



Financial Statements 2007

31 January 2008

Disclaimer

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Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

A good year

- Good financial performance
- Higher achieved price in a challenging market environment
 - In 2007, EUR 39.7 per MWh (+7%) vs. Nord Pool EUR 27.9 per MWh (-43%)
- 89% (84%) of Fortum's power generation CO₂-free
- The stake in the distribution company Lenenergo sold
 - gain EUR 232 million
- Ownership maintained in the production company TGC-1
 - investment EUR 243 million
- Strong cash flow, enabling both higher investments and returns to shareholders

Comparison: 2006 financial results

Strong financial performance

- Comparable operating profit EUR 1,564 (1,437) million, + 9%
- Earnings per share EUR 1.74 (1.22), + 43%
- Net cash from operating activities EUR 1,670 (1,151) million
- Key financial targets exceeded

- Proposed dividend of EUR 1.35 per share, in total appr. EUR 1.2 billion
- Proposed share repurchase programme worth up to EUR 300 million

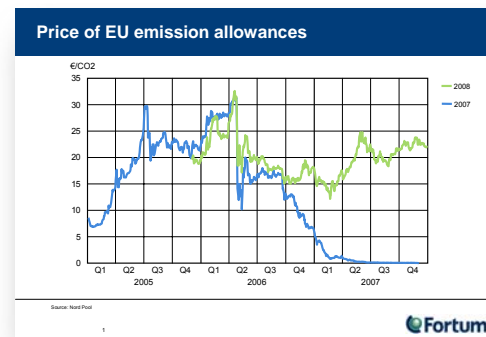
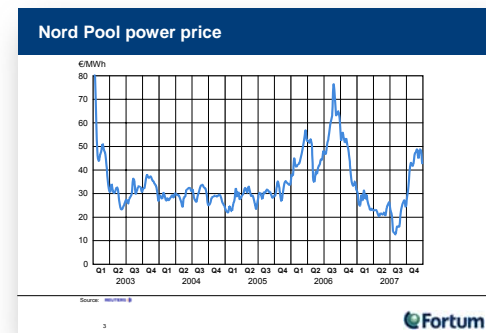
Comparison: 2006 financial results

