Fortum Corporation

Interim Report
January-September 2012

19 October 2012

Fortum Corporation
Domicile Espoo
Business ID 1463611-4

A very demanding market environment – efficiency programme launched

July - September 2012

- Comparable operating profit EUR 220 (297) million, -26%
- Operating profit EUR 223 (314) million, of which EUR 3 (17) million relates to items affecting comparability
- Earnings per share EUR 0.14 (0.23), -39%, of which EUR 0.01 (0.02) per share relates to items affecting comparability
- Fortum has launched an efficiency programme to improve cash flow by more than EUR 1 billion during 2013-2014
- Capital expenditure guidance updated: In 2012 around EUR 1.5 (1.6-1.8) billion, in 2013 EUR 1.1-1.4 billion and in 2014 EUR 0.9-1.1 (1.1-1.4) billion

January - September 2012

- Comparable operating profit EUR 1,152 (1,294) million, -11%
- Operating profit EUR 1,242 (1,823) million, of which EUR 90 (529) million relates to items affecting comparability; i.e. derivatives and the sale of Fingrid in 2011
- Earnings per share EUR 0.91 (1.52), -40%, of which EUR 0.11 (0.49) per share relates to items affecting comparability; i.e. derivatives and the sale of Fingrid in 2011
- Nordic power prices clearly lower compared to 2011

Key figures	III/12	III/11	I-III/12	I-III/11	2011	LTM*
Sales, EUR million	1,140	1,144	4,325	4,494	6,161	5,992
Operating profit, EUR million	223	314	1,242	1,823	2,402	1,821
Comparable operating profit, EUR million	220	297	1,152	1,294	1,802	1,660
Profit before taxes, EUR million	148	240	1,037	1,696	2,288	1,569
Earnings per share, EUR	0.14	0.23	0.91	1.52	1.99	1.38
Net cash from operating activities, EUR million	111	277	983	1,141	1,613	1,455
Shareholders' equity per share, EUR			10.89	10.05	10.84	n/a
Interest-bearing net debt (at end of period), EUR million			7,764	6,929	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	10.4
Return on shareholders' equity, %	19.7	13.1
Net debt/EBITDA	2.3	3.1
Comparable Net debt/EBITDA	3.0	3.4

Outlook

- Fortum currently expects the annual electricity demand growth in the Nordic countries to be on average 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, for 2013, 60% hedged at EUR 45 per MWh, and for 2014 30% hedged at EUR 43 per MWh.

Fortum's President and CEO Tapio Kuula, in connection with the third quarter of 2012:

"The business environment is extremely demanding and the hydrological situation is putting additional pressure on Nordic prices, which are clearly lower than a year ago. At the same time especially the prolonged outages in Oskarshamn Sweden, has burdened the result significantly. Group comparable operating profit totalled EUR 220 million in the third quarter and was weak as we expected, but still unacceptable.

Fortum has therefore launched an efficiency programme in order to maintain and strengthen its strategic flexibility and competitiveness and to enable the company to continue to reach its financial targets. Targeted actions will increase the efficiency of our core processes and lead to cost reductions.

The economic situation in Europe and globally – and the uncertainty regarding its duration – has affected Fortum and its business operations. External pressures and cost increases affecting the company are making it necessary for us to further develop the efficiency of our operations. According to the European utilities (Eurelectric Gallup poll), political and market risks are currently the biggest risk factors in the power sector. In addition, discussion and decision making around EU emissions trading and CO2 emission allowances have created uncertainty concerning the future carbon market. Also in the Nordic countries, the political climate has become less supportive towards CO2-free generation not dependent on subsidies, i.e. hydro and nuclear generation. In economically uncertain times, political predictability and consistency would be more valuable than ever.

In order to ensure the company's strategic flexibility and competitiveness, the aim is to improve the company's cash flow more than EUR 1 billion during 2013 – 2014, by reducing capital expenditures, divesting non-core assets, reducing fixed costs and through focus on working capital efficiency. Unfortunately, the efficiency programme may have an effect on our personnel. If headcount reductions are needed, they will be implemented on unit level by using natural rotation, rearranging of vacant jobs and by retirement, whenever possible.

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

Efficiency programme 2013-2014

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

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

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

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

Financial results

July - September

In the third quarter of 2012, Group sales were EUR 1,140 (1,144) million. The comparable operating profit totalled EUR 220 (297) million. Group operating profit totalled EUR 223 (314) million. Fortum's operating profit for the period was affected by non-recurring items, an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments amounting to EUR 3 (17) million (Note 4).

The share of profits from associates in the third quarter was EUR 7 (-2) million. The share of profits from Hafslund and TGC-1 are based on the companies' published second-quarter interim reports (Note 12).

Sales by division

EUR million	III/12	III/11	I-III/12	I-III/11	2011	LTM
Power	506	560	1,696	1,827	2,481	2,350
Heat	205	212	1,151	1,259	1,737	1,629
Russia	203	156	711	646	920	985
Distribution*	225	203	756	729	973	1,000
Electricity Sales*	119	139	501	695	900	706
Other	23	27	96	76	108	128
Netting of Nord Pool transactions	-66	-99	-342	-615	-749	-476
Eliminations	-75	-54	-244	-123	-209	-330
Total	1,140	1,144	4,325	4,494	6,161	5,992

* Part of the Electricity Solutions and Distribution Division

Comparable operating profit by division

EUR million	III/12	III/11	I-III/12	I-III/11	2011	LTM
Power	201	268	764	850	1,201	1,115
Heat	-11	-14	173	182	278	269
Russia	-12	-16	40	39	74	75
Distribution*	57	62	216	246	295	265
Electricity Sales*	9	4	29	25	27	31
Other	-24	-7	-70	-48	-73	-95
Total	220	297	1,152	1,294	1,802	1,660

* Part of the Electricity Solutions and Distribution Division

Operating profit by division

EUR million	III/12	III/11	I-III/12	I-III/11	2011	LTM
Power	205	273	786	1,033	1,476	1,229
Heat	-12	-10	221	280	380	321
Russia	-12	-16	51	39	74	86
Distribution*	58	60	225	437	478	266
Electricity Sales*	11	6	33	9	3	27
Other	-27	1	-74	25	-9	-108
Total	223	314	1,242	1,823	2,402	1,821

* Part of the Electricity Solutions and Distribution Division

January - September

In January-September, Group sales were EUR 4,325 (4,494) million. The comparable operating profit totalled EUR 1,152 (1,294) million. Group operating profit totalled EUR 1,242 (1,823) million. Fortum's operating profit for the period was affected by non-recurring items, an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments amounting to EUR 90 (529) million (Note 4).

Non-recurring items, mark-to-market effects and nuclear fund adjustments in January-September 2012 amounted to EUR 90 (529) million. Changes in fair values of derivatives hedging future cash flow accounted for EUR -8 (272) million. Non-recurring items totalled EUR 122 (275) million and were mainly related to the divestments of shares in power and heat operations (Note 4).

The share of profits of associates and joint ventures was EUR 26 (72) million. The decrease from last year was mainly due to the lower share of profits from Hafslund ASA, and TGC-1 as well as the share of profits from Fingrid Oyj, which was divested during Q2 2011(Note 12).

The Group's net financial expenses increased to EUR 231 (199) million. The increase is attributable to higher interest expenses, mainly due to higher SEK interest rates and to higher average net debt in 2012 than during the comparable period in 2011. Net financial expenses were also negatively affected by changes in the fair value of financial instruments of EUR 16 (2) million.

Profit before taxes was EUR 1,037 (1,696) million.

Taxes for the period totalled EUR 195 (278) million. The tax rate according to the income statement was 18.8% (16.4%). The tax rate, excluding mainly the impact of the share of profits of associated companies and joint ventures as well as non-taxable capital gains, was 21.2% (20.8%).

The profit for the period was EUR 842 (1,418) million. Fortum's earnings per share were EUR 0.91 (1.52), of which EUR 0.11 (0.49) per share relates to items affecting comparability; in 2011 the impact of the sale of the Fingrid shares was EUR 192 million.

Non-controlling (minority) interests amounted to EUR 36 (70) 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 January-September 2012, total net cash from operating activities decreased by EUR 158 million to EUR 983 (1,141) million. Capital expenditures in cash flow increased by EUR 55 million to EUR 919 (864) million. Proceeds from divestments totalled EUR 315 (574) million in cash flow. Cash flow before financing activities, i.e. dividend distributions and financing, decreased by EUR 448 million to EUR 345 (793) million. The strong SEK during the first three quarters had a negative impact on the cash flow through realised net foreign exchange losses amounting to EUR -233 (-215) million related to rollover of foreign exchange contracts hedging loans to Fortum Swedish subsidiaries.

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

Assets and capital employed

Total assets increased by EUR 1,147 million to EUR 24,145 (22,998 at year-end 2011) million. Non-current assets increased by EUR 1,266 million from EUR 20,210 million to EUR 21,476 million. The majority, EUR 1,057 million, came from the increased value of property, plants and equipment; due to the investments, strengthening Swedish krona and other currencies. The decrease in current assets was EUR 119 million, totalling EUR 2,669 million. The majority of the decrease relates to the lower trade and other receivables EUR 281 million and EUR 183 million decrease in assets held for sale relating to divestments closed during January-September. The decrease in current assets was partly offset with an increase in the amount of cash and cash equivalents, EUR 386 million.

Capital employed was EUR 19,120 (17,931 at year-end 2011) million, an increase of EUR 1,189 million. The increase was mainly due to the higher amount of total assets totalling EUR 1,147 million.

Equity

Total equity was EUR 10,239 (10,161 at year-end 2011) million, of which equity attributable to owners of the parent company totalled EUR 9,675 (9,632 at year-end 2011) million and non-controlling interests EUR 564 (529 at year-end 2011) million.

Financing

Net debt increased during the third quarter by EUR 344 million to EUR 7,764 (7,023 at year-end 2011) million.

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

At the end of September 2012, the Group’s liquid funds totalled EUR 1,117 (747 at year-end 2011) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 202 (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 during January - September 2012 were EUR 231 (199) million. The increase in financial expenses is mainly attributable to higher market interest rates for the Group's Swedish krona (SEK) and Russian rouble (RUB) denominated debt and a higher total average net debt. Net financial expenses include changes in the fair value of financial instruments of EUR -16 (-2) million.

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

Key figures

For the last twelve months, net debt to EBITDA was 3.1 (2.3 at year-end 2011) and comparable net debt to EBITDA 3.4 (3.0 at year-end 2011), impacted by EUR 888 million in dividend payments. Gearing was 76% (69% at year-end 2011) and the equity-to-assets ratio 42% (44% at year-end 2011). For the last twelve months, return on capital employed was 10.4% (14.8% at year-end 2011) and return on equity 13.1% (19.7% at year-end 2011). Equity per share was EUR 10.89 (10.84 at year-end 2011).

Market conditions

Nordic countries

Exceptionally high annual precipitation volumes inflated the Nordic water reservoirs and depressed the power prices during the third quarter of 2012. Average area prices for Fortum's key areas, Finland and Sweden (SE3), stayed above the system price from August through September.

According to preliminary statistics, electricity consumption in the Nordic countries during the third quarter was 80 (81) terawatt-hours (TWh), i.e. some 1.0 % lower than during the same period in 2011. This was attributable to lower industrial consumption, while non-industrial consumption was fairly flat. In January–September, electricity consumption in the Nordic countries was 280 (282) terawatt-hours (TWh), i.e. some 0.5 % lower than the year before.

