



**Interim Report
January - June 2008**

17 July 2008

Disclaimer

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

Progress in power markets

- The EU Member States agreed on the internal energy market at the meeting of the Energy Ministers on 6 June 2008
- Power market integration is proceeding
 - NorNed cable between Norway and Netherlands was taken into use in May
 - Market coupling between Nord Pool and EEX planned for September
- The price for electricity has increased in Europe and globally, driven by higher fuel prices
- Russian power market reform is proceeding as planned
- The new climate and energy strategy for Finland is under preparation by the Finnish government

Solid first half-year results

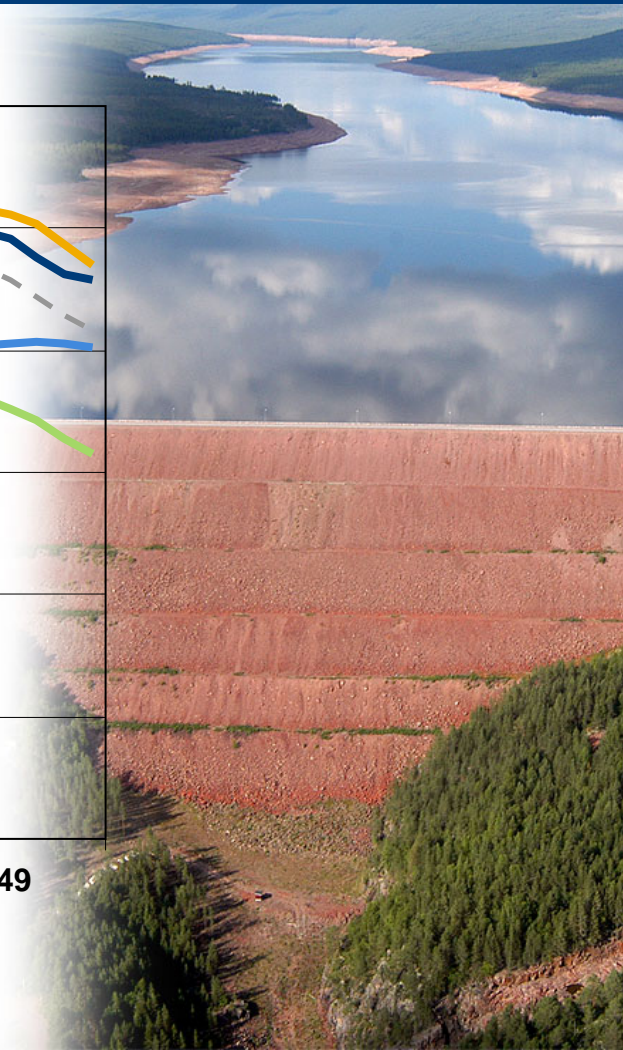
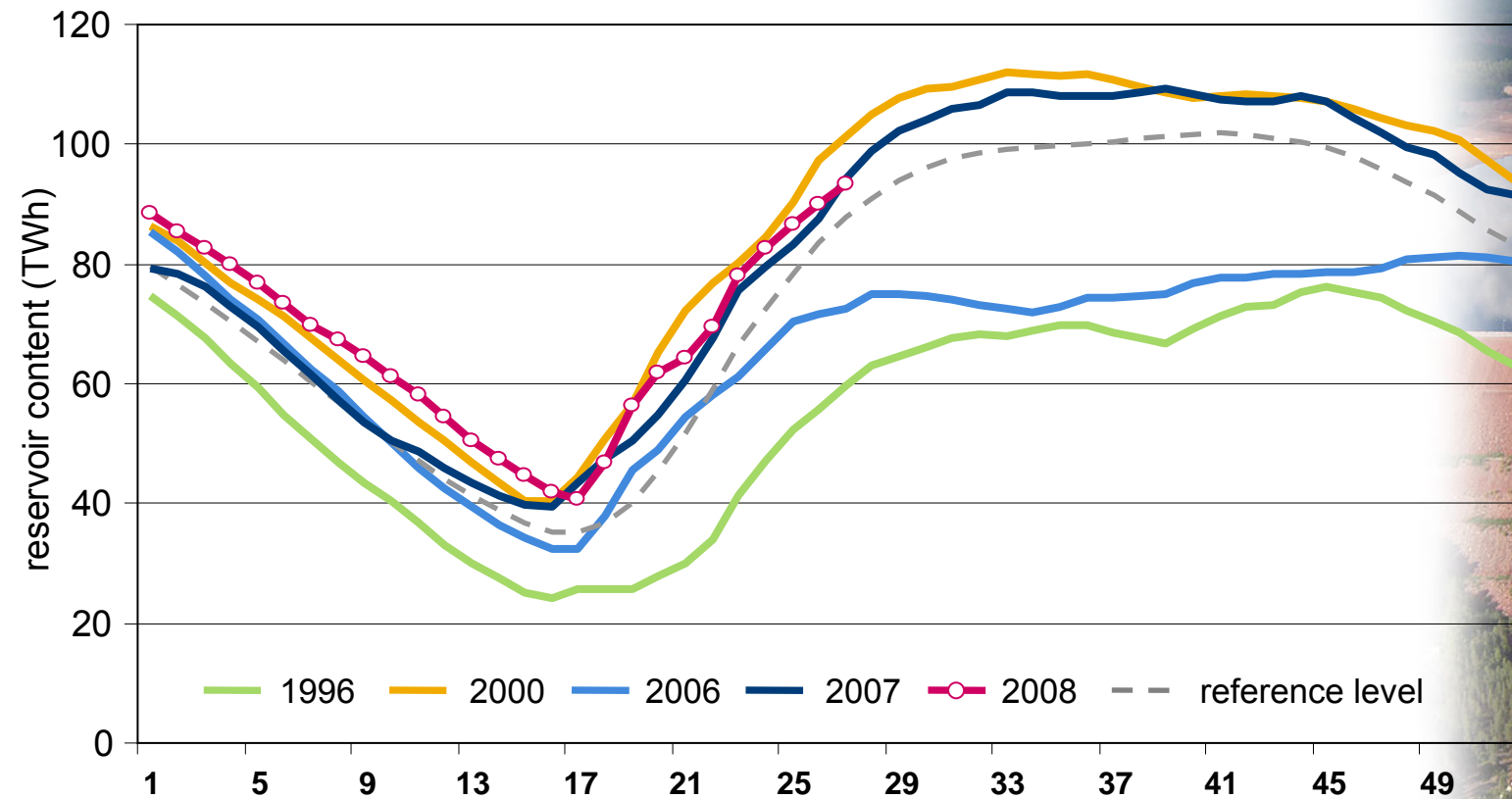
- Comparable operating profit EUR 984 (810) million, + 21%
- IFRS mark-to-market effect on Q2 reported operating profit EUR -56 (+30) million
- Earnings per share EUR 0.78 (0.65 excluding non-recurring gains H1/07), + 20%
- Net cash from operating activities remained strong at EUR 1,039 (1,070) million
- A profitability improvement programme launched in Markets
- Russian TGC-10 consolidated
- Fortum and Metsähallitus (The Finnish National Forest Enterprise) agreed to reserve sea areas in the Bay of Bothnia for large scale wind power generation
- 92% (91%) of the power generated by Fortum within the EU CO₂-free

