



**Interim Report  
January - March 2007**

24 April 2007

# Disclaimer

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Fortum shares.

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

# Solid performance continued

- The highest ever quarterly result, despite warm weather and low spot prices
- Good hedging
- Strong cash flow
- Markets' result a disappointment
- Investment programme proceeding

# Strong financial performance

- Comparable operating profit EUR 512 (486) million , + 5%
- Earnings per share EUR 0.59 (0.39), + 51%
- Net cash from operating activities EUR 497 (303) million
- Fortum's net debt decreased to EUR 3,932 (4,345 at year end) million
- A gain from the Hafslund sale of its REC shares in Q1 result
  - EUR 180 million booked in share of profit of associates
  - Fortum's share of the proposed special dividend approximately EUR 120 million

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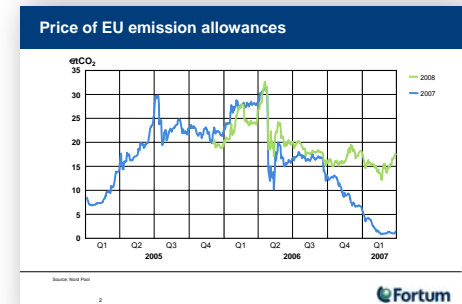
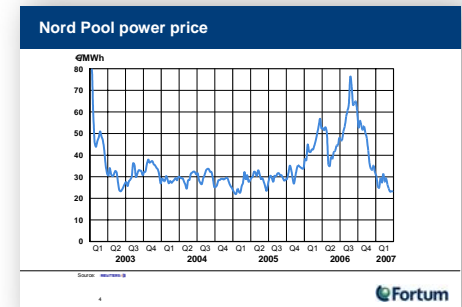
Comparison: I/2006 financial results

# Comparable operating profit

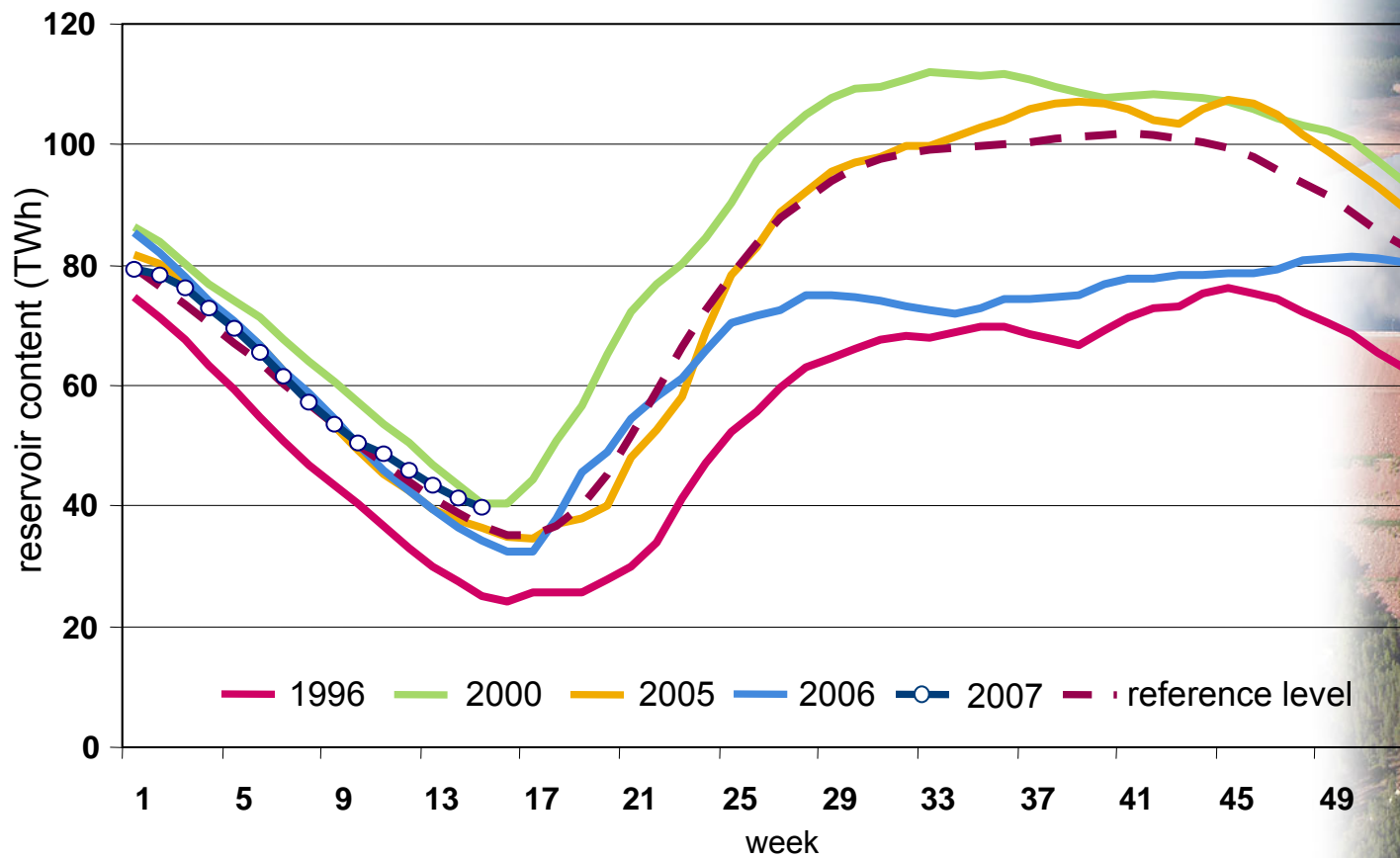
<i><b>MEUR</b></i>	<b>I/2007</b>	<b>I/2006</b>	<b>2006</b>	<b>LTM</b>
Power Generation	328	293	985	1 020
Heat	137	126	253	264
Distribution	78	81	250	247
Markets	-14	0	-4	-18
Other	-17	-14	-47	-50
<b>Comparable operating profit</b>	<b>512</b>	<b>486</b>	<b>1 437</b>	<b>1 463</b>
Non-recurring items	1	0	61	62
Other items effecting comparability	-23	-14	-43	-52
<b>Operating profit</b>	<b>490</b>	<b>472</b>	<b>1 455</b>	<b>1 473</b>

