

Fortum Corporation

Financial Statements Bulletin 2010

2 February 2011

Comparable operating profit remained firm

- Comparable operating profit EUR 1,833 (1,888) million, -3%
- Earnings per share EUR 1.46 (1.48), -1%, decreased due to accounting treatment of derivatives used for hedging (effect EUR -0.18 per share)
- Russian investment programme accelerated
- 70% of Power Division's forecast volume for 2011 hedged at EUR 45 per MWh and 40% for 2012 hedged at EUR 44 per MWh
- Fortum's Board proposes a dividend of EUR 1.00 per share

Key figures	IV/10	IV/09	2010	2009
Sales, EUR million	1,902	1,563	6,296	5,435
Operating profit, EUR million	321	522	1,708	1,782
Comparable operating profit, EUR million	541	570	1,833	1,888
Profit before taxes, EUR million	285	505	1,615	1,636
Earnings per share, EUR	0.26	0.46	1.46	1.48
Net cash from operating activities, EUR million	221	396	1,437	2,264
Shareholders' equity per share, EUR			9.24	9.04
Interest-bearing net debt (at end of period), EUR million			6,826	5,969
Average number of shares, 1,000s			888,367	888,230

Key financial ratios	2010	2009
Return on capital employed, %	11.6	12.1
Return on shareholders' equity, %	15.7	16.0
Net debt/EBITDA	3.0	2.6

Fortum's President and CEO Tapio Kuula in connection with the financial statements bulletin:

"I am pleased with our 2010 results. The Heat and Russia divisions as well as the Distribution business were able to improve their results from a year ago. Electricity Sales' results were negatively impacted in the first and last quarter, mainly due to high wholesale market prices. In the Power Division, costs increased partly due to continued power upgrade and modernisation programmes in Swedish associated nuclear generating companies.

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

The Russian wholesale power sector reform progressed as planned by the Federal Government. As of January 2011, the wholesale power market has been fully liberalised. In addition, the new rules for the long-term capacity market starting from 2011 have been approved by the Government regarding capacity supply agreements (CSA – “new capacity”) and competitive capacity selection (CCS – “old capacity”).

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

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

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

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

Finally, I want to take the opportunity to thank all Fortum employees for a job well done."

Financial results

October-December

Group sales were EUR 1,902 (1,563) million. Group operating profit totalled EUR 321 (522) million. Fortum's operating profit for the fourth quarter 2010 was affected more than usually by the IFRS accounting treatment (IAS 39) of derivatives used for hedging Fortum's power production. High power forward prices at year-end 2010 caused mark-to-market valuation of electricity derivatives to decrease Fortum's operating profit; the full-year impact was EUR -216 million. The comparable operating profit was not impacted by the accounting treatment and totalled EUR 541 (570) million. Fortum's cash flow was not impacted by the accounting treatment.

The accounting treatment affected Fortum's last-quarter 2010 earnings per share by EUR -0.18.

The total of non-recurring items, mark-to-market effects and nuclear fund adjustments in the fourth quarter of 2010 amounted to EUR -220 (-48) million. Of this total, non-recurring items were EUR 7 (8) million.

Sales by division

EUR million	IV/10	IV/09	2010	2009
Power	752	663	2,702	2,531
Heat	598	458	1,770	1,399
Distribution*	287	227	963	800
Electricity Sales*	529	410	1,798	1,449
Russia	254	197	804	632
Other	7	17	51	71
Netting of Nord Pool transactions	-528	-325	-1,736	-1,095
Eliminations	3	-84	-56	-352
Total	1,902	1,563	6,296	5,435

* Part of the Electricity Solutions and Distribution Division

Comparable operating profit by division

EUR million	IV/10	IV/09	2010	2009
Power	336	391	1,298	1,454
Heat	122	104	275	231
Distribution*	91	80	307	262
Electricity Sales*	3	11	11	22
Russia	17	8	8	-20
Other	-28	-24	-66	-61
Total	541	570	1,833	1,888

* Part of the Electricity Solutions and Distribution Division

Operating profit by division

EUR million	IV/10	IV/09	2010	2009
Power	129	327	1,132	1,363
Heat	124	109	303	252
Distribution*	93	81	321	263
Electricity Sales*	40	37	46	29
Russia	16	8	53	-20
Other	-81	-40	-147	-105
Total	321	522	1,708	1,782

* Part of the Electricity Solutions and Distribution Division

January-December

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

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

The average Swedish krona (SEK) rate was approximately 10% stronger against the euro during 2010 than in 2009. The positive translation effect caused by the higher average SEK rate impacted

the comparable operating profit by approximately EUR 103 million. The translation effect mainly impacted the Power Division. The strong SEK had a negative impact on the cash flow.

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

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

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

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

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

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

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

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

Market conditions

Nordic countries

During the fourth quarter, the average system spot price for power in Nord Pool was EUR 62.1 (36.6) per megawatt-hour (MWh). The Finnish and Swedish area prices were above the system price level, at EUR 66.5 (40.0) per MWh in Finland and EUR 66.6 (40.0) per MWh in Sweden. The difference between the system price and the Finnish and Swedish area prices was mainly due to cheaper import from Germany and the Netherlands that helped to keep prices down in southern Norway and Denmark. Especially during cold weather, there is not enough transmission capacity from southern Norway and Denmark to Sweden and northern Norway. Exports are reduced to keep the balance in the Oslo area in Norway.

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

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

According to preliminary statistics, the Nordic countries consumed 111 (103) TWh of electricity in the last quarter of 2010, which was about 8% more than in the previous year. The increase was mainly due to higher industrial consumption and colder than normal weather. During 2010, the Nordic countries consumed in total about 396 (378) TWh of electricity – about 5% more than in 2009. The increase was mainly due to the cold weather in the first and last quarter and higher industrial consumption.

Russia

According to preliminary statistics, Russia consumed 277 (271) TWh of electricity in the fourth quarter of 2010, about 2% more than in the corresponding period of the previous year. During 2010, Russia consumed about 1,005 (964) TWh of electricity. The increase is mainly due to the general recovery of the Russian economy and increased industrial activity.

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

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

More detailed information about the market fundamentals is included in the tables at the end of the report.

Fortum's CO₂-emissions

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

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

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

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

Fortum's total CO ₂ -emissions (million tonnes, Mt)	IV/10	IV/09	2010	2009
Total emissions	7.9	6.6	25.3	22.0
Emissions subject to ETS	3.0	2.7	9.7	7.7
Free emissions allocation	-	-	5.6	5.5
Emissions in Russia	4.4	3.9	14.6	13.8

Fortum's specific CO ₂ -emissions from power generation (g/kWh)	IV/10	IV/09	2010	2009
Total emissions	216	156	189	155
Emissions in the EU	118	60	84	41
Emissions in Russia	541	436	532	493

Division reviews

Power

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

EUR million	IV/10	IV/09	2010	2009
Sales	752	663	2,702	2,531
- power sales	715	639	2,580	2,413
- other sales	37	24	122	118
Operating profit	129	327	1,132	1,363
Comparable operating profit	336	391	1,298	1,454
Net assets (at period-end)			5,806	5,494
Return on net assets, %			19.5	24.5
Comparable return on net assets, %			22.3	26.4
Capital expenditure and gross investments in shares	35	33	122	153
Number of employees			1,819	1,916

The division's power generation in the Nordic countries amounted to 12.3 (11.1) TWh during the fourth quarter of 2010. Approximately 90% (96%) of that was CO₂-free.

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

During the fourth quarter, the division's power generation in the Nordic countries increased by 11% compared to the corresponding period of the previous year. Nuclear generation volumes increased year-on-year, although Oskarshamn 3 and Forsmark 2 had operating difficulties and Loviisa 2 had a long scheduled annual outage. The share of thermal power generation increased significantly due to higher electricity prices as well as due to the return of the Meri-Pori power plant to Fortum's own use.

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

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

Power generation by source, TWh	IV/10	IV/09	2010	2009
Hydropower, Nordic	6.0	5.9	22.0	22.1
Nuclear power, Nordic	5.4	5.1	22.0	21.4
Thermal power, Nordic	0.9	0.1	2.3	0.2
Total in the Nordic countries	12.3	11.1	46.3	43.7
Thermal power in other countries	0.3	0.3	1.1	1.2
Total	12.6	11.4	47.4	44.9

Nordic sales volume, TWh	13.7	12.4	51.5	48.8
of which pass-through sales	0.7	1.0	3.2	3.6

Sales price, EUR/MWh	IV/10	IV/09	2010	2009
Power's Nordic power price*	51.4	51.5	49.7	49.8

* For the Power Division in the Nordic countries, excluding pass-through sales.

In the fourth quarter of 2010, the Nordic power price achieved by the Power Division amounted to EUR 51.4 per MWh, which was at about the same level as in 2009.

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

In the fourth quarter of 2010, The Power Division's comparable operating profit was lower than in the corresponding period of the previous year. A different production mix and higher costs in the Swedish associated nuclear generating companies decreased profits.

