

2010

**INTO
A NEW
DECADE**

 **Fortum**

Annual Report Annual Report A
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Annual Report 2010

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In addition to the Annual Report, Fortum publishes a Sustainability Report for 2010. The report follows the Global Reporting Initiative's (GRI) G3 Guidelines.

90 minutes

In 90 minutes,
the sun gives out
the same amount
of energy to the
earth as the world's
population uses in
one year.



NEXT GENERATION ENERGY COMPANY

Fortum's purpose is to create energy that improves life for present and future generations. We provide sustainable solutions that fulfil the needs for low emissions, resource-efficiency and energy security, and deliver excellent value to our shareholders. Our activities cover the generation, distribution and sales of electricity and heat as well as related expert services.

Fortum's operations focus on the Nordic countries, Russia and Baltic Rim area. In the future, fast-growing and liberalising energy markets in Europe and Asia provide additional growth opportunities. In 2010, Fortum's sales totalled EUR 6.3 billion and comparable operating profit was EUR 1.8 billion. We employ approximately 10,500 people. Fortum's shares are quoted on NASDAQ OMX Helsinki.

Fortum in brief

Fortum's operations are based in the Nordic countries, Russia and the Baltic Rim area. Future growth opportunities can be foreseen in the fast-growing, liberalising energy markets in Europe and Asia.

/// Distribution network



Finland

Power generation capacity	5,181 MW
Heat production capacity	3,745 MW
Distribution customers	620,000
Share of electricity customers	15%
Employees	2,609

Sweden

Power generation capacity	5,885 MW
Heat production capacity	4,576 MW
Distribution customers	893,000
Share of electricity customers	12%
Employees	2,257

Russia

Power generation capacity	2,785 MW
Heat production capacity	13,796 MW
Employees	4,289

Norway

Heat production capacity	167 MW
Distribution customers	100,000
Share of electricity customers	3%
Employees	137

Poland

Heat production capacity	757 MW
Employees	633

Estonia

Heat production capacity	951 MW
Distribution customers	24,000
Employees	350

Latvia

Heat production capacity	192 MW
Employees	90

Great Britain

Power generation capacity	140 MW
Heat production capacity	250 MW
Employees	63

Lithuania

Heat production capacity	60 MW
Employees	73

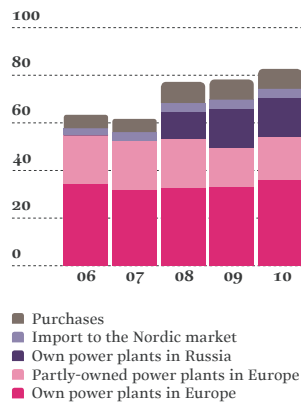
Group business structure



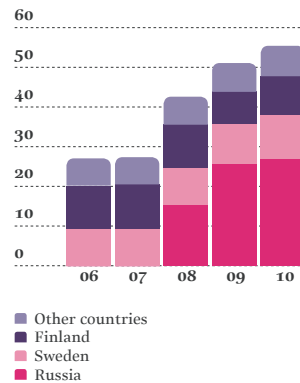
Divisions	Power	Heat	Russia	Electricity Solutions and Distribution	
Business	The Power Division consists of Fortum's power generation, physical operation and trading as well as expert services for power producers.	The Heat Division consists of combined heat and power generation (CHP), district heating and cooling activities and business-to-business heating solutions.	The Russia Division consists of power and heat generation and sales in Russia. It includes OAO Fortum and Fortum's slightly over 25% holding in TGC-1.	The division is responsible for Fortum's electricity sales and distribution activities. It consists of two business areas: Distribution and Electricity Sales.	
Reporting segment	Power	Heat	Russia	Distribution	Electricity Sales
Sales	EUR 2,702 million	EUR 1,770 million	EUR 804 million	EUR 963 million	EUR 1,798 million
Comparable operating profit	EUR 1,298 million	EUR 275 million	EUR 8 million	EUR 307 million	EUR 11 million
Share of Fortum's sales	33%	22%	10%	12%	22%
Net assets	EUR 5,806 million	EUR 4,182 million	EUR 2,817 million	EUR 3,683 million	EUR 210 million
Employees, 31 Dec. 2010	1,819	2,394	4,294	962	525
Market position	Third largest power producer in the Nordic countries; among the 15 largest in Europe and Russia	Leading heat supplier in the Nordic countries; growing operations in Poland and the Baltics	Leading operator in Western Siberia and the Urals area	Leading operator in electricity distribution in the Nordic countries: total of 1.6 million electricity distribution customers	Second largest electricity sales company in the Nordic countries: 1.2 million private and business customers
Geographic area of operations	Production in Finland, Sweden and Great Britain; expert services worldwide	Finland, Sweden, Norway, Poland, Lithuania, Latvia, Estonia	Russia	Finland, Sweden, Norway, Estonia	Finland, Sweden, Norway
Business drivers	<ul style="list-style-type: none"> Nordic power price, stability through hedging About 90% of the production is hydro and nuclear power: hydrological situation, nuclear power availability, and prices of fuels and emissions allowances important 	<ul style="list-style-type: none"> Steady growth through investments Fuel flexibility and efficiency play a key role Recent investments into new CHP production have started to bring earnings 	<ul style="list-style-type: none"> Liberalisation of the power market Investment programme: earnings growth through new capacity and new volumes Efficiency upgrades Gas and electricity price ratio Development of heat business 	<ul style="list-style-type: none"> Regulated, steady return Very capital-intensive Growth through investments Long-term optimised levels of investment and maintenance Cost-efficiency and quality of service 	<ul style="list-style-type: none"> Margin between Nordic wholesale procurement cost and retail sales price levels Efficient hedging of the margin Leading seller of eco-labelled and CO₂-free electricity in Finland, Sweden and Norway
Strategy drivers	<ul style="list-style-type: none"> Flexible, market-driven production portfolio Focus on CO₂-free nuclear and hydro power Solid position on the Nordic power market and proven track-record from liberalised power markets central to capturing opportunities in the integrating European market 	<ul style="list-style-type: none"> Need for increased resource-efficiency will increase CHP's competitiveness EU directive to drive new CHP-investments Potential for increased usage of local biofuels and waste Organic growth opportunities in emerging markets Utilisation of CHP-competence in fuels and efficient production 	<ul style="list-style-type: none"> High power demand growth Boosting efficiency of existing operations and bringing the ongoing investment programme to completion 	<ul style="list-style-type: none"> Stable regulated earnings Technical development utilised for a more efficient, reliable and smarter network enabling sustainable and energy-efficient solutions for customers 	<ul style="list-style-type: none"> Cost-efficiency through efficient business processes Growth in customer base through new offerings and innovative solutions Economies of scale
Further information on the web	www.fortum.com/power	www.fortum.com/heat	www.fortum.com/russia	www.fortum.com/esd	

Sales and production

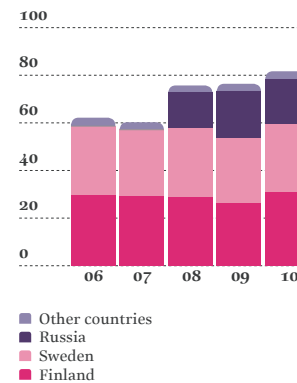
FORTUM'S TOTAL ELECTRICITY PROCUREMENT BY TYPE, TWh



FORTUM'S TOTAL HEAT SALES BY AREA, TWh



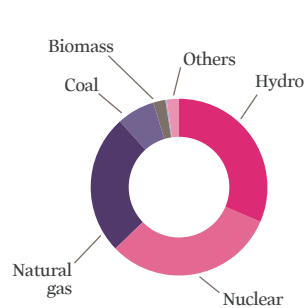
FORTUM'S TOTAL ELECTRICITY SALES BY AREA, TWh¹⁾



FORTUM'S POWER GENERATION BY SOURCE

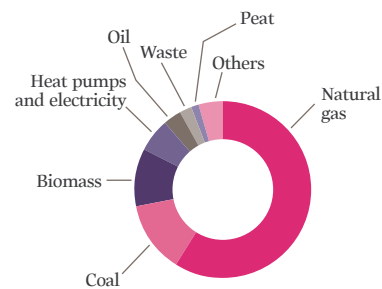
TWh	2010	2009
Hydro	22.0	22.1
Nuclear	22.0	21.4
Thermal	9.7	5.8
Total in EU and Norway	53.7	49.3
Thermal in Russia	16.1	16.0
Total	69.8	65.3

POWER GENERATION BY SOURCE²⁾, %



2) Total power generation in 2010 was 69.8 TWh

HEAT PRODUCTION BY SOURCE³⁾, %



3) Total heat production in 2010 was 52.1 TWh

FORTUM'S POWER GENERATION CAPACITY, 31 DECEMBER 2010

MW	Finland	Sweden	Russia	Other	Total
Hydropower	1,521	3,162			4,683
Nuclear power	1,439	1,778			3,217
Combined heat and power	842	536	2,785	262	4,425
Condensing power	1,376	397			1,773
Other	3	12			15
Total	5,181	5,885	2,785	262	14,113

FORTUM'S HEAT PRODUCTION CAPACITY, 31 DECEMBER 2010

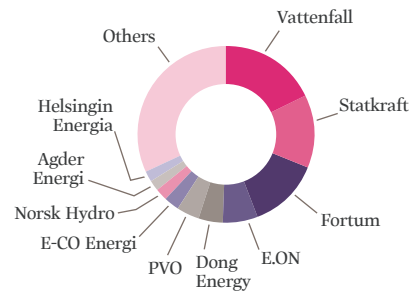
MW	Finland	Sweden	Russia	Other	Total
Heat	3,745	4,576	13,796	2,377	24,494

➔ Read more about the divisions and their operations in 2010 online and in the Operating and financial review, pages 40–46 and in the Financial Statements Note 5 on page 90.

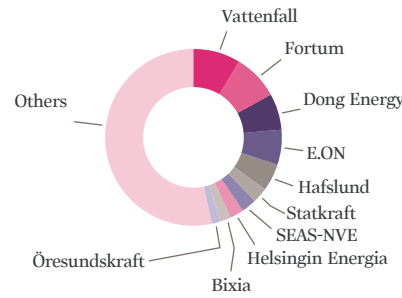
Market position

In the Nordic market, Fortum is a significant player in power generation as well as in electricity distribution and retail.

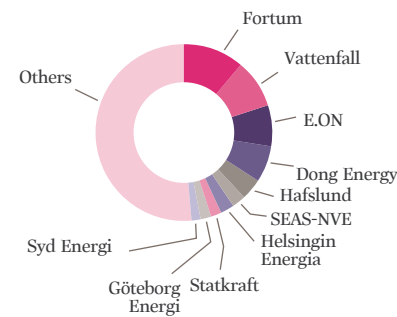
NORDIC POWER GENERATION, 370 TWh >350 companies



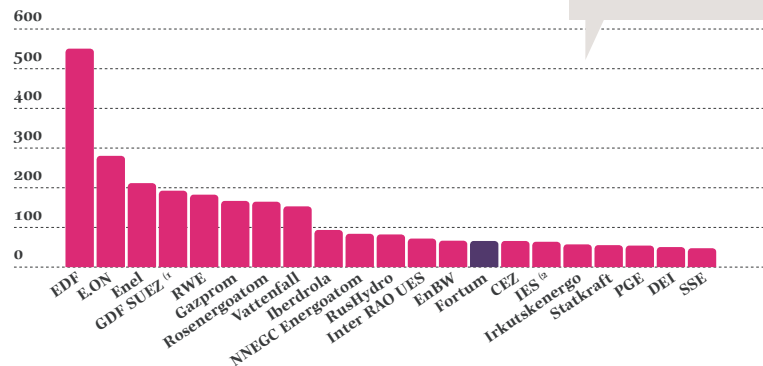
NORDIC ELECTRICITY RETAIL, 14 million customers ~350 companies



NORDIC ELECTRICITY DISTRIBUTION, 14 million customers, ~500 companies



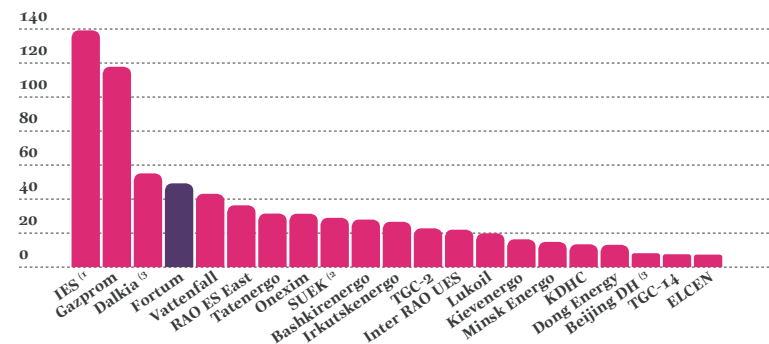
POWER GENERATION, TWh Largest generators in Europe and Russia, 2009



1) incl. International Power
2) incl. TGC-5, TGC-6, TGC-7, TGC-9

Fortum is the world's fourth largest heat producer and a mid-sized European power generator.

HEAT PRODUCTION, TWh Largest producers globally, 2009



1) incl. TGC-5, TGC-6, TGC-7, TGC-9
2) incl. TGC-12, TGC-13
3) 2007

Financial summary

Operating profit excluding non-recurring items, fair value changes of derivatives not getting hedge accounting and nuclear fund adjustment.

Comparable operating profit plus profit from associated companies divided by comparable net assets average.

KEY FINANCIAL FIGURES

EUR million or as indicated	2010	2009	2008
Sales	6,296	5,435	5,636
EBITDA	2,271	2,292	2,478
Comparable EBITDA	2,396	2,398	2,360
Operating profit	1,708	1,782	1,963
Comparable operating profit	1,833	1,888	1,845
Profit for the period, owners of the parent	1,300	1,312	1,542
Capital employed	16,124	15,350	15,911
Interest-bearing net debt	6,826	5,969	6,179
Net debt / EBITDA	3.0	2.6	2.5
Comparable Net debt / EBITDA	2.8	2.5	2.6
Return on capital employed, %	11.6	12.1	15.0
Return on shareholders' equity, %	15.7	16.0	18.7
Capital expenditure	1,222	862	1,108
Gross investments in shares	27	67	1,516
Net cash from operating activities	1,437	2,264	2,002

KEY FIGURES BY DIVISION / BUSINESS AREA

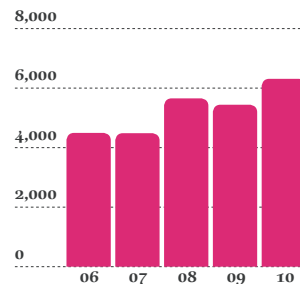
EUR million or as indicated	Sales			Comparable operating profit			Comparable RONA%		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Power	2,702	2,531	2,892	1,298	1,454	1,528	22.3	26.4	28.0
Heat	1,770	1,399	1,466	275	231	250	7.7	7.3	7.3
Distribution	963	800	789	307	262	248	9.3	8.6	8.2
Electricity Sales	1,798	1,449	1,922	11	22	-33	9.3	18.6	-15.3
Russia	804	632	489	8	-20	-92	0.7	0.0	-3.8
Other	51	71	83	-66	-61	-56	-7.7	-17.0	-1.7
Eliminations	-1,792	-1,447	-2,005	-	-	-	-	-	-
Total	6,296	5,435	5,636	1,833	1,888	1,845			

SHARE KEY FIGURES

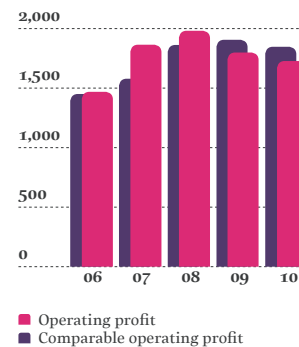
EUR or as indicated	2010	2009	2008
Earnings per share	1.46	1.48	1.74
Cash flow per share	1.62	2.55	2.26
Equity per share	9.24	9.04	8.96
Dividend per share	1.00 ¹⁾	1.00	1.00
Pay-out ratio, %	68.5 ¹⁾	67.6	57.5
Dividend yield, %	4.4 ¹⁾	5.3	6.6

¹⁾ Board of Directors' proposal for the Annual General Meeting on 31 March 2011.

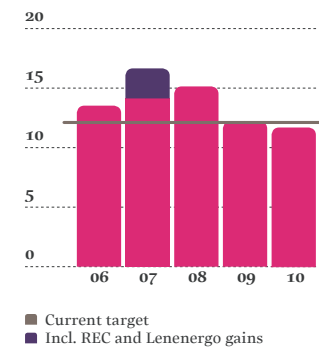
SALES, EUR million



OPERATING PROFIT AND COMPARABLE OPERATING PROFIT, EUR million



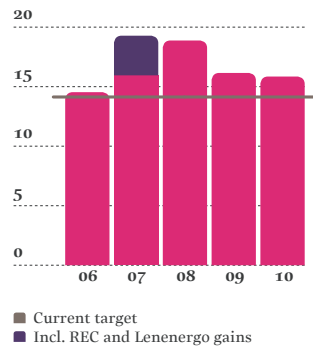
RETURN ON CAPITAL EMPLOYED, %



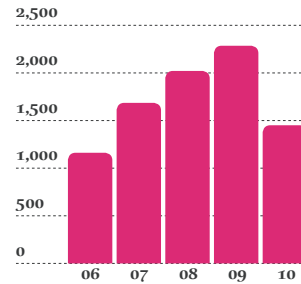
+ Key financial figures for the years 1998–2010 are presented in the Financial Statements, see pages 129–130.

+ Definitions for the key figures are included on pages 134–135 in the Financial Statements.

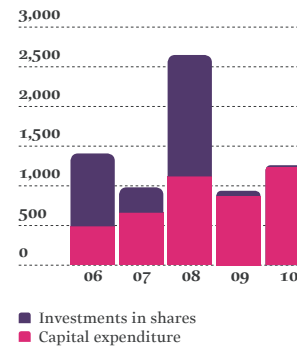
RETURN ON SHAREHOLDERS' EQUITY, %



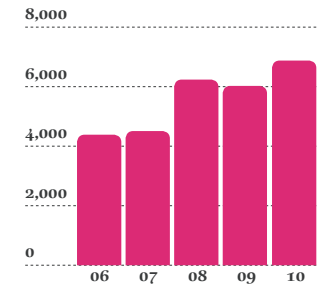
NET CASH FROM OPERATING ACTIVITIES, EUR million



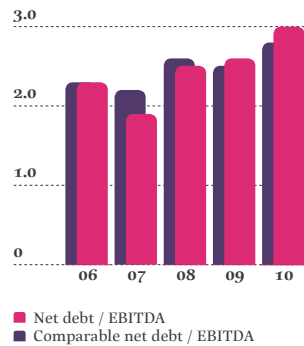
CAPITAL EXPENDITURE AND GROSS INVESTMENTS IN SHARES, EUR million



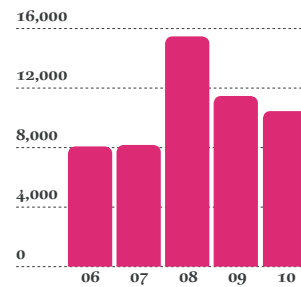
INTEREST-BEARING NET DEBT, EUR million



Net debt / EBITDA



NUMBER OF EMPLOYEES



SHARE QUOTATIONS 2006–2010, Index 100 = quote on 2 January 2006



Fortum in 2010

January

JAN 4

Fortum acquires a combined heat and power plant in Nokia, Finland



JAN 21

Fortum and Stockmann department stores work together to install recharging points for electric cars in Oulu, Turku and Tampere in Finland

JAN 29

Fortum and the Chelyabinsk Region Administration in Russia initiate large-scale cooperation to improve energy-efficiency

February

FEB 1

Fortum divests its share in Karlskoga Energi & Miljö to the Karlskoga municipality

FEB 2

Fortum's energy mapping of sports centres shows large possibilities to save both money and climate

FEB 9

Fortum renews its service offering to large electricity business customers



FEB 11

Fortum and Seabased Industry receive positive response from Swedish Energy Agency regarding investment grant for wave power project

FEB 23

Fortum invests in a new waste-to-energy power plant in Lithuania

March

MAR 2

Fortum Foundation grants EUR 650,000 in scholarships for energy related research, education and development



MAR 12

Tieto chooses Fortum's eco-efficient energy solution for its new data centre in Finland

MAR 13

The EVA concept electric car, developed by Valmet Automotive together with Fortum and a number of other Finnish companies, was presented at Geneva Motor Show

MAR 15

Fortum receives the EEI International Utility Award for long-term financial achievement

MAR 25

New lighting installed at Mariatorget in Stockholm – twice as much light with energy-efficient technology

MAR 31

Elisa and Fortum announce that they will implement an environmentally friendly data centre in Espoo, Finland

April



APR 21

Finnish Government gives a negative decision-in-principle on Fortum's nuclear application

APR 28

Fortum begins renovation and capacity upgrade works at Monta hydropower plant in Finland

May

MAY 21

Fortum and the City of Kurikka in Finland team up to promote electric motoring

MAY 26

Fortum's tests to increase use of renewable fuels, such as olive pits, in energy production in Stockholm are succesful



MAY 27

Fortum and Skanska to utilise smart grids for energy-efficient urban living

June



JUN 3

Fortum and the City of Espoo in Finland inaugurate a new solar power station in the city car depot

JUN 3

Fortum showcases a wave power buoy in Stockholm

JUN 7

City of Espoo, Valmet Automotive, Fortum and Nokia announced Eco Urban Living initiative in Finland

JUN 9

Fortum inaugurates new biomass-fired heat plant in Hanko, Finland

JUN 10

Fortum launches iPhone application for electric vehicle charging locations in Sweden

JUN 29

Fortum and the Russian TGC-1 celebrate 50 years of collaboration

JUN 30

Fortum joins the UN Global Compact initiative

July

JUL 1
Teollisuuden Voima Oyj, of which Fortum owns a 25% share, receives a positive decision-in-principle from the Finnish Parliament to build a fourth nuclear reactor to Olkiluoto, Finland



JUL 1
CHP-integrated pyrolysis pilot tests at Metso's facility in Tampere and test program of combusting bio-oil at Fortum Masala heat plant completed successfully

JUL 29
Fortum announces it will implement the largest ever nitrogen oxides reduction project at Polish power plants

August

AUG 23
Fortum joins the Cleantech Finland research and development initiative

AUG 31
Fortum announces investment in one of Europe's biggest onshore wind farm projects in Blaiken, Sweden



September

SEP 1
Fortum supports Aalto University in Finland with a contribution of EUR 3 million

SEP 6
Fortum divests minority holding in Russian electricity sales company to INTER RAO UES

SEP 6
Fortum issues SEK 6,200 million bonds

SEP 10
Fortum included in the Dow Jones Sustainability Index World for the eight consecutive year

SEP 16
Fortum presents its updated strategy and financial position in Capital Markets Day



SEP 22
Fortum commissions a new biomass-fired combined heat and power plant in Częstochowa, Poland

SEP 24
Fortum organises design competition to redecorate electricity cabinets

SEP 28
Fortum decides to invest in a new waste-fired unit for the Brista combined heat and power plant in Sweden

October



OCT 7
Fortum starts pilot rollout of smart metering to network customers in Finland

OCT 18
Fortum divests its share in Energiapolar Oy

OCT 19
Fortum announces plan to build a new industrial steam plant in Oulu, Finland

OCT 21
Fortum included in the Carbon Leadership index in the CDP Nordic 200 Report

OCT 27
Fortum decides to discontinue the Meri-Pori carbon capture and storage project in Finland

November

NOV 4
Unit 2 of Fortum's Loviisa power plant celebrates its 30th anniversary in Finland

NOV 15
Competition Authority drops investigation into Fortum's district heat pricing in Sweden

NOV 15
Fortum begins negotiations on the restructuring of Naantali power plant's ownership in Finland

NOV 17
Fortum introduces Energy Display – a smart way of reducing energy consumption – in Sweden

NOV 18
Fortum and Novatek extend cooperation in gas supply and energy-efficiency in Russia

NOV 24
Fortum announces acquisition of two Polish power and heat companies

NOV 26
Fortum and the Russian Rosatom sign Memorandum of Understanding on cooperation in nuclear power



NOV 30
Fortum, Rosatom and NEK sign Memorandum of Understanding on cooperation in Belene nuclear power project in Bulgaria

December



DEC 10
Fortum and the Russian Energy Agency strengthen cooperation to improve energy-efficiency and innovations

DEC 12
Fortum announces divestment of heat operations outside Stockholm in Sweden

DEC 17
Fortum announces decision to participate in French hydropower concessions bids

DEC 21
The first new unit of Fortum's investment programme in Russia inaugurated at Tyumen CHP plant



WWW.FORTUM.COM/MEDIAROOM

See all Fortum's press releases from 2010.

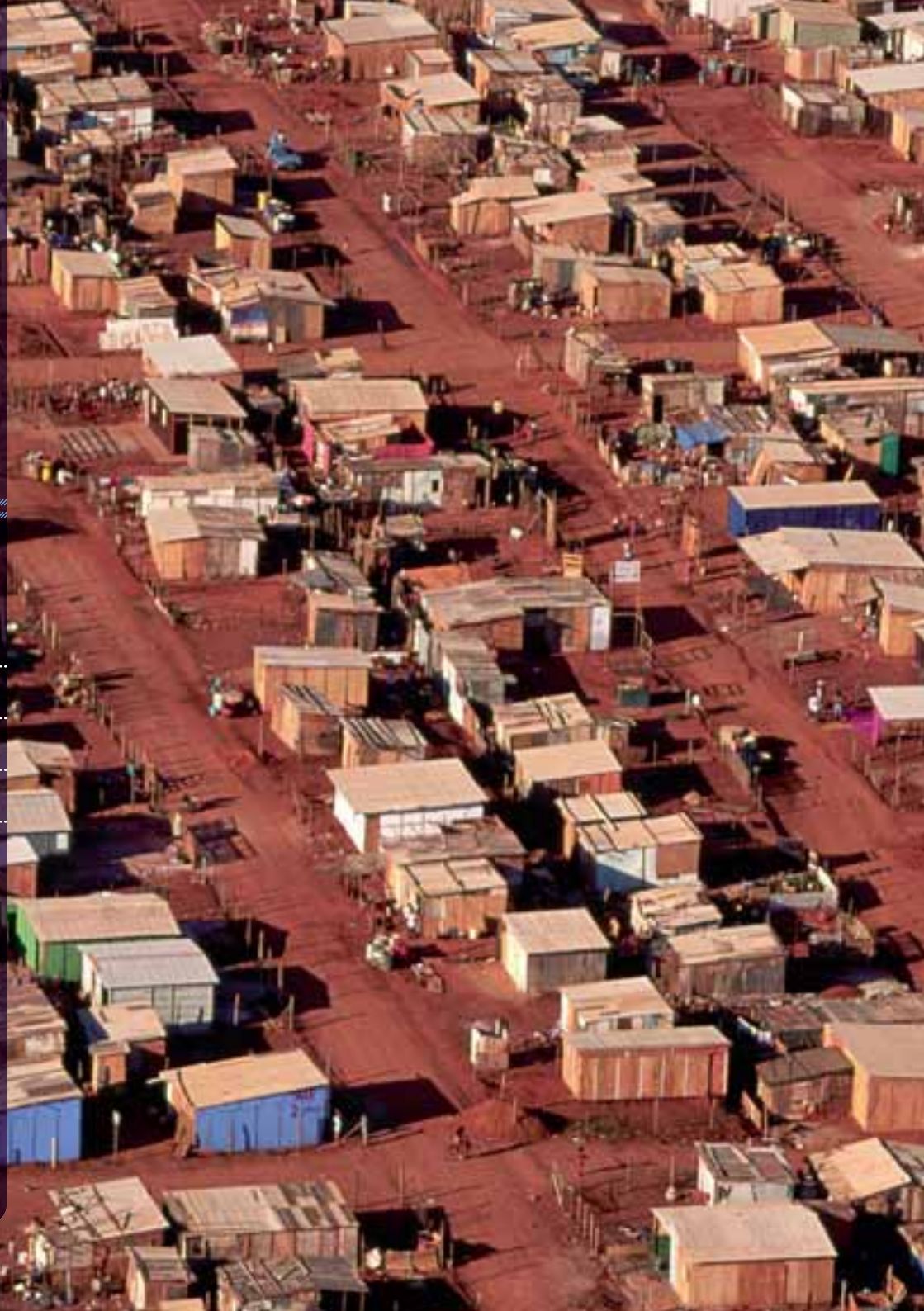
1.5

1.5 billion people in the world live without electricity. The challenge in the future is to offer them access to modern and sustainable energy systems.

*BILLION PEOPLE
WITHOUT
ELECTRICITY
IN THE WORLD*



**MEGATREND:
POPULATION
GROWTH**



Interview with the President and CEO

In 2010, Fortum's financial performance remained solid. In the aftermath of the global financial crisis, Fortum focused on developing the company's long-term strategy under the leadership of President and CEO Tapio Kuula in order to face the challenges of the new decade even stronger.



Fortum's President and CEO Tapio Kuula sees that the global megatrends affect the energy sector, e.g., from the perspective of population growth and environment.

Tapio Kuula, your first full year as President and CEO of Fortum is now behind you. How have you developed the company?

For Fortum, 2010 has been a time of development. After the reorganisation implemented in 2009, we updated our strategy and have continued improving our operational efficiency. We also started a long-term management development program to ensure the implementation of our updated strategy and to develop the corporate culture with the aim of enhancing performance and strengthening growth.

How would you assess Fortum's financial performance in 2010?

To summarise the year, I am pleased with our results. Industrial activity clearly picked up in Fortum's key market areas and the Russian economy continued its solid path of recovery. The overall Nordic and Russian power consumption continued to increase in 2010. Three out of our five businesses – Heat, Distribution and Russia – were able to improve their performance. Electricity Sales suffered from the very cold weather in January and December that drove market prices and consumption

up. Power Division had a relatively good year considering that it was burdened by additional costs from capacity upgrades and modernisation programmes in our Swedish associated nuclear generating companies. Power also had higher share of thermal generation in the production mix.

Fortum's financial position and liquidity are strong and the group's key financial return targets have remained unchanged. Maintaining Fortum's strong balance sheet and the flexibility of the capital structure will continue to be a priority also in the future. Signalling the importance of the strong balance sheet, Fortum adjusted its net debt/EBITDA target to be around 3 in September. The earlier target was between 3 and 3.5.

The Nordic power price increased considerably in 2010, but Fortum achieved roughly the same price for its Nordic power sales as in 2009. How do you comment?

2010 was a year characterised by record low levels in the Nordic water reservoirs

and high spot prices in January and December. In addition to the low water levels, the reason for the peak prices was the cold winter weather combined with reduced transmission capacity and outages in the Swedish nuclear power plants. The average spot price in the Nordic market increased to EUR 53 per megawatt-hour (MWh) in 2010 from EUR 35 per MWh in 2009 on average. Our Power Division's achieved Nordic power price in 2010 was EUR 49.7 per MWh. The reason that our power price does not always completely reflect the market prices is that we hedge our power sales in order to protect our cash flow and earnings from variations in market prices. It should be noted that we made a significant part of the hedges for 2010 in the middle of the financial crisis during 2008 and 2009.

In your view, how has the operating environment in the energy sector changed in recent years?

The financial crisis and the uncertainty it evoked have impacted investments in

GROUP FINANCIAL TARGETS

	Target	2010	2009
ROCE, %	12	11.6	12.1
ROE, %	14	15.7	16.0
Capital structure: Net debt / EBITDA	Around 3	3.0	2.6

➤ Definitions for the key figures are presented on pages 134–135.

“We updated our strategy and have continued improving our operational efficiency.”

the capital-intensive energy sector. The profitability of investments is being scrutinised ever more closely.

I see that the global megatrends affect the energy sector from the perspective of population growth, efforts to raise living standards, and, especially, the environment. A challenge for the energy sector is to boost the efficient use of energy while bringing electricity and modern energy systems to an increasing number of people. With energy-efficiency, the role of electricity is emphasised in the energy sector, a fact that offers opportunities for Fortum's operations.

Fortum updated its strategy in 2010; what has changed?

I would like to emphasise that the updated strategy is more of an evolu-

tion than a revolution. We built our strategy and goals for Fortum's operations for a longer perspective of time than before. Fortum's operations, its future, challenges and opportunities were assessed on the basis of the global megatrends; against this backdrop, several interesting growth opportunities were identified. They are based on our strengths first and foremost in the production side: in nuclear power, hydropower, and combined heat and power (CHP) production. In CHP production we have the capability to use a broad range of fuels and our know-how ranks at the top.

Why were specifically hydropower, nuclear power and CHP production pinpointed for Fortum's strategy?

Nuclear power and hydropower are very competitive forms of production due to their CO₂-free nature and in terms of variable costs. With hydropower, we can also react quickly to different market conditions and operate competitively in the electricity markets.

Fortum is inarguably one of the world's leading companies in CHP production-related know-how. In terms of total volumes, we are also the world's fourth largest heat producer. CHP-production is environmentally-benign and energy-efficient because virtually all of the energy content of the fuel can be utilised. Our goal is to further reduce the environmental impacts by increasing energy production based on biofuels and waste.



Where and how is Fortum pursuing growth in the future?

We are pursuing market-driven growth above all in production in Europe and Russia. In addition to the integrating European market, we see new opportunities in the rapidly growing markets in Asia. Fortum's power market expertise and flexible production structure support the growth. We also have a solid financial standing; a strong balance sheet, good cash flow and dividend-paying capacity are vitally important for Fortum as a listed company. I would like to add that we will put more focus on R&D and in the related partnerships. We will examine opportunities with an open mind.

What kind of opportunities does Fortum see in Europe?

In line with our strategy, we have been active in Europe in nuclear power, hydropower and CHP-production. For example, in Poland we inaugurated a CHP plant in Częstochowa in 2010 and acquired two power and heat companies at the beginning of 2011. Additionally, we aim to participate in nuclear power development, e.g., in Bulgaria by offering expert services in nuclear power technology and safety for the Belene nuclear power project. We are also preparing to participate in the tender processes for hydropower concessions in France.

How will Europe's integrating energy markets be reflected in Fortum's operations?

Integration of Europe's energy markets, and particularly the power markets, is something we've always considered important, and we believe that the wider market will increase efficiency, stability and reliability. The low Nordic water reservoirs impacting electricity production in 2010 is a good example of the fact that more widely integrated markets are definitely in the interests of the Nordic countries also from the perspective of electricity users.

In many ways, the Nordic electricity market functions as an example for the integration of Europe's electricity markets. In fact, Fortum is very qualified to be a frontrunner in understanding, monitoring and anticipating the markets, in terms of investment choices or anticipating price development.

Fortum did not receive a permit last year to build a new nuclear power plant unit, Loviisa 3, in Finland. How does this affect the role of nuclear power?

Fortum's expertise in the nuclear power sector is based on our long experience in the different phases of commissioning and operating nuclear power plants. Our plants in Finland enjoy outstanding availability, and a good safety culture and quality control are a top priority for us. We also have a solid track record in annual outages of nuclear power plants and in modernisation, capacity upgrade and lifetime extension projects, and we have comprehensive know-how in building new nuclear power plants and in assessing different supplier alternatives.

Naturally, we were disappointed that Fortum did not get the permit for Loviisa 3. Time will tell whether we receive a permit to replace the Loviisa units to be decommissioned.

Despite the negative decision-in-principle, nuclear power will continue to have a significant role in our operations. Our know-how is needed, e.g., in the modernisation of Sweden's nuclear power plants and in securing the safe and reliable operation of Loviisa's existing units. Moreover, Fortum is an internationally recognised player in the nuclear power sector, as indicated by the multiple contacts and inquiries we have received about our willingness to participate in foreign nuclear power projects. In fact, the Memorandum of Understanding signed with the Russian State Atomic Energy Corporation Rosatom on cooperation in the field of nuclear power and our offering of nuclear power know-how for the Belene nuclear power project in Bulgaria are examples of our activeness in the nuclear power sector. Through these projects, we will ensure that Fortum becomes an increasingly significant nuclear power expert.

Nuclear power production in Sweden has suffered from low availability. When will the situation normalise?

As a result of Sweden's 1980 nuclear power referendum, the nation's nuclear power culture and know-how faded away. However, a change in attitudes is being seen, and there have been positive advancements for a few years in Sweden. There is a lot of work ahead, and it is bound to take a few years before the nuclear power culture and availability are at a top level.

Hydropower has been important for Fortum traditionally, but how does the company view other renewable forms of energy?

Fortum is strong in CHP and we want to increase the use of local fuels like biomass and waste in production. The Nordic operating environment and the region's strong roots in the forest industry make biomass in particular a competitive alternative. Also waste-to-energy is a good solution to the increasing waste management problems in rapidly growing metropolises.

I also believe that, in the long-term, new forms of energy, like solar, will become more common; we are monitoring the development of this also at Fortum. Solar electricity is already profitable in some countries today, but large-

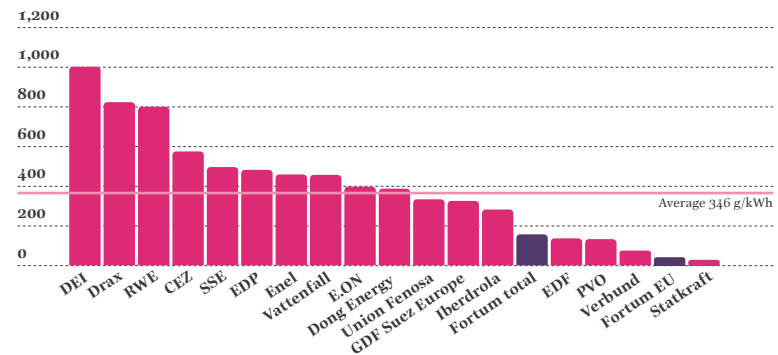
scale solutions are not yet competitive without public subsidies.

Subsidies for renewable forms of energy have sparked a lot of public debate. It is my belief that the possibility for sizable energy sector subsidies will be limited in the future because public sector funds are needed much more in, e.g., healthcare, eldercare and education. Thus, the efficient utilisation of subsidies for renewable energy is very important; in my opinion, market-driven and harmonised subsidy systems are the best solutions in this.

How are Fortum's operations in Russia progressing?

I am very pleased that the development in Russia has been positive. The power market reform continued as planned

FORTUM'S CARBON EXPOSURE AMONG THE LOWEST IN EUROPE,
gCO₂/kWh electricity, 2009



Source: PWC & Enerpresse, 2010, Changement climatique et Électricité, Fortum.

Note: The graph presents figures for all companies for 2009 for the sake of comparability. Fortum's specific CO₂ emissions of the power generation in 2010 in the EU were 84 g/kWh and in total 189 g/kWh, figures for all other companies include only emissions in the EU.

and as of the beginning of this year, the wholesale market has been fully liberalised. We are aiming for solid earnings growth in Russia, and our investment program, in fact, does play a decisive role in this respect. At the end of 2010 we inaugurated the first new unit of our investment programme at Tyumen CHP-1.

The capacity market rules recently agreed upon in Russia create a good framework for carrying out our investment programme. The recovered economic growth and the boosted demand for electricity has prompted us to even accelerate the implementation of our investment program – we believe we will have it completed in 2014. Our efficiency improvement programme in Russia is also on track to reach the targeted EUR

100 million improvements in 2011 compared to the time of the acquisition in 2008.

What is the role of sustainability in Fortum's updated strategy?

Sustainability is – and will continue to be – one of Fortum's strategic cornerstones. In fact, you can quickly see from our updated strategy that in terms of growth it is mainly based on goals that align with sustainability. In terms of CO₂ emissions, we are also proud to be among the least emitting power companies in Europe. However, alongside carbon exposure, we will put stronger emphasis on other environmental factors as well as on the social and economic aspects of sustainability.

What are Fortum's goals for this decade?

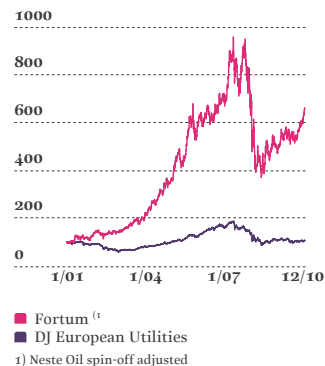
I see that Fortum's strength is the flexible, cost-efficient and climate-benign generation portfolio – and that will be our main asset also in the future. In line with our strategy, our goal is to develop three key areas in our business: leverage our strong Nordic core, create solid earnings growth in Russia, and build a platform for future growth. We are researching opportunities in the integrating European power market and also in Asia's growth markets, particularly in terms of CHP.

Naturally, we are also aiming to make our company as attractive as possible to investors, customers, partners and personnel. Interest in our company has grown; one indication of this is the significant increase in the number of our shareholders. During last ten years we have generated a EUR 26.2 billion increase in shareholder value and our share has outperformed most of its European peers. It is our aim, of course, to deliver excellent value to our shareholders also in the future.

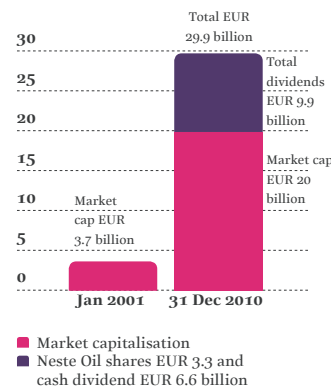
I am very pleased also with our positive public image during the past year; our customer satisfaction has also developed favourably. For this I want to thank our competent personnel. They have worked diligently to advance Fortum's growth and performance. And, of course, we must also thank our collaboration partners and our extensive customer base for the past year. I believe that this new decade is filled with opportunities for Fortum.

“In addition to the integrating European market, we see new opportunities in the rapidly growing markets in Asia.”

FORTUM'S SHARE PRICE SINCE 2001, INDEX



TOTAL SHAREHOLDER VALUE INCREASE EUR 26.2 BILLION



Fortum's share has outperformed the DJ European Utilities Index during last ten years. During 2010, Fortum's share price appreciated approximately 16%, while Dow Jones European Utility index decreased 9% and OMX Helsinki Cap index increased 22%.

Strategy

Fortum's strategy aims for continuous development of existing businesses and for market-driven growth in nuclear, hydro and combined heat and power (CHP) production. In addition to Fortum's technical competencies, the company's expertise and proven track-record in operating in competitive energy markets has a central role when pursuing opportunities in existing markets and in the rapidly growing and liberalising energy markets of Europe and Asia.

Fortum's mission is to create energy that improves life for present and future generations. We provide sustainable solutions that fulfil the needs for low emissions, resource-efficiency and energy security, and deliver excellent value to our shareholders.

The mission embodies Fortum's responsibility for the environment, society and its financial performance in accordance with the three areas of sustainability. The mission, strategy and values – accountability, creativity, respect and honesty – form a foundation for all of Fortum's activities.

Towards a solar economy

In Fortum's view, a gradual transition from a traditional so-called Carnot world towards a solar economy is necessary and inevitable. In a Carnot world, electricity

is mainly produced from non-renewable energy sources with low efficiency and often generating large amounts of emissions, whereas in a solar economy, production is mostly based on emissions-free and nearly infinite energy sources. The shift to solar economy is the only way to get the world's natural resources to last for future generations and to find a solution for climate change and for the increasing environmental problems.

Changes in the capital-intensive energy industry are slow and the transition towards a solar economy is advancing in phases. With the exception of hydropower, most production forms in a solar economy are still in the development phase and require significant subsidies from society. In fact, traditional, but highly efficient production forms, like bio-based CHP production and next-

generation nuclear power technologies, are emphasised in the energy production of the transition period.

Fortum is well positioned and is basing its strategy on advanced know-how in nuclear power and hydropower and in CHP production. Monitoring the technology development of the so-called new renewable sources of energy production is an important part of the company's research and development activities, however the role these sources will play in production in the near future is small. The way Fortum sees it, positions taken and the solutions applied have to be financially sound on their own merits; basing decisions on a continuous high level of subsidies is not sustainable in the long-term.

New opportunities in the East

The Nordic countries have traditionally formed Fortum's most important market area, and the Nordic power market is still most important in terms of value creation for the company. In the future, the integrating European electricity markets, the relative increase in the importance of Fortum's Russian businesses, and growth in the Baltic Sea region will gradually decrease the role of Nordic electricity wholesale price as the main driver of Fortum's earnings. Electricity distribution and sales will continue to have a central role in the Nordic countries, but in other market areas power and heat production offer more attractive growth opportunities.

The growing demand for CO₂-free and energy-efficient solutions and the increasing consumption in the liberalising energy markets offer Fortum new opportunities for growth. The energy demand growth is fastest in Asian markets, but there are also opportunities in Europe and Russia. Fortum is preparing for growth that will take place through the right balance of faster returning acquisitions and slower cash-flow generating greenfield investments. Maintaining a strong balance sheet to secure flexibility for growth opportunities also in the long run is a priority for Fortum. When pursuing new opportunities, Fortum can base its growth also on the in-depth know-how gained from operating in the competitive Nordic power market.

Strong commitment to performance

A strong drive for high performance and continuous operational improvement are characteristic to Fortum. The commitment to create significant shareholder value is also an integral part of Fortum's mission. To advance this goal, Fortum launched in 2010 a new, multi-year Leading Performance and Growth programme designed to ensure strategy implementation and to develop the corporate culture.

In the printed Annual Report,
this page includes a separate insert
about Fortum's strategy.

Open the insert as a new PDF-file
by clicking [here >>](#)

520

kg

Better use of waste is vital. In the European Union alone, we generate over half a tonne of municipal waste per person each year. A large portion of this could be used for energy production conserving scarce natural resources.

*AMOUNT OF WASTE
GENERATED PER
CAPITA IN THE EU*



**MEGATREND:
INCREASING
ENVIRONMENTAL
PROBLEMS**



Market development

In 2010, the world economy recovered from the financial crisis. Growth was very unevenly dispersed among countries. Emerging economies grew rapidly, while the performance of developed nations was more modest and uneven. The Nordic power market recovered faster than the Central European markets in average, with higher power prices and faster demand growth.



Fortum's Högdalen combined heat and power plant in Stockholm has generated energy from waste since 1970.

In 2010, the Finnish and Swedish recovery was fuelled by exports, manufacturing and increased consumption. Norway's performance was weaker. Electricity consumption in the Nordic market area recovered temperature-adjusted by nearly 2% in 2010 and is expected to reach pre-crisis levels in 2013–2014. Power consumption growth was primarily driven by industrial demand and cold winter weather; growth in household demand was modest. The largest growth in electricity consumption was visible in Finland, driven by the good recovery in industrial demand. The yearly average

Nordic spot system price was EUR 53.1 per megawatt-hour (MWh), up 50% from the previous year. The Nordic spot system price was on average 19% higher than the German EPEX Spot price in 2010, mainly due to a tighter demand-supply balance and low water reservoir levels in the Nordic area.

Also the Russian economy recovered quickly in 2010, driven by commodity exports and increased export prices. Russian electricity consumption recovered by 4% and is expected to reach pre-crisis levels in 2011–2012. Regional differences in demand growth were

considerable. Consumption in the Chelyabinsk area grew by 9%, driven by the metals industry, while demand in the oil- and gas-rich Tyumen area grew only 1%, as the impact of the recession to demand was less severe there. In north-western Russia, electricity consumption increased by 5%. The average spot price, excluding capacity price, in the European and Urals part of Russia increased by nearly a third to RUB 882 per MWh (EUR 21.9 per MWh).

In Fortum's other market areas, the Baltic economies were the hardest hit by the financial crisis and their recovery was very uneven; Poland's economy suffered the least.

Global economic growth in 2010 was clearly driven by the large emerging economies, particularly China and India, whose roles in the world economy are strengthening. The emerging economies' hunger for commodities drove up demand and prices through the year. China also passed the US in 2010 as the world's largest primary energy consumer.

Climate change and regulatory outlook

International negotiations on global climate change mitigation in Cancun in November-December 2010 did not yet lead to any legally binding post-2012 agreements. Focus has now shifted to the next round in South Africa at the end of 2011. Fortum believes that a global price on carbon would be the most efficient way to reduce global emissions. However, it seems more likely that different country groups will proceed with their own climate targets, and a binding international agreement will not be in place yet for several years to come.

For the EU, leadership in climate change mitigation is still a priority. The EU has already committed to cut emissions by 20% from the 1990 level by 2020. A discussion on increasing the EU's target to 30% is ongoing. In autumn 2010, the European Commission assessed the effects of such a shift and several Member States have publicly supported a higher EU target regardless of the commitments, or lack thereof, by other countries.

Most of the emissions reduction in the EU is carried out through the Emissions Trading System (ETS). Legislation related to a revision of the ETS for the period 2013–2020 was adopted earlier, and more detailed rules of implementation followed in 2010. In July, the EU Commission proposed new auctioning regulation of the ETS for 2013–2020, with a tighter cap than in the previous period. New rules for the allocation of free allowances were proposed in December 2010. Electricity generation will not, in general, receive any free allowances after 2012, except in some transitional countries like Poland. Heat production will still get a decreasing amount of free allowances based on an EU-wide benchmark.

After many years of uncertainty, the first Kyoto Joint Implementation (JI) projects were approved in Russia in July 2010 and resulted in 30 million emission reduction units (ERU). Fortum's two Russian JI projects, a new unit at the Tyumen CHP-1 and the reconstruction of TGC-1's Newsky hydropower plant, were approved by the Ministry of Finance of the Russian Federation in December 2010.

The new EU Commission was opera-

tive from February 2010 and has now also a new dedicated directorate general for energy, which further strengthens the EU's role in the area of energy policy. In November, the Commission presented a new comprehensive EU energy strategy, which aims to ensure that the EU will meet the ambitious 2020 targets on energy, climate and economy. The energy strategy is to be adopted in 2011 and includes policy initiatives for energy infrastructure, energy-efficiency, nuclear power and smart grids, among others. The Commission has also started preparations for a roadmap to a low-carbon economy by 2050.

In July 2010, the EU approved the Industrial Emissions Directive (IED), which is designed to bring several separate pieces of EU legislation on industrial emissions under one directive. It sets stricter limits on power and heat production from 2016 onwards.

The implementation of the EU Renewable Energy Sources (RES) target of 20% by 2020 also proceeded when the Member States had to submit their national action plans to the Commission by the end of June 2010.

Finland has a target to increase the share of RES in final consumption to 38% by 2020, primarily through the introduction of feed-in tariffs for wind, biomass and biogas-based electricity production. The taxation for fossil fuels used in heating was heavily tightened from 2011 onwards. The Finnish Government also withdrew from the plan of introducing windfall taxes for old hydro and nuclear.

While most EU Member States focus on feed-in tariffs for RES, Sweden and Norway plan to create a common cross-border market for green certificates to be

operational from January 2012 onwards. The aim is to have the same amount of new RES with a cost-efficient support scheme, and without creating market distortions. The Swedish RES target is set at 49% by 2020. Fortum supports the Swedish-Norwegian certificate initiative, and prefers market-based and harmonised support mechanisms when aiming for RES targets.

The new EU energy strategy also emphasises tapping into the biggest energy-saving potential – buildings and transport. Furthermore, efforts are needed to substantially increase the uptake of high-efficiency combined heat and power (CHP) production, district heating and cooling. Fortum is running CHP and district heating operations in eight countries and is the fourth largest heat producer globally.

District heat operations are under increased competition with regard to new connections, while heat prices are still strictly regulated in Baltic countries, Poland and Russia. A gradual trend towards more market-oriented price regulatory regimes is foreseen, and also encouraged in the new EU energy strategy.

Nordic power and heat markets

As an important enabler in further integration of the European power market, the European Transmission System Operators (ENTSO-E) signed their first joint ten-year network development plan in June 2010. The final support decisions from the EU recovery package for new power grid investments between the Nordic area and Europe, enabling further market integration, were also done for Estlink 2 (FI-EE),

COBRACable (DK-NL), Kriegers Flak (DK-DE) and NordBalt (SE-LT).

The Estonian power market was integrated to the Nordic power market as a separate price area in April 2010. Further integration of the Baltic power market to the Nordic power market is expected to occur during 2011, when legal frameworks are in place. In November 2010, the Nordic power market was also connected with the new market coupling area in Central West Europe (CWE), which was strengthened further in December 2010 through coupling the SwePol (SE-PL) and NorNed (NO-NL) cables.

The power price peaks in the Nordic area in winter 2009–2010 prompted the Nordic energy ministers to ask the Nordic Energy Regulators (NordREG) to study the reasons behind the peaks. They concluded that the price peaks were caused mainly by the cold weather, maintenance operations in Swedish nuclear plants and congestion within the Nordic market. No indication of market malfunction or misuse was found. NordREG recommended increased transparency in the market, more active demand flexibility and to further study the possibility of dividing the market into smaller bidding areas. Fortum welcomes the proposal on more active demand-side flexibility.

Regulators and policy makers are also increasingly discussing the demand flexibility in balancing supply and demand. In order to improve the demand response of consumers, hourly measurement will be adopted in Finland in accordance with smart metering, and it is under rapid investigation in Sweden and Norway.

In Sweden, the TSO Svenska Kraftnät proceeds with the plan to divide Sweden

into four bidding areas from the beginning of 2011, in order to manage congestion caused by limited transmission capacity. Fortum believes that the new bidding areas should be later enlarged over national borders based on the goals to develop a common European wholesale market, as well as an integrated Nordic retail market.

The proposal by the Nordic Energy Ministers from October 2009 to develop a harmonised market for electricity by 2015 was developed further by NordREG during 2010. As one of the leading electricity sales companies in the Nordic market with 1.2 million customers, Fortum supports the creation of the harmonised Nordic retail market. Market-based development would increase competition and would therefore bring benefits for the customers.

In June 2010, the Finnish Parliament approved the decision-in-principle for construction of two new nuclear reactors by Teollisuuden Voima (TVO) and Fennovoima. The new units are planned to come online around 2020. Fortum's application for building a third reactor in Loviisa was not approved, but Fortum owns a quarter of TVO. Sweden also adopted a law in June 2010 that makes replacement investments in nuclear possible.

+ Read more about Fortum's nuclear power projects under Investments and R&D on pages 24–27.

In spring 2010, the Finnish competition authorities announced that they are studying the pricing of the ten largest district heat companies. The study also included Fortum's Espoo and Joensuu district heat businesses and it was still ongoing at the end of 2010.



Waste-to-energy production benefits the environment

Fortum will build a new waste-fired unit for its combined heat and power (CHP) plant in Brista, Sweden. The unit will burn about 240,000 tonnes of waste annually, which corresponds to the amount of waste produced by the population of Stockholm over the course of a year. With the latest technology, a waste-fired power plant almost always produces less emissions into the air and water than when using other fuels.

Fortum is also building a new CHP plant fuelled by municipal and industrial waste as well as biomass in Klaipeda, Lithuania. The plant is the first waste-to-energy power plant in the Baltic countries. The new CHP plant will play a key role in the city of Klaipeda's waste management because of the significant reduction in the disposal of waste into landfills.

In November 2010, the Swedish Competition Authority (SCA) dropped its investigation concerning the market position and price setting of Fortum's district heating in the Stockholm area. The authority concludes, for example, that the real price of district heat has decreased in Stockholm by 1.5% during 2005–2010.

The EU's third energy market package, which entered into force in September 2009, calls for the separation of high voltage transmission and power generation. Consequently, Fortum will have to divest its 25% ownership in the Finnish transmission system operator Fingrid by early 2012. In January 2011, Fortum, the Finnish State and Ilmarinen Mutual Pension Insurance Company came to a preliminary agreement according to which the State will buy approximately 81% and Ilmarinen approximately 19% of Fortum's Fingrid shares. The transaction is subject to a final agreement between the parties and to the necessary approvals by their decision-making bodies. Furthermore, the completion of the transaction requires the approval of the Finnish Competition Authority.

Russian power and heat market

Despite the economic recession in 2009, the Russian power market reform has proceeded as announced by the Federal Government. The Russian power market is now divided into a wholesale and capacity market. The wholesale market is intended to cover mainly the variable production costs, while the capacity market is intended for covering capital costs for new capacity.

“China passed the US in 2010 as the world's largest primary energy consumer.”

The share of wholesale electricity sold at competitive prices has been gradually replacing the tariff-based pricing since 2007. From the beginning of 2010, the share was at 60%, and it was raised to 80% in July, and then to 100% from the beginning of 2011. Electricity sales to household customers will still be regulated, corresponding to about one tenth of the wholesale market. Plans to liberalise the household market are being discussed by the Russian Government.

New long-term capacity market rules were adopted in autumn 2010 and will be in force by the beginning of 2011. The generation capacity built after 2007 under government capacity supply agreements (CSA – “new capacity”) will receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments. The payments begin when commercial operation begins.

The Russian Futures Power Exchange ARENA was launched in June 2010, which notably improved the derivative trade in the Russian power sector. Also the competitive market for ancillary services was launched at the end of the year.

In Russia, the promotion of increased energy efficiency in the regulations have been discussed intensively during 2010. A new heat law was adopted in July including an obligation to install energy metering devices by 2012.

Power utilities adjust their strategies

The European utility sector had outperformed the market during many consecutive years after the millennium, but the situation changed when the financial crisis hit in 2008 and commodity prices plummeted. In 2010, European utility sector underperformed the market by some 15%.

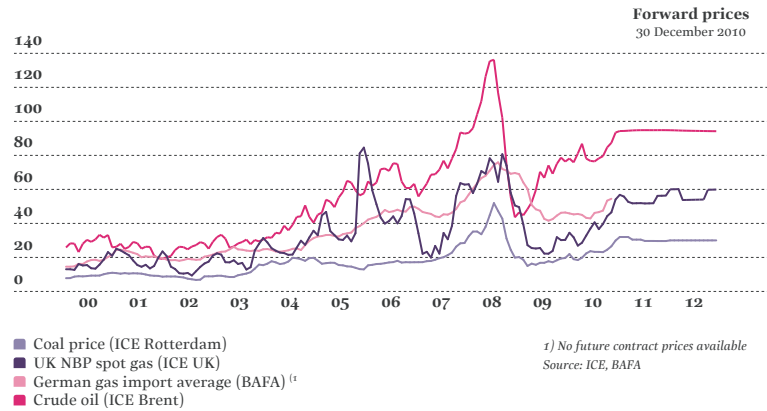
Continued market uncertainties and weakened cash flow outlooks in Europe, e.g., due to increasing nuclear taxation in Germany and launching of the CO₂-auction from 2013, triggered many European power utilities to adjust their strategies in 2010. Short-term focus remained on efficiency programs and

balance sheet strengthening, i.e., on measures initiated when the crisis hit. European power utilities also reassessed their investment plans and several of the power plant projects were either delayed or cancelled during the year. Moreover, long-term research and development initiatives, such as carbon capture and storage, were not promoted as heavily in 2010 as they were during some earlier years.

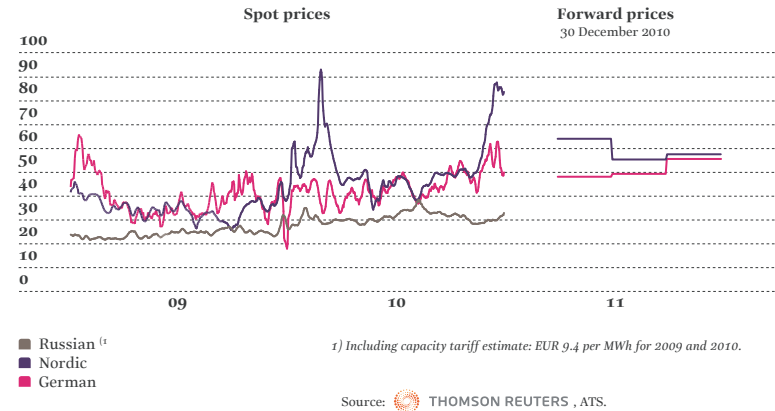
The financial crisis did not change the power utilities' aim to reduce their CO₂ exposure in power generation. Many utilities were investing in wind power and also divesting some of their coal-fired power plants. Correspondingly, hydro assets and nuclear new-builds are seen attractive if available. With regard to nuclear as well as other large scale capital-intensive investments, power utilities continue building different cooperation models to plan and carry out the investments.

European power plants and networks are largely built in the 1960's and 1970's and many of them are soon coming up for replacement or major refurbishment. Whilst the sector will face a large increase in replacement investments, it also has to respond to environmental targets set by the EU and national governments. Moreover, power demand is projected to rise, for instance due to a shift towards a low-carbon economy in which the role of electricity increases. The upcoming investment cycle is a huge challenge, but Fortum believes that the sector can overcome it through consistent and harmonised European power market integration.

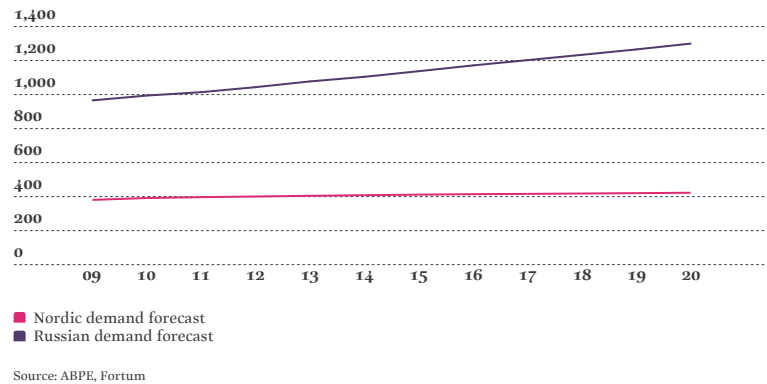
FUELS, USD/bbl oil equivalent



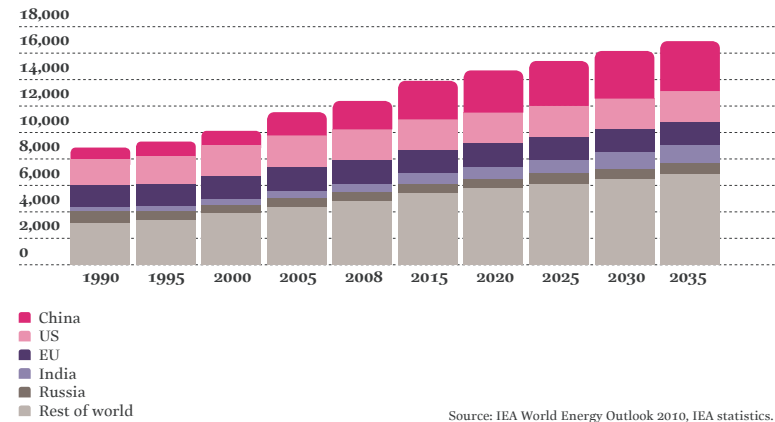
WHOLESALE PRICES FOR ELECTRICITY, EUR/MWh



NORDIC AND RUSSIAN POWER DEMAND EXPECTATIONS, TWh



PRIMARY ENERGY DEMAND BY REGION IN THE IEA NEW POLICIES SCENARIO (Mtoe)



Investments and research & development

The majority of Fortum's capacity investments in 2010 focused on the Russian investment programme and growth in resource-efficient combined heat and power (CHP) production in Poland and the Baltics. In light of the recovering post-crisis demand and development of the Russian capacity market, Fortum advanced the schedule of its Russian investment programme and increased its capital expenditure estimate for 2011–2012.

