

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Financial performance and position	Risk management	Fortum share and shareholders						

Financial performance and position

Low electricity prices and write-downs burdened continuing results – Electricity distribution divestment completed.

Key financial ratios ¹⁾

	2015	2014	2013	Change 15/14
Return on capital employed, %	22.7	19.5	9.0	16%
Net debt/EBITDA	-0.5	1.1	3.7	-145%
Comparable net debt/EBITDA	-1.7	2.3	3.9	-174%
Comparable net debt/EBITDA without Värme financing	N/A	2.0	3.4	N/A

¹⁾ Key financial ratios are based on total Fortum, including discontinued operations.

Key figures

EUR million	2015	2014	2013	Change 15/14
IS Sales	3,459	4,088	5,309	-15%
Operating Profit				
IS Continuing operations	-150	1,296	1,160	-112%
Discontinued operations	4,395	2,132	348	106%
Total Fortum	4,245	3,428	1,508	24%
Comparable operating profit				
IS Continuing operations	808	1,085	1,070	-26%
Discontinued operations	114	266	332	-57%
Total Fortum	922	1,351	1,403	-32%
Profit before taxes				
IS Continuing operations	-305	1,232	N/A	-125%
Discontinued operations	4,393	2,128	N/A	106%
Total Fortum	4,088	3,360	1,398	22%
Earnings per share, EUR				
Continuing operations	-0.26	1.22	N/A	-121%
Discontinued operations	4.92	2.33	N/A	111%
Total Fortum	4.66	3.55	1.36	31%
CF Net cash from operating activities, continuing operations	1,228	1,406	N/A	-13%
Shareholders' equity per share, EUR	15.53	12.23	11.28	27%
Interest-bearing net debt (at end of period)	-2,195	4,217	7,793	-152%
Interest-bearing net debt without Värme financing	N/A	3,664	6,658	N/A

Fortum's performance from continuing operations in 2015 was not satisfactory. Profitability declined and remained depressed throughout the year due to the very low electricity prices mainly driven by extreme hydro conditions and low commodity prices. The weak market in combination with an increasing cost burden, especially the nuclear capacity tax increase in Sweden, forced early closures of nuclear capacity. This led to extensive write-downs that further burdened our results. Fortum's total operating profit, however, increased clearly due to the sale of the Swedish electricity distribution business that completed the divestment of Distribution started in 2013.

2015 demonstrated again that Finland and Europe are not isolated islands unaffected by global economic cycles. The rapid decline in commodity prices (coal, oil) and increase of subsidised renewable production created an urgent need for the whole utility industry to transform and improve the industry's competitiveness.

Fortum's balance sheet is strong. At the end of 2015, net debt to EBITDA was -0.5 as Fortum was net cash positive by more than EUR 2 billion. Net debt decreased by approximately EUR 6.5 billion during 2015 as a result of the Distribution divestment. A strong balance sheet and good profitability are important to Fortum – they ensure flexible implementation of our strategy, create the capability to carry out our investments and provide the readiness to seize new opportunities as they arise.

In Russia, the multi-year investment programme is nearing completion with the commissioning of two units in Chelyabinsk. The first of the two was finalised in December 2015 and the last unit is planned to be commissioned during the first quarter of 2016.

Given the demanding market, we are pleased at Fortum with the continued positive development in the company's stakeholder satisfaction last year. According to a survey the company conducted, Fortum's reputation has improved and our investments in sustainability have received recognition. We now have a good base to continue building on. Our customers are – and will continue to be – our key focus area. As a result, both our customer base in electricity sales and heat has steadily increased.

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Fortum's Distribution divestment completed

In June 2015, Fortum completed the divestment of its Swedish electricity distribution business.

The total consideration was approximately SEK 60.6 billion on a debt- and cash-free basis, corresponding to approximately EUR 6.4 billion. Fortum booked a one-time sales gain of approximately EUR 4.3 billion, corresponding to EUR 4.82 per share, in the second-quarter 2015 results.

The transaction concluded the divestment of Fortum's Distribution business, a process that began in 2013. The total consideration from the divestments in Finland, Sweden and Norway is approximately EUR 9.3 billion on a debt- and cash-free basis and approximately EUR 6.2 billion in non-taxable sales gains booked during 2014 and 2015.

IFRS restatement relating to discontinued operations

After the divestment of the Swedish electricity distribution business, Fortum has no electricity distribution operations. Therefore, as of the first-quarter 2015 interim report, the Distribution segment has been treated as discontinued operations, consistent with IFRS 5 "Non-current assets held for sale and Discontinued operations". The income statement, including other comprehensive income, cash flow statement and certain key ratios has been restated for the 2014 comparative period. In the segment information, the Distribution segment is reclassified as discontinued operations.

Comparability of information presented in tables and graphs

Financial results discussed in this operating and financial review are for the continuing operations of Fortum Group. The Distribution segment has been reclassified as discontinued operations. As a result, continuing operations and discontinued operations are presented separately for Fortum Group. Comparative period information for 2014 has been restated accordingly and can be found in the stock exchange release published on 15 April 2015. Information in the tables and graphs presented for year 2013 or earlier is not

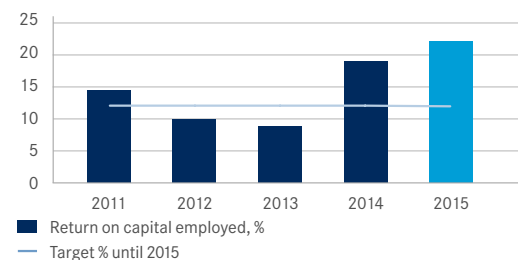
restated due to reclassification of discontinued operations. For further information, see [Note 1.2.1](#).

Furthermore, information in the tables and graphs presented for year 2012 or earlier is not restated due to the adoption of IFRS 10 and IFRS 11. Adoption of standards influences treatment of Fortum's holding in AB Fortum Värme samägt med Stockholms stad in the consolidated financial statements.

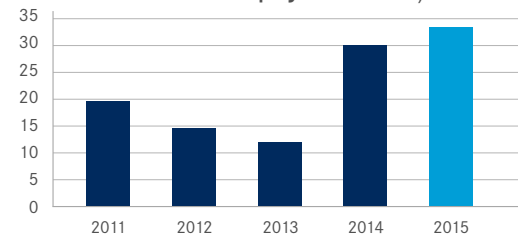
In addition, as of 2014, presented figures have been rounded and consequently the sum of individual figures may deviate from the sum presented.

Figures in brackets refer to the comparison period unless otherwise stated.

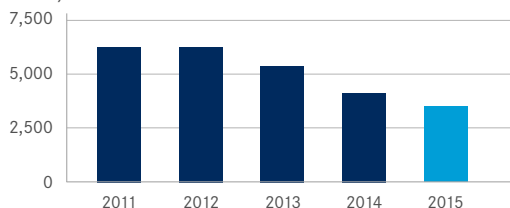
Return on capital employed total Fortum, %



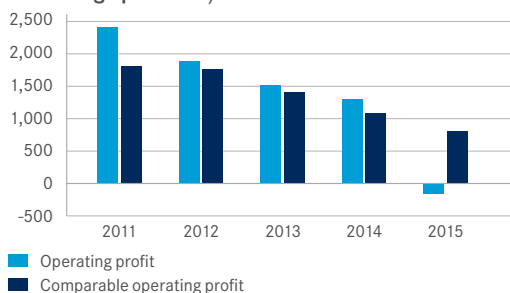
Return on shareholders' equity total Fortum, %



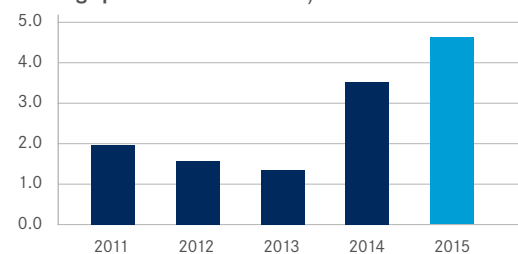
Sales, EUR million



Operating profit and comparable operating profit continuing operations, EUR million



Earnings per share total Fortum, EUR



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Financial results

Sales by segment

EUR million	2015	2014	Change 15/14
Power and Technology	1,722	2,156	-20%
Heat, Electricity Sales and Solutions	1,187	1,332	-11%
Russia	893	1,055	-15%
Other	114	58	97%
Netting of Nord Pool transactions ¹⁾	-336	-422	
Eliminations	-122	-91	
IS Total continuing operations	3,459	4,088	-15%
Discontinued operations	274	751	-64%
Eliminations	-31	-89	
Total Fortum	3,702	4,751	-22%

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

Comparable operating profit by segment

EUR million	2015	2014	Change 15/14
Power and Technology	561	877	-36%
Heat, Electricity Sales and Solutions	108	104	4%
Russia	201	161	25%
Other	-63	-57	-11%
IS Total continuing operations	808	1,085	-26%
Discontinued operations	114	266	-57%
Total Fortum	922	1,351	-32%

Operating profit by segment

EUR million	2015	2014	Change 15/14
Power and Technology	-396	855	-146%
Heat, Electricity Sales and Solutions	105	337	-69%
Russia	203	161	26%
Other	-62	-58	-7%
IS Total continuing operations	-150	1,296	-112%
Discontinued operations	4,395	2,132	106%
Total Fortum	4,245	3,428	24%

For further information see [Note 5](#) Segment reporting.

In 2015, sales were EUR 3,459 (4,088) million, the decrease was mainly due to weak power prices and the Russian rouble. Comparable operating profit totalled EUR 808 (1,085) million and the reported operating profit totalled EUR -150 (1,296) million. Fortum's operating profit for the period was affected by EUR -794 million impact from the early closure of Oskarshamn nuclear units 1 and 2 (O1 and O2) in Sweden (for further information see [Note 7](#)), other impairments and provisions EUR -124 (0) million as well as non-recurring items EUR 22 (305 million), an IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging Fortum's power production and nuclear fund adjustments for continuing operations amounting to EUR -62 (-94 million). Total Fortum's operating profit EUR 4,245 (3,428) million includes the sales gain from the divestment of the Swedish electricity distribution business, approximately EUR 4.3 billion (approximately EUR 1.9 billion from Finnish and Norwegian operations in 2014).

The share of profit from associates was EUR 20 (146) million, the negative impact came mainly from the write-down of Oskarshamn nuclear units 1 and 2, in Sweden. The impact on earnings per share from the early closure of nuclear units O1 and O2 was EUR -0.82 per share. Fortum Värme represented EUR 47 (67) million, the decrease was mainly due to Fortum Värme's compensation to Fortum related to early prepayment of loans. The share of profit from Hafslund and TGC-1 are based on the companies' published third-quarter 2015 interim reports.

