Fortum Corporation

Interim Report
January-March 2012

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26 April 2012

Fortum Corporation
Domicile Espoo
Business ID 1463611-4

Overall good operative results

January - March 2012

- Comparable operating profit was EUR 651 (649) million, 0%
- Operating profit was EUR 736 (900) million, of which EUR -16 (173) million relates to the IFRS accounting treatment of derivatives.
- Earnings per share was EUR 0.56 (0.76),-26%, of which -0.01 (0.14) EUR per share relates to the IFRS accounting treatment of derivatives
- Cash flow from operating activities was strong and reached EUR 553 (454) million, +22%
- Nordic system spot price was clearly lower than last year, EUR 38.2 (66.2)

Key figures	I/12	I/11	2011	LTM*
Sales, EUR million	1,901	2,034	6,161	6,028
Operating profit, EUR million	736	900	2,402	2,238
Comparable operating profit, EUR million	651	649	1,802	1,804
Profit before taxes, EUR million	653	904	2,228	1,977
Earnings per share, EUR	0.56	0.76	1.99	1.79
Net cash from operating activities, EUR million	553	454	1,613	1,712
Shareholders' equity per share, EUR	11.65	9.30	10.84	N/A
Interest-bearing net debt (at end of period), EUR million	6,523	6,367	7,023	N/A
Average number of shares, 1,000s	888,367	888,367	888,367	888,367

*) Last twelve months

Key financial ratios	2011	LTM
Return on capital employed, %	14.8	12.8
Return on shareholders' equity, %	19.7	16.7
Net debt/EBITDA	2.3	2.3
Comparable net debt/EBITDA	3.0	2.7

Outlook

- Fortum currently expects that the annual electricity demand growth in the Nordic countries will be about 0.5% in the coming years.
- Power Division's Nordic generation hedges: For the rest of the calendar year 2012, 70% hedged at EUR 48 per MWh and for the 2013 calendar year, 45% hedged at EUR 46 per MWh.

Fortum's President and CEO Tapio Kuula:

"Fortum performed well in the first quarter of 2012, despite the continuously demanding business environment. Nordic spot prices were clearly lower than last year. The Nordic water reservoir levels continued to increase and were above the long-term average throughout the first quarter. The strong hydro situation combined with warmer weather and pressed carbon dioxide (CO_2) emission allowance prices, among other things, pushed Nordic electricity prices to below last year's prices and below the continental prices. Electricity demand decreased in the Nordic countries, but increased slightly in Russia compared to the same period in 2011. Characteristic for Fortum's business is its seasonality and we expect 2012 to be no different. The seasonal differences are driven by hydro levels, power prices, and the normal seasonality of the heat businesses.

In the first quarter 2012 the company's comparable operating profit was on last year's level, and both the balance sheet as well as liquidity remained strong.

The Power Division's first-quarter comparable operating profit was somewhat higher than in the corresponding period in 2011. The system and all area prices were clearly lower, but a higher hedge price kept the achieved power price close to last year's level. In addition, higher reservoir levels in the beginning of the year, compared to the corresponding period in 2011, increased hydro generation significantly. The Heat Division's comparable operating profit decreased somewhat mainly due to lower volumes related to divestments in Sweden, Finland and Estonia. The comparable operating profit development in Russia was good, although electricity prices were clearly lower than a year ago. The Distribution business area's comparable operating profit decreased slightly. The decrease was mainly due to the warm weather, especially in March. Electricity Sales' comparable operating profit in the first quarter of 2012 was at last year's level.

A strong business foundation is essential in a changing business environment. Fortum is committed to continuously improving its operational performance."

Financial results

January - March

In the first quarter of 2012, Group sales were EUR 1,901 (2,034) million. Group operating profit totalled EUR 736 (900) million. Fortum's operating profit for the period was affected by a EUR -16 (173) million IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production. The comparable operating profit, which was not impacted by the accounting treatment, totalled EUR 651 (649) million.

Non-recurring items, mark-to-market effects and nuclear fund adjustments amounted to EUR 85 (251) million, of which EUR -16 (173) million was attributed to changes in fair values of derivatives to hedge future cash flow. Non-recurring items totalled EUR 110 (82) million, which mainly relates to the divestment of shares in power and heat operations (Note 4).

Sales by division

EUR million	I/12	I/11	2011	LTM
Power	655	693	2,481	2,443
Heat	625	725	1,737	1,637
Russia	310	295	920	935
Distribution*	308	311	973	970
Electricity Sales*	247	373	900	774
Other	44	30	108	122
Netting of Nord Pool transactions	-188	-366	-749	-571
Eliminations	-100	-27	-209	-282
Total	1,901	2,034	6,161	6,028

* Part of the Electricity Solutions and Distribution Division

Comparable operating profit by division

EUR million	I/12	I/11	2011	LTM
Power	341	325	1,201	1,217
Heat	161	171	278	268
Russia	48	34	74	88
Distribution*	110	124	295	281
Electricity Sales*	9	11	27	25
Other	-18	-16	-73	-75
Total	651	649	1,802	1,804

* Part of the Electricity Solutions and Distribution Division

Operating profit by division

EUR million	I/12	I/11	2011	LTM
Power	367	489	1,476	1,354
Heat	213	265	380	328
Russia	48	34	74	88
Distribution*	117	125	478	470
Electricity Sales*	11	-20	3	34
Other	-20	7	-9	-36
Total	736	900	2,402	2,238

* Part of the Electricity Solutions and Distribution Division

The share of profits of associates and joint ventures was EUR -7 (59) million. The Russian territorial generating company 1 (TGC-1) and Hafslund ASA contributed to the positive figure in the first quarter of 2011. TGC-1 is not included in the first-quarter results as TGC-1 has not published its 2011 IFRS Financial Statements.

The Group’s net financial expenses increased to EUR 76 (55) million. The increase is attributable to higher interest expenses, mainly due to higher SEK interest rates and to higher average net debt. Net financial expenses were negatively affected by changes in the fair value of financial instruments of EUR 7 (1) million.

Profit before taxes was EUR 653 (904) million.

Taxes for the period totalled EUR 119 (158) million. The tax rate according to the income statement was 18.3% (17.5). The tax rate excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.0% (20.8). In Finland, the corporate tax rate was decreased to 24.5% from 26%, effective 1 January 2012.

The profit for the period was EUR 534 (746) million. Fortum's earnings per share were EUR 0.56 (0.76). The effect on earnings per share by the accounting treatment of derivatives was EUR -0.01 (0.14).

Non-controlling (minority) interests amounted to EUR 39 (68) million. These are mainly attributable to Fortum Värme Holding AB, in which the city of Stockholm has a 50% economic interest. The decrease compared to last year is mainly due to the minority's share, EUR 32 million, of the gain recognised in the first quarter 2011 from the divestment of Fortum Värme's heat businesses outside the Stockholm area.

Financial position and cash flow

Cash flow

In the first quarter of 2012, total net cash from operating activities increased by 22% to EUR 553 (454) million. The major part of the increase was attributable to lower foreign exchange losses in cash flow, EUR 170 million, and the lower taxes paid, EUR 36 million, which was offset by the EUR -113 million increase in working capital. The foreign exchange gains and losses relate to the rollover of foreign exchange contracts hedging loans to Fortum's Swedish subsidiaries. Capital expenditures in cash flow increased by EUR 66 million to EUR 272 (206) million. Acquisitions of shares totalled EUR 0 (19) million. Proceeds from divestments totalled EUR 276 (207) million in cash flow. Cash flow before financing activities, i.e. dividend distributions and financing, increased by EUR 97 million to EUR 536 (439) million.

After the reporting period, dividends amounting to EUR 888 million were paid on 23 April 2012 using the cash and cash equivalents Fortum had on 31 March and amounting to EUR 1 574 million.

Assets and capital employed

Total assets increased by EUR 1,121 million to EUR 24,119 (22,998 at year-end 2011) million. Non-current assets increased by EUR 392 million from EUR 20,210 million to EUR 20,602 million. The majority, EUR 307 million, came from the increased value of property, plant and equipment, mainly due to the strengthening Russian rouble and other currencies. The increase in current assets was EUR 729 million, totalling EUR 3,517 million. The major part of the increase relates to the higher amount of cash and cash equivalents, EUR 843 million, offset by the EUR 183 million decrease in assets held for sale. The higher amount of cash was reserved for dividend payment amounting to EUR 888 million of 23 April 2012.

Capital employed was EUR 19,016 (17,931 at year-end 2011) million, an increase of EUR 1,085 million. The increase was due to the higher amount of total assets, totalling EUR 1,121 million and the minor decrease in interest-free liabilities totalling EUR 36 million. (These interim financial statements do not reflect the dividend paid in April).

Equity

Total equity was EUR 10,919 (10,161 at year-end 2011) million, of which equity attributable to owners of the parent company totalled EUR 10,346 (9,632 at year-end 2011) million and non-controlling interests EUR 573 (529 at year-end 2011) million. The increase in equity attributable to owners of the parent company totalled EUR 714 million and arose mainly from net profit for the period, amounting to EUR 495 million and from the translation differences mainly relating to Russian rouble totalling EUR 207 million.

Financing

Net debt decreased during the first quarter of 2012 by EUR 500 million to EUR 6,523 (7,023 at year-end 2011) million.

At the end of March 2012, the Group's liquid funds totalled EUR 1,574 (747 at year-end 2011) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 249

(211 at year-end 2011) million. In addition to the liquid funds, Fortum had access to approximately EUR 2.7 billion of undrawn committed credit facilities.

The Group's net financial expenses in the first quarter of 2012 were EUR 76 (55) million. The increase in financial expenses is mainly attributable to higher market interest rates and higher average net debt during the quarter. Net financial expenses also include changes in the fair value of financial instruments of EUR -7 (-1) million.

Fortum Corporation's long-term credit rating from S&P and from Moody's remained unchanged, A (negative) and A2 (stable), respectively.

Key figures

For the last twelve months net debt to EBITDA was 2.3 (2.3 at year-end 2011) and comparable net debt to EBITDA 2.7 (3.0 at year-end 2011). Gearing was 60% (69% at year-end 2011) and the equity-to-assets ratio 45% (44% at year-end 2011). For the last twelve months, return on capital employed was 12.8% (14.8% at year-end 2011) and return on equity 16.7% (19.7% at year-end 2011). Equity per share was EUR 11.65 (10.84 at year-end 2011).

Market conditions

Nordic countries

The Nordic water reservoir level was well above the long-term average at the beginning of the first quarter of 2012 and remained so throughout the quarter. The milder weather and the above-average water reservoirs kept the Nordic power price clearly below the previous year's level. During most of the quarter, the Nordic price also remained below the continental price resulting in a nearly continuous export of power from the Nordic countries to the continent.

According to preliminary statistics, the Nordic countries consumed 113 (116) terawatt-hours (TWh) of electricity in the first quarter of 2012, i.e. approximately 3% less than the year before. Most of the difference was due to the higher temperatures, even though the industrial consumption was somewhat lower than the year before.

At the beginning of the year, the Nordic water reservoirs were 95 TWh, which is 12 TWh more than the long-term average. At the end of the quarter, the reservoirs were 15 TWh above the long-term average and 36 TWh above the corresponding level in 2011.

During the first quarter, the average system spot price for electricity in Nord Pool was EUR 38.3 (66.2) per megawatt-hour (MWh). The area prices in Finland and Sweden were both above the system price, in Finland at 42.5 (64.8) per MWh and in Sweden (SE3) at 39.1 (65.9) per MWh. The Finnish area price started to deviate from the system price in February, when the import capacity from Sweden was significantly reduced due to a failure in the new Fenno-Skan 2 connection. In addition, in March, maintenance of a transmission network lead to a period of several weeks when the available import capacity from Sweden to Finland was less than half of its maximum level.