# Price developments in Q1 2007

- 41% decrease in Nord Pool whole sale price to 26.7 EUR/MWh
- Power Generation's achieved Nordic power price increased by 6% to 39.2 EUR/MWh
- Average CO<sub>2</sub> price decreased clearly to 2.1 EUR/tonne

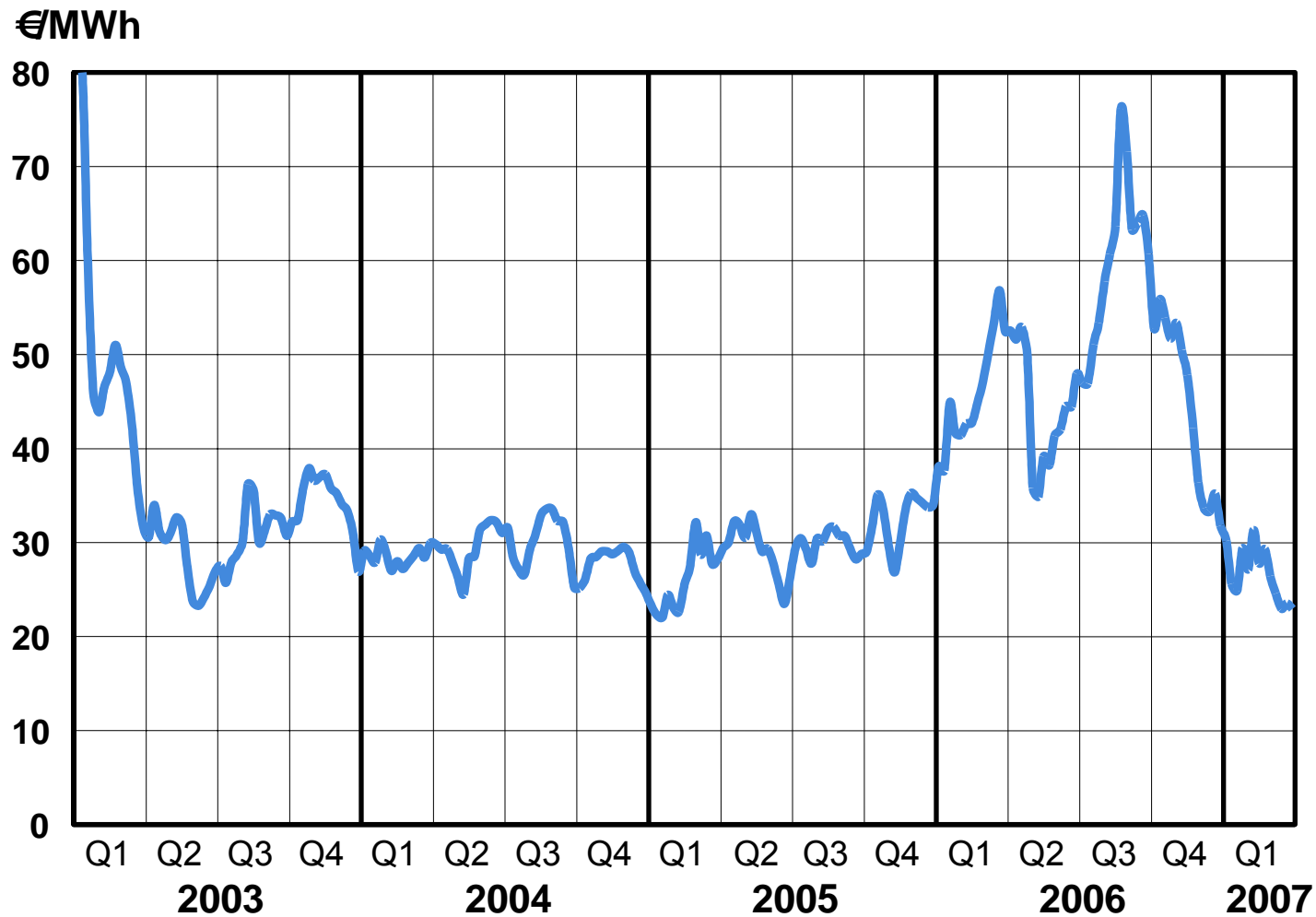


# Nordic water reservoirs



Source: Nord Pool

# Nord Pool power price



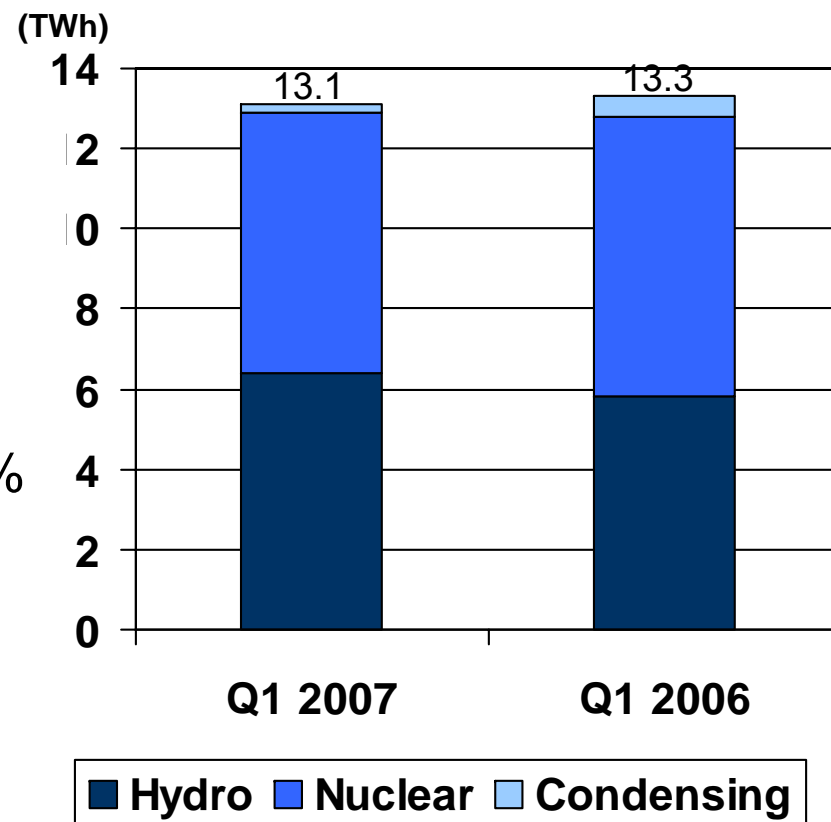
Source: [REUTERS](#)

# SEGMENTS

# Power Generation

- 2% decrease in Nordic power generation