Comparison: I-II/2007 financial results

Comparable operating profit

<i>MEUR</i>	II/2008	II/2007	I-II/2008	I-II/2007	2007	LTM
Power Generation	384	217	779	547	1 095	1 327
Heat	27	36	148	173	290	265
Distribution	49	52	136	130	231	237
Markets	-15	3	-25	-11	-1	-15
Russia	-33	-	-33	-	-	-33
Other	-9	-10	-21	-29	-51	-43
Comparable operating profit	403	298	984	810	1 564	1 738

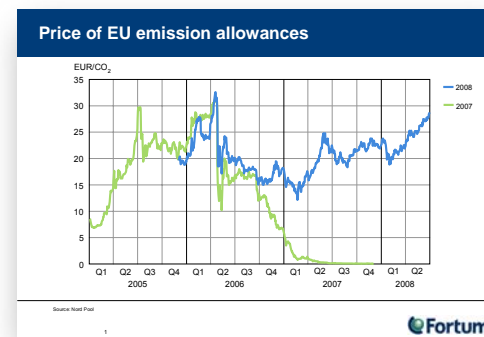
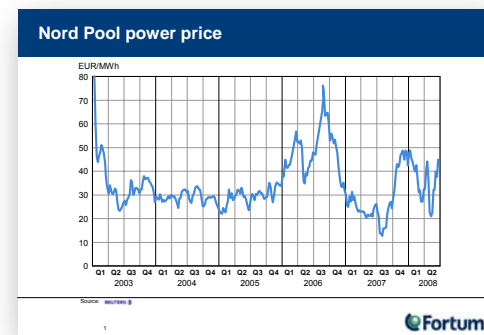
Nordic water reservoirs



Source: Nord Pool

Price development

- Nord Pool wholesale price in:
 - Q2 increased 54% to 34.6 EUR/MWh (22.5 EUR/MWh)
 - Q1 - Q2 increased 48% to 36.3 EUR/MWh (24.6 EUR/MWh)
- Power Generation's achieved Nordic power price in:
 - Q2 increased 33% to 47.9 EUR/MWh (36.0 EUR/MWh)
 - Q1 - Q2 increased 22% to 46.2 EUR/MWh (37.8 EUR/MWh)
- CO₂ price in:
 - Q2 increased to 25.7 EUR/MWh (0.4 EUR/MWh)
 - Q1 - Q2 increased to 23.6 EUR/MWh (1.3 EUR/MWh)

