



Fortum Corporation
Interim report
January-June 2010

16 July 2010

Disclaimer

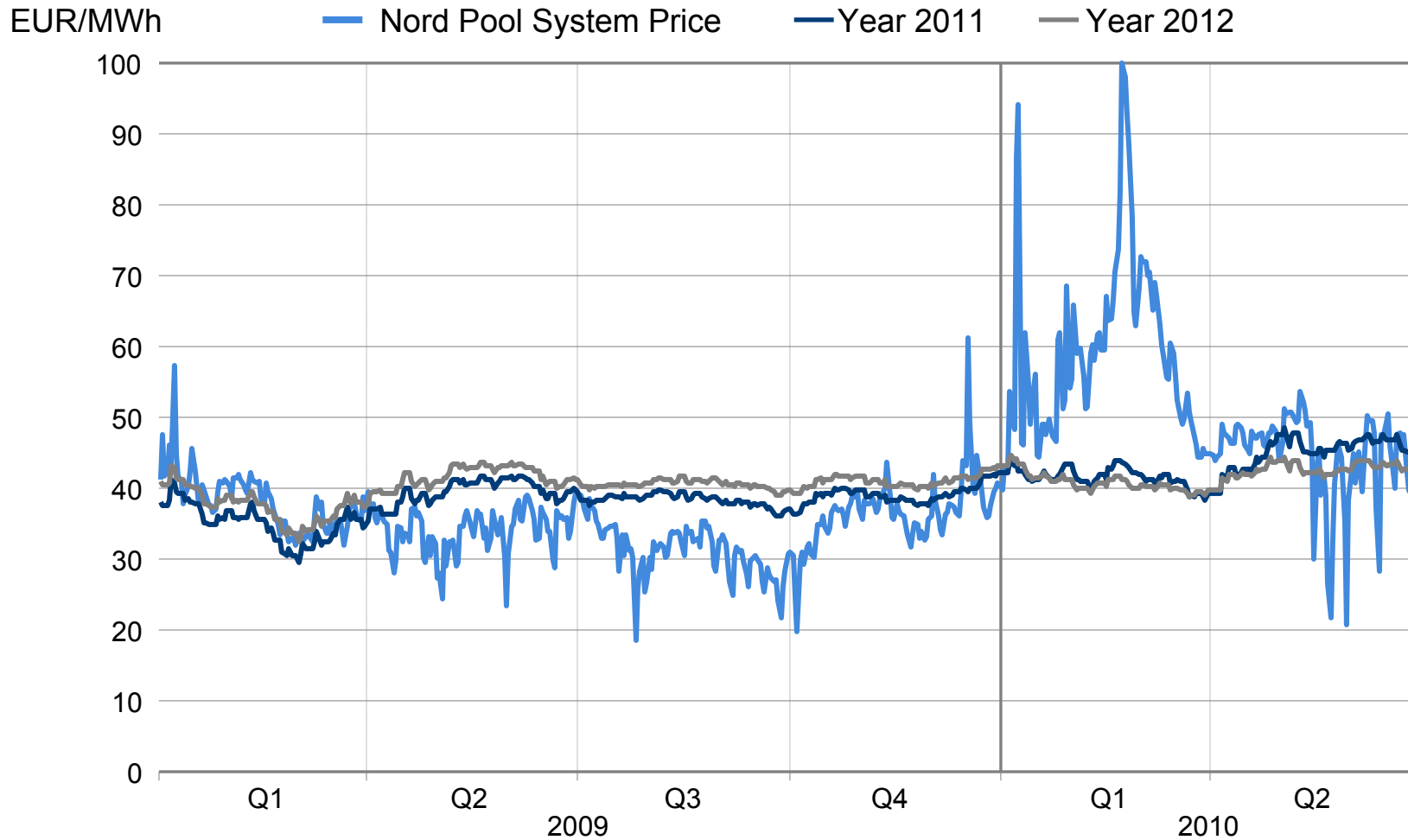
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Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

Business environment improving

- Nordic power consumption up by 6% in the second quarter
 - Power consumption in the Nordic countries 386 TWh in last twelve months, 397 TWh in 2008
- Russian power consumption increased by about 4% in the second quarter
 - Electricity spot price in Russia up by 28% from a year ago
- Nordic spot prices increased, forward prices more stable

