



**Interim Report  
January - September 2008**

Conference call

22 October 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.

# Progress in power markets

- EU Member States found a political agreement on the energy internal market package
- Power market integration is proceeding
  - Market coupling between Nord Pool and the German EEX started on 29 September but is currently suspended due to technical problems
  - Market coupling to be extended to cover the whole Central Western Europe by the end of 2009
- Russian power market reform is proceeding as planned
- The new climate and energy strategy for Finland to be released at the beginning of November
- Volatile commodity prices - declined since July

# Fortum's third quarter

- TGC-10
  - mandatory offer
  - new organisation and Fortum's management model
- Markets turn-around programme started
- Investment programme proceeding
- Corporate transactions
  - Hafslund Infratek ASA
  - Jyväskylän Energiatuotanto Oy (a CHP-plant in Finland)
- Strong balance sheet and good liquidity

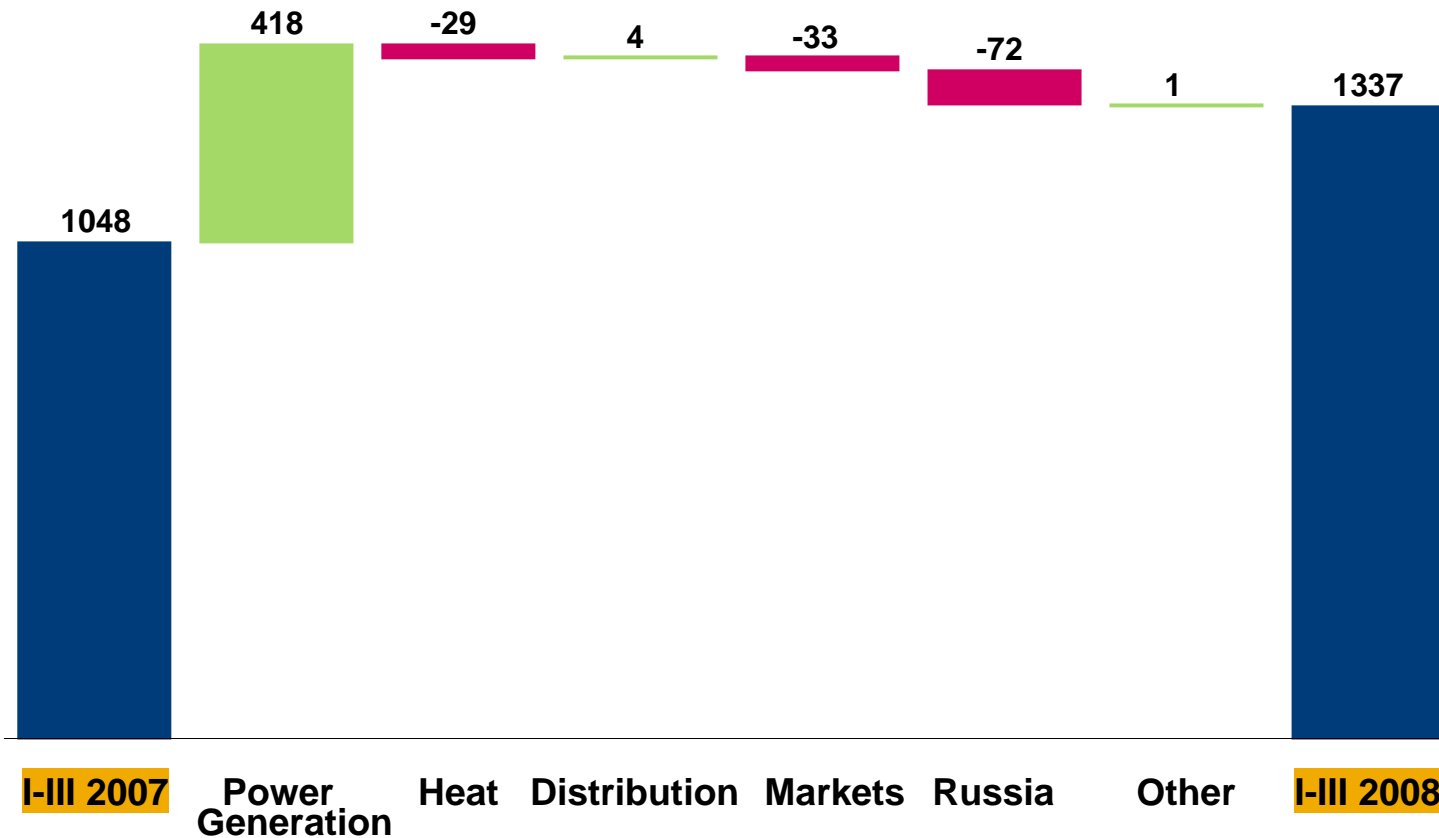
# Good results continue

- Comparable operating profit EUR 1,337 (1,048) million, +28%
- Earnings per share EUR 1.10 (0.87 excluding non-recurring gains), +26%
- Net cash from operating activities remained strong at EUR 1,440 (1,325) million
- Strong performance in Power Generation
- Power generated by Fortum within the EU 92% (92%) CO<sub>2</sub>-free

