TRADE RECEIVABLES BY CURRENCY

EUR million	2011	2010
EUR	183	276
SEK	347	461
RUB	144	150
NOK	28	47
PLN	31	33
Other	24	42
Total	**757**	**1,009**

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 2011 bank guarantees as collaterals for trade receivables amounting to EUR 0.7 million (2010: 5).

For further information regarding credit risk management and credit risks, see 2.4 Counterpart risks on page 25 in the Operating and financial review and Note 3.9 Credit risk on page 58.

29 LIQUID FUNDS

EUR million	2011	2010
Cash at bank and in hand	191	220
Bank deposits with maturity under 3 months	540	65
Cash and cash equivalents	731	285
Bank deposits with maturity more than 3 months	–	271
Total	**731**	**556**
Cash and cash equivalents included in Assets held for sale	16	0
Total	**747**	**556**

Short-term and long-term bank deposits include bank deposits held by OAO Fortum amounting to EUR 194 million and EUR 0 million respectively (2010: 65 and 271 respectively). At the year end 2011 OAO Fortum's short-term deposits included 164 million in euros and 30 million in Russian roubles. The funds in OAO Fortum are committed to the investment program to further increase OAO Fortum's electricity production capacity. The bank deposits in euros held by OAO Fortum are hedging future payments in euros.

Assets held for sale include cash balances of EUR 16 million (2010: 0). When liquid funds in assets held for sale are included, the total amount of liquid funds is EUR 747 million.

Maturity of cash and cash equivalents is under 3 months.

For further information regarding credit risk management and credit risks, see 2.4 Counterpart risks on page 25 in the Operating and financial review and Note 3.9 Credit risk on page 58.

30 SHARE CAPITAL

	2011		2010	
EUR million	Number of shares	Share capital	Number of shares	Share capital
Registered shares at 1 January	**888,367,045**	**3,046**	**888,367,045**	**3,046**
Registered shares at 31 December	**888,367,045**	**3,046**	**888,367,045**	**3,046**

Fortum Oyj has one class of shares. By the end of 2011, 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 2011 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 2011, 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 2011, the President and CEO and other members of the Fortum Management Team owned 253,276 shares (2010: 208,333), representing approximately 0.03% (2010: 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 14 Employee costs and management remuneration on page 68. A description of shares, share capital and shareholders in Fortum is shown in the Operating and financial review on page 27.

30.1 Treasury shares

At the end of 2011, 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.

30.2 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 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.

31 EMPLOYEE BONUS SYSTEM, PERSONNEL FUND AND INCENTIVE SCHEMES

31.1 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 the Fortum Management Team) are decided annually by the Board of Directors on the recommendation of the Board's Nomination and Remuneration 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 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 14 Employee costs and management remuneration on page 68.

31.2 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 Fortum's long-term incentive schemes 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.

A new law for personnel funds has been effective from beginning of 2011. The main change concerns the members' right to withdraw funds. According to the new law an employee is entitled to make withdrawals right from the beginning of the membership. The starting time of the membership will also change due to the new law and employees will become members five months after employment has begun. Some changes also relate to timing of the withdrawals after the employment has ended. The rules of the personnel fund will be amended accordingly and approved by the Ministry of Employment and the Economy. The new rules will be taken into use after the approval of the Annual General Meeting of the Fortum personnel fund in 2013.

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 2011 and the fund then had a total of 2,805 members (2010: 2,875). At the end of April 2011 Fortum contributed EUR 4.7 million (2010: 1.7) to the personnel fund as an annual profit-sharing bonus based on the financial results of 2010. The combined amount of members' shares in the fund was EUR 24.4 million (2010: 22.0).

The contribution to the personnel fund is expensed as it is earned.

31.3 Long-term incentive schemes

Fortum's share bonus system is a performance-based, long-term incentive (LTI) arrangement. The share bonus system is divided into five/six-year share plans, within which participants have the possibility to earn rights to 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.

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.

31.3.1 Previous LTI system

Plans (on-going plans 2006–2011 and 2007–2012) 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.

