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President and CEO's speech
25 March 2010

President and CEO Tapio Kuula's speech at Fortum Corporation's Annual General Meeting

Mr Chairman, honourable shareholders, ladies and gentlemen,

This year I have the pleasure of welcoming a record audience to our Annual General Meeting. Over 1,300 shareholders signed up in advance – almost twice the number of last year.

A year ago, the Annual General Meeting of Fortum was held in a very different atmosphere. In fact, the company was in the middle of a public stir. However, I am pleased to say that, soon after the Annual General Meeting, the stir gradually subsided and Fortum was left to work in peace. Thanks to this, we could go back to our normal daily routine and continue to develop Fortum into a better power and heat company.

The year 2009 was a challenging one also in many other ways. For example in Finland and Russia, the global recession resulted in a contraction of nearly 8% in their economies. The economic downturn was significant in our other domestic markets as well. Due to the collapse in industrial production, also electricity consumption fell to record low levels. In Russia and the Nordic countries, total electricity demand decreased by 5%. Industrial electricity consumption in the Nordic countries decreased by almost 15%.

Despite the challenging conditions, Fortum achieved a good result last year. Fortum's continuous financial stability gives the company a good basis to tackle the future challenges of the energy business. Climate change, limited natural resources and increasing demand are issues which Fortum, as a responsible company, is actively looking solutions for.

Electricity demand will continue to grow despite last year's recession. The growth in electricity consumption in the short term is affected by economic recovery. In the long term, the growth will speed up as electricity's share of total energy consumption rises. At the moment, we expect that electricity demand in the Nordic countries will return to the level of 2008 in 2012–2014. In addition to renewable energy forms, other low-emission electricity production methods such as nuclear power are also needed to cover demand.

By 2030, electricity production in Finland will decrease by an amount corresponding to the energy produced by three new nuclear power plants. Every year, Finland imports an amount of electricity corresponding to the capacity of one nuclear power plant. Finland has set being self-sufficient in electricity production, even during peak consumption times, as the primary goal of its energy policy. Furthermore, the goal of the government is to reduce emissions by 80–90% by 2050.

Loviisa 3 offers a unique opportunity for efficient combined production of carbon dioxide-free power and district heating in Helsinki metropolitan area. Through Loviisa 3, Finland's annual carbon dioxide emissions would decrease by 4 million tonnes, or 6%.

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In my opinion, this opportunity must not be missed. We believe in this so strongly that, should the licence be granted, we are ready to spend the extra 100 million euros required to build the plant as a combined heat and power plant.

According to some opinions in public discussion, it is not yet necessary to make a decision on the replacement of Loviisa's current nuclear power plant units. The current operating licences expire in 2027 and 2030. By then, the plants, which were originally designed to last 25 years, will have been in operation for 50 years. In practice, the licence is needed now if we want plant manufacturers to consider us a reliable future partner, and guarantee our nuclear power expertise and the continuity of the current plants. Fortum is also ready to schedule the completion of its project according to how much electricity and resources the market needs. This means that the new plant would become operational in 2022–23.

I believe that, when political decision-makers have all the required information at their disposal, the final result will be in the overall interest of society and Fortum's application will be judged positively. Everything is ready for the construction of Loviisa 3. Only the licence is missing.

In addition to investing in nuclear power, Fortum is determined to make investments that take into account capacity needs, climate aspects and financial realities in the same way. Sustainable development is a fundamental part of Fortum's strategy and vision, and I strongly believe that it will be one of the success factors of our business also in the future. Of Fortum's total electricity production, 69% is currently carbon dioxide-free. Furthermore, 91% of our electricity production in the EU is carbon dioxide-free, and so is 95% of our ongoing investment programme. We continuously invest in reducing emissions also in Russia.

A significant part of our investments in the Nordic countries and the Baltic area pertains to obtaining new combined heat and power production capacity. Combined production of power and heat is an energy-efficient alternative. In fact, it allows the exploitation of over 90% of the energy contained in the fuel. In 2009, Fortum introduced two new combined production plants, one in Suomenoja in Espoo and the other in Tartu in Estonia. The combined power and heat production plants to be built in Pärnu in Estonia and in Cześćochowa in Poland will be taken into commercial use this year.

Fortum's investment programme also includes refurbishment investments for many hydropower plants. The aim of these measures is to increase the production capacity of the plants, improve safety and guarantee good availability. The refurbishment programme for the hydropower plants will increase Fortum's power production capacity by, on average, 20–30 MW per year until 2015.

