



## FORTUM OYJ

(incorporated with limited liability in Finland)

€6,000,000,000

### Euro Medium Term Note Programme

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Application has been made to the Luxembourg *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purpose of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, to approve this document as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg for the purpose of giving information with regard to the issue of notes in bearer and/or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**" and together the "**Notes**") issued under this €6,000,000,000 Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. Pursuant to Article 7 (7) of the Luxembourg law dated 10 July 2005 on prospectuses for securities, by approving this Base Prospectus, the CSSF assumes no responsibility as to the economic and financial soundness of the transactions contemplated under this Base Prospectus or the quality or the solvency of the Issuer. Application has been made for Notes issued under the Programme to be admitted to listing on the official list and to trading on the Regulated Market of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's Regulated Market is a regulated market for the purposes of the Market and Financial Instruments Directive 2004/39/EC. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with Fortum Oyj (the "**Issuer**").

This Base Prospectus constitutes a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Factors which could be material for the purposes of assessing the risks associated with the Notes issued under the Programme are set out under "*Risk Factors*" on pages 8 to 24 of this Base Prospectus.

The Programme has been rated "P(A2)" by Moody's Investors Service Ltd. ("**Moody's**") and "A" by Standard & Poor's Credit Market Services Ltd ("**S&P**"). Tranches of Notes issued under the Programme may be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Each of Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such each of Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

Arranger  
**Citigroup**

Dealers

**Barclays**  
**Deutsche Bank**

**SEB**

**Citigroup**  
**Nordea**

**The Royal Bank of Scotland**

Dated 9 May 2012

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## IMPORTANT NOTICES

This Base Prospectus should be read and construed together with any supplements hereto and with any other documents deemed to be incorporated by reference herein and, in relation to any Tranche (as defined herein) of Notes, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuer accepts responsibility for the information contained in this Base Prospectus. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus (including for this purpose, each relevant Final Terms) contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue and offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer in connection with the Programme or the issue of any Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee or any Dealer.

No representation or warranty is made or implied by the Dealers or the Trustee or any of their respective affiliates, and neither the Dealers, the Trustee nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. The Issuer, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. With the exception of the approval by the CSSF of this Base Prospectus as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg, no action has been taken by the Issuer, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*" below. In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Notes are being offered outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus, any Final Terms nor any other information supplied in connection with the Programme or any Notes is intended to provide the basis of any credit or other evaluation or to constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Trustee, the Dealers or any of them that any recipient of this Base Prospectus, any Final Terms or other information supplied in connection with the Programme or any Notes should subscribe for or purchase any Notes. Each recipient of this Base Prospectus, any Final Terms or other information supplied in connection with the Programme or any Notes shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €6,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*" below.

Unless otherwise provided with respect to a particular Series of Registered Notes, Registered Notes will be represented by a global registered note certificate (a "**Global Note Certificate**"), deposited with, and registered in the name of a nominee as nominee for, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Individual note certificates ("**Individual Note Certificates**") evidencing holdings of Registered Notes will only be available in certain limited circumstances. See "*Forms of the Notes*" below.

Each Tranche of Bearer Notes will initially be represented by a temporary global note (a "**Temporary Global Note**") or a permanent global note (a "**Permanent Global Note**"), in each case, without interest coupons and which, in each case, will be deposited on the issue date thereof with a common depositary on behalf of Euroclear and Clearstream, Luxembourg. Beneficial interests in a Temporary Global Note will be exchangeable for either beneficial interests in a Permanent Global Note or Bearer Notes in definitive form ("**Definitive Notes**") upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. Each Permanent Global Note may be exchanged for Definitive Notes (save to the extent otherwise indicated in the applicable Final Terms) only in the limited circumstances described in the Permanent Global Note, in each case in accordance with the procedure described in "*Forms of the Notes*" below. For further details of clearing and settlement of the Notes issued under the Programme, see "*Book-Entry Clearance Systems*" below.

Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The rating of certain Tranches of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Tranches of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms. Please also refer to "*Ratings of the Notes*" in the Risk Factors section of this Base Prospectus.

In this Base Prospectus, unless otherwise specified, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars and references to "**EUR**" or "**euro**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly

any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms or Drawdown Prospectus in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for any Issuer or any Dealer to publish or supplement a prospectus for such offer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail.

However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)), in accordance with all applicable laws and rules.

In respect of information in this Base Prospectus sourced from a third party, the Issuer confirms that the information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions in which event, in the case of listed Notes only and if appropriate, a new Base Prospectus will be published.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this overview.*

<b>Issuer:</b>	Fortum Oyj.
<b>Arranger:</b>	Citigroup Global Markets Limited.
<b>Dealers:</b>	Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Nordea Bank Danmark A/S, Skandinaviska Enskilda Banken AB (publ), The Royal Bank of Scotland plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Trustee:</b>	The Law Debenture Trust Corporation p.l.c. pursuant to a trust deed dated 5 May 2011 (the " <b>Trust Deed</b> ") a copy of which will be available for inspection (during normal office hours) at the Specified Office of the Principal Paying Agent and at the registered office of the Trustee.
<b>Principal Paying Agent, Registrar and Transfer Agent:</b>	Citibank N.A., London Branch.
<b>Luxembourg Listing Agent, Paying Agent and Transfer Agent:</b>	Banque Internationale à Luxembourg, <i>société anonyme</i> .
<b>Final Terms or Drawdown Prospectus:</b>	Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a drawdown prospectus (each a " <b>Drawdown Prospectus</b> ") prepared in connection with a particular Tranche of Notes.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus.

**Listing and Admission to Trading:**

Each Series may be admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms or may be issued on the basis that they will not be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system.

**Clearing Systems:**

Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

**Initial Programme Amount:**

Up to €6,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Dealer Agreement and, in such case, shall prepare a supplement to this Base Prospectus or prepare a new Base Prospectus which shall be filed with the CSSF.

**Issuance in Series:**

Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:**

Notes may be issued in bearer or in registered form as specified in the applicable Final Terms. Notes in bearer form will not be exchangeable for Notes in registered form, and Notes in registered form will not be exchangeable for Notes in bearer form. See "*Forms of the Notes*" below. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will, unless otherwise specified in the applicable Final Terms, be represented by a Global Note Certificate registered in the name of a nominee as nominee for, and deposited with, a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg. Each Global Note Certificate will be exchangeable for Individual Note Certificates in accordance with its terms.

**Currencies:**

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may,

subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

<b>Status of the Notes:</b>	Notes will be issued on an unsubordinated basis.
<b>Issue Price:</b>	Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Maturities:</b>	<p>Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.</p>
<b>Redemption:</b>	Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.
<b>Optional Redemption:</b>	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.
<b>Tax Redemption:</b>	Except as described in " <i>Optional Redemption</i> " above, early redemption will only be permitted for tax reasons as described in Condition 11(b) ( <i>Redemption for tax reasons</i> ).
<b>Interest:</b>	Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
<b>Denominations:</b>	Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements, save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount



in such currency agreed as at the Issue Date).

<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in Condition 6 ( <i>Negative Pledge</i> ).
<b>Cross Default:</b>	The Notes will have the benefit of a cross default as described in Condition 14 ( <i>Events of Default</i> ).
<b>Taxation:</b>	All payments in respect of Notes will be made free and clear of withholding taxes of Finland, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 13 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
<b>Rating:</b>	Notes issued pursuant to the Programme may be rated or unrated. Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Whether or not each credit rating applied for in relation to relevant series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms.
<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of or in connection with them are governed by English law.
<b>Selling Restrictions:</b>	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom and Japan, see " <i>Subscription and Sale</i> " below.

## **RISK FACTORS**

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme are also described below.*

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with, any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may currently be unable to anticipate.

*Prospective investors are encouraged to read all information in this Base Prospectus carefully as well as to closely review the risk factors listed below in order to reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme**

#### **Commodity market risks**

##### *Electricity prices and volumes*

The Issuer is exposed to electricity market price movements and volume changes mainly through its power generation and customer sales businesses. In competitive markets the price is determined as the balance between supply and demand. In the Nordic countries there is considerable variation in the amount of available electricity depending on weather conditions and the amount of precipitation. For the Issuer, the impact of lower prices during wet years is partly compensated by its correspondingly higher production of hydro-electric power. Uncertainty in nuclear production due to prolonged maintenance periods or delays in upgrades aimed at lifetime extension or capacity increases, especially in co-owned plants in Sweden, has also increased in recent years, leading to further variation in the amount of available electricity. Other short-term factors affecting electricity prices and volumes in the Nordic market include temperature, CO<sub>2</sub> allowance prices, fuel prices, and the import/export situation.

In the Nordic countries, the Issuer manages electricity price and volume risks in its generation business separately from its customer sales business. Price and volume risks in electricity generation are hedged by entering into commodity derivatives contracts, primarily on Nasdaq OMX Commodities (formerly Nord Pool). The objective of hedging is to reduce the effect of electricity price volatility on the Issuer's earnings and cash flows, and to secure a minimum level of earnings which ensures financial obligations can be met. The Issuer has hedging strategies for major assets covering several years in the short to medium term which are executed by the trading unit within set mandates. These hedging strategies are continuously evaluated as electricity and other commodity market prices, the hydrological balance and other relevant parameters change. Although the hedging strategies aim at reducing risk, there can be no assurances that the Issuer will not be negatively impacted by electricity price and volume risks which may affect its ability to fulfil its obligations under the Notes issued under the Programme.

The Issuer manages both the electricity price and volume risks in its customer sales business through active portfolio management. There are several types of sales contracts, the volumes and prices of which may vary depending on factors such as temperature, industry demand and the price of electricity on the spot and forward markets. The Issuer manages the portfolio of sales contracts by entering into electricity derivatives contracts to hedge the price risk and by continuous forecasting of demand to manage the volume risk. However, due to the complex nature of customer sales contracts, it is not possible to completely hedge the risks and the Issuer may not be able to pass on all costs incurred to the customer. This may negatively impact the Issuer's earnings and may affect its ability to fulfil its obligations under the Notes issued under the Programme.

In Russia, electricity prices and capacity sales are, to a certain extent, regulated and the electricity price is highly correlated with the gas price. There is currently only a limited financial market for hedging electricity prices in Russia, and the majority of electricity sales are regulated. The Issuer participates in

the financial market where the liquidity is very low. Hedging strategies for Russia will therefore be developed in line with the deregulation of the electricity market and the liquidity of the market place.

Changes in the regulatory environment and general economic conditions are long-term factors which influence demand and available generation capacity, which in turn affects the long-term electricity price. A downward pressure on prices can be caused by excessive investment in generation relative to demand development. Demand development may deteriorate in relation to forecasts due to, for example, decreased industrial activity, and in the long-term there are no assurances that current price levels can be sustained. Lower prices may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Emissions and environmental values*

The European Union has established an emissions trading scheme to reduce the amount of CO<sub>2</sub> emissions. The scheme started in 2005, and based on the revised directive, it will continue until at least 2020. The CO<sub>2</sub> emission trading scheme enhances the integration of the Nordic market with the rest of Europe. The main factor influencing the prices of CO<sub>2</sub> allowances is the supply and demand balance. Most of the Issuer's CO<sub>2</sub> emissions from power and heat generation in Europe are subject to requirements under the trading scheme. Allowances have so far been granted based on historical emissions and surpluses or deficits of allowances can be sold or bought on the market. From 2013 onwards, allowances for electricity production will be auctioned.

Currently, the Issuer's Russian activities are not subject to any carbon trading scheme, and there is no carbon market in the country, but this could change in the future.

Over 90 per cent. of the Issuer's current power production that is subject to the trading scheme is based on carbon-free energy sources. Most of the allowance price can be passed through to the electricity price, thus mitigating the exposure to CO<sub>2</sub> allowance price risk. The Issuer manages its exposure to CO<sub>2</sub> allowance prices through the use of CO<sub>2</sub> derivatives contracts and by ensuring that the costs of allowances are taken into account during production planning. There are no assurances that the regulations governing the CO<sub>2</sub> allowances trading scheme will remain in place, and future prices and allocation of allowances are uncertain. Rising emission allowances prices would increase the generation costs for the Issuer's fossil-fuelled plants, and whilst they currently represent only a small proportion of Issuer's production facilities, higher emission allowance prices may affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

In addition to the emissions trading scheme, there are other domestic or regional regulatory frameworks in place in countries in which the Issuer operates, including Estonia, Finland, Norway, Poland and Sweden, which give incentives to foster environmentally-friendly production methods. These frameworks include trading schemes in environmental values, feed-in tariffs and subsidies for electricity production. There can be no assurances that these regulatory frameworks will remain or that changes to existing frameworks will not negatively impact the Issuer's financial or operating results.

#### *Fuel prices and volumes*

Heat and power generation requires the use of fuels that are purchased on global or local commodity markets. The main fuels used by the Issuer are uranium, coal, natural gas, peat, oil, and various bio-fuels such as wood pellets. A substantial portion of the Issuer's operations is dependent on continued access to these and other raw materials and supplies at appropriate prices.

For fuels that are traded on global markets such as coal and oil, the uncertainty in price is the main factor. Prices are largely affected by demand and supply imbalances which 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 increasing use of commodities as financial investments has also increased the volatility in prices during recent years. For fuels traded on local markets such as bio-fuels, the volume risk in terms of access to the raw material of appropriate quality is more significant as there may be a limited number of suppliers.

In addition to affecting prices for CO<sub>2</sub> allowances and electricity, fuel prices also have a direct effect on the Issuer's variable heat and power production costs. Exposure to fuel prices is to some extent limited by the Issuer's flexible generation capabilities, which allow for switching between different fuels according

to prevailing market conditions. Fuel price risk can to a certain extent be transferred to the consumer through contract pricing, and can be further mitigated through fixed price purchases that cover the forecasted consumption levels. Fixed price purchases can be either for physical deliveries or in the form of financial hedges.

Coal is mainly obtained from Russian and Kazakhstan suppliers. Wood and peat are mainly obtained from Finland and, to a lesser extent, Sweden. With respect to the Loviisa nuclear power plant, nuclear fuel assemblies (including the uranium contained therein) are acquired from a Russian supplier for the remaining life time of the power plant (up to 2027/2030). Fuel for the Olkiluoto, Forsmark and Oskarshamn nuclear power plants is also purchased on international markets. The main fuel source for heat and power generation in Russia is gas. Gas prices are partially regulated, and there is a dependency on a limited number of suppliers. Changes in the regulation regarding gas prices and suppliers can affect the supply and price of gas. Long-term gas supply contracts are concluded with gas suppliers to ensure gas availability for power plants.

Management does not currently foresee any difficulties in obtaining fuels for the Issuer's heat and power generation activities. However, it is possible that the Issuer's ability to obtain fuels that are necessary for its operations in one or more business sectors at appropriate prices may be restricted or eliminated altogether as a result of changes in world markets, government restrictions, natural disturbances, regional hostilities or other factors. This may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Proprietary Trading Risks*

As part of the management of risks relating to fluctuations in prices of electricity, CO<sub>2</sub> allowances and fuels related to the Issuer's business, the Issuer engages in a certain amount of trading in, and relating to, these commodities. The Issuer trades electricity forwards, futures and options, mainly on the Nasdaq OMX Commodities and EEX market, CO<sub>2</sub> allowances on the European market and financial coal and oil derivatives on the ICE and over the counter ("OTC") markets. In the future the Issuer's operations may include other commodities or geographic areas.

Strict management controls and reporting procedures are in place to limit potential losses and ensure compliance with predefined risk mandates. While these steps are designed to limit the Issuer's exposure to risks relating to trading operations, there can be no assurance that the Issuer will not sustain losses in the future as a result of adverse movements in commodity prices or other factors affecting its trading positions.

#### **Financial Risks**

The businesses, earnings and financial conditions of the Issuer have been and will continue to be affected by the global financial markets and the global economic outlook. The actual or perceived failure or worsening credit of other financial institutions and counterparties could also adversely affect the Issuer.

#### *Liquidity and refinancing risks*

Financing and liquidity management within the Issuer is managed centrally by Corporate Treasury. External financing is primarily raised at parent company level by the Issuer. Operating companies are financed via internal loans from the Issuer (as parent company) and excess cash positions are centralised to the Issuer either through the internal cash-pools or by internal deposits.

The recent global financial crisis has emphasised the need for prudent management of liquidity and refinancing risk. The Issuer manages these risks through a combination of cash positions and committed credit facility agreements with its core banks. The Issuer's continued operation depends on its ability to meet payment obligations under such loans.