31.3.2 New LTI system

The share bonus plans (on-going plans 2008–2012, 2009–2013, 2010–2015 and 2011–2016) launched under the new LTI system run over a five or six-year period. Each share bonus plan begins with a three-year earning period during which participants may earn share rights if the earnings criteria set by the Board of Directors are fulfilled. After the earning period, income tax and statutory employment related expenses are deducted from the reward and the net reward is used to acquire Fortum shares in the name of the participant. 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.

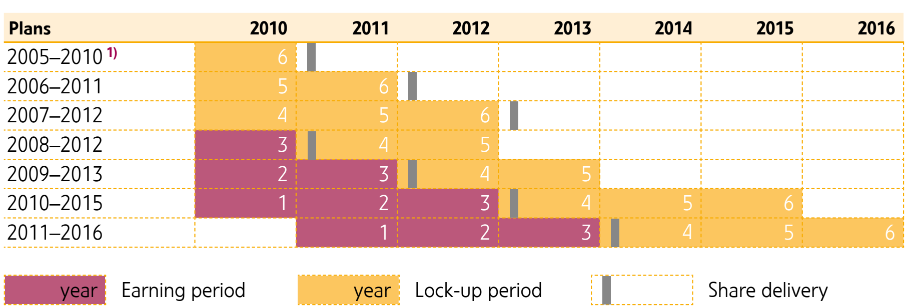
Earning period is followed by a two or three-year lock-up period. During the lock-up period the shares may not be sold, transferred, pledged or disposed in any other way. Dividends and other financial returns paid on the shares during the lock-up period are, however, not subject to restrictions. The shares are released from the lock-up after publishing of the Company's financial results for the fifth or sixth calendar year of an individual plan.

31.3.3 Accounting for LTI systems

The total LTI obligation including accrual for social charges at the end of the year 2011 was EUR 12 million (2010: 20). The expense recorded as employee costs for the period was EUR 10 million (2010: 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 2011 in the fair values of the ongoing hedge arrangements amounted to EUR 0 million (2010: 2). 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. If the value of shares decrease or increase during the lock-up period, the potential loss or gain is carried by the participants.

SHARE BONUS SYSTEMS



[1)] *Plan 2005–2010 has ended and the shares were granted to the participants in February 2011.*

MOVEMENTS IN THE OUTSTANDING NUMBER OF CALCULATIVE SHARE RIGHTS GRANTED

	Plan 2008–2012 [1)]	Plan 2007–2012	Plan 2006–2011	Plan 2005–2010
Outstanding at the beginning of the period – 1 January 2011	**0**	**335,283**	**64,165**	**250,874**
Granted during the period	150,436			
Dividend adjustments during the period	N/A	13,218	2,502	
Payments during the period	N/A	–35,622	–6,512	–250,874
Cancelled during the period	0	–307		
Outstanding at the end of the period – 31 December 2011	**150,436**	**312,572**	**60,155**	**0**
Grant date	7.3.2011	8.2.2010	9.2.2009	8.2.2008
Grant price, EUR	22.08	18.18	15.19	27.54
Number of shares / share rights granted	150,436	339,398	76,134	303,153
Estimated departures, %	4.52	4.52	4.52	4.52
Fortum share price at the end of the grant year, EUR	16.49	22.53	18.97	15.23

[1)] *For the new LTI arrangements actual granted shares are presented (net of taxes).*

32 NON-CONTROLLING INTERESTS

EUR million		2011	2010
AB Fortum Värme Holding samägt med Stockholms stad Group	Sweden	429	358
OAO Fortum Group	Russia	61	138
Tartu Energi Group	Estonia	15	13
Other		24	23
Total		**529**	**532**

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. EUR 24 million of the increase in minority in Fortum Värme samägt med Stockholms stad comes from the the divestment of Fortum Värme's heat business outside Stockholm area, minority's share of the gain (EUR 32 million) and decrease in minority due to the divestment (EUR 8 million).

Non-controlling interest part in OAO Fortum has decreased from 5.49% 31 December 2010, to 2.45% 31 December 2011, due to received payment in OAO Fortum shares from the divestment of St. Petersburg Sales Company.