- Higher hydro volumes, lower nuclear and condensing production
- Achieved Nordic power price up by 6% to 39.2 (37.1) EUR/MWh

Segment's power generation in the Nordic countries



Comparison: I/2006 financial results

# Power Generation

- Unplanned shut-downs in the Swedish nuclear power plants
- Improved hedging prices
- Lower spot price

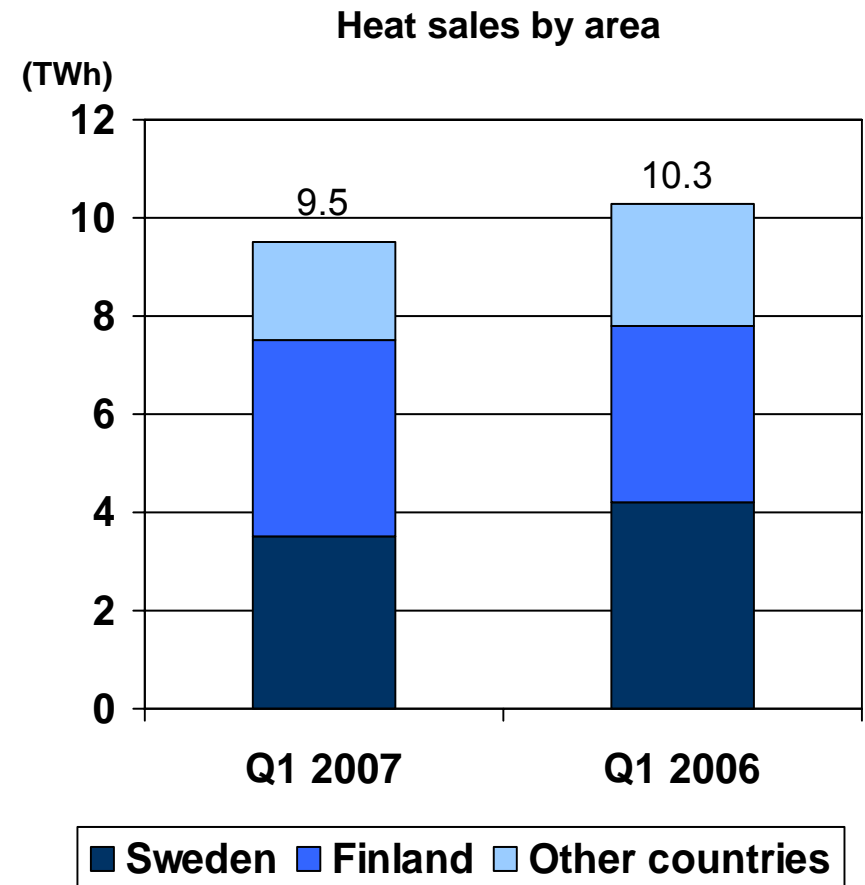
<b>MEUR</b>	<b>Q1/2007</b>	<b>Q1/2006</b>	<b>LTM</b>
Sales	641	643	2 437
Comparable operating profit	328	293	1 020
Net Assets	6 607	5 913	
Comparable RONA, %			16.3