Nordic spot prices increased, forward prices more stable

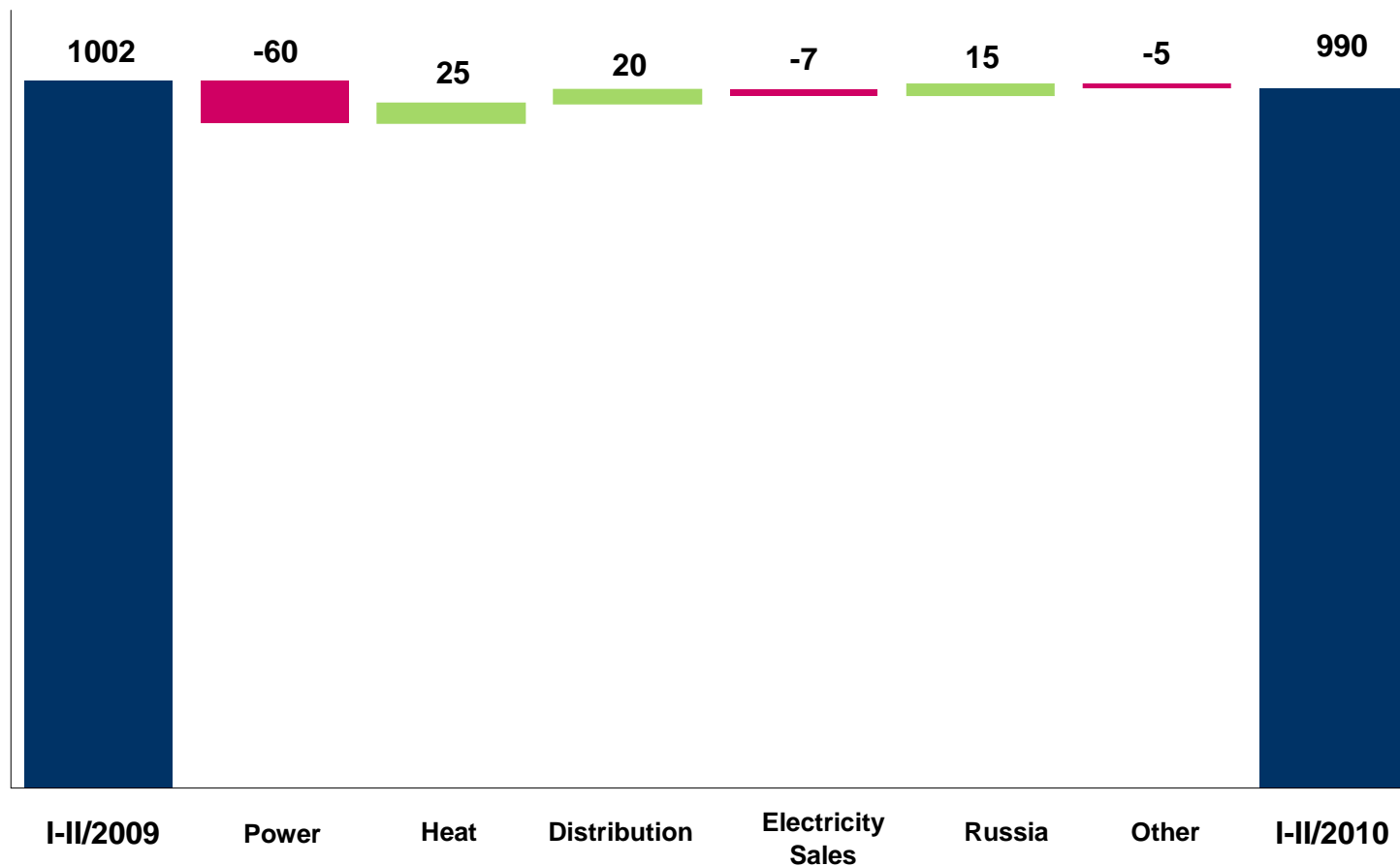


A good first half year

- Comparable operating profit, EUR 990 (1,002) million
 - Lower hydro and nuclear volumes in Power
 - Improvement in Russia, Distribution and Heat
 - SEK translation effect EUR +53 million
- Earnings per share EUR 0.93 (0.78)
 - Non-recurring items EUR 50 (14) million in the first half year
- Net cash from operating activities EUR 943 (1,526) million
 - Decline due to financial items and realised fx losses (SEK appreciation)

Good performance, but room to improve

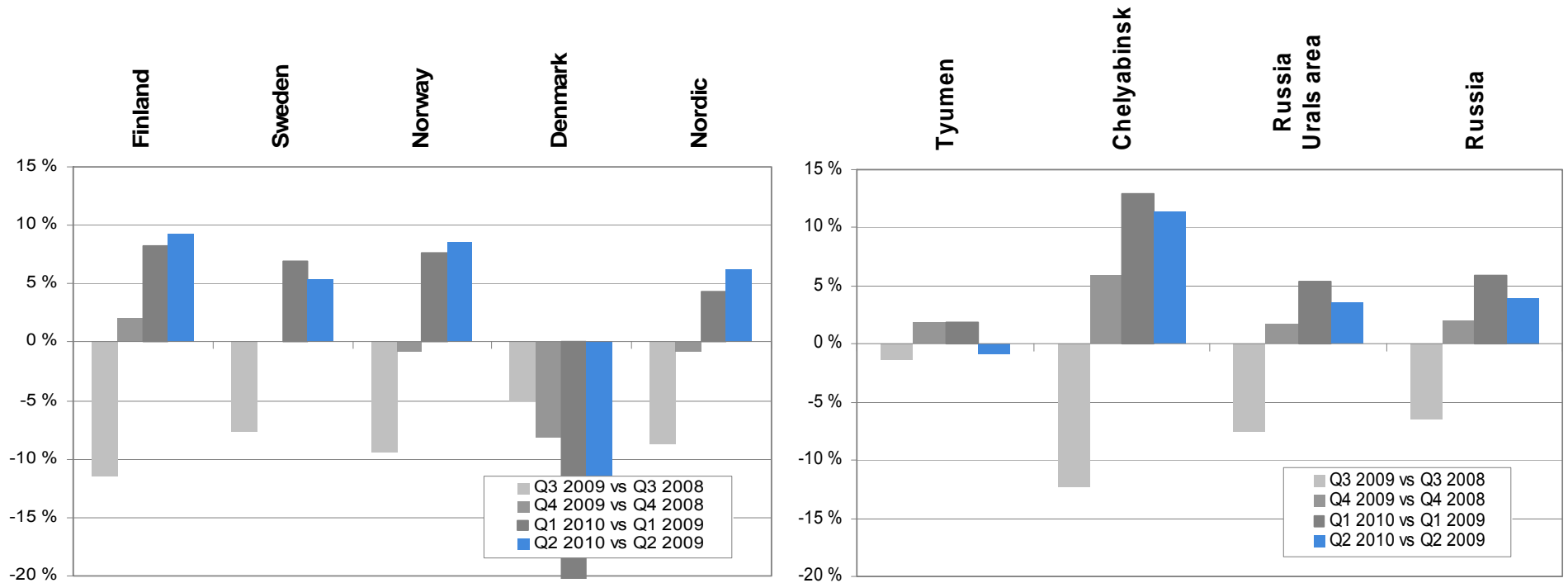
Comparable operating profit, EUR million