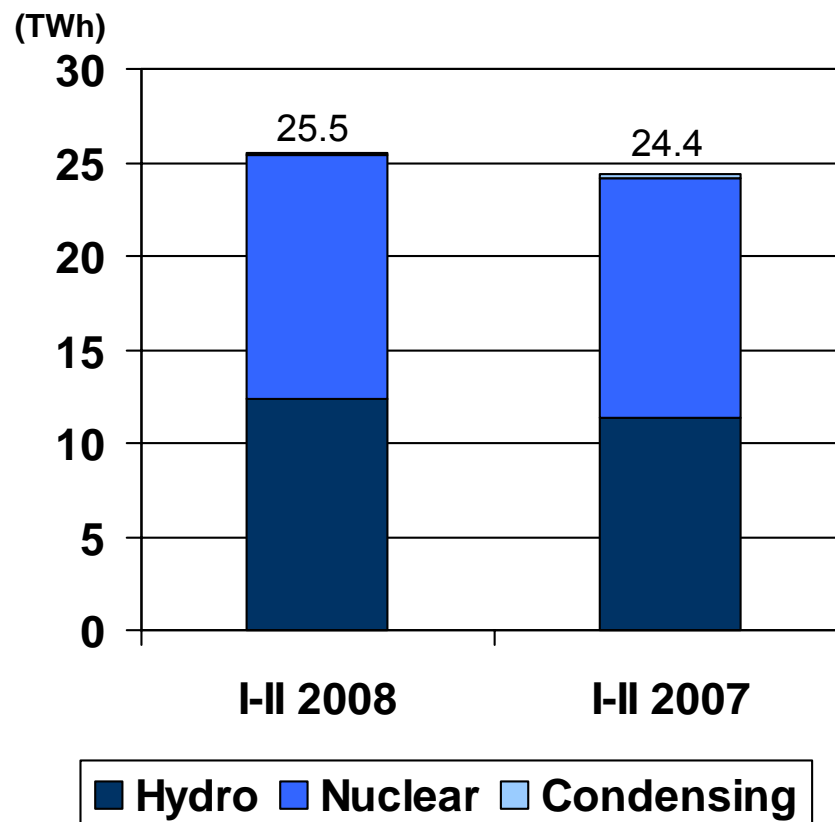


SEGMENTS

Power Generation

- Higher hydro volume, +1 TWh
- Very low thermal production
- CO₂-free production of the segment 98%
- In Q2, exceptionally high system and area price differences in Nord Pool

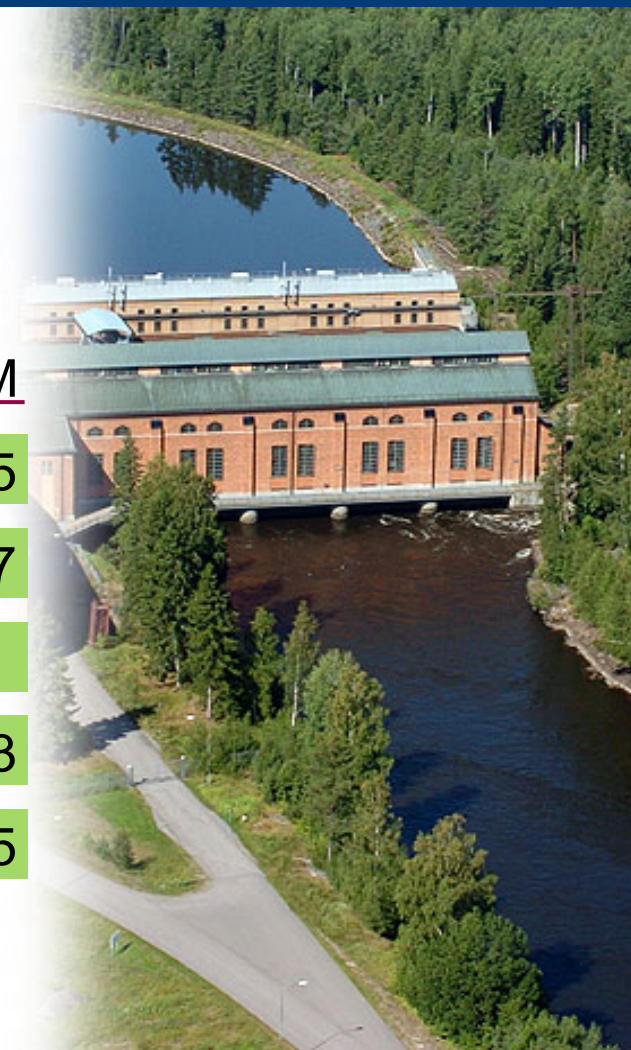
Segment's power generation in the Nordic countries