Comparable operating profit

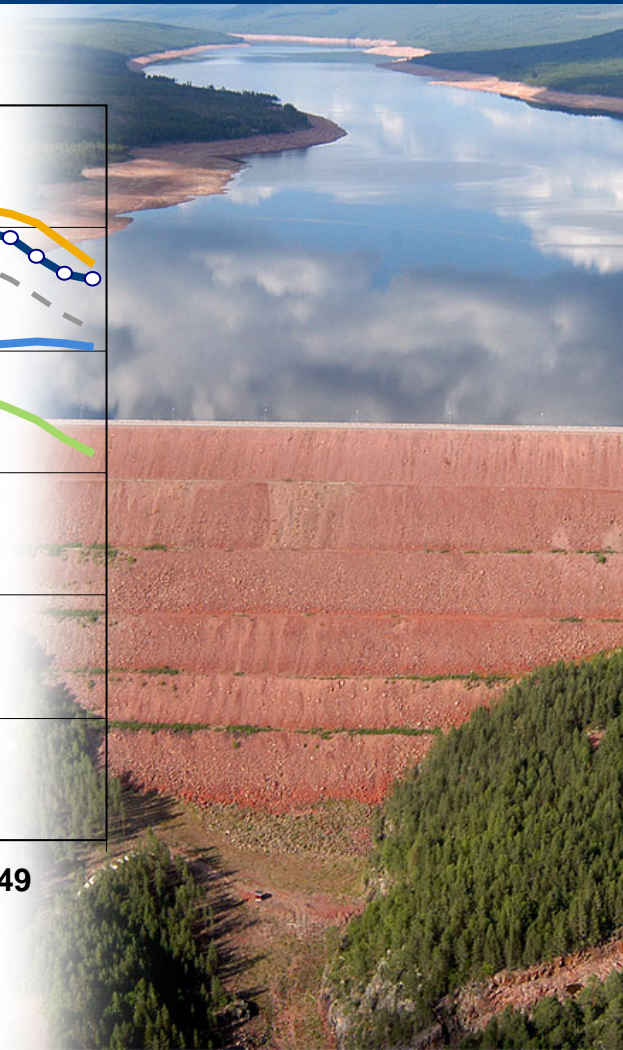
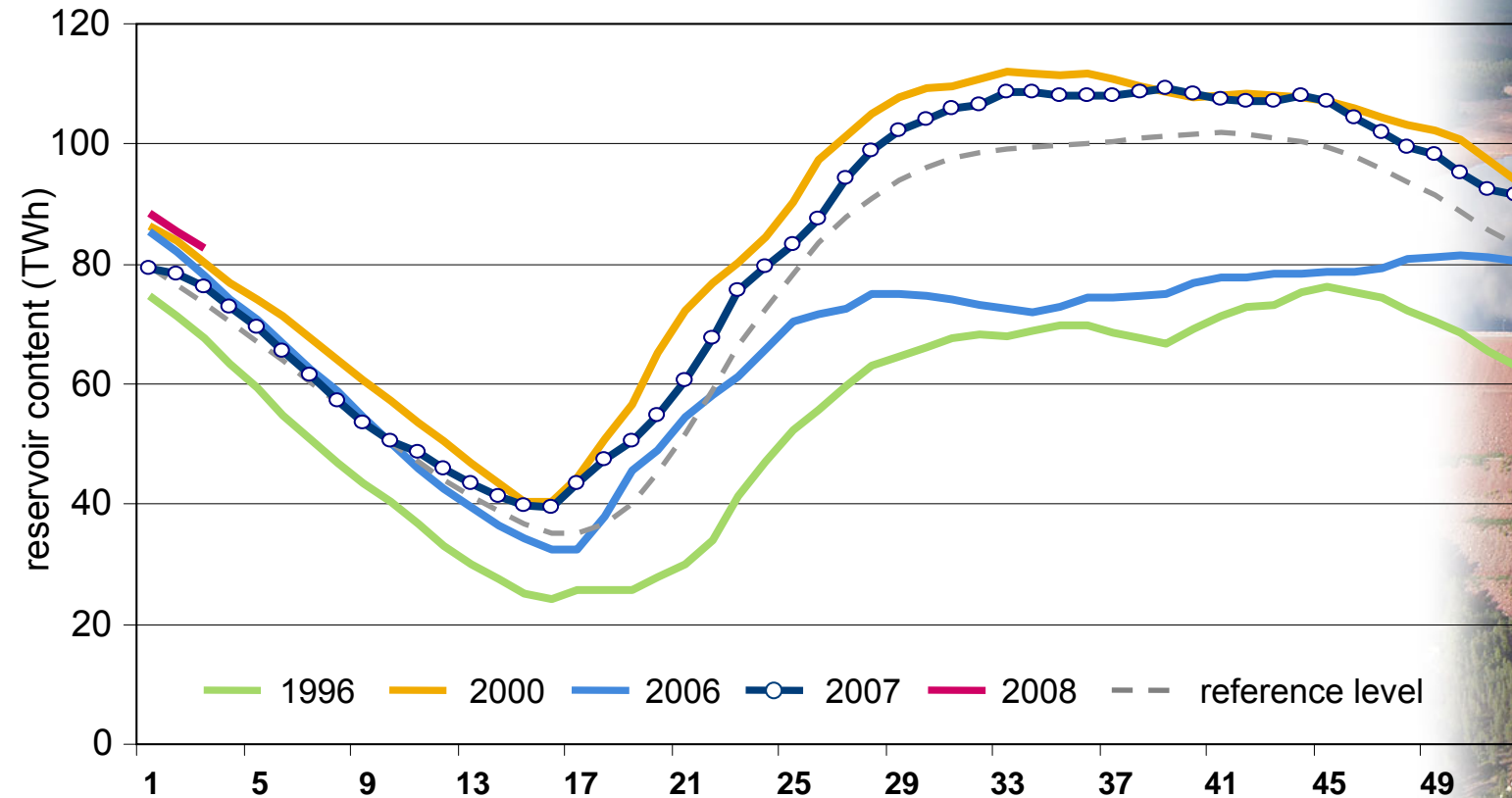
<i>MEUR</i>	IV/2007	IV/2006	2007	2006
Power Generation	363	289	1 093	985
Heat	120	95	290	253
Distribution	50	77	231	250
Markets	-1	-8	-1	-4
Other	-16	-13	-49	-47
Comparable operating profit	516	440	1 564	1 437

