



**Interim Report  
January - March 2008**

Conference call

24 April 2008

# 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.

# A clear improvement in operational performance

- Good operational performance despite challenging market conditions
- Fortum delivers on its strategy
  - acquires TGC-10 in Russia
- Higher achieved price in a challenging market environment
  - In Q1 2008, EUR 44.6 per MWh (+14%) vs. Nord Pool EUR 38.0 per MWh
- The Finnish Market Court decision
  - Fortum does not have a dominant position in the power generation and wholesale market
- 90% of generated power CO<sub>2</sub>-free

# Fortum becomes a major player in Russia

- TGC-10 operates in the heart of Russia's oil and gas producing region
- The acquisition adds 18 TWh/a to Fortum's power generation
- Fortum's heat sales double – TGC-10 ~27 TWh/a
- Value creation based on power price development, volume growth and annual efficiency improvement of at least EUR 30 million
- The agreement on Joint Implementation projects signed with TGC-1



# The acquisition of TGC-10

- Fortum holding 76.5% at the moment
- EUR 2.1 billion paid of which EUR 1.3 billion remains in the company (share issue) and will be used for planned EUR 2.2 billion investment program of TGC-10
- Marginally earnings dilutive for two years
- Fortum will make mandatory offer to purchase the remaining 23.5% for approximately EUR 0.6 billion
- The integration team headed by SVP Tapio Kuula started on 1 April



# Strong financial performance

- Comparable operating profit EUR 581 (512) million, + 13%
- Earnings per share EUR 0.51 (0.39 excluding non-recurring gains), + 31%
  - Q1 2007 included a non-recurring gain of EUR 0.20 per share
- Net cash from operating activities EUR 542 (497) million

Comparison: Q1/2007 financial results

# Changes in reported segments

A new Russia segment is created. It includes:

- TGC-10
- The TGC-1 shareholding (transferred from the Power Generation segment)
- Minor assets from shareholdings in Lenenergo spin-off companies (transferred from the Distribution, Markets and Other segments)
- The 2007 non-recurring gain on the sale of Lenenergo shares (EUR 232 million) (transferred from the Distribution segment)
- The 2007 non-recurring gain on the sale of WGC-5 shares (EUR 12 million) (transferred from the Power Generation segment)

Other changes

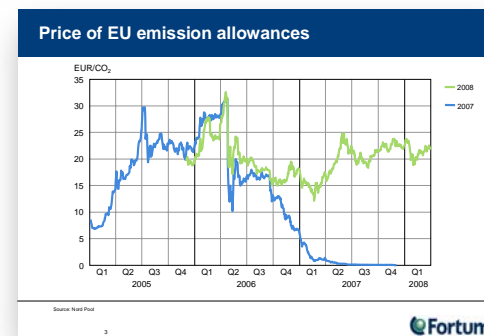
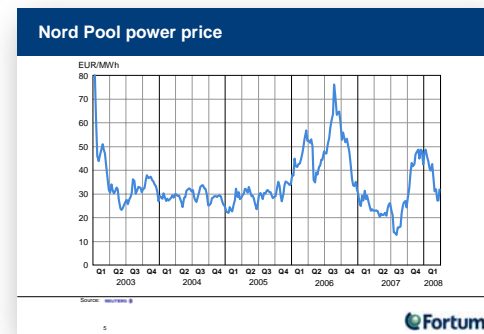
- Profit from the associated company Hafslund ASA is now reported in the Other segment, including the REC gain accounted for in 2007 (EUR 180 million) (transferred from the Power Generation segment)

# Comparable operating profit

<i>MEUR</i>	I/2008	I/2007	2007	LTM
Power Generation	395	330	1 095	1 160
Heat	121	137	290	274
Distribution	87	78	231	240
Markets	-10	-14	-1	3
Russia	0	-	-	-
Other	-12	-19	-51	-44
<b>Comparable operating profit</b>	<b>581</b>	<b>512</b>	<b>1 564</b>	<b>1 633</b>

# Price development

- Nord Pool wholesale price in:
  - Q1 increased 42% to 38.0 EUR/MWh (26.7 EUR/MWh)
- Power Generation's achieved Nordic power price in:
  - Q1 increased 14% to 44.6 EUR/MWh (39.2 EUR/MWh)
- CO<sub>2</sub> price in:
  - Q1 increased to 21.4 EUR/MWh (2.1 EUR/MWh)



# SEGMENTS

# Power Generation

- Higher achieved Nordic power price - consistent hedging strategy
- Higher nuclear volume

MEUR	Q1/2008	Q1/2007	LTM
Sales	717	641	2 426
Comparable operating profit	395	330	1 160
Net Assets	5 633	5 636	
Comparable RONA, %			20.2
Gross Investments	18	16	147



Business units: Generation, Portfolio Management and Trading, Service

# Heat

- Higher fuel prices and CO<sub>2</sub> costs

MEUR	Q1/2008	Q1/2007	LTM
Sales	493	479	1 370
Comparable operating profit	121	137	274
Net Assets	3 617	3 444	
Comparable RONA, %			8.6
Gross Investments	112	59	380