For more information, see Note 8 Acquisitions and disposals on page 66.

33 INTEREST-BEARING LIABILITIES

EUR million	2011	2010
Bonds	4,466	4,281
Loans from financial institutions	947	845
Finance lease liabilities	24	26
Other long-term interest-bearing debt	1,408	1,368
Total long-term interest-bearing debt	**6,845**	**6,520**
Current portion of long-term bonds	393	223
Current portion of loans from financial institutions	246	88
Current portion of other long-term interest-bearing debt	30	1
Current portion of financial lease liabilities	2	2
Commercial papers	122	534
Other short-term interest-bearing debt	132	14
Total short-term interest bearing debt	**925**	**862**
Total	**7,770**	**7,382**

INTEREST-BEARING DEBT

EUR million	Effective interest rate %	Carrying amount 2011	Repricing under 1 year	Repricing 1–5 years	Repricing over 5 years	Fair value 2011	Carrying amount 2010	Fair value 2010
Bonds	4.5	4,859	740	2,703	1,416	5,218	4,504	4,844
Loans from financial institutions	4.5	1,193	922	–	271	1,272	933	966
Other long-term interest-bearing debt [1]	2.4	1,464	1,452	7	5	1,496	1,411	1,426
Total long-term interest-bearing debt [2]	**4.1**	**7,516**	**3,114**	**2,710**	**1,692**	**7,986**	**6,848**	**7,236**
Commercial papers	2.9	122	122	–	–	122	534	535
Other short-term interest-bearing debt	0.6	132	132	–	–	132	0	0
Total short-term interest-bearing debt	**1.7**	**254**	**254**	**0**	**0**	**254**	**534**	**535**
Total interest-bearing debt [3]	**4.0**	**7,770**	**3,368**	**2,710**	**1,692**	**8,240**	**7,382**	**7,771**

[1] *Includes loans from State Nuclear Waste Management Fund and Teollisuuden Voima Oyj EUR 887 million (2010: 835), financial leases EUR 26 million (2010: 28), loans from Finnish pension institutions EUR 258 million (2010: 273) and other loans EUR 293 million (2010: 275).*

[2] *Including current portion of long-term debt.*

[3] *The average interest rate on loans and derivatives on 31 December 2011 was 4.4% (2010: 3.5%).*

The interest-bearing debt increased in 2011 by EUR 388 million to EUR 7,770 million (2010: 7,382). The amount of short-term financing decreased with EUR 280 million (mainly Commercial Papers), and at the end of the year the amount of short term financing was EUR 254 million (2010: 534).

During the first quarter Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund by EUR 52 million to EUR 887 million. In the same quarter Fortum also signed two long-term transactions; a 10 year loan of SEK 1,786 million from European Investment Bank and a 7 year loan of SEK 625 million from Nordic Investment Bank. These loans were fully drawn down during April.

During the second quarter Fortum Oyj repaid a maturing SEK 2 billion bond and issued a new ten year EUR 500 million fixed rate bond under its Euro Medium-Term Note Program. OAO Fortum raised a bilateral RUB 1.5 billion bank loan, to finance its investment program.

In July Fortum Oyj signed a new syndicated revolving credit facility of EUR 2.5 billion to refinance previous syndicated revolving credit facilities of EUR 1.2 and EUR 1.5 billion. The total amount undrawn committed credit facilities is approximately EUR 2.7 billion. Also during the third quarter OAO Fortum raised a bilateral RUB 2 billion bank loan, to finance its investment program.

During the last quarter OAO Fortum repaid the RUB 1.5 billion bank loan raised earlier in 2011.

For more information please see Note 3 Financial risk management on page 52, Note 40 Pledged assets on page 94 and Note 43 Contingent liabilities on page 95.

