



**Interim Report  
January - September 2007**

18 October 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.

# Good performance continued

- Good third quarter results
- The share issue of Russian Territorial Generating Company 1
  - Fortum maintained its 25.4% ownership
- Lenenergo stake sold
- Negative one-time effect from increased nuclear waste management costs
- Good hedging positions
  
- Wholesale Generation Company 5 stake sold in October

# Strong financial performance

- Comparable operating profit EUR 1,048 (997) million, + 5%
- Earnings per share EUR 1.33 (0.83), + 60%
- Net cash from operating activities EUR 1,325 (1,059) million

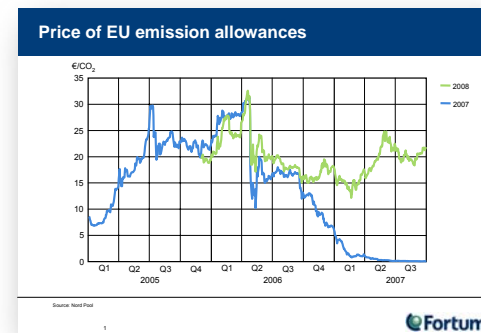
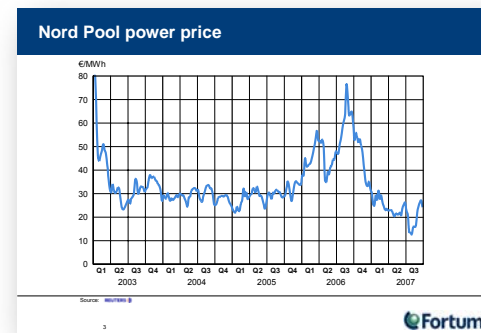
Comparison: I-III/2006 financial results

