

# Consolidated financial statements

## Consolidated income statement

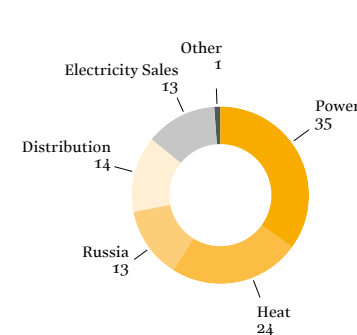
EUR million	Note	2011	2010
<b>Sales</b>	5	6,161	6,296
Other income	11	91	108
Materials and services	12	-2,566	-2,846
Employee benefit costs	14	-529	-507
Depreciation, amortisation and impairment charges	5, 15	-606	-563
Other expenses	13	-749	-655
<b>Comparable operating profit</b>	5	<b>1,802</b>	<b>1,833</b>
Items affecting comparability	6, 7	600	-125
<b>Operating profit</b>	5	<b>2,402</b>	<b>1,708</b>
Share of profit of associates and joint ventures	5, 24	91	62
Interest expense	16	-284	-197
Interest income	16	56	72
Fair value gains and losses on financial instruments	7, 16	5	12
Other financial expenses – net	16	-42	-42
Finance costs – net	16	-265	-155
<b>Profit before income tax</b>		<b>2,228</b>	<b>1,615</b>
Income tax expense	17	-366	-261
<b>Profit for the period</b>		<b>1,862</b>	<b>1,354</b>
<b>Attributable to:</b>			
Owners of the parent		1,769	1,300
Non-controlling interests		93	54
		<b>1,862</b>	<b>1,354</b>
<b>Earnings per share (in EUR per share)</b>			
	18		
Basic		1.99	1.46
Diluted		1.99	1.46

EUR million	2011	2010
<b>Comparable operating profit</b>	<b>1,802</b>	<b>1,833</b>
Non-recurring items (sales gains)	284	93
Changes in fair values of derivatives hedging future cash flow	344	-216
Nuclear fund adjustment	-28	-2
<b>Operating profit</b>	<b>2,402</b>	<b>1,708</b>

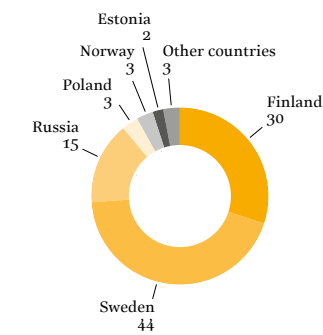
Higher contribution mainly from Territorial Generating Company 1 (TGC-1).

Increase mainly due to higher average interest rates 4.4% (2010: 3.4%) for debt including derivatives.

SALES BY SEGMENT, %



SALES BY COUNTRY, %



## Consolidated statement of comprehensive income

EUR million	2011	2010
<b>Profit for the period</b>	<b>1,862</b>	<b>1,354</b>
<b>Other comprehensive income:</b>		
Cash flow hedges		
Fair value gains/losses in the period	299	-583
Transfers to income statement	480	1
Transfers to inventory/fixed assets	-23	-16
Tax effect	-195	151
Net investment hedges		
Fair value gains/losses in the period	2	-1
Tax effect	0	0
Available for sale financial assets		
Fair value losses in the period	-1	0
Exchange differences on translating foreign operations	-75	344
Share of other comprehensive income of associates	2	-69
Other changes	3	-16
<b>Other comprehensive income for the period, net of tax</b>	<b>492</b>	<b>-189</b>
<b>Total comprehensive income for the year</b>	<b>2,354</b>	<b>1,165</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	2,255	1,064
Non-controlling interests	99	101
	<b>2,354</b>	<b>1,165</b>

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 0 million (2010: -77).