In the coming years Fortum will continue to leverage its strong position in the Nordic power and heat market while creating solid earnings growth in Russia. In line with the updated strategy, growth is being pursued in CO₂-free nuclear and hydro power production and in energy- and resource-efficient CHP production. Most of Fortum's growth investments in 2010 were implemented by the Russia, Heat and Power Divisions. In the Distribution business area, Fortum is investing in further improving the reliability of its grid and in the installation of new smart meters in Finland for electricity distribution customers.

In 2010, Fortum's capital expenditure and investments in shares totalled EUR 1.2 billion (2009: 0.9). Investments, excluding acquisitions, were EUR 1.2 billion (2009: 0.9).¹⁾

Fortum currently expects capital expenditure in 2011 and 2012 to be around EUR 1.6–1.8 billion, excluding potential acquisitions. The annual level of Fortum's capital expenditure in 2013–2014 is estimated to total EUR 1.1–1.4 billion. In 2010, the annual maintenance and productivity investments amounted to EUR 315 million (2009: 277). Growth investments in new Russian power generation capacity will be unevenly spread through 2011–2014 and are estimated to total approximately EUR 1.5 billion from January 2011 onwards. The rest of the annual capital expenditure will target growth in CO₂-free nuclear, hydro and CHP production in the Nordic countries and around the Baltic Rim.

¹⁾ Divestments in 2010 are reported in the Financial Statements, notes 6, 8, 23 and 40.

CHP production brings growth

Fortum is a global leader in know-how related to CHP production and the world's fourth largest heat producer in terms of production volumes. The Heat Division aims to significantly reduce CO₂-emissions from heat and power production during the next decade. Energy-efficient CHP production has a very important role in reducing the environmental load and in achieving emissions reduction targets because it utilises up to 90% of the energy contained in the fuel. Fortum's goal is to decrease the environmental impacts of its energy production by increasing production based on local biofuels and waste-derived fuels.

Fortum commissioned two new CHP plants in 2010:

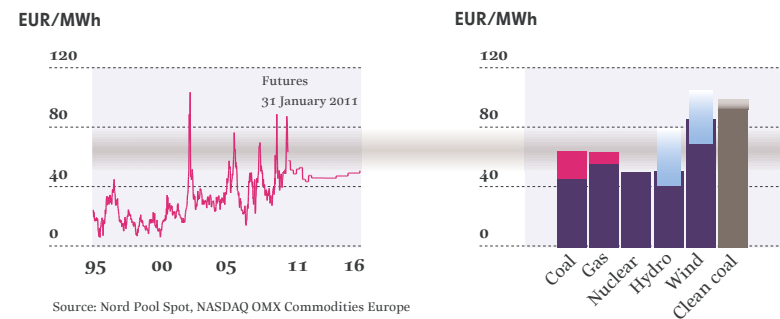
- *Częstochowa, Poland (biomass and coal-fired, 120 MW heat, 64 MW electricity, commercial operation started in fourth quarter)*
- *Pärnu, Estonia (biomass and peat-fired, 50 MW heat, 24 MW electricity, commercial operation started in fourth quarter)*

In early 2010, Fortum acquired a CHP plant in Nokia, Finland, and the company also decided to invest in a new biomass and waste-fuelled CHP plant in Klaipeda, Lithuania. According to plan, the power plant is estimated to be ready for production by the end of 2012.

In October, Fortum started to build a new waste-to-energy CHP unit in Brista, Sweden, where it will be part of the Stockholm-region district heating system. With a capacity of 60 MW heat and 20 MW electricity, the new production unit, Brista 2, is estimated to be ready for operation in 2013. According to plan, the local municipal energy company, Sollentuna Energi, will participate with a 15%-share in the project.

Fortum also plans to increase the share of renewable energy at the Värtan CHP plant's existing units in Stockholm, Sweden, from the current 45% to 70% by 2015. Värtan is the largest production facility in the city with a capacity of 1,700 MW heat, 389 MW electricity and 125 MW district cooling. The preliminary plans also call for a new bio-oil-fuelled

NEW CAPACITY, EXCEPT NUCLEAR, WILL REQUIRE OVER 60 EUR/MWh POWER PRICE



Source: Nord Pool Spot, NASDAQ OMX Commodities Europe

■ CO₂ cost
■ Other costs (■ variation)
Estimated lifetime average cost in nominal 2014 terms. Large variations in cost of new hydro and wind due to location and conditions.

unit at the Värtan CHP plant, which would be commissioned in 2016.

In November 2010, Fortum announced that it was acquiring 85% of shares the Polish power and heat companies Elektrociepłownia Zabrze S.A. and Zespół Elektrociepłowni Bytom S.A. for approximately EUR 20.6 million. The companies are sold as part of the privatisation of the power and heat sector in Poland and they are among the main producers of heat for local municipalities in the Silesia region of southern Poland. Total combined heat sales of the companies is 930 gigawatt-hours annually (GWh/a) and electricity sales 260 GWh/a. Production is mainly coal-fired. The acquisition was completed in the beginning of 2011.

In December, Fortum in collaboration with the Naantali, Raisio and Kaarina municipalities and Turku Energia in Finland signed a letter of intent

on consolidating energy production in the Turku area to one co-owned production company, Turun Seudun Maakaasuja Energiantuotanto (TSME). Fortum will provide energy production services to TSME and, according to the letter of intent, will own 50.5% of the company.

Investment programme in Russia advances

Fortum's subsidiary OAO Fortum, operating in the oil- and gas-producing Urals and Western Siberia regions, has committed to implementing an investment programme that will increase its electricity production capacity from ~2,800 MW to ~5,100 MW. The programme is a key driver for solid earnings growth in Russia. New capacity will bring income from new volumes sold and according to Capacity Market rules is expected to receive at least 3–4 times higher price in the capacity market than old capacity.

Fortum has advanced the schedule of its Russian investment programme as a result of the recovering electricity demand and the development of the capacity market. Now the intention is to finalise the programme one year earlier than previously estimated, i.e., in 2014. In December 2010, Fortum inaugurated a new unit at its Tyumen CHP-1 power plant in Western Siberia. The new unit was the first of seven units in Fortum's investment programme and begun its commercial operation in February 2011. Two other units are estimated to start their commercial operation during mid-2011. Also the construction of the new power plant in Nyagan in the North Urals region continued. Once completed, the plant will have three natural gas-fired units with a 418-MW electricity production capacity each. The first unit is estimated to start supply in 2012.

Three new units will begin commercial operation in 2011:

- Tyumen CHP-1, electricity production capacity 230 MW (gas-fired, commercial operation started in February 2011)
- Tobolsk CHP, electricity production capacity 200 MW (gas-fired, commercial operation starts mid-2011)
- Chelyabinsk CHP-3, electricity production capacity 226 MW (gas-fired, commercial operation starts mid-2011)

The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2010, is estimated to be approximately EUR 1.5 billion as of January 2011.

Nuclear power retains its strong position

In addition to own nuclear production, Fortum is a co-owner in the Finnish

FORTUM'S EUROPEAN INVESTMENT PLAN AS OF 2010

Plant	Production/Fuel type	Planned generation capacity (MW)		Commercial operation begins
		Heat	Electricity	
POWER DIVISION ¹⁾				
Forsmark 1, Sweden	Nuclear		25	Decision in 2011
Forsmark 2, Sweden	Nuclear		25	2012
Forsmark 3, Sweden	Nuclear		35	Decision in 2013
Oskarshamn 2, Sweden	Nuclear		80	2013
Olkiluoto 3, Finland	Nuclear		400	2013
Hydro refurbishment, Finland and Sweden	Hydro		100	by 2015
HEAT DIVISION				
Częstochowa CHP, Poland	Biofuel/Coal	120	64	2010
Pärnu CHP, Estonia	Biofuel/Peat	50	24	2010
Klaipėda CHP, Lithuania	Waste	60	20	2012
Brista CHP, Sweden	Waste	60	20	2013
Total new capacity		290	793	

1) Capacity increases reported under Power Division, represent Fortum's share of increase.

ACQUISITIONS IN 2010

Plant	Production/Fuel type	Capacity (MW)		Acquisition completed
		Heat	Electricity	
EC Zabrze, Poland	Coal	226	35	2011
ZEC Bytom, Poland	Coal	177	55	2011
Nokian Lämpövoima, Finland	Natural Gas	85	70	2010

EXTENSIVE INVESTMENT PROGRAMME IN RUSSIA

Plant	Fuel type	Existing capacity electricity MW	New capacity electricity MW	Total	Commercial operation begins ²⁾
Tobolsk CHP	Natural Gas	452	200	652	2011
Chelyabinsk CHP-3	Natural Gas	360	226	586	2011
Nyagan GRES	Natural Gas	0	3x418	1,254	2012–2013
Total capacity		1,284	2,360	3,644	

2) Capacity payments begin.

nuclear power company Teollisuuden Voima Oyj (TVO) and in the Swedish Forsmark and Oskarshamn nuclear power plants.

Fortum is participating in the building of Finland's fifth nuclear power unit (Olkiluoto 3, 1,600 MW). The power plant is being constructed by TVO, of which Fortum holds a ~25% share. The AREVA-Siemens Consortium, TVO's turnkey supplier, reported that most of the works will be completed in 2012. The supplier indicated that the regular operation of Olkiluoto 3 will start during the latter half of 2013.

In May 2010, The Finnish Government gave a negative decision-in-principle on Fortum's application concerning the construction of a new nuclear power plant unit, Loviisa 3. TVO's decision-in-principle application for a new nuclear power plant unit, Olkiluoto 4 was approved by the Finnish Government and ratified by the Finnish Parliament. Fortum is involved in the project development.

Forsmark and Oskarshamn nuclear power plants are undergoing capacity upgrades in Sweden. Fortum owns approximately 23% of Forsmarks Kraftgrupp AB and approximately 43% of OKG AB (Oskarshamn). Fortum's share of the planned capacity increases will be about 290 MW. In 2010, capacity increase and modernisation projects were carried out at the Oskarshamn 3 and Forsmark 2 nuclear power plant units. The start-up of the upgraded capacity of both units has been delayed. To secure availability, the capacity of Oskarshamn 3 has been limited to 1,100 MW, which corresponds to the unit's capacity prior to the upgrade. Test runs with the upgraded capacity will re-start in March 2011. Also Forsmark 2 was operating at significantly reduced capacity after the capacity

upgrade modifications. Full output from the unit began in November 2010.

Progression of the Swedish nuclear power plant capacity upgrade programme:

- 2011: Realisation of the full benefit of the Oskarshamn 3 capacity increase that was taken into use in late 2009 (Fortum's share 110 MW)
- 2011-2012: Capacity upgrades of Forsmark 1 and Forsmark 2 (Fortum's share 50 MW)
- 2009-2013: Capacity upgrade of Oskarshamn 2 (Fortum's share 100 MW)
- Post 2013: Upgrade of Forsmark 3

In November 2010, Fortum, the Russian State Atomic Energy Corporation Rosatom and the national Bulgarian utility company NEK signed a Memorandum of Understanding on cooperation in the development of nuclear power plant Belene in Bulgaria. According to the Memorandum of Understanding, Fortum will participate in the Belene nuclear power plant project by providing competences in nuclear technology and safety. In addition, Fortum has reserved an opportunity to obtain a 1% share of the equity in the Project Company that will be established and will be the owner of the power plant and the electricity generated by it.

Investments in renewable power production

The Power Division's investment programme includes refurbishment investments in several hydropower plants to increase capacity, improve safety and maintain good plant availability. On average, the hydropower refurbishment programme will increase Fortum's production capacity by 20-30 MW annually by 2015.

In February 2010, the Swedish energy agency granted Fortum and the wave

power equipment supplier Seabased Industry EUR 14 million in investment support to develop and build a full-scale wave power plant on the west coast of Sweden. Upon completion, the 10-MW production unit would be the world's largest wave power plant. The total amount of the investment is estimated at about EUR 25 million. An investment decision is yet to be made.

In August 2010, Fortum announced that it will acquire a 40% stake in the Blaiken wind power project in Sweden. The remaining 60% is held by the Swedish energy company Skellefteå Kraft. Fortum and Skellefteå Kraft's joint venture, Blaiken Vind AB, is planning the construction of the wind farm in the Blaiken region in northern Sweden. The wind farm's approximately 100 wind turbines will have a total capacity of 250 MW and an estimated production of 600-720 GWh/a. According to the plan, the wind farm will be built in phases. Construction will begin in 2011, and the wind farm is expected to be completed in 2015.

Fortum is also preparing to participate in the tender processes for hydropower concessions in France, which are expected to officially start in 2011. In the frame of the European directive, France is to open up the hydro concession renewal process for competition. The French Government is putting the first tranche of ten concessions with a total capacity of 5,300 MW into a tender process in 2011-2015.

Investments in electricity network and smart metering

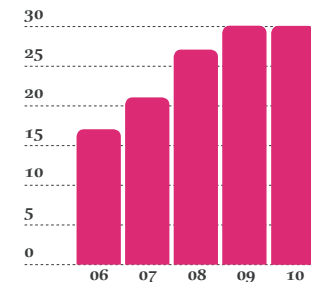
Fortum's Distribution business area owns, operates and develops local and regional distribution networks and supplies safe electricity with 99.98% reliability to a total of 1.6 million customers in

Finland, Sweden, Norway, and Estonia. To maintain and further improve reliability and quality and to enable more connections of renewable power production into the grid, Distribution continuously invests in its electricity network. In 2010, a total of EUR 213 million was invested securing overhead lines, replacing overhead lines by cables in the ground, installing remote disconnectors to increase grid automation, and new connections of wind power parks to our network. Also the installations of smart metering for all customers in Finland started in 2010.

Towards a CO₂-free future through research and development

The purpose of research and development (R&D) is to improve Fortum's competitiveness and to create a basis for new profitable business. The long-term aspiration of R&D is to enable a sustainable CO₂-free future for Fortum. Each new development activity is assessed against the criteria of emission reduction and resource-efficiency. The focus areas of R&D are performance excellence of current operations, enabling growth and contributing to the long-term non-emitting energy system. Fortum's R&D process was developed significantly

R&D EXPENDITURE, EUR million



during 2010 and it now includes a structured approach to quantify the expected value of development activities. In addition, an R&D management team was set up for decision-making in R&D issues of interest to divisions.

The Group's total R&D expenditure in 2010 was EUR 30 million (2009: 30). Fortum's R&D expenditure in 2010 was 0.5% of net sales (2009: 0.5%) and 0.8% of total expenses (2009: 0.9%).

In addition, the Fortum Foundation gave grants to research supporting the company's R&D focus areas. The grants totalled EUR 650,000.

Nuclear R&D is the largest and most valuable part of Fortum's R&D portfolio. In 2010, Fortum continued nuclear development activities in five internal R&D programs. Important milestones were achieved, e.g., regarding higher burn-up of nuclear fuel and reactor pressure vessel licensing for the Loviisa power plant. Fortum has also been active in key national and international nuclear R&D networks.

In addition, Fortum focused its R&D activities particularly on the development of CHP and sustainable cities in 2010. The CHP projects aimed to increase fuel flexibility and to utilise advanced bioenergy technologies. One example is Fortum's development work on pyrolysis technology in collaboration with Metso, UPM and VTT Technical Research Centre of Finland. The energy of bio-oil generated in pyrolysis is about six times more compact than in forest residues. This concept under development in Finland can, in principle, be applied to all biomasses. When these bio-oils are used to replace fossil fuel oil, CO₂ emissions decrease by about 90%. Furthermore, in 2010, new fuel tests were conducted using olive pits as fuel at the Värtan power plant in Stockholm.

Over the year, Fortum continued the development of solutions for sustainable urban living. Fortum's focus in building the future smart grid has especially been on electricity grid development, distributed energy systems and smart-home solutions. In autumn 2010 Fortum, ABB and the KTH Royal Institute of Technology received funding from the Swedish energy authority for a preliminary study intended to design and install a smart and flexible, large-scale electricity grid in the Royal Seaport of Stockholm. As an urban environment, the area is ideal for testing and developing new energy solutions. Construction is planned to commence in 2011 and the first residents will move into the area in 2012. Additionally, Fortum, Skanska, ABB and KONE are working on a joint project to develop an eco-conscious urban living concept in Espoo, Finland.

In September 2010, Fortum and Aalto University in Finland agreed on wide-ranging research cooperation. A contribution totalling EUR 3 million to Aalto University's base capital is an important part of Fortum's R&D model of building networks and partnerships with leading universities, research organisations, engineering companies, and equipment and power plant suppliers.

The priorities of Fortum's research and development activities have been adjusted to correspond to the company's updated strategy. In the future, more focus will be on solutions integrated to CHP plants and on analysing solar energy technologies with a breakthrough potential as well as on the business models they will require.



Read more about Fortum's research and development activities at
WWW.FORTUM.COM/RESEARCH



Safety is always at the core of nuclear power development

Fortum's nuclear power research and development work covers an extensive range of some 50 separate projects. Among other things, Fortum researches nuclear power materials, nuclear fuel behaviour, power plant lifetime management and radioactive waste management. The company actively monitors the radiation doses the nuclear power plant personnel are exposed to, and takes proactive steps to reduce the amount of radiation produced, which is already extremely minimal – even significantly less than the background radiation in nature.

One research and development area is the materials and components that have become radioactive during a power plant's operation and which increase the employees' radiation dose during a maintenance outage, for example. Fortum is studying the effects of radiation on materials and designing development measures to reduce the radioactivity of the components during use.

All of these measures help Fortum to ensure that its nuclear power plants run smoothly and continue to be safe for employees and the environment now and in the future.

90%

Future energy systems should be based on energy-efficiency. In combined heat and power (CHP) plants, up to 90% of the energy contained in the fuel can be utilised.

*ENERGY-
EFFICIENCY
IN CHP
PRODUCTION*



**MEGATREND:
RESOURCE
SCARCITY AND
ENERGY SHORTAGE**



Sustainability

Along with the updated strategy, Fortum also revised its approach to sustainability in 2010: Fortum believes that it can achieve an advantage through balanced consideration of the economic, environmental and social expectations related to its operations.



The Suomenoja CHP plant, inaugurated in 2009, uses natural gas as fuel and reduces emissions significantly in the Espoo area in Finland.

Sustainable solutions are at the core of Fortum's strategy. The company's competitive and market-driven operations create long-term economic value and growth. In the area of environmental responsibility, Fortum's competence in CO₂-free and resource-efficient power and heat production as well as research and development are emphasised. In the area of social responsibility, Fortum's innovations and the security of supply of low-carbon energy promote social well-being and development. Being a good corporate citizen and taking care of

personnel are among the top priorities in social responsibility.

Targets consistent with the new approach to sustainability were defined in 2010, and are applicable as of 1 January 2011. In addition to Group-level targets, the divisions have targets that are in line with certified environmental management systems (ISO 14001) and occupational health and safety management systems (OHSAS 18001).

✚ *Target setting is presented in more detail in Fortum's Sustainability Report 2010.*

Fortum's climate targets over the next five years:

- Specific CO₂ emissions from power generation in the EU: < 80 g/kWh as a 5-year average
- Specific CO₂ emissions from energy production (power and heat): <200 g/kWh as a 5-year average (new)

Fortum's other environmental targets:

- Energy efficiency: Total efficiency of combustion defined as power and heat production divided by the primary energy of fuel, 70% as a 5-year average (new)
- ISO 14001 certification by 2012 in Russia
- ISO 14001 certification by 2010 in the EU

Fortum's occupational safety target:

- Lost workday injury frequency (LWIF) < 1

Fortum's target for sustainability performance:

- Listing in Dow Jones Sustainability World and Europe indexes

⊕ The results are disclosed in the Annual Report, interim reports, Sustainability Report and at www.fortum.com/sustainability.

Sustainability governance and management

Fortum's operations are guided by the Sustainability Approach covering economic, environmental and social responsibility and Fortum's Code of Conduct, as well as other policies and guidelines, presented in more detail online.

At Fortum, sustainability is an integral part of the strategy and daily management of operations. Divisions incorporate sustainability targets and other business targets into their annual business plans. The Sustainability and Public Affairs steering group manages the uniform, consistent and effective implementation of Fortum's Sustainability Approach throughout the organisation.

Fortum's Management Team regularly monitors the achievement of the targets.

Fortum respects and supports the United Nations Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, and the core conventions of the International

Labour Organisation (ILO). In 2010, Fortum became a registered member of the United Nations Global Compact initiative. Even prior to that, the company's values and Code of Conduct were consistent with the Global Compact's ten principles.

Economic responsibility

For Fortum, economic responsibility means generating steady and long-term economic well-being and added value in the company's operating and market areas. The most significant direct monetary flows come from sales revenue, employee wages and salaries, procurements of goods and services, dividends, investments and taxes. Additionally, Fortum's operations create significant indirect economic impacts on society.

Investments support social activity

In 2010, Fortum invested a total of EUR 1,222 million in growth and maintenance projects and other capital expenditure projects. Research and development

expenditure totalled EUR 30 million. The biggest investments were made in Russia (EUR 599 million), Sweden (EUR 300 million) and Finland (EUR 190 million). In 2010, Fortum's investments in CO₂-free capacity totalled EUR 214 million.

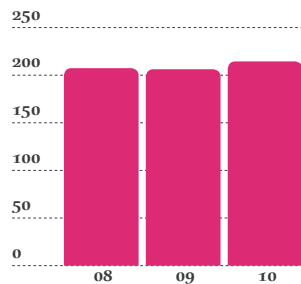
Fortum's procurement of materials and services totalled EUR 2,846 million. The majority of the procurements came from the suppliers operating in the European Union (EU).

⊕ Read more about investments on pages 24–27 and on Fortum's economic impacts in the Sustainability Report 2010.

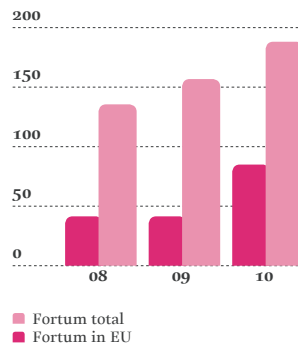
Financial benefits from emissions-free production

CO₂-free production brings also financial benefits for Fortum in the EU area, where carbon dioxide has economic value. In 2010, Fortum had 9.7 million tonnes of CO₂ emissions within the sphere of the EU's emissions trading, and 5.6 million free emission allowances were granted to Fortum.

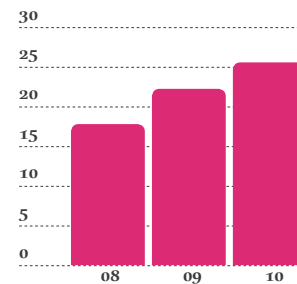
CO₂ EMISSIONS FROM HEAT PRODUCTION, g/kWh



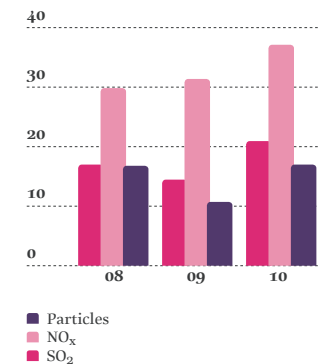
CO₂ EMISSIONS FROM POWER GENERATION, g/kWh



FORTUM'S CO₂ EMISSIONS, Mt



SO₂, NO_x AND PARTICLES EMISSIONS, 1,000 t



Fortum can use the emissions reduction units received from the Kyoto mechanisms (Joint Implementation and Clean Development Mechanism) in EU emissions trading. In Russia, two Joint Implementation projects reducing greenhouse gas emissions were approved by the State in late 2010.

Fortum also increased its investments in the World Bank's Prototype Carbon Fund (PCF). Additionally, Fortum has invested in Nefco's Testing Ground Facility, a carbon fund operating in the Baltic Sea region.

Fortum in sustainability indexes

Expert assessments of sustainability and rankings in sustainability indexes are important to Fortum because they provide impartial information about the level of responsibility of the company's operations and help improve the performance.

Fortum is the only Nordic power and heat company included in the Dow Jones Sustainability World index. In the Sustainability Yearbook 2010, published by the SAM Group, Fortum was awarded SAM Bronze Class. In the Carbon Disclosure Project's Carbon Performance Index measuring of performance in climate issues, Fortum received an overall score of B on an A-D scale, and is included in the Nordic Carbon Leadership index. Fortum is also ranked a Best in Class company by the Storebrand banking group for fulfilling its Socially Responsible Investment (SRI) criteria.

In the latest assessment of corporate responsibility performance of energy companies, Fortum was ranked best overall.

Environmental responsibility

Fortum's most important means of mitigating climate change is to increase CO₂-free energy production, resource- and energy-efficiency and input in environmentally benign research and development.

Fortum's long-term aspiration is to be a CO₂-free power and heat company. The use of renewable energy sources, bio- and waste-based CHP as well as more advanced nuclear power will be among the solutions to reduce fossil fuel-based production in the long-term.

In 2010, the specific CO₂ emissions of Fortum's total energy production (electricity + heat) were 196 g/kWh, and the 5-year average 157 g/kWh. In the EU, Fortum's specific CO₂-emissions from power generation were 84 g/kWh and the 5-year average 69 g/kWh.

Over the medium term, emissions from Fortum's production will grow due to the extensive investment programme in Russia where energy generation relies heavily on the use of gas. Outside the EU, Fortum is committed to increasing energy-efficiency and thereby reducing specific emissions.

CO₂-free production with nuclear and hydro power

In 2010, CO₂-free energy sources accounted for 66% of Fortum's electricity production and 19% of heat production. As CO₂-free production forms, hydro and nuclear power have a crucial role in Fortum's energy portfolio.

Approximately 32% of Fortum's power generation, 22 TWh, in 2010 was hydro power, which is a renewable and clean source of energy. Hydro power causes no emissions on air, water or soil.

In 2010, also about 32% of Fortum's power generation, 22 TWh, was nuclear power. Nuclear power production is totally CO₂-free and therefore has a key role in Fortum's actions in mitigating climate change.

In 2010, Fortum used 25 tonnes of uranium as fuel at the Loviisa power plant. In addition to the highly active used fuel, approximately 250 m³ of low and medium level radioactive waste was generated. Fortum is a forerunner in the development of storage systems for the radioactive waste and has after 30 years of development work a final repository solution available. The low and medium-level radioactive waste will be disposed of in the bedrock of Håstholmen in Loviisa. Highly radioactive spent fuel will be disposed of in Posiva Oy's final repository in Olkiluoto, in the municipality of Eurajoki in Finland.

Emissions-free electricity and energy efficiency for customers

Fortum supports the building of a low-carbon society also by selling only CO₂-free electricity to all its private and business customers in the Nordic countries. The shift to smart metering supports the monitoring and management

of the energy used by Fortum's customers. In Finland installation of the meters started in 2010 and will be completed by 2014. In Sweden the corresponding installations were completed in 2009. Fortum is contributing to sustainable urban living by developing smart grids and recharging solutions for electric vehicles.

➤ Read more about Fortum's initiatives under Investments and R&D on pages 24-27 and about Fortum's environmental responsibility in the Sustainability Report 2010.

Fortum cares for the environment

Fortum is systematically developing its operations through comprehensive environmental certification. The goal was to have ISO 14001 certification for all Fortum's operations in the EU in 2010. By the end of the year 98% of Fortum's operations in the EU and 86 % of operations worldwide had been certified. Fortum's goal in Russia is to certify operations by the end of 2012.

The nitrogen, sulphur and particle emissions in Fortum's European production have decreased significantly during the past decades. About 55% of the flue-

ENVIRONMENTAL KEY FIGURES

	2010	2009	2008
CO ₂ emissions, 1,000 t	25,300	21,800	17,600
SO ₂ emissions, 1,000 t	20.7	14.6	16.7
NO _x emissions, 1,000 t	36.7	31.4	29.5
CO ₂ emissions of power generation, g/kWh	189	155	134
Share of renewable sources in power generation, %	35	36	38
Share of CO ₂ -free sources in power generation, %	66	69	75
Share of renewable and CO ₂ -free sources in heat production, %	18	17	19

gas emissions (SO₂ and NO₂) and up to 90% of the particle emissions originate from the Russian operations. One of the goals of the Environment, Health and Safety (EHS) programme in Russia is to switch to a better quality of coal used as fuel, which will significantly reduce emissions from production, even by as much as 80% for particle emissions at Argayash power plant. Fuel switching was started late 2010.

In Russia, the utilisation of ash from coal combustion is minimal, and the ash is placed in ash basins. In 2010, operational improvements were made to reduce the environmental impacts of the ash basins.

Fortum also signed a letter of intent with the Chelyabinsk Regional Administration to launch extensive energy-efficiency collaboration. The most sizable measure of the programme is the automation and upgrade project of the Chelyabinsk district heating network. As a result of the project, energy loss in the area will decrease by more than 30% and

fuel consumption and emissions will be substantially reduced.

In December 2010, Fortum also signed a Memorandum of Understanding in the field of energy-efficiency and innovations with the Federal State Organisation, Russian Energy Agency. According to the agreement, the parties will endeavor to strengthen their cooperation in the areas of combined power and heat generation, environmental development and promoting energy-efficient technologies.

Social responsibility

Fortum interacts with millions of people and affects the surrounding society in many different ways. For that reason, social responsibility is a cornerstone of Fortum's operations.

Healthy and motivated employees are a prerequisite to a successful business – taking care of employees is a priority for Fortum.

The promise of a safe workplace

Occupational safety has a key role in Fortum's Sustainability Approach. Improving occupational safety is supported by management's strong commitment, risk assessments, the systematic investigation of accidents and improvement measures, and safety initiatives and campaigns.

The target for 2010 was to decrease the lost workday injury frequency (LWIF*). Fortum did not achieve the target; the LWIF was 2.4 (2009: 2.4). In Europe, Fortum's safety performance measured as LWIF was best ever, 2.2 (2009: 2.4). Additionally, Fortum's goal is to eliminate fatal accidents and to improve the results measured by all safety indicators. In 2010, there was one fatal accident involving a Fortum employee in Russia. The accident was investigated thoroughly and procedures were developed to improve safety.

Contractor safety has improved year-by-year. In 2010, the LWIF for contractors was 5.0 (2009: 6.5).

Investment projects were a particular focus of safety in 2010. Through effective measures, safety has been improved to an exemplary level. For example, the Częstochowa combined heat and power plant construction project won the "Safe construction site" competition organised by Poland's national authority that monitors occupational safety; the plant also received Fortum's internal Safety Award in 2010.

**LWIF: the number of accidents that have led to an absence of one or more full working days or shifts per million working hours*

Success from well-being

A strong and well-being organisation is a key for successful performance. A prerequisite for well-being is the equal and fair treatment of employees. Along with corporate wide guidelines and practices, Fortum invests in recruitment and orientation, leadership and remuneration and in the development and training of employees. In 2010, Fortum launched the work well-being programme, ForCARE,

SAFETY KEY FIGURES

	2010	2009	2008 ⁽²⁾
Lost workday injuries, own personnel	45	37	63
Lost workday injuries, contractors	43	51	47
Total recordable injury frequency ⁽¹⁾ , own personnel	4.6 ⁽²⁾	6.0 ⁽²⁾	9.4
Fatalities	1	2	1
Lost workday injury frequency ⁽¹⁾ , own personnel	2.4	2.4 ⁽²⁾	4.3
Lost workday injury frequency ⁽¹⁾ , contractors	5.0	6.5 ⁽²⁾	8.2

1) Number of incidents per million working hours

2) Excluding Russia Division

KEY PERSONNEL FIGURES

	2010	2009	Change, %
Average number of employees	11,156	13,278	-16.0
Number of employees at 31 Dec.	10,585	11,613	-8.9
of whom permanently employed	10,307	11,332	-9.0
Duration of employment, years	13	14	-7.1
Average age	44	46	-4.3
Female, %	29	30	-3.3
Women in management positions, %	27	30	-10.0
Health care expenditure ⁽¹⁾ , EUR per person	501	484	3.5
Expenditure on recreation and leisure activities ⁽¹⁾ , % of salaries paid on working time	0.4	0.4	0.0

1) Finland

the aim of which is to promote the health and work safety of employees by developing working methods and the work environment. The ForCARE programme will be adopted at all Fortum's work sites by the end of 2012.

Competent personnel a strength

The competence and performance of Fortum's personnel is developed through annual development and performance discussions, feedback processes, and by developing the supporting tools and processes. Individual or team-specific targets are set to support the strategy; the achievement of these targets forms the foundation for the remuneration. The competence of the organisation and personnel is developed also through job rotation. In 2010, Fortum had 603 internal vacancies (2009: 418) in Finland and Sweden. In 2010, 62 Fortum employees were on a foreign work assignment.

The number of Fortum employees decreased in 2010 and was an average of 11,156 (2009: 13,278). The number of employees with a permanent position was 10,307 (2009: 11,332). Of the personnel, 2.6% (2009: 2.4%) were fixed-term employees. Women represented 29% of Fortum's workforce (2009: 30%) and accounted for 27% of corporate and division management teams (2009: 30%).

The average age of Fortum employees in 2010 was 44 (2009: 46), and the share of personnel over the age of 50 years was 36% (2009: 38%). Provisions have been made for employees' transitioning to retirement by investing in employer image, resource planning, transfer of knowledge and know-how, and competence development of the personnel.

Fortum operates responsibly in society

Fortum requires that its supply chain is managed in accordance with the principles of sustainability. In the procurement of goods and services, Fortum uses supplier screening and attaches a Supplier Code of Conduct to all purchase agreements exceeding EUR 50,000. The Supplier Code of Conduct was adopted in 2009, and by the end of 2010 it had been taken into use in all operating countries.

Fortum's operations for the good of society are also emphasised in the goal to secure an uninterrupted supply of electricity and heat for all customers. The reliability of Fortum's electricity networks is 99.98%. Fortum is continuously investing in network reliability and efficiency by, e.g., increasing automation and by replacing overhead lines with underground cables. Also the distribution reliability of heat was very good during the year and there were no major disruptions.

Fortum supports society in the countries in which it operates through co-operation programmes, sponsorship and charitable donations. In 2010, Fortum supported projects with a total of about EUR 5.2 million. Support and donations are directed particularly to children, young people, the environment and society. In addition, EUR 2.3 million was donated to universities in Finland.

✚ Read more about Fortum's social responsibility in the Sustainability Report 2010.



Sustainable urban living

A modern, ecologically sustainable district, Royal Seaport, is under construction in Stockholm. The project will test the interactivity between buildings and the power grid: Energy will be produced locally, e.g., with solar panels, and a smart grid will make it possible to store surplus energy or feed it back into the grid. Additionally, residents will get real-time information about electricity price and consumption. Construction will be completed in 2025, but the first residents will move into the area in 2012.

In Espoo, Finland, Fortum is participating in the Eco Urban Living joint project, launched at the same time. The purpose of the project is to ensure rapid development of the infrastructure needed for recharging electric vehicles and thus to help build an eco-conscious urban environment.

3.

The emerging nations, particularly China and India, have a growing role in the global economy and energy field. India is projected to surpass Japan and Russia to become the world's third biggest energy consumer by 2030.

*LARGEST ENERGY
CONSUMER
IN 2030 IS INDIA*



**MEGATREND:
NEW ECONOMIC
POWERS**



Fortum Financials 2010

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Operating and financial review

Financial performance

The overall Nordic and Russian power consumption continued to increase in 2010. Industrial activity clearly picked up in Fortum's key market areas and the Russian economy continued a solid path of recovery.

Key financial figures

EUR million	2010	2009	2008	Change 10/09
Sales	6,296	5,435	5,636	16%
Operating profit	1,708	1,782	1,963	-4%
Operating profit, % of sales	27.1	32.8	34.8	-17%
Comparable operating profit	1,833	1,888	1,845	-3%
Profit before taxes	1,615	1,636	1,850	-1%
Profit for the period attributable to owners of the parent	1,300	1,312	1,542	-1%
Earnings per share, EUR	1.46	1.48	1.74	-1%
Net cash from operating activities	1,437	2,264	2,002	-37%
Shareholders' equity per share, EUR	9.24	9.04	8.96	2%
Capital employed	16,124	15,350	15,911	5%
Interest-bearing net debt	6,826	5,969	6,179	14%
Equity to assets ratio, %	40	43	41	-7%
Average number of shares, 1,000s	888,367	888,230	887,256	0%

Group financial targets

EUR million	Target	2010	2009	2008	Change 10/09
ROCE, %	12	11.6	12.1	15.0	-4%
ROE, %	14	15.7	16.0	18.7	-2%
Capital structure: Net debt / EBITDA	Around 3	3.0	2.6	2.5	15%

The Heat and Russia divisions as well as the Distribution business were able to improve their results from a year ago. Electricity Sales' results were negatively impacted in the first and last quarter, mainly due to high wholesale market prices. In the Power Division, costs increased partly due to continued power upgrade and modernisation programmes in Swedish associated nuclear generating companies.

The overall Nordic and Russian power consumption continued to increase in 2010. Industrial activity has clearly picked up in Fortum's key market areas and the Russian economy has continued a solid path of recovery.

The Russian wholesale power sector reform progressed as planned by the Federal Government. As of January 2011, the wholesale power market has been fully liberalised. In addition, the new rules for the long-term capacity market starting from 2011 have

been approved by the Government regarding capacity supply agreements (CSA – “new capacity”) and competitive capacity selection (CCS – “old capacity”).

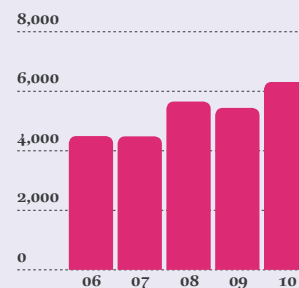
Recovering electricity demand and the development of the capacity market encouraged Fortum to slightly adjust the schedule of its Russian investment programme, now to be finalised one year earlier than previously estimated, in 2014. The profits from the Russia Division are estimated to build up in pace with the capacity increase.

Fortum's updated strategy was launched in September. The strategy builds on the company's core competence in CO₂-free nuclear and hydro power, energy and resource-efficient combined heat and power production as well as the company's expertise and proven track-record in operating in competitive energy markets. In the coming years, Fortum will continue to leverage its strong position in the Nordic power and heat market while creating solid earnings growth in Russia.

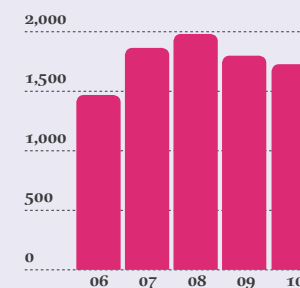
Further opportunities for future growth stem from the need for CO₂-free and energy-efficient solutions, and increasing demand in fast growing, liberalising energy markets, especially in emerging Euro-Asian countries. Coupled with the integration of the European energy market and with Fortum's Russian business' increasing weight, the importance of the Nordic power price as the main driver of Fortum's earnings will gradually decrease. The existing electricity distribution and retail sales businesses will continue to have a substantial role in the Nordic market. In other regions, Fortum sees more attractive earnings and growth prospects in power and heat generation.

Fortum's targets for financial key ratios are to achieve return on capital employed of 12%, a return on shareholder's equity of 14% and a net debt to EBITDA of approximately 3.

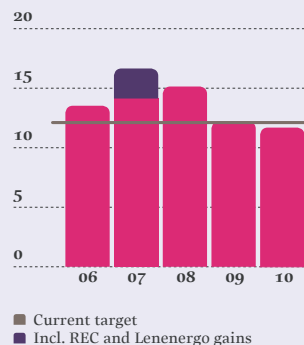
SALES, EUR million



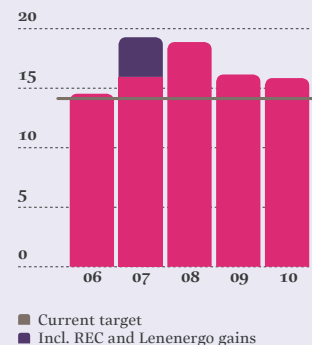
OPERATING PROFIT, EUR million



RETURN ON CAPITAL EMPLOYED, %



RETURN ON SHAREHOLDERS' EQUITY, %



1 Market conditions

1.1 Nordic countries

In 2010, the average system spot price for power in the Nordic power exchange Nord Pool Spot was EUR 53.0 (2009: 35.0) per MWh. The Finnish and Swedish area prices were above the system price level, at EUR 56.6 (2009: 37.0) per MWh in Finland and EUR 56.8 (2009: 37.0) per MWh in Sweden. The difference between the system price and the Finnish and Swedish area prices was mainly attributable to the first and the fourth quarter. In the first quarter, reduced nuclear availability in Sweden coupled with the reduced transmission capacity resulted in higher prices in Sweden and Finland. In the last quarter, the hydrological deficit in both Sweden and Norway together with the reduced transmission capacity affected the prices.

At the beginning of 2010, the Nordic water reservoirs were 7 terawatt-hours (TWh) below the long-term average. At the end of 2010, the Nordic water reservoirs were at historically low levels, 29 TWh below the long-term average and 20 TWh below the levels at the end of 2009.

During 2010, the Nordic countries consumed in total about 396 TWh (2009: 378) of electricity – about 5% more than in 2009. The increase was mainly due to the cold weather in the first and last quarter and higher industrial consumption.

1.2 Russia

During 2010, Russia consumed about 1,005 TWh (2009: 964) of electricity. The increase is mainly due to the general recovery of the Russian economy and increased industrial activity.

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

was approximately at the same level compared to the previous year. The recession did not affect electricity demand in the Tyumen region in the previous year and therefore year-on-year electricity demand was flat. In the Chelyabinsk area, which is dominated by the metal industry, electricity demand increased by about 4% in the fourth quarter and by approximately 9% during 2010 compared to the previous year. The increase is mainly due to the recovery in industrial consumption.

The average electricity spot price, excluding capacity price, in the First price zone (European and Urals part of Russia) increased 22% to RUB 886 (2009: 728) per MWh in the fourth quarter of 2010.

Power consumption

TWh	2010	2009	2008
Nordic countries	396	378	396
Russia	1,005	964	1,006
Tyumen	82	81	82
Chelyabinsk	35	32	36
Russia Urals area	245	236	250

Average prices

	2010	2009	2008
Spot price for power in Nord Pool Spot power exchange, eur/MWh	53	35	45
Spot price for power in Finland, eur/MWh	57	37	51
Spot price for power in Sweden, eur/MWh	57	37	51
Spot price for power in European and Urals part of Russia, RUB/MWh ¹⁾	882	667	708
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	835	633	672
Average regulated electricity price for OAO Fortum, RUB/MWh ¹⁾	614	533	475
Average regulated capacity price, tRUB/MW/month	169	187	168
Spot price for power in Germany, eur/MWh	44	39	66
Average regulated gas price in Urals region, RUB/1,000 m ³	2,221	1,781	1,560
CO ₂ , (ETS EUA), eur/tonne CO ₂	14	13	22
Coal (ICE Rotterdam), USD/tonne	92	70	146
Oil (Brent Crude), USD/bbl	80	63	98

1) Excluding capacity tariff

Water reservoirs

TWh	Dec 31 2010	Dec 31 2009	Dec 31 2008
Nordic water reservoirs level	54	74	75
Nordic water reservoirs level, long-term average	83	81	81

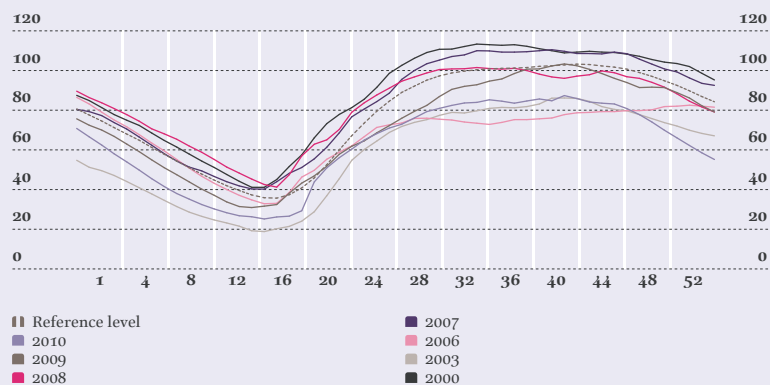
Export/import between Nordic Area and Continental Europe

TWh (+ = import to, - = export from Nordic area)	2010	2009	2008
Export / import	21	8	0

Power market liberalisation in Russia

%	2010	2009	2008
Share of power sold on the liberalised market	70	40	20
Share of power sold at the liberalised price by OAO Fortum	61	34	19

NORDIC WATER RESERVOIRS, WEEKLY FILLING AS ENERGY, TWh



2 Fortum's CO₂ emissions

Climate change mitigation, the reduction of carbon dioxide emissions and energy efficiency are important for Fortum.

Fortum's target in the EU is to decrease its emissions in power generation to less than 80 grams per kilowatt-hour (g/kWh) by 2020 as a five-year average. During 2010 the five-year average performance is below the target level at 69 g/kWh. In heat production, the aim has been to reduce the specific emissions in each EU country by at least 10% from 2006 until 2020. Outside the EU, Fortum is committed to increasing energy efficiency and thereby reducing specific emissions.

In 2010, approximately 66% (2009: 69%) of the power generated by Fortum was CO₂-free. The corresponding figure for Fortum's power generation within the EU was 86% (2009: 91%).

Fortum's total CO₂ emissions in 2010 amounted to 25.3 million tonnes (Mt) (2009: 22.0), of which 9.7 Mt (2009: 7.7) were within the EU's emission trading scheme (ETS).

Fortum's CO₂ emissions

Million tonnes	2010	2009	2008	2007	Change 10/09
Total emissions	25.3	22.0	17.6	10.4	15%
Emissions subject to ETS	9.7	7.7	7.2	9.8	26%
Free emission allocation	5.6	5.5	5.9	8.1	2%
Emissions in Russia	14.6	13.8	9.8	-	6%

Fortum's specific CO₂ emissions from power generation

g/kWh	2010	2009	2008	2007	Change 10/09
Total emissions	189	155	-	-	22%
Emissions in the EU	84	41	41	64	105%
Emissions in Russia	532	493	-	-	8%

3 Financial results

Sales by division

EUR million	2010	2009 ³⁾	2008	Change 10/09
Power	2,702	2,531	2,892	7%
Heat	1,770	1,399	1,466	27%
Distribution ¹⁾	963	800	789	20%
Electricity Sales ¹⁾	1,798	1,449	1,922	24%
Russia	804	632	489	27%
Other	51	71	83	-28%
Netting of Nord Pool Spot transactions ²⁾	-1,736	-1,095	-1,736	-59%
Eliminations	-56	-352	-269	84%
Total	6,296	5,435	5,636	16%

Comparable operating profit by division

EUR million	2010	2009 ³⁾	2008	Change 10/09
Power	1,298	1,454	1,528	-11%
Heat	275	231	250	19%
Distribution ¹⁾	307	262	248	17%
Electricity Sales ¹⁾	11	22	-33	-50%
Russia	8	-20	-92	140%
Other	-66	-61	-56	-8%
Total	1,833	1,888	1,845	-3%

Operating profit by division

EUR million	2010	2009 ³⁾	2008	Change 10/09
Power	1,132	1,363	1,599	-17%
Heat	303	252	307	20%
Distribution ¹⁾	321	263	248	22%
Electricity Sales ¹⁾	46	29	-35	59%
Russia	53	-20	-91	365%
Other	-147	-105	-65	-40%
Total	1,708	1,782	1,963	-4%

1) The Electricity Solutions and Distribution Division is responsible for Fortum's electricity sales, solutions and distribution activities. The division consists of two business areas: Distribution and Electricity Sales.

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

3) In October 2009 Fortum restructured its organisation into four business divisions and four staff functions. The reorganisation led to minor changes to the composition of the segments that have taken effect from the beginning of January 2010. The changes have also been reflected in the 2009 figures. Figures for 2008 remain unchanged. This applies to all segment information presented in the Operating and financial review.

✚ For further information see Note 5 Segment reporting on page 90.

Group sales were EUR 6,296 million (2009: 5,435). Group operating profit totalled EUR 1,708 million (2009: 1,782). High power forward prices at year-end 2010 caused mark-to-market valuation of electricity derivatives to decrease Fortum's operating profit. The effect on the operating profit for the full year 2010 was EUR -216 million. The accounting treatment did not have an impact on Fortum's cash flow or comparable operating profit. Comparable operating profit totalled EUR 1,833 million (2009: 1,888).

Non-recurring items, mark-to-market effects and nuclear fund adjustments during the financial year amounted to EUR -125 million (2009: -106). The share of non-recurring items was EUR 93 million (2009: 29) and consisted of sales gains from the Swedegas and Karlskoga Energi & Miljö shares in Sweden as well as the Kurgan Generating Company, Federal Grid Company and St. Petersburg Sales Company shares in Russia.

The average Swedish krona (SEK) rate was approximately 10% stronger against the euro during 2010 than in 2009. The positive translation effect caused by the higher average SEK rate impacted the comparable operating profit by approximately EUR 103 million. The translation effect mainly impacted the Power Division. The strong SEK had a negative impact on the cash flow.

The share of profits of associates and joint ventures was EUR 62 million (2009: 21). The improvement was mainly due to the improvement in the contribution from Hafslund ASA.

The Group's net financial expenses decreased to EUR 155 million (2009: 167). The decrease is attributable to lower interest expenses. The change in fair value of financial instruments was EUR 12 million (2009: -1).

Profit before taxes was EUR 1,615 million (2009: 1,636).

Taxes for the period totalled EUR 261 million (2009: 285). The tax rate according to the income statement was 16.2% (2009: 17.4%).

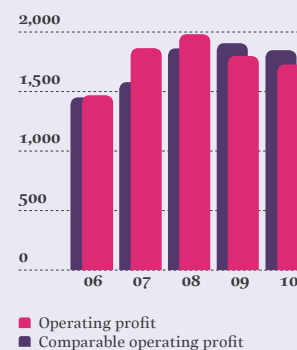
The profit for the period was EUR 1,354 million (2009: 1,351). Fortum's earnings per share were EUR 1.46 (2009: 1.48). The effect on earnings per share by the accounting treatment of derivatives was EUR -0.18.

Non-controlling (minority) interests amounted to EUR 54 million (2009: 39). These are mainly attributable to Fortum Värme Holding AB, in which the city of Stockholm has a 50% economic interest.

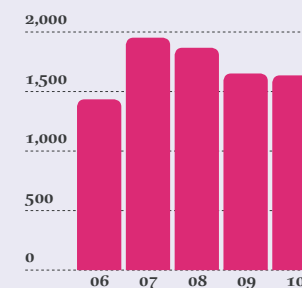
Cash flow from operating activities totalled EUR 1,437 million (2009: 2,264) and was affected by the realised foreign exchange gains and losses, which amounted to EUR -535 million (2009: 298) during 2010. The foreign exchange gains and losses mainly relate to the rollover of foreign exchange contracts hedging loans to Fortum's Swedish subsidiaries.

Fortum's financial key ratios: return on capital employed was 11.6% (2009: 12.1%), return on shareholders' equity was 15.7% (2009: 16.0%) and net debt to EBITDA was 3.0 (2009: 2.6) for the year 2010. The comparable net debt to EBITDA was 2.8.

OPERATING PROFIT AND COMPARABLE OPERATING PROFIT, EUR million



PROFIT BEFORE TAXES, EUR million



4 Division reviews

4.1 Power

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

EUR million	2010	2009	2008	Change 10/09
Sales	2,702	2,531	2,892	7%
- power sales	2,580	2,413	2,566	7%
- other sales	122	118	326	3%
Operating profit	1,132	1,363	1,599	-17%
Comparable operating profit	1,298	1,454	1,528	-11%
Net assets (at period-end)	5,806	5,494	5,331	6%
Return on net assets, %	19.5	24.5	29.6	-20%
Comparable return on net assets, %	22.3	26.4	28.0	-16%
Capital expenditure and gross investments in shares	122	153	134	-20%
Number of employees	1,819	1,916	3,520	-5%

In 2010, the division's power generation in the Nordic countries was 46.3 TWh (2009: 43.7) and approximately 93% (2009: 97%) of the division's power generation was CO₂-free.

During 2010, the division's Nordic power generation was 2.6 TWh higher than in 2009. Especially thermal generation increased mainly due to high electricity prices and the end of Meri-Pori lease contract. Also nuclear generation volumes improved slightly.

Eight out of Fortum's ten owned or associated nuclear power reactors operated well during 2010. Forsmark 2 was able to overcome the problems related to modernised valves by replacing them with a different solution: it has been running at full capacity since the beginning of November. Oskarshamn 3 faced significant bearing problems with its renewed turbine, which caused production losses until the end of December. Currently it is running at an approximately 1,050 megawatt (MW) power level, which corresponds to the power level before the capacity increases. To secure availability during the winter months, the plan is to run the unit at this power level and to re-start commissioning test runs on 1 March 2011. After this, the test period will continue until the scheduled shut down for maintenance on 22 May 2011.

Power generation by source

TWh	2010	2009	2008	Change 10/09
Hydropower in the Nordic countries	22.0	22.1	22.9	0%
Nuclear power in the Nordic countries	22.0	21.4	23.7	3%
Thermal power in the Nordic countries	2.3	0.2	0.3	1,050%
Total in the Nordic countries	46.3	43.7	46.9	6%
Thermal in other countries	1.1	1.2	1.0	-8%
Total	47.4	44.9	47.9	6%

Nordic sales volume

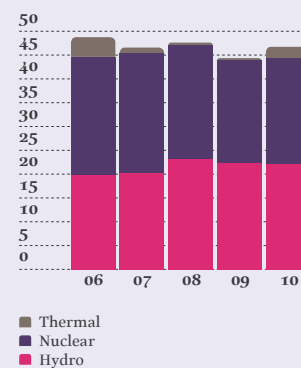
TWh	2010	2009	2008	Change 10/09
Total	51.5	48.8	52.1	6%
of which pass-through sales	3.2	3.6	3.7	-11%

Sales price

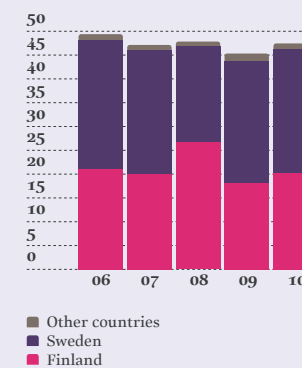
EUR/MWh	2010	2009	2008	Change 10/09
Power's Nordic power price ¹⁾	49.7	49.8	49.3	0%

1) For the Power Division in the Nordic area, excluding pass-through sale.

DIVISION'S POWER GENERATION IN THE NORDIC AREA BY SOURCE, TWh



DIVISION'S POWER GENERATION BY AREA, TWh



In 2010, the division achieved a Nordic power price of EUR 49.7 per MWh, which was at about the same level as in 2009. The clearly higher Nord Pool Spot prices almost offset lower hedge prices. The total achieved price remained stable due to the higher prices achieved in thermal power during peak hours.

In 2010, Power's comparable profit decreased. Continued capacity upgrades and prolonged modernisation programmes in Swedish associated nuclear generating companies, a production mix with increased thermal generation volumes together with an increase in nuclear-related provisions and the Loviisa 3 project increased costs in 2010 compared to 2009.

Fortum and the Russian State Atomic Energy Corporation ROSATOM signed a Memorandum of Understanding on cooperation in the field of nuclear power in November 2010. Furthermore, Fortum, ROSATOM and the national Bulgarian utility NEK signed

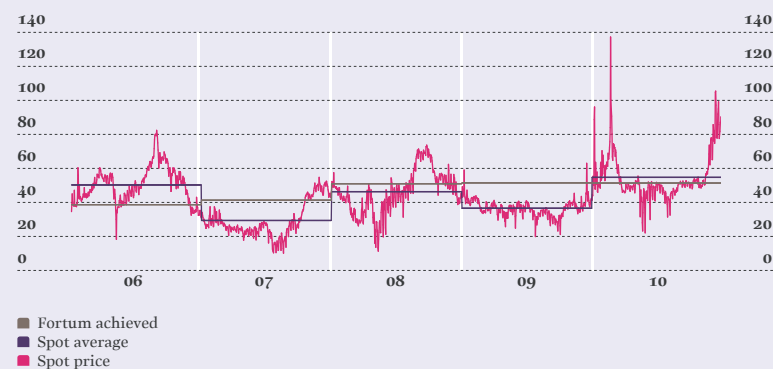
a Memorandum of Understanding on cooperation in the development of the Belene nuclear power plant in Bulgaria. According to the Memorandum of Understanding with ROSATOM and NEK, Fortum is endeavouring to participate in the Belene project by providing competences in nuclear technology and safety. In relation to technology services, Fortum has reserved an opportunity to obtain a 1% share of the equity in the project company that will be established and will be the owner of the power plant and the electricity generated by it.

Fortum decided to discontinue the Meri-Pori carbon capture and storage project, which the company has developed together with Teollisuuden Voima (TVO) at the companies' jointly-owned Meri-Pori power plant. Previously, also TVO had decided to withdraw from the project.

Fortum is preparing to participate in the tender processes for hydropower concessions in France, which are expected to officially start in 2011. In the frame of the European directive, France is to open up the hydro concession renewal process for competition. The French Government is thus putting the first tranche of ten concessions with a total capacity of 5,300 MW into a tender process in 2011–2015.

At year-end, the Power Division's total power generating capacity was 9,728 MW (2009: 9,709), of which 9,588 MW (2009: 9,569) was in the Nordic countries. Hydro power capacity in the Nordic countries totalled 4,684 MW (2009: 4,666), nuclear power capacity 3,217 MW (2009: 3,212) and condensing capacity 1,687 MW (2009: 1,691).

NORD POOL SPOT, POWER PRICE 2006–2010



4.2 Heat

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

EUR million	2010	2009	2008	Change 10/09
Sales	1,770	1,399	1,466	27%
- heat sales	1,269	1,055	1,120	20%
- power sales	368	224	228	64%
- other sales	133	120	118	11%
Operating profit	303	252	307	20%
Comparable operating profit	275	231	250	19%
Net assets (at period-end)	4,182	3,787	3,468	10%
Return on net assets, %	8.4	7.9	8.9	6%
Comparable return on net assets, %	7.7	7.3	7.3	5%
Capital expenditure and gross investments in shares	305	359	431	-15%
Number of employees	2,394	2,552	2,318	-6%

During 2010, heat sales volumes amounted to 26.1 TWh (2009: 22.9) and were mainly generated in the Nordic countries. During the same period, power sales volumes totalled 6.5 TWh (2009: 4.4). The increased volumes were a result of cold weather during the winter months, increased industrial sales and new combined heat and power (CHP) capacity in Finland and Estonia.

The comparable operating profit for 2010 for the Heat Division was EUR 275 million (2009: 231). The increase was mainly due to higher volumes and power prices. Fuel costs were higher than in the previous year. In Sweden, the negative peak-load impact on production costs during the winter was offset by a stronger SEK currency.

During the fourth quarter of 2010, commercial operation began at two new CHP plants, one in Częstochowa, Poland and one in Pärnu, Estonia. Fortum also started site activities on a new waste-to-energy CHP plant in Klaipeda, Lithuania, and construction of a new waste-to-energy plant in Brista, near Stockholm in Sweden. In addition, Fortum signed an agreement to acquire two Polish power and heat companies from the Polish state. The companies were sold as part of the privatisation of the power and heat sector in Poland. Also in the fourth quarter, an agreement was signed on the divestment of Fortum's heat operations outside the Stockholm area to Macquarie managed funds.

During the year, Heat divested some 30 plants comprising smaller heat-only boilers. The restructuring activities support Fortum's updated strategy that focuses on the further development of CHP production.

In Sweden, in November 2010, the Swedish Competition Authority (SCA) announced that the authority dropped its investigation concerning the use of market position and price setting of Fortum's district heating in the Stockholm area. The authority concluded that the real price of district heat has decreased in Stockholm by 1.5% during 2005–2010.

In Finland, taxes on fuels for heat production as well as taxes on electricity were increased considerably as of 1 January 2011. Tax increases will be reflected in the end-user prices of heat and electricity accordingly.

Heat sales by area

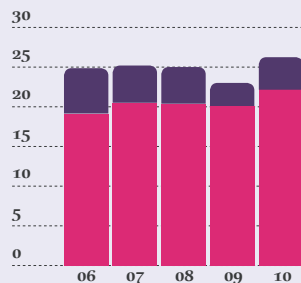
TWh	2010	2009	2008	Change 10/09
Finland	9.6	8.0	10.8	20%
Sweden	10.9	9.8	9.1	11%
Poland	4.0	3.7	3.6	8%
Other countries	1.6	1.4	1.4	14%
Total	26.1	22.9	24.9	14%

At year-end, the Heat Division's power generating capacity totalled 1,600 MW (2009: 1,446), of which 1,478 MW (2009: 1,412) was in the Nordic countries. The Heat Division's total heat production capacity was 10,448 MW (2009: 10,284), of which 8,488 MW (2009: 8,414) was in the Nordic countries.

Power sales

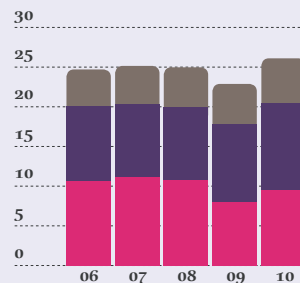
TWh	2010	2009	2008	Change 10/09
Total	6.5	4.4	4.7	48%

DIVISION'S DISTRICT HEATING AND INDUSTRIAL STEAM SALES, TWh



■ Steam
■ Heat

DIVISION'S DISTRICT HEATING AND INDUSTRIAL STEAM SALES BY AREA, TWh



■ Other countries
■ Sweden
■ Finland

4.3. Electricity Solutions and Distribution

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

4.3.1 Distribution

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

EUR million	2010	2009	2008	Change 10/09
Sales	963	800	789	20%
- distribution network transmission	820	685	669	20%
- regional network transmission	92	75	77	23%
- other sales	51	40	43	28%
Operating profit	321	263	248	22%
Comparable operating profit	307	262	248	17%
Net assets (at period-end)	3,683	3,299	3,032	12%
Return on net assets, %	9.7	8.7	8.1	11%
Comparable return on net assets, %	9.3	8.6	8.2	8%
Capital expenditure and gross investments in shares	213	193	296	10%
Number of employees	962	1,088	1,336	-12%

During 2010, electricity transmission via the regional distribution network totalled 14.8 TWh (2009: 13.6) in Sweden and 2.8 TWh (2009: 2.8) in Finland.

During 2010, the business area's comparable operating profit was EUR 307 million (2009: 262). The improvement was mainly due to higher sales and was partly offset by higher variable, maintenance and fault repair costs. In addition, the stronger SEK increased the comparable operating profit by some EUR 20 million.

