6 ITEMS AFFECTING COMPARABILITY

EUR million	2011	2010
Capital gains and losses on disposal of non-current assets	284	93
Fair value changes on derivatives that do not qualify for hedge accounting	344	–216
Nuclear fund adjustments	–28	–2
Total	**600**	**–125**

Items affecting comparability are exceptional items or unrealised items which fluctuate between the years.

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 2011 mainly include sales gain from sales of the district heat and production facilities outside Stockholm, which is included in Heat segment, and sales gain from the sale of Fingrid Oyj shares, which is included in Distribution segment.

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.

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. This is done to improve the understanding of the financial performance when comparing results from one period to another.

Nuclear fund adjustment includes effects from the accounting principle 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. As long as the Fund is overfunded from an IFRS perspective, the effects to the operating profit from this adjustment will be positive if the provisions increase more than the Fund and negative if actual value of the fund increases more than the provisions.

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 65.

For more information regarding disposals of shares, see Note 8 Acquisitions and disposals on page 66 and Note 24 Participations in associated companies and joint ventures on page 80.

For more information regarding nuclear waste management, see Note 35 Nuclear related assets and liabilities on page 89.

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 -3 million (2010: 0). The net effect of fair value changes of hedging derivative and hedged bonds are EUR 6 million (2010: 2).

EUR million	2011	2010
In operating profit		
Fair value changes from derivatives not getting hedge accounting status		
Electricity derivatives	281	–206
Currency derivatives	9	–34
Oil derivatives	–1	2
Coal and CO_2 derivatives	24	27
Share derivatives with hedged items [1]	0	2
Ineffectiveness from cash flow hedges	31	–7
Total effect in operating profit	**344**	**–216**
Fair value changes of derivatives not getting hedge accounting included in share of profit of associated companies	**0**	**–5**
In finance costs		
Exchange gains and losses on loans and receivables	40	744
Fair value changes of derivatives not getting hedge accounting status		
Cross currency interest rate derivatives	–4	–130
Foreign currency derivatives	–37	–611
Rate difference on forward contracts	2	10
Currency derivatives	–39	–731
Interest rate derivatives	–3	0
Fair value change of hedging derivatives in fair value hedge relationship	98	34
Fair value change of hedged items in fair value hedge relationship	–92	–32
Total [2]	–36	–729
Total effect in finance costs	**4**	**15**
Total effect on profit before income tax	**348**	**–206**

[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.*

8 ACQUISITIONS AND DISPOSALS

GROSS INVESTMENTS IN SUBSIDIARY SHARES BY SEGMENT

EUR million	2011	2010
Power	–	0
Heat	23	0
Russia	24	–
Distribution	–	0
Electricity Sales	–	–
Other	–	0
Total	**47**	**0**

GROSS INVESTMENTS IN SUBSIDIARY SHARES BY COUNTRY

EUR million	2011	2010
Finland	0	0
Sweden	0	0
Russia	24	–
Other countries	23	0
Total	**47**	**0**

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 2011 and 2010

Total investment in subsidiary shares in 2011 amounted to EUR 47 million (2010: 0).

The Polish competition authorities approved Fortum's acquisitions of 85% of the shares in the Polish power and heat companies Elektrociepłownia Zabrze S.A. and Zespół Elektrociepłowni Bytom S.A. on 3 January 2011. Acquisition price for the transaction was EUR 22 million (PLN 82 million).

During Q3 2011 parties confirmed that the remaining the part of the payment related to the divestment of Fortum's shares St. Petersburg Sales Company (in Q3/2010) will be paid in OAO Fortum shares (3.04%). After that Fortum's ownership in OAO Fortum is 97.55%.

There were no material acquisitions during 2010.

8.2 Disposals in 2011 and 2010

In December 2010 Fortum signed an agreement to divest district heat operations and production facilities outside Stockholm in Sweden. The divestment was completed on 31 March 2011. The total sales price was approximately EUR 220 million and the recognised gain EUR 82 million. The operations were part of the Heat segment and the gain is recognised in Heat segment. Major part of the divested operations were owned by Fortum's subsidiary AB Fortum Värme samägt med Stockholms stad in which the city of Stockholm has a 50% economic interest. The assets and liabilities related to the divested operations were presented as assets and liabilities held for sale in December 2010.

