	-1	382	5	387
Other comprehensive income					4	-26	-2	-24		-24
OCI related to discontinued operations				5				5		5
Total comprehensive income for the period			354	386	6	-27	-3	715	9	724
Cash dividend			-1,155					-1,155		-1,155
Other			-3					-3		-3
Total equity 31 March 2015	**3,046**	**73**	**8,871**	**-1,581**	**25**	**-32**	**19**	**10,421**	**80**	**10,501**
Total equity 31 December 2014	**3,046**	**73**	**9,676**	**-1,968**	**19**	**-5**	**22**	**10,864**	**71**	**10,935**
Net profit for the period			4,138					4,138	4	4,142
Translation differences				-189	-1	-1	2	-188	-3	-191
Other comprehensive income			0		55	73	3	132		132
Total comprehensive income for the period			4,139	-189	54	72	5	4,081	1	4,082
Cash dividend			-1,155					-1,155		-1,155
Dividends to non-controlling interests									-2	-2
Other			3					3	-1	3
Total equity 31 December 2015	**3,046**	**73**	**12,663**	**-2,156**	**74**	**67**	**27**	**13,794**	**69**	**13,863**

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR 100 million during Q1 2016 (Q1 2015: 382). Translation differences are mainly related to RUB. Part of this translation exposure has been hedged and the foreign currency hedge result amounting to EUR -5 million during Q1 2016 (Q1 2015: -30), is included in the other OCI items.

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

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -18 million during Q1 2016 (Q1 2015: 6), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividends

A dividend for 2015 was decided in the Annual General Meeting on 5 April 2016. These interim financial statements do not reflect this dividend. See Note 11 Dividend per share.

Condensed consolidated cash flow statement

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Cash flow from operating activities				
Profit for the period from continuing operations	**331**	295	-228	-192
Adjustments:				
Income tax expenses	**59**	55	-78	-74
Finance costs - net	**47**	57	175	165
Share of profit of associates and joint ventures	**-67**	-58	-20	-29
Depreciation and amortisation	**84**	83	346	347
Operating profit before depreciations (EBITDA)	**453**	433	196	216
Non-cash flow items and capital gains	**-117**	-46	891	820
Interest received	**10**	14	52	48
Interest paid	**-91**	-104	-263	-250
Dividends received	**0**	0	52	52
Realised foreign exchange gains and losses and other financial items	**132**	168	336	300
Taxes	**-41**	18	-65	-124
Funds from operations	**346**	482	1,199	1,063
Change in working capital	**29**	34	29	24
Net cash from operating activities, continuing operations	**375**	516	1,228	1,087
Net cash from operating activities, discontinued operations		87	154	67
Total net cash from operating activities	**375**	603	1,381	1,153
Cash flow from investing activities				
Capital expenditures	**-113**	-101	-527	-539
Acquisitions of shares	**-104**	-1	-43	-146
Proceeds from sales of fixed assets	**5**	9	28	24
Divestments of shares	**39**	27	27	39
Shareholder loans to associated companies and joint ventures	**-30**	20	481	431
Change in other interest-bearing receivables	**-176**	0	-1	-177
Net cash used in investing activities, continuing operations	**-379**	-46	-35	-368
Net cash from investing activities, discontinued operations		-43	6,303	6,346
Total net cash from investing activities	**-379**	-89	6,268	5,978
Cash flow before financing activities	**-4**	514	7,650	7,132
Cash flow from financing activities				
Proceeds from long-term liabilities	**31**	33	37	35
Payments of long-term liabilities	**-3**	-3	-956	-956
Change in short-term liabilities	**1**	-75	-84	-8
Dividends paid to the owners of the parent	**0**	0	-1,155	-1,155
Other financing items	**-4**	2	-2	-8
Net cash used in financing activities, continuing operations	**26**	-42	-2,160	-2,092
Net cash used in financing activities, discontinued operations		0	0	0
Total net cash used in financing activities	**26**	-42	-2,160	-2,092
Total net increase(+) / decrease(-) in liquid funds	**21**	473	5,490	5,038
Liquid funds at the beginning of the period	**8,202**	2,766	2,766	8,202
Foreign exchange differences in liquid funds	**5**	29	-54	-78
Liquid funds at the end of the period	**8,228**	3,268	8,202	13,162

Non-cash flow items and capital gains

Non-cash flow items and divesting activities during 2016 mainly consists of reversal of non-recurring items EUR -44 million (Q1 2015: -7) and unrealised fair value changes of derivatives EUR -49 million (Q1 2015: 3). The actual proceeds for divestments are shown under cash flow from investing activities.

Realised foreign exchange gains and losses and other financial items

Realised foreign exchange gains and losses and other financial items include foreign exchange gains and losses of EUR 128 million for Q1 2016 (Q1 2015: 168) related mainly to financing of Fortum's Russian and Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise from rollover of foreign exchange contracts hedging these internal loans as major part of the forwards is entered into with short maturities i.e. less than twelve months.

Additional cash flow information for continuing operations

Change in working capital

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Change in interest-free receivables, decrease (+)/increase (-)	**134**	51	-121	-38
Change in inventories, decrease (+)/increase (-)	**26**	14	24	36
Change in interest-free liabilities, decrease (-)/increase (+)	**-131**	-31	126	26
Total	**29**	34	29	24

Capital expenditure in cash flow

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Capital expenditure	**82**	85	582	579
Change in not yet paid investments, decrease(+)/increase(-)	**35**	26	-11	-2
Capitalised borrowing costs	**-4**	-10	-44	-38
Total	**113**	101	527	539

Capital expenditures for intangible assets and property, plant and equipment were in Q1 2016 EUR 82 million (Q1 2015: 85). Capital expenditure in cash flow in Q1 2016 EUR 113 million (Q1 2015: 101) is including payments related to capital expenditure made in previous year i.e. change in trade payables related to investments EUR 35 million (Q1 2015: 26) and excluding capitalised borrowing costs EUR -4 million (Q1 2015: -10), which are presented in interest paid.

Acquisition of shares in cash flow

Acquisition of shares, net of cash acquired, amounted to EUR 104 million during Q1 2016 (Q1 2015: 1) including mainly shares in Grupa DUON S.A.

Divestment of shares in cash flow

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	**6**	0	0	6
Proceeds from sales of associates	**33**	27	27	33
Proceeds from sales of available for sale financial assets	**0**	0	0	0
Total	**39**	27	27	39

Gross divestment of shares, EUR 150 million (Q1 2015: 27), includes not yet received sales price of EUR 111 million (Q1 2015: 0) relating to divestment of shares in OOO Tobolsk CHP. For further information see Note 15 Interest-bearing receivables.

Change in net debt, total Fortum

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Net debt beginning of the period	**-2,195**	4,217	4,217	3,714
Foreign exchange rate differences	**-11**	1	89	77
EBITDA	**453**	544	4,640	4,549
Paid net financial costs, taxes and adjustments for non-cash and divestment items	**-107**	0	-3,330	-3,437
Change in working capital	**29**	60	71	40
Capital expenditures	**-113**	-144	-592	-561
Acquisitions	**-104**	-1	-43	-146
Divestments	**44**	35	6,217	6,226
Proceeds from the interest-bearing receivables relating to divestments	**0**	0	207	207
Shareholder loans to associated companies	**-663**	20	481	-202
Change in other interest-bearing receivables	**457**	0	-1	456
Dividends	**0**	0	-1,155	-1,155
Other financing activities	**-4**	2	-2	-8
Net cash flow (- increase in net debt)	**-8**	517	6,493	5,968
Fair value change of bonds, amortised cost valuation, acquired debt and other	**40**	13	-8	19
Net debt end of the period	**-2,158**	3,714	-2,195	-2,158

Capital structure

Fortum wants to have a prudent and efficient capital structure which at the same time allows the implementation of its strategy. Maintaining a strong balance sheet and the flexibility of the capital structure is a priority. The Group monitors the capital structure based on Comparable net debt to EBITDA ratio. Net debt is calculated as interest-bearing liabilities minus liquid funds without deducting interest-bearing receivables amounting to EUR 1,105 million (Dec 31 2015: 773). EBITDA is calculated by adding back depreciation and amortisation to operating profit, whereas Comparable EBITDA is calculated by deducting items affecting comparability and the net release of CSA provision from EBITDA. Fortum's comparable net debt to EBITDA target is around 2.5.