In Germany, the average spot price during the first quarter in 2012 was EUR 45.1 (51.9) per MWh.

At the beginning of the year, the market price for CO_2 emission allowances was approximately EUR 6.6 per tonne. In the middle of February, the highest quoted price was approximately EUR 9.5 per tonne. At the end of the quarter, CO_2 emission allowances closed at approximately EUR 7.1 per tonne.

Russia

According to preliminary statistics, Russia consumed 293 (285) TWh of electricity during the first quarter of 2012. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 217 (211) TWh.

OAO Fortum operates in the Tyumen and Chelyabinsk areas. In the Tyumen area, where industrial production is dominated by the oil and gas industries, electricity demand in the first quarter of 2012 increased by approximately 0.2% compared to the same period in 2011. In the Chelyabinsk area, which is dominated by the metal industry, electricity demand increased by approximately 0.7% in the first quarter compared to the same period of the previous year. The increase is mainly due to industrial consumption.

The average electricity spot price, excluding capacity price, decreased by 11% to RUB 915 (1,033) per MWh in the First price zone during the first quarter of 2012.

More detailed information about the market fundamentals is included in the tables at the end of the report (page 47).

Division reviews

Power

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

EUR million	I/12	I/11	2011	LTM
Sales	655	693	2,481	2,443
- power sales	631	657	2,353	2,327
of which Nordic power sales*	569	504	2,041	2,106
- other sales	24	36	128	116
Operating profit	367	489	1,476	1,354
Comparable operating profit	341	325	1,201	1,217
Comparable EBITDA	369	352	1,310	1,327
Net assets (at period-end)	6,117	5,996	6,247	
Return on net assets, %			24.6	22.3
Comparable return on net assets, %			19.9	20.1
Capital expenditure and gross investments in shares	24	33	148	139
Number of employees	1,842	1,812	1,847	

Power generation by source, TWh	I/12	I/11	2011	LTM
Hydropower, Nordic	6.1	4.1	21.0	23.0
Nuclear power, Nordic	6.5	6.8	24.9	24.6
Thermal power, Nordic	0.2	1.7	2.2	0.7
Total in the Nordic countries	12.8	12.6	48.1	48.3
Thermal power in other countries	0.3	0.3	1.2	1.2
Total	13.1	12.9	49.3	49.5

Nordic sales volumes, TWh	I/12	I/11	2011	LTM
Nordic sales volume	13.2	13.2	50.0	50.0
of which Nordic power sales volume*	12.0	10.5	44.3	45.8

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

Sales price, EUR/MWh	I/12	I/11	2011	LTM
Power's Nordic power price**	47.2	47.9	46.1	46.0

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

January - March

In the first quarter of 2012, the Power Division’s operating profit was EUR 367 (489) million. A gain of EUR 47 (0) million, relating to the divestments of small hydro plants in Finland was booked into the first quarter of 2012. Operating profit was also impacted EUR -21 (164) million by Other items affecting comparability, mainly including the effects from financial derivatives hedging. The comparable operating profit in the first quarter was EUR 341 (325) million, EUR 16 million higher than in the corresponding period in 2011. The system and all area prices were clearly lower in the beginning of 2012, but a higher hedge price kept the achieved power price close to last year's level. Higher reservoir levels in the beginning of the year, compared to the corresponding period in 2011, increased hydro generation significantly. Nuclear availability was at a high level in all power plants except Oskarshamn 1 and 3. The total nuclear volume was thus slightly lower than during the corresponding period in 2011. Thermal production was clearly lower due to low area prices.

The combined effect of increased hydro, less nuclear and thermal volumes combined with a slightly lower achieved power price had a positive impact of approximately EUR 30 million during the first quarter in 2012 compared to corresponding period in 2011. Operating costs increased by approximately EUR 10 million, mainly due to higher nuclear fuel costs and inflationary effects. During the first quarter, the nuclear waste fees increased in Sweden by EUR 4 million. The increase in waste fees is estimated to be approximately EUR 15 million for the full year 2012.

In the first quarter of 2012, the division's total power generation in the Nordic countries was 12.8 (12.6) TWh, which corresponds to an approximately 2% increase compared to the same period in 2011. Power’s achieved Nordic power price amounted to EUR 47.2 per MWh, which was only EUR 0.7 per MWh lower than in the first quarter of 2011.

Fortum has two fully-owned reactors in Loviisa and is a co-owner in eight reactors at the Olkiluoto, Oskarshamn and Forsmark nuclear power plants. Nuclear availability was at high level in all of the power plants except Oskarshamn. Oskarshamn 1 was shut down at the end of October 2011 for an extensive turbine overhaul and will stay shut down until after the planned annual outage 23 April – 17 June 2012. Oskarshamn 2 and 3 suffered from technical problems and were shut down for a total of 4 weeks. In addition, Oskarshamn 3 has been operating at an approximately 100-MW reduced output until the planned annual outage 12 April – 11 May 2012, waiting that all power increase related tests to be completed.

European-wide safety evaluations have been carried out after the Fukushima incident. As part of the evaluations, so-called peer reviews were carried out in several European nuclear power plants, including the Loviisa nuclear power plant, in March 2012. The European Commission will submit a consolidated report of the national reports to the European Council in June 2012.

In March, Fortum became involved in the purification of Fukushima. Fortum is a key supplier to EnergySolutions LLC, which has been selected by Toshiba Corporation as the technology supplier for a project to decontaminate water from the damaged nuclear power plant at Fukushima. The radioactive liquid purification process used in the project will use ion exchange materials developed by Fortum. Fortum will supply thousands of kilos of ion exchange materials in granule form to EnergySolutions for the purification process. The value of the supplies is estimated to be tens of millions of euros over the next couple of years.

Fortum’s preparations for the French hydro concession bidding have progressed as planned.

Heat

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

EUR million	I/12	I/11	2011	LTM
Sales	625	725	1,737	1,637
- heat sales	465	529	1,238	1,174
- power sales	96	151	342	287
- other sales	64	45	157	176
Operating profit	213	265	380	328
Comparable operating profit	161	171	278	268
Comparable EBITDA	211	220	471	462
Net assets (at period-end)	4,171	4,030	4,191	
Return on net assets, %			9.9	8.7
Comparable return on net assets, %			7.4	7.2
Capital expenditure and gross investments in shares	67	58	329	338
Number of employees	2,352	2,770	2,504	

January - March

Heat sales volumes during the first quarter of 2012 amounted to 8.1 (10.4) TWh. During the same period, power sales volumes from combined heat and power (CHP) production totalled 1.7 (2.7) TWh. The reduction in volumes is mainly attributable to the divestment in Sweden in 2011 and to divestments in Finland and Estonia in January 2012. The restructuring in the Turku region energy production in Finland also decreased volumes. Higher temperatures also impacted volumes somewhat negatively compared to the same period in 2011.

The Heat Division's operating profit in the first quarter totalled EUR 213 (265) million. It includes a gain of EUR 58 (80) million relating to divestments in Finland and Estonia. The division's comparable operating profit in the first quarter was EUR 161 (171) million, EUR 10 million lower than in the corresponding period in 2011. The result decreased mainly due to the lower volumes that were primarily attributable to divestments and restructuring. However, especially in Sweden, the result improved due to good availability, fuel flexibility and the introduction of new district heat products.

Heat sales volumes by area, TWh	I/12	I/11	2011	LTM
Finland	2.2	3.4	8.5	7.3
Sweden	3.3	4.2	8.5	7.6
Poland	2.0	2.1	4.3	4.2
Other countries	0.6	0.7	1.3	1.2
Total	8.1	10.4	22.6	20.3

Power sales volumes, TWh	I/12	I/11	2011	LTM
Total	1.7	2.7	6.2	5.2

Russia

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

EUR million	I/12	I/11	2011	LTM
Sales	310	295	920	935
- power sales	181	162	590	609
- heat sales	126	132	324	318
- other sales	3	1	6	8
EBITDA	77	57	182	202
Operating profit	48	34	74	88
Comparable operating profit	48	34	74	88
Comparable EBITDA	77	57	148	168
Net assets (at period-end)	3,547	2,918	3,273	
Return on net assets, %			3.5	3.5
Comparable return on net assets, %			3.5	3.5
Capital expenditure and gross investments in shares	81	75	694	700
Number of employees	4,337	4,418	4,379	

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

The liberalisation of the Russian wholesale power market was completed by the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity - an amount equalling the consumption of households and a few special groups of consumers - under regulated prices. In 2011, OAO Fortum sold approximately 84% of its power production at a liberalised electricity price.

The new rules for the capacity market starting from 2011 were approved by the Russian Government. The generation capacity built after 2007 under the government capacity supply agreements (CSA – "new capacity") receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined to ensure a sufficient return on investments.

At the time of the acquisition in 2008, Fortum made a provision, as penalty clauses are included in the CSA agreement in case of possible delays. Possible penalties can be claimed if the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not otherwise fulfilled. The effect of changes in the timing of commissioning of new units is assessed at each balance sheet date and the provision is changed accordingly (see Note 18).

The capacity selection for 2012 (CCS for "old capacity", built prior 2008) was held in September 2011. The majority of Fortum's power plants were selected in the auction, with a price level close to the level received in 2011. Approximately 4% (120 MW) of Fortum's old capacity was not allowed to participate in the selection due to tightened minimal technical requirements. The capacity will, however, receive capacity payments at the average capacity market price for two additional years.

January - March

The Russia Division's power sales volumes amounted to 6.2 (5.6) TWh during the first quarter of 2012. Heat sales totalled 11.3 (11.0) TWh during the same period.

The Russia Division's comparable operating profit was EUR 48 (34) million in the first quarter of 2012. The positive effect from the commissioning of the new units in the first quarter amounted to approximately EUR 16 million. The improvement was offset by the lower electricity price compared to the corresponding period last year. In addition, decreased capacity payments and volumes for the old capacity impacted somewhat negatively.

Key electricity, capacity and gas prices for OAO Fortum	I/12	I/11	2011	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	849	947	925	900
Average regulated gas price, Urals region, RUB/1000 m3	2,548	2,548	2,548	2,548
Average capacity price for CCS “old capacity”, tRUB/MW/month*	166	184	160	156
Average capacity price for CSA “new capacity”, tRUB/MW/month*	577	759	560	550
Average capacity price, tRUB/MW/month	243	214	209	218
Achieved power price for OAO Fortum, EUR/MWh	29.3	29.2	29.2	29.3

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

OAO Fortum's new capacity will be a key driver for earnings growth in Russia, as it will bring income from new volumes sold and also receive considerably higher capacity payments than the old capacity. However, received capacity payments will differ depending on the age, location, type and size of the plant as well as seasonality and availability.

Fortum is committed to its EUR 2.5 billion investment programme in Russia, and the schedule of the programme is to commission the last new units in 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of March 2012, is estimated to be approximately EUR 0.9 billion as of April 2012. Altogether, the investment programme consists of eight new power plant units, of which the first three units were commissioned in 2011.

The return for the new capacity is guaranteed as regulated in the Capacity Supply Agreement. The regulator reviews the earnings from the electricity-only market after three years and six years and could revise the CSA payments accordingly. CSA payments can vary annually somewhat because they are linked to Russian Government long-term bonds with 8 to 10 years maturity.

Fortum currently estimates the commissioning of the new units Nyagan 1 and Nyagan 2 to be postponed by some months due to construction delay. Fortum has made a provision (per unit) for penalties caused by possible commissioning delays, already in 2008. According to the agreement with the contractor, Fortum is entitled to adequate remedies in case of damages due to delays caused by the contractor.

