

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 CO₂ 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

42 CAPITAL COMMITMENTS

EUR million	2011	2010
Property, plant and equipment	940	1,172
Intangible assets	10	7
Total	950	1,179

Capital commitments are capital expenditure contracted for at the balance sheet date, but not recognised in the financial statements. Capital commitments have decreased compared to year-end 2010. Commitments have decreased due to progressing of OAO Fortum's investment programme, progressing of the automatic meter reading investment in Distribution Finland as well as the finalisation of the Czeřochowa power plant investment. On the other hand commitments relating to Bio CHP investments in Järvenpää, Finland and in Jelgava, Latvia, as well as CHP investment Brista 2 and Blaiken wind park investment in Sweden have increased commitments.

➔ For more information regarding capital expenditure, see Note 23 Property, plant and equipment on page 78.

43 CONTINGENT LIABILITIES

EUR million	2011	2010
On own behalf		
Other contingent liabilities	68	228
On behalf of associated companies and joint ventures		
Guarantees	347	358
Other contingent liabilities	125	125
On behalf of others		
Guarantees	0	1

43.1 Guarantees on own behalf

Other contingent liabilities on own behalf, EUR 68 million in 2011, have decreased by EUR 160 million compared to 31 December 2010. In Russia, the progressing of investment program in OAO Fortum caused a decrease in guarantees from EUR 109 million in 2010 to EUR 0 million in 2011. A guarantee of EUR 25 million given to the Finnish 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 has matured during 2011.

43.2 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 44 million (2010: 58).

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. The guarantees for FKA and OKG for 2012–2014 will be increased from current SEK 2,574 million (EUR 289 million) to SEK 3,696 million (EUR 425 million) in 2012.

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 (2010: 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.

44 LEGAL ACTIONS AND OFFICIAL PROCEEDINGS

44.1 Group companies

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

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

Two subsidiaries of Fortum, Grangemouth CHP Limited and Fortum O&M (UK) Limited, were 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 claimed 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 denied this claim. The trial took place in November and December 2010. The final court decision was issued on 11 February 2011 in favor of Grangemouth CHP Limited and Fortum O&M (UK) Limited. As a result, Fortum O&M (UK) Limited will retain ownership of all greenhouse gas emission allowances allocated in respect of the Grangemouth CHP plant.

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.

44.2 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. The supplier has in June 2011 submitted its updated statement of claim, which includes updated claimed amounts with specified sums of indirect items and interest. The supplier's presented monetary claim including indirect items and interest is currently approximately EUR 1.9 billion. TVO has considered and found the claim by the supplier to be without merit. TVO has, in response, filed a counter-claim in April 2009 based on costs primarily due to delays. The value of TVO's presented counter-claim is currently approximately EUR 1.4 billion. TVO will update its counter-claim during the arbitration proceedings. The arbitration

proceedings may continue for several years and the claimed and counter-claimed amounts may change.

45 RELATED PARTY TRANSACTIONS

45.1 The Finnish State and companies owned by the Finnish State

At the end of 2011 the Finnish State owned 50.76% of the company. No changes have occurred during year 2011.

➤ See *The Fortum share and shareholders section of the Operating and financial review for further information on Fortum shareholders on page 27.*

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.

45.2 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 2011.

➤ See *Note 14 Employee costs and management remuneration on page 68 for further information on the Board of Directors and Fortum Management Team remuneration and share holdings.*

45.3 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 24 Participations in associated companies and joint ventures on page 80.*

46 EVENTS AFTER THE BALANCE SHEET DATE

There are no material events after the balance sheet date.

47 SUBSIDIARIES BY SEGMENT ON 31 DECEMBER 2011

- = Power
 - = Heat
 - ▲ = Distribution
 - = Electricity Sales
 - = Russia
 - ▼ = Other
- 1) Acquired during the year
2) Founded during the year
3) Shares held by the parent company

Company name	Domicile	Segment	Group holding %
Energiansiirto Holding Kakkonen Oy	Finland	▲	100.0
Energiansiirto Holding Ykkönen Oy	Finland	▲	100.0
Fortum Asiakaspalvelu Oy	3) Finland	▼	100.0
Fortum Assets Oy	Finland	▼	100.0
Fortum BCS Oy	Finland	□	100.0
Fortum Energiaratkaisut Oy	2) Finland	■	100.0
Fortum Espoo Distribution Oy	3) Finland	▲	100.0
Fortum FNW Oy	Finland	▲	100.0
Fortum Heat and Gas Oy	3) Finland	■▼	100.0
Fortum Heat Naantali Oy	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 Small Hydro Holding Oy	2) Finland	●	100.0
Fortum Small Hydro Oy	2) Finland	●	100.0
Fortum Sähkösiirto Oy	3) Finland	▲	100.0
Hexivo Oy	Finland	●	52.0
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-Sijoitus 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
Tunturituuhi Oy	Finland	●	55.4
Varsinais-Suomen Sähkö Oy	Finland	▲	100.0