Power Generation

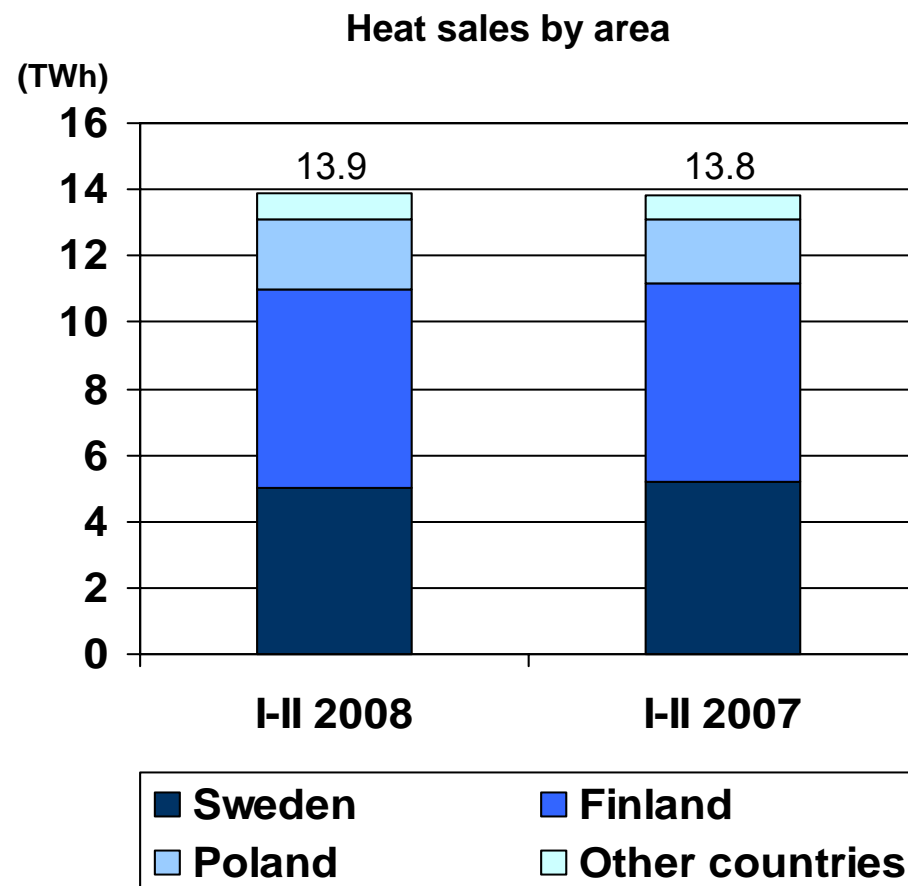
- Higher achieved Nordic power price
- Good generation mix

MEUR	I-II/2008	I-II/2007	LTM
Sales	1 438	1 163	2 625
Comparable operating profit	779	547	1 327
Net Assets	5 524	5 657	
Comparable RONA, %			21.3
Gross Investments	50	40	155



Heat

- Half-year volumes at the same level
- Investments in CHP plants ongoing:
 - Suomenoja, Finland
 - Częstochowa, Poland
 - Tartu and Pärnu, Estonia