Comparable Net debt/EBITDA ratio

EUR million	Last twelve months	2015
Interest-bearing liabilities	**6,070**	6,007
Less: Liquid funds	**8,228**	8,202
Net debt	**-2,158**	-2,195
Operating profit, total Fortum	**4,183**	4,245
Add: Depreciation and amortisation, total Fortum	**366**	395
EBITDA, total Fortum	**4,549**	4,640
Less: Items affecting comparability, total Fortum	**3,411**	3,323
Less: Net release of CSA provision, total Fortum	**24**	52
Comparable EBITDA, total Fortum	**1,114**	1,265
Comparable net debt/EBITDA, total Fortum	**-1.9**	-1.7

Key ratios

Definition of key figures are presented in Note 25.

	March 31 2016	March 31 2015	Dec 31 2015	Last twelve months
EBITDA total Fortum, EUR million	**453**	544	4,640	**4,549**
EBITDA continuing operations, EUR million	**453**	433	196	**216**
Comparable EBITDA total Fortum, EUR million	**357**	508	1,265	**1,114**
Comparable EBITDA continuing operations, EUR million	**357**	396	1,102	**1,063**
Earnings per share total Fortum (basic) EUR	**0.37**	0.40	4.66	**4.63**
Earnings per share continuing operations (basic), EUR	**0.37**	0.33	-0.26	**-0.22**
Earnings per share discontinued operations (basic), EUR		0.07	4.92	
Capital employed, EUR million	**20,338**	17,482	19,870	
Interest-bearing net debt, EUR million	**-2,158**	3,714	-2,195	
Capital expenditure and gross investments in shares total Fortum, EUR million	**207**	106	669	**770**
Capital expenditure total Fortum, EUR million	**82**	105	626	**603**
Capital expenditure and gross investments in shares continuing operations, EUR million	**207**	86	625	**746**
Capital expenditure continuing operations, EUR million	**82**	85	582	**579**
Return on capital employed total Fortum, % 1)	**7.3**	10.9	22.7	**22.5**
Return on shareholders' equity total Fortum, % 1)	**7.4**	13.2	33.4	**33.2**
Comparable net debt / EBITDA total Fortum 1) 2)	**-1.5**	1.8	-1.7	**-1.9**
Interest coverage total Fortum	**9.5**	10.9	27.6	**27.4**
Interest coverage including capitalised borrowing costs total Fortum	**8.6**	8.6	21.5	**22.0**
Funds from operations/interest-bearing net debt total Fortum, % 1)	**-46.3**	45.0	-59.7	**-51.6**
Gearing, %	**-15**	35	-16	
Equity per share, EUR	**15.97**	11.73	15.53	
Equity-to-assets ratio, %	**62**	47	61	
Number of employees continuing operations	**7,916**	7,977	7,835	
Average number of employees continuing operations	**7,737**	8,037	8,009	
Average number of shares, 1 000 shares	**888,367**	888,367	888,367	
Diluted adjusted average number of shares, 1 000 shares	**888,367**	888,367	888,367	
Number of registered shares, 1 000 shares	**888,367**	888,367	888,367	

1) Quarterly figures are annualised except items affecting comparability.
2) From this interim report onwards Fortum is no longer disclosing Net debt to EBITDA ratio and is reporting only Comparable net debt to EBITDA.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015.

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

2. Accounting policies

The same accounting policies and presentation have been followed in these condensed interim financial statements as were applied in the preparation of the consolidated financial statements for the year ended 31 December 2015.

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

Average rate	**Jan-March 2016**	Jan-Dec 2015	Jan-Sept 2015	Jan-June 2015	Jan-March 2015
Sweden (SEK)	**9.2713**	9.3414	9.3656	9.3260	9.3534
Norway (NOK)	**9.5016**	8.9953	8.8749	8.6949	8.7883
Poland (PLN)	**4.3289**	4.1909	4.1682	4.1521	4.1796
Russia (RUB)	**80.6173**	69.0427	67.6327	65.9096	70.9755

Balance sheet date rate	**March 31 2016**	Dec 31 2015	Sept 30 2015	June 30 2015	March 31 2015
Sweden (SEK)	**9.2253**	9.1895	9.4083	9.2150	9.2901
Norway (NOK)	**9.4145**	9.6030	9.5245	8.7910	8.7035
Poland (PLN)	**4.2576**	4.2639	4.2448	4.1911	4.0854
Russia (RUB)	**76.3051**	80.6736	73.2416	62.3550	62.4400

3. Critical accounting estimates and judgements

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

In preparing these interim financial statements, the significant judgements made by management applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

4. Segment information

Fortum's segment information discloses the financial measurements used in financial target setting and forecasting, management's follow up of financial performance and allocation of resources in the group's performance management process. These measurements, such as Comparable operating profit and Comparable return on net assets, have been used consistently since 2005. For definitions please see Note 25 Definition of key figures.

Items affecting comparability are disclosed separately in Fortum's income statement to support the understanding of business performance when comparing results between periods. Items classified as Items affecting comparability include accounting effects from valuation according to IFRS that are not arising from the performance of the business operations. Such items include fair valuation of 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 provisions according to IFRIC interpretation 5.

The business performance of the operations cannot be compared from one period to another without adjusting for one-time items relating to all capital gains and major impairment related items. Therefore such items have also been treated as Items affecting comparability. Until 2015 Fortum has not made adjustments for impairment charges as there had not been major impairment effects in the segments. In 2015 such items were treated as Items affecting comparability as there were material impacts from impairments during the year.

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

Distribution operations have been classified as discontinued operations from the first quarter interim report 2015 onwards. As Discontinued operations are disclosed on one line, the segment information presented in this note relates to the continuing operations only and thus excludes discontinued operations. That information is presented in Note 7 Discontinued operations.

Columns labelled as "LTM" or "last twelve months" are presenting figures for twelve months preceding the reporting date.

Quarterly data

		Power and Technology [1]		Heat, Electricity Sales and Solutions [1]		Russia		Other		Total for continuing operations	
EUR million	Note	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015	Q1 2016	Q1 2015
Income statement data by segment											
External sales		**457**	471	**393**	403	**249**	263	**11**	8	**1,110**	1,145
Internal sales		**17**	29	**-1**	3	**0**	0	**18**	21	**34**	53
Netting of Nord Pool transactions [2]										**-120**	-119
Eliminations										**-34**	-38
Sales		**474**	500	**392**	406	**249**	263	**29**	29	**989**	1,040
Comparable EBITDA		**181**	232	**83**	82	**105**	94	**-11**	-13	**357**	396
Net release of CSA provision	18					**2**	30			**2**	30
Depreciation and amortisation		**-28**	-29	**-26**	-24	**-28**	-27	**-2**	-3	**-84**	-83
Comparable operating profit		**153**	203	**56**	58	**79**	97	**-13**	-15	**275**	343
Impairment charges	6	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0
Capital gains and other	8	**0**	3	**12**	3	**32**	1	**0**	0	**44**	7
Changes in fair values of derivatives hedging future cash-flow		**56**	-6	**-7**	3	**0**	0	**1**	0	**50**	-3
Nuclear fund adjustment	17	**0**	3	**0**	0	**0**	0	**0**	0	**0**	3
Items affecting comparability		**56**	0	**5**	6	**32**	1	**1**	0	**94**	7
Operating profit		**209**	203	**61**	64	**111**	98	**-12**	-15	**369**	350
Share of profit/loss of associates and joint ventures	14	**-4**	-4	**48**	43	**9**	12	**14**	7	**67**	58
Finance costs - net										**-47**	-57
Income taxes										**-59**	-55
Profit for the period										**331**	295
Investments / divestments by segment											
Gross investments in shares		**6**	0	**119**	1	**0**	0	**0**	0	**125**	1
Capital expenditure		**25**	28	**16**	11	**40**	45	**1**	1	**82**	85
of which capitalised borrowing costs		**0**	1	**0**	0	**4**	10	**0**	0	**4**	10
Gross divestments of shares		**0**	0	**33**	27	**117**	0	**0**	0	**150**	27