Business units: Heat, Värme

# Distribution

- Operational results at last year's level

MEUR	Q1/2008	Q1/2007	LTM
Sales	232	225	776
Comparable operating profit	87	78	240
Net Assets	3 332	3 245	
Comparable RONA, %			8.0
Gross Investments	61	36	262



Business units: Distribution

# Markets

- Lower electricity sales volume
- Increased procurement costs

MEUR	Q1/2008	Q1/2007	LTM
Sales	519	519	1 683
Comparable operating profit	-10	-14	3
Net Assets	169	140	
Comparable RONA, %			1.2
Gross Investments	1	1	3

Business units: Markets

# Russia



# FINANCIALS

# Income statement

MEUR	I/2008	I/2007	2007	LTM
Sales	1 440	1 340	4 479	4 579
Expenses	-831	-850	-2 632	-2 613
<b>Operating profit</b>	<b>609</b>	<b>490</b>	<b>1 847</b>	<b>1 966</b>
Share of profit of associates and joint ventures	34	202	241	73
Financial expenses, net	-45	-31	-154	-168
<b>Profit before taxes</b>	<b>598</b>	<b>661</b>	<b>1 934</b>	<b>1 871</b>
Income tax expense	-122	-109	-326	-339
<b>Net profit for the period</b>	<b>476</b>	<b>552</b>	<b>1 608</b>	<b>1 532</b>
Minority interest	24	30	56	50
EPS, basic (EUR)	0.51	0.59	1.74	1.67
EPS, diluted (EUR)	0.51	0.58	1.74	1.66

# Cash flow statement

MEUR	I/2008	I/2007	2007	LTM
<b>Operating profit before depreciations</b>	720	602	2 298	2 416
Non-cash flow items and divesting activities	-37	1	-286	-324
Financial items and taxes	-122	-156	-393	-359
<b>Funds from operations (FFO)</b>	<b>561</b>	<b>447</b>	<b>1 619</b>	<b>1 733</b>
Change in working capital	-19	50	51	-18
<b>Total cash from operating activities</b>	<b>542</b>	<b>497</b>	<b>1 670</b>	<b>1 715</b>
Paid capital expenditures	-164	-100	-592	-656
Acquisition of shares	-772	-8	-285	-1 049
Other investing activities	-26	-29	268	271
<b>Cash flow before financing activities</b>	<b>-420</b>	<b>360</b>	<b>1 061</b>	<b>281</b>

# Comparable and reported operating profit

	Operating profit I/2008			Operating profit I/2007		
	Comparable	Reported	Diff.	Comparable	Reported	Diff.
Power Generation	395	431	-36	330	300	30
Heat	121	130	-9	137	142	-5
Distribution	87	86	1	78	79	-1
Markets	-10	-20	10	-14	-12	-2
Russia	0	0	0	-	-	
Other	-12	-18	6	-19	-19	0
<b>Total</b>	<b>581</b>	<b>609</b>	<b>-28</b>	<b>512</b>	<b>490</b>	<b>22</b>

# Key ratios

<b>MEUR</b>	<b>LTM</b> in Q1 '08	<b>2007</b>	<b>2006</b>
Sales	4 579	4 479	4 491
Operating profit	1 966	1 847	1 455
Cash flow from operations	1 715	1 670	1 151
Interest-bearing net debt	5 228	4 466	4 345
Balance sheet total	21 491	17 674	16 839
Net debt/EBITDA*	2.4	2.2	2.3
Return on capital employed (%)*	13.1	14.0	13.4
Return on shareholders' equity (%)*	16.4	15.8	14.4

\*2007 adjusted for REC and Lenenergo gains

A dividend of EUR 1,198 million was paid on 11 April 2008

# OUTLOOK

# Market fundamentals

- Nordic water reservoirs about 8 TWh above the long-term average in mid-April 2008
- Forward power prices in late April 2008:
  - rest of 2008 ~ 42-44 EUR/MWh
  - 2009 ~ 52-53 EUR/MWh
- CO<sub>2</sub> prices in late-April 2008:
  - for 2008 ~ EUR 24-25 per tonne

# Hedging of Power Generation's Nordic sales

## Status at the beginning of April 2008

(Status at the beginning of January 2008)

	<u>Hedge ratio</u>	<u>Hedge price</u>
Rest of 2008	~ 60% (~70%)	~ EUR 45 per MWh (~ EUR 44 per MWh)
2009	~ 35% (~25%)	~ EUR 48 per MWh (~ EUR 46 per MWh)

# Outlook

- Strong position in the Nordic countries
- Growth in Poland and the Baltic countries
- Opportunity in the Russian TGC-10
- Flexible and climate-benign production portfolio
- Nordic capacity investment programme proceeding
- Strong balance sheet
- Good financial outlook



**Q&A**

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