Heat

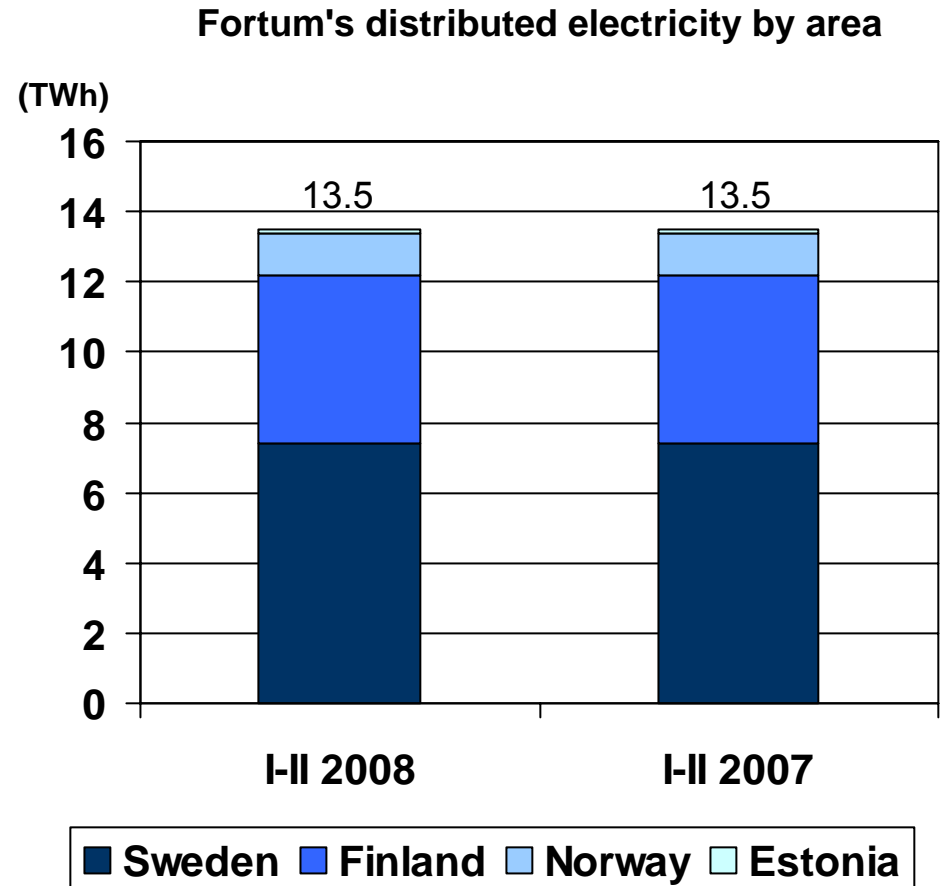
- Higher fuel prices
- Increase in CO₂ and other costs
- Low sales volume in Q1

MEUR	I-II/2008	I-II/2007	LTM
Sales	777	731	1 402
Comparable operating profit	148	173	265
Net Assets	3 599	3 333	
Comparable RONA, %			7.1
Gross Investments	191	124	394



Distribution

- Stable business during the first half of 2008
- The installation of automatic meters in Sweden continues, 581,000 meters already installed



Distribution

- Slightly increased operating costs
- Depreciations on automatic meter reading started in Q2

MEUR	I-II/2008	I-II/2007	LTM
Sales	412	397	784
Comparable operating profit	136	130	237
Net Assets	3 330	3 282	
Comparable RONA, %			8.3
Gross Investments	133	78	292



Markets

- A programme launched to improve profitability
 - management changes implemented
 - cost savings initiated
 - product offering being evaluated
- Some price increases in Finland effective in August



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

Markets

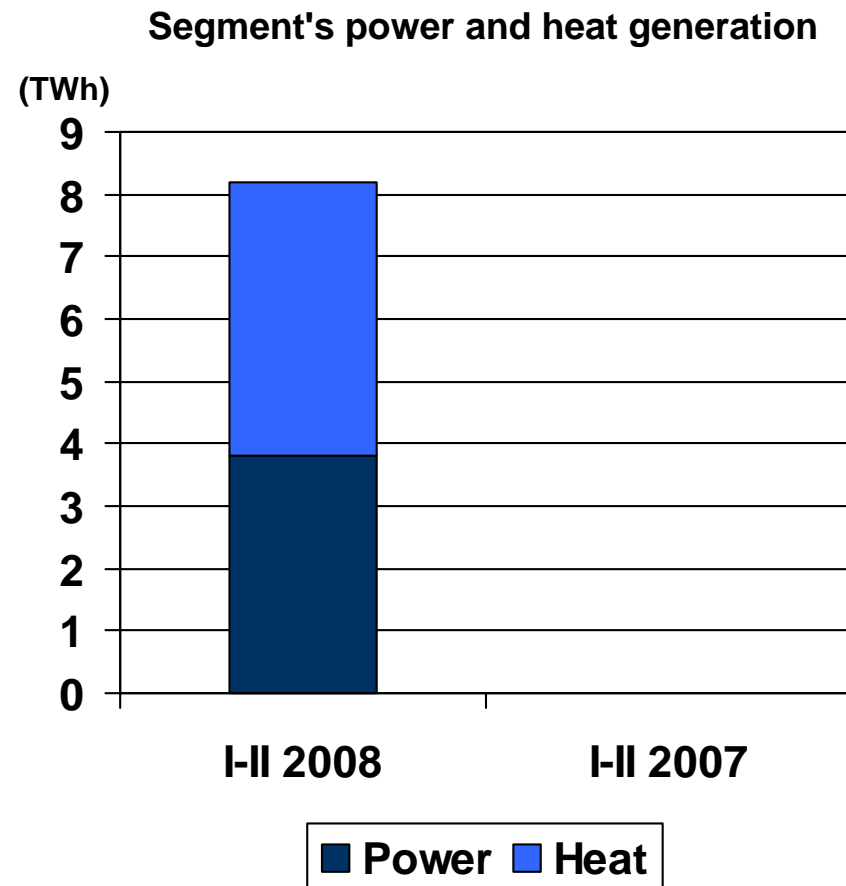
- High procurement costs
- Low sales margin in Finnish consumer business