Fortum also invested in automatic meter management for electricity distribution customers. In Sweden, 844,000 of our customers now have remote reading meters, the last ones of which were installed in summer 2009. In Finland, the installation of meters will begin this year. The new remote reading meters enable consumers to monitor and control their electricity consumption more easily than before, which improves energy efficiency.

Decisions made in the investment sector will have effects long in the future. The average operating life of power plants is 40–60 years. Our power plant in Naantali will celebrate its 50-year anniversary this coming summer. The plant is an excellent example of how competent operation

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and maintenance significantly increase the lifetime of a power plant and always ensure excellent availability. However, now is the right time to start looking for new solutions for the future of the Naantali plant. A new power plant unit is necessary, and I believe that, together with our partners in the area, we will find an excellent sustainable solution for the area. Production based on biofuels is the top alternative in our plans.

In February 2008 we made a significant acquisition in Russia, and we are strongly committed to making our operations there successful. Russia is a growth market. After the recession, its economy will grow faster than our other domestic markets. The Russian electricity reform has progressed according to the decisions made by the Russian government. In Russia, the share of electricity sold in competitive markets was increased to 60% at the beginning of 2010. According to the reform, all electricity in wholesale markets will be priced in a market-based way from the beginning of 2011.

OAo Fortum's ongoing investment programme will increase our power production capacity from the current level of approximately 2,800 MW to slightly over 5,000 MW. Three of the seven new units included in the programme will be completed in 2010.

Our goal is to improve energy efficiency in Russia significantly. An example of this is the agreement between Fortum and the Chelyabinsk Region Administration on extensive cooperation in the area of energy efficiency. The largest operation in the programme is the automation and refurbishment of the Chelyabinsk district heating system, which will improve energy efficiency in the area by over 30% and will significantly decrease fuel consumption and emissions.

Not many people know that, with the acquisition of OAo Fortum, Fortum became the fourth largest heat producer in the world. Our heat production relies on efficient combined production of power and heat.

In Russia, the energy market has been developed in a market-oriented way. I believe that market-driven development will continue also in Europe. Although further progress is still needed, the Nordic electricity market has been a pioneer for other electricity market areas. We are moving in the right direction, and I am sure that, in the future, a market-driven, European-wide wholesale electricity market will benefit everyone. In fact, it increases competition, improves security of supply and makes it possible to achieve climate goals with the lowest possible costs for society.

The European Union strongly invests in developing the energy market, and the member countries, including Finland, are committed to creating a functional, European-wide internal electricity market. This is indicated by the fact that the EU invests in building electricity and gas distribution connections. The number of electricity distribution connections between the Nordic countries and Central Europe has been planned to double by the end of the current decade.

Harmonising the different national support systems also has a key role when increasing the efficiency of the energy market and tackling the challenges posed by climate change. Therefore, investments are allocated where they make most sense. In the Nordic countries, simply moving from national support systems to common mechanisms could save a total of 950 million euros per year when aiming to achieve all our agreed renewable energy goals by 2020.

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Energy companies have a significant role to play in controlling climate change, because the majority of greenhouse gases derive from the production and consumption of energy. Fortum actively develops and applies new technologies that support development towards a CO₂-free energy system.

In 2009, Fortum's R&D operations strongly focused on smart grids, the recharging infrastructure for electric cars, and the development of a nuclear combined heat and power plant concept I already mentioned before.

Last year, intelligent electricity networks became the new key area of Fortum's R&D operations. One of the goals of the development work is to test solutions that can be used to feed into the electricity network the surplus energy produced, for example, from renewable energy sources such as solar panels.

Electric cars, too, are closely related to the development operations of smart grids. We believe that electric cars will be an integral part of traffic in the future. Fortum promotes the introduction of electric cars by developing the necessary recharging infrastructure. In 2009, Fortum continued to work actively on projects related to electric vehicles. For example, we developed the Eva electric concept car in collaboration with Valmet Automotive. The car was presented for the first time at the beginning of the month at the Geneva Motor Show. Today, you can see it here at Finlandia Hall.

In cooperation with TVO, Fortum has also continued to develop a carbon capture and storage system for the Meri-Pori power plant. The aim of the project is to capture, transport and store over 1.2 million tonnes of CO₂ per year. This corresponds to about 1.5% of all CO₂ emissions in Finland.