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

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

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

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

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

Heat

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

EUR million	IV/10	IV/09	2010	2009
Sales	598	458	1,770	1,399
- heat sales	428	341	1,269	1,055
- power sales	129	84	368	224
- other sales	41	33	133	120
Operating profit	124	109	303	252
Comparable operating profit	122	104	275	231
Net assets (at period-end)			4,182	3,787
Return on net assets, %			8.4	7.9
Comparable return on net assets, %			7.7	7.3
Capital expenditure and gross investments in shares	117	101	305	359
Number of employees			2,394	2,552

Heat sales volumes during the fourth quarter of 2010 amounted to 8.8 (7.8) TWh and were mainly generated in the Nordic countries. During the same period, power sales volumes totalled 2.2 (1.6) TWh. The volume increase was mainly due to new combined heat and power (CHP) capacity and the cold weather.

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

The division's fourth quarter comparable operating profit improved on the corresponding period last year and totalled EUR 122 (104) million. The increase was mainly due to higher power price and volumes as well as due to the stronger SEK currency.

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

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

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

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

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

Heat sales by area, TWh	IV/10	IV/09	2010	2009
Finland	3.1	2.7	9.6	8.0
Sweden	3.7	3.2	10.9	9.8
Poland	1.4	1.4	4.0	3.7
Other countries	0.6	0.5	1.6	1.4
Total	8.8	7.8	26.1	22.9

Power sales, TWh	IV/10	IV/09	2010	2009
Total	2.2	1.6	6.5	4.4

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

Electricity Solutions and Distribution

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

Distribution

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

EUR million	IV/10	IV/09	2010	2009
Sales	287	227	963	800
- distribution network transmission	240	192	820	685
- regional network transmission	24	21	92	75
- other sales	23	14	51	40
Operating profit	93	81	321	263
Comparable operating profit	91	80	307	262
Net assets (at period-end)			3,683	3,299
Return on net assets, %			9.7	8.7
Comparable return on net assets, %			9.3	8.6
Capital expenditure and gross investments in shares	86	63	213	193
Number of employees			962	1,088

The volume of distribution and regional network transmissions during the fourth quarter of 2010 totalled 8.3 (7.5) TWh and 4.7 (4.4) TWh, respectively.

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

The Distribution business area's comparable operating profit in the fourth quarter was EUR 91 million, an increase of EUR 11 million compared to the corresponding period of the previous year. The main reasons for the improvement were higher sales due to the colder weather. The improvement was partly offset by higher variable, maintenance and fault repair costs. The stronger SEK improved the comparable operating profit with some EUR 5 million during the fourth quarter.

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

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

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

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

Volume of distributed electricity in distribution network, TWh	IV/10	IV/09	2010	2009
Sweden	4.5	3.9	15.2	14.0
Finland	3.0	2.8	10.0	9.4
Norway	0.7	0.7	2.5	2.3
Estonia	0.1	0.1	0.2	0.2
Total	8.3	7.5	27.9	25.9

Number of electricity distribution customers by area, thousands	31 Dec 2010	31 Dec 2009
Sweden	893	882
Finland	620	611
Other countries	124	123
Total	1,637	1,616

Electricity Sales

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

EUR million	IV/10	IV/09	2010	2009
Sales	529	410	1,798	1,449
- power sales	524	400	1,778	1,417
- other sales	5	10	20	32
Operating profit	40	37	46	29
Comparable operating profit	3	11	11	22
Net assets (at period-end)			210	125
Return on net assets, %			38.4	28.9
Comparable return on net assets, %			9.3	18.6
Capital expenditure and gross investments in shares	0	0	0	1
Number of employees			525	611

During the fourth quarter of 2010, the business area's electricity sales volumes totalled 8.1 (8.3) TWh while electricity sales volumes in 2010 totalled 29.8 (30.0) TWh. The restructuring of the unprofitable Business Market segment started in February 2010 and has impacted the sales volume of the Electricity Sales business area from the fourth quarter of 2010 onwards.

Electricity Sales' comparable operating profit in the fourth quarter decreased and totalled EUR 3 (11) million. Colder than normal weather conditions and the low hydrological situation that drove the market spot prices significantly up, were the main reasons for the lower sales margins. This, combined with the price peaks during the first quarter of 2010, resulted in a lower comparable operating profit, which totalled EUR 11 (22) million, for the full year 2010.

Russia

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

EUR million	IV/10	IV/09	2010	2009
Sales	254	197	804	632
- power sales	150	109	505	390
- heat sales	98	76	287	219
- other sales	6	12	12	23
EBITDA	39	28	139	55
Operating profit	16	8	53	-20
Comparable operating profit	17	8	8	-20
Net assets (at period-end)			2,817	2,260
Return on net assets, %			2.4	0.0
Comparable return on net assets, %			0.7	0.0
Capital expenditure and gross investments in shares	257	98	599	218
Number of employees			4,294	4,855

OAO Fortum operates in the well-developed industrial regions of the Urals and in oil-producing western Siberia.

The Russia Division's power sales volumes amounted to 4.9 (5.3) TWh during the fourth quarter of 2010. During the same period, heat sales totalled 9.0 (8.9) TWh. The full-year 2010 power sales volumes were 18.7 TWh (19.5 TWh) and heat sales volumes 26.8 TWh (25.6 TWh).

During 2010, OAO Fortum sold 61% of its power production at a liberalised electricity price.

Key electricity, capacity and gas prices for OAO Fortum	IV/10	IV/09	Change	2010	2009	Change
Electricity spot price (market price), Urals hub, RUB/MWh	817	693	124	835	633	202
Average regulated electricity price for OAO Fortum, RUB/MWh	613	536	77	614	533	81
Average regulated capacity price, tRUB/MW/month	167	186	-19	169	187	-18
Average regulated gas price in Urals region, RUB/1000 m ³	2 221	1 937	284	2 221	1 781	440

The Russia Division's comparable operating profit was EUR 17 (8) million in the fourth quarter of 2010. The improvement was mainly attributable to higher electricity market prices and OAO Fortum's efficiency improvement programme.

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

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

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

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

Upon completion, OAO Fortum's new capacity will be a key driver for solid earnings growth in Russia as it will bring income from new volumes sold and receive considerably higher capacity payments than the old capacity. The payments for new capacity will be approximately 3-4 times higher than the average price for the old capacity. The average price of old capacity is expected to be approximately RUB 165 000/MW/month for OAO Fortum.

In light of the recovering post-crises demand and the development of the Russian capacity market, Fortum has accelerated the schedule of OAO Fortum's committed 2,300 MW-investment programmes and plans to commission the last new units in 2014. The value of the remaining part of the investment programme, calculated at the exchange rates prevailing at the end of December 2010, is estimated to be approximately EUR 1.5 billion as of January 2011.

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

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

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

Capital expenditures, divestments and investments in shares

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

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

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

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

Power

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

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

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

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

Heat

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

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

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

In September 2010, Fortum inaugurated a CHP plant in Poland in the city of Częstochowa. Commercial operation started during the fourth quarter. The plant is fuelled by biomass (around

25%) and coal. The total value of the investment was about EUR 135 million. The new Częstochowa CHP plant has a heat production capacity of 120 MW and an electricity production capacity of 64 MW.

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

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

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

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

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

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

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

Distribution

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

Russia

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

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

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

Other

In December 2010, Fortum's associated company Hafslund ASA, ownership 34.1%, announced the sale of shares in its fully-owned subsidiary Hafslund Fibernett AS for a sales price of NOK 1,477 million (approx. EUR 188 million). Hafslund will book a gain of approximately NOK 900 million (approx. EUR 114 million). Consequently, Fortum will book a gain of roughly EUR 40 million corresponding to approximately EUR 0.04 per share. The gain will be booked in the first quarter of 2011 as profit from associated companies.

Financing

Net debt increased during the last quarter by EUR 218 million to EUR 6,826 million (year end 2009: EUR 5,969 million). The increase in net debt during the year is mainly linked to the stronger SEK and translation of SEK-denominated debt in the Group.

Total liquid funds decreased by EUR 424 million from EUR 980 million to EUR 556 million (year-end 2009: 890 million). Liquid funds include cash and bank deposits held by OAO Fortum and amount to EUR 348 million (year end 2009: 632 million). In addition to the liquid funds, Fortum had access to approximately EUR 2.9 billion of undrawn committed credit facilities.

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

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

Shares and share capital

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

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

At the end of 2010, Fortum Corporation's share capital was EUR 3,046,185,953 and the total number of registered shares was 888,367,045. Fortum Corporation did not own its own shares.

The Finnish State's holding in Fortum was 50.8% at the end of 2010. The proportion of nominee registrations and direct foreign shareholders was 30.2%.

The Board of Directors has no unused authorisations from the Annual General Meeting of Shareholders to issue convertible loans or bonds with warrants or to issue new shares.

Group personnel

The number of employees at the end of 2010 was 10,585 (11,613 at the end of 2009).

Research and development

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

Nuclear R&D is the largest and most valuable part of Fortum's R&D portfolio. In 2010, important milestones were achieved e.g. regarding higher burn up of nuclear fuel and reactor pressure vessel licensing for the Loviisa power plant.