Company name	Domicile	Segment	Group holding %
Fortum EIF NV	3) Belgium	□	100.0
Fortum Project Finance N.V.	3) Belgium	▼	100.0
Fortum Energi A/S	Denmark	○	100.0
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 Eesti OU	Estonia	▼	100.0
Fortum Eesti AS	Estonia	■	100.0
Fortum Elekter AS	Estonia	▲	99.6
Fortum Termest AS	Estonia	■	100.0
Lauka Turvas OU	Estonia	■	60.0
Fortum France S.N.C	2) France	●	100.0
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) Limited	Great Britain	●	100.0
Grangemouth CHP Limited	Great Britain	●	100.0
IVO Energy Limited	Great Britain	●	100.0
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	Luxembourg	■	100.0
Fortum Futures SA	2) Luxembourg	▼	100.0
Fortum L.A.M SNC.	Luxembourg	■	100.0
Fortum Meter Lease Norway SNC	2) Luxembourg	▲	100.0
Fortum Meter Lease SNC	2) Luxembourg	▲	100.0
Fortum Russia CHP Lease SNC	2) Luxembourg	□	100.0
Fortum Sendi Prima Sdn Bhd	Malaysia	●	100.0

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- = Power
 - = Heat
 - ▲ = Distribution
 - = Electricity Sales
 - = Russia
 - ▼ = Other
- ¹⁾ Acquired during the year
²⁾ Founded during the year
³⁾ Shares held by the parent company

Company name	Domicile	Segment	Group holding %
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 Bytom SA	¹⁾ Poland	■	96.7
Fortum Plock Sp z o.o.	Poland	■	99.6
Fortum Power and Heat Polska Sp.z.o.o	Poland	■▼●	100.0
Fortum Zabrze SA	¹⁾ Poland	■	96.0
Rejonowa Spółka Ciepłownicza Sp. z o.o.	¹⁾ Poland	■	96.7
Chelyabinsk Energoremont	Russia	●	94.5
Fortum Invest	Russia	□	100.0
LLC Fortum Energy OOO Fortum Energija	Russia	□	100.0
OAO Fortum	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
Akallaverket Aktiebolag	Sweden	■	37.6
Blybergs Kraftaktiebolag	Sweden	●	66.7
Brista 2 Aktiebolag	²⁾ Sweden	■	42.6
Brista 2 Kommanditbolag	²⁾ Sweden	■	42.6
Brista Spårterminal AB	²⁾ Sweden	■	50.1
Brännälven Kraft AB	Sweden	●	67.0
Bullerforsens Kraft Aktiebolag	Sweden	●	88.0
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

Company name	Domicile	Segment	Group holding %
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	Sweden	●	100.0
Fortum Värme Fastigheter AB	Sweden	■	50.1
Fortum Zeta AB	Sweden	▼	100.0
Fortum Älvkraft i Värmland AB	Sweden	●	100.0
Laforsen Produktionsnät Aktiebolag	Sweden	▲	80.0
Mellansvensk Kraftgrupp Aktiebolag	Sweden	●	86.9
Oreälvens Kraftaktiebolag	Sweden	●	65.0
Ryssa Energi AB	Sweden	○	100.0
Sigtuna-Väsby Fastighets AB	Sweden	■	50.1
Stockholm Gas AB	Sweden	■	50.1
Streamgate Black AB	²⁾ Sweden	●	100.0
Streamgate North AB	²⁾ Sweden	●	100.0
Streamgate Två AB	Sweden	●	100.0
Streamgate Valley AB	²⁾ Sweden	●	100.0
Streamgate Village AB	²⁾ Sweden	●	100.0
Uddeholm Kraft Aktiebolag	Sweden	●	100.0
Värmlandskraft-OKG-delägarna Aktiebolag	Sweden	●	73.3
FB Generation Services B.V.	The Netherlands	●	75.0
Fortum AC B.V.	²⁾ The Netherlands	●	100.0
Fortum Alpha B.V.	The Netherlands	■	100.0
Fortum DC B.V.	The Netherlands	▼	100.0
Fortum Finance 2 B.V.	The Netherlands	▼	100.0
Fortum Holding B.V.	³⁾ The Netherlands	●▼■	100.0
Fortum Power Holding B.V.	The Netherlands	●	100.0
Fortum Russia B.V.	The Netherlands	□	100.0
Fortum Russia Holding B.V.	The Netherlands	▼	100.0
Fortum SAR B.V.	²⁾ The Netherlands	▼	100.0
Fortum Wave Power B.V.	The Netherlands	●	100.0