DIVESTMENTS 2011

EUR million	2011
Divestment of district heat operations and production facilities outside Stockholm	
Property, plant and equipment	138
Other non-current and current assets	42
Liquid funds	14
Interest-bearing loans	–89
Other liabilities and provisions	–54
Non-controlling interests	–8
Gain on sale	82
Sales price received	**125**
Less liquid funds	14
Sales price for the shares (net of cash)	**111**
Proceeds from interest-bearing receivables	89
Total	**200**
Other divestments	6
Gross divestment of shares	**206**

Fortum's divestment of 25% shareholding in the Finnish transmission system operator Fingrid Oyj was completed on 19 April 2011.

For more information see Note 24 Participations in associated companies and joint ventures on page 80.

There were no material divestments during 2010.

9 ASSETS HELD FOR SALE

Assets held for sale 2011

In December 2011 Fortum signed an agreement to sell Fortum Energiaratkaisut Oy and Fortum Termest AS to the EQT Infrastructure Fund. The total sales price, including net debt, is approximately EUR 200 million. Fortum's sales gain will be over EUR 50 million. The divestment is planned to be completed during the first quarter of 2012. The assets and liabilities related to the disposal are presented as assets held for sale in the financial statements as of 31 December 2011.

In December 2011 Fortum signed an agreement to sell Fortum Elekter AS, Estonia, to Imatran Seudun Sähkö. The divestment is planned to be completed during the first quarter of 2012. The assets and liabilities related to the disposal are presented as assets held for sale in the financial statements as of 31 December 2011.

Assets held for sale 2010

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 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. The assets and liabilities related to the disposal are presented as assets held for sale in the financial statements as of 31 December 2010.

Please see Note 8 Acquisitions and disposals on page 66.

ASSETS HELD FOR SALE [1]

EUR million	2011	2010
Property, plant and equipment	128	131
Other assets	39	23
Liquid funds	16	–
Total	**183**	**154**

LIABILITIES RELATED TO ASSETS HELD FOR SALE [1]

EUR million	2011	2010
Interest-bearing liabilities	0	0
Other liabilities	29	50
Total	**29**	**50**

[1] *Amounts are presented net of internal balances with other Fortum subsidiaries, such as internal financing.*

10 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 the 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 the ending rate of the previous year.

KEY EXCHANGE RATES FOR FORTUM GROUP APPLIED IN THE ACCOUNTS

		Average rate		Balance sheet date rate	
	Currency	2011	2010	31 Dec 2011	31 Dec 2010
Sweden	SEK	9.0038	9.5510	8.9120	8.9655
Norway	NOK	7.7824	8.0262	7.7540	7.8000
Poland	PLN	4.1254	4.0126	4.4580	3.9750
Russia	RUB	41.0219	40.4473	41.7650	40.8200

11 OTHER INCOME

EUR million	2011	2010
Gain on sale of emission rights	13	6
Rental income	10	24
Insurance compensation	9	7
Other items	59	71
Total	**91**	**108**

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 13 million (2010: 6). Costs for made emissions which are not covered by emission rights received for free were EUR 37 million (2010: 33). 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.

12 MATERIALS AND SERVICES

EUR million	2011	2010
Materials	1,687	1,804
Materials purchased from associated companies	662	764
Transmission costs	179	167
External services	38	111
Total	**2,566**	**2,846**

Materials contain mainly coal, gas and nuclear fuels used for producing power and heat. Costs for materials have decreased compared to last year mainly due to decreased production volumes.

Materials purchased from associated companies consist of purchased fuels used in CHP production and of nuclear- and hydropower purchased at production cost including interest costs and production taxes. Costs for materials purchased from associated companies are lower compared to last year mainly due to decrease of purchases of gas used in CHP production.

Total materials and services include production taxes and duties EUR 209 million (2010: 190) of which nuclear related capacity and property taxes EUR 90 million (2010: 85) and hydro power related property taxes EUR 13 million (2010: 12). Taxes related to nuclear and hydro production include taxes paid through electricity purchased from associated companies as mentioned above.

See Note 24 Participations in associated companies and joint ventures on page 80.

13 OTHER EXPENSES

EUR million	2011	2010
Operation and maintenance costs	289	248
Property taxes	118	89
IT and telecommunication costs	67	65
Research and development costs	38	30
Other items	237	223
Total	**749**	**655**

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 94 million (2010: 69).

PRINCIPAL AUDITORS' FEES

EUR million	2011	2010
Audit fees	1.4	1.3
Audit related assignments	0.1	0.1
Tax assignments	0.3	0.0
Other assignments	0.1	0.1
Total	**1.9**	**1.5**

Deloitte is the appointed auditor until the Annual General Meeting, held in 2012. 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 services.