During the second half of 2007 and during 2008, the wholesale funding markets (including the international debt capital markets) experienced significant disruptions in part due to lack of liquidity. In 2011 the European sovereign debt crisis again negatively affected the global financial markets. Although the global economy has started to recover, the financial problems in the euro zone has created a financial market where it could become difficult to raise funding and manage liquidity again, which might affect the ability of the Issuer to refinance its loans or significantly increase the costs of refinancing if credit spreads increased relative to existing loan agreements. The Issuer maintains a diversified financing

structure in terms of debt maturity profile, debt instruments and geographical markets. Credit rating agencies assess the Issuer's business and publish credit ratings. A lowering of credit ratings could raise the financing costs of possible new loans taken, which could have a material adverse effect on the Issuer's business, financial condition or results of operations. This may negatively affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme. Furthermore, there are no assurances that possible adverse changes in business cycles or other factors would not result in renegotiation of the financing or the need for further financing, which in turn may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Currency exchange rates*

The Issuer has cash flows, assets and liabilities in currencies other than euro. Changes in exchange rates could therefore have an effect on the Issuer's earnings and balance sheet. The Issuer's policy is to hedge major 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 flow) to avoid the effect of exchange differences in the profit and loss statement. These exposures are mainly hedged by forward contracts. Translation exposures arise when income statements and balance sheet statements of entities in the Issuer's group whose base currency is not euro, are consolidated. These exposures are generally not hedged as the majority of these assets are considered to be long-term strategic holdings of the Issuer's Group.

The main currency exposure is toward EUR/Swedish Krona ("**SEK**") and EUR/Russian Rouble ("**RUB**"), arising from the Issuer's extensive operations in Sweden and Russia. The Issuer's target for currency risk management is to reduce fluctuations in earnings and cash flows due to changes in currency rates, but there can be no assurance that the Issuer will be able to manage the risk successfully. The values of the RUB and the SEK declined significantly against the euro towards the end of 2008 and in the beginning of 2009. Since then the SEK has strengthened and stabilised. The RUB has experienced some further decline against the euro but, since the end of 2011, it has strengthened. A further decline of the RUB and the SEK against the euro could have an adverse effect on future results and on the value of net investments of the Issuer when consolidating results and net investments in Swedish and Russian affiliates into the reporting currency (euro) of the Issuer. In respect of the RUB see also "*Risks related to Russia and other emerging markets – currency exchange rate risks*" below.

The Issuer also conducts currency trading operations involving forward exchange agreements, options, currency swaps and other derivative products to manage exchange rate risk arising from international transactions and operations.

This may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Interest Rate Risk*

The Issuer's debt portfolio consists of interest bearing assets and liabilities on fixed and floating rate bases with differing maturity profiles. The average interest rate duration for the interest bearing net debt is kept within a range of 12 and 36 months. The Issuer manages the duration of the debt portfolio by entering into different types of financing contracts and interest-rate derivative contracts such as interest rate swaps and forward rate agreements ("**FRAs**"). Although the Issuer manages interest rate risks with the intention to reduce interest rate costs and to reduce volatility in financial costs, there can be no assurance that the Issuer will be able to manage interest rate risks successfully. This may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### **Counterparty risks**

The Issuer's business operations lead to contractual arrangements with customers, suppliers, financing partners, and trading counterparts which expose the Issuer to counterparty risks.

Credit risk exposures relating to financial derivative instruments are often volatile. Interest rate and currency derivatives, as well as other counterpart exposures relating to treasury activities, are limited to high credit quality banks and financial institutions. The majority of the Issuer's commodity derivatives are cleared through Nasdaq OMX Commodities, but some contracts are also entered into directly with other

external counterparts. Such OTC contracts are limited to high credit quality counterparts active on the financial or commodity markets.

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

The Issuer maintains procedures for performing credit checks before entering into any contractual agreement and for managing credit exposures in existing contracts. Exposures are monitored in relation to limits and counterparties creditworthiness in order to ensure that the risks are at an acceptable level. Collateral is actively demanded from counterparties not fulfilling credit requirements. Other mitigating activities include managing payment terms and contract length as well as pursuing netting agreements. However, there are no assurances that the Issuer will not sustain losses as a result of default, litigation or other actions by one or more of its counterparties. Should this occur, it may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

### **IT and information security risk**

The Issuer manages IT and information security risks centrally through its corporate security and IT functions. The main objective is to ensure high availability, controlled access to business critical information and fast recovery of IT systems. The Issuer has established an awareness programme, instructions and set procedures for reducing risks and managing IT and other information security incidents. Although the Issuer has established these instructions to reduce risks and increase security, there can be no assurance that losses or costs caused by IT security breaches will be prevented in the future.

### **Environmental, health and safety risks**

Operating power and heat generation and electricity distribution facilities involve the use, storage and transportation of fuels and materials. The nature of the Issuer's businesses, in particular, power and heat production, exposes the Issuer to risks of environmental costs and liabilities. Liability may also arise through the acquisition or ownership of properties or businesses.

The assessment of sustainability risks is integrated into the annual assessment of business risks. The Corporate Relations & Strategy (“CR&S”) function assesses the risks related to Group operations and its own operations as part of its annual planning. The divisions assess the risks identified by the CR&S function in their own annual planning and prepare business control measures. Business divisions with ISO 14001 certification manage their environmental risks and their ability to operate in exceptional and emergency situations to ensure compliance with the requirements of the ISO 14001 standard. Environmental, health and safety (“EHS”) risks arising from investments are evaluated in accordance with the Group's Investment Evaluation and Approval Procedure.

The Issuer has environmental, health and safety management systems in place and 99 per cent. of these have been certified in Europe and 70 per cent. in Russia. The Issuer aims to have all of its management systems in Russia certified according to international standards by the end of 2012.

EHS risks are regularly evaluated through internal and external audits and risk assessments, and corrective with preventive actions being launched when necessary. Environmental risks and liabilities in relation to past actions have been assessed and necessary provisions made for future remedial costs. However, there can be no assurance that environmental contamination due to prior, present or future practices will not result in future liabilities.

The Issuer's operations are subject to extensive environmental laws and regulations adopted by the European Union and the governmental authorities in the jurisdictions in which the Issuer operates. In Russia in particular, federal, regional and local authorities may enforce existing laws and regulations more strictly than they have done in the past and may impose stricter environmental standards, or higher

levels of sanctions for violations, than those now in effect. Notwithstanding the Issuer's established systems mentioned above, any such tightening of the environmental regulations or the stricter application of the existing regulations in the countries of its activities may adversely affect the activities, profit and financial situation of the Issuer and its operations.

## **Nuclear power**

### *Insurance, Third-Party liability, Nuclear Incidents and Safety*

The Issuer owns the Loviisa nuclear power plant in Finland and has minority interests in one Finnish and two Swedish companies with nuclear plants. 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 Loviisa power plant, the Issuer has a statutory insurance policy of approximately EUR 700 million per nuclear incident. This is the upper liability limit for the Issuer under the provisions of the temporary Finnish Nuclear Liability Act (the "**Finnish NLA**"), which came into force as of 1 January 2012 and will stay in place until the renewed Paris and Brussels conventions are ratified as explained below. The temporary Finnish NLA also includes an unlimited liability for plant operators for damages that occur in Finland. In Sweden, the operator has a statutory insurance policy of approximately EUR 360 million per nuclear incident and the liability is limited until the Swedish government adopts the new nuclear liability legislation as explained below. In addition to these, the party countries are liable for up to approximately EUR 145 million in both countries, based on the international Paris and Brussels conventions.

The parties to the Paris and Brussels conventions agreed to modify the conventions in February 2004. The aim is to ratify the amendments to the conventions and implement the modified national liability acts at the same time in party countries including Finland and Sweden. The renewed conventions will come into force when 2/3 of the undersigned countries have ratified the amendments. In most of the countries this procedure is not completed and therefore it is difficult to forecast when the amendments will come into force.

In Finland the modified Finnish NLA was approved by Parliament in 2005 and is waiting for ratification. The agreed modifications consist of a liability on plant operators covering damages of up to EUR 700 million per nuclear incident, which should be covered by insurance or other form of financial guarantee. The Finnish government will have to compensate for any damages exceeding EUR 700 million and up to EUR 1,200 million, and therefore has a maximum liability of EUR 500 million. In addition to that, the compensation community, composed of the party countries, will be liable for maximum damages of EUR 300 million so that the total maximum amount of compensation per nuclear incident would be EUR 1,500 million. In addition to this, the operator of a nuclear power plant in Finland is strictly liable for damages due to a nuclear incident in Finland. There are no limitations on the liability for damages that occur in Finland. Thus the operator, in the event of a nuclear incident with exceptionally serious results, will be liable for the damage beyond its insurance cover, i.e. when the damage exceeds EUR 1,500 million. If damages occur outside Finland originating from the same nuclear incident, the national legislation of the affected country will be followed.

In Sweden, Parliament approved the new nuclear liability legislation in June 2010. The new law requires a separate decision by the Swedish government to come into force. The compensation limits are similar to those in Finland with an exception that compensation for damages exceeding EUR 700 million and up to EUR 1,200 million will be covered by the operator as some form of financial guarantee or insurance. The proposal is that the operator has strict and unlimited liability. Liability towards other countries will be according to their liability towards Sweden (reciprocity rule).

All of the reactors the Group fully or partly owns fulfil the current safety standards set up by authorities. The Group's reactors have been upgraded from the original design by introducing Severe Accident Management ("**SAM**") systems. The purpose of the upgrades is to manage severe accidents without major releases of radioactivity into the environment.

Nuclear safety and especially preparedness against extreme external events became a major concern in the European Union after the Fukushima nuclear accident in 2011. Based on this concern and to make nuclear safety more transparent, the EU decided in May 2011 to carry out nuclear safety stress tests. Safety evaluations were carried out at the Loviisa nuclear power plant and on eight reactors co-owned by the Group in Sweden and Finland. The stress test addresses the safety of the nuclear power plant in

conjunction with an earthquake, flood, weather phenomena and loss of heat sink. It also assesses the continuous operation of the organisation in case of a severe accident and how the plant is technically equipped to manage such circumstances.

The Swedish and Finnish radiation safety authorities have given external conclusions for all nuclear power plants in the Group. The conclusions indicate that the design basis criteria for external events and related safety margins are robust enough at all the Group's plants. Measures for further safety improvements will be implemented within the Loviisa nuclear power plant's normal annual investment programme. The improvements will not have an impact on the availability of the power plants. Based on national reports, the European Commission will submit a consolidated report to the European Council in June 2012.

#### *Increases in nuclear power capacity*

In January 2002, the Finnish government approved a decision in principle with respect to the construction of a fifth nuclear power plant unit in Finland, and the Finnish Parliament ratified the decision in May 2002. Teollisuuden Voima Oy ("**TVO**"), the company responsible for the project, was authorised to continue preparations for the construction of a new plant unit. After the decision in principle and before commencing construction, TVO applied for a separate construction licence and obtained it in February 2005. The Issuer is participating in the nuclear power plant with a share of approximately 25 per cent. The completion of the project has been delayed. In December 2011, the plant supplier, AREVA-Siemens, informed TVO that the plant unit was scheduled to be ready for regular electricity production in August 2014. According to the turnkey delivery contract the supplier is responsible for the time schedule. AREVA-Siemens filed a request for arbitration in December 2008 concerning the Olkiluoto 3 delay and related costs. In June 2011, the supplier submitted its statement of claim, which included updated amounts which specified sums of indirect items and interest. The supplier's latest monetary claim including indirect items and interest is approximately EUR 1.9 billion. TVO has considered and found the claim by the supplier to be without merit. In response, TVO filed a counter-claim in April 2009 based on costs primarily due to delays. The value of TVO's presented counterclaim is currently approximately EUR 1.4 billion. TVO will update its counterclaim during the arbitration proceedings which may continue for several years, and the amounts of the claim and counter-claim may change.

TVO also completed its EIA-procedure for a new unit in Olkiluoto ("**OL4**") and submitted the necessary documents for the Governmental resolution in April 2008. The Finnish Government decided on 21 April 2010 that it will give a favourable decision-in-principle on TVO's application which was ratified by the Finnish Parliament on 1 July 2010. TVO has continued its preparations for the OL4 nuclear power plant project and has started the bidding and engineering phases.

In 2007, the Issuer completed a procedure for renewing operating licences for the Loviisa power plant. The former operating licence was approved at the end 2007 and the new one allows the operator to use Lo1 until the end of 2027 and Lo2 until the end of 2030. The new licence extended the operating life of both Loviisa units up to 50 years. Both in Finland and in Sweden, the total capacity increase in nuclear power plants, which are partly owned by the Issuer, is estimated to be approximately 15 per cent. Most of them will be completed at the end of 2013.

#### *Disposal of nuclear waste*

Under Finnish law, the Issuer bears full legal and financial responsibility for the management and disposal of nuclear waste produced by the Loviisa power plant. The Issuer bears partial responsibility, proportionate to its output share, for the costs of the management and disposal of nuclear waste produced by TVO's Olkiluoto nuclear power plant of which it is a part-owner, pursuant to the shareholders' agreement relating thereto in the same manner as for the other fixed operation costs of TVO. The Issuer and TVO have established a company to dispose of spent nuclear fuel. The construction licence for the final disposal facility will be submitted in 2012 and the operation licence in 2018. The operation of the facility is expected to commence in 2020. Both the Loviisa and Olkiluoto facilities already operate permanent on-site repositories for low-level and intermediate-level radioactive waste. Waste is placed in containers and disposed of within a cavern complex excavated in bedrock between 50 metres and 100 metres underground. Such repositories will also house irradiated equipment and construction material when the respective nuclear facilities are decommissioned.



In Sweden, under the shareholders' agreements relating to the Forsmark and Oskarshamn nuclear power plants, the Issuer bears partial responsibility, proportionate to its share of output, for the costs of management and disposal of radioactive waste and certain related funding costs from these facilities in the same manner as the other fixed operation costs of the Forsmark and Oskarshamn 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. Even though contributions to these funds should be sufficient to fully cover estimated costs for handling all the produced radioactive waste, including a safety margin, the possibility exists that actual costs could exceed fund provisions. If this were to occur, the Issuer, for its part, would be responsible for any such excess costs.

Multi-layered containment systems and sophisticated safety protocols effectively isolate radioactive materials from the surrounding environment during the process of interim storage, packaging, transport, relocation and encasement of nuclear waste in the final storage repositories. However, although remote, the risk of radioactive leakage into the environment at various stages of this process, as well as from the final storage facilities themselves, cannot be excluded entirely and could negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Regulation of nuclear power plants*

Governmental authorities hold considerable regulatory authority with respect to the continued operation of nuclear power plants, including monitoring compliance with licence conditions, amending the conditions of existing licences and exercising the power to refuse applications for construction of new nuclear power plants or expansion of existing facilities. Exercise of this authority, as with all other regulatory authority, may be influenced significantly by changes in the balance of national political power. The construction of new nuclear power plants has been prohibited in Sweden since the 1980s. In 1999, the government of Sweden closed one nuclear plant prior to the end of its technical life, and in 2005, another plant on the same site was closed. The Issuer does not have an interest in either of these plants. The Swedish Act on Nuclear Phase-Out was cancelled by a legislation change which was decided by Parliament in June 2010 and has been valid since January 2011. This new legislation creates a possibility of keeping the number of running nuclear units constant (ten units). However, the possibility of closure prior to the end of the expected technical life of one or more of these power plants or other restrictive action relating thereto, as a result of changes in the regulatory regime, licence conditions or other factors, cannot be excluded entirely. This may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

### **Hydro power**

#### *Regulation of water flow*

Under the water legislation in Finland and Sweden, environmental permits regarding the regulation of water flow can, under certain circumstances, be amended to reduce the negative effects of the water flow regulation. Compensation is in principle paid to the producers of hydro power, but the compensation can, under certain circumstances, be adjusted. In Sweden, loss of production will not be compensated up to a 5 per cent. loss whereas a greater production loss will most likely result in compensation. Based on the above, there are no assurances that the changes of the permits for the regulation of water flow will not significantly affect the production of hydro power, or that these changes will not be made without full compensation to the Issuer.

#### *Insurance, Third-Party Liability and Dam Failures*

Operational events at hydro facilities can lead to physical damages, business interruptions, and third-party liabilities. In Sweden, third-party liabilities from dam failures are strictly the plant owner's responsibility. Together with other hydro power producers, the Issuer has a shared dam liability insurance programme in place that covers Swedish dam failure liabilities up to SEK 9,000 million.

Operational risks in production facilities are mitigated by continuous maintenance, condition monitoring, and other operational improvements. For hydro generation assets, there exists a long-term programme for

improving the surveillance of the condition of dams and for securing the discharge capacity in extreme flood situations. Despite the measures taken, there are no assurances that a dam failure will not occur, in which case significant costs to the Issuer could arise.

### **Electricity Distribution**

Operational events electricity distribution facilities can lead to physical damages, business interruptions, and third-party liabilities. Storms and other unexpected events may result in electricity outages that create costs in the form of repairs and for customer compensation. Outages are typically short, but it is not possible to totally prevent long outages. There is an extensive procedure in place to minimise the length and consequences of outages in exceptional circumstances, but there are no assurances that significant costs would not be incurred in the event of a long outage.