# Consolidated balance sheet

EUR million	Note	31 Dec 2011	31 Dec 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	22	433	421
Property, plant and equipment	23	15,234	14,621
Participations in associates and joint ventures	24	2,019	2,161
Share in State Nuclear Waste Management Fund	35	653	625
Pension assets	37	60	62
Other non-current assets	25	69	72
Deferred tax assets	34	150	141
Derivative financial instruments	3	396	183
Long-term interest-bearing receivables	26	1,196	1,149
<b>Total non-current assets</b>		<b>20,210</b>	<b>19,435</b>
<b>Current assets</b>			
Inventories	27	528	387
Derivative financial instruments	3	326	148
Trade and other receivables	28	1,020	1,284
Bank deposits		–	271
Cash and cash equivalents		731	285
Liquid funds	29	731	556
Assets held for sale <sup>1)</sup>	9	183	154
<b>Total current assets</b>		<b>2,788</b>	<b>2,529</b>
<b>Total assets</b>		<b>22,998</b>	<b>21,964</b>

<sup>1)</sup> Including cash balances of EUR 16 million (2010: 0).

EUR million	Note	31 Dec 2011	31 Dec 2010
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	30	3,046	3,046
Share premium		73	73
Retained earnings		6,318	5,448
Other equity components		195	–357
<b>Total</b>		<b>9,632</b>	<b>8,210</b>
Non-controlling interests	32	529	532
<b>Total equity</b>		<b>10,161</b>	<b>8,742</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	33	6,845	6,520
Derivative financial instruments	3	192	238
Deferred tax liabilities	34	2,013	1,725
Nuclear provisions	35	653	625
Other provisions	36	205	239
Pension obligations	37	26	20
Other non-current liabilities	38	465	471
<b>Total non-current liabilities</b>		<b>10,399</b>	<b>9,838</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	33	925	862
Derivative financial instruments	3	219	1,207
Trade and other payables	39	1,265	1,265
Liabilities related to assets held for sale	9	29	50
<b>Total current liabilities</b>		<b>2,438</b>	<b>3,384</b>
<b>Total liabilities</b>		<b>12,837</b>	<b>13,222</b>
<b>Total equity and liabilities</b>		<b>22,998</b>	<b>21,964</b>

## 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			
<b>Total equity 31 December 2010</b>		<b>3,046</b>	<b>73</b>	<b>5,726</b>	<b>-278</b>	<b>-419</b>	<b>0</b>	<b>62</b>	<b>8,210</b>	<b>532</b>	<b>8,742</b>
Net profit for the period				1,769					1,769	93	1,862
Translation differences					-74				-74		-74
Other comprehensive income				6		555		-1	560	6	566
Total comprehensive income for the period				1,775	-74	555	0	-1	2,255	99	2,354
Cash dividend	19			-888					-888		-888
Dividends to non-controlling interests									0	-21	-21
Changes due to business combinations	9			54				-2	52	-81	-29
Other changes				3					3		3
<b>Total equity 31 December 2011</b>		<b>3,046</b>	<b>73</b>	<b>6,670</b>	<b>-352</b>	<b>136</b>	<b>-2</b>	<b>61</b>	<b>9,632</b>	<b>529</b>	<b>10,161</b>
<b>Total equity 31 December 2009</b>		<b>3,046</b>	<b>73</b>	<b>5,329</b>	<b>-567</b>	<b>21</b>	<b>1</b>	<b>131</b>	<b>8,034</b>	<b>457</b>	<b>8,491</b>
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	19			-888					-888		-888
Dividends to non-controlling interests										-22	-22
Changes due to business combinations	9									-4	-4
<b>Total equity 31 December 2010</b>		<b>3,046</b>	<b>73</b>	<b>5,726</b>	<b>-278</b>	<b>-419</b>	<b>0</b>	<b>62</b>	<b>8,210</b>	<b>532</b>	<b>8,742</b>

### 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 -74 million during 2011 (2010: 306) including net effect from SEK, NOK and RUB amounting to EUR -63 million in 2011 (2010: 299).