Price development

- Nord Pool wholesale price in:
 - Q4 decreased 4% to 42.7 EUR/MWh (44.6 EUR/MWh)
 - 2007 decreased 43% to 27.9 EUR/MWh (48.6 EUR/MWh)
- Power Generation's achieved Nordic power price in:
 - Q4 increased 14% to 43.0 EUR/MWh (37.7 EUR/MWh)
 - 2007 increased 7% to 39.7 EUR/MWh (37.1 EUR/MWh)
- CO₂ price for 2007 in:
 - Q4 decreased 99% to 0.07 EUR/MWh (9.7 EUR/MWh)
 - 2007 decreased 96% to 0.7 EUR/MWh (18.5 EUR/MWh)

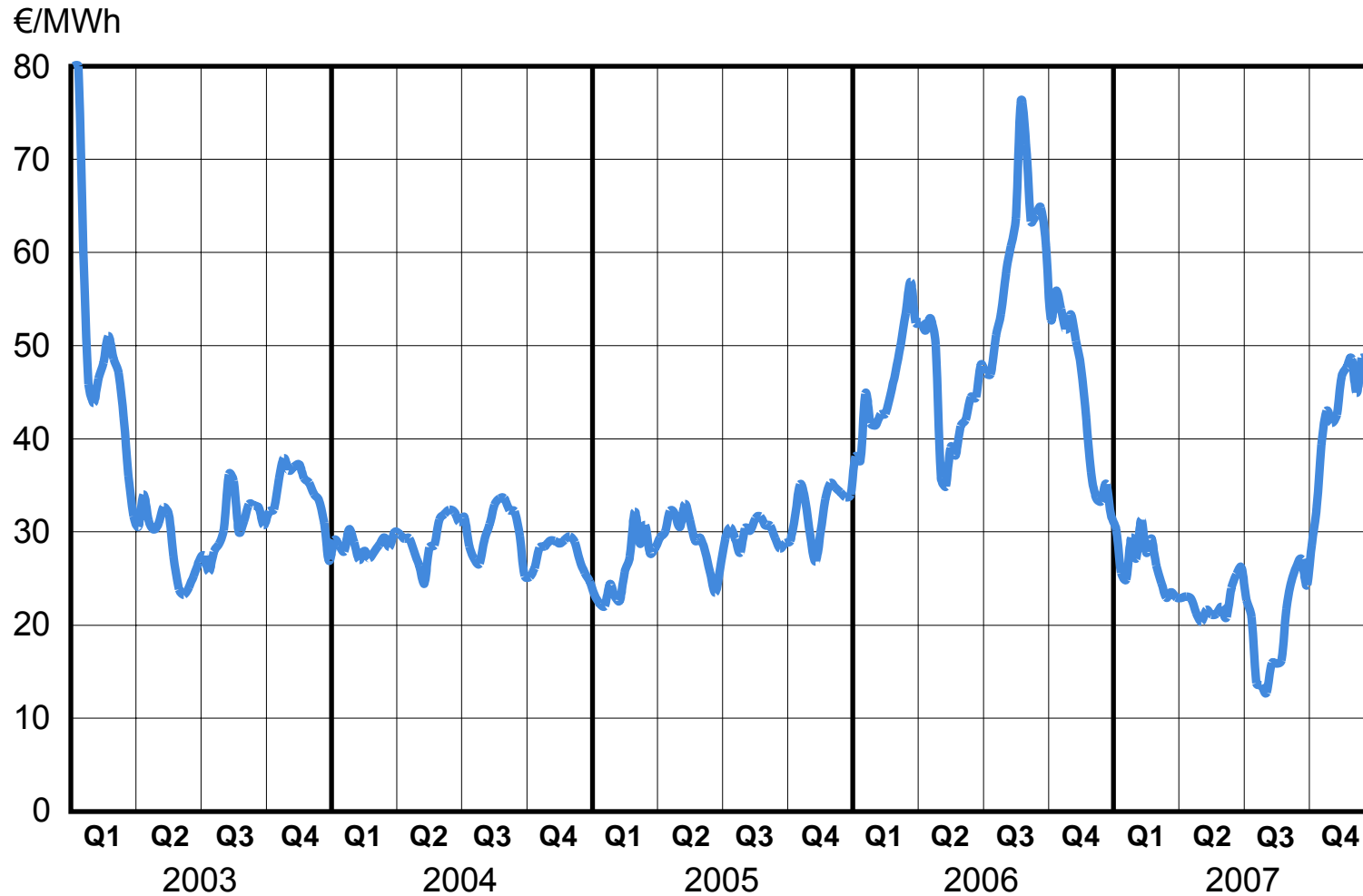


Nordic water reservoirs