### **Competition and regulation risks**

#### *Market integration and price regulation in generation*

The European Commission has expressed the aim of developing a unified EU-wide electricity market and therefore is seeking to remove restrictions on the cross-border transfer of electricity and to foster investments by electricity grid companies in the building of new interconnection lines. Construction of new transmission interconnections among the countries of Northern Europe will increase the competition in generation. In the integrated European market, electricity will flow from lower price areas to higher price areas. Electricity prices in the Nordic area are affected by the prices in Continental Europe and especially prices in Germany. If the price level in Continental Europe is lower than the price level in the Nordic countries, electricity will flow from Continental Europe to the Nordic area thereby depressing prices in the Nordic countries. Further integration increases the connection between Continental European and Nordic area prices. It is also possible that, in the future, the electricity markets of the Nordic countries could be affected by imports from Russia if significantly more generation capacity in North-western Russia and transmission capacity from Russia to the Nordic area is built.

The profitability of the generation business of the Issuer may also be considerably impacted by increasing taxation of generation, including the possibility of windfall profit taxation due to the European Emissions Trading system and the possible taxation of uranium which is under discussion in Finland. These or other future taxation changes may negatively affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Price regulation in distribution*

In Finland, Norway, Estonia and Sweden, electricity distribution is basically regulated through a defined maximum allowed income over a regulation period, usually 4-5 years. Regulatory decisions are made prior to the start of the regulation period and consist of either a model to calculate the allowed income or a model in combination with a decision in respect of the allowed income. The major variables in these models are the level of return on capital employed, expectations on efficiency increases and the quality of services performed. Electricity distribution prices are then set by distribution companies within these regulatory frameworks.

Authorities in these countries continue to gradually develop the steering mechanisms and parameters used in electricity distribution regulation. The political risks associated with a negative public opinion caused by regulation changes on the electricity market as a whole, and the distribution companies in particular, can be significant. It is possible that those authorities will change existing regulatory frameworks, and that such changes will have a material adverse effect on the Issuer's financial condition or results of operations by restricting the Issuer's ability to realise a reasonable return on its distribution activities. This may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Price and other regulation in district heating and combined heat and power ("CHP") generation*

District heating's main market characteristics are: local urban heat systems based on a variety of fossil and renewable fuels, having typically a quite strong market position in terms of market share but on the other hand increasing competition pressure from alternative space heating sources e.g. individual gas boilers, heat pumps and solar heating. European competition legislation provides that companies having a

strong market position need to ensure that their prices remain justified and reasonable in terms of riskiness and profitability of the industry.

Regulatory principles for setting heat prices in different jurisdictions are determined by national political and market circumstances and regulation history in the specific jurisdiction. This means that district heating regulation frameworks vary from alternative based heat pricing to cost-plus regulation (ex-ante). Furthermore, there are no specific EU level guidelines for price regulation for district heating.

Prices of district heating in Sweden and Finland are not heavily regulated as heating companies decide and justify their own heat prices and electricity revenues from CHP do not cross-subsidise heat prices. In Norway, on the other hand, heat prices are based on the most competitive alternatives. In Eastern Europe (e.g. in Russia, Poland and Baltic States) district heating has traditionally been regulated through ex-ante, cost-plus methodology. In all of these jurisdictions, the main objective of regulators and competition authorities is to protect customers from abusing strong market positions and from unjustified heat price levels. Electricity revenues from CHP are liberalised and heat pricing principles are regulated in accordance with the different national frameworks. However, a certain level of cross-subsidy between electricity and heat revenues still exists in some countries in Eastern Europe.

Space heating represents approximately 40 per cent. of European green-house gas emissions. Consequently, district heating is an important industry sector within EU's energy policy to mitigate climate change. Therefore, desire has grown at an EU level to increase the market orientation, competition and energy efficiency of heat markets. The opportunities to increase competition in district heating occur at two levels: competition between district heating and its main alternatives in local heating markets and also potentially voluntary or mandatory competition between different district heat production sources (third-party-access in heat networks). The introduction of a framework regulating access to the district heating markets entails both an increased risk of existing plants being left unused, and an opportunity for easier access to the market for new plants and investors. Available regulatory frameworks vary substantially and, at the moment, only a few precedents for the regulation of district heating markets exist. The general trend is that increasing competition through the introduction of rules to access the market would involve increasing structural costs due to the separation of heat production and distribution.

Authorities continue to actively develop the mechanisms and parameters used in regulation of district heating and CHP industries that are gaining importance in EU's energy policy context. The following main objectives are foreseen to strengthen: protection of vulnerable customers, disconnection of social and energy policy, encouragement of more competition, higher energy efficiency and sustainability promoting benefits of district heating, CHP and renewable energy sources. The evolution of frameworks regulating the district heating markets and pushing it towards a more unified market and the introducing of price setting principles is foreseen to gradually take place and have an impact on the Issuer's financial condition or results of operations as the Issuer's ability to realise predictable and stable returns on its heating and CHP activities will be affected. This may impact the Issuer's ability to fulfil its obligations under the Notes issued under the Program.

### **Compliance risks**

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

In the wake of the recent turmoil in the financial markets, there is a trend to increase regulation within the EU. Although most of the regulation is primarily focused on financial institutions, a number of the proposals could encompass energy trading as the regulation is applicable to all forms of financial contracts including commodity derivatives and possibly emissions trading. The potential impact of new regulation on the Issuer is, at the moment, not clear. However, it could encompass increasing costs for a variety of reasons, including possible requirements to centrally clear contracts, transaction reporting and increased capital requirements. Some regulations are already in place. Consequently, the Issuer maintains strict internal market conduct rules and has procedures in place to prevent, for example, the use of proprietary information before it is published. Segregation of duties and internal controls are enforced to minimise the possibilities of unauthorised activities.

Compliance with competition legislation is managed through a dedicated Competition Compliance Programme that systematically identifies and mitigates compliance risks. Despite these measures, there

can be no assurances that a compliance breach will not occur which would adversely affect the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Tax risks*

Tax risk refers to the risk associated with changes in, or errors in the interpretation of, taxation rates or laws applicable to the Issuer. This could result in increased charges or financial loss. Although the Issuer devotes considerable resources to managing tax risk, a failure to manage this risk could adversely affect the Issuer's business, results of operations and financial condition.

#### **Investment risk**

In the Nordic countries, there are still large numbers of small municipal electricity companies, but the trend has been for these companies to transfer ownership, either fully or partly, to larger energy companies. The success of the Issuer's strategy of focusing on the Nordic countries and on creating the framework for long-term profitable growth depends in part upon identifying suitable acquisition or investment opportunities and successfully consummating those transactions.

Even if the Issuer is able to identify candidates for acquisition or investment, it may be difficult to complete transactions. Competition or similar laws may make it difficult for the Issuer to complete additional acquisitions if regulators in countries where the Issuer and potential acquisition targets operate believe that a proposed transaction will have an adverse effect on competition in the relevant market. Competition for acquisitions could limit the Issuer's ability to grow by this method or could raise the prices of acquisitions and make them less attractive to the Issuer. If the Issuer is unable to make acquisitions for any of these reasons, it could be prevented from implementing its strategy and from realising the benefits it expects to derive from such a strategy.

#### **Risks related to Russia and other emerging markets**

The Issuer's growth strategy includes expanding operations in emerging markets, for example, in India where an office has been established in order to evaluate growth opportunities, and in Russia where the Issuer already has significant operations. Investors should note that emerging markets, including Russia, are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

#### *Political risk*

Emerging markets countries are subject to greater political, economic and social uncertainties than countries with more developed institutional structures, and the risk of loss resulting from changes in law, economic and social upheaval and other factors may be substantial. Among the more significant risks of operating and investing in emerging market countries are those arising from the establishment or enforcement of foreign exchange restrictions, which could effectively prevent the Issuer from repatriating profits or liquidating assets and withdrawing from one or more of these countries, and changes in tax regulations or enforcement mechanisms, which could substantially reduce or eliminate any revenues derived from operations in these countries and reduce significantly the value of assets related to such operations.

In Russia, the division of authority between federal and regional authorities remains uncertain and contested and this could hinder the Issuer's long-term planning efforts, create uncertainties in the Russian operating environment and prevent the Issuer from effectively and efficiently carrying out its business strategy. Additionally, state authorities have a high degree of discretion in Russia and at times exercise their discretion arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law. Possible state actions include withdrawal of licences, interference with or nullification of contracts and transactions entered into in connection with privatisations, invalidation of share issuances and registrations, sudden and unexpected tax audits, criminal prosecutions and civil actions. If the Issuer is affected by any of these factors, its operations and financial condition could be negatively affected. This may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

Inadequacies in the legal systems and law enforcement mechanisms in Russia and certain other emerging markets in which the Issuer operates leave it exposed to the possibility of considerable loss as a result of criminal or abusive practices by competitors, parties with which it contracts or others. The Issuer's ability

to operate in Russia may also be adversely affected by difficulties in protecting and enforcing its rights in disputes with its contractual partners or other parties, for example concerning regulatory influence on business and unfair market conditions, and also by future changes to local laws and regulations.

In addition, there can be no assurance that the positive trends in the Russian economy will continue or will not be abruptly reversed. Similarly, changes in the Russian government, major policy shifts, a discontinuation of reform policies or a lack of consensus between Russia's government, Parliament and powerful economic groups could lead to political instability. A decline in economic conditions and/or political instability in Russia may negatively affect the operations and value of certain investments by the Issuer in Russia. This may negatively impact the Issuer's ability to fulfil its obligations under the Notes issued under the Programme.

#### *Currency exchange rate risks*

A material amount of the Issuer's net investments are denominated in RUB as a result of the Issuer's operations in Russia. The Issuer's financial statements are reported in euros and consequently there is a risk of translation exposure, due to changes in the exchange rate of the RUB against the euro, when income statements and balance sheet statements of Russian entities are consolidated.

In 2008 and 2009 the RUB experienced a significant depreciation against the euro and the U.S.\$.. The RUB is managed against a bi-currency basket (55 per cent. U.S.\$/RUB and 45 per cent. euro/RUB) within a floating band that currently is between basket/RUB 32.15 and 38.15. After 2009, the RUB experienced some further decline but, since the end of 2011 and as at the date of this Prospectus, the RUB has strengthened against the euro and the U.S.\$.. The ability of the Russian Federation to prevent future depreciations of the RUB against the major currencies depends on many political and economic factors, including its ability to control inflation and the availability of foreign currency reserves.

A future depreciation of the RUB against the euro could have an adverse effect on the Issuer's business, results of operations and, financial conditions and prospects, particularly in respect of the value of net investments of the Issuer when consolidating results and net investments of Russian affiliates into the reporting currency (euro) of the Issuer.

#### *Integration and project risks*

In the first quarter 2008, the Issuer acquired a controlling stake in OAO Fortum (formerly Territorial Generating Company 10 "TGC-10") which includes a committed investment programme. The value of the remaining part of the programme, calculated at the 2011 year-end exchange rate, is estimated to be EUR 0.99 billion as of 1 January 2012. As with all large projects, there is a risk of delays, for example in establishing new capacity and grid connections. The success of the integration of OAO Fortum is dependent on the completion of these projects according to schedule. The project risks in Russia are closely monitored by a dedicated team. The power demand has recovered after the global financial crisis and a potential early completion of some projects by 1-3 years is currently under review with a favourable outlook. In addition, the Issuer may acquire or be merged with other business and legal entities in the future. The integration of OAO Fortum or any other such business may be difficult for a variety of reasons, including differing culture or management styles. As a result, the need to integrate OAO Fortum or any potential future acquisitions poses risks to the Issuer's existing operations, including:

- additional demands placed on the Issuer's senior management, who are also responsible for managing the Issuer's existing operations;
- increased overall operating complexity of the Issuer's business, requiring greater personnel and other resources;
- additional cash expenditures; and
- the need to attract and retain sufficient numbers of qualified management and other personnel.

Any failure to successfully integrate OAO Fortum or future acquisitions could adversely affect the Issuer's business, financial condition and results of operations. Moreover, even if the Issuer is successful in integrating OAO Fortum or any other such business, expected synergies and cost savings may not materialise, resulting in lower than expected profit margins.

### *Regulatory risks*

As a result of the OAO Fortum acquisition, the Issuer now owns and operates heat and power generation assets in Russia. These businesses are currently subject to regulation, but the power market in particular is undergoing a process of deregulation and, as a result, the prices for electricity in Russia are expected to increase. However, there can be no assurances that the deregulation will proceed as planned, and there can be no guarantees that electricity prices will develop as expected.

The main fuel source for heat and power generation in Russia is gas. Gas prices are partially regulated, and there is a dependency on a limited number of suppliers. Changes in the regulation regarding gas prices and suppliers can affect the supply and price of gas. Furthermore, if deregulation of the gas and electricity markets is not aligned, the impact of price changes in either electricity or gas could be significant. There can be no assurance that prices develop according to plan and that future changes in prices or regulation will not negatively impact the Issuer.

### **Dependence on key personnel**

The Issuer's continued success depends largely on its management team and personnel. The loss of the services of any member of its senior management or other key employees could have a negative impact on the Issuer's results and its ability to implement its strategy. In addition, the Issuer's success depends on its ability to hire, develop, train, motivate and retain skilled professionals on its staff. Although the Issuer has not had any problems in the past with attracting and retaining staff, there can be no assurance of its ability to do so in the future.

### **Ownership and controlling interest of the Finnish State**

The Finnish State currently holds 50.76 per cent. of the shares of, and voting rights in, the Issuer. Accordingly, the Finnish State will continue to have significant voting power in issues subject to the resolution of the shareholders' meeting, such as adoption of the financial statements, decisions on dividend distributions, amendments of the articles of association, increases of shareholders' equity, securities issues and election and dismissal of the members of the board of directors and supervisory board. The significant voting power of the Finnish State may also limit the possibilities to use the shares in the Issuer to finance future mergers and acquisition activity. This may require the Issuer to acquire additional debt financing to cover the costs of future investments.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

*The Notes may not be a suitable investment for all investors*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser or other adviser) possible scenarios for economic, interest rate, legal and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### *Risks related to the structure of a particular issue of Notes*

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### *Notes subject to optional redemption by the Issuer*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Index Linked Notes and Dual Currency Notes*

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) payment of principal or interest may occur at a different time or in a different currency than expected;
- (d) they may lose all or a substantial portion of their principal;
- (e) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (f) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (g) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

#### *Partly-paid Notes*

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

#### *Variable rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 18 of the Terms and Conditions of the Notes.

#### *EU Savings Directive*

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a paying agent in the meaning of the EU Savings Directive within its jurisdiction to, or collected by such



a paying agent for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent., unless in the case of Luxembourg the beneficial owner of the interest payments opts for one of the two information exchange procedures available. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EU Savings Directive.

#### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

#### *Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### **Risks related to the market generally**

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes

generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms

#### *Legal investment considerations may restrict certain investments*

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## INFORMATION INCORPORATED BY REFERENCE

The audited consolidated financial statements (including the auditors' report thereon and notes thereto) of the Issuer in respect of the years ended 2010 and 2011 (including the auditors' report and notes thereto) and the unaudited interim financial statements of the Issuer in respect of the three months ended 31 March 2012 shall be deemed to be incorporated in, and to form part of, this Base Prospectus **provided, however, that** any statement contained in this Base Prospectus or in any of the information incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any information subsequently deemed incorporated by reference modifies or supersedes such statement.

The Issuer will, at the Specified Offices of the Paying Agents, provide, free of charge, a copy of this Base Prospectus (or any information incorporated by reference in this Base Prospectus) unless such documents have been modified or superseded. Requests for such documents should be directed to the Specified Office of any Paying Agent or the Specified Office of the Listing Agent in Luxembourg. Such documents will also be available to view on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

The following documents shall be incorporated into, and form part of, this Base Prospectus:

<b>Document</b>	<b>Section Incorporated</b>
<b>Annual Report 2010</b>	
• Consolidated financial statements (prepared in accordance with IFRS) for the year ended 31 December 2010	Pages 62 to 143
• Consolidated income statement	Page 62
• Consolidated statement of comprehensive income	Page 63
• Consolidated balance sheet	Page 64
• Consolidated statement of changes in total equity	Page 65
• Consolidated cash flow statement	Page 66
• Notes to the consolidated financial statements	Pages 67 to 131
• Independent Auditors' Report	Page 143
<b>Financials 2011</b>	
• Consolidated financial statements (prepared in accordance with IFRS) for the year ended 31 December 2011	Pages 32 to 98
• Consolidated income statement	Page 32
• Consolidated statement of comprehensive income	Page 33
• Consolidated balance sheet	Page 34
• Consolidated statement of changes in total equity	Page 35
• Consolidated cash flow statement	Page 36
• Notes to the consolidated financial statements	Pages 38 to 98
• Independent Auditors' Report	Page 113
<b>Interim Report January-March 2012</b>	
• Interim report January-March 2012	Pages 1-49

- Interim financial statements (unaudited) for the period ended 31 March 2012      Pages 23 to 44
- Condensed consolidated income statement      Page 23
- Condensed consolidated statement of comprehensive income      Page 24
- Condensed consolidated balance sheet      Page 25
- Condensed consolidated statement of changes in total equity      Page 26
- Condensed consolidated cash flow statement      Page 27
- Explanatory notes to the condensed consolidated interim financial statements      Pages 31 to 44

Information contained in the documents incorporated by reference, other than information listed in the tables above, is for information only.