✚ For information regarding exchange rates used, see Note 10 Exchange rates on page 67. For information about translation exposure see Note 3.7 Interest rate risk and currency risk on page 56.

### Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR 555 million (2010: -443), 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 dividend distributions to non-controlling interests EUR -21 million (2010: -22) and in 2011 also changes due to business combinations which relate to the non-controlling interests in OAO Fortum.

# Consolidated cash flow statement

EUR million	Note	2011	2010
<b>Cash flow from operating activities</b>			
<b>Net profit for the period</b>		<b>1,862</b>	<b>1,354</b>
<b>Adjustments:</b>			
Income tax expenses		366	261
Finance costs-net		265	155
Share of profit of associates and joint ventures		-91	-62
Depreciation, amortisation and impairment charges		606	563
<b>Operating profit before depreciations (EBITDA)</b>		<b>3,008</b>	<b>2,271</b>
Non-cash flow items and divesting activities		-726	124
Interest received		59	66
Interest paid		-298	-234
Dividends received		108	62
Other financial items and realised foreign exchange gains and losses		-245	-535
Taxes		-394	-355
<b>Funds from operations</b>		<b>1,512</b>	<b>1,399</b>
Change in working capital		101	38
<b>Total net cash from operating activities</b>		<b>1,613</b>	<b>1,437</b>
<b>Cash flow from investing activities</b>			
Capital expenditures	5, 22, 23	-1,285	-1,134
Acquisitions of shares		-62	-28
Proceeds from sales of fixed assets		15	7
Divestments of shares		492	147
Change in interest-bearing receivables		15	-94
<b>Total net cash used in investing activities</b>		<b>-825</b>	<b>-1,102</b>
<b>Cash flow before financing activities</b>			
		<b>788</b>	<b>335</b>
<b>Cash flow from financing activities</b>			
Proceeds from long-term liabilities		951	924
Payments of long-term liabilities		-365	-912
Change in short-term liabilities		-278	191
Dividends paid to the owners of the parent	19	-888	-888
Other financing items		-10	-25
<b>Total net cash used in financing activities</b>		<b>-590</b>	<b>-710</b>
<b>Total net increase (+) / decrease (-) in liquid funds</b>			
		<b>198</b>	<b>-375</b>
<b>Liquid funds at the beginning of the year</b>			
		<b>556</b>	<b>890</b>
Foreign exchange differences in liquid funds		-7	41
<b>Liquid funds at the end of the year</b>	29	<b>747</b>	<b>556</b>

Non-cash flow items includes mainly adjustments for unrealised 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 507 million for 2011 (2010: 154), are shown under cash flow from investing activities.

Other financial items and realised foreign exchange gains and losses includes realised foreign exchange gains and losses amounting to EUR -239 million (2010: -535), which mainly relates to the rollover of foreign exchange contracts hedging SEK-dominated loans to Fortum's Swedish subsidiaries. The major part of the 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	2011	2010
<b>Net debt 1 January</b>	<b>6,826</b>	<b>5,969</b>
Foreign exchange rate differences	7	244
EBITDA	3,008	2,271
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-1,496	-872
Change in working capital	101	38
Capital expenditures	-1,285	-1,134
Acquisitions of shares	-62	-28
Divestments	507	154
Change in interest-bearing receivables	15	-94
Dividends	-888	-888
Other financing activities	-10	-25
Net cash flow (- increase in net debt)	-110	-578
Fair value change of bonds and amortised cost valuation	80	35
<b>Net debt 31 December</b>	<b>7,023</b>	<b>6,826</b>

Liquid funds at the end of year 2011 include cash balances of EUR 16 million (2010: 0) related to assets held for sale.

## ADDITIONAL CASH FLOW INFORMATION

### CHANGE IN WORKING CAPITAL

EUR million	2011	2010
Change in interest-free receivables, decrease (+) / increase (-)	266	-161
Change in inventories, decrease (+) / increase (-)	-143	74
Change in interest-free liabilities, decrease (-) / increase (+)	-22	125
<b>Total</b>	<b>101</b>	<b>38</b>

Positive effect from change in working capital during 2011, EUR 101 million (2010: 38) is mainly due to decrease of trade receivables, which is partly offset by increase of fuel inventories.