# Comparable operating profit

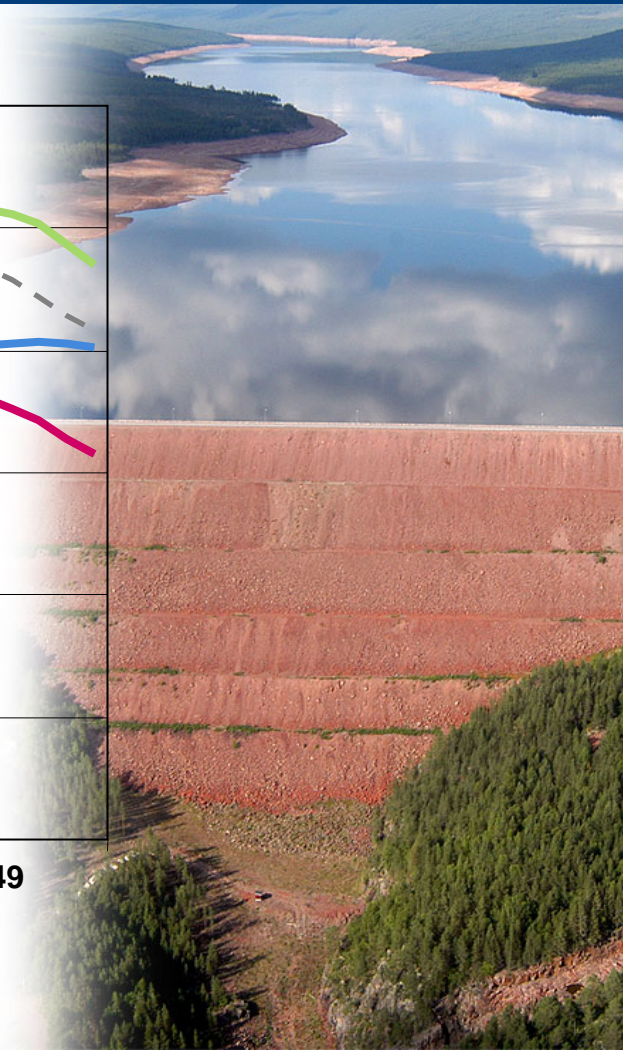
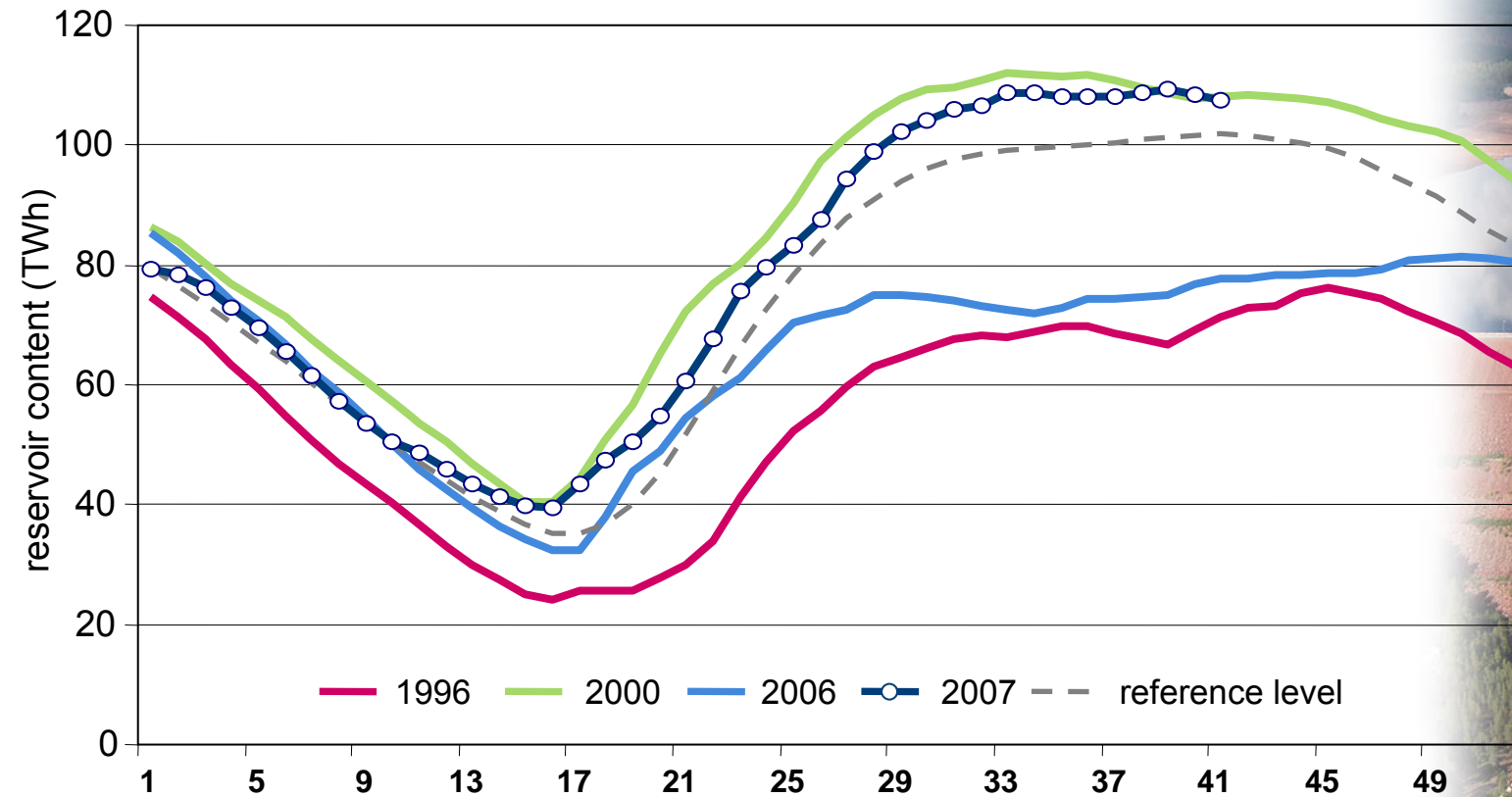
<i>MEUR</i>	III/2007	III/2006	I-III/2007	I-III/2006	2006	LTM
Power Generation	184	195	730	696	985	1 019
Heat	-3	-3	170	158	253	265
Distribution	50	39	181	173	250	258
Markets	11	2	0	4	-4	-8
Other	-4	-8	-33	-34	-47	-46
<b>Comparable operating profit</b>	<b>238</b>	<b>225</b>	<b>1 048</b>	<b>997</b>	<b>1 437</b>	<b>1 488</b>