Business units: Generation, Portfolio Management and Trading, Service

# Heat

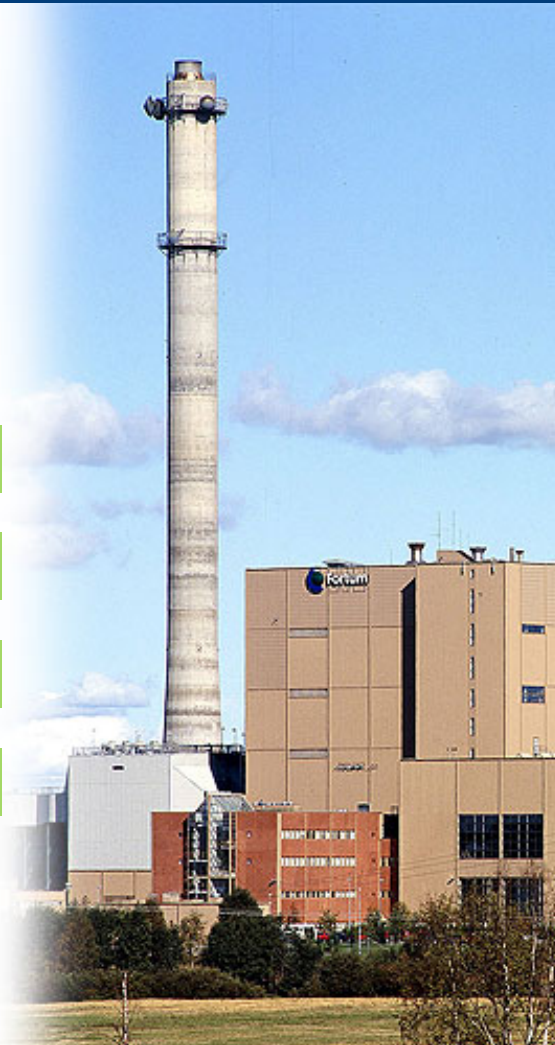
- 8% decreased volume
- Investments in CHP plants proceeding:
  - Järvenpää, Finland
  - Suomenoja, Finland
  - Värtan, Sweden
  - Tartu, Estonia
  - Częstochowa, Poland



# Heat

- Increased profits mainly from Fortum Espoo
- Warm weather during the first quarter

<b>MEUR</b>	<b>Q1/2007</b>	<b>Q1/2006</b>	<b>LTM</b>
Sales	479	480	1 267
Comparable operating profit	137	126	264
Net Assets	3 444	2 513	
Comparable RONA, %			8.9

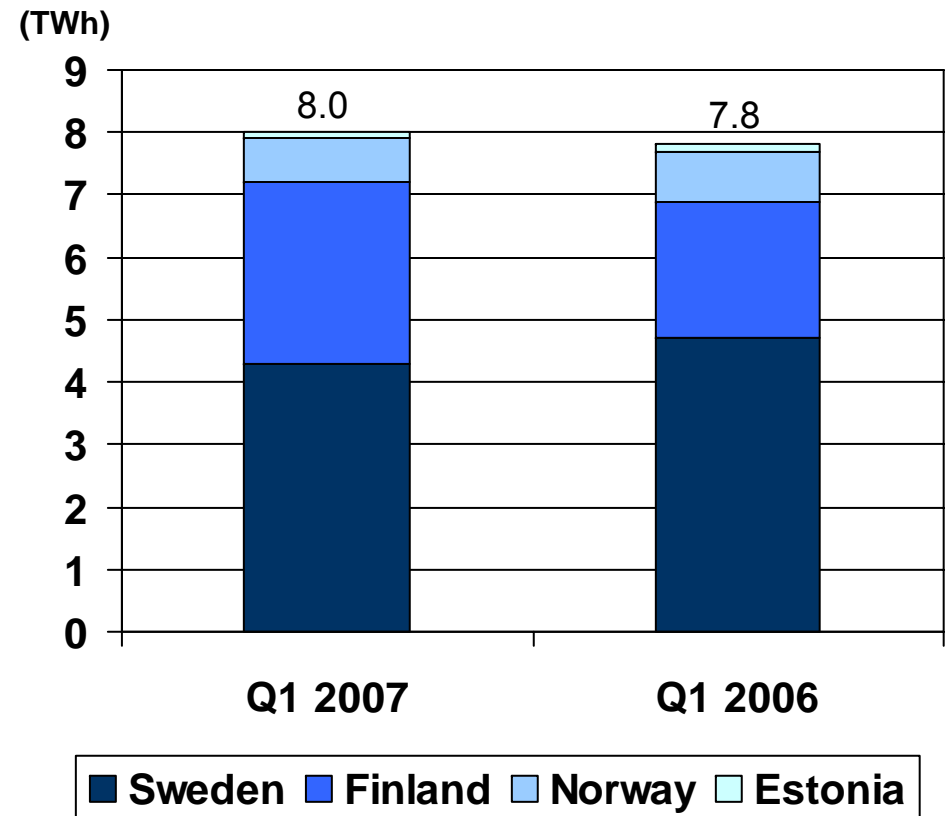


Business units: Heat, Värme

# Distribution

- Higher volume in Finland
- Storms in Sweden and Norway
- Automated meter management (AMM) proceeding