14 EMPLOYEE COSTS AND MANAGEMENT REMUNERATION

EUR million	2011	2010
Wages and salaries	370	365
Pensions		
Defined contribution plans	33	35
Defined benefit plans	16	11
Social security costs	71	68
Share-based remunerations	10	7
Other employee costs	29	21
Total	**529**	**507**
Change in fair value of LTI hedge arrangement is presented in other items affecting comparability	0	–2

The compensation package for Fortum employees consists of a combination of salaries, fringe benefits, short-term incentives, profit sharing paid to the 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 Remuneration 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 31 on page 85 and for pension obligations see Note 37 on page 91.

14.1 Supervisory Board remuneration

The Supervisory Board was dissolved and the Articles of Association were amended on 4 April 2011 after the Annual General Meeting in March 2011. Below is the compensation of the Supervisory Board for their services up to that date.

For further information on the dissolving of Fortum's Supervisory Board see Corporate Governance Statement on page 116.

TOTAL COMPENSATION FOR SUPERVISORY BOARD SERVICE

EUR	1 Jan – 4 April 2011	2010
Markku Laukkanen, Chairman	3,200	13,000
Sanna Perkiö, Deputy Chairman	2,000	8,000
Martti Alakoski	1,700	7,000
Tarja Filatov	1,700	6,800
Sampsa Kataja	1,700	7,000
Kimmo Kiljunen	1,700	7,200
Katri Komi	1,700	6,800
Panu Laturi	1,700	7,200
Juha Mieto	1,700	7,000
Jukka Mäkelä (until 19 October 2010)	N/A	5,800
Helena Pesola	1,700	7,200
Total	**18,800**	**83,000**

14.2 Board remuneration

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 of the first Annual General Meeting following the election. At the 2011 Annual General Meeting seven members were elected.

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	2011	2010
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	2011	2010
Chairman, Sari Baldauf [1]	70,261	58,800
Deputy Chairman, Christian Ramm-Schmidt [2]	54,800	45,600
Esko Aho	43,800	45,000
Minoo Akhtarzand (from 31 March 2011)	34,478	N/A
Heinz-Werner Binzel (from 31 March 2011)	37,478	N/A
Ilona Ervasti-Vaintola	43,800	45,000
Joshua Larson	56,400	46,391
Former Chairman Matti Lehti (until 31 March 2011)	19,500	75,600
Birgitta Johansson-Hedberg (until 31 March 2011)	11,250	52,800
Total	**371,767**	**369,191**

[1] *Chairman from 31 March 2011, before that deputy Chairman.*
[2] *Deputy Chairman from 31 March 2011.*

14.3 The President and CEO and the management team remuneration

The Fortum Management Team (FMT) consists of nine members. The following tables present the total remuneration of the President and CEO and the Fortum Management Team. Social security expenses EUR 383 thousand (2010: 353) have been booked for salaries, fringe benefits and bonuses in accordance with local legislation in respective countries.

The remuneration presented below is prepared on accrual basis.

Additional information about the paid remuneration is available on page 124, Remuneration.

MANAGEMENT REMUNERATION

	2011		2010	
EUR thousands	The President and CEO	Other FMT members	The President and CEO	Other FMT members
Salaries and fringe benefits	952	2,800	912	2,482
Performance bonuses [1]	276	791	307	871
Share-based remuneration	592	1,476	513	1,225
Pensions	497	1,329	487	946
Total	**2,317**	**6,396**	**2,219**	**5,524**

[1] *Performance bonus expenses for year 2011 are based on estimated amounts.*

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 Remuneration 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 Remuneration 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 long-term incentive (LTI) schemes. The expense in the income statement for these plans is calculated in accordance with IFRS 2 *Share-based payments*.

For additional information about long-term incentive schemes, see Note 31 Employee bonus system, personnel fund and incentive schemes on page 85.

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 equaling 24 months' salary and other FMT members to a compensation equaling 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 and on page 124, Remuneration.

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 LTI schemes. In spring 2012 there will be deliveries of two LTI arrangements: the old plan 2006–2011 and new plan 2009–2013. Shares delivered under the new plan are 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 are estimated and the actual number of shares will be determined at the time of delivery in spring 2012.

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 2012.

For more information on the LTI arrangements see Note 31 Employee bonus system, personnel fund and incentive schemes on page 85.