The net financial expenses were EUR -175 (-210) million. Net financial expenses include changes in the fair value of financial instruments of EUR -18 (-5) million.

Profit before taxes was EUR -305 (1,232) million.

Taxes for the period totalled EUR 78 (-143) million. Taxes for the period are positive as the group is in loss position. This is mainly due to the write-down related to early closure of nuclear units O1 and O2 units in Sweden. The tax rate according to the income statement was 25.4% (11.6%). The tax rate, excluding the impact of the share of profit from associated companies, joint ventures as well as non-taxable capital gains, was 23.5% (2014: 18.0%).

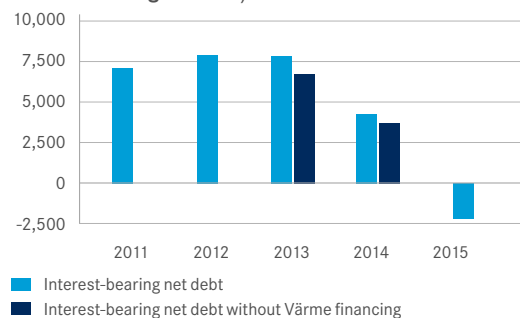
The profit for the period for continuing operations was EUR -228 (1,089) million. Earnings per share for continuing operations were EUR -0.26 (1.22), of which EUR -0.97 (0.26) per share relates to items affecting comparability, including total effect related to early closure of nuclear units O1 and O2. Earnings per share for total Fortum, including the effect from discontinued operations, were EUR 4.66 (3.55), including the EUR 4.82 gain from the sale of the Swedish electricity distribution business. Earnings per share for total Fortum in 2014 were impacted by EUR 2.08 per share from the sale of the Finnish electricity distribution business.

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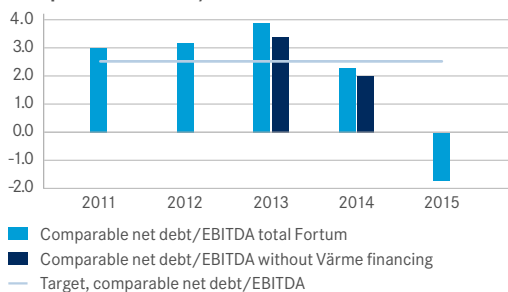
Financial position and cash flow

EUR million	2015	2014	Change 15/14
Interest expense	-203	-249	18%
Interest income	51	84	-39%
Fair value gains and losses on financial instruments	-18	-5	-260%
Other financial expenses - net	-4	-40	90%
IS Finance costs - net	-175	-210	17%
Interest-bearing liabilities	6,007	6,983	-14%
Less: Liquid funds	8,202	2,766	197%
Interest-bearing net debt	-2,195	4,217	
Interest-bearing net debt without Värme financing	N/A	3,664	

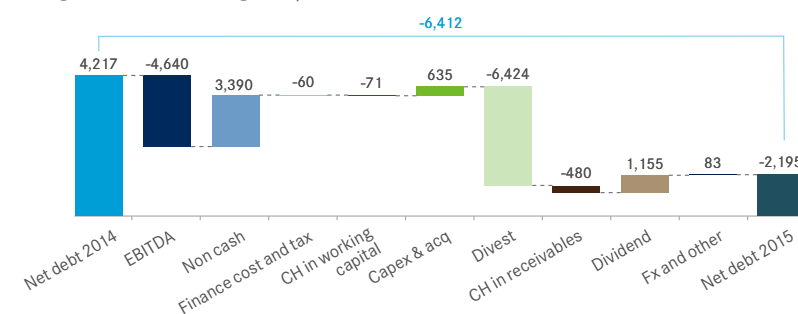
Interest-bearing net debt, EUR million



Comparable net debt/EBITDA



Change in net debt during 2015, EUR million



Cash flow

In 2015, net cash from operating activities from continuing operations decreased by EUR 178 million to EUR 1,228 (1,406) million, mainly due to lower EBITDA. Realised foreign exchange gains and losses of EUR 292 (352) million were related to the rollover of foreign exchange contract hedging loans to Fortum's Swedish and Russian subsidiaries. Total net cash from operating activities including discontinued operations amounted to EUR 1,381 (1,762) million.

Capital expenditures for continuing operations decreased by EUR 95 million to EUR 527 (622) million. Net cash from investing activities for total Fortum was EUR 6,268 (2,816) million, including the impact from discontinued operations amounting to EUR 6,303 (2,574) million. Cash flow before financing activities for total Fortum increased by EUR 3,072 million to EUR 7,650 (4,578) million, including the net impact of discontinued operations of EUR 6,457 (2,930) million.

Fortum paid dividends totalling EUR 1,155 million in April 2015. The net increase in liquid funds during the period was EUR 5,490 million.

Assets and capital employed

Total assets increased by EUR 1,392 million to EUR 22,767 (21,375) million.

Liquid funds increased by EUR 5,436 million to EUR 8,202 (2,766) million, and property, plant and equipment decreased by EUR 2,485 million, both arising mainly from the divestment of the Swedish distribution business. The long-term interest-bearing receivables decreased by EUR 1,268 million to EUR 773 (2,041) million mainly due to the early closure of Oskarshamn units 1 and 2 in Sweden and repayments by Fortum Värme. At the end of 2015 Fortum did not have any loan receivables from Fortum Värme.

Capital employed for total Fortum was EUR 19,870 (17,918) million, an increase of EUR 1,952 million.

Equity

Total equity attributable to owners of the parent company totalled EUR 13,794 (10,864) million.

The increase in equity attributable to owners of the parent company totalled EUR 2,930 million and was mainly from the gain on the divestment of Swedish distribution business of approximately EUR 4.3 billion, partly offset by the dividend payment of EUR -1,155 million for 2014.

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Financing

Fortum was net cash positive at the end of the period as net debt decreased by EUR 6,412 million during 2015 from net debt EUR 4,217 million to net cash EUR 2,195 million.

At the end of 2015, the Group's liquid funds totalled EUR 8,202 (2,766) million. Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 76 (134) million. In addition to liquid funds, Fortum had access to approximately EUR 2.2 billion of undrawn committed credit facilities (See [Note 3](#) Financial risk management).

The net financial expenses were EUR -175 (-210) million of which net interest expenses were EUR -152 (-165) million. Net financial expenses include compensation from prepayment of loans by Fortum Värme EUR 37 million and changes in the fair value of financial instruments of EUR -18 (-5) million.

On 5 June 2015, Standard & Poor's downgraded Fortum's long-term rating to BBB+ from A- and affirmed the A-2 short-term rating. The outlook is stable. The long-term corporate credit rating was removed from CreditWatch, where it had been placed since 18 March 2015. On 17 November 2015, Fitch Ratings downgraded Fortum's long-term Issuer Default Rating (IDR) and senior unsecured rating to BBB+ from A-, while affirming the short-term IDR at F2 with a stable outlook.

Key figures

At year-end 2015, net debt to EBITDA was -0.5 (1.1) and comparable net debt to EBITDA -1.7 (2.3). At year-end 2015, Fortum was no longer financing Fortum Värme.

Gearing was -16% (39%) and the equity-to-assets ratio 61% (51%). Equity per share was EUR 15.53 (12.23). For the year 2015, return on capital employed totalled 22.7% (19.5%).

Market conditions

Nordic countries

According to preliminary statistics, electricity consumption in the Nordic countries was 381 (378) TWh in 2015. The increase was mainly driven by higher industrial consumption in Sweden and Norway.

At the beginning of 2015, the Nordic water reservoirs were at 80 TWh, which is 3 TWh below the long-term average and 2 TWh lower than a year earlier. By the end 2015, reservoirs were at 98 TWh, which

Power consumption

TWh	2015	2014	2013
Nordic countries	381	378	386
Russia	1,007	1,021	1,026
Tyumen	93	93	87
Chelyabinsk	35	36	36
Russia Urals area	258	260	257

Average prices

TWh	2015	2014	2013
Spot price for power in Nord Pool power exchange, EUR/MWh	21.0	29.6	38.1
Spot price for power in Finland, EUR/MWh	29.7	36.0	41.2
Spot price for power in Sweden, SE3, Stockholm, EUR/MWh	22.0	31.6	39.4
Spot price for power in Sweden, SE2, Sundsvall, EUR/MWh	21.2	31.4	39.2
Spot price for power in European and Urals part of Russia, RUB/MWh ¹⁾	1,154	1,163	1,104
Average capacity price, tRUB/MW/month	359	304	276
Spot price for power in Germany, EUR/MWh	31.6	32.8	37.8
Average regulated gas price in Urals region, RUB/1,000 m ³	3,488	3,362	3,131
Average capacity price for old capacity, tRUB/MW/month ²⁾	149	167	163
Average capacity price for new capacity, tRUB/MW/month ²⁾	641	552	576
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	1,047	1,089	1,021
CO ₂ , (ETS EUA), EUR/tonne CO ₂	8	6	5
Coal (ICE Rotterdam), USD/tonne	57	75	82
Oil (Brent Crude), USD/bbl	54	99	109

1) Excluding capacity tariff.

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

Water reservoirs

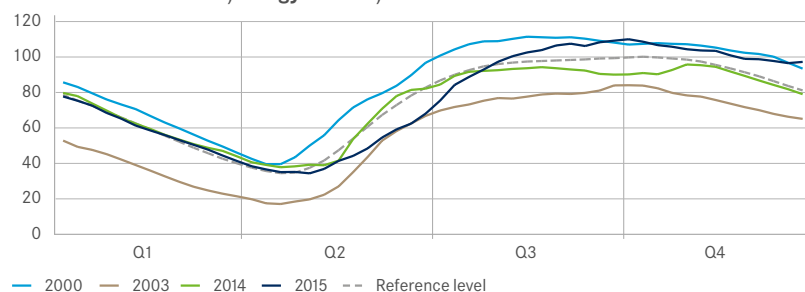
TWh	31 Dec 2015	31 Dec 2014	31 Dec 2013
Nordic water reservoirs level	98	80	82
Nordic water reservoirs level, long-term average	83	83	83

Export/import

TWh (+ = import to, - = export from Nordic area)	2015	2014	2013
Export/import between Nordic area and Continental Europe+Baltics	-18	-14	-3
Export/import between Nordic area and Russia	4	4	5
Export/import Nordic area, total	-14	-10	-2

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Nordic water reservoirs, energy content, TWh



Source: Nord Pool

is 15 TWh above the long-term average and 18 TWh higher than at the end of 2014. Reservoir surplus compared to the long-term average increased further during the fourth quarter due to high precipitation and mild weather, which delayed snow accumulation. Snow reservoirs were approximately normal at year-end.