Fortum's distributed electricity by area



# Distribution

- Storms caused extra costs of EUR 11 million
- Higher volume due to Fortum Espoo

<b>MEUR</b>	<b>Q1/2007</b>	<b>Q1/2006</b>	<b>LTM</b>
Sales	225	219	759
Comparable operating profit	78	81	247
Net Assets	3 314	3 030	
Comparable RONA, %			7.9



Business units: Distribution

# Markets

- Warm weather decreased consumption
- Lower wholesale spot and also retail prices
- Intense competition continued



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

# Markets

- Lower electricity sales
- High procurement costs
- Costs due to the new customer and billing system in Sweden

<b>MEUR</b>	<b>Q1/2007</b>	<b>Q1/2006</b>	<b>LTM</b>
Sales	519	547	1 884
Comparable oper.profit/loss	-14	0	-18
Net Assets	140	356	
Comparable RONA, %			-6.7



Business units: Markets

# FINANCIALS Q1/2007

# Income statement

MEUR	Q1/2007	Q1/2006
Sales	1 340	1 343
Expenses	-850	-871
<b>Operating profit</b>	<b>490</b>	<b>472</b>
Share of profit of associates and joint ventures	202	35
Financial expenses, net	-31	-15
<b>Profit before taxes</b>	<b>661</b>	<b>492</b>
Income tax expense	-109	-120
<b>Net profit for the period</b>	<b>552</b>	<b>372</b>
Of which minority interest	30	26
EPS, basic (EUR)	0.59	0.39
EPS, diluted (EUR)	0.58	0.39

## Comparable and reported operating profit

	Operating profit I/2007			Operating profit I/2006		
	Comparable	Reported	Diff.	Comparable	Reported	Diff.
Power Generation	328	298	30	293	284	9
Heat	137	142	-5	126	119	7
Distribution	78	79	-1	81	81	0
Markets	-14	-12	-2	0	3	-3
Other	-17	-17	0	-14	-15	1
<b>Total</b>	<b>512</b>	<b>490</b>	<b>22</b>	<b>486</b>	<b>472</b>	<b>14</b>

# Cash flow statement

MEUR	I/2007	I/2006	2006
<b>Operating profit before depreciations</b>	602	570	1 884
Non-cash flow items and divesting activities	1	24	-92
Financial items and taxes	-156	-110	-463
<b>Funds from operations (FFO)</b>	<b>447</b>	<b>484</b>	<b>1 329</b>
Change in working capital	50	-181	-178
<b>Total cash from operating activities</b>	<b>497</b>	<b>303</b>	<b>1 151</b>
Capital expenditures	-100	-71	-485
Acquisition of shares	-8	-43	-899
Other investing activities	-29	-16	78
<b>Cash flow before financing activities</b>	<b>360</b>	<b>173</b>	<b>-155</b>

# Balance sheet

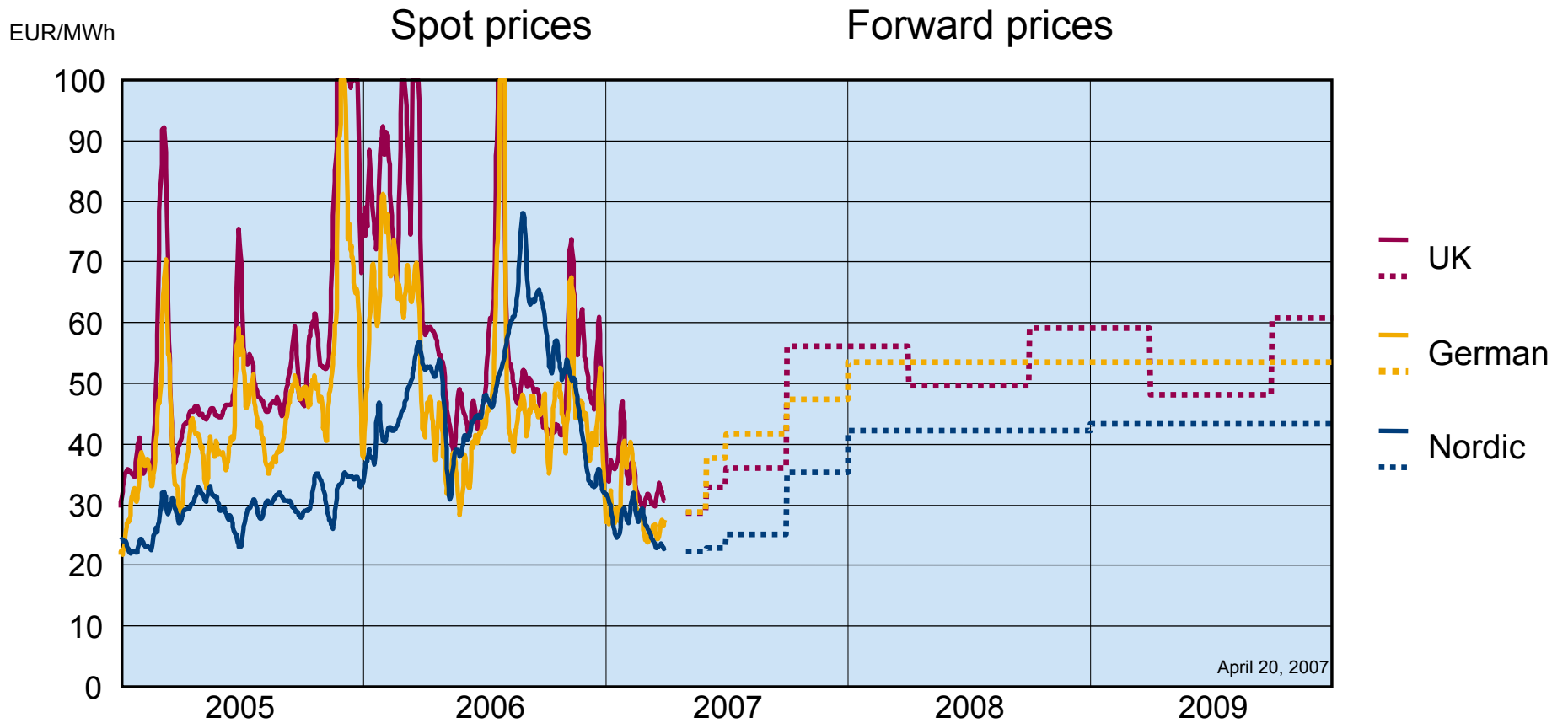
MEUR	Mar 31 2007	Dec 31 2006
Non-current assets	14 958	15 103
Current assets	2 781	1 736
<b>ASSETS</b>	<b>17 739</b>	<b>16 839</b>
Total equity	7 594	8 161
of which minority interest	271	253
Interest-bearing liabilities	4 999	4 502
Non-interest bearing liabilities	5 146	4 176
<b>EQUITY AND LIABILITIES</b>	<b>17 739</b>	<b>16 839</b>
Equity per share (EUR)	8.22	8.91
Net debt, (MEUR)	3 932	4 345
	<b>LTM</b>	<b>Dec 31 2006</b>
Net debt / EBITDA	2.1	2.3