SHARE RIGHTS DELIVERED OR TO BE DELIVERED TO THE MANAGEMENT

Name	2011	2012
Tapio Kuula	19,663	17,171
Anne Brunila	2,524	3,983
Alexander Chuvaev [1)]	12,960	18,749
Mikael Frisk	5,285	4,576
Timo Karttinen	6,053	5,213
Juha Laaksonen	6,620	6,840
Per Langer	4,273	3,966
Maria Paatero-Kaarnakari	3,118	2,856
Matti Ruotsala	6,219	7,283

[1)] *Share rights will be paid in cash instead of shares after the two-year lock-up period due to local legislation.*

14.4 Management shareholding

On 31 December 2011, the members of the Board of Directors owned a total of 9,550 shares (2010: 11,450), 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 253,276 shares (2010: 208,333) which corresponds to approximately 0.03% (2010: 0.02%) of the company's shares and voting rights.

SHARES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

	2011	2010
Chairman, Sari Baldauf	2,300	2,300
Deputy Chairman, Christian Ramm-Schmidt	2,250	2,250
Esko Aho	–	–
Minoo Akhtarzand (from 31 March 2011)	–	N/A
Heinz-Werner Binzel (from 31 March 2011)	1,000	N/A
Ilona Ervasti-Vaintola	4,000	4,000
Joshua Larson	–	–
Former Chairman Matti Lehti (until 31 March 2011)	N/A	2,000
Birgitta Johansson-Hedberg (until 31 March 2011)	N/A	900
Total	**9,550**	**11,450**

SHARES HELD BY MEMBERS OF FORTUM MANAGEMENT TEAM

	2011	2010
Tapio Kuula	101,232	81,569
Anne Brunila	2,524	–
Alexander Chuvaev	–	–
Mikael Frisk	28,473	30,000
Timo Karttinen	55,015	48,962
Juha Laaksonen	40,861	34,241
Per Langer	12,751	8,478
Maria Paatero-Kaarnakari	6,201	5,083
Matti Ruotsala	6,219	–
Total	**253,276**	**208,333**

15 DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

EUR million	2011	2010
Depreciation of property, plant and equipment		
Buildings and structures	106	91
Machinery and equipment	473	443
Other tangible assets	8	5
Amortisation of intangible assets	19	21
Total	**606**	**560**
Impairment charges		
Other intangible assets	0	1
Buildings and structures	0	2
Total	**0**	**3**
Depreciation, amortisation and impairment charges total	**606**	**563**

See also Note 5 Segment reporting on page 60.

16 FINANCE COSTS – NET

EUR million	Note	2011	2010
Interest expense			
Borrowings		–335	–241
Other interest expense		–2	–1
Capitalised borrowing costs	23	53	45
Total		**–284**	**–197**
Interest income			
Loan receivables		49	66
Other interest income		7	6
Total		**56**	**72**
Fair value gains and losses on financial instruments	7		
Fair value change of interest rate derivatives not getting hedge accounting		–3	0
Fair value change of hedging derivatives in fair value hedge relationship		98	34
Fair value change of hedged items in fair value hedge relationship		–92	–32
Rate difference on forward contracts		2	10
Total		**5**	**12**
Exchange gains and losses			
Loans and receivables	7	40	744
Cross currency interest rate derivatives	7	–4	–130
Foreign currency derivatives	7	–37	–611
Dividend income		0	1
Interest income on share of State Nuclear Waste Management Fund	35	17	14
Unwinding of discount on nuclear provisions	35	–36	–40
Unwinding of discount on other provisions	36	–16	–16
Other financial income		1	3
Other financial expenses		–7	–7
Total		**–42**	**–42**
Finance costs – net		**–265**	**–155**

Interest expenses include interest expenses on interest-bearing loans, interest on interest rate and currency swaps and forward points on forward foreign exchange contracts hedging loans and receivables. Other interest expenses includes interest on financial leases EUR –1 million (2010: –1) and other interest cost EUR –1 million (2010: 0).

Further information can be found in the Notes mentioned in the table.

Interest income includes EUR 33 million (2010: 38) from shareholders' loans in Finnish and Swedish nuclear companies, EUR 10 million (2010: 25) from deposits.

Other interest income includes EUR 3 million (2010: 3) 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.