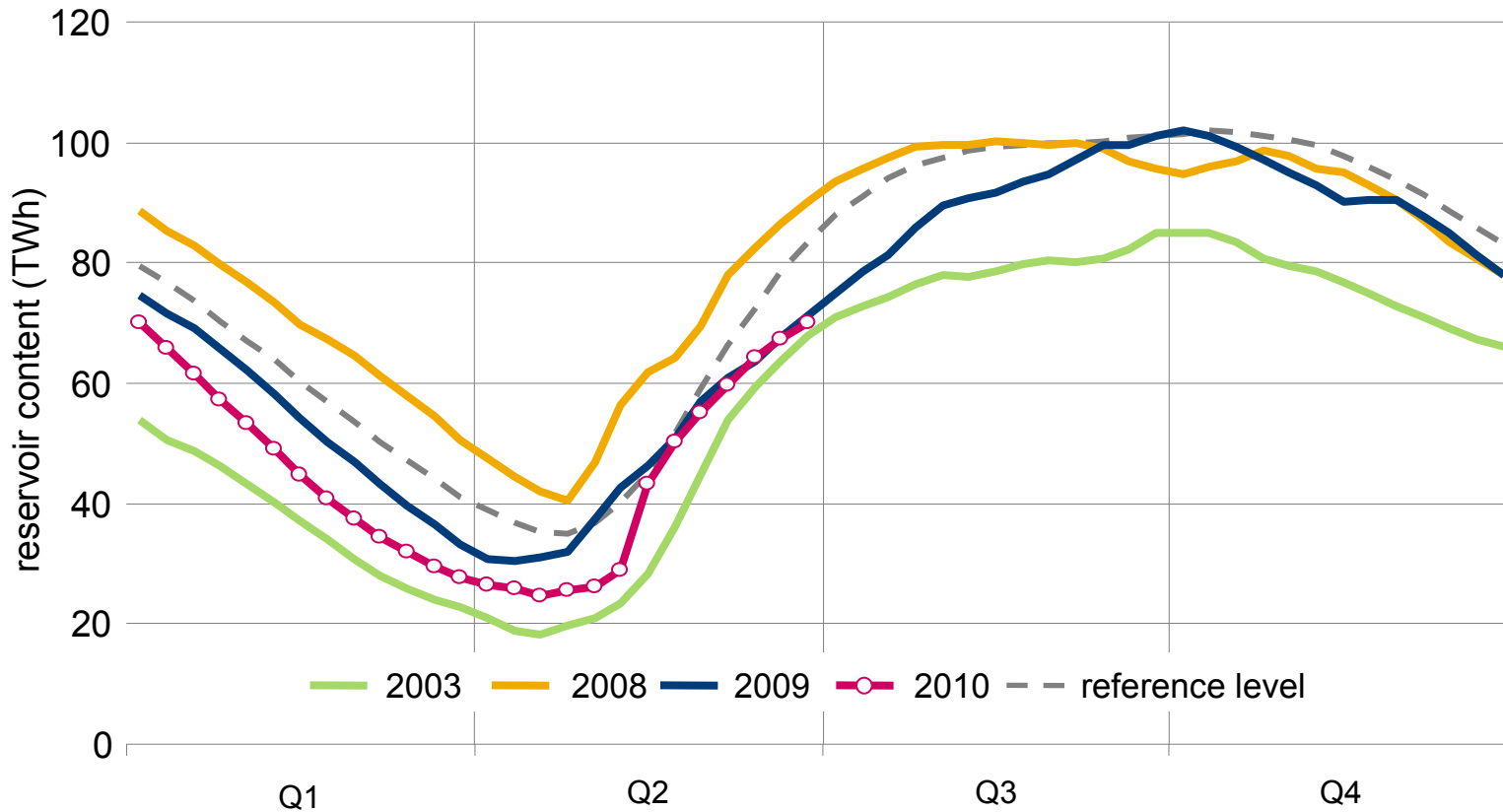
Key events and highlights

- Development in Russia on track
 - Russian wholesale power reform proceeded as planned
 - Rules and price parameters for capacity market approved
 - The share of competitive market increased to 80% in July 2010
- 86% (94%) of the power generated by Fortum in the EU CO₂-free
 - Higher thermal condensing generation due to cold weather
- 66% (69%) of the power generated by Fortum CO₂-free

Increased power consumption



Nordic water reservoirs below normal

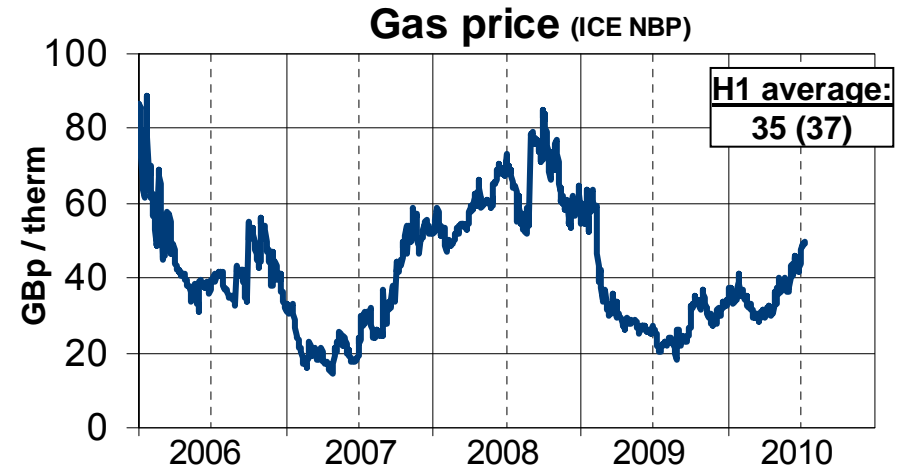
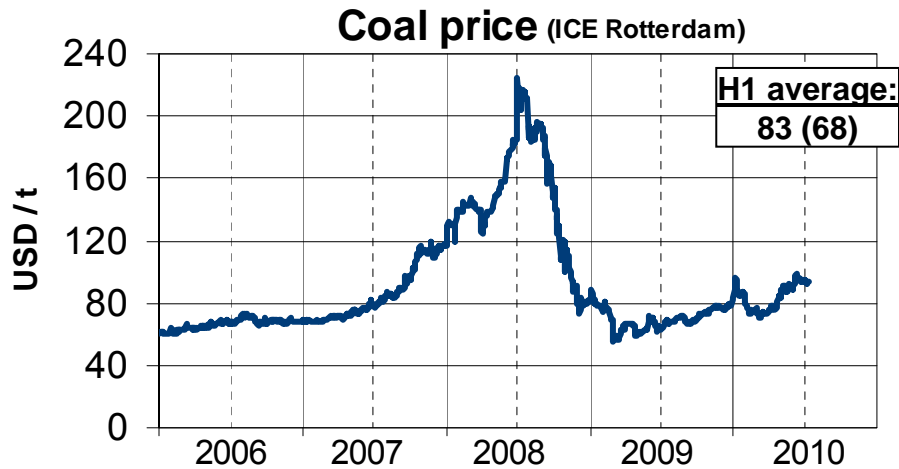
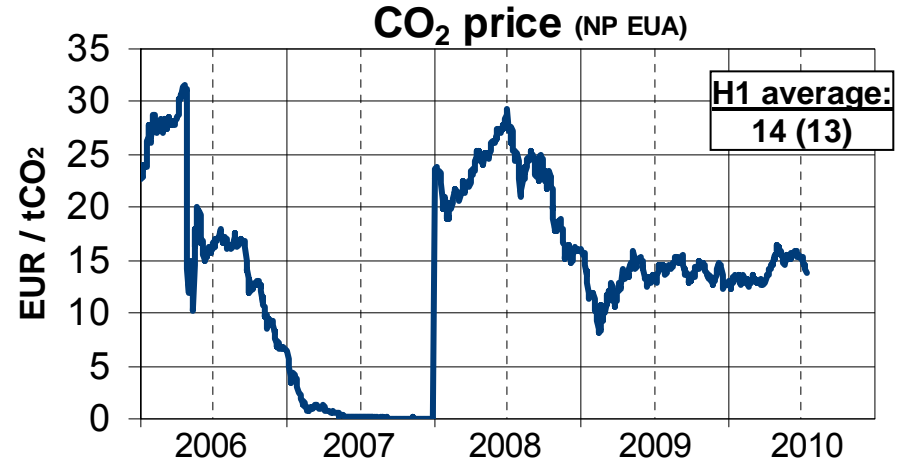
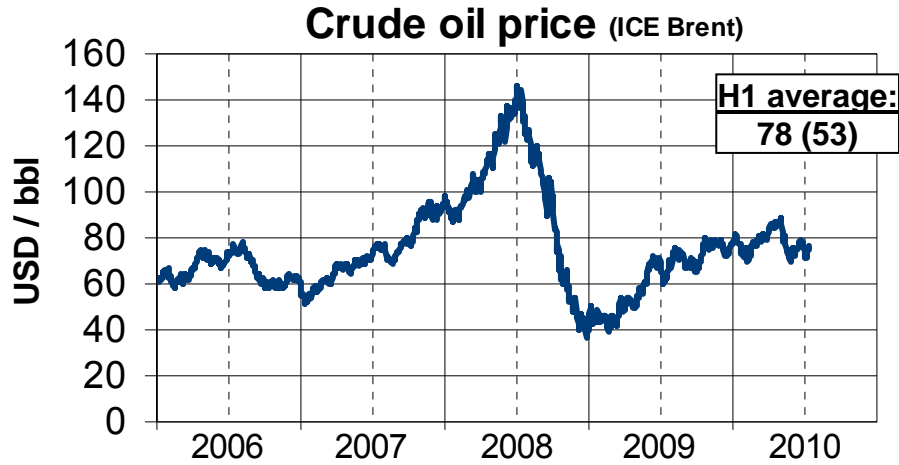