At the beginning of the year, the Nordic water reservoirs were at 95 TWh, i.e. 12 TWh above the long-term average. At the beginning of the third quarter, the Nordic water reservoirs were at 86 TWh, i.e. 2 TWh above the long-term average and 3 TWh above the corresponding level in 2011. Later-than-average snow melting contributed to water reservoirs during the third quarter. By the end of the quarter, the reservoirs were 109 TWh, 8 TWh above the long-term average and 5 TWh above the corresponding level in 2011.

During the third quarter, the average system spot price of electricity in Nord Pool was EUR 20.8 (36.0) per megawatt-hour (MWh). The average area prices in Finland were EUR 30.9 (43.4) per MWh, and in Sweden (SE3) 23.2 (38.1) per MWh. The hydrological surplus as well as maintenance related and unplanned restrictions in the transmission capacity created differences in area prices, pressuring prices particularly in the hydropower intensive regions. In addition, the spot price in Finland was impacted by the reduced import of electricity from Russia.

During January-September 2012, the average system spot price was EUR 29.2 (51.5) per MWh. The average area price in Finland was EUR 35.3 (53.4) per MWh and in Sweden (SE3) EUR 30.6 (52.1) per MWh. The Fenno-Skan 2 connection between Finland and Sweden was down from 17 February to 25 April, which affected Finnish prices during that period and widened price area differences.

In Germany, the average spot price during the third quarter of 2012 was EUR 43.5 (49.2) per MWh and during January–September 2012 EUR 43.0 (51.6) per MWh.

At the beginning of the year, the market price for CO_2 emission allowances (EUA) was approximately EUR 6.6 per tonne. At the end of the third quarter, CO_2 emission allowances closed at approximately EUR 8.0 per tonne. The highest quoted price during January–September was approximately EUR 9.5 per tonne and the lowest EUR 6.2 per tonne.

Russia

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

According to preliminary statistics, Russia consumed 229 (226) TWh of electricity during the third quarter of 2012. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 172 (170) TWh.

In January-September, Russia consumed 753 (741) TWh of electricity. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 560 (553) TWh.

In the third quarter of 2012, the average electricity spot price, excluding capacity price, increased by 15% to RUB 1,143 (993) per MWh in the First price zone.

In January-September 2012, the average electricity spot price, excluding capacity price, decreased by 3% to RUB 988 (1,014) per MWh in the First price zone.

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

Division reviews

Power

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

EUR million	III/12	III/11	I-III/12	I-III/11	2011	LTM
Sales	506	560	1,696	1,827	2,481	2,350
- power sales	475	532	1,614	1,735	2,353	2,232
of which Nordic power sales*	435	491	1,477	1,471	2,041	2,047
- other sales	31	28	82	92	128	118
Operating profit	205	273	786	1,033	1,476	1,229
Comparable operating profit	201	268	764	850	1,201	1,115
Comparable EBITDA	230	295	849	931	1,310	1,228
Net assets (at period-end)			6,471	5,956	6,247	
Return on net assets, %					24.6	20.0
Comparable return on net assets, %					19.9	18.3
Capital expenditure and gross investments in shares	66	31	126	100	148	174
Number of employees			1,921	1,902	1,847	

Power generation by source, TWh	III/12	III/11	I-III/12	I-III/11	2011	LTM
Hydropower, Nordic	6.3	5.7	18.1	14.6	21.0	24.5
Nuclear power, Nordic	5.0	5.7	16.9	18.2	24.9	23.6
Thermal power, Nordic	0.2	0.1	0.4	2.1	2.2	0.5
Total in the Nordic countries	11.5	11.5	35.4	34.9	48.1	48.6
Thermal power in other countries	0.2	0.3	0.8	0.9	1.2	1.1
Total	11.7	11.8	36.2	35.8	49.3	49.7

Nordic sales volumes, TWh	III/12	III/11	I-III/12	I-III/11	2011	LTM
Nordic sales volume	11.8	12.0	36.5	36.4	50.0	50.1
of which Nordic power sales volume*	11.0	11.0	33.8	31.6	44.3	46.5

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

Sales price, EUR/MWh	III/12	III/11	I-III/12	I-III/11	2011	LTM
Power's Nordic power price**	39.7	44.3	43.7	46.5	46.1	44.1

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

July - September

In the third quarter of 2012, the Power Division’s comparable operating profit was EUR 201 (268) million, i.e. EUR 67 million lower than in the corresponding period in 2011. The system and all area prices were clearly lower during the third quarter of 2012 compared to the same period in 2011. The average system spot price of electricity in Nord Pool was EUR 20.8 (36.0) per MWh. The average area price in Helsinki, Finland, was EUR 30.9 (43.4) per MWh and in Stockholm, Sweden, (SE3) EUR 23.2 (38.1) per MWh. The lower prices impacted the achieved power price, which was EUR 39.7 per MWh, EUR 4.6 per MWh lower than in the corresponding period in 2011. In addition, the Power Division’s result was burdened mainly by the weak performance at the Oskarshamn nuclear power plant unit 1. In Sweden, prolonged repairs of Oskarshamn unit 1 were ongoing and caused a reduction in production volumes. The impact of price- and prolonged repairs was partly offset by the increased hydro generation. The hydro production was historically high for a quarter, which also led to lower physical optimisation hydro margins. Water reservoir levels were high, but inflow in the third quarter was approximately at the same level compared to the corresponding period in 2011. During the third quarter of 2012, Fortum thermal production volume in the Nordic countries was very low.

Operating profit, EUR 205 (273) million, was affected by non-recurring items, a EUR 12 (11) million IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments (Note 4).

In the third quarter of 2012, the division's total power generation in the Nordic countries was 11.5 (11.5) TWh, which is at the same level as in the corresponding period in 2011. Power’s achieved Nordic power price amounted to EUR 39.7 per MWh, which was EUR 4.6 per MWh lower than in the third quarter of 2011. The high area price hedging level affected the achieved price.

The negative effect of lower nuclear volumes and the lower achieved power price in spite of higher hydro volumes was approximately EUR 45 million during the third quarter of 2012 compared to the corresponding period in 2011. Operating costs increased by approximately EUR 20 million due to the stronger SEK (EUR 12 million) and higher nuclear fuel costs as well as higher nuclear waste fees in Sweden. In addition, longer outage costs, higher co-owned nuclear procurement costs due to increased depreciation and interest costs impacted the operating cost level.

January - September

In January-September 2012, the Power Division's comparable operating profit was EUR 764 (850) million, i.e. EUR 86 million lower than in the corresponding period in 2011. The achieved power price was EUR 2.8 per MWh lower than in the corresponding period in 2011, as the system and all area prices were clearly lower in January-September 2012 than during the same period a year ago. The average system spot price was EUR 29.2 (51.5) per MWh and the average area price in Helsinki, Finland, EUR 35.3 (53.4) per MWh, and in Stockholm, Sweden, (SE3) EUR 30.6 (52.1) per MWh. High water reservoir levels as well as high inflow increased hydro generation significantly. Nuclear availability was at a high level in all reactors except Oskarshamn 1 in Sweden; it has been shut down for the whole year 2012. The total nuclear volume was thus lower than during the corresponding period in 2011. Thermal production was clearly lower than a year before, due to low power prices.

Operating profit was EUR 786 (1 033) million. A gain of EUR 47 million, related to the divestments of small hydro plants in Finland, was booked in the first quarter of 2012. Operating profit was also affected by a EUR -1 (199) million IFRS accounting treatment (IAS 39) of derivatives used mainly for hedging Fortum's power production and nuclear fund adjustments (Note 4).

The combined effect of increased hydro generation, lower nuclear and thermal volumes as well as a lower achieved power price had a negative impact of approximately EUR 25 million during January-September 2012 compared to the corresponding period in 2011. Operating costs increased by approximately EUR 60 million, mainly due to a stronger SEK (EUR 14 million), higher nuclear fuel prices, higher nuclear waste fees in Sweden, longer outage costs, higher co-owned nuclear procurement costs mainly caused by longer outages, increased depreciation and interest costs.

In January-September, the prolonged shutdown of Oskarshamn 1 in Sweden has had an over EUR 30 million negative impact, mainly due to lost production, but also due to somewhat higher costs. For the full year 2012, the increase in waste fees is estimated to be approximately EUR 15 million and the increase in nuclear fuel prices approximately EUR 15 million.

In January-September 2012, the division's total power generation in the Nordic countries was 35.4 (34.9) TWh. Power's achieved Nordic power price amounted to EUR 43.7 per MWh, which was EUR 2.8 per MWh lower than in the same period of 2011. The system price and both Finnish and Swedish area prices were clearly lower during January-September 2012 compared to the same period in 2011.

Fortum has two fully-owned reactors in Loviisa and the company is also a co-owner in eight reactors at the Olkiluoto, Oskarshamn and Forsmark nuclear power plants. Nuclear availability was at a high level in all of the reactors except Oskarshamn 1 and 3. Oskarshamn 1 was shut down at the end of October 2011 for an extensive turbine overhaul and, according to current data, is estimated to be back in operation in November 2012. Oskarshamn 3 has continued the commissioning tests after the successfully executed and tested recovery actions to stabilise production at the increased power level of 1,400 MW. Some of the power increase-related tests have not yet been completed.

European-wide safety evaluations have been carried out after the Fukushima incident in 2011. 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 results from the evaluations were announced during the summer and some additional safety criteria will be introduced for nuclear power plants based on the evaluations. However, they will be implemented for the Loviisa nuclear power plant within the framework of the annual investment programmes.

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	III/12	III/11	I-III/12	I-III/11	2011	LTM
Sales	205	212	1,151	1,259	1,737	1,629
- heat sales	134	142	792	885	1,238	1,145
- power sales	24	34	164	260	342	246
- other sales	47	36	195	114	157	238
Operating profit	-12	-10	221	280	380	321
Comparable operating profit	-11	-14	173	182	278	269
Comparable EBITDA	41	32	324	326	471	469
Net assets (at period-end)			4,245	3,934	4,191	
Return on net assets, %					9.9	8.2
Comparable return on net assets, %					7.4	7.0
Capital expenditure and gross investments in shares	118	63	284	193	329	420
Number of employees			2,341	2,627	2,504	

July - September

The Heat Division’s heat sales volumes amounted to 1.9 (2.1) TWh during the third quarter of 2012. During the same period, power sales volumes totalled 0.4 (0.8) TWh. The decrease in volumes was mainly attributable to the divestments in Finland and Estonia in January 2012. In addition, the restructuring of the Turku region energy production in Finland decreased volumes.

The Heat Division’s comparable operating profit in the third quarter was EUR -11 (-14) million, EUR 3 million higher than in the corresponding period of 2011. Volumes were lower due to restructuring; the decline was offset by higher sales of CO_2 emission allowances and by the stronger SEK compared to the same period last year.

Operating profit in the third quarter totalled EUR -12 (-10) million.

January - September

Heat sales volumes during January-September 2012 amounted to 13.3 (16.1) TWh. During the same period, power sales volumes totalled 2.9 (4.7) TWh. The divestment in Sweden in March 2011 and the divestments in Finland and Estonia in January 2012 reduced volumes. In addition, the restructuring of the Turku region energy production in Finland decreased volumes.

The Heat Division’s comparable operating profit in January-September 2012 was EUR 173 (182) million, i.e., EUR 9 million lower than in the corresponding period of 2011. The decrease in the result was mainly due to lower volumes attributable to divestments and restructuring.