## **SUPPLEMENT TO THE BASE PROSPECTUS**

If at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes whose inclusion would reasonably be required by investors for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare a supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes.

## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer to meet part of its general financing requirements.

## FORMS OF THE NOTES

The Notes of each Series will be in bearer or registered form.

### Registered Notes

Unless otherwise provided with respect to a particular Series of Registered Notes, each Tranche of Registered Notes will be represented by a global registered note certificate (the "**Global Note Certificate**") which will be deposited with, and registered in the name of a nominee as nominee for, a common depositary for Euroclear and Clearstream, Luxembourg.

The Global Note Certificate will become exchangeable in whole, but not in part, for individual note certificates ("**Individual Note Certificates**") if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no successor clearing system satisfactory to the Trustee is available, (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs or (c) at any time at the request of the Issuer.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, such Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate, Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer of Registered Notes scheduled thereto and, in particular, shall be effected without charge to any holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

### Bearer Notes

Each Tranche of Bearer Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Bearer Notes or, if the Bearer Notes do not have a maturity of more than 1 year, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

If the relevant Final Terms specify the form of Bearer Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Bearer Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Bearer Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Bearer Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

during normal business hours on or after the date which is 40 days after the Temporary Global Note is issued.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Bearer Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specify "in the limited circumstances specified in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no successor clearing system satisfactory to the Trustee is available, (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs or (c) at any time at the request of the Issuer **provided that** this paragraph (iii)(c) shall not apply if the Final Terms specify denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent during normal business hours, in the case of (i) above, on and after the expiry of the relevant notice period, in the case of (ii) above, at any time and, in the case of (iii) above, 30 days after notice is given to the Issuer requesting exchange following the occurrence of an event described in (iii)(a) or (b) and 30 days after notice is given by the Issuer, in the case of (iii)(c), **provided that** this paragraph (iii)(c) shall not apply if the Final Terms specify denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

If the relevant Final Terms specify the form of Bearer Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specify the form of Bearer Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.



Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note or in an aggregate principal amount equal to the principal amount to be exchanged, as the case may be, in each case to the bearer of the Temporary Global Note against the surrender or presentation for endorsement, as the case may be, of the Temporary Global Note at the Specified Office of the Principal Paying Agent during normal business hours, on or after the expiry of the notice period specified in the relevant Final Terms.

If the relevant Final Terms specify the form of Bearer Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specify "in the limited circumstances specified in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no successor clearing system satisfactory to the Trustee is available (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs or (c) at any time at the request of the Issuer, **provided that** this paragraph (iii)(c) shall not apply if the Final Terms specify denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent during normal business hours, in the case of (i) above, on and after the expiry of the relevant notice period, in the case of (ii) above, at any time and, in the case of (iii) above, 30 days after notice is given to the Issuer requesting exchange following the occurrence of an event described in (iii)(a) or (b) and 30 days after notice is given by the Issuer, in the case of (iii)(c), **provided that** this paragraph (iii)(c) shall not apply if the Final Terms specify denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount.

In the case of Notes having a maturity of more than 1 year, the following legend will appear on all Global Notes, Definitive Notes, Coupons and Talons:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Bearer Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

#### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Note in definitive form will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### 1. Introduction

- (a) *Programme:* Fortum Oyj (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to €6,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms:* Notes issued under the Programme may comprise one or more tranches of Notes which are identical in all respects (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Final Terms**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and/or the Trust Deed and/or the relevant Final Terms, the relevant Final Terms shall prevail.
- (c) *Trust Deed:* The Notes are constituted by, are subject to, and have the benefit of, a trust deed dated 5 May 2011 (the "**Trust Deed**") made between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed).
- (d) *Agency Agreement:* The Notes are the subject of a paying agency agreement dated 5 May 2011 (the "**Agency Agreement**") between the Issuer, the Trustee, Citibank N.A., London Branch as principal paying agent, registrar and transfer agent (the "**Principal Paying Agent**" and the "**Registrar**" respectively, which expression includes any successor principal paying agent, registrar and transfer agent appointed from time to time in connection with the Notes), the transfer agents named therein (the "**Transfer Agents**", which expression shall include any successor or additional transfer agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (e) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes of the same series which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the interest coupons appertaining to interest bearing Notes in bearer form, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office of the Trustee being as at 5 May 2011 at Fifth Floor, 100 Wood Street, London EC2V 7EX and the Specified Offices of each of the Paying Agents, the Registrar and the Transfer Agents the initial Specified Offices of which are set out below.

### 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

**"Additional Financial Centre(s)"** means the city or cities specified as such in the relevant Final Terms;

**"Authorised Signatory"** has the meaning given in the Trust Deed;

**"Business Day"** means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that**.
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

**"Calculation Amount"** has the meaning given in the relevant Final Terms;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;

**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any calendar year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any calendar year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any calendar year;
- (ii) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**"Y<sub>1</sub>"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"Y<sub>2</sub>"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"M<sub>1</sub>"** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**"M<sub>2</sub>"** is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

**"D<sub>1</sub>"** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**"D<sub>2</sub>"** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30";

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

- (vii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30,

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

**"Early Redemption Amount (Tax)"** means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms as specified under Early Redemption Amount;

**"Early Termination Amount"** means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms as specified under Early Redemption Amount;

**"Extraordinary Resolution"** has the meaning given in the Trust Deed;

**"Final Redemption Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Group"** means the Issuer and its Subsidiaries from time to time;

**"Guarantee"** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

**"Indebtedness"** means any indebtedness other than Project Finance Indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other debt securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit but excluding for the avoidance of doubt any preference shares issued by any members of the Group which are not redeemable at the option of the holder of such shares and any loans made from any member of the Group to any other member of the Group (other than the Issuer) with the proceeds thereof;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Final Terms;

**"Interest Payment Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"Lead Manager"** has the meaning given in the relevant Final Terms;

**"Margin"** has the meaning given in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Participating Member State"** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**"Payment Business Day"** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Permitted Security Interest"** means:

- (i) any Security Interest over or affecting any asset of any company which becomes a member of the Group after the issue of the Notes, where such Security Interest is created prior to the date on which such company becomes a member of the Group, if:
  - (A) such Security Interest was not created in contemplation of the acquisition of such company; and
  - (B) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such company;
- (ii) any Security Interest over or affecting any asset acquired by a member of the Group after the issue of the Notes, where such Security Interest is created prior to the date of the acquisition of such asset, if:
  - (A) such Security Interest was not created in contemplation of the acquisition of such asset; and
  - (B) the amount thereby secured has not been increased in contemplation of, or since the date of, the acquisition of such asset;
- (iii) any Security Interest granted that secures Project Finance Indebtedness only;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Union as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Principal Subsidiary"** has the meaning given in the Trust Deed;

**"Project Finance Indebtedness"** means any Indebtedness incurred by a debtor to finance the ownership, acquisition, construction, development and/or operation of an asset, assets or portfolio of assets in respect of which the person or persons to whom such Indebtedness is, or may be, owed have no recourse whatsoever for the repayment of or payment of any sum relating to such Indebtedness other than:

- (i) recourse to such debtor for amounts limited to the aggregate cash flow or net cash flow (other than historic cash flow or historic net cash flow) from such asset, assets or portfolio of assets; and/or
- (ii) recourse to such debtor generally, which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specified way) for breach of an obligation, representation or warranty (not being a payment obligation, representation or warranty or an obligation, representation or warranty to procure payment by another or an obligation, representation or warranty to comply or to procure compliance by another with any financial ratios or other test of financial condition) by the Person against whom such recourse is available; and/or
- (iii) if such debtor has been established specifically for the purpose of constructing, developing, owning and/or operating the relevant asset, assets or portfolio of assets and



such debtor owns no other significant assets and carries on no other business, recourse to all of the assets and undertaking of such debtor and the shares in the capital of such debtor;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

**"Reference Banks"** has the meaning given in the relevant Final Terms or, if none, four (or if the Principal Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Price"** has the meaning given in the relevant Final Terms;

**"Reference Rate"** has the meaning given in the relevant Final Terms;

**"Regular Period"** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

**"Relevant Indebtedness"** means any Indebtedness of the Issuer or of a Principal Subsidiary which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other debt securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any regulated securities market;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"Reserved Matter"** has the meaning given in the Trust Deed;

**"Security Interest"** means any mortgage, charge, pledge, lien or other security interest including, without limitation, the equivalent of any of the foregoing under the laws of any jurisdiction;

**"Series"** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;

**"Specified Currency"** has the meaning given in the relevant Final Terms;

**"Specified Denomination(s)"** has the meaning given in the relevant Final Terms;

**"Specified Office"** has the meaning given in the Agency Agreement;

**"Specified Period"** has the meaning given in the relevant Final Terms;

**"Subsidiary"** means a company or corporation:

- (i) which is controlled, directly or indirectly, by the first-mentioned company or corporation;
- (ii) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first-mentioned company or corporation; or
- (iii) which is a subsidiary of another subsidiary of the first-mentioned company or corporation,

and, for the purpose of this definition, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body;

**"Talon"** means a talon for further Coupons;

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

**"Treaty"** means the Treaty on the Functioning of the European Union, as amended; and

**"Zero Coupon Note"** means a Note specified as such in the relevant Final Terms,

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;

- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*) pursuant to the Trust Deed, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) pursuant to the Trust Deed and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms give no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement or Trust Deed shall be construed as a reference to the Agency Agreement, as the case may be, Trust Deed as amended and/or restated and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination and Title**

The Notes may be in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the relevant Final Terms, in each case in the Specified Denomination(s). Bearer Notes in definitive form will be serially numbered, in the Specified Currency and the Specified Denomination(s). Save as provided in Condition 4 (*Exchange and Transfers of Notes*), Notes of one Specified Denomination will not be exchanged for Notes of another Specified Denomination.

So long as the Notes are represented in temporary global or permanent global form and the relevant clearing systems so permit, the Notes shall be tradeable only in principal amounts of €100,000 and integral multiples of such other amount as shown in the Final Terms.

In the case of a Note, this is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index-Linked Interest Note, a Dual Currency Note or a Partly Paid Note or a combination of any of the foregoing, depending upon the interest/payment basis shown in the applicable Final Terms.

A certificate (each, a "**Note Certificate**") will be issued to each holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement.

Title to Bearer Notes and Coupons will pass by delivery and references herein to "**holders**" of Bearer Notes and Coupons are to the bearers of such Bearer Notes and Coupons, subject as provided below. Title to Registered Notes will pass upon registration of transfers in the Register maintained by the Registrar. References herein to the "**holder**" of a Registered Note is to the person in whose name such Registered Note for the time being is registered in the Register (or, in the case of a joint holding, the first named thereof), subject as provided below. The Issuer, the Principal Paying Agent, any Paying Agent, the Registrar and any Transfer Agent may (except as otherwise required by law) deem and treat the holder of any Bearer Note, Receipt or Coupon and the holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon (other than the endorsed form of transfer, in the case of Registered Notes) or notice of any previous loss or theft thereof) for all purposes.

No person shall have any right to enforce any term or condition of any Note or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

4. **Exchange and Transfers of Notes**

- (a) *Exchange of Notes:* Registered Notes may not be exchanged for Bearer Notes and vice versa. Bearer Notes of one Specified Denomination will not be exchanged for Bearer Notes of another Specified Denomination.
- (b) *Transfer of Registered Notes:* Subject to Condition 4(f) (*Closed Periods*) and 4(g) (*Regulations Concerning Transfers of Registered Notes*), a Registered Note may be transferred upon the surrender (at the Specified Office of the Registrar or any Transfer Agent) of the relevant Note Certificate representing such Registered Note to be transferred, together with the form of transfer endorsed on such Note Certificate duly completed and executed and such other evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of the Registered Notes transferred and (where not all of the Registered Notes held by a holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. In the case of a transfer of part only of a holding of Registered Notes represented by one Note Certificate, a new Note Certificate shall be issued to the transferee in respect of the part transferred and a further new Note Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.
- (c) *Exercise of Options or Partial Redemption in Respect of Registered Notes:* In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Note Certificate, a new Note Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Note Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Note Certificates shall only be issued against surrender of the existing Note Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Note Certificate representing the enlarged holding shall only be issued against surrender of the Note Certificate representing the existing holding.
- (d) *Delivery of New Note Certificates:* Each new Note Certificate to be issued pursuant to Condition 4(b) (*Transfer of Registered Notes*) or 4(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) shall be available for delivery within five business days in the location of the Specified Office of the Registrar or the relevant Transfer Agent after receipt of the request for exchange, form of transfer or exercise notice or surrender of the Note Certificate for exchange. Delivery of the new Note Certificate(s) shall be made at the Specified Office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, exercise notice or Note Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, exercise notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 4(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in London and any other location specified in the Final Terms.
- (e) *Exchange Free of Charge:* The exchange and transfer of Registered Notes and Note Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax, duty or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Issuer, the Registrar or the relevant Transfer Agent may require).
- (f) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 11(c) (*Redemption at the option of the Issuer*), (iii) after any such Note has been called for redemption

or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 12B (*Payments - Registered Notes*)).

- (g) *Regulations Concerning Transfers of Registered Notes:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any holder of Registered Notes who requests in writing a copy of such regulations.

## 5. **Status**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## 6. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness, Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes (i) as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders or (ii) as the Trustee in its absolute discretion deems not materially less beneficial in the interests of the Noteholders.

## 7. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 7 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). For so long as any of the Notes is represented by a Global Note, interest will be calculated on the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up). In respect of each definitive Note, interest will be calculated on its outstanding nominal amount or, if it is a Partly Paid Note, the amount paid up. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with the Trust Deed.
- (c) *Fixed Coupon Amount:* If the Notes are in definitive form, the amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* If interest is required to be calculated for a period other than an Interest Period or if in the case of Notes in definitive form, a Fixed Coupon Amount is not specified the amount of interest shall be calculated by applying the Rate of Interest to:
  - (A) in the case of Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
  - (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and in each case, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose and Condition 8 a "sub-unit" means, in the case of any currency

other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

Where the Specified Denomination of a Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

8. **Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). For so long as any of the Notes is represented by a Global Note, interest will be calculated on the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up). In respect of each definitive Note, interest will be calculated on its outstanding nominal amount or, if it is a Partly Paid Note, the amount paid up. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with the Trust Deed.
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
  - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
    - (A) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
    - (B) determine the arithmetic mean of such quotations; and
  - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance

with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Final Terms.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest to:
- (A) in the case of Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
  - (B) in the case of Notes in definitive form, the Calculation Amount;
- and in each case, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of a Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.
- (h) *Calculation of other amounts:* If the relevant Final Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Trustee, the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as

practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Trustee, the Paying Agents, the Registrar, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent or the Trustee in connection with the exercise or nonexercise by it of its powers, duties and discretions for such purposes.
- (k) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Paying Agents, the Registrar, the Calculation Agent (if applicable) and the Noteholders and the Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders and the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- (l) *Determination or Calculation by Trustee:* If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, Noteholders and Couponholders.

#### 9. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

#### 10. **Dual Currency Note Provisions**

- (a) *Application:* This Condition 10 is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Final Terms as being applicable.



- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Final Terms.

#### 11. **Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (*Payments*).
- (b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer satisfies the Trustee immediately prior to the giving of notice by the Issuer referred to above that it has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of Finland or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (A) a certificate satisfactory to the Trustee signed by two Authorised Signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred of (and such evidence shall be sufficient to the Trustee and conclusive and binding on the Noteholders) and (B) an opinion satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and such evidence shall be sufficient to the Trustee and conclusive and binding upon the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(b).

- (c) *Redemption at the option of the Issuer.* If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 15 nor more

than 30 days' notice to the Noteholders and having notified the Trustee prior to the provision of such notice (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 11(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 11(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed and, in the case of Registered Notes, each shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount outstanding on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(e), the holder of a Note must, not less than 15 nor more than 30 days before the relevant Optional Redemption Date (Put), deposit (in the case of Bearer Notes) with any Paying Agent such Note together with all unmatured Coupons relating thereto (or in the case of Registered Note) the Note Certificate representing such Note(s) with the Registrar or any Transfer Agent at its Specified Office and a duly completed Put Option Notice in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. The Paying Agent, Transfer Agent or the Registrar with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent, Transfer Agent or the Registrar shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent, Transfer Agent or the Registrar in accordance with this Condition 11(e), the depositor of such Note and not such Paying Agent, Transfer Agent or the Registrar shall be deemed to be the holder of such Note for all purposes.
- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day

Count Fraction as may be specified in the Final Terms for the purposes of this Condition 1 l(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. Such Notes so purchased may be held, reissued, resold or, at the option of the Issuer or the relevant Subsidiary surrendered to any Paying Agent and/or the Registrar for cancellation.
- (i) *Cancellation:* All Notes so redeemed by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold. All Notes so cancelled (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and cannot be reissued or resold.