33.1 Bond issues

Issued / Maturity	Interest basis	Interest rate %	Effective interest %	Currency	Nominal million	Carrying amount EUR million
Fortum Oyj EUR 6,000 million EMTN Programme [1]						
2003 / 2013	Fixed	5.000	5.164	EUR	500	499
2006 / 2016	Fixed	4.500	4.615	EUR	750	756
2007 / 2012	Floating	Stibor 3M+0.15		SEK	3,500	393
2007 / 2014	Fixed	4.700	4.764	SEK	2,600	291
2009 / 2014	Fixed	4.625	4.714	EUR	750	748
2009 / 2019	Fixed	6.000	6.095	EUR	750	810
2009 / 2014	Fixed	5.250	5.400	NOK	500	64
2009 / 2017	Fixed	6.125	6.240	NOK	500	64
2010 / 2015	Floating	Stibor 3M+0.95		SEK	3,100	347
2010 / 2015	Fixed	3.125	3.235	SEK	3,100	346
2011 / 2021	Fixed	4.000	4.123	EUR	500	541
OAO Fortum (former TGC-10)						
2008 / 2013	Fixed	9.750	9.988	RUB	5,000	0
Total outstanding carrying amount 31 December 2011						**4,859**

[1] *EMTN = Euro Medium Term Note*

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47

33.2 Finance lease liabilities

On 31 December 2011 Fortum had a small number of finance lease agreements for machinery and equipment.

No new leasing commitments were entered into in 2011 or 2010.

PRESENT VALUE OF FINANCE LEASE LIABILITIES

EUR million	2011	2010
Minimum lease payments	30	32
Less future finance charges	4	4
Total	**26**	**28**

MATURITY OF MINIMUM LEASE PAYMENTS

EUR million	2011	2010
Less than 1 year	3	2
1–5 years	27	30
Over 5 years	–	–
Total	**30**	**32**

MATURITY OF FINANCE LEASE LIABILITIES

EUR million	2011	2010
Less than 1 year	2	2
1–5 years	24	26
Over 5 years	–	–
Total	**26**	**28**

34 DEFERRED INCOME TAXES

THE MOVEMENT IN DEFERRED TAX ASSETS AND LIABILITIES DURING 2011

EUR million	1 Jan 2011	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 2011
Deferred tax assets						
Property, plant and equipment	16	5	–	–	–	21
Provisions	52	–9	–	–	–	43
Tax losses and tax credits carry-forward	79	5	–	–	–	84
Derivative financial instruments	238	–	–	–238	–	0
Other	36	4	–	–1	3	42
Total deferred tax assets	**421**	**5**	**–**	**–239**	**3**	**190**
Offset against deferred tax liabilities	–280	2	–	238	–	–40
Net deferred tax assets	**141**	**7**	**–**	**–1**	**3**	**150**
Deferred tax liabilities						
Property, plant and equipment	1,949	17	–	5	–4	1,967
Derivative financial instruments	0	106	198	–238	–	66
Other	56	–37	–	1	–	20
Total deferred tax liabilities	**2,005**	**86**	**198**	**–232**	**–4**	**2,053**
Offset against deferred tax assets	–280	2	–	238	–	–40
Net deferred tax liabilities	**1,725**	**88**	**198**	**6**	**–4**	**2,013**

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 6 million (2010: 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 21 million on 31 December 2011 (2010: 26).

Deferred tax assets and liabilities from acquisitions, disposals and assets held for sale mainly relate to the sale of Fortum Energiaratkaisut Oy shares. In December 2011 Fortum signed an agreement to sell Fortum Energiaratkaisut Oy and Fortum Termest AS to the EQT Infrastructure Fund. The divestment is planned to be completed during the first quarter of 2012. Also, partly deferred tax assets and liabilities relate to acquisitions in Poland during 2011.

See Note 9 Assets held for sale on page 67.

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	–	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**	**–**	**421**
Offset against deferred tax liabilities	–108	–172	–	–	–	–280
Net deferred tax assets	**47**	**–62**	**151**	**5**	**–**	**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 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

	2011		2010	
EUR million	Tax losses	Deferred tax asset	Tax losses	Deferred tax asset
Losses without expiration date	18	5	26	7
Losses with expiration date	229	78	216	72
Total	**247**	**83**	**242**	**79**

Deferred tax assets of EUR 26 million (2010: 18) have not been recognised in the consolidated financial statements, because the realisation is not probable. The major part of the unrecognised tax asset relates to loss carry-forwards that are unlikely to be used in the foreseeable future.