# Price development

- Nord Pool whole sale price in:
  - Q3 decreased 67% to 19.7 EUR/MWh (59.8 EUR/MWh)
  - Q1-Q3 decreased 54% to 22.9 EUR/MWh (49.9 EUR/MWh)
- Power Generation's achieved Nordic power price in:
  - Q3 increased 2% to 39.9 EUR/MWh (39.1 EUR/MWh)
  - Q1-Q3 increased 4% to 38.4 EUR/MWh (36.9 EUR/MWh)
- CO<sub>2</sub> price for 2007 in:
  - Q3 decreased 99% to 0.1 EUR/MWh (15.9 EUR/MWh)
  - Q1-Q3 decreased 96% to 0.9 EUR/MWh (20.3 EUR/MWh)

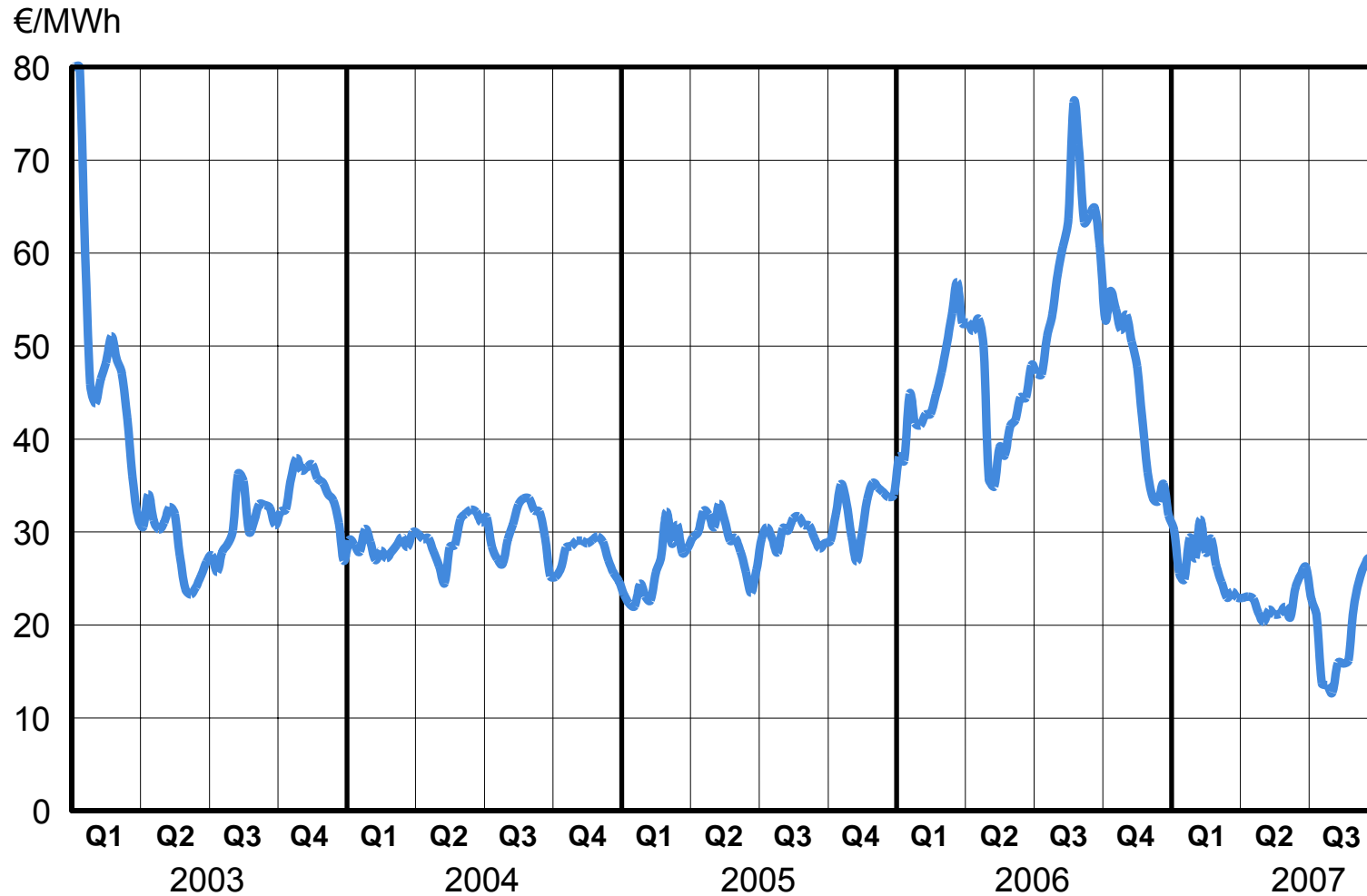


# Nordic water reservoirs



Source: Nord Pool