The pilot rollout of smart metering to network customers in Finland started in October 2010. Smart metering has several benefits for customers, including better information about electricity consumption and therefore better control of it. The new Finnish legislation on meter reading requirements will be effective as of 1 January 2014.

In Sweden, the new distribution price regulation model will come into effect in 2012. The work with the new model is still ongoing and the parameters are currently being defined. In Finland, the preparation work for the 3rd regulatory period (2012-2015) started. Final decisions for the Finnish regulation model by the regulator are expected in November 2011.

Distribution improves efficiency through automation and by focusing on its core processes. As a consequence, some field operations were outsourced during the fourth quarter.

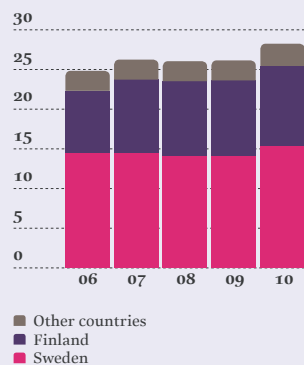
Volume of distributed electricity in distribution network

TWh	2010	2009	2008	Change 10/09
Sweden	15.2	14.0	14.0	9%
Finland	10.0	9.4	9.3	6%
Norway	2.5	2.3	2.3	9%
Estonia	0.2	0.2	0.2	0%
Total	27.9	25.9	25.8	8%

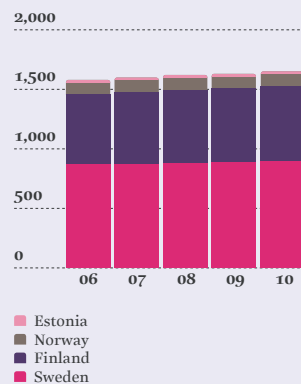
Number of electricity distribution customers by area

Thousands	2010	2009	2008	Change 10/09
Sweden	893	882	877	1%
Finland	620	611	606	1%
Norway	100	99	99	1%
Estonia	24	24	24	0%
Total	1,637	1,616	1,606	1%

VOLUME OF DISTRIBUTED ELECTRICITY BY AREA, TWh



NUMBER OF ELECTRICITY CUSTOMERS BY AREA, THOUSANDS



4.3.2 Electricity sales

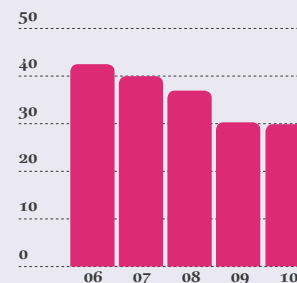
The Electricity Sales business area is responsible for retail sales of electricity to a total of 1.2 million private and business customers as well as to other electricity retailers in Sweden, Finland and Norway. Electricity Sales buys its electricity from the Nordic power exchange.

EUR million	2010	2009	2008	Change 10/09
Sales	1,798	1,449	1,922	24%
- power sales	1,778	1,417	1,865	25%
- other sales	20	32	57	-38%
Operating profit	46	29	-35	59%
Comparable operating profit	11	22	-33	-50%
Net assets (at period-end)	210	125	188	68%
Return on net assets, %	38.4	28.9	-14.0	33%
Comparable return on net assets, %	9.3	18.6	-15.3	-50%
Capital expenditure and gross investments in shares	0	1	3	-100%
Number of employees	525	611	635	-14%

Electricity sales volumes in 2010 totalled 29.8 TWh (2009: 30.0). The restructuring of the unprofitable Business Market segment started in February 2010 and has impacted the sales volume of the Electricity Sales business area from the fourth quarter of 2010 onwards.

Colder than normal weather conditions and the low hydro situation that drove market spot prices significantly up, were the main reasons for the lower sales margins. This, combined with the price peaks during the first quarter, resulted in a lower comparable operating profit for 2010 which totalled EUR 11 million (2009: 22).

POWER SALES, TWh



4.4 Russia

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

EUR million	2010	2009	2008 ¹⁾	Change 10/09
Sales	804	632	489	27%
- power sales	505	390	332	29%
- heat sales	287	219	141	31%
- other sales	12	23	16	-48%
EBITDA	139	55	-24	153%
Operating profit	53	-20	-91	365%
Comparable operating profit	8	-20	-92	140%
Net assets (at period-end)	2,817	2,260	2,205	25%
Return on net assets, %	2.4	0.0	-3.7	
Comparable return on net assets, %	0.7	0.0	-3.8	
Capital expenditure and gross investments in shares	599	218	1,748	175%
Number of employees	4,294	4,855	7,262	-12%

1) Consolidated from 31 March 2008.

OAO Fortum operates in the well-developed industrial regions of the Urals and in oil-producing western Siberia. 2010 power sales volumes were 18.7 TWh (2009: 19.5) and heat sales volumes were 26.8 TWh (2009: 25.6). During 2010, OAO Fortum sold 61% of its power production at the liberalised electricity price.

Key electricity, capacity and gas prices for OAO Fortum

	2010	2009	2008	Change 10/09
Electricity spot prices (market prices), Urals hub, RUB/MWh	835	633	672	32%
Average regulated electricity price for OAO Fortum, RUB/MWh	614	533	475	15%
Average regulated capacity price, RUB/MW/month	169	187	168	-10%
Average limit gas price in Urals region, RUB/1,000 m ³	2,221	1,781	1,560	25%

The division's comparable operating profit for January–December 2010 was EUR 8 million (2009: -20). The improved result was mainly due to higher electricity market prices and OAO Fortum's efficiency improvement programme, which progressed well.

OAO Fortum's business is typically very seasonal: Its results are usually strongest during the first and the last quarters of the year.

The Russian wholesale power sector reform is proceeding. From 1 January 2010 onwards, 60% of all power generated in Russia was sold on the competitive market. The share increased to 80% at the beginning of July 2010 and the wholesale power market has been fully liberalised from the beginning of 2011.

The new rules for the long-term capacity market starting from 2011 have been approved by the Russian Government. The generation capacity built after 2007 under government capacity supply agreements (CSA) will receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments. Capacity that is not under CSA will compete in competitive capacity selection (CCS). In December 2010 the first CCS for the year 2011 was held in accordance with the new rules of the long-term capacity market.

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 receive considerably higher capacity payments than the old capacity. The payments for new capacity will be approximately 3–4 times higher than the average price for the old capacity. The average price of old capacity is expected to be approximately RUB 165,000/MW/month for OAO Fortum.

In light of the recovering post-crisis demand and the development of the Russian capacity market, Fortum has accelerated the schedule of OAO Fortum's committed 2,300 MW-investment programmes and plans 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 2010, is estimated to be approximately EUR 1.5 billion as of 1 January 2011.

In December 2010, a new unit was inaugurated at Fortum's Tyumen CHP-1 power plant. The unit is the first of the new units in Fortum's extensive investment programme in Russia; the first unit is estimated to be in commercial operation during the first half of 2011 and additional two units are estimated to start their commercial operation during mid-year 2011.

OAO Fortum's efficiency improvement programme is proceeding according to plans. Efficiency improvements are expected to be approximately EUR 100 million in 2011 compared to the level at the acquisition in 2008.

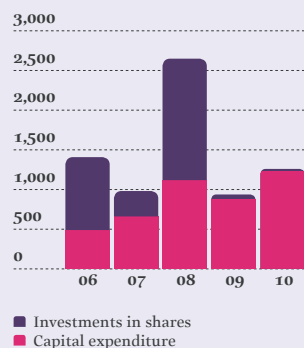
At year-end, the Russia division's total power generating capacity was 2,785 (2009: 2,785) megawatts (MW). At year end, the division's total heat production capacity was 13,796 MW (2009: 13,796).

5 Capital expenditure, investments & divestments of shares

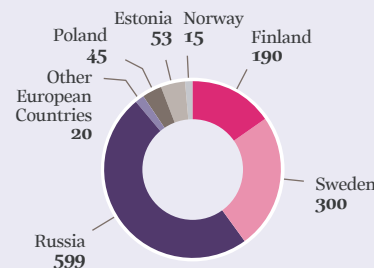
EUR million	2010	2009	2008
Capital expenditure			
Intangible assets	19	20	24
Property, plant and equipment	1,203	842	1,084
Total	1,222	862	1,108
Gross investments in shares			
Subsidiaries	0	8	1,506
Associated companies	26	58	8
Available for sale financial assets	1	1	2
Total	27	67	1,516

Capital expenditures and investments in shares in 2010 totalled EUR 1,249 million (2009: 929). Investments, excluding acquisitions, were EUR 1,222 million (2009: 862).

CAPITAL EXPENDITURE AND GROSS INVESTMENTS IN SHARES, EUR million



CAPITAL EXPENDITURE BY AREA, EUR million



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

Type	Electricity MW Capacity	Heat MW Capacity	Supply starts ¹⁾	
Heat				
Klaipeda, Lithuania	Waste (CHP)	20	60	2012
Power				
Hydro refurbishment	Hydro-power	10–20		2011
Russia				
Tyumen 1	Gas (CCGT)	231		1H/2011
Tobolsk	Gas (STPP)	200		Mid-2011
Chelyabinsk 3	Gas (CCGT)	226		Mid-2011
Nyagan 1	Gas (CCGT)	418		2012
Nyagan 2	Gas (CCGT)	418		2012

1) Start of commercial operation, preceded by test runs, licensing, etc.

5.1 Power

In August 2010, Fortum announced that it will acquire a 40% stake in the Blaiken wind power project in Sweden. The remaining 60% is held by the Swedish energy company Skellefteå Kraft. Fortum and Skellefteå Kraft's joint venture, Blaiken Vind AB, is planning to start construction of a wind farm in the Blaiken region in northern Sweden. The wind farm will have a maximum of 100 wind turbines with a total capacity of 250 MW and an estimated annual production of 600–720 gigawatt-hours (GWh). According to the plan, the wind farm will be built in phases, with construction to begin in 2011 and to be completed in 2015. Fortum's share of the total investment during the project will amount to a maximum of EUR 160 million.

The Finnish Government gave a negative decision-in-principle on Fortum's application concerning the construction of a new nuclear power plant unit, Loviisa 3. Fortum is also, with an approximately 25% interest, a shareholder in Teollisuuden Voima Oyj (TVO), whose decision-in-principle application for a new nuclear power plant unit, Olkiluoto 4, was approved by the Finnish Government and ratified by the Finnish Parliament. Fortum is involved in the project development.

Through its interest in TVO, Fortum is participating in the building of Olkiluoto 3, a 1,600-MW nuclear power plant unit in Finland. The AREVA-Siemens Consortium, TVO's turnkey supplier of Olkiluoto 3, reported that most of the works will be completed in 2012. The Supplier indicated that commissioning will take eight months, which means regular operation will start during the latter half of 2013.

In September 2010, Fortum divested its share in the Finnish wind power producer Hyötytuuli Oy.

5.2 Heat

In January 2010, Fortum acquired the CHP plant in Nokia, Finland. The plant's capacity is around 85 MW heat and 70 MW electricity.

In February 2010, Fortum decided to invest in a new waste-fuelled CHP plant in Klaipeida, Lithuania. The value of the investment amounts to approximately EUR 140 million. According to plan, the power plant will be ready for production by the end of 2012 and it will use municipal and industrial waste and biomass as fuels. The plant's production capacity will be approximately 60 MW heat and 20 MW electricity.

The sale of Fortum's shares in the Swedish gas transmission company Swedegas AB was closed in February. The gain from the sale was included in the first-quarter non-recurring items.

In September 2010, Fortum inaugurated a CHP plant in Poland in the city of Częstochowa. Commercial operation started during the fourth quarter. The plant is fuelled by biomass (around 25%) and coal. The total value of the investment was about EUR 135 million. The new Częstochowa CHP plant has a heat production capacity of 120 MW and an electricity production capacity of 64 MW.

Also Fortum's new CHP plant in Pärnu, Estonia, was synchronised to the grid in September 2010. Commercial operation started during the fourth quarter. The total value of the investment was around EUR 80 million. The production capacity of the biomass- and peat-fired power plant is 50 MW heat and 24 MW electricity.

In October, Fortum started to build a new waste-to-energy CHP unit in Brista, Sweden, where it will be part of the Stockholm-region district heating system. The value of the investment is about EUR 200 million, and completion of the new production unit is planned for 2013. The estimated capacity of the unit is 60 MW heat and 20 MW electricity. The plant will be co-owned with Sollentuna Energi, the energy company of the nearby Sollentuna municipality.

In November, Fortum signed an agreement to acquire two Polish power and heat companies from the Polish state. The companies were sold as part of the privatisation of the power and heat sector in Poland. The acquisition significantly increases Fortum's power production capacity in Poland. The investment amounted to approximately EUR 21 million and the final closing of the acquisition was made after the year end, on 3 January 2011.

In December, Fortum and Macquarie-managed funds signed an agreement whereby Fortum will divest its district heat operations and heat production facilities outside the Stockholm area in Sweden. The sales price is approximately EUR 200 million. Fortum expects to finalise the divestment during the first quarter of 2011.

In December, Fortum in collaboration with the Naantali, Raisio and Kaarina municipalities and Turku Energia signed a letter of intent on consolidating energy production in the Turku area to one co-owned production company, Turun Seudun Maakaasu ja Energiantuotanto (TSME). Fortum will provide energy production services to TSME. The district heat produced will be sold to Turku Energia, the steam to Fortum and the electricity to TSME shareholders. Fortum will own 50.5% of TSME.

In addition, Fortum divested approximately 30 small heating plants during 2010. The divestments had a minor impact on results.

The investments and divestments are part of the renewed strategy to focus on the development of CHP production.

5.3 Distribution

In early February 2010, Fortum sold its 49% shareholding in Karlskoga Energi & Miljö in Sweden to the Karlskoga municipality for approximately EUR 42 million. The sales gain was included in the first quarter non-recurring items.

5.4 Russia

In December 2010, Fortum inaugurated a new unit at its combined heat and power plant Tyumen CHP-1 in the city of Tyumen in Western Siberia. The new unit was the first of seven units in Fortum's extensive investment programme in Russia; the unit is estimated to begin its commercial operation during the first half of 2011.

Fortum sold its shares in Federal Grid Company (Fortum's ownership was 0.119%) and in Kurgan Generating Company (49% of the voting rights) in Russia during the first quarter of 2010. The sales gains were included in the first-quarter non-recurring items.

Fortum divested its approximately 31% holding in joint stock company Saint-Petersburg Sale Company (JSC SSC) to the Russian INTER RAO UES. The sales gain was included in the third-quarter non-recurring items.

5.5 Other

In December 2010, Fortum's associated company Hafslund ASA, ownership 34.10%, announced the sale of shares in its fully-owned subsidiary Hafslund Fibernett AS for a sales price of NOK 1,477 million (approx. EUR 188 million). Hafslund will book a gain of approximately NOK 900 million (approx. EUR 114 million). Consequently, Fortum will book a gain of roughly EUR 40 million corresponding to approximately EUR 0.04 per share. The gain will be booked in the first quarter of 2011 as profit from associated companies.

6 Financing

EUR million	2010	2009	2008	Change 10/09
Interest expense	-197	-241	-351	-18%
Interest income	72	98	143	-27%
Fair value gains and losses	12	-1	-11	1,300%
Other financial expenses	-42	-23	-20	83%
Finance costs - net	-155	-167	-239	-7%
Interest-bearing liabilities	7,382	6,859	7,500	8%
Less: Liquid funds	556	890	1,321	-38%
Interest-bearing net debt	6,826	5,969	6,179	14%

Net debt increased during the year by EUR 857 million to EUR 6,826 million (2009: 5,969). The increase in net debt during the year is mainly linked to the stronger SEK and translation of SEK-denominated debt in the Group.

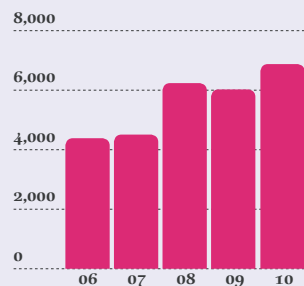
Total liquid funds decreased by EUR 334 million to EUR 556 million (2009: 890). Liquid funds include cash and bank deposits held by OAO Fortum and amounts to EUR 348 million (2009: 632). In addition to the liquid funds, Fortum had access to approximately EUR 2.9 billion of undrawn committed credit facilities.

The Group's net financial expenses were EUR 155 million (2009: 167). The decrease is mainly attributable to lower average interest rates in 2010 compared to the previous year. Net financial expenses include changes in the fair value of financial instruments of EUR 12 million (2009: -1). Net debt to EBITDA for the year 2010 was 3.0 (2009: 2.6).

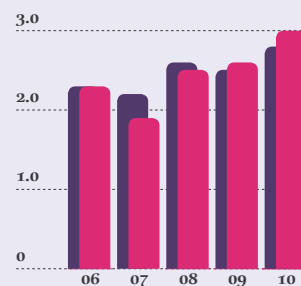
Fortum Corporation's long-term credit rating from Moody's and Standard and Poor's was A2 (stable) and A (stable), respectively.

For further details about financing see Note 3 Financial risk management on page 81.

INTEREST-BEARING NET DEBT, EUR million



Net debt / EBITDA



■ Net debt / EBITDA
■ Comparable net debt / EBITDA

7 Employees

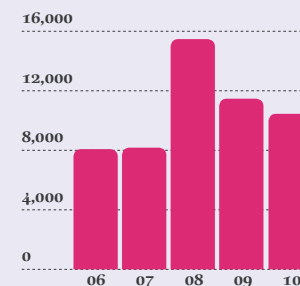
The number of employees at the end of 2010 was 10,585 (2009: 11,613), of which 10,307 (2009: 11,332) were permanent employees.

The number of employees in the parent company, Fortum Oyj, was at the end of 2010 295 (2009: 409).

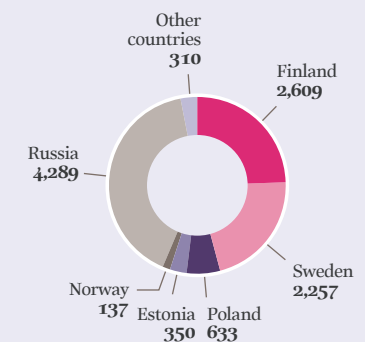
	2010	2009	2008
Number of employees, 31 Dec	10,585	11,613	15,579
Average number of employees	11,156	13,278	14,077
Total amount of employee costs, EUR million	507	495	587

For further details of group personnel see Note 13 Employee costs and management remuneration on page 98 of the Consolidated Financial Statements.

NUMBER OF EMPLOYEES



EMPLOYEES BY AREA



8 Events after the balance sheet date

In January 2011, Fortum, the Finnish State and Ilmarinen Mutual Pension Insurance Company came to a preliminary agreement according to which Fortum will sell its 25%-shareholding in the Finnish transmission system operator Fingrid Oyj. The State will buy approximately 81% and Ilmarinen approximately 19% of Fortum's Fingrid shares. The transaction is subject to a final agreement between the parties and to the necessary approvals by their decision-making bodies. Furthermore, the completion of the transaction requires the approval of the Finnish Competition Authority.

The sales price for the total amount of shares is EUR 325 million and consequently, Fortum expects to book a gain of roughly EUR 200 million, corresponding to approximately EUR 0.22 per share once the transaction has been completed. Fortum estimates that the divestment will be finalised during the first half of 2011. The proceeds will be used on general corporate purposes.

Fortum is selling its holding in Fingrid as a result of the EU's third energy market package that calls for the separation of high voltage transmission and power generation. The package entered into force in September 2009 and, according to it, Fortum will have to divest its entire ownership in the Finnish transmission system operator Fingrid by early 2012.

9 Outlook

9.1 Key drivers and risks

The key factor influencing Fortum's business performance is the wholesale price of electricity. The key drivers behind wholesale price development are the supply-demand balance, fuel and CO₂ emissions allowance prices as well as the hydrological situation. The exchange rates of the Swedish krona (SEK) and Russian rouble (RUB) also affect Fortum's financials. The balance sheet translation effects from changes in currency exchange rates are booked in Fortum's equity.

Fortum's financial results are exposed to a number of strategic, financial and operational risks.

➤ *For further details on Fortum's risks and risk management, see Risk management section of the Operating and Financial Review on page 51 and Note 3 Financial risk management on page 81 in the Consolidated Financial Statements.*

9.2 Nordic market

Fortum currently expects Nordic power demand to recover back to the 2008 level by 2012–2014. Electricity will continue to gain a higher share of the total energy consumption. Temperature-corrected power consumption in the Nordic countries is still approximately 4% (16 TWh) lower than in 2008.

At the end of January 2011, the electricity forward price in NASDAQ OMX Commodities Europe for the rest of 2011 was around EUR 55 per MWh. The electricity forward price for 2012 was around EUR 47 per MWh and for 2013 around EUR 45 per MWh. At the same time, the future quotations for coal (ICE Rotterdam) for the rest of 2011 were around USD 116 per tonne and the market price for CO₂ emissions allowances (EUA) for 2011 was about EUR 15 per tonne.

At the end of January 2011, Nordic water reservoirs were at historically low levels and about 29 TWh below the long-term average and 20 TWh below the corresponding level of 2010.

9.3 Russia

The Russian wholesale power sector reform is proceeding. The wholesale power market has been fully liberalised from the beginning of 2011.

The new rules for the long-term capacity market starting from 2011 have been approved by the Russian Government. The generation capacity built after 2007 under

government capacity supply agreements (CSA) will receive guaranteed payments for a period of 10 years. Prices for capacity under CSA are defined in order to ensure a sufficient return on investments. Capacity not under CSA will compete in competitive capacity selection (CCS). In December 2010 the first CCS for the year 2011 was held in accordance with the new rules of the long-term capacity market.

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 receive considerably higher capacity payments than the old capacity. The payments for new capacity will be approximately 3–4 times higher than the average price for the old capacity. The average price of old capacity is expected to be approximately RUB 165,000/MW/month for OAO Fortum.

In light of the recovering post-crisis demand and development of the Russian capacity market, Fortum has accelerated the schedule of OAO Fortum's committed 2,300-MW investment programme and plans to commission the last new units by the end of 2014. The value of the remaining part of the investment programme, calculated at exchange rates prevailing at the end of December 2010, is estimated to be approximately EUR 1.5 billion as of January 2011. The first unit is estimated to be in commercial operation during the first half of 2011 and additional two units are estimated to start their commercial operation during mid-year 2011.

The average regulated gas price increased by 15% from the beginning of the year compared with the average price in 2010. The regulated gas price is expected to remain unchanged for the rest of 2011. The regulated electricity price is indexed to the regulated gas price and inflation on an annual basis.

Efficiency improvements are expected to be approximately EUR 100 million in 2011 compared to the level at the time of the acquisition in 2008.

9.4 Capital expenditure

Fortum's capital expenditure in 2010 was approximately EUR 1.2 billion – slightly less than indicated earlier. Fortum currently expects capital expenditure in 2011 and 2012 to be around EUR 1.6–1.8 billion, excluding potential acquisitions. The annual level of Fortum's capital expenditure in 2013–2014 is estimated to total EUR 1.1–1.4 billion. The main reason for high capital expenditures in 2011–2012 is the acceleration in Fortum's Russian investment programme.

In 2010, Fortum signed an agreement whereby Fortum will divest its district heat operation facilities outside the Stockholm area in Sweden. The sales price is approximately EUR 200 million. The divestment is expected to be finalised during the first quarter of 2011.

In addition, Fortum made a preliminary agreement to sell its 25%-shareholding in the Finnish transmission system operator Fingrid Oyj. The sales price is EUR 325 million. The divestment is estimated to be finalised during the first half of 2011.

9.5 Taxation

The Swedish Government has decided to increase hydro property tax rates from the beginning of 2011. Fortum estimates that the additional cost from the tax rate increase would be around EUR 15 million.

In Finland taxes on fuels for heat production as well as taxes on electricity were increased considerably as of 1 January 2011. Tax increases will be reflected in end-user prices of heat and electricity accordingly. The windfall tax was removed from the Government agenda in Finland.

The tax rate is currently in 2011 estimated to be 19–21%.

9.6 Hedging

At the end of December 2010, approximately 70% of the Power division's estimated Nordic electricity sales volume for the calendar year 2011 was hedged at approximately EUR 45 per MWh. For the calendar year 2012, approximately 40% of the division's estimated Nordic electricity sales volume is hedged at approximately EUR 44 per MWh.

The reported hedge ratios may vary significantly, depending on Fortum's actions on the electricity derivatives markets. Hedges are mainly financial contracts, most of them NASDAQ OMX Commodities Europe forwards or standardised futures, consisting of several types of products and maturities.

9.7 Profitability

The first and last quarters of the year are usually the strongest quarters for the power and heat businesses.

Power division's achieved Nordic power price typically depends on e.g. the hedge ratio, hedge price, spot prices, availability and utilisation of Fortum's flexible production portfolio and currency fluctuations. Excluding the potential effects from the changes in the power generation mix, a 1 EUR/MWh change in Power's achieved Nordic sales price results in an approximately EUR 50 million change in Fortum's annual operating profit.

Fortum's results were solid. The company has a flexible, cost-efficient and climate-benign generation portfolio. Fortum's financial position and liquidity are strong.

10 Research and development

Sustainable solutions are the centrepiece of Fortum's strategy, and Fortum's research and development activities enable environmentally-benign energy solutions.

Nuclear R&D is the largest and most valuable part of Fortum's R&D portfolio. Important milestones were achieved e.g. regarding higher burn up of nuclear fuel and reactor pressure vessel licensing for the Loviisa power plant.

Other important R&D themes in 2010 were CHP development and fuel flexibility, carbon capture and storage (CCS), and sustainable cities. Fortum continued development work on pyrolysis technology in collaboration with Metso, UPM and VTT Technical

Research Centre of Finland. The bio-oil being generated in the process can be used to replace heavy fuel oil and thus result in significantly reduced CO₂ emissions. Furthermore, new fuel tests were conducted using crushed olive stones as fuel at the Värtan power plant in Stockholm.

Fortum has carried out significant R&D during several years on CCS technologies for large coal condensing power plants, and on CCGT linked to the possibility of enhanced oil recovery as a storage solution. In 2010, the focus was switched to solutions for large CHP plants.

Over the year, Fortum actively developed solutions for sustainable urban living in various projects. Fortum, ABB and the KTH Royal Institute of Technology received funding (13.4 MSEK) from Swedish Energy Agency and Vinnova for a pre-study on the design and installation of a smart and flexible large-scale electricity grid in the sustainable Stockholm Royal Seaport commercial and residential area.

In September 2010, Fortum and Aalto University agreed on wide-ranging research cooperation.

The Group's total R&D expenditure in 2010 was EUR 30 million (2009: 30). Fortum's R&D expenditure in 2010 was 0.5% of net sales (2009: 0.5%) and 0.8% of total expenses (2009: 0.9%).

	2010	2009	2008
R&D expenditure, EUR million	30	30	27
R&D expenditure, % of sales	0.5	0.5	0.5
R&D expenditure, % of total expenses	0.8	0.9	0.8

✚ For further details on research and development, see pages 24–27 of the Annual Report.

11 Sustainability

Excellence in sustainability is at the core of Fortum's updated strategy. We believe sustainability to be one of the success factors for our business. In 2010 we revised our Sustainability Approach. Our new Approach is firmly based on the strategy and addresses all three areas of sustainability – economic, environmental and social responsibility – in a balanced way.

The new Sustainability Approach defines Group level targets guiding business operations and the key indicators used to monitor them, as well as other operational level indicators monitored and reported on at the Group level. The Sustainability targets are part of the annual business planning process. The divisions' business plans outline the division-specific measures needed to achieve sustainability targets.

In line with the new Sustainability Approach part of the key performance indicators and targets were revised during 2010. The Group level targets as from 1 January 2011 include:

- Specific CO₂ emission from power generation in the EU: less than 80 g/kWh as a 5-year average over the next five years;
- Specific CO₂ emission from total energy production: 200 g/kWh as a 5-year average over the next five years (new);
- Energy efficiency: total efficiency of combustion 70% as a 5-year average over the next five years (new);
- Safety: lost work day injury frequency LWIF <1;
- ISO 14001 certification: for all operations in Europe by 2010 and for OAO Fortum in Russia by 2012;
- Inclusion in the Dow Jones Sustainability World and Europe Indexes.

Sustainability group level indicators

	2010	2009	2008	2007
Specific CO ₂ emission from power generation in the EU (g/kWh) 5 year average	69	59	74	93
LWIF	2.4	2.4	4.3	2.9
ISO 14001 certification (%)				
Total Fortum	86	87		
Europe	98	99	97	96
New indicators from 1 Jan 2011:				
Specific CO ₂ emission from total energy production (g/kWh) 5 year average	157	-	-	-
Total efficiency of combustion (%) 5 year average	69	-	-	-

In accordance with our Sustainability Approach we:

- aim for profitable and responsible growth;
- are building a low-carbon society;
- take care of our personnel's safety and well-being;
- care for the environment and society around us.

For Fortum, economic responsibility means creating steady and long-term economic growth and added value for shareholders, customers, employees and other stakeholders in the company's operating and market areas.

Our operations have both direct and indirect economic impacts. Fortum's capital expenditure in 2010 was EUR 1,222 million. We aim to develop indicators and to set targets also related to e.g. the amount of new CO₂ free capacity, energy efficiency investments and the efficiency of R&D activities. In 2010 Fortum's investments in CO₂ free capacity totalled EUR 214 million.

Fortum was included in Dow Jones Sustainability World Index 2010/2011 for the eighth consecutive year.

Mitigating climate change, using natural resources efficiently and managing impacts of our energy production and the supply chain are the key areas of our environmental responsibility. Our know-how in CO₂ free nuclear and hydro power and in energy efficient CHP together with our research and development activities offer an excellent platform for developing sustainable solutions.

In the long-term, Fortum's aspiration is to be a CO₂ free power and heat company. During 2010 Fortum established a Roadmap towards this aspiration and it will be presented in our Sustainability Report 2010.

In 2010, 66% of the power generated by Fortum was CO₂-free: in the EU the figure was 86%. The specific CO₂ emission from our total electricity production was 189 g/kWh.

In Russia we continued the implementation of the EHS Action Programme. The goal is to make Russian operations consistent with Fortum's standards and practices. Russian operations are scheduled to be in accordance with ISO 14001 by the end of 2012.

Energy efficiency improvements in our Russian operations will result in environmental, social and economic benefits. In 2010 Fortum signed a letter of intent with the Chelyabinsk Regional Administration on energy efficiency collaboration. Fortum also continued the preparation of Joint Implementation (JI) projects in Russia. Two JI projects were approved in the tendering process organised by Sberbank, one in OAO Fortum and one in TGC-1.

In the area of social responsibility, operating as a good corporate citizen and taking care of our own personnel and the communities around us are emphasized. We enable social development and increase well-being by securing reliable supply of electricity and heat and by making technical innovations. The reliability of Fortum's electricity network continued to be at a very high level of nearly 100%.

In 2010 the ForCARE programme was launched to promote the well-being and safety at work. The programme will be adopted at all company sites by the end of 2012. During the year Fortum also started the Leading Performance and Growth initiative that aims to assure the implementation of the strategy and to develop company culture and key behaviours.

Fortum's target in 2010 for safety was one injury per one million working hours for own employees. In 2010, there were a total of 45 occupational accidents (2009: 37) leading to an absence of more than one working day. This means 2.4 injuries (2009: 2.4) per one million working hours, which was above the target value. One fatal accident took place during the year.

In 2010 Fortum provided EUR 5.2 million support for organisations and communities working for the common good in the countries where Fortum operates. In addition, about EUR 2.3 million was donated to universities in Finland.

➤ For further details on Sustainability see pages 28–33 in the Annual Report and the separate Sustainability Report.

Risk management

Risk management is an integrated part of business planning and performance management. Its purpose is to enable the execution of the company's strategy and to support the business in achieving financial targets.

1 Risk management framework

1.1 Objective

Involvement in the power and heat business exposes Fortum to several types of financial, operational and strategic risks. Electricity prices, which in turn are affected by the weather in the Nordic region and the development of the global commodity markets, are the main sources of financial risk in the Nordic business. The Russian business is exposed to risks related to fuel and electricity prices as well as capacity prices which have different risk drivers than in the Nordic market.

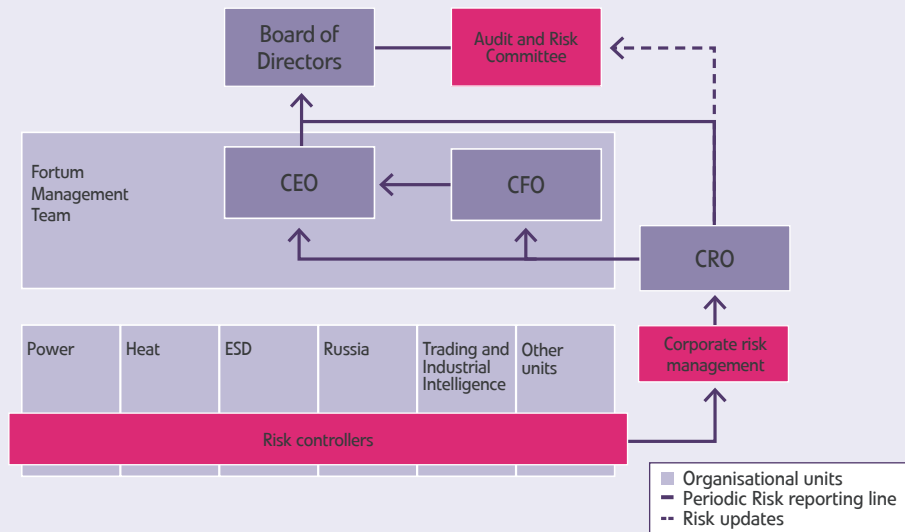
Fortum is continuously developing its risk management capabilities to cope with prevailing market conditions, developing operations and an ever changing business environment. In the Risk Management development work the focus has been on further enhancing the framework for operational risk management especially within the concept of internal controls and compliance risk management. At the same time market and credit risk modelling has been continuously developed.

1.2 Policy

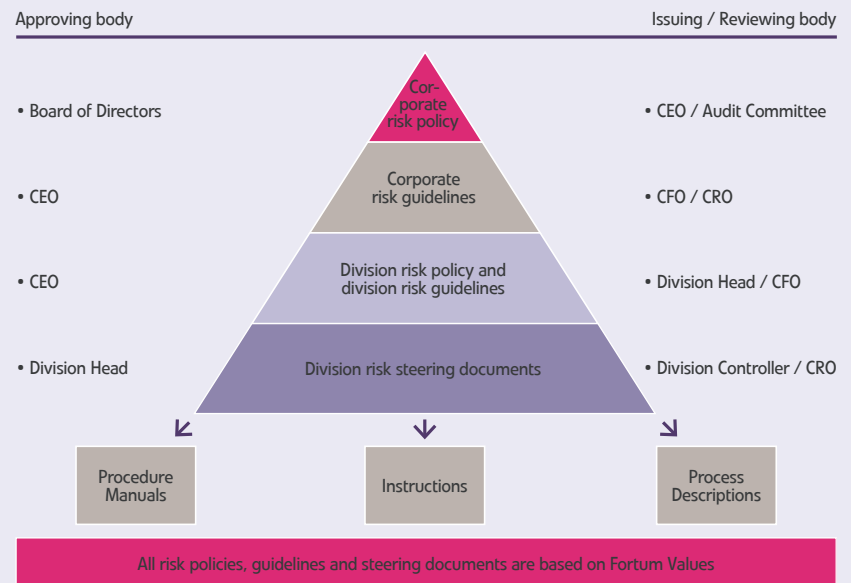
Fortum's Board of Directors approves the Corporate Risk Policy which sets the objective, principles and division of responsibilities for risk management activities within the Group as well as defines the overall risk management process.

CEO approved Corporate guidelines are issued for those risks which are managed on Group level – these exist for Market Risk, Credit Risk and Operational risk with various appendices. Corporate Treasury is responsible for managing the Group's currency, interest rate, and liquidity and refinancing risks as well as for insurance management. Corporate Credit Control is responsible for assessing and consolidating the Group's exposure to counterparty risk, monitoring the creditworthiness of counterparties and for approving counterparty credit limits. Corporate IT is responsible for managing IT information and security risks. There are also corporate functions dealing with risks related to human resources, laws and regulation, and sustainability.

FORTUM'S RISK MANAGEMENT REPORTING STRUCTURE



CORPORATE RISK POLICY STRUCTURE



1.3 Organisation

The Audit and Risk Committee is responsible for risk oversight within the Group. Corporate Risk Management is an independent function headed by the Chief Risk Officer (CRO), who reports to the CFO, and is responsible for assessing and reporting the Group's consolidated risk exposure to the Board of Directors and Group Management. Corporate Risk Management also monitors and reports risk in relation to mandates approved by the CEO. The main principle is that risks are managed at source if not agreed otherwise and in order to maintain a strict segregation of duties, risk control functions in Divisions and Group functions like Treasury and Trading are responsible for reporting risks to Corporate Risk Management.

1.4 Process

The risk management process consists of event identification, risk assessment, risk response and risk control. Risks are primarily identified and assessed by divisions and staff functions in accordance with corporate guidelines and models that are approved by Corporate Risk Management. Every unit is also responsible for responding to risks by taking appropriate actions. Risk responses can be one of, or a combination of, mitigating, transferring or absorbing the risk.

Risk control, monitoring and reporting is carried out by the divisional risk control functions. The frequency of reporting is dependent upon the scope of the business. For example, trading activities and limit breaches are reported daily whereas strategic and

operational risks are reported as part of the annual business planning process and followed up at least quarterly in management reviews. Corporate Risk Management assesses and reports the Group's consolidated exposure to financial risks to Group Management and the Board of Directors on a monthly basis and main commodity exposures to the Group management on a weekly basis.

2 Description of risks

2.1 Strategic risks

Fortum's updated strategy bases three areas of focus:

- Leverage the strong Nordic core;
- Create solid earnings growth in Russia;
- Build platform for future growth.

The growth possibilities in existing and potential market areas are in part subject to regulatory supervision and political decisions.

Nordic/EU Policy harmonisation, infrastructure development and integration of the Nordic electricity market towards continental Europe depend partly on the actions of authorities. Changes in the market environment and regulation could endanger the implementation of the market-driven development of the electricity market. Fortum promotes market-driven development by maintaining an active dialogue with all stakeholders.

2.1.1 Integration and investment risks

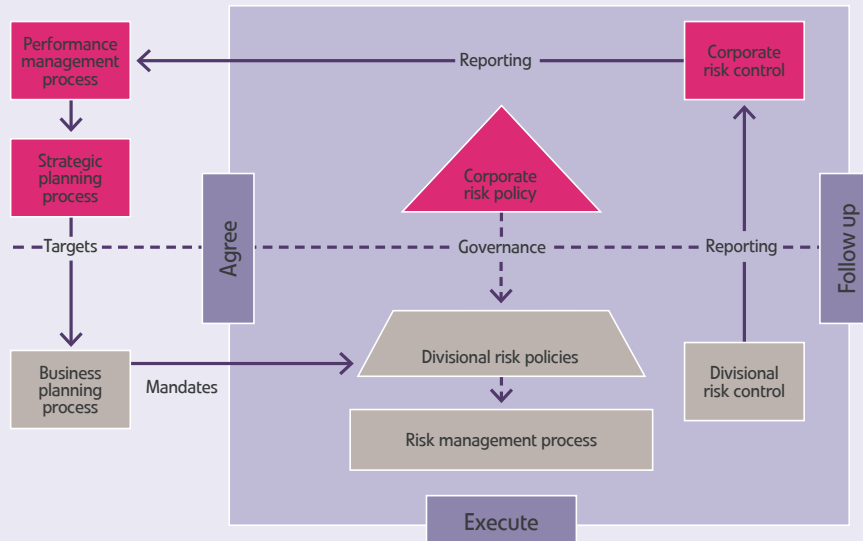
Fortum's growth strategy includes expanding operations, particularly in Poland and Russia. As a result of ongoing integrations or any potential future acquisition, there is a risk to existing operations, including:

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

Fortum's acquisition of OAO Fortum included a pre-funded investment programme. As with all large projects, there is a risk of delays, for example in establishing new capacity

THE BOARD OF DIRECTORS DEFINES THE GROUP'S RISK APETITE IN TERMS OF A MINIMUM LEVEL OF EBITDA TO BE ACHIEVED

RISK MANAGEMENT PROCESS



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 and risks are followed up in monthly management reporting.

2.1.2 Political and regulatory risks

Development of the political and regulatory environment has a major impact on the energy industry and on the conditions of its business operations. Fortum is thus exposed to regulatory risks in various countries. Regulatory bodies and competition authorities regularly perform analysis, investigations and inquiries, which might lead to changes in business conditions. Examples of on-going discussions which may adversely affect Fortum’s operations are third party access to heat distribution networks in Sweden, windfall taxation and permits to build new nuclear capacity in Finland, and taxation on uranium in Finland. To manage these risks and proactively participate in the development of the political and regulatory framework, including energy taxation, Fortum maintains an active and on-going dialogue with the bodies involved in the development of laws and regulations.

Fortum owns and operates heat and power generation assets in Russia under operations of OAO Fortum. The Power market deregulation has proceeded well and, as a result, the prices for electricity in Russia are expected to increase. 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 the further deregulation of the gas and electricity markets is not aligned, the impact of price changes in either electricity or gas could be significant.

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.

2.1.3 Legal and compliance risks

Fortum’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.

Inadequacies in the legal systems and law enforcement mechanisms in Russia and certain other of the emerging markets expose Fortum to risk of loss as a result of criminal or abusive practices by competitors, suppliers, or contracting parties. Fortum’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.

Fortum 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 the competition legislation is an important area for Fortum and it is managed through Fortum’s Competition Compliance Programme. Fortum has also enhanced Compliance risk management by establishing a process to systematically identify and mitigate compliance risks linked to the operational risk framework. 25% of the controls in Fortum’s internal control framework aim to mitigate compliance risks.

FORTUM RISK MAP



2.2 Financial risks

Financial risk refers to the potential negative effects of market price movements, volume changes, liquidity constraints or counterparty defaults. A number of different methods, such as Value-at-Risk and Profit-at-Risk, are used throughout the Group to quantify financial risks. In particular, the potential impact of price and volume risks of electricity, weather, CO₂ and the main fuels are assessed taking into account their interdependencies. Stress-testing is carried out in order to assess the effects of extreme price movements on Fortum's earnings.

Risk taking is limited by risk mandates. Risk mandates include a minimum EBITDA level for the Group set by the Board of Directors. Mandates set by the CEO include Volumetric limits, Value-at-Risk limits, Stop Loss limits and counterparty exposure limits.

➤ For further information on hedge ratios, exposures, sensitivities and outstanding derivatives contracts, see Note 3 Financial risk management on page 81.

2.2.1 Electricity price risks

Fortum is exposed to electricity market price movements mainly through its power generation and customer sales businesses. The short-term factors affecting electricity prices on the Nordic market include hydrological conditions, temperature, CO₂ allowance prices, fuel prices, and the import/export situation. Fortum manages exposure to electricity price risk through the use of hedging strategies that are executed by the

centralised Trading unit within set mandates. Hedges for electricity price risks consist mainly of electricity derivatives contracts.

In Russia, electricity prices and capacity sales are the main source of market risk. Market deregulation has developed as planned, and the electricity price is highly correlated with the gas price. Hedges are mainly done through regulated bilateral agreements, but the financial market is developing and Fortum is investigating the possibilities to utilise these markets to further mitigate electricity price risks.

2.2.2 Volume risks

Power and heat generation, customer sales, and electricity distribution volumes are subject to changes in, for example, hydrological conditions and temperature. Uncertainty in nuclear production due to prolonged maintenance or delays in upgrades, especially in co-owned plants in Sweden, has also increased in recent years. Although volume risks in power and heat generation are partly mitigated through generation flexibility, changes in volumes are closely monitored so that hedges can be adjusted accordingly.

2.2.3 CO₂ allowances price risks

The European Union has established an emission trading scheme to limit the amount of CO₂ emissions. Part of Fortum's power and heat generation is subject to requirements of the trading scheme. Fortum manages its exposure to CO₂ allowance prices through the use of CO₂ forwards and by ensuring that the costs of allowances are taken into account during production planning.

2.2.4 Fuel price risks

Heat and power generation requires the use of fuels that are purchased on global or local markets. The main fuels used by the Group are uranium, coal, natural gas, peat, oil, and various bio-fuels such as wood pellets. Exposure to fuel prices is to some extent limited because of Fortum's flexible generation possibilities, which allow for switching between different fuels according to prevailing market conditions, and in some cases, the fuel price risk can be transferred to the customer. The remaining exposure to fuel price risk is mitigated through fixed price purchases that cover forecasted consumption levels. Fixed price purchases can be either for physical deliveries or in the form of financial hedges.

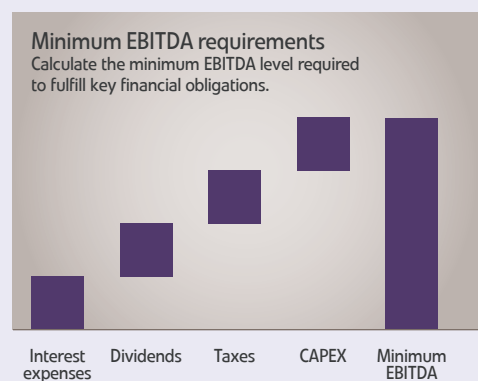
2.2.5 Proprietary trading risks

Fortum engages in a certain level of trading for profit. Fortum's proprietary trading activities are limited to standardised electricity, coal, oil and CO₂ allowance contracts mainly traded through established markets such as NASDAQ OMX Commodities Europe, EEX and ICE. All products and market places used for trading are approved by the CRO.

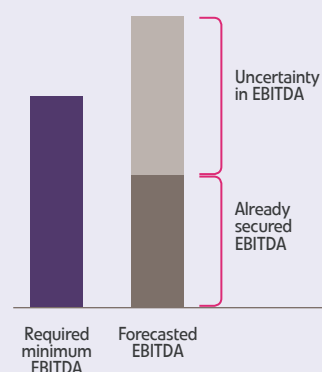
Risks associated with trading activities are limited through strict management controls. Stop Loss mandates are set to limit the cumulative maximum loss and Value-

CORPORATE VIEW ON MINIMUM EBITDA MANDATE

Financial obligations



Guidelines to risk management



at-Risk mandates limit the maximum risk taking. All trading risks are monitored and reported on a daily basis.

2.2.6 Liquidity and refinancing risks

Fortum's business is capital intensive and the Group has a regular need to raise financing. Fortum has a diversified loan portfolio mainly consisting of long-term bond financing but also a variety of other long- and short-term financing facilities.

The recent global financial crisis has emphasised the need for prudent management of liquidity and refinancing risks. Although the global economy has started to recover, the financial problems in Greece and other European countries may create a financial market where it again could become difficult to raise funding and manage liquidity. Fortum manages liquidity and refinancing risks through a combination of cash positions and committed credit facility agreements with its core banks. The Group shall at all times have access to cash, bank deposits and unused committed credit facilities including overdrafts, to cover all loans maturing within the next twelve-month period.

2.2.7 Interest rate risks

Fortum's debt portfolio consists of interest-bearing assets and liabilities on fixed and floating rate basis with differing maturity profiles. Fortum 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).

2.2.8 Currency risks

Fortum has cash flows, assets and liabilities in currencies other than euro. Changes in exchange rates can therefore have an effect on Fortum's earnings and balance sheet. The main currency exposures for Fortum are EUR/SEK, arising from the Group's extensive operations in Sweden and EUR/RUB from translation exposure of OAO Fortum in Russia.

The Group's currency exposures are divided into transaction exposures (foreign exchange exposures relating to contracted cash flows and balance sheet items where changes in exchange rates will have an impact on earnings and cash flows) and translation exposure (foreign exchange exposure that arises when profits and balance sheets in foreign entities are consolidated on Group level). For transaction risk the main principle is that all material exposures are hedged while translation exposures are not hedged or hedged selectively.

THE MAIN DRIVER IN OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROLS IS OPERATIONAL EXCELLENCE

2.2.9 Counterpart risks

Fortum is exposed to counterpart risk whenever there is a contractual obligation with an external counterpart. In order to minimise counterpart risk, Fortum has well established routines and processes to identify, assess and control counterpart exposure. The Corporate Credit Guidelines stipulates that no contractual obligation should be entered into without a proper, reasonable and viable credit check.

Corporate Credit Control is responsible for assuring stringent controls for all larger individual counterpart exposures. Creditworthiness is continuously monitored through the use of internal and external sources to ensure that actions can be taken immediately when changes occur. Annual credit reviews are performed manually for all larger approved limits. Each Division is responsible for ensuring that exposures remain within approved limits. Mitigation of counterpart risk includes, for example, the use of collateral, managing payment terms and contract length, as well as pursuing netting agreements. Corporate Credit Control continuously monitors and reports counterpart exposures against the approved limits.

Fortum's counterpart portfolio is well-diversified over a wide range of industries, private customers, small businesses and geographical regions. Although the Nordic countries account for most of the counterpart exposure, the exposure to Russia has increased as a result of OAO Fortum. The largest exposures in Russia are related to deposits and guarantees from Russian banks which are earmarked for the ongoing investment program, but there is also a high risk of non-payment from, in particular, heat sales.

2.3 Operational risks

Operational risks are defined as the negative effects resulting from inadequate or failed internal processes, people and systems or equipment, or from external events. The main objective of operational risk management is to reduce the risk of unwanted operational events by clearly documenting and automating processes and by ensuring a strict segregation of duties between decision-making and controlling functions. Quality and environmental management systems are a tool for achieving this objective, and Fortum has several certifications including ISO 9001 and ISO 14001. Equipment and system risks are primarily managed within maintenance investment planning, and there are contingency plans in place to ensure business continuity.

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

2.3.1 Risks at production facilities

Operational events at power and heat generation or electricity distribution 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, Fortum has a shared dam liability

insurance program in place that covers Swedish dam failure liabilities up to SEK 8,000 million. Operational risks in production facilities are mitigated by continuous maintenance, condition monitoring, and other operational improvements.

Storms and other unexpected events can result in electricity outages that create costs in the form of repairs and compensations. Although outages are typically short, it is not possible to completely prevent long outages in exceptional circumstances. There is an extensive procedure in place to minimise the length and consequences of outages.

2.3.2 Nuclear risks

Fortum owns the Loviisa nuclear power plant, and has minority interests in one Finnish and two Swedish nuclear power companies. In the Loviisa power plant, assessment and improvement of nuclear safety is a continuous process which is performed under the supervision of the Radiation and Nuclear Safety Authority of Finland (STUK). In Finland and Sweden, third-party liability relating to nuclear accidents is strictly the plant operator's responsibility and must be covered by insurance. As the operator of the Loviisa power plant, Fortum has a statutory insurance policy of SDR (Special Drawing Rights) 175 million +20%, which means approximately EUR 240 million per nuclear incident. Similar insurance policies are in place for the operators where Fortum has a minority interest.

Decisions have been taken in both Finland and Sweden to renew the current nuclear liability legislation towards the Paris and Brussels convention agreed in February 2004. The new legislation is expected to come into force at the earliest in 2012.

The changes in the new national legislation consist of a liability on plant operators covering damages of; in Finland up to EUR 700 million and Sweden up to EUR 1,200 per nuclear incident, which should be covered by insurance or other form of financial guarantee, as well as an strict and unlimited liability for the plant operators in each respective country.

2.3.3 Environmental, health and safety risks

Operating power and heat generation and electricity distribution facilities involves the use, storage and transportation of fuels and materials that can have adverse effects on the environment. The risks involved with these activities and their supply chain are receiving increased attention due to the growing public awareness of sustainable development and the expectations on companies' responsible conduct. Operation and maintenance of the facilities expose the personnel to potential safety risks. Environmental, health and safety (EHS) risks are regularly evaluated through internal and external audits and risk assessments, and corrective and preventive actions are launched when necessary. EHS related risks arising in investments are systematically evaluated in accordance with Fortum's Investment Evaluation and Approval Procedure.

2.3.4 IT and information security risks

Information security risks are managed centrally by the corporate security and IT functions. Business-specific risks are managed within the Divisions and Staff units. Corporate policies define guidelines and set procedures for reducing risks and managing IT and other information security incidents. The main objective is to ensure high availability and fast recovery of IT systems.

The Fortum share and shareholders

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

Share key figures

EUR	2010	2009	2008
Earnings per share	1.46	1.48	1.74
Cash flow per share	1.62	2.55	2.26
Equity per share	9.24	9.04	8.96
Dividend per share	1.00 ¹⁾	1.00	1.00
Payout ratio, %	68.5 ¹⁾	67.6	57.5
Dividend yield, %	4.4 ¹⁾	5.3	6.6

1) Board of Directors' proposal for the Annual General Meeting 31 March 2011.

➤ For full set of share key figures 1998–2010, see page 129.

1 Share price performance and volumes

Fortum's share has outperformed its European utility peers during the last five years. Fortum's share price has appreciated approximately 41% during last five years, while Dow Jones European Utility Index has decreased 9% and OMX Helsinki Cap index has increased 10%.

During 2010 Fortum's share price appreciated approximately 16%, while Dow Jones European Utility index decreased 9% and OMX Helsinki Cap index increased 22%.

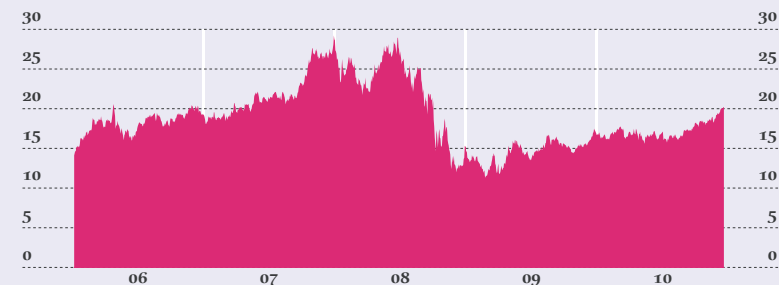
During 2010, a total of 493.4 million (2009: 580.9) Fortum Corporation shares, totalling EUR 9,399 million were traded on NASDAQ OMX Helsinki. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year 2010, was EUR 20,015 million. The highest quotation of Fortum Corporation shares on NASDAQ OMX Helsinki in 2010 was EUR 22.69, the lowest EUR 17.18, and the volume weighted average EUR 19.05. The closing quotation on the last trading day of the year 2010 was EUR 22.53 (2009: 18.97).

In addition to NASDAQ OMX Helsinki, Fortum shares were traded on several alternative market places, for example at Chi-X Europe, BATS and Turquoise. In 2010, a total of 199.4 million Fortum Corporation shares were traded at alternative market places, or approximately 29% of the total amount of traded shares.

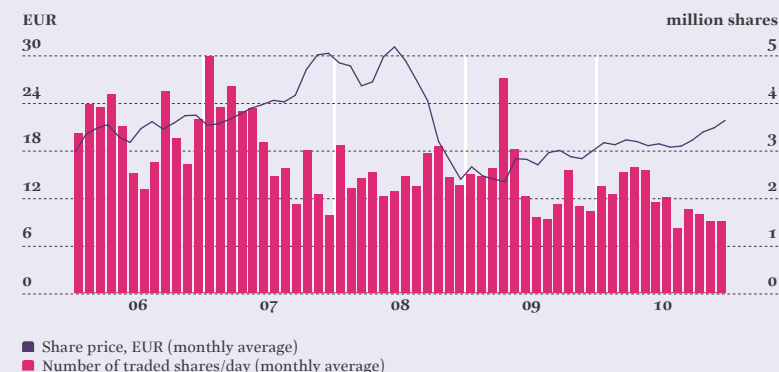
SHARE QUOTATIONS 2006–2010, Index 100 = quote on 2 January 2006



MARKET CAPITALISATION 2006–2010, EUR billion



SHARE TRADING 2006–2010



2 Shareholder value

Fortum has continuously carried out structural and operational development according to its strategy. Since the year 2000 Fortum has made acquisitions totalling EUR 11 billion and divestments totalling EUR 7 billion. Since 2000 the share price has increased by approximately 520%.

SHARE PRICE PERFORMANCE, EUR



3 Share capital

Fortum has one class of shares. By the end of 2010, a total of 888,367,045 shares had been issued. The nominal value of the share is EUR 3.40 and each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2010 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

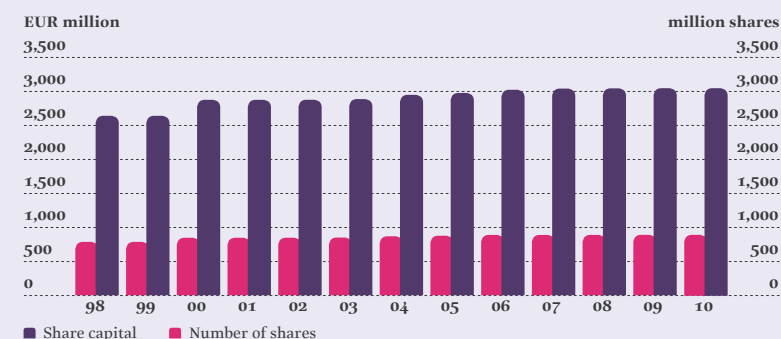
The registered share capital exceeds the aggregate nominal value of the issued shares due to the cancellations of the company's own shares in 2006 and 2007 (in total 7,570,000) without decreasing the share capital.

Share capital 1998–2010

	Number of shares	Share capital, EUR
Fortum established on 7 February 1998	500,000	1,681,879
Rights issue in 1998	782,282,635	2,631,409,886
Employee issue in 1998	2,000,000	6,727,517
31 December 1998	784,782,635	2,639,819,282
31 December 1999	784,782,635	2,639,819,282
Script issue in 2000	-	28,441,677
Rights issue in 2000	60,825,940	206,808,196
31 December 2000	845,608,575	2,875,069,155
31 December 2001	845,608,575	2,875,069,155
Subscriptions with options in 2002		
- 1999 bond loan with warrants	148,380	504,492
- 1999 management share option scheme	3,000	10,200
31 December 2002	845,759,955	2,875,583,847
Subscriptions with options in 2003		
- 1999 bond loan with warrants	159,520	542,368
- 1999 management share option scheme	2,913,000	9,904,200
31 December 2003	848,832,475	2,886,030,415
Subscriptions with options in 2004		
- 1999 bond loan with warrants	4,560,730	15,506,482
- 1999 management share option scheme	7,154,000	24,323,600
- 2002 A share options scheme for key employees	6,536,700	22,224,780
31 December 2004	867,083,905	2,948,085,277

	Number of shares	Share capital, EUR
Subscriptions with options in 2005		
- 1999 bond loan with warrants	1,284,370	4,366,858
- 1999 management share option scheme	1,698,000	5,773,200
- 2001 A share options scheme	1,636,350	5,563,590
- 2002 A share options scheme	3,591,400	12,210,760
31 December 2005	875,294,025	2,975,999,685
Subscriptions with options in 2006		
- 2001 A share options scheme	3,026,200	10,289,080
- 2001 B share options scheme	5,360,133	18,224,452
- 2002 A share options scheme	516,800	1,757,120
- 2002 B share options scheme	4,856,488	16,512,059
Cancellation of own shares	-1,660,000	-
31 December 2006	887,393,646	3,022,782,396
Subscriptions with options in 2007		
- 2001 A share options scheme	274,920	934,728
- 2001 B share options scheme	1,339,867	4,555,548
- 2002 A share options scheme	122,100	415,140
- 2002 B share options scheme	3,462,525	11,772,585
Cancellation of own shares	-5,910,000	-
31 December 2007	886,683,058	3,040,460,397
Subscriptions with options in 2008		
- 2002 B share options scheme	955,022	3,247,075
31 December 2008	887,638,080	3,043,707,472
Subscriptions with options in 2009		
- 2002 B share options scheme	728,965	2,478,481
31 December 2009	888,367,045	3,046,185,953
31 December 2010	888,367,045	3,046,185,953

SHARE CAPITAL 1998–2010



4 Shareholders

At the end of 2010, the Finnish State owned 50.76% of the company's shares. The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the share capital and voting rights.

The proportion of nominee registrations and direct foreign shareholders decreased to 30.2% (2009: 31.0%).

Shareholders 31 December 2010

Shareholders	No. of shares	Holding %
Finnish State	450,932,988	50.76
Ilmarinen Mutual Pension Insurance Company	13,956,250	1.57
Varma Mutual Pension Insurance Company	8,894,843	1.00
The Social Insurance Institution of Finland, KELA	7,195,896	0.81
The City of Kurikka	6,203,500	0.70
The State Pension Fund Finland	5,278,500	0.59
OP-Delta FUND	3,200,000	0.36
Etera Mutual Pension Insurance Company	2,364,259	0.27
Svenska Handelsbanken, Finland	2,072,815	0.23
Mutual Insurance Company Pension Fennia	2,000,000	0.23
Mandatum Life Insurance Company	1,958,845	0.22
Tapiola Mutual Pension Insurance Company	1,700,000	0.19
Nominee registrations and direct foreign ownership	268,620,580	30.24
Other shareholders in total	113,988,569	12.83
Total number of shares	888,367,045	100.00

By shareholder category	% of total amount of shares
Finnish shareholders	
Corporations	1.34
Financial and insurance institutions	2.63
General government	56.80
Non-profit organisations	1.60
Households	7.39
Non-Finnish shareholders	30.24
Total	100.00

Breakdown of share ownership 31 December 2010

By number of shares owned	No. of shareholders	% of shareholders	No. of shares	% of total amount of shares
1-100	23,767	24.25	1,452,739	0.16
101-500	40,904	41.74	10,977,346	1.24
501-1,000	17,582	17.94	12,587,920	1.42
1,001-10,000	14,793	15.10	37,046,498	4.17
10,001-100,000	839	0.86	20,333,770	2.29
100,001-1,000,000	88	0.09	29,502,657	3.32
1,000,001-10,000,000	18	0.02	50,466,956	5.68
over 10,000,000	2	0.00	464,889,238	52.33
	97,993	100.00	627,257,124	70.61
Unregistered/uncleared transactions on 31 December			75,696	0.01
Nominee registrations			261,034,225	29.38
Total			888,367,045	100.00

5 Management interests 31 December 2010

At the end of 2010, the President and CEO and other members of the Fortum Management Team owned 208,333 shares (2009: 185,345) representing approximately 0.02% of the total shares in the company.

➤ A full description of Fortum's long term incentive schemes is shown in Note 30 Employee bonus system, personnel fund and incentive schemes on page 113. See also Note 13 Employee costs and management remuneration for details on the President and CEO and other members of the Fortum Management Team's shareholdings and interests in long term incentive schemes on page 98.

6 Authorisations from the Annual General Meeting 2010

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

7 Dividend policy

Fortum Corporation's dividend policy states that the company aims to pay a dividend which corresponds to an average payout ratio of 50% to 60%.

8 Dividend distribution proposal

The parent company's distributable equity as of 31 December 2010 amounted to EUR 4,191,864,236.08. After the end of the financial period there have been no material changes in the financial position of the Company.