Operating profit in January-September 2012 totalled EUR 221 (280) million, and includes a gain of EUR 57 (79) million related to divestments.

Heat sales by area, TWh	III/12	III/11	I-III/12	I-III/11	2011	LTM
Finland	0.9	1.2	4.1	6.3	8.5	6.3
Sweden	0.7	0.6	5.6	6.0	8.5	8.1
Poland	0.2	0.2	2.8	2.8	4.3	4.3
Other countries	0.1	0.1	0.8	1.0	1.3	1.1
Total	1.9	2.1	13.3	16.1	22.6	19.8

Power sales, TWh	III/12	III/11	I-III/12	I-III/11	2011	LTM
Total	0.4	0.8	2.9	4.7	6.2	4.4

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	III/12	III/11	I-III/12	I-III/11	2011	LTM
Sales	203	156	711	646	920	985
- power sales	175	132	506	429	590	667
- heat sales	25	22	198	214	324	308
- other sales	3	2	7	3	6	10
EBITDA	19	10	143	119	182	206
Operating profit	-12	-16	51	39	74	86
Comparable operating profit	-12	-16	40	39	74	75
Comparable EBITDA	19	10	132	97	148	183
Net assets (at period-end)			3,637	3,009	3,273	
Return on net assets, %					3.5	3.0
Comparable return on net assets, %					3.5	2.7
Capital expenditure and gross investments in shares	104	219	311	486	694	519
Number of employees			4,270	4,488	4,379	

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

The liberalisation of the Russian wholesale power market has been completed since the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity – an amount equalling the consumption of households and a few special groups of consumers – under regulated prices. During the third quarter of 2012, OAO Fortum sold approximately 81% of its power production at a liberalised electricity price.

The capacity selection for generation built prior to 2008 (CCS -"old capacity") for year 2012 was held in September 2011. The majority of Fortum's power plants were selected in the auction, with a price level close to the level received in 2011. Approximately 4% (120 MW) of Fortum's old capacity was not allowed to participate in the selection, due to tightened minimal technical requirements. The capacity will, however, receive capacity payments at the average capacity market price for two additional years. The same amount of Fortum's old capacity, as in the selection for 2012 held in 2011, was allowed to participate for the year 2013 capacity selection.

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 (Note 15).

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

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

July - September

The Russia Division's power sales volumes amounted to 5.3 (4.4) TWh during the third quarter of 2012. Heat sales totalled 2.3 (2.2) TWh during the same period.

The Russia Division's comparable operating profit was EUR -12 (-16) million in the third quarter of 2012. Due to seasonal effects the third quarter usually is the weakest quarter during the year. The positive effect from the commissioning of the new units in 2011 amounted to approximately EUR 19 (10) million in the third quarter.

Operating profit was EUR -12 (-16) million in the third quarter of 2012.

Key electricity, capacity and gas prices for OAO Fortum	III/12	III/11	I-III/12	I-III/11	2011	LTM
Electricity spot price (market price), Urals hub, RUB/MWh	1,114	939	951	948	925	928
Average regulated gas price, Urals region, RUB/1000 m3	2,924	2,548	2,673	2,548	2,548	2,642
Average capacity price for CCS "old capacity", tRUB/MW/month*	138	140	147	155	160	153
Average capacity price for CSA "new capacity", tRUB/MW/month*	485	568	510	580	560	516
Average capacity price, tRUB/MW/month	207	198	218	195	209	225
Achieved power price for OAO Fortum, EUR/MWh	33.1	30.0	30.5	29.4	29.2	30.1

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

The Russian Government decided to increase gas prices as of the beginning 1 July 2012; the increase was approximately 15%.

In September, Fortum's subsidiary in Russia, OAO Fortum, requested the delisting of its shares on the Moscow Stock Exchange. Stocks of OAO "TGK-10" (OAO Fortum) were excluded from the Moscow Stock Exchange List B already in October 2008 and have since been included in the unlisted securities section. Over 90% of OAO Fortum has been owned by Fortum Corporation since 2008.

January - September

The Russia Division's power sales volumes amounted to 16.6 (14.6) TWh during January-September 2012. Heat sales totalled 17.8 (17.5) TWh during the same period.

The Russia Division’s comparable operating profit was EUR 40 (39) million in January-September 2012. The positive effect from the commissioning of the new units amounted to approximately EUR 61 (29) million. January-September 2011 included a reversal of the CSA provision totalling EUR 22 million. Decreased capacity payments and volumes for the old capacity had a negative impact.

Operating profit was EUR 51 (39) million in January-September 2012 and includes a gain of EUR 11 million relating to a divestment of heating network assets (Note 4).

Fortum is committed to its EUR 2.5 billion investment programme in Russia, and the schedule of the programme is to commission the last new units in 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of September 2012, is estimated to be approximately EUR 750 million as of October 2012. Altogether, the investment programme consists of eight new power plant units, of which the first three units were commissioned in 2011.

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

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

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	III/12	III/11	I-III/12	I-III/11	2011	LTM
Sales	225	203	756	729	973	1,000
- distribution network transmission	183	167	627	619	809	817
- regional network transmission	29	21	92	70	96	118
- other sales	13	15	37	40	68	65
Operating profit	58	60	225	437	478	266
Comparable operating profit	57	62	216	246	295	265
Comparable EBITDA	109	108	369	385	482	466
Net assets (at period-end)			3,847	3,463	3,589	
Return on net assets, %					13.7	7.5
Comparable return on net assets, %					8.6	7.4
Capital expenditure and gross investments in shares	84	73	207	169	289	327
Number of employees			870	894	898	

July - September

The volume of distribution and regional network transmissions during the third quarter of 2012 totalled 4.9 (4.9) TWh and 3.8 (3.6) TWh, respectively.

The Distribution business area's comparable operating profit was EUR 57 (62) million. Costs relating to the accelerated improvement of network reliability in Finland impacted the result negatively in the third quarter of 2012.

Operating profit in the third quarter of 2012 totalled EUR 58 (60) million.

January - September

In January–September 2012, the volume of distribution and regional network transmissions totalled 18.8 (19.1) TWh and 12.6 (12.3) TWh, respectively.

The Distribution business area's comparable operating profit was EUR 216 (246) million. The decrease in the result was mainly due to warm weather during the early part of 2012, the timing of the relocation of cables and parts of the network, higher fault repair costs and customer compensations related to the 2011 year-end storm.

The operating profit in January-September 2012 totalled EUR 225 (437) million. The January-September 2011 figure includes a gain of EUR 192 million relating to the divestment of Fingrid Oyj shares.

The rollout of smart metering with hourly measurement capabilities to network customers in Finland continued; by the end of the third quarter of 2012, 375,000 customers had received new meters (160,000 at the end of 2011). Before the end of 2013, a total of approximately 620,000 network customers will have smart metering. The benefits of the new system include invoicing based on actual electricity consumption and better control of the use of electricity. The new Finnish legislation on hourly meter reading will become effective as of 1 January 2014.

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

Both in Finland and Sweden, legal processes are under way concerning the industry appeals made regarding the network income regulatory period 2012-2015, which came into force on 1 January 2012.

Volume of distributed electricity in distribution network, TWh	III/12	III/11	I-III/12	I-III/11	2011	LTM
Sweden	2.7	2.7	10.2	10.3	14.2	14.1
Finland	1.9	1.8	7.0	7.0	9.5	9.5
Norway	0.3	0.4	1.6	1.7	2.3	2.2
Estonia	0.0	0.0	0.0	0.1	0.1	0.0
Total	4.9	4.9	18.8	19.1	26.1	25.8

Number of electricity distribution customers by area, thousands	30 September 2012	30 September 2011
Sweden	898	893
Finland	632	625
Norway	102	101
Estonia	0	24
Total	1,632	1,643

Electricity Sales

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

EUR million	III/12	III/11	I-III/12	I-III/11	2011	LTM
Sales	119	139	501	695	900	706
- power sales	114	134	483	680	879	682
- other sales	5	5	18	15	21	24
Operating profit	11	6	33	9	3	27
Comparable operating profit	9	4	29	25	27	31
Comparable EBITDA	10	4	30	26	29	33
Net assets (at period-end)			7	43	11	
Return on net assets, %					4.2	93.1
Comparable return on net assets, %					33.5	168.5
Capital expenditure and gross investments in shares	0	0	0	4	5	1
Number of employees			514	507	519	

July - September

During the third quarter of 2012, the business area's electricity sales volume totalled 2.2 (2.4) TWh. The lower volume is due to the Business Market restructuring, which was still ongoing in the third quarter of 2011 but is now completed.

Electricity Sales' comparable operating profit in the third quarter of 2012 totalled EUR 9 (4) million. The customer retention development was positive.

Operating profit totalled EUR 11 (6) million and was affected by non-recurring items and an IFRS accounting treatment (IAS 39) of derivatives (Note 4).

January - September

During January–September 2012, the business area's electricity sales volume totalled 9.0 (10.8) TWh. The lower volume was due to the Business Market restructuring that is now completed, but which was still ongoing in the third quarter of 2011.

Electricity Sales' comparable operating profit in January–September 2012 totalled EUR 29 (25) million.

Operating profit totalled EUR 33 (9) million and was affected by non-recurring items and an IFRS accounting treatment (IAS 39) of derivatives (Note 4).

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

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares totalled EUR 376 (390) million in the third quarter of 2012. Investments, excluding acquisitions, were EUR 376 (366) million.

In January-September 2012, capital expenditures and investments in shares totalled EUR 942 (962) million. Investments, excluding acquisitions, were EUR 937 (899) 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		Q1 2013
Nyagan 2	Gas (CCGT)	418		1H 2013
Nyagan 3	Gas (CCGT)	418		2H 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 of 2012. 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. Based on the information submitted by AREVA-Siemens Consortium, Teollisuuden Voima Oyj (TVO) estimates that the Olkiluoto 3 nuclear power plant unit will not be ready for regular electricity production in 2014. During the second quarter of 2012, TVO received an International Chamber of Commerce arbitration tribunal decision concerning a few partial payments previously made, to a blocked account, and to be released to the Olkiluoto 3 plant supplier. The decision takes no position on the delay of the plant unit and the cost resulting from the delay.

In September, Teollisuuden Voima Oyj submitted a claim and defence in the International Chamber of Commerce (ICC) arbitration proceedings concerning the delay and the ensuing costs incurred at the Olkiluoto 3 nuclear power plant project. The quantification estimate of TVO's costs and losses is approximately EUR 1.8 billion (Note 20).

TVO completed plant upgrades and further improved the safety of the Olkiluoto nuclear power plant during 2010 – 2012. As a result, the power output of both Olkiluoto 1 and Olkiluoto 2 increased by approximately 20 MW each.

In addition, TVO has started the bidding and engineering phase of the company's fourth nuclear unit at Olkiluoto. Fortum's share of the commitment for this phase is approximately EUR 77 million. By the end of September, TVO raised EUR 50 million in shareholder loans; Fortum's share of this is approximately EUR 13 million.

Heat

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

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

In February, Fortum opened up the possibility for customers to sell their own surplus heat to Fortum's grid at market price in Stockholm, Sweden. The first agreement was signed in June and is part of a pilot project. Many customers have expressed their interest by signing letters of intent. The first customers will be able to sell surplus heat in 2012; the aim is for all customers to be able to sell their surplus heat starting in 2013.

In March, 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.

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

In August, automatic meter reading instalments were started for the customers in Jelgava, Latvia. The first phase of the test phase was successfully finished in early September and the project has moved into the second phase, which is planned to be implemented by the end of December.