During 2015, the average system spot price was EUR 21.0 (29.6). The decline was due to the highest annual inflow ever reported and correspondingly very high hydro production volumes as well as mild weather and low commodity prices. In addition, wind power production increased during the year, impacting spot prices negatively. The average area price in Finland was EUR 29.7 (36.0) and in Sweden SE3 (Stockholm) EUR 22.0 (31.6).

In Germany the average spot price during 2015 was EUR 31.6 (32.8) per MWh.

The market price of CO₂ emission allowances (EUA) was at approximately EUR 7.1 per tonne at the beginning of the year and EUR 8.3 at the end of 2015.

Russia

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

According to preliminary statistics Russia consumed 1,007 (1,021) TWh of electricity during 2015. The corresponding figure in Fortum's operating area in the First price zone (European and Urals part of Russia) was 772 (777) TWh.

In 2015 the average electricity spot price, excluding capacity price, decreased by 0.8% to RUB 1,154 (1,163) per MWh in the First price zone.

European business environment and carbon market

Paris Agreement

In December 2015, a global climate agreement for the post-2020 period was adopted. All countries are obligated to prepare national contributions, including mitigation, adaptation and financing, to be reviewed every five years. The long-term goal is to keep the temperature increase well below 2°C above pre-industrial levels with efforts to limit it to 1.5°C.

The agreement increases long-term stability and predictability, encourages market-driven actions and reduces the risk of carbon leakage. Potentially, it can result in an accelerated low-carbon energy transition and new business opportunities. However, there will be no direct impact on CO₂ price unless the EU decides to increase its 2030 target. The EU Heads of States will discuss the results of Paris and the possible consequences on EU targets and policies in March 2016.

EU emissions trading reform

In 2015, the EU Council formally adopted the European Commission's proposal to create a reserve to hold surplus CO₂ permits under the EU Emissions Trading System. This means that the proposed

Market Stability Reserve will become operational in January 2019 and will remove 12% of the net surplus each year, as long as it remains above 833 million tonnes. The EU Environment Council adopted the legislation on behalf of the wider EU Council.

EU power market development

The public consultation on the new EU electricity market design was closed in 2015. Although the aim of the consultation is to collect input from different stakeholders, the European Commission has already stated quite clearly that its preference is to focus on further development of the current energy-only market design rather than going towards capacity markets. In particular, fixed capacity payments are not favoured because of their highly distortive nature. The Commission will put forward proposals for a comprehensive revision of the energy market-related legislation in the autumn 2016.

State of the Energy Union Report

In November 2015, the European Commission published the first edition of the annual "State of the EU Energy Union" report. It included reports on each member states' progress in implementing the EU energy and climate targets, and the key principles for the governance system to ensure implementation of the Energy Union in a transparent and predictable way. The report also underlines the EU's ambition to continue the EU leadership in the transition to a low-carbon economy after COP21, and to ensure that the transition is socially fair and consumer-centred. Continuing geopolitical challenges are also noted in the report.

Circular Economy Package

In December 2015, the EU Commission also proposed a Circular Economy package aiming at better resource efficiency and high-quality reuse of products and recycling of waste. The proposal includes amendments to several waste-related directives and ambitious EU targets for reuse and recycling of all waste streams. The Commission is proposing a ban on the landfilling of separately collected waste and limiting the share of landfilled municipal waste to a maximum of 10% by 2030.

When waste cannot be prevented or recycled, using it for energy is preferred to landfilling. 'Waste to energy' can therefore play a bigger role in the EU energy and climate policy. The Commission will examine how the energy potential can best be exploited and will adopt a waste-to-energy initiative in the framework of the Energy Union during 2016.

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Segment reviews

Power and Technology

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

EUR million	2015	2014	Change 15/14
Sales	1,722	2,156	-20%
- power sales	1,625	2,026	-20%
of which Nordic power sales ¹⁾	1,526	1,845	-17%
- other sales	97	130	-25%
Operating profit	-396	855	-146%
Comparable operating profit	561	877	-36%
Comparable EBITDA	680	998	-32%
Net assets (at period-end)	5,913	6,001	-1%
Return on net assets, %	-8.5	13.6	-163%
Comparable return on net assets, %	9.5	14.2	-33%
Capital expenditure and gross investments in shares	203	198	3%
Number of employees	1,341	1,639	-18%

¹⁾ The Nordic power sales income and volume does not include thermal generation, market price-related purchases or minorities.

In 2015, the Power and Technology segment's comparable operating profit was EUR 561 (877) million, i.e. EUR 316 million lower than in 2014 mainly due to a lower achieved power price. Hydro volumes were historically high, 2.7 TWh, higher than in 2014, while nuclear volumes were 0.9 TWh lower due to unplanned outages in Swedish co-owned nuclear power plants.

Operating profit, EUR -396 (855) million, was affected by write-downs and provisions regarding the closure of Oskarshamn nuclear plant units 1 and 2 in Sweden and of the Finnish coal-fired power plants Inkoo and Meri-Pori, as well as the cancelled Olkiluoto 4 nuclear power project in Finland totalling approximately EUR -915 (0) million, and by sales gains from the sale of property, plant and equipment totalling approximately EUR 18 (52) million, as well as by the IFRS accounting treatment (IAS 39) of derivatives, mainly used for hedging Fortum's power production, and nuclear fund adjustments amounting to EUR -60 (-73) million.

Power and Technology's achieved Nordic power price was EUR 33.0 (41.4) per MWh, EUR 8.4 per MWh lower than in the corresponding period in 2014. The system price and all area prices were clearly lower in 2015 compared to 2014. The average system spot price of electricity in Nord Pool was EUR 21.0 (29.6) per MWh. The average area price in Finland was EUR 29.7 (36.0) per MWh and in Sweden SE3 (Stockholm) EUR 22.0 (31.6) per MWh. The weather during the year was extraordinary and impacted the electricity price level: the first quarter of 2015 was exceptionally mild and the second quarter was characterised by among the highest precipitation in recent history. Mild weather in the fourth quarter reduced consumption and increased inflows. In addition, high wind-power generation limited the use of hydropower.

The segment's total power generation in the Nordic countries was 48.1 (47.1) TWh, 1.0 TWh higher than in 2014 due to very high hydro volumes. Thermal production totalled 0.3 (0.9) TWh in the Nordic countries. CO₂ free production amounted to 99% (97%) of the total production.

Power generation by source

TWh	2015	2014	Change 15/14
Hydro and windpower, Nordic	25.1	22.4	12%
Nuclear power, Nordic	22.7	23.8	-5%
Thermal power, Nordic	0.3	0.9	-67%
Total in the Nordic countries	48.1	47.1	2%
Thermal power in other countries	0.0	0.7	N/A
Total	48.1	47.9	0%

Nordic sales volume

TWh	2015	2014	Change 15/14
Nordic sales volume	50.5	48.6	4%
of which Nordic Power sales volume ¹⁾	46.3	44.6	4%

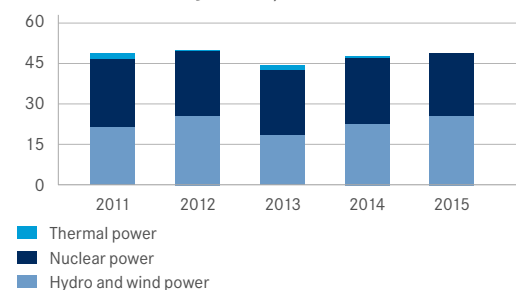
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Sales price

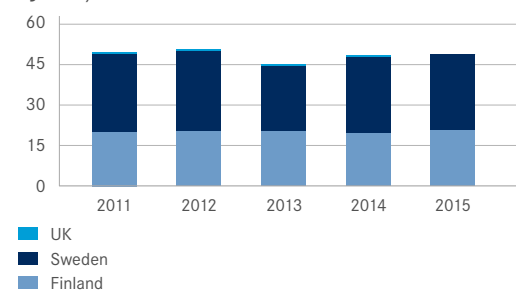
EUR/MWh	2015	2014	Change 15/14
Power's Nordic power price ²⁾	33.0	41.4	-20%

²⁾ Power and Technology's Nordic power price does not include sales income from thermal generation, market price-related purchases or minorities.

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

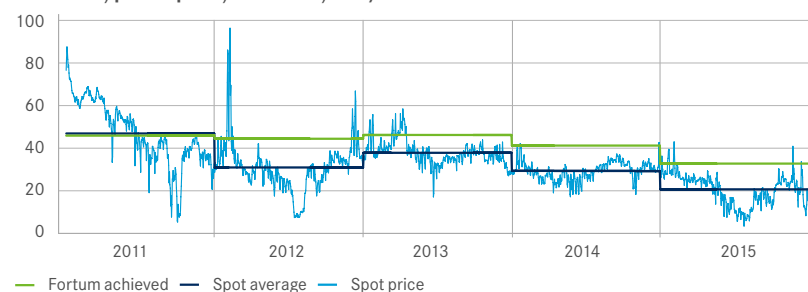


Power and Technology segment's power generation by area, TWh



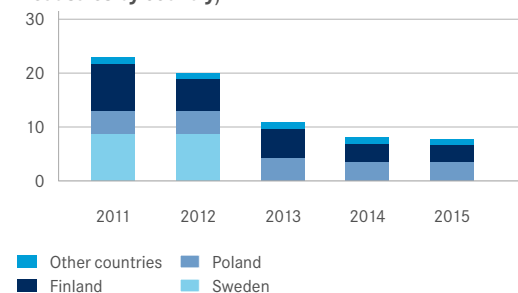
Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
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Nord Pool, power price, 2011–2015, EUR/MWh



Source: Nord Pool, Fortum

Heat sales by country, TWh



Heat, Electricity Sales and Solutions

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

EUR million	2015	2014	Change 15/14
Sales	1,187	1,332	-11%
- heat sales	423	430	-2%
- power sales	682	783	-13%
- other sales	83	119	-30%
Operating profit	105	337	-69%
Comparable operating profit	108	104	4%
of which Electricity Sales	55	48	15%
Comparable EBITDA	209	204	2%
Net assets (at period-end)	2,170	2,112	3%
Return on net assets, %	7.7	19.1	-60%
Comparable return on net assets, %	7.9	8.7	-9%
Capital expenditure and gross investments in shares	128	124	3%
Number of employees	1,417	1,807	-22%

Heat sales volumes of the Heat, Electricity Sales and Solutions segment amounted to 7.8 (7.9) TWh in 2015. During the same period, power sales volumes from CHP production totalled 2.5 (2.8) TWh.

Comparable operating profit was EUR 108 (104) million. The main reasons for the improvement were the more accurate consumption estimates in Electricity Sales and lower fuel costs during the year. In retail electricity sales, the customer base continued to grow in 2015.

Operating profit totalled EUR 105 (337) million, including mainly sales gains and losses and the IFRS accounting treatment (IAS 39) of derivatives totalling -4 (234).