Our aim is to include the Meri-Pori project in the EU programme that supports demonstration projects related to renewable energy and carbon capture and storage to be built by 2015. Being accepted into the EU demonstration programme is a prerequisite for a project of this size in Finland. In addition to the commitment of all parties involved, the implementation of the project also requires strong political will and national funding. If implemented, the project would have a significant impact on national economy. Furthermore, it would increase Finnish know-how in one of the most important climate technologies and would create the opportunity to develop a successful Finnish export product from this technology.

Fortum's R&D operations have always been based on building networks and partnerships with leading research organisations, engineering companies and equipment and plant manufacturers. One of the most important partnerships in recent years is the new cooperation with Aalto University that is now in the process of being finalised. This long-term programme has been approved by Fortum's Board of Directors and its aim is to analyse energy production and consumption as well as the energy markets. The project is worth 3 million euros, which will be invested in the basic capital of Aalto University. The partnership continues the cooperation that existed between Fortum and the universities that now form Aalto University to advance Fortum's business operations. Combining different sectors in the research and teaching activities of Aalto University helps Fortum develop more versatile research cooperation.

Our company's determined development work for meeting future challenges has progressed with good results. We have made our organisation simpler and more efficient. Our new organisation

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became operational at the beginning of October. This made us better prepared to face the changes occurring in our operating environment. In the new corporate structure, we have four divisions: Power, Heat, Electricity Solutions and Distribution and Russia. The Group's headquarters functions include Corporate Finance, Corporate Human Resources, Corporate Relations and Sustainability, and Corporate Strategy and R&D. This structure gives a ground for more efficient decision-making and business control.

At this point, I would like to present Fortum's management team.

Anne Brunila is Executive Vice President, Corporate Relations and Sustainability.

Alexander Chuvaev is Executive Vice President, Russia Division, and is also General Director of OAO Fortum and Country Responsible for Russia.

Mikael Frisk is Senior Vice President, Corporate Human Resources.

Timo Karttinen is Executive Vice President, Electricity Solutions and Distribution Division, and is also Country Responsible for Finland and Norway.

Juha Laaksonen is Chief Financial Officer and is also responsible for the Group's IT and purchasing operations.

Per Langer is Executive Vice President, Heat Division, and is also Country Responsible for Sweden, Poland and the Baltic countries.

Maria Paatero-Kaarnakari is Senior Vice President, Corporate Strategy and R&D.

Matti Ruotsala is Executive Vice President, Power Division.

With this management team and its strong, versatile competence, we are well equipped to continue developing the company.

In addition to the aforementioned facts, Fortum's year consists of many other positive events. Our reputation has improved and our investments in sustainable development have received wide recognition. Last year also witnessed a significant increase in the number of our shareholders. Altogether, there are already over 90,000 shareholders. In my opinion, this shows that the company is interesting and that we do everything we can to ensure that Fortum's shares will be worth buying and owning also in the future.

Fortum's vision is to be a first-class power and heat company and a pioneer in sustainable development. Our vision describes our commitment to excellence in everything we do. It also describes our view of the fact that sustainable development, where economic, social and environmental responsibilities are balanced, is a success factor for the company. Our shareholders can be satisfied with being owners in a company that is financially sound and, at the same time, sets an example by handling its responsibilities towards the environment and society remarkably well.

In the 2000s, our strategy has focused on the power and heat business in the Nordic, Russian and Baltic Rim markets. We have also developed our carbon dioxide-free and flexible production portfolio with great determination. This year, our aim is to evaluate the opportunities and challenges the energy sector offers Fortum in the future. This is currently an integral part of the work carried out by our new management team.

In preparing for the future growth in electricity demand and the requirements set by climate change, Fortum is supported by its strong balance sheet and good profitability. Thanks to them, we can

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maintain our latitude and ensure that our strategy can be flexibly implemented. We are able to make the investments we have planned and we are also ready to seize new opportunities when they arise.

The future of the energy sector must be built today and the decisions made now will affect the lives of many generations to come. This is also highlighted in Fortum's Core Purpose, which states that "our energy improves life for present and future generations". My work as Fortum's President and CEO is definitely challenging. However, I have been able to face all challenges with optimism, courage and strong commitment first and foremost because I can trust Fortum's competent and professional personnel. This has made it possible for the company to develop and progress towards its goals. In our everyday operations, we are guided by our values: Excellent performance, co-operative spirit, high ethics, creativity and innovation. With these principles, we are ready to move forward and make Fortum an increasingly stronger and competitive company.

Thank you!