Last twelve months data and full year comparative

		Power and Technology [1]		Heat, Electricity Sales and Solutions [1]		Russia		Other		Total for continuing operations	
EUR million	Note	LTM	2015	LTM	2015	LTM	2015	LTM	2015	LTM	2015
Income statement data by segment											
External sales		1,625	1,639	1,190	1,200	879	893	42	39	3,736	3,771
Internal sales		71	83	-17	-13	0	0	72	75	126	145
Netting of Nord Pool transactions [2]										-337	-336
Eliminations										-118	-122
Sales		1,696	1,722	1,173	1,187	879	893	114	114	3,408	3,459
Comparable EBITDA		629	680	210	209	278	267	-51	-53	1,063	1,102
Net release of CSA provision	18					24	52			24	52
Depreciation and amortisation		-117	-118	-103	-101	-118	-117	-9	-10	-347	-346
Comparable operating profit		511	561	106	108	183	201	-61	-63	740	808
Impairment charges	6	-915	-915	-3	-3	0	0	0	0	-918	-918
Capital gains and other	8	15	18	12	3	32	1	0	0	59	22
Changes in fair values of derivatives hedging future cash-flow		-14	-76	-14	-4	1	1	2	1	-25	-78
Nuclear fund adjustment	17	13	16							13	16
Items affecting comparability		-902	-958	-4	-3	33	2	2	1	-871	-958
Operating profit		-390	-396	102	105	216	203	-59	-62	-131	-150
Share of profit of associated companies and joint ventures	14	-111	-111	64	59	29	32	47	40	29	20
Finance costs - net										-165	-175
Income taxes										74	78
Profit for the period										-192	-228
Investments / divestments by segment											
Gross investments in shares		22	16	141	23	0	0	4	4	167	43
Capital expenditure		184	187	110	105	280	285	6	6	579	582
of which capitalised borrowing costs		2	3	0	0	35	41	0	0	38	44
Gross divestments of shares		0	0	33	27	117	0	0	0	150	27

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

Segment assets and liabilities

EUR million	Power and Technology Mar 31 2016	Power and Technology Mar 31 2015	Power and Technology Dec 31 2015	Heat, Electricity Sales and Solutions Mar 31 2016	Heat, Electricity Sales and Solutions Mar 31 2015	Heat, Electricity Sales and Solutions Dec 31 2015	Russia Mar 31 2016	Russia Mar 31 2015	Russia Dec 31 2015	Other Mar 31 2016	Other Mar 31 2015	Other Dec 31 2015	Total Mar 31 2016	Total Mar 31 2015	Total Dec 31 2015
Non-interest-bearing assets	**6,190**	6,095	6,391	**2,078**	1,969	1,929	**2,422**	2,864	2,347	**111**	126	135	**10,801**	11,054	10,802
Participations in associated companies and joint ventures	**752**	859	758	**583**	543	559	**343**	391	316	**354**	360	346	**2,034**	2,152	1,979
Segment assets	**6,943**	6,953	7,150	**2,661**	2,512	2,488	**2,765**	3,255	2,663	**466**	486	481	**12,835**	13,206	12,781
Segment assets related to discontinued operations														2,715	
Eliminations for total Fortum													**-41**	-79	-43
Segment assets, total Fortum													**12,794**	15,841	12,738
Interest-bearing receivables													**1,105**	2,045	773
Deferred tax assets													**70**	83	80
Other assets													**898**	943	974
Liquid funds													**8,228**	3,268	8,202
Total assets													**23,095**	22,182	22,767
Segment liabilities	**1,049**	985	1,219	**345**	344	306	**109**	151	102	**206**	216	222	**1,710**	1,696	1,849
Segment liabilities related to discontinued operations														81	
Eliminations for total Fortum													**-41**	-79	-43
Segment liabilities, total Fortum													**1,669**	1,697	1,806
Deferred tax liabilities													**511**	1,191	483
Other liabilities													**577**	1,283	608
Other liabilities relating to discontinued operations														528	
Total liabilities included in capital employed													**2,757**	4,699	2,898
Interest-bearing liabilities													**6,070**	6,982	6,007
Total equity													**14,268**	10,501	13,863
Total equity and liabilities													**23,095**	22,182	22,767
Number of employees	**1,331**	1,350	1,341	**1,812**	1,434	1,417	**3,817**	4,198	4,126	**956**	995	951	**7,916**	7,977	7,835
Average number of employees	**1,335**	1,399	1,389	**1,471**	1,442	1,458	**3,972**	4,198	4,180	**959**	998	983	**7,737**	8,037	8,009

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

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

EUR million	Note	Power and Technology LTM	Power and Technology Dec 31 2015	Heat, Electricity Sales and Solutions LTM	Heat, Electricity Sales and Solutions Dec 31 2015	Russia LTM	Russia Dec 31 2015	Other LTM	Other Dec 31 2015
Comparable operating profit		511	561	106	108	183	201	-61	-63
Share of profit of associated companies and joint ventures	14	-111	-111	64	59	29	32	47	40
Adjustment for Share of profit of associated companies and joint ventures	6	114	112	0	0	0	0	0	0
Comparable operating profit including share of profits from associates and joint ventures		**515**	**563**	**170**	**167**	**212**	**233**	**-14**	**-23**
Segment assets		6,943	7,150	2,661	2,488	2,765	2,663	466	481
Segment liabilities		1,049	1,219	345	306	109	102	206	222
Comparable net assets [1)]		**5,893**	**5,931**	**2,316**	**2,182**	**2,656**	**2,561**	**260**	**258**
Comparable net assets average [1) 2)]		**5,934**	**5,945**	**2,163**	**2,124**	**2,843**	**2,831**	**265**	**269**
Comparable return on net assets, %		**8.7**	**9.5**	**7.9**	**7.9**	**7.4**	**8.2**	**-5.2**	**-8.5**

1) Fortum is disclosing Comparable net assets instead of Net assets from this interim report onwards. Net assets disclosed until Q4 2015 are available in the interim reports published earlier and in Additional quarterly info published in connection with this interim report.
2) Average net assets are calculated using the opening balance and end of each quarter values.

5. Financial risk management

The Group has not made any significant changes in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2015.

Fair value hierarchy information

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

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

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

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

See also accounting policies in the consolidated financial statements 2015, in Note 17 Financial assets and liabilities by fair value hierarchy

Financial assets

	Level 1			Level 2			Level 3			Netting [2]			Total		
EUR million	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015
In non-current assets															
Available for sale financial assets [1]	**1**	1	1				**45**	28	42				**46**	29	43
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				**52**	6	40				**-10**	-5	-9	**42**	2	30
Non-hedge accounting				**222**	76	175				**-99**	-19	-70	**123**	58	105
Interest rate and currency derivatives															
Hedge accounting				**284**	281	254							**284**	281	254
Non-hedge accounting				**85**	158	115							**85**	158	115
Oil and other futures and forward contracts															
Non-hedge accounting	**9**	6	7		7					**-5**		-2	**4**	13	5
Total in non-current assets	**10**	7	8	**643**	528	584	**45**	28	42	**-114**	-24	-81	**585**	541	552
In current assets															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				**76**	87	117				**-13**	-11	-16	**64**	76	101
Non-hedge accounting	**1**		1	**237**	155	251				**-172**	-103	-196	**66**	52	55
Interest rate and currency derivatives															
Hedge accounting				**4**	98	67							**4**	98	67
Non-hedge accounting				**52**	75	114							**52**	75	114
Oil and other futures and forward contracts															
Non-hedge accounting	**79**	37	47		11					**-26**	-4	-31	**53**	44	16
Total in current assets	**80**	37	48	**369**	426	549	**0**	0	0	**-211**	-118	-243	**238**	345	355
Total	**90**	44	56	**1,012**	954	1,133	**45**	28	42	**-325**	-142	-324	**823**	886	907

Financial liabilities

	Level 1			Level 2			Level 3			Netting [2)]			Total		
EUR million	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015	**Mar 31 2016**	Mar 31 2015	Dec 31 2015
In non-current liabilities															
Interest-bearing liabilities [3)]				**1,294**	1,040	1,268							**1,294**	1,040	1,268
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				**14**	6	13				**-10**	-5	-9	**4**	1	4
Non-hedge accounting				**215**	73	192				**-99**	-19	-70	**116**	55	122
Interest rate and currency derivatives															
Hedge accounting				**92**	103	93							**92**	103	93
Non-hedge accounting				**38**	82	60							**38**	82	60
Oil and other futures and forward contracts															
Non-hedge accounting	**17**	11	14		2					**-5**		-2	**12**	12	12
Total in non-current liabilities	**17**	11	14	**1,653**	1,306	1,626	**0**	0	0	**-114**	-24	-81	**1,556**	1,293	1,559
In current liabilities															
Derivative financial instruments															
Electricity derivatives															
Hedge accounting				**15**	12	18				**-13**	-11	-16	**2**	1	1
Non-hedge accounting	**1**		1	**211**	130	277				**-172**	-103	-196	**39**	26	81
Interest rate and currency derivatives															
Hedge accounting				**7**	21	4							**7**	21	4
Non-hedge accounting				**67**	95	28							**67**	95	28
Oil and other futures and forward contracts															
Non-hedge accounting	**80**	33	37		4					**-26**	-4	-31	**55**	35	6
Total in current liabilities	**81**	33	38	**300**	262	327	**0**	0	0	**-211**	-118	-243	**170**	177	121
Total	**98**	44	52	**1,953**	1,568	1,953	**0**	0	0	**-325**	-142	-324	**1,726**	1,470	1,680

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 45 million (Dec 31 2015: 42), for which the fair value cannot be reliably determined. This includes Fortum's indirect shareholding in Fennovoima of EUR 13 million. These assets are measured at cost less any impairment costs. Available for sale financial assets include listed shares at fair value of EUR 1 million (Dec 31 2015: 1). The cumulative fair value change booked in Fortum's equity was EUR -3 million (Dec 31 2015: -3).