35 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 39.

EUR million	2011	2010
Amounts recognised in the balance sheet		
Nuclear provisions	653	625
Share in the State Nuclear Waste Management Fund	653	625
Legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	968	944
Funding obligation target	941	886
Fortum's share of the State Nuclear Waste Management Fund	903	843

35.1 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 2010. 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 2011, decided by the Ministry of Employment and the Economy and calculated according to the Nuclear Energy Act, is EUR 968 million (2010: 944). The carrying value of the nuclear provisions in the balance sheet, calculated according to IAS 37, have increased by EUR 28 million compared to 31 December 2010, totaling EUR 653 million on 31 December 2011. 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 of EUR –2 million in comparable operating profit in 2011 (2010: –8) 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 also Note 23 Property, plant and equipment on page 78.

NUCLEAR PROVISIONS

EUR million	2011	2010
1 January	**625**	**570**
Additional provisions	17	35
Used during the year	–25	–20
Unwinding of discount	36	40
31 December	**653**	**625**
Fortum's share in the State Nuclear Waste Management Fund	653	625

35.2 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 250 million (2010: 218), since Fortum's share of the Fund on 31 December 2011 is EUR 903 million (2010: 843) and the carrying value in the balance sheet is EUR 653 million (2010: 625).

Operating profit for 2011 includes a negative total adjustment of EUR –28 million (2010: –2), 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.

35.2.1 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 941 million (2010: 886). The difference between the legal liability at year end 2011 and the corresponding funding obligation target is covered by a security which has been given in the end of June 2011. The real estate mortgages and other securities given also cover unexpected events according to the Nuclear Energy Act.

See also Note 40 Pledged assets on page 94 and Note 43 Contingent liabilities on page 95.

35.3 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 loans. The loans are renewed yearly.

See also Note 33 Interest-bearing liabilities on page 87 and Note 40 Pledged assets on page 94.

35.4 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 2011 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 +17 million in 2011. In 2010, the effect in share of profits was EUR –12 million. The difference between 2011 and 2010 is mostly due to higher interest income in Swedish Nuclear Waste Fund. 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 2011.

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 also Note 43 Contingent liabilities on page 95.

36 OTHER PROVISIONS

EUR million	2011 CSA provision	2011 Environ-mental	2011 Other	2011 Total	2010 CSA provision	2010 Environ-mental	2010 Other	2010 Total
1 January	**208**	**12**	**28**	**248**	**186**	**11**	**23**	**220**
Provisions for the period	8	0	8	16	–	0	18	18
Provisions used	–5	0	–9	–14	–5	–	–7	–12
Provisions reversed	–42	–1	–10	–53	–	–	–5	–5
Unwinding of discount	16	0	0	16	16	0	–	16
Exchange rate differences	–5	1	0	–4	11	1	–1	11
31 December	**180**	**12**	**17**	**209**	**208**	**12**	**28**	**248**
Allocation between current and non-current provisions								
Current provisions	–	–	4	4	–	–	9	9
Non-current provisions	180	12	13	205	208	12	19	239

Fortum's extensive investment programme in Russia (8 units) is subject to possible penalties that can be claimed if the new capacity is substantially delayed or agreed major terms of the capacity supply agreement (CSA) are not otherwise fulfilled. The new rules for the long-term capacity market were approved in the beginning of 2011. This brought also more clarity to the possible penalties imposed on late delivery. Penalties are now defined on power plant level. This means that Fortum's risk for penalties under CSA agreement is proportionally decreasing when a new unit starts operation.

During 2011 Fortum commissioned three new units under the Russian investment program. In 2011 the company reversed EUR 42 million of provisions in relation to those power plants. The effect of changes in the timing of commissioning of new power plants is assessed at each balance sheet date and provision is changed accordingly. The impact of the change in timing to discounted amounts as of 31 Dec 2011 was EUR 8 million. The total impact of changes in CSA provision to comparable operating profit in 2011 was thus EUR 34 million. Paid penalties during 2011 amounted to EUR 5 million. The increase in the provision due to the discounting during 2011 amounted to EUR 16 million. This amount was booked in other financial expenses.