MEUR	I-II/2008	I-II/2007	LTM
Sales	930	870	1 743
Comparable operating profit	-25	-11	-15
Net Assets	236	149	
Comparable RONA, %			-10.0
Gross Investments	3	2	4



Russia

- Power generation 3.8 TWh in Q2
- Heat production 4.4 TWh in Q2
- Nyagan CHP plant greenfield project started in June
- Capacity market launched in July
- The mandatory public tender offer to TGC-10's minorities filed
 - The offer period is from 30 April to 18 July



Russia

- TGC-10 operational result, surplus value depreciation and integration costs
- Consolidated from 1 April

MEUR	I-II/2008	I-II/2007	LTM
Sales	152	-	152
Comparable operating profit	-33	-	-33
Net Assets	2 329	305	
Comparable RONA, %			-1.4
Gross Investments	1 074	-	1 319



FINANCIALS

Income statement

MEUR	II/2008	II/2007	I-II/2008	I-II/2007	2007	LTM
Sales	1 322	959	2 762	2 299	4 479	4 942
Expenses	-974	-632	-1 805	-1 482	-2 632	-2 955
Operating profit	348	327	957	817	1 847	1 987
Share of profit of associates and jv	36	15	70	217	241	94
Financial expenses, net	-74	-41	-119	-72	-154	-201
Profit before taxes	310	301	908	962	1 934	1 880
Income tax expense	-65	-65	-187	-174	-326	-339
Net profit for the period	245	236	721	788	1 608	1 541
Minority interest	2	5	26	35	56	47
EPS, basic (EUR)	0.27	0.26	0.78	0.85	1.74	1.68
EPS, diluted (EUR)	0.27	0.26	0.78	0.84	1.74	1.68

Cash flow statement

MEUR	II/2008	II/2007	I-II/2008	I-II/2007	2007	LTM
Operating profit before depreciations	483	438	1 203	1 040	2 298	2 461
Non-cash flow items and divesting activities	55	-6	18	-5	-286	-263
Financial items and taxes	-158	14	-280	-142	-393	-531
Funds from operations (FFO)	380	446	941	893	1 619	1 667
Change in working capital	117	127	98	177	51	-28
Total net cash from operating activities	497	573	1 039	1 070	1 670	1 639
Paid capital expenditures	-215	-113	-379	-213	-592	-758
Acquisition of shares	-1	-2	-773	-10	-285	-1 048
Other investing activities	-19	5	-45	-24	268	247
Cash flow before financing activities	262	463	-158	823	1 061	80

Comparable and reported operating profit

- IFRS mark-to-market effect decreased reported operating profit by 56 million in the second quarter

	Operating profit II/2008		Operating profit II/2007		Operating profit I-II/2008		Operating profit I-II/2007	
	Comparable	Reported	Comparable	Reported	Comparable	Reported	Comparable	Reported
Power Generation	384	260	217	243	779	691	547	543
Heat	27	37	36	33	148	167	173	175
Distribution	49	51	52	53	136	137	130	132
Markets	-15	31	3	7	-25	11	-11	-5
Russia	-33	-33	-	-	-33	-33	-	-
Other	-9	2	-10	-9	-21	-16	-29	-28
Total	403	348	298	327	984	957	810	817

Key ratios

MEUR	LTM in Q2 '08	2007	2006
Sales	4 942	4 479	4 491
Operating profit	1 987	1 847	1 455
Cash flow from operations	1 639	1 670	1 151
Interest-bearing net debt	6 254	4 466	4 345
Balance sheet total	20 531	17 674	16 839
Net debt/EBITDA*	2.8	2.2	2.3
Return on capital employed (%)*	13.8	14.0	13.4
Return on shareholders' equity (%)*	17.5	15.8	14.4