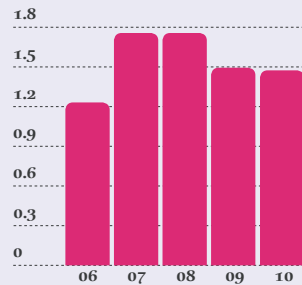
The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pay a cash dividend of EUR 1.00 per share for 2010, totalling EUR 888 million based on the number of registered shares as of 1 February 2011. The Annual General Meeting will be held on 31 March 2011 at 3:00 pm at Finlandia Hall in Helsinki.

Fortum's activities in capital markets during 2010

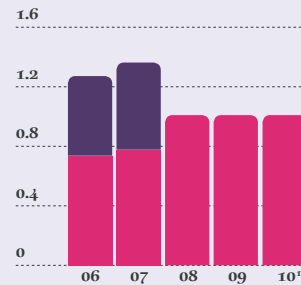
Fortum's Investor Relations (IR) activities cover equity and fixed-income markets to ensure full and fair valuation of the Company's shares, access to funding sources and stable bond pricing. Investors and analysts primarily in Europe and North America are met on a regular basis.

In 2010 Fortum met approximately 400 professional equity investors individually or in group meetings, whilst maintaining regular contact with equity research analysts at investment banks and brokerage firms. In addition, site visits were arranged for members of the investment community. During the year, IR and senior management gave approximately 15 presentations at investor conferences in Scandinavia, the United Kingdom and North America.

EARNINGS PER SHARE, EUR



DIVIDEND PER SHARE, EUR



■ Additional dividend 2006 and 2007

1) Board of Directors' proposal for the Annual General Meeting in March 2011.

Consolidated financial statements

Consolidated income statement

EUR million	Note	2010	2009
Sales	5	6,296	5,435
Other income	10	108	84
Materials and services	11	-2,846	-2,027
Employee benefit costs	13	-507	-495
Depreciation, amortisation and impairment charges	5, 14	-563	-510
Other expenses	12	-655	-599
Comparable operating profit	5	1,833	1,888
Items affecting comparability	6, 7	-125	-106
Operating profit	5	1,708	1,782
Share of profit of associates and joint ventures	5, 23	62	21
Interest expense	15	-197	-241
Interest income	15	72	98
Fair value gains and losses on financial instruments	7, 15	12	-1
Other financial expenses - net	15	-42	-23
Finance costs - net	15	-155	-167
Profit before income tax		1,615	1,636
Income tax expense	16	-261	-285
Profit for the period		1,354	1,351

Attributable to:

Owners of the parent		1,300	1,312
Non-controlling interests		54	39
		1,354	1,351

Earnings per share (in EUR per share)

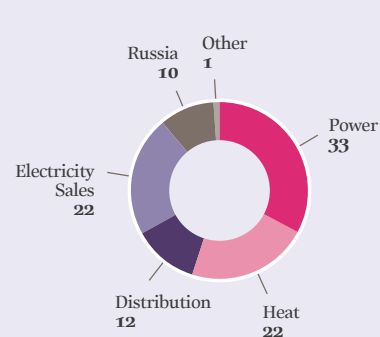
	17		
Basic		1.46	1.48
Diluted		1.46	1.48

EUR million	2010	2009
Comparable operating profit	1,833	1,888
Non-recurring items (sales gains)	93	29
Changes in fair values of derivatives hedging future cash flow	-216	-76
Nuclear fund adjustment	-2	-59
Operating profit	1,708	1,782

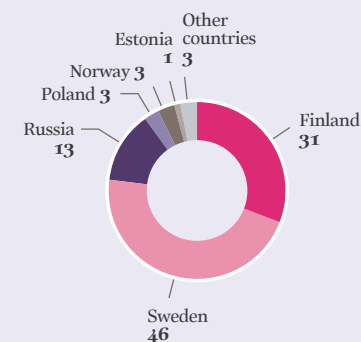
Higher contribution from Hafslund ASA, EUR 32 million of the increase.

Decrease mainly due to lower average interest rates 3.4% (2009: 3.7%) for debt including derivatives.

SALES BY SEGMENT, %



SALES BY COUNTRY, %



Consolidated statement of comprehensive income

EUR million	2010	2009
Profit for the period	1,354	1,351
Other comprehensive income:		
Cash flow hedges		
Fair value gains/losses in the period	-583	-195
Transfers to income statement	1	-218
Transfers to inventory/fixed assets	-16	-4
Tax effect	151	108
Net investment hedges		
Fair value gains/losses in the period	-1	-25
Tax effect	0	6
Available for sale financial assets		
Fair value losses in the period	0	0
Exchange differences on translating foreign operations	344	21
Share of other comprehensive income of associates	-69	-37
Other changes	-16	1
Other comprehensive income for the period, net of tax	-189	-343
Total comprehensive income for the year	1,165	1,008
Total comprehensive income attributable to:		
Owners of the parent	1,064	971
Non-controlling interests	101	37
	1,165	1,008

Components of Consolidated statement of comprehensive income (OCI) are items of income and expense that are recognised in equity and not recognised in the Consolidated income statement. They include unrealised items, such as fair value gains and losses on financial instruments hedging future cash flows. These items will be realised in the Consolidated income statement when the underlying hedged item is recognised. OCI also includes gains and losses on fair valuation on available for sale financial assets, items in comprehensive income in associated companies and translation differences.

← Fair valuation of cash flow hedges mainly relates to hedging electricity price in future cash flows. When electricity price is higher than the hedging price, the impact on equity is negative and vice versa.

← Translation differences from translation of foreign entities, mainly in SEK, NOK and RUB.
 ← Mainly fair value change in Hafslund ASA's shareholding in REC incl. translation differences, EUR -77 million (2009: -37).

Consolidated balance sheet

EUR million	Note	2010	2009
ASSETS			
Non-current assets			
Intangible assets	21	421	391
Property, plant and equipment	22	14,621	12,855
Participations in associates and joint ventures	23	2,161	2,188
Share in State Nuclear Waste Management Fund	34	625	570
Pension assets	36	62	59
Other non-current assets	24	72	69
Deferred tax assets	33	141	47
Derivative financial instruments	3	183	195
Long-term interest-bearing receivables	25	1,149	918
Total non-current assets		19,435	17,292
Current assets			
Inventories	26	387	447
Derivative financial instruments	3	148	182
Trade and other receivables	27	1,284	1,030
Bank deposits		271	397
Cash and cash equivalents		285	493
Liquid funds	28	556	890
Assets held for sale	39	154	-
Total current assets		2,529	2,549
Total assets		21,964	19,841

EUR million	Note	2010	2009
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	3,046	3,046
Share premium		73	73
Retained earnings		5,448	4,762
Other equity components		-357	153
Total		8,210	8,034
Non-controlling interests	31	532	457
Total equity		8,742	8,491
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	32	6,520	6,002
Derivative financial instruments	3	238	191
Deferred tax liabilities	33	1,725	1,750
Nuclear provisions	34	625	570
Other provisions	35	239	209
Pension obligations	36	20	23
Other non-current liabilities	37	471	472
Total non-current liabilities		9,838	9,217
Current liabilities			
Interest-bearing liabilities	32	862	857
Derivative financial instruments	3	1,207	276
Trade and other payables	38	1,265	1,000
Liabilities related to assets held for sale	39	50	-
Total current liabilities		3,384	2,133
Total liabilities		13,222	11,350
Total equity and liabilities		21,964	19,841

Consolidated statement of changes in total equity

EUR million	Note	Share capital	Share premium	Retained earnings		Other equity components			Owners of the parent	Non-controlling interests	Total equity
				Retained earnings and other funds	Translation of foreign operations	Cash flow hedges	Other OCI items	OCI items associated companies			
Total equity 31 December 2009		3,046	73	5,329	-567	21	1	131	8,034	457	8,491
Net profit for the period				1,300					1,300	54	1,354
Translation differences					289	3		14	306	55	361
Other comprehensive income				-15		-443	-1	-83	-542	-8	-550
Total comprehensive income for the period				1,285	289	-440	-1	-69	1,064	101	1,165
Cash dividend	18			-888					-888		-888
Dividends to non-controlling interests									0	-22	-22
Changes due to business combinations	8								0	-4	-4
Total equity 31 December 2010		3,046	73	5,726	-278	-419	0	62	8,210	532	8,742
Total equity 31 December 2008		3,044	73	4,888	-576	321	36	168	7,954	457	8,411
Net profit for the period				1,312					1,312	39	1,351
Translation differences					9	-4		28	33	12	45
Other comprehensive income				6		-296	-19	-65	-374	-14	-388
Total comprehensive income for the period				1,318	9	-300	-19	-37	971	37	1,008
Cash dividend	18			-888					-888		-888
Dividends to non-controlling interests									0	-19	-19
Changes due to business combinations	8			-5					-5	-18	-23
Stock options exercised ¹⁾	30	2		16				-16	2		2
Total equity 31 December 2009		3,046	73	5,329	-567	21	1	131	8,034	457	8,491

1) Accounting effect of the last stock option programme (2002B) upon ending of the subscription period on May 2009.

Translation differences

Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are booked to equity.

Translation differences impacted equity attributable to owners of the parent company with EUR 306 million during 2010 (2009: 33) including net effect from SEK, NOK and RUB amounting to EUR 299 million in 2010 (2009: 27). Part of the translation difference is arising from the NOK effect in fair valuation of Hafslund's REC shares, EUR 6 million (2009: 22), which is shown together with the change in fair value in OCI items associated companies.

✚ For information regarding exchange rates used, see Note 9 Exchange rates on page 96.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -443 million (2009: -296), mainly relates to cash flow hedges hedging electricity price for future transactions. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Non-controlling interests

The main changes in non-controlling interests in equity are translation differences EUR 55 million (2009: 12), arising from RUB and SEK, changes due to dividend distributions to non-controlling interests EUR -22 million (2009: -19), and in 2009 also changes through business combinations which relate to the non-controlling interests in OAO Fortum.

Consolidated cash flow statement

EUR million	Note	2010	2009
Cash flow from operating activities			
Net profit for the period		1,354	1,351
Adjustments:			
Income tax expenses		261	285
Finance costs-net		155	167
Share of profit of associates and joint ventures		-62	-21
Depreciation, amortisation and impairment charges		563	510
Operating profit before depreciations (EBITDA)		2,271	2,292
Non-cash flow items and divesting activities		124	46
Interest received		66	106
Interest paid		-234	-291
Dividends received		62	33
Other financial items and realised foreign exchange gains and losses		-535	298
Taxes		-355	-239
Funds from operations		1,399	2,245
Change in working capital	40	38	19
Total net cash from operating activities		1,437	2,264
Cash flow from investing activities			
Capital expenditures	5, 21, 22, 40	-1,134	-845
Acquisitions of shares	40	-28	-87
Proceeds from sales of fixed assets		7	48
Divestments of shares	40	147	14
Change in interest-bearing receivables		-94	-104
Total net cash used in investing activities		-1,102	-974
Cash flow before financing activities		335	1,290
Cash flow from financing activities			
Proceeds from long-term liabilities		924	2,168
Payments of long-term liabilities		-912	-2,711
Change in short-term liabilities		191	-215
Proceeds from stock options exercised	29	-	2
Dividends paid to the owners of the parent	18	-888	-888
Other financing items		-25	-27
Total net cash used in financing activities		-710	-1,671
Total net increase(+)/ decrease(-) in liquid funds		-375	-381
Liquid funds at the beginning of the year		890	1,321
Foreign exchange differences in liquid funds		41	-50
Liquid funds at the end of the year	28	556	890

← Non-cash flow items includes mainly adjustments for fair value gains and losses on derivatives not qualifying for hedge accounting, nuclear related items and changes in provisions. Divesting activities includes reversals of sales gains and losses included in EBITDA. The actual proceeds for divestments, EUR 154 million for 2010 (2009: 62), are shown under cash flow from investing activities.

← Includes realised foreign exchange gains and losses amounting to EUR -535 million (2009: 298), which mainly relates to financing of Fortum's Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. The major part of these forwards is entered into with short maturities i.e. less than twelve months.

← Capital expenditures in cash flow do not include not yet paid investments. Capitalised borrowing costs are included in interest costs paid.

Change in interest-bearing net debt

EUR million	2010	2009
Net debt 1 January	5,969	6,179
Foreign exchange rate differences	244	144
EBITDA	2,271	2,292
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-872	-47
Change in working capital	38	19
Capital expenditures	-1,134	-845
Acquisitions	-28	-87
Divestments	154	62
Change in interest-bearing receivables	-94	-104
Dividends	-888	-888
Other financing activities	-25	-25
Net cash flow (- increase in net debt)	-578	377
Fair value change of bonds and amortised cost valuation	35	23
Net debt 31 December	6,826	5,969

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1 Summary of significant accounting policies

1.1 Principal activities

Fortum Corporation (the Company) is a Finnish public limited liability company with its domicile in Espoo, Finland. The Company is listed on NASDAQ OMX Helsinki.

Fortum Corporation and its subsidiaries (together the Fortum Group) is a leading energy company focusing on the Nordic countries, Russia and the Baltic Rim area. Fortum's activities cover generation, distribution and sale of electricity and heat, operation and maintenance of power plants as well as energy-related services.

These financial statements were approved by the Board of Directors on 1 February 2011.

1.2 Basis of preparation

The consolidated financial statements of Fortum Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC Interpretations as adopted by the European Union. The financial statements also comply with Finnish accounting principles and corporate legislation.

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss and items hedged at fair value.

1.2.1 Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting principles. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2 Critical accounting estimates and judgements on page 79.

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1.2.2 New Standards and amendments and interpretations to existing standards

Fortum has adopted the following new or amended standards and interpretations to existing standards on 1 January 2010:

- IFRS 2 (amendments) *Group cash-settled and share-based payment transactions* (effective 1 January 2010). In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance did not have a material impact on Fortum's financial statements.
- IFRS 3 (revised) *Business combinations* (effective 1 July 2009). The amendment effect the accounting of transaction costs, step acquisitions, goodwill and non-controlling interest and contingent consideration. Fortum applies the revised standard to all business combinations on or after 1 January 2010.
- IAS 27 (amended) *Consolidated and separate financial statements* (effective 1 July 2009). The amendments to IAS 27 require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Fortum applies the amended standard prospectively to transactions with non-controlling interests from 1 January 2010.
- IAS 17 (amendment) *Leases* (effective 1 January 2010). The amendment is part of the IASB's annual improvements project published in April 2009. The requirements of IAS 17 Leases regarding the classification of leases of land were amended. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. Fortum has adopted the amendment from 1 January 2010. The amendment did not have a material impact on Fortum's financial statements as the classification of major land lease agreements did not change.
- IAS 24 *Related party disclosures* (effective for annual periods beginning on or after 1 January 2011). The amendments to IAS 24 simplify the disclosure requirements for entities that are controlled by a government and clarify the definition of a related party. The revised IAS 24 provides an exemption from the disclosure requirements for government related entities, i.e. where another entity is a related party because the same government has control, joint control or significant influence over both entities. Fortum has early adopted the standard from 1 January 2010.
- IAS 39 (Amendment) *Financial instruments: recognition and measurement* (effective 1 July 2009). The amendment gives additional guidance on the designation of a hedged item. The amendment did not have a material impact on Fortum's result or financial position.
- IFRIC 17 *Distributions of non-cash assets to owners* (effective 1 July 2009). Amendment clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. It also

states that the dividend payable shall be measured at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. The interpretation did not have a material impact on Fortum's result or financial position.

- *Annual improvements to IFRSs* were issued in April 2009. The improvements primarily remove inconsistencies and clarify wording of standards. There are separate transitional provisions for each standard. The amendments did not have an impact on Fortum's financial statements.
- Fortum has early adopted IFRIC 18 *Transfer of assets from customers* in 2009.

Fortum will apply the following new or amended standards and interpretations to existing standards on 1 January 2011 or later and has not early adopted these changes:

- IAS 12 *Income taxes* (Amendment) (effective for annual periods beginning on or after 1 January 2012). The amendment provides a practical approach for measuring deferred tax assets and liabilities when investment property is fair valued under IAS 40 *Investment property*. The amendment is not expected to have an impact on Fortum, since Fortum currently does not have investment properties. The amendment is still subject to endorsement by the EU.
- IFRS 9 *Financial instruments* (effective for annual periods beginning on or after 1 January 2013). The standard has new requirements for the classification and measurement of financial assets and liabilities. New requirements are expected to be added to the standard and it will eventually replace IAS 39 and IFRS 7. Fortum will apply the new standard in due course.
- IFRIC 14 *Prepayments of minimum funding requirements* (Amendment) (effective for annual periods beginning on or after 1 January 2011). The amendment permits an entity to treat prepayments of a minimum funding as an asset. The amendment is not expected to have an impact on Fortum's financial statements.
- IFRIC 19 *Extinguishing financial liabilities with equity instruments* (effective for annual periods beginning on or after 1 July 2010). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor. The interpretation is not expected

NO MATERIAL
IMPACT ON
FORTUM'S RESULT
OR FINANCIAL
POSITION FROM
NEW OR EXPECTED
ACCOUNTING
STANDARDS 2010
OR 2011

to have an impact on Fortum's financial statements.

- *Annual improvements to IFRSs* were issued in May 2010. The improvements primarily remove inconsistencies and clarify wording of standards. There are separate transitional provisions for each standard. Amendments are not expected to have an impact on Fortum's financial statements. The annual improvements are still subject to endorsement by the EU.

1.2.3 Classification of current and non-current assets and liabilities

An asset or a liability is classified as current when it is expected to be realised in the normal operating cycle or within twelve months after the balance sheet date or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

All other assets and liabilities are classified as non-current assets and liabilities.

1.2.4 Income statement presentation

In the Consolidated income statement Comparable operating profit is presented to better reflect the Group's business performance when comparing results for the current period with previous periods.

Items affecting comparability are disclosed as a separate line item. The following items are included in "Items affecting comparability":

- non-recurring items, which mainly consist of capital gains and losses;
- effects from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. The major part of Fortum's cash flow hedges obtain hedge accounting where fair value changes are recorded in equity;
- effects from accounting of Fortum's part of the State Nuclear Waste Management Fund where the assets can not exceed the related liabilities according to IFRIC 5.

Comparable operating profit is used for financial target setting, follow up and allocation of resources in the group's performance management.

1.3 Consolidation

1.3.1 Subsidiaries

The consolidated financial statements include the parent company Fortum Corporation and all those companies in which Fortum Corporation has the power to govern the financial and operating policies and generally holds, directly or indirectly, more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

➔ *The Fortum Group subsidiaries are disclosed in Note 48 Subsidiaries by segment on 31 December 2010 on page 127.*

The Fortum Group was formed in 1998 by using the pooling-of-interests method for consolidating Fortum Power and Heat Oy and Fortum Oil and Gas Oy (the latter demerged to Fortum Oil Oy and Fortum Heat and Gas Oy 1 May 2004). In 2005 Fortum Oil Oy was separated from Fortum by distributing 85% of its shares to Fortum's shareholders and by selling the remaining 15%. This means that the acquisition cost of Fortum Power and Heat Oy and Fortum Heat and Gas Oy has been eliminated against the share capital of the companies. The difference has been entered as a decrease in shareholders' equity.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the aggregate of fair value of the assets given and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, subsidiaries' accounting policies have been changed to ensure consistency with the policies the Group has adopted.

1.3.2 Associates and joint ventures

Associated companies are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has contractually agreed to share the power to govern the financial and operating policies of that entity with another venturer or venturers. The Group's interests in associated companies and jointly controlled entities are accounted for using the equity method of accounting. Assets acquired and liabilities assumed in the investment in associates or joint ventures are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the associate or joint venture acquired, the difference is recognised directly in the income statement.

The Group's share of its associates or joint ventures post-acquisition profits or losses after tax and the expenses related to the adjustments to the fair values of the assets and liabilities assumed are recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group's share of post-acquisition adjustments to associates or joint ventures equity that have not been

recognised in the associates or joint ventures income statement, is recognised directly in Group's shareholder's equity and against the carrying amount of the investment.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Fortum owns shareholdings in associated electricity production companies (mainly nuclear and hydro), from which the owners purchase electricity at production cost, including interest costs and production taxes. The share of profit of these companies is mainly IFRS adjustments and depreciations on fair value adjustments from historical acquisitions since the companies are not profit making under local accounting principles.

➤ *For further information regarding the shareholdings in these electricity production companies, see Note 23 Participations in associated companies and joint ventures on page 108 and Note 46 Related party transactions on page 126.*

If more recent information is not available, the share of the profit of certain associated or joint venture companies is included in the consolidated accounts based on the latest available information.

Fortum owns shareholdings in listed associated companies such as Hafslund ASA. The share of profit of these companies is accounted for based on previous quarter information.

Hafslund ASA owns shares in a listed company Renewable Energy Corporation (REC). Hafslund has classified the shareholding as financial assets at fair value through profit and loss until 19 November 2008 when Hafslund changed the accounting treatment to available for sale financial assets with fair value changes entered directly through equity. When accounting for share of profits in Hafslund, Fortum has since 2006 reclassified Hafslund's accounting treatment to available for sale financial assets with fair value changes entered directly through equity. If Hafslund divests or impairs its shareholding in REC, Fortum will adjust any occurring sales gains or losses and impairment charges due to different historical accounting treatment. Since REC is listed in the Oslo stock exchange, Fortum is accounting for the fair value changes in REC based on the share price in Oslo stock exchange and the number of shares owned by Hafslund at each closing date. If Hafslund publicly announces a divestment of shares in REC, Fortum accounts for any gains or losses of this transaction as soon as information is available.

Regarding Fortum's share of profits in TGC-1, the share of profit is accounted for based on latest available IFRS interim financial statement.

➤ *Regarding accounting for Fortum's shareholding in Hafslund ASA and TGC-1, see Note 23 Participations in associated companies and joint ventures on page 108.*

1.3.3 Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the equity of the owners of the parent company. The interests of non-controlling is initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

1.4 Segment reporting

Fortum discloses segment information in a manner consistent with internal reporting to Fortum's Board of Directors and to Fortum Management Team led by the President and CEO. Fortum mainly has segments based on type of business operations, combined with one segment based on geographical area.

The Group's businesses are divided into the following reporting segments:

- Power – comprises power generation (exclusive Russia), physical operation and trading as well as expert services for power producers in the Nordic market and selected international markets. Power sells its power mainly to the Nordic power exchange Nord Pool Spot;
- Heat – comprises heat generation and sales in the Nordic countries and other parts of the Baltic Rim. The segment also generates power in the combined heat and power plants (CHP) and sells it to end-customers mainly by long-term contracts, as well as to Nord Pool Spot;
- Distribution – owns and operates distribution and regional networks and distributes electricity to customers in Sweden, Finland, Norway and Estonia;
- Electricity Sales – focuses on the retail sale of electricity to private and business customers as well as to other electricity retailers in Sweden, Finland and Norway. Electricity Sales segment buys its electricity through Nord Pool Spot;
- Russia – comprises power and heat generation and sales in Russia. It includes mainly the Russian subsidiary OAO Fortum and the shareholding in the associated company TGC-1;
- Other – mainly the shareholding in the associated company Hafslund ASA and corporate center including the Fortum Group shared service centers. The shared service centers charge the companies according to service level agreements.

➤ *For further information about the reporting segments, see Note 5 Segment reporting on page 90.*

1.5 Discontinued operations and assets held for sale

Discontinued operations represent a separate major line of business that either has been disposed of or is classified as held for sale. Assets and liabilities attributable to the discontinued operations must be clearly distinguishable from the other consolidated entities in terms of their operations and cash flows. In addition, the reporting entity must not have any significant continuing involvement in the operations classified as a discontinued operation.

Non-current assets (or disposal groups) classified as held for sale are valued at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These classification criteria do not include non-current assets to be abandoned or those that have been temporarily taken out of use. An impairment loss (or subsequent gain) reduces (or increases) the carrying amount of the non-current assets or disposal groups. The assets are not depreciated or amortised. Interest or other expenses related to these assets are recognised as before the classification as held for sale.

Neste Oil was included in Fortum Group up until 31 March 2005, when the Annual General Meeting took the final decision to separate the oil operations by distributing approximately 85% of Neste Oil Corporation shares as dividend. The remaining approximately 15% of shares were sold to investors in April 2005.

⊕ *Oil operations have been presented as discontinued operations for 2004 and 2005, see Financial key figures on page 129.*

1.6 Foreign currency transactions and translation

1.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

1.6.2 Transactions and balances

Transactions denominated in foreign currencies are translated using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the closing date are translated using the exchange rate quoted on the closing date. Exchange rate differences have been entered in the income statement. Net conversion differences relating to financing are entered under financial income or expenses, except when deferred in equity as qualifying cash flow hedges. Translation differences on available-for-sale financial assets are included in Other equity components section of the equity.

1.6.3 Group companies

The income statements of subsidiaries, whose measurement and reporting currencies are not euros, are translated into the Group reporting currency using the average exchange rates for the year based on the month-end exchange rates, whereas the balance sheets of such subsidiaries are translated using the exchange rates on the balance sheet date. On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition

of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group deems all cumulative translation differences for all foreign operations to be zero at the date of transition to IFRS, i.e. 1 January 2004.

⊕ *Exchange rates used to translate reporting currencies into euros are disclosed in Note 9 Exchange rates on page 96.*

1.6.4 Associates and joint ventures

The Group's interests in associated companies and jointly controlled entities are accounted for by the equity method. Associates and joint ventures, whose measurement and reporting currencies are not euro, are translated into the Group reporting currency using the same principles as for subsidiaries, see 1.6.3 Group companies.

1.7 Revenue recognition

Revenue comprises the fair value consideration received or receivable at the time of delivery of products and/or upon fulfilment of services. Revenue is shown, net of rebates, discounts, value-added tax and selective taxes such as electricity tax. Revenue is recognised as follows:

1.7.1 Sale of electricity, heat, cooling and distribution of electricity

Sale of electricity, heat, cooling and distribution of electricity is recognised at the time of delivery. The sale to industrial and commercial customers and to end-customers is recognised based on the value of the volume supplied, including an estimated value of the volume supplied to customers between the date of their last meter reading and year-end.

Physical energy sales and purchase contracts are accounted for on accrual basis as they are contracted with the Group's expected purchase, sale or usage requirements.

Electricity tax is levied on electricity delivered to retail customers by domestic utilities in Sweden. The tax is calculated on the basis of a fixed tax rate per kWh. The rate varies between different classes of customers. Sale of electricity in the income statement is shown net of electricity tax.

Physical electricity sales and purchases are done through Nord Pool Spot. The sales and purchases are netted on Group level on an hourly basis and posted either as revenue or cost, according to whether Fortum is a net seller or a net buyer during any particular hour.

The prices charged of customers for the sale of distribution of electricity are regulated. The regulatory mechanism differs from country to country. Any over or under income decided by the regulatory body is regarded as regulatory assets or liabilities that do not qualify for balance sheet recognition due to the fact that no contract defining the regulatory aspect has been entered into with a specific customer and thus the receivable is contingent on future delivery. The over or under income is normally credited or charged over a number of years in the future to the customer using the electricity connection at that time. No retroactive credit or charge can be made.

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1.7.2 Connection fees

Fees paid by the customer when connected to the electricity, gas, heat or cooling network are recognised as income to the extent that the fee does not cover future commitments. If the connection fee is linked to the contractual agreement with the customer, the income is recognised over the period of the agreement with the customer.

Connection fees paid by customers when connected to the electricity network before 2003 are refundable in Finland if the customer would ever disconnect the initial connection. Also fees paid by the customer when connected to district heating network in Finland are refundable. These connection fees have not been recognised in the income statement and are included in other liabilities in the balance sheet.

1.7.3 Contract revenue

Contract revenue is recognised under the percentage of completion method to determine the appropriate amount to recognise as revenue and expenses in a given period. The stage of completion is measured by reference to the contract costs incurred up to the closing date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'. The Group presents as a liability the amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

1.7.4 Other income

Revenue from activities outside normal operations is reported in Other income. This includes recurring items such as rental income.

1.8 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the acquisition cost of the asset and are recognised as income by reducing the depreciation charge of the asset they relate to.

1.9 Emission allowances

The Group accounts for emission allowances based on currently valid IFRS standards

where purchased emission allowances are accounted for as intangible assets at cost, whereas emission allowances received free of charge are accounted for at nominal value. A provision is recognised to cover the obligation to return emission allowances. To the extent that Group already holds allowances to meet the obligation the provision is measured at the carrying amount of those allowances. Any shortfall of allowances held over the obligation is valued at the current market value of allowances. The cost of the provision is recognised in the income statement within materials and services. Gains from sales of emission rights are reported in Other income.

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.11 Research and development costs

Research and development costs are recognised as expense as incurred and included in other expenses in the income statement. If development costs will generate future income, they are capitalised as intangible assets and depreciated over the period of the income streams.

1.12 Property, plant and equipment

Property, plant and equipment comprise mainly power and heat producing buildings and machinery, transmission lines, tunnels, waterfall rights and district heating network. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses as applicable in the consolidated

86%

FORTUM'S CO₂-
FREE POWER
PRODUCTION
WITHIN EU

66%

FORTUM'S CO₂-
FREE POWER
PRODUCTION,
INCLUDING RUSSIA

balance sheet. Historical cost includes expenditure that is directly attributable to the acquisition of an item and borrowing costs capitalised in accordance with the Groups accounting policy. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Additionally the cost of an item of property, plant and equipment includes the estimated cost of its dismantlement, removal or restoration.

➤ See also section 1.24.2 Asset retirement obligations on page 77.

Land, water areas, waterfall rights and tunnels are not depreciated since they have indefinite useful lives. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Hydro power plant buildings, structures and machinery	40–50 years
Thermal power plant buildings, structures and machinery	25 years
Nuclear power plant buildings, structures and machinery	25 years
CHP power plant buildings, structures and machinery (each CHP plant has an individual depreciation period)	15–25 years
Substation buildings, structures and machinery	30–40 years
Distribution network	15–40 years
District heating network	30–40 years
Other buildings and structures	20–40 years
Other tangible assets	20–40 years
Other machinery and equipment	3–20 years
Other non-current investments	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each closing date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.12.1 Jointly controlled assets

Fortum owns, through its subsidiary Fortum Power and Heat Oy, the coal condensing power plant Meri-Pori in Finland. Teollisuuden Voima Oyj (TVO) has the contractual right to participate in the plant with 45.45%. The capacity and production can be divided between Fortum and TVO. Each owner can decide when and how much capacity

to produce. Both Fortum and TVO purchase fuel and emission rights independently. Since both Fortum and TVO have control, including related risks and rewards, of their share of the power plant, Meri-Pori is accounted for as a jointly controlled asset.

Fortum is accounting for the part of the investment that corresponds to the investment Fortum has made, i.e. 54.55%.

Fortum is also entitled to part of the electricity TVO produces in Meri-Pori through the shareholding of 26.58% of TVO C-series shares.

➤ For further information regarding Fortum's shareholding in TVO, see Note 23 Participations in associated companies and joint ventures on page 108.

1.13 Intangible assets

Intangible assets, except goodwill, are stated at the historical cost less accumulated amortisation and impairment losses if applicable and amortised on a straight-line method over their expected useful lives.

1.13.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to the acquirer and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

1.13.2 Trademarks and licenses

Trademarks and licences are shown at historical cost less accumulated amortisation and impairment losses, as applicable. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives (15–20 years).

1.13.3 Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value on acquisition date. The contractual customer relations have a finite useful life and are carried at costs less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected duration of the customer relationship.

1.13.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

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Goodwill on acquisition of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.14 Impairment of non-financial assets

The individual assets' carrying values are reviewed at each closing date to determine whether there is any indication of impairment. Asset's carrying amount is written down immediately to its recoverable amount if it is greater than the estimated recoverable amount.

When considering the need for impairment the Group assesses if events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment is documented once a year in connection with the Business Plan process. Indications for impairment are analysed separately by each division as they are different for each business and include risks such as changes in electricity and fuel prices, regulatory/political changes relating to energy taxes and price regulations etc. Impairment testing needs to be performed if any of the impairment indications exists. Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment.

An impairment loss is recognised in the income statement for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Value in use is determined by discounting the future cash flows expected to be derived from an asset or cash-generating unit. Cash flow projections are based on the most recent Business Plan that has been approved by management. Cash flows arising from future investments such as new plants are excluded unless projects have been started. The cash outflow needed to complete the assets is included.

The period covered by cash flows is related to the useful lives of the assets reviewed for impairment. Normally projections should cover a maximum period of five years but as the useful lives of power plants and other major assets are over 20 years, the projection period is naturally longer. Cash flow projections beyond the period covered by the most recent Business Plan are estimated by extrapolating the projections using a steady or declining growth rate for subsequent years.

Non-financial assets other than goodwill that suffered an impairment charge are reviewed for possible reversal of the impairment at each reporting date.

1.15 Financial assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

1.15.1 Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the closing date.

1.15.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor. They are included in non-current assets, except for maturities under 12 months after the closing date. These are classified as current assets.

1.15.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of the closing date.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value

by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each closing date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

1.16 Trade receivables

Trade receivables are recorded at their fair value. A provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered as indicators that the receivable is impaired. The amount of the impairment charge is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Trade receivables include revenue based on an estimate of electricity, heat, cooling and distribution of electricity already delivered but not yet measured and not yet invoiced.

1.17 Liquid funds

Cash and cash equivalents in Liquid funds include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

1.18 Treasury shares

Where any group company purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received is included in equity.

1.19 Borrowings

Borrowings are recognised initially at fair value less transaction costs incurred. In subsequent periods, they are stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised as interest cost over the period of the borrowing using the effective interest method. Borrowings or portion of borrowings being hedged with a fair value hedge is recognised at fair value.

1.20 Leases

1.20.1 Finance leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments determined at the inception of the lease. Each lease payment is allocated between the reduction of the outstanding liability and the finance charges. The corresponding rental obligations, net of finance charges, are included in the long-term or short-term interest-bearing liabilities according to their maturities. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Sale and leaseback transactions resulting in a finance lease agreement are recognised according to the principles described above. The difference between the selling price and the carrying amount of the asset sold is deferred and amortised over the lease period.

The property, plant and equipment leased out under a finance lease are presented as interest-bearing receivables at an amount equal to the net investment in the lease. Each lease payment receivable is allocated between the repayment of the principal and the finance income. Finance income is recognised in the income statement over the lease term so as to produce a constant periodic rate of return on the remaining balance of the receivable for each period.

1.20.2 Operating leases

Leases of property, plant and equipment, where the Group does not have substantially all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement as costs on a straight-line basis over the lease term.

Payments received under operating leases where the Group leases out fixed assets are recognised as other income in the income statement.

1.21 Inventories

Inventories in Fortum mainly consist of fuels consumed in the production process or in the rendering of services. Inventories are stated at the lower of cost and net realisable value being the estimated selling price for the end product, less applicable variable selling expenses and other production costs. Cost is determined using the first-in, first-out (FIFO) method.

Inventories which are acquired primarily for the purpose of trading are stated at fair value less selling expenses.

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1.22 Income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the closing date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are set off against deferred tax liabilities if they relate to income taxes levied by the same taxation authority.

Deferred tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group, and it is probable that the temporary difference will not reverse in the foreseeable future.

1.23 Employee benefits

1.23.1 Pension obligations

The Group companies have various pension schemes in accordance with the local conditions and practises in the countries in which they operate. The schemes are generally funded through payments to insurance companies or Group's pension fund as determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is charged to the income statement as to spread the service cost over the service lives of employees. The defined benefit obligation is measured as the present value of the estimated future cash flows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds, market yields on government bonds are used instead. The liability recognised in the balance sheet is the defined benefit obligation at the closing date less the fair value of plan assets with adjustments for unrecognized actuarial gains or losses or past service

costs. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Actuarial gains and losses exceeding 10% of total of the present value of defined benefit obligations or the fair value of plan assets (whichever is higher) are recorded in the income statement over the employees' expected average remaining working lives. These limits are calculated and applied separately for each defined benefit plan. Past-service costs are recognised immediately in income statement or amortised on a straight-line basis over the vesting period.

1.23.2 Share-based compensation

The Group operates long-term management performance share arrangements. The potential reward of the performance share arrangement is based on the performance of the Group, its divisions and appreciation of the Fortum share. The potential reward of the performance share arrangement is treated as cash settled arrangement which is recognised as an expense during the vesting period with a corresponding increase in the liabilities. The fair value of the potential reward of outstanding share rights is measured based on the market value of the Fortum share initially when the share participation is defined and at each closing date after that. Estimated departures are taken into account when determining the fair value of the potential reward. The changes of the fair value of the potential reward are accrued over the remaining vesting period. A provision is recorded on the social charges related to the arrangement payable by the employer.

In order to hedge the Group against the changes in the fair values of the potential rewards the Group has entered into share forward transactions which are settled in cash. The forward transactions do not qualify for hedge accounting and therefore the periodic changes to their fair values are recorded in the income statement.

1.24 Provisions

Provisions for environmental restorations, asset retirement obligations, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events to a third party, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

⊕ *Regarding provisions for decommissioning and provision for disposal of spent fuel for nuclear production, see 1.25 below.*

1.24.1 Environmental provisions

Environmental provisions are recognised, based on current interpretation of environmental laws and regulations, when it is probable that a present obligation has arisen

and the amount of such liability can be reliably estimated. Environmental expenditures resulting from the remediation of an existing condition caused by past operations, and which do contribute to current or future revenues, are expensed as incurred.

1.24.2 Asset retirement obligations

Asset retirement obligation is recognised either when there is a contractual obligation towards a third party or a legal obligation and the obligation amount can be estimated reliably. Obligating event is e.g. when a plant is built on a leased land with an obligation to dismantle and remove the asset in the future or when a legal obligation towards Fortum changes. The asset retirement obligation is recognised as part of the cost of an item of property and plant when the asset is put in service or when contamination occurs. The costs will be depreciated over the remainder of the asset's useful life.

1.24.3 Restructuring provisions

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Restructuring provisions comprise mainly of employee termination payments and lease termination costs.

1.25 Assets and liabilities related to decommissioning of nuclear power plants and the disposal of spent fuel

Fortum owns Loviisa nuclear power plant in Finland. Fortum's nuclear related provisions and the related part of the State Nuclear Waste Management are both presented separately in the balance sheet. Fortum's share in the State Nuclear Waste Management Fund is accounted for according to IFRIC 5, *Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds* which states that the fund assets are measured at the lower of fair value or the value of the related liabilities since Fortum does not have control or joint control over the State Nuclear Waste Management Fund. The related provisions are the provision for decommissioning and the provision for disposal of spent fuel.

The fair values of the provisions are calculated by discounting the separate future cash flows, which are based on estimated future costs and actions already taken. The initial net present value of the provision for decommissioning (at the time of commissioning the nuclear power plant) has been included in the investment cost and is depreciated over the estimated operating time of the nuclear power plant. Changes in the technical plans et.c, which have an impact on the future cash flow of the estimated costs for decommissioning, are accounted for by discounting the additional costs to the current point in time. The increased asset retirement cost due to the increased provision is added to

property, plant and equipment and depreciated over the remaining estimated operating time of the nuclear power plant.

The provision for spent fuel covers the future disposal costs for fuel used until the end of the accounting period. Costs for disposal of spent fuel are expensed during the operating time based on fuel usage. The impact of the possible changes in the estimated future cash flow for related costs is recognised immediately in the income statement based on the accumulated amount of fuel used until the end of the accounting period. The related interest costs due to unwinding of the provision, for the period during which the spent fuel provision has been accumulated and present point in time, are also recognised immediately in the income statement.

The timing factor is taken into account by recognising the interest expense related to discounting the nuclear provisions. The interest on the State Nuclear Waste Management Fund assets is presented as financial income.

Fortum's actual share of the State Nuclear Waste Management Fund, related to Loviisa nuclear power plant, is higher than the carrying value of the Fund in the balance sheet. The legal nuclear liability should, according to the Finnish Nuclear Energy Act, be fully covered by payments and guarantees to the State Nuclear Waste Management Fund. The legal liability is not discounted while the provisions are, and since the future cash flow is spread over 100 years, the difference between the legal liability and the provisions are material.

The annual fee to the Fund is based on changes in the legal liability, the interest income generated in the State Nuclear Waste Management Fund and incurred costs of taken actions.

Fortum also has minority shareholdings in the associated nuclear power production companies Teollisuuden Voima Oyj (TVO) in Finland and directly and indirectly in OKG AB and Forsmarks Kraftgrupp AB in Sweden. The Group's interests in associated companies are accounted for by the equity method. Accounting policies of the associates regarding nuclear assets and liabilities have been changed where necessary to ensure consistency with the policies adopted by the Group.

✚ For more information regarding nuclear related assets and liabilities, see Note 34 Nuclear related assets and liabilities on page 118.

1.26 Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from events and whose existence is only confirmed by one or more doubtful future events or when there is an obligation that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required or the amount of the obligation cannot be reliably estimated.

1.27 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the owners of the parent company by the weighted average number of ordinary shares in

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issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the warrants and stock options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Fortum share) based on the monetary value of the subscription rights attached to outstanding stock options.

The number of shares calculated as above is deducted from the number of shares that would have been issued assuming the exercise of the stock options. The incremental shares obtained through the assumed exercise of the options and warrants are added to the weighted average number of shares outstanding.

Options and warrants have a dilutive effect only when the average market price of ordinary shares during the period exceeds the exercise price of the options or warrants. Previously reported earnings per share are not retroactively adjusted to reflect changes in price of ordinary shares.

1.28 Dividends

Dividends proposed by the Board of Directors are not recognised in the financial statements until they have been approved by the Company's shareholders at the Annual General Meeting.

1.29 Accounting for derivative financial instruments and hedging activities

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities. The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements. Such contracts are not within the scope of IAS 39. All other net-settled commodity contracts are measured at fair value with gains and losses taken to the income statement.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of highly probable forecast transactions (cash flow hedges); (2) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (3) hedges of net investments in foreign operations. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used

in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. Derivatives are divided into non-current and current based on maturity. Only for those electricity derivatives, which have cash flows in different years, the fair values are split between non-current and current assets or liabilities.

1.29.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity is recognised in the income statement when the forecast transaction is ultimately also recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

1.29.2 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss for the period to maturity.

1.29.3 Net investment hedging in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

1.29.4 Derivatives that do not qualify for hedge accounting

Certain derivative instruments hedging future cash flows do not qualify for hedge accounting. Fair value changes of these financial derivative instruments are recognised in items affecting comparability in the income statement.

1.30 Fair value estimation

Fair value measurements are classified using a fair value hierarchy i.e. Level 1, Level 2 and Level 3 that reflects the significance of the inputs used in making the measurements.

⊕ *Financial instruments that are measured in the balance sheet at fair value are presented according to fair value measurement hierarchy in the Note 20 Financial assets and liabilities by fair value hierarchy on page 105.*

1.30.1 Fair values under Level 1 measurement hierarchy

The fair value of some commodity derivatives traded in active markets (such as publicly traded electricity options, coal and oil forwards) are market quotes at the closing date.

1.30.2 Fair values under Level 2 measurement hierarchy

The fair value of financial instruments including electricity derivatives traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the closing date. Known calculation techniques, such as estimated discounted cash flows, are used to determine fair value of interest rate and currency financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the closing date. Fair values of options are determined by using option valuation models. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. In fair valuation, credit spread has not been adjusted, as quoted market prices of the instruments used are believed to be consistent with the objective of a fair value measurement.

The Group bases the calculation on existing market conditions at each closing date. Financial instruments used in Fortum are standardised products that are either cleared via exchanges or widely traded in the market. Commodity derivatives are generally cleared through exchanges such as for example NASDAQ OMX Commodities Europe and financial derivatives done with creditworthy financial institutions with investment grade ratings.

1.30.3 Fair values under Level 3 measurement hierarchy

Fair valuation of electricity derivatives maturing over six years which are not standard NASDAQ OMX Commodities Europe products are based on prices collected from reliable market participants.

1.30.4 Other measurements

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

2 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results and timing may differ from these estimates. Below are areas where management's accounting estimates and judgements are most critical to reported results and financial position.

2.1 Intangible assets and property, plant and equipment acquired in a business combination

In an acquisition acquired intangible and tangible assets are fair valued and their remaining useful lives are determined. Management believes that the assigned values and useful lives, as well as the underlying assumptions, are reasonable, though different assumptions and assigned lives could have a significant impact on the reported amounts.

2.2 Impairment of property, plant and equipment and intangible assets

The Group has significant carrying values in property, plant and equipment as well as goodwill which are tested for impairment according to the accounting policy stated in Note 1 Accounting policies. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations are based on estimated future cash flows. Preparation of these estimates requires management to make assumptions relating to future expectations. Assumptions vary depending on the business the tested assets are in. For power and heat generation business the main assumptions relate to the estimated future operating cash flows and the discount rates used to present value them. The distribution business is regulated and supervised by national authorities. Estimated future cash flows include assumptions relating to the development of the future regulatory framework.

⊕ *Key assumptions used in goodwill impairment testing are discussed in Note 21 Intangible assets on page 106.*

The Group has not recognised any impairment losses in 2010 based on impairment testing done in late 2010.

⊕ *Impairment losses recognised during 2010 relating to specific items are presented in Note 5 Segment information on page 90, Note 21 Intangible Assets on page 106 and in Note 22 Property, plant and equipment on page 106.*

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The Group has considered the sensitivity of the testing to changes in key assumptions. When doing this any consequential effect of the change on the other variables has also been considered. The calculations are most sensitive to changes in estimated future operating profit levels and discount rate. If the revised estimated operating profit before depreciation on 31 December 2010 was 10% lower than management's estimates or pre-tax discount rate applied to the discounted cash flows was 10% higher than management's estimates, the Group would not have recognised impairment losses for property plant and equipment or goodwill.

2.3 Deferred and income taxes

Fortum has deferred tax assets and liabilities which are expected to be realised through the income statement over the extended periods of time in the future. In calculating the deferred tax items, Fortum is required to make certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

Assumptions made include the expectation that future operating performance for subsidiaries will be consistent with historical levels of operating results, recoverability periods for tax loss carry-forwards will not change, and that existing tax laws and rates will remain unchanged into foreseeable future. Fortum believes that it has prudent assumptions in developing its deferred tax balances.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

If the actual final outcome (regarding tax audits) would differ negatively from management's estimates with 10%, the Group would need to increase the income tax liability by EUR 5 million.

2.4 Liabilities related to nuclear production

The provision for future obligations for nuclear waste management including decommissioning of Fortum's nuclear power plant and related spent fuel is based on long-term cash flow forecasts of estimated future costs. The main assumptions are technical plans, timing, cost estimates and discount rate. The technical plans, timing and cost estimates are approved by governmental authorities.

Any changes in the assumed discount rate would affect the provision. If the discount rate used would be lowered, the provision would increase. Fortum has contributed cash to the State Nuclear Waste Management Fund based on a non-discounted legal liability, which leads to that the increase in provision would be offset by an increase in the recorded share of Fortum's part of the State Nuclear Waste Management Fund in the balance sheet. The total effect on the income statement would be positive since the de-

commissioning part of the provision is treated as an asset retirement obligation. This situation will prevail as long as the legal obligation to contribute cash to the State Nuclear Waste Management Fund is based on a non-discounted liability and IFRS is limiting the carrying value of the assets to the amount of the provision since Fortum does not have control or joint control over the fund

➤ See Note 34 Nuclear related assets and liabilities on page 118.

2.5 Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations.

➤ Assumptions used and sensitivity analysis for changes in major assumptions is presented in Note 36 Pension obligations on page 120.

3 Financial risk management

Risk management objectives, principles, and framework including governance, organisation and processes as well as description of risks i.e. strategic, financial and operational risks are described in Operating and Financial Review (OFR).

➤ See Risk management on page 51.

3.1 Financial risks

Fortum defines financial risk as the negative effects of market price movements, volume changes, liquidity events or counterpart events. A number of different methods, such as Value-at-Risk and Profit-at-Risk, are used throughout Fortum to quantify financial risks. In particular, the potential impact of price and volume risks of electricity, weather, CO₂ and main fuels are assessed taking into account their interdependencies. Stress-testing is carried out in order to assess the effects of extreme electricity price movements on Fortum's earnings.

Financial risk taking aims to capture potential upside by optimising hedging or by trading in the markets. Risk taking is limited by risk mandates. Risk mandates include the Group minimum EBITDA mandate approved by the Board of Directors and Volumetric limits, Value-at-Risk limits, Stop-Loss limits and counterpart exposure limits approved according to authority levels defined by the CEO.

3.2 Electricity price risks

Strategies for hedging the electricity price are developed and executed by the Trading and Industrial Intelligence unit in co-operation with the Divisions within set mandates approved by the CEO. In the Nordic markets, the hedging strategies are executed by entering into electricity derivatives contracts. In Russia, the electricity market liberalisation has developed as planned. Hedging strategies for Russia will be developed in line with the development of the financial electricity market. Risk in the hedging strategies and their execution are continuously evaluated in accordance with models approved by the CRO and mandates approved by CEO.

Fortum's sensitivity to electricity market price is dependent on the hedge level for a given time period. The hedge ratio on 31 December 2010 was approximately 70% for the year 2011 and 40% for 2012. Assuming no changes in generation volumes, hedge ratios or cost structure a 1 EUR/MWh change in the market price of electricity would affect Fortum's 2011 profit before income tax by approximately EUR 15 million and 2012 EUR 30 million. Volume used in this sensitivity analysis is 50 TWh which includes the electricity generation sold to the spot market in Sweden and Finland in Power and Heat segments without minority owner's shares of electricity or other pass-through sales. This volume is heavily dependent on price level, hydrological situation, the length of annual maintenance periods and availability of power plants. Sensitivity is calculated only for market price movement as hydrological conditions, temperature, CO₂ allowance prices, fuel prices and

the import/export situation all affect electricity price on short-term basis and effects of these factors cannot be separated as individual sensitivity analysis. In Russia market risk calculations follow always the current market mechanisms and rules.

3.2.1 Sensitivity arising from financial instruments according to IFRS 7

Sensitivity analysis shows the sensitivity arising from financial electricity derivatives as defined in IFRS 7. These derivatives are used in hedging and proprietary trading purposes in various business areas within Fortum. Sensitivities are calculated based on 31 December 2010 (31 December 2009) position. Positions are actively managed in the day-to-day business operations and therefore the sensitivities vary from time to time. Sensitivity analysis includes only the market risks arising from derivatives i.e. the underlying physical electricity sales and purchase are not included. Sensitivity is calculated with the assumption that electricity forward quotations in NASDAQ OMX Commodities Europe and in EEX would change 1 EUR/MWh for the period Fortum has derivatives.

Sensitivity according to IFRS 7

+/- 1 EUR/MWh change in electricity forward quotations, EUR million	Effect	2010	2009
Effect on Profit before income tax	-/+	11	1
Effect on Equity	-/+	43	53

3.2.2 Electricity derivatives

The tables below disclose the Group's electricity derivatives used mainly for hedging electricity price risk. The fair values represent the values disclosed in the balance sheet.

➤ See also Note 1 Accounting policies for accounting principles and bases for fair value estimations on page 67 and Note 7 Fair value changes of derivatives and underlying items in income statement on page 95 for the effects in the income statement regarding electricity derivatives not getting hedge accounting status.

Electricity derivatives by instrument 2010

Gross	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Sales swaps	76	48	0	124	44	2,113	-2,069
Purchase swaps	48	23	0	71	1,253	29	1,224
Purchased options	0	0	0	0	0	0	0
Written options	1	1	0	2	1	10	-9
Total	125	72	0	197	1,298	2,152	-854
Netting against electricity exchanges ¹⁾					-1,204	-1,204	0
Net total					94	948	-854

1) Receivables and liabilities against electricity exchanges arising from standard derivative contracts with same delivery period are netted.

Electricity derivatives by accounting status 2010

Gross	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Derivatives with hedge accounting status	69	44	0	113	628	1,249	-621
Derivatives with non-hedge accounting status ¹⁾	56	28	0	84	670	903	-233
Total	125	72	0	197	1,298	2,152	-854
Netting against electricity exchanges ²⁾							
Derivatives with hedge accounting status					-626	-626	0
Derivatives with non-hedge accounting status ¹⁾					-578	-578	0
Total					-1,204	-1,204	0
Net total					94	948	-854
Of which long-term					33	176	-143
Short-term					61	772	-711

Electricity derivatives by instrument 2009

Gross	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Sales swaps	97	59	1	157	559	550	9
Purchase swaps	71	31	0	102	347	426	-79
Purchased options	-	1	-	1	1	2	-1
Written options	2	1	-	3	2	1	1
Total	170	92	1	263	909	979	-70
Netting against electricity exchanges ²⁾					-779	-779	0
Net total					130	200	-70

Electricity derivatives by accounting status 2009

Gross	Volume, TWh				Fair value, EUR million		
	Under 1 year	1-5 years	Over 5 years	Total	Positive	Negative	Net
Derivatives with hedge accounting status	98	60	0	158	582	628	-46
Derivatives with non-hedge accounting status ¹⁾	72	32	1	105	327	351	-24
Total	170	92	1	263	909	979	-70
Netting against electricity exchanges ²⁾							
Derivatives with hedge accounting status					-523	-523	0
Derivatives with non-hedge accounting status ¹⁾					-256	-256	0
Total					-779	-779	0
Net total					130	200	-70
Of which long-term					54	101	-47
Short-term					76	99	-23

1) Derivatives with non-hedge accounting status consist of trading derivatives and cash flow hedges without hedge accounting status.

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

Maturity analysis of electricity derivatives

Amounts disclosed below are non-discounted cash flows for electricity derivatives.

EUR million	2010				2009			
	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Electricity derivatives liabilities	-1,800	-352	0	-2,152	-677	-300	-2	-979
Electricity derivatives assets	1,094	204	0	1,298	652	255	2	909

3.3 Volume risks

Power and heat generation, customer sales and electricity distribution volumes have significant variations that depend on the nature of the business. These volumes are subject to changes in, for example, hydrological conditions, economic situation and temperature. Uncertainty in nuclear production due to prolonged maintenance or delays in upgrades, especially in co-owned plants in Sweden, has also increased in recent years.

Changes in volumes are closely monitored so that hedges can be adjusted accordingly. In addition, volume risks in power and heat generation are partly mitigated through generation flexibility.

3.4 Fuel price risks

Fortum uses financial derivatives such as oil and coal derivatives to mitigate its fuel price risk and in addition to this Fortum has a proprietary trading book. At 31 December 2010 Fortum had oil sales swaps and futures amounting to 11,473 thousand bbl (2009: 1,555) and oil purchase swaps and futures amounting to 11,541 thousand bbl (2009: 1,450). The respective net fair values were EUR -93 million (2009: -4) and EUR 76 million (2009: 4). Volumes of sold and bought coal derivatives were 6,865 kt (2009: 1,259) and 7,985 kt (2009: 1,762) respectively and the net fair values were EUR -117 million (2009: -3) and EUR 137 million (2009: -1).

3.5 CO₂ emission allowance price risk

Fortum manages its exposure to CO₂ allowance prices related to own production through the use of CO₂ forwards and by ensuring that the costs of allowances are taken into account during production planning. These CO₂ allowances are own use contracts valued at cost.

In addition to own production Fortum has a proprietary trading book. These allowances are treated as derivatives in the accounts. At 31 December 2010 the trading volumes of sold and bought CO₂ emission allowances were 5,225 ktCO₂ (2009: 366) and 8,882 ktCO₂ (2009: 686). The respective net fair values were EUR 7 million (2009: 1) and EUR -7 million (2009: -2).

On 20 February 2008, Fortum, the Russian Territorial Generating Company No. 1 (TGC-1) and ECF Project Ltd signed an agreement according to which Fortum will purchase approximately 4 million tonnes of emission reduction units (ERU) from TGC-1. The ERUs will come from Joint Implementation projects conducted at TGC-1's production facilities during the Kyoto Period (2008-2012) of the European Emissions Trading Scheme. The agreement has been classified as an own use contract and valued at cost.

3.6 Proprietary trading risks

Fortum is trading electricity forwards, futures and options mainly on the NASDAQ OMX Commodities Europe and EEX markets, CO₂ allowances on the European market and financial coal and oil derivatives on the ICE and OTC markets.

Proprietary trading risks are monitored and reported daily, and have stringent controls in place. Overall trading mandates for Fortum are set by the CEO, and these mandates are further cascaded down to individual portfolios. Stop-loss mandates are set to limit the cumulative maximum, and "red-flag" thresholds for losses are established at predefined levels to signal the need for management involvement before reaching the stop-loss limit. Value-at-Risk mandates are set to limit the maximum level of risk at any given time.

3.7 Liquidity and refinancing risk

Fortum's business is capital intensive and the Group has a regular need to raise financing. Fortum has a diversified loan portfolio mainly consisting of long-term financing denominated in EUR. Long-term financing is primarily raised by issuing bonds under Fortum's Euro Medium Term Note programme as well as through bilateral and syndicated loan facilities from a variety of different financial institutions. Seasonal variations in working capital are generally financed by issuing short-term commercial papers under the Group's Swedish (SEK) and Finnish (EUR) Commercial Paper programmes.

Financing is primarily raised on parent company level and distributed internally through various internal financing arrangements. On 31 December 2010, 91% (2009: 92%) of the Group's total external financing was raised by the parent company Fortum Oyj.

On 31 December 2010, the total interest-bearing debt was EUR 7,382 million (2009: 6,859) and the interest-bearing net debt was EUR 6,826 million (2009: 5,969).

Fortum manages liquidity and refinancing risks through a combination of cash positions and committed credit facility agreements with its core banks. The Group shall at all times have access to cash, marketable securities and unused committed credit facilities including overdrafts, to cover all loans maturing within the next twelve-month period. However, cash/marketable securities and unused committed credit facilities shall always amount to at least EUR 500 million.

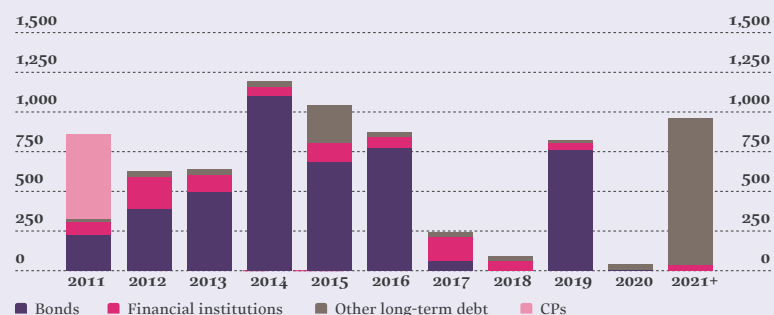
On 31 December 2010, loan maturities for the coming twelve-month period amounted to EUR 862 million (2009: 857). Liquid funds amounted to EUR 556 million (2009: 890) including OAO Fortum's bank deposits amounting to EUR 336 million (2009: 626) and the total amount of committed credit facilities amounted to EUR 2,918 million (2009: 2,911) of which EUR 2,918 million was undrawn (2009: 2,911).

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Maturity of interest-bearing liabilities

EUR million	2010
2011	862
2012	624
2013	636
2014	1,191
2015	1,042
2016 and later	3,027
Total	7,382

DEBT MATURITY PROFILE, EUR million



Liquid funds, major credit lines and debt programmes 2010

EUR million	Total facility	Drawn amount	Available amount
Liquid funds			
Cash and cash equivalents			285
Bank deposits over 3 months			271
Total			556
of which Russia (OAO Fortum)			
			348
Committed credit lines			
EUR 1,200 million syndicated credit facility	1,200	-	1,200
EUR 1,500 million syndicated credit facility	1,500	-	1,500
Bilateral overdraft facilities	218	0	218
Total	2,918	0	2,918
Debt programmes (uncommitted)			
Fortum Corporation, CP programmes EUR 500 million	500	148	352
Fortum Corporation, CP programmes SEK 5,000 million	558	386	172
Fortum Corporation, EMTN programmes EUR 6,000 million	6,000	4,504	1,496
Total	7,058	5,038	2,020

Liquid funds amounted to EUR 556 million (2009: 890), including OAO Fortum's bank deposits amounting to EUR 336 million (2009: 626) earmarked for capacity increase investments in Russia. Of these deposits at year-end 2010 EUR 336 million (2009: 587) were in euros and EUR 0 million (2009: 39) in Russian roubles.

Liquid funds, major credit lines and debt programmes 2009

EUR million	Total facility	Drawn amount	Available amount
Liquid funds			
Cash and cash equivalents			493
Bank deposits over 3 months			397
Total			890
of which Russia (OAO Fortum)			
			632
Committed credit lines			
EUR 1,200 million syndicated credit facility	1,200	-	1,200
EUR 1,500 million syndicated credit facility	1,500	-	1,500
Bilateral overdraft facilities	211	-	211
Total	2,911	-	2,911
Debt programmes (uncommitted)			
Fortum Corporation, CP programmes EUR 500 million	500	78	422
Fortum Corporation, CP programmes SEK 5,000 million	488	172	316
Fortum Corporation, EMTN programmes EUR 5,000 million	5,000	4,166	834
Total	5,988	4,416	1,572

Maturity analysis of interest-bearing liabilities and derivatives

Amounts disclosed below are non-discounted cash flows of interest-bearing liabilities and interest rate and currency derivatives, and the expected cash flows arising (future interest payments and amortisations) from these items.

EUR million	2010				2009			
	Under 1 year	1-5 years	Over 5 years	Total	Under 1 year	1-5 years	Over 5 years	Total
Interest-bearing liabilities	1,117	4,418	3,419	8,954	1,106	3,697	3,752	8,555
Interest rate and currency derivatives liabilities	8,235	734	202	9,171	6,347	1,795	265	8,407
Interest rate and currency derivatives receivables	-7,904	-771	-217	-8,892	-6,310	-1,832	-256	-8,398
Total	1,448	4,381	3,404	9,233	1,143	3,660	3,761	8,564

Interest-bearing liabilities include loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj with EUR 835 million (2009: 774). These loans are renewed yearly and connected interest payments are calculated for ten years in the table above.

➔ For further information regarding loans from the State Nuclear Waste Management Fund and Teollisuuden Voima Oyj, see Note 34 Nuclear related assets and liabilities on page 118.

3.8 Interest rate risk and currency risk

3.8.1 Interest rate risk

The Treasury risk policy stipulates that the average duration of the debt portfolio shall always be kept within a range of 12 and 36 months and that the flow risk i.e. changes in interest rates shall not affect the net interest payments of the Group by more than EUR 50 million for the next rolling 12-month period. Within these mandates, strategies are evaluated and developed in order to find an optimal balance between risk and financing cost.

On 31 December 2010, the average duration of the debt portfolio (including derivatives) was 2.1 years (2009: 1.8). Approximately 49% (2009: 62%) of the debt portfolio was on a floating rate basis or fixed rate loans maturing within the next 12 month period. The effect of one percentage point change in interest rates on the present value of the debt portfolio was EUR 150 million on 31 December 2010 (2009: 120). The flow risk, measured as the difference between the base case net interest cost estimate and the worst case scenario estimate for Fortum's debt portfolio for the coming 12 months, was EUR 28 million (2009: 23).