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

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

Construction of the four CHP plants in Sweden, Finland, Latvia and Lithuania is advancing according to plan. In Stockholm, Sweden, the construction of a new silo for biofuel and a new transporting system has been started. The project is scheduled for completion at the end of 2013 and operational testing will start at the beginning of 2014. The investment will increase the amount of biofuel in the heating system and reduce CO2 emissions by 50 000 tons on a yearly basis.

Russia

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

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

Distribution

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

Electricity Sales

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

Shares and share capital

Fortum Corporation is listed on the NASDAQ OMX Helsinki Ltd. During January-September 2012, a total of 392.1 (400.1) million Fortum Corporation shares, totalling EUR 6,296 million, were traded on the NASDAQ OMX Helsinki Ltd. The highest quotation of Fortum Corporation shares during the reporting period was EUR 19.36, the lowest EUR 12.81, and the volume-weighted average EUR 16.04. The closing quotation on the last trading day of the third quarter of 2012 was EUR 14.33 (17.70). Fortum's market capitalisation, calculated using the closing quotation on the last trading day of the quarter, was EUR 12,730 million.

In addition to the NASDAQ OMX Helsinki Ltd., Fortum shares were traded on several alternative market places, for example at Boat, BATS Chi-X and Turquoise, and on the OTC market as well. During January - September 2012, approximately 53% of Fortum's traded shares were traded on markets other than NASDAQ OMX Helsinki Ltd.

At the end of September 2012, Fortum Corporation’s share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not own its own shares. The number of registered shareholders was 118,949. The Finnish State's holding in Fortum was 50.8% and the proportion of nominee registrations and direct foreign shareholders was 26.2% at the end of the review period.

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

Group personnel

Fortum’s operations are mainly based in the Nordic countries, Russia and the Baltic Rim area. The company has employees in Finland, Sweden, Norway, Russia, Poland, Estonia, Latvia, Lithuania and Great Britain. The total number of employees at the end of the period was 10,584 (11,041), including summer trainees.

At the end of the period, the Power Division had 1,921 (1,902) employees, the Heat Division 2,341 (2,627), the Russia Division 4,270 (4,488), the Distribution business area 870 (894), the Electricity Sales business area 514 (507) and Other 668 (623).

Research and development

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

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

In addition, Fortum decided to support Lappeenranta University of Technology (LUT) in the establishment of a solar economy professorship, which is the first in its research field in Finland. The professorship will strengthen LUT's curriculum in electricity, energy and environmental technology. Fortum also increased its funding in the wave energy technology developed by the Finnish company AW-Energy Oy and signed a co-operation agreement with Nissan on quick charging in the Nordic countries. The objective is to create quick-charging infrastructure for electric vehicles in order to make them a viable option for all car drivers. It is one of the biggest quick charging projects in the Nordic countries.

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 the key indicators to monitor them. Based on these, the divisions set their division-level targets and indicators and outline the measures needed to achieve the targets.

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

Economic responsibility

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

Environmental responsibility

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

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

At the end of September 2012, the five-year average for specific CO_2 emissions from power generation in the EU was at 61 g/kWh and the specific CO_2 emissions from the total energy production was at 176 g/kWh, both better than the target level. Fortum's total CO_2 emissions in January - September 2012 amounted to 14.4 (17.5) million tonnes (Mt), of which 3.1 (6.4) Mt were within the EU's emissions trading scheme (ETS).

In January - September 2012, approximately 68% (62%) of the power generated by Fortum was CO_2-free. The corresponding figure for Fortum's generation within the EU was 94% (84%).The main reason behind the high share of CO_2-free power is that very little condensing power was produced at the Inkoo and Meri-Pori coal-fired power plants.

Overall efficiency of fuel use was 67% as a five-year average; the target is >70%. At the end of the third quarter of 2012, 99% of Fortum's operations globally had ISO 14001 environmental certification. In August, OAO Fortum's operations in Russia received the certification.

Fortum's total CO_2 emissions (million tonnes, Mt)	**III/12**	**III/11**	**I-III/12**	**I-III/11**	**2011**	**LTM**
Total emissions	3.7	3.5	14.4	17.5	23.6	20.4
Emissions subject to ETS	0.6	0.7	3.1	6.4	8.3	4.9
Free emissions allocation					6.8	
Emissions in Russia	3.2	2.9	11.1	10.5	14.8	15.3

Fortum's specific CO_2 emissions from power generation (g/kWh)	**III/12**	**III/11**	**I-III/12**	**I-III/11**	**2011**	**LTM**
Total emissions	176	160	173	202	192	169
Emissions in the EU	20	26	38	100	88	43
Emissions in Russia	570	542	525	491	483	508

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

January - September 2012, the Group-level lost workday injury frequency (LWIF) continued at a good level at 1.6 (1.7). An unfortunate fatal accident occurred to a Fortum contractor in Russia in April. Fortum's safety target is to reach a LWIF level that is less than one per million working hours for its own personnel. This reflects the Group's zero tolerance for accidents.

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

Changes in Fortum's Management

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

Fortum's long-time CFO, Juha Laaksonen, will retire according to his terms of employment 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 next Annual General Meeting. The Nomination Board will consist of the representatives of the three main shareholders and, in addition, the Chairman of the Board of Directors as an expert member. The Nomination Board will be convened by the Chairman of the Board of Directors, and the Nomination Board will choose a chairman from among its own members. The Nomination Board shall give its proposal to the Board of Directors of the company at the latest by 1 February preceding the Annual General Meeting.

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

Events after the balance sheet date

European Commission

The European Commission published its final report on the nuclear stress tests on October 4. It was concluded that the design basis for the Loviisa nuclear power plant is proper in terms of external events. Additionally, Fortum has improved the safety of the Loviisa power plant with comprehensive measures for several decades. The implementation of the required actions at the Loviisa power plant can be done within the framework of the annual investment programmes and they will not affect the power plant's availability.

Fortum's co-owned nuclear companies in Sweden, OKG AB in Oskarshamn and FKA in Forsmark, have submitted plans to improve safety by September 15th as was requested by Swedish Radiation Safety Authority, SSM. The authority expects to get the national plan ready by the end of year 2012. This plan will outline how SSM and Swedish nuclear licence holders will follow up on the stress tests required by the European Commission.

Fortum sees the harmonisation of safety requirements for nuclear power plants as necessary and considers it necessary that national authorities have supervisory responsibility. Nuclear liability should be implemented in the frame of the Paris convention and harmonised at European level.

Hafslund

Hafslund, an associated company of which Fortum owns 34.1%, announced on 16 October that their third quarter 2012 profit after tax will be negatively affected by NOK 551 million due to extraordinary write-downs and provisions. The company stated that this was a result of challenging market conditions and negative profit development within BioWood Norway AS and Bio-El Fredrikstad, and a tax provision following the development of an ongoing tax dispute. Fortum will book the share of the impact approximately EUR -25 million in its fourth quarter result.

Changes in Fortum Corporation's Management Team

Helena Aatinen, MSc Econ., has been appointed Senior Vice President, Corporate Communications and member of Fortum Corporation's Management Team. Helena Aatinen will report to President and CEO Tapio Kuula.

Anne Brunila, Executive Vice President, Corporate Relations and Strategy and member of the Management Team joined Fortum Corporation in September 2009. She will leave her position on her own request. Anne Brunila will continue in agreed development projects until spring 2013 and report to President and CEO Tapio Kuula.

The changes will come into effect on 1 November 2012.

Outlook

Key drivers and risks

Fortum's financial results are exposed to a number of risks i.e. strategic, political, financial and operational. The key factor influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the

Nordic region are the supply-demand balance, fuel and CO_2 emissions allowance prices as well as the hydrological situation. The completion of Fortum's investment programme in Russia is also one key driver to the company's result growth.

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 this in combination with the stronger hydrological situation in the Nordic region, could maintain downward pressure on the Nordic wholesale price for electricity in the short-term. In the Russian business, the key factors are the 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 impact 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 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.

During the third quarter of 2012, the price of crude oil decreased steadily, whereas the decrease in the coal price stabilised towards the end of the quarter. The price of CO_2 emissions allowances (EUA) weakened somewhat during the quarter. The forward price of electricity for the next twelve months came down both in the Nordic area and in Germany.

In mid-October 2012, the future quotations for coal (ICE Rotterdam) for the rest of 2012 were around USD 88 per tonne and the market price for CO2 emissions allowances (EUA) for 2012 was about EUR 8 per tonne.

In mid-October 2012, the electricity forward price in Nord Pool for the rest of 2012 was around EUR 39 per MWh. For 2013, the electricity forward price was around EUR 38 per MWh and for 2014 around EUR 39 per MWh. In Germany, the electricity forward price for the rest of 2012 was around EUR 47 per MWh and for 2013 EUR 47 per MWh.

In mid-October 2012, Nordic water reservoirs were about 8 TWh above the long-term average and 4 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 several years of ongoing Swedish nuclear investment programmes will enhance safety, improve availability and increase the capacity of the current nuclear fleet. The implementation of the investment programmes might, however, affect availability. Fortum's power procurement costs from co-owned nuclear companies are affected by these investment programmes through increased depreciation and finance costs.

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

Legislation in Sweden calls for nuclear waste fees and guarantees to be updated at regular intervals. At the end of December 2011, the Government decided upon fees and guarantees for 2012-2014. The negative impact from increased nuclear waste fees 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. However, all generating companies continue to sell a part of their electricity and capacity equalling the consumption of households and a special group of consumers (Northern Caucasus Republic, Tyva Republic, Buryat Republic) under regulated prices.

Capacity not under CSA competes in competitive capacity selection (CCS – "old capacity"). The capacity selection for 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. The same amount of Fortum's old capacity, as in the selection for 2012 held in 2011, was allowed to participate for the year 2013 capacity selection.

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.

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

The commissioning of Fortum's largest new investment greenfield projects in Nyagan were somewhat further postponed during the second quarter of 2012. Fortum has ongoing discussions with its main contractor: Fortum estimates the commissioning of Nyagan 1 to take place around the turn of the year and Nyagan 2 during the first half of 2013 due to construction delays. This does not change the overall schedule or financial targets of the investment programme. In 2008, Fortum made a provision for penalties caused by possible commissioning delays. According to the agreement with the contractor, Fortum is entitled to adequate remedies in case of damages caused by contractor delays.

In June, Fortum announced its decision to build the last two 250-megawatt (MW) units of its Russian investment programme at Chelyabinsk in the Urals. Initially, the units were planned for construction in the Tyumen region in Western Siberia. The units are included within the sphere of the Capacity Supply Agreement originally agreed in 2008. The new units are to be constructed at Chelyabinsk GRES. Within the scope of the project, Fortum also plans to modernise and upgrade the existing power plant equipment. Fortum is planning to commission the last new units of its EUR 2.5 billion investment programme in Russia by the end of 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of September 2012, is estimated to be approximately EUR 750 million as of October 2012.

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

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

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

Efficiency programme 2013-2014

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

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

Capital expenditure and divestments

Fortum has updated its capital expenditure estimate. Fortum currently expects its capital expenditure in 2012 to be around EUR 1.5 billion, in 2013 EUR 1.1 -1.4 billion and in 2014 EUR 0.9 – 1.1 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, somewhat below the level of depreciation.

Previous guidance: 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.

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 Sweden, according to the budget proposal, the corporate tax rate will be decreased to 22% from 26.3% starting 1 January 2013.