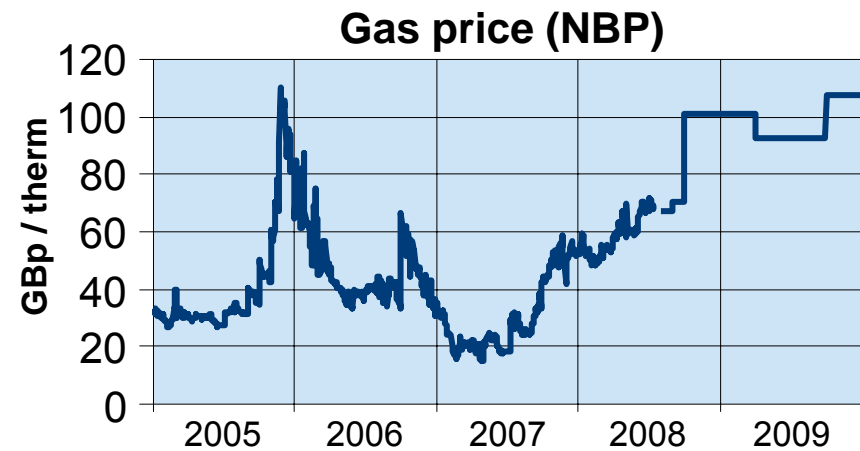
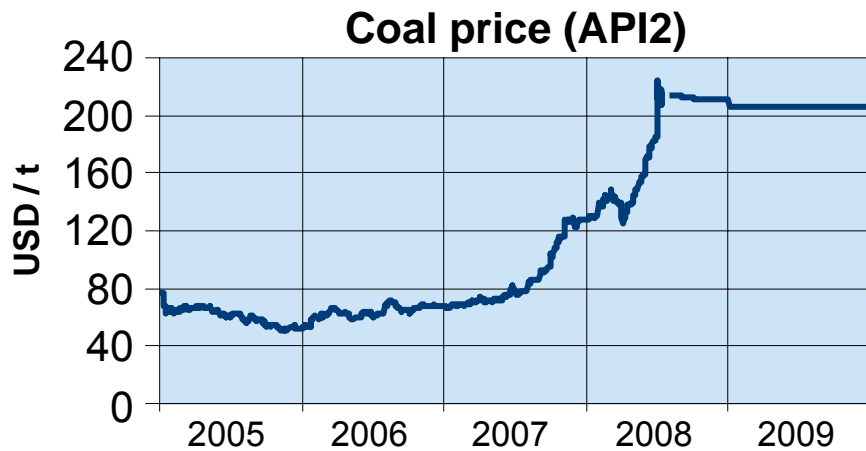
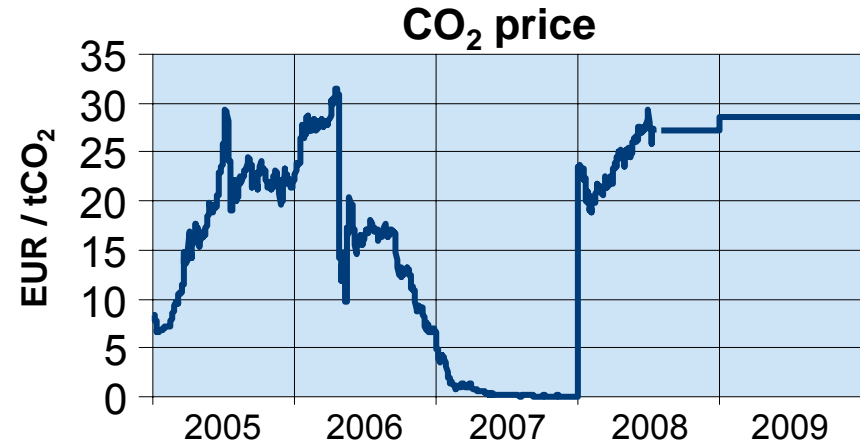
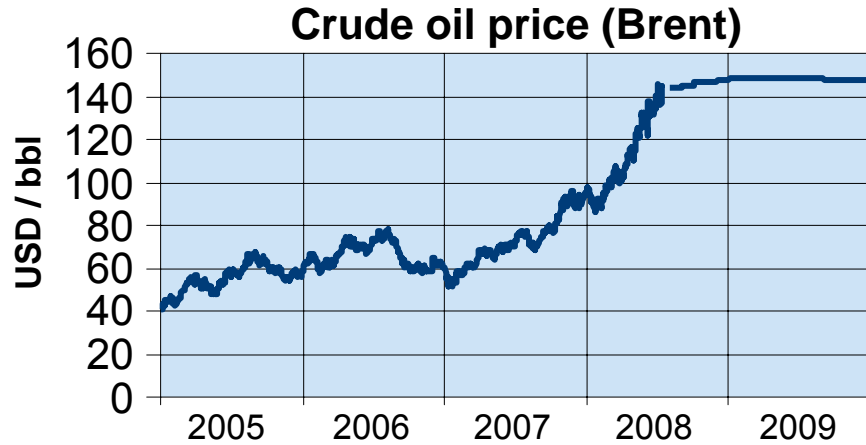
*2007 adjusted for REC and Lenenergo gains