# OUTLOOK

# Market fundamentals

- Water reservoirs about 3 TWh above the average at mid April 2007. The combined snow and water reservoir level is generally estimated to be clearly higher than the average.
- Annual Nordic electricity consumption to increase about 1%
- Forward power prices at mid April 2007:
  - rest of 2007 ~ 28-29 EUR/MWh
  - 2008 ~ 42-43 EUR/MWh
- CO<sub>2</sub> prices at mid April 2007:
  - for 2007 ~ EUR 1 per tonne
  - for 2008 ~ EUR 17-18 per tonne

# Wholesale prices for electricity



Source: [REUTERS](#)

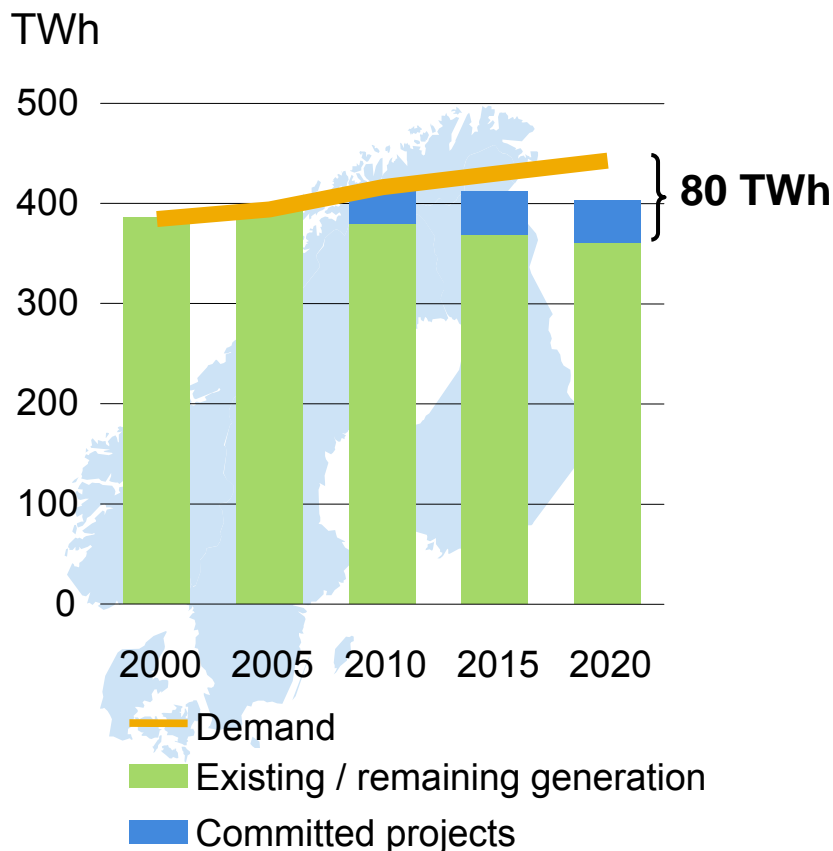
# Hedging of Power Generation's Nordic sales

Status at the beginning of April 2007:

	<u>Hedge ratio</u>	<u>Hedge price</u>
Rest of 2007	~ 70 %	~ EUR 40 per MWh
Calendar year 2008	~ 40 %	~ EUR 42 per MWh