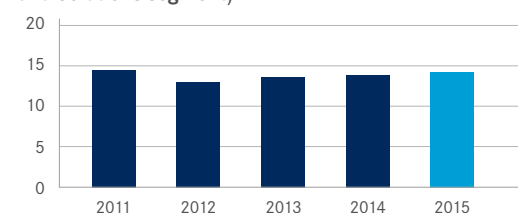
Heat sales by country

TWh	2015	2014	Change 15/14
Finland	3.1	3.2	-3%
Poland	3.4	3.4	0%
Other countries	1.2	1.3	-8%
Total	7.8	7.9	-1%

Power sales

TWh	2015	2014	Change 15/14
CHP	2.5	2.8	-11%
Electricity Sales	14.2	13.8	3%
Total	16.7	16.5	1%

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



Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
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Russia

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

EUR million	2015	2014	Change 15/14
Sales	893	1,055	-15%
- power sales	661	758	-13%
- heat sales	228	285	-20%
- other sales	4	11	-64%
Operating profit	203	161	26%
Comparable operating profit	201	161	25%
Comparable EBITDA	267	304	-12%
Net assets (at period-end)	2,561	2,597	-1%
Return on net assets, %	8.3	5.6	48%
Comparable return on net assets, %	8.2	5.6	46%
Capital expenditure and gross investments in shares	285	367	-22%
Number of employees	4,126	4,213	-2%

The liberalisation of the Russian wholesale power market was completed in 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 2015, Fortum sold approximately 83% of its power production in Russia at a liberalised electricity price.

All of Fortum's capacity was allowed to participate in the capacity selection for generation built prior to 2008 (CCS – "old capacity") for 2015, and the majority of Fortum's plants were also selected. The volume of Fortum's installed capacity not selected in the auction totalled 195 MW (approximately 7% of Fortum's total old capacity in Russia), for which Fortum has obtained forced mode status, i.e. it has received payments for the capacity.

The generation capacity built after 2007 under the Russian Government's capacity supply agreement (CSA – "new capacity") receives guaranteed payments for a period of 10 years. The period and the prices for capacity under CSA were defined to ensure a sufficient return on investments. At the time of the acquisition in 2008, Fortum made a provision, as penalty clauses are included in the CSA in case of possible delays. If the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not

otherwise fulfilled, possible penalties can be claimed. The effect of changes in the timing of commissioning of new units is assessed at each balance sheet date and the provision is changed accordingly.

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

In February 2015, the System Administrator of the wholesale market published data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2014, which was used to calculate the capacity price on CSA in 2015. The CSA payments were revised upwards accordingly to reflect the higher bond rates.

In 2015 the Russia segment's power sales volumes amounted to 29.4 (26.5) TWh and heat sales volumes totalled 25.4 (26.0) TWh in 2015.

The Russia segment's comparable operating profit was EUR 201 (161) million. The positive effect from the new units receiving CSA payments amounted to approximately EUR 244 (165) million, including a EUR 52 (4) million CSA provision release. Lower heat volumes due to warm weather, lower income from heat connections and lower electricity prices impacted the result negatively compared to 2014. The weakened Russian rouble affected the Russia segment's 2015 result negatively by EUR 71 million.

Operating profit was EUR 203 (161) million.

The third unit of Fortum's Nyagan power plant started commercial operation at the end of 2014 and started receiving capacity payments under the Russian Government's capacity supply agreement for 418 megawatts (MW) as of 1 January 2015.

In November 2015, Fortum commissioned unit 1 of its Chelyabinsk GRES combined heat and power plant in Russia. Fortum started receiving capacity payments for Chelyabinsk 1 under the Russian Government's capacity supply agreement (CSA) as of 1 December 2015. Fortum's extensive investment programme in Russia that started in 2008 is now nearly completed, as unit 2 of Chelyabinsk GRES is estimated to start commercial operation in early 2016. The slight postponement is due to delays in construction.

Key electricity, capacity and gas prices for Fortum Russia

	2015	2014	Change 15/14
Electricity spot price (market price), Urals hub, RUB/MWh	1,047	1,089	-4%
Average regulated gas price, Urals region, RUB/1,000 m ³	3,488	3,362	4%
Average capacity price for CCS "old capacity", tRUB/MW/month ¹⁾	149	167	-11%
Average capacity price for CSA "new capacity", tRUB/MW/month ¹⁾	641	552	16%
Average capacity price, tRUB/MW/month	359	304	18%
Achieved power price for Fortum in Russia, RUB/MWh	1,555	1,508	3%
Achieved power price for Fortum in Russia, EUR/MWh ²⁾	22.5	30.4	-26%

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

2) Translated using average exchange rate.

Discontinued operations (Distribution)

EUR million	2015	2014
Sales	274	751
- distribution network transmission	40	590
- regional network transmission	229	120
- other sales	7	41
Operating profit	4,395	2,132
Comparable operating profit	114	266
Comparable EBITDA	163	416
Net assets (at period-end)	-	2,615
Capital expenditure and gross investments in shares	44	147
Number of employees	-	390

The table above includes Swedish electricity distribution business for January–May 2015, the Finnish electricity distribution business for January–March 2014, the Norwegian electricity distribution business for January–May 2014, as well as the Swedish electricity distribution business for the full-year 2014.

In June 2015, Fortum completed the divestment of its Swedish electricity distribution business.

The transaction concluded the divestment of Fortum's Distribution, a process that began in 2013. The total consideration from the divestments in Finland, Sweden and Norway is

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
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approximately EUR 9.3 billion on a debt- and cash-free basis and approximately EUR 6.2 billion in non-taxable sales gains booked during 2014 and 2015.

The comparable operating profit from the discontinued operations was EUR 114 (266) million, and operating profit totalled EUR 4,395 (2,132) million, including the approximately EUR 4.3 billion sales gain from the divestment of the Swedish electricity distribution business, (approximately EUR 1.9 billion from Finnish and Norwegian operations in 2014).

Capital expenditures, divestments and investments in shares

EUR million	2015	2014
Capital expenditure		
Intangible assets	5	13
Property, plant and equipment	577	611
Total continuing operations	582	626
Gross investments in shares		
Subsidiaries	1	7
Associated companies	27	60
Available for sale financial assets	15	2
Total continuing operations	43	69

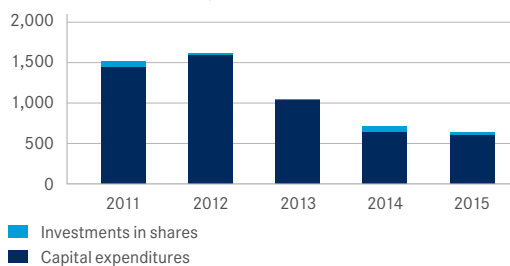
See also [Note 19.2](#) Capital expenditure.

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

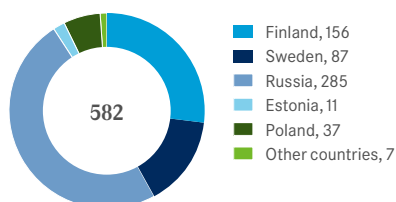
Type	Electricity capacity MW	Heat capacity MW	Supply starts
Power and Technology			
Blaiken	Wind	12	2016
Hydro refurbishment	Hydro	12	2016
Loviisa 1 and 2 refurbishment	Nuclear	11	2016
Heat, Electricity Sales and Solutions			
Zabrze	CHP	75	145
Russia ¹⁾			
Chelyabinsk 2	CHP (CCGT)	248	175
Ulyanovsk	Wind	35	2017

1) Start of commercial operation.

Capital expenditure and gross investments in shares continuing operations, EUR million



Capital expenditure continuing operations by country, EUR million



Power and Technology

Through its interest in Teollisuuden Voima Oyj (TVO), Fortum is participating in the building of Olkiluoto 3 (OL3), a 1,600-MW nuclear power plant unit in Finland. The start of commercial electricity production of the plant is expected to take place in late 2018, according to the plant supplier AREVA-Siemens Consortium. TVO has withdrawn a EUR 300 million shareholder loan from the total EUR 600 million commitments. Fortum's share of the EUR 300 million withdrawals is approximately EUR 75 million. Fortum's remaining commitment for OL3 is EUR 75 million.

In 2015, the Extraordinary General Meeting of TVO decided not to apply for a construction licence for the Olkiluoto 4 (OL4) nuclear power plant during the validity of the decision-in-principle made in 2010. In addition, the Finnish Government granted a license to Posiva for the construction of a final disposal facility for spent nuclear fuel. The final disposal of the spent fuel generated in the

Olkiluoto and Loviisa nuclear power plants into the Finnish bedrock is planned to start in the early 2020's.

In 2015 Fortum also decided to participate in the Fennovoima nuclear power project in Finland with a 6.6% share on the same terms and conditions as the other Finnish companies currently participating in the project. Participation will be carried out through Voimaosakeyhtiö SF.

Fortum's associated company OKG AB's Extraordinary shareholders' meeting in 2015 decided on an early closure of Oskarshamn nuclear power plant units 1 and 2 in Sweden. For unit 1, it means that the unit will be taken out of operation and transferred into service mode after the applied environmental permit has been received, approximately during 2017–2019. For unit 2, which has been out of operation since June 2013 due to an extensive safety modernisation, it means that the unit will not be put back into operation. The closing process for both units is estimated to take several years.

Heat, Electricity Sales and Solutions

Fortum is investing in a new biofuel CHP plant through Fortum Värme, its joint venture with the City of Stockholm. The new CHP plant, located in Värtan, Stockholm, Sweden, will replace some of the existing heat production, and it is planned to be commissioned in 2016. The new plant will have a production capacity of 280 MW heat and 130 MW electricity.

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

In 2015, Fortum launched a greenfield solar PV plant Kapeli, in Madhya Pradesh, India. This solar plant is Fortum's second solar energy project in the country. The 10-MW solar plant will offset more than 18,000 tonnes of CO₂ emissions equivalent annually.

Fortum also decided to build a new multifuel CHP plant in Zabrze, Poland. The total value of the investment is approximately EUR 200 million. The new plant is planned to start commercial operation by the end of 2018. The plant's production capacity will be 145 MW heat and 75 MW electricity.

Russia

In December 2015 Fortum announced a EUR 65 million investment to start wind farm project in Ulyanovsk, Russia with a total capacity of 35 MW. The wind farm is expected to start production in 2017. The

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renewable generation capacity under Capacity Supply Agreement (CSA) receives guaranteed payments for 15 years in order to ensure sufficient return on investment.