The average interest rate on loans and derivatives on 31 December 2010 was 3.5% (2009: 3.4%). Average cumulative interest rate on loans and derivatives for 2010 was 3.4% (2009: 3.7%).

3.8.2 Currency risk

Fortum's policy is to hedge major transaction exposures to avoid exchange differences in the profit and loss statement. These exposures are mainly hedged by forward contracts. Translation exposures arising when consolidating income statements and balance sheet statements of entities in Fortum Group whose base currency is not euros, (in Fortum this means mainly entities operating in Sweden, Russia, Norway and Poland) are generally not hedged as the majority of these assets are considered to be long-term strategic holdings of the Fortum Group. Only part of Swedish krona exposure has been hedged.

The currency risk relating to transaction exposures are measured using Value-at-Risk (VaR) for a one-day period at 95% confidence level. Translation exposures relating to net investments in foreign entities are measured using a five day period at 95% confidence level. The limit for transaction exposure is VaR EUR 5 million. On 31 December 2010 the open transaction and translation exposures were EUR 2 million (2009: 42) and EUR 3,975 million (2009: 3,880). The VaR for the transaction exposure was EUR 0 million (2009: 0) and VaR for the translation exposure calculated without the fair value change of Renewable Energy Corporation (REC) in Hafslund was EUR 57 million (2009: 53).

➔ For further information about the accounting of Fortum's shareholding in Hafslund, see Note 23 Participations in associated companies and joint ventures on page 108.

Group Treasury's transaction exposure

EUR million	2010			2009		
	Net position	Hedge	Open	Net position	Hedge	Open
SEK	5,964	-5,964	0	6,051	-6,051	0
USD	-197	197	0	-163	163	0
NOK	230	-230	0	227	-226	1
RUB	70	-70	0	-	-	-
Other	123	-121	2	154	-197	-43
Total	6,190	-6,188	2	6,269	-6,311	-42

In addition OAO Fortum is hedging its euro investments with euro deposits EUR 336 million (2009: 587), which qualifies as a cash flow hedge in Fortum group accounts.

Transaction exposure is defined as already contracted or forecasted foreign exchange dependent items and cash flows. Transaction exposure is divided into balance sheet exposure and cash flow exposure. Balance sheet exposure reflects currency denominated assets and liabilities for example loans, deposits and accounts receivable/payable in currencies other than the company's home currency. Cash flow exposure reflects future forecasted or contracted currency flows in foreign currency deriving from business activities such as sales, purchases or investments. Net conversion differences from transaction exposure are entered under financial income or expense when related to financial items or when related to accounts receivable/payable entered under items included in operating profit. Conversion differences related to qualifying cash flow hedges are deferred to equity.

Fortum's policy is to hedge balance sheet exposures in order to avoid exchange rate differences in the income statement. The Group's balance sheet exposure mainly relates to financing of Swedish subsidiaries and the fact that the Group's main external financing currency is EUR. For derivatives hedging this balance exposure Fortum does not apply hedge accounting, because they have a natural hedge in the income statement.

Contracted cash flow exposures shall be hedged to reduce volatility in future cash flows. These hedges normally consist of currency derivative contracts, which are matched against the underlying future cash flow according to maturity. Fortum has currency cash flow hedges both with and without hedge accounting treatment under IFRS. Those currency cash flow hedges, which do not qualify for hedge accounting are mainly hedging electricity derivatives. Unrealised hedges create volatility in the operating profit.

Group Treasury's translation exposure

EUR million	2010			2009		
	Investment	Hedge	Open	Investment	Hedge	Open
RUB	2,774	-	2,774	2,614	-	2,614
SEK	543	-112	431	690	-85	605
NOK	429	-	429	443	-	443
PLN	121	-	121	118	-	118
Other	220	0	220	174	-74	100
Total	4,087	-112	3,975	4,039	-159	3,880

Translation exposure position includes net investments in foreign subsidiaries and associated companies. NOK amount includes the fair value change of Renewable Energy Corporation (REC) shareholding in Hafslund EUR 13 million (2009: 89). On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. The net effect on equity attributable to equity holders from SEK, NOK and RUB was EUR 299 million in 2010 (2009: 27).

Interest rate and currency derivatives by instrument 2010

EUR million	Notional amount				Fair value		
	Remaining lifetimes				Positive	Negative	Net
	Under 1 year	1-5 years	Over 5 years	Total			
Forward foreign exchange contracts	7,375	242	2	7,619	28	361	-333
Interest rate swaps	341	2,203	1,554	4,098	141	45	96
Interest rate and currency swaps	538	-	-	538	15	40	-25
Forward rate agreements	-	167	-	167	0	0	0
Total	8,254	2,612	1,556	12,422	184	446	-262
Of which long-term					145	55	90
Short-term					39	391	-352

Interest rate and currency derivatives by use 2010

EUR million	Notional amount				Fair value		
	Remaining lifetimes				Positive	Negative	Net
	Under 1 year	1-5 years	Over 5 years	Total			
Net investment hedging foreign exchange derivatives	195	-	-	195	0	1	-1
Cash flow hedging foreign exchange derivatives	137	98	2	237	9	6	3
Non-hedging foreign exchange derivatives ¹⁾	7,043	144	-	7,187	19	354	-335
Total forward foreign exchange contracts	7,375	242	2	7,619	28	361	-333
Fair value hedging interest rate derivatives	-	25	1,050	1,075	76	0	76
Cash flow hedging interest rate derivatives	-	922	204	1,126	14	8	6
Non-hedging interest rate derivatives ¹⁾	341	1,423	300	2,064	51	37	14
Total interest rate derivatives	341	2,370	1,554	4,265	141	45	96
Non-hedging interest rate and currency swaps ¹⁾	538	-	-	538	15	40	-25
Total interest rate and currency swaps	538	-	-	538	15	40	-25
Total	8,254	2,612	1,556	12,422	184	446	-262

1) Consists of deals without hedge-accounting status.

Interest rate and currency derivatives by instrument 2009

EUR million	Notional amount				Fair value		
	Remaining lifetimes				Positive	Negative	Net
	Under 1 year	1-5 years	Over 5 years	Total			
Forward foreign exchange contracts	4,663	1,671	-	6,334	43	166	-123
Interest rate swaps	1,536	1,012	1,447	3,995	99	58	41
Interest rate and currency swaps	911	543	-	1,454	95	30	65
Forward rate agreements	-	-	-	-	-	-	-
Total	7,110	3,226	1,447	11,783	237	254	-17
Of which long-term					139	85	54
Short-term					98	169	-71

Interest rate and currency derivatives by use 2009

EUR million	Notional amount				Fair value		
	Remaining lifetimes				Positive	Negative	Net
	Under 1 year	1-5 years	Over 5 years	Total			
Net investment hedging foreign exchange derivatives	159	-	-	159	-	3	-3
Cash flow hedging foreign exchange derivatives	167	102	-	269	6	4	2
Non-hedging foreign exchange derivatives ¹⁾	4,337	1,569	-	5,906	37	159	-122
Total forward foreign exchange contracts	4,663	1,671	-	6,334	43	166	-123
Fair value hedging interest rate derivatives	-	450	1,050	1,500	59	-	59
Cash flow hedging interest rate derivatives	65	146	97	308	-	12	-12
Non-hedging interest rate derivatives ¹⁾	1,471	416	300	2,187	40	46	-6
Total interest rate derivatives	1,536	1,012	1,447	3,995	99	58	41
Non-hedging interest rate and currency swaps ¹⁾	911	543	-	1,454	95	30	65
Total interest rate and currency swaps	911	543	-	1,454	95	30	65
Total	7,110	3,226	1,447	11,783	237	254	-17

1) Consists of deals without hedge-accounting status.

3.9 Share derivatives

Cash-settled share forwards are used as a hedging instrument for the Fortum share price risk regarding the Fortum Group's long-term incentive schemes.

The amounts disclosed are non-discounted cash flows for the share derivatives. The maturity of the share forwards is 1-3 years.

➔ See Note 30 Employee bonus, personnel fund and incentive schemes for more information about the Group's long-term incentive schemes on page 113.

EUR million	2010		2009	
	Notional value	Net fair value	Notional value	Net fair value
Share forwards	19	20	24	21

3.10 Credit risk

Fortum is exposed to credit risk whenever there is a contractual obligation with an external counterpart. Fortum has procedures in place to ensure that credit risks are kept at an acceptable level. All larger exposures are monitored centrally against limits which are approved according to authority levels defined in the Corporate Credit Guidelines. Counterparty creditworthiness is continuously monitored and reported.

Counterparty risk exposures relating to derivative instruments are often volatile due to rapidly changing market prices and are therefore monitored closely. Currency and interest rate derivative counterparts are limited to investment grade banks and financial institutions. Master agreements, such as ISDA, which include netting clauses, are in place with most of these counterparts. The majority of the Group's commodity derivatives are cleared through an exchange such as NASDAQ OMX Commodities Europe (former name Nord Pool), but derivative transactions are also executed on the OTC market directly with external counterparties. These counterparts are limited to those considered of high creditworthiness. Master agreements, such as ISDA, FEMA and EFET, which include netting clauses, are in place with the majority of the counterparts. Furthermore, collaterals are used if dealing with counterparts without approved limits or when exposures arising from engagements are considered too high in relation to the counterpart creditworthiness. Parent company guarantees are requested when dealing with subsidiaries not considered creditworthy on a stand-alone basis.

Credit risk relating to banks is monitored closely as the creditworthiness of financial institutions can deteriorate quickly. The creditworthiness of Russian financial institutions can also be affected negatively as liquidity and financing can quickly dry up as foreign investors pull out of emerging markets. Fortum, like any capital intensive business, is exposed to risks in the financial sector, and as a result of the acquisition of OAO Fortum also in Russia. Where possible, exposures have been concentrated to key relationship banks considered to be of high credit quality and importance to the financial stability of their respective countries. In Russia, bank guarantees are used to cover exposures related to the investment programme of OAO Fortum. In case a contractor defaults or does not fulfil its obligations, there are guarantees covering any prepayments as well as performance guarantees in place. Issuers of these guarantees are banks with a strong local presence and understanding of the contractor. The creditworthiness of these banks as well as exposures arising from issued guarantees is monitored closely.

Credit risk in the retail and wholesale business is well diversified over a large number of private individuals and businesses and across several geographic regions and industry sectors. Finland and Sweden account for most of the exposure, but as a result of the acquisition of OAO Fortum, exposure to Russia has increased where the risk of non-payment, especially in heat sales is significant.

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3.10.1 Credit quality of major financial assets

Amounts disclosed below are presented by counterparties for interest-bearing receivables including finance lease receivables, bank deposits and derivative financial instruments recognised as assets.

EUR million	2010		2009	
	Carrying amount	of which past due	Carrying amount	of which past due
Investment grade receivables	575	-	986	-
Electricity exchanges	8	-	10	-
Associated companies	1,073	-	868	-
Other	208	-	193	-
Total	1,864	-	2,057	-

Investment grade receivables consist of bank deposits EUR 336 million (2009: 736), fair values of interest rate and currency derivatives EUR 184 million (2009: 237) and fair values of electricity, coal and oil derivatives EUR 55 million (2009: 13). Electricity exchange receivable is the fair value of derivatives on NASDAQ OMX Commodities Europe. Associated companies receivables consist of loan receivables EUR 1,071 million (2009: 852) and fair values of electricity derivatives EUR 2 million (2009: 16). Other receivables consist of loan and other interest bearing receivables EUR 76 million (2009: 15), finance lease receivables EUR 59 million (2009: 77) and fair values of electricity, coal and oil derivatives EUR 73 million (2009: 101).

The following tables indicate how bank deposits and fair values of derivatives are distributed by rating class.

Bank deposits

EUR million	2010	2009
Counterparties with external credit rating from Standard & Poor's and / or Moody's		
Investment grade ratings		
AAA	-	-
AA+/AA/AA-	60	218
A+/A/A-	-	80
BBB+/BBB/BBB-	276	438
Total investment grade ratings	336	736
Non-investment grade ratings		
	-	0
Counterparties without external credit rating from Standard & Poor's and / or Moody's		
	-	-
Total	336	736

In addition to the bank deposits above, cash in bank accounts totalled EUR 220 million on 31 December 2010 (2009: 154).

Interest rate and currency derivatives

EUR million	2010		2009	
	Receivables	Netted amount	Receivables	Netted amount
Counterparties with external credit rating from Standard & Poor's and / or Moody's				
Investment grade ratings				
AAA	-	-	-	-
AA+/AA/AA-	58	16	98	28
A+/A/A-	126	45	139	76
BBB+/BBB/BBB-	-	-	0	0
Total investment grade ratings	184	61	237	104
Counterparties without external credit rating from Standard & Poor's and / or Moody's				
	0	0	0	0
Total	184	61	237	104

Electricity, coal and oil derivatives

EUR million	2010		2009	
	Receivables	Netted amount	Receivables	Netted amount
Counterparties with external credit rating from Standard & Poor's and / or Moody's				
Investment grade ratings				
AAA	-	-	-	-
AA+/AA/AA-	0	0	0	0
A+/A/A-	55	11	13	6
BBB+/BBB/BBB-	-	-	-	-
Total investment grade ratings	55	11	13	6
Non-investment grade ratings				
BB+/BB/BB-	2	1	2	2
B+/B/B-	-	-	-	-
Below B-	-	-	-	-
Total non-investment grade ratings	2	1	2	2
Total associated companies	2	0	16	1
Counterparties without external credit rating from Standard & Poor's or Moody's				
Government or municipality	5	0	11	7
Fortum Rating 5 - Lowest risk	46	8	76	50
Fortum Rating 4 - Low risk	18	14	7	2
Fortum Rating 3 - Normal risk	1	0	-	-
Fortum Rating 2 - High risk	-	-	-	-
Fortum Rating 1 - Highest risk	0	0	-	-
No rating	1	1	5	2
Total non-rated counterparties	71	23	99	61
Total electricity, coal and oil derivatives	130	35	130	70

For derivatives, the receivable is the sum of the positive fair values. Netted amount include negative fair values where a valid netting agreement is in place with the counterparty or netting is otherwise allowed in accordance with local laws. When the netted amount is less than zero, it is not included. In cases where a parent company guarantee is in place, the exposure is shown on the issuer of the guarantee.

All counterparties for currency and interest rate derivatives and the majority of counterparties for bank deposits have an external rating from Standard & Poor's and Moody's credit agencies. The above rating scale is for Standard & Poor's rating categories. For those counterparties only rated by Moody's, the rating has been translated to the equivalent Standard and Poor's rating category.

In the electricity, coal and oil derivatives market, there are a number of counterparties not rated by Standard & Poor's or Moody's. For these counterparties, Fortum assigns an internal rating. The internal rating is based on external credit ratings from other credit agencies. The risk class from Asiakastieto is used for Finnish counterparties, the rating from Creditinform is used for Norwegian counterparties, the risk indicator from UC (Upplysningscentralen) is used for Swedish counterparties and for other counterparties the rating from Dun & Bradstreet is used. Governments and municipal companies are typically not rated, and are shown separately. This rating category does not include companies owned by governments or municipalities. Counterparties that have not been assigned a rating by the above listed credit agencies are in the "No rating" category.

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4 Capital risk management

Fortum wants to have a prudent and efficient capital structure which at the same time allows the implementation of its strategy. Maintaining a strong balance sheet and the flexibility of the capital structure is a priority. The Group monitors the capital structure based on Net debt/EBITDA ratio. Net debt is calculated as interest-bearing liabilities less liquid funds. EBITDA is calculated by adding back depreciation, amortisation and impairment charges to operating profit. In September 2010 with launching the revised strategy Fortum adjusted its net debt to EBITDA target to be around 3. The earlier target was a range of 3.0–3.5.

Capital expenditure, acquisitions, dividend distributions, repurchases of own shares and capital returns to shareholders are ways to move towards the target capital structure. Fortum's dividend policy states that the company aims to pay a dividend which corresponds to an average payout ratio of 50 to 60%.

Fortum Corporation's long-term credit rating from Moody's and Standard and Poor's was A2 (stable) and A (stable), respectively.

The Net debt / EBITDA ratios

EUR million	Note	2010	2009
Interest-bearing liabilities	32	7,382	6,859
Less: Liquid funds	28	556	890
Net debt		6,826	5,969
Operating profit		1,708	1,782
Add: Depreciation, amortisation and impairment charges		563	510
EBITDA		2,271	2,292
Net debt / EBITDA		3.0	2.6

5 Segment reporting

5.1 Fortum's business structure

In October 2009 Fortum restructured its organisation into four business divisions and four corporate staff functions in order to increase the organisation's efficiency, performance accountability and simplicity. The business divisions are Power, Heat, Russia and Electricity Solutions and Distribution. The Electricity Solutions and Distribution (ESD) division consists of business areas Distribution and Electricity Sales (former Markets). The reportable segments under IFRS have been renamed correspondingly.

The reorganisation did not lead to a change in Fortum's external financial reporting structure as the reportable segments have remained the same. However there have been some minor changes to the composition of the segments that have taken effect from the beginning of January 2010. The changes have also been reflected in 2009 figures. The changes relate mainly to the transfer of the Power division's Power Solutions business

area to Russia and Heat divisions as well as the establishment of the centralised Trading and Industrial Intelligence unit.

5.2 Segment structure in Fortum

Fortum's business operations are organised in four divisions and four corporate staff functions. The staff functions are Finance, Corporate Relations and Sustainability, Corporate Human Resources and Corporate Strategy and R&D. The Trading and Industrial Intelligence unit is part of the Finance function, but major part of the results of its operations is included in the relevant division. The shared service centers, as parts of the staff functions, charge the companies according to service level agreements.

The Group is reported in the following segments:

Power consists of Fortum's power generation (exclusive Russia), physical operation and trading as well as expert services for power producers in the Nordic market and selected international markets. Power sells its power mainly to the Nordic power exchange Nord Pool Spot.

Heat provides district heating and cooling, industrial steam and energy produced in waste-to-energy production to industrial companies, municipalities and end-users in the Nordic countries and other parts of the Baltic Rim. The segment also generates power in combined heat and power plants (CHP) and sells it to end customers mainly by long-term contracts, as well as to Nord Pool Spot.

Distribution is responsible for a reliable and secure electricity supply to its customers in the Nordic countries and Estonia. Fortum owns and operates distribution and regional networks and distributes electricity to a total of 1.6 million customers in Sweden, Finland, Norway and Estonia. Electricity distribution is considered and accepted as a regulated business, and is therefore supervised by national energy authorities. Models and principles for supervision and considerations of reasonable tariffs differ from country to country.

Electricity Sales is responsible for retail sales of electricity to a total of 1.2 million private and business customers as well as other retailers in Finland, Sweden and Norway. The segment buys its electricity from Nord Pool Spot. Electricity supply in the Nordic countries is a deregulated business since 1995 which means that customers can freely change electricity supplier.

Russia segment is based on the geographical area, Russia, and includes power and heat generation and sales in Russia. It includes mainly the Russian subsidiary OAO Fortum, which is consolidated from 31 March 2008, and the shareholding in the associated company TGC-1.

Other segment includes mainly the shareholding in the associated company Hafslund ASA and Fortum Group staff functions.

5.3 Definitions for segment information

Financial target setting, follow up and allocation of resources in the group's performance management process is mainly based on the business units' comparable operating profit including share of profit from associated companies and comparable return on net assets. Fortum discloses in the segment information operating profit, and comparable operating profit and share of profit from associated companies as well as return on net assets and comparable return on net assets.

Consolidation by segment is based on the same principles as for the Group as a whole. Comparable operating profit is reported to give a better view of each segment's performance. The difference between Comparable operating profit and Operating profit is that Comparable operating profit does not include "Items affecting comparability", which are:

- non-recurring items, which mainly consist of capital gains and losses;
- effects from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39. The major part of Fortum's cash flow hedges obtain hedge accounting where the fair value changes are recorded in equity, see Note 7 Fair value changes of derivatives and underlying items in income statement on page 95;
- effects from the accounting of Fortum's part of the State Nuclear Waste Management Fund where the assets in the balance sheet cannot exceed the related liabilities according to IFRIC 5, see Note 34 Nuclear related assets and liabilities on page 118.

The segment's net assets consist primarily of non-interest-bearing assets and liabilities such as property, plant and equipment, intangible assets, participations in associated companies, inventories, operative related accruals and trade and other receivables and liabilities. Net assets also include Fortum's share of the State Nuclear Waste Management Fund, nuclear related provisions, pension and other provisions as well as assets and liabilities from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39.

Interest-bearing receivables and liabilities and related accruals, current and deferred tax items, as well as assets and liabilities from fair valuations of derivatives hedging

FORTUM SEES COMPARABLE OPERATING PROFIT AND COMPARABLE RETURN ON NET ASSETS AS THE KEY MEASUREMENTS FOR SEGMENTS

future cash flows which obtain hedge accounting status according to IAS 39 are not allocated to the segments' net assets.

In comparable net assets, segment's net assets are adjusted for assets and liabilities from fair valuations of derivatives hedging future cash flows which do not obtain hedge accounting status according to IAS 39 to be in line with comparable operating profit.

Gross investments in shares include investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.

✚ See also Key figures on page 129, Definitions of key figures on page 134 and Quarterly financial information on page 145.

✚ Quarterly segment information from 2005 to 2010 is available on Fortum's website [www.fortum.com/investors/financial information](http://www.fortum.com/investors/financial%20information).

5.4 Inter-segment transactions and eliminations

Power segment sells its production to Nord Pool Spot and Electricity Sales buys its electricity from Nord Pool Spot. Eliminations of sales include eliminations of sales and purchases with Nord Pool Spot that are netted on group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Inter-segment sales, expenses and results for the different business segments are affected by intra-group deliveries, which are eliminated on consolidation. Inter-segment transactions are based on commercial terms.

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5.5 Segment information 2010

Income statement

EUR million	Note	Power	Heat	Distribution	Electricity Sales	Russia	Other	Netting and eliminations ¹⁾	Total
Sales		2,702	1,770	963	1,798	804	51	-1,792	6,296
of which internal		-281	-8	18	158	-	169	-56	0
External sales		2,983	1,778	945	1,640	804	-118	-1,736	6,296
Depreciation, amortisation and impairment		-100	-187	-178	-2	-86	-10		-563
Comparable operating profit		1,298	275	307	11	8	-66		1,833
Non-recurring items	6	6	29	12	-	45	1		93
Changes in fair values of derivatives hedging future cash-flow	6, 7	-170	-1	2	35	-	-82		-216
Nuclear fund adjustment	6, 34	-2	-	-	-	-	-		-2
Operating profit		1,132	303	321	46	53	-147		1,708
Share of profit of associated companies and joint ventures	23, 34	-25	31	19	1	8	28		62
Finance costs - net									-155
Income taxes									-261
Profit for the period									1,354

1) Netting and eliminations include eliminations of Group internal sales and netting of Nord Pool Spot transactions. Sales and purchases with Nord Pool Spot, EUR 1,736 million, are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Impairment losses and restructuring costs

EUR million	Power	Heat	Distribution	Electricity Sales	Russia	Other	Total
Recognised impairment losses for trade receivables	1	0	-1	-1	-26	0	-27
Recognised impairment losses for intangible assets and property, plant and equipment	0	0	-	-1	-2	-	-3
Restructuring costs	0	0	-1	-4	-1	-1	-7

Impairment losses and restructuring costs are included in comparable operating profit.

Assets and liabilities

EUR million	Power	Heat	Distribution	Electricity Sales	Russia	Other	Eliminations	Total
Non-interest-bearing assets	6,022	4,574	3,990	650	2,750	286	-576	17,696
Participations in associated companies and joint ventures	912	159	217	13	423	437		2,161
Assets included in Net assets	6,934	4,733	4,207	663	3,173	723	-576	19,857
Interest-bearing receivables								1,208
Deferred taxes								141
Other assets								202
Liquid funds								556
Total assets								21,964
Liabilities included in Net assets	1,128	551	524	453	356	694	-576	3,130
Deferred tax liabilities								1,725
Other liabilities								985
Total liabilities included in Capital employed								5,840
Interest-bearing liabilities								7,382
Total equity								8,742
Total equity and liabilities								21,964

Investments

EUR million	Note	Power	Heat	Distribution	Electricity Sales	Russia	Other	Total
Gross investments in shares	8, 23	25	1	0	-	-	1	27
Capital expenditure	21, 22	97	304	213	0	599	9	1,222
of which capitalised borrowing costs		0	11	-	-	34	-	45

Comparable return on net assets

EUR million	Net assets by segments	Return on net assets (%)	Comparable return on net assets (%)
Power	5,806	19.5	22.3
Heat	4,182	8.4	7.7
Distribution	3,683	9.7	9.3
Electricity Sales	210	38.4	9.3
Russia	2,817	2.4	0.7
Other	29	-48.2	-7.7

Employees

	Power	Heat	Distribution	Electricity Sales	Russia	Other	Total
Number of employees 31 Dec	1,819	2,394	962	525	4,294	591	10,585
Average number of employees	1,891	2,482	1,098	538	4,555	592	11,156

5.6 Segment information 2009

Income statement

EUR million	Note	Power	Heat	Distribution	Electricity Sales	Russia	Other	Netting and eliminations ¹⁾	Total
Sales		2,531	1,399	800	1,449	632	71	-1,447	5,435
of which internal		254	23	13	67	-	-5	-352	0
External sales		2,277	1,376	787	1,382	632	76	-1,095	5,435
Depreciation, amortisation and impairment		-93	-162	-164	-6	-75	-10		-510
Comparable operating profit		1,454	231	262	22	-20	-61		1,888
Non-recurring items	6	6	21	1	0	0	1		29
Changes in fair values of derivatives hedging future cash-flow	6, 7	-38	0	0	7	-	-45		-76
Nuclear fund adjustment	6, 34	-59	-	-	-	-	-		-59
Operating profit		1,363	252	263	29	-20	-105		1,782
Share of profit of associated companies and joint ventures	23, 34	-35	30	10	0	20	-4		21
Finance costs - net									-167
Income taxes									-285
Profit for the period									1,351

1) Netting and eliminations include eliminations of Group internal sales and netting of Nord Pool Spot transactions. Sales and purchases with Nord Pool Spot, EUR 1,095 million, are netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

Impairment losses and restructuring costs

EUR million	Power	Heat	Distribution	Electricity Sales	Russia	Other	Total
Recognised impairment losses for trade receivables	0	0	-2	-4	-5	-	-11
Recognised impairment losses for intangible assets and property, plant and equipment	0	0	-	-	-2	-1	-3
Restructuring costs	-2	-2	0	-1	-5	-1	-11

Impairment losses and restructuring costs are included in comparable operating profit.

Assets and liabilities

EUR million	Power	Heat	Distribution	Electricity Sales	Russia	Other	Eliminations	Total
Non-interest-bearing assets	5,397	4,066	3,535	463	2,117	141	-293	15,426
Participations in associated companies and joint ventures	863	178	230	12	425	480		2,188
Assets included in Net assets	6,260	4,244	3,765	475	2,542	621	-293	17,614
Interest-bearing receivables								943
Deferred taxes								47
Other assets								347
Liquid funds								890
Total assets								19,841
Liabilities included in Net assets	766	456	466	350	282	240	-293	2,267
Deferred tax liabilities								1,750
Other liabilities								474
Total liabilities included in Capital employed								4,491
Interest-bearing liabilities								6,859
Total equity								8,491
Total equity and liabilities								19,841

Investments

EUR million	Note	Power	Heat	Distribution	Electricity Sales	Russia	Other	Total
Gross investments in shares	8, 23	57	1	5	-	3	1	67
Capital expenditure	21, 22	96	358	188	1	215	4	862
of which capitalised borrowing costs			-	12	-	-	18	-

Comparable return on net assets

EUR million	Net assets by segments	Return on net assets (%)	Comparable return on net assets (%)
Power	5,494	24.5	26.4
Heat	3,787	7.9	7.3
Distribution	3,299	8.7	8.6
Electricity Sales	125	28.9	18.6
Russia	2,260	0.0	0.0
Other	382	-19.4	-17.0

Employees

	Power	Heat	Distribution	Electricity Sales	Russia	Other	Total
Number of employees 31 Dec	1,916	2,552	1,088	611	4,855	591	11,613
Average number of employees	2,068	2,652	1,166	629	6,170	593	13,278

5.7 Group-wide disclosures

The Group's operating segments operate mainly in the Nordic countries, Russia, Poland and other parts of the Baltic Rim area. Power, Distribution and Electricity sales operate mainly in Finland and Sweden, whereas Heat operates in all geographical areas except Russia. Other countries are mainly Latvia, Lithuania and the U.K. The home country is Finland.

The information below is disclosing sales by product area as well as sales by the country in which the customer is located. Assets, capital expenditure and personnel are reported where the assets and personnel are located. Participations in associates and joint ventures are not divided by location since the companies concerned can have business in several geographical areas.

External sales by product area

EUR million	2010	2009
Power sales excluding indirect taxes	3,615	3,192
Heat sales	1,596	1,314
Network transmissions	912	760
Other sales	173	169
Total	6,296	5,435

Heating sales include sale of delivered heat and transmission of heat.

Due to the large number of customers and the variety of its business activities, there are no individual customer whose business volume is material compared with Fortum's total business volume.

Sales by market area based on customer location

EUR million	2010	2009
Nordic	5,039	4,449
Russia	802	632
Poland	169	136
Estonia	99	71
Other countries	187	147
Total	6,296	5,435

The Nordic power production is not split by countries since Nordic power production is mainly sold through Nord Pool Spot.

Capital expenditure by location

EUR million	2010	2009
Finland	190	255
Sweden	300	264
Russia	599	215
Poland	45	65
Estonia	53	47
Norway	15	12
Other countries	20	4
Total	1,222	862

Segment assets by location

EUR million	2010	2009
Finland	4,755	4,148
Sweden	9,980	8,760
Russia	2,747	2,111
Poland	356	310
Estonia	269	222
Norway	254	223
Other countries	136	185
Eliminations	-801	-533
Non-interest bearing assets	17,696	15,426
Participations in associates and joint ventures	2,161	2,188
Total	19,857	17,614

Number of employees on 31 December by location

	2010	2009
Finland	2,609	2,700
Sweden	2,257	2,445
Russia	4,289	4,853
Poland	633	756
Estonia	350	357
Norway	137	143
Other countries	310	359
Total	10,585	11,613

6 Items affecting comparability

EUR million	2010	2009
Capital gains and losses on disposal of non-current assets	93	29
Fair value changes on derivatives that do not qualify for hedge accounting	-216	-76
Nuclear fund adjustments	-2	-59
Total	-125	-106

Items affecting comparability are disclosed separately in Fortum's income statement as they are necessary for understanding the financial performance when comparing results for the current period with previous periods. Items affecting comparability are not included in Comparable operating profit.

Capital gains in 2010 mainly include sales gains from the Swedegas AB shares in Heat segment, Karlskoga Energi & Miljö AB shares in Distribution segment as well as the Kurgan Generating Company, Federal Grid Company and St. Petersburg Sales Company shares in Russia segment.

Capital gains in 2009 mainly include the sale of a combined heat and power plant in the city of Kokkola, Finland, fixed assets in Stockholm, both in Heat segment, and gain in Power segment from combining the construction and operating of infrastructure business with Hafslund Infratek ASA.

Changes in the fair values of financial derivative instruments hedging future cash flows that do not qualify for hedge accounting are recognised in items affecting comparability.

Nuclear fund adjustment includes effects from accounting of Fortum's part of the State Nuclear Waste Management Fund where the assets in the balance sheet cannot exceed the nuclear related provisions according to IFRIC 5.

⊕ For more information regarding fair value changes of derivatives, see Note 7 Fair value changes of derivatives and underlying items in income statement on page 95.

⊕ For more information regarding disposals of shares, see Note 8 Acquisitions and disposals on page 96 and Note 23 Participations in associated companies and joint ventures on page 108.

⊕ For more information regarding nuclear waste management, see Note 34 Nuclear related assets and liabilities on page 118.

7 Fair value changes of derivatives and underlying items in income statement

Fair value changes in operating profit presented below are arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39 and the ineffectiveness from cash flow hedges.

Fair value changes of currency derivatives in net financial expenses are arising mainly from balance sheet hedges without hedge accounting status according to IAS 39, because they are natural hedges of loans and receivables. Fair value change of interest rate hedges without hedge accounting is EUR 0 million (2009: 5). The net effect of fair value changes of hedging derivative and hedged bonds are EUR 2 million (2009: -12).

EUR million	2010	2009
In operating profit		
Fair value changes from derivatives not getting hedge accounting status		
Electricity derivatives	-206	-9
Currency derivatives	-34	-57
Oil derivatives	2	3
Coal derivatives	27	1
Share derivatives with hedged items ¹⁾	2	5
Ineffectiveness from cash flow hedges	-7	-19
Total effect in operating profit	-216	-76
Fair value changes of derivatives not getting hedge accounting included in share of profit of associated companies	-5	-4
In finance costs		
Exchange gains and losses on loans and receivables	744	315
Fair value changes of derivatives not getting hedge accounting status		
Currency derivatives	-731	-306
Interest rate derivatives	0	5
Fair value change of hedging derivatives in fair value hedge relationship	34	3
Fair value change of hedged item in fair value hedge relationship	-32	-15
Total ²⁾	-729	-313
Total effect in finance costs	15	2
Total effect on profit before income tax	-206	-78

¹⁾ Related to cash-settled share forwards used as a hedging instrument for Fortum Group's share bonus system.

²⁾ Including fair value gains and losses on financial instruments and exchange gains and losses on derivatives.

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8 Acquisitions and disposals

Gross Investments in subsidiary shares by segment

EUR million	2010	2009
Power	0	-
Heat	0	0
Distribution	0	5
Electricity Sales	-	-
Russia	-	3
Other	0	-
Total	0	8

Gross Investments in subsidiary shares by country

EUR million	2010	2009
Finland	0	0
Sweden	0	5
Russia	-	3
Other countries	0	-
Total	0	8

Gross investments in subsidiary shares consist of interest-bearing debt as well as paid cash according to purchase agreement added with direct costs relating to the acquisition less cash and cash equivalents in acquired subsidiary.

8.1 Acquisitions in 2010 and 2009

There were no material acquisitions during 2010 or 2009. Total investment in subsidiary shares in 2010 amounted to EUR 0 million (2009: 8).

In November Fortum and the Polish Ministry of Treasury signed an agreement according to which Fortum will acquire 85% of the shares of the Polish power and heat companies Elektrociepłownia Zabrze S.A. and Zespół Elektrociepłowni Bytom S.A. for approximately EUR 21 million (PLN 82 million). The companies are sold as part of the privatisation of the power and heat sector in Poland. Polish competition authorities approved the acquisition on 3 January 2011. The companies are consolidated in the Group from 2011 onwards and affect the Heat segment.

8.2 Disposals in 2010 and 2009

There were no material divestments during 2010 or 2009. In December 2010 Fortum signed an agreement to divest district heat operations and production facilities outside Stockholm in Sweden. The total selling price is approximately EUR 200 million. Major part of the operations to be divested is owned by Fortum's subsidiary AB Fortum Värme samägt med Stockholms stad in which the city of Stockholm has a 50% economic interest. Fortum expects to recognise a sales gain with a minor effect on EPS in the first quarter of 2011. The operations are part of the Heat segment. The assets and liabilities related to the operations to be divested are presented as assets and liabilities held for sale.

✚ See note 39 Assets held for sale on page 123.

In January 2009 Fortum and (Norwegian) Hafslund Infratek ASA combined their businesses of construction and operating of infrastructure in Sweden, Finland and Norway. In the transaction Fortum received 33% ownership in the new combined company.

✚ For more information see Note 23 Participations in associated companies and joint ventures on page 108.

9 Exchange rates

The income statement of subsidiaries, whose measurement and reporting currencies are not euros, are translated into the Group reporting currency using the average exchange rates, whereas the balance sheet of such subsidiaries are translated using the exchange rates on the balance sheet date.

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

Key exchange rates for Fortum Group applied in the accounts

	Currency	Average rate		Balance sheet date rate	
		2010	2009	31 Dec 2010	31 Dec 2009
Sweden	SEK	9.5510	10.6092	8.9655	10.2520
Norway	NOK	8.0262	8.7708	7.8000	8.3000
Poland	PLN	4.0126	4.3321	3.9750	4.1045
Russia	RUB	40.4473	44.0684	40.8200	43.1540

10 Other income

EUR million	2010	2009
Gain on sale of emission rights	6	6
Rental income	24	42
Insurance compensation	7	10
Other items	71	26
Total	108	84

Revenue from activities outside normal operations is reported in other income. This includes recurring items such as rental income and non-recurring items such as insurance compensation.

Gain on sale of emission rights amounted to EUR 6 million (2009: 6). Costs for made emissions which are not covered by emission rights received for free were EUR 33 million (2009: 12). The costs are included in Materials and services.

Fortum has leased out its 308-MW share of the Meri-Pori power plant from January 2007 to the end of June 2010. The lease agreement was classified as an operating lease and the rental income is included in other income.

11 Materials and services

EUR million	2010	2009
Materials	1,804	1,159
Materials purchased from associated companies	764	556
Transmission costs	167	131
External services	111	181
Total	2,846	2,027

Materials contain mainly coal, gas and nuclear fuels used for producing power and heat. Costs for materials have increased compared to last year mainly due to increased fuel costs and a different production mix.

Materials purchased from associated companies consist of purchases of nuclear power and hydropower at production cost including interest costs and production taxes. Costs for materials purchased from associated companies have increased partly due to continued power upgrade and modernisation programmes in Swedish associated nuclear generating companies.

Total materials and services include production taxes and duties EUR 190 million (2009: 148) of which nuclear related capacity and property taxes EUR 85 million (2009: 62) and hydro power related property taxes EUR 12 million (2009: 11). Taxes related to nuclear and hydro production include taxes paid through electricity purchased from associated companies as mentioned above.

➤ See Note 23 Participations in associated companies and joint ventures on page 108.

12 Other expenses

EUR million	2010	2009
Operation and maintenance costs	248	212
Property taxes	89	79
IT and telecommunication costs	65	64
Research and development costs	30	30
Other items	223	214
Total	655	599

The major components recorded in other expenses are the external operation and maintenance costs of power and heat plants and of transmission lines. Property taxes include property taxes relating to directly owned hydropower production EUR 69 million (2009: 63).

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Principal auditors' fees

EUR million	2010	2009
Audit fees	1.3	1.4
Audit related assignments	0.1	0.1
Tax assignments	0.0	0.0
Other assignments	0.1	0.1
Total	1.5	1.6

Deloitte is the appointed auditor for the period until 2010 Annual General Meeting. Audit fees include fees for the audit of the consolidated financial statements, review of the interim reports as well as the fees for the audit of Fortum Oyj and its subsidiaries. Audit related assignments include fees for assurance and associated services related to the audit. Tax fees include fees for tax advice and tax planning services.

13 Employee costs and management remuneration

EUR million	2010	2009
Wages and salaries	365	351
Pensions		
Defined contribution plans	35	35
Defined benefit plans	11	13
Social security costs	68	67
Share-based remunerations	7	9
Other employee costs	21	20
Total	507	495
Change in fair value of LTI hedge arrangement is presented in other items affecting comparability	-2	-5

The compensation package for Fortum employees consists of a combination of salaries, benefits, short-term incentives, profit sharing paid to Personnel Fund and share-based long-term incentives. The majority of Fortum employees are covered by a performance bonus system. The long-term incentive schemes are intended for senior executives and other management of the Fortum Group.

The Nomination and Compensation Committee discusses, assesses and makes recommendations and proposals on the remuneration policy, pay structures, bonus and incentive systems for the Group and its management, and contributes to the Group's nomination issues. The remuneration policy is determined by the Board of Directors.

➤ For further information on Fortum's employee bonus and long term incentive schemes as well as Personnel Fund, see Note 30 on page 113 and for pension obligations see Note 36 on page 120.

13.1 Supervisory Board remuneration

The Supervisory Board comprises a minimum of six and a maximum of 12 members. The Supervisory Board meetings are also attended by employee representatives who are not members of the Supervisory Board. The Annual General Meeting confirms the remuneration for the Supervisory Board members.

Each Supervisory Board member receives a fixed monthly fee and a meeting fee. The employee representatives receive only a meeting fee. All members are entitled to travel expense compensation against receipts in accordance with the company's travel policy. Supervisory Board members are not offered any long-term incentive benefits or participation in other incentive schemes. There is no pension plan for the Supervisory Board members.

Compensation for the Supervisory Board

EUR/month	2010	2009
Chairman	1,000	1,000
Deputy Chairman	600	600
Members	500	500
Meeting fee	200	200

Total compensation for Supervisory Board service

EUR	2010	2009
Markku Laukkanen, Chairman	13,000	13,000
Sanna Perkiö, Deputy Chairman	8,000	8,000
Martti Alakoski	7,000	7,000
Tarja Filatov (from 7 April 2009)	6,800	5,300
Sampsa Kataja	7,000	6,600
Kimmo Kiljunen	7,200	6,600
Katri Komi	6,800	6,800
Panu Laturi	7,200	6,600
Juha Mieto	7,000	7,000
Jukka Mäkelä (until 19 October 2010)	5,800	6,800
Helena Pesola (from 7 April 2009)	7,200	5,300
Rakel Hiltunen (until 7 April 2009)	NA	1,700
Total	83,000	80,700

13.2 Board remuneration

The Board of Directors comprises five to seven members who are elected at the Annual General Meeting for a one-year term of office, which expires at the end of the first Annual General Meeting following the election. At the 2010 Annual General Meeting seven members were elected (previously six members).

The Annual General meeting confirms the yearly compensation for the Board of Directors. In addition, a EUR 600 meeting fee is paid. The meeting fee is also paid for committee meetings and is paid in double to a member who lives outside Finland in Europe and

triple to a member who lives outside Europe. The members are entitled to travel expense compensation in accordance with the company's travel policy. Board members are not offered any long-term incentive benefits or participation in other incentive schemes. There is no pension plan for the Board members.

Compensation for Board service

EUR / year	2010	2009
Chairman	66,000	66,000
Deputy Chairman	49,200	49,200
Members	35,400	35,400
Meeting fee	600	600

Total compensation for Board of Directors

EUR	2010	2009
Chairman, Matti Lehti (from 7 April 2009)	75,600	53,800
Chairman, Peter Fagernäs (until 7 April 2009)	NA	21,475
Deputy chairman, Sari Baldauf (from 7 April 2009)	58,800	41,480
Deputy chairman, Matti Lehti (until 7 April 2009)	NA	16,720
Esko Aho	45,000	43,200
Ilona Ervasti-Vaintola	45,000	43,200
Birgitta Johansson-Hedberg	52,800	49,200
Joshua Larson (from 25 March 2010)	46,391	NA
Christian Ramm-Schmidt	45,600	43,200
Marianne Lie (until 7 April 2009)	NA	16,788
Total	369,191	329,063

13.3 The President and CEO and the management team remuneration

The Fortum Management Team (FMT) consists of nine members from 1 October 2009 (previously eight members), including the President and CEO to whom the other members of the FMT report. During 2009 there were changes in the Fortum management. As of 1 May 2009 Tapio Kuula was appointed President and CEO replacing Mikael Lilius. In connection with Fortum's new business structure new FMT members were appointed from 1 October 2009 onwards.

The following tables present the performance based remuneration of the President and CEO and the Fortum Management Team. Due to the changes in the management in 2009 the comparison year presents the remuneration for their respective terms of office. Social security expenses EUR 353 thousand (2009: 342) have been booked for salaries, fringe benefits and bonuses in accordance with local legislation in respective countries. In addition to this, termination benefits of EUR 833 thousand including social security charges have been booked in 2009 relating to former FMT members.

The remuneration presented below is prepared on accrual basis.

➤ Additional information about the paid remuneration is available on page 156 Remuneration in the Annual Report.

Management remuneration 2010

EUR thousands	The President and CEO	Other FMT members
Salaries and fringe benefits	912	2,482
Performance bonuses ¹⁾	307	871
Share-based remuneration	513	1,225
Pensions	487	946
Total	2,219	5,524

1) Performance bonuses booked for year 2010 as expense are based on estimated amounts.

Management remuneration 2009

EUR thousands	The President and CEO	Former President and CEO	Other FMT members	Other FMT members	The President and CEO ²⁾
	May 1–Dec 31	Jan 1–Apr 30	Oct 1–Dec 31	Jan 1–Sep 30	Annual
Salaries and fringe benefits	604	288	805	1,114	745
Performance bonuses	158	80	177	272	237
Share-based remuneration	318	140	226	892	477
Pensions	191	713	193	746	479
Total	1,271	1,221	1,401	3,024	1,938

2) The full year 2009 remuneration for Tapio Kuula representing the period Jan 1–Apr 30 as a member of FMT and from May 1 onwards as the President and CEO.

The compensation package for FMT consists of base salaries, purposeful benefits, annual individual short-term incentives (bonus) and share-based remuneration. The criteria used in determining the size of the bonus for senior management are decided annually by the Board of Directors on the recommendation of the Board's Nomination and Compensation Committee. The performance of each senior executive is evaluated annually. The size of each senior executive's bonus is dependent on the Group's financial performance, as well as on their own success in reaching their individual goals, which for the President and CEO are set by the Board's Nomination and Compensation Committee. The Committee recommends the level of the President and CEO's compensation to the Board of Directors for approval. Bonuses are paid next spring after publication of Fortum's yearly results and after the annual performance discussions have been held.

The President and CEO as well as the other FMT members participate in share bonus plans. The expense in the income statement for these plans is calculated in accordance with IFRS 2 *Share-based payments*.

➤ For additional information about management share-based remuneration, see Note 30 Employee bonus system, personnel fund and incentive schemes on page 113.

The President and CEO's additional pension arrangement is a defined contribution pension plan, which annual contribution is 25% of the annual salary. The annual salary consists of a base salary, fringe benefits and bonus. The President and CEO's retirement age is 63. In case his assignment is terminated before retirement age, the President

and CEO is entitled to retain the benefits accrued in the arrangement for his benefit.

For other management team members the retirement age is 60 or 63 depending on the arrangement. The pension paid is maximum 66% or 60% of the remuneration upon retirement. In the first case they are defined benefit pension plans and are insured and paid by Fortum's pension fund. In the latter, pensions are either defined benefit or defined contribution schemes insured by an insurance company.

In the event that Fortum decides to give notice of termination to the President and CEO, he is entitled to compensation equalling 24 months' salary and other FMT members to a compensation equalling 12 to 24 months' salary.

➤ *Additional information about the terms and conditions of the remuneration of the President and CEO Tapio Kuula is available online at www.fortum.com/Investors/Corporate_governance/Management_team/Remuneration_of_President_and_CEO and on page 156 Remuneration in the Annual Report.*

Shares delivered or to be delivered to the management

The table below shows the number of shares delivered or to be delivered to the President and CEO and other FMT members under the long-term incentive plans. In spring 2011 there will be deliveries of two LTI arrangements: the old plan 2005–2010 and new plan 2008–2012. Shares delivered under the new plan will be subject to a two-year lock-up period under which they cannot be sold or transferred to a third party. In the table below share amounts to be delivered under the new plan are estimated and the actual number of shares will be determined at the time of delivery in spring 2011.

According to the Cabinet Committee's Economic Policy for the State-owned corporations, the total taxable gross value of the benefit arising from the shares delivered to a participant cannot exceed the participant's one-year salary including fringe benefits. Shares disclosed are not reflecting this limitation, which will be applied at the time of delivery in spring 2011.

➤ *For more information on the LTI arrangements see Note 30 Employee bonus system, personnel fund and incentive schemes on page 113.*

Share rights delivered or granted to the management

	Year 2010 ¹⁾	Year 2011 ²⁾
Tapio Kuula	8,422	24,639
Anne Brunila	-	2,491
Alexander Chuvaev	-	12,586
Mikael Frisk	6,041	8,984
Timo Karttinen	5,166	9,173
Juha Laaksonen	7,014	11,684
Per Langer	2,989	6,691
Maria Paatero-Kaarnakari	2,539	4,767
Matti Ruotsala	-	6,137

1) Actual number of shares delivered.

2) Estimated total number of shares for the old and the new LTI arrangement.

13.4 Management shareholding

On 31 December 2010, the members of the Supervisory Board of Fortum Corporation owned a total of 1,208 shares (2009: 1,090) or 0.00% of the shares and voting rights. The members of the Board of Directors owned a total of 11,450 shares (2009: 12,700), which corresponds to 0.00% of the company's shares and voting rights.

The President and CEO and other members of the Fortum Management Team owned a total of 208,333 shares (2009: 185,345) which corresponds to approximately 0.02% (2009: 0.02%) of the company's shares and voting rights.

Shares held by members of the Board of Directors

	2010	2009
Chairman Matti Lehti	2,000	2,000
Deputy chairman Sari Baldauf	2,300	2,300
Esko Aho	-	-
Ilona Ervasti-Vaintola	4,000	4,000
Birgitta Johansson-Hedberg	900	900
Joshua Larson	-	NA
Christian Ramm-Schmidt	2,250	3,500
Total	11,450	12,700

Shares held by members of Fortum Management Team

	2010	2009
Tapio Kuula	81,569	73,147
Anne Brunila	-	-
Alexander Chuvaev	-	-
Mikael Frisk	30,000	31,642
Timo Karttinen	48,962	43,796
Juha Laaksonen	34,241	27,227
Per Langer	8,478	5,489
Maria Paatero-Kaarnakari	5,083	4,044
Matti Ruotsala	-	-
Total	208,333	185,345

14 Depreciation, amortisation and impairment charges

EUR million	2010	2009
Depreciation of property, plant and equipment		
Buildings and structures	91	86
Machinery and equipment	443	396
Other tangible assets	5	5
Amortisation of intangible assets	21	20
Total	560	507
Impairment charges		
Other intangible assets	1	-
Buildings and structures	2	3
Total	3	3
Depreciation, amortisation and impairment charges total	563	510

⊕ See also Note 5 Segment reporting on page 90.

15 Finance costs – net

EUR million	Note	2010	2009
Interest expense			
Borrowings		-241	-268
Other interest expense		-1	-3
Capitalised borrowing costs	22	45	30
Total		-197	-241
Interest income			
Loan receivables		66	88
Other interest income		6	10
Total		72	98
Fair value gains and losses on financial instruments	7	12	-1
Exchange gains and losses			
Loans and receivables	7	744	315
Derivatives	7	-741	-312
Dividend income		1	1
Interest income on share of State Nuclear Waste Management Fund	34	14	20
Unwinding of discount on nuclear provisions	34	-40	-26
Unwinding of discount on other provisions	35	-16	-14
Other financial income		3	2
Other financial expenses		-7	-9
Total		-42	-23
Finance costs - net		-155	-167

Interest expenses include interest expenses on interest-bearing loans, interest on interest rate and currency swaps, forward points on forward foreign exchange contracts hedging loans and receivables. Other interest expenses includes interest on financial leases EUR -1 million (2009: -1) and other interest cost EUR 0 million (2009: -2).

⊕ Further information can be found in the Notes mentioned in the table.

Interest income includes EUR 38 million (2009: 37) from shareholders' loans in Finnish and Swedish nuclear companies, EUR 25 million (2009: 55) from deposits as well as the effect from hedging of SEK denominated interest income of EUR 0 million (2009: -5). Other interest income includes mainly income from financial leases as a lessor.

Fair value gains and losses on financial instruments include change in clean price of interest rate and cross currency swaps not getting hedge accounting and fair value changes of interest rate derivatives in hedge relationship and hedged items. Accrued interest on these derivatives is entered in interest expenses of borrowings. Fair value gains and losses include also rate difference from forward contracts hedging loans and receivables without hedge accounting.

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Exchange gains and losses includes exchange rate differences arising from valuation of foreign currency loans and receivables and exchange rate differences from forward foreign exchange contracts and interest rate and currency swaps.

Fair value changes on interest rate and currency derivatives

EUR million	2010	2009
Interest rate and cross currency swaps		
Interest expenses on borrowings	22	20
Exchange rate difference from derivatives	-130	-95
Rate difference in fair value gains and losses on financial instruments ¹⁾	34	8
Total fair value change of interest rate derivatives in finance costs - net	-74	-67
Forward foreign exchange contracts		
Interest expenses on borrowings	-7	-4
Exchange rate difference from derivatives	-611	-217
Rate difference in fair value gains and losses on financial instruments	10	6
Total fair value change of currency derivatives in finance costs - net	-608	-215
Total fair value change of interest and currency derivatives in finance costs - net	-682	-282

1) Fair value gains and losses on financial instruments include fair value changes from interest rate swaps not getting hedge accounting amounting to EUR 0 million (2009: 5).

Aggregated exchange rate differences included in operating profit were EUR 1 million (2009: -1) and in finance costs EUR 3 million (2009: 3).

16 Income tax expense

16.1 Profit before tax

EUR million	2010	2009
Finnish companies	513	540
Swedish companies	666	659
Other companies	436	437
Total	1,615	1,636

16.2 Major components of income tax expense by major countries

EUR million	2010	2009
Current taxes		
Finnish companies	-183	-168
Swedish companies	-178	-179
Other companies	-29	-40
Total	-390	-387
Deferred taxes		
Finnish companies	74	70
Swedish companies	5	17
Other companies	50	8
Total	129	95
Adjustments recognised for current tax of prior periods		
Finnish companies	0	-2
Swedish companies	0	-2
Other companies	0	11
Total	0	7
Total income taxes	-261	-285

16.3 Income tax rate

The table below explains the difference between the theoretical enacted tax rate in Finland compared to the tax rate in the income statement.

EUR million	2010	%	2009	%
Profit before tax	1,615		1,636	
Tax calculated at nominal Finnish tax rate	-420	26.0	-425	26.0
Differences in tax rates and regulations in other countries	113	-7.0	126	-7.7
Income not subject to tax	5	-0.3	16	-1.0
Tax exempt capital gains	20	-1.2	1	-0.1
Expenses not deductible for tax purposes	-5	0.3	-5	0.4
Share of profit of associated companies and joint ventures	16	-1.0	5	-0.4
Taxes related to dividend distributions	-1	0.1	-3	0.2
Tax losses for which no deferred tax was recognised	-1	0.1	-6	0.4
Utilisation of previously unrecognised tax losses	1	-0.1	-	-
Changes in tax provisions	11	-0.7	-1	0.1
Adjustments recognised for taxes of prior periods	0	0.0	7	-0.5
Tax charge in the income statement	-261	16.2	-285	17.4

The weighted average applicable tax rate was 26.9% (2009: 27.5%). The tax rate according to the income statement was 16.2% (2009: 17.4%). The tax rate used in the income statement is always impacted by the fact that share of profits of associates and joint ventures are recorded based on Fortum's share of profits after tax. Excluding the share of profits from associates, capital gains and other one-time items, the tax rate was 17.7% (2009: 18.5%).

Fortum's tax rate in the income statement, 16.2%, was mainly affected by the balance of income in different countries combined with the effects from the latest acquisitions and other operative actions and structures and their tax treatment. Fortum released some tax provisions during 2010 due to increased income level to be offset against loss carry forwards and due to increased certainty in tax treatment, which also affected the tax rate.

16.4 One-time effects

During 2010 there were several tax exempt capital gains. The major part of them relates to the sales of shares in associated companies St. Petersburg Sales Company, Swedegas AB and Karlskoga Energi & Miljö AB.

The major part of the tax exempt capital gains in 2009 comes from sale of shares in companies with construction and operation of infrastructure business.

✚ See also Note 33 Deferred income taxes on page 117.

17 Earnings per share

17.1 Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of ordinary shares in issue during the year.

	2010	2009
Profit attributable to owners of the parent (EUR million)	1,300	1,312
Weighted average number of shares (thousands)	888,367	888,230
Basic earnings per share (EUR per share)	1.46	1.48

17.2 Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. At the end of 2010 Fortum had no diluting stock option schemes.

18 Dividend per share

A dividend in respect of 2010 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million based on the number of shares registered as of 1 February 2011, is to be proposed at the Annual General Meeting on 31 March 2011. These financial statements do not reflect this dividend.

The Annual General Meeting on 25 March 2010 decided to distribute a dividend of EUR 1.00 per share in respect of 2009 to the shareholders. The total dividend amounted to EUR 888 million based on the number of shares registered as of 30 March 2010. The dividend was paid on 8 April 2010.

The Annual General Meeting on 7 April 2009 decided to distribute a dividend of EUR 1.00 per share in respect of 2008 to the shareholders. The total dividend amounted to EUR 888 million based on the amount of shares registered as of 14 April 2009. The dividend was paid on 21 April 2009.

19 Financial assets and liabilities by categories

Financial assets and liabilities in the tables below are split into categories in accordance with IAS 39. The categories are further split into classes which are the basis for valuing a respective asset or liability. Further information can be found in the Notes mentioned in the table.

Financial assets by categories		Loans and receivables		Financial assets at fair value through profit and loss				Fair value recognised in equity, cash flow hedges		Available-for-sale financial assets		Finance leases		Total financial assets	
		Amortised cost		Hedge accounting, fair value hedges		Non-hedge accounting									
EUR million	Note	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial instruments in non-current assets															
Other non-current assets	24	31	25							41	44			72	69
Derivative financial instruments	3														
Electricity derivatives						30	38	3	16					33	54
Interest rate and currency derivatives				76	59	51	77	18	3					145	139
Oil and other futures and forward contracts						5	2							5	2
Long-term interest-bearing receivables	25	1,101	854									48	64	1,149	918
Financial instruments in current assets															
Derivative financial instruments	3														
Electricity derivatives						61	33		43					61	76
Interest rate and currency derivatives						34	95	5	3					39	98
Oil and other futures and forward contracts						48	8							48	8
Trade receivables	27	943	784											943	784
Other short-term interest-bearing receivables	27	46	12									11	13	57	25
Bank deposits	28	271	397											271	397
Cash and cash equivalents	28	285	493											285	493
Total		2,677	2,565	76	59	229	253	26	65	41	44	59	77	3,108	3,063
Financial liabilities by categories															
Financial liabilities by categories		Financial liabilities at fair value through profit and loss				Other financial liabilities				Finance leases		Total financial liabilities			
		Hedge accounting, fair value hedges		Non-hedge accounting		Fair value recognised in equity, cash flow hedges		Amortised cost						Fair value	
EUR million	Note	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Financial instruments in non-current liabilities															
Interest-bearing liabilities	32							5,379	4,464	1,115	1,514	26	24	6,520	6,002
Derivative financial instruments	3														
Electricity derivatives				46	34	130	67							176	101
Interest rate and currency derivatives				45	75	10	10							55	85
Oil and other futures and forward contracts				7	5									7	5
Financial instruments in current liabilities															
Interest-bearing liabilities	32							860	854			2	3	862	857
Derivative financial instruments	3														
Electricity derivatives				278	60	494	39							772	99
Interest rate and currency derivatives				386	161	5	8							391	169
Oil and other futures and forward contracts				44	8									44	8
Trade payables	38							435	317					435	317
Other liabilities	38							205	158					205	158
Total		-	-	806	343	639	124	6,879	5,793	1,115	1,514	28	27	9,467	7,801

20 Financial assets and liabilities by fair value hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

➔ See Note 1 Accounting policies, 1.30 Fair value estimation on page 79.

Financial assets

EUR million	Note	Level 1		Level 2		Level 3		Netting ³⁾		Total	
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
In non-current assets											
Available for sale financial assets ¹⁾	24					41	44			41	44
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				90	164			-87	-148	3	16
Non-hedge accounting		19	3	95	86		2 ²⁾	-84	-53	30	38
Interest rate and currency derivatives											
Hedge accounting				94	62					94	62
Non-hedge accounting				51	77					51	77
Oil and other futures and forward contracts											
Non-hedge accounting		25	2					-20		5	2
In current assets											
Derivative financial instruments	3										
Electricity derivatives											
Hedge accounting				539	418			-539	-375	0	43
Non-hedge accounting		152		403	236			-494	-203	61	33
Interest rate and currency derivatives											
Hedge accounting				5	3					5	3
Non-hedge accounting				34	95					34	95
Oil and other futures and forward contracts											
Non-hedge accounting		200	8					-152		48	8
Total		396	13	1,311	1,141	41	46	-1,376	-779	372	421

Financial liabilities

EUR million	Note	Level 1		Level 2		Level 3		Netting ³⁾		Total		
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	
In non-current liabilities												
Interest-bearing liabilities	32			1,115	1,514					1,115	1,514	
Derivative financial instruments	3											
Electricity derivatives												
Hedge accounting				216	215			1	-87	-149	130	67
Non-hedge accounting		24	2	105	83			1 ²⁾	-84	-52	46	34
Interest rate and currency derivatives												
Hedge accounting				10	10					10	10	
Non-hedge accounting				45	75					45	75	
Oil and other futures and forward contracts												
Non-hedge accounting		27	5						-20	7	5	
In current liabilities												
Derivative financial instruments	3											
Electricity derivatives												
Hedge accounting				1,033	413				-539	-375	494	38
Non-hedge accounting		156	1	616	263				-494	-203	278	61
Interest rate and currency derivatives												
Hedge accounting				5	8					5	8	
Non-hedge accounting				386	161					386	161	
Oil and other futures and forward contracts												
Non-hedge accounting		196	8						-152	44	8	
Total		403	16	3,531	2,742	-	2	-1,376	-779	2,560	1,981	

1) Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consists mainly of shares in unlisted companies of EUR 38 million (2009: 43), for which the fair value can not be reliably determined. These assets are measured at cost less possible impairment.

Available for sale financial assets include listed shares at fair value of EUR 3 million (2009: 1). The cumulative fair value change booked in Fortum's equity was EUR -1 million (2009: -1).

2) NASDAQ OMX Commodities Europe quotes the closest 5 years, for years beyond a systematic price estimate made by Fortum is used. Reason for transferring electricity derivatives from level 3 to level 2 is the maturity of contracts.

3) Receivables and liabilities against electricity exchanges arising from standard derivative contracts with same delivery period are netted.

21 Intangible assets

EUR million	Goodwill		Other intangible assets		Total	
	2010	2009	2010	2009	2010	2009
Cost 1 January	285	298	372	379	657	677
Translation differences and other adjustments	16	-13	16	-27	32	-40
Capital expenditure	-	-	19	20	19	20
Change in emission rights	-	-	13	0	13	0
Disposals	-	-	-25	-6	-25	-6
Reclassifications	-	-	17	6	17	6
Cost 31 December	301	285	412	372	713	657
Accumulated depreciation 1 January	-	-	266	282	266	282
Translation differences and other adjustments	-	-	25	-30	25	-30
Disposals	-	-	-25	-6	-25	-6
Reclassifications	-	-	4	-	4	-
Impairment charges	-	-	1	-	1	-
Depreciation for the period	-	-	21	20	21	20
Accumulated depreciation 31 December	-	-	292	266	292	266
Carrying amount 31 December	301	285	120	106	421	391

The goodwill is included in Russia segment and relates to the acquisition of OAO Fortum (former TGC-10). The goodwill has been tested for impairment by comparing recoverable amounts of the net operating assets for OAO Fortum, including goodwill, with their carrying amounts. The recoverable amounts were determined on the basis of value in use, applying discounted cash flow calculations.