# New Nordic capacity needed

## Demand and capacity development in the Nordic market



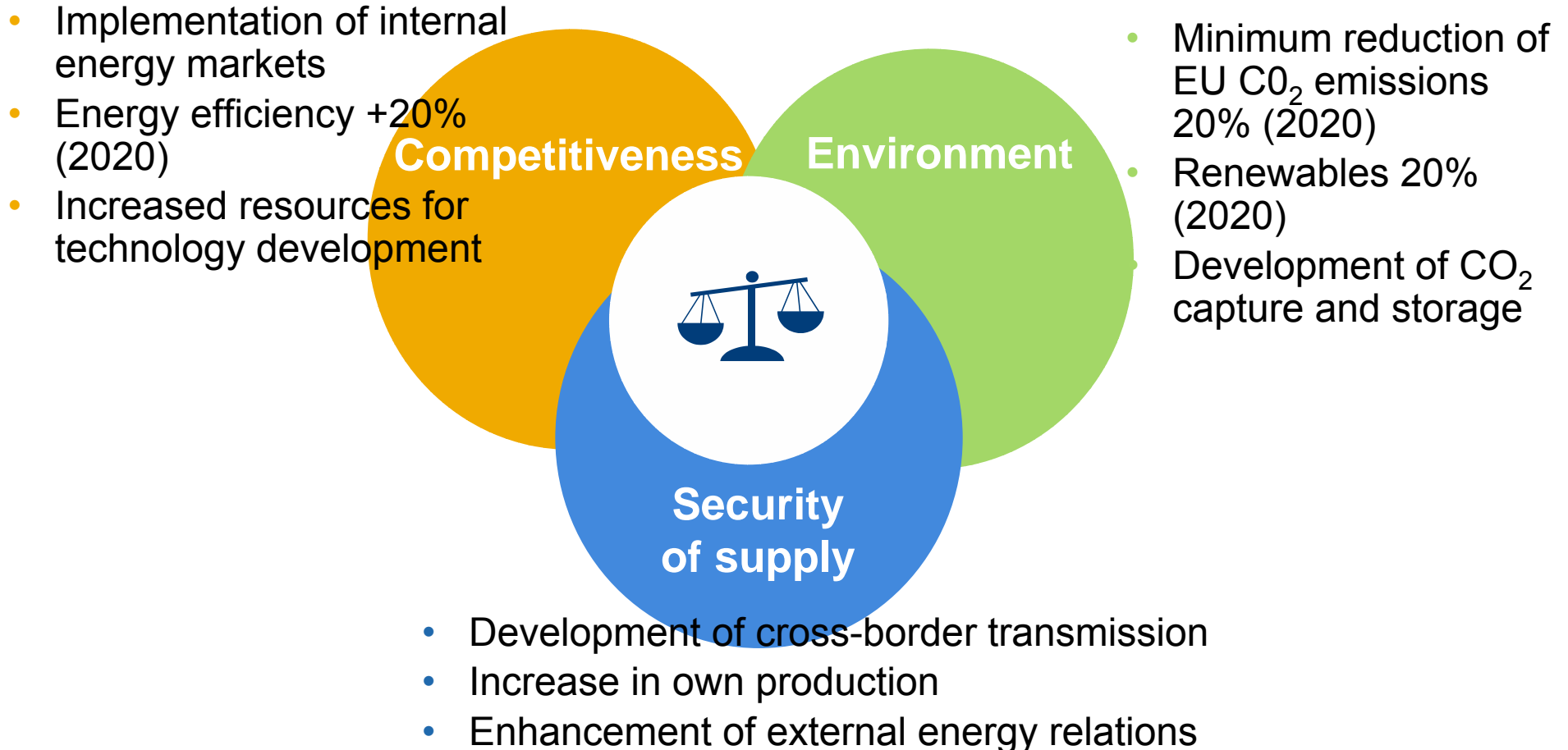
- Electricity demand is expected to increase by around 50 TWh by 2020 compared to 2005

- Estimated retirement approx. 30 TWh



- Total need for investments roughly 80 TWh
  - approximately 40 TWh already committed
  - another 40 TWh still needed

# Some EU objectives by 2020



# Fortum's investment programme

- Olkiluoto 3
- Swedish nuclear
- Suomenoja
- Värtan
- Refurbishing of existing hydro assets
- Peak load gas turbine