OUTLOOK

Market fundamentals

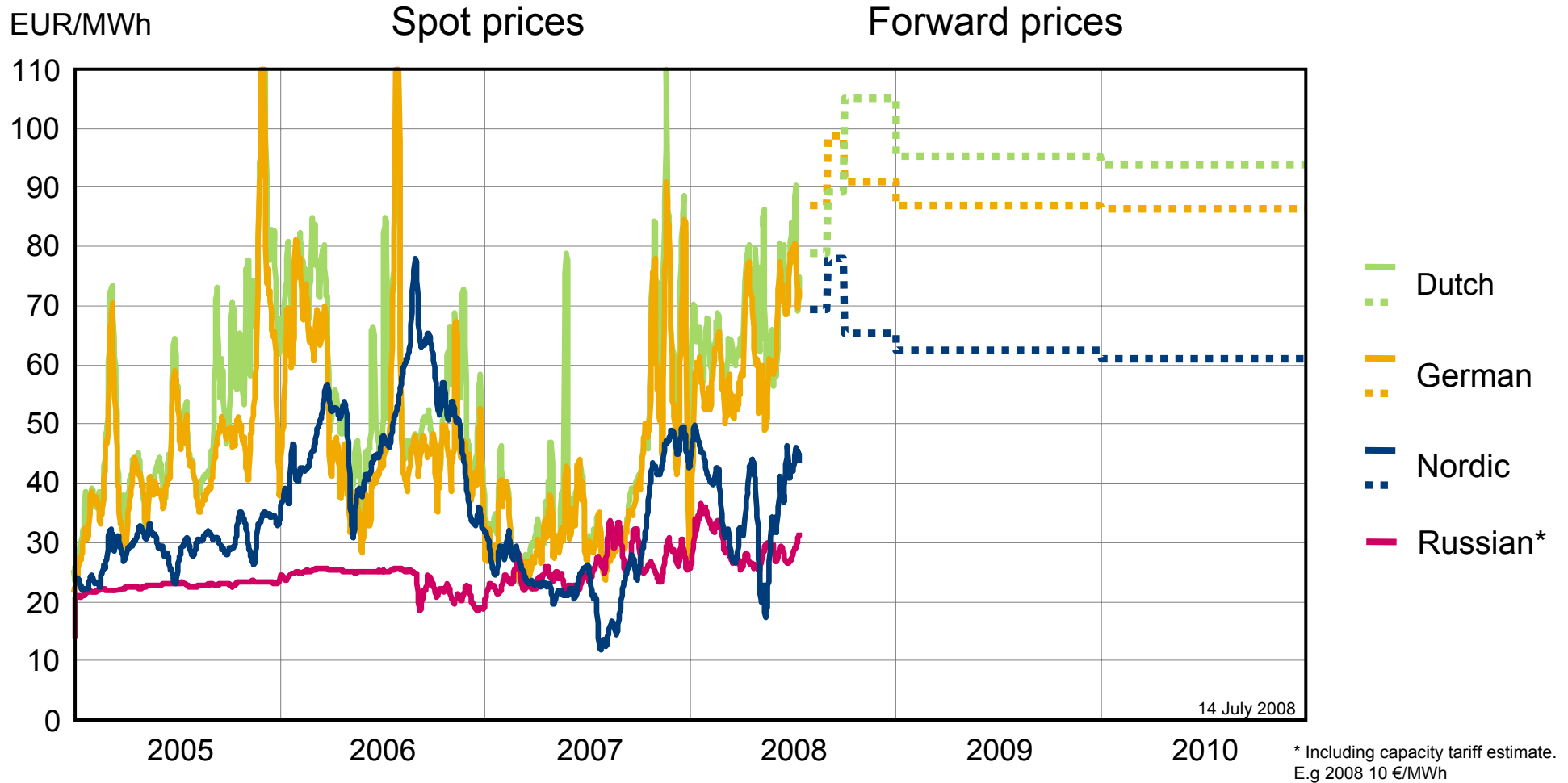
- Nordic water reservoirs about 6 TWh above the long-term average in early-July 2008
- Forward power prices in mid-July 2008:
 - rest of 2008 ~ 60-63 EUR/MWh
 - 2009 ~ 61-63 EUR/MWh
- CO₂ prices in mid-July 2008:
 - for 2008 ~ EUR 26-28 per tonne
 - for 2008 ~ EUR 26-28 per tonne
- Increased fuel prices

Fuel and CO₂ allowance prices



Source: [REUTERS](#) ; market prices July 2008; 2008-2009 future quotations

Wholesale prices for electricity



Source: [REUTERS](#), ATS

Hedging of Power Generation's Nordic sales

Status at the beginning of July 2008

(Status at the beginning of April 2008)

	<u>Hedge ratio</u>	<u>Hedge price</u>
Rest of 2008	~ 70% (~60%)	~ EUR 46 per MWh (~ EUR 45 per MWh)
2009	~ 45% (~35%)	~ EUR 51 per MWh (~ EUR 48 per MWh)

Fortum well positioned for the future

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

- Good financial outlook