# Nord Pool power price



Source: [REUTERS](#)

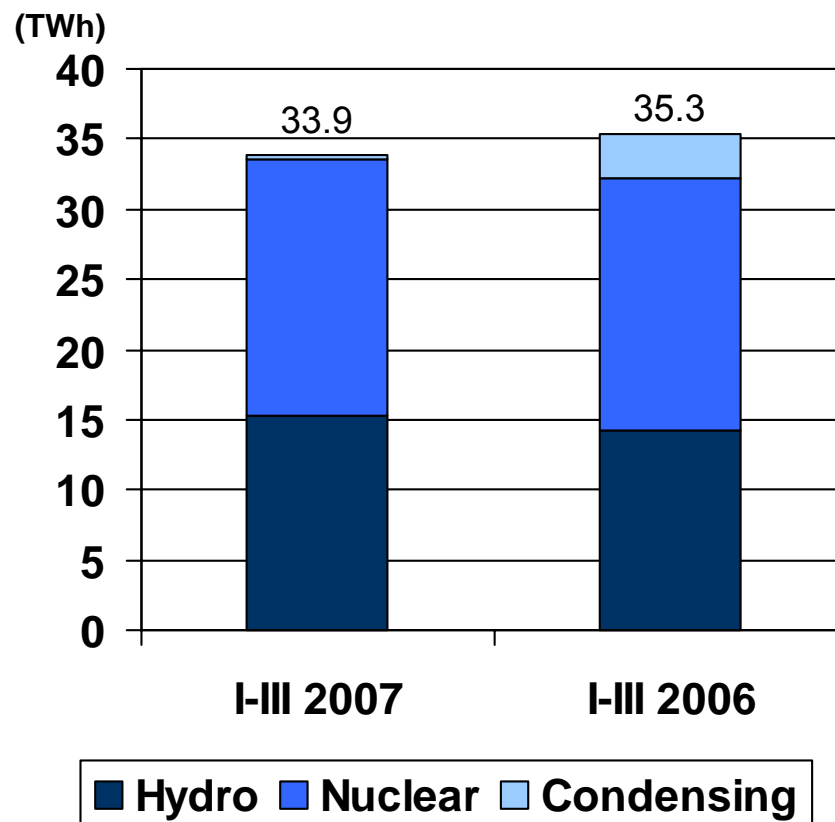
# SEGMENTS



# Power Generation

- 4% decrease in Nordic power generation
- Higher hydro and nuclear volumes, lower condensing volume
- Low spot price
- CO<sub>2</sub>-free production of the segment 97%

Segment's power generation in the Nordic countries



Comparison: I-III/2006 financial results

# Power Generation

- Good achieved price
- Negative EUR 13 million one-time effect from increased nuclear waste management costs
- Low performance in Fortum Service