Other important R&D themes in 2010 were CHP development and fuel flexibility, carbon capture and storage (CCS) as well as sustainable cities. Fortum continued development work on pyrolysis technology in collaboration with Metso, UPM and VTT Technical Research Centre of Finland. The bio-oil being generated in the process can be used to replace heavy fuel oil and thus result in significantly reduced CO₂-emissions. Furthermore, new fuel tests were conducted using crushed olive stones as fuel at the Värtan power plant in Stockholm.

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

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

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

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

Events after the balance sheet date

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

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

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

Outlook

Key drivers and risks

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

Fortum's financial results are exposed to a number of strategic, financial and operational risks. For further details on Fortum's risks and risk management, see Fortum's Operating and Financial Review and Financial Statements for 2009.

Nordic market

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

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

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

Russia

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

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

Upon completion, OAO Fortum's new capacity will be a key driver for solid earnings growth in Russia as it will bring income from new volumes sold and receive considerably higher capacity payments than the old capacity. The payments for new capacity will be approximately 3-4 times higher than the average price for the old capacity. The average price of old capacity is expected to be approximately RUB 165 000/MW/month for OAO Fortum.

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

new unit is estimated to be in commercial operation during the first half of 2011 and additional two units are estimated to start their commercial operation during mid-year 2011.

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

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

Capital expenditure and divestments

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

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

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

Taxation

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

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

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

Hedging

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

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

Profitability

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

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

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

Dividend distribution proposal

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

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pay a cash dividend of EUR 1.00 per share for 2010, totalling EUR 888 million based on the number of registered shares as of 1 February 2011.

*Espoo, 1 February 2011
Fortum Corporation
Board of Directors*

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The Board of Directors has approved Fortum's 2010 financial statements and Fortum's auditors have issued their audit report for 2010 on 1 February 2011. The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

Fortum's Annual General Meeting will take place on 31 March 2011 and the possible dividend-related dates planned for 2011 are:

- Ex-dividend date 1 April 2011,
- Record date for dividend payment 5 April 2011 and
- Dividend payment date 12 April 2011

Fortum's annual report for 2010 will be published on week 10 at the latest.

Publication of financial results in 2011:

- Interim Report January-March on 28 April 2011 at approximately 9.00 EEST,
- Interim Report January-June on 19 July 2011 at approximately 9.00 EEST and
- Interim Report January-September on 20 October 2011 at approximately 9.00 EEST.

Distribution:
NASDAQ OMX Helsinki
Key media
www.fortum.com

More information, including detailed quarterly information, is available on Fortum's website at www.fortum.com/investors.

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Condensed consolidated income statement

EUR million	Note	Q4 2010	Q4 2009	2010	2009
Sales	4	1 902	1 563	6 296	5 435
Other income		23	29	108	84
Materials and services		-910	-608	-2 846	-2 027
Employee benefit costs		-133	-123	-507	-495
Depreciation, amortisation and impairment charges	4, 12	-147	-136	-563	-510
Other expenses		-194	-155	-655	-599
Comparable operating profit		541	570	1 833	1 888
Items affecting comparability		-220	-48	-125	-106
Operating profit		321	522	1 708	1 782
Share of profit/loss of associates and joint ventures	4, 13	21	22	62	21
Interest expense		-57	-53	-197	-241
Interest income		19	22	72	98
Fair value gains and losses on financial instruments		-8	-6	12	-1
Other financial expenses - net		-11	-2	-42	-23
Finance costs - net		-57	-39	-155	-167
Profit before income tax		285	505	1 615	1 636
Income tax expense	9	-25	-74	-261	-285
Profit for the period		260	431	1 354	1 351
Attributable to:					
Owners of the parent		231	406	1 300	1 312
Non-controlling interests		29	25	54	39
		260	431	1 354	1 351
Earnings per share (in €per share)	10				
Basic		0.26	0.46	1.46	1.48
Diluted		0.26	0.46	1.46	1.48

EUR million	Q4 2010	Q4 2009	2010	2009
Comparable operating profit	541	570	1 833	1 888
Non-recurring items (capital gains and losses)	7	8	93	29
Changes in fair values of derivatives hedging future cash flow	-221	-23	-216	-76
Nuclear fund adjustment	-6	-33	-2	-59
Items affecting comparability	-220	-48	-125	-106
Operating profit	321	522	1 708	1 782

Condensed consolidated statement of comprehensive income

EUR million	Q4 2010	Q4 2009	2010	2009
Profit for the period	260	431	1 354	1 351
Other comprehensive income				
Cash flow hedges				
Fair value gains/losses in the period	-464	-326	-583	-195
Transfers to income statement	19	-64	1	-218
Transfers to inventory/fixed assets	-10	-2	-16	-4
Tax effect	117	100	151	108
Net investment hedges				
Fair value gains/losses in the period	29	-17	-1	-25
Tax effect	-8	4	0	6
Available for sale financial assets				
Fair value changes in the period	1	0	0	0
Exchange differences on translating foreign operations	89	73	344	21
Share of other comprehensive income of associates ¹⁾	-8	-38	-69	-37
Other changes	-16	7	-16	1
Other comprehensive income for the period, net of tax	-251	-263	-189	-343
Total comprehensive income for the year	9	168	1 165	1 008
Total comprehensive income attributable to				
Owners of the parent	-29	139	1 064	971
Non-controlling interests	38	29	101	37
	9	168	1 165	1 008
1) Of which fair value change in Hafslund ASA's shareholding in REC incl. translation differences	-8	-41	-77	-37

Condensed consolidated balance sheet

EUR million	Note	Dec 31 2010	Dec 31 2009
ASSETS			
Non-current assets			
Intangible assets	12	421	391
Property, plant and equipment	12	14 621	12 855
Participations in associates and joint ventures	4, 13	2 161	2 188
Share in State Nuclear Waste Management Fund	16	625	570
Pension assets		62	59
Other non-current assets		72	69
Deferred tax assets		141	47
Derivative financial instruments	6	183	195
Long-term interest-bearing receivables		1 149	918
Total non-current assets		19 435	17 292
Current assets			
Inventories		387	447
Derivative financial instruments	6	148	182
Trade and other receivables		1 284	1 030
Bank deposits		271	397
Cash and cash equivalents		285	493
Liquid funds	15	556	890
Assets held for sale	7	154	-
Total current assets		2 529	2 549
Total assets		21 964	19 841
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	3 046	3 046
Share premium		73	73
Retained earnings		5 448	4 762
Other equity components		-357	153
Total		8 210	8 034
Non-controlling interests		532	457
Total equity		8 742	8 491
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	15	6 520	6 002
Derivative financial instruments	6	238	191
Deferred tax liabilities		1 725	1 750
Nuclear provisions	16	625	570
Other provisions		239	209
Pension obligations		20	23
Other non-current liabilities		471	472
Total non-current liabilities		9 838	9 217
Current liabilities			
Interest-bearing liabilities	15	862	857
Derivative financial instruments	6	1 207	276
Trade and other payables		1 265	1 000
Liabilities related to assets held for sale	7	50	-
Total current liabilities		3 384	2 133
Total liabilities		13 222	11 350
Total equity and liabilities		21 964	19 841

Condensed consolidated statement of changes in total equity

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

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

Translation differences

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

Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are booked to equity. For information regarding exchange rates used, see Note 8 Exchange rates.

Cash flow hedges

The impact on equity attributable to owners of the parent from fair valuation of cash flow hedges, EUR -443 million during 2010 (2009: -296), mainly relates to cash flow hedges hedging electricity price for future transactions. When electricity price is lower/higher than the hedging price, the impact on equity is positive/negative.

Cash dividend

The dividend for 2009 was decided at the Annual General Meeting on 25 March 2010. The dividend was paid on 8 April 2010. The dividend for 2008 was decided at the Annual General Meeting on 7 April 2009.

Condensed consolidated cash flow statement

EUR million	Note	Q4 2010	Q4 2009	2010	2009
Cash flow from operating activities					
Operating profit before depreciations (EBITDA)		468	658	2 271	2 292
Non-cash flow items and divesting activities		222	-4	124	46
Financial items and realised foreign exchange gains and losses		-192	-102	-641	146
Taxes		-107	-34	-355	-239
Funds from operations		391	518	1 399	2 245
Change in working capital		-170	-122	38	19
Total net cash from operating activities		221	396	1 437	2 264
Cash flow from investing activities					
Capital expenditures ¹⁾	4, 12	-432	-266	-1 134	-845
Acquisition of subsidiaries, net of cash acquired	7	0	-2	-1	-27
Acquisition of associates ²⁾	13	-20	-26	-26	-58
Acquisition of other long-term investments		0	0	-1	-2
Proceeds from sales of fixed assets		4	10	7	48
Proceeds from sales of subsidiaries, net of cash disposed	7	8	1	9	11
Proceeds from sales of associates	13	-1	1	121	2
Proceeds from sales of other non-current assets		0	0	17	1
Change in interest-bearing receivables		-34	-39	-94	-104
Total net cash used in investing activities		-475	-321	-1 102	-974
Cash flow before financing activities		-254	75	335	1 290
Cash flow from financing activities					
Net change in loans		-187	-1	203	-758
Dividends paid to the Company's equity holders		-	-	-888	-888
Other financing items		7	-13	-25	-25
Total net cash used in financing activities		-180	-14	-710	-1 671
Total net increase (+)/decrease (-) in liquid funds		-434	61	-375	-381
Liquid funds at the beginning of the period		980	815	890	1 321
Foreign exchange differences in liquid funds		10	14	41	-50
Liquid funds at the end of the period		556	890	556	890

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

2) Acquisition of associates includes paid share issues.