## 12. **Payments**

### 12A. **Payments - Bearer Notes**

- (a) *Bearer Notes:* This Condition 12A is only applicable to Bearer Notes.
- (b) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in London).
- (c) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (d) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (e) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (f) *Deductions for unmatured Coupons:* If the relevant Final Terms specify that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such

missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (g) *Unmatured Coupons void:* If the relevant Final Terms specify that this Condition 12(g) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption of such Note pursuant to Condition 11(b) (*Redemption for tax reasons*), Condition 11(e) (*Redemption at the option of Noteholders*), Condition 11(c) (*Redemption at the option of the Issuer*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (h) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the holder shall not be entitled to payment in the relevant place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (i) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (j) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (k) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent or the Paying Agent in Luxembourg for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

#### 12B. **Payments - Registered Notes**

- (a) *Registered Notes:* This Condition 12B is applicable in relation to Registered Notes.
- (b) *Principal and Interest:* Payments of principal and interest on redemption shall be made against presentation and (**provided that** payment is made in full) surrender of Note Certificates at the Specified Office of the Registrar.
- (c) *Payments:* Payment of amounts (whether principal, interest or otherwise) due in respect of Notes will be paid to the holder thereof as appearing in the Register as at opening of business (local time in the place of the Specified Office of the Registrar) on the fifteenth day before the due date for such payment (the "**Record Date**").

- (d) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Receipt:* Payment of amounts (whether principal, interest or otherwise) due in respect of Notes will be made in the currency in which such amount is due by cheque posted to the address (as recorded in the Register on the relevant Record Date) of the holder thereof on the relevant due date for payment unless prior to the relevant Record Date the holder thereof has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency or, if the currency is euro, any other account to which euro may be credited and transferred (in the case aforesaid, a non-resident account with an authorised foreign exchange bank) in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Payment Business Day, then the holder thereof will not be entitled to payment thereof until the first day thereafter which is a Payment Business Day and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with the Conditions in which event interest shall continue to accrue.

### 13. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Finland or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
  - (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with Finland or any political subdivision therein or any authority therein or thereof by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
  - (iv) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

### 14. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall

(subject in each case to being indemnified and/or secured and/or prefunded and/or provided with security to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and against all costs, charges, damages, liabilities and expenses which may be incurred by it in connection with such enforcement, including the cost of its managements' time and/or other internal resources, calculated using its normal hourly rates in force from time to time), (but in the case of the happening of any of the events described in Condition 14(b) (*Breach of other obligations*) and 14(c) (*Cross-default of Issuer or Principal Subsidiary*) and, in relation to a Principal Subsidiary, Condition 14(d) (*Insolvency, etc*) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur and is continuing:

- (a) *Non-payment*: if default is made in the payment of any principal or interest in respect of the Notes or any of them and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default remains unremedied for 45 days after written notice thereof, addressed to the Issuer by the Trustee, has been delivered to the Issuer; or
- (c) *Cross-default of Issuer or Principal Subsidiary*:
  - (i) any Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any applicable grace period;
  - (ii) any such Indebtedness becomes due and payable prior to its stated maturity (otherwise than at the option of the Issuer or (as the case may be) the relevant Principal Subsidiary) by reason of an event of default (however described); or
  - (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness as extended by any applicable grace period; or
  - (iv) any security given by the Issuer or any of its Principal Subsidiaries for any Indebtedness becomes enforceable by reason of default, or
  - (v) one or more judgment(s) or order(s) for the payment is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date therein specified for payment,

**provided that** no event referred to in this Condition 14(c) shall constitute an Event of Default, first, unless the relative Indebtedness either alone or when aggregated with other Indebtedness relative to all (if any) other such events which shall have occurred shall amount to at least €0,000,000 (or its equivalent in any other currency); or

- (d) *Insolvency, etc*: (i) the Issuer or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or any of its Principal Subsidiaries for all or substantially all of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries is appointed and such appointment is not discharged within 45 days, (iii) the Issuer or any of its Principal Subsidiaries makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any guarantee or indemnity of any Indebtedness given by it, save for the purposes of an amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) in the case of a Principal Subsidiary not involving or arising out of the insolvency of such Principal Subsidiary and under which all or substantially all of its assets are transferred to the Issuer or any of its other Subsidiaries, or (B) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred to a third party or parties (whether associated or not) for consideration received by the Issuer or a Subsidiary on an arm's length basis, or (C) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred and the transferee is or immediately upon such transfer becomes a

Principal Subsidiary, or (D) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or

- (e) *Winding up, etc:* an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Principal Subsidiaries, save for the purposes of an amalgamation, merger, consolidation, reorganisation, reconstruction or other similar arrangement (A) in the case of a Principal Subsidiary not involving or arising out of the insolvency of such Principal Subsidiary and under which all or substantially all of its assets are transferred to the Issuer or any of its Subsidiaries, or (B) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred to a third party or parties (whether associated or not) for consideration received by the Issuer or a Subsidiary on an arm's length basis, or (C) in the case of a Principal Subsidiary under which all or substantially all of its assets are transferred and the transferee is or immediately upon such transfer becomes a Principal Subsidiary, or (D) on terms previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders.

A report by two Authorised Signatories of the Issuer that in their opinion a Subsidiary of the Issuer is or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

#### **15. Prescription**

Claims for principal and, in the case of Registered Notes only, interest on redemption shall become void unless the relevant Notes or Note Certificates (as the case may be) are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

#### **16. Replacement of Notes, Coupons and Note Certificates**

If any Note, Coupon or Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent or the Paying Agent in London (in the case of Bearer Notes and Coupons) or of the Registrar (in the case of Registered Notes) (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange, and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Note Certificates must be surrendered before replacements will be issued.

#### **17. Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceeds to enforce payment unless indemnified to its satisfaction, and to be paid its costs and expenses in priority to the claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer or, following the occurrence of an Event of Default, the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The names of the initial Principal Paying Agent, the other initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial Specified Offices are set out below.

The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right with the prior written approval of the Trustee at any time to vary or terminate the appointment of any Paying Agent, Registrar or Transfer Agent and to appoint additional or other Paying Agents, Calculation Agents, Registrar or Transfer Agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a Principal Paying Agent, Registrar and a Transfer Agent; and
- (b) to the extent that such a paying agent exists, the Issuer shall ensure that it maintains a paying agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and if appropriate, a Registrar and Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent, a Registrar and Transfer Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

18. **Meetings of Noteholders; Modification, Waiver and Substitution**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution, as defined in the Trust Deed. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee (subject to its being indemnified and/or secured to its satisfaction) upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one third of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and Waiver:* The Trustee may agree, without the consent of the Noteholders or the Couponholders to (i) any modification of any provision of these Conditions or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest or proven error and (ii) any other modification (except as mentioned in the Trust Deed and other than in respect of a Reserved Matter) and any waiver or authorisation of any breach or proposed breach of any provision of these Conditions or the Trust Deed (other than a breach or proposed breach relating to the subject of a Reserved Matter) which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, save the Trustee shall only agree without the consent of the Noteholders to such modification if, in the opinion of the Trustee, such modification is not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and Couponholders and, unless the Trustee agrees



otherwise, shall be notified to the Noteholders and Couponholders as soon as practicable thereafter.

- (c) *Substitution*: The Trustee may, without the consent of the Noteholders, agree with the Issuer, to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, Receipts, Coupons and the Trust Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with. Notice of such substitution will be given to the Noteholders in accordance with Condition 21 (*Notices*) and to the Luxembourg Stock Exchange.

#### 19. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

#### 20. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

#### 21. **Notices**

Notices regarding Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing. With respect to Registered Notes admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, any notices to holders will also be published in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

Notices regarding Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) and, if the Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) or in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

#### 22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per

cent., being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards unless the Trustee, at the request of the Issuer, agrees that the market practice is otherwise.

23. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes, the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) *Jurisdiction:* The Issuer has in the Trust Deed: (i) agreed for the benefit of the Trustee and the Noteholders that the courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute relating to the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity; (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) designated a person in England to accept service of any process on its behalf; and (iv) consented to the enforcement of any judgment. The Trust Deed also states that nothing contained in the Trust Deed prevents the Trustee or any of the Noteholders from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction and that, to the extent allowed by law, the Trustee or any of the Noteholders may take concurrent Proceedings in any number of jurisdictions.

## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.*

Final Terms dated [•]

### FORTUM OYJ

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the

**EUR6,000,000,000 Euro Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 9 May 2012 [and the supplement to the base prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. This Final Terms contains the final terms of the Notes and must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [[address] [and] [website]] and copies may be obtained from [address].

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date]. This Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the supplement to the Base Prospectus dated [date]] which [together] constitute[s] a base prospectus the "**Base Prospectus**", for the purpose of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") as amended (which includes the amendments made by Directive 2010/73/EU (the "**2010 PD Amending Directive**") to the extent that such amendments have been implemented in a relevant Member State) save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] and are attached hereto. This document constitutes the Final Terms relating to the issue of Notes described herein for the purpose of Article 5.4 of the Prospectus Directive.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement to the Base Prospectus] [is] [are] available for viewing at [[address] [and] [website]] and copies may be obtained from [address].

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

1. Issuer: Fortum Oyj
2.
  - (i) Series Number: [•]
  - (ii) Tranche Number: [•]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).*
3. Specified Currency or Currencies: [•]
4. Aggregate Nominal Amount: [•]
  - (i) [Series: [•]]
  - (ii) [Tranche: [•]]
5. (i) Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
6. Specified Denominations: [•]

*(N.B. Following the entry into force of the 2010 PD Amending Directive on 31 December 2010, Notes to be admitted to trading on a regulated market within the European Economic Area with a maturity date which will fall after the implementation date of the 2010 PD Amending Directive in the relevant European Economic Area Member State (which is due to be no later than 1 July 2012) must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from Transparency Directive exemptions in respect of wholesale securities. Similarly, Notes issued after the implementation of the 2010 PD Amending Directive in a Member State must have a minimum denomination of EUR 100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

*Notes which may be listed on the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not have a minimum denomination of less than EUR100,000 (or nearly equivalent in another currency)*

*[N.B. If the specified denomination is expressed to be EUR100,000 or its equivalent and multiples of a lower principal amount (for example EUR1,000), insert additional wording as follows:*

*"EUR100,000 and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]. No notes in definitive form will be issued with a denomination above [EUR199,000]."*<sup>1</sup>

*(Notes (including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 and which have a maturity of less than one year must have a minimum redemption value of GBP100,000 (or its equivalent in other currencies))*

- |     |   |   |
|-----|---|---|
| (i) | Calculation Amount:<br>(Applicable to Notes in definitive form) | [•]   |
|     |   | <p><i>[N.B. The applicable Calculation Amount will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Notes or (ii) if there are several Specified Denominations or the Specified Denomination is expressed to be EUR100,000 or its equivalent and multiples of a lower principal amount (for example EUR1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).]</i></p>  |
| 7.  | [(i)] Issue Date:   | [•]   |
|     | [(ii)] Interest Commencement Date:                              | [Specify/Issue Date/Not Applicable]   |
| 8.  | Maturity Date:  | <p><i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]</i></p> <p><i>[If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of GBP100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]</i></p> |
| 9.  | Interest Basis:   | <p><i>[[•] per cent. Fixed Rate]</i></p> <p><i>[[specify reference rate] +/- [•] per cent. Floating Rate]</i></p> <p><i>[Zero Coupon]</i></p>   |

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<sup>1</sup> Delete if Notes are being issued in registered form.

- [Index-Linked Interest]  
[Dual Currency Interest]  
[Other (*specify*)]  
[(further particulars specified below)]
10. Redemption/Payment Basis: [Redemption at par]  
[Index-Linked Redemption]  
[Dual Currency]  
[Partly Paid]  
[Instalment]  
[Other (*specify*)]
11. Change of Interest or Redemption/  
Payment Basis: [*Specify details of any provision for  
convertibility of Notes into another interest or  
redemption/payment basis*]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. [i] Status of the Notes: Senior
- [ii] [Date [Board] approval for [•]  
issuance of Notes obtained: (*N.B Only relevant where Board (or similar)  
authorisation is required for the particular  
tranche of Notes*)]
14. Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
  
*(If not applicable, delete the remaining  
subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-  
annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with  
[specify *Business Day Convention* and any  
applicable *Business Centre(s)* for the definition  
of "*Business Day*"/]not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount  
*(Applicable to Notes in  
definitive form)*
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the  
*(Applicable to Notes in  
definitive form)* Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (vi) Other terms relating to the [Not Applicable/*give details*]  
method of calculating  
interest for Fixed Rate  
Notes:
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining*

*subparagraphs of this paragraph)*

- (i) Specified Period: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (ii) Specified Interest Payment Dates: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
- (iv) Additional Business Centre(s): [Not Applicable/give details]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/ other (give details)]
- (vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent): [[Name and address] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]
- (vii) Screen Rate Determination:
  - Reference Rate: [For example, LIBOR or EURIBOR]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [For example, Reuters LIBOR01/EURIBOR01]
  - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
  - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (viii) ISDA Determination:
  - Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (ix) Margin(s): [+/-][•] per cent. per annum

- (x) Minimum Rate of Interest: [•] per cent. per annum
- (xi) Maximum Rate of Interest: [•] per cent. per annum
- (xii) Day Count Fraction: [•]
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) [Amortisation\Accrual] Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Any other formula/basis of determining amount payable: *[Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 11(g) (Early redemption of Zero Coupon Notes)]*
18. **Index-Linked Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula: *[Give or annex details]*
- (ii) Calculation Agent responsible for calculating the interest due: [•]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: *[•][need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: [•]
- (v) Interest Determination Date(s):
- (vi) Specified Period: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention.*



Otherwise, insert "Not Applicable".)

- (vii) Specified Interest Payment Dates: [•]  
(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".)
- (viii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (give details)]
- (ix) Additional Business Centre(s): [•]
- (x) Minimum Rate of Interest: [•] per cent. per annum
- (xi) Maximum Rate of Interest: [•] per cent. per annum
- (xii) Day Count Fraction: [•]
- 19. **Dual Currency Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
  - (i) Rate of Exchange/method of calculating Rate of Exchange: [Give details]
  - (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [•]
  - (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•] [need to include a description of market disruption or settlement disruption events and adjustment provisions]
  - (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

## PROVISIONS RELATING TO REDEMPTION

- 20. **Call Option** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
  - (i) Optional Redemption Date(s) (Call): [•]
  - (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [•] per Calculation Amount
  - (iii) If redeemable in part:

- (a) Minimum Redemption Amount: [•]
- (b) Maximum Redemption Amount: [•]
- (iv) Notice period: [•]  
*(If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee)*
21. **Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]  
*(If setting notice periods which are different to those provided in the terms and conditions, issuers are advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the issuer and its fiscal agent or any trustee)*
22. **Final Redemption Amount of each Note** [[•] per Calculation Amount  
*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus to the Prospectus Directive Regulation will apply.)*
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [name and address]

- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable:
- (iv) Determination Date(s):
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted:
- (vi) Payment Date:
- (vii) Minimum Final Redemption Amount: [•] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [•] per Calculation Amount

23. **Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): [•] per Calculation Amount/other/see Appendix

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

24. Form of Notes: **[Bearer Notes:**

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

[Registered Notes]

*(N.B. The exchange upon notice/at any time options as specified above and in the Conditions should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect:*

*"[EUR100,000] and integral multiples of [EUR1,000] in excess thereof up to and including [EUR199,000]"*)

25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate]
26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
29. Consolidation provisions: [Not Applicable/The provisions [in Condition 18 (*Further Issues*)] [annexed to this Final Terms] apply]
30. Other final terms: [Not Applicable/give details]
- (When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

## **DISTRIBUTION**

31. (i) If syndicated, names of Managers: [Not Applicable/give names]  
*(Include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
- (ii) Date of [Subscription Agreement]: [•]  
*(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)*
- (iii) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name of Dealer: [Not Applicable/give name and address]

33. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA C/ TEFRA D/ TEFRA not applicable]

34. Additional selling restrictions: [Not Applicable/*give details*]

#### **PURPOSE OF FINAL TERMS**

This Final Terms comprises the final terms required for the Notes described herein to be admitted to trading on the [regulated market of the Luxembourg Stock Exchange] pursuant to the €6,000,000,000 Euro Medium Term Note Programme of Fortum Oyj.

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Final Terms. *[[ (Relevant third party information) ]]* has been extracted from *[(specify source)]*. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by *[(specify source)]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.].

Signed on behalf of the Fortum Oyj:

By: .....  
Duly authorised

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market] and listed on the Official List of [specify relevant] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant regulated market] and listed on the Official List of [specify relevant] with effect from [•].] [Not Applicable.]