### CAPITAL EXPENDITURE

EUR million	Note	2011	2010
Capital expenditure	5, 22, 23	1,408	1,222
Change in not yet paid investments		-70	-43
Capitalised borrowing costs		-53	-45
<b>Capital expenditure in cash flow</b>		<b>1,285</b>	<b>1,134</b>

Capital expenditures increasing intangible assets and property, plant and equipment in balance sheet were EUR 1,408 million (2010: 1,222). Capital expenditure in cash flow EUR 1,285 million (2010: 1,134) are presented without not yet paid investments i.e. change in trade payables related to investments EUR 70 million (2010: 43) and capitalised borrowing costs EUR 53 million (2010: 45), which are presented in interest paid.

➔ See also information about the investments by segments and countries in Note 5 Segment reporting on pages 62 and 64 and the investment projects by segment in Note 23.2 Capital expenditure on page 79.

### ACQUISITION OF SHARES IN CASH FLOW

EUR million	Note	2011	2010
Acquisition of subsidiaries, net of cash acquired	8	44	1
Acquisition of associates <sup>1)</sup>	24	16	26
Acquisition of available for sale financial assets <sup>2)</sup>		2	1
<b>Total</b>		<b>62</b>	<b>28</b>

<sup>1)</sup> Acquisition of associates includes share issues and other capital contributions.

<sup>2)</sup> Available for sale financial assets are presented under Other non-current assets in the balance sheet.

### Acquisition of shares in subsidiaries

EUR million	Note	2011	2010
Gross investments in shares	8	47	0
Changes in non-paid acquisitions		-2	1
Interest-bearing debt in acquired subsidiaries		-1	-
<b>Acquisitions of subsidiaries, net of cash acquired</b>		<b>44</b>	<b>1</b>

### Acquisition of shares in associates

EUR million	2011	2010
Gross investments in shares	25	26
Changes in non-paid acquisitions	-9	0
<b>Acquisitions of associates</b>	<b>16</b>	<b>26</b>

Acquisition of shares in subsidiaries includes acquisition of two Polish heat companies EUR 22 million and increase in ownership of OAO Fortum. Acquisition of associates includes capital contributions to Teollisuuden Voima Oyj EUR 16 million (2010: 20).

Acquisition of subsidiaries in cash flow includes the equity price of the shares net of cash acquired, whereas gross investments in shares in subsidiaries includes in addition also interest-bearing debt at the time of acquisition.

### DIVESTMENTS OF SHARES IN CASH FLOW

EUR million	Note	2011	2010
Proceeds from sales of subsidiaries, net of cash disposed	8	117	9
Proceeds from sales of associates	24	375	121
Proceeds from sales of other non-current assets		0	17
<b>Total</b>		<b>492</b>	<b>147</b>

### Divestments of shares in subsidiaries

EUR million	2011	2010
Gross divestments of shares <sup>3)</sup>	206	9
Payments not received for proceeds	0	-
Interest-bearing debt in sold subsidiaries	-89	-
<b>Proceeds from sales of subsidiaries, net of cash disposed</b>	<b>117</b>	<b>9</b>

<sup>3)</sup> Liquid funds in sold subsidiaries EUR 14 million (2010: 2) are netted from gross divestments.

Proceeds from sales of fixed assets and divestments of shares totalled EUR 507 million (2010: 154) including EUR 325 million from the divestment of Fingrid Oyj shares, and EUR 111 million related to divestment of the district heat operations and heat production facilities outside Stockholm. Part of the sales price related to the heat divestment, approximately EUR 90 million, is included in the change of interest-bearing receivables in cash flow. That amount is included in Gross divestments of shares.