Non-cash flow items and divesting activities

Non-cash flow items and divesting activities mainly consist of adjustments for unrealised fair value changes of derivatives and capital gains. The actual proceeds for divestments, EUR 154 million for 2010 (2009: 62), are shown under cash flow from investing activities.

Financial items and realised foreign exchange gains and losses

EUR million	Q4 2010	Q4 2009	2010	2009
Interest and finance cost paid, net	-60	-54	-168	-185
Dividends received	9	10	62	33
Realised foreign exchange gains and losses	-141	-58	-535	298
Total	-192	-102	-641	146

Realised foreign exchange gains and losses arise from currency forwards hedging balance sheet exposure, which mainly relates to financing of Swedish subsidiaries in SEK and the fact, that the Group's main external financing currency is EUR. The major part of these forwards are entered into with short maturities i.e. less than twelve months.

Change in net debt

EUR million	Q4 2010	Q4 2009	2010	2009
Net debt beginning of the period	6 608	6 041	5 969	6 179
Foreign exchange rate differences	48	-7	244	144
EBITDA	468	658	2 271	2 292
Paid net financial costs, taxes and adjustments for non-cash and divestment items	-77	-140	-872	-47
Change in working capital	-170	-122	38	19
Capital expenditures	-432	-266	-1 134	-845
Acquisitions	-20	-28	-28	-87
Divestments	11	12	154	62
Change in interest-bearing receivables	-34	-39	-94	-104
Dividends	-	-	-888	-888
Other financing activities	7	-13	-25	-25
Net cash flow (- increase in net debt)	-247	62	-578	377
Fair value change of bonds, amortised cost valuation and other	-77	-3	35	23
Net debt end of period	6 826	5 969	6 826	5 969

Key ratios

	Dec 31 2010	Sept 30 2010	June 30 2010	March 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009	March 31 2009
EBITDA, EUR million	2 271	1 803	1 351	861	2 292	1 634	1 220	721
Comparable EBITDA, EUR million	2 396	1 708	1 266	788	2 398	1 692	1 248	724
Earnings per share (basic), EUR	1.46	1.20	0.93	0.63	1.48	1.02	0.78	0.46
Capital employed, EUR million	16 124	16 324	15 862	15 642	15 350	15 184	15 347	17 404
Interest-bearing net debt, EUR million	6 826	6 608	6 506	5 679	5 969	6 041	6 004	5 634
Capital expenditure and gross investments in shares, EUR million	1 249	750	513	216	929	634	412	181
Capital expenditure, EUR million	1 222	723	493	196	862	571	352	150
Return on capital employed, % ¹⁾	11.6	12.2	14.3	18.7	12.1	11.4	13.1	14.5
Return on shareholders' equity, % ¹⁾	15.7	16.6	19.3	25.7	16.0	14.6	17.4	19.6
Net debt / EBITDA ¹⁾	3.0	2.8	2.5	1.7	2.6	2.8	2.5	2.0
Comparable net debt / EBITDA ¹⁾	2.8	2.9	2.6	1.8	2.5	2.7	2.4	1.9
Interest coverage	13.7	15.9	18.7	24.2	12.4	11.3	12.3	16.0
Interest coverage including capitalised borrowing costs	10.0	11.4	13.7	18.7	10.3	9.5	10.5	12.9
Funds from operations/interest-bearing net debt, % ¹⁾	20.5	22.3	28.8	44.9	37.6	35.7	38.9	45.1
Gearing, %	78	76	75	67	70	73	76	65
Equity per share, EUR	9.24	9.27	9.19	8.96	9.04	8.89	8.42	9.34
Equity-to-assets ratio, %	40	41	42	40	43	43	41	40
Number of employees	10 585	10 865	11 406	11 290	11 613	12 054	13 586	14 267
Average number of employees	11 156	11 302	11 393	11 435	13 278	13 737	14 310	14 644
Average number of shares, 1 000 shares	888 367	888 367	888 367	888 367	888 230	888 230	888 230	888 095
Diluted adjusted average number of shares, 1 000 shares	888 367	888 367	888 367	888 367	888 230	888 230	888 230	888 250
Number of registered shares, 1 000 shares	888 367	888 367	888 367	888 367	888 367	888 367	888 367	888 166

1) Quarterly figures are annualised.
For definitions, see Note 24.

Notes to the condensed consolidated interim financial statements

1. Basis of preparation

The Interim Statement is based on the 2010 Financial Statements approved by the Board and the auditors on 1 February 2011. The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2009.

2. Accounting Policies

The same accounting policies and presentation have been followed in these condensed interim financial statements as were applied in the preparation of the consolidated financial statements as at and for the year ended 31 December 2009, except for the effects of the adoption of the standards and presentation changes described below:

- IFRS 3 (revised) Business combinations (effective for annual periods beginning on or after 1 July 2009.) The amendment effects the accounting of transaction costs, step acquisitions, goodwill and non-controlling interest and contingent consideration. Fortum applies the revised standard to business combinations taking place on or after 1 January 2010.
- IAS 27 (amended) Consolidated and separate financial statements (to be adopted for annual periods beginning on or after 1 July 2009). The amendments to IAS 27 require the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Fortum applies the amended standard prospectively to transactions with non-controlling interests from 1 January 2010.
- IAS 17 (amendment) Leases (effective for annual periods beginning on or after 1 January 2010). The amendment is part of the IASB's annual improvements project published in April 2009. The requirements of IAS 17 Leases regarding the classification of leases of land were amended. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. Fortum has adopted the amendment as of 1 January 2010. The amendment did not have a material impact on Fortum's financial statements as the classification of major land lease agreements did not change.

For changes in accounting practice relating to TGC-1 results, see Note 13 below.

Changes in Income statement presentation

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

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

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

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

3. Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Annual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2009.

4. Segment information

In October 2009 Fortum restructured its organisation into four business divisions and four staff functions in order to increase the organisation's efficiency, performance accountability and simplicity. The new business divisions are Power, Heat, Russia and Electricity Solutions and Distribution. The Electricity Solutions and Distribution (ESD) division consists of business areas Distribution and Electricity Sales (former Markets). The reportable segments under IFRS have been renamed correspondingly.

The reorganisation did not lead to a change in Fortum's external financial reporting structure as the reportable segments have remained the same. However there have been some minor changes to the composition of the segments that have taken effect from the beginning of January 2010. The changes relate mainly to the transfer of the Power division's Power Solutions business area to Russia and Heat divisions as well as the establishment of the centralised Trading and Industrial Intelligence unit.

Please see the attachment to Q1 2010 press release for the new and old segment information.

Sales				
EUR million	Q4 2010	Q4 2009	2010	2009
Power sales excluding indirect taxes	1 046	877	3 615	3 192
Heating sales	537	427	1 596	1 314
Network transmissions	264	213	912	760
Other sales	55	46	173	169
Total	1 902	1 563	6 296	5 435

Sales by segment				
EUR million	Q4 2010	Q4 2009	2010	2009
Power ¹⁾	752	663	2 702	2 531
- of which internal	-137	50	-281	254
Heat ¹⁾	598	458	1 770	1 399
- of which internal	-5	8	-8	23
Distribution	287	227	963	800
- of which internal	8	7	18	13
Electricity Sales ¹⁾	529	410	1 798	1 449
- of which internal	58	28	158	67
Russia	254	197	804	632
- of which internal	-	-	-	-
Other ¹⁾	7	17	51	71
- of which internal	73	-9	169	-5
Netting of Nord Pool transactions ²⁾	-528	-325	-1 736	-1 095
Eliminations	3	-84	-56	-352
Total	1 902	1 563	6 296	5 435

1) Sales, both internal and external, includes effects from realised hedging contracts. Effect on sales can be negative or positive depending on the average contract price and realised spot price.

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

Comparable operating profit by segment				
EUR million	Q4 2010	Q4 2009	2010	2009
Power	336	391	1 298	1 454
Heat	122	104	275	231
Distribution	91	80	307	262
Electricity Sales	3	11	11	22
Russia	17	8	8	-20
Other	-28	-24	-66	-61
Total	541	570	1 833	1 888

Operating profit by segment				
EUR million	Q4 2010	Q4 2009	2010	2009
Power	129	327	1 132	1 363
Heat	124	109	303	252
Distribution	93	81	321	263
Electricity Sales	40	37	46	29
Russia	16	8	53	-20
Other	-81	-40	-147	-105
Total	321	522	1 708	1 782

Non-recurring items by segment

EUR million	Q4 2010	Q4 2009	2010	2009
Power	0	1	6	6
Heat	7	6	29	21
Distribution	0	1	12	1
Electricity Sales	-	0	-	0
Russia	-1	0	45	0
Other	1	0	1	1
Total	7	8	93	29

Non-recurring items include capital gains and losses.