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

*The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert legal name of the particular credit rating agency entity(ies)].*

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

*[[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation"). As such [insert legal name of particular credit rating agency entity providing rating] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]*

*[[Insert legal name of particular credit rating agency entity providing rating] is [not] established in the EEA and is not registered under Regulation (EU)*

No 1060/2009, as amended (the "**CRA Regulation**"). As such [*insert legal name of particular credit rating agency entity providing rating*] is not included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and has not applied for registration under Regulation (EU) No 1060/2009 as amended (the "**CRA Regulation**") but the rating [it has given] [is expected to give] to the Notes to be issued under the Programme is [expected to be] endorsed by [*insert legal name of credit rating agency*], which is established in the EEA and registered under the CRA Regulation. As such [*insert legal name of particular credit agency entity providing rating*] is included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

[[*Insert legal name of particular credit rating agency entity providing rating*] is not established in the EEA and has not applied for registration under Regulation (EU) No 1060/2009 as amended (the "**CRA Regulation**") but [[is]/[has applied to be]] certified under the CRA Regulation [although notification of the corresponding certification decision has not yet been provided by the relevant competent authority] and [*insert legal name of particular credit agency entity providing rating*] [is [not] included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert legal name of particular credit rating agency entity providing rating*] is established in the EEA and has applied for registration under Regulation (EU)

No. 1060/2009, as amended (the "**CRA Regulation**") although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and *[insert legal name of particular credit rating agency entity providing rating]* is not included in the list of credit ratings agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]

### 3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["Save as discussed in ["*Subscription and Sale*"] [Save for any fees payable to the Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."] *[(Amend as appropriate if there are other issues)]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

### 4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: [•]

*(See ["Use of Proceeds"] wording in the Base Prospectus — if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here)]*

[(ii)] Estimated net proceeds: [•]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii)] Estimated total expenses: *[(If the Notes are derivative securities for which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)]*



5. **[Fixed Rate Notes only — YIELD]**

Indication of yield: [•]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Index-linked or other variable-linked notes only — PERFORMANCE OF INDEX/ FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING (to be included for derivative securities to which Annex XII of the Prospectus Directive applies)]**

*Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

7. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE]**

*Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained.]*

*[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

8. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking Societe Anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s): [•]

Names and addresses of additional Paying Agent(s) (if any): [•]

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Each Global Note and Global Note Certificate contains provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions of the Notes set out in this Base Prospectus. The following is a summary of those provisions:

### (A) PAYMENTS

No payment falling due after the Exchange Date applicable to any Global Note will be made on any Global Note unless exchange for an interest in, as appropriate, a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Bearer Notes will be made against presentation for endorsement and, if no further payment is due to be made in respect of such Notes, surrender of that Global Note to or to the order of the Principal Paying Agent, or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each such Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Any final payments of principal and interest on redemption in respect of Registered Notes represented by a Global Note Certificate will be made against presentation and surrender of that Global Note Certificate to or to the order of the Registrar.

In the case of a Global Note or a Global Note Certificate, the Payment Business Day shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

### (B) PRESCRIPTION

Claims against the Issuer in respect of Notes issued by it that are represented by a Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date. Claims against the Issuer in respect of the principal of Notes issued by it that are represented by a Global Note Certificate will become void unless such Note is presented for payment within a period of 10 years from the appropriate Relevant Date.

### (C) MEETINGS

The holder of a Global Note or Global Note Certificate shall (unless such Global Note or Global Note Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements at any meeting of Noteholders. The holder of a Permanent Global Note shall be treated as having one vote in respect of each minimum Denomination of Notes for which such Permanent Global Note may be exchanged. The holders of Registered Notes will be entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Note Certificate.

### (D) CANCELLATION

Cancellation of any Bearer Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Permanent Global Note and evidenced by the appropriate notation in the relevant schedule to such Permanent Global Note.

**(E) PURCHASE**

Bearer Notes represented by a Permanent Global Note may only be purchased by the Issuer together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

**(F) ISSUER'S OPTIONS**

Any option of the Issuer provided for in the Conditions of any Notes issued by it while such Notes are represented by a Global Note or Global Note Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in, and containing the information required by, the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Tranche or Series which are represented by a Global Note or Global Note Certificate, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream Luxembourg or any Alternative Clearing System (as the case may be).

**(G) NOTEHOLDERS' OPTIONS**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Note or Global Note Certificate may be exercised by the holder of the Global Note or Global Note Certificate delivering to the Principal Paying Agent (in the case of Bearer Notes) or Registrar (in the case of Registered Notes), within the time limits relating to the deposit of Notes or Note Certificates with a Paying Agent or Transfer Agent set out in the Conditions, a notice stating the principal amount of Notes in respect of which the option is exercised (but which shall not be required to state the serial numbers of such Notes) and at the same time presenting the Global Note or Global Note Certificate to the Principal Paying Agent or Registrar (as the case may be), or to a Paying Agent or Transfer Agent acting on behalf of the Principal Paying Agent, for notation.

**(H) NOTICES**

So long as any Notes are represented by a Global Note or Global Note Certificate and such Global Note or Global Note Certificate is held on behalf of a clearing system, notices to the holders of such Notes may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of such Global Note or Global Note Certificate, except that so long as such Notes are admitted to trading on, and listed on the Official List of the Luxembourg Stock Exchange, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

**(I) PARTLY PAID NOTES**

The provisions relating to Partly Paid Notes are not set out in this Base Prospectus, but will be contained in the relevant Final Terms and thereby in the Global Note or Global Note Certificate relating thereto. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note or Global Note Certificate representing such Notes may be exchanged for an interest in a Permanent Global Note or for Notes in definitive form (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

## DESCRIPTION OF THE ISSUER

### Business Overview of the Fortum Group

The Issuer and its subsidiaries (the "**Group**") are (according to the Group's estimates) one of the leading power and heat companies in the Nordic region. The Group operates in the Nordic region, Russia and in the Baltic Rim area. The Group's activities cover the generation, distribution and sale of electricity and heat, its main products are electricity, heat and steam. The Issuer is the parent company of the Group, owning the operating subsidiaries.

The Group was formed in 1998 by the merger of the IVO Group and the Neste Group, two Finnish industrial groups with extensive operations in the energy sector in the Nordic countries and internationally. The new combined company, Fortum Oyj, was incorporated in Finland on 7 February 1998 and registered in the Finnish Trade Register as a public limited liability company with registration number 1463611-4, and was listed on the Helsinki Stock Exchange in December 1998. The Group started its business activities in February 1998, and has continued to focus on its core businesses in the Nordic countries and the Baltic Rim area, by selling off non-core assets and re-distributing capital within the region. The Group operates under the laws of Finland. The life of the Group is indefinite.

The Issuer is domiciled in Espoo and its main office is situated at Keilaniementie 1, Espoo, Finland and the main office's telephone number is + 358 10 4511.

In April 2005, the Group's oil businesses were successfully separated from the Group by distributing 85 per cent. of Neste Oil shares as dividends to the Issuer's shareholders and by selling the remaining 15 per cent. of Neste Oil shares to institutional and individual investors. Neste Oil was subsequently listed on the Helsinki Stock Exchange on 18 April 2005. In 2008, the Group acquired Russian power and heat company Territorial Generating Company 10 ("**TGC-10**"), renamed OAO Fortum.

As at 31 December 2011, the Group's sales totalled EUR 6.2 billion with an operating profit of EUR 2.4 billion. The average number of employees during the year 2011 was 11,010. As at 31 December 2011, the number of employees totalled 10,780. The Group's shares are quoted on the main list of the Helsinki Stock Exchange (NASDAQ OMX).

As of the date hereof, the Group had a total of approximately 888.4 million (compared to 888.4 million at 31 December 2011) shares outstanding, of which the Finnish State holds 50.76 per cent. (compared to 50.76 per cent. at 31 December 2011) and the proportion of nominee registrations and direct foreign shareholders is 27.4 per cent. (compared to 28.3 per cent. at 31 December 2011). Representatives of the Finnish State are required to observe certain guidelines in connection with the exercise of the Finnish State's rights as shareholder and the Finnish State's internal decision-making relating to the administration of its ownership interests in state-controlled entities.

### Business Strategy

The Group's strategy is based on the company's core competence in CO<sub>2</sub>-free hydro and nuclear power, energy and resource efficient combined heat and power ("**CHP**") production as well as the company's expertise and track-record in energy markets competence. In the coming years, the Group will continue to leverage its strong position in the Nordic power and heat market while creating solid earnings growth in Russia.

Further opportunities for future growth stem from the need for CO<sub>2</sub>-free and energy efficient solutions, and increasing demand in fast growing, liberalising energy markets, especially in emerging Euro-Asian countries. The existing electricity distribution and retail sales businesses will continue to have a substantial role in the Nordic market. In other regions, the Group sees more attractive earnings and growth prospects in power and heat generation.

### Financial results

2011 was exceptional in many respects. An earthquake followed by a tsunami in Japan, the ongoing financial crisis in Europe and the unstable situation in the Middle East, have all had implications in the energy sector, which is becoming more and more exposed to global phenomena.

The underlying fundamentals for energy demand and the strengthening role of electricity have not changed - the mitigation of climate change is, and will stay, one of the biggest global challenges. The Group therefore highlights the role of CO<sub>2</sub>-free electricity in moving towards a Solar Economy. The Group also strives for balanced management of economic, social and environmental responsibility. In the area of economic responsibility, the aim is to create long-term economic value, enable sustainable profitable growth, generate added value for shareholders and customers, while at the same time ensuring a safe working environment for all employees and contractors at the Group's sites.

According to preliminary statistics, the Nordic countries consumed 382 TWh in 2011 (compared to 403 TWh in 2010), which is 5 per cent. less than in 2010. The decrease was mainly due to warmer weather: the fourth quarter was historically warm, up to 8 degrees warmer than the year before. In the latter half of 2011, industrial electricity consumption also declined from the year before.

In 2011, Russia consumed approximately 1,020 TWh (compared to 1,006 TWh in 2010) of electricity. The corresponding figure in the First price zone, the area where OAO Fortum operates, was 760 TWh (compared to 746 TWh in 2010).

OAO Fortum operates in the Tyumen and Chelyabinsk areas. In the Tyumen area, where industrial production is dominated by the oil and gas industries, electricity demand increased by approximately 0.5 per cent. compared to 2010. In the Chelyabinsk area, which is dominated by the metal industry, electricity demand increased by approximately 3.3 per cent. The increase is mainly due to the recovery in industrial consumption.

In 2011, Group sales were EUR 6,161 million (compared to EUR 6,296 million in 2010). Group operating profit totalled EUR 2,402 million (compared to EUR 1,708 million in 2010). The Group's operating profit for the period was affected by a EUR 344 million (compared to EUR minus 216 million in 2010) IFRS accounting treatment (IAS 39) of derivatives mainly used for hedging the Group's power production. The comparable operating profit, which was not impacted by the accounting treatment, totalled EUR 1,802 million (compared to EUR 1,833 million in 2010).

Non-recurring items, mark-to-market effects and nuclear fund adjustments amounted to EUR 600 million in 2011 (compared to EUR minus 125 million in 2010). Changes in fair values of derivatives hedging future cash flow accounted for EUR 344 million (compared to EUR minus 216 million in 2010). Non-recurring items totalled EUR 284 million (compared to EUR 93 million in 2010), which mainly relates to the divestment of shares in Fingrid Oyj and the divestment of district heat operations and production facilities outside Stockholm.

The average Swedish krona (SEK) rate was approximately 6 per cent. stronger against the euro than in 2010. The strong SEK during the first half of the year also had a negative impact on the cash flow.

The share of profits of associates and joint ventures was EUR 91 million (compared to EUR 62 million in 2010). The improvement from last year was mainly due to the improvement in the contribution from Territorial Generating Company 1 ("TGC-1").

The Group's net financial expenses increased to EUR 265 million in 2011 (compared to EUR 155 million in 2010). The increase is attributable to higher interest expenses, mainly due to higher SEK interest rates and to higher average net debt in 2011 than in 2010. Net financial expenses were positively affected by changes in the fair value of financial instruments of EUR 5 million (compared to EUR 12 million in 2010).

Profit before taxes was EUR 2,228 million in 2011 (compared to EUR 1,615 million in 2010).

Taxes for 2011 totalled EUR 366 million (compared to EUR 261 million in 2010). The tax rate according to the income statement was 16.4 per cent. (compared to 16.2 per cent. in 2010). The tax rate excluding the tax rate change in Finland, the impact of share of profits of associated companies and joint ventures as well as non-taxable capital gains was 21.4 per cent. (compared to 17.7 per cent. in 2010). In Finland, the corporate tax rate was decreased to 24.5 per cent. from 26 per cent. as of 1 January 2012. In 2011, the one-time positive effect from the tax rate change is approximately EUR 29 million due to deferred taxes.

The profit for the period ending on 31 December 2011 was EUR 1,862 million (compared to EUR 1,354 million in 2010). The Group's earnings per share were EUR 1.99 (compared to EUR 1.46 in 2010). The

effect on earnings per share by the accounting treatment of derivatives was EUR 0.29 (compared to EUR minus 0.18 in 2010).

Non-controlling (minority) interests amounted to EUR 93 million in 2011 (compared to EUR 54 million in 2010). These are mainly attributable to Fortum Värme Holding AB, in which the city of Stockholm has a 50 per cent. economic interest. The increase in 2011, compared to 2010, is mainly due to the minority's share, EUR 32 million, of the gain recognised in the first quarter from the divestment of Fortum Värme's heat businesses outside the Stockholm area.

Cash flow from operating activities totalled EUR 1,613 million in 2011 (compared to EUR 1,437 million in 2010). It was affected by the realised foreign exchange gains and losses, which amounted to EUR minus 239 million in 2011 (compared to EUR minus 535 million in 2010). The negative currency impact occurred during the first quarter. The foreign exchange gains and losses relate to the rollover of foreign exchange contracts hedging loans to the Group's Swedish subsidiaries.

The Group's key financial ratios for 2011 were: return on capital employed 14.8 per cent. (compared to 11.6 per cent. in 2010), return on shareholders' equity 19.7 per cent. (compared to 15.7 per cent. in 2010) and net debt to EBITDA 2.3 (compared to 3.0 in 2010). The comparable net debt to EBITDA for 2011 was 3.0 (compared to 2.8 in 2010).

### **Organisational Structure**

The business divisions are: Power, Heat, Russia, Electricity Solutions and Distribution. The Electricity Solutions and Distribution ("**ESD**") division consists of two business areas: Distribution and Electricity Sales (formerly Markets). The reportable segments under the International Financial Reporting Standard ("**IFRS**") have been named correspondingly.

### **Corporate structure**

The Issuer is the parent company of the Group, and owns the Group's operating subsidiaries. The Issuer does not have any significant business operations and its financial results are based primarily on cash flow and dividends from its subsidiaries.

### **Business Analysis by Division**

#### ***Power***

The Power division consists of the Group's power generation, physical operation and trading as well as expert services for power producers.

The Power division generates and sells power mainly to the Nordic electricity market. The Power division employed 1,847 people at the end of 2011.

In 2011, the Power division's comparable operating profit was EUR 1,201 million (compared to EUR 1,298 million in 2010). Low hydro volumes in the beginning of 2011 and the high comparison figure for 2010 resulted in 1 TWh lower hydro volumes comparing year on year. Nuclear volumes improved by 2.9 TWh, mainly due to improved availability in Sweden. The division's achieved Nordic power price was EUR 1.8 per MWh lower than in 2010.

The division's total power generation in 2011 in the Nordic countries was 48.1 TWh (compared to 46.3 TWh in 2010), which corresponds to a 4 per cent. increase compared to 2010. The share of CO<sub>2</sub>-free production was 93 per cent. (compared to 93 per cent. in 2010). In Sweden, nuclear availability improved, clearly increasing nuclear volumes. Hydro inflow and reservoir levels were at historically low levels at the beginning of the year, but improved throughout the period. Hydro production in 2011 was lower than in 2010 when hydro volumes were historically high. Hydro production availability remained at a high level throughout the year. At the end of the year, the Nordic water reservoirs were 10 TWh above the long-term average.

In 2011, Power's achieved Nordic power sales price amounted to EUR 46.1 per MWh, which was EUR 1.8 per MWh lower than in 2010, mainly due to lower area prices.

The Group has two fully-owned reactors in Loviisa and is a co-owner in eight reactors at the Olkiluoto, Oskarshamn and Forsmark power plants.

In 2011, the production availability at the Loviisa nuclear power plant was 94.3 per cent., which is very high by international comparison for production. Forsmark's production improved significantly, achieving availability of 86.2 per cent. and hence making 2011 the best year since 2005. Availability at the Oskarshamn plants improved, but was still not at a satisfactory level. Oskarshamn 1 was shut down at the end of October 2011 due to turbine vibrations that required an extensive turbine overhaul. The unit will be shut down until the annual outage starts on 23 April 2012. Oskarshamn 2 was started up from the annual outage at the end of October 2011 with turbine modifications and hence an 80-MW reduced output (full output is 590 MW). Oskarshamn 3 reached the new, increased reactor power level of 1,400 MW in September 2011, but is operating at a reduced output of approximately 100-MW until all tests have been completed.

In March, the Finnish Parliament approved a temporary renewal of the current Finnish Nuclear Liability Act introducing a compensation limit of approximately EUR 680 million and unlimited third-party liability for the operator in case of a severe accident. This temporary revision came into force as of 1 January 2012 and will be valid until the renewed Paris and Brussels conventions are ratified. The increased compensation limit is fully insured by the Group. The renewal has no material impact on the Group's financial results.