Group personnel

	2015	2014
Number of employees, 31 December	7,835	8,202
Average number of employees	8,009	8,329
Total amount of employee benefits, EUR million	351	369

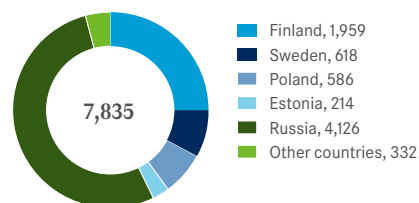
Fortum's operations are mainly based in the Nordic countries, Russia and the Baltic Rim area. The total number of employees at the end of 2015 was 7,835 (8,202 at the end of 2014).

At the end of December 2015, Power and Technology had 1,341 (1,639) employees; Heat, Electricity Sales and Solutions 1,417 (1,807); Russia 4,126 (4,213); and Other 951 (543).

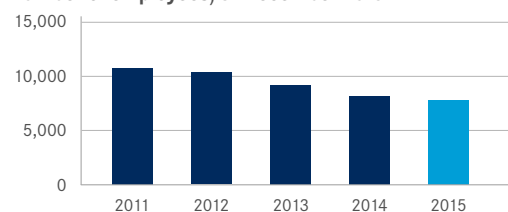
At the beginning of 2015, Fortum centralised its IT and customer service functions. As a result of the centralisation, a total of 464 employees transferred from the Heat, Electricity Sales and Solutions and Power and Technology segments to Other.

For further details of Group personnel see [Note 11](#) Employee benefits.

Personnel by country, 31 Dec. 2015



Number of employees, 31 December 2015



Research and development

Sustainability is at the core of Fortum's strategy and, alongside Fortum's current businesses, the company is carefully exploring and developing new sources of growth within renewable energy production. Fortum is particularly interested in developing environmentally-benign energy solutions (CO₂-free) and new CHP concepts, such as pyrolysis. The company is also researching and developing its solar energy competences and is involved in wave power pilot projects. In addition, Fortum is developing new customer solutions in electricity and heat to improve user experiences and demand-response services.

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

	2015	2014	Change 15/14
R&D expenditure, EUR million	47	41	15%
R&D expenditure, % of sales	1.4	1.0	40%

Sustainability

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

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

2015, Group-level target setting was changed by taking the energy savings yielded by energy-efficiency measures as an indicator in energy efficiency, and total recordable injury frequency (TRIF) as an indicator in occupational safety for Fortum employees. Moreover, a new target of reducing serious injuries by 50% as compared to 2014 was added to Group-level target setting.

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

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

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Fortum sustainability targets and performance ¹⁾

	Target	2015	Five-year average
Specific CO ₂ emissions from power generation in the EU as a five-year average, g/kWh	< 80	21	50
Specific CO ₂ emissions from total energy production (electricity and heat) as a five-year average, g/kWh	< 200	181	191
Energy Efficiency Improvement target, by year 2020, base line year 2012, GWh/a	> 1,400	1,240	-
Number of major EHS incidents ¹⁾	≤ 27	18	-
Energy availability of CHP plants, %	> 95	96.4	-
Total recordable injury frequency (TRIF) for own personnel ¹⁾	≤ 2.5	1.6	-
Lost workday injury frequency (LWIF) for own contractors ¹⁾	≤ 3.2	2.7	-
Number of serious accidents ¹⁾	≤ 8	16	-

1) Includes the electricity distribution segment until divested

Targets for reputation and customer satisfaction are monitored annually. Company reputation among the key stakeholders in the One Fortum Survey in 2015 improved to 71.75 points (on a scale of 1–100 points) and was above the target of 70.8 points. Customer satisfaction improved, and the Group target (70–74 points) was achieved in all business areas except in electricity sales for business customers.

Economic responsibility

In the area of economic responsibility, the focus is on competitiveness, performance excellence and market-driven production. The aim is to create long-term economic value and enable profitable growth and added value for shareholders, customers, employees, suppliers, and other key stakeholders in the company's operating areas. Fortum's goal is to achieve excellent financial performance in strategically selected core areas through strong competence and responsible ways of operating. In 2015, Fortum measured financial performance with return on capital employed (target: 12%) and capital structure (target: comparable net debt/EBITDA around 2.5). In addition, as of 1 January 2014, Fortum has used the applicable Global Reporting Initiative (GRI) G4 indicators for reporting economic responsibility.

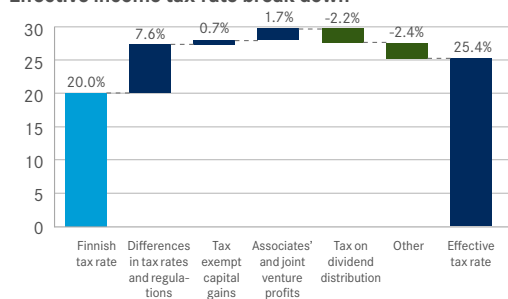
Fortum as a tax payer

Fortum supports social development and well-being of the areas of operations by e.g. paying taxes. The tax benefits Fortum produces to society include not only corporate income taxes EUR 78 million (2014: 143) but also several other taxes. In 2015, Fortum's taxes borne were EUR 413 million (2014: 464). Taxes borne include corporate income taxes, production taxes, employment taxes, taxes on property and cost of indirect taxes. Production taxes include

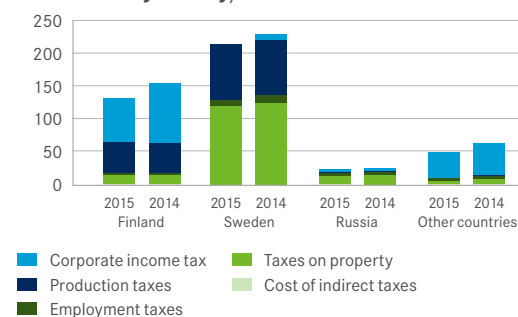
also taxes paid through electricity purchased from associated companies.

In addition, Fortum administers and collects different taxes on behalf of governments and authorities. Such taxes include e.g. VAT, excise taxes on power consumed by customers, payroll taxes and withholding taxes. The amount of taxes collected by Fortum was EUR 352 million (2014: 336). See additional information in [Fortum as a taxpayer](#).

Effective income tax-rate break down



Taxes borne by country, EUR million



Environmental responsibility

Fortum's environmental responsibility emphasises mitigation of climate change, efficient use of resources as well as management of the impacts of its energy production and supply chain. The company's know-how in carbon-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 CO₂ emissions, energy efficiency as well as major environmental, health and safety (EHS) incidents. At the end of 2015, ISO 14001 certification covered 99.9% of Fortum's power and heat production worldwide.

Fortum's climate targets over the next five years are: specific CO₂ emissions from power generation in the EU below 80 grams per kilowatt-hour (g/kWh) and total specific CO₂ emissions from both electricity and heat production in all countries below 200 g/kWh. Both targets are calculated as a five-year average. At the end of 2015, the five-year average for specific CO₂ emissions from power generation in the EU was at 50 (60) g/kWh and the total specific CO₂ emissions from energy production were at 191 (198) g/kWh, both better than the target level.

Fortum's total CO₂ emissions in 2015 amounted to 19.2 (20.3) million tonnes (Mt), of which 2.1 (3.6) Mt were within the EU's emissions trading scheme (ETS). Since 2013, electricity production has not received free allowances in the EU ETS. The amount of free allowances for heat will also gradually decrease during 2013–2020. Fortum's free allowances 2015 were 1.3 Mt.

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Fortum's total CO ₂ emissions (million tonnes, Mt)	2015	2014	Change 15/14
Total emissions	19.2	20.3	-5%
Emissions subject to ETS	2.1	3.6	-42%
Free emission allocation	1.3	1.4	-7%
Emissions in Russia	17.0	16.7	2%

By 2020, Fortum's target is to improve energy efficiency of the existing power plants and heat distribution networks by over 1,400 GWh annually, as compared with 2012. At the end of 2015, about 1,240 GWh of this target was achieved. In 2015, Fortum commissioned the Suomenoja heat pump facility and the flue gas condenser at the Joensuu power plant in Finland and improved performance of the turbine plants at the Argayash and Chelyabinsk CHP 3 power plants in Russia. The projects in 2015 result in an annual energy savings of approximately 560 GWh.

Fortum's target was fewer than 27 major EHS incidents annually. In 2015, 18 (27) major EHS incidents took place in Fortum's operations: one explosion, two leaks into the environment and 15 non-compliances with environmental permits. These incidents did not have significant environmental or financial impact.

Social responsibility

In the area of social responsibility, Fortum's innovations and the secure production of low-CO₂ 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's sites are emphasised. At the end of 2015, OHSAS 18001 certification covered 99.9% of Fortum's power and heat production worldwide.

In 2015, the average energy availability of Fortum's CHP plants was 96.4% (94.7%), which is clearly above the annual target level of 95%.

At the end of 2015, the total recordable injury frequency (TRIF) for Fortum employees was 1.6 (2.0) per one million working hours, which complies with the Group-level frequency target (< 2.5). The lost-workday injury frequency for contractors was 2.7 (3.2), which is below the set target level of 3.2. The number of serious occupational accidents was 16, which is too many and means that the set 50% reduction target for 2015 (8 serious accidents) was not met. Implementation of the agreed actions to improve contractor safety continues with a specific focus on construction projects. Fortum's target is to eliminate serious injuries by 2020. No fatalities occurred during the year.

Fortum expects its business partners to act responsibly and to comply with the Fortum Code of Conduct and the Fortum Supplier Code of Conduct. Fortum assesses the performance of its business partners with supplier pre-selection and supplier audits. In 2015, Fortum audited 9 suppliers in Poland, the Czech Republic, Russia, Kazakhstan and India.

Changes in Fortum's Management

Tapio Kuula, President and CEO, retired on 1 February 2015. Tapio Kuula had been President and CEO of Fortum Corporation since 2009.

On 2 April 2015, Pekka Lundmark, M.Sc. (Eng.), 51, was appointed President and CEO of Fortum Corporation. Mr. Lundmark started at Fortum on 7 September 2015.

Until Mr. Lundmark joined Fortum, CFO Timo Karttinen acted as interim President and CEO of Fortum.

Events after the balance sheet date

On 8 January 2016, Fortum made a public tender offer in Poland to purchase all shares in Grupa Duon SA, an electricity and gas sales company listed on the Warsaw Stock Exchange. Fortum will carry out the acquisition if it receives at least 51% of the shares by the end of the offer period. The offer period commences on 28 January 2016 and is estimated to close on 26 February 2016. The offer has been made in compliance with the Polish legislation and rules of the Warsaw Stock Exchange, and it is subject to clearance of the Polish competition authority.

On 22 January 2016, Fortum's Nomination Board proposed to the Annual General Meeting that the Board consists of eight (8) members and that the following persons be elected to the Board of Directors for a term ending at the end of the Annual General Meeting 2017: to be re-elected Ms Sari Baldauf as Chairman, Mr Kim Ignatius as Deputy Chairman, and as members; Ms Minoo Akhtarzand, Mr Heinz-Werner Binzel, Ms Eva Hamilton, Mr Tapio Kuula and Mr Jyrki Talvitie and to be elected as new board member; Mr Veli-Matti Reinikkala.