The process to update the real-estate taxation values for the year 2013 is ongoing in Sweden and is expected to be finalised by the end of 2012. The update is done in a cycle of six years.

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

Hedging

At the end of September 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 60% at approximately EUR 45 per

MWh and the corresponding figures for the calendar year 2014 were about 30% at approximately EUR 43 per MWh.

The hedge price for 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.

Share of profits of associates and joint ventures

Write-downs and provisions, announced by Hafslund, are estimated to impact Fortum's results by EUR - 25 million or approximately EUR - 0.03 per share. The impact will be booked in the fourth quarter 2012 result according to Fortum Group's accounting standards.

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, 18 October 2012
Fortum Corporation
Board of Directors

Further information:
Tapio Kuula, President and CEO, tel. +358 10 452 4112
Markus Rauramo, CFO, tel. +358 10 452 1909

Fortum's Investor Relations, Sophie Jolly, +358 10 453 2552, Rauno Tiihonen, +358 10 453 6150 and Janna Haahtela, +358 10 453 2538 / investors@fortum.com

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 2013:
- Financial statement bulletin for the year 2012 will be published on 31 January 2013 at approximately 9:00 EET
- Interim Report January – March on 25 April 2013 at approximately 9:00 EEST
- Interim Report January – June on 19 July 2013 at approximately 9:00 EEST
- Interim Report January – September on 23 October 2013 at approximately 9:00 EEST

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

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

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	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Sales	4	**1,140**	1,144	**4,325**	4,494	6,161	5,992
Other income		**33**	18	**63**	51	91	103
Materials and services		**-483**	-438	**-1,816**	-1,907	-2,566	-2,475
Employee benefit costs		**-128**	-116	**-409**	-387	-529	-551
Depreciation, amortisation and impairment charges	4,10,11	**-168**	-147	**-489**	-451	-606	-644
Other expenses		**-174**	-164	**-522**	-506	-749	-765
Comparable operating profit		**220**	297	**1,152**	1,294	1,802	1,660
Items affecting comparability		**3**	17	**90**	529	600	161
Operating profit		**223**	314	**1,242**	1,823	2,402	1,821
Share of profit/loss of associates and joint ventures	4, 12	**7**	-2	**26**	72	91	45
Interest expense		**-77**	-74	**-228**	-206	-284	-306
Interest income		**13**	13	**41**	43	56	54
Fair value gains and losses on financial instruments		**-8**	1	**-16**	-2	5	-9
Other financial expenses - net		**-10**	-12	**-28**	-34	-42	-36
Finance costs - net		**-82**	-72	**-231**	-199	-265	-297
Profit before income tax		**148**	240	**1,037**	1,696	2,228	1,569
Income tax expense	8	**-30**	-46	**-195**	-278	-366	-283
Profit for the period		**118**	194	**842**	1,418	1,862	1,286
Attributable to:							
Owners of the parent		**125**	198	**806**	1,348	1,769	1,227
Non-controlling interests		**-7**	-4	**36**	70	93	59
		118	194	**842**	1,418	1,862	1,286
Earnings per share (in € per share)							
Basic		**0.14**	0.23	**0.91**	1.52	1.99	1.38
Diluted		**0.14**	0.23	**0.91**	1.52	1.99	1.38

EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Comparable operating profit	**220**	297	**1,152**	1,294	1,802	1,660
Non-recurring items (capital gains and losses)	**1**	0	**122**	275	284	131
Changes in fair values of derivatives hedging future cash flow	**10**	23	**-8**	272	344	64
Nuclear fund adjustment	**-8**	-6	**-24**	-18	-28	-34
Items affecting comparability	**3**	17	**90**	529	600	161
Operating profit	**223**	314	**1,242**	1,823	2,402	1,821

Condensed consolidated statement of comprehensive income

EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	2010
Profit for the period	**118**	194	**842**	1,418	1,862	1,354
Other comprehensive income						
Cash flow hedges						
Fair value gains/losses in the period	**-44**	48	**39**	193	299	-583
Transfers to income statement	**-40**	68	**-128**	399	480	1
Transfers to inventory/fixed assets	**0**	-10	**-4**	-16	-23	-16
Tax effect	**21**	-26	**23**	-149	-195	151
Net investment hedges						
Fair value gains/losses in the period	**0**	0	**0**	2	2	-1
Tax effect	**0**	0	**0**	0	0	0
Available for sale financial assets						
Fair value changes in the period	**0**	0	**0**	-1	-1	0
Exchange differences on translating foreign operations	**163**	-233	**233**	-241	-75	344
Share of other comprehensive income of associates [1)]	**0**	-1	**-11**	0	2	-69
Other changes	**0**	-1	**0**	6	3	-16
Other comprehensive income for the period, net of tax	**100**	-155	**152**	193	492	-189
Total comprehensive income for the year	**218**	39	**994**	1,611	2,354	1,165
Total comprehensive income attributable to						
Owners of the parent	**205**	55	**933**	1,558	2,255	1,064
Non-controlling interests	**13**	-16	**61**	53	99	101
	218	39	**994**	1,611	2,354	1,165
[1)] Of which fair value change in Hafslund ASA's shareholding in REC incl. translation differences	-	0	-	0	0	-77

Condensed consolidated balance sheet

EUR million	Note	Sept 30 2012	Sept 30 2011	Dec 31 2011
ASSETS				
Non-current assets				
Intangible assets	10	**418**	393	433
Property, plant and equipment	11	**16,291**	14,589	15,234
Participations in associates and joint ventures	4, 12	**2,049**	1,961	2,019
Share in State Nuclear Waste Management Fund	14	**670**	646	653
Pension assets		**60**	67	60
Other non-current assets		**68**	71	69
Deferred tax assets		**152**	148	150
Derivative financial instruments	5	**465**	321	396
Long-term interest-bearing receivables		**1,303**	1,142	1,196
Total non-current assets		**21,476**	19,338	20,210
Current assets				
Inventories		**487**	471	528
Derivative financial instruments	5	**326**	291	326
Trade and other receivables		**739**	724	1,020
Bank deposits		**-**	119	-
Cash and cash equivalents		**1,117**	566	731
Liquid funds	13	**1,117**	685	731
Assets held for sale [1)]	6	**-**	-	183
Total current assets		**2,669**	2,171	2,788
Total assets		**24,145**	21,509	22,998
EQUITY				
Equity attributable to owners of the parent				
Share capital		**3,046**	3,046	3,046
Share premium		**73**	73	73
Retained earnings		**6,439**	5,754	6,318
Other equity components		**117**	57	195
Total		**9,675**	8,930	9,632
Non-controlling interests		**564**	490	529
Total equity		**10,239**	9,420	10,161
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	13	**8,277**	6,901	6,845
Derivative financial instruments	5	**207**	160	192
Deferred tax liabilities		**2,087**	1,885	2,013
Nuclear provisions	14	**670**	646	653
Other provisions	15	**218**	212	205
Pension obligations		**26**	28	26
Other non-current liabilities		**467**	468	465
Total non-current liabilities		**11,952**	10,300	10,399
Current liabilities				
Interest-bearing liabilities	13	**604**	713	925
Derivative financial instruments	5	**445**	229	219
Trade and other payables		**905**	847	1,265
Liabilities related to assets held for sale	6	**-**	-	29
Total current liabilities		**1,954**	1,789	2,438
Total liabilities		**13,906**	12,089	12,837
Total equity and liabilities		**24,145**	21,509	22,998

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

Condensed consolidated statement of changes in total equity

EUR million	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
			Retained earnings and other funds	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies			
Total equity 31 December 2011	**3,046**	**73**	**6,670**	**-352**	**136**	**-2**	**61**	**9,632**	**529**	**10,161**
Net profit for the period			806					806	36	842
Translation differences				205	6		4	215	28	243
Other comprehensive income					-73		-15	-88	-3	-91
Total comprehensive income for the period			806	205	-67	0	-11	933	61	994
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-26	-26
Changes due to business combinations								0	1	1
Other			-2					-2	-1	-3
Total equity 30 Sept 2012	**3,046**	**73**	**6,586**	**-147**	**69**	**-2**	**50**	**9,675**	**564**	**10,239**
Total equity 31 December 2010	**3,046**	**73**	**5,726**	**-278**	**-419**	**0**	**62**	**8,210**	**532**	**8,742**
Net profit for the period			1,348					1,348	70	1,418
Translation differences				-215	-2		-2	-219	-22	-241
Other comprehensive income			9		422	1	-3	429	5	434
Total comprehensive income for the period			1,357	-215	420	1	-5	1,558	53	1,611
Cash dividend			-888					-888		-888
Dividends to non-controlling interests								0	-21	-21
Changes due to business combinations			52			-2		50	-74	-24
Total equity 30 Sept 2011	**3,046**	**73**	**6,247**	**-493**	**1**	**-1**	**57**	**8,930**	**490**	**9,420**
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 215 million during Q1-Q3 2012 (Q1-Q3 2011: -219) mainly relating to RUB, SEK and NOK amounting to EUR 201 million in Q1-Q3 2012 (Q1-Q3 2011: -206).

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

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -67 million during Q1-Q3 2012 (Q1-Q3 2011: 420), mainly relates to cash flow hedges hedging electricity price for future transactions, where hedge accounting is applied. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividend

The dividend for 2011 was decided at the Annual General Meeting on 11 April 2012. The dividend was paid on 23 April 2012. The dividend for 2010 was decided at the Annual General Meeting on 31 March 2011. See Note 9 Dividend per share.

Condensed consolidated cash flow statement

EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Cash flow from operating activities						
Net profit for the period	**118**	194	**842**	1,418	1,862	1,286
Adjustments:						
Income tax expenses	**30**	46	**195**	278	366	283
Finance costs-net	**82**	72	**231**	199	265	297
Share of profit of associates and joint ventures	**-7**	2	**-26**	-72	-91	-45
Depreciation, amortisation and impairment charges	**168**	147	**489**	451	606	644
Operating profit before depreciations (EBITDA)	**391**	461	**1,731**	2,274	3,008	2,465
Non-cash flow items and divesting activities	**-35**	-31	**-150**	-600	-726	-276
Interest received	**8**	15	**31**	48	59	42
Interest paid	**-61**	-57	**-274**	-227	-298	-345
Dividends received	**13**	7	**45**	108	108	45
Realised foreign exchange gains and losses and other financial items	**-122**	35	**-237**	-219	-245	-263
Taxes	**-85**	-104	**-252**	-362	-394	-284
Funds from operations	**109**	326	**894**	1,022	1,512	1,384
Change in working capital	**2**	-49	**89**	119	101	71
Total net cash from operating activities	**111**	277	**983**	1,141	1,613	1,455
Cash flow from investing activities						
Capital expenditures	**-342**	-361	**-919**	-864	-1,285	-1,340
Acquisitions of shares	**0**	-24	**-3**	-44	-62	-21
Proceeds from sales of fixed assets	**0**	8	**9**	11	15	13
Divestments of shares	**5**	29	**137**	474	492	155
Proceeds from the interest-bearing receivables relating to divestments	**0**	-1	**169**	89	89	169
Shareholder loans to associated companies	**-11**	-17	**-38**	-46	-109	-101
Change in other interest-bearing receivables	**3**	0	**7**	32	35	10
Total net cash used in investing activities	**-345**	-366	**-638**	-348	-825	-1,115
Cash flow before financing activities	**-234**	-89	**345**	793	788	340
Cash flow from financing activities						
Proceeds from long-term liabilities	**991**	43	**1,365**	951	951	1,365
Payments of long-term liabilities	**-4**	-8	**-546**	-305	-365	-606
Change in short-term liabilities	**-42**	-60	**116**	-393	-278	231
Dividends paid to the owners of the parent	**-**	-	**-888**	-888	-888	-888
Other financing items	**-6**	6	**-32**	-14	-10	-28
Total net cash used in financing activities	**939**	-19	**15**	-649	-590	74
Total net increase(+) / decrease(-) in liquid funds	**705**	-108	**360**	144	198	414
Liquid funds at the beginning of the period	**404**	811	**747**	556	556	685
Foreign exchange differences in liquid funds	**8**	-18	**10**	-15	-7	18
Liquid funds at the end of the period [1)]	**1,117**	685	**1,117**	685	747	1,117

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

Non-cash flow items and divesting activities

Non-cash flow items and divesting activities mainly consist of adjustments for unrealised fair value changes of derivatives EUR -9 million for Q1-Q3 2012 (Q1-Q3 2011: -284) and capital gains EUR -122 million for Q1-Q3 2012 (Q1-Q3 2011: -275). 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 -233 million for Q1-Q3 2012 (Q1-Q3 2011: -215) mainly related to financing of Fortum's Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. The foreign exchange gains and losses arise for rollover of foreign exchange contracts hedging the internal loans as major part of these forwards is entered into with short maturities i.e. less than twelve months.