Source: Nord Pool, Fortum

Nord Pool power price



Source: [REUTERS](#)

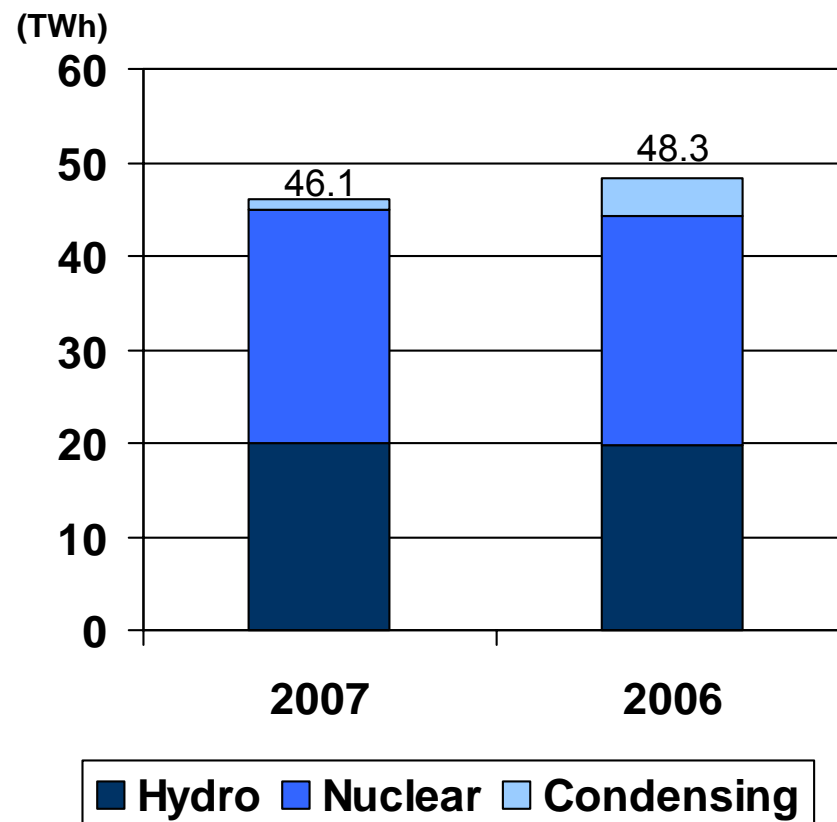
SEGMENTS



Power Generation

- Due to low spot price appr. 70% lower thermal production
- Higher hydro and nuclear volumes, +2%
- CO₂-free production of the segment 95%

Segment's power generation in the Nordic countries



Power Generation

- Higher achieved price
- Negative one-time effect from increased nuclear waste management costs in Q3
- Lower performance in Fortum Service