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

In March 2012, the Russian Ministry for Economic Development approved three of OAO Fortum's power plant units as Joint Implementation projects: one Chelyabinsk CHP-3 unit and two Nyagan GRES units. All of these units are part of Fortum’s extensive investment programme. The Joint Implementation projects, as defined in the Kyoto Protocol, will reduce carbon dioxide emissions in Russia, and Fortum will be able to use the related emission reduction units in the EU's emissions trading scheme or sell them on the market.

Electricity Solutions and Distribution

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

Distribution

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

EUR million	I/12	I/11	2011	LTM
Sales	308	311	973	970
- distribution network transmission	261	271	809	799
- regional network transmission	35	28	96	103
- other sales	12	12	68	68
Operating profit	117	125	478	470
Comparable operating profit	110	124	295	281
Comparable EBITDA	159	171	482	470
Net assets (at period-end)	3,641	3,711	3,589	
Return on net assets, %			13.7	13.3
Comparable return on net assets, %			8.6	8.0
Capital expenditure and gross investments in shares	44	34	289	299
Number of employees	851	888	898	

January - March

The volume of distribution and regional network transmissions during the first quarter of 2012 totalled 8.3 (8.6) TWh and 4.9 (4.9) TWh, respectively.

The Distribution business area's comparable operating profit was EUR 110 (124) million. The decrease in the result was due to the warm weather, especially in March, which led to lower sales volumes. In addition, the timing of the re-location of existing cables and part of the networks reduced the results.

The rollout of smart metering to 580,000 network customers in Finland continued as planned and by the end of first quarter 2012, approximately 242,000 customers had received new meters (160,000 at the end of 2011). A total of approximately 620,000 customers will have smart metering before the end of 2013. Invoices based on realised electricity consumption, better control in the use of electricity and a platform for new services are some of the benefits of the new system that has hourly measurement capabilities. The new Finnish legislation on hourly meter reading will become effective 1 January 2014. In Sweden, smart metering to customers had been completed earlier.

A new regulation on network income for Swedish electricity distribution was passed in late 2011, with the first regulation period being 2012-2015. The decision included elements that Fortum believes lack legal ground. The Swedish regulation and transition rule was appealed by about half of the distribution companies and it is still unclear what the outcome will be.

Proposed legislation in Sweden on hourly measurement of electricity consumption for household customers was ready for approval in the Parliament and expected to be approved during the second quarter of 2012. According to the proposal, hourly measurement is to be in force from 1 October 2012.

In Finland, the decision regarding the 3rd regulatory period (2012-2015) was appealed to the market court by the industry. The main points of the appeal are that there should be reasonable limits on the quality risk and the risk/return relationship should be competitive.

The Finnish Ministry of the Economy and Employment has initiated a process to include time limits to electricity outage duration into the Electricity Market Act. The proposal would start a 15-year process to improve the quality of supply in the grids.

Volume of distributed electricity in distribution network, TWh	I/12	I/11	2011	LTM
Sweden	4.4	4.5	14.2	14.1
Finland	3.1	3.2	9.5	9.4
Norway	0.8	0.8	2.3	2.3
Estonia	0.0	0.1	0.1	0.0
Total	8.3	8.6	26.1	25.8

Number of electricity distribution customers by area, thousands	31 March 2012	31 March 2011
Sweden	898	893
Finland	628	622
Norway	102	102
Estonia	0	24
Total	1,628	1,641

Electricity Sales

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

EUR million	I/12	I/11	2011	LTM
Sales	247	373	900	774
- power sales	240	368	879	751
- other sales	7	5	21	23
Operating profit	11	-20	3	34
Comparable operating profit	9	11	27	25
Comparable EBITDA	9	12	29	26
Net assets (at period-end)	56	130	11	
Return on net assets, %			4.2	53.6
Comparable return on net assets, %			33.5	44.6
Capital expenditure and gross investments in shares	0	3	5	2
Number of employees	516	500	519	

January - March

During the first quarter of 2012, the business area's electricity sales volume totalled 4.2 (5.5) TWh. The lower volume was due to the Business Market restructuring, which was still ongoing in the first quarter of 2011, but is now completed.

Electricity Sales' comparable operating profit in the first quarter of 2012 totalled EUR 9 (11) million. Warmer weather than last year and customer retention activities decreased profits slightly compared to last year.

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares totalled EUR 218 (205) million in the first quarter of 2012. Investments, excluding acquisitions, were EUR 218 (167) million.

Gross divestments in shares and fixed assets totalled EUR 295 (206) million.

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

	Type	Electricity capacity, MW	Heat capacity, MW	Supply starts *
Power				
Hydro refurbishment	Hydropower	10		2012
Heat				
Klaipeda, Lithuania	Waste (CHP)	20	60	Q1 2013
Järvenpää, Finland	Biofuel (CHP)	23	63	Q2 2013
Jelgava, Latvia	Biofuel (CHP)	23	45	Q3 2013
Brista, Sweden	Waste (CHP)	20	57	Q4 2013
Russia**				
Nyagan 1	Gas (CCGT)	418		Q3/Q4 2012
Nyagan 2	Gas (CCGT)	418		Q4 2012/Q1 2013
Nyagan 3	Gas (CCGT)	418		2013

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

Power

Fortum completed the divestment of small hydropower plants in Finland during the first quarter. The capital gains from these transactions were EUR 47 million, which were booked in the Power Division's first-quarter results.

Through its interest in TVO (Teollisuuden Voima Oyj), Fortum is participating in the building of Olkiluoto 3, a 1,600-MW nuclear power plant unit in Finland. AREVA-Siemens Consortium, which is constructing Olkiluoto 3 on a fixed-price turn-key contract, has informed TVO that the unit is scheduled to be ready for regular electricity production in August 2014.

In addition, TVO has started the bidding and engineering phase of the company's fourth nuclear unit at Olkiluoto. Fortum's share of the commitment for this phase is approximately EUR 77 million. During the first quarter of 2012 TVO raised EUR 20 million in shareholder loans; Fortum's share of this is approximately EUR 5 million.

Heat

Fortum concluded its divestment of Fortum Energiaratkaisut Oy and Fortum Termest AS to EQT Infrastructure Fund on 31 January 2012. It has been approved by the relevant competition authorities both in Finland and Estonia. The total sales price, including net debt, was approximately EUR 200 million. Fortum's sales gain was EUR 58 million. The divestment is in line with the strategy to focus on large-scale CHP production.

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

During the first quarter of 2012 Fortum decided to invest about EUR 20 million in the commercialisation of new technology by building a bio-oil plant connected to the Joensuu power plant in Finland. The total value of the investment is about EUR 30 million, of which the Ministry of Employment and the Economy has granted EUR 8.1 million as a new technology investment. The new technology has been developed into a concept in co-operation between Metso, UPM, VTT (as part of the TEKES Biorefine research programme) and Fortum.

In Stockholm, Sweden, Fortum Värme will open up the possibility for customers to sell their own surplus heat to Fortum's grid at market price. The first customers will be able to sell surplus heat already in 2012. The aim is for all customers to be able to sell their surplus heat starting in 2013.

Distribution

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

Shares and share capital

Fortum Corporation is listed on the NASDAQ OMX Helsinki Ltd. During January-March 2012, a total of 157.2 (139.2) million Fortum Corporation shares, totalling EUR 2,776 million, were traded on the NASDAQ OMX Helsinki Ltd. The highest quotation of Fortum Corporation shares was EUR 19.36, the lowest EUR 15.74. The volume-weighted average was EUR 17.65. The closing quotation on the last trading day of the first quarter of 2012 was EUR 18.20 (23.96). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 16,168 million.

In addition to the NASDAQ OMX Helsinki Ltd., Fortum shares were traded on several alternative market places, for example at Chi-X, BATS, Boat and Turquoise. During the first quarter approximately 51% of Fortum's traded shares were traded on alternative market places. In 2011, alternative market places accounted for approximately 50% of the total amount of Fortum Corporation shares traded.

At the end of the first quarter of 2012, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not hold any of its own shares at the end of the quarter.

The number of registered shareholders totalled 111,816 at the end of March 2012. The Finnish State's holding in Fortum was 50.8% and the proportion of nominee registrations and direct foreign shareholders was 27.4% at the end of the quarter.

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

Group personnel

Fortum's operations are mainly based in the Nordic countries, Russia, Poland and the Baltic countries. The total number of employees at the end of the first quarter of 2012 was 10,542 (10,976 at the end of the first quarter of 2011).

The decrease in employees is related mainly to the Heat Division's divestments. In the first quarter 2012, the Power Division had 1,842 (1,812) employees, the Heat Division 2,352 (2,770), the Russia Division 4,337 (4,418), Distribution 851 (888), Electricity Sales 516 (500) and Other 644 (588).

Research and development

Sustainability is at the core of Fortum’s strategy, and Fortum's research and development activities promote environmentally benign energy solutions.

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

In addition, a new research programme on efficient energy use (EFEU) was started by CLEEN Ltd. The value of the five-year programme is approximately EUR 12 million and it will be carried out by a wide group of equipment manufacturers, energy companies and research institutions.

Energy efficiency presents the most important means in managing global climate change. Fortum's main activities in the EFEU programme include eco-efficient heating and cooling solutions, climate-benign electricity and heat production chains and new energy-efficiency service business models integrated to new technologies.

The Group reports its R&D expenditure on a yearly basis. In 2011, Fortum’s R&D expenditure was EUR 38 million (2010: 30 million) or 0.6% of sales (2010: 0.5%) and 1.1% of total expenses (2010: 0.8%).

Sustainability

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

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

Economic responsibility

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

Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources and management of impacts of our energy production, distribution and supply chain. Our know-how in CO_2-free hydro and nuclear power production and in energy-efficient CHP production is highlighted in environmental responsibility. Fortum’s Group-level environmental targets are related to carbon-dioxide emissions, energy efficiency and environmental management system certifications.

In addition, the divisions have defined their own environmental goals related to their respective business. The achievements of the environmental targets are monitored through monthly, quarterly and annual reporting.

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

At the end of March 2012, the five-year average for specific CO_2 emissions from power generation in the EU was at 64 g/kWh and the specific CO_2 emissions from the total energy production was at 173 g/kWh, both better than the target level. Fortum's total CO_2 emissions in the first quarter of 2012 amounted to 6.6 (9.4) million tonnes (Mt), of which 1.8 (4.2) Mt were within the EU's emissions trading scheme (ETS).

In the first quarter of 2012, approximately 65% (54%) of the power generated by Fortum was CO_2-free. The corresponding figure for Fortum's generation within the EU was 90% (73%).The increased share of CO_2-free power is mainly due to decreased production of coal-condensing power at the Inkoo and Meri-Pori coal-fired power plants.

Overall efficiency of fuel use was 69% as a five-year average, the target is >70%. In the first quarter of 2012, 99% of all Fortum's operations in the EU had ISO 14001 environmental certification.

Fortum's total CO_2 emissions (million tonnes, Mt)	I/12	I/11	2011	LTM
Total emissions	6.6	9.4	23.5	20.7
Emissions subject to ETS	1.8	4.0	8.0	5.8
Free emissions allocation			6.8	
Emissions in Russia	4.7	4.8	14.7	14.6

Fortum's specific CO_2 emissions from power generation (g/kWh)	I/12	I/11	2011	LTM
Total emissions	173	253	192	167
Emissions in the EU	60	175	88	53
Emissions in Russia	467	476	483	481

Social responsibility

In the area of social responsibility, Fortum's innovations and the secure supply of low-carbon power and heat support the development of society and increase well-being. Good corporate citizenship and ensuring a safe working environment for all employees and contractors at Fortum sites are emphasised. A Group-level target has been defined for occupational safety. In addition to ISO 14001, the goal is to have OHSAS 18001 certification for all operational management systems. In the first quarter of 2012, the Group-level lost workday injury frequency (LWIF) continued at a good level at 1.3 (1.3). Fortum's safety target is to reach a LWIF level that is less than one per million working hours for its own personnel. This reflects the Group's zero tolerance for accidents.