Additional cash flow information

Change in working capital

EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Change in interest-free receivables, decrease (+)/increase (-)	**28**	41	**279**	512	266	33
Change in inventories, decrease (+)/increase (-)	**-9**	-66	**53**	-87	-143	-3
Change in interest-free liabilities, decrease (-)/increase (+)	**-17**	-24	**-243**	-306	-22	41
Total	**2**	-49	**89**	119	101	71

Positive effect from change in working capital during Q1-Q3 2012, EUR 89 million (Q1-Q3 2011: 119) is mainly due to decrease of inventories.

Capital expenditure in cash flow

EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Capital expenditure	**376**	366	**937**	899	1,408	1,446
Change in not yet paid investments	**-15**	8	**38**	2	-70	-34
Capitalised borrowing costs	**-19**	-13	**-56**	-37	-53	-72
Total	**342**	361	**919**	864	1,285	1,340

Capital expenditures for intangible assets and property, plant and equipment were EUR 937 million (Q1-Q3 2011: 899). Capital expenditure in cash flow EUR 919 million (Q1-Q3 2011: 864) is without not yet paid investments i.e. change in trade payables related to investments EUR -38 million (Q1-Q3 2011: -2) and capitalised borrowing costs EUR 56 million (Q1-Q3 2011: 37), which are presented in interest paid.

Acquisition of shares in cash flow

EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Acquisition of subsidiaries, net of cash acquired	**0**	24	**3**	43	44	4
Acquisition of associates [1)]	**-**	0	**0**	0	16	16
Acquisition of available for sale financial assets	**0**	0	**0**	1	2	1
Total	**0**	24	**3**	44	62	21

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

Acquisition of shares in subsidiaries, net of cash acquired EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Gross investments of shares	**0**	24	**5**	46	47	6
Changes in not yet paid acquisitions	**-**	0	**-**	-2	-2	-
Interest bearing debt in acquired subsidiaries	**-**	0	**-2**	-1	-1	-2
Total	**0**	24	**3**	43	44	4

Acquisition of shares in associates EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Gross investments of shares	**-**	0	**0**	16	25	9
Changes in not yet paid acquisitions	**-**	-	**0**	-16	-9	7
Total	**-**	0	**0**	0	16	16

Divestment of shares in cash flow

EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Proceeds from sales of subsidiaries, net of cash disposed	**-**	0	**126**	112	117	131
Proceeds from sales of associates	**3**	29	**9**	362	375	22
Proceeds from available for sale financial assets	**2**	-	**2**	0	0	2
Total	**5**	29	**137**	474	492	155

Gross divestment of shares in subsidiaries totalled EUR 295 million in Q1-Q3 2012 (Q1-Q3 2011: 202) including interest-bearing debt in sold subsidiaries of EUR 169 million (Q1-Q3 2011: 90), see Note 6. Proceeds from divestments of shares totalled EUR 137 million in Q1-Q3 2012 (Q1-Q3 2011: 474) 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	**Q3 2012**	Q3 2011	**Q1-Q3 2012**	Q1-Q3 2011	2011	Last twelve months
Net debt beginning of the period	**7,420**	6,783	**7,023**	6,826	6,826	6,929
Foreign exchange rate differences	**96**	-29	**138**	-90	7	235
EBITDA	**391**	461	**1,731**	2,274	3,008	2,465
Paid net financial costs, taxes and adjustments for non-cash and divestment items	**-282**	-135	**-837**	-1,252	-1,496	-1,081
Change in working capital	**2**	-49	**89**	119	101	71
Capital expenditures	**-342**	-361	**-919**	-864	-1,285	-1,340
Acquisitions	**0**	-24	**-3**	-44	-62	-21
Divestments	**5**	37	**146**	485	507	168
Proceeds from the interest-bearing receivables relating to divestments	**0**	-1	**169**	89	89	169
Shareholder loans to associated companies	**-11**	-17	**-38**	-46	-109	-101
Change in other interest-bearing receivables	**3**	0	**7**	32	35	10
Dividends	**-**	-	**-888**	-888	-888	-888
Other financing activities	**-6**	6	**-32**	-14	-10	-28
Net cash flow (- increase in net debt)	**-240**	-83	**-575**	-109	-110	-576
Fair value change of bonds, amortised cost valuation and other	**8**	92	**28**	84	80	24
Net debt end of period	**7,764**	6,929	**7,764**	6,929	7,023	7,764

Key ratios

	Sept 30 2012	June 30 2012	March 31 2012	Dec 31 2011	Sept 30 2011	June 30 2011	March 31 2011	Last twelve months
EBITDA, EUR million	1,731	1,340	894	3,008	2,274	1,813	1,049	**2,465**
Comparable EBITDA, EUR million	1,641	1,253	809	2,374	1,723	1,279	798	**2,292**
Earnings per share (basic), EUR	0.91	0.77	0.56	1.99	1.52	1.29	0.76	**1.38**
Capital employed, EUR million	19,120	17,848	19,016	17,931	17,034	16,998	16,560	**N/A**
Interest-bearing net debt, EUR million	7,764	7,420	6,523	7,023	6,929	6,783	6,367	**N/A**
Capital expenditure and gross investments in shares, EUR million	942	566	218	1,482	962	572	205	**1,462**
Capital expenditure, EUR million	937	561	218	1,408	899	533	167	**1,446**
Return on capital employed, % [1)]	9.0	11.2	14.5	14.8	14.3	16.1	19.1	**10.4**
Return on shareholders' equity, % [1)]	10.7	13.5	17.9	19.7	19.1	22.0	26.9	**13.1**
Net debt / EBITDA [1)]	3.4	2.9	2.0	2.3	2.4	2.2	1.8	**3.1**
Comparable net debt / EBITDA [1)]	3.5	3.0	2.0	3.0	3.0	2.7	2.0	**3.4**
Interest coverage	6.6	8.3	11.9	10.5	11.2	14.8	19.0	**7.2**
Interest coverage including capitalised borrowing costs	5.1	6.4	9.2	8.5	9.1	12.0	15.1	**5.6**
Funds from operations/interest-bearing net debt, % [1)]	16.4	22.7	39.1	21.5	20.7	24.2	34.8	**17.8**
Gearing, %	76	74	60	69	74	72	72	**N/A**
Equity per share, EUR	10.89	10.66	11.65	10.84	10.05	9.93	9.30	**N/A**
Equity-to-assets ratio, %	42	44	45	44	44	44	39	**N/A**
Number of employees	10,584	10,848	10,542	10,780	11,041	11,342	10,976	**N/A**
Average number of employees	10,661	10,644	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	888,367	**888,367**
Diluted adjusted average number of shares, 1 000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,367	**888,367**
Number of registered shares, 1 000 shares	888,367	888,367	888,367	888,367	888,367	888,367	888,367	**888,367**

[1)] Quarterly figures are annualised except items affecting comparability.
For definitions, see Note 23.

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	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power sales excluding indirect taxes	**719**	723	**2,422**	2,551	3,458	3,329
Heating sales	**165**	173	**1,020**	1,128	1,602	1,494
Network transmissions	**212**	188	**719**	689	905	935
Other sales	**44**	60	**164**	126	196	234
Total	**1,140**	1,144	**4,325**	4,494	6,161	5,992

Sales by segment EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power [1)]	**506**	560	**1,696**	1,827	2,481	2,350
- of which internal	***113***	*35*	***239***	*-92*	*-24*	*307*
Heat [1)]	**205**	212	**1,151**	1,259	1,737	1,629
- of which internal	***1***	*2*	***12***	*2*	*8*	*18*
Russia	**203**	156	**711**	646	920	985
- of which internal	***-***	*-*	***0***	*-*	*-*	*0*
Distribution	**225**	203	**756**	729	973	1,000
- of which internal	***8***	*3*	***25***	*11*	*15*	*29*
Electricity Sales [1)]	**119**	139	**501**	695	900	706
- of which internal	***1***	*11*	***33***	*82*	*95*	*46*
Other [1)]	**23**	27	**96**	76	108	128
- of which internal	***-48***	*3*	***-65***	*120*	*115*	*-70*
Netting of Nord Pool transactions [2)]	**-66**	-99	**-342**	-615	-749	-476
Eliminations	***-75***	*-54*	***-244***	*-123*	*-209*	*-330*
Total	**1,140**	1,144	**4,325**	4,494	6,161	5,992

[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	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	**201**	268	**764**	850	1,201	1,115
Heat	**-11**	-14	**173**	182	278	269
Russia	**-12**	-16	**40**	39	74	75
Distribution	**57**	62	**216**	246	295	265
Electricity Sales	**9**	4	**29**	25	27	31
Other	**-24**	-7	**-70**	-48	-73	-95
Total	**220**	297	**1,152**	1,294	1,802	1,660

Operating profit by segment EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	**205**	273	**786**	1,033	1,476	1,229
Heat	**-12**	-10	**221**	280	380	321
Russia	**-12**	-16	**51**	39	74	86
Distribution	**58**	60	**225**	437	478	266
Electricity Sales	**11**	6	**33**	9	3	27
Other	**-27**	1	**-74**	25	-9	-108
Total	**223**	314	**1,242**	1,823	2,402	1,821

Non-recurring items by segment EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	**0**	0	**47**	2	2	47
Heat	**-1**	0	**57**	79	86	64
Russia	**0**	0	**11**	0	0	11
Distribution	**0**	0	**5**	193	193	5
Electricity Sales	**1**	0	**1**	1	3	3
Other	**1**	0	**1**	0	0	1
Total	**1**	0	**122**	275	284	131

During Q1 2012 Power segment sold small hydropower plants in Finland resulting in a gain of EUR 47 million and Heat segment sold certain heat businesses (Fortum Energiaratkaisut Oy and Fortum Termest AS) resulting in a gain of EUR 58 million. In Q2 2012 Russia segment sold heating network assets in Surgut resulting in a gain of EUR 11 million. In Q1 2011 Heat segment sold its district heat operations and heat production facilities outside the Stockholm area with a gain of EUR 80 million. In Q2 2011 Distribution segment divested its 25% share in Fingrid Oyj with a gain of EUR 192 million.