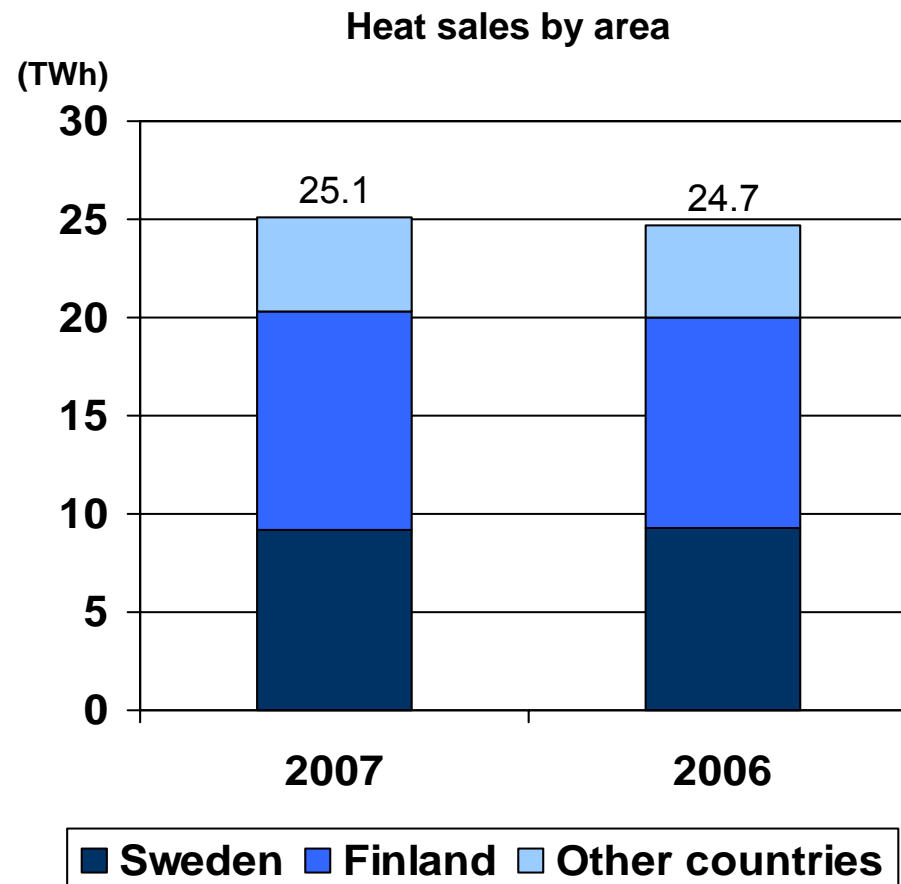
MEUR	2007	2006
Sales	2 350	2 439
Comparable operating profit	1 093	985
Net Assets	7 148	6 734
Comparable RONA, %	17.7	16.9
Gross Investments	390	240



Business units: Generation, Portfolio Management and Trading, Service

Heat

- Mild weather as in 2006
- Investments in CHP plants ongoing:
 - Suomenoja, Finland
 - Częstochowa, Poland
 - Tartu, Estonia



Heat

- Efficient fuel mix
- Acquisition of Fortum Espoo and efficiency improvements in Poland improved results