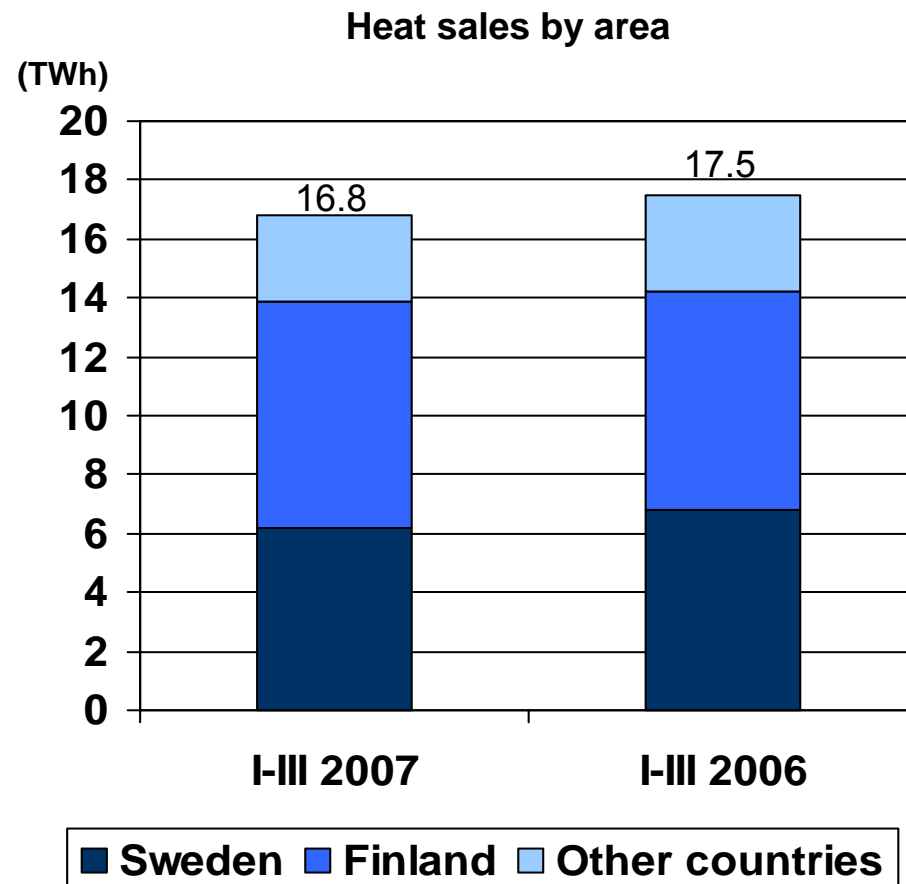
<b>MEUR</b>	<b>I-III/2007</b>	<b>I-III/2006</b>	<b>LTM</b>
Sales	1 665	1 772	2 332
Comparable operating profit	730	696	1 019
Net Assets	7 164	6 353	
Comparable RONA, %			15.4



Business units: Generation, Portfolio Management and Trading, Service

# Heat

- Lower volume due to warm weather during first two quarters
- Investments in CHP plants proceeding:
  - Suomenoja, Finland
  - Częstochowa, Poland
  - Tartu, Estonia



# Heat

- Increased profits mainly from Fortum Espoo

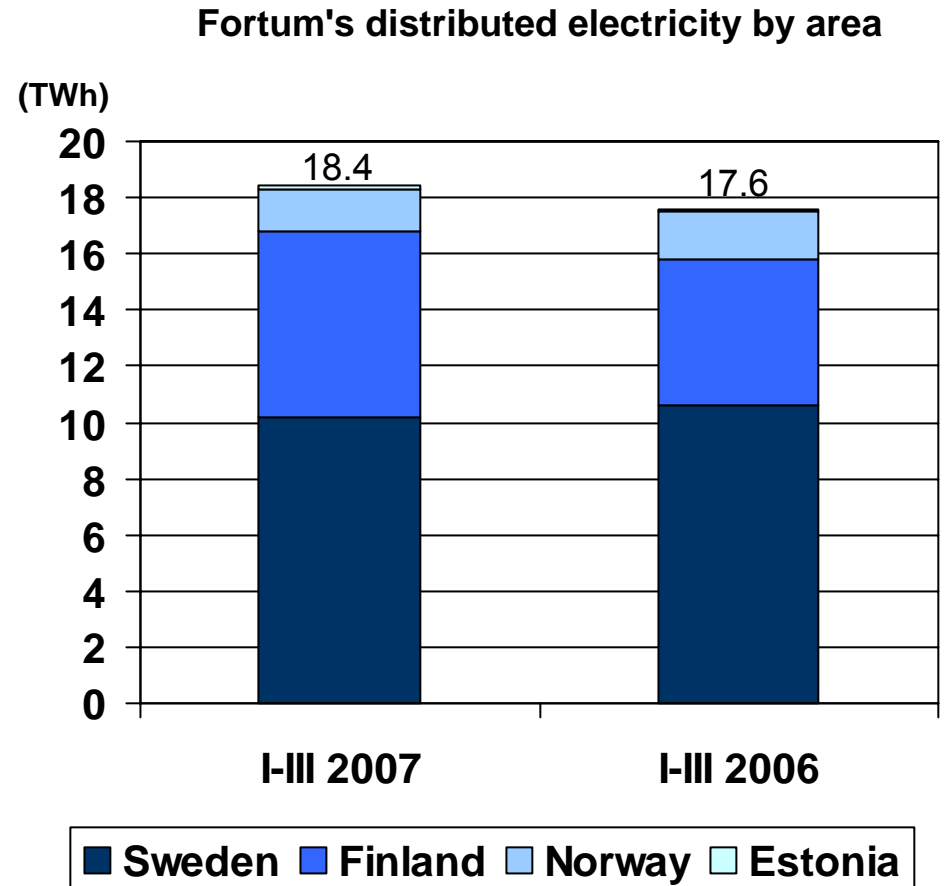
<b>MEUR</b>	<b>I-III/2007</b>	<b>I-III/2006</b>	<b>LTM</b>
Sales	917	887	1 298
Comparable operating profit	170	158	265
Net Assets	3 402	3 216	
Comparable RONA, %			8.6