During the first quarter of 2012, Fortum joined the Better Coal Initiative, aiming for continuous improvement of corporate responsibility in the supply chain of coal.

Changes in Fortum's Management

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

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

Annual General Meeting 2012

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

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

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

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

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

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

Outlook

Key drivers and risks

Fortum's financial results are exposed to a number of strategic, financial and operational risks. The key factor influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, fuel and CO_2 emissions allowance prices as well as the hydrological situation.

The continued global economic uncertainty and Europe's sovereign-debt crisis weaken the outlook for economic growth in the mid-term, especially in the Euro zone. The overall economic uncertainty impacts the commodity and CO_2 emission allowance prices and in combination with the stronger hydrological situation in the Nordic region could maintain downward pressure on the Nordic wholesale price for electricity in the short term. In the Russian business, the key factors are the development of the regulation around electricity and capacity markets and operational risks related to the investment projects according to the investment programme. In all regions, fuel prices and power plant availability also impacts the profitability. In addition, increased volatility in exchange rates due to financial turbulence might have both translation and transaction effects on Fortum's financials especially through the SEK and RUB.

Nordic market

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

The price of crude oil increased throughout the first quarter of 2012, whereas the coal price continued to weaken. After declining since summer of 2011, the price of CO_2 emissions allowance (EUA) abated, and the price fluctuated between EUR 6.6 - 9.5 per tonne. The electricity forward prices for the upcoming twelve months declined both in the Nordic countries and in Germany during the quarter, mainly with a lower expected spot price for the summer.

In late April 2012, the electricity forward price in Nord Pool for the rest of 2012 was around EUR 34 per MWh. The electricity forward price for 2013 was around EUR 40 per MWh and for 2014 around EUR 41 per MWh. In Germany, the electricity forward price for the rest of the year was around EUR 47 per MWh and EUR 51 per MWh for 2013. At the same time, the future quotations for coal (ICE Rotterdam) for the rest of 2012 were around USD 102 per tonne and the market price for CO_2 emissions allowances (EUA) for 2012 was about EUR 7 per tonne.

In late April 2012, Nordic water reservoirs were about 15 TWh above the long-term average and 29 TWh above the corresponding level of 2011.

Power

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

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

European-wide safety evaluations have been carried out post Fukushima. As part of the evaluations, so-called peer reviews were carried out in March 2012 in several European nuclear power plants, including the Loviisa nuclear power plant. The European Commission will submit a consolidated report of the national reports to the European Council in June 2012. Fortum believes that some additional safety criteria could be introduced for nuclear power plants based on the evaluations and that they could be implemented for the Loviisa nuclear power plant within the framework of the annual investment programmes.

According to the legislation in Sweden, nuclear waste fees and guarantees are updated at regular intervals. At the end of December 2011, the Government decided upon fees and guarantees for 2012-2014. The negative impact on Fortum's comparable operating profit is estimated to be approximately EUR 15 million per year in 2012-2014.

Nuclear fuel costs in all Fortum nuclear power plants are expected to increase in total by approximately EUR 15 million in 2012 due to the increased market price of uranium and enrichment.

Russia

The Russian wholesale power market was liberalised from the beginning of 2011. All generating companies continue to sell a part of their electricity and capacity equalling the consumption of households and a special group of consumers (Northern Caucasus Republic, Tyva Republic, Buryat Republic) under regulated prices.

The new rules for the capacity market starting from 2011 have been approved by the Russian Government. The generation capacity built after 2007 under government capacity supply agreements (CSA – "new capacity") receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments.

Capacity not under CSA competes in competitive capacity selection (CCS – "old capacity"). The capacity selection for 2012 was held in September 2011. The majority of Fortum's power plants were selected in the auction, with a price level close to the level received in 2011. Approximately 4% (120 MW) of the old capacity was not allowed to participate in the selection due to tightened minimal technical requirements. It will, however, receive capacity payments at the capacity market price for two additional years.

OAO Fortum's new capacity will be a key driver for earnings growth in Russia as it will bring income from new volumes sold and also receive considerably higher capacity payments than the old capacity. However, the received capacity payment will differ depending on age, the location, size and type of the plants as well as seasonality and availability. Especially the old capacity payments for CHP power plants are burdened during the summer period due to the temperature constraints evolving from lower heat demand.

Fortum is planning to commission the last new units by the end of 2014 of its EUR 2.5 billion investment programme. The value of the remaining part of the investment programme, calculated at exchange rates prevailing at the end of March 2012, is estimated to be approximately EUR 0.9 billion as of April 2012.

The return for the new capacity is guaranteed as regulated in the Capacity Supply Agreement. The regulator reviews the earnings from the electricity-only market after three years and six years and could revise the CSA payments accordingly. CSA payments can vary annually somewhat because they are linked to Russian Government long-term bonds with 8 to 10 years maturity.

Fortum currently estimates the commissioning of the new units Nyagan 1 and Nyagan 2 to be postponed by some months due to a construction delay. Fortum has made a provision (per unit) for penalties caused by possible commissioning delays, already in 2008. According to the agreement with the contractor, Fortum is entitled to adequate remedies in case of damages due to delays caused by the contractor.

After completing the ongoing investment programme in 2015, Fortum's goal is to achieve an operating profit level of about EUR 500 million in its Russia Division and to create positive economic added value in Russia.

The Russian Government decided that gas prices will increase beginning 1 July 2012; the increase is expected to be 15%. On the other hand, prices for regulated electricity sales, heat sales and CCS capacity income will be indexed at rates lower than in 2011.

Capital expenditure and divestments

Fortum currently expects its capital expenditure in 2012 to be around EUR 1.6-1.8 billion and in 2013-2014 around EUR 1.1 -1.4 billion, excluding potential acquisitions. The main reason for the high capital expenditures in 2012 is the acceleration of Fortum's Russian investment programme. The annual maintenance capital expenditure is estimated to be about EUR 500-550 million in 2012, approximately at the level of depreciation.

Taxation

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

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

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

Hedging

At the end of March 2012, approximately 70% of the Power Division's estimated Nordic power sales volume was hedged at approximately EUR 48 per MWh for the rest of the calendar year 2012. The corresponding figures for the calendar year 2013 were about 45% at approximately EUR 46 per MWh.

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

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

Dividend Payment

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

Espoo, 25 April 2012
Fortum Corporation
Board of Directors

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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 interim financials have not been audited.

Publication of financial results in 2012:
- Interim Report January – June on 19 July 2012 at approximately 9:00 EEST
- Interim Report January – September on 19 October 2012 at approximately 9:00 EEST

Distribution:
NASDAQ OMX Helsinki
Key media
www.fortum.com

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

Tables to the interim financial statements

Condensed consolidated income statement

EUR million	Note	Q1 2012	Q1 2011	2011	Last twelve months
Sales	4	**1,901**	2,034	6,161	6,028
Other income		**14**	13	91	92
Materials and services		**-801**	-951	-2,566	-2,416
Employee benefit costs		**-138**	-130	-529	-537
Depreciation, amortisation and impairment charges	4,12,13	**-158**	-149	-606	-615
Other expenses		**-167**	-168	-749	-748
Comparable operating profit		**651**	649	1,802	1,804
Items affecting comparability		**85**	251	600	434
Operating profit		**736**	900	2,402	2,238
Share of profit/loss of associates and joint ventures	4, 14	**-7**	59	91	25
Interest expense		**-76**	-62	-284	-298
Interest income		**14**	15	56	55
Fair value gains and losses on financial instruments		**-7**	-1	5	-1
Other financial expenses - net		**-7**	-7	-42	-42
Finance costs - net		**-76**	-55	-265	-286
Profit before income tax		**653**	904	2,228	1,977
Income tax expense	9	**-119**	-158	-366	-327
Profit for the period		**534**	746	1,862	1,650
Attributable to:					
Owners of the parent		**495**	678	1,769	1,586
Non-controlling interests		**39**	68	93	64
		534	746	1,862	1,650
Earnings per share (in € per share)	10				
Basic		**0.56**	0.76	1.99	1.79
Diluted		**0.56**	0.76	1.99	1.79

EUR million		Q1 2012	Q1 2011	2011	Last twelve months
Comparable operating profit		**651**	649	1,802	1,804
Non-recurring items (capital gains and losses)		**110**	82	284	312
Changes in fair values of derivatives hedging future cash flow		**-16**	173	344	155
Nuclear fund adjustment		**-9**	-4	-28	-33
Items affecting comparability		**85**	251	600	434
Operating profit		**736**	900	2,402	2,238

Condensed consolidated statement of comprehensive income

EUR million	Q1 2012	Q1 2011	2011	2010
Profit for the period	**534**	746	1,862	1,354
Other comprehensive income				
Cash flow hedges				
Fair value gains/losses in the period	**66**	50	299	-583
Transfers to income statement	**-32**	232	480	1
Transfers to inventory/fixed assets	**-2**	0	-23	-16
Tax effect	**-9**	-74	-195	151
Net investment hedges				
Fair value gains/losses in the period	**0**	-1	2	-1
Tax effect	**0**	0	0	0
Available for sale financial assets				
Fair value changes in the period	**0**	0	-1	0
Exchange differences on translating foreign operations	**214**	38	-75	344
Share of other comprehensive income of associates [1)]	**-12**	21	2	-69
Other changes	**-1**	1	3	-16
Other comprehensive income for the period, net of tax	**224**	267	492	-189
Total comprehensive income for the year	**758**	1,013	2,354	1,165
Total comprehensive income attributable to				
Owners of the parent	**714**	939	2,255	1,064
Non-controlling interests	**44**	74	99	101
	758	1,013	2,354	1,165

[1)] Of which fair value change in Hafslund ASA's shareholding in REC incl. translation differences	**-**	6	0	-77

Condensed consolidated balance sheet

EUR million	Note	March 31 2012	March 31 2011	Dec 31 2011
ASSETS				
Non-current assets				
Intangible assets	12	**455**	435	433
Property, plant and equipment	13	**15,541**	14,717	15,234
Participations in associates and joint ventures	4, 14	**2,039**	2,129	2,019
Share in State Nuclear Waste Management Fund	17	**659**	634	653
Pension assets		**60**	65	60
Other non-current assets		**69**	73	69
Deferred tax assets		**150**	152	150
Derivative financial instruments	6	**401**	124	396
Long-term interest-bearing receivables		**1,228**	1,168	1,196
Total non-current assets		**20,602**	19,497	20,210
Current assets				
Inventories		**479**	318	528
Derivative financial instruments	6	**385**	156	326
Trade and other receivables		**1,079**	1,189	1,020
Bank deposits		**-**	158	-
Cash and cash equivalents		**1,574**	1,171	731
Liquid funds	16	**1,574**	1,329	731
Assets held for sale [1)]	7	**-**	128	183
Total current assets		**3,517**	3,120	2,788
Total assets		**24,119**	22,617	22,998
EQUITY				
Equity attributable to owners of the parent				
Share capital	15	**3,046**	3,046	3,046
Share premium		**73**	73	73
Retained earnings		**7,019**	5,274	6,318
Other equity components		**208**	-134	195
Total		**10,346**	8,259	9,632
Non-controlling interests		**573**	605	529
Total equity		**10,919**	8,864	10,161
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	16	**7,192**	6,557	6,845
Derivative financial instruments	6	**179**	200	192
Deferred tax liabilities		**2,038**	1,825	2,013
Nuclear provisions	17	**659**	634	653
Other provisions	18	**220**	246	205
Pension obligations		**25**	28	26
Other non-current liabilities		**466**	464	465
Total non-current liabilities		**10,779**	9,954	10,399
Current liabilities				
Interest-bearing liabilities	16	**905**	1,139	925
Derivative financial instruments	6	**293**	570	219
Trade and other payables [2)]		**1,223**	2,090	1,265
Liabilities related to assets held for sale	7	**-**	-	29
Total current liabilities		**2,421**	3,799	2,438
Total liabilities		**13,200**	13,753	12,837
Total equity and liabilities		**24,119**	22,617	22,998

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

[2)] Trade and other payables as of 31 March 2011 includes dividends EUR 888 million that were paid in April 2011. Dividends for 2011 were decided in the Annual General Meeting held in April 2012 and therefore no bookings have been made for Q1 2012.