Combined water and snow reservoirs appr. 18 TWh below average



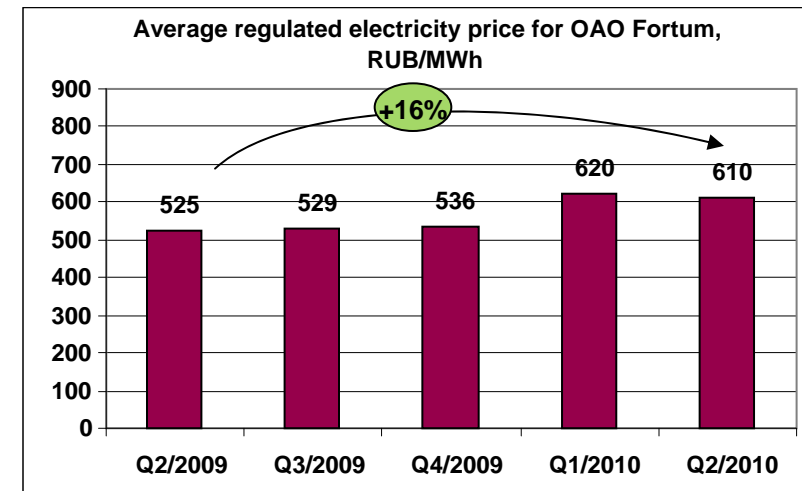
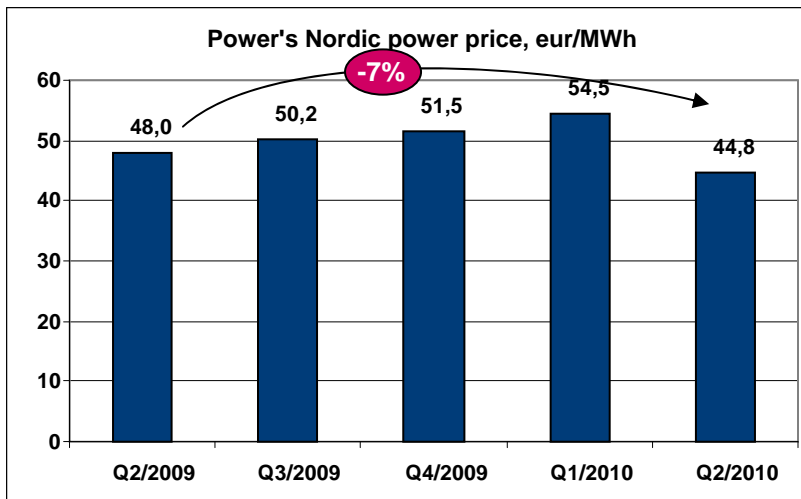
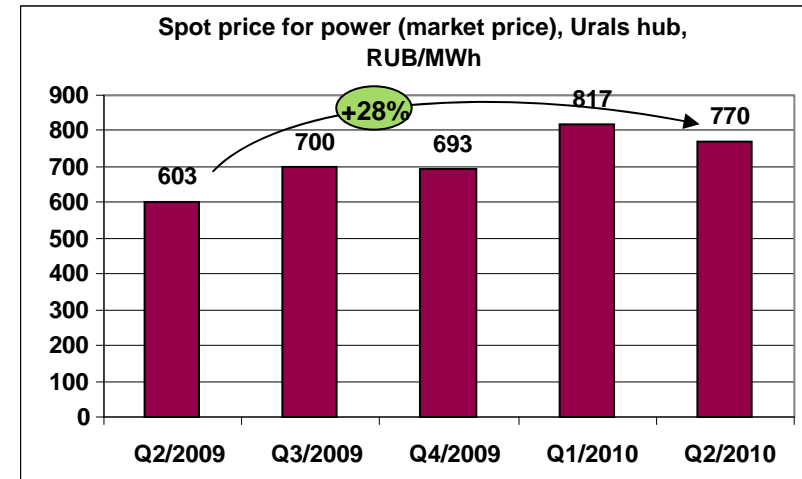
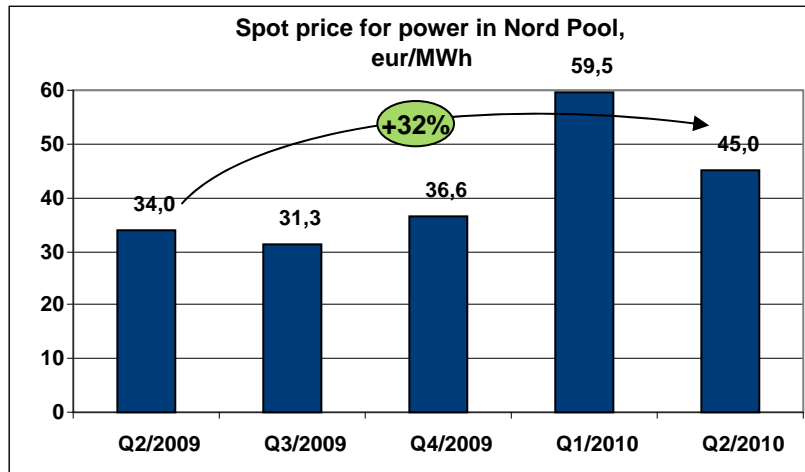
Source: Nord Pool