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	2011	2010
Interest rate and cross currency swaps		
Interest expenses on borrowings	20	22
Exchange rate difference from derivatives	–4	–130
Rate difference in fair value gains and losses on financial instruments [1)]	95	34
Total fair value change of interest rate derivatives in finance costs – net	**111**	**–74**
Forward foreign exchange contracts		
Interest expenses on borrowings	–60	–7
Exchange rate difference from derivatives	–37	–611
Rate difference in fair value gains and losses on financial instruments	2	10
Total fair value change of currency derivatives in finance costs – net	**–95**	**–608**
Total fair value change of interest and currency derivatives in finance costs – net	**16**	**–682**

[1)] *Fair value gains and losses on financial instruments include fair value changes from interest rate swaps not getting hedge accounting amounting to EUR –3 million (2010: 0).*

Aggregated exchange rate differences included in operating profit were EUR 0 million (2010: 1) and in finance costs EUR –1 million (2010: 3).

17 INCOME TAX EXPENSE

17.1 Profit before tax

EUR million	2011	2010
Finnish companies	913	513
Swedish companies	837	666
Other companies	478	436
Total	**2,228**	**1,615**

17.2 Major components of income tax expense by major countries

EUR million	2011	2010
Current taxes		
Finnish companies	–94	–183
Swedish companies	–155	–178
Other companies	–22	–29
Total	**–271**	**–390**
Deferred taxes		
Finnish companies	–42	74
Swedish companies	–33	5
Other companies	–6	50
Total	**–81**	**129**
Adjustments recognised for current tax of prior periods		
Finnish companies	–11	0
Swedish companies	1	0
Other companies	–4	0
Total	**–14**	**0**
Total income taxes	**–366**	**–261**

17.3 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	2011	%	2010	%
Profit before tax	2,228		1,615	
Tax calculated at nominal Finnish tax rate	–579	26.0	–420	26.0
Tax rate change	29	–1.3	0	0.0
Differences in tax rates and regulations in other countries	89	–4.0	113	–7.0
Income not subject to tax	11	–0.6	5	–0.3
Tax exempt capital gains	81	–3.6	20	–1.2
Expenses not deductible for tax purposes	–5	0.2	–5	0.3
Share of profit of associated companies and joint ventures	23	–1.0	16	–1.0
Taxes related to dividend distributions	1	–0.1	–1	0.1
Tax losses for which no deferred tax was recognised	–12	0.5	–1	0.1
Utilisation of previously unrecognised tax losses	3	–0.1	1	–0.1
Changes in tax provisions	3	–0.1	11	–0.7
Adjustments recognised for taxes of prior periods	–10	0.5	0	0.0
Tax charge in the income statement	**–366**	**16.4**	**–261**	**16.2**

The weighted average applicable tax rate was 26.9% (2010: 26.9%). The tax rate according to the income statement was 16.4% (2010: 16.2%). In December 2011 the Finnish Government passed legislation lowering the income tax rate from 26% to 24.5%. The one-time positive effect in the income tax cost from the tax rate change is approximately EUR 29 million. 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 tax rate change, the tax rate was 21.4% (2010: 17.7%).

Fortum's tax rate in the income statement, 16.4%, was on ongoing basis mainly affected by the balance of income in different countries combined with the effects from the latest acquisitions, investments and other operative actions and structures and their tax treatment.

17.4 One-time effects

During 2011 Finnish Government decided to decrease the income tax rate from 26% to 24.5%. Decreased tax rate will be applicable as from the beginning of 2012, but a major positive effect comes already during 2011 from revaluing the deferred taxes. The major part of the tax exempt capital gains in 2011 is the sale of shares in Fingrid Oyj.

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.

Fortum has had various tax audits ongoing during the year. In Sweden Fortum has received tax authorities' final tax assessment.

See also Note 34 Deferred income taxes on page 88 and Note 44 Legal actions and official proceedings on page 95.

18 EARNINGS PER SHARE

18.1 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.

	2011	2010
Profit attributable to owners of the parent (EUR million)	1,769	1,300
Weighted average number of shares (thousands)	888,367	888,367
Basic earnings per share (EUR per share)	1.99	1.46

18.2 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 2011 Fortum had no diluting stock option schemes.

19 DIVIDEND PER SHARE

A dividend in respect of 2011 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million based on the amount of shares registered as of 31 January 2012, is to be proposed at the Annual General Meeting on 11 April 2012. These Financial statements do not reflect this dividend.

The Annual General Meeting on 31 March 2011 decided to distribute a dividend of EUR 1.00 per share in respect of 2010 to the shareholders. The total dividend amounted to EUR 888 million based on the number of shares registered as of 5 April 2011. The dividend was paid on 12 April 2011.

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.

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