Other items affecting comparability by segment EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power [1)]	**4**	5	**-25**	181	273	67
Heat	**0**	4	**-9**	19	16	-12
Russia	**-**	-	**-**	-	-	-
Distribution	**1**	-2	**4**	-2	-10	-4
Electricity Sales	**1**	2	**3**	-17	-27	-7
Other	**-4**	8	**-5**	73	64	-14
Total	**2**	17	**-32**	254	316	30
[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-8**	-6	**-24**	-18	-28	-34

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	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	**230**	295	**849**	931	1,310	1,228
Heat	**41**	32	**324**	326	471	469
Russia	**19**	10	**132**	97	148	183
Distribution	**109**	108	**369**	385	482	466
Electricity Sales	**10**	4	**30**	26	29	33
Other	**-21**	-5	**-63**	-42	-66	-87
Total	**388**	444	**1,641**	1,723	2,374	2,292

Depreciation, amortisation and impairment charges by segment	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	**29**	27	**85**	81	109	113
Heat	**52**	46	**151**	144	193	200
Russia	**31**	26	**92**	80	108	120
Distribution	**52**	46	**153**	139	187	201
Electricity Sales	**1**	0	**1**	1	2	2
Other	**3**	2	**7**	6	7	8
Total	**168**	147	**489**	451	606	644

Share of profit/loss in associates and joint ventures by segment	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power [1), 2)]	**-6**	-11	**-20**	-27	3	10
Heat	**2**	3	**12**	12	19	19
Russia	**4**	0	**25**	38	30	17
Distribution	**1**	0	**3**	11	14	6
Electricity Sales	**0**	0	**0**	1	2	1
Other	**6**	6	**6**	37	23	-8
Total	**7**	-2	**26**	72	91	45
[1)] Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):	**-2**	-2	**-6**	-5	-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	Sept 30 2012	Sept 30 2011	Dec 31 2011
Power	**903**	876	921
Heat	**160**	146	160
Russia	**484**	433	443
Distribution	**104**	96	101
Electricity Sales	**0**	8	0
Other	**398**	402	395
Total	**2,049**	1,961	2,020

Capital expenditure by segment EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	**66**	31	**126**	83	131	174
Heat	**118**	63	**284**	171	297	410
Russia	**104**	195	**311**	462	670	519
Distribution	**84**	73	**207**	169	289	327
Electricity Sales	**0**	0	**0**	4	5	1
Other	**4**	4	**9**	10	16	15
Total	**376**	366	**937**	899	1,408	1,446
Of which capitalised borrowing costs	**19**	13	**56**	37	53	72

Gross investments in shares by segment EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	-	-	0	17	17	0
Heat	-	-	0	22	32	10
Russia	0	24	0	24	24	0
Distribution	-	-	-	-	-	-
Electricity Sales	-	-	-	-	-	-
Other	0	-	5	0	1	6
Total	0	24	5	63	74	16

Gross divestments in shares by segment EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power	0	0	63	3	3	63
Heat	0	0	195	198	203	200
Russia	-	24	-	24	23	-1
Distribution	0	0	37	326	323	34
Electricity Sales	2	1	2	6	16	12
Other	0	-	0	0	0	0
Total	2	25	297	557	568	308

See Note 6 and additional cash flow information for more information about the gross divestment in shares in Q1-Q3 2012.

Net assets by segment EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
Power	6,471	5,956	6,247
Heat	4,245	3,934	4,191
Russia	3,637	3,009	3,273
Distribution	3,847	3,463	3,589
Electricity Sales	7	43	11
Other	122	442	208
Total	18,329	16,847	17,519

Comparable return on net assets by segment %	Last twelve months	Dec 31 2011
Power	18.3	19.9
Heat	7.0	7.4
Russia	2.7	3.5
Distribution	7.4	8.6
Electricity Sales	168.5	33.5
Other	-28.0	-12.7

Return on net assets by segment %	Last twelve months	Dec 31 2011
Power	20.0	24.6
Heat	8.2	9.9
Russia	3.0	3.5
Distribution	7.5	13.7
Electricity Sales	93.1	4.2
Other	-47.2	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	Sept 30 2012	Sept 30 2011	Dec 31 2011
Power	**7,452**	6,825	7,134
Heat	**4,566**	4,245	4,597
Russia	**4,052**	3,390	3,692
Distribution	**4,328**	3,956	4,187
Electricity Sales	**204**	255	249
Other	**776**	673	628
Eliminations	**-434**	-252	-306
Assets included in Net assets	**20,944**	19,092	20,181
Interest-bearing receivables	**1,321**	1,157	1,219
Deferred taxes	**152**	148	150
Other assets	**611**	427	717
Liquid funds	**1,117**	685	731
Total assets	**24,145**	21,509	22,998

Liabilities by segments EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
Power	**981**	869	887
Heat	**321**	311	406
Russia	**415**	381	419
Distribution	**481**	493	598
Electricity Sales	**197**	212	238
Other	**654**	231	420
Eliminations	**-434**	-252	-306
Liabilities included in Net assets	**2,615**	2,245	2,662
Deferred tax liabilities	**2,088**	1,885	2,013
Other liabilities	**322**	345	392
Total liabilities included in Capital employed	**5,025**	4,475	5,067
Interest-bearing liabilities	**8,881**	7,614	7,770
Total equity	**10,239**	9,420	10,161
Total equity and liabilities	**24,145**	21,509	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	Sept 30 2012	Sept 30 2011	Dec 31 2011
Power	**1,921**	1,902	1,847
Heat	**2,341**	2,627	2,504
Russia	**4,270**	4,488	4,379
Distribution	**870**	894	898
Electricity Sales	**514**	507	519
Other	**668**	623	633
Total	**10,584**	11,041	10,780

Average number of employees	Q1-Q3 2012	Q1-Q3 2011	2011
Power	**1,909**	1,880	1,873
Heat	**2,388**	2,732	2,682
Russia	**4,316**	4,437	4,436
Distribution	**874**	904	902
Electricity Sales	**517**	508	510
Other	**657**	601	607
Total	**10,661**	11,062	11,010

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

5. Financial risk management

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

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

Derivatives

		Sept 30 2012		Sept 30 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	**6,026**	**169**	4,594	124	4,737	141
Forward foreign exchange contracts	**8,737**	**-277**	7,311	78	8,257	-143
Forward rate agreements	**118**	**0**	189	0	196	0
Interest rate and currency swaps	**247**	**-13**	450	-4	247	1

Electricity derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	TWh	**MEUR**	TWh	MEUR	TWh	MEUR
Sales swaps	**91**	**384**	98	42	95	559
Purchase swaps	**47**	**-174**	54	-40	48	-289
Purchased options	**2**	**2**	0	-1	1	1
Written options	**6**	**3**	2	4	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	**20,495**	**-13**	17,903	193	10,000	-6
Purchase swaps and futures	**20,810**	**31**	18,018	-196	9,910	4

Coal derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	kt	**MEUR**	kt	MEUR	kt	MEUR
Sold	**10,350**	**164**	13,060	-10	12,325	94
Bought	**10,155**	**-161**	10,597	18	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	**64,877**	**66**	29,131	180	15,283	89
Bought	**65,798**	**-40**	24,201	-159	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**	**7**	9	10	9	9

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

6. Acquisitions, disposals and assets held for sale

Acquisitions

There were no material acquisitions during the first three quarters 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

There were no material disposals during the third quarter of 2012.

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 12.

Gross divestments of shares

EUR million	**Q3 2012**	Q3 2011	**Q1-Q3 2012**	Q1-Q3 2011	2011	Last twelve months
Proceeds settled in cash	**-**	-	**126**	112	117	**131**
Interest bearing debt in sold subsidiaries	**-**	-	**169**	90	89	168
Gross divestments of shares in subsidiaries [1)]	**-**	-	**295**	202	206	299
Gross divestment of associates	**-**	25	**0**	355	362	7
Gross divestment of available for sale financial assets	**2**	-	**2**	0	-	2
Total	**2**	25	**297**	557	568	308

[1)] Liquid funds in sold subsidiaries EUR 12 million (Q3:2011 14) are netted from gross divestments.

7. Exchange rates

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

Key exchange rates for Fortum Group applied in the accounts:

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

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

8. Income tax expense

Tax rate according to the income statement for Q1-Q3 2012 was 18.8% (Q1-Q3 2011: 16.4%).

The tax rate for the period Q1-Q3 2012, excluding the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.2 % (Q1-Q3 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.

9. 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. 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. The dividend was paid on 12 April 2011.

10. Changes in intangible assets

EUR million	**Sept 30 2012**	Sept 30 2011	Dec 31 2011
Opening balance	**433**	421	421
Increase through acquisition of subsidiary companies	**2**	-1	0
Capital expenditures	**21**	16	27
Changes of emission rights	**-42**	-10	13
Depreciation, amortisation and impairment	**-17**	-14	-19
Moved to Assets held for sale	**-**	-	-2
Reclassifications	**3**	-	-
Translation differences and other adjustments	**18**	-19	-7
Closing balance	**418**	393	433
Goodwill included in closing balance	**310**	284	294
Change in goodwill during the period due to translation differences	**16**	-18	-7

11. Changes in property, plant and equipment

EUR million	**Sept 30 2012**	Sept 30 2011	Dec 31 2011
Opening balance	**15,234**	14,621	14,621
Increase through acquisition of subsidiary companies	**0**	27	26
Capital expenditures	**916**	883	1,381
Changes of nuclear asset retirement cost	**-1**	4	5
Disposals	**-14**	-11	-13
Depreciation, amortisation and impairment	**-472**	-437	-587
Sale of subsidiary companies	**-18**	0	-
Moved to assets held for sale	**-**	-	-128
Reclassifications	**-3**	-	-
Translation differences and other adjustments	**649**	-498	-71
Closing balance	**16,291**	14,589	15,234

12. Changes in participations in associates and joint ventures

EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
Opening balance	**2,019**	2,161	2,161
Share of profits of associates and joint ventures	**26**	72	91
Investments	**-**	-	9
Share issues and shareholders' contributions	**-**	16	16
Divestments	**-**	-136	-146
Dividend income received	**-45**	-108	-108
OCI items associated companies	**-11**	-5	-1
Moved to assets held for sale	**-**	-	-1
Translation differences and other adjustments	**60**	-39	-2
Closing balance	**2,049**	1,961	2,019

Share of profits from associates and joint ventures

Share of profits from associates in Q3 2012 was EUR 7 million (Q3 2011: -2) of which Hafslund ASA represented EUR 5 million (Q3 2011: 6) and TGC-1 EUR 4 million (Q3 2011: 0).

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

Fortum's share of profit for the period January-September 2012 amounted to 26 million (Q1-Q3 2011: 72), of which Hafslund represented EUR 5 million (Q1-Q3 2011: 37), TGC-1 EUR 25 million (Q1-Q3 2011: 38) and Gasum EUR 9 million (Q1-Q3 2011: 10). In Q1 2012 Fortum recognised EUR 7 million loss 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 share issues in associated companies during the first three quarters 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 associated companies during the first three quarters of 2012.

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

Dividends received

During Q1-Q3 2012 Fortum had received EUR 45 million (Q1-Q3 2011: 108) in dividends from associates of which EUR 22 million (Q1-Q3 2011: 64) was received from Hafslund, EUR 10 million (Q1-Q3 2011: 23) from Gasum and EUR 4 million (Q1-Q3 2011: 3) from Infratek ASA.