In addition, the Shareholders' Nomination Board will propose that the annual fees paid for the term to be as follows: Chairman: EUR 75,000, Deputy Chairman: EUR 57,000, and members: EUR 40,000. The Chairman of the Audit and Risk Committee, if he/she is

not simultaneously acting as Chairman or Deputy Chairman of the Board: EUR 57,000/year.

Outlook

Key drivers and risks

Fortum's financial results are exposed to a number of economic, strategic, political, financial and operational risks. One of the key factors influencing Fortum's business performance is the wholesale price of electricity in the Nordic region. The key drivers behind the wholesale price development in the Nordic region are the supply-demand balance, the prices of fuel and CO₂ emissions allowances, as well as the hydrological situation. The completion of Fortum's investment programme in Russia is also a key driver in the company's result growth, due to the increase in production volumes and CSA payments.

The continued global and European uncertainty has kept the outlook for economic growth unpredictable. The overall economic uncertainty impacts commodity and CO₂ emissions allowance prices, and this could maintain downward pressure on the Nordic wholesale price of electricity. In Fortum's Russian business, the key factors are economic growth, the rouble exchange rate, the regulation around the heat business, and further development of electricity and capacity markets. Operational risks related to the investment projects in the current investment programme are still valid. In all regions, fuel prices and power plant availability also impact profitability. In addition, increased volatility in exchange rates due to financial turbulence could have both translation and transaction effects on Fortum's financials, especially through the Russian rouble and Swedish krona. In the Nordic countries, also the regulatory and fiscal environment for the energy sector has added risks for utility companies.

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

Nordic market

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

During 2015, the price of the European Union emissions allowances appreciated, whereas oil and coal prices declined. The

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price of electricity for the upcoming twelve months declined in the Nordic area as well as in Germany.

In late-January 2016 the quotation for coal (ICE Rotterdam) for the rest of 2016 was around USD 42 per tonne, and for CO₂ emission allowances for 2016 about EUR 6 per tonne. The Nordic system electricity forward price in Nasdaq Commodities for the rest of 2016 was around EUR 19 per MWh and for 2017 around EUR 18 per MWh. In Germany, the electricity forward price for the rest of 2016 was around EUR 25 per MWh and for 2017 around EUR 24 per MWh. Nordic water reservoirs were about 9 TWh above the long-term average and 8 TWh above the corresponding level of 2015.

Power and Technology

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

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

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

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

deductible. The future of the nuclear tax is subject to active political debate in Sweden.

In October 2015, OKG AB's extraordinary shareholders' meeting decided on the closure of Oskarshamn nuclear power plant units 1 and 2 in Sweden. For unit 1, it means that the unit will be taken out of operation and transferred into service mode after the applied environmental permit has been received, approximately during 2017–2019. For unit 2, which has been out of operation since June 2013 due to an extensive safety modernisation, it means that the unit will not be put back into operation. The closing process for both units is estimated to take several years.

In August 2015, Fortum decided to participate in the Fennovoima nuclear power project in Finland with a 6.6%-share and on the same terms and conditions as the other Finnish companies currently participating in the project. Participation will be carried out through Voimaosakeyhtiö SF.

Russia

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

In February 2016, the System Administrator of the wholesale market is planning to publish data on the weighted average cost of capital (WACC) and the consumer price index (CPI) for 2015, which is used to calculate the capacity price on CSA in 2016.

The value of the remaining part of Fortum's investment programme, calculated at the exchange rates prevailing at the end

of December 2015, is estimated to be approximately EUR 100 million, as of January 2016.

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

The targeted operating profit (EBIT) level of RUB 18.2 billion in the Russia segment is targeted to be reached during 2017–2018. The segment's profits are impacted by changes in power demand, gas prices and other regulatory development. The economic sanctions, currency crisis, oil price and the surge in inflation have impacted overall demand. As a result, gas prices and electricity prices have not developed favourably as expected. Previously, the run-rate operating profit level (EBIT) was targeted to be reached during 2015 after finalising the investment programme.

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

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

As forecasted by the Russian Ministry of Economic Development, Russian annual average gas price growth is estimated to be 4.9% in 2016.

Restructuring of TGC-1 according to strategy in Russia

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

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
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Capital expenditure and divestments

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

Taxation

The effective corporate income tax rate for Fortum in 2016 is estimated to be 19–21%, excluding the impact of the share of profits of associated companies and joint ventures, non-taxable capital gains and non-recurring items.

In August 2014, the Finnish Board of Adjustment of the Large Taxpayers' Office approved Fortum Corporation's appeal of the income tax assessment imposed on Fortum for the year 2007 in December 2013. The Tax Recipients' Legal Services Unit appealed the matter. In December 2014, Fortum received a non-taxation decision regarding its financing companies for the remaining years 2008–2011, based on the same audit. This is in line with the Supreme Administrative Court's (SAC) precedent decision. The Tax Recipients' Legal Services Unit has appealed the decisions in February 2015, and the cases for years 2008–2011 are now pending the Board of Adjustment of the Large Taxpayers' Office decision. In line with the 2007 case, Fortum considers the claims unjustifiable.

In June, the Swedish Parliament approved the 17% increase on the tax on installed nuclear capacity, re-proposed by the Swedish Government. The tax was implemented as of 1 August 2015. The estimated impact on Fortum is approximately EUR 15 million in 2016, albeit corporate tax-deductible.

Hedging

At the end of December 2015, approximately 50% of Power and Technology's estimated Nordic power sales volume was hedged at approximately EUR 33 per MWh for the year 2016. The corresponding figures for the 2017 calendar year were approximately 20% at approximately EUR 30 per MWh.

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

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Risk management

Risk management framework and objectives

Fortum is continuously adapting its risk management capabilities to cope with prevailing market conditions, changing operations and the business environment. In 2015, the focus was on improving the framework for internal controls and compliance risk management and integrating them to the operational risk management framework.

Implementation of newly established processes for country and partner assessments, including sustainability and human rights impact assessments, has also continued.

Risk management objective

The objective of risk management in Fortum is to support the creation and execution of the Group strategy, to support the achievement of agreed business plans and to avoid unwanted operational events.

Group risk policy

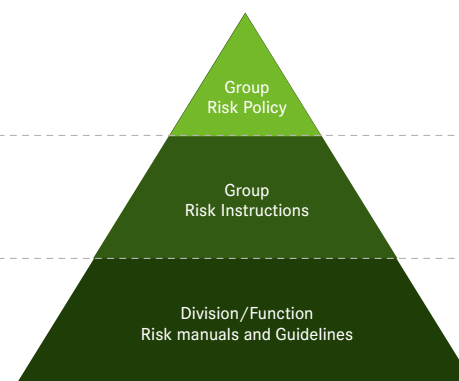
Fortum's Board of Directors annually approves the Group Risk Policy, which defines the high-level objectives and principles, delegates responsibilities for risk management activities within the Group, and sets minimum requirements for risk management processes.

The CEO approves Group Risk Instructions covering commodity market risks, counterparty credit risks, currency, interest rate, liquidity and refinancing risks, and operational and compliance risks. The main principle is that risks are managed at source unless otherwise agreed by management. Corporate Treasury is responsible for managing the Group's currency, interest rate, liquidity and refinancing risks as well as for insurance management. Corporate Credit is responsible for assessing and consolidating credit exposure, monitoring creditworthiness, and setting credit limits for the Group's largest counterparties. Corporate IT is responsible for managing IT information and security risks. There are also corporate functions dealing with risks related to human resources, laws and regulation, and sustainability.

Corporate Risk Policy Structure

Approving body

- Board of Directors
- CEO
- COO, Division or Function Head



Reviewing Body

- Audit and Risk Committee
- CFO
- CRO

Risk management organisation

The Audit and Risk Committee (ARC) is responsible for monitoring the efficiency of the company's risk management systems. Corporate Risk Management, a function headed by the Chief Risk Officer (CRO) reporting to the CFO, is responsible for assessing and reporting the Group's risk exposures to the ARC and Group Management. In order to secure independency from line management, risk controllers conduct risk controlling tasks such as mandate sign-offs and risk model approvals.

Risk reporting is based on CRO approved models, templates and principles. The frequency of reporting is dependent on the materiality and volatility of the risks. For example, exposure to commodity market risks are followed-up and potential mandate breaches are reported daily whereas strategic and operational risks are reported as part of the annual business planning process and followed up in quarterly management reviews. Corporate Risk Management follows-up the Group's exposure to market and credit risk monthly and reports quarterly to Group Management.

Risk management process

The risk management process consists of event identification, risk assessment, risk response and risk control and reporting. Every unit is responsible for responding to risks by taking appropriate actions to avoid, mitigate, transfer or absorb the risk.

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Risk factors

Strategic risks

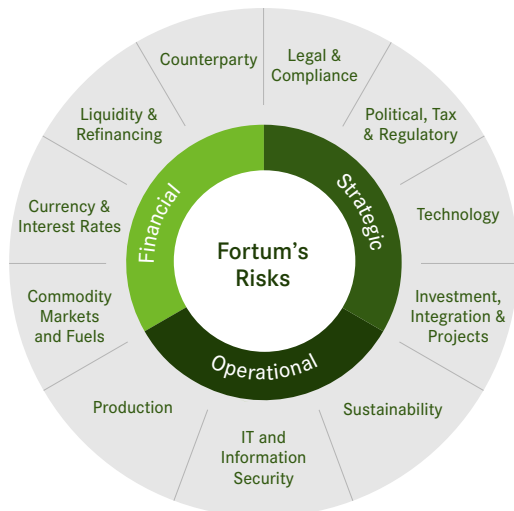
Investment, integration and project risks

Fortum's strategy includes growth of operations and any future investment. Large project or acquisition could entail risk to existing operations, including:

- increased overall operating complexity and requirements for management, personnel and other resources;
- the need to understand and manage the new markets and different cultural and compliance requirements;
- the need to understand and manage subcontractor risks and related sustainability and safety issues.

These risks are mitigated as part of investment, integration and project planning.

Fortum Risk Map



Political and regulatory risks

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

Nordic/EU

Fortum favours a market-driven development, which would mean more interconnections and competition supported by policy harmonization. Infrastructure development and integration of the Nordic electricity market towards continental Europe depend to a large extent on the actions of authorities. The current trend in some European countries of increasingly national policies could endanger the market-driven development of the energy sector.

The biggest potential risks within the policy framework relate to the electricity market model, targets for future climate change mitigation and renewable energy. In particular, the inter-linkage of these issues create uncertainty as they are overlapping and changes in policies in one area could undermine the effects of policy changes in other areas.