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings: Retained earnings and other funds	Retained earnings: Translation of foreign operations	Other equity components: Cash flow hedges	Other equity components: Other OCI items	Other equity components: OCI items associated companies	Owners of the parent	Non-controlling interests	Total equity
Total equity 31 December 2011	**3,046**	**73**	**6,670**	**-352**	**136**	**-2**	**61**	**9,632**	**529**	**10,161**
Net profit for the period			495					495	39	534
Translation differences				205	2			207	7	214
Other comprehensive income			1		23		-12	12	-2	10
Total comprehensive income for the period			496	205	25	0	-12	714	44	758
Total equity 31 March 2012	**3,046**	**73**	**7,166**	**-147**	**161**	**-2**	**49**	**10,346**	**573**	**10,919**
Total equity 31 December 2010	**3,046**	**73**	**5,726**	**-278**	**-419**	**0**	**62**	**8,210**	**532**	**8,742**
Net profit for the period			678					678	68	746
Translation differences				35				35	3	38
Other comprehensive income			1		205	-1	21	226	3	229
Total comprehensive income for the period			679	35	205	-1	21	939	74	1,013
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0		0
Changes due to business combinations						-2		-2	-1	-3
Total equity 31 March 2011	**3,046**	**73**	**5,517**	**-243**	**-214**	**-3**	**83**	**8,259**	**605**	**8,864**
Total equity 31 December 2010	**3,046**	**73**	**5,726**	**-278**	**-419**	**0**	**62**	**8,210**	**532**	**8,742**
Net profit for the period			1,769					1,769	93	1,862
Translation differences				-74				-74		-74
Other comprehensive income			6		555		-1	560	6	566
Total comprehensive income for the period			1,775	-74	555	0	-1	2,255	99	2,354
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-21	-21
Changes due to business combinations			54			-2		52	-81	-29
Other			3					3		3
Total equity 31 December 2011	**3,046**	**73**	**6,670**	**-352**	**136**	**-2**	**61**	**9,632**	**529**	**10,161**

Translation differences

Translation differences impacted equity attributable to owners of the parent company with EUR 207 million during Q1 2012 (Q1 2011: 35) mainly relating to RUB amounting to EUR 181 million in Q1 2012 (Q1 2011: 42).

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 8 Exchange rates.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR 23 million during Q1 2012 (Q1 2011: 205), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividend

The dividend for 2011 was decided at the Annual General Meeting on 11 April 2012. These Financial statements do not reflect this dividend.The dividend was paid on 23 April 2012. The dividend for 2010 was decided at the Annual General Meeting on 31 March 2011. In Q1 2011 the total dividend was included in the trade and other payables. See Note 11 Dividend per share.

Condensed consolidated cash flow statement

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Cash flow from operating activities				
Net profit for the period	**534**	746	1,862	1,650
Adjustments:				
Income tax expenses	**119**	158	366	327
Finance costs-net	**76**	55	265	286
Share of profit of associates and joint ventures	**7**	-59	-91	-25
Depreciation, amortisation and impairment charges	**158**	149	606	615
Operating profit before depreciations (EBITDA)	**894**	1,049	3,008	2,853
Non-cash flow items and divesting activities	**-99**	-270	-726	-555
Interest received	**14**	19	59	54
Interest paid	**-70**	-66	-298	-302
Dividends received	**0**	0	108	108
Realised foreign exchange gains and losses and other financial items	**-86**	-255	-245	-76
Taxes	**-78**	-114	-394	-358
Funds from operations	**575**	363	1,512	1,724
Change in working capital	**-22**	91	101	-12
Total net cash from operating activities	**553**	454	1,613	1,712
Cash flow from investing activities				
Capital expenditures	**-272**	-206	-1,285	-1,351
Acquisitions of shares	**0**	-19	-62	-43
Proceeds from sales of fixed assets	**0**	1	15	14
Divestments of shares	**129**	117	492	504
Proceeds from the interest-bearing receivables relating to divestments	**147**	90	89	146
Shareholder loans to associated companies	**-24**	-24	-109	-109
Change in other interest-bearing receivables	**3**	26	35	12
Total net cash used in investing activities	**-17**	-15	-825	-827
Cash flow before financing activities	**536**	439	788	885
Cash flow from financing activities				
Proceeds from long-term liabilities	**318**	85	951	1,184
Payments of long-term liabilities	**-12**	-12	-365	-365
Change in short-term liabilities	**-22**	259	-278	-559
Dividends paid to the owners of the parent	**-**	-	-888	-888
Other financing items	**-7**	-2	-10	-15
Total net cash used in financing activities	**277**	330	-590	-643
Total net increase(+) / decrease(-) in liquid funds	**813**	769	198	242
Liquid funds at the beginning of the period	**747**	556	556	1,329
Foreign exchange differences in liquid funds	**14**	4	-7	3
Liquid funds at the end of the period [1)]	**1,574**	1,329	747	1,574

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

Non-cash flow items and divesting activities

Non-cash flow items and divesting activities mainly consist of adjustments for unrealised fair value changes of derivatives and capital gains. The actual proceeds for divestments are shown under cash flow from investing activities.

Realised foreign exchange gains and losses and other financial items

Realised foreign exchange gains and losses EUR -84 million for Q1 2012 (Q1 2011: -254) mainly relate to financing of Fortum's Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise for rollover of foreign exchange contracts hedging the internal loans as major part of these forwards is entered into with short maturities i.e. less than twelve months.

Additional cash flow information

Change in working capital

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Change in interest-free receivables, decrease (+)/increase (-)	**-63**	82	266	121
Change in inventories, decrease (+)/increase (-)	**54**	75	-143	-164
Change in interest-free liabilities, decrease (-)/increase (+)	**-13**	-66	-22	31
Total	**-22**	91	101	-12

Negative effect from change in working capital during Q1 2012, EUR -22 million (Q1 2011: 91) is mainly due to increase of trade receivables, which is partly offset by decrease of fuel inventories.

Capital expenditure in cash flow

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Capital expenditure	**218**	167	1,408	1,459
Change in not yet paid investments	**72**	51	-70	-49
Capitalised borrowing costs	**-18**	-12	-53	-59
Total	**272**	206	1,285	1,351

Capital expenditures for intangible assets and property, plant and equipment were EUR 218 million (31 March 2011: 167). Capital expenditure in cash flow EUR 272 million in Q1 2012 (Q1 2011: 206) is presented without not yet paid investments i.e. change in trade payables related to investments EUR 72 million (Q1 2011: 51) and capitalised borrowing costs EUR 18 million (Q1 2011: 12), which are presented in interest paid.

Acquisition of shares in cash flow

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Acquisition of subsidiaries, net of cash acquired	**0**	19	44	25
Acquisition of associates [1]	**-**	0	16	16
Acquisition of available for sale financial assets [2]	**0**	0	2	2
Total	**0**	19	62	43

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

[2] Available for sale financial assets are presented under Other non-current assets in the Balance sheet.

Acquisition of shares in subsidiaries, net of cash acquired EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Gross investments of shares	**0**	22	47	25
Changes in not yet paid acquisitions	**-**	-2	-2	0
Interest bearing debt in acquired subsidiaries	**-**	-1	-1	0
Total	**0**	19	44	25

Acquisition of shares in associates EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Gross investments of shares	**-**	16	25	9
Changes in not yet paid acquisitions	**-**	-16	-9	7
Total	**-**	0	16	16

Additional cash flow information

Divestment of shares in cash flow

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	**126**	110	117	133
Proceeds from sales of associates	**3**	7	375	371
Total	**129**	117	492	504

Gross divestment of shares in subsidiaries totalled EUR 295 million in Q1 2012 (Q1 2011: 200) including interest-bearing debt in sold subsidiaries of EUR 169 million (Q1/2011: 90), see Note 7. Proceeds from divestments of shares totalled EUR 129 million in Q1 2012 (Q1 2011: 117) including EUR 79 million related to divestment of certain heat businesses in Finland and Estonia (Fortum Energiaratkaisut Oy and Fortum Termest AS) and EUR 34 million related to divestment of small hydropower plants in Finland.

Change in net debt

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Net debt beginning of the period	**7,023**	6,826	6,826	6,367
Foreign exchange rate differences	**29**	6	7	30
EBITDA	**894**	1,049	3,008	2,853
Paid net financial costs, taxes and adjustments for non-cash and divestment items	**-319**	-686	-1,496	-1,129
Change in working capital	**-22**	91	101	-12
Capital expenditures	**-272**	-206	-1,285	-1,351
Acquisitions	**0**	-19	-62	-43
Divestments	**129**	118	507	518
Proceeds from the interest-bearing receivables relating to divestments	**147**	90	89	146
Shareholder loans to associated companies	**-24**	-24	-109	-109
Change in other interest-bearing receivables	**3**	26	35	12
Dividends	**-**	-	-888	-888
Other financing activities	**-7**	-2	-10	-15
Net cash flow (- increase in net debt)	**529**	437	-110	-18
Fair value change of bonds, amortised cost valuation and other	**0**	-28	80	108
Net debt end of period	**6,523**	6,367	7,023	6,523

Key ratios

	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011	Last twelve months
EBITDA, EUR million	**894**	3,008	2,274	1,813	1,049	2,853
Comparable EBITDA, EUR million	**809**	2,374	1,723	1,279	798	2,385
Earnings per share (basic), EUR	**0.56**	1.99	1.52	1.29	0.76	1.79
Capital employed, EUR million	**19,016**	17,931	17,034	16,998	16,560	N/A
Interest-bearing net debt, EUR million	**6,523**	7,023	6,929	6,783	6,367	N/A
Capital expenditure and gross investments in shares, EUR million	**218**	1,482	962	572	205	1,495
Capital expenditure, EUR million	**218**	1,408	899	533	167	1,459
Return on capital employed, % [1)]	**14.5**	14.8	14.3	16.1	19.1	12.8
Return on shareholders' equity, % [1)]	**17.9**	19.7	19.1	22.0	26.9	16.7
Net debt / EBITDA [1)]	**2.0**	2.3	2.4	2.2	1.8	2.3
Comparable net debt / EBITDA [1)]	**2.0**	3.0	3.0	2.7	2.0	2.7
Interest coverage	**11.9**	10.5	11.2	14.8	19.0	9.2
Interest coverage including capitalised borrowing costs	**9.2**	8.5	9.1	12.0	15.1	7.4
Funds from operations/interest-bearing net debt, % [1)]	**39.1**	21.5	20.7	24.2	34.8	26.4
Gearing, %	**60**	69	74	72	72	N/A
Equity per share, EUR	**11.65**	10.84	10.05	9.93	9.30	N/A
Equity-to-assets ratio, %	**45**	44	44	44	39	N/A
Number of employees	**10,542**	10,780	11,041	11,342	10,976	N/A
Average number of employees	**10,587**	11,010	11,062	11,030	10,913	N/A
Average number of shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367
Diluted adjusted average number of shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367
Number of registered shares, 1 000 shares	**888,367**	888,367	888,367	888,367	888,367	888,367