Key assumptions made by management and used in calculating value in use were: expected development of Russian power market, utilization of power plants and other assets, forecasted maintenance and refurbishment investments as well as finalisation of the investment programme and rate used for discounting. The assumptions are based on expectations of future events that are believed to be reasonable under the circumstances. The process used to determine these assumptions has not changed from previous year. The cash flows are based on business plan approved by the Board of Directors. The power market liberalisation in Russia has progressed expectedly during 2010. OAO Fortum's investment programme has been accelerated in light of the recovering demand and development of the Russian capacity market. The last new units are scheduled to commission by the end of 2014. On the other hand the commissioning of the first three units has been slightly delayed. The discount rate is determined taking into account the risk profile of the country in which the cash flows are generated. Pre-tax discount rate used for Russia was 10.4% (2009: 11.7%). There have not been any major changes in the discount rate components or in the methods used to determine them.

As of 31 December 2010, the recoverable values were found to be in excess of their carrying values and therefore the related goodwill is not impaired. According to management a reasonably possible change in discount rate or in the level of earnings would not cause Russian cash generating unit's carrying amount to exceed its recoverable amount.

The main items in other intangible assets are costs for software products and software licenses, which are amortised over their useful lives. Other intangible assets also include bought emission rights and emission rights received free of charge, which are recognised to the lower of fair value and historical cost. The amount of emission rights in intangible assets is EUR 27 million (2009: 14).

22 Property, plant and equipment

EUR million	Land, waterfall rights and tunnels	Buildings, plants and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost 1 January 2010	2,840	2,752	12,570	206	1,091	19,459
Translation differences and other adjustments	392	201	1,091	14	100	1,798
Capital expenditure	1	83	221	1	897	1,203
Nuclear asset retirement cost	-	-	18	-	-	18
Disposals	-1	-13	-66	-	2	-78
Reclassifications	12	93	339	-21	-440	-17
Moved to Assets held for sale	-1	-18	-236	-2	-1	-258
Cost 31 December 2010	3,243	3,098	13,937	198	1,649	22,125
Accumulated depreciation 1 January 2010	-	1,184	5,284	136	-	6,604
Translation differences and other adjustments	-	84	449	9	-	542
Disposals	-	-8	-44	-	-	-52
Depreciation for the period	-	91	443	5	-	539
Impairment charges	-	2	-	-	-	2
Reclassifications	-	-7	3	-	-	-4
Moved to Assets held for sale	-	-7	-119	-1	-	-127
Accumulated depreciation 31 December 2010	-	1,339	6,016	149	-	7,504
Carrying amount 31 December 2010	3,243	1,759	7,921	49	1,649	14,621

Property, plant and equipment has increased during 2010. The increase is mostly due to the ongoing investment programme in OAO Fortum and Heat segment's building of four CHP plants of which two were taken into commercial use during 2010 and two are still under construction. The strengthening of currencies, mainly SEK, also contributed to increase in property, plant and equipment.

➤ For more information on credit risks regarding ongoing investments, see Note 3.10 Credit risk on page 87.

Property, plant and equipment that are subject to restrictions in the form of real estate mortgages amounts to EUR 292 million (2009: 357).

➔ See Note 41 Pledged assets on page 124.

EUR million	Land, waterfall rights and tunnels	Buildings, plants and structures	Machinery and equipment	Other tangible assets	Advances paid and construction in progress	Total
Cost 1 January 2009	2,684	2,520	11,720	198	1,011	18,133
Translation differences and other adjustments	156	60	354	4	21	595
Increases through business combinations	-	-	2	-	-	2
Capital expenditure	1	111	229	2	499	842
Nuclear asset retirement cost	-	-	-7	-	-	-7
Disposals	-1	-18	-23	-2	-56	-100
Reclassifications	0	79	295	4	-384	-6
Cost 31 December 2009	2,840	2,752	12,570	206	1,091	19,459
Accumulated depreciation 1 January 2009	-	1,082	4,785	128	-	5,995
Translation differences and other adjustments	-	21	163	4	-	188
Increases through business combinations	-	-	-	-	-	-
Disposals	-	-12	-56	-1	-	-69
Depreciation for the period	-	86	396	5	-	487
Impairment charges	-	3	0	0	-	3
Reclassifications	-	4	-4	-	-	0
Accumulated depreciation 31 December 2009	-	1,184	5,284	136	-	6,604
Carrying amount 31 December 2009	2,840	1,568	7,286	70	1,091	12,855

22.1 Capitalised borrowing costs

EUR million	Buildings, plants and structures		Machinery and equipment		Advances paid and construction in progress		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
1 January	0	-	21	13	44	23	65	36
Translation differences and other adjustments	0	0	0	0	4	0	4	0
Increases	-	-	-	-	45	30	45	30
Reclassification	7	0	13	9	-20	-9	0	0
Depreciation	0	0	-2	-1	-	-	-2	-1
31 December	7	0	32	21	73	44	112	65

New borrowing costs of EUR 45 million were capitalised in 2010 (2009: 30) for the OAO Fortum investment programme, and for CHP-plant projects in Poland, Estonia

and Lithuania. The interest rate used for capitalisation varied between 2.9–9.0% (2009: 5.4–11.0%) depending on country and loan currency.

22.2 Capital expenditure ¹⁾

EUR million	Finland		Sweden		Other countries		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Power								
Hydropower	10	4	42	49	-	-	52	53
Nuclear power	39	35	-	-	-	-	39	35
Fossil-based power	5	3	-	-	-	-	5	3
Other	1	5	-	-	-	-	1	5
Total Power	55	47	42	49	-	-	97	96
Heat								
Fossil-based heat	16	53	24	17	39	66	79	136
Fossil-based power	5	37	-	-	-	-	5	37
Renewable	14	21	57	24	59	32	130	77
District heating network	19	14	36	56	22	18	77	88
Other	-	0	12	20	1	0	13	20
Total Heat	54	125	129	117	121	116	304	358
Distribution	73	79	128	98	12	11	213	188
Electricity sales	0	1	-	-	-	-	0	1
Other	8	3	1	-	0	1	9	4
Total excluding Russia segment	190	255	300	264	133	128	623	647
Russia								
Fossil-based power							544	199
Fossil-based heat							21	16
Other							34	0
Total Russia							599	215
Total including Russia segment							1,222	862

1) Includes capital expenditure to both intangible assets and property, plant and equipment.

Maintenance investments during 2010 in property, plant and equipment were EUR 164 million (2009: 139). Investments due to requirements of legislation were EUR 148 million (2009: 129). Investments increasing productivity were EUR 151 million (2009: 138) and growth investments were EUR 759 million (2009: 456).

22.2.1 Power

In Finland, Fortum invested EUR 42 million (2009: 35) into the Loviisa nuclear power plant. Fortum continued to invest EUR 23 million (2009: 20) into several hydro projects, focusing on growth and productivity. The biggest of these was Montta in Finland, EUR 7 million (2009: 1). Power segment invested additionally EUR 32 million (2009: 41) into refurbishment type investments.

22.2.2 Heat

There have been 4 ongoing CHP plant construction projects during 2010; the Częstochowa

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plant in Poland and Pärnu plant in Estonia that were taken into commercial use during 2010, and Klaipeda plant in Lithuania and Brista plant in Sweden that are still under construction. Growth investments in Heat segment totalled EUR 202 million, which is EUR 60 million less than in 2009. Refurbishment and other investments were EUR 102 million in this segment, which is EUR 6 million more than in 2009. This amount consists mainly of investments in district heat networks, new connections as well as the maintenance of existing CHP plants.

22.2.3 Distribution

Distribution invested EUR 213 million (2009: 188) in reliability of power delivery, maintenance and new investments in Finland, Sweden, Norway and Estonia.

The pilot rollout of smart metering to network customers in Finland started in October 2010. In 2010 Fortum invested some EUR 9 million (2009: 8) to the Finnish smart metering project.

22.2.4 Russia

OAO Fortum has an extensive investment programme aiming to increase its power capacity with 2,300 MW. During 2010 EUR 540 million (2009: 186) was invested in this programme. The value for the remaining part of the programme is estimated to be EUR 1.5 billion from January 2011 onwards. In December 2010 a new unit was inaugurated at Fortum's Tyumen CHP-1 power plant and it is estimated to be in commercial operation during the first half of 2011. The unit is the first of seven new units in OAO Fortum's extensive investment programme.

22.3 Assets leased in by finance lease agreements

EUR million	2010	2009
Acquisition cost	41	54
Accumulated depreciation at 1 January	-14	-14
Depreciation charge for the year	-2	-4
Total	25	36

The assets leased by financial lease agreements are classified as machinery and equipment.

Fortum also acts as a lessor under financial lease agreements and has leased out property, plant and equipment for EUR 50 million (2009: 60), which are not included in property, plant and equipment in the consolidated financial statements.

22.4 Assets leased out by operating lease agreements

EUR million	2010	2009
Acquisition cost	12	179
Accumulated depreciation at 1 January	-3	-106
Depreciation charge for the year	-2	-7
Total	7	66

Assets leased out by operating lease agreement consisted mainly of Meri-Pori power-plant, where Fortum has leased out its 308 MW share in the power plant from January 2007 to the end of June 2010. The power plant's production capacity was reverted to Fortum's own use on 1 July 2010.

23 Participations in associated companies and joint ventures

EUR million	2010	2009
Historical cost		
1 January	1,669	1,655
Translation differences and other adjustments	63	-36
Acquisitions	6	33
New share issues and shareholders' contributions	20	25
Reclassifications	-	-7
Divestments	-97	-1
Historical cost 31 December	1,661	1,669
Equity adjustments to participations in associates and joint ventures		
1 January	519	457
Translation differences and other adjustments	41	109
Share of profits of associates	62	21
Divestments	8	-
Dividends received	-61	-32
OCI items associated companies	-69	-36
Equity adjustments 31 December	500	519
Total	2,161	2,188

The carrying amount of investments in associated companies at the end of 2010 was EUR 2,161 million (2009: 2,188). Fortum owns shares in two (2009: one) companies classified as joint ventures. The total carrying value of these joint ventures was EUR 54 million (2009: 42).

23.1 Investments

Teollisuuden Voima Oyj's (TVO) Annual General meeting in March 2010 decided to raise the company's share capital by EUR 79.3 million (2009: 100) of which Fortum's share is EUR 19.8 million (2009: 25). The increase in Fortum's participation in TVO was paid in December 2010.

During 2010 Fortum acquired 40% of the shares in Blaiken Vind AB from Skellefteå Kraft AB. Blaiken Vind AB is a joint venture planning to start construction of a wind farm in the Blaiken region in northern Sweden. The wind farm will have a maximum of 100 wind turbines with a total capacity of 250 MW. Its estimated annual production when the construction is completed in year 2015 is 600-720 GWh. The total investments during the project will amount to a maximum of EUR 400 million, of which Fortum's share is 40%.

Fortum and (Norwegian) Hafslund Infratek ASA combined their businesses of construction and operating of infrastructure in Sweden, Finland and Norway at the beginning of 2009. Fortum received newly issued shares in Hafslund Infratek ASA and 33% ownership in the new combined company.

23.2 Divestments

In early February 2010 Distribution business area divested Fortum's 49% shareholding in Karlskoga Energi & Miljö AB. In the first quarter of 2010 Heat Division divested Fortum's 20.4% shareholding in Swedegas AB and Russia Division divested OAO Fortum's 49% shareholding in Kurgan Generating Company. In the third quarter Russia Division divested Fortum's approximately 31% shareholding in St. Petersburg Sales Company.

No major divestments of associated companies were made in 2009.

23.3 Share of profits from associates

Some of the principal associates present their financial statements according to local accounting principles. Fortum makes adjustments to the reported numbers to ensure consistency with policies adopted by the Group. If more recent information is not available, the share of profit of associated companies is based on the previous quarterly information.

Fortum's share of profits from associates for 2010 amounts to EUR 62 million (2009: 21), of which Hafslund represents EUR 28 million (2009: -4), TGC-1 EUR 7 million (2009: 19) and Gasum EUR 27 million (2009: 26). Share of profits from associates also includes Fortum's share of the Swedish nuclear associates Forsmarks Kraftgrupp AB and OKG AB with EUR -19 million (2009: -16), of which EUR -11 million (2009: -6) is due to accounting of nuclear related assets and liabilities.

➔ See Note 34 Nuclear related assets and liabilities on page 118.

Hafslund sold 18 million shares in REC in November 2009. In accordance with the accounting policy Fortum recognised a EUR 13 million gain in relation to Hafslund's divestment of REC shares as a part of the share of profit from associates and joint ventures in 2009.

Hafslund ASA announced in December 2010 the sale of shares in its fully-owned subsidiary Hafslund Fibernett AS with a sales price amounting to NOK 1,477 million (approx. EUR 188 million). Hafslund will book a gain of approximately NOK 900 million (approx. EUR 114 million). Consequently, Fortum will book a gain of roughly EUR 40 million in Other segment, corresponding to approximately EUR 0.04 per share. The gain will be booked in the income statement as profit from associated companies in the first quarter of 2011.

23.4 Dividends received

Total dividends received amounted to EUR 61 million (2009: 32), of which dividend from Hafslund was EUR 19 million (2009: 17).

23.5 Fair value adjustments in equity

When calculating the share of profits in Fortum's associated company Hafslund ASA, Fortum, in accordance with Fortum's accounting policies, reclassified Hafslund's accounting treatment for the shareholdings in REC from year 2006 until 19 November 2008. Until that date Hafslund classified the shareholding in REC as financial assets at fair value through profit and loss, while Fortum classified the shareholding as available for sale financial assets with fair value changes directly through equity. After 19 November 2008 both companies classify the REC shareholding as available for sale financial assets with fair value changes directly through equity. Only if Hafslund would divest shares in REC would the cumulative fair value change effect Fortum's income statement. Since REC is listed in the Oslo stock exchange, Fortum is accounting for the fair value change in the share price in Oslo stock exchange at each closing date. The amount of shares is based on the amount published by Hafslund in the previous quarter if other information is not available.

The cumulative fair value change booked in Fortum's equity and based on the remaining number of shares reported by Hafslund was EUR 13 million at the end of the year 2010 (2009: 89).

23.6 Principal associated companies

EUR million	Company	Segment	Domicile	Participation %		Carrying amount in Group	
				2010	2009	2010	2009
	Kemijoki Oy	Power	Finland	18	18	237	243
	Teollisuuden Voima Oyj (TVO)	Power	Finland	26	26	254	232
	OKG AB	Power	Sweden	46	46	134	131
	Forsmarks Kraftgrupp AB	Power	Sweden	26	26	121	112
	Gasum Oy	Heat	Finland	31	31	123	123
	Fingrid Oyj	Distribution	Finland	25	25	115	112
	Territorial Generating Company 1 (TGC-1)	Russia	Russia	26	26	423	399
	Hafslund ASA	Other	Norway	34	34	440	483
	Others					314	353
	Total					2,161	2,188

Fortum owns 63.8% of the hydro shares and 15.4% of the monetary shares in Kemijoki Oy. Each owner of hydro shares is entitled to the hydropower production in proportion to its hydro shareholding. Fortum's total ownership is 17.5% of the share capital. Since Fortum has significant influence due to its representation on the board of directors and participation in policy-making processes, Kemijoki Oy is accounted for as an associated company.

TVO has three series of shares which entitle the shareholders to electricity produced in the different power plants owned by TVO. Series A entitles to electricity produced in nuclear power plants Olkiluoto 1 and 2, series B entitles to electricity in the nuclear power plant presently being built, Olkiluoto 3, and series C entitles to electricity produced in TVO's share of the thermal power plant Meri-Pori. The Meri-Pori power plant

is a jointly controlled asset between Fortum and TVO. Fortum accounts for its 54.55% of the assets and TVO for 45.45%.

➤ See also *Jointly controlled assets in Note 1.12.1 in Accounting principles on page 73.*

Fortum owns 25.7% of the shares in Territorial Generating Company 1 (TGC-1). TGC-1 was formed in late 2006 by mergers of several Russian companies. According to Fortum's accounting policy the share of TGC-1's profits is recognised based on the most recently published IFRS financial statements.

In Q2 2010 Fortum changed its accounting practice for recognition of TGC-1 results. Fortum eliminates the impairment losses or reversals of prior impairments from its share of results and assesses the need for impairment separately. Previously Fortum has booked its share of results including any impairment losses and reversals of prior impairments recognised by TGC-1. The accounting practice change was done prospectively adjusting for previous periods as the impact on the comparative year information is immaterial.

TGC-1 has changed its reporting schedule for IFRS financial information during the year. From 2010 onwards TGC-1 publishes IFRS interim financial statements quarterly. Fortum's 2010 results includes Fortum's share of TGC-1's profits for the second half of 2009 as well as for the first three quarters of 2010.

Market value, based on market quotations of listed principal associated companies on 31 December (Hafslund ASA and TGC-1) was EUR 1,113 million (2009: 932), of which Hafslund was EUR 595 million and TGC-1 was EUR 518 million.

Assets, liabilities, sales and profit and loss as presented by the Group's principal associates are as follows

EUR million							
Company	Domicile	Assets	Liabilities	Sales	Profit/loss	Ownership,%	Votes,%
Kemijoki Oy ¹⁾³⁾	Finland	434	314	40	-7	18	18
Teollisuuden Voima Oyj ¹⁾²⁾	Finland	5,639	4,649	276	34	26	26
OKG AB ¹⁾³⁾	Sweden	2,210	1,806	463	1	46	46
Forsmarks Kraftgrupp AB ¹⁾³⁾	Sweden	1,724	1,352	555	0	26	26
Gasum Oy ²⁾	Finland	725	346	838	48	31	31
Fingrid Oyj ²⁾	Finland	1,705	1,225	318	31	25	33
Territorial Generating Company 1 (TGC-1) ²⁾	Russia	2,582	853	911	59	26	26
Hafslund ASA ²⁾	Norway	3,506	2,266	1,326	-171	34	33

1) Power plants are often built jointly with other power producers. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership or other agreements and each owner is liable for an equivalent portion of costs. The associated companies are not profit making, since the owners purchase electricity at production cost including interest cost and production taxes. (See also Note 11 Materials and services on page 97 and Note 46 Related party transactions on page 126).

2) Based on September 2010 figures.

3) Based on December 2009 figures.

23.7 Transactions and balances

Associated company transactions

EUR million	2010	2009
Sales to associated companies	63	86
Interest on associated company loan receivables	39	37
Purchases from associated companies	764	555

Purchases from associated companies are purchases of nuclear and hydro power at production cost including interest costs and production taxes.

➤ See Note 11 Materials and services on page 97.

➤ See Note 46 Related party transactions on page 126.

Associated company balances

EUR million	2010	2009
Receivables from associated companies		
Long-term interest-bearing loan receivables	1,071	852
Trade receivables	22	14
Other receivables	20	5
Liabilities to associated companies		
Long-term loan payables	213	199
Trade payables	36	23
Other payables	15	22

Long-term interest-bearing receivables are mainly receivables from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, EUR 1,001 million (2009: 786).

Investments in Swedish nuclear companies are financed through loans from owners of the nuclear companies, pro rata ownership.

Transactions and balances with joint ventures

EUR million	2010	2009
Purchases	1	1
Receivables from joint ventures	6	4

There were no outstanding loan receivables from joint ventures on 31 December 2010 or 2009.

24 Other non-current assets

EUR million	2010	2009
Available for sale financial assets	41	44
Other	31	25
Total	72	69

Available for sale financial assets, i.e. shares which are not classified as associated companies or joint ventures, consist mainly of shares in unlisted companies of EUR 38 million (2009: 43), for which the fair value can not be reliably determined. These

assets are measured at cost less possible impairment.

Available for sale financial assets include listed shares at fair value of EUR 3 million (2009: 1). The cumulative fair value change booked in Fortum's equity was EUR -1 million (2009: -1).

25 Long-term and short-term interest-bearing receivables

EUR million	2010	2009
Long-term loan receivables	1,101	854
Finance lease receivables	48	64
Total long-term interest-bearing receivables	1,149	918
Other short-term interest-bearing receivables	46	12
Short-term finance lease receivables	11	13
Total short-term interest-bearing receivables¹⁾	57	25
Total	1,206	943

1) Included in trade and other receivables in the balance sheet, see Note 27 on page 112.

Long-term loan receivables include receivables from associated companies EUR 1,071 million (2009: 852), mainly from Swedish nuclear companies, OKG AB and Forsmarks Kraftgrupp AB, EUR 1,001 million (2009: 786). These companies are mainly funded with shareholder loans, pro rata each shareholder's ownership. The increase is related to investments made according to plan in OKG AB and Forsmarks Kraftgrupp AB.

Long-term loan receivables also include receivables from Teollisuuden Voima Oyj (TVO) amounting to EUR 45 million (2009: 45). Olkiluoto 3, the nuclear power plant being built by the associated company TVO, is funded through external loans, share issues and shareholder loans according to shareholders' agreement between the owners of TVO. In March 2009, TVO's shareholders committed to providing a EUR 300 million subordinated shareholders' loan to TVO. The facility will be available until the end of 2013. Fortum's share of this commitment is at maximum EUR 75 million.

➕ For further information regarding credit risk management, see Note 3.10 Credit risk on page 87.

25.1 Interest-bearing receivables

EUR million	Effective interest rate	Carrying amount 2010	Repricing under 1 year	Repricing 1-5 years	Repricing over 5 years	Fair value 2010	Carrying amount 2009	Fair value 2009
Long-term loan receivables	4.1	1,103	1,086	14	3	1,112	854	886
Finance lease receivables	7.2	59	25	4	30	73	77	94
Total long-term interest-bearing receivables¹⁾	4.3	1,162	1,111	18	33	1,185	931	980
Other short-term interest-bearing receivables	8.6	44	44	-	-	46	12	12
Total interest-bearing receivables	4.4	1,206	1,155	18	33	1,231	943	992

1) Including current portion of long-term receivables.

25.2 Finance lease receivables

Fortum owns assets (mainly CHP and heating plants) that it leases to customers under financial leasing agreements in Finland, Sweden, Norway and Estonia. These assets are recorded at the gross investment cost in the lease, less unearned financial income. The average lease term is approximately 14 years. Of all contracts, 2% carry a floating interest rate and 98% a fixed rate.

Present value of future minimum lease payment receivables

EUR million	2010	2009
Gross investment in finance lease contracts	78	102
Less unearned finance income	19	25
Total	59	77

Maturity of finance lease receivables

EUR million	2010	2009
Gross investment		
Less than 1 year	15	17
1-5 years	42	60
Over 5 years	21	25
Total	78	102

Maturity of present value of future minimum lease payments receivables

EUR million	2010	2009
Less than 1 year	12	13
1-5 years	30	44
Over 5 years	17	20
Total	59	77

No contingent rents were recognised in income statement neither in 2010 nor in 2009.

26 Inventories

EUR million	2010	2009
Nuclear fuel	84	69
Coal	129	184
Oil	53	40
Biofuels	44	61
Other inventories	77	93
Total	387	447

No impairment costs have been booked related to inventories neither in 2010 nor in 2009.

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27 Trade and other receivables

EUR million	2010	2009
Trade receivables	943	784
Income tax receivables	18	16
Accrued interest income	9	1
Accrued income and prepaid expenses	62	46
Other receivables	195	158
Short-term finance lease receivables ¹⁾	11	13
Other short-term interest-bearing receivables ¹⁾	46	12
Total	1,284	1,030

1) See also Note 25 Long-term and short-term interest-bearing receivables on page 111.

The management considers that the carrying amount of trade and other receivables approximates their fair value.

27.1 Trade receivables

Ageing analysis of trade receivables

EUR million	2010		2009	
	Gross	Impaired	Gross	Impaired
Not past due	860	2	730	2
Past due 1–90 days	88	6	51	4
Past due 91–180 days	8	6	8	2
Past due more than 181 days	53	52	42	39
Total	1,009	66	831	47

Impairment losses recognised in the income statement were EUR 27 million (2009: 11), of which EUR 26 million (2009: 5) are impairment losses recognised in OAO Fortum Group. On 31 December 2010, trade receivables of EUR 66 million (2009: 47) were impaired and provided for, of which EUR 57 million (2009: 33) refers to OAO Fortum Group.

➤ For information regarding impairment losses by segment, see Note 5 Segment reporting on page 90.

Trade receivables by currency

EUR million	2010	2009
EUR	276	265
SEK	461	372
RUB	150	100
NOK	47	29
PLN	33	28
Other	42	37
Total	1,009	831

Trade receivables are arising from a large number of customers mainly in EUR and SEK mitigating the concentration of risk. Fortum held on 31 December 2010 bank guarantees as collaterals for trade receivables amounting to EUR 5 million (2009: 6).

➤ For further information regarding credit risk management and credit risks, see 2.2.9 Counterpart risks on page 55 in the Operating and financial review and Note 3.10 Credit risk on page 87.

28 Liquid funds

EUR million	2010	2009
Cash at bank and in hand	220	154
Bank deposits with maturity under 3 months	65	339
Cash and cash equivalents	285	493
Bank deposits with maturity more than 3 months	271	397
Total	556	890

Short-term and long-term bank deposits include bank deposits held by OAO Fortum amounting to EUR 65 million and EUR 271 million respectively (2009: 229 and 397 respectively). In 2010 all OAO Fortum's deposits were in euros. At the year end 2009 OAO Fortum's short-term deposits included EUR 39 million in Russian roubles. All other short-term, EUR 190 million in euros, and all long-term deposits were in euros. The funds in OAO Fortum are committed to the investment programme to further increase OAO Fortum's electricity production capacity. The bank deposits in euros held by OAO Fortum are hedging future payments in euros.

Maturity of cash and cash equivalents is under 3 months.

➤ For further information regarding credit risk management and credit risks, see 2.2.9 Counterpart risks on page 55 in the Operating and financial review and Note 3.10 Credit risk on page 87.

29 Share capital

EUR million	2010		2009	
	Number of shares	Share capital	Number of shares	Share capital
Registered shares at 1 January	888,367,045	3,046	887,638,080	3,044
Shares subscribed with options and registered by year-end	-	-	728,965	2
Registered shares at 31 December	888,367,045	3,046	888,367,045	3,046
Unregistered shares	-	-	-	-

Fortum Oyj has one class of shares. By the end of 2010, a total of 888,367,045 shares had been issued. The nominal value of one share is EUR 3.40 and each share entitles the holder to one vote at the Annual General Meeting. All shares entitle holders to an equal dividend. At the end of 2010 Fortum Corporation's share capital, paid in its entirety and entered in the trade register, was EUR 3,046,185,953.00.

The registered share capital exceeds the aggregate nominal value of the issued shares due to the cancellations of the company's own shares in 2006 and 2007 (in total 7,570,000 shares) without decreasing the share capital.

Fortum Corporation's shares are listed on NASDAQ OMX Helsinki. The trading code is FUM1V. Fortum Corporation's shares are in the Finnish book entry system maintained by Euroclear Finland Ltd.

At the end of 2010, the Finnish State owned 50.76% of the Company's shares. The Finnish Parliament has authorised the Government to reduce the Finnish State's holding in Fortum Corporation to no less than 50.1% of the share capital and voting rights.

At the end of 2010, the President and CEO and other members of the Fortum management team owned 208,333 shares (2009: 185,345), representing approximately 0.02% (2009: 0.02) of the shares in the Company.

➤ *Details on the President and CEO and other members of the Fortum management team's shareholdings and interest in the equity incentive schemes is presented in Note 13 Employee costs and management remuneration. A description of shares, share capital and shareholders in Fortum is shown in the Operating and financial review on page 57.*

29.1 Treasury shares

At the end of 2010, Fortum Corporation did not own its own shares and the Board of Directors of Fortum Corporation has no unused authorisations from the General Meeting of shareholders to repurchase the company's own shares.

29.2 Convertible bond loans, bonds with warrants and unused authorisations

Fortum Corporation has not issued any convertible bonds or bonds with attached warrants, which would entitle the bearer to subscribe for Fortum shares. The Board of Directors of Fortum Corporation has today no unused authorisations from the General Meeting of shareholders to issue convertible bond loans or bonds with warrants or increase the company's share capital.

30 Employee bonus system, personnel fund and incentive schemes

30.1 Employee bonus system

Fortum's short-term incentive system (called bonus system below) exists to support the Group's values, the achievement of financial targets and structural changes and to secure an alignment between the performance targets of the individual employee and the targets of the Group and business division. All Fortum employees are covered by the bonus system except for some employee groups in Poland and Russia.

The criteria used in determining the size of the bonus for senior management (the President and CEO and other members of Fortum's Management Team) are decided annually by the Board of Directors on the recommendation of the Board's Nomination and Compensation Committee. The size of each senior executive's bonus is dependent on the Group's financial performance, as well as on their own success in reaching personal

goals. The maximum bonus level for the senior management, in the case when all targets and goals are exceeded, is 40% of the person's annual salary including fringe benefits.

For executives with division responsibilities, the scheme reflects the performance of their division together with the Group's financial performance. The criteria for evaluating an executive's personal performance are mutually agreed between the executive and his/her superior in an annual performance discussion at the beginning of each year. The performance of the President and CEO is evaluated annually by the Board of Directors.

➤ *For further information on bonus costs for senior management, see Note 13 Employee Costs and Management Remuneration on page 98.*

30.2 Fortum Personnel Fund

The Fortum Personnel Fund (for employees in Finland only) has been in operation since year 2000. The Board of Directors determines the criteria for the fund's annual profit-sharing bonus. Persons included in the Management Performance Share Arrangement are not eligible to be members of this fund. Members of the personnel fund are the permanent and fixed-term employees of the Group. The membership of employees joining the company starts at the beginning of the next month after the employment relationship has been ongoing for six months. The membership in the fund terminates when the member has received his/her share of the fund in full.

The profit-sharing received by the fund is distributed equally between the members. Each employee's share is divided into a tied amount and an amount available for withdrawal. It is possible to transfer a maximum of 15% of capital from the tied amount to the amount available for withdrawal each year, once the employee has been a member for five years.

The amount available for withdrawal (maximum 15% of the tied amount) is decided each year by the council of the fund and it is paid to members who want to exercise their withdrawal rights.

The fund's latest financial year ended at 30 April 2010 and the fund then had a total of 2,875 members (2009: 3,155). At the end of April 2010 Fortum contributed EUR 1.7 million (2009: 4.7) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2009. The combined amount of members' shares in the fund was EUR 22.0 million (2009: 20.9).

The contribution to the personnel fund is expensed as it is earned.

30.3 Long-term incentive schemes

Fortum's Share Bonus System (LTI) is a performance-based, long-term incentive arrangement. The share bonus system is divided into five/six-year share plans, within which participants have the possibility to earn company shares. A new plan commences annually if the Board of Directors so decides. The arrangement was launched in 2003 to support the achievement of the Group's long-term goals by attracting and retaining key personnel. In January 2008, the arrangement was further developed (called new LTI system below). The last plan under the previous system (called previous LTI system below) was launched in 2007.

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At present, approximately 140 managers, all of whom have been elected by the Board of Directors, are participants in at least one of the six on-going annual LTI plans. The 2006–2011 LTI plan is for non-stock option holders only.

30.3.1 Previous LTI system (on-going plans 2005–2010, 2006–2011 and 2007–2012)

Plans under the previous arrangement start with a three-year earning period, during which the person earns annual bonus based on the performance of the Group, the relevant division and the achievements of the individual participant. After the earning period, following the announcement of the Group's annual results for the last calendar year, the amount of the potential reward as a calculative amount of share rights is decided by the Board of Directors. The value of share rights allocated to an individual participant cannot at that time exceed the participant's one-year salary including fringe benefits.

The earning period of the previous arrangement is followed by an approximately three year lock-up period which ends at the cash-settlement of the earned reward provided that the participant remains employed by the Group. The potential reward under each annual LTI plan is adjusted during the lock-up period by any dividends paid up until the settlement date. The participant has approved that the earned reward will be used to acquire Fortum shares in the name of the participant deducted by income tax and statutory employment related expenses and insurance contributions payable by the participant on the reward.

30.3.2 New LTI system (ongoing plans 2008–2012, 2009–2013 and 2010–2015)

Share bonus plans launched under the new LTI system run over a five/six-year period. Each share bonus plan begins with a three-year earning period, followed by a two/three-year lock-up period. During the lock-up period the shares may not be sold, transferred, pledged or disposed in any other way. Dividends and other financial returns paid on the shares during the lock-up period are, however, not subject to restrictions. The shares will be released from the lock-up after publishing of the Company's financial results for the fifth/sixth calendar year of an individual plan.

The participant has approved that the earned reward will be used to acquire Fortum shares in the name of the participant deducted by income tax and the statutory employment related expenses and insurance contributions payable by the participant on the reward. The individual number of shares delivered after the earning period is based on the achievement of the earnings criteria set by the Board of Directors. The earnings criteria are set annually, and may vary from year to year. The value in shares given to a participant after the three years earning period cannot at that time exceed the participant's one-year salary including fringe benefits following Cabinet Committee's Economic Policy.

30.3.3 Accounting for LTI systems

Both LTI systems are treated as cash-settled arrangements in accordance with IFRS 2 *Share-based payments*. The expense is recognised during the vesting period with a corresponding increase in the liabilities. The fair value of the potential reward of outstanding share rights is measured based on the market value of Fortum share initially when the share participation is defined and at each closing date after that. Income tax and other statutory employment related expenses and insurance contributions payable by the participant will be deducted from the outstanding amounts at the payments.

The total LTI liability including accrual for social charges at the end of the year 2010 was EUR 20 million (2009: 28). The expense recorded in the employee costs for the period was EUR 5 million (2009: 5) netted with the change in the fair values of the hedge arrangements.

Under the previous LTI system, in order to hedge the Group against the changes in the fair values of the potential rewards, the Group has entered into share forward transactions which are settled in cash. The change during year 2010 in the fair values of the ongoing hedge arrangements amounted to EUR 2 million (2009: 5). Under the new LTI system Fortum has no obligation to hedge or otherwise protect the value of the shares for the participants during the lock-up period.

FORTUM'S SHARE BONUS SYSTEMS

Plans	2009	2010	2011	2012	2013	2014	2015
2004–2009 ¹⁾	6						
2005–2010	5	6					
2006–2011	4	5	6				
2007–2012	3	4	5	6			
2008–2012	2	3	4	5			
2009–2013	1	2	3	4	5		
2010–2015		1	2	3	4	5	6

■ Earning period
 ■ Lock-up period
 | Share delivery

1) Plan 2004–2009 has ended and the shares were delivered in February 2010.

Movements in the outstanding number of calculative share rights granted (previous LTI system)

	Plan 2007–2012	Plan 2006–2011	Plan 2005–2010	Plan 2004–2009
Outstanding at the beginning of the period - 1 January 2010	0	71,929	318,240	504,812
Granted during the period	339,398			
Dividend adjustments during the period	18,546	3,932	17,396	
Payments during the period	-21,732	-11,696	-84,762	-504,812
Cancelled during the period	-929			
Outstanding at the end of the period - 31 December 2010	335,283	64,165	250,874	0
Grant date	8.2.2010	9.2.2009	8.2.2008	8.2.2007
Grant price, EUR	18.18	15.19	27.54	20.99
Number of share rights granted	339,398	76,134	303,153	496,362
Estimated departures, %	4.52	4.52	4.52	4.52
Fortum share price at the end of the grant year, EUR	22.53	18.97	15.23	30.81

30.4 Stock option scheme for key employees (2002), expiry date 1 May 2009

In March 2002, a resolution was passed to issue a maximum of 25,000,000 stock options to key employees of the Fortum Group. The last exercise date for the options was 1 May 2009. No remaining unexercised options under the stock option schemes existed at year-end 2009 or 2010.

31 Non-controlling interests

Principal non-controlling interests

EUR million		2010	2009
AB Fortum Värme Holding samägt med Stockholms stad Group	Sweden	358	302
OAO Fortum Group	Russia	138	132
Tartu Energi Group	Estonia	13	8
Other		23	15
Total		532	457

Fortum owns, via Fortum Power and Heat AB, 90.1% of the shares which represents 50.1% of the votes in AB Fortum Värme Holding samägt med Stockholms stad. 9.9% of the shares are owned by the City of Stockholm. The City of Stockholm holds preference shares in AB Fortum Värme Holding samägt med Stockholms stad, which entitles them 50% of the economical output. The ownership and administration of AB Fortum Värme Holding samägt med Stockholms stad is settled by a consortium agreement.

Non-controlling interest part in OAO Fortum is 5.49%.

32 Interest-bearing liabilities

EUR million	2010	2009
Bonds	4,281	3,665
Loans from financial institutions	845	1,024
Finance lease liabilities	26	24
Other long-term interest-bearing debt	1,368	1,289
Total long-term interest-bearing debt	6,520	6,002
Current portion of long-term bonds	223	501
Current portion of loans from financial institutions	88	33
Current portion of other long-term interest-bearing debt	1	12
Current portion of financial lease liabilities	2	3
Commercial papers	534	250
Other short-term interest-bearing debt	14	58
Total short-term interest bearing debt	862	857
Total	7,382	6,859

Interest-bearing debt

EUR million	Effective interest rate	Carrying amount 2010	Repricing under 1 year	Repricing 1–5 years	Repricing over 5 years	Fair value 2010	Carrying amount 2009	Fair value 2009
Bonds	4.4	4,504	958	1,942	1,604	4,844	4,166	4,724
Loans from financial institutions	2.9	933	836	57	40	966	1,057	1,090
Other long-term interest-bearing debt ¹⁾	1.9	1,411	1,165	-	246	1,426	1,328	1,349
Total long-term interest-bearing debt ²⁾	3.7	6,848	2,959	1,999	1,890	7,236	6,551	7,163
Commercial papers	1.6	534	534	-	-	535	250	251
Other short-term interest-bearing debt	2.3	0	0	-	-	0	58	60
Total short-term interest-bearing debt	1.6	534	534	-	-	535	308	311
Total interest-bearing debt ³⁾	3.5	7,382	3,493	1,999	1,890	7,771	6,859	7,474

1) Includes loans from State Nuclear Waste Management Fund and Teollisuuden Voima Oyj EUR 835 million (2009: 774), financial leases EUR 28 million (2009: 27), loans from Fortum's Finnish pension fund EUR 273 million (2009: 273) and other loans EUR 275 million (2009: 254).

2) Including current portion of long-term debt.

3) The average interest rate on loans and derivatives on 31 December 2010 was 3.5% (2009: 3.4%).

During the first quarter Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund by EUR 61 million to EUR 835 million. During the second quarter Fortum Oyj raised a 10 year loan from Nordic Investment Bank of EUR 60 million. The loan will partially finance investments in automatic meter reading equipment. During the third quarter Fortum Oyj issued a dual-tranche SEK 3.1 billion fixed rate

bond due 2015 and a SEK 3.1 billion Floating Rate Note due 2015 under Fortum's Euro Medium-Term Note Programme.

The 3 year EUR 2,000 million Term loan facility raised in connection with the acquisition of TGC-10 (renamed as OAO Fortum) in March 2008 was cancelled during the third quarter as the remaining outstanding drawn amount of EUR 350 million under the facility was amortized.

During the last quarter Fortum repaid a 500 million bond issued in 2003.

OAO Fortum signed two bank loans totalling RUB 7.1 billion, to finance its investments programme. External debt in OAO Fortum amounted to the equivalent of EUR 129 million (2009: 29) as per year-end.

Issuance of Commercial Papers (CPs) in the Finnish and Swedish markets increased in 2010, per year-end the amount of short term CPs outstanding amounted to EUR 534 million (2009: 250).

The interest-bearing debt increased during the year by EUR 523 million to EUR 7,382 million (2009: 6,859). Liquid funds decreased by EUR 334 million to EUR 556 million (2009: 890) including liquid funds held by OAO Fortum amounting to EUR 348 million (2009: 632).

➔ For more information please see Note 3 Financial risk management on page 81, Note 41 Pledged assets on page 124 and Note 44 Contingent liabilities on page 125.

32.1 Bond issues

Issued / Maturity	Interest basis	Interest rate	Effective interest	Currency	Nominal million	Carrying amount
Fortum Oyj EUR 6,000 Million EMTN Programme ¹⁾						
2003 / 2013	Fixed	5.000	5.164	EUR	500	498
2006 / 2011	Fixed	3.750	3.793	SEK	2,000	223
2006 / 2016	Fixed	4.500	4.615	EUR	750	774
2007 / 2012	Floating	Stibor 3M+0.15		SEK	3,500	390
2007 / 2014	Fixed	4.700	4.764	SEK	2,600	289
2009 / 2014	Fixed	4.625	4.714	EUR	750	747
2009 / 2019	Fixed	6.000	6.095	EUR	750	766
2009 / 2014	Fixed	5.250	5.400	NOK	500	64
2009 / 2017	Fixed	6.125	6.240	NOK	500	64
2011 / 2015	Floating	Stibor 3M+0.95		SEK	3,100	345
2011 / 2015	Fixed	3.125	3.235	SEK	3,100	344
OAO Fortum (former TGC-10)						
2008 / 2013	Fixed	9.750	9.988	RUB	5.000	0
Total outstanding carrying amount 31 December 2010						4,504

1) EMTN = Euro Medium Term Note

In May 2010 the EMTN programme was updated from EUR 5,000 million to EUR 6,000 million.

32.2 Finance lease liabilities

On 31 December 2010 Fortum had a small number of finance lease agreements for machinery and equipment.

No new leasing commitments were entered into in 2010 or 2009.

Present value of finance lease liabilities

EUR million	2010	2009
Minimum lease payments	32	32
Less future finance charges	4	5
Total	28	27

Maturity of minimum lease payments

EUR million	2010	2009
Less than 1 year	2	4
1–5 years	30	28
Over 5 years	-	-
Total	32	32

Maturity of finance lease liabilities

EUR million	2010	2009
Less than 1 year	2	3
1–5 years	26	24
Over 5 years	-	-
Total	28	27

33 Deferred income taxes

The movement in deferred tax assets and liabilities during 2010

EUR million	1 Jan 2010	Charged to income statement	Charged to other comprehensive income	Exchange rate differences, reclassifications and other changes	Acquisitions, disposals and assets held for sale	31 Dec 2010
Deferred tax assets						
Property, plant and equipment	18	-3		1	0	16
Provisions	49	1		2		52
Tax losses and tax credits carry-forward	40	38		1		79
Derivative financial instruments	30	58	151	-1		238
Other	18	16		2		36
Total deferred tax assets	155	110	151	5	0	421
Offset against deferred tax liabilities	-108	-172				-280
Net deferred tax assets	47	-62	151	5	0	141
Deferred tax liabilities						
Property, plant and equipment	1,768	22		168	-9	1,949
Long term loans	32	-32				0
Current assets	33	-36		3		0
Other	25	28		3		56
Total deferred tax liabilities	1,858	-18	-	174	-9	2,005
Offset against deferred tax assets	-108	-172				-280
Net deferred tax liabilities	1,750	-190	-	174	-9	1,725

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax liabilities of EUR 7 million (2009: 7) have been recognised for the withholding tax and other taxes that would be payable on the all unremitted earnings of Estonian subsidiaries. Unremitted earnings from these companies totalled EUR 26 million on 31 December 2010 (2009: 26).

Deferred tax assets and liabilities from disposals and assets held for sale mainly relates to district heat operations and production facilities outside Stockholm in Sweden. In December 2010 Fortum signed an agreement to divest those assets and operations 2011.

➕ See Note 39 Assets held for sale on page 123.

The movement in deferred tax assets and liabilities during 2009

EUR million	1 Jan 2009	Charged to income statement	Charged to other comprehensive income	Exchange rate differences, reclassifications and other changes	Acquisitions, disposals and assets held for sale	31 Dec 2009
Deferred tax assets						
Property, plant and equipment	12	6				18
Provisions	16	-4		38	-1	49
Tax losses and tax credits carry-forward	31	9				40
Derivative financial instruments	0	0		30		30
Other	15	3				18
Total deferred tax assets	74	14	-	68	-1	155
Offset against deferred tax liabilities	-72	-6		-30		-108
Net deferred tax assets	2	8	-	38	-1	47
Deferred tax liabilities						
Property, plant and equipment	1,694	-29		104	-1	1,768
Long term loans	67	-35				32
Derivative financial instruments	118	-31	-117	30		0
Current assets	12	21				33
Other	32	-7				25
Total deferred tax liabilities	1,923	-81	-117	134	-1	1,858
Offset against deferred tax assets	-72	-6		-30		-108
Net deferred tax liabilities	1,851	-87	-117	104	-1	1,750

Deferred income tax assets are recognised for tax loss carry-forward to the extent that realisation of the related tax benefit through future profits is probable. The recognised tax assets relate to losses carry-forward with no expiration date and partly with expiry date as described below.

Deferred income tax assets recognised for tax loss carry-forwards

EUR million	2010		2009	
	Tax losses	Deferred tax asset	Tax losses	Deferred tax asset
Losses without expiration date	26	7	27	4
Losses with expiration date	216	72	105	36
Total	242	79	132	40

Deferred tax assets of EUR 18 million (2009: 19) have not been recognised in the consolidated financial statements, because the realisation is not probable. The major part of the unrecognised tax asset, EUR 10 million, relates to capital loss in UK, which has no expiration date. The rest of the unrecognised tax assets, EUR 8 million, relates to loss carry-forwards that are unlikely to be used in the foreseeable future.

34 Nuclear related assets and liabilities

Fortum owns the Loviisa nuclear power plant in Finland. Based on the Nuclear Energy Act in Finland, Fortum has a legal obligation to fully fund the legal liability decided by the governmental authorities, for decommissioning of the power plant and disposal of spent fuel through the State Nuclear Waste Management Fund. The text below should be read in conjunction with information in Note 1 Accounting policies on page 67.

EUR million	2010	2009
Amounts recognised in the balance sheet		
Nuclear provisions	625	570
Share in the State Nuclear Waste Management Fund	625	570
Legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	944	913
Funding obligation target	886	830
Fortum's share of the State Nuclear Waste Management Fund	843	786

34.1 Nuclear related provisions

The nuclear provisions are related to future obligations for nuclear waste management including decommissioning of the power plant and disposal of spent fuel. The fair values of the provisions are calculated according to IAS 37 based on future cash flows regarding estimated future costs for each of the provisions separately. The cash flows used are based on the cost estimates which are also the basis for the legal liability. Provisions for decommissioning and for disposal of spent fuel are both included in Nuclear provisions in the balance sheet.

According to the renewed Nuclear Energy Act Fortum submitted the proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and the Economy at the end of June. The legal liability is calculated according to the Nuclear Energy Act in Finland and is decided by the Ministry of Employment and the Economy in December every year. The liability is based on a technical plan, which is made every third year. Following the update of technical plan in 2010, the discounted liability increased due to updated cost estimates related to interim and final storage of spent fuel.

The legal liability by the end of 2010, decided by the Ministry of Employment and the Economy and calculated according to the Nuclear Energy Act, is EUR 944 million (2009: 913). The carrying value of the nuclear provisions in the balance sheet, calculated according to IAS 37, have increased by EUR 55 million compared to 31 December 2009, totalling EUR 625 million on 31 December 2010. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

The increase of the provision for spent fuel caused a negative one-time effect in 2010

of EUR –8 million in comparable operating profit (2009: 7) due to higher nuclear waste management costs related to already spent fuel. The increase of the provision for spent fuel also caused a negative one-time effect in interest costs, due to unwinding of the provision for the period during which the spent fuel provision has been accumulated and present point in time, which are recognised immediately in the income statement.

The change of the provision for decommissioning is added to the capitalised nuclear decommissioning cost and depreciated over the remaining estimated operating time of the nuclear power plant.

✚ See Note 22 Property, plant and equipment on page 106.

Nuclear provisions

EUR million	2010	2009
1 January	570	566
Additional provisions	35	–4
Used during the year	–20	–18
Unwinding of discount	40	26
31 December	625	570
Fortum's share in the State Nuclear Waste Management Fund	625	570

34.2 Fortum's share in the State Nuclear Waste Management Fund

Fortum contributes funds to the State Nuclear Waste Management Fund in Finland to cover future obligations based on the legal liability calculated according to the Finnish Nuclear Energy Act. The Fund is managed by governmental authorities. The carrying value of the Fund in Fortum's balance sheet is calculated according to IFRIC 5 *Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*.

According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Based on the law, Fortum applied for periodising of the payments to the Fund over six years, due to the proposed increase in the legal liability. The application was approved by the Council of State in December 2007.

The periodisation of the payments to the State Nuclear Waste Management Fund has an impact on cash flow, but also on operating profit since the carrying value of the Fund in the balance sheet cannot exceed the carrying value of the nuclear provisions according to IFRIC Interpretation 5. The Fund is from an IFRS perspective overfunded with EUR 218 million (2009: 216), since Fortum's share of the Fund on 31 December 2010 is EUR 843 million (2009: 786) and the carrying value in the balance sheet is EUR 625 million (2009: 570).

Operating profit for 2010 includes a negative total adjustment of EUR –2 million (2009: –59), since the value of the Fund has increased more than the carrying value of the provision. These adjustments are recognised in "Items affecting comparability" and are not included in comparable operating profit in the Power segment, see Note 5

Segment reporting and Note 6 Items affecting comparability. As long as the Fund stays overfunded from an IFRS perspective, positive accounting effects to Operating profit will always occur when the nuclear provision is increasing more than the net payments to the Fund. Negative accounting effects will occur when the net payments to the Fund are higher than the increase of the provision.

34.2.1 Funding obligation target

The funding obligation target for each year is decided by the Ministry of Employment and the Economy in December each year after the legal liability has been decided. The difference between the funding obligation target for Fortum and Fortum's actual share of the State Nuclear Waste Management Fund is paid in Q1 each year.

The funding obligation target, corresponding to both the new legal liability and the new decision for periodisation to the Fund, amounts to EUR 886 million (2009: 830). The difference between the legal liability at year end 2010 and the corresponding funding obligation target is covered by a security which has been given in the end of June 2010. The real estate mortgages and other securities given also cover unexpected events according to the Nuclear Energy Act.

➤ See also Note 41 Pledged assets on page 124 and Note 44 Contingent liabilities on page 125.

34.3 Borrowing from the Finnish State Nuclear Waste Management Fund

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the Fund according to certain rules. Fortum uses the right to borrow back and has pledged Kemijoki Oy shares as security for the loan. The loans are renewed yearly.

➤ See also Note 32 Interest-bearing liabilities on page 115 and Note 41 Pledged assets on page 124.

34.4 Associated companies

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

Fortum has at year-end received updated cash flow information for its nuclear associated companies Teollisuuden Voima Oyj, OKG AB and Forsmarks Kraftgrupp AB. Based on the updated cost estimates, the effect in share of profits was EUR -12 million in 2010. In 2009, the effect in share of profits was EUR -13 million which included EUR -5 million due to decrease of the carrying value of the State Nuclear Waste Management Fund in Finland. The State Nuclear Waste Management Fund in Finland is overfunded whereas the value of the Swedish Nuclear Waste Fund is estimated to be slightly below the value of provisions at year-end 2010.

Fortum has according to law given guarantees to the Finnish and Swedish nuclear

Funds on behalf of the associated companies, to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plants and disposal of spent fuel.

Through the shareholding in TVO, Fortum uses the right to borrow from the Fund.

➤ See Note 44 Contingent liabilities on page 125.

35 Other provisions

EUR million	CSA provision	Environmental	Other	Total
1 January 2010	186	11	23	220
Provisions for the period	-	0	18	18
Provisions used	-5	-	-7	-12
Provisions reversed	-	-	-5	-5
Unwinding of discount	16	0	-	16
Exchange rate differences	11	1	-1	11
31 December 2010	208	12	28	248
Allocation between current and non-current provisions				
Current provisions	-	-	9	9
Non-current provisions	208	12	19	239

EUR million	CSA provision	Environmental	Other	Total
1 January 2009	180	8	20	208
Provisions for the period	-	2	17	19
Decreases through disposal of subsidiary companies	-	-	-1	-1
Provisions used	-	-	-4	-4
Provisions reversed	-	0	-9	-9
Unwinding of discount	14	0	-2	12
Exchange rate differences	-8	1	2	-5
31 December 2009	186	11	23	220
Allocation between current and non-current provisions				
Current provisions	-	-	11	11
Non-current provisions	186	11	12	209

Fortum's extensive investment programme to increase electricity capacity with 2,300 MW is subject to possible penalties that the Russian System Operator can claim against Fortum. Penalties can be claimed if the new capacity is substantially delayed or agreed major terms of the capacity supply agreements (CSA) are not otherwise fulfilled.

Environmental provision relates to dismantling of buildings and structures on contaminated land. Main part of the provision is estimated to be used within ten years.

Restructuring provisions, included in other provisions, amounts to EUR 9 million (2009: 9). The restructuring provision relates to Business Markets restructuring in Elec-

tricity Sales segment and re-organisation of service functions in order to develop the internal processes and to create more efficient and higher quality workflows. The restructuring provision is mainly related to staff costs and it will be mostly utilised in 2011.

Other provisions include also provisions for insurance payments, tax claims and provisions for onerous contracts. The other provisions are estimated to be used within two to five years.

36 Pension obligations

The Group companies have various defined benefit and defined contribution pension plans in accordance with the local conditions and practices in the countries in which they operate. The concerned pensions are primarily retirement pensions, disability pensions and family pensions but contain also early retirement arrangements.

In Finland the most significant pension plan is the Finnish Statutory Employment Pension Scheme (TyEL) in which benefits are directly linked to employees' earnings. These pensions are funded in insurance companies and treated as defined contribution plans. The benefits provided under TyEL are old age pensions, disability pensions, unemployment pensions and survivors' pensions. In addition, certain employees in the Group in Finland have additional pension coverage through the company's own pension fund or through insurance companies. These defined benefit plans are fully funded. The Fortum Pension Fund is a closed fund providing old age pension, disability pension, survivor's pension and funeral grant. The additional pensions through insurance companies provide old age pension and funeral grant.

In Sweden the Group operates several defined benefit and defined contribution plans like the general ITP-pension plan and the PA-KL and PA-KFS plans that are eligible for employees within companies formerly owned by municipalities. The defined benefit plans are fully funded and have partly been financed through Fortum's own pension fund and partly through insurance premiums. The pension arrangements comprise normal retirement pension, complementary retirement pensions, survivors' pension and disability pension. The most significant pension plan is the ITP-plan for white-collar employees in permanent employment (or temporary employees after a certain waiting period), who fulfil the age conditions. To qualify for a full pension the employee must have a projected period of pensionable service, from the date of entry until retirement age, of at least 30 years.

In April 2008 Fortum transferred a majority of its pension liabilities previously financed through insurance premiums or through provisioning to a newly established own pension fund. Among the transferred pension arrangements were the major part of the general ITP-pension plan, all plans eligible for employees of formerly municipality-owned companies as well as certain other smaller arrangements. The total amount of transferred liability was at the time of transfer SEK 742 million (EUR 68 million). At the time of transfer Fortum paid contributions to the fund amounting to the same amount, in order to cover this liability.

During 2009 Fortum transferred the remaining part of its pension liabilities previously financed through provisioning to Fortum's own pension fund. The total amount of transferred liability was at the time of transfer SEK 259 million (EUR 25 million). At the time of transfer Fortum paid contributions to the fund amounting to the same amount, in order to cover this liability.

The part of the ITP multiemployer pension plan that is secured by paying pension premiums to Alecta, in Fortum's case the collective family pension, is accounted for as a defined contribution plan due to that there is no consistent and reliable basis to allocate assets or liabilities to the participating entities within the ITP insurance. The reason for this is that it is not possible to determine from the terms of the plan to which extent a surplus or a deficit will affect future contributions.

The Norwegian companies are part of schemes that are common for municipalities in Norway. These are defined benefit pension plans and provide old age pensions, disability pension and survivor's pension, including pension benefits from the National Insurance Scheme (Folketrygden). The schemes are fully funded within the rules set out in the Norwegian insurance legislation.

Pension arrangements in Russia include payments made to the Russian Federation's state pension fund. These arrangements are treated as defined contribution plans. In addition the Russian companies participate in a non-state power industry pension fund as well as in certain defined benefit plans, defined by collective agreements, which are unfunded. The benefits provided under these arrangements include, in addition to pension payments, one-time benefits paid in case of employee mortality or disability as well as lump sum payments for anniversary and financial support to honored workers and pensioners.

In other countries the pension arrangements are done in accordance with the local legislation and practice, mostly being defined contribution plans.

The pension obligations are calculated annually on the balance sheet date, based on actuarial principles. When accounting for defined contribution plans the obligation for each period is determined by the amounts to be contributed for that period. When accounting for defined benefit plans, actuarial calculations are required to measure the obligation on discounted basis and the expense. The plan assets for pensions are valued at market value. When the net cumulative unrecognised actuarial gain or loss on pension obligations and plan assets goes outside the corridor with 10% of the greater of either pension obligations or the market value of the plan assets, the surplus amount is amortised over the average remaining employment period.

Amounts recognised in the income statement

EUR million	2010	2009
Current service cost	-12	-11
Interest cost	-19	-19
Expected return on plan assets	23	20
Settlements	-2	-1
Past service cost	0	0
Actuarial gains and losses	-2	-3
Curtailments	1	1
Total included in employee costs (Note 13)	-11	-13

The actual return on plan assets in Finland and Sweden totalled EUR 35 million (2009: 44).

Amounts recognised in the balance sheet

EUR million	2010	2009
Present value of funded obligations	472	406
Fair value of plan assets	-444	-398
Deficit(+) / surplus(-)	28	8
Present value of unfunded obligations ¹⁾	4	3
Unrecognised past service cost	3	4
Unrecognised actuarial gains and losses	-77	-51
Net asset(-) / liability(+) in the balance sheet	-42	-36
Defined benefit asset included in the assets	62	59
Defined benefit obligations	20	23
Defined benefit obligations included in the non-current liabilities	20	23
Defined benefit assets included in the non-current assets	-62	-59
Net asset(-) / liability(+)	-42	-36
Experience adjustments arising on funded obligations; gain(-) / loss(+)	9	-6
Experience adjustments arising on plan assets; gain(+) / loss(-)	13	22

1) The unfunded obligation relates to arrangements in Russia.

Contributions expected to be paid during the year 2011 are EUR 11 million.

Movement in the present value of defined benefit obligations

EUR million	2010	2009
1 January	409	406
Exchange rate differences	27	16
Decreases through disposals of subsidiary companies	-1	-21
Service cost	12	11
Interest cost	20	19
Past service cost	0	-7
Effect of settlement	-9	-13
Actuarial gains(-) / losses(+) on obligations	36	16
Benefits paid	-17	-16
Curtailments	-1	-2
31 December	476	409

Movement in the fair value of plan assets

EUR million	2010	2009
1 January	398	343
Exchange rate differences	22	12
Decreases through disposals of subsidiary companies	-	-13
Expected return of plan assets	23	20
Actuarial gains and losses	12	24
Transfers to the Swedish pension fund	-	25
Contributions by employer	8	10
Effect of settlement	0	-9
Benefits paid	-19	-14
31 December	444	398

Fair value of plan assets comprise

EUR million	2010	2009
Equity instruments	179	164
Debt instruments	139	133
Property, of which EUR 75 million (2009: 72) occupied by the Group	82	83
Company's own ordinary shares	7	6
Other assets	37	12
Total	444	398

When the pension plan has been financed through an insurance company, a specification of the plan assets has not been available. In these cases the fair value of plan assets has been included in Other assets.

Amounts recognised in the balance sheet by country - 2010

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	226	214	32	472
Fair value of plan assets	-257	-170	-17	-444
Deficit(+) / surplus(-)	-31	44	15	28
Present value of unfunded obligations	-	-	4	4
Unrecognised past service cost	-	-	3	3
Unrecognised actuarial gains and losses	-7	-58	-12	-77
Net asset(-) / liability(+) in the balance sheet	-38	-14	10	-42
Defined benefit asset included in the assets	46	16	0	62
Pension obligations in the balance sheet	8	2	10	20

Amounts recognised in the balance sheet by country - 2009

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	211	169	26	406
Fair value of plan assets	-239	-144	-15	-398
Deficit(+) / surplus(-)	-28	25	11	8
Present value of unfunded obligations	-	-	3	3
Unrecognised past service cost	-	-	4	4
Unrecognised actuarial gains and losses	-8	-38	-5	-51
Net asset(-) / liability(+) in the balance sheet	-36	-13	13	-36
Defined benefit asset included in the assets	45	14	0	59
Pension obligations in the balance sheet	9	1	13	23

Comparative pension information

EUR million	2010	2009	2008	2007	2006
Present value of defined benefit obligation	476	409	406	390	361
Fair value of plan assets	-444	-398	-343	-276	-250
Deficit(+) / surplus(-) in the plan	32	11	63	114	111
Experience adjustments on plan liabilities	9	-6	20	11	21
Experience adjustments on plan assets	13	22	-48	21	-10

The principal actuarial assumptions used

	2010				2009			
	Finland	Sweden	Russia	Other countries	Finland	Sweden	Russia	Other countries
Discount rate, %	4.53	4.00	8.00	3.20	5.00	4.00	9.25	4.40
Expected return on plan assets, %	5.94	4.64	NA	4.60	5.92	4.85	NA	5.60
Future salary increases, %	2.90	3.50	7.50	3.75	4.00	3.50	8.50	4.25
Future pension increases, %	2.10	2.00	6.00	3.00	2.10	2.00	7.00	4.00
Rate of inflation, %	2.00	2.00	6.00	2.00	2.00	2.00	7.00	2.25

The discount rate in Finland is based on high quality European corporate bonds with maturity that best reflects the estimated term of the defined benefit pension plans.

The discount rate in Sweden, Russia and Norway is based on the yield of long-term government bonds which are consistent with the currency and the estimated term of the post-employment benefit obligations. The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected returns are based on long-term real rates of return experienced in the respective markets and reported by external asset manager.

The discount, inflation and salary growth rates used are the key assumptions used when calculating defined benefit obligations. Effects of 0.5 percentage point change in the rates to the defined benefit obligation on 31 December 2010, holding all other assumptions stable, are presented in the table below.

Sensitivity of defined benefit obligation to changes in assumptions

Change in the assumption	Impact to the pension obligation increase +/ decrease -	
	Finland	Sweden
0.5% increase in discount rate	-6.8%	-9.0%
0.5% decrease in discount rate	7.0%	10.4%
0.5% increase in inflation rate	7.0%	7.9%
0.5% decrease in inflation rate	-6.3%	-7.1%
0.5% increase in salary growth rate	1.3%	4.2%
0.5% decrease in salary growth rate	-1.3%	-4.0%

37 Other non-current liabilities

EUR million	2010	2009
Connection fees	417	413
Other liabilities	54	59
Total	471	472

Connection fees to the electricity network in Finland that are paid before 2003 are refundable, if the customer would ever disconnect the initial connection. The connections fees to the electricity network amounted to EUR 307 million (2009: 307). Refundable connection fees to the district heating network in Finland amounted to EUR 110 million (2009: 106).