Following the nuclear reactor incident in Fukushima, European-wide safety evaluations have been carried out. Along with these, the Finnish nuclear safety authority (STUK) carried out an additional evaluation of safety in cases of power loss, exceptional weather and environmental conditions. The Swedish nuclear safety authority (SSM) carried out corresponding safety evaluations in Sweden. Final national reports were submitted on 30 December 2011. The safety assessments showed that the Loviisa and Olkiluoto nuclear power plants are safe and, in particular, Loviisa's safety margin is sufficient and no major new requirements or new threat factors or deficiencies requiring immediate safety improvements were identified in Finnish nuclear power plants. The outcome in the Swedish assessments was similar to the Finnish one. The European Commission will submit a consolidated report of the national reports to the European Council in June 2012. The Group believes that some additional safety criteria could be introduced for new and existing nuclear power plants based on the evaluations.

The Group's preparations for the French hydro concession bidding progressed in 2011 and the Group began business in France with the establishment of Fortum France SNC.

In 2011, the Power division's sales totalled EUR 2,481 million (compared to EUR 2,702 million in 2010) and operating profit totalled EUR 1,476 million (compared to EUR 1,132 million in 2010).

## **Heat**

The Heat division consists of CHP generation, district heating activities and business-to-business heating solutions in the Nordic countries and other parts of the Baltic Rim.

The Heat division employed 2,504 people at the end of 2011.

Heat sales volumes in 2011 amounted to 22.6 TWh (compared to 26.1 TWh in 2010) and were mainly generated in the Nordic countries. During the same period, power sales volumes totalled 6.2 TWh (compared to 6.5 TWh in 2010). New combined heat and power capacity, including the acquisitions made in early 2011, was in use in Estonia and Poland. Volumes, however, decreased due to higher temperatures compared to 2010 and the divestment of district heat operations outside the Stockholm area in Sweden at the end of March 2011.

The Heat division's operating profit in 2011 totalled EUR 380 million (compared to EUR 303 million in 2010). The increase includes a gain of EUR 82 million from the divestment of heat business in Sweden recognised in the first quarter. The comparable operating profit in 2011 totalled EUR 278 million (compared to EUR 275 million in 2010). The increase was mainly due to enhanced availability and lower peak-load impact, which improved heat sales margins, and a positive SEK currency impact. Lower volumes, however, offset the improvement. Volumes decreased due to warm weather, lower power spot prices and the divestment of the district heat operations outside the Stockholm area in Sweden. In Finland, higher fuel costs reduced power margins.

In January 2011, the old production line for city gas was closed and a new, more environmentally benign quality of gas was successfully introduced in the city gas network in Stockholm, Sweden. In addition, the first station for commercial biogas fuel for cars was opened at the Arlanda airport in Stockholm during the first quarter. In Finland, taxes on fuels for heat production were increased as of 1 January 2011. These increases were reflected in end-user prices for heat accordingly.

In May 2011 the Group started the construction of the first waste-fired CHP plant in the Baltic region. The plant will replace the gas-fired production plant in Klaipeda, Lithuania. The plant makes a positive environmental impact by reducing greenhouse gas emissions. Also in May, the proposal for competition in the district heating grid in Sweden – third party access – was presented by the authorities. Regarding district heating in the Stockholm area, the competition authority concluded in 2010 that the real price had decreased by 1.5 per cent. since 2005.

In the fourth quarter, the restructuring of the production company Turun Seudun Maakaasu ja Energiatuotanto Oy (TSME) progressed and the new shareholders' agreement was signed in December 2011. TSME is a co-owned company that consolidates the energy production in the Turku region in Finland. The Group also agreed to sell Fortum Energiaratkaisut Oy and Fortum Termest AS to the EQT Infrastructure Fund. The operation covers heat, steam and cooling business for SMEs and the services sector in Finland and Estonia. This business differs significantly from large-scale district heat production and CHP production, which are the focus areas of the Group's strategy. The divestment is planned to be completed during the first quarter of 2012. In addition, new pricing solutions were launched during the fourth quarter to district heating customers in Sweden and Finland. Customers can now choose between different types of products. In addition, major reconstruction of the boiler at the waste-to-energy plant in Högdalen, Sweden, was completed and increased the plant's capacity.

In 2011, the Heat division's sales totalled EUR 1,737 million (compared to EUR 1,770 million in 2010) and operating profit totalled EUR 380 million (compared to EUR 303 million in 2010).

### ***Russia***

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

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

The liberalisation of the Russian wholesale power market was completed by the beginning of 2011. However, all generating companies continue to sell a part of their electricity and capacity - equalling the consumption of households and a few special groups of consumers - under regulated prices. In 2011, OAO Fortum sold 85 per cent. of its power production at a liberalised electricity price.

The new rules for the capacity market starting from 2011 were approved by the Russian Government. The generation capacity built after 2007 under the government capacity supply agreements ("**CSA**" – "**new capacity**") receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined to ensure a sufficient return on investments. Penalty clauses are included in the CSA. At the time of the acquisition in 2008, the Group made a provision for penalties caused by possible delays. These possible penalties can be claimed if the new capacity is delayed or if the agreed major terms of the capacity supply agreement are not otherwise fulfilled. This means that the Group's risk for possible penalties under the CSA agreement is proportionally decreasing when a new unit starts its operation. The effect of changes in the timing of commissioning of new power plants is assessed at each balance sheet date and the provision is changed accordingly.

Capacity that is not under a CSA participates in competitive capacity selection ("**CCS**" – "**old capacity**"). In December 2010, the first CCS for the year 2011 was held in accordance with the new rules of the capacity market. The new rules stipulate that capacity payments under CCS are made according to actual capacity instead of the previously used installed capacity. This decreased the old capacity payments for CHP power plants, especially during the summer period due to the temperature constraints. The capacity selection for 2012 was held in September 2011. The majority of the Group's power plants were selected in the auction, with a price level close to the level received in 2011.



Approximately 4 per cent. (120 MW) of the old capacity was not allowed to participate in the selection due to tightened minimal technical requirements. The capacity will, however, receive capacity payments at the average capacity market price for two additional years.

The Russia division's power sales volumes amounted to 20.2 TWh in 2011 (compared to 18.7 TWh in 2010) and heat sales to 26.7 TWh (compared to 26.8 TWh).

The comparable operating profit in 2011 was EUR 74 million (compared to EUR 8 million in 2010). The increase, mainly achieved due to the commissioning of the new power plant units in Tyumen, Chelyabinsk and Tobolsk, totalled approximately EUR 40 million. The improvement was partly offset by lower availability of the new power units at the initial phase. The heat business also contributed to the profit improvement. Lower old capacity income burdened the result by approximately EUR 5 million, as the new rules from 2011 stipulate that old capacity payments are made according to actual capacity (instead of the installed capacity, as was used in 2010). This decreased the old capacity payments for CHP power plants especially during the summer period due to the temperature constraints. In addition, higher fuel costs impacted the result negatively. A reversal of the CSA provision for already commissioned new units, including the effect of changes in the timing of commissioning of new power plants, improved the result for the year by EUR 34 million.

Upon completion, OAO Fortum's new capacity will be a key driver for solid earnings growth in Russia, as it will bring income from new volumes sold and will receive considerably higher capacity payments than the old capacity. However, the received payments differ depending on the age, location, type and size of the plant as well as seasonality and availability. The return for the new capacity is guaranteed. It can vary somewhat because it is linked to Russian Government long-term bonds with 8 to 10 years maturity. After completing the ongoing investment programme, the Group targets a positive economic value added for the Russia division.

The Group is committed to its EUR 2.5 billion investment programme in Russia and the schedule of the programme is to commission the last new units in 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2011, is estimated to be approximately EUR 0.9 billion as of January 2012.

Altogether, the investment programme consists of eight new power plant units. The first new unit started capacity sales at Tyumen in February 2011. The second unit of the Group's extensive investment programme started capacity sales at the Chelyabinsk power plant at the beginning of June 2011 and the third new unit in Tobolsk on 1 October 2011.

In 2011, the Russia division's sales totalled EUR 920 million (compared to EUR 804 million in 2010) and operating profit totalled EUR 74 million (compared to operating profit EUR 53 million in 2010).

### ***Electricity Solutions and Distribution***

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

#### ***Distribution***

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

In 2011, electricity transmission via the regional network totalled 14.1 TWh (compared to 14.8 TWh in 2010) in Sweden and 2.6 TWh (compared to 2.8 TWh) in Finland.

The Distribution business area's operating profit in 2011 was EUR 478 million (compared to EUR 321 million in 2010). The Group booked a EUR 192 million gain on the divestment of its Fingrid Oyj shares in the second quarter. The comparable operating profit in 2011 was EUR 295 million (compared to EUR 307 million in 2010). Improvements achieved through increased efficiency, lower cost of electricity grid losses and a strong SEK, were offset by post Christmas storms that accounted for a EUR 57 million negative impact in the comparable operating profit.

The rollout of smart metering to the network customers in Finland has proceeded according to plan; by the end of 2011, 160,000 customers had received meters. A total of approximately 580,000 customers will

receive new meters before the end of 2013. Invoicing based on realised electricity consumption, a better control of the use of electricity and a platform for new services are some of the benefits of the new system. The new Finnish legislation on hourly meter reading will become effective as of 1 January 2014. In Sweden, smart metering to customers has already been completed.

A new regulation on network income for Swedish electricity distribution has been passed, with the first regulation period being 2012-2015. The decision introduced amongst other things a transition rule over an 18-year period that the Group believes lacks legal ground. The Swedish regulation and transition rule has been appealed by several distribution companies and it is still unclear what the outcome will be.

In Finland, the decision regarding the third regulatory period (2012-2015) was made during the fourth quarter. The decision was mainly in line with expectations. Changes to the past regulation were made in the quality components, i.e. penalties in case of storms have been increased. However, the industry has - through the industry organisation - chosen to appeal certain parts and parameters of the model in the Market court.

The storm on 26 December 2011, the strongest in 30 years in Finland, and the smaller storm on the following day caused major damage to the Group's power grid mainly in southern, western and south-western Finland. At the worst point, more than 190,000 Group customers were simultaneously without electricity. The storms caused some power outages and damage also in Sweden.

In 2011, the Distribution business area sales totalled EUR 973 million (compared to EUR 963 million in 2010) and operating profit totalled EUR 478 million (compared to EUR 321 million in 2010).

#### *Electricity Sales*

The Electricity Sales business area is responsible for retail sales of electricity to a total of 1.2 million private and business customers. It is the leading seller of eco-labelled and CO<sub>2</sub>-free electricity in the Nordic countries. Electricity Sales buys its electricity from the Nordic power exchange.

The Electricity Sales business area employed 519 people at the end of 2011.

Electricity sales volumes in 2011 were 14.4 TWh (compared to 29.8 TWh in 2010). Volumes were significantly reduced as a result of the restructuring of the Business Market segment.

Comparable operating profit increased significantly in 2011 and totalled EUR 27 million (compared to EUR 11 million in 2010). The improvement was due to the restructuring of the unprofitable Business Market segment and stable wholesale market prices, especially in the first quarter of 2011.

In October 2011, the Group sold its 24.5 per cent. ownership in the Norwegian electricity sales company Ishavskraft to four Norwegian power companies. The sale is in line with the Group's ambition to focus on its own brand in the end consumer market.

In 2011, the Electricity Sales business area sales totalled EUR 900 million (compared to EUR 1,798 million in 2010) and operating profit totalled EUR 3 million (compared to EUR 46 million in 2010).

#### **Corporate Governance and Management**

The Group's corporate governance is based on the laws of Finland, the Group's Articles of Association and the Finnish Corporate Governance Code 2010. Furthermore, the Group complies with the rules of NASDAQ OMX Helsinki Ltd, on which its shares are listed, and the rules and regulations of the Finnish Financial Supervisory Authority. The Group's headquarters are located in Espoo, Finland.

The Group prepares consolidated financial statements and interim reports in accordance with IFRS, as adopted by the European Union, the Securities Markets Act as well as the appropriate Financial Supervision Authority's standards and NASDAQ OMX Helsinki Ltd's rules. The Group's operating and financial review report and parent company financial statements are prepared in accordance with the Finnish Accounting Act and the opinions and guidelines of the Finnish Accounting Board. The auditor's report covers the operating and financial review report, consolidated financial statements and the parent company financial statements.

The decision-making bodies managing and overseeing the Group's administration and operations are the Annual General Meeting of Shareholders, the Board of Directors with its two Committees, and the President and Chief Executive Officer ("CEO") assisted by the Fortum Management Team. The Board of Directors supervises the performance of the Group, its management and organisation. The Board of Directors and the Fortum Management Team are separate bodies, and no person serves as a member of more than one of them. Day-to-day operational responsibility at the Group level rests with the President and CEO assisted by the Fortum Management Team, and at division level with each division's head assisted by a management team.

Fortum prepares annual Corporate Governance Statements in accordance with the Recommendation 54 of the Finnish Corporate Governance Code and the Securities Markets Act. The Corporate Governance Statement is available at Fortum's website ([www.fortum.com/governance](http://www.fortum.com/governance)).

## **Board of Directors**

In the 2012 Annual General Meeting, the following persons were elected to the Board of Directors. The Board of Directors has been elected until the end of the following Annual General Meeting.

### **SARI BALDAUF**

Chairman, born 1955, M Sc, Business Administration  
Chairman of the Nomination and Remuneration Committee

#### **Main occupation:**

Non-executive director

#### **Primary work experience:**

Nokia Corporation, several senior executive positions. Member of the Group Executive Board 1994-2005.

#### **Key positions of trust:**

Member of the Board of F-Secure Corporation, Daimler AG and Hewlett-Packard Company  
Member of the Board of Finnish Business and Policy Forum EVA and Finland's Children and Youth Foundation, Tukikummit Foundation, John Nurminen Foundation  
Chairman of Savonlinna Opera Festival  
Independent member of the Group's Board of Directors since 2009

### **CHRISTIAN RAMM-SCHMIDT**

Deputy Chairman, born 1946, B.Sc. (Econ.)  
Chairman of the Audit and Risk Committee

#### **Main occupation:**

Senior Partner of Merasco Capital Ltd.

#### **Primary work experience:**

President of Baltic Beverages Holding Ab (BBH)  
Chairman of the Board of Baltika Breweries, Russia  
President of Fazer Biscuits Ltd., Fazer Chocolates Ltd., Fazer Confectionery Group Ltd.  
Director, ISS ServiSystems Oy  
Director, Rank Xerox Oy

#### **Key positions of trust:**

Member of the Board of Boardman Oy and Reima Oy  
Independent member of the Group's Board of Directors since 2006

### **MINOO AKHTARZAND**

Born 1956, Civil Engineer, Electrical engineering, Kungliga Tekniska Högskolan  
Member of the Nomination and Remuneration Committee

#### **Main occupation:**

Governor in the County of Jönköping

#### **Primary work experience:**

Swedish National Rail Administration, Director-General  
Regional Labour Agency, Director  
Vattenfall AB, several senior executive positions  
Stockholm Energi

#### **Key positions of trust:**

Sveriges Radio, Board Member  
EIM (European Infrastructure Managers), Vice Chairman, 2009-2010  
Vattenfall Bränsle AB, Board Member, 2004-2006

Vattenfall Vattenkraft, Board Member, 2003-2006  
Vattenfall Business service AB, Board Member, 2003-2006  
Västerbergslagens Energi AB, Chairman of the board, 2000-2004  
Independent member of the Group's Board of Directors since 2011

**HEINZ-WERNER BINZEL**

Born 1954, Technische Hochschule Darmstadt / Queen Mary College, London  
Economics and electrical engineering degree: Diplom-Wirtschaftsingenieur  
Fachhochschule Mainz  
Business economics degree: Betriebswirt (grad.)  
Member of the Audit and Risk Committee

**Main occupation:**

Independent consultant

**Primary work experience:**

RWE Energy AG, Board member for procurement and sale of electricity, gas, and water  
RWE SOLUTIONS AG, Board member as CFO and from 2002 onward as CEO  
NUKEM GMBH, several senior executive positions in Germany and the USA

**Key positions of trust:**

TÜV Rheinland Holding AG, Member of Supervisory board, since 2008; Chairman of Audit Committee, since 2010  
RWE Solutions AG, Chairman of Supervisory board, 2003-2006  
Independent member of the Group's Board of Directors since 2011

**ILONA ERVASTI-VAINTOLA**

Born 1951, LL.M., Trained on the bench  
Member of the Nomination and Remuneration Committee

**Main occupation:**

Non-executive Director

**Primary work experience:**

Group Chief Counsel, Principal, Member of the Group Executive Committee, Sampo plc 2001-2011  
Chief Counsel and member of the Board, Mandatum Bank plc 1998-2001  
Director, Partner, Mandatum & Co Ltd 1992-1998  
Head of Financial Law Department, Legal counsel, Union Bank of Finland Ltd 1982-1992

**Key positions of trust:**

Member of the Board of Fiskars Corporation (2004-2010) and Finnish Literature Society (2005-2011)  
Member of the Board, OMX Nordic Exchanges Group Ltd (2003-2008), Stockholmsbörsen AB (2003-2007)  
Chairman of Legal Committee at the Central Chamber of Commerce of Finland (2005-2010)  
Member of the Group's Board of Directors since 2008, independent since 1 November 2011

**JOSHUA LARSON**

Born 1966, Master of International Affairs, Bachelor in Russian language  
Member of the Audit and Risk Committee

**Main occupation:**

Private investor and consultant

**Primary work experience:**

CEO and Senior Managing Director, IFC Alemar  
Managing Director, The Carlyle Group, Moscow  
Executive Director, Head of Russian Operations, Morgan Stanley, Moscow  
Executive Director, Co-Head of Russian Business, Goldman Sachs International, London and Moscow

**Key positions of trust:**

Member of the Board of Directors of Kora Group (2006-2007), Bank Alemar, IFC Alemar and Alemar Asset Management (2006-2008), OAO Apteka Holdings (2004-2006), and OAO Cherkizovo Agro-Industrial Complex (2002-2004)  
Independent member of the Group's Board of Directors since 2010

**KIM IGNATIUS**

Born 1956, B.Sc. (Econ.)  
Member of the Audit and Risk Committee

**Main occupation:**

Sanoma Corporation, CFO, 2008 -

**Primary work experience:**

TeliaSonera AB, Executive Vice President and CFO, 2003 - 2008

Sonera Oyj, Executive Vice President and CFO, 2000 - 2002

Tamro Oyj, Group CFO, 1997 - 2000

**Key positions of trust:**

Millicom International Cellular S.A., Chairman of the Audit Committee

Independent member of the Group's Board of Directors since 2012

In April 2012, the Group's Board of Directors elected, from among its members, Sari Baldauf (Chairman), Ilona Ervasti-Vaintola, and Minoo Akhtarzand to the Nomination and Remuneration Committee.