Commodity prices

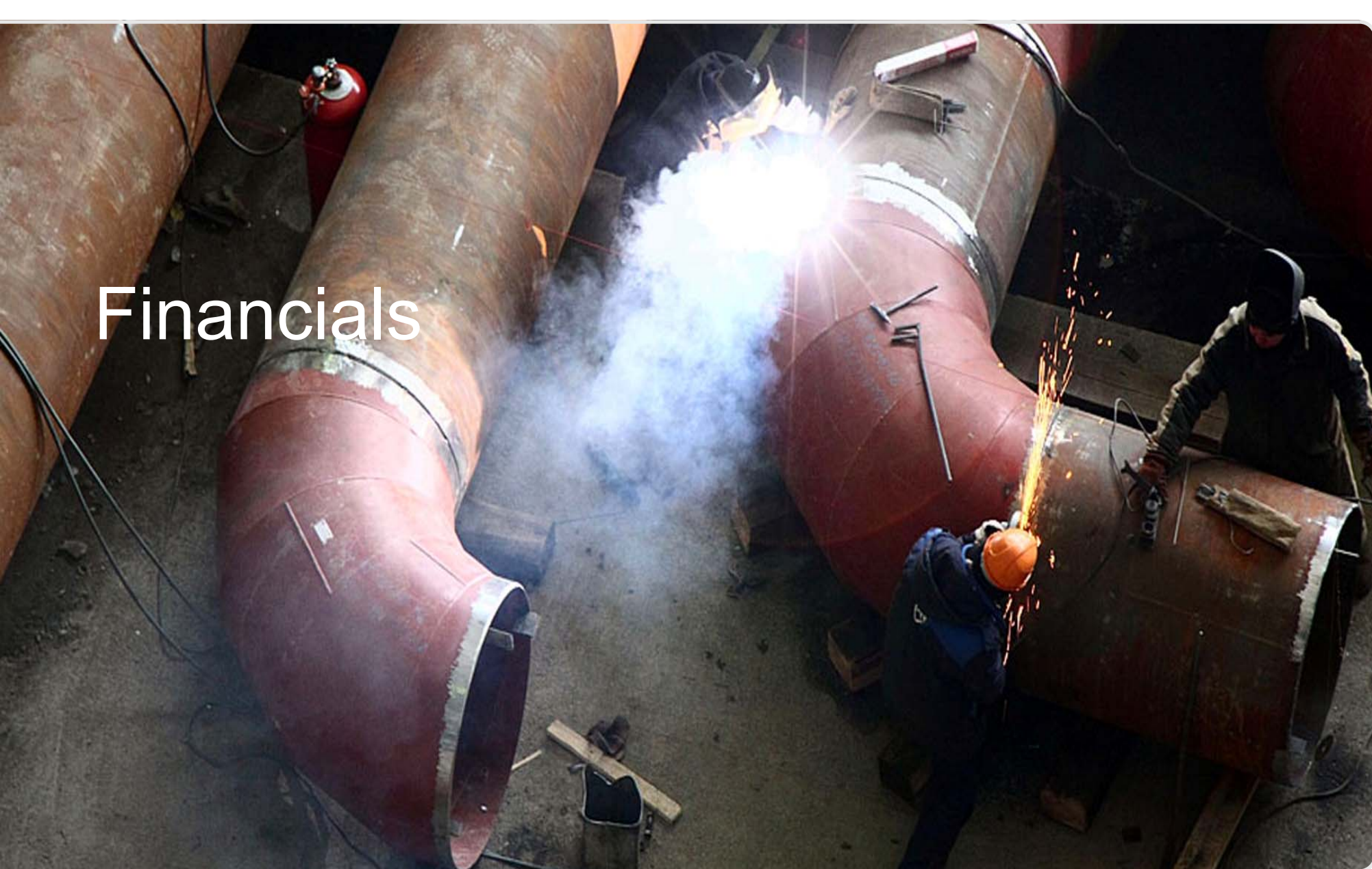


Source: ICE, Nord Pool

Price development in the Nordic region and Russia



Financials



Power

- Lower hydro and nuclear volumes, higher thermal generation
- Higher costs of associated nuclear companies
- Power's achieved Nordic power price 3.2 €/MWh lower than last year in the second quarter

MEUR	I-II/2010	I-II/2009	LTM
Sales	1 366	1 296	2 601
Comparable operating profit	695	755	1 394
Net Assets	5 726	5 353	
Comparable RONA, %			24.4
Gross Investments	55	100	108



Heat

- Higher heat and power volumes
- Suomenoja and Tarto plants in operation
- Czestochowa and Pärnu to be commissioned in 2010