Comparison: I-II/2007 financial results

# Operational performance improved by 28%

## Comparable operating profit MEUR



Consistent hedging strategy and higher hydro power production in Power Generation

Higher fuel and CO<sub>2</sub> costs in Heat

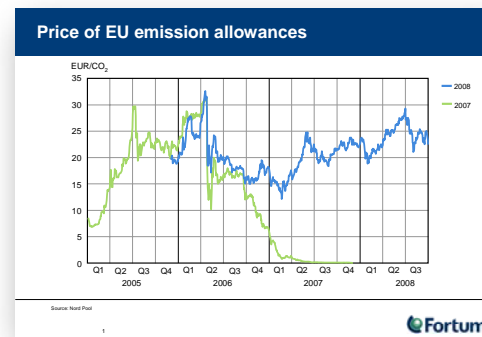
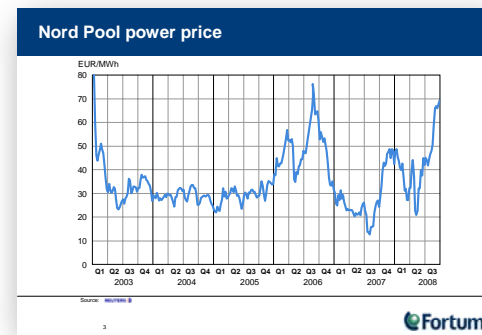
Distribution – stable business as usual

Low sales margin in Markets

The first year of integration in Russia

# Price development

- Nord Pool wholesale price in:
  - Q3 increased 181% to 55.4 EUR/MWh (19.7 EUR/MWh)
  - Q1 – Q3 increased 86% to 42.7 EUR/MWh (22.9 EUR/MWh)
- Power Generation's achieved Nordic power price in:
  - Q3 increased 43% to 57.0 EUR/MWh (39.9 EUR/MWh)
  - Q1 – Q3 increased 28% to 49.3 EUR/MWh (38.4 EUR/MWh)
- Exceptionally high area price differences in third quarter

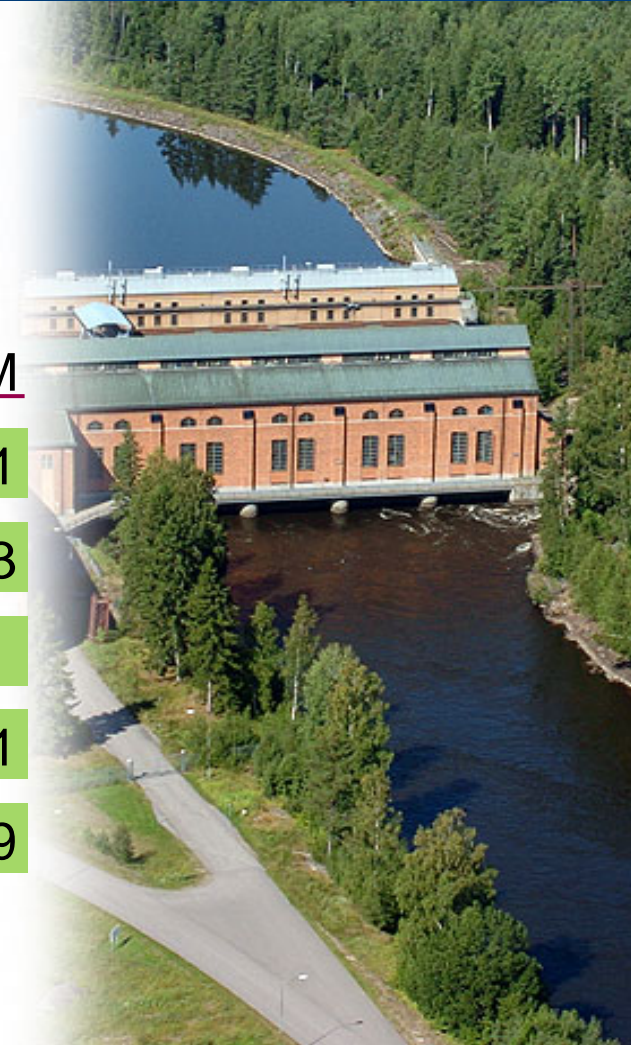


# SEGMENTS

# Power Generation

- Higher achieved Nordic power price
- Good generation mix

MEUR	I-III/2008	I-III/2007	LTM
Sales	2 156	1 665	2 841
Comparable operating profit	1 150	732	1 513
Net Assets	5 396	5 659	
Comparable RONA, %			27.1
Gross Investments	85	61	169



# Heat

- Higher fuel prices
- Increase in CO<sub>2</sub> and other costs
- Low sales volume in Q1

MEUR	I-III/2008	I-III/2007	LTM
Sales	1 003	917	1 442
Comparable operating profit	141	170	261
Net Assets	3 595	3 402	
Comparable RONA, %			7.5