38 Trade and other payables

EUR million	2010	2009
Trade payables	435	317
Accrued expenses and deferred income		
Personnel expenses	59	71
Interest expenses	131	121
Other accrued expenses and deferred income	91	84
Other liabilities		
VAT-liability	78	46
Current tax liability	121	81
Energy taxes	41	34
Advances received	104	88
Other liabilities	205	158
Total	1,265	1,000

The management considers that the amount of trade and other payables approximates fair value.

39 Assets held for sale

The assets and liabilities held for sale relate to district heat operations and production facilities outside Stockholm in Sweden. In December 2010 Fortum signed an agreement to divest those assets and operations. The total selling price is approximately EUR 200 million. The major part of the operations to be divested is owned by Fortum's subsidiary AB Fortum Värme samägt med Stockholms stad in which the city of Stockholm has a 50% economic interest. Fortum expects to recognise a sales gain with a minor effect on EPS in the first quarter 2011. The operations are part of the Heat segment.

Assets classified as held for sale

EUR million	2010	2009
Property, plant and equipment	131	-
Other assets	23	-
Total	154	-

Liabilities related to assets held for sale

EUR million	2010	2009
Interest-bearing liabilities	0	-
Other liabilities	50	-
Total	50	-

40 Additional cash flow information

40.1 Change in working capital

EUR million	2010	2009
Increase/decrease in interest-free receivables	-161	79
Decrease in inventories	74	1
Increase/decrease in interest-free liabilities	125	-61
Total	38	19

40.2 Capital expenditure

EUR million	Note	2010	2009
Capital expenditure	5, 21, 22	1,222	862
Change in not yet paid investments		-43	13
Capitalised borrowing costs		-45	-30
Capital expenditure in cash flow		1,134	845

40.3 Acquisition of shares in cash flow

EUR million	Note	2010	2009
Acquisition of subsidiaries, net of cash acquired	8	1	27
Acquisition of associates ¹⁾	23	26	58
Acquisition of available for sale financial assets ²⁾		1	2
Total		28	87

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

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

Acquisition of shares in subsidiaries

EUR million	2010	2009
Gross investments of shares ³⁾	0	8
Changes in non-paid acquisitions	1	19
Interest bearing debt in acquired subsidiaries	-	-
Acquisitions of subsidiaries, net of cash acquired	1	27

3) Gross investment of shares include liquid funds in acquired subsidiaries EUR 0 million (2009: 0).

40.4 Divestments of shares in cash flow

EUR million	Note	2010	2009
Proceeds from sales of subsidiaries, net of cash disposed	8	9	11
Proceeds from sales of associates	23	121	2
Proceeds from sales of other non-current assets		17	1
Total		147	14

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Divestment of shares in subsidiaries

EUR million	2010	2009
Gross divestments of shares ¹⁾	9	11
Payments not received for proceeds	-	-
Interest bearing debt in sold subsidiaries	-	-
Proceeds settled in cash	9	11

1) Liquid funds in sold subsidiaries EUR 2 million (2009: 20) are netted from gross divestments.

41 Pledged assets

EUR million	2010	2009
On own behalf		
For debt		
Pledges	307	293
Real estate mortgages	137	137
For other commitments		
Real estate mortgages	155	220
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	3	2

41.1 Pledged assets for debt

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the Fund. Fortum has during 2010 increased its borrowing from the fund and has pledged additional shares in Kemijoki Oy as security. The value of the pledged shares is EUR 269 million on 31 December 2010 (2009: 263).

Pledges also include bank deposits as trading collateral of EUR 19 million (2009: 11) for trading of electricity and emission allowances in NASDAQ OMX Commodities Europe, Intercontinental Exchange (ICE) and European Energy Exchange (EEX).

Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 96 million (2009: 96) as a security for an external loan. Real estate mortgages have also been given for loans from Fortum's pension fund for EUR 41 million (2009: 41).

+ Regarding the relevant interest-bearing liabilities, see Note 32 Interest-bearing liabilities on page 115.

41.2 Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland for a value of EUR 155 million (2009: 220) as a security to the State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to costs for future decommissioning and disposal of spent fuel in the wholly owned Loviisa nuclear power plant. The size of the securities given is updated every year in June, based on the decisions regarding the legal liabilities and the funding target which takes place around year-end every year. Due to the yearly update, the amount of real estate mortgages given as a security decreased by EUR 39 million. Pledges given related to Inkoo and Naantali

power plants. In the end of 2010 the real estate mortgages of EUR 26 million related to Naantali power plant were returned and replaced by a parent company guarantee.

+ See also Note 34 Nuclear related assets and liabilities on page 118 and note 44 Contingent liabilities on page 125.

42 Operating leases

42.1 Leases as lessor

The operating rental income recognised in income statement was EUR 19 million (2009: 28). The major part of the operating rental income derives from Meri-Pori power plant where Fortum leased out its 308 MW share of the power plant from January 2007 to the end of June 2010. The power plant's production capacity was reverted to Fortum's own use on 1 July 2010.

Future minimum lease payments receivable on operating leases

EUR million	2010	2009
Not later than 1 year	2	13
Later than 1 year and not later than 5 years	5	1
Later than 5 years	3	-
Total	10	14

42.2 Leases as lessee

Fortum leases office equipment and cars under various non-cancellable operating leases, some of which contain renewal options. The future costs for non-cancellable operating lease contracts are stated below. Lease rental expenses amounting to EUR 14 million (2009: 15) are included in the income statement in other expenses. Future minimum lease payments include land leases with long lease periods.

Future minimum lease payments on operating leases

EUR million	2010	2009
Not later than 1 year	29	23
Later than 1 year and not later than 5 years	49	35
Later than 5 years	130	93
Total	208	151

43 Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements

EUR million	2010	2009
Property, plant and equipment	1,172	1,326
Intangible assets	7	5
Total	1,179	1,331

Capital commitments have decreased from 31 December 2009. The commitments have decreased due to the acquisition of a combined heat and power plant (CHP) in Nokia, Finland and the progressing of OAO Fortum's investment programme as well as the finalization of the Częstochowa power plant investment. On the other hand a stronger Russian rouble and commitments relating to the CHP investment in Klaipeda, Lithuania and the CHP investment Brista 2 in Sweden as well as the automatic meter reading investment in Distribution Finland have increased commitments.

➔ For more information regarding capital expenditure, see Note 22 Property, plant and equipment on page 106.

44 Contingent liabilities

EUR million	2010	2009
On own behalf		
Other contingent liabilities	228	321
On behalf of associated companies and joint ventures		
Guarantees	358	592
Other contingent liabilities	125	125
On behalf of others		
Guarantees	1	12
Other contingent liabilities	0	1

44.1 Guarantees on own behalf

Other contingent liabilities on own behalf, EUR 228 million, have decreased by EUR 93 million compared to 2009. The decrease is mainly due to cancellation of a parent company guarantee related to Fortum's operating and maintenance business in the UK (2009: 66). Guarantees given to suppliers have also decreased compared to last year due to progressing of investments in Poland and Russia. Due to completion of construction of CHP power plant in Częstochowa Poland, the related guarantees decreased from EUR 66 million in 2009 to EUR 5 million in 2010. In Russia, the progressing of investment programme in OAO Fortum caused a decrease in guarantees from EUR 158 million in 2009 to EUR 109 million in 2010.

The decrease is partly netted by a parent company guarantee of EUR 25 million that was given as a security to the State Nuclear Waste Management Fund for the uncovered part of the Loviisa nuclear power plant's legal liability and unexpected events related to decommissioning and disposal of spent fuel. The parent company guarantee replaced the real estate mortgages of Naantali power plant that were returned to Fortum.

44.2 Guarantees on behalf of associated companies

Guarantees and other contingent liabilities on behalf of associated companies and joint ventures mainly consist of guarantees relating to Fortum's associated nuclear companies Teollisuuden Voima Oyj (TVO), Forsmarks Kraftgrupp AB (FKA) and OKG AB (OKG). The guarantees are given in proportion to Fortum's respective ownership in each of these companies.

According to law, nuclear companies operating in Finland and Sweden shall give securities to the Finnish State Nuclear Waste Management Fund and the Swedish Nuclear Waste Fund respectively, to guarantee that sufficient funds exist to cover future expenses of decommissioning of the power plant and disposal of spent fuel. In Finland, Fortum has given a guarantee on behalf of TVO to the Finnish State Nuclear Waste Management Fund to cover Fortum's part of TVO's uncovered part of the legal liability and for unexpected events. The amount of guarantees is updated every year in June based on the legal liability decided in December the previous year. Due to the yearly update, the amount of guarantees given decreased to EUR 58 million (2009: 67).

In Sweden, Fortum has given guarantees on behalf of FKA and OKG to the Swedish Nuclear Waste Fund to cover Fortum's part of FKA's and OKG's liability. The guarantees for 2010 and 2011 were decided in December 2009 by the Swedish government and they became effective from June 2010. The total amount of guarantees for FKA and OKG decreased from SEK 5,314 million (EUR 518 million) at year-end 2009 to SEK 2,574 million (EUR 287 million) in December 2010. The decrease is due to a change made by the Swedish government in the calculation method of the guarantees. The guarantees were previously based on nominal values, but from June 2010 onwards they are based on discounted cash flows.

Meri-Pori power plant in Finland is owned by Fortum 54.55% and TVO 45.45%. Based on the participation agreement Fortum has to give a guarantee to TVO against possible loss of asset or breach in contract of TVO's share of the asset, EUR 125 million (2009: 125).

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a collective contingent liability with Neste Oil Oyj of the demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's (734/1978) Chapter 14a Paragraph 6.

45 Legal actions and official proceedings

45.1 Group companies

The Finnish Competition Authority (FCA) gave on 2 June 2006 its conditional approval to the transaction by which Fortum acquired control in E.ON. Finland Oyj. On 3 July 2006 Fortum appealed against the decision to the Market Court. In March 2008 the Finnish Market Court decision overruled the conditional decision given by the Finnish Competition Authority. In their ruling the Market Court stated that FCA had no grounds for setting conditions, because Fortum cannot be considered to have a dominant position in the power generation and wholesale market. According to the Market Court, the relevant geographical market area in power generation and wholesale consist of at least Finland and Sweden. FCA appealed the decision to the Supreme Administrative Court. In August 2010 The Supreme Administrative Court in Finland overruled the appeal. The Market Court decided then that Fortum's E.ON Finland acquisition in 2006 did not give Fortum a dominant market position or strengthen the market position.

Two subsidiaries of Fortum, Grangemouth CHP Limited and Fortum O&M (UK) Limited, are defendants in a court case regarding greenhouse gas emission allowances in the High Court of Justice in London. Grangemouth CHP Limited is a party to an Electricity Supply Agreement with Ineos Manufacturing Scotland Limited, pursuant to which Grangemouth CHP Limited provides electricity from its CHP plant to the Grangemouth site in Scotland until April 2016. Ineos Manufacturing Scotland Limited claims that it is entitled to all of the emission allowances allocated under the EU ETS scheme for greenhouse gas emission allowance trading with respect to the CHP plant. Grangemouth CHP Limited denies this claim. The trial took place in November and December 2010. Judgement is expected in 2011. No provision has been booked on the basis of the court case.

In addition to the litigations 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.

45.2 Associated companies

In Finland Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3, through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. The construction of the unit has been delayed and AREVA-Siemens Consortium, the turnkey supplier, reported in November 2010 that most of the work will be completed in 2012. The supplier indicated also that commissioning will take eight months, which means regular operation will start during the latter half of 2013. AREVA-Siemens has filed a request for arbitration in December 2008, concerning the Olkiluoto 3 delay and related costs. Supplier's monetary claim at the end of December 2010 was approximately EUR 1.2 billion. TVO has, in response, filed a counter-claim in April 2009 for costs and losses that TVO is incurring due to the delay and other defaults on the part of the supplier. The value of TVO's counter-claim is at the end of 2010 approximately EUR 1.4 billion. The arbitration process can continue for several years.

46 Related party transactions

46.1 The Finnish State and companies owned by the Finnish State

At the end of 2010 the Finnish State owned 50.76% of the company. No material changes have occurred during year 2010.

➤ See *The Fortum share and shareholders section of the Operating and Financial Review for further information on Fortum shareholders on page 57.*

All transactions between Fortum and other companies owned by the Finnish State are on arms length basis. In the ordinary course of business Fortum engages in transactions on commercial terms with associated companies and other related parties, which are on same terms as they would be for third parties, except for some associates as discussed later in this note.

46.2 Board of Directors and Fortum Management Team

Fortum has not been involved in any material transactions with members of the Board of Directors or Fortum Management Team. No loans exist to any member of the Board of Directors or Fortum Management Team at 31 December 2010.

➤ See *Note 13 Employee costs and management remuneration for further information on the Board of Directors and Fortum Management Team holdings of shares as well as remuneration to members of the Supervisory Board, the Board of Directors and Fortum Management Team on page 98.*

46.3 Associated companies and joint ventures

Fortum owns shareholdings in associated companies and joint ventures which in turn own hydro and nuclear power plants. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership or other agreements. Each owner is liable for an equivalent portion of costs regardless of output. The associated companies are not profit making, since the owners purchase electricity at production cost including interest costs and production taxes, which generally is lower than market price.

➤ For further information on transactions and balances with associated companies and joint ventures, see *Note 23 Participations in associated companies and joint ventures on page 108.*

47 Events after the balance sheet date

In January 2011, Fortum, the Finnish State and Ilmarinen Mutual Pension Insurance Company came to a preliminary agreement according to which Fortum will sell its 25%-shareholding in the Finnish transmission system operator Fingrid Oyj. The State will buy approximately 81% and Ilmarinen approximately 19% of Fortum's Fingrid shares. The transaction is subject to a final agreement between the parties and to the necessary approvals by their decision-making bodies. Furthermore, the completion of the transaction requires the approval of the Finnish Competition Authority.

The sales price for the total amount of shares is EUR 325 million and consequently, Fortum expects to book a gain of roughly EUR 200 million, corresponding to approximately EUR 0.22 per share once the transaction has been completed. Fortum estimates that the divestment will be finalised during the first half of 2011. The proceeds will be used on general corporate purposes.

48 Subsidiaries by segment on 31 December 2010

- = Power
- = Heat
- ▲ = Distribution
- = Electricity Sales
- = Russia
- ▼ = Other

- 1) Acquired
- 2) Founded
- 3) Shares held by the parent company

Corp. Name	Domicile	Segment	Group holding%
Fortum Asiakaspalvelu Oy	³⁾ Finland	■▲○	100.0
Fortum Assets Oy	Finland	▼	100.0
Fortum BCS Oy	Finland	□	100.0
Fortum Espoo Distribution Oy	³⁾ Finland	▲	100.0
Fortum FNW Oy	²⁾ Finland	▲	100.0
Fortum Heat and Gas Oy	³⁾ Finland	■▼	100.0
Fortum Heat Naantali Oy	²⁾ Finland	■	100.0
Fortum Hyötytuotanto Oy	Finland	●	100.0
Fortum Markets Oy	³⁾ Finland	○	100.0
Fortum Nuclear Services Oy	Finland	●	100.0
Fortum Portfolio Services Oy	Finland	○	100.0
Fortum Power and Heat Oy	³⁾ Finland	●■▲○□▼	100.0
Fortum Sähkösiirto Oy	³⁾ Finland	▲	100.0
Hexivo Oy	Finland	●	52.0
Imatran Voima Oy	Finland	▲	100.0
Imatrankosken Voima Oy	Finland	▲	100.0
Kiinteistö Oy Espoon Energiatalo	Finland	▼	100.0
Killin Voima Oy	Finland	●	60.0
Koillis-Pohjan Energiantuotanto Oy	Finland	●	100.0
Koskivo Oy	Finland	▲	100.0
KPPV-Sijointus Oy	Finland	▲	100.0
Linnankosken Voima Oy	Finland	▲	100.0
Lounais-Suomen Lämpö Oy	Finland	▲	100.0
Mansikkalan Voima Oy	Finland	▲	100.0
Mäntynummen Lämpö Oy	Finland	■	58.3
Oy Pauken Ab	Finland	▼	100.0
Oy Tersil Ab	Finland	▲	100.0
Oy Tertrade Ab	Finland	▲	100.0
Rajapatsaan Voima Oy	Finland	▲	100.0
Saimaanrannan Voima Oy	Finland	▲	100.0
Tunturituuli Oy	Finland	●	55.4
Varsinais-Suomen Sähkö Oy	Finland	▲	100.0
Fortum EIF NV	³⁾ Belgium	□	100.0
Fortum Project Finance N.V.	³⁾ Belgium	▼	100.0
Fortum Energi A/S	Denmark	○	100.0

Corp. Name	Domicile	Segment	Group holding%
AS Anne Soojus	Estonia	■	60.0
AS Fortum Tartu	Estonia	■	60.0
AS Tartu Joujaam	Estonia	■	60.0
AS Tartu Keskkatlamaja	Estonia	■	60.0
Fortum CFS Eestiu OU	Estonia	▼	100.0
Fortum Elekter AS	Estonia	▲	99.3
Fortum Termost AS	Estonia	■	99.7
Lauka Turvas OU	Estonia	■	60.0
Fortum Service Deutschland GmbH	Germany	●	100.0
Fortum Direct Ltd	Great Britain	●	100.0
Fortum Energy Ltd	Great Britain	●	100.0
Fortum Gas Ltd	Great Britain	●	100.0
Fortum Insurance Ltd	Great Britain	▼	100.0
Fortum O&M (UK) Ltd	Great Britain	●	100.0
Grangemouth CHP Ltd	Great Britain	●	100.0
IVO Energy Ltd	Great Britain	●	100.0
Kildare Energy Ltd	Ireland	●	55.0
SIA Fortum Jelgava	Latvia	■	100.0
SIA Fortum Latvija	Latvia	■	100.0
UAB Fortum Ekosiluma	Lithuania	■	100.0
UAB Fortum Heat Lietuva	Lithuania	■	100.0
UAB Fortum Klaipeda	Lithuania	■	95.0
UAB Joniskio energija	Lithuania	■	66.0
UAB Svencioniu energija	Lithuania	■	50.0
Fortum Baltic Investments SNC	²⁾ Luxembourg	■	100.0
Fortum L.A.M SNC.	Luxembourg	■	100.0
Fortum Sendi Prima Sdn Bhd	Malaysia	●	100.0
Fortum Distribution AS	Norway	▲○	100.0
Fortum Fjernvarme AS	Norway	■	100.0
Fortum Förvaltning AS	Norway	●	100.0
Fortum Holding Norway AS	Norway	●■▲○	100.0
Fortum Leasing KS	Norway	■	100.0
Fortum Markets AS	Norway	○	100.0
Fortum NIT AS	Norway	▲	100.0
Fortum Plock Sp z o.o.	Poland	■	99.6

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- = Power
- = Heat
- ▲ = Distribution
- = Electricity Sales
- = Russia
- ▼ = Other

- 1) Acquired
- 2) Founded
- 3) Shares held by the parent company

Corp. Name	Domicile	Segment	Group holding%
Fortum Power and Heat Polska Sp.z.o.o	Poland	■▼	100.0
Chelyabinsk Energoremont	Russia	□	94.5
LLC Fortum Energy OOO Fortum Energija	Russia	□	100.0
OAD Fortum	Russia	□	94.5
TGC-10 Invest	Russia	□	94.5
Urals Heat Network	Russia	□	94.5
AB Fortum Värme Holding samägt med Stockholms stad	Sweden	■	50.1
AB Fortum Värme samägt med Stockholms stad	Sweden	■	50.1
AB Ljusnans Samkörning	Sweden	▲	80.0
Akallaverket AB	Sweden	■	37.6
Blybergs Kraft AB	Sweden	●	66.7
Brännälven Kraft AB	Sweden	●	67.0
Bullerforsens Kraft AB	Sweden	●	88.0
Elbolaget OEP AB	Sweden	○	100.0
Fastigheter i Närlunda AB	¹⁾ Sweden	▲	100.0
Fortum 1 AB	Sweden	□	100.0
Fortum AMCO AB	Sweden	▼	100.0
Fortum Dalälvens Kraft AB	Sweden	●	100.0
Fortum Distribution AB	Sweden	▲	100.0
Fortum Fastigheter AB	Sweden	▼	100.0
Fortum Generation AB	Sweden	●	100.0
Fortum Indalskraft AB	Sweden	●	100.0
Fortum Ljunga Kraft AB	Sweden	●	100.0
Fortum Ljusnans Kraft AB	Sweden	●	100.0
Fortum Markets AB	Sweden	○	100.0
Fortum Nordic AB	³⁾ Sweden	▼	100.0
Fortum Power and Heat AB	Sweden	■○▼	100.0
Fortum Produktionsnät AB	Sweden	●	100.0
Fortum Sweden AB	³⁾ Sweden	▼	100.0
Fortum Vind Norr AB	¹⁾ Sweden	●	100.0
Fortum Värme Alpha AB	Sweden	■	50.1
Fortum Värme Delta AB	¹⁾ Sweden	■	50.1
Fortum Värme Fastigheter AB	Sweden	■	50.1
Fortum Värme Nynäshamn AB	Sweden	■	100.0
Fortum Zeta AB	Sweden	▼	100.0

Corp. Name	Domicile	Segment	Group holding%
Fortum Älvkraft i Värmland AB	Sweden	●	100.0
Gjutfastigheten 10 i Borlänge AB	Sweden	●	100.0
Hofors Energi AB	Sweden	■	30.1
Hällefors Värme AB	Sweden	■	47.6
Mellansvensk Kraftgrupp AB	Sweden	●	86.9
Oreälvens Kraft AB	Sweden	●	65.0
Ryssa Energi AB	Sweden	○	100.0
Sigtuna-Väsby Fastighets AB	Sweden	■	50.1
Stockholm Gas AB	Sweden	■	50.1
Streamgate Två AB	¹⁾ Sweden	●	100.0
Säffle 5:35 Fastighets AB	Sweden	■	50.1
Säffle Fjärrvärme AB	Sweden	■	25.6
Uddeholm Kraft AB	Sweden	●	100.0
Värmlandskraft OKG-delägarna AB	Sweden	●	73.3
FB Generation Services B.V.	The Netherlands	●	75.0
Fortum Alpha B.V.	The Netherlands	■▼	100.0
Fortum Finance 2 B.V.	The Netherlands	▼	100.0
Fortum Holding B.V.	The Netherlands	●	100.0
Fortum Power Holding B.V.	³⁾ The Netherlands	●■▼	100.0
Fortum Russia B.V.	The Netherlands	□	100.0
Fortum Russia Holding B.V.	The Netherlands	▼	100.0
Fortum Wave Power B.V.	The Netherlands	●	100.0

Key figures

Financial key figures

Fortum Corporation and its subsidiaries (together the Fortum Group) is a leading energy company focusing on the Nordic countries, Russia and the Baltic Rim area. Fortum's activities cover the generation, distribution and sale of electricity and heat, the operation and maintenance of power plants as well as energy-related services. Neste Oil was included in Fortum Group up until 31 March 2005, when the Annual General Meeting took the final decision to separate the oil operations by distributing approximately 85% of Neste Oil Corporation shares as dividend. The remaining approximately 15% of the shares were sold to investors in April 2005.

Oil operations have been presented as discontinued operations in years 2004 and 2005. As from 2005, Fortum applies International Financial Reporting Standards (IFRS) for the annual and interim reports. The 2005 annual report included one comparison year 2004, which was restated to IFRS. The years 1998–2003 have not been restated to comply with IFRS. They are presented under Finnish Accounting Standards (FAS).

EUR million or as indicated	FAS	FAS	FAS	FAS	FAS	FAS	Change								
	1998	1999	2000	2001	2002	2003	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	10/09	
Sales total Fortum	8,494	8,232	10,614	10,410	11,148	11,392	11,659	5,918							
Sales continuing operations							3,835	3,877	4,491	4,479	5,636	5,435	6,296	16	
EBITDA total Fortum ¹⁾	1,049	1,192	1,431	1,501	1,952	1,917	2,443	2,307							
EBITDA continuing operations							1,583	1,754	1,884	2,298	2,478	2,292	2,271	-1	
Comparable EBITDA continuing operations								1,741	1,866	2,015	2,360	2,398	2,396	0	
Operating profit total Fortum	586	705	906	914	1,289	1,420	1,916	1,864							
- of sales %	6.9	8.6	8.5	8.8	11.6	12.5	16.4	31.5							
Operating profit continuing operations							1,195	1,347	1,455	1,847	1,963	1,782	1,708	-4	
- of sales %							31.2	34.7	32.4	41.2	34.8	32.8	27.1		
Comparable operating profit continuing operations							1,148	1,334	1,437	1,564	1,845	1,888	1,833	-3	
Profit before income tax total Fortum	363	954	623	702	1,008	1,184	1,700	1,776							
- of sales %	4.3	11.6	5.9	6.7	9.0	10.4	14.6	30.0							
Profit before income tax continuing operations							962	1,267	1,421	1,934	1,850	1,636	1,615	-1	
- of sales %							25.1	32.7	31.6	43.2	32.8	30.1	25.7		
Profit for the period continuing operations							703	936	1,120	1,608	1,596	1,351	1,354	0	
- of which attributable to owners of the parent							670	884	1,071	1,552	1,542	1,312	1,300	-1	
Capital employed, total Fortum	8,647	9,425	11,365	11,032	13,765	12,704	12,890								
Capital employed continuing operations							10,739	11,357	12,663	13,544	15,911	15,350	16,124	5	
Interest-bearing net debt	3,898	3,818	4,626	3,674	5,848	5,626	5,095	3,158	4,345	4,466	6,179	5,969	6,826	14	

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	FAS	FAS	FAS	FAS	FAS	FAS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	Change 10/09
EUR million or as indicated	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	%
Capital expenditure and gross investments in shares total Fortum	1,702	1,059	3,131	713	4,381	1,136	830	578	1,395	972	2,624	929	1,249	34
- of sales %	20.0	12.9	29.5	6.8	39.3	10.0	7.1	9.8	31.1	21.7	46.6	17.1	19.8	
Capital expenditure and gross investments in shares continuing operations							514	479	1,395	972	2,624	929	1,249	34
Capital expenditure continuing operations							335	346	485	655	1,108	862	1,222	42
Net cash from operating activities total Fortum	793	524	424	1,145	1,351	1,577	1,758	1,404						
Net cash from operating activities continuing operations							1,232	1,271	1,151	1,670	2,002	2,264	1,437	-37
Return on capital employed total Fortum, %	7.7	8.4	9.4	8.7	11.1	11.4	15.8	16.6						
Return on capital employed continuing operations, %							11.4	13.5	13.4	16.5	15.0	12.1	11.6	
Return on shareholders equity total Fortum, %	5.7	7.7	8.6	8.3	10.5	12.3	18.2	18.7						
Return on shareholders equity continuing operations, % ²⁾								13.5	14.4	19.1	18.7	16.0	15.7	
Interest coverage	2.6	3.4	3.7	4.3	4.7	5.8	8.0	11.6	11.5	12.8	9.4	12.4	13.7	
Interest coverage including capitalised borrowing costs											8.6	10.3	10.0	
Funds from operations/interest-bearing net debt, %	17.9	14.3	19.9	28.8	21.6	26.1	36.4	43.2	30.6	36.3	34.1	37.6	20.5	
Gearing, % ³⁾	93	79	73	54	80	85	67	43	53	52	73	70	78	
Net debt / EBITDA	3.7	3.2	3.2	2.4	3.0	2.9	2.1	1.4						
Net debt / EBITDA continuing operations							-	1.8	2.3	1.9	2.5	2.6	3.0	
Comparable net debt / EBITDA continuing operations							-	1.8	2.3	2.2	2.6	2.5	2.8	
Equity-to-assets ratio, %	36	39	43	48	41	40	44	49	48	49	41	43	40	
Dividends ⁴⁾	99	141	194	220	262	357	506	987	1,122	1,198	888	888	888 ⁵⁾	0
Dividends continuing operations								511	650	683				
Dividends additional in 2006 and 2007/ discontinued operations in 2005								476	472	515				
Research and development expenditure	92	72	58	53	33	35	26	14	17	21	27	30	30	0
- of sales %	1.1	0.9	0.5	0.5	0.3	0.3	0.2	0.2	0.4	0.5	0.5	0.5	0.5	
Average number of employees total Fortum	19,003	17,461	16,220	14,803	14,053	13,343	12,859	10,026	8,910	8,304	14,077	13,278	11,156	
Average number of employees continuing operations							8,592	8,939	8,910	8,304	14,077	13,278	11,156	

1) EBITDA is defined as Operating profit continuing operations + Depreciation, amortisation and impairment charges. According to Finnish Accounting Standards (FAS) share of profit of associated companies was included in operating profit. In calculating EBITDA presented under FAS share of profit of associated companies have been excluded in 1998-2003.

2) Return on equity for continuing operations for 2005 is calculated based on profit for the period from continuing operations divided by total equity at the end of the period. Profit for the period from discontinued operations has been subtracted from total equity on 31 December 2005.

3) Gearing is defined as interest-bearing net debt over shareholders' equity plus non-controlling interests. In 2000-2002 non-controlling interests included the preference shares amounting to EUR 1.2 billion, carrying fixed income dividend of 6.7 percent, issued by Fortum Capital Ltd.

4) In addition to cash dividend Fortum distributed approximately 85% of Neste Oil Corporation shares as dividend in 2005.

5) Board of Directors' proposal for the Annual General Meeting on 31 March 2011.

+ See Definitions of key figures on pages 134 and 135.

Share key figures

EUR or as indicated	FAS	FAS	FAS	FAS	FAS	FAS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	Change
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	10/09
Earnings per share total Fortum	0.27	0.41	0.55	0.57	0.79	0.91	1.48	1.55	1.22	1.74	1.74	1.48	1.46	-1
Earnings per share continuing operations	-	-	-	-	-	-	0.79	1.01	1.22	1.74	1.74	1.48	1.46	-1
Earnings per share discontinued operations	-	-	-	-	-	-	0.69	0.54	-	-	-	-	-	-
Diluted earnings per share total Fortum	-	-	0.55	0.57	0.78	0.90	1.46	1.53	1.21	1.74	1.74	1.48	1.46	-1
Diluted earnings per share continuing operations	-	-	-	-	-	-	0.78	1.00	1.21	1.74	1.74	1.48	1.46	-1
Diluted earnings per share discontinued operations	-	-	-	-	-	-	0.68	0.53	-	-	-	-	-	-
Cash flow per share total Fortum	1.01	0.67	0.54	1.43	1.60	1.86	2.06	1.61	1.31	1.88	2.26	2.55	1.62	-36
Cash flow per share continuing operations	-	-	-	-	-	-	1.44	1.46	1.31	1.88	2.26	2.55	1.62	-36
Equity per share	5.06	6.00	6.32	6.49	6.97	7.55	8.65	8.17	8.91	9.43	8.96	9.04	9.24	2
Dividend per share total Fortum ¹⁾	0.13	0.18	0.23	0.26	0.31	0.42	0.58	1.12	1.26	1.35	1.00	1.00	1.00 ²⁾	0
Dividend per share continuing operations	-	-	-	-	-	-	-	0.58	0.73	0.77	-	-	-	-
Dividend per share additional in 2006 and 2007 / discontinued operations in 2005	-	-	-	-	-	-	-	0.54	0.53	0.58	-	-	-	-
Payout ratio total Fortum, %	46.3	43.4	41.9	45.6	39.2	46.2	39.2	72.3	103.3 ⁴⁾	77.6 ⁴⁾	57.5	67.6	68.5 ²⁾	-
Payout ratio continuing operations, %	-	-	-	-	-	-	-	57.4 ³⁾	59.8 ⁴⁾	44.3 ⁴⁾	-	-	-	-
Payout ratio additional dividend in 2006 and 2007 / discontinued operations in 2005, %	-	-	-	-	-	-	-	100.0 ³⁾	43.4 ⁴⁾	33.3 ⁴⁾	-	-	-	-
Dividend yield, %	2.5	4.0	5.3	5.5	5.0	5.1	4.3	7.1	5.8	4.4	6.6	5.3	4.4 ²⁾	-
Price/earnings ratio (P/E)	18.5	10.9	7.9	8.3	7.9	9.0	9.2	10.2	17.7	17.7	8.8	12.8	15.4	-
Share prices														
At the end of the period	5.03	4.50	4.35	4.75	6.25	8.18	13.62	15.84	21.56	30.81	15.23	18.97	22.53	-
Average share price	5.66	4.76	4.18	4.79	5.87	6.94	10.29	13.87	20.39	23.57	24.79	15.91	19.05	-
Lowest share price	4.86	4.24	3.50	4.05	4.75	5.66	7.45	10.45	15.71	20.01	12.77	12.60	17.18	-
Highest share price	6.05	5.80	4.94	5.70	6.52	8.75	13.99	16.90	23.48	31.44	33.00	19.20	22.69	-
Market capitalisation at the end of the period, EUR million	3,949	3,532	3,456	4,017	5,286	6,943	11,810	13,865	19,132	27,319	13,519	16,852	20,015	-
Trading volumes ⁵⁾														
Number of shares, 1,000 shares	17,643	112,398	93,900	134,499	251,216	270,278	478,832	900,347	830,764	787,380	628,155	580,899	493,375	-
In relation to the weighted average number of shares, %	2.2	14.3	11.9	16.8	29.7	31.9	59.2	103.2	94.3	88.5	70.8	65.4	55.5	-
Number of shares, 1,000 shares	784,783	784,783	845,609	845,609	845,776	849,813	867,084	875,294	887,394	886,683	887,638	888,367	888,367	-
Number of shares excluding own shares, 1,000 shares	NA	NA	794,571	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	-
Average number of shares, 1,000 shares	784,783	784,783	787,223	798,346	845,642	846,831	852,625	872,613	881,194	889,997	887,256	888,230	888,367	-
Diluted adjusted average number of shares, 1,000 shares	-	-	787,223	798,308	851,482	858,732	861,772	887,653	886,929	891,395	887,839	888,230	888,367	-

1) In addition to cash dividend Fortum distributed approximately 85% of Neste Oil Corporation shares as dividend in 2005.

2) Board of Directors' proposal for the Annual General Meeting on 31 March 2011.

3) 2005 payout ratio for continuing and discontinued operations are calculated based on the respective earnings per share from continuing and discontinued operations.

4) Payout ratios for dividends in 2006 and 2007 are based on the total earnings per share.

5) Trading volumes in the table represent volumes traded on NASDAQ OMX Helsinki. In addition to that, Fortum shares were traded on several alternative market places (for example at Chi-X Europe, BATS and Turquoise). In 2010, a total of 199.4 million (2009: 66.9) Fortum Corporation shares, or approximately 29% (2009: 10) of the total amount of traded shares, were traded on alternative market places.

Years 1998–2003 have not been restated to comply with IFRS. They are presented under Finnish Accounting Standards (FAS).

➤ See Definitions of key figures on pages 134 and 135.

Operational key figures, volumes

		2004	2005	2006	2007	2008	2009	2010
Fortum's total power and heat generation in EU and Norway								
Power generation	TWh	55.5	52.3	54.4	52.2	52.6	49.3	53.7
Heat generation	TWh	25.4	25.1	25.8	26.1	25.0	23.2	26.1

		2004	2005	2006	2007	2008	2009	2010
Fortum's total power and heat generation in Russia								
Power generation	TWh	-	-	-	-	11.6	16.0	16.1
Heat generation	TWh	-	-	-	-	15.3	25.6	26.0

		2004	2005	2006	2007	2008	2009	2010
Fortum's own power generation by source, total in the Nordic area								
Hydropower	TWh	19.1	21.2	19.8	20.0	22.9	22.1	22.0
Nuclear power	TWh	25.8	25.8	24.4	24.9	23.7	21.4	22.0
Thermal power	TWh	9.5	4.2	9.0	6.2	5.0	4.6	8.3
Total	TWh	54.4	51.2	53.2	51.1	51.6	48.1	52.3

		2004	2005	2006	2007	2008	2009	2010
Fortum's own power generation by source, total in the Nordic area								
Hydropower	%	35	42	37	39	44	46	42
Nuclear power	%	47	50	46	49	46	44	42
Thermal power	%	18	8	17	12	10	10	16
Total	%	100	100	100	100	100	100	100

		2004	2005	2006	2007	2008	2009	2010
Power generation capacity by division								
Power	MW	10,003	9,540	9,560	9,575	9,709	9,728	
Heat	MW	1,278	1,373	1,360	1,213	1,446	1,600	
Russia	MW	-	-	-	2,785	2,785	2,785	
Total	MW	11,281	10,913	10,920	13,573	13,940	14,113	

		2004	2005	2006	2007	2008	2009	2010
Heat production capacity by division								
Power	MW	250	250	250	250	250	250	
Heat	MW	9,757	10,633	10,973	10,218	10,284	10,448	
Russia	MW	-	-	-	13,796	13,796	13,796	
Total	MW	10,007	10,883	11,223	24,263	24,330	24,494	

		2004	2005	2006	2007	2008	2009	2010
Fortum's total power and heat sales in EU and Norway								
Electricity sales	EUR million	2,017	2,002	2,437	2,370	2,959	2,802	3,110
Heat sales	EUR million	809	867	1,014	1,096	1,157	1,095	1,309

		2004	2005	2006	2007	2008	2009	2010
Fortum's total power and heat sales in Russia								
Electricity sales	EUR million	-	-	-	-	332	390	505
Heat sales	EUR million	-	-	-	-	141	219	287

		2004	2005	2006	2007	2008	2009	2010
Fortum's total power sales by area								
Finland	TWh	31.1	26.0	29.6	29.0	28.7	26.1	30.7
Sweden	TWh	27.6	30.4	28.5	27.6	28.5	26.9	28.3
Russia	TWh	-	-	-	-	14.8	19.5	18.7
Other countries	TWh	3.6	3.3	3.5	3.1	3.0	3.2	3.2
Total	TWh	62.3	59.7	61.6	59.7	75.0	75.7	80.9

		2004	2005	2006	2007	2008	2009	2010
Fortum's total heat sales by area								
Finland	TWh	10.5	9.8	10.7	11.1	10.8	8.0	9.6
Russia	TWh	-	-	-	-	15.3	25.6	26.8
Sweden	TWh	9.6	9.5	9.3	9.2	9.1	9.8	10.9
Poland	TWh	0.4	1.1	3.6	3.5	3.6	3.7	4.0
Other countries	TWh	3.3	3.4	3.2	3.3	3.4	3.5	3.6
Total	TWh	23.8	23.8	26.8	27.1	42.2	50.6	54.9

		2004	2005	2006	2007	2008	2009	2010
Volume of distributed electricity in distribution networks								
Finland	TWh	6.2	6.3	7.7	9.2	9.3	9.4	10.0
Sweden	TWh	14.2	14.4	14.4	14.3	14.0	14.0	15.2
Norway	TWh	2.1	2.2	2.3	2.3	2.3	2.3	2.5
Estonia	TWh	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total	TWh	22.7	23.1	24.6	26.0	25.8	25.9	27.9

Operational key figures, segments

As from 2005, Fortum applies International Financial Reporting Standards (IFRS) for the annual and interim reports. The 2005 annual report included one comparison year 2004, which was restated to IFRS. Segment numbers are presented based only on IFRS for comparison purposes, because in the transition to IFRS reportable segments were redefined and segment reporting as such was reassessed.

Following the acquisition of the Russian company, OAO Fortum, Fortum changed its segment reporting during 2008. Comparison numbers for 2004–2007 were restated in 2008.

In October 2009 Fortum restructured its organisation into four business divisions and four staff functions in order to increase the organisation's efficiency, performance accountability and simplicity. The business divisions are Power, Heat, Russia and Electricity Solutions and Distribution. The Electricity Solutions and Distribution (ESD) consists of business areas Distribution and Electricity Sales (former Markets). The reportable segments under IFRS have been renamed correspondingly.

The reorganisation did not lead to a change in Fortum's external financial reporting structure as the reportable segments have remained the same. However there have been some minor changes to the composition of the segments that have taken effect from the beginning of January 2010. The changes have also been reflected in the 2009 figures. Changes relate mainly to the transfer of the Power division's Power Solutions business area to Russia and Heat divisions as well as the establishment of the centralised Trading and Industrial Intelligence unit.

➔ For further information see Note 5 Segment reporting on page 90.

Sales by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	2,084	2,058	2,439	2,350	2,892	2,531	2,702
- of which internal	128	-97	-133	323	0	254	-281
Heat	1,025	1,063	1,268	1,356	1,466	1,399	1,770
- of which internal	49	-12	-32	38	0	23	-8
Distribution	707	707	753	769	789	800	963
- of which internal	10	-8	8	9	10	13	18
Electricity Sales	1,387	1,365	1,912	1,683	1,922	1,449	1,798
- of which internal	92	-101	149	155	177	67	158
Russia	-	-	-	-	489	632	804
- of which internal	-	-	-	-	-	-	-
Other	90	91	78	81	83	71	51
- of which internal	93	-63	62	72	82	-5	169
Eliminations	-1,458	-1,407	-1,959	-1,760	-2,005	-1,447	-1,792
Total	3,835	3,877	4,491	4,479	5,636	5,435	6,296

Comparable operating profit by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	730	854	985	1,095	1,528	1,454	1,298
Heat	207	253	253	290	250	231	275
Distribution	240	244	250	231	248	262	307
Electricity Sales	23	30	-4	-1	-33	22	11
Russia	-	-	-	-	-92	-20	8
Other	-52	-47	-47	-51	-56	-61	-66
Comparable operating profit	1,148	1,334	1,437	1,564	1,845	1,888	1,833
Non-recurring items	18	30	61	250	85	29	93
Other items affecting comparability	29	-17	-43	33	33	-135	-218
Operating profit	1,195	1,347	1,455	1,847	1,963	1,782	1,708

Depreciation, amortisation and impairment charges by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	104	112	108	103	97	93	100
Heat	124	123	144	163	169	162	187
Distribution	133	145	147	162	165	164	178
Electricity Sales	16	15	19	11	7	6	2
Russia	-	-	-	-	67	75	86
Other	11	12	11	12	10	10	10
Total	388	407	429	451	515	510	563

Share of profit of associates and joint ventures by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	-21	-21	-9	-23	26	-35	-25
Heat	15	11	23	24	12	30	31
Distribution	16	20	15	18	16	10	19
Electricity Sales	0	1	1	0	5	0	1
Russia	-	-	-	-	19	20	8
Other	2	44	39	222	48	-4	28
Total	12	55	69	241	126	21	62

Capital expenditure by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	84	83	95	93	134	96	97
Heat	123	124	184	309	408	358	304
Distribution	106	115	183	236	296	188	213
Electricity Sales	10	10	8	3	3	1	0
Russia	-	-	-	-	256	215	599
Other	12	14	15	14	11	4	9
Total	335	346	485	655	1,108	862	1,222

Gross investments in shares by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	23	45	5	52	0	57	25
Heat	53	87	589	18	23	1	1
Distribution	0	-	130	1	0	5	0
Electricity Sales	0	-	6	0	0	-	-
Russia	103	2	140	245	1,492	3	-
Other	0	-	40	1	1	1	1
Total	179	134	910	317	1,516	67	27

Net assets by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	5,804	5,493	5,690	5,599	5,331	5,494	5,806
Heat	2,440	2,551	3,407	3,507	3,468	3,787	4,182
Distribution	3,091	3,021	3,412	3,239	3,032	3,299	3,683
Electricity Sales	194	228	176	247	188	125	210
Russia	151	153	294	456	2,205	2,260	2,817
Other	220	447	835	1,237	796	382	29
Total	11,900	11,893	13,814	14,285	15,020	15,347	16,727

Return on net assets by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	12.6	14.3	17.5	19.2	29.6	24.5	19.5
Heat	9.8	11.6	9.6	9.3	8.9	7.9	8.4
Distribution	8.1	8.8	8.4	7.7	8.1	8.7	9.7
Electricity Sales	25.2	17.4	-1.6	6.9	-14.0	28.9	38.4
Russia	-	-	-	66.3	-3.7	0.0	2.4

Comparable return on net assets by segment

EUR million	2004	2005	2006	2007	2008	2009	2010
Power	12.0	14.9	17.4	18.9	28.0	26.4	22.3
Heat	9.3	11.0	9.2	9.2	7.3	7.3	7.7
Distribution	8.3	8.6	8.3	7.6	8.2	8.6	9.3
Electricity Sales	17.1	16.4	-0.8	-0.6	-15.3	18.6	9.3
Russia	-	-	-	0.0	-3.8	0.0	0.7

Average number of personnel

	2004	2005	2006	2007	2008	2009	2010
Power	4,588	4,374	4,147	3,475	3,591	2,068	1,891
Heat	1,605	2,186	2,345	2,302	2,422	2,652	2,482
Distribution	995	1,008	983	1,060	1,222	1,166	1,098
Electricity Sales	682	745	825	936	766	629	538
Russia	-	-	-	-	5,566	6,170	4,555
Other	722	626	610	531	510	593	592
Total	8,592	8,939	8,910	8,304	14,077	13,278	11,156

Definitions of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation) = Operating profit + Depreciation, amortisation and impairment charges

Comparable EBITDA = EBITDA – items affecting comparability

Items affecting comparability = Non-recurring items + other items affecting comparability

Comparable operating profit = Operating profit – non-recurring items – other items affecting comparability

Non-recurring items = Mainly capital gains and losses

Other items affecting comparability = Includes effects from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum's part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.

Funds from operations (FFO) = Net cash from operating activities before change in working capital

Capital expenditure = Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain usage/availability and/or maintains reliability. Productivity improves productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at a certain point of time due to legal requirements.

Gross investments in shares = Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.

Return on shareholders' equity, % = $\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$

Return on capital employed, % = $\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$

Return on capital employed continuing operations, %	= $\frac{\text{Profit before taxes continuing operations + interest and other financial expenses continuing operations}}{\text{Capital employed continuing operations average}} \times 100$	Net debt / EBITDA continuing operations	= $\frac{\text{Interest-bearing net debt}}{\text{Operating profit continuing operations + Depreciation, amortisation and impairment charges continuing operations}}$
Return on net assets, %	= $\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}} \times 100$	Comparable net debt / EBITDA continuing operations	= $\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA continuing operations}}$
Comparable return on net assets, %	= $\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses)}}{\text{Comparable net assets average}} \times 100$	Interest coverage	= $\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Capital employed	= Total assets – non-interest bearing liabilities – deferred tax liabilities – provisions	Interest coverage including capitalised borrowing costs	= $\frac{\text{Operating profit}}{\text{Net interest expenses-capitalised borrowing costs}}$
Net assets	= Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund – non-interest bearing liabilities – provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)	Average number of employees	= Based on monthly average for the whole period
Comparable net assets	= Net assets adjusted for non-interest-bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39	Earnings per share (EPS)	= $\frac{\text{Profit for the period – non-controlling interests}}{\text{Average number of shares during the period}}$
Interest-bearing net debt	= Interest-bearing liabilities – liquid funds	Cash flow per share	= $\frac{\text{Net cash from operating activities}}{\text{Average number of shares during the period}}$
Gearing, %	= $\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$	Equity per share	= $\frac{\text{Shareholders' equity}}{\text{Number of shares at the end of the period}}$
Equity-to-assets ratio, %	= $\frac{\text{Total equity including non-controlling interests}}{\text{Total assets}} \times 100$	Payout ratio, %	= $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Net debt / EBITDA	= $\frac{\text{Interest-bearing net debt}}{\text{Operating profit + Depreciation, amortisation and impairment charges}}$	Payout ratio continuing operations, %	= $\frac{\text{Dividend per share continuing operations}}{\text{Earnings per share continuing operations}} \times 100$
Comparable net debt / EBITDA	= $\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$	Dividend yield, %	= $\frac{\text{Dividend per share}}{\text{Share price at the end of the period}} \times 100$
		Price/earnings (P/E) ratio	= $\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
		Average share price	= $\frac{\text{Amount traded in euros during the period}}{\text{Number of shares traded during the period}}$
		Market capitalisation	= Number of shares at the end of the period x share price at the end of the period
		Trading volumes	= Number of shares traded during the period in relation to the weighted average number of shares during the period

Parent company financial statements, Finnish GAAP (FAS)

Income statement

EUR million	Note	2010	2009
Sales	2	67	61
Other income	3	12	8
Employee costs	4	-35	-41
Depreciation, amortisation and write-downs		-9	-10
Other expenses		-55	-58
Operating profit		-20	-40
Financial income and expenses	5	385	580
Profit after financial items		365	540
Group contributions ¹⁾		812	792
Profit before income tax		1,177	1,332
Income tax expense	6	-149	-134
Profit for the period		1,028	1,198

1) Taxable profits transferred from Finnish subsidiaries.

Balance sheet

EUR million	Note	2010	2009
ASSETS			
Non-current assets			
	7		
Intangible assets		10	14
Property, plant and equipment		13	11
Investments in group companies		15,645	15,965
Interest-bearing receivables from group companies		1,961	698
Investments in associated companies		0	0
Interest-bearing receivables from associated companies		1	1
Other non-current assets		4	4
Deferred tax assets		3	3
Total non-current assets		17,637	16,696
Current assets			
Other receivables from group companies	8	823	819
Other receivables from associated companies	8	0	0
Other receivables	8	48	125
Cash and cash equivalents	9	116	214
Total current assets		987	1,158
Total assets		18,624	17,854

EUR million	Note	2010	2009
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
	10		
Share capital		3,046	3,046
Share premium		2,822	2,822
Retained earnings		3,164	2,854
Profit for the period		1,028	1,198
Total shareholders' equity		10,060	9,920
Provisions for liabilities and charges			
		0	0
LIABILITIES			
Non-current liabilities			
External interest-bearing liabilities	11	5,650	5,266
Interest-bearing liabilities to group companies	11	1,360	1,438
Interest-bearing liabilities to associated companies	11	213	199
Other non-current liabilities		8	12
Deferred tax liabilities		-	33
Total non-current liabilities		7,231	6,948
Current liabilities			
External interest-bearing liabilities	11	803	780
Trade and other payables to group companies	12	79	43
Trade and other payables to associated companies	12	3	5
Trade and other payables	12	448	158
Total current liabilities		1,333	986
Total liabilities		8,564	7,934
Total equity and liabilities		18,624	17,854

Cash flow statement

EUR million	2010	2009
Cash flow from operating activities		
Profit for the period	1,028	1,198
Adjustments:		
Income tax expense	149	134
Group contributions	-812	-792
Finance costs - net	-385	-580
Depreciations, amortisation and write-downs	9	10
Operating profit before depreciations	-11	-30
Non-cash flow items and divesting activities	-6	0
Interest and other financial income	44	23
Interest and other financial expenses paid, net	-239	-282
Dividend income	920	1,147
Group contribution received	792	757
Realised foreign exchange gains and losses	282	612
Income taxes paid	-160	-66
Funds from operations	1,622	2,161
Decrease/increase in other short-term receivables	9	13
Increase/decrease in other short-term payables	277	-11
Change in working capital	286	2
Net cash from operating activities	1,908	2,163
Cash flow from investing activities		
Capital expenditures	-8	-4
Acquisition of other shares	-1	-1
Proceeds from sales of fixed assets	1	0
Proceeds from sales of shares in associates	4	0
Change in interest-bearing receivables and other non-current assets	-1,262	274
Net cash used in investing activities	-1,266	269
Cash flow before financing activities	642	2,432
Cash flow from financing activities		
Proceeds from long-term liabilities	721	1,606
Payment of long-term liabilities	-855	-2,497
Change in short-term liabilities	282	-692
Proceeds from stock options exercised	-	3
Dividends paid	-888	-888
Net cash used in financing activities	-740	-2,468
Net increase(+)/ decrease(-) in cash and cash equivalents	-98	-36
Cash and cash equivalents at the beginning of the period	214	250
Cash and cash equivalents at the end of the period	116	214
Net increase(+)/ decrease(-) in cash and cash equivalents	-98	-36

Parent company notes to the financial statements

1 Accounting policies and principles

The financial statements of Fortum Oyj are prepared in accordance with Finnish Accounting Standards (FAS).

1.1 Sales

Sales include sales revenue from actual operations and exchange rate differences on trade receivables, less discounts and indirect taxes such as value added tax.

1.2 Other income

Other income includes gains on the sales of tangible assets and shareholdings, as well as all other operating income not related to the sales of products or services, such as rents.

1.3 Foreign currency items and derivative instruments

Transactions denominated in foreign currencies have been valued using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the balance sheet date have been valued using the exchange rate quoted on the balance sheet date. Exchange rate differences have been entered in the financial net in the income statement.

Fortum Oyj enters into derivative contracts mainly for hedging foreign exchange and interest rate exposures.

Derivatives used to hedge balance sheet items e.g. bank accounts, loans or receivables are valued employing the exchange rate quoted on the balance sheet date, and gains or losses are recognised in the income statement. The interest element on forward contracts is accrued for the period.

Option premiums are treated as advances paid or received until the option matures, and any losses on options entered into other than for hedging purposes are entered as an expense in the income statement.

Interest income or expense for derivatives used to hedge the interest rate risk exposure is accrued over the period to maturity and is recognised as an adjustment to the interest expense of the liabilities.

1.4 Income taxes

Income taxes presented in the income statement consist of accrued taxes for the financial year and tax adjustments for prior years.

1.5 Property, plant and equipment and depreciation

The balance sheet value of property, plant and equipment consists of historical costs less depreciation and other deductions. Property, plant and equipment are depreciated using straight-line depreciation based on the expected useful life of the asset.

The depreciation is based on the following expected useful lives:

Buildings and structures	15–40 years
Machinery and equipment	3–15 years
Other intangible assets	5–10 years

1.6 Pension expenses

Statutory pension obligations are covered through a compulsory pension insurance policy or Group's own pension fund. Payments to Group's pension fund are recorded in the income statement in amounts determined by the pension fund according to the actuarial assumptions pursuant to the Finnish Employees' Pension Act.

1.7 Long-term incentive schemes

Costs related to the Fortum long-term incentive plans are accrued over the plan period and the related liability is booked to the balance sheet.

1.8 Provisions

Foreseeable future expenses and losses that have no corresponding revenue to which Fortum is committed or obliged to settle, and whose monetary value can be reasonably assessed, are entered as expenses in the income statement and included as provisions in the balance sheet.

2 Sales by market area

EUR million	2010	2009
Finland	61	57
Other countries	6	4
Total	67	61

3 Other income

EUR million	2010	2009
Gain on sales of shareholdings	4	0
Rental and other income	8	8
Total	12	8

4 Employee costs

EUR million	2010	2009
Personnel expenses		
Wages, salaries and remunerations	28	32
Indirect employee costs		
Pension costs	5	5
Other indirect employee costs	1	2
Other personnel expenses	1	2
Total	35	41

Salaries and remunerations

President and CEO	2	2 ¹⁾
Board of Directors	0	0
Supervisory Board	0	0
Total	2	2

1) The President and CEO of the company changed May 1, 2009. The salaries and remuneration to the President and CEO is in 2009 presented for the former CEO January 1–April 30 and the new CEO May 1–December 31.

For the President and CEO the retirement age is 63. The pension obligations are covered either through insurance companies or through the Fortum Pension Fund.

➤ See also Note 36 Pension obligations on page 120 in the Consolidated financial statements.

	2010	2009
Average number of employees	305	422

5 Financial income and expenses

EUR million	2010	2009
Dividend income from group companies	920	1,147
Interest and other financial income from group companies	27	60
Write-downs of participations in group companies	–320	–320
Interest and other financial income	1	4
Exchange rate differences	–8	–7
Interest and other financial expenses to group companies	–20	–28
Interest and other financial expenses	–215	–276
Total	385	580

Total interest income and expenses

Interest income	28	63
Interest expenses	–230	–299
Interest net	–202	–236

Write-downs of participations in group companies is related to shares in Fortum Heat and Gas Oy. Write-downs is a consequence of received dividends.

6 Income tax expense

EUR million	2010	2009
Taxes on regular business operations	-62	-72
Taxes on group contributions	211	206
Total	149	134
Current taxes for the period	181	166
Current taxes for prior periods	0	2
Changes in deferred tax	-32	-34
Total	149	134

7 Non-current assets

Intangible assets

EUR million	Intangible assets total
Cost 1 January 2010	34
Additions	2
Disposals	-3
Cost 31 December 2010	33
Accumulated depreciation 1 January 2010	20
Disposals	-1
Depreciation for the period	4
Accumulated depreciation 31 December 2010	23
Carrying amount 31 December 2010	10
Carrying amount 31 December 2009	14

Property, plant and equipment

EUR million	Buildings and structures	Machinery and equipment	Advances paid and construction in progress	Total
Cost 1 January 2010	1	26	4	31
Additions	0	3	3	6
Disposals	0	-1	0	-1
Cost 31 December 2010	1	28	7	36
Accumulated depreciation 1 January 2010	0	20	-	20
Disposals	0	-1	-	-1
Depreciation for the period	0	4	-	4
Accumulated depreciation 31 December 2010	0	23	-	23
Carrying amount 31 December 2010	1	5	7	13
Carrying amount 31 December 2009	1	6	4	11

Investments

EUR million	Shares in Group companies	Receivables from Group companies	Shares in associated companies	Receivables from associated companies	Other noncurrent assets	Total
1 January 2010	16,365	698	0	1	4	17,068
Additions ¹⁾	-	1,263	-	-	-	1,263
Disposals	-	-	0	0	0	0
31 December 2010	16,365	1,961	0	1	4	18,331
Accumulated depreciation 1 January 2010	-400	-	-	-	-	-400
Impairment charges	-320	-	-	-	-	-320
Accumulated depreciation 31 December 2010²⁾	-720	-	-	-	-	-720
Carrying amount 31 December 2010	15,645	1,961	0	1	4	17,611

1) Additions regarding shares comprise acquisitions of shares and capital contributions.

2) Write-downs of participations in group companies is related to shares in Fortum Heat and Gas Oy. Write-downs is a consequence of received dividends.

8 Other current receivables

EUR million	2010	2009
Other current receivables from group companies		
Trade receivables	8	17
Other receivables	812	792
Accrued income and prepaid expenses	3	10
Total	823	819
Other current receivables from associated companies		
Trade receivables	0	0
Other current receivables		
Trade receivables	0	0
Other receivables	0	1
Accrued income and prepaid expenses	48	124
Total	48	125

9 Cash and cash equivalents

EUR million	2010	2009
Cash at bank and in hand	116	104
Bank deposits	-	110
Cash and cash equivalents	116	214

10 Changes in shareholders' equity

EUR million	Share capital	Share issue	Share premium	Retained earnings	Total
Total equity 31 December 2009	3,046	0	2,822	4,052	9,920
Cash dividend	-	-	-	-888	-888
Profit for the period	-	-	-	1,028	1,028
Total equity 31 December 2010	3,046	0	2,822	4,192	10,060
Total equity 31 December 2008	3,044	0	2,822	3,742	9,608
Stock options exercised	2	0	-	-	2
Cash dividend	-	-	-	-888	-888
Profit for the period	-	-	-	1,198	1,198
Total equity 31 December 2009	3,046	0	2,822	4,052	9,920

EUR million	2010	2009
Distributable funds 31 December	4,192	4,052

11 Interest-bearing liabilities

External interest-bearing liabilities

EUR million	2010	2009
Bonds	4,231	3,642
Loans from financial institutions	595	866
Other long-term interest-bearing debt	824	758
Total long-term interest-bearing debt	5,650	5,266
Current portion of long-term bonds	223	500
Current portion of loans from financial institutions	45	0
Commercial papers	534	250
Other short-term interest-bearing debt	1	30
Total short-term interest-bearing debt	803	780
Total external interest-bearing debt	6,453	6,046

Maturity of external interest-bearing liabilities

EUR million	2010
2011	803
2012	504
2013	522
2014	1,152
2015	1,035
2016 and later	2,437
Total	6,453

External interest-bearing liabilities due after five years

EUR million	2010	2009
Bonds	1,553	1,550
Loans from financial institutions	254	321
Other long-term liabilities	630	751
Total	2,437	2,622

Other interest-bearing liabilities due after five years

EUR million	2010	2009
Interest-bearing liabilities to group companies	17	17
Interest-bearing liabilities to associated companies	213	199
Total	230	216

12 Trade and other payables

EUR million	2010	2009
Trade and other payables to group companies		
Trade payables	9	1
Other liabilities	70	42
Accruals and deferred income	0	0
Total	79	43

Trade and other payables to associated companies

Trade payables	-	0
Accruals and deferred income	3	5
Total	3	5

Trade and other payables

Trade payables	7	7
Other liabilities	8	2
Accruals and deferred income	433	149
Total	448	158

13 Contingent liabilities

EUR million	2010	2009
On own behalf		
Other contingent liabilities	5	5
On behalf of group companies		
Guarantees	751	648
On behalf of associated companies		
Guarantees	300	518
On behalf of others		
Guarantees	0	1
Contingent liabilities total	1,056	1,172

Operating leases

EUR million	2010	2009
Lease payments		
Not later than 1 year	1	1
Later than 1 year and not later than 5 years	0	0
Total	1	1

Derivatives

EUR million	2010			2009		
	Contract or notional value	Fair value	Not recognised as an income	Contract or notional value	Fair value	Not recognised as an income
Forward rate agreements	167	0	0	-	-	-
Interest rate swaps	4,091	96	57	3,985	41	-5
Forward foreign exchange contracts ¹⁾	17,893	-195	6	15,307	1	-3
Interest rate and currency swaps	459	-20	1	1,372	68	4

1) Includes also future positions.

14 Related party transactions

➤ See Note 46 Related party transactions on page 126 in the Consolidated financial statements.

Proposal for the distribution of earnings


Parent company's distributable equity as of 31 December 2010 amounted to EUR 4,191,864,236.08. After the end of the financial period there have been no material changes in the financial position of the Company.

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pay a cash dividend of EUR 1.00 per share for 2010, totalling EUR 888,367,045 based on the number of registered shares as of 1 February 2011.

Espoo, 1 February 2011



Matti Lehti



Sari Baldauf



Esko Aho



Ilona Ervasti-Vaintola



Birgitta Johansson-Hedberg



Joshua Larson



Christian Ramm-Schmidt



Tapio Kuula
President and CEO

Auditor's report

To the Annual General Meeting of Fortum Oyj

We have audited the accounting records, the financial statements, the Operating and Financial Review, and the administration of Fortum Oyj for the financial period 1.1.–31.12.2010. The financial statements comprise of the consolidated income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's income statement, balance sheet, cash flow statement and notes to the financial statements.