MEUR	I-II/2010	I-II/2009	LTM
Sales	952	764	1 587
Comparable operating profit	165	140	256
Net Assets	3 884	3 503	
Comparable RONA, %			7.8
Gross Investments	121	167	313



Distribution

- Higher volumes
- Stronger SEK

MEUR	I-II/2010	I-II/2009	LTM
Sales	480	405	875
Comparable operating profit	155	135	282
Net Assets	3 482	3 106	
Comparable RONA, %			8.9
Gross Investments	76	79	190



Electricity Sales

- Improvement in the second quarter
- Restructuring of the Business Market segment

MEUR	I-II/2010	I-II/2009	LTM
Sales	964	767	1 646
Comparable operating profit	-3	4	15
Net Assets	59	81	
Comparable RONA, %			14.0
Gross Investments	0	1	0



Russia

- Efficiency improvement programme on track
- Capital expenditures increasing

MEUR	I-II/2010	I-II/2009	LTM
Sales	413	324	721
Comparable operating profit	7	-8	-5
Net Assets	2 690	2 062	
Comparable RONA, %			0.8
Gross Investments	258	62	414



Comparable and reported operating profit

	Comparable operating profit		Reported operating profit		Comparable operating profit		Reported operating profit	
	II/2010	II/2009	II/2010	II/2009	I-II/2010	I-II/2009	I-II/2010	I-II/2009
Power	271	340	280	307	695	755	747	739
Heat	33	26	35	39	165	140	194	154
Distribution	53	54	53	54	155	135	166	135
Electricity Sales	10	6	23	20	-3	4	-6	-1
Russia	-9	-14	-9	-15	7	-8	23	-9
Other	-19	-12	-31	-30	-29	-24	-49	-44
Total	339	400	351	375	990	1 002	1 075	974

Income statement

MEUR	II/2010	II/2009	I-II/2010	I-II/2009	2009	LTM
Sales	1 295	1 194	3 242	2 826	5 435	5 851
Expenses	-944	-819	-2 167	-1 852	-3 653	-3 968
Operating profit	351	375	1 075	974	1 782	1 883
Share of profit of associates and jv's	15	29	31	-4	21	56
Financial expenses, net	-34	-49	-61	-81	-167	-147
Profit before taxes	332	355	1 045	889	1 636	1 792
Income tax expense	-61	-61	-191	-172	-285	-304
Net profit for the period	271	294	854	717	1 351	1 488
Non-controlling interests	8	5	32	22	39	49
EPS, basic (EUR)	0.30	0.32	0.93	0.78	1.48	1.62
EPS, diluted (EUR)	0.30	0.32	0.93	0.78	1.48	1.62