Other items affecting comparability by segment

EUR million	Q4 2010	Q4 2009	2010	2009
Power ¹⁾	-207	-65	-172	-97
Heat	-5	-1	-1	0
Distribution	2	0	2	0
Electricity Sales	37	26	35	7
Russia	-	-	-	-
Other	-54	-16	-82	-45
Total	-227	-56	-218	-135

1) Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):

-6	-33	-2	-59
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Other items affecting comparability mainly include effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39. In Power segment there are also effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.

Depreciation, amortisation and impairment charges by segment

EUR million	Q4 2010	Q4 2009	2010	2009
Power	26	24	100	93
Heat	50	45	187	162
Distribution	46	42	178	164
Electricity Sales	0	2	2	6
Russia	23	20	86	75
Other	2	3	10	10
Total	147	136	563	510

Share of profit/loss in associates and joint ventures by segment

EUR million	Q4 2010	Q4 2009	2010	2009
Power ^{1), 2)}	2	-15	-25	-35
Heat	9	12	31	30
Distribution	6	2	19	10
Electricity Sales	0	-1	1	0
Russia	-2	14	8	20
Other	6	10	28	-4
Total	21	22	62	21

1) Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):

0	0	0	-5
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2) The main part of the associated companies in Power are power production companies from which Fortum purchases produced electricity at production costs including interest costs, production taxes and income taxes.

Participation in associates and joint ventures by segment

EUR million	Dec 31 2010	Dec 31 2009
Power	912	863
Heat	159	178
Distribution	217	230
Electricity Sales	13	12
Russia	423	425
Other	437	480
Total	2 161	2 188

Capital expenditure by segment

EUR million	Q4 2010	Q4 2009	2010	2009
Power	35	32	97	96
Heat	117	100	304	358
Distribution	86	61	213	188
Electricity Sales	0	0	0	1
Russia	257	98	599	215
Other	4	0	9	4
Total	499	291	1 222	862
Of which capitalised borrowing costs	11	9	45	30

Gross investments in shares by segment

EUR million	Q4 2010	Q4 2009	2010	2009
Power	0	1	25	57
Heat	0	1	1	1
Distribution	0	2	0	5
Electricity Sales	-	-	-	-
Russia	-	0	-	3
Other	0	0	1	1
Total	0	4	27	67

Gross investments in shares in 2010 in Power segment include additional share capital paid as planned to Teollisuuden Voima Oyj. See Note 13.

Net assets by segment

EUR million	Dec 31 2010	Dec 31 2009
Power	5 806	5 494
Heat	4 182	3 787
Distribution	3 683	3 299
Electricity Sales	210	125
Russia	2 817	2 260
Other	29	382
Total	16 727	15 347

Return on net assets by segment			
		Dec 31	Dec 31
%		2010	2009
Power		19.5	24.5
Heat		8.4	7.9
Distribution		9.7	8.7
Electricity Sales		38.4	28.9
Russia		2.4	0.0
Other		-48.2	-19.4

Comparable return on net assets by segment			
		Dec 31	Dec 31
%		2010	2009
Power		22.3	26.4
Heat		7.7	7.3
Distribution		9.3	8.6
Electricity Sales		9.3	18.6
Russia		0.7	0.0
Other		-7.7	-17.0

Return on net assets is calculated by dividing the sum of operating profit and share of profit of associated companies and joint ventures with average net assets. Average net assets are calculated using the opening balance and end of each quarter values.

Assets by segments			
		Dec 31	Dec 31
EUR million		2010	2009
Power		6 934	6 260
Heat		4 733	4 244
Distribution		4 207	3 765
Electricity Sales		663	475
Russia		3 173	2 542
Other		723	621
Eliminations		-576	-293
Assets included in Net assets		19 857	17 614
Interest-bearing receivables		1 208	943
Deferred taxes		141	47
Other assets		202	347
Liquid funds		556	890
Total assets		21 964	19 841

Liabilities by segments			
		Dec 31	Dec 31
EUR million		2010	2009
Power		1 128	766
Heat		551	456
Distribution		524	466
Electricity Sales		453	350
Russia		356	282
Other		694	240
Eliminations		-576	-293
Liabilities included in Net assets		3 130	2 267
Deferred tax liabilities		1 725	1 750
Other liabilities		985	474
Total liabilities included in Capital employed		5 840	4 491
Interest-bearing liabilities		7 382	6 859
Total equity		8 742	8 491
Total equity and liabilities		21 964	19 841

Other assets and Other liabilities not included in segment's Net assets consists mainly of income tax receivables and liabilities, accrued interest expenses, derivative receivables and liabilities qualifying as hedges and receivables and liabilities for interest rate derivatives.

Number of employees		
	Dec 31 2010	Dec 31 2009
Power	1 819	1 916
Heat	2 394	2 552
Distribution	962	1 088
Electricity Sales	525	611
Russia	4 294	4 855
Other	591	591
Total	10 585	11 613

Average number of employees		
	2010	2009
Power	1 891	2 068
Heat	2 482	2 652
Distribution	1 098	1 166
Electricity Sales	538	629
Russia	4 555	6 170
Other	592	593
Total	11 156	13 278

Average number of employees is based on a monthly average for the whole period in question.

5. Quarterly segment information

Extended quarterly information is available on Fortum's website www.fortum.com (about Fortum/Investors/Interim reports).

Quarterly sales by segment

EUR million	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Power	752	584	597	769	663	572	608	688
- of which internal	-137	-10	-10	-124	50	70	64	70
Heat	598	220	301	651	458	177	250	514
- of which internal	-5	1	2	-6	8	2	4	9
Distribution	287	196	200	280	227	168	176	229
- of which internal	8	3	3	4	7	2	3	1
Electricity Sales	529	305	327	637	410	272	298	469
- of which internal	58	20	19	61	28	9	8	22
Russia	254	137	169	244	197	111	138	186
- of which internal	-	-	-	-	-	-	-	-
Other	7	23	16	5	17	16	19	19
- of which internal	73	35	40	21	-9	-13	4	13
Netting of Nord Pool transactions	-528	-264	-261	-683	-325	-200	-212	-358
Eliminations	3	-49	-54	44	-84	-70	-83	-115
Total	1 902	1 152	1 295	1 947	1 563	1 046	1 194	1 632

Quarterly comparable operating profit by segments

EUR million	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Power	336	267	271	424	391	308	340	415
Heat	122	-12	33	132	104	-13	26	114
Distribution	91	61	53	102	80	47	54	81
Electricity Sales	3	11	10	-13	11	7	6	-2
Russia	17	-16	-9	16	8	-20	-14	6
Other	-28	-9	-19	-10	-24	-13	-12	-12
Total	541	302	339	651	570	316	400	602

Quarterly operating profit by segments

EUR million	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Power	129	256	280	467	327	297	307	432
Heat	124	-15	35	159	109	-11	39	115
Distribution	93	62	53	113	81	47	54	81
Electricity Sales	40	12	23	-29	37	-7	20	-21
Russia	16	14	-9	32	8	-19	-15	6
Other	-81	-17	-31	-18	-40	-21	-30	-14
Total	321	312	351	724	522	286	375	599

Quarterly non-recurring items by segment

EUR million	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Power	0	5	1	0	1	0	1	4
Heat	7	0	3	19	6	6	9	0
Distribution	0	1	0	11	1	0	0	0
Electricity Sales	-	-	-	-	0	0	0	0
Russia	-1	30	0	16	0	1	-1	0
Other	1	0	0	0	0	0	1	0
Total	7	36	4	46	8	7	10	4

Quarterly other items affecting comparability

EUR million	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Power ¹⁾	-207	-16	8	43	-65	-11	-34	13
Heat	-5	-3	-1	8	-1	-4	4	1
Distribution	2	0	0	0	0	0	0	0
Electricity Sales	37	1	13	-16	26	-14	14	-19
Russia	-	-	-	-	-	-	-	-
Other	-54	-8	-12	-8	-16	-8	-19	-2
Total	-227	-26	8	27	-56	-37	-35	-7

1) Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million)

	-6	-10	23	-9	-33	-5	-10	-11
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6. Financial risk management

The Group has not made any significant changes in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2009.

The tables below disclose the notional values or volumes and net fair values for the Group's derivatives used in different areas mainly for hedging purposes.