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 3 million (2010: 9). The restructuring provision in 2010 was related to Business Markets restructuring in Electricity 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 was mainly related to staff costs and was 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.

37 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 Fortum employees 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 fulfill 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.

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

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47

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.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

EUR million	2011	2010
Current service cost	–13	–12
Interest cost	–19	–19
Expected return on plan assets	24	23
Settlements	0	–2
Past service cost	0	0
Actuarial gains and losses	–6	–2
Curtailments	–2	1
Total included in employee costs (Note 14)	**–16**	**–11**

The actual return on plan assets in Finland and Sweden totalled EUR –6 million (2010: 35).

AMOUNTS RECOGNISED IN THE BALANCE SHEET

EUR million	2011	2010
Present value of funded obligations	523	472
Fair value of plan assets	–430	–444
Deficit (+) / surplus (–)	**93**	**28**
Present value of unfunded obligations [1]	4	4
Unrecognised past service cost	2	3
Unrecognised actuarial gains and losses	–140	–77
Net asset (–) / liability (+) in the balance sheet	**–41**	**–42**
Defined benefit asset included in the assets	60	62
Defined benefit obligations	**19**	**20**
Other long-term benefits [2]	7	0
Total past service obligations	**26**	**20**
Defined benefit obligations included in the non-current liabilities	19	20
Defined benefit assets included in the non-current assets	–60	–62
Net asset (–) / liability (+)	**–41**	**–42**
Experience adjustments arising on funded obligations; gain (–) / loss (+)	–9	9
Experience adjustments arising on plan assets; gain (+) / loss (–)	–27	13

[1] *The unfunded obligation relates to arrangements in Russia.*

[2] *Other long-term benefits mainly concern obligations in Polish entities.*

Contributions expected to be paid during the year 2012 are EUR 13 million.

MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

EUR million	2011	2010
1 January	**476**	**409**
Exchange rate differences	1	27
Decreases through disposals of subsidiary companies	–	–1
Service cost	13	12
Interest cost	19	20
Past service cost	–	0
Effect of settlement	–7	–9
Actuarial gains (–) / losses (+) on obligations	43	36
Benefits paid	–18	–17
Curtailments	–	–1
31 December	**527**	**476**

MOVEMENT IN THE FAIR VALUE OF PLAN ASSETS

EUR million	2011	2010
1 January	**444**	**398**
Exchange rate differences	1	22
Decreases through disposals of subsidiary companies	–	0
Expected return of plan assets	24	23
Actuarial gains and losses	–27	12
Contributions by employer	6	8
Effect of settlement	–	0
Benefits paid	–18	–19
31 December	**430**	**444**

FAIR VALUE OF PLAN ASSETS

EUR million	2011	2010
Equity instruments	156	179
Debt instruments	144	139
Property, of which EUR 72 million (2010: 52) occupied by the Group	72	82
Company's own ordinary shares	5	7
Other assets	53	37
Total	**430**	**444**

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 2011

EUR million	Finland	Sweden	Other countries	Total
Present value of funded obligations	256	231	36	523
Fair value of plan assets	–236	–174	–20	–430
Deficit (+) / surplus (–)	**20**	**57**	**16**	**93**
Present value of unfunded obligations	–	–	4	4
Unrecognised past service cost	–	–	2	2
Unrecognised actuarial gains and losses	–61	–68	–11	–140
Net asset (–) / liability (+) in the balance sheet	**–41**	**–11**	**11**	**–41**
Defined benefit asset included in the assets	47	13	0	60
Pension obligations in the balance sheet	**6**	**2**	**11**	**19**

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**

COMPARATIVE PENSION INFORMATION

EUR million	2011	2010	2009	2008	2007
Present value of defined benefit obligation	527	476	409	406	390
Fair value of plan assets	–430	–444	–398	–343	–276
Deficit (+) / surplus (–) in the plan	**97**	**32**	**11**	**63**	**114**
Experience adjustments on plan liabilities	–9	9	–6	20	11
Experience adjustments on plan assets	–27	13	22	–48	21