[1)] Quarterly figures are annualised except items affecting comparability.
For definitions, see Note 26.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

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

2. Accounting policies

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

3. Critical accounting estimates and judgements

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

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

4. Segment information

Sales **EUR million**	**Q1 2012**	Q1 2011	2011	Last twelve months
Power sales excluding indirect taxes	**948**	1,034	3,458	3,372
Heating sales	**604**	671	1,602	1,535
Network transmissions	**296**	299	905	902
Other sales	**53**	30	196	219
Total	**1,901**	2,034	6,161	6,028

Sales by segment **EUR million**	**Q1 2012**	Q1 2011	2011	Last twelve months
Power [1)]	**655**	693	2,481	2,443
- of which internal	***47***	*-103*	*-24*	*126*
Heat [1)]	**625**	725	1,737	1,637
- of which internal	***9***	*-1*	*8*	*18*
Russia	**310**	295	920	935
- of which internal	**-**	-	-	-
Distribution	**308**	311	973	970
- of which internal	***10***	*4*	*15*	*21*
Electricity Sales [1)]	**247**	373	900	774
- of which internal	***26***	*49*	*95*	*72*
Other [1)]	**44**	30	108	122
- of which internal	***8***	*78*	*115*	*45*
Netting of Nord Pool transactions [2)]	**-188**	-366	-749	-571
Eliminations	***-100***	*-27*	*-209*	*-282*
Total	**1,901**	2,034	6,161	6,028

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

[2)] Sales and purchases with Nord Pool Spot is netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Comparable operating profit by segment

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power	**341**	325	1,201	1,217
Heat	**161**	171	278	268
Russia	**48**	34	74	88
Distribution	**110**	124	295	281
Electricity Sales	**9**	11	27	25
Other	**-18**	-16	-73	-75
Total	**651**	649	1,802	1,804

Operating profit by segment

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power	**367**	489	1,476	1,354
Heat	**213**	265	380	328
Russia	**48**	34	74	88
Distribution	**117**	125	478	470
Electricity Sales	**11**	-20	3	34
Other	**-20**	7	-9	-36
Total	**736**	900	2,402	2,238

Non-recurring items by segment

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power [1)]	**47**	0	2	49
Heat [2)]	**58**	80	86	64
Russia	**0**	0	0	0
Distribution	**5**	1	193	197
Electricity Sales	**-**	1	3	2
Other	**0**	-	0	0
Total	**110**	82	284	312

[1)] Non-recurring items in Power segment in Q1 2012 include a gain of EUR 47 million recognised on the divestment of small hydropower plants in Finland.
[2)] Non-recurring items in Heat segment in Q1 2012 include a gain of EUR 58 million recognised on the divestment of certain heat businesses (Fortum Energiaratkaisut Oy and Fortum Termest AS).

Non-recurring items include capital gains and losses.

Other items affecting comparability by segment

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power [1)]	**-21**	164	273	88
Heat	**-6**	14	16	-4
Russia	**-**	-	-	-
Distribution	**2**	0	-10	-8
Electricity Sales	**2**	-32	-27	7
Other	**-2**	23	64	39
Total	**-25**	169	316	122
[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-9**	-4	-28	-33

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

Comparable EBITDA by segment EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power	**369**	352	1,310	**1,327**
Heat	**211**	220	471	**462**
Russia	**77**	57	148	**168**
Distribution	**159**	171	482	**470**
Electricity Sales	**9**	12	29	**26**
Other	**-16**	-14	-66	**-68**
Total	**809**	798	2,374	2,385

Depreciation, amortisation and impairment charges by segment EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power	**28**	27	109	110
Heat	**50**	49	193	194
Russia	**29**	23	108	114
Distribution	**49**	47	187	189
Electricity Sales	**0**	1	2	1
Other	**2**	2	7	7
Total	**158**	149	606	615

Share of profit/loss in associates and joint ventures by segment EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power [1), 2)]	**-7**	-4	3	0
Heat	**9**	4	19	24
Russia	**0**	8	30	22
Distribution	**1**	8	14	7
Electricity Sales	**0**	1	2	1
Other	**-10**	42	23	-29
Total	**-7**	59	91	25
[1)] Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):	**-2**	-1	-6	-7

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

Participation in associates and joint ventures by segment EUR million	March 31 2012	March 31 2011	Dec 31 2011
Power	**903**	928	921
Heat	**168**	163	160
Russia	**471**	437	443
Distribution	**104**	104	101
Electricity Sales	**0**	9	0
Other	**393**	488	395
Total [1)]	**2,039**	2,129	2,020

[1)] Including participations in associates relating to Assets held for sale 31 December 2011 EUR 1 million.

Capital expenditure by segment EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power	**24**	17	131	138
Heat	**67**	36	297	328
Russia	**81**	75	670	676
Distribution	**44**	34	289	299
Electricity Sales	**0**	3	5	2
Other	**2**	2	16	16
Total	**218**	167	1,408	1,459
Of which capitalised borrowing costs	**18**	12	53	59

Gross investments in shares by segment EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power	**0**	16	17	1
Heat	**0**	22	32	10
Russia	**0**	0	24	24
Distribution	**-**	-	-	-
Electricity Sales	**-**	-	-	-
Other	**0**	0	1	1
Total	**0**	38	74	36

Gross investments in shares in Q1 2011 in Power segment include additional share capital paid to Teollisuuden Voima Oyj. See Note 14. In January 2011 Heat segment invested in two Polish 's companies. See Note 7 for additional information.

Gross divestments in shares by segment EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Power	**63**	0	3	66
Heat	**195**	199	203	199
Russia	**0**	0	23	23
Distribution	**37**	1	323	359
Electricity Sales	**-**	5	16	11
Other	**0**	-	0	0
Total	**295**	205	568	658

Net assets by segment EUR million	March 31 2012	March 31 2011	Dec 31 2011
Power	**6,117**	5,996	6,247
Heat	**4,171**	4,030	4,191
Russia	**3,547**	2,918	3,273
Distribution	**3,641**	3,711	3,589
Electricity Sales	**56**	130	11
Other	**230**	345	208
Total	**17,762**	17,130	17,519

Comparable return on net assets by segment %	Last twelve months	Dec 31 2011
Power	20.1	19.9
Heat	7.2	7.4
Russia	3.5	3.5
Distribution	8.0	8.6
Electricity Sales	44.6	33.5
Other	-27.4	-12.7

Return on net assets by segment %	Last twelve months	Dec 31 2011
Power	22.3	24.6
Heat	8.7	9.9
Russia	3.5	3.5
Distribution	13.3	13.7
Electricity Sales	53.6	4.2
Other	-20.2	5.3

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

Assets by segments EUR million	March 31 2012	March 31 2011	Dec 31 2011
Power	**7,112**	6,864	7,134
Heat	**4,564**	4,514	4,597
Russia	**3,985**	3,312	3,692
Distribution	**4,175**	4,243	4,187
Electricity Sales	**344**	492	249
Other	**816**	691	628
Eliminations	**-606**	-349	-306
Assets included in Net assets	**20,390**	19,767	20,181
Interest-bearing receivables	**1,274**	1,210	1,219
Deferred taxes	**150**	152	150
Other assets	**731**	159	717
Liquid funds	**1,574**	1,329	731
Total assets	**24,119**	22,617	22,998

Liabilities by segments EUR million	March 31 2012	March 31 2011	Dec 31 2011
Power	**995**	868	887
Heat	**393**	484	406
Russia	**438**	394	419
Distribution	**534**	532	598
Electricity Sales	**288**	362	238
Other	**586**	346	420
Eliminations	**-606**	-349	-306
Liabilities included in Net assets	**2,628**	2,637	2,662
Deferred tax liabilities	**2,038**	1,825	2,013
Other liabilities	**437**	1,595	392
Total liabilities included in Capital employed	**5,103**	6,057	5,067
Interest-bearing liabilities	**8,097**	7,696	7,770
Total equity	**10,919**	8,864	10,161
Total equity and liabilities	**24,119**	22,617	22,998

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

Number of employees	March 31 2012	March 31 2011	Dec 31 2011
Power	**1,842**	1,812	1,847
Heat	**2,352**	2,770	2,504
Russia	**4,337**	4,418	4,379
Distribution	**851**	888	898
Electricity Sales	**516**	500	519
Other	**644**	588	633
Total	**10,542**	10,976	10,780

Average number of employees	Q1 2012	Q1 2011	2011
Power	**1,843**	1,812	1,873
Heat	**2,386**	2,725	2,682
Russia	**4,347**	4,382	4,436
Distribution	**860**	898	902
Electricity Sales	**514**	510	510
Other	**637**	586	607
Total	**10,587**	10,913	11,010

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

5. Quarterly segment information

Extended quarterly information is available on Fortum's website www.fortum.com (about Fortum/Investors/Financial information/Interim reports).

Quarterly sales by segment EUR million	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**655**	654	560	574	693
- of which internal	***47***	*68*	*35*	*-24*	*-103*
Heat	**625**	478	212	322	725
- of which internal	***9***	*6*	*2*	*1*	*-1*
Russia	**310**	274	156	195	295
- of which internal	***-***	*-*	*-*	*-*	*-*
Distribution	**308**	244	203	215	311
- of which internal	***10***	*4*	*3*	*4*	*4*
Electricity Sales	**247**	205	139	183	373
- of which internal	***26***	*13*	*11*	*22*	*49*
Other	**44**	32	27	19	30
- of which internal	***8***	*-5*	*3*	*39*	*78*
Netting of Nord Pool transactions	**-188**	-134	-99	-150	-366
Eliminations	***-100***	*-86*	*-54*	*-42*	*-27*
Total	**1,901**	1,667	1,144	1,316	2,034

Quarterly comparable operating profit by segments EUR million	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**341**	351	268	257	325
Heat	**161**	96	-14	25	171
Russia	**48**	35	-16	21	34
Distribution	**110**	49	62	60	124
Electricity Sales	**9**	2	4	10	11
Other	**-18**	-25	-7	-25	-16
Total	**651**	508	297	348	649

Quarterly operating profit by segments EUR million	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**367**	443	273	271	489
Heat	**213**	100	-10	25	265
Russia	**48**	35	-16	21	34
Distribution	**117**	41	60	252	125
Electricity Sales	**11**	-6	6	23	-20
Other	**-20**	-34	1	17	7
Total	**736**	579	314	609	900

Quarterly non-recurring items by segment EUR million	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power	**47**	0	0	2	0
Heat	**58**	7	0	-1	80
Russia	**0**	0	0	0	0
Distribution	**5**	0	0	192	1
Electricity Sales	**-**	2	0	0	1
Other	**0**	0	0	0	0
Total	**110**	9	0	193	82

Quarterly other items affecting comparability EUR million	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Power [1)]	**-21**	92	5	12	164
Heat	**-6**	-3	4	1	14
Russia	**-**	-	-	-	-
Distribution	**2**	-8	-2	0	0
Electricity Sales	**2**	-10	2	13	-32
Other	**-2**	-9	8	42	23
Total	**-25**	62	17	68	169
[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-9**	-10	-6	-8	-4