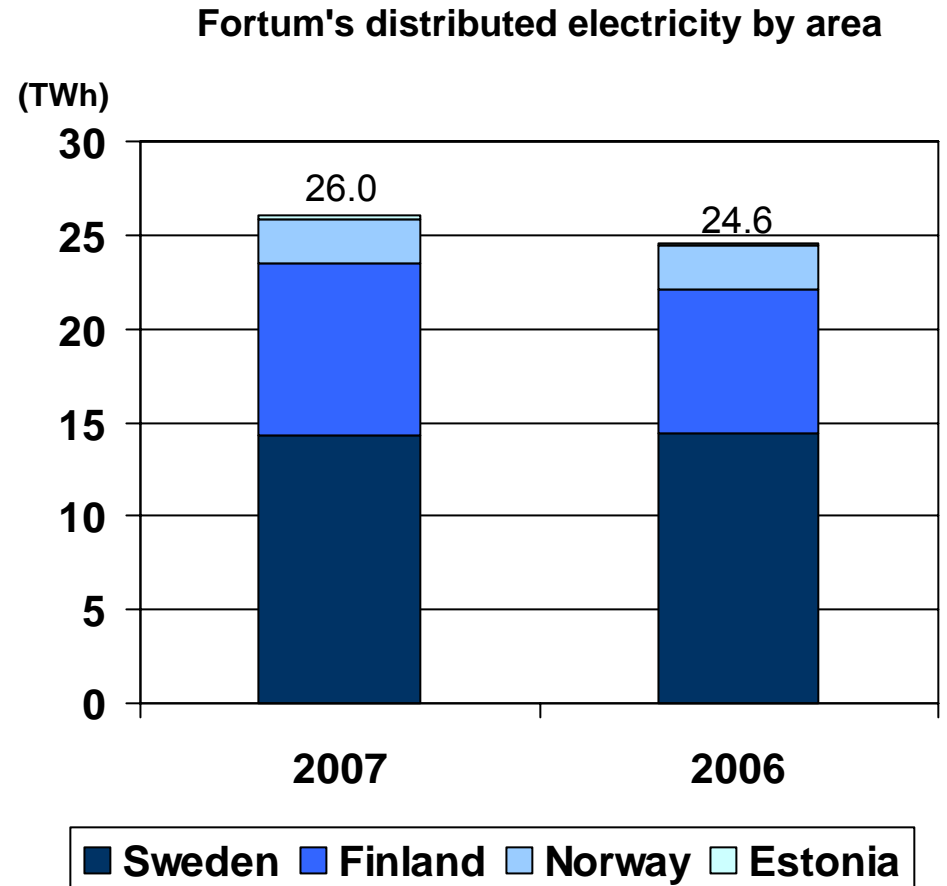
MEUR	2007	2006
Sales	1 356	1 268
Comparable operating profit	290	253
Net Assets	3 507	3 407
Comparable RONA, %	9.2	9.2
Gross Investments	327	773



Business units: Heat, Värme

Distribution

- Volume 6% higher, due to the full year consolidation of Fortum Espoo
- The pace of automated meter reader installation accelerating
- Investments in automatic meters in Sweden EUR 64 million in 2007



Distribution

- Storms, the one time price adjustment in Finland and automatic meter installations in Sweden decreased results
- Fortum Espoo contributed positively

MEUR	2007	2006
Sales	769	753
Comparable operating profit	231	250
Net Assets	3 243	3 412
Comparable RONA, %	7.5	8.3
Gross Investments	237	313



Markets

- Tight price competition continued
- Increased sales of environmentally labeled electricity
- Number of customers increased in Finland, but decreased on the Nordic level
- Customer satisfaction improved



1.3 million electricity customers
- private, business and resellers
- In Finland, Sweden and Norway

Markets

- Lower electricity sales volume and price
- Consumer prices lagged behind procurement prices in Finland
- Costs due to the new customer and billing system in Sweden

MEUR	2007	2006
Sales	1 683	1 912
Comparable operating profit	-1	-4
Net Assets	247	176
Comparable RONA, %	-0.6	-0.8
Gross Investments	3	14



FINANCIALS

Income statement

MEUR	IV/2007	IV/2006	2007	2006
Sales	1 320	1 254	4 479	4 491
Expenses	-800	-799	-2 632	-3 036
Operating profit	520	455	1 847	1 455
Share of profit of associates and joint ventures	18	18	241	69
Financial expenses, net	-37	-25	-154	-103
Profit before taxes	501	448	1 934	1 421
Income tax expense	-108	-87	-326	-301
Net profit for the period	393	361	1 608	1 120
Minority interest	25	23	56	49
EPS, basic (EUR)	0.41	0.39	1.74	1.22
EPS, diluted (EUR)	0.41	0.38	1.74	1.21