THE PRINCIPAL ACTUARIAL ASSUMPTIONS USED

	2011				2010			
	Finland	Sweden	Russia	Other countries	Finland	Sweden	Russia	Other countries
Discount rate, %	3.68	3.40	8.50	3.30	4.53	4.00	8.00	3.20
Expected return on plan assets, %	5.87	3.83	N/A	4.80	5.94	4.64	N/A	4.60
Future salary increases, %	2.60	3.50	7.50	4.00	2.90	3.50	7.50	3.75
Future pension increases, %	2.10	2.00	6.00	3.00	2.10	2.00	6.00	3.00
Rate of inflation, %	2.00	2.00	6.00	2.00	2.00	2.00	6.00	2.00

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 is based on yields on Swedish covered bonds with maturity that best reflects the estimated term of the defined benefit pension plans. The Swedish covered bonds are considered high quality bonds as they are secured with assets. The discount rate in 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 2011, holding all other assumptions stable, are presented in the table below.

SENSIBILITY OF DEFINED BENEFIT OBLIGATION TO CHANGES IN ASSUMPTIONS

	Impact to the pension obligation increase + / decrease –	
Change in the assumption	Finland	Sweden
0.5% increase in discount rate	–6.6%	–9.0%
0.5% decrease in discount rate	7.4%	10.1%
0.5% increase in inflation rate	7.3%	8.2%
0.5% decrease in inflation rate	–6.6%	–7.1%
0.5% increase in salary growth rate	1.2%	3.7%
0.5% decrease in salary growth rate	–1.2%	–3.5%

38 OTHER NON-CURRENT LIABILITIES

EUR million	2011	2010
Connection fees	415	417
Other liabilities	50	54
Total	**465**	**471**

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 connection fees to the electricity network amounted to EUR 307 million (2010: 307).

Refundable connection fees to the district heating network in Finland amounted to EUR 108 million (2010: 110).

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47

39 TRADE AND OTHER PAYABLES

EUR million	2011	2010
Trade payables	443	435
Accrued expenses and deferred income		
Personnel expenses	86	59
Interest expenses	162	131
Other accrued expenses and deferred income	156	91
Other liabilities		
VAT-liability	85	78
Current tax liability	37	121
Energy taxes	41	41
Advances received	90	104
Other liabilities	165	205
Total	**1,265**	**1,265**

The management considers that the amount of trade and other payables approximates fair value.

40 PLEDGED ASSETS

EUR million	2011	2010
On own behalf		
For debt		
Pledges	290	307
Real estate mortgages	137	137
For other commitments		
Real estate mortgages	148	155
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	3	3

40.1 Pledged assets for debt

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the fund. Fortum has pledged shares in Kemijoki Oy as a security. The value of the pledged shares is unchanged, EUR 269 million on 31 December 2011 (2010: 269).

Pledges also include bank deposits as trading collateral of EUR 2 million (2010: 19) for trading of electricity and CO_2 emission allowances in Nasdaq OMX Commodities Europe, in 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 (2010: 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 (2010: 41).

Regarding the relevant interest-bearing liabilities, see Note 33 Interest-bearing liabilities on page 87.

40.2 Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland for a value of EUR 148 million (2010: 155) 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 7 million. Pledges given related to Inkoo and Naantali power plants.

See also Note 35 Nuclear related assets and liabilities on page 89 and note 43 Contingent liabilities on page 95.

41 OPERATING LEASES

41.1 Leases as lessor

The operating rental income recognised in income statement was EUR 4 million (2010: 19). The decrease in operating rental income is due to that 308 MW of the Meri-Pori power plant was leased out until the end of June 2010. After that the power plant's capacity was reverted to Fortum's own use.

FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE ON OPERATING LEASES

EUR million	2011	2010
Not later than 1 year	10	2
Later than 1 year and not later than 5 years	10	5
Later than 5 years	4	3
Total	**24**	**10**

41.2 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 25 million (2010: 14) 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	2011	2010
Not later than 1 year	32	29
Later than 1 year and not later than 5 years	68	49
Later than 5 years	142	130
Total	**242**	**208**