Business units: Heat, Värme

# Distribution

- Volume 5% higher, mainly due to the consolidation of Fortum Espoo
- The pace of automated meter reader installation accelerating



# Distribution

- Fortum Espoo increased operating profit
- Extra costs from storms, mainly in Q1

<b>MEUR</b>	<b>I-III/2007</b>	<b>I-III/2006</b>	<b>LTM</b>
Sales	563	543	773
Comparable operating profit	181	173	258
Net Assets	3 296	3 216	
Comparable RONA, %			8.2



# Markets

- Intense competition continued
- Increased sales of environmentally labeled electricity
- Number of customers increased in Finland



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

# Markets

- Lower electricity sales volume and price
- Lower procurement prices of electricity
- Clearly improved performance in the third quarter

<b>MEUR</b>	<b>I-III/2007</b>	<b>I-III/2006</b>	<b>LTM</b>
Sales	1 201	1 383	1 730
Comparable oper.profit/loss	0	4	-8
Net Assets	157	248	
Comparable RONA, %			-10.0



Business units: Markets

# FINANCIALS

# Income statement

MEUR	III/2007	III/2006	I-III/2007	I-III/2006	2006	LTM
Sales	860	946	3 159	3 237	4 491	4 413
Expenses	-350	-730	-1 832	-2 237	-3 036	-2 631
<b>Operating profit</b>	<b>510</b>	<b>216</b>	<b>1 327</b>	<b>1 000</b>	<b>1 455</b>	<b>1 782</b>
Share of profit of associates and joint ventures	6	10	223	51	69	241
Financial expenses, net	-45	-32	-117	-78	-103	-142
<b>Profit before taxes</b>	<b>471</b>	<b>194</b>	<b>1 433</b>	<b>973</b>	<b>1 421</b>	<b>1 881</b>
Income tax expense	-44	-34	-218	-214	-301	-305
<b>Net profit for the period</b>	<b>427</b>	<b>160</b>	<b>1 215</b>	<b>759</b>	<b>1 120</b>	<b>1 576</b>
Minority interest	-4	-8	31	26	49	54
EPS, basic (EUR)	0.48	0.19	1.33	0.83	1.22	1.71
EPS, diluted (EUR)	0.48	0.19	1.33	0.82	1.21	1.71

# Comparable and reported operating profit

	Operating profit III/2007		Operating profit III/2006		Operating profit I-III/2007		Operating profit I-III/2006	
	Comparable	Reported	Comparable	Reported	Comparable	Reported	Comparable	Reported
Power Generation	184	220	195	184	730	762	696	690
Heat	-3	-2	-3	-15	170	173	158	145
Distribution	50	282	39	42	181	414	173	178
Markets	11	15	2	6	0	10	4	12
Other	-4	-5	-8	-1	-33	-32	-34	-25
<b>Total</b>	<b>238</b>	<b>510</b>	<b>225</b>	<b>216</b>	<b>1048</b>	<b>1327</b>	<b>997</b>	<b>1000</b>

# Nuclear waste management

- The future nuclear waste management costs are estimated to increase mainly due to the new technical solution related to filling material for the tunnels in the final repository.
- The legal liability is estimated to increase by approximately EUR 130 million.
- One-time effect in Q3 2007 was EUR -13 million.
- Fortum has applied for the periodizing of payments to the fund over six years. The application will be decided by the Council of State latest in January 2008. Fortum's accounting of the nuclear waste management liability is based on the assumption that the periodizing over six years will be approved.