Comparable and reported operating profit

	Operating profit IV/2007		Operating profit IV/2006		Operating profit 2007		Operating profit 2006	
	Comparable	Reported	Comparable	Reported	Comparable	Reported	Comparable	Reported
Power Generation	363	363	289	290	1093	1125	985	980
Heat	120	121	95	119	290	294	253	264
Distribution	50	51	77	74	231	465	250	252
Markets	-1	2	-8	-18	-1	12	-4	-6
Other	-16	-17	-13	-10	-49	-49	-47	-35
Total	516	520	440	455	1564	1847	1437	1455

Cash flow statement

MEUR	IV/2007	IV/2006	2007	2006
Operating profit before depreciations	635	573	2 298	1 884
Non-cash flow items and divesting activities	-18	-71	-286	-92
Financial items and taxes	-162	-230	-393	-463
Funds from operations (FFO)	455	272	1 619	1 329
Change in working capital	-110	-180	51	-178
Total cash from operating activities	345	92	1 670	1 151
Paid capital expenditures	-251	-188	-592	-485
Acquisition of shares	-28	-144	-285	-899
Other investing activities	10	78	268	78
Cash flow before financing activities	76	-162	1 061	-155

Key ratios

MEUR	2007	2006	2005
Sales	4 479	4 491	3 877
Operating profit	1 847	1 455	1 347
Cash flow from operations	1 670	1 151	1 271
Interest-bearing net debt	4 466	4 345	3 158
Balance sheet total	17 674	16 839	15 130
Net debt/EBITDA*	2.2	2.3	1.8
Return on capital employed (%)*	14.0	13.4	13.5
Return on shareholders' equity (%)*	15.8	14.4	13.5

*2007 adjusted for REC and Lenenergo gains

OUTLOOK

Fortum contributes to mitigating climate change

- Climate-benign investment programme proceeding
- Fortum currently one of the lowest-emitting power companies in Europe
 - aims to maintain that position
 - in 2007 specific emissions in power generation 63 gCO₂/kWh
- New lower specific emissions targets
- Fortum established a new Renewables unit in 2007
- CO₂ capture system to be developed for Meri-Pori and Värtan power plants
 - Meri-Pori one of the EU pilot projects
- Fortum on 'The Global 100 Most Sustainable Corporations' list