The responsibility of the Supervisory Board, Board of Directors and the President and CEO

The responsibility of the Supervisory Board is to supervise the company's administration by the Board of Directors and the President and CEO. The Board of Directors and the President and CEO are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the Operating and Financial Review that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the Operating and Financial Review in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the Operating and Financial Review based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Operating and Financial Review are free from material misstatement, and whether the members of the Supervisory Board, Board of Directors of the parent company and the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Operating and Financial Review.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and Operating and Financial Review that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and Operating and Financial Review.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the Operating and Financial Review

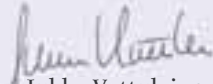
In our opinion, the financial statements and the Operating and Financial Review give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the Operating and Financial Review in Finland. The information in the Operating and Financial Review is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Supervisory Board, Board of Directors of the parent company and the President and CEO should be discharged from liability for the financial period audited by us.

Espoo, February 1, 2011

Deloitte & Touche Oy
Authorized Public Audit Firm


Jukka Vattulainen
Authorized Public Accountant

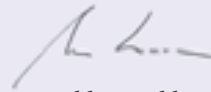
Statement by the Supervisory Board

The Supervisory Board has today in its meeting reviewed Fortum Corporation's income statement, balance sheet and notes to the financial statements for the year 2010 as well as consolidated financial statements, operating and financial review and auditors' report provided by the Company's auditors. The Supervisory Board has no comments to make

on these. The Supervisory Board recommends that the income statement, balance sheet and consolidated financial statements can be approved.

The Supervisory Board states that it has received adequate information from the Board of Directors and the company's management.

Espoo, 9 February 2011



Markku Laukkanen



Martti Alakoski



Tarja Filatov



Sampsa Kataja



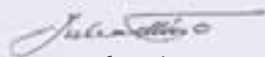
Kimmo Kiljunen



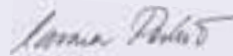
Katri Komi



Panu Laturi



Juha Mieto



Sanna Perkiö



Helena Pesola

Quarterly financial information

Selected data based on quarterly consolidated income statement

EUR million	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Sales	1,632	1,194	1,046	1,563	5,435	1,947	1,295	1,152	1,902	6,296
EBITDA	721	499	414	658	2,292	861	490	452	468	2,271
Comparable operating profit	602	400	316	570	1,888	651	339	302	541	1,833
Operating profit	599	375	286	522	1,782	724	351	312	321	1,708
Share of profit/loss of associates and joint ventures	-33	29	3	22	21	16	15	10	21	62
Finance costs - net	-32	-49	-47	-39	-167	-27	-34	-37	-57	-155
Profit before income tax	534	355	242	505	1,636	713	332	285	285	1,615
Income tax expense	-111	-61	-39	-74	-285	-130	-61	-45	-25	-261
Profit for the period	423	294	203	431	1,351	583	271	240	260	1,354
Profit for the period, non-controlling interests	-17	-5	8	-25	-39	-24	-8	7	-29	-54
Profit for the period, owners of the parent	406	289	211	406	1,312	559	263	247	231	1,300
Earnings per share, basic, EUR	0.46	0.32	0.24	0.46	1.48	0.63	0.30	0.27	0.26	1.46
Earnings per share, diluted, EUR	0.46	0.32	0.24	0.46	1.48	0.63	0.30	0.27	0.26	1.46

Quarterly sales by segments

EUR million	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Power	688	608	572	663	2,531	769	597	584	752	2,702
Heat	514	250	177	458	1,399	651	301	220	598	1,770
Distribution	229	176	168	227	800	280	200	196	287	963
Electricity Sales	469	298	272	410	1,449	637	327	305	529	1,798
Russia	186	138	111	197	632	244	169	137	254	804
Other	19	19	16	17	71	5	16	23	7	51
Netting of Nord Pool Spot transactions ¹⁾	-358	-212	-200	-325	-1,095	-683	-261	-264	-528	-1,736
Eliminations	-115	-83	-70	-84	-352	44	-54	-49	3	-56
Total	1,632	1,194	1,046	1,563	5,435	1,947	1,295	1,152	1,902	6,296

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

Quarterly comparable operating profit by segments

EUR million	Q1/2009	Q2/2009	Q3/2009	Q4/2009	2009	Q1/2010	Q2/2010	Q3/2010	Q4/2010	2010
Power	415	340	308	391	1,454	424	271	267	336	1,298
Heat	114	26	-13	104	231	132	33	-12	122	275
Distribution	81	54	47	80	262	102	53	61	91	307
Electricity Sales	-2	6	7	11	22	-13	10	11	3	11
Russia	6	-14	-20	8	-20	16	-9	-16	17	8
Other	-12	-12	-13	-24	-61	-10	-19	-9	-28	-66
Comparable operating profit	602	400	316	570	1,888	651	339	302	541	1,833
Non-recurring items	4	10	7	8	29	46	4	36	7	93
Other items affecting comparability	-7	-35	-37	-56	-135	27	8	-26	-227	-218
Operating profit	599	375	286	522	1,782	724	351	312	321	1,708

The first and last quarters of the year are usually the strongest quarters for power and heat businesses.

➤ Quarterly information from 2005 to 2010 is available on Fortum's website [www.fortum.com/investors/financial information](http://www.fortum.com/investors/financial-information).

91%

Emerging economies, such as China and India, experience explosive middle-class growth and consumers are eager to spend their newly gained disposable income on consumer technologies. According to a recent study, 91% of people in emerging markets spent money on technology in 2009.

*SPENT MONEY
ON TECHNOLOGY
IN EMERGING
MARKETS IN 2009*



**MEGATREND:
NEW CONSUMER
ASPIRATIONS**



Corporate Governance

Well-defined and transparent corporate governance provides a structure for responsible, value-oriented performance and supervisory functions of the company. It is an imperative that works for the benefit of Fortum's shareholders, financial markets, business partners, employees and the public.



The right of shareholders to make decisions over company matters is exercised in the Annual General Meeting, held once a year.

The Board of Directors' as well as the President and CEO's responsibility for the administration and management of the company is regulated in the Finnish Companies Act, which is supplemented by the Finnish Corporate Governance

Code. In the following, you will find Fortum's Corporate Governance Statement, as recommended in the Corporate Governance Code, as well as information on management remuneration, followed by the biographical presentations.



Insider administration at Fortum is presented on the web at
WWW.FORTUM.COM/INSIDERADMINISTRATION

Corporate Governance Statement

Corporate governance at Fortum is based on the laws of Finland, the company's Articles of Association and the Finnish Corporate Governance Code, which entered into force in October 2010. This Corporate Governance Statement has been prepared pursuant to Recommendation 54 of the Code and Chapter 2, Section 6 of the Securities Markets Act. The Corporate Governance Statement is issued separately from the company's operating and financial review.

The company complies with the Finnish Corporate Governance Code. In addition, Fortum complies with the rules of NASDAQ OMX Helsinki Ltd, where it is listed, and the rules and regulations of the Finnish Financial Supervisory Authority. Fortum's headquarters is located in Espoo, Finland.

✚ The Corporate Governance Code is available on the website of the Securities Markets Association (www.cgfinland.fi).

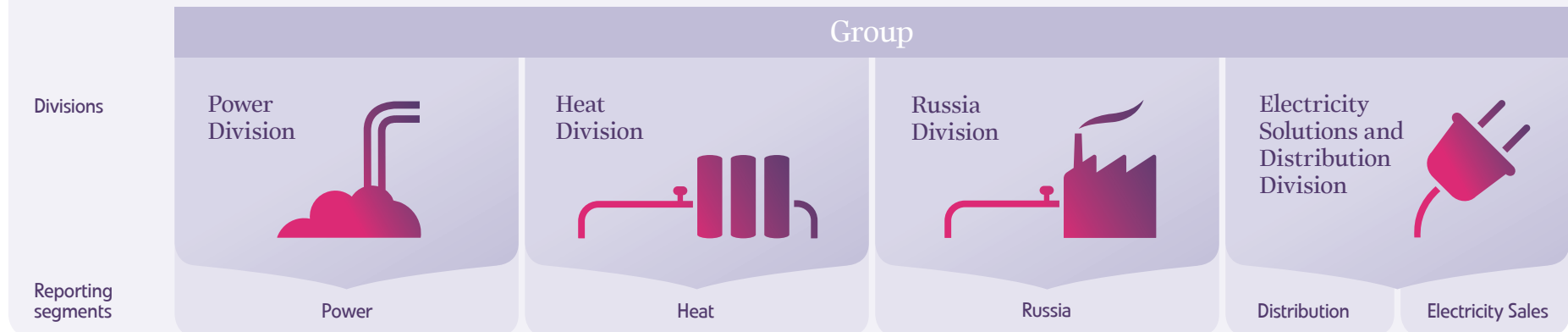
Fortum prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Securities Mar-

kets Act as well as the appropriate Financial Supervision Authority's standards and NASDAQ OMX Helsinki Ltd's rules. The company'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.

Organisation of the group

The decision-making bodies managing and overseeing the group's administration and operations are the Annual

FORTUM'S FINANCIAL REPORTING STRUCTURE



General Meeting of Shareholders, the Supervisory Board, 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 company, its management and organisation. The Supervisory Board, 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 head assisted by a management team.

General Meeting of Shareholders

The right of shareholders to make decisions over company matters is exercised at an appropriately convened General Meeting of Shareholders by those shareholders present, or by their authorised representatives. In accordance with the Articles of Association and Finnish Corporate Governance Code, a notice to convene the General Meeting of Shareholders is issued by the Board of Directors. The notice is delivered no more than three months and no less than three weeks before the General Meeting of Shareholders by publishing the notice in two newspapers chosen by the Board of Directors. However, the notice shall

be delivered at least nine days before the record date of the General Meeting of Shareholders, as referred to in the Section 2, Sub-section 2 Chapter 4, of the Companies Act.

The Annual General Meeting is held once a year, at the latest in June. An Extraordinary General Meeting of Shareholders shall be held whenever the Board of Directors or Supervisory Board finds cause for such a meeting or when provisions of the law rule that such a meeting must be held.

Shareholders' Nomination Committee

By decision of Fortum's Annual General Meeting 2010, a Shareholders' Nomination Committee was appointed to prepare proposals concerning Board members and their remuneration for the following Annual General Meeting. The Nomination Committee consists of the representatives of the three main shareholders and, in addition, as expert member the Chairman of the Board of Directors.

The three shareholders whose shares represent the largest number of the votes of all shares in the company on the 1st day of November preceding the Annual General Meeting will have the right to appoint the members representing the shareholders. Should a shareholder not wish to use its right to nominate, this right will be passed on to the next biggest shareholder. The largest shareholders

will be determined on the basis of the ownership information registered in the book-entry system. In case an owner is required under the Securities Markets Act to report certain changes in ownership (when flagging by shareholder is required), for example when the ownership is distributed among various funds, the ownership will be counted as one holding, if the owner so requests, by notifying the Board of Directors in writing no later than on 29 October.

The Nomination Committee is convened by the Chairman of the Board of Directors, and the Committee will choose a Chairman from among its own members. The Committee shall give its proposal to the Board of Directors of the company at the latest by 1 February preceding the Annual General Meeting.

In November 2010, the following persons have been appointed to Fortum Shareholders' Nomination Committee: Pekka Timonen, Director General, Prime Minister's Office, Ownership Steering Department; Harri Sailas, CEO, Ilmarinen Mutual Pension Insurance Company, and Mikko Koivusalo, Investments Director, Varma Mutual Pension Insurance Company. The Chairman of Fortum's Board of Directors, Matti Lehti, serves as the Committee's expert member.

In its meeting on 1 February 2011, the Shareholders' Nomination Committee decided to propose to the Annual General Meeting, which will be held

THE DUTIES OF THE ANNUAL GENERAL MEETING INCLUDE:

- › Adopt the financial statements and the consolidated financial statements
- › Decide on the treatment of the distributable funds
- › Elect the members of the Supervisory Board and the Board of Directors
- › Decide on the discharge from liability for the Supervisory Board, the Board of Directors and the President and CEO
- › Decide on the remuneration of the Supervisory Board, the Board of Directors and the remuneration for the auditor
- › Elect the auditor.

THE MAIN TASKS OF THE SUPERVISORY BOARD ARE TO:

- › Oversee the company's administration by the Board of Directors
- › Submit its statement on the financial statements, operating and financial review and the auditor's report to the Annual General Meeting
- › Discuss proposals by the Board of Directors in matters concerning a substantial reduction or expansion of company's operation or an essential change to company's organisation.

31 March 2011, that Sari Baldauf be elected as Chairman and Christian Ramm-Schmidt as Deputy Chairman, and that members Esko Aho, Ilona Ervasti-Vaintola and Joshua Larson be re-elected. Matti Lehti and Birgitta Johansson-Hedberg have stated that they are no longer available for election. The Shareholders' Nomination Committee proposes that Minoo Akhtarzand and Heinz-Werner Binzel be elected as new members of the Board of Directors.

Supervisory Board

The Supervisory Board is responsible for overseeing that the shareholders' interests are safeguarded.

The members of the Supervisory Board, its Chairman and Deputy Chairman are elected at the Annual General Meeting for a one-year term of office. A person who has reached the age of 68 years may not be elected as a member of the Supervisory Board. The Supervisory Board comprises a minimum of six and

a maximum of 12 members; in February 2011 there were 10 members. The Supervisory Board meetings are also attended by three employee representatives who are not members of the Supervisory Board. More than half of the Supervisory Board's members must be present to constitute a quorum. In 2010, the Supervisory Board met 6 times.

Board of Directors

The Board of Directors is responsible

for the administration of the Group and for ensuring that the business complies with the relevant laws and regulations, including the Finnish Companies Act, Fortum's Articles of Association, the instructions given by the General Meeting of Shareholders and the guidelines issued by the Supervisory Board. The Board of Directors comprises five to eight members who are elected at the Annual General Meeting for a one-year term of office, which expires at the end

FORTUM'S SUPERVISORY BOARD IN 2010

Name	Born	Education	Occupation	Attendance in the meetings
Chairman Markku Laukkanen	1950	MSc (Soc.Sc)	Member of Parliament	5/6
Deputy Chairman Sanna Perkiö	1962	PhD	Member of Parliament	4/6
Martti Alakoski	1953		Union Chairman	5/6
Tarja Filatov	1963		Member of Parliament	4/6
Sampsa Kataja	1972	LL.M	Member of Parliament	5/6
Kimmo Kiljunen	1951	PhD (Pol.Sc)	Member of Parliament	6/6
Katri Komi	1968	MSc (Agriculture and Forestry)	Member of Parliament	4/6
Panu Laturi	1972	MSc (Pol.Sc)	Secretary General, Green League of Finland	6/6
Juha Mieto	1949		Member of Parliament	5/6
Jukka Mäkelä ¹⁾	1960	MSc (Eng)	Member of Parliament	4/4
Helena Pesola	1947	MSc (Soc.Sc)	Director, KELA	6/6

¹⁾ Jukka Mäkelä has resigned from his duties on Fortum's Supervisory Board as of 19 October 2010. He then started in his new position as the mayor of the City of Espoo.

The employee representatives on Fortum's Supervisory Board were Jouni Koskinen, Kari Ylikauppi and Sebastian Elg.

FORTUM'S BOARD OF DIRECTORS 2010

Name	Born	Education	Occupation	Attendance in the Board meetings	Attendance in the Board Committee meetings
Chairman Matti Lehti	1947	PhD (Econ.)	Non-executive director	11/11	The Nomination and Remuneration Committee, 5/5
Deputy Chairman Sari Baldauf	1955	MSc (Econ.)	Non-executive director	11/11	The Nomination and Remuneration Committee, 5/5
Esko Aho	1954	MSc (Pol. Sc.)	Executive Vice President, Corporate Relations and Responsibility, Nokia Corporation Non-executive director	11/11	The Nomination and Remuneration Committee, 5/5
Ilona Ervasti-Vaintola	1951	LL. M, Trained on the bench	Group Chief Counsel, Principal Attorney, Secretary of the Board of Directors of Sampo Plc, Member of the Group Executive Committee Non-executive director	11/11	The Nomination and Remuneration Committee ¹⁾ , 4/4, The Audit and Risk Committee, 1/1 ²⁾
Birgitta Johansson-Hedberg	1947	Bachelor of Art, Master of Psychology	Non-executive director	11/11	The Audit and Risk Committee, 5/6
Joshua Larson ¹⁾	1966	Master of International Affairs, Bachelor in Russian language	Private investor and consultant Non-executive director	7/7	The Audit and Risk Committee, 5/5
Christian Ramm-Schmidt	1946	B. Sc (Econ.)	Senior Partner of Merasco Capital Ltd. Non-executive director	11/11	The Audit and Risk Committee, 6/6

¹⁾ New member as of 25 March 2010

²⁾ Member until 25 March 2010

THE MAIN TASKS OF THE BOARD OF DIRECTORS:

- › Strategic development and steering of the company's business and fields of activity
- › Ensuring that the business complies with the relevant rules and regulation, the company's Articles of Association and guidelines given by the Supervisory Board
- › Defining the dividend policy
- › Ensuring that the accounting and financial administration are arranged appropriately
- › Appointing the top management
- › Reviewing the central risks and instructing the President and CEO concerning the risks
- › Confirming the annual business plan
- › Deciding performance targets for the company and the management
- › Approving interim reports, consolidated financial statements, and operating and financial review and parent company financial statements
- › Taking care of the duties of the company's Board of Directors specified in the Companies Act and in the Articles of Association
- › Deciding on major investments, divestments and business arrangements
- › Electing members to the Board Committees
- › Reporting on the remuneration of the company management at the Annual General Meeting, as appropriate.

ASSESSMENT OF THE BOARD OF DIRECTORS' WORK:

- › The Board of Directors conducts an annual self-assessment.

ANNUAL SELF-ASSESSMENT

- › The Board convenes according to a previously agreed schedule to discuss specified themes and other issues whenever considered necessary
- › The Chairman decides on the agenda based on proposals by the other members of the Board, the President and CEO, and the secretary to the Board
- › The Chairman shall convene a meeting to deal with a specific item, if requested by a member of the Board or the President and CEO
- › The Board deals with the reports of the Board committees and the President and CEO
- › Materials shall be delivered to the members five days before meetings.

of the first Annual General Meeting following the election. More than half of the members must be present to constitute a quorum. A person who has reached the age of 68 cannot be elected to the Board of Directors.

In 2010, the Board of Directors met 11 times. In addition to steering and supervising the company's operational and financial development, the main items during the year were Fortum's strategy, business plan, financial position, performance target setting as well as risk management and policy and financial reporting. Main items also included investments and divestments as well as Russian operations. The Board also dealt with issues relating to sustainable business development and management performance and remuneration.

The members of the Board of Directors are all, with the exception of Ilona Ervasti-Vaintola (dependent on the company, interlocking control relationship), independent of the company and its significant shareholders. The President and CEO, the Chief Financial Officer and the General Counsel (being the secretary to the Board) attend Board meetings. Other Fortum Management Team members attend as required to provide information to the Board or upon invitation by the Board.

The Chairman of the Board, together with the President and CEO, prepares the items for discussion and to be decided upon at the Board of Directors' meetings.

The Board of Directors has approved a working order to govern its work.

✚ *The main contents of the Board of Directors' working order are presented on the left.*

The Board of Directors conducts an annual self-assessment in order to

further develop the work of the Board. The assessment process analyses the efficiency of the work, the size and composition of the Board, the preparation of the agenda, and the level and openness of discussions, as well as the members' ability to contribute to an independent judgement.

The Board Committees

The Board of Directors has appointed an Audit and Risk Committee as well as a Nomination and Remuneration Committee, both with at least three members. The members of these committees are all members of the Board of Directors. Members are appointed for a one-year term of office, which expires at the end of the first Annual General Meeting following the election. All the members of the Board of Directors have the right to participate in the committee meetings. The secretary to the Board of Directors acts as the secretary to the committees. The Board has approved written charters for the committees.

✚ *The main contents of the charters for the Board Committees are outlined on page 152.*

The Audit and Risk Committee

The Audit and Risk Committee assists the Board of Directors in fulfilling its supervisory responsibilities in accordance with the tasks specified for audit committees in the Finnish Corporate Governance Code.

The Audit and Risk Committee annually reviews its charter, approves the internal audit charter and the internal audit plan and carries out a self-assessment of its work. Furthermore, the Committee meets the external auditors regularly to discuss the audit plan, audit reports and audit findings.

THE TASKS IN THE CHARTER OF AUDIT AND RISK COMMITTEE INCLUDE:

- › Monitoring the reporting process of financial statements
- › Supervising the financial reporting process
- › Monitoring the efficiency of the company's internal control, internal audit, if applicable, and risk management systems
- › Reviewing the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- › Monitoring the statutory audit of the financial statements and consolidated financial statements
- › Evaluating the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited
- › Preparing through the Board a proposal for resolution on the election of the auditor for the shareholders' consideration at the Annual General Meeting
- › Reviewing the Corporate Governance Statement
- › Monitoring the financial position of the company
- › Approving the operating instructions for internal audit
- › Reviewing the plans and reports of the internal audit function
- › Being in contact with the auditor and reviewing the reports that the auditor prepares for the Committee.

THE TASKS IN THE CHARTER OF NOMINATION AND REMUNERATION COMMITTEE INCLUDE:

- › Discussing, assessing and giving proposals on the Group's, and its management's, pay structures and bonus and incentive systems
- › Monitoring the functioning of the bonus systems to ensure that the management's bonus systems will advance the achievement of the company's objectives and are based on personal performance
- › Evaluating the performance and the remuneration of the President and CEO and executives reporting directly to the President and CEO
- › As far as nomination and remuneration questions are concerned preparing nomination and remuneration issues and proposals to the Board concerning the President and CEO and the management directly reporting to the President and CEO
- › Assisting the Board in reporting on remuneration at the Annual General Meeting, as necessary.

The Audit and Risk Committee reports on its work to the Board of Directors regularly after each meeting.

After the Annual General Meeting in March 2010, the Board elected among itself Birgitta Johansson-Hedberg as the Chairman and as members Joshua Larson and Christian Ramm-Schmidt to the Audit and Risk Committee. Ilona Ervasti-Vaintola was a member until the Annual General Meeting 2010.

The Committee met six times in 2010. Also regularly participating in the Committee's meetings were external auditors, Chief Financial Officer (CFO), Head of Internal Audit, Corporate Controller and General Counsel as the Secretary to the Committee as well as other parties invited by the Committee.

The main items during the year included reviewing the interim reports, the financial statements, internal audit and risk management reports and policies as well as the corporate governance statement, monitoring of certain important projects and issues, preparing a recommendation for the election of the external auditor, as well as regulatory compliance.

The Nomination and Remuneration Committee

After the Annual General Meeting in March 2010, the board elected among itself Matti Lehti as the Chairman and as members Esko Aho, Sari Baldauf and Ilona Ervasti-Vaintola, to the Nomination

and Remuneration Committee. The Committee met five times during 2010. Other regular participants at the Committee meetings were the President and CEO, Senior Vice President, Corporate Human Resources, and General Counsel as the secretary to the Committee.

The Nomination and Remuneration Committee reports on its work to the Board of Directors regularly after each meeting.

The main items during the year included the top management performance evaluations and compensation issues, including incentive programme and performance target-setting for the management.

President and CEO

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. Tapio Kuula, MSc (Eng), MSc (Econ), born 1957, has been the President and CEO since May 2009.

The President and CEO is supported by the Fortum Management Team. The performance of the President and CEO is evaluated annually by the Board of Directors. The evaluation is based on objective criteria that include the performance of the company and the achievement of goals previously set for the President and CEO by the Board's Nomination and Remuneration Committee.

Fortum Management Team and operational organisation

The Fortum Management Team currently consists of nine 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 regularly on a monthly basis. In addition, there are meetings dealing with strategy and business planning, as well as performance reviews and people issues such as management reviews.

The Fortum Management Team sets the strategic targets, prepares the Group's annual business plans, follows up on the results, plans and decides on investments, mergers, acquisitions and divestments within 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.

The business divisions of Fortum are Power, Heat, Russia, and Electricity Solutions and Distribution. Power Division consists of Fortum's power generation, physical operation and trading as well as expert services for power producers. Heat Division consists of combined heat and power generation, district heating and cooling activities and business to business heating solutions. Russia Division consists of power and heat generation and sales in Russia. It includes OAO

Fortum and Fortum's over 25% holding in TGC-1. Electricity Solutions and Distribution Division is responsible for Fortum's electricity sales and distribution activities. The division consists of two business areas: Distribution and Electricity Sales. The staff functions are Finance, Corporate Relations and Sustainability, Corporate Human Resources, Corporate Strategy and R&D.

Internal audit

Fortum's Corporate Internal Audit is responsible for assessing and assuring the adequacy and effectiveness of internal controls in the company. Furthermore, it evaluates the effectiveness and efficiency of various business processes, the adequacy of risk management, and, e.g., compliance with laws, regulations and internal instructions. The Standards for the Professional Practice of Internal Audit form the basis for its work.

Corporate Internal Audit is independent of the divisions and other units at Fortum. It reports to the Audit and Risk Committee of the Board of Directors and administratively to the CFO. The purpose, authority and responsibility of Corporate Internal Audit is formally defined in its charter. The charter and the annual audit plan are approved by the Audit and Risk Committee.

External audit

The company has one auditor, which shall be an audit firm certified by the

Central Chamber of Commerce. The auditor is elected by the Annual General Meeting for a term of office that expires at the end of the first Annual General Meeting following the election.

Fortum Corporation's Annual General Meeting on 25 March 2010 elected Authorised Public Accountant Deloitte & Touche Oy as auditor, with Authorised Public Accountant Jukka Vattulainen having the principal responsibility.

Internal control and risk management systems

Fortum's Board of Directors approves the Corporate Risk Policy, which sets the objective, principles and division of responsibilities for risk management activities within the Group as well as defines the Fortum risk management process. The Fortum risk management process is also embedded in the internal control framework, and the process level internal control structure has been created by using a risk-based approach. The same approach is also used for the financial reporting process. Fortum's internal control framework includes main elements from the framework introduced by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

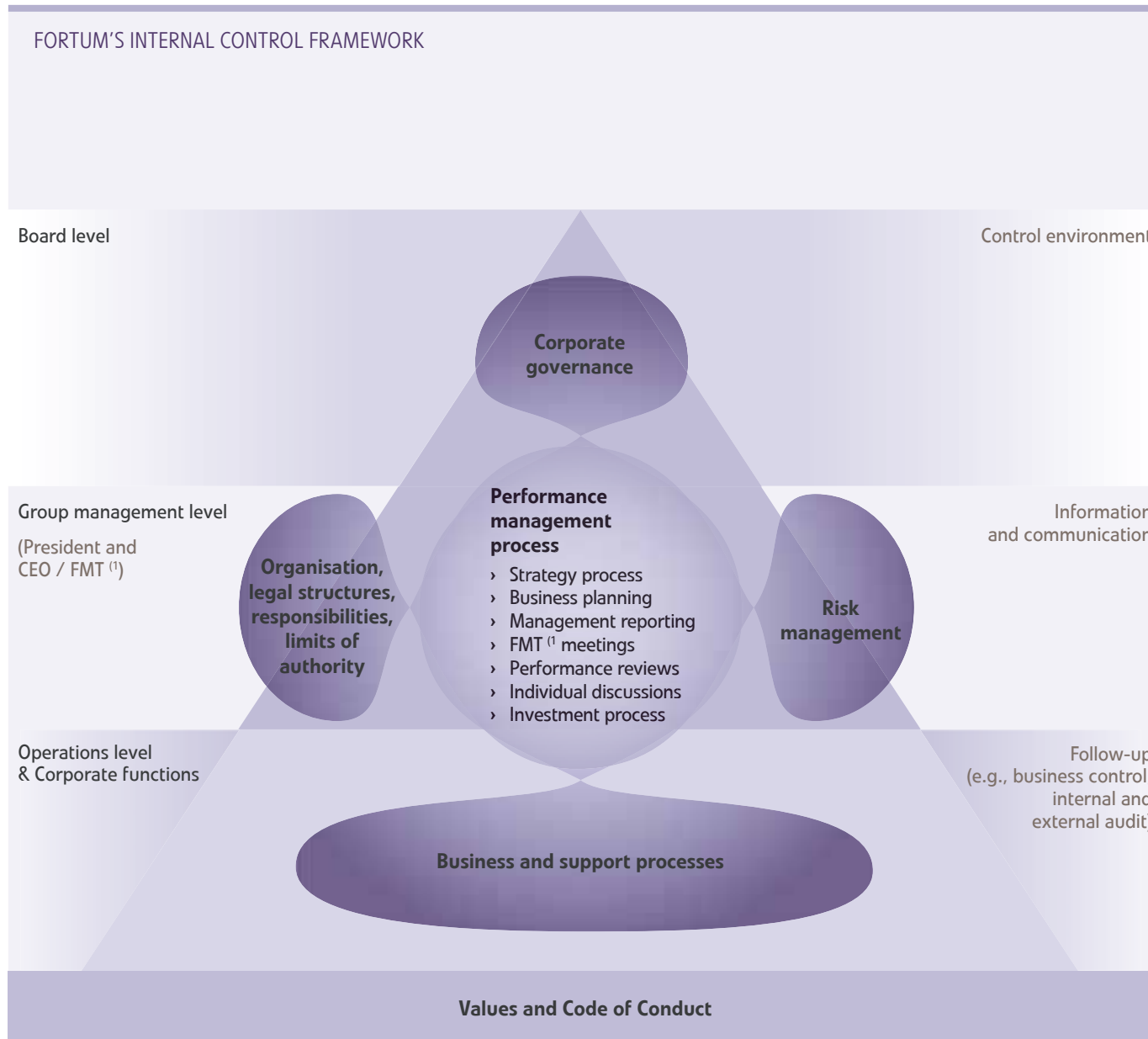
➔ Read more about Fortum's risk management process and largest risks on pages 51–56 and 81–89.

Control environment

Fortum has an internal control framework supporting the execution of the strategy and ensuring regulatory compliance. The values and Code of Conduct set the foundation for the internal control framework. The framework consists of group-level structures, corporate-level processes as well as business and support process-level controls. The Audit and Risk Committee, appointed by the Board of Directors, has oversight over risk management within the Group. Corporate Risk Management, an independent function headed by the Chief Risk Officer, in the CFO's Office is responsible for reporting risk exposures on weekly and monthly basis to the CFO and the President and CEO as well as regularly to the Audit and Risk Committee. It is also responsible for maintaining the company's risk management framework. In the financial reporting process, the ownership of the overall control structure is in the Corporate Accounting and Control unit headed by the Corporate Controller as part of the CFO's office.

Risk assessment

As part of the Fortum risk management process, also risks related to financial reporting are identified and analysed annually. Additionally, all new risks are analysed and repaired as they have been identified. Business risks are reported thoroughly in connection with the planning process and the follow-up is



integrated to operational management through regular reporting. The control risk assessment has been the basis for creating the process-level internal control framework and the same applies to the control points to prevent errors in the financial reporting process. The results of the control risk assessment and the process level controls have been reported to the Audit and Risk Committee. The control framework has been changed during 2010 to reflect the needs of the new organisation and for the purpose of ensuring that a project has been established to systematically go through the controls in different organisations.

Control activities

Fortum's organisation is decentralised and a substantial degree of authority and responsibility has been delegated to the divisions in form of control responsibilities even though some areas like commodity market risk control has been more centralised in the organisation. Each division has its own staff and other resources. Control activities are applied in the business processes and, from a financial reporting perspective, they ensure that potential errors or deviations are prevented, discovered and corrected. The Fortum policy structure ensures that governance around all activities exists.

In financial reporting, the Controller's manual sets the standards. The Corporate Accounting and Control

1) Fortum Management Team

unit defines the design of the control points, and internal controls cover the end-to-end financial reporting process. However, the part of the organisation responsible for performing the controls is also responsible for the effectiveness of the controls. There are transaction process level controls and periodic controls. The periodic controls are linked to the monthly and annual reporting process and include reconciliations and analytical reviews to ensure the correctness of financial reporting.

Information and communication

The Controller’s manual including Accounting manuals, Investment manual and reporting instructions as well as policies are stored on intranet sites accessible by all people involved in the financial reporting process. Processes and related documentation have been developed in many areas during 2010. Additionally, Corporate Accounting and Control and Risk Management functions regularly arrange meetings in which information around the processes and

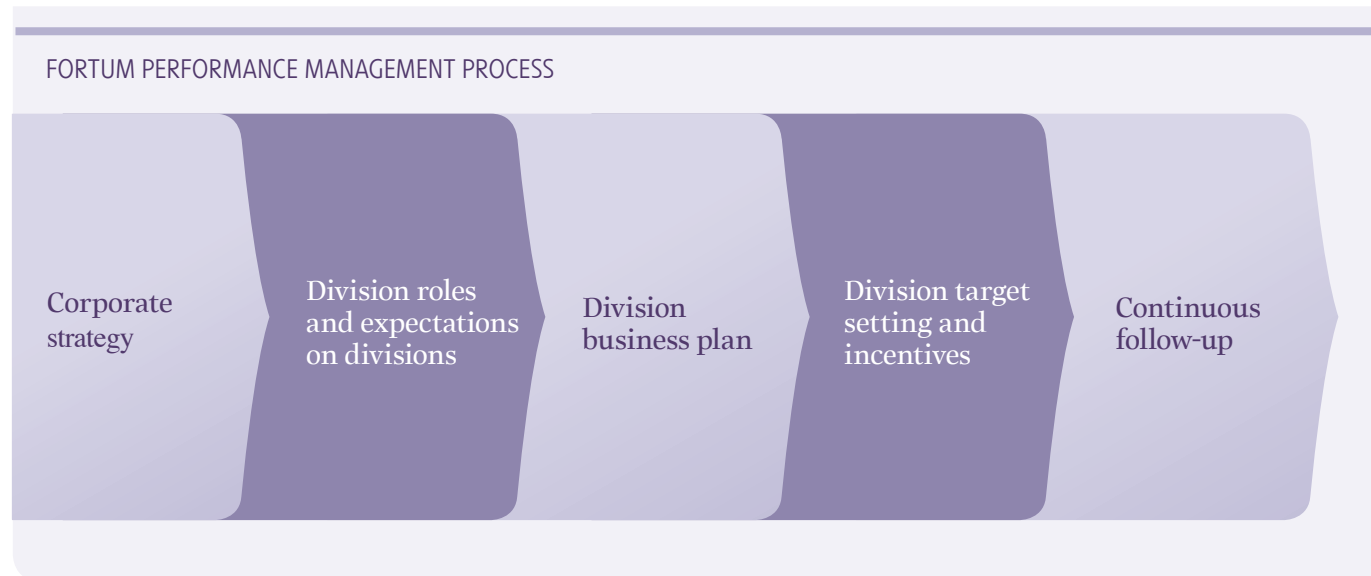
practices is shared to ensure uniform application of the processes. Investor Relations and Financial Communications together with Accounting and Control maintain the instructions for releasing financial information.

Follow-up

Financial results are followed up in the monthly reporting. In addition, the quarterly Performance Review meetings with Group and division management are embedded in the Fortum Perfor-

mance Management process. Financial performance is ultimately reviewed by the Audit and Risk Committee and Board of Directors.

The Performance Reviews have a monitoring role also in ensuring that the internal controls are functioning. As part of the Fortum internal control framework, all divisions are accountable for assessing the effectiveness of the controls they are responsible for. For the financial reporting process, division- and corporate-level controller teams are responsible for this assessment. Additionally, Corporate Risk Management also has monthly meetings covering control issues with divisions’ risk control units. Also Corporate Internal Audit’s agenda includes areas related to financial reporting, and internal controls are always reviewed in these audits. In addition, control maturities are followed up with regular assessments.



WWW.FORTUM.COM/GOVERNANCE
 Read more about Fortum’s corporate governance online.

Remuneration

The Finnish Corporate Governance Code 2010 requires that Fortum Corporation issues a remuneration statement regarding the salaries and other remuneration paid by company. Furthermore, in September 2009, the Cabinet Committee on Economic Policy, representing the State owner, issued guidelines on remuneration and pension benefits of management in companies with State ownership. Fortum takes into account both the Code and the guidelines in its remuneration.

Remuneration at Fortum is directed by the Group's remuneration principles and Fortum's general remuneration and benefits practices. When determining remuneration, the company's financial performance and external market data, particularly the remuneration for similar positions among peer companies, are taken into consideration. The Board of Directors approves the remuneration principles at the Group level and decides on the bonus targets and the remuneration of the members of the Supervisory Board and the Board of Directors is decided by the Annual General Meeting of Fortum Corporation.

Fortum offers a competitive compensation package for senior executives and other management. The aim is to

attract and commit key resources in all countries where Fortum operates. The package offers employees a competitive base salary. In addition to a salary, other relevant benefits as well as challenging short-term and long-term incentive schemes are offered.

Short-term incentives

Fortum's short-term incentive scheme, i.e., bonus system, supports the realisation of the Group's financial performance targets, values and structural changes. The system ensures that the performance targets of individual employees align with the targets of the division and the Group. All Fortum employees, with the exception of certain personnel groups in Poland and Russia, are covered by the bonus system.

The Board of Directors decides on the bonus criteria for senior executives (the President and CEO and other members of Fortum's Management Team). The amount of each senior executive's bonus is dependent on the Group's financial performance and on their own success in reaching personal targets. The maximum bonus for a senior executive is 40% of the person's annual salary including fringe benefits.

The bonuses of the division heads, who are all members of the Fortum Management Team, are determined on the basis of the division's performance and the Group's financial performance. During the annual performance discus-

REMUNERATION PAID TO THE FORTUM MANAGEMENT TEAM

EUR	Salaries and fringe benefits 2010	Salaries and fringe benefits 2009 ²	Performance bonuses 2010	Performance bonuses 2009 ²	Total 2010	Total 2009 ²
President and CEO ¹	911,545	744,838	237,510	134,327	1,149,055	879,165
Other Management Team members ¹	2,481,935	1,910,665	581,743	503,848	3,063,678	2,414,513

¹) Additionally, the President and CEO had a calculatory gross income of EUR 306,601 based on February 2010 share delivery from the 2004–2009 share plan. The corresponding aggregated figure for the other members of the Fortum Management Team was EUR 1,253,501. These shares were granted in spring 2007 after the earning period with the value not exceeding the participants' one year salary. The shares were delivered after the three-year lock-up period.

²) Figures for 2009 are comparable with the 2010 Management Team composition. For a more detailed breakdown see page 99–100.

sion held at the beginning of the year, the division head and his superior, the President and CEO, agree on the criteria used to assess the personal performance of the executive.

The Board of Directors assesses the performance of the President and CEO on an annual basis.

In 2010, the bonuses paid to the Management Team, including the President and CEO, amounted to EUR 819,253, which is 0.23% of the total remuneration paid by the Fortum Group.

Former President and CEO's bonuses

Former President and CEO Mikael Lilius retired on 1 January 2010. He was entitled to the bonus for 2009 and to the share bonus earned up to the end of the employment relationship. The bonus paid to him was EUR 239,544 and the share bonus EUR 864,783. The bonuses were paid in the first quarter of 2010.

Long-term incentives

The purpose of Fortum's long-term incentive system, i.e. share bonus system, is to support the achievement of the Group's long-term targets by committing key individuals. The Board of Directors chooses the Fortum management members entitled to participate in the share bonus system. The Board can also exclude individual participants from the system. Participation in the system precludes the individual from being a member in the Fortum Personnel Fund.

Fortum's share bonus system is divided into six-year share plans, within which participants have the opportunity to earn company shares. A new plan commences yearly, if the Board so decides.

Each share plan begins with a three-calendar-year period, during which participants may earn share rights if the earnings criteria set by the Board of Directors are fulfilled. After the earning period has ended and the relevant taxes and other employment-related expenses have been deducted from the gross value of the earned share rights, participants are paid the net balance of the earned rights in the form of shares. The earning period is followed by a subsequent lock-up period, during which participants cannot transfer or dispose of the shares. If the value of the shares decreases or increases during the lock-up period, the potential loss or gain is carried by the participants. The maximum value of shares (before taxation) to be delivered to a participant after the earning period cannot exceed the participant's one-year salary.

Fortum's current long-term incentive system fulfils the recommendations of State-owned companies and the Corporate Governance Code 2010 for listed companies.

[➤ Read more about the incentive plans in the Financial Statements, Note 30 on page 113.](#)

REMUNERATION AND TERMS OF EMPLOYMENT OF PRESIDENT AND CEO TAPIO KUULA

Salary and fringe benefits	Base salary EUR 71,426/month. Additionally free car benefit and mobile phone benefit as fringe benefits.
Short-term incentive system (bonus)	The bonus can be earned annually based on the criteria approved by the Board of Directors. The maximum level is 40% of the annual salary including fringe benefits. Annual salary = 12 times the salary paid in December of the year in question.
Long-term incentive system (share bonus)	According to Fortum management's current share bonus system. The maximum value of shares (before taxation) cannot exceed the annual salary of the President and CEO.
Pension	Retirement age is 63. The President and CEO's supplementary pension is a defined contribution pension plan, and the annual contribution is 25% of the annual salary. The annual salary consists of the base salary, fringe benefits and bonus. If the President and CEO's contract is terminated before retirement age, he/she is entitled to retain the funds that have accrued in the pension fund.
Termination of contract	The notice period for both parties is six months. If the company terminates the contract, the President and CEO is entitled to the salary of the notice period and to severance pay equal to 18 months' salary.

Pensions

Fortum's Finnish executives participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings and in accordance with the prescribed statutory system. Under the Finnish pension system, earnings are defined as base pay, annual bonuses and taxable fringe benefits, but gains realised from

the share bonus system are not included in that definition. Finnish pension legislation offers a flexible retirement from age 63 to age 68 without full-pension restrictions.

Retirement age for Fortum's President and CEO is 63 and for other members of the Fortum Management Team 60-63. For the President and CEO and for some other executives, the maximum

pension can be 60% of the salary, with the pension insured by an insurance company, and for some executives the maximum is 66% of the salary, with the pension insured and paid by Fortum's Pension Fund. The Fortum Pension Fund was closed in 1991.

➤ Read more about pension systems used in Fortum in the Financial Statements, Note 36 on page 120 and in the Sustainability Report 2010.

Remuneration of Supervisory Board members

Every Supervisory Board member receives a fixed monthly fee and a meeting fee. The representatives of personnel groups receive only a meeting fee. Members are entitled to travel expense compensation in accordance with the company's travel policy. With the exception of the personnel group representatives, members of the Supervisory Board are not paid a salary by Fortum and they

are not given the opportunity to participate in Fortum's bonus or share bonus systems, nor does Fortum have a pension plan that they can opt to take part in.

The remuneration confirmed by the Annual General Meeting on 25 March 2010 for the members of the Supervisory Board is presented on the next page.

Remuneration of Board members

Every Board member receives a fixed monthly fee and a meeting fee. The meeting fee is also paid for committee meetings and is paid in double to a member who lives outside Finland in Europe and in triple to a member living elsewhere outside Europe. The members are entitled to travel expense compensation in accordance with the company's travel policy.

SHARE RIGHTS DELIVERED OR GRANTED TO THE MANAGEMENT

Name	Year 2010 ¹⁾	Year 2011 ²⁾
Tapio Kuula	8,422	24,639
Anne Brunila	-	2,491
Alexander Chuvaev	-	12,586
Mikael Frisk	6,041	8,984
Timo Karttinen	5,166	9,173
Juha Laaksonen	7,014	11,684
Per Langer	2,989	6,691
Maria Paatero-Kaarnakari	2,539	4,767
Matti Ruotsala	-	6,137

The table above shows the number of shares delivered or to be delivered to the President and CEO and other Fortum Management Team members under the long-term incentive plans. In spring 2011, there will be deliveries of two share plans: the 2005–2010 plan and the 2008–2012 plan. Shares delivered under the 2008–2012 plan will be subject to a two-year lock-up period under which they cannot be sold or transferred to a third party. In the table above, share amounts to be delivered under the 2008–2012 plan are estimated and the actual number of shares will be determined at the time of delivery in spring 2011.

According to the Cabinet Committee's Economic Policy, the total taxable gross value of the benefit arising from the shares delivered to a participant cannot exceed the participant's one-year salary including fringe benefits. Shares disclosed do not reflect this limitation, which will be applied at the time of delivery.

1) Actual numbers of shares delivered

2) Estimated total number of shares based on the 2005–2010 and the 2008–2012 plans

SHARE BONUS SYSTEMS

Plans	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
05–10	1	2	3	4	5	6					
06–11		1	2	3	4	5	6				
07–12			1	2	3	4	5	6			
08–12				1	2	3	4	5			
09–13					1	2	3	4	5		
10–15						1	2	3	4	5	6

■ Earning period
 ■ Lock-up period
 | Share delivery

Board members are not paid a salary by Fortum and they are not given the opportunity to participate in Fortum's bonus or share bonus schemes, nor does Fortum have a pension plan that they can opt to take part in.

The remuneration confirmed by the Annual General Meeting on 25 March 2010 for the members of the Board of Directors is presented below.

COMPENSATION FOR BOARD SERVICE

EUR/year/meeting	Year 2010	Year 2009
Chairman	66,000	66,000
Deputy Chairman	49,200	49,200
Member	35,400	35,400
Meeting fee	600	600

COMPENSATION FOR SUPERVISORY BOARD SERVICE

EUR/month/meeting	Year 2010	Year 2009
Chairman	1,000	1,000
Deputy Chairman	600	600
Member	500	500
Meeting fee	200	200

TOTAL COMPENSATION FOR BOARD OF DIRECTORS

	Board service in 2010	Total compensation in 2010, EUR	Board service in 2009	Total compensation in 2009, EUR
Matti Lehti, Chairman	1 Jan.–31 Dec.	75,600	1 Jan.–31 Dec.	70,520
Sari Baldauf, Deputy Chairman	1 Jan.–31 Dec.	58,800	1 Jan.–31 Dec.	41,480
Esko Aho	1 Jan.–31 Dec.	45,000	1 Jan.–31 Dec.	43,200
Ilona Ervasti-Vaintola	1 Jan.–31 Dec.	45,000	7 Apr.–31 Dec.	43,200
Birgitta Johansson-Hedberg	1 Jan.–31 Dec.	52,800	1 Jan.–31 Dec.	49,200
Joshua Larson	25 Mar.–31 Dec.	46,391	N/A	N/A
Christian Ramm-Schmidt	1 Jan.–31 Dec.	45,600	1 Jan.–31 Dec.	43,200
Peter Fagnäs	N/A	N/A	1 Jan.–7 Apr.	21,475
Marianne Lie	N/A	N/A	1 Jan.–7 Apr.	16,788

TOTAL COMPENSATION FOR SUPERVISORY BOARD SERVICE

	Supervisory Board service in 2010	Total compensation in 2010, EUR	Supervisory Board service in 2009	Total compensation in 2009, EUR
Markku Laukkanen, Chairman	1 Jan.–31 Dec.	13,000	1 Jan.–31 Dec.	13,000
Sanna Perkiö, Deputy Chairman	1 Jan.–31 Dec.	8,000	1 Jan.–31 Dec.	8,000
Martti Alakoski	1 Jan.–31 Dec.	7,000	1 Jan.–31 Dec.	7,000
Tarja Filatov	1 Jan.–31 Dec.	6,800	1 Jan.–31 Dec.	5,300
Sampsa Kataja	1 Jan.–31 Dec.	7,000	1 Jan.–31 Dec.	6,600
Kimmo Kiljunen	1 Jan.–31 Dec.	7,200	1 Jan.–31 Dec.	6,600
Katri Komi	1 Jan.–31 Dec.	6,800	1 Jan.–31 Dec.	6,800
Panu Laturi	1 Jan.–31 Dec.	7,200	1 Jan.–31 Dec.	6,600
Juha Mieto	1 Jan.–31 Dec.	7,000	1 Jan.–31 Dec.	7,000
Jukka Mäkelä	1 Jan.–19 Oct.	5,800	1 Jan.–31 Dec.	6,800
Helena Pesola	1 Jan.–31 Dec.	7,200	1 Jan.–31 Dec.	5,300
Rakel Hiltunen	N/A	N/A	1 Jan.–7 Apr.	1,700

Board of Directors



Matti Lehti

- Chairman, born 1947, PhD (Econ)
- Chairman of the Nomination and Remuneration Committee

Main occupation:
Non-executive Director

- Primary work experience:
- Chancellor of the Helsinki School of Economics
 - President and CEO and Chairman of the Board, TietoEnator Corporation, Tietotehdas Oy and TietoGroup
 - Deputy Managing Director, Rautakirja Oy

- Key positions of trust:
- Chairman of the Foundation for Economic Education
 - Vice Chairman of the Helsinki School of Economics Foundation

Independent member of Fortum's Board of Directors since 2005.

Fortum shareholding on 31 Dec. 2010: 2,000
(31 Dec. 2009: 2,000)



Sari Baldauf

- Deputy Chairman, born 1955, MSc, Business Administration
- Member 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.

- Key positions of trust:
- Member of the Board of CapMan Plc, 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
 - Chairman of Savonlinna Opera Festival

Independent member of Fortum's Board of Directors since 2009.

Fortum shareholding on 31 Dec. 2010: 2,300
(31 Dec. 2009: 2,300)



Esko Aho

- Born 1954, Master of Political Sciences
- Member of the Nomination and Remuneration Committee

Main occupation:
Executive Vice President, Corporate Relations and Responsibility, Nokia Corporation. Member of the Group Executive Board.

- Primary work experience:
- President of Sitra, the Finnish Innovation Fund
 - Prime Minister of Finland
 - Member of Parliament
 - Leader of the Centre Party
 - Lecturer at Harvard

- Key positions of trust:
- Vice Chairman of the Board, Technology Industries of Finland (2009)
 - Vice Chair of ICC World Finland and member of ICC World Council (2009)
 - Board Member of Technology Academy, Finland (2009)
 - Member of the Board of Directors of Russian Venture Company (2002–2010)

Independent member of Fortum's Board of Directors since 2006.

Fortum shareholding on 31 Dec. 2010: 0
(31 Dec. 2009: 0)



Ilona Ervasti-Vaintola

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

Main occupation:

Group Chief Counsel, Principal Attorney, and Secretary of the Board of Directors of Sampo plc, Member of the Group Executive Committee

Primary work experience:

- Chief Counsel and member of the Board,
- Mandatum Bank plc Director, Partner,
- Mandatum & Co Ltd Head of Financial Law Department,
- Legal counsel of Union Bank of Finland Ltd

Key positions of trust:

- Member of the Board of Fiskars Corporation (2004–2010) and Finnish Literature Society (2005–)
- Chairman of Legal Committee at the Central Chamber of Commerce of Finland (2005–2010)

Non-independent from the company (interlocking control relationship) and independent of significant shareholders. Member of Fortum's Board of Directors since 2008.

Fortum shareholding on 31 Dec. 2010: 4,000 (31 Dec. 2009: 4,000)



Birgitta Johansson-Hedberg

- Born 1947, Bachelor of Art, Master of Psychology
- Chairman of the Audit and Risk Committee

Main occupation:

Non-executive Director

Primary work experience:

- President and CEO of Lantmännen
- President and CEO of Foreningssparbanken
- Resident Director for Scandinavia, Wolters Kluwer

Key positions of trust:

- Chairman of the Board of Umeå Universitet and Pocketstället AB
- Member of the Board of Sveaskog, Finansinspektionen, NAXS, RieberRson ASA, Sveriges Radio, Vectura Consulting and the Forest Company Limited.

Independent member of Fortum's Board of Directors since 2004.

Fortum shareholding on 31 Dec. 2010: 900 (31 Dec. 2009: 900)



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:

- Senior Managing Director, IFC Alemar, CEO
- 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 Fortum's Board of Directors since 2010.

Fortum shareholding on 31 Dec. 2010: 0 (31 Dec. 2009: N/A)



Christian Ramm-Schmidt

- Born 1946, BSc (Econ)
- Member 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

Independent member of Fortum's Board of Directors since 2006.

Fortum shareholding on 31 Dec. 2010: 2,250 (31 Dec. 2009: 3,500)

Group Management



Tapio Kuula

- **President and CEO since 2009**
- **Born 1957. MSc (Eng), MSc (Econ)**
- **Member of the Management Team since 1997**
- **Employed by Fortum since 1996**

Previous positions:

- Fortum Corporation, Senior Vice President, 2005
- Fortum Power and Heat Oy, President, 2000
- Power and Heat Sector, Fortum Oyj, President 2000
- Fortum Power and Heat Oy, Executive Vice President, 1999
- Imatran Voima Oy, Executive Vice President, Member of the Board, Member of the Management Team, 1997

Key positions of trust:

- Varma Mutual Pension Insurance Company, Chairman of the Supervisory Board
- Lappeenranta University of Technology, Member of the Board
- East office of Finnish Industries Oy, Member of the Board
- Northern Dimension Business Council, Co-chairman

Fortum shareholding on 31 Dec. 2010: 81,569 (31 Dec. 2009: 73,147)

Anne Brunila

- **Executive Vice President, Corporate Relations and Sustainability, since 2009**
- **Born 1957. DSc (Econ)**
- **Member of the Management Team since 2009**
- **Employed by Fortum since 2009**

Previous positions:

- Finnish Forest Industries Federation, President and CEO, 2006
- Ministry of Finance, several positions, 2002
- The Bank of Finland, Advisor to the Board, 2002
- European Commission, Advisor, 2000
- The Bank of Finland, several positions, 1992

Key positions of trust:

- KONE Oyj, Member of the Board
- Sampo Oyj, Member of the Board
- Aalto University Foundation, Member of the Board
- The Research Institute of Finnish Economy ETLA, Member of the Board
- Finnish Business and Policy Forum, EVA, Member of the Board
- World Business Council of Sustainable Development, Council member
- Finnish Energy Industries, Member of the Board

Fortum shareholding on 31 Dec. 2010: 0 (31 Dec. 2009: 0)

Aleksander Chuvaev

- **Executive Vice President, Russia Division; General Director of OAO Fortum; Country responsible for Russia since 2009**
- **Born 1960. MSc (Eng)**
- **Member of the Management Team since 2009**
- **Employed by Fortum since 2009**

Previous positions:

- GE Oil & Gas, Regional Executive Director, Russia and CIS, 2009
- SUEK, Investment Development Director, Russia 2008
- JSC Power Machines, Managing Director, Russia, 2006
- GE Oil & Gas, Regional General Manager, Russia, 2006
- JSC OMZ, Chief Operations Officer, Russia, 2005
- GE, various positions in the USA and Canada, 1999
- Solar Turbines Europe S.A., various positions in Europe and the USA, 1991

Fortum shareholding on 31 Dec. 2010: 0 (31 Dec. 2009: 0)



Timo Karttinen

- **Executive Vice President, Electricity Solutions and Distribution Division; Country responsible for Finland and Norway since 2009**
- **Born 1965. MSc (Eng)**
- **Member of the Management Team since 2004**
- **Employed by Fortum since 1991**

Previous positions:

- Fortum Corporation, Senior Vice President, Corporate Development, 2004
- Fortum Power and Heat Oy, Business Unit Head, Portfolio Management and Trading, 2000
- Fortum Power and Heat Oy, Vice President, Electricity Procurement and Trading, 1999
- Imatran Voima Oy, Vice President, Electricity Procurement, 1997

Key positions of trust:

- Fingrid Oyj, Vice chairman of the Board
- Gasum Oy, Member of the Supervisory Board
- Confederation of Finnish Industries, Member of the Trade Policy Committee and Energy Committee

Fortum shareholding on 31 Dec. 2010: 48,962 (31 Dec. 2009: 43,796)



Mikael Frisk

- **Senior Vice President, Corporate Human Resources, since 2001**
- **Born 1961. MSc (Econ)**
- **Member of the Management Team since 2001**
- **Employed by Fortum since 2001**

Previous positions:

- Nokia Mobile Phones, Vice President, HR Global Functions, 1998
- Nokia-Maillefer, Vice President, HR, Lausanne, Switzerland, 1993
- Nokia NCM Division, HR Development Manager, 1992
- Oy Huber Ab, HR Development Manager, 1990

Key positions of trust:

- Talentor Group Oy, Member of the Board
- Staffpoint Oy, Member of the Board

Fortum shareholding on 31 Dec. 2010: 30,000 (31 Dec. 2009: 31,642)





Juha Laaksonen

- Executive Vice President and Chief Financial Officer since 2000
- Born 1952. BSc (Econ)
- Member of the Management Team since 2000
- Employed by Fortum since 1979

Previous positions:

- Fortum Corporation, Corporate Vice President, M&A, 2000
- Fortum Oil & Gas Oy, Executive Vice President, Finance & Planning, 1999
- Neste Oyj, CFO 1998

Key positions of trust:

- Sato Oyj, Chairman of the Board
- Kemira Oyj, Member of the Board
- Kemijoki Oy, Member of the Supervisory Board

Fortum shareholding on 31 Dec. 2010: 34,241 (31 Dec. 2009: 27,227)

Per Langer

- Executive Vice President, Heat Division; Country responsible for Sweden, Poland and the Baltics since 2009
- Born 1969. MSc (Econ)
- Member of the Management Team since 2009
- Employed by Fortum since 1999

Previous positions:

- Fortum Power and Heat Oy, President of Heat, 2007
- Fortum Power and Heat Oy, President of Portfolio Management and Trading, 2004
- Fortum Corporation, managerial positions, 1999
- Gullspång Kraft, managerial positions 1997

Key positions of trust:

- AS Fortum Tartu, Supervisory Board Chairman

Fortum shareholding on 31 Dec. 2010: 8,478 (31 Dec. 2009: 5,489)



Maria Paatero-Kaarnakari

- Senior Vice President, Corporate Strategy and R&D since 2009
- Born 1955. MSc (Eng)
- Member of the Management Team since 2007
- Employed by Fortum since 1985

Previous positions:

- Fortum Corporation, Senior Vice President, Corporate Strategy, 2007
- Fortum Corporation, Vice President, Corporate Development, 2000
- Neste Oyj, Manager, Strategic Planning 1998
- Neste Polyester Inc, USA, Business Development Manager, 1997
- Neste Group, various managerial positions 1985

Fortum shareholding on 31 Dec. 2010: 5,083 (31 Dec. 2009: 4,044)



Matti Ruotsala

- Executive Vice President, Power Division since 2009
- Born 1956. MSc (Eng)
- Member of the Management Team since 2009
- Employed by Fortum since 2007

Previous positions:

- Fortum Power and Heat Oy, President of Generation, 2007
- Valtra Ltd, Managing Director, 2005
- AGCO Corporation, Vice President, 2005
- Konecranes Plc, Chief Operating Officer (COO) and Deputy to CEO, 2001
- Konecranes Plc and Kone Corporation, several senior and managerial positions, 1982

Key positions of trust:

- Kemijoki Oy, Chairman of the Board
- PKC Group Oyj, Chairman of the Board
- Teollisuuden Voima Oyj, Chairman of the Board
- Halton Group Ltd, Member of the Board

Fortum shareholding on 31 Dec. 2010: 0 (31 Dec. 2009: 0)



Financial information in 2011

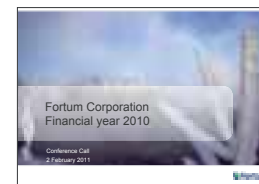
Fortum publishes three interim reports in 2011:

- Q1 on 28 April 2011
- Q2 on 19 July 2011
- Q3 on 20 October 2011

The reports are published at approximately 9:00 EEST in Finnish and English, and are available on Fortum's website at www.fortum.com/investors.

Fortum's management hosts regular press conferences, targeted at analysts and the media. A webcast of these conferences is available online at www.fortum.com. Management also gives interviews on a one-on-one and group basis. Fortum observes a silent period of 30 days prior to publishing its results.

**DOWNLOAD INVESTOR INFORMATION FROM
WWW.FORTUM.COM**



Investor information

Annual General Meeting

The Annual General Meeting of Fortum Corporation will be held on Thursday, 31 March 2011, starting at 15:00 EET at Finlandia Hall, address: Mannerheimintie 13 e, Helsinki, Finland. The reception of shareholders who have registered for the meeting will commence at 14:00 EET.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pay a cash dividend of EUR 1.00 per share for 2010, totalling EUR 888 million based on the number of registered shares as of 1 February 2011. The possible dividend-related dates planned for 2011 are:

- Ex-dividend date 1 April 2011,
- Record date for dividend payment 5 April 2011 and
- Dividend payment date 12 April 2011.

Fortum share basics

Listed on NASDAQ OMX Helsinki
Trading ticker: FUM1V
Number of shares, 1 February 2011:
888,367,045.
Sector: Utilities

Ordering financial information

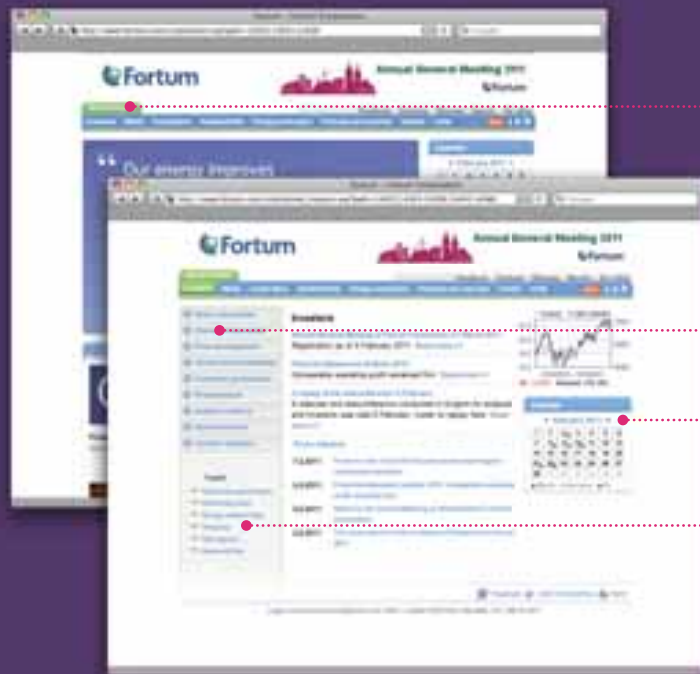
Financial documents can be obtained from Fortum Corporation, Mail Room, POB 1, FI-00048, FORTUM, Finland, tel. +358 (0)10 452 9151, e-mail: juha.ahonen@partners.fortum.com
Investor information is available online at www.fortum.com/investors

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Investor information online



Investor information

Annual Reports and interim reports including webcasts

Calendar with coming events

Glossary with energy units, some industry-specific and financial terminology

The Fortum corporate website was ranked as number one of the stock-listed Nordic companies in the Hallvarsson&Halvarsson Webranking 2010 survey. Among the European companies, Fortum was ranked fifth.

ANNUAL REPORT 2010

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This Annual Report communicates our commitment to excellent performance and continuous operational improvement. Fortum enters the new decade with a renewed strategy and an evolved corporate culture that support growth.

Read how we are responding to future challenges and staying on top of development in a world where the balance in the global economy is quickly shifting away from developed economies. Rapid population growth is increasing the demand for energy and growing environmental problems are requiring more and more sustainable energy solutions that utilise natural resources efficiently.



Fortum Corporation

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