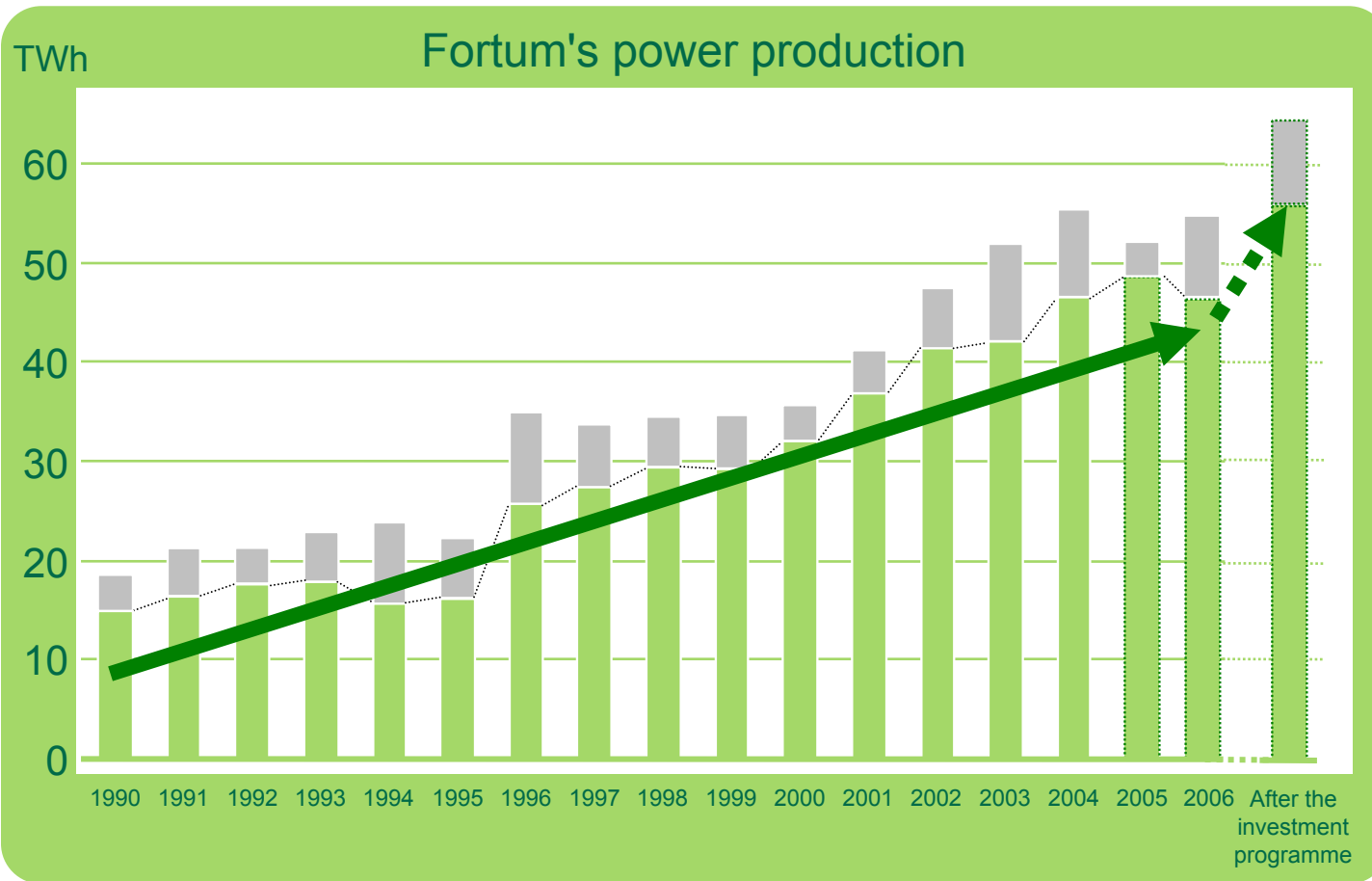
**Total**  
**~ 1,500 MW**

**Value of the investment programme around EUR 2,800\* million  
of which 90% CO<sub>2</sub>-free**

In addition

- Automated meter management (EUR 240 million)
- Security of supply in distribution (EUR 700 million)

# Continued increase in CO<sub>2</sub>-free power production

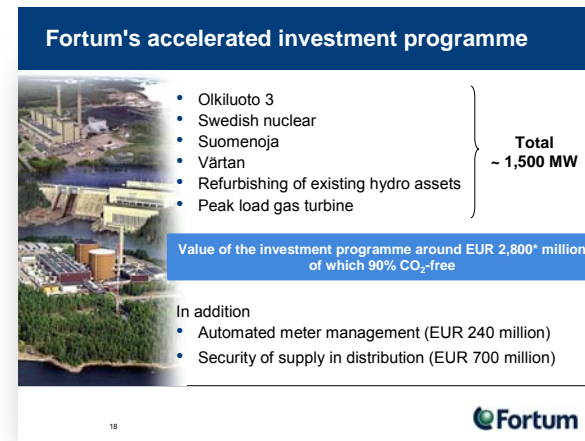
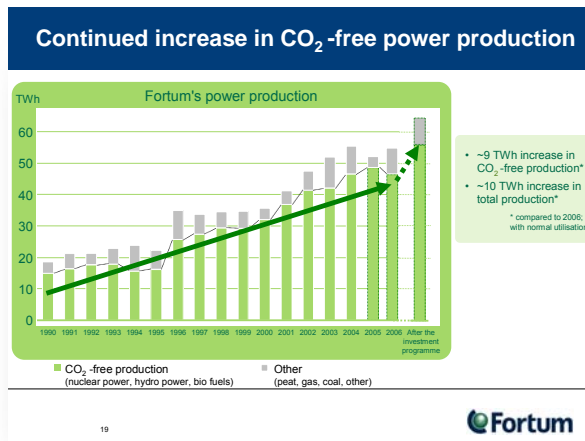


- ~9 TWh increase in CO<sub>2</sub>-free production\*
  - ~10 TWh increase in total production\*
- \* compared to 2006; with normal utilisation

■ CO<sub>2</sub>-free production (nuclear power, hydro power, bio fuels)
 ■ Other (peat, gas, coal, other)

# New environmentally benign investments

- Järvenpää (CHP), Finland - bio-fuels (80%) and peat (20%). The power plant will replace a number of heat boilers based on heavy fuel oil and natural gas
- Wind power, Sweden



# Fortum is well positioned

- Continued focus on the Nordic and Baltic Rim countries
- Competitive corporate and cost structure
- Flexible and climate-benign production portfolio
- Strong financial position
- Promising opportunities in Russia