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

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

Net fair value amount of interest rate and currency derivatives is EUR 220 million, assets EUR 425 million and liabilities EUR 205 million. Fortum has cash collaterals based on Credit Support Annex agreements with some counterparties. At the end of March 2016 Fortum had received EUR 202 million from Credit Support Annex agreements. The received cash has been booked as short term liability.

Regarding the relevant interest-bearing liabilities, see Note 16 Interest-bearing net debt and Note 21 Pledged assets and contingent liabilities.

6. Impairment charges

There were no impairment charges related to the early closure of Oskarshamn 1 and 2 nuclear units or any other impairment charges during Q1 2016.

Impairment charges in 2015 in Power and Technology segment, EUR -915 million, consists mainly of the effects from the Swedish nuclear company, OKG Aktiebolag (OKG AB) EUR -794 million, dismantling provision for the Finnish coal-fired power plant Inkoo, impairment loss for Fortum's share of the Finnish coal-fired power plant Meri-Pori, as well as EUR -15 million effect of the cancelled Olkiluoto 4 nuclear power project in Finland.

The financial impacts of the decision made in the Extraordinary shareholder's meeting of OKG AB on 14 October 2015 to close early units 1 and 2 in Oskarshamn, Sweden was recognised in the 2015 third quarter interim report. An additional write-down was recognised based on information received during the fourth quarter. E.ON is the majority owner of OKG and did unilaterally decide on the closing of units.

OKG is a non profit making company and sells produced electricity at production costs to its owners in proportion to the ownership. OKG is funded entirely by its shareholders. Fortum's part of the funding is recognised as long-term interest bearing receivables, which are increased when OKG needs additional funds and decreased when OKG invoices Fortum for the produced electricity.

OKG's impairment charges in Fortum income statement				
EUR million	**Q1 2016**	Q1 2015	2015	Last twelve months
Comparable operating profit	**0**	0	0	0
Items affecting comparability - Impairment charges	**0**	0	-794	-794
Operating profit	**0**	0	-794	-794
Share of profit/loss of associates and joint ventures	**0**	0	-116	-116
Profit before income tax	**0**	0	-910	-910
Income tax expenses	**0**	0	175	175
Profit for the period from continuing operations	**0**	0	-735	-735
Attributable to:				
Owners of the parent	**0**	0	-729	-729
Non-controlling interests	**0**	0	-5	-5

Earnings per share effect of the closing of Oskarshamn 1 and 2 nuclear units in Sweden was EUR -0.82 per share in 2015.

Items affecting comparability for 2015 included EUR -566 million which mainly relates to write-down of existing assets in OKG and a provision of EUR -228 million, which relates to additional future costs due to the early closure of units 1 and 2 as well as to future committed investments. These future costs and investments will have an impact on Fortum's net cash when they occur. The total amount of EUR -794 million has been netted against the shareholder loans to OKG. Main part of the netted amount has already been invoiced to Fortum, the remaining part will be invoiced when the costs occur.

Share of profit/loss in associates and joint ventures includes the impairment of IFRS adjustments related to units 1 and 2 for OKG in Fortum's consolidated financial statements, mainly related to write-down of asset retirement obligations and capitalised borrowing costs. These adjustments are recognised net of taxes. The asset retirement obligation represents the future costs for decommissioning of the nuclear power plant. 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.

Income tax expenses relates to the items affecting comparability.

7. Discontinued operations

There were no items classified as Discountinued operations during Q1 2016.

In June 2015 Fortum completed the divestment of the Swedish distribution business. The Finnish and Norwegian electricity distribution operations were divested in 2014. After the divestment of the Swedish Distribution business Fortum does not have any distribution operations left and therefore, in accordance with IFRS 5 Non-current Assets held for Sale and Discontinued operations, Distribution segment was treated as discontinued operations in Fortum's financial reporting for 2015.

Discontinued operations are disclosed on one line, net of tax, in the face of the income statement. In the cash flow statement the net cash flows attributable to the operating, investing and financing activities of the discontinued operations are disclosed separately.

The following table summarizes the impact of discontinued operations on the comparative year 2015 for total Fortum. For additional financial information on the discontinued operations in 2015, see the consolidated financial statements 2015 and interim report for Q1 2015. For information regarding the divestment of the Swedish distribution operations, see Note 8 Acquisitions and disposals.

Results of discontinued operations EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Sales	-	160	243	83
Other income	-	1	2	1
Materials and services	-	-22	-34	-12
Employee benefits	-	-9	-14	-5
Depreciation and amortisation	-	-30	-50	-20
Other expenses	-	-19	-34	-15
Comparable operating profit	-	**82**	**114**	**32**
Changes in fair values of derivatives	-	-1	-1	0
Capital gains 1)	-	0	4,282	4,282
Operating profit	-	**81**	**4,395**	**4,314**
Share of profit/loss of associates and joint ventures	-	0	0	0
Finance costs - net	-	-1	-1	0
Profit before income tax	-	**80**	**4,393**	**4,313**
Income tax expenses	-	-18	-24	-6
Profit for the year from discontinued operations attributable to the owners of the parent	-	**63**	**4,369**	**4,306**

1) Including tax exempt gain on sale of shares of Swedish Distribution.

Additional information of discontinued operations EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Comparable EBITDA	-	112	163	51
Net assets	-	2,634	-	-
Capital expenditure	-	20	44	24
Gross divestments of shares	-	0	6,369	6,369
Number of employees	-	401	-	-
Average number of employees	-	394	-	-

Net cash flows from the discontinued operations EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Net cash from operating activities	-	87	154	67
Net cash from investing activities	-	-43	6,303	6,346
Net cash from financing activities	-	0	0	0
Total net increase in liquid funds	-	**45**	**6,457**	**6,412**

Assets held for sale at the balance sheet date

As of 31 March 2016 there were no Assets held for sale.

In March 2015 Fortum signed a binding agreement to sell the Swedish Distribution business to a consortium comprising Swedish national pension funds Första AP-Fonden (12.5%) and Tredje AP-Fonden (20,0%), Swedish mutual insurance and pension savings company Folksam (17.5%) and the international infrastructure investor, Borealis Infrastructure Management Inc. (50%). Assets and liabilities related to the Swedish Distribution operations were classified as Assets held for sale as of 31 March 2015 and sold subsequently in Q2/2015, see Note 7 Discontinued operations.

Assets held for sale [1)]

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
Intangible assets and property, plant and equipment	-	2,573	-
Other assets	-	142	-
Cash and cash equivalents	-	1	-
Total	-	2,716	-

Liabilities related to assets held for sale [1)]

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
Interest-bearing liabilities	-	0	-
Deferred tax liabilities	-	499	-
Other liabilities	-	110	-
Total	-	609	-

1) Amounts are presented net of internal balances with other Fortum subsidiaries, such as internal financing amounting to EUR 194 million.

8. Acquisitions and disposals

Acquisitions

Acquisitions during 2016

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

Duon shares are currently listed on the Warsaw Stock Exchange and the company published its financial statements for 2015 on 15 March 2016. In Q1 2016 Fortum has consolidated the balance sheet as of 31 December 2015, which is the latest available published information. No income statement effect is included in the Q1 2016 interim report. The purchase price allocation is still preliminary and based on the financial statements as of 31 December 2015. The preliminary goodwill including goodwill in the acquired group is EUR 29 million. Duon is reported in Fortum's Heat, Electricity Sales and Solutions segment.