13. Interest-bearing liabilities and liquid funds

On 7 March 2012, Fortum issued under its existing Euro Medium Term Note programme two 5 year bonds amounting to SEK 2,750 million consisting of SEK 1,000 million with floating rate and SEK 1,750 million at 3,25% fixed rate.

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

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

Short term financing on 30 September 2012 was EUR 383 million (year-end 2011: 254). The reported interest-bearing debt on September 30, 2012 was EUR 8,881 million (year-end 2011: 7,770). The interest-bearing debt increased during the third quarter by EUR 1,057 million from EUR 7,824 million to EUR 8,881 million. Total liquid funds increased by EUR 713 million from EUR 404 million to EUR 1,117 million during the third quarter.

14. Nuclear related assets and liabilities

EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
Carrying values in the balance sheet			
Nuclear provisions	**670**	646	653
Share in the State Nuclear Waste Management Fund	**670**	646	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	**941**	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 30 September 2012 was 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, increased by EUR 17 million compared to 31 December 2011, totalling EUR 670 million on 30 September 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 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 271 million, since Fortum's share of the Fund on 30 September 2012 was EUR 941 million and the carrying value in the balance sheet was EUR 670 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 Q3 of EUR -8 million, compared to EUR -6 million in Q3 2011. The cumulative effect 2012 was EUR -24 million compared to EUR -18 million in 2011.

Associated companies

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

15. Other provisions

	CSA provision			Total other provisions		
EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011	Sept 30 2012	Sept 30 2011	Dec 31 2011
Opening balance	**180**	208	208	**205**	239	239
Unused provisions reversed	**-**	-33	-42	**0**	-37	-53
Change in the provision	**-**	11	8	**7**	15	16
Provisions used	**-13**	-5	-5	**-13**	-6	-10
Unwinding of discount	**11**	12	16	**11**	13	16
Exchange rate differences	**7**	-11	-5	**8**	-12	-3
Closing balance	**185**	182	180	**218**	212	205

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-Q3 2012 amounted to EUR 11 million. This amount was booked in other financial expenses.

16. Pledged assets

EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
On own behalf			
For debt			
Pledges	**300**	303	290
Real estate mortgages	**137**	137	137
For other commitments			
Real estate mortgages	**124**	148	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 30 September 2012 the value of the pledged shares amounts to EUR 269 million (31 December 2011: 269).

Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 124 million in September 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.

17. Operating lease commitments

EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
Due within a year	**35**	26	32
Due after one year and within five years	**83**	60	68
Due after five years	**159**	127	142
Total	**277**	213	242

18. Capital commitments

EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
Property, plant and equipment	**1,041**	1,073	940
Intangible assets	**5**	12	10
Total	**1,046**	1,085	950

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

19. Contingent liabilities

EUR million	Sept 30 2012	Sept 30 2011	Dec 31 2011
On own behalf			
Other contingent liabilities	**71**	73	68
On behalf of associated companies and joint ventures			
Guarantees	**493**	335	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 have been increased from SEK 2,574 million (EUR 305 million) to SEK 3,696 million (EUR 437 million) during the third quarter 2012.

The guarantee given on behalf of Teollisuuden Voima Oyj (TVO) to the Finnish fund amount to EUR 39 million at 30 September 2012 (31 December 2011: 44).

20. 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.

During the reporting period TVO submitted a claim and defense in the International Chamber of Commerce (ICC) arbitration proceedings concerning the delay and the ensuing costs incurred at the Olkiluoto 3 project. The quantification estimate of TVO's costs and losses is approximately EUR 1.8 billion, which includes TVO's current actual claim and estimated part. The arbitration proceedings may continue for several years and TVO's claimed amounts will be updated. The proceedings were initiated in December 2008 by the OL3 supplier, AREVA-Siemens. The supplier's latest monetary claim including indirect items and interest is approximately EUR 1.9 billion. TVO has considered and found the claim by the supplier to be without merit.

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

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

No other material changes in legal actions and official proceedings have occurred during Q1-Q3 2012 compared to the year-end 2011.

21. 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-Q3 2012**	Q1-Q3 2011	2011
Sales to associated companies	**88**	19	21
Interest on associated company loan receivables	**31**	26	34
Purchases from associated companies	**497**	524	662

Associated company and joint ventures balances

EUR million	**Sept 30 2012**	Sept 30 2011	Dec 31 2011
Long-term interest-bearing loan receivables	**1,287**	1,078	1,186
Trade receivables	**14**	12	12
Other receivables	**29**	26	11
Long-term loan payables	**234**	223	223
Trade payables	**7**	7	14
Other payables	**7**	23	22

22. Events after the balance sheet date

Hafslund, an associated company of which Fortum owns 34.1%, announced on the 16th of October that their third quarter 2012 profit after tax will be negatively affected by NOK 551 million due to extraordinary write-downs and provisions. The company stated that this was a result of challenging market conditions and negative profit development within BioWood Norway AS and Bio-El Fredrikstad, and a tax provision following the development of an ongoing tax dispute. Fortum will book the share of the impact approximately EUR -25 million in its fourth quarter result.

23. 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)

23. 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	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Nordic countries	**80**	81	**280**	282	384	382
Russia	**229**	226	**753**	741	1,020	1,032
Tyumen	**19**	19	**61**	61	83	83
Chelyabinsk	**8**	8	**27**	27	36	36
Russia Urals area	**57**	57	**185**	183	250	252

Average prices	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Spot price for power in Nord Pool power exchange, EUR/MWh	**20.8**	36.0	**29.2**	51.5	47.1	30.4
Spot price for power in Finland, EUR/MWh	**30.9**	43.4	**35.3**	53.4	49.3	35.8
Spot price for power in Sweden, SE3, Stockholm EUR/MWh [1)]	**23.2**	38.1	**30.6**	52.1	47.9	31.9
Spot price for power in Sweden, SE2, Sundsvall EUR/MWh [1)]	**22.8**	N/A	**29.9**	N/A	N/A	31.2
Spot price for power in European and Urals part of Russia, RUB/MWh [2)]	**1,143**	993	**988**	1,014	990	969
Average capacity price, tRUB/MW/month	**207**	198	**218**	195	209	225
Spot price for power in Germany, EUR/MWh	**43.5**	49.2	**43.0**	51.6	51.1	44.7
Average regulated gas price in Urals region, RUB/1000 m^3	**2,924**	2,548	**2,673**	2,548	2,548	2,642
Average capacity price for old capacity, tRUB/MW/month [3)]	**138**	140	**147**	155	160	153
Average capacity price for new capacity, tRUB/MW/month [3)]	**485**	568	**510**	580	560	516
Spot price for power (market price), Urals hub, RUB/MWh [2)]	**1,114**	939	**951**	948	925	928
CO_2, (ETS EUA), EUR/tonne CO_2	**8**	12	**8**	14	13	8
Coal (ICE Rotterdam), USD/tonne	**92**	124	**94**	124	122	100
Oil (Brent Crude), USD/bbl	**109**	112	**112**	111	111	112

[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	Sept 30 2012	Sept 30 2011	Dec 31 2011
Nordic water reservoirs level	**109**	104	95
Nordic water reservoirs level, long-term average	**101**	101	83

Export/import TWh (+ = import to, - = export from Nordic area)	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Export / import between Nordic area and Continental Europe+Baltics	**-5**	-4	**-15**	1	-6	-22
Export / import between Nordic area and Russia	**0**	2	**3**	8	11	6
Export / import Nordic area, Total	**-5**	-2	**-12**	9	5	-16

Power market liberalisation in Russia %	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Share of power sold at the liberalised price by OAO Fortum	**81**	84	**81**	84	85	84

Achieved power prices EUR/MWh	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power's Nordic power price	**39.7**	44.3	**43.7**	46.5	46.1	44.1
Achieved power price for OAO Fortum	**33.1**	30.0	**30.5**	29.4	29.2	30.1

Production and sales volumes

Power generation TWh	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power generation in the EU and Norway	**12.0**	12.4	**38.7**	40.3	55.3	53.7
Power generation in Russia	**4.5**	3.8	**14.1**	12.5	17.4	19.0
Total	**16.5**	16.2	**52.8**	52.8	72.7	72.7

Heat production TWh	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Heat production in the EU and Norway	**3.0**	2.6	**13.6**	16.1	22.0	19.5
Heat production in Russia	**2.2**	2.4	**16.1**	16.8	25.4	24.7
Total	**5.2**	5.0	**29.7**	32.9	47.4	44.2

Power generation capacity by division MW	Sept 30 2012	Sept 30 2011	Dec 31 2011
Power	**9,757**	9,746	9,752
Heat	**1,565**	1,703	1,670
Russia	**3,404**	3,242	3,404
Total	**14,726**	14,691	14,826

Heat production capacity by division MW	Sept 30 2012	Sept 30 2011	Dec 31 2011
Power	**250**	250	250
Heat	**8,864**	10,096	10,375
Russia	**13,396**	13,796	14,107
Total	**22,510**	24,142	24,732

Power generation by source in the Nordic area TWh	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Hydropower	**6.3**	5.7	**18.1**	14.6	21.0	24.5
Nuclear power	**5.0**	5.7	**16.9**	18.2	24.9	23.6
Thermal power	**0.2**	0.5	**2.0**	6.0	7.2	3.2
Total	**11.5**	11.9	**37.0**	38.8	53.1	51.3

Power generation by source in the Nordic area %	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Hydropower	**55**	48	**49**	38	40	48
Nuclear power	**43**	48	**46**	47	47	46
Thermal power	**2**	4	**5**	15	13	6
Total	**100**	100	**100**	100	100	100

Power sales EUR million	Q3 2012	Q3 2011	Q1-Q3 2012	Q1-Q3 2011	2011	Last twelve months
Power sales in the EU and Norway	**543**	591	**1,916**	2,122	2,868	2,662
Power sales in Russia	**176**	132	**506**	429	590	667
Total	**719**	723	**2,422**	2,551	3,458	3,329

Production and sales volumes

Heat sales **EUR million**	**Q3 2012**	Q3 2011	**Q1-Q3 2012**	Q1-Q3 2011	2011	Last twelve months
Heat sales in the EU and Norway	**140**	151	**822**	914	1,278	1,186
Heat sales in Russia	**25**	22	**198**	214	324	308
Total	**165**	173	**1,020**	1,128	1,602	1,494

Power sales by area **TWh**	**Q3 2012**	Q3 2011	**Q1-Q3 2012**	Q1-Q3 2011	2011	Last twelve months
Finland	**4.5**	4.7	**15.6**	18.5	24.6	21.7
Sweden	**7.1**	7.7	**21.5**	21.2	29.4	29.7
Russia	**5.3**	4.4	**16.6**	14.6	20.2	22.2
Other countries	**0.7**	0.6	**2.7**	2.5	3.6	3.8
Total	**17.6**	17.4	**56.4**	56.8	77.8	77.4

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

Heat sales by area **TWh**	**Q3 2012**	Q3 2011	**Q1-Q3 2012**	Q1-Q3 2011	2011	Last twelve months
Russia	**2.3**	2.2	**17.8**	17.5	26.7	27.0
Finland	**0.9**	1.2	**4.1**	6.3	8.5	6.3
Sweden	**0.7**	0.6	**5.6**	6.0	8.5	8.1
Poland	**0.2**	0.2	**2.8**	2.8	4.3	4.3
Other countries[1)]	**0.3**	0.6	**2.0**	2.6	3.4	2.8
Total	**4.4**	4.8	**32.3**	35.2	51.4	48.5

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