The EU is currently discussing capacity remuneration mechanisms that could change the market model. The specific details of targets for CO₂ emissions, renewables and energy efficiency for 2030 are also under discussion, and in the context of renewables the Commission aims at presenting a legislative proposal on sustainability criteria for solid biomass. Furthermore, the nuclear safety directive is in the implementation phase, and a discussion on broadening nuclear liability in the EU is starting.

As part of the Circular Economy package, the EU waste legislation shall be improved together with setting more ambitious recycling targets for waste. This will have a market impact, but possibly also a tax impact, on the amounts of non-recyclable waste that can be used for energy production. The preparations for EU's heating and cooling strategy during 2015–16 shall likely give policy direction towards better-functioning heat markets and district heating systems.

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

Russia

Russia is exposed to political, economic and social uncertainties and risks resulting from changes in regulation, legislation, economic and social upheaval and other similar factors. The Ukraine crisis and EU and US economic sanctions have increased the risks and made the business environment more challenging.

The main policy-related risks in Russia are linked to the development of the whole energy sector, part of which, like wholesale electric energy, is liberalised while other parts, like gas, heat, and retail electricity, are not. The wholesale power market deregulation in Russia has proceeded well and to a large extent according to original plans. However, there is a risk that the Government will freeze tariffs of certain regulated products including gas, which creates a risk for Fortum's operations. Fortum is continuously monitoring the development and implements risk mitigation actions if deemed necessary.

Political risk concerning taxes

The current economic situation in Fortum's key operating countries has created a tax environment that is leading to new or increased taxes and new interpretations of existing tax laws. This, in turn, has led to unexpected challenges for Fortum and how its operations are taxed as the predictability and visibility around taxes has decreased. Fortum is continuously following the development of tax related issues and their impact on the Group and takes appropriate actions to mitigate the risk if needed.

Legal and compliance risks

Fortum's operations are subject to laws, rules and regulations set forth by the relevant authorities, exchanges, and other regulatory bodies in all markets in which Fortum operates, and compliance to these is a prioritized area.

Fortum's ability to operate in certain countries may be adversely affected by difficulties in protecting and enforcing its rights in disputes with its contractual partners or other parties, and also by future changes to local laws and regulations.

Fortum has enhanced its compliance risk management process to systematically identify and mitigate compliance risks including risks related to sustainability and business ethics. Fortum has zero tolerance against corruption and the compliance risk management process also aims to capture potential bribery risks. In addition,

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Fortum has an established Code of Conduct to enhance the understanding of the importance of business ethics for all Fortum employees, contractors and partners. The supplier code of conduct sets sustainability requirements for suppliers of goods and services. Fortum maintains internal controls to minimise the possibilities of unauthorised activities.

The assessment of compliance risks is periodic and documented. Line management regularly reports on the business ethics to Group Management and further to the ARC.

Technology risks

Fortum's R&D activities focus on the development of the advanced technologies included in Fortum's existing energy system as well as new technologies and solutions supporting development of the energy system towards a future solar economy.

Fortum is, for example, developing solar and wave energy and bio-oil as well as innovative solutions for its customers. New technologies expose Fortum to new types of risks such as risks related to intellectual property rights and viability of technologies.

Financial Risks

Commodity markets and fuels risk

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

Fortum hedges its exposure to commodity market risks in accordance with annually approved Hedging Guidelines. Risk taking is limited by risk mandates, including volumetric limits, Profit-at-Risk limits and stop-loss limits. The Profit-at-Risk measure is monitored quarterly by management.

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

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

Electricity price and volume risks

Fortum is exposed to electricity market price movements and volume changes mainly through its power and heat generation and customer sales businesses. In competitive markets, such as in the Nordic region, the price is determined as the balance between supply and demand. The short-term factors affecting electricity prices on the Nordic market include hydrological conditions, temperature, CO₂ allowance prices, fuel prices, economic development and the import/export situation.

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

Electricity price and volume risks are hedged by entering into electricity derivatives contracts, primarily on the Nordic power exchange, Nasdaq Commodities (Nord Pool). The main objective of hedging is to reduce the effect of electricity price volatility on earnings. Hedging strategies cover several years in the short to medium term and are executed within approved mandates. These hedging strategies are continuously evaluated as electricity and other commodity market prices, the hydrological balance and other relevant parameters change.

In Russia, electricity prices and capacity sales are the main sources of market risk. Market deregulation has developed as planned and the electricity price is highly correlated with the gas price. Hedges are mainly done through regulated bilateral agreements.

Emission and environmental value risks

The European Union has established an emissions trading scheme to reduce the amount of CO₂ emissions. The CO₂ emissions trading scheme enhances the integration of the Nord Pool market with the rest of Europe. In addition to the emissions trading scheme, there are other trading schemes in environmental values in place in Sweden, Norway and Poland. There is currently no trading scheme in Russia for emissions or other environmental values. The main factor influencing the prices of CO₂ allowances and other environmental values is the supply and demand balance.

Part of Fortum's power and heat generation is subject to requirements of these schemes. Fortum manages its exposure to these prices and volumes through the use of derivatives, such

as CO₂ forwards, and by ensuring that the costs of allowances are taken into account during production planning.

Fuel price and volume risks

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

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

Exposure to fuel prices is limited to some extent due to Fortum's flexible generation capacity which allows for switching between different fuels according to prevailing market conditions. In some cases, the fuel price risk can even be transferred to the customer. The remaining exposure to fuel price risk is mitigated through fixed-price purchases based on forecasted consumption levels. Fixed-price purchases can be either for physical deliveries or in the form of financial hedges.

Liquidity and refinancing risks

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

In order to manage these risks, Fortum maintains a diversified financing structure in terms of debt maturity profile, debt instruments and geographical markets. Fortum manages liquidity and refinancing risks through a combination of cash positions and committed credit facility agreements with its core banks. Due to the volatile rouble development and sanctions imposed, special attention has been paid to ensure that Russia Division has sufficient liquidity to undertake committed investments.

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After the Distribution divestments, Fortum has a large cash position. The credit risk of this position has been mitigated by diversifying the deposits.

Currency and Interest rate risks

Fortum's debt portfolio consists of interest-bearing assets and liabilities on a fixed- and floating-rate basis with differing maturity profiles. Fortum manages the duration of the debt portfolio through use of different types of financing contracts and interest rate derivative contracts such as interest rate swaps.

Fortum's currency exposures are divided into transaction exposures (foreign exchange exposures relating to contracted cash flows and balance sheet items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (foreign exchange exposure that arises when profits and balance sheets in foreign entities are consolidated at the Group level). For transaction risks, the main principle is that all material exposures should be hedged while translation exposures are not hedged, or are hedged selectively. The rouble exposures are monitored continuously. The main translation exposures are EUR/RUB and EUR/SEK. The weak rouble is affecting Fortum's profit level and equity when translating the Russia Division results and net assets to euros.

Counterparty risks

Fortum is exposed to counterparty risk whenever there is a contractual arrangement with an external counterparty including customers, suppliers, partners, banks and trading counterparties.

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

Due to the financing needs and management of liquidity, Fortum has counterparty credit exposure to a number of banks and financial institutions. This includes exposure to the Russian financial sector in terms of deposits with financial institutions as well as to banks that provide guarantees for suppliers and contracting parties. Deposits in Russia have been concentrated to the most creditworthy state-owned or controlled banks. Limits with banks and financial institutions are monitored so that exposures can be adjusted as ratings or the financial situation changes, and Fortum is

following the development of economic sanctions against Russia as part of the monitoring process.

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

In order to minimise counterparty credit risk, Fortum has routines and processes to identify, assess and control exposure. Credit checks are performed before entering into commercial obligations and creditworthiness is monitored through the use of internal and external sources to ensure that actions can be taken if changes occur.

Corporate Credit is responsible for setting exposure limits for all larger individual counterparty credit exposures and for monitoring and reporting credit exposures for banks, trading counterparties and the largest customers in relation to approved limits.

Each division and corporate unit is responsible for ensuring that exposures remain within approved limits and for taking mitigating actions when needed. Mitigating actions include demanding collateral, such as guarantees, managing payment terms and contract length, and the use of netting agreements.

Operational risks

Operational risks are defined as the negative effects resulting from inadequate or failed internal processes, people and systems or equipment, or from external events. The main objective of operational risk management is to reduce the risk of unwanted operational events. Quality, environmental and occupational health and safety as well as safety management systems are tools for achieving this objective. Fortum's operational activities are 100% ISO 14001 certified and the coverage of OHSAS 18001 certification is 74%. Equipment and system risks are primarily managed through maintenance planning and contingency plans are in place.

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

Production Risks

CHP

CHP production involves the use, storage and transportation of fuels. Leakage of fuels and contamination of the surrounding environment could lead to clean-up costs and third-party liabilities. An explosion or fire at a production facility could cause damages to the plant or third-parties and lead to possible business interruption. These risks are mitigated by condition monitoring and other operational improvements as well as competence development of personnel operating the plants.

Hydro power

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

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

Nuclear power

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

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

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

Decisions have been made in both Finland and Sweden to renew the current nuclear liability legislation to align more with the Paris and Brussels convention, but it is not likely to come into force during 2016. The changes in the new national legislation consist of a liability on plant operators covering damages up to EUR 700

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million in Finland and up to EUR 1,200 million per nuclear incident in Sweden. The liability should be covered by insurance or other form of financial guarantee, as well as a strict and unlimited liability for the plant operators in each respective country.

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

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

Sustainability risks

The Corporate Sustainability unit assesses sustainability risks related to the Group's operations. Risks identified by Corporate Sustainability are assessed by Divisions and mitigation actions for applicable risks are defined as part of the annual planning process. Assessment of environmental risks and preparedness to operate in exceptional and emergency situations follows the requirements set in ISO 14001 standard. The same approach based on the requirements set in OHSAS 18001 standard applies to risks related to occupational health and safety and actions in emergency situations.

Operating power and heat generation plants involves use, storage and transportation of fuels and materials that can have adverse effects on the environment and expose personnel to safety risks.

Environmental, health and safety (EHS) risks as well as social risks related to Fortum's activities are evaluated through supplier pre-selection, internal and external audits and risk assessments. Corrective and preventive actions are implemented when necessary. EHS related risks together with social risks arising in investments are evaluated in accordance with Fortum's Investment Evaluation and Approval Procedure. Environmental risks and liabilities in relation to past actions have been assessed and provisions have been made for future remedial costs.