Acquisitions during 2015

Fortum has decided to participate in the Fennovoima nuclear power project in Finland with an indirect owning of 6.6% at the commercial date of the power plant, planned to be in operation in 2024. Fortum has in 2015 invested EUR 11 million in Fennovoima, with an indirect ownership of 4.1% at the end of 2015. Participation is carried out through Voimaosakeyhtiö SF. The indirect investment in Fennovoima is classified as Available for sale financial assets.

There were no other material acquisitions during 2016 or 2015.

Disposals

Disposals during 2016

Fortum has in March 2016 concluded the divestment of its 51.4%-shareholding in the Estonian natural gas import, sales and distribution company AS Eesti Gaas. Fortum sold its shareholding to Trilini Energy OÜ. The sale resulted in a one-time pre-tax sales gain in Heat, Electricity Sales and Solutions segment totalling EUR 11 million (corresponding to approximately EUR 0.01 per share) in the first quarter 2016 results.

Fortum has sold its 100% shareholding in its Russian subsidiary OOO Tobolsk CHP to SIBUR, Russia's largest integrated gas processing and petrochemicals company. OOO Tobolsk CHP owns and operates the combined heat and power (CHP) plant in the city of Tobolsk in Western Siberia. Fortum booked a one-time pre-tax sales gain in Russia segment totalling EUR 32 million (corresponding to approximately EUR 0.03 per share) in its first quarter 2016 results.

Disposals during 2015

In March 2015 Fortum signed a binding agreement to sell the Swedish Distribution business to a consortium comprising Swedish national pension funds Första AP-Fonden (12.5%) and Tredje AP-Fonden (20.0%), Swedish mutual insurance and pension savings company Folksam (17.5%) and the international infrastructure investor, Borealis Infrastructure Management Inc. (50%). The divestment was completed on 1 June 2015. The total consideration from the divestment is SEK 60.6 billion on a debt- and cash-free basis corresponding to approximately EUR 6.4 billion. Fortum recognised a one-time sales gain of approximately EUR 4.3 billion corresponding to EUR 4.82 per share. The sales gain is reported as part of the second quarter 2015 results of the discontinued operations. Distribution segment has been presented as discontinued operations since the first quarter of 2015.

In Q1 2015 Fortum sold its 51.4%-shareholding in the associated company AS Võrguteenus Valdus to the Estonian electricity transmission system operator Elering AS.

Gross divestments of shares, Fortum total operations

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Gross divestments of shares in subsidiary companies 1)	**117**	0	6,369	6,486
Gross divestments of shares in associated companies	**33**	27	27	33
Gross divestments of available for sale financial assets	**0**	0	0	0
Gross divestments of shares	**150**	27	6,395	6,518

Divestments of shares in subsidiaries - Impact on financial position, Fortum total

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Gross divestments of shares in subsidiary companies 1)	**117**	-	6,369	6,486
Proceeds from interest-bearing receivables	**0**	-	207	207
Sales price for the shares (net of cash)	**117**	-	6,162	6,279
Liquid funds in sold subsidiaries	**9**	-	12	21
Sales price including liquid funds in sold subsidiaries	**126**	-	6,174	6,300
Intangible assets and property, plant and equipment	**84**	-	2,577	2,661
Other non-current and current assets	**13**	-	120	133
Liquid funds	**9**	-	12	21
Interest-bearing loans	**0**	-	-207	-207
Other liabilities and provisions	**-12**	-	-611	-623
Net assets divested	**93**	-	1,891	1,984
Gain on sale	**32**	-	4,282	4,314

1) In 2015 in addition to the proceeds from shares and repayments of interest-bearing debt in sold subsidiary, totalling approximately EUR 6.4 billion, Swedish distribution paid group contribution liability net of cash amounting to approximately EUR 0.1 billion as a part of the total consideration of the divestment of Swedish distribution.

9. Sales

EUR million	Q1 2016	Q1 2015	2015	Last twelve months
Power sales excluding indirect taxes	**710**	757	2,582	2,535
Heating sales	**245**	241	651	655
Other sales	**32**	42	226	216
Total for continuing operations	**989**	1,040	3,459	3,408
Discontinued operations (Distribution)	**-**	160	244	84
Total	**989**	1,200	3,702	3,491

10. Income tax expense

Taxes for Q1 2016 totalled EUR 59 million (Q1 2015: 55). The effective income tax rate according to the income statement was 15.0% (Q1 2015: 15.8%). The comparable effective income tax rate (excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains) was 18.1% (Q1 2015: 19.0%).

11. Dividend per share

A dividend for 2015 of EUR 1.10 per share, amounting to a total of EUR 977 million, was decided in the Annual General Meeting on 5 April 2016. The dividend was paid on 14 April 2016. These interim financial statements do not reflect this dividend.

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

12. Changes in intangible assets

EUR million	March 31 2016	March 31 2015	Dec 31 2015
Opening balance	**222**	276	276
Acquisitions	**58**	0	1
Capital expenditures	**0**	2	8
Changes of emission rights	**0**	0	-8
Disposals	**-1**	0	0
Depreciation and amortisation [1)]	**-4**	-6	-22
Divestments	**0**	0	-30
Reclassifications	**2**	5	14
Moved to assets held for sale	**0**	-29	0
Translation differences and other adjustments	**10**	29	-16
Closing balance	**289**	277	222

Of which goodwill EUR million	March 31 2016	March 31 2015	Dec 31 2015
Goodwill included in opening balance	**152**	170	170
Translation differences	**9**	27	-18
Acquisitions [2)]	**29**	0	0
Goodwill included in closing balance	**190**	197	152

1) 2015 includes depreciations related to discontinued operations (see additional information Note 7 Discontinued operations).
2) Change relates to the acquisition of Grupa DUON S.A., see additional information in Note 8 Acquisitions and disposals.

13. Changes in property, plant and equipment

EUR million	March 31 2016	March 31 2015	Dec 31 2015
Opening balance	**8,710**	11,195	11,195
Acquisitions	**51**	1	1
Capital expenditures	**82**	104	619
Changes of nuclear asset retirement cost	**0**	0	0
Disposals	**-4**	-2	-6
Depreciation and amortisation 1)	**-80**	-107	-416
Divestments	**-84**	0	-2,533
Reclassifications	**-2**	-5	-14
Moved to assets held for sale	**0**	-2,544	0
Translation differences and other adjustments	**97**	431	-135
Closing balance	**8,770**	9,074	8,710

1) 2015 includes depreciations related to discontinued operations (see additional information Note 7 Discontinued operations) as well as impairment loss recognised in Q4 2015 for Fortum's share of the Finnish coal-fired power plant Meri-Pori.

14. Changes in participations in associates and joint ventures

EUR million	March 31 2016	March 31 2015	Dec 31 2015
Opening balance	**1,959**	2,027	2,027
Acquisitions	**8**	0	27
Share of profits of associates and joint ventures 1)	**67**	58	20
Dividend income received	**0**	0	-52
OCI items associated companies	**-2**	-3	5
Divestments	**-22**	-26	-26
Translation differences and other adjustments	**23**	75	-41
Closing balance	**2,034**	2,130	1,959

1) In Dec 31 2015 including impairment charges of EUR -116 million.

Share of profits from associates and joint ventures

Fortum's share of profit from associates and joint ventures in Q1 2016 was EUR 67 million (Q1 2015: 58), of which Fortum Värme EUR 44 million (Q1 2015: 38), Hafslund EUR 14 million (Q1 2015: 8) and TGC-1 EUR 9 million (Q1 2015: 12).

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

15. Interest-bearing receivables

EUR million	Carrying amount March 31 2016	Fair value March 31 2016	Carrying amount Dec 31 2015	Fair value Dec 31 2015
Long-term loan receivables from associated companies	**634**	**662**	601	616
Long-term loan receivables from joint ventures	**172**	**197**	172	196
Other interest-bearing receivables 1)	**299**	**300**	1	1
Total interest-bearing receivables	**1,105**	**1,158**	773	813

1) Carrying amount including current interest-bearing receivables in trade and other receivables EUR 178 million (Dec 31 2015: 0).

Long-term loan receivables include receivables from associated companies and joint ventures EUR 806 million (Dec 31 2015: 773). These receivables include EUR 617 million (Dec 31 2015: 582) from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, which are mainly funded with shareholder loans, pro rata each shareholder's ownership. For additional information see Note 6 Impairment charges.