Derivatives	Dec 31 2010		Dec 31 2009	
Interest and currency derivatives	Notional value	Net fair value	Notional value	Net fair value
	MEUR	MEUR	MEUR	MEUR
Interest rate swaps	4 098	96	3 995	41
Forward foreign exchange contracts	7 786	-333	6 334	-123
Forward rate agreements	167	0	-	-
Interest rate and currency swaps	538	-25	1 454	65
Electricity derivatives	Volume	Net fair value	Volume	Net fair value
	TWh	MEUR	TWh	MEUR
Sales swaps	124	-2 069	157	9
Purchase swaps	71	1 224	102	-79
Purchased options	0	0	1	-1
Written options	2	-10	3	1
Oil derivatives	Volume	Net fair value	Volume	Net fair value
	1000 bbl	MEUR	1000 bbl	MEUR
Sales swaps and futures	11 473	-93	1 555	-4
Purchase swaps and futures	11 541	76	1 450	4
Coal derivatives	Volume	Net fair value	Volume	Net fair value
	kt	MEUR	kt	MEUR
Sold	6 865	-117	1 259	-3
Bought	7 985	137	1 762	-1
CO₂ emission allowance derivatives	Volume	Net fair value	Volume	Net fair value
	ktCO ₂	MEUR	ktCO ₂	MEUR
Sold	5 225	7	366	1
Bought	8 882	-7	686	-2
Share derivatives	Notional value	Net fair value	Notional value	Net fair value
	MEUR	MEUR	MEUR	MEUR
Share forwards ¹⁾	19	20	24	21

1) Cash-settled share forwards are used as a hedging instrument for Fortum Group's performance share arrangement.

7. Acquisitions and disposals

Acquisitions

There were no material acquisitions during 2010. In November 2010 Fortum and the Polish Ministry of Treasury signed an agreement according to which Fortum will acquire 85% of shares in the Polish power and heat companies Elektrociepłownia Zabrze S.A. and Zespół Elektrociepłowni Bytom S.A. for approximately EUR 21 million (PLN 82 million). The companies are sold as part of the privatization of the power and heat sector in Poland. Polish competition authorities approved the acquisition on 3 January 2011.

Gross investments in subsidiary shares during 2009 amounted to EUR 8 million, consisting mainly of additional minority shares in OAO Fortum and remaining non-controlling interest in Ekerö Energy Group.

Disposals

There were no material divestments during 2010. In December 2010 Fortum signed an agreement to divest district heat operations and production facilities outside Stockholm in Sweden. The total sales price is approximately EUR 200 million. Major part of the operations to be divested are owned by Fortum's subsidiary Fortum Värme in which the city of Stockholm has a 50% economic interest. Fortum expects to recognise a sales gain with a minor effect on EPS in the first quarter 2011. The operations are part of the Heat segment. The assets and liabilities related to the operations to be divested are presented as assets and liabilities held for sale. Assets held for sale mainly consist of property, plant and equipment being divested.

In January 2009 Fortum and (Norwegian) Hafslund Infratek ASA combined their businesses of construction and operating of infrastructure in Sweden, Finland and Norway. In the transaction Fortum received 33% ownership in the new combined company. For more information see Note 13.

8. Exchange rates

The balance sheet date rate is based on exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of each months ending rate from the European Central Bank during the year and ending rate previous year.

Key exchange rates for Fortum Group applied in the accounts:

Average rate	Jan-Dec 2010	Jan-Sept 2010	Jan-June 2010	Jan-March 2010	Jan-Dec 2009	Jan-Sept 2009	Jan-June 2009	Jan-March 2009
Sweden (SEK)	9.5510	9.6665	9.8144	9.9826	10.6092	10.6830	10.8633	10.9679
Norway (NOK)	8.0262	8.0258	8.0464	8.1423	8.7708	8.8817	9.0049	9.1034
Poland (PLN)	4.0126	4.0137	4.0186	3.9970	4.3321	4.3827	4.4764	4.5018
Russia (RUB)	40.4473	40.1288	40.1535	41.4799	44.0684	44.2745	44.1087	44.3928

Balance sheet date rate	Dec 31 2010	Sept 30 2010	June 31 2010	March 31 2010	Dec 31 2009	Sept 30 2009	June 30 2009	March 31 2009
Sweden (SEK)	8.9655	9.1421	9.5259	9.7135	10.2520	10.2320	10.8125	10.9400
Norway (NOK)	7.8000	7.9680	7.9725	8.0135	8.3000	8.4600	9.0180	8.8900
Poland (PLN)	3.9750	3.9847	4.1470	3.8673	4.1045	4.2295	4.4520	4.6885
Russia (RUB)	40.8200	41.6923	38.2820	39.6950	43.1540	43.9800	43.8810	45.0320

9. Income tax expense

Tax rate according to the income statement 2010 was 16.2% (2009: 17.4%). The tax rate for the period is lower than in the comparable period mainly due to the tax exempt capital gains.

The tax rate for the full year 2010, excluding the impact of share of profits of associated companies and joint ventures, non-taxable capital gains and other one-time items was 17.7% (2009: 18.5%). The tax rate used in the income statement is always impacted by the fact that share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax.

10. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	2010	2009
Earnings (EUR million):		
Profit attributable to the owners of the parent	1 300	1 312
Number of shares (thousands):		
Weighted average number of shares for the purpose of basic earnings per share	888 367	888 230
Effect of dilutive share options	-	-
Weighted average number of shares for the purpose of diluted earnings per share	888 367	888 230

11. Dividend per share

A dividend in respect of 2010 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million based on the number of shares registered as of 1 February 2011, is to be proposed at the Annual General Meeting on 31 March 2011. These financial statements do not reflect the dividend.

A dividend in respect of 2009 of EUR 1.00 per share, amounting to a total dividend of EUR 888 million based on the number of shares registered as of 30 March 2010, was decided at the Annual General Meeting on 25 March 2010. The dividend was paid on 8 April 2010.

A dividend in respect of 2008 of EUR 1.00 per share, amounting to EUR 888 million based on the number of shares registered as of 14 April 2009, was decided at the Annual General Meeting on 7 April 2009. The dividend was paid on 21 April 2009.

12. Changes in intangible assets and property, plant and equipment

EUR million	Dec 31 2010	Dec 31 2009
Opening balance	13 246	12 533
Increase through acquisition of subsidiary companies	-	2
Capital expenditures	1 222	862
Changes of nuclear asset retirement cost	18	-7
Changes of emission rights	13	0
Disposals	-4	-26
Depreciation, amortisation and impairment	-563	-510
Sale of subsidiary companies	-22	-5
Moved to Assets held for sale	-131	-
Translation differences and other adjustments	1 263	397
Closing balance	15 042	13 246
Goodwill included in closing balance	301	285
Change in goodwill during the period due to translation differences	16	-13

13. Changes in participations in associates and joint ventures

EUR million	Dec 31 2010	Dec 31 2009
Opening balance	2 188	2 112
Share of profits of associates and joint ventures	62	21
Investments	6	33
Share issues and shareholders' contributions	20	25
Reclassifications	-	-7
Divestments	-89	-1
Dividend income received	-61	-32
OCI items associated companies	-69	-36
Translation differences	104	73
Closing balance	2 161	2 188

Share of profits from associates and joint ventures

Share of profits from associates in Q4 2010 was EUR 21 million (Q4 2009: 22) of which Fortum's share of profits in Hafslund ASA was EUR 6 million (Q4 2009: 10). Hafslund sold 26 million shares in REC in May 2010. In accordance with the accounting policy Fortum recognised EUR 2 million in relation to Hafslund's divestment of REC shares as a part of the share of profit from associates and joint ventures in Q2 2010. Fortum's share of profits for the full year 2010 amounted to EUR 62 million (2009: 21), of which Hafslund represented EUR 28 million (2009: -4), TGC-1 EUR 7 million (2009: 19) and Gasum EUR 27 million (2009: 26). According to Fortum Group accounting policies the share of profits from Hafslund has been included in Fortum Group figures based on the previous quarter information since updated interim information is not normally available. Hafslund will publish their interim report for Q4 2010 on 2 February 2011. The effect of Hafslund's Q4 is not included in Fortum's Q4 results.

In Q2 2010 Fortum changed its accounting practice for recognition of TGC-1 results. Previously Fortum has booked its share of results including any impairment losses and reversals of prior impairments recognised by TGC-1. In the future Fortum is eliminating the impairment losses or reversals of prior impairments from its share of results and assessing the need for impairment separately. The accounting practice change was done prospectively adjusting for previous periods as the impact on the comparative year information is immaterial.

TGC-1 has changed its reporting schedule for IFRS financial information during the year. From 2010 onwards TGC-1 publishes IFRS interim financial statements quarterly. The third quarter results were taken in to Fortum's fourth quarter results. Fortum's 2010 results include Fortum's share of TGC-1's profits for the second half of 2009 as well as for the first three quarters of 2010.

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

Investments and share issues

Teollisuuden Voima Oyj's (TVO) Annual General meeting in March 2010 decided to raise the company's share capital by EUR 79.3 million of which Fortum's share is EUR 19.8 million. The increase in Fortum's participation in TVO has been booked in Q1 2010 and it was paid in December 2010.

Divestments

In early February 2010 Distribution business area divested Fortum's 49% shareholding in Karlskoga Energi & Miljö AB. In the first quarter of 2010 Heat Division divested Fortum's 20.4% shareholding in Swedegas AB and Russia Division divested OAO Fortum's 49% shareholding in Kurgan Generating Company. In the third quarter Russia Division divested Fortum's approximately 31% shareholding in St Petersburg Sale Company.