# Cash flow statement

MEUR	III/2007	III/2006	I-III/2007	I-III/2006	2006	LTM
<b>Operating profit before depreciations</b>	623	332	1 663	1 311	1 884	2 236
Non-cash flow items and divesting activities	-263	2	-268	-21	-92	-339
Financial items and taxes	-89	-63	-231	-233	-463	-461
<b>Funds from operations (FFO)</b>	<b>271</b>	<b>271</b>	<b>1 164</b>	<b>1 057</b>	<b>1 329</b>	<b>1 436</b>
Change in working capital	-16	2	161	2	-178	-19
<b>Total cash from operating activities</b>	<b>255</b>	<b>273</b>	<b>1 325</b>	<b>1 059</b>	<b>1 151</b>	<b>1 417</b>
Paid capital expenditures	-128	-123	-341	-297	-485	-529
Acquisition of shares	-247	-5	-257	-755	-899	-401
Other investing activities	282	-9	258	0	78	336
<b>Cash flow before financing activities</b>	<b>162</b>	<b>136</b>	<b>985</b>	<b>7</b>	<b>-155</b>	<b>823</b>

# Balance sheet

MEUR	Sep 30 2007	Jun 30 2007	Dec 31 2006
Non-current assets	15 690	15 227	15 103
Current assets	1 979	2 224	1 736
<b>ASSETS</b>	<b>17 669</b>	<b>17 451</b>	<b>16 839</b>
Total equity,	8 493	8 014	8 161
of which minority interest	274	278	253
Interest-bearing liabilities	5 271	5 489	4 502
Non-interest bearing liabilities	3 905	3 948	4 176
<b>EQUITY AND LIABILITIES</b>	<b>17 669</b>	<b>17 451</b>	<b>16 839</b>
Equity per share (EUR)	9.21	8.68	8.91
Net debt, (MEUR)	4 456	4 610	4 345
	<b>LTM</b>		<b>Dec 31 2006</b>
Net debt/EBITDA	2.0		2.3

# OUTLOOK

# Market fundamentals

- Nordic water reservoirs about 7 TWh above the long-term average in early October 2007
- Annual Nordic electricity consumption to increase about 1%
- Forward power prices in mid October 2007:
  - rest of 2007 ~ 41-45 EUR/MWh
  - 2008 ~ 49-52 EUR/MWh
  - 2009 ~ 49-51 EUR/MWh
- CO<sub>2</sub> prices in mid October 2007:
  - for 2007 ~ EUR 0.1 per tonne
  - for 2008 ~ EUR 22-23 per tonne

# Wholesale prices for electricity



Source: [REUTERS](#)

# Hedging of Power Generation's Nordic sales

## Status at the beginning of October 2007

(Status at the beginning of July 2007)

	<u>Hedge ratio</u>	<u>Hedge price</u>
Rest of 2007	~ 85% (~80%)	~ EUR 41 per MWh (~ EUR 40 per MWh)
Calendar year 2008	~ 65% (~50%)	~ EUR 44 per MWh (~ EUR 43 per MWh)
Calendar year 2009	~ 20%	~ EUR 45 per MWh

- Climate-benign investment programme proceeding
- Fortum currently one of the lowest-emitting power companies in Europe
  - aims to maintain that position
- New lower emission targets
- Fortum has the best disclosure of climate issues among Nordic companies  
(Carbon Disclosure Project -report)

# Fortum is well positioned for the future

- Focus on the Nordic and Baltic areas, Poland and Russia
- Good hedging positions
- Flexible and climate-benign production portfolio
- Strong financial position
- Attractive opportunities in Russia