TVO is building Olkiluoto 3, a nuclear power plant, which is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. At the end of March 2016 Fortum has EUR 120 million (Dec 31 2015: 120) outstanding receivables regarding Olkiluoto 3 and is additionally committed to provide at maximum EUR 75 million.

Other interest-bearing receivables include EUR 178 million restricted cash mainly given as collateral for commodity exchanges which has increased during 2016 due to new European Market Infrastructure Regulation (EMIR) requiring fully-backed guarantees and a receivable of EUR 119 million from SIBUR a Russian gas processing and petrochemicals company regarding divested shares of OOO Tobolsk CHP.

16. Interest-bearing net debt

Net debt EUR million	March 31 2016	March 31 2015	Dec 31 2015
Interest-bearing liabilities	**6,070**	6,982	6,007
Liquid funds	**8,228**	3,268	8,202
Net debt	**-2,158**	3,714	-2,195
Net debt without Värme financing		3,176	

Net debt is calculated as interest-bearing liabilities less liquid funds without deducting interest-bearing receivables amounting to EUR 1,105 million (Dec 31 2015: 773). Interest-bearing receivables mainly consist of shareholder loans to partly owned nuclear companies regarded long-term financing. For more information see Note 15 Interest-bearing receivables.

During past years Fortum has been financing Fortum Värme and the loans to Fortum Värme have been presented as interest-bearing loan receivables. During 2015 Fortum Värme completed the refinancing of its external loans and Fortum no longer has outstanding receivables from Fortum Värme.

Interest-bearing debt EUR million	Carrying amount March 31 2016	Fair value March 31 2016	Carrying amount Dec 31 2015	Fair value Dec 31 2015
Bonds	**4,119**	**4,416**	4,094	4,375
Loans from financial institutions	**486**	**529**	490	531
Reborrowing from the Finnish State Nuclear Waste Management Fund	**1,094**	**1,147**	1,074	1,132
Other long term interest-bearing debt 1)	**169**	**181**	145	155
Total long term interest-bearing debt 2)	**5,867**	**6,273**	5,803	6,193
Short term interest-bearing debt	**203**	**203**	204	204
Total	**6,070**	**6,476**	6,007	6,397

1) Including loans from Finnish pension institutions EUR 68 million (Dec 31 2015: 68) and other loans EUR 77 million (Dec 31 2015: 77).
2) Including current portion of long-term debt EUR 1,138 million (Dec 31 2015: 838).

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

In March 2016 Fortum increased the amount of reborrowing from the Finnish State Nuclear Waste Management Fund and TVO by EUR 20 million to EUR 1,094 million.

At the end of March 2016, the amount of short term financing EUR 203 million (Dec 31 2015: 204) included 202 million (Dec 31 2015: 202) from Credit Support Annex agreements. The interest-bearing debt increased during the first quarter by EUR 63 million from EUR 6,007 million to EUR 6,070 million.

The average interest rate for the portfolio consisting mainly of EUR and SEK loans was 2.4% at the balance sheet date (Dec 31 2015: 2.6%). Part of the external loans EUR 677 million (Dec 31 2015: 641) have been swapped to RUB and the average interest cost for these loans including cost for hedging the RUB was 12.7% at the balance sheet date (Dec 31 2015: 12.8%). The average interest rate on total loans and derivatives at the balance sheet date was 3.5% (Dec 31 2015: 3.7%).

Maturity of interest-bearing liabilities EUR million	March 31 2016
2016 1)	**1,041**
2017	**513**
2018	**611**
2019	**804**
2020	**70**
2021 and later	**3,031**
Total	**6,070**

1) Including cash collaterals based on Credit Support Annex agreements with some counterparties of EUR 202 million. The received cash has been booked as short term liability.

Liquid funds EUR million	March 31 2016	March 31 2015	Dec 31 2015
Deposits and securities with maturity more than 3 months	**3,788**	1,494	4,913
Cash and cash equivalents	**4,440**	1,773	3,289
Total	**8,228**	3,268	8,202

Total liquid funds increased by EUR 26 million from EUR 8,202 million to EUR 8,228 million during the first quarter.

Liquid funds consist of deposits and cash in bank accounts amounting to EUR 7,435 million and commercial papers EUR 793 million. Deposits and securities include fixed term deposits and commercial papers with maturity more than three months but less than twelve months. The average interest rate on deposists excluding Russian deposits on 31 March 2016 was 0.1% (Dec 31 2015: 0.1%). Liquid funds held by OAO Fortum amounted to EUR 129 million (Dec 31 2015: 76) and the average interest rate for this portfolio was 10.0% at the balance sheet date.

Liquid funds totaling EUR 7,619 million (Dec 31 2015: 7,521) are placed with counterparties that have an investment credit rating. In addition, EUR 526 million (Dec 31 2015: 628) have been placed with counterparties separately reviewed and approved by the Group's credit control department.

17. Nuclear related assets and liabilities

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

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

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

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

EUR million	March 31 2016	March 31 2015	Dec 31 2015
Carrying values in the balance sheet			
Nuclear provisions	**818**	781	810
Fortum's share of the State Nuclear Waste Management Fund	**818**	781	810
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	**1,094**	1,084	1,094
Funding obligation target	**1,094**	1,074	1,094
Fortum's share of the State Nuclear Waste Management Fund	**1,094**	1,074	1,083
Share of the fund not recognised in the balance sheet	**276**	293	273

Legal liability for Loviisa nuclear power plant

The legal liability on 31 March 2016, decided by the Ministry of Employment and Economy in December 2015, was EUR 1,094 million.

The legal liability is based on a cost estimate, which is done every year, and a technical plan, which is made every third year. The current technical plan was updated in 2013. Following the update of the technical plan in 2013, the liability increased due to updated cost estimates related to interim and final storage of spent fuel. The legal liability is determined by assuming that the decommissioning would start at the beginning of the year following the assessment year. New technical plan has been published and the related costs estimates will be updated in Q2 2016.

Fortum's share in the State Nuclear Waste Management Fund

According to Nuclear Energy Act, Fortum is obligated to contribute funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum contributes funds to the Finnish State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target decided in December 2015 is EUR 1,094 million.

Nuclear provision and fund accounted for according to IFRS

Nuclear provisions include the provision for decommissioning and the provision for disposal of spent fuel. The carrying value of the nuclear provisions, calculated according to IAS 37, increased by EUR 8 million compared to 31 December 2015, totaling EUR 818 million on 31 March 2016. The provisions are based on the same cash flows for future costs as the legal liability, but based on the estimated future timing of the expenditures. 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.

The carrying value of the Fund in the balance sheet cannot exceed the carrying value of the nuclear provisions according to IFRIC Interpretation 5. The Fund is from an IFRS perspective overfunded with EUR 276 million, since Fortum's share of the Fund on 31 March 2016 was EUR 1,094 million and the carrying value in the balance sheet was EUR 818 million.

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

Borrowing from the State Nuclear Waste Management Fund

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum uses the right to borrow back and has pledged shares in Kemijoki Oy as security for the loans. The loans are renewed yearly. (See Note 16 Interest-bearing net debt and Note 21 Pledged assets and contingent liabilities).

17.2 Nuclear power plants in associated companies and joint ventures

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

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

TVO's total nuclear related assets and liabilities (100%)

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
Carrying values in TVO's balance sheet			
Nuclear provisions	**978**	937	971
Share of the State Nuclear Waste Management Fund	**978**	937	971
of which Fortum's net share consolidated with equity method	**0**	0	0
TVO's legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	**1,369**	1,349	1,369
Share of the State Nuclear Waste Management Fund	**1,369**	1,345	1,358
Share of the fund not recognised in the balance sheet	**391**	408	387

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

TVO's share of the Finnish State Nuclear Waste Management Fund is from an IFRS perspective overfunded with EUR 391 million (of which Fortum's share EUR 104 million), since TVO's share of the Fund on 31 March 2016 was EUR 1,369 million and the carrying value in the balance sheet was EUR 978 million.

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the fund according to certain rules. Fortum is using the right to reborrow funds through TVO based on its ownership. See more information in Note 16 Interest-bearing net debt.

OKG's and Forsmark's total nuclear related assets and liabilities (100%)

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
OKG's and Forsmark's nuclear related assets and liabilities [1)]			
Nuclear provisions	**3,220**	3,201	3,210
Share in the State Nuclear Waste Management Fund	**3,048**	2,845	3,025
Net amount	**-172**	-356	-185
of which Fortum's net share consolidated with equity method	**-68**	-123	-71

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

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

In addition to nuclear waste fees nuclear power companies provide guarantees for any uncovered liability and unexpected events. Fortum's guarantees given on behalf of nuclear associated companies are presented in Note 21 Pledged assets and contingent liabilities.