IT and information security risks

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

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Fortum share and shareholders

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

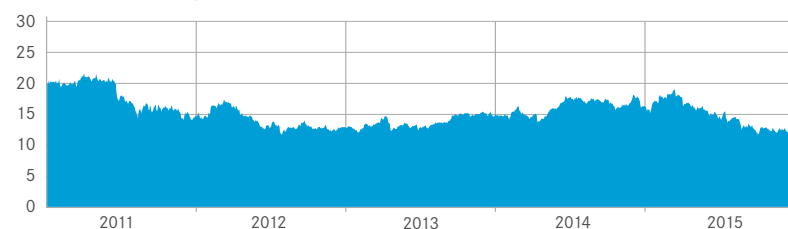
Share key figures

EUR	2015	2014	2013
Earnings per share			
Continuing operations	-0.26	1.22	-
Discontinued operations	4.92	2.33	-
Total Fortum	4.66	3.55	1.36
Cash flow per share total Fortum	1.55	1.98	1.74
Cash flow per share, continuing operations	1.38	1.38	-
Equity per share	15.53	12.23	11.29
Dividend per share	1.10 ¹⁾	1.10	1.10
Extra dividend per share	-	0.20	-
Payout ratio, %	23.6 ¹⁾	36.6	80.9
Dividend yield, %	7.9 ¹⁾	7.2	6.6

1) Board of Directors' proposal for the Annual General Meeting 5 April 2016.

For full set of share Key figures 2006–2015, see the section [Key figures](#) in the Financial Statements.

Market capitalisation, EUR billion



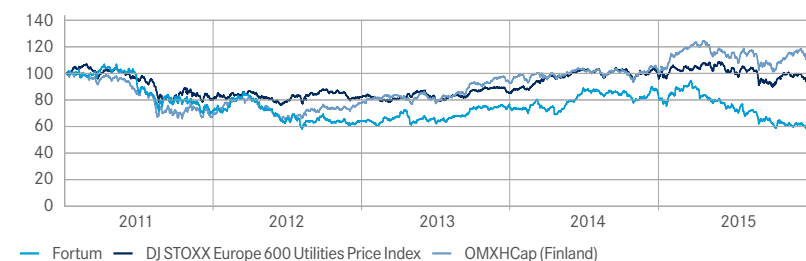
Shareholders value, share price performance and volumes

Fortum's mission is to deliver excellent value to its shareholders. Fortum's share price has depreciated approximately 38% during the last five years, while Dow Jones European Utility Index has decreased 2%. During the same period NASDAQ Helsinki Cap index has increased 15%. During 2015 Fortum's share price depreciated approximately 23%, while Dow Jones European Utility index decreased 2% and NASDAQ Helsinki Cap index increased 11%.

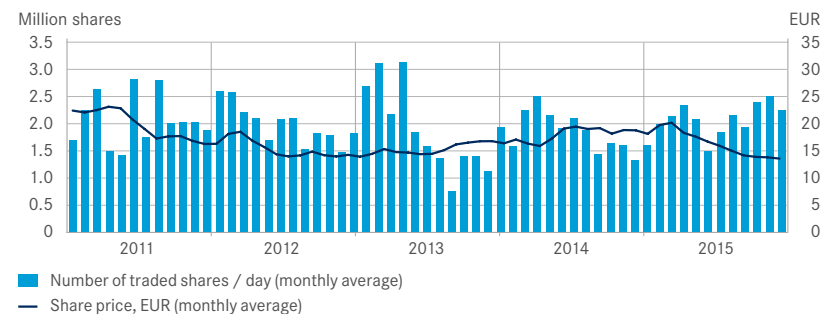
In 2015, a total of 541.9 million (2014: 454.8) Fortum Corporation shares, totalling EUR 8,828 million, were traded on the Nasdaq Helsinki. The highest quotation of Fortum Corporation shares during 2015 was EUR 21.59, the lowest EUR 12.92, and the volume-weighted average EUR 16.26. The closing quotation on the last trading day of the year 2015 was EUR 13.92 (2014: 17.97). Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 12,366 million (2014: 15,964).

In addition to the Nasdaq Helsinki, Fortum shares were traded on several alternative market places, for example at Boat, BATS Chi-X and Turquoise, and on the OTC market as well. In 2015, approximately 58% (2014: 58%) of Fortum's shares were traded on markets other than the Nasdaq Helsinki Ltd.

Share quotations, index 100 = quote on 2 January 2011



Fortum share trading

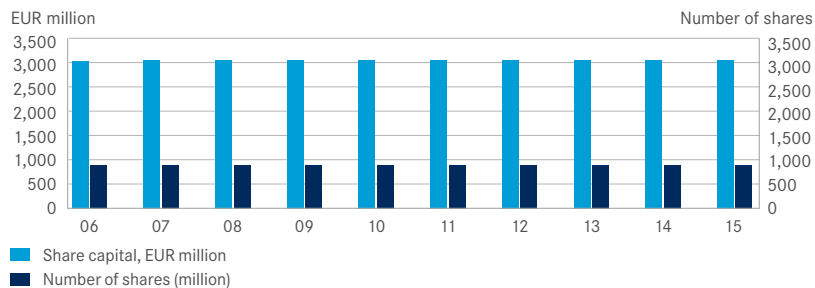


Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
Financial performance and position	Risk management	Fortum share and shareholders						

Share capital

Fortum has one class of shares. By the end of 2015 a total of 888,367,045 shares had been issued. Each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2015 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

Share capital



Shareholders

At the end of 2015, the Finnish State owned 50.76% of the company's shares. The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the share capital and voting rights.

On 25 March 2015, Fortum Corporation received notification pursuant to Chapter 9, Section 5, of the Securities Markets Act that Capital Group Companies Inc's ("CGC") holding in Fortum was below the threshold of 5% on 18 March 2015.

The proportion of nominee registrations and direct foreign shareholders decreased to 25.5 % (2014: 32.3%).

Shareholders, 31 December 2015

Shareholders	No. of shares	Holding %
Finnish State	450,932,988	50.76
Ilmarinen Mutual Pension Insurance Company	10,226,986	1.15
Varma Mutual Pension Insurance Company	9,100,167	1.03
The State Pension Fund	9,000,000	1.01
The Finnish Social Insurance Institution	7,030,896	0.79
Kurikan Kaupunki	6,203,500	0.70
Elo Mutual Pension Insurance Company	4,545,000	0.51
OP-Delta Mutual Fund	3,050,000	0.34
Schweizerische Nationalbank	2,910,081	0.33
Nordea Fennia Fund	2,864,636	0.32
The Local Government Pensions Institution	2,629,374	0.30
OP-Focus Special Fund	2,485,000	0.28
Society of Swedish Literature in Finland	1,716,375	0.19
Nominee registrations and direct foreign ownership ¹⁾	223,849,166	25.20
Other shareholders in total	151,822,876	17.09
Total number of shares	888,367,045	100.00

1) Excluding Schweizerische Nationalbank

By shareholder category	% of total amount of shares
Finnish shareholders	
Corporations	1.87
Financial and insurance institutions	2.66
General government	56.83
Non-profit organisations	1.72
Households	11.39
Non-Finnish shareholders	25.53
Total	100.00

Breakdown of share ownership, 31 December 2015

Number of shares owned	No. of shareholders	% of shareholders	No. of shares	% of total amount of shares
1-100	35,386	25.97	2,061,950	0.23
101-500	54,492	40.00	14,648,185	1.65
501-1,000	22,296	16.36	16,541,500	1.86
1,001-10,000	22,738	16.69	59,655,157	6.72
10,001-100,000	1,225	0.90	28,099,826	3.16
100,001-1,000,000	89	0.07	28,155,303	3.17
1,000,001-10,000,000	17	0.01	59,558,489	6.70
over 10,000,000	2	0.00	461,159,974	51.91
	136,245	100.00	669,880,384	75.40
Unregistered/uncleared transactions on 31 December			73,636	0.01
Nominee registrations			218,413,025	24.59
Total			888,367,045	100.00

Operating and financial review	Primary statements	Notes	Key figures	Parent company financial statements	Proposal for the distribution of earnings	Auditor's report	Quarterly financial information	Investor information
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Management interests 31 December 2015

At the end of 2015, the President and CEO and other members of the Fortum Management Team owned 347,478 shares (2014: 430,457) representing approximately 0.04% (2014: 0.05%) of the total shares in the company.

A full description of the shareholdings and interests in long-term incentive schemes of the President and CEO and other members of the Fortum Executive Management Team is shown in [Note 11](#) Employee benefits.

Authorisations from the Annual General Meeting 2015

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

Dividend policy

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

Dividend distribution proposal

The distributable funds of Fortum Oyj as at 31 December 2015 amounted to EUR 5,417,422,951.23 including the profit of the period of EUR 1,133,611,072.83. After the end of the financial period there have been no material changes in the financial position of the Company.

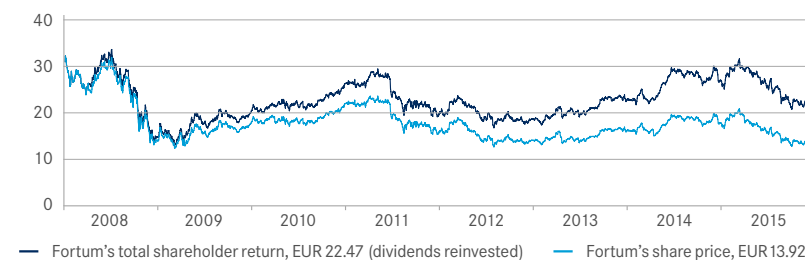
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for 2015.

Based on the number of registered shares as of 2 February 2016 the total amount of dividend proposed to be paid is EUR 977,203,749.50. The Board of Directors proposes, that the remaining part of the profit be retained in the shareholders' equity.

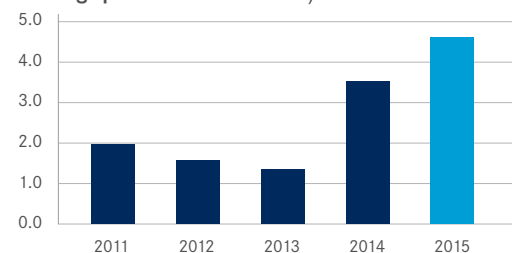
The Annual General Meeting will be held on 5 April 2016 at 14:00 EET at Finlandia Hall in Helsinki.

Total shareholder return

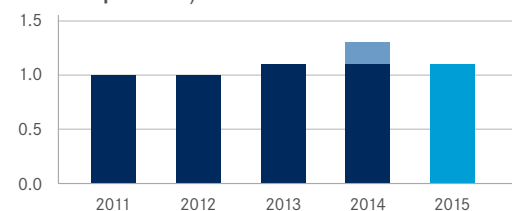
EUR



Earnings per share total Fortum, EUR



Dividend per share, EUR



The dividend for 2015 represents the Board of Directors' proposal for the Annual General Meeting in April 2016.

Fortum paid extra dividend of EUR 0.20 per share for the financial year that ended 31 Dec 2014.