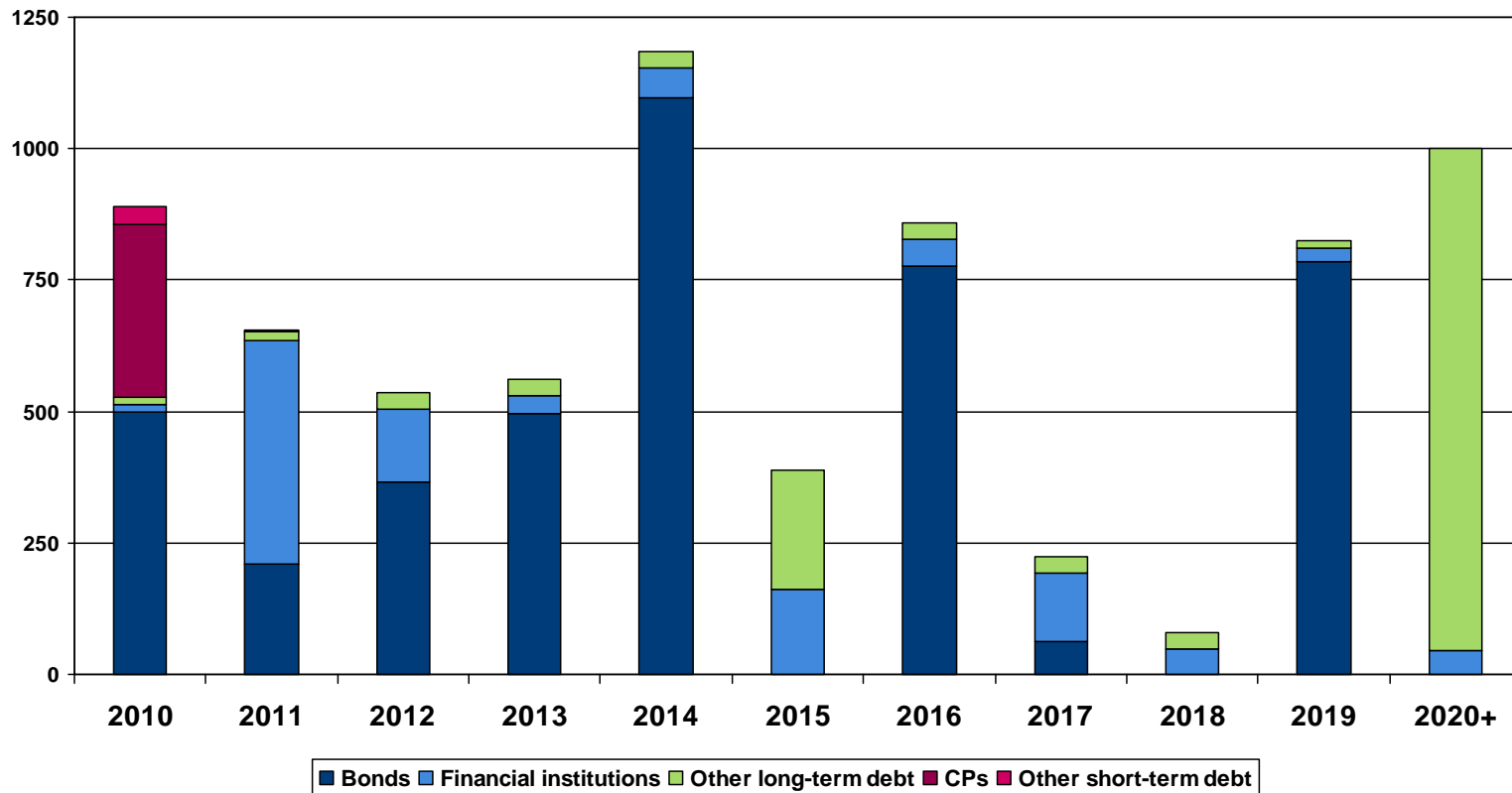
Cash flow statement

MEUR	II/2010	II/2009	I-II/2010	I-II/2009	2009	LTM
Operating profit before depreciations	490	499	1 351	1 220	2 292	2 423
Non-cash flow items and divesting activities	-6	18	-73	19	46	-46
Financial items and fx gains/losses	-146	160	-323	299	146	-476
Taxes	-73	-117	-155	-131	-239	-263
Funds from operations (FFO)	265	560	800	1 407	2 245	1 638
Change in working capital	157	144	143	119	19	43
Total net cash from operating activities	422	704	943	1 526	2 264	1 681
Paid capital expenditures	-263	-171	-486	-351	-845	-980
Acquisition of shares	-1	-3	-1	-53	-85	-33
Other investing activities	-16	-3	72	-10	-44	39
Cash flow before financing activities	142	527	528	1 112	1 290	707

Key ratios

MEUR	LTM in Q2 '10	LTM in Q1 '10	2009
EBITDA	2 423	2 432	2 292
Net cash flow from operations	1 681	1 963	2 264
Interest-bearing net debt	6 506	5 679	5 969
Equity	8 662	8 465	8 491
Balance sheet total	20 606	21 318	19 841
Net debt/EBITDA	2.7	2.3	2.6
Return on capital employed (%)	12.8	12.3	12.1
Return on shareholders' equity (%)	18.0	17.6	16.0

Debt maturity profile



	<u>MEUR</u>
2010	891
2011	653
2012	537
2013	562
2014	1.185
2015	388
2016	858
2017	223
2018	79
2019	826
2020+	998

Duration (years)

Average interest rate (incl. swaps and forwards)

Portion of floating / fixed debt

per 30 June, 2010

per 31 December, 2009

1,7

1,8

3.1 %

3.4 %

68 / 32 %

62 / 38 %

Outlook

Fuel and CO₂ allowance prices

Crude oil price (ICE Brent)



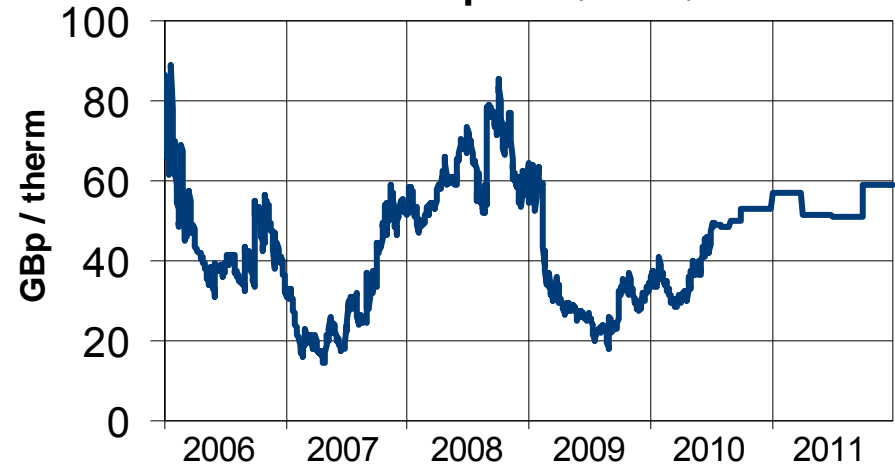
CO₂ price (NP EUA)



Coal price (ICE Rotterdam)