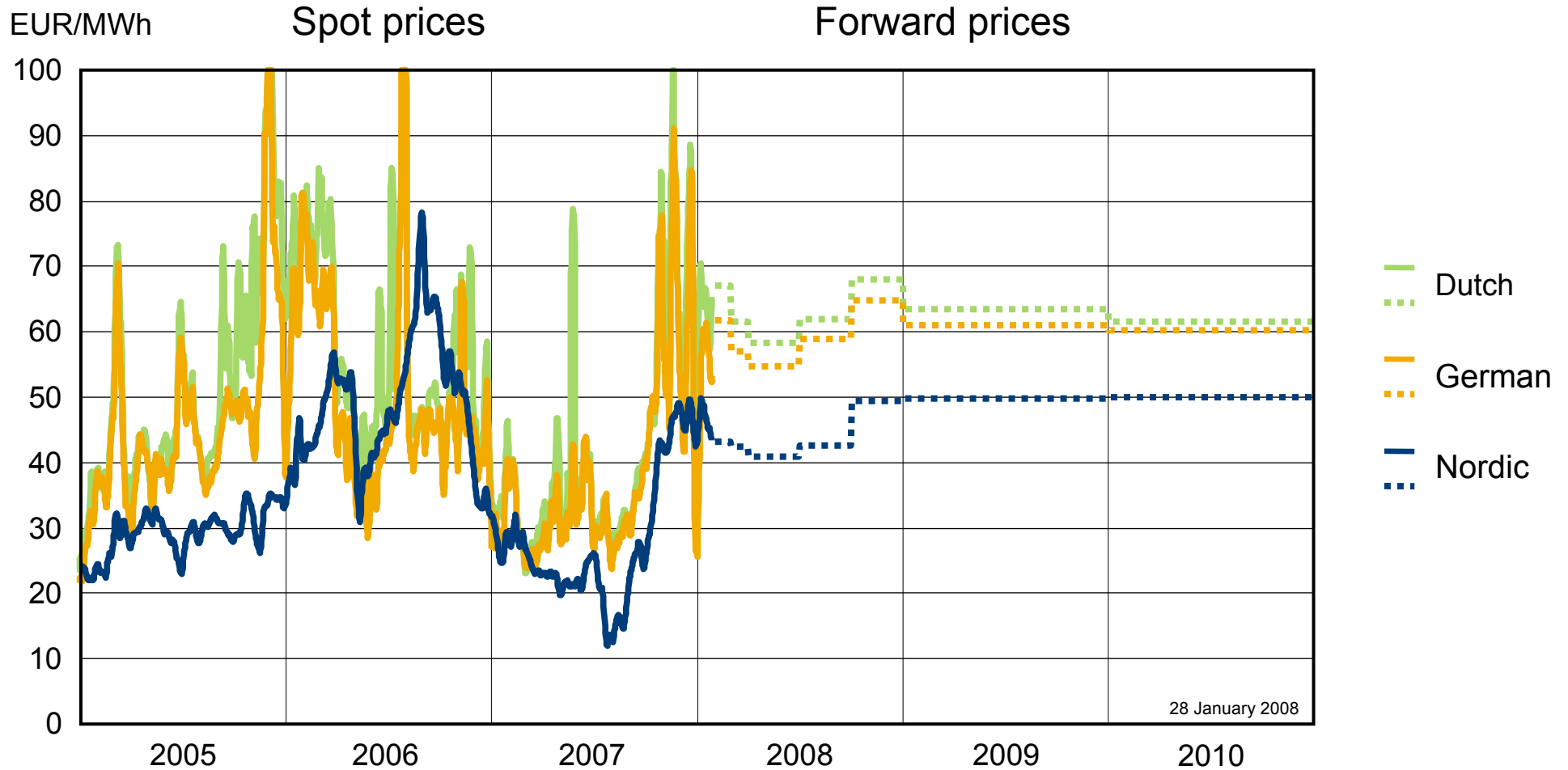
EU Energy and Climate Package

- An important and extremely ambitious step forward
- CO2 emission reduction the primary goal
 - enhancing energy efficiency
 - full auctioning of allowances after 2012
 - promotion of renewable energy
- Emissions trading a cornerstone of EU climate policy also after 2012
 - the aim should be at a global carbon market
- The EU target to increase the share of renewable energy from 8.5% in 2005 to 20% is extremely ambitious
 - market based and efficient support schemes crucial

Market fundamentals

- Nordic water reservoirs about 9 TWh above the long-term average in mid-January 2008
- Annual Nordic electricity consumption to increase about 1%
- Forward power prices in late-January 2008:
 - rest of 2008 ~ 44-45 EUR/MWh
 - 2009 ~ 49-51 EUR/MWh
- CO₂ prices in late-January 2008:
 - for 2008 ~ EUR 20-21 per tonne

Wholesale prices for electricity



Source: [REUTERS](#)

Hedging of Power Generation's Nordic sales

Status at the beginning of January 2008

(Status at the beginning of October 2007)

	<u>Hedge ratio</u>	<u>Hedge price</u>
Calendar year 2008	~ 70% (~65%)	~ EUR 44 per MWh (~ EUR 44 per MWh)
Calendar year 2009	~ 25% (~20%)	~ EUR 46 per MWh (~ EUR 45 per MWh)

Proposals for capital returns to shareholders

- Dividend proposal of EUR 1.35 per share, totalling approximately EUR 1.2 billion
 - EUR 0.77 per share from Fortum's recurring earnings
 - EUR 0.58 per share additional dividend
- Proposal to repurchase Fortum shares worth up to EUR 300 million
 - the repurchased shares shall be cancelled

Fortum is well positioned for the future

- Focus on the Nordic and Baltic areas, Poland and Russia
 - opportunities in Russia
- Climate change mitigation creates business opportunities
 - flexible and climate-benign production portfolio
 - investments in new CO₂-free production capacity
 - efforts in developing new technologies
- Strong financial position