OCI items in associated companies

OCI items in associated companies mainly represent the fair value change in Hafslund's shareholding in REC. In Q4 2010 the fair value change of the remaining REC shares was -8 million (Q4 2009: -17) and the fair value change since year-end was EUR -71 million (2009: -17). The cumulative fair value change in Fortum's equity, based on the remaining number of shares reported by Hafslund, was EUR 13 million at 31 December 2010 (2009: 89).

14. Share capital

EUR million	Number of shares Dec 31 2010	Share capital Dec 31 2010	Number of shares Dec 31 2009	Share capital Dec 31 2009
Registered shares at 1 January	888 367 045	3 046	887 638 080	3 044
Shares subscribed with options and registered at the end of the period	-	-	728 965	2
Registered shares at the end of the period	888 367 045	3 046	888 367 045	3 046

There were no stock options remaining on 31 December 2010.

15. Interest-bearing liabilities and liquid funds

The reported interest-bearing debt decreased during the quarter by EUR 206 million from EUR 7,588 million to EUR 7,382 million (year end 2009: 6,859). Total liquid funds decreased by EUR 424 million from EUR 980 million to EUR 556 million (year-end 2009: 890). Liquid funds include cash and bank deposits held by OAO Fortum amounting to EUR 348 million (year-end 2009: 632).

During the first quarter Fortum increased the amount of re-borrowing from the Finnish nuclear waste fund by EUR 61 million to EUR 835 million. During the second quarter Fortum Oyj raised a 10 year loan from Nordic Investment Bank of EUR 60 million. The loan will partially finance investments in automatic meter reading equipment. During the third quarter Fortum Oyj issued a dual-tranche SEK 3.1 billion fixed rate bond due 2015 and a SEK 3.1 billion Floating Rate Note due 2015 under Fortum's Euro Medium-Term Note Program. The 3 year EUR 2,000 million Term loan facility raised in connection with the acquisition of TGC-10 (renamed as OAO Fortum) in March 2008 was cancelled during the third quarter as the remaining outstanding drawn amount of EUR 350 million under the facility was amortized. During the last quarter Fortum repaid a EUR 500 million bond issued in 2003.

OAO Fortum signed two bank loans totalling RUB 7.1 billion, to finance its investment program.

Fortum Oyj regularly issues short term Commercial Papers (CPs) in the Finnish and Swedish markets. The amount of outstanding CPs increased by EUR 290 million during the fourth quarter to EUR 534 million (year-end 2009: 250 million).

16. Nuclear related assets and liabilities

EUR million	Dec 31 2010	Dec 31 2009
Carrying values in the balance sheet		
Nuclear provisions	625	570
Share in the State Nuclear Waste Management Fund	625	570
Legal liability and actual share of the State Nuclear Waste Management Fund		
Liability for nuclear waste management according to the Nuclear Energy Act	944	913
Funding obligation target	886	830
Fortum's share of the State Nuclear Waste Management Fund	843	786

Nuclear related provisions

According to the renewed Nuclear Energy Act Fortum submitted the proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and the Economy at the end of June. The liability is based on a technical plan, which is made every third year. The new technical plan and the updated cost estimates were completed in Q2 2010. The future costs are estimated to increase mainly due to updated technical plans related to interim and final storage of spent fuel. The liability was decided by the Ministry of the Employment and the Economy at the end of year 2010.

The legal liability on 31 December 2010 is EUR 944 million. The provision in the balance sheet related to nuclear waste management is based on cash flows for future costs which uses the same basis as the legal liability. The carrying value of the nuclear provision, calculated according to IAS 37, has increased due to new technical plan by EUR 55 million compared to 31 December 2009, totalling EUR 625 million on 31 December 2010. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

Fortum's share in the State Nuclear Waste Management Fund

Fortum contributes funds to the State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in December in connection with the decision of size of the legal liability. The current funding obligation target based on the legal liability decided in December 2010 and approved periodising of the payments to the Fund is EUR 886 million. The Fund is from an IFRS perspective overfunded with EUR 218 million, since Fortum's share of the Fund on 31 December 2010 is EUR 843 million and the carrying value in the balance sheet is EUR 625 million.

Effects to comparable operating profit and operating profit

Following the updated cost estimates, Fortum had in Q2 2010 a one-time effect to Comparable operating profit of EUR -8 million in Power segment due to higher nuclear waste management costs related to already spent fuel. Any cost increase or decrease which is related to already spent fuel is always recognised immediately in Comparable operating profit.

Operating profit in Power segment is affected by the accounting principle for Fortum's share of the Finnish Nuclear Waste Management Fund, since the carrying value of the Fund in Fortum's balance sheet can in maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the effects to 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. This accounting effect is not included in Comparable operating profit in Fortum financial reporting; see Other items affecting comparability in Note 4. Fortum had an effect from this adjustment in Q4 2010 of EUR -6 million, compared to EUR -33 million in Q4 2009. The cumulative effect 2010 was EUR -2 million compared to EUR -59 million in 2009.

Associated companies

Fortum has minority shareholdings in associated Finnish and Swedish nuclear production companies. 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 received at year end updated cash flow information for its nuclear associated companies, Teollisuuden Voima Oyj, OKG AB and Forsmarks Kraftgrupp AB. Based on the updated cost estimates, the effect in share of profits was EUR -12 million in 2010. In 2009, the effect in share of profits was EUR -13 million which included EUR -5 million due to decrease of the carrying value of the Finnish Nuclear Waste Fund. The Finnish Nuclear Waste Fund is overfunded whereas the value of the Swedish Nuclear Waste Fund is estimated to be below the value of the provisions at year end 2010.

17. Pledged assets

EUR million	Dec 31 2010	Dec 31 2009
On own behalf		
For debt		
Pledges	307	293
Real estate mortgages	137	137
For other commitments		
Real estate mortgages	155	220
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	3	2

Pledged assets for debt

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the Fund. During Q1 2010 Fortum increased its borrowing from the Fund (see Note 15) and therefore pledged additional Kemijoki shares as security. As of 31 December the value of the pledged shares amount to EUR 269 million (2009: 263 million).

Pledged assets for other commitments

Fortum has given real estate mortgages in power plants in Finland, total value of EUR 155 million (2009: 220 million), as a security to the State Nuclear Waste Management Fund for the uncovered part of the legal liability and unexpected events relating to future costs for decommissioning and disposal of spent fuel in Loviisa nuclear power plant. The size of the securities given was updated in Q2 based on the decisions regarding the legal liabilities and the funding target which takes place around year end every year. Due to the yearly update, the amount of real estate mortgages given as a security decreased by EUR 39 million in Q2 2010 (see also note 16 Nuclear related assets and liabilities). Pledges given related to Inkoo and Naantali power plants. In Q4 2010 the real estate mortgages of EUR 26 million related to Naantali power plant were returned and replaced by parent company guarantee (see note 20).

18. Operating lease commitments

EUR million	Dec 31 2010	Dec 31 2009
Due within a year	29	23
Due after one year and within five years	49	35
Due after five years	130	93
Total	208	151

The increase in operating lease commitments from the end of 2009 is mainly due to exchange rate differences and land leases.

19. Capital commitments

EUR million	Dec 31 2010	Dec 31 2009
Property, plant and equipment	1 172	1 326
Intangible assets	7	5
Total	1 179	1 331

Capital commitments have decreased compared to year end 2009. Commitments have decreased due to acquisition of combined heat and power plant (CHP) in Nokia, Finland and progressing of OAO Fortum's investment program as well as finalisation of Czesochowa power plant investment. On the other hand a stronger Russian rouble and commitments relating to CHP investment in Klaipeda, Lithuania and CHP investment Brista 2, Sweden as well as automatic meter reading investment in Distribution Finland have increased commitments.

20. Contingent liabilities

EUR million	Dec 31 2010	Dec 31 2009
On own behalf		
Other contingent liabilities	228	321
On behalf of associated companies and joint ventures		
Guarantees	358	592
Other contingent liabilities	125	125
On behalf of others		
Guarantees	1	12
Other contingent liabilities	0	1

Guarantees on own behalf

Other contingent liabilities on own behalf, EUR 228 million, have decreased by EUR 93 million compared to 31 December 2009. The decrease is due to cancellation of parent company guarantee related to Fortum's operating and maintenance business in the UK, and progressing of the investments in Russia and Poland. The decrease was partly netted by a parent company guarantee of EUR 25 million that was given in Q4 2010 as a security to the State Nuclear Waste Management Fund for the uncovered part of the Loviisa nuclear power plant's legal liability and unexpected events related to decommissioning and disposal of spent fuel. The parent company guarantee replaced the real estate mortgages of Naantali power plant that were returned in Q4 2010 to Fortum (see note 18).

Guarantees on behalf of associated 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 power plant and disposal of spent fuel.

The guarantee given on behalf of Teollisuuden Voima Oyj (TVO) to the Finnish fund amount to EUR 58 million at 31 December 2010 (2009: 67). The size of the guarantee was updated in Q2, based on the decisions regarding legal liability and the funding target made in January 2010 (see note 16).