Furthermore, the Board of Directors elected Kim Ignatius (Chairman), Christian Ramm-Schmidt, Joshua Larson and Heinz-Werner Binzel to the Audit and Risk Committee.

The role of the President and CEO is to manage the Group's business and administration in accordance with the Finnish Companies Act and related legislation, and the instructions from the Board of Directors. The President and CEO is supported by the Fortum Management Team. The Fortum Management Team consists of eight members, including the President and CEO to whom the members of the Management Team report. The General Counsel acts as the Secretary to the Management Team. The Management Team meets on a monthly basis. Additional meetings are held dealing with strategy and business planning, performance reviews and people issues such as management reviews. The Fortum Management Team sets the strategic targets, prepares the Group's annual business plan, follows up the results and plans and decides on investments, mergers, acquisitions and divestments within their authorisation. Each member of the Management Team is responsible for the key day-to-day operations and the implementation of operational decisions in their respective organisations.

Currently, the Fortum Management Team consists of:

**Tapio Kuula** (President and CEO since 2009, Senior Vice President ("SVP"), since 2005, previously President of Fortum Power and Heat sector, Member of the Management Team since 1997, External board memberships: Varma Mutual Pension Insurance Company, Chairman of the Supervisory Board, Lappeenranta University of Technology, Member of the Board, East Office of Finnish Industries Oy, Vice Chairman, Northern Dimension Business Council, Co-chairman.)

**Anne Brunila** (Executive Vice President, Corporate Relations and Strategy, since 2009, Member of the Management Team since 2009, previously President and CEO of Finnish Forest Industries, Ministry of Finance several positions, The Bank of Finland, Advisor to the Board, European Commission, Advisor, The Bank of Finland, several positions. External board memberships: Kone Oyj, Sampo Oyj, Aalto University Foundation, The Research Institute of Finnish Economy ETLA, Finnish Business and Policy Forum, EVA, World Business Council of Sustainable Development, Finnish Energy Industries.)

**Alexander Chuvaev** (Executive Vice President, Russia Division, General Director of OAO Fortum since 2009, Member of the Management Team since 2009, previously GE Oil & Gas, Regional Executive Director, SUEK, Investment Development, Director, JSC Power Machines, Managing Director, GE Oil & Gas, Regional General Manager, JSC OMZ, Chief Operations Officer, GE, various positions in the USA and Canada, Solar Turbines Europe S.A., various positions in Europe and the USA.)

**Mikael Frisk** (Senior Vice President, Corporate Human Resources, since 2001, Member of the Management Team since 2001. Previous positions; Nokia Mobile Phones, Vice President, HR Global Functions, Nokia-Maillefer, Vice President, HR, Lausanne, Switzerland, Nokia NCM Division, HR Development Manager, Oy Huber AB, HR Development Manager. External board memberships: Staffpoint Oy.)

**Timo Karttinen** (Executive Vice President, Electricity Solutions and Distribution Division; Country responsible for Finland and Norway since 2009, Member of the Management Team since 2004, previous positions: SVP, Corporate development since 2004, Business Unit Head, Portfolio Management and Trading, since 2000, VP, Electricity Procurement and Trading, since 1999, VP, Electricity Procurement, since 1997, Imatran Voima Oy. External memberships: Gasum Oy, member of the Supervisory Board, Confederation of Finnish Industries, Member of the Trade Policy Committee and Energy Committee.)

**Juha Laaksonen** (Executive Vice President and CFO since 2000, Member of the Management Team since 2000, previous positions: Fortum Corporation, Corporate Vice President M&A, Fortum Oil and Gas Oy, Executive Vice President, Finance & Planning, Neste Oy, CFO, Neste Oy, Corporate Controller, External Board memberships: Sato Oyj, Chairman of the Board, Kemira Oyj, Member of the Board, Kemijoki Oy, Member of the Supervisory Board, The Fortum Art Foundation, Chairman of the Board, The Association of Finnish Fine Arts Foundations, Deputy Chairman of the Board.)

**Per Langer** (Executive Vice President, Heat Division; Country responsible for Sweden, Poland and the Baltics, responsible for Corporate R&D and Innovation, Member of the Management Team since 2009, previous positions: Fortum Power and Heat Oy, President of Heat since 2007, President of Portfolio Management and Trading, since 2004, Fortum Corporation, managerial positions, since 1999, Gullspång Kraft, managerial positions, since 1997. External memberships: AS Fortum Tartu, Supervisory Board Chairman.)

**Matti Ruotsala** (Executive Vice President, Power Division since 2009, Member of the Management Team since 2009, previous positions: Fortum Power and Heat Oy, President of Generation since 2007, Valtra Ltd, Managing director, since 2005, AGCO Corporation, Vice President, since 2005, Konecranes Plc, COO and Deputy to CEO, since 2001, Konecranes Plc and Kone Corporation, several senior and managerial positions, since 1982. External board memberships: Kemijoki Oy, PKC Group Oyj and Teollisuuden Voima Oyj, Chairman of the Board, Member of the Board of Halton Group Ltd.)

The address of each of these individuals is Fortum Oyj, Keilaniementie 1, Espoo, POB 1 FI-00048, Finland.

There is no existing or potential conflict of interest between the directors' or other committee members' duties to the Group and/or their private interests or other duties.

## TAXATION

### Finnish Taxation

The comments below are of a general nature based on the Issuer's understanding of current law and practice in Finland, and do not purport to provide a complete analysis of all tax considerations relating to the Notes, whether in Finland or elsewhere. The comments relate only to the position of persons who are the absolute beneficial owners of the Notes, Receipts, Coupons and Talons and who are not resident in Finland for tax purposes. They relate only to payments made by the Issuer and may not apply to certain classes of person such as dealers. Prospective holders of the Notes who are not resident in Finland for tax purposes and are in any doubt as to their personal tax position or who may be subject to tax in any other jurisdiction should consult their professional advisers. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date. It should be noted that the tax laws of Finland may be amended with retrospective application.

#### *Taxation of Notes*

Under present Finnish domestic tax law payments in respect of the Notes, the Receipts, the Coupons and the Talons will be exempt from all taxes, duties, fees and imports of whatever nature, imposed or levied by or within the Republic of Finland or by any municipality or other political subdivision or taxing authority thereof or therein, except such taxation the holder of the Note, Receipt, Coupon or Talon to which any such payments relates is subject to thereon by reason of such holder being connected with the Republic of Finland otherwise than solely by his holding of such Note, Receipt, Coupon or Talon or the receipt of income therefrom.

#### *Finnish Capital Gains Taxes*

Holders of Notes, Receipts, Coupons and Talons who are not resident in Finland for tax purposes and who do not engage in trade or business through a permanent establishment or a fixed place of business in Finland to which their investment in the Notes is effectively connected will not be subject to Finnish taxes or duties on gains realised on the sale or redemption of the Notes, Receipts, Coupons and Talons.

### Luxembourg Taxation

*The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes, payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Base Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.*

Accrued but unpaid interest and all payments of interest, premium and principal made or ascribed by a paying agent in the meaning of the EU Savings Directive in the context of the holding, disposal, redemption or repurchase of the Notes are not subject to any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005, as amended, implementing the European Union Savings Directive (Council Directive 2003/48/EC) and ratifying several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax of 35 per cent. on payments of interest or similar income made or ascribed to certain non Luxembourg resident investors (individuals and certain

types of entities called "residual entities") in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see, paragraph "*EU Savings Tax Directive*" below) or agreements;

- (ii) the application as regards Luxembourg resident individuals (in the context of their private wealth) of the Luxembourg law of 23 December 2005, as amended, which has introduced a 10 per cent. withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive (Council Directive 2003/48/EC)).

Pursuant to the law of 23 December 2005, as amended, Luxembourg resident individuals can opt to self declare and pay a 10 per cent. levy on interest payments made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area (other than a Member State of the European Union) or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income.

The 10 per cent. withholding tax as described above or the 10 per cent. levy are in full discharge of income tax when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

### **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC (the "**EU Savings Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income (within the meaning of the EU Savings Directive) paid by a paying agent in the meaning of the EU Savings Directive within its jurisdiction to, or collected by such a paying agent for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates of 35 per cent., unless in the case of Luxembourg the beneficial owner of the interest payments opts for one of the two information exchange procedures available. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent within its jurisdiction to, or collected by such a paying agent for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.



## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Barclays Bank PLC, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Nordea Bank Danmark A/S, Skandinaviska Enskilda Banken AB (publ) and The Royal Bank of Scotland plc (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in a Dealer Agreement dated 9 May 2012 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and Treasury regulations promulgated thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each issuance of Index-Linked Interest Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

## Public Offer Selling Restrictions Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors:* at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 100 offerees:* at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers:* at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

## Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that :

- (a) *No deposit-taking:* in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and:
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **Japan**

The Notes issued under the programme have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and, accordingly, each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except under circumstances which will result in an exemption from the registration requirements of, and otherwise in compliance with the FIEA and all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

## **General**

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that it has complied and will comply with all applicable laws and regulations in force in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Base Prospectus.

## GENERAL INFORMATION

### Listing and Admission to Trading

Application has been made for Notes issued under the Programme to be admitted to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange.

However, Notes may be issued pursuant to the Programme which will not be admitted to listing, trading and/or quotation by the Luxembourg Stock Exchange or any other listing authority, stock exchange and/or quotation system or which will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as the Issuer and the relevant Dealer(s) may agree.

### Authorisations

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 18 June 2003. The update of the Programme was approved by a decision of the authorised signatories (acting under the authorisation of a resolution of the Board of Directors of the Issuer passed on 31 January 2012), and contained in the decision letter to be dated 9 May 2012. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### Clearing Systems

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L1855 Luxembourg. The address of any alternative clearing system(s) will be specified in the applicable Final Terms.

### Litigation

Save as disclosed in the paragraphs entitled "*Group Companies*" and "*Associated Companies*" below and the paragraph entitled "*Increases in nuclear power capacity*" on page 14, the Issuer is not or has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer and its subsidiaries taken as a whole.

#### *Group companies*

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

In Finland, the Energy Market Authority has issued pricing methodology decisions for the years 2012–2015. These decisions have been appealed by Fortum Sähkösiirto Oy and Fortum Espoo Distribution Oy. More than 70 distribution companies in the industry have appealed the decisions. The main points of the appeal relate to the changes in the WACC calculation and increased sanctions for an interruption in

electricity distribution. A ruling from the Market Court, where the Energy Market Authority's decisions are appealed, is expected at the earliest at the end of 2012.

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

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

#### *Associated companies*

AREVA-Siemens filed a request for arbitration in December 2008, concerning the Olkiluoto 3 delay and related costs as described in "*Risk factors – Nuclear power – Increases in nuclear power capacity*" on page 14. In June 2011, the supplier submitted its updated statement of claim, which included updated claim amounts with specified sums of indirect items and interest. The supplier's presented monetary claim including indirect items and interest is currently approximately EUR 1.9 billion. TVO has considered and found the claim by the supplier to be without merit. TVO, in response, filed a counter-claim in April 2009 based on costs primarily due to delays. The value of TVO's presented counter-claim is currently approximately EUR 1.4 billion. TVO will update its counter-claim during the arbitration proceedings. The arbitration proceedings may continue for several years and the amounts of the claim and counter-claim may change.

#### **No significant change and no material adverse change**

There has been no material adverse change in the prospects of the Issuer since 31 December 2011, nor has there been any significant change in the financial or trading position of the Issuer and its subsidiaries, taken as a whole, which has occurred since 31 March 2012.

#### **Statutory Auditors**

Deloitte & Touche Oy, members of the Finnish Institute of Authorised Public Accountants, have audited the accounts of the Issuer for the year ended 31 December 2010 and the accounts for the year ended 31 December 2011. The 2010 and the 2011 accounts have been prepared under International Financial Reporting Standards (IFRS).

The Trust Deed provides that the Trustee may act on the opinion or advice of or a certificate or any information obtained from any accountant or other expert (whether obtained by the Trustee, the Issuer, any Subsidiary (as defined in the Trust Deed) or any Agent) and which advice or opinion may be provided on such terms (including as to limitations on liability) as the Trustee may consider in its sole discretion to be consistent with prevailing market practice with regard to advice or opinions of that nature and shall not be responsible for any Liability (as defined in the Trust Deed) occasioned by so acting.

#### **Documents available for inspection**

For so long as the Programme remains in effect or any Notes shall be outstanding, copies and, where appropriate, English translations of documents (a) to (c) below may be inspected and document (d) below may be obtained during normal business hours at the Specified Office of the Principal Paying Agent and the Luxembourg Listing Agent, namely:

- (a) the Trust Deed (which contains the forms of the Notes in global and definitive form);
- (b) the Agency Agreement;
- (c) the Dealer Agreement;

- (d) any future base prospectuses, offering circulars, prospectuses, information memoranda, supplements and Final Terms (save that the Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a Holder of such Note and such Holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference;
- (e) the constitutional documents of the Issuer;
- (f) this Base Prospectus;
- (g) in the case of each issue of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange and subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document); and
- (h) the most recent publicly available audited consolidated financial statements of the Issuer beginning with such financial statements for each of the years ended 31 December 2010 and 2011 may be obtained during normal business hours at the Specified Office of the Principal Paying Agent and the Luxembourg Paying Agent.

In addition, this Base Prospectus is, and in the case of Notes to be listed on the official list of Luxembourg Stock Exchange, and admitted to trading on the regulated market of the Luxembourg Stock Exchange, the relevant Final Terms will be available on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

#### **Conditions for determining price and post-issuance information**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

The Issuer does not intend to provide any post-issuance information in relation to any assets underlying issues of Notes constituting derivative securities.

#### **Material Contracts**

The Issuer has not entered into any material contract outside of the ordinary course of business which could result in it or any Group member being under an obligation or entitlement that is material to the Issuer's ability to perform its obligations under the Notes.

**REGISTERED OFFICE OF THE ISSUER**

**Fortum Oyj**  
Keilaniementie 1  
Espoo  
Finland

**ARRANGER**

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United Kingdom

**DEALERS**

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United Kingdom

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**Skandinaviska Enskilda Banken AB (publ)**  
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106 40 Stockholm  
Sweden

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.**  
Fifth Floor  
100 Wood Street  
London EC2V 7EX  
United Kingdom

**PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT**

**Citibank, N.A., London Branch**

Agency and Trust  
Citigroup Centre  
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Canary Wharf  
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United Kingdom

**ALTERNATIVE REGISTRAR**

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Germany

**LEGAL ADVISERS**

*To the Issuer as to English law:*

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One Bishops Square  
London E1 6AD  
United Kingdom

*To the Issuer as to Finnish law:*

**Roschier, Attorneys Ltd.**

Keskuskatu 7A  
00100 Helsinki  
Finland

*To the Dealers and Trustee as to English law:*

**Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
United Kingdom

**AUDITORS TO THE ISSUER**

**Deloitte & Touche Oy**

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Helsinki  
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**LISTING AGENT, PAYING AGENT AND  
TRANSFER AGENT**

**Banque Internationale à Luxembourg**

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