Nuclear waste fees and guarantees are updated every third year by governmental decision after a proposal from Swedish Radiation Safety Authority (SSM). Proposal is based on cost estimates done by SKB. Currently the fees and guarantees are decided for years 2015-2017. Nuclear waste fees are based on future costs with the assumed lifetime of 40 years for each unit of a nuclear power plant.

18. Other provisions

	CSA provisions			Other provisions		
EUR million	**March 31 2016**	March 31 2015	Dec 31 2015	**March 31 2016**	March 31 2015	Dec 31 2015
Opening balance	**8**	56	56	**91**	26	26
Unused provisions reversed	**-2**	-29	-50	**-1**	0	-3
Increase in the provisions	**0**	0	0	**2**	1	84
Provisions used	**-6**	0	0	**-3**	-4	-16
Unwinding of discount	**0**	0	1	**0**	0	0
Exchange rate differences	**0**	5	1	**0**	1	-1
Moved to assets held for sale		0			-1	
Closing balance	**0**	32	8	**89**	23	91
Current provisions [1]	**0**	32	8	**9**	9	9
Non-current provisions	**0**	0	0	**80**	13	81

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

Total Other provisions amounts to EUR 89 million at the end of Q1 2016 (Dec 31 2015: 98).

Fortum's investment programme in Russia was completed in Q1 2016 when Chelyabinsk GRES 2 unit started its commercial operation and there is no provision for CSA penalties at the end of March 2016. Paid penalties for Chelyabinsk GRES unit 1 and 2 during Q1 2016 amounted to EUR 6 million and the remaining provision of EUR 2 million was reversed to the income statement.

The increase in other provisions during 2015 mainly arises from a dismantling provision for the Finnish coal-fired power plant Inkoo.

19. Operating lease commitments

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
Due within a year	**13**	24	14
Due after one year and within five years	**24**	42	23
Due after five years	**23**	79	24
Total	**60**	145	60

20. Capital commitments

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
Property, plant and equipment	**486**	460	426
Intangible assets	**4**	4	2
Total	**490**	464	428

In addition Fortum has committed to provide a maximum of EUR 104 million (Dec 31 2015: 107) to Voimaosakeyhtiö SF, for its participation in the Fennovoima nuclear power project in Finland.

For information regarding commitments related to associated companies and joint ventures, see Note 15 Interest-bearing receivables.

21. Pledged assets and contingent liabilities

EUR million	March 31 2016	March 31 2015	Dec 31 2015
Pledged assets on own behalf			
For debt			
Pledges	**486**	289	294
Real estate mortgages	**137**	137	137
For other commitments			
Real estate mortgages	**118**	137	118
Contingent liabilties on own behalf			
Other contingent liabilities	**193**	192	192
Contingent liabilties on behalf of associated companies and joint ventures			
Guarantees	**621**	463	624

Pledged assets for debt

Participants in the Finnish State Nuclear Waste Management Fund are allowed to borrow from the Fund. Fortum has pledged shares in Kemijoki Oy as a security. As of 31 March 2016 the value of the pledged shares amounted to EUR 269 million (Dec 31 2015: 269).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (Dec 31 2015: 96) as a security for an external loan. Real estate mortgages have also been given for loans from Fortum's pension fund for EUR 41 million (Dec 31 2015: 41).

Pledges also include bank deposits as trading collateral of EUR 170 million (Dec 31 2015: 6) for trading of electricity, gas and CO2 emission allowances in Nasdaq OMX Commodities Europe, Intercontinental Exchange (ICE), European Energy Exchange (EEX) and Polish Power Exchange (TGE).

Regarding the relevant interest-bearing liabilities, see Note 16 Interest-bearing net debt.

Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 118 million in March 2016 (Dec 31 2015: 118), as a security to the Finnish State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for decomissioning and disposal of spent fuel in Loviisa nuclear power plant. According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Any uncovered legal liability relates to periodising of the payments to the fund, see more information in Note 17 Nuclear related assets and liabilities. The size of the securities given is updated yearly in Q2 based on the decisions regarding the legal liabilities and the funding target which take place around year end every year.

Contingent liabilities on own behalf

Fortum owns the coal condensing power plant Meri-Pori in Finland. Teollisuuden Voima Oyj (TVO) has the contractual right to participate in the plant with 45.45%. Based on the participation agreement Fortum has to give a guarantee to TVO against breach in contract. The amount of the guarantee is set to EUR 125 million (Dec 31 2015: 125).

Contingent liabilities on behalf of associated companies

Guarantees on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). Guarantees for the period of 2015-2017 have been given on behalf of Forsmarks Kraftgrupp AB and OKG AB amounting to SEK 5 393 million (EUR 585 million) at 31 March 2016 (Dec 31 2015: EUR 587 million). There are two types of guarantees given on behalf of Forsmark Kraftgrupp AB and OKG AB. The Financing Amount is given to compensate for the current deficit in the Nuclear Waste Fund, assuming that no further nuclear waste fees are paid in. This deficit is calculated as the difference between the expected costs and the funds to cover these costs at the time of the calculation. The Supplementary Amount constitutes a guarantee for deficits that can arise as a result of unplanned events. The Financing Amount given by Fortum on behalf of Forsmark Kraftgrupp AB and OKG AB was SEK 3 843 million (EUR 417 million) and the Supplementary Amount was SEK 1 550 million (EUR 168 million) at 31 March 2016.

The guarantee given on behalf of Teollisuuden Voima Oyj to the Finnish State Nuclear Waste Management Fund amounted to EUR 37 million at 31 March 2016 (Dec 31 2015: 37). The guarantee covers the unpaid legal liability due to periodisation as well as risks for unexpected future costs.

Fortum has minority shares in legal companies owning nuclear power plants in Finland and Sweden. Fortum consolidates these companies according to equity method meaning that Fortum's share of the assets and liabilities are netted to the balance sheet. For information regarding nuclear related assets and liabilities of Loviisa nuclear power plant as well as Swedish and Finnish nuclear production companies where Fortum has a minority shareholding see Note 17 Nuclear related assets and liabilities.

Other contingent liabilities

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a collective contingent liability with Neste 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.

22. Legal actions and official proceedings

Tax cases in Sweden

Fortum received income tax assessments in Sweden for the years 2009, 2010, 2011 and 2012 in December 2011, December 2012, December 2013 and October 2014, respectively. According to the tax authorities, Fortum would have to pay additional income taxes for the years 2009, 2010, 2011 and 2012 for the reallocation of loans between the Swedish subsidiaries in 2004-2005, as well as additional income taxes for the years 2010, 2011 and 2012 for financing of the acquisition of TGC 10 (current OAO Fortum) in 2008. The claims are based on a change in tax regulation as of 2009. Fortum considers the claims unjustifiable and has appealed the decisions. The cases are pending before the Administrative Court. The tax authorities have abandoned a part of their claims in 2015-2016. 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 (total tax effect SEK 64 million). In December 2015 the Swedish tax authority abandoned a part of the claims (total tax effect SEK 142 million) relating to the reallocation of loans in 2004-2005, as a part of the interest had been paid on capitalized accrued interest. In February 2016 the Swedish tax authority abandoned the claims regarding the year 2011 and the year 2012 with respect to financing the acquisition of TGC 10 (total tax effect SEK 121 million for the year 2011 and SEK 73 million for the year 2012). Moreover, in February 2016 the Swedish tax authority abandoned a part of the claims for the year 2011 relating to the reallocation of loans in 2004-2005 (total tax effect SEK 45 million).

In addition Fortum has received income tax assessments in Sweden for the year 2013 in December 2015. The assessments concern the loans given in 2013 by Fortum's Dutch financing company to Fortum's subsidiaries in Sweden. The interest income for these loans was taxed in the Netherlands. The tax authority considers just over a half of the interest relating to each loan as deductible, i.e. deriving from business needs. The rest of the interest is seen as non-deductible. The decision is based on the changes in the Swedish tax regulation in 2013. Fortum considers the claims unjustifiable and has appealed the decisions. The cases are pending before the Administrative Court.