6. Financial risk management

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

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

Derivatives

		March 31 2012		March 31 2011		Dec 31 2011
Interest and currency derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value	Notional value	Net fair value
	MEUR	**MEUR**	MEUR	MEUR	MEUR	MEUR
Interest rate swaps	**5,091**	**130**	4,068	43	4,737	141
Forward foreign exchange contracts	**7,782**	**-150**	8,581	-117	8,257	-143
Forward rate agreements	**226**	**0**	168	0	196	0
Interest rate and currency swaps	**247**	**-2**	543	-20	247	1
Electricity derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	TWh	**MEUR**	TWh	MEUR	TWh	MEUR
Sales swaps	**99**	**628**	115	-876	95	559
Purchase swaps	**53**	**-337**	64	483	48	-289
Purchased options	**2**	**2**	0	1	1	1
Written options	**5**	**2**	2	-2	1	1
Oil derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	1000 bbl	**MEUR**	1000 bbl	MEUR	1000 bbl	MEUR
Sales swaps and futures	**27,727**	**-107**	31,146	-257	10,000	-6
Purchase swaps and futures	**27,438**	**109**	31,003	259	9,910	4
Coal derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	kt	**MEUR**	kt	MEUR	kt	MEUR
Sold	**11,445**	**93**	10,680	-122	12,325	94
Bought	**12,285**	**-79**	10,041	124	11,642	-80
CO_2 emission allowance derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	$ktCO_2$	**MEUR**	$ktCO_2$	MEUR	$ktCO_2$	MEUR
Sold	**34,983**	**109**	16,436	-28	15,283	89
Bought	**38,164**	**-80**	14,831	27	13,981	-59
Share derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value	Notional value	Net fair value
	MEUR	**MEUR**	MEUR	MEUR	MEUR	MEUR
Share forwards [1)]	**8**	**8**	9	14	9	9

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

7. Acquisitions, disposals and assets held for sale

Acquisitions

There were no material acquisitions during the first quarter 2012.

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

Disposals

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

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

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

In December 2010 Fortum signed an agreement to divest district heat operations and production facilities outside Stockholm in Sweden. The divestment was completed on 31 March 2011. The total sales price was approximately EUR 220 million and the recognised gain EUR 82 million. The operations were part of the Heat segment and the gain is recognised in Heat segment. Major part of the divested operations were owned by Fortum's subsidiary Fortum Värme in which the city of Stockholm has a 50% economic interest. The Stockholm City Board and the Swedish Competition Authority have given their approval to the transaction. The assets and liabilities related to the divested operations were presented as assets and liabilities held for sale in December 2010.

Fortum's divestment of 25% shareholding in the Finnish transmission system operator Fingrid was completed on 19 April 2011. See Note 14.

Gross divestments of shares

EUR million	Q1 2012	Q1 2011	2011	Last twelve months
Proceeds settled in cash	**126**	110	117	133
Interest bearing debt in sold subsidiaries[1)]	**169**	90	89	168
Gross divestments of shares in subsidiaries [2)]	**295**	200	206	301
Gross divestment of associates	**0**	5	362	357
Total	**295**	205	568	658

[1)] Including EUR 22 million received in April 2012.

[2)] Liquid funds in sold subsidiaries EUR 9 million (Q1:2011 14) are netted from gross divestments.

8. Exchange rates

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

Key exchange rates for Fortum Group applied in the accounts:

Average rate	Jan-March 2012	Jan-Dec 2011	Jan-Sept 2011	Jan-June 2011	Jan-March 2011
Sweden (SEK)	**8.8658**	9.0038	8.9982	8.9273	8.8775
Norway (NOK)	**7.6136**	7.7824	7.7962	7.7996	7.8173
Poland (PLN)	**4.2389**	4.1254	4.0320	3.9655	3.9692
Russia (RUB)	**39.9714**	41.0219	40.7778	40.4461	40.4504

Balance sheet date rate	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011
Sweden (SEK)	**8.8455**	8.9120	9.2580	9.1739	8.9329
Norway (NOK)	**7.6040**	7.7540	7.8880	7.7875	7.8330
Poland (PLN)	**4.1522**	4.4580	4.4050	3.9903	4.0106
Russia (RUB)	**39.2950**	41.7650	43.3500	40.4000	40.2850

9. Income tax expense

Tax rate according to the income statement for Q1 2012 was 18.3% (Q1 2011: 17.5%).

The tax rate for Q1 2012, excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.0% (Q1 2011: 20.8%). The tax rate for the full year 2011, excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.4%.The tax rate used in the income statement is always impacted by the fact that share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax.

10. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	Q1 2012	Q1 2011	2011
Earnings (EUR million):			
Profit attributable to the owners of the parent	**495**	678	1,769
Number of shares (thousands):			
Weighted average number of shares for the purpose of basic earnings per share	**888,367**	888,367	888,367
Weighted average number of shares for the purpose of diluted earnings per share	**888,367**	888,367	888,367

11. Dividend per share

A dividend in respect of 2011 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million, was decided at the Annual General Meeting on 11 April 2012. These Financial statements do not reflect this dividend. The dividend was paid on 23 April 2012.

A dividend in respect of 2010 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million, was decided at the Annual General Meeting on 31 March 2011. In Q1 2011 the total dividend was included in the trade and other payables. The dividend was paid on 12 April 2011.

12. Changes in intangible assets

EUR million	**March 31 2012**	March 31 2011	Dec 31 2011
Opening balance	**433**	421	421
Increase through acquisition of subsidiary companies	**-**	-	0
Capital expenditures	**4**	10	27
Changes of emission rights	**1**	6	13
Depreciation, amortisation and impairment	**-5**	-5	-19
Moved to Assets held for sale	**-**	-	-2
Reclassifications	**2**	-	-
Translation differences and other adjustments	**20**	3	-7
Closing balance	**455**	435	433
Goodwill included in closing balance	**313**	305	294
Change in goodwill during the period due to translation differences	**19**	4	-7

13. Changes in property, plant and equipment

EUR million	March 31 2012	March 31 2011	Dec 31 2011
Opening balance	**15,234**	14,621	14,621
Increase through acquisition of subsidiary companies	**-**	29	26
Capital expenditures	**214**	157	1,381
Changes of nuclear asset retirement cost	**0**	3	5
Disposals	**0**	-1	-13
Depreciation, amortisation and impairment	**-153**	-144	-587
Sale of subsidiary companies	**-18**	-	-
Moved to Assets held for sale	**-**	-	-128
Reclassifications	**-2**	-	-
Translation differences and other adjustments	**266**	52	-71
Closing balance	**15,541**	14,717	15,234

14. Changes in participations in associates and joint ventures

EUR million	March 31 2012	March 31 2011	Dec 31 2011
Opening balance	**2,019**	2,161	2,161
Share of profits of associates and joint ventures	**-7**	59	91
Investments	**-**	-	9
Share issues and shareholders' contributions	**-**	16	16
Divestments	**-**	-4	-146
Dividend income received	**0**	0	-108
OCI items associated companies	**-12**	21	-1
Moved to Assets held for sale	**-**	-128	-1
Translation differences and other adjustments	**39**	4	-2
Closing balance	**2,039**	2,129	2,019

Share of profits from associates and joint ventures

Share of profits from associates in Q1 2012 was EUR -7 million (Q1 2011: 59) of which Hafslund ASA represented EUR -9 million (Q1 2011: 42) and TGC-1 EUR 0 million (Q1 2011: 8). Share of profits from TGC-1 is based on the company's published IFRS financial statements. The IFRS financial statements for 2011 from TGC-1 have not been available, when preparing Fortum's Q1 2012 results, so no share of profits from TGC-1 have been included in Fortum's result.

According to Fortum Group accounting policies the share of profits from Hafslund will be included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available. Q1 includes Fortum's share of Hafslund's Q4 profit.

In December 2011 Hafslund sold its shareholding in REC. In Q1 2012 Fortum recognised EUR 7 million loss as part of the share of profit of associates and joint ventures in relation to Hafslund's divestment of REC shares while in Q1 2011 Fortum recognised EUR 38 million in relation to Hafslund's divestment of Hafslund Fibernett AS.

Fortum's share of profits for the full year 2011 amounted to EUR 91 million, of which Hafslund represented EUR 23 million, TGC-1 EUR 30 million, and Gasum EUR 16 million.

Investments and share issues

There were no investments or shares issues in associated companies during the first quarter of 2012.

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

Divestments

There were no divestments of shares in accociated companies during the first quarter of 2012.

In the first quarter of 2011 Electricity Sales segment divested its 30.78% share in Energiapolar Oy.

15. Share capital

EUR million	Number of shares March 31 2012	Share capital March 31 2012	Number of shares Dec 31 2011	Share capital Dec 31 2011
Registered shares at 1 January	**888,367,045**	**3,046**	888,367,045	3,046
Registered shares at the end of the period	**888,367,045**	**3,046**	888,367,045	3,046

16. Interest-bearing liabilities and liquid funds

On 7 March 2012, Fortum Corporation issued two 5 year bonds under its existing Euro Medium Term Note Programme. The amount of SEK 2,750 million (about EUR 309 million) consisting of SEK 1,000 million floating rate and SEK 1,750 million at 3.25% fixed rate. The proceeds from these new financing arrangements will be used for general corporate purposes. Per quarter end the amount of short-term financing was EUR 235 million (31 December 2011: 254). The interest-bearing debt increased during the quarter by EUR 327 million from EUR 7,770 million to EUR 8,097 million. Total liquid funds increased by EUR 827 million from EUR 747 million to EUR 1,574 million.

17. Nuclear related assets and liabilities

EUR million	March 31 2012	March 31 2011	Dec 31 2011
Carrying values in the balance sheet			
Nuclear provisions	**659**	634	653
Share in the State Nuclear Waste Management Fund	**659**	634	653
Legal liability and actual share of the State Nuclear Waste Management Fund			
Liability for nuclear waste management according to the Nuclear Energy Act	**968**	944	968
Funding obligation target	**941**	886	941
Fortum's share of the State Nuclear Waste Management Fund	**903**	886	903

Nuclear related provisions

The liability regarding the Loviisa nuclear power plant is calculated according to the Nuclear Energy Act and was decided by the Ministry of Employment and Economy in December 2011. The liability is based on a technical plan, which is made every third year. The technical plan and the cost estimates were last updated in Q2 2010.

The legal liability on 31 March 2012 is EUR 968 million. The provision in the balance sheet related to nuclear waste management is based on cash flows for future costs which uses the same basis as the legal liability. The carrying value of the nuclear provision, calculated according to IAS 37, has increased by EUR 6 million compared to 31 December 2011, totalling EUR 659 million on 31 March 2012. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

Fortum's share in the State Nuclear Waste Management Fund

Fortum contributes funds to the State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target based on the legal liability decided in December 2011 and approved periodising of the payments to the Fund is EUR 941 million. Fortum has paid after this interim reporting (April 2 2012) the fee of EUR 38 million whereafter Fortum's share of the State Nuclear Waste Management Fund is fully funded. The Fund is from an IFRS perspective overfunded with EUR 244 million, since Fortum's share of the Fund on 31 March 2012 is EUR 903 million and the carrying value in the balance sheet is EUR 659 million.

Effects to comparable operating profit and operating profit

Operating profit in Power segment is affected by the accounting principle for Fortum's share of the Finnish Nuclear Waste Management Fund, since the carrying value of the Fund in Fortum's balance sheet can in maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the effects to operating profit from this adjustment will be positive if the provisions increase more than the Fund and negative if actual value of the fund increases more than the provisions. This accounting effect is not included in Comparable operating profit in Fortum financial reporting, see Other items affecting comparability in Note 4. Fortum had an effect from this adjustment in Q1 of EUR -9 million, compared to EUR -4 million in Q1 2011.