In Sweden, Fortum has given guarantees on behalf of Forsmarks Kraftgrupp AB (FKA) and OKG AB (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 in June 2010 from SEK 5,314 million (EUR 518 million) at year-end 2009 to SEK 2,574 million (EUR 287 million at year-end). 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.

21. Legal actions and official proceedings

In August 2010 The Supreme Administrative Court in Finland overruled the appeal by the Finnish Competition Authority on the decision of the Market Court on 14 March 2008. The Market Court decided then that Fortum's E.ON Finland acquisition in 2006 did not give Fortum a dominant market position or strengthen the market position.

Two subsidiaries of Fortum, Grangemouth CHP Limited and Fortum O&M (UK) Limited, are defendants in a court case regarding greenhouse gas emissions allowances in the High Court of Justice in London. Grangemouth CHP Limited is a party to an Electricity Supply Agreement with Ineos Manufacturing Scotland Limited, pursuant to which Grangemouth CHP Limited provides electricity from its CHP plant to the Grangemouth site in Scotland until April 2016. Ineos Manufacturing Scotland Limited claims that it is entitled to all of the emissions allowances allocated under the EU ETS scheme for greenhouse gas emission allowance trading with respect to the CHP plant. Grangemouth CHP Limited denies this claim. The trial took place in November and December 2010. Judgement is expected in 2011. No provision has been booked on the basis of the court case.

Fortum is, through its interest in TVO, participating in the building of a 1,600 MW nuclear power plant unit (Olkiluoto 3) in Finland. The AREVA-Siemens Consortium, the turnkey supplier of the Olkiluoto 3 nuclear power plant unit to TVO, reported in November that most of the works 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 an arbitration in December 2008, concerning Olkiluoto 3 delay and related costs. Supplier's monetary claim at the end of December 2010 was approximately EUR 1.2 billion. TVO has, in response, filed a counter-claim in April 2009 for costs and losses that TVO is incurring due to the delay and other defaults on the part of the supplier. The value of TVO's counter-claim is at the end of 2010 approximately EUR 1.4 billion. Arbitration process can continue for several years.

No other material changes in legal actions and official proceedings have occurred during 2010 compared to the year-end 2009.

22. Related party transactions

Related parties are described in the annual financial statements as of the year ended 31 December 2009. No material changes have occurred during year 2010.

The Finnish State owned 50.76% of the shares in Fortum 31 December 2010. There has been no change in the amount of shares during 2010.

Associated company transactions

EUR million	2010	2009
Sales to associated companies	63	86
Interest on associated company loan receivables	39	37
Purchases from associated companies	764	555

Associated company balances

EUR million	Dec 31 2010	Dec 31 2009
Long-term interest-bearing loan receivables	1 071	852
Trade receivables	22	14
Other receivables	20	5
Long-term loan payables	213	199
Trade payables	36	23
Other payables	15	22

Transactions and balances with joint ventures

Transactions and balances with joint ventures as at and for the year ended 31 December 2010 are not material for the group.

23. Events after the balance sheet date

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

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

24. Definition of key figures

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + Depreciation, amortisation and impairment charges
Comparable EBITDA	=	EBITDA - items affecting comparability
Items affecting comparability	=	Non-recurring items + other items affecting comparability
Comparable operating profit	=	Operating profit - non-recurring items - other items affecting comparability
Non-recurring items	=	Capital gains and losses
Other items affecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum's part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.
Funds from operations (FFO)	=	Net cash from operating activities before change in working capital
Capital expenditure	=	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during the construction period. Maintenance investments expand the lifetime of an existing asset, maintain useage/availability and/or maintains reliability. Productivity investment improves productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.
Return on shareholders' equity, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$
Return on capital employed, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$
Return on net assets, %	=	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}} \times 100$
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses)}}{\text{Comparable net assets average}} \times 100$
Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions
Net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)

Comparable net assets	=	Net assets adjusted for non-interest bearing assets and liabilities arising from financial derivatives hedging future cash flows where hedge accounting is not applied according to IAS 39
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$
Equity-to-assets ratio, %	=	$\frac{\text{Total equity including non-controlling interest}}{\text{Total assets}} \times 100$
Net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit} + \text{Depreciation, amortisation and impairment charges}}$
Comparable net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Comparable EBITDA}}$
Interest coverage	=	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Interest coverage including capitalised borrowing costs	=	$\frac{\text{Operating profit}}{\text{Net interest expenses} - \text{capitalised borrowing costs}}$
Earnings per share (EPS)	=	$\frac{\text{Profit for the period} - \text{non-controlling interest}}{\text{Average number of shares during the period}}$
Equity per share	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares excluding treasury shares at the end of the period}}$
Last twelve months (LTM)	=	Twelve months preceding the reporting date

Market conditions

Power consumption				
TWh	Q4 2010	Q4 2009	2010	2009
Nordic countries	111	103	396	378
Russia	277	271	1 005	964
Tyumen	22	22	82	81
Chelyabinsk	9	9	35	32
Russia Urals area	67	65	245	236

Average prices				
	Q4 2010	Q4 2009	2010	2009
Spot price for power in Nord Pool power exchange, eur/MWh	62	37	53	35
Spot price for power in Finland, eur/MWh	67	40	57	37
Spot price for power in Sweden, eur/MWh	67	40	57	37
Spot price for power in European and Urals part of Russia, RUB/MWh ¹⁾	886	728	882	667
Spot price for power (market price), Urals hub, RUB/MWh ¹⁾	817	693	835	633
Average regulated electricity price for OAO Fortum, RUB/MWh ¹⁾	613	536	614	533
Average regulated capacity price, tRUB/MW/month	167	186	169	187
Spot price for power in Germany, eur/MWh	51	39	44	39
Average regulated gas price in Urals region, RUB/1000 m ³	2 221	1 937	2 221	1 781
CO ₂ , (ETS EUA), eur/tonne CO ₂	15	14	14	13
Coal (ICE Rotterdam), USD/tonne	108	77	92	70
Oil (Brent Crude), USD/bbl	87	76	80	63

1) Excluding capacity tariff

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

Export/import between Nordic Area and Continental Europe				
TWh (+ = import to, - = export from Nordic area)	Q4 2010	Q4 2009	2010	2009
Export / import	7	3	21	8

Power market liberalisation in Russia				
%	Q4 2010	Q4 2009	2010	2009
Share of power sold on the liberalised market	80	50	70	40
Share of power sold at the liberalised price by OAO Fortum	67	37	61	34

Production and sales volumes

Power generation				
TWh	Q4 2010	Q4 2009	2010	2009
Power generation in the EU and Norway	14.8	13.1	53.7	49.3
Power generation in Russia	4.5	4.3	16.1	16.0
Total	19.3	17.4	69.8	65.3

Heat production				
TWh	Q4 2010	Q4 2009	2010	2009
Heat production in the EU and Norway	8.3	7.4	26.1	23.2
Heat production in Russia	8.2	8.4	26.0	25.6
Total	16.5	15.8	52.1	48.8

Power generation capacity by division				
MW	Dec 31 2010			Dec 31 2009
Power	9 728			9 709
Heat	1 600			1 446
Russia	2 785			2 785
Total	14 113			13 940

Heat production capacity by division				
MW	Dec 31 2010			Dec 31 2009
Power	250			250
Heat	10 448			10 284
Russia	13 796			13 796
Total	24 494			24 330

Power generation by source in the Nordic area				
TWh	Q4 2010	Q4 2009	2010	2009
Hydropower	6.0	5.9	22.0	22.1
Nuclear power	5.4	5.1	22.0	21.4
Thermal power	2.9	1.8	8.3	4.6
Total	14.3	12.8	52.3	48.1

Power generation by source in the Nordic area				
%	Q4 2010	Q4 2009	2010	2009
Hydropower	42	46	42	46
Nuclear power	38	40	42	44
Thermal power	20	14	16	10
Total	100	100	100	100

Power sales				
EUR million	Q4 2010	Q4 2009	2010	2009
Power sales in the EU and Norway	897	768	3 110	2 802
Power sales in Russia	149	109	505	390
Total	1 046	877	3 615	3 192

Heat sales				
EUR million	Q4 2010	Q4 2009	2010	2009
Heat sales in the EU and Norway	439	351	1 309	1 095
Heat sales in Russia	98	76	287	219
Total	537	427	1 596	1 314

Power sales by area				
TWh	Q4 2010	Q4 2009	2010	2009
Finland	8.8	7.1	30.7	26.1
Sweden	7.4	6.8	28.3	26.9
Russia	4.9	5.3	18.7	19.5
Other countries	1.0	1.0	3.2	3.2
Total	22.1	20.2	80.9	75.7

NordPool transactions are calculated as a net amount of hourly sales and purchases at the Group level

Heat sales by area				
TWh	Q4 2010	Q4 2009	2010	2009
Russia	9.0	8.9	26.8	25.6
Finland	3.1	2.7	9.6	8.0
Sweden	3.7	3.2	10.9	9.8
Poland	1.4	1.4	4.0	3.7
Other countries ¹⁾	1.1	1.0	3.6	3.5
Total	18.3	17.2	54.9	50.6

1) Including the UK, which is reported in the Power Division, other sales.