Based on legal analysis supporting legal opinions, no provision has been recognised in the interim financial statements for the above mentioned Swedish tax cases. If the decisions by the tax authority remain final despite the appeals processes, the impact on net profit would be approximately SEK 389 million (EUR 42 million) for the year 2009, approximately SEK 347 million (EUR 38 million) for the year 2010, approximately SEK 301 million (EUR 33 million) for the year 2011, approximately SEK 69 million (EUR 8 million) for the year 2012 and SEK 273 million (EUR 30 million) for the year 2013.

Tax cases in Belgium

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

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

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

Tax cases in Finland

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 interim financial statements.

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

Litigations in associated companies

In Finland Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3 (OL3), through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The civil construction works of the Olkiluoto 3 plant unit have been mainly completed. The installation of the electrical systems, the instrumentation and control system (I&C), and mechanical systems is still in progress. Test runs with the I&C commenced in January 2016. The first phase of the turbine plant commissioning is completed. Some of the systems and components will be kept in operation; the rest will be preserved in accordance with a separate plan. According to the schedule updated by the AREVA-Siemens in September 2014, regular electricity production in the unit will commence at the end of 2018.

In December 2008 the OL3 Supplier initiated the International Chamber of Commerce (ICC) arbitration proceedings and submitted a claim concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The Supplier's monetary claim, updated in February 2016, is approximately EUR 3.5 billion in total. The sum is based on the supplier's updated analysis of events that occurred through September 2014, with certain claims quantified to 31 December 2014.

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

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

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

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

23. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2015. No material changes have occurred during 2016.

At the year-end 2015 the Finnish State owned 50.76% of the shares in Fortum. There has been no change in the shareholding during 2016.

Transactions with associated companies and joint ventures

EUR million	**Q1 2016**	Q1 2015	2015
Sales	**15**	14	81
Purchases	**140**	131	509
Interest on loan receivables	**4**	8	27
Other financial income	**0**	0	37

Associated company and joint ventures balances

EUR million	**March 31 2016**	March 31 2015	Dec 31 2015
Long-term interest-bearing loan receivables	**806**	2,041	773
Trade receivables	**12**	6	11
Other receivables	**15**	16	14
Long-term loan payables	**274**	271	270
Trade payables	**5**	1	9
Other payables	**4**	4	166

24. Events after the balance sheet date

There has been no material events after balance sheet date.

25. Definition of key figures

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

25. Definition of key figures

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

Market conditions and achieved power prices

Power consumption TWh	Q1 2016	Q1 2015	2015	Last twelve months
Nordic countries	**117**	110	381	388
Russia	**279**	276	1,007	1,010
Tyumen	**24**	24	93	93
Chelyabinsk	**9**	10	35	34
Russia Urals area	**69**	69	258	258

Average prices	Q1 2016	Q1 2015	2015	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	**24.0**	28.1	21.0	20.0
Spot price for power in Finland, EUR/MWh	**30.4**	32.1	29.7	29.2
Spot price for power in Sweden, SE3, Stockholm EUR/MWh	**24.1**	28.6	22.0	20.9
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	**23.1**	27.7	21.2	20.0
Spot price for power in European and Urals part of Russia, RUB/MWh 1)	**1,147**	1,122	1,154	1,160
Average capacity price, tRUB/MW/month	**498**	394	359	385
Spot price for power in Germany, EUR/MWh	**25.2**	32.1	31.6	29.9
Average regulated gas price in Urals region, RUB/1000 m^3	**3,614**	3,362	3,488	3,551
Average capacity price for old capacity, tRUB/MW/month 2)	**149**	163	149	145
Average capacity price for new capacity, tRUB/MW/month 2)	**871**	715	641	687
Spot price for power (market price), Urals hub, RUB/MWh 1)	**1,018**	1,051	1,047	1,039
CO_2, (ETS EUA), EUR/tonne CO_2	**6**	7	8	7
Coal (ICE Rotterdam), USD/tonne	**45**	61	57	53
Oil (Brent Crude), USD/bbl	**35**	55	54	49

1) Excluding capacity tariff.

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

Water reservoirs TWh	March 31 2016	March 31 2015	Dec 31 2015
Nordic water reservoirs level	**48**	42	98
Nordic water reservoirs level, long-term average	**41**	41	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q1 2016	Q1 2015	2015	Last twelve months
Export / import between Nordic area and Continental Europe + Baltics	**-4**	-4	-18	-18
Export / import between Nordic area and Russia	**2**	2	4	4
Export / import Nordic area, Total	**-2**	-2	-14	-14

Power market liberalisation in Russia %	Q1 2016	Q1 2015	2015	Last twelve months
Share of power sold at the liberalised price	**82**	83	83	83

Achieved power prices	Q1 2016	Q1 2015	2015	Last twelve months
Power segment's Nordic power price, EUR/MWh	**30.7**	37.7	33.0	31.1
Russia segment's power price, RUB/MWh	**1,666**	1,541	1,555	1,596
Russia segment's power price, EUR/MWh 1)	**20.7**	21.7	22.5	22.2

1) Translated using average exchange rate.

Fortum's production and sales volumes

Power generation TWh	**Q1 2016**	Q1 2015	2015	Last twelve months
Power generation in the EU	**14.3**	13.3	50.2	51.2
Power generation in Russia	**7.4**	7.5	25.7	25.6
Total	**21.7**	20.8	75.9	76.8

Heat production TWh	**Q1 2016**	Q1 2015	2015	Last twelve months
Heat production in the EU	**2.6**	2.3	6.4	6.7
Heat production in Russia	**8.8**	9.5	25.8	25.1
Total	**11.4**	11.9	32.2	31.7

Power generation capacity by segment MW	**March 31 2016**	March 31 2015	Dec 31 2015
Power [1)]	**8,046**	9,068	8,046
Heat, Electricity Sales and Solutions	**732**	749	743
Russia [2)]	**4,483**	4,663	4,903
Total	**13,261**	14,479	13,692

1) Excluding 750 MW mothballed capacity of Inkoo power plant of which preparations for permanent dismantling has started in 2015. Capacities includes unit 1 (205 MW) in Oskarshamn that will be taken out of operation at the end of June 2017.

2) Change in Q1 2016 arising from the divestment of Tobolsk CHP of (665 MW) and commissioning the new unit Chelyabinsk 2 (248 MW).

Heat production capacity by segment MW	**March 31 2016**	March 31 2015	Dec 31 2015
Heat, Electricity Sales and Solutions	**3,707**	3,913	3,915
Russia [1)]	**10,125**	12,994	12,696
Total	**13,832**	16,906	16,611

1) Decrease in Q1 2016 is mainly arising from the divestment of Tobolsk CHP (2,585 MW).

Power generation by source in the Nordic area TWh	**Q1 2016**	Q1 2015	2015	Last twelve months
Hydro and wind power	**6.5**	6.2	25.1	25.4
Nuclear power	**6.8**	6.3	22.7	23.2
Thermal power	**0.5**	0.4	1.0	1.1
Total	**13.9**	12.8	48.8	49.9

Power generation by source in the Nordic area %	**Q1 2016**	Q1 2015	2015	Last twelve months
Hydro and wind power	**47**	48	51	50
Nuclear power	**49**	49	47	47
Thermal power	**4**	3	2	3
Total	**100**	100	100	100

Power sales EUR million	**Q1 2016**	Q1 2015	2015	Last twelve months
Power sales in the EU and Norway	**537**	573	1,918	1,882
Power sales in Russia	**172**	183	661	650
Power sales in other countries	**1**	1	3	3
Total	**710**	757	2,582	2,535

Fortum's production and sales volumes

Heat sales **EUR million**	**Q1 2016**	Q1 2015	2015	Last twelve months
Heat sales in the EU	**170**	161	423	432
Heat sales in Russia	**76**	80	228	224
Total	**245**	241	651	655

Power sales by area **TWh**	**Q1 2016**	Q1 2015	2015	Last twelve months
Finland	**6.8**	5.7	22.3	23.4
Sweden	**9.0**	8.0	29.8	30.8
Russia	**8.3**	8.4	29.4	29.3
Other countries	**0.9**	0.9	2.8	2.8
Total	**25.1**	23.1	84.3	86.3

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

Heat sales by area **TWh**	**Q1 2016**	Q1 2015	2015	Last twelve months
Russia	**9.0**	9.5	25.4	24.9
Finland	**1.4**	1.2	3.1	3.3
Poland	**1.6**	1.5	3.4	3.5
Other countries	**0.6**	0.5	1.2	1.3
Total	**12.5**	12.7	33.2	33.0