Associated companies

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

18. Other provisions

	Other provisions			Of which CSA provision		
EUR million	**March 31 2012**	March 31 2011	Dec 31 2011	**March 31 2012**	March 31 2011	Dec 31 2011
Opening balance	**205**	239	239	**180**	208	208
Unused provisions reversed	**-**	-	-53	**-**	-	-42
Change in the provision	**2**	5	16	**-**	-	8
Provisions used	**-2**	-	-10	**-**	-	-5
Unwinding of discount	**4**	-	16	**4**	-	16
Exchange rate differences	**11**	2	-3	**11**	2	-5
Closing balance	**220**	246	205	**195**	210	180

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

The effect of changes in the timing of commissioning of new power plants is assessed at each balance sheet date and provision is changed accordingly. The increase in the provision due to the discounting during Q1 2012 amounted to EUR 4 million. This amount was booked in other financial expenses.

19. Pledged assets

EUR million	**March 31 2012**	March 31 2011	Dec 31 2011
On own behalf			
For debt			
Pledges	**294**	289	290
Real estate mortgages	**137**	137	137
For other commitments			
Real estate mortgages	**148**	155	148
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	**3**	3	3

Pledged assets for debt

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

Pledged assets for other commitments

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

20. Operating lease commitments

EUR million	March 31 2012	March 31 2011	Dec 31 2011
Due within a year	**33**	27	32
Due after one year and within five years	**75**	59	68
Due after five years	**155**	126	142
Total	**263**	212	242

21. Capital commitments

EUR million	March 31 2012	March 31 2011	Dec 31 2011
Property, plant and equipment	**1,051**	1,137	940
Intangible assets	**9**	8	10
Total	**1,060**	1,145	950

Capital commitments have increased compared to year end 2011. Commitments have mainly increased relating to OAO Fortum's investments, automatic meter reading investment in Distribution Finland as well as commitments relating to CHP investments in Järvenpää, Finland and Jelgava, Latvia.

22. Contingent liabilities

EUR million	March 31 2012	March 31 2011	Dec 31 2011
On own behalf			
Other contingent liabilities	**67**	208	68
On behalf of associated companies and joint ventures			
Guarantees	**349**	359	347
Other contingent liabilities	**125**	125	125
On behalf of others			
Guarantees	**1**	0	0

Guarantees on behalf of associated companies

Guarantees and other contingent liabilities on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies (Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB). The guarantees for Forsmarks Kraftgrupp AB and OKG AB for 2012-2014 will be increased from current SEK 2.574 million (EUR 291 million) to SEK 3.696 million (EUR 418 million) later in 2012.

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

23. Legal actions and official proceedings

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

In Finland, the Energy market authority has issued methodology decisions for the years 2012-2015. The decisions were appealed by more than 70 distribution companies. Main points of the appeal relate to the changes in WACC-calculation and increased quality sanctions. Market Court ruling is expected earliest by the end of 2012.

Fortum's subsidiaries, Fortum Sweden AB and Fortum Nordic AB, have received an income tax assessment for the year 2009 from the Swedish tax authorities. According to the tax authorities, Fortum would have to pay additional income taxes for the year 2009 for the reallocation of the loans between the Swedish subsidiaries in 2004-2005. The claim is based on the change in tax regulation as of 2009. Fortum considers the claim unjustifiable and has appealed the decision. No provision has been accounted for in the financial statements. If the decision by the tax authority remains final despite the appeals process, the impact on the net profit for the period would be approximately 420 MSEK.

AREVA-Siemens has filed a request for an arbitration in December 2008, concerning Olkiluoto 3 delay and related costs. The supplier has in June 2011 submitted its updated statement of claim, which includes updated claimed amounts with specified sums of indirect items and interest. The Supplier's presented monetary claim including indirect items and interest is currently approximately EUR 1.9 billion. TVO has considered and found the claim by the Supplier to be without merit. TVO has, in response, filed a counter-claim in April 2009 based on costs primarily due to delays. The value of TVO’s presented counter-claim is currently approximately EUR 1.4 billion. TVO will update its counter-claim during the arbitration proceedings. The arbitration proceedings may continue for several years and the claimed and counter-claimed amounts may change.

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

No other material changes in legal actions and official proceedings have occurred during Q1 2012 compared to the year-end 2011.

24. Related party transactions

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

The Finnish State owned 50.76% of the shares in Fortum 31 December 2011. There has been no change in the amount of shares during 2012.

Associated company and joint ventures transactions

EUR million	**Q1 2012**	Q1 2011	2011
Sales to associated companies	**22**	6	21
Interest on associated company loan receivables	**10**	10	34
Purchases from associated companies	**182**	229	662

Associated company and joint ventures balances

EUR million	**March 31 2012**	March 31 2011	Dec 31 2011
Long-term interest-bearing loan receivables	**1,219**	1,097	1,186
Trade receivables	**17**	9	12
Other receivables	**15**	10	11
Long-term loan payables	**223**	223	223
Trade payables	**14**	36	14
Other payables	**16**	20	22

25. Events after the balance sheet date

There are no material events after the balance sheet date.

26. Definition of key figures

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

26. Definition of key figures

Comparable net assets	=	Net assets adjusted for non-interest bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$
Equity-to-assets ratio, %	=	$\frac{\text{Total equity including non-controlling interest}}{\text{Total assets}} \times 100$
Net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit + Depreciation, amortisation and impairment charges}}$
Comparable net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$
Interest coverage	=	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Interest coverage including capitalised borrowing costs	=	$\frac{\text{Operating profit}}{\text{Net interest expenses - capitalised borrowing costs}}$
Earnings per share (EPS)	=	$\frac{\text{Profit for the period - non-controlling interest}}{\text{Average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares excluding treasury shares at the end of the period}}$
Last twelve months (LTM)	=	Twelve months preceding the reporting date

Market conditions and achieved power prices

Power consumption TWh	Q1 2012	Q1 2011	2011	Last twelve months
Nordic countries	**113**	116	382	379
Russia	**293**	285	1,020	1,028
Tyumen	**22**	22	82	82
Chelyabinsk	**10**	10	36	36
Russia Urals area	**69**	68	250	251

Average prices	Q1 2012	Q1 2011	2011	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	**38.3**	66.2	47.1	40.2
Spot price for power in Finland, EUR/MWh	**42.5**	64.8	49.3	43.8
Spot price for power in Sweden, SE3, Stockholm EUR/MWh [1)]	**39.1**	65.9	47.9	41.2
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh	**38.0**	N/A	N/A	N/A
Spot price for power in European and Urals part of Russia, RUB/MWh [2)]	**915**	1,033	990	961
Average capacity price, tRUB/MW/month	**243**	214	209	218
Spot price for power in Germany, EUR/MWh	**45.1**	51.9	51.1	49.5
Average regulated gas price in Urals region, RUB/1000 m^3	**2,548**	2,548	2,548	2,548
Average capacity price for old capacity, tRUB/MW/month [3)]	**166**	184	160	156
Average capacity price for new capacity, tRUB/MW/month [3)]	**577**	759	560	550
Spot price for power (market price), Urals hub, RUB/MWh [2)]	**849**	947	925	900
CO_2, (ETS EUA), EUR/tonne CO_2	**8**	15	13	11
Coal (ICE Rotterdam), USD/tonne	**101**	123	122	116
Oil (Brent Crude), USD/bbl	**118**	106	111	114

1) From 1st Nov 2011 onwards price area SE3 (Stockholm), before Sweden as one area.

2) Excluding capacity tariff

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

Water reservoirs TWh	March 31 2012	March 31 2011	Dec 31 2011
Nordic water reservoirs level	**56**	20	95
Nordic water reservoirs level, long-term average	**41**	41	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q1 2012	Q1 2011	2011	Last twelve months
Export / import between Nordic area and Continental Europe+Baltics	**-5**	5	-6	-16
Export / import between Nordic area and Russia	**2**	3	11	10
Export / import Nordic area, Total	**-3**	8	5	-6

Power market liberalisation in Russia %	Q1 2012	Q1 2011	2011	Last twelve months
Share of power sold on the liberalised market	**100**	100	100	100
Share of power sold at the liberalised price by OAO Fortum	**84**	84	85	85

Achieved power prices EUR/MWh	Q1 2012	Q1 2011	2011	Last twelve months
Power's Nordic power price	**47.2**	47.9	46.1	46.0
Achieved power price for OAO Fortum	**29.3**	29.2	29.2	29.3

Production and sales volumes

Power generation TWh	**Q1 2012**	Q1 2011	2011	Last twelve months
Power generation in the EU and Norway	**14.5**	15.6	55.3	54.2
Power generation in Russia	**5.4**	4.8	17.4	18.0
Total	**19.9**	20.4	72.7	72.2

Heat production TWh	**Q1 2012**	Q1 2011	2011	Last twelve months
Heat production in the EU and Norway	**7.3**	9.6	22.0	19.7
Heat production in Russia	**10.2**	11.0	25.4	24.6
Total	**17.5**	20.6	47.4	44.3

Power generation capacity by division MW	**March 31 2012**	March 31 2011	Dec 31 2011
Power	**9,742**	9,738	9,752
Heat	**1,565**	1,706	1,670
Russia	**3,404**	3,015	3,404
Total	**14,711**	14,459	14,826

Heat production capacity by division MW	**March 31 2012**	March 31 2011	Dec 31 2011
Power	**250**	250	250
Heat	**8,892**	10,405	10,375
Russia	**13,909**	13,796	14,107
Total	**23,051**	24,451	24,732

Power generation by source in the Nordic area TWh	**Q1 2012**	Q1 2011	2011	Last twelve months
Hydropower	**6.1**	4.1	21.0	23.0
Nuclear power	**6.5**	6.8	24.9	24.6
Thermal power	**1.3**	4.0	7.2	4.5
Total	**13.9**	14.9	53.1	52.1

Power generation by source in the Nordic area %	**Q1 2012**	Q1 2011	2011	Last twelve months
Hydropower	**44**	27	40	44
Nuclear power	**46**	46	47	47
Thermal power	**10**	27	13	9
Total	**100**	100	100	100

Power sales EUR million	**Q1 2012**	Q1 2011	2011	Last twelve months
Power sales in the EU and Norway	**767**	872	2,868	2,763
Power sales in Russia	**181**	162	590	609
Total	**948**	1,034	3,458	3,372

Production and sales volumes

Heat sales **EUR million**	**Q1 2012**	Q1 2011	2011	Last twelve months
Heat sales in the EU and Norway	**478**	539	1,278	1,217
Heat sales in Russia	**126**	132	324	318
Total	**604**	671	1,602	1,535

Power sales by area **TWh**	**Q1 2012**	Q1 2011	2011	Last twelve months
Finland	**7.3**	8.1	24.6	23.8
Sweden	**7.9**	7.0	29.4	30.3
Russia	**6.2**	5.6	20.2	20.8
Other countries	**1.1**	1.1	3.6	3.6
Total	**22.5**	21.8	77.8	78.5

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

Heat sales by area **TWh**	**Q1 2012**	Q1 2011	2011	Last twelve months
Russia	**11.3**	11.0	26.7	27.0
Finland	**2.2**	3.4	8.5	7.3
Sweden	**3.3**	4.2	8.5	7.6
Poland	**2.0**	2.1	4.3	4.2
Other countries[1)]	**1.1**	1.2	3.4	3.3
Total	**19.9**	21.9	51.4	49.4

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