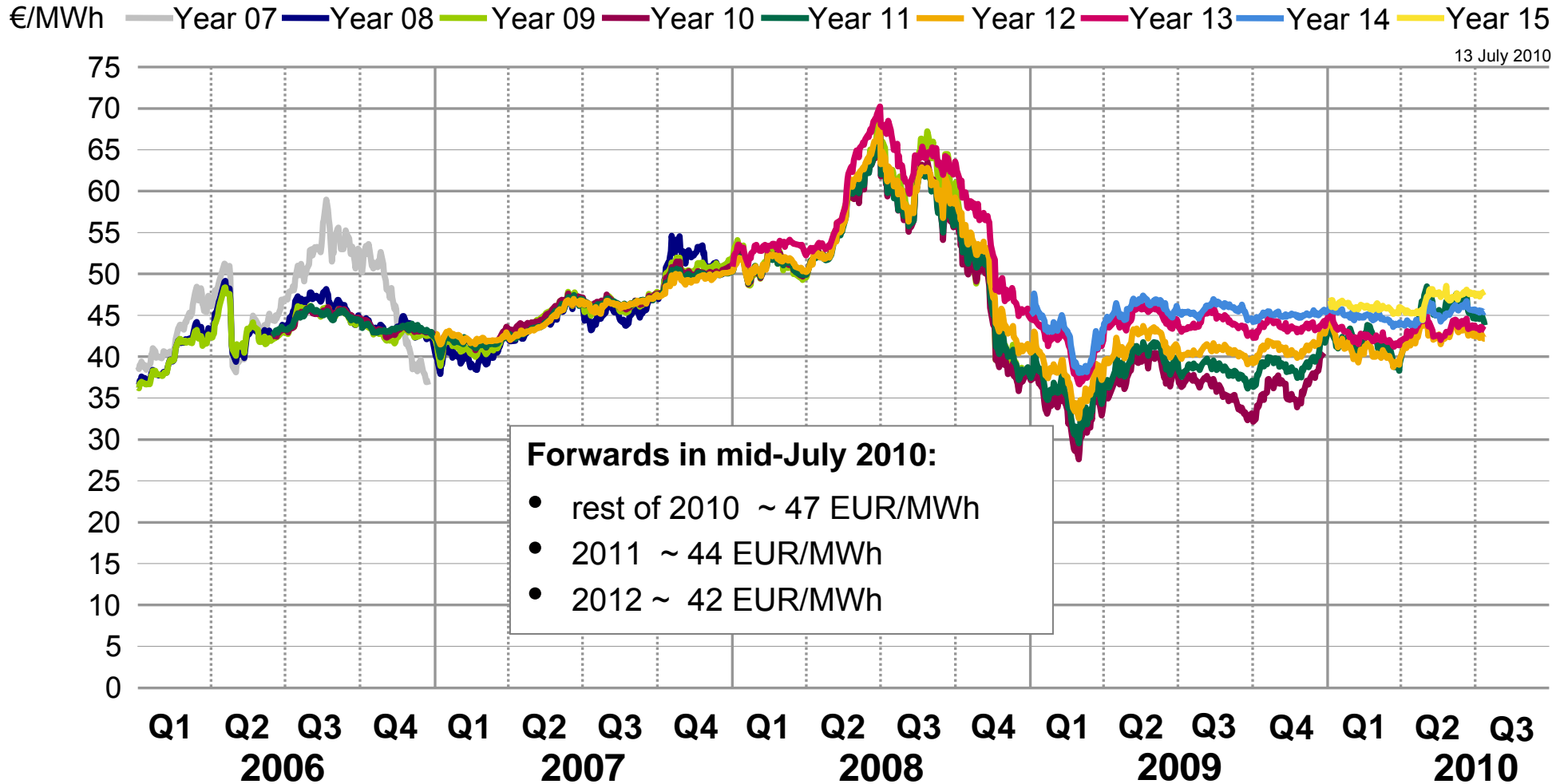


Gas price (ICE NBP)



Source: ICE, Nord Pool

Nord Pool year forwards



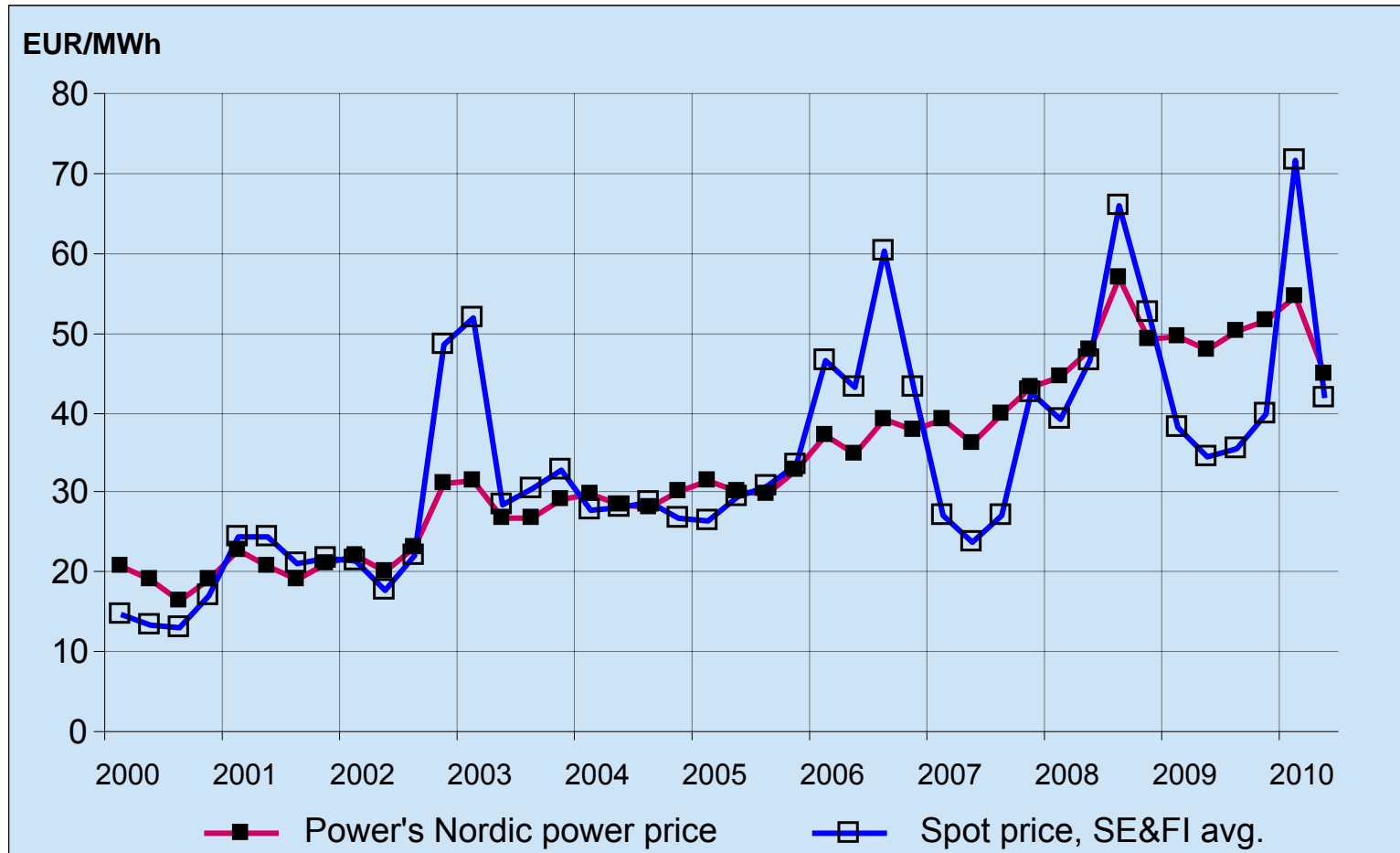
Hedging of Power Division's Nordic sales

Status at the end of June 2010

(Status at the end of March 2010)

	<u>Hedge ratio</u>	<u>Hedge price</u>
rest of 2010	~ 80% (~75%)	~ EUR 44 per MWh (~ EUR 44 per MWh)
2011	~ 60% (~45%)	~ EUR 44 per MWh (~ EUR 43 per MWh)

Hedging improves stability and predictability



New capacity to be commissioned in 2010

	Type	Capacity electricity, MW	Capacity heat, MW	Available
Heat				
Częstochowa, Poland	CHP bio, coal	65	120	Q3/2010
Pärnu, Estonia	CHP bio, peat	20	45	Q4/2010
Power				
Hydro refurbishment	Hydropower	20-30		2010
Russia				
Tyumen 1	CCGT, gas	230		Q3/2010
Tobolsk	CCGT, gas	200		Q4/2010
Chelyabinsk 3	CCGT, gas	220		Q4/2010

Fortum in a strong position

- A good first half of the year
- Flexible, cost-efficient and climate-benign generation portfolio
- Russian power reform proceeding and the results of OAO Fortum improving as planned
- Nordic power demand recovering
 - back to 2008 level by 2012-2014
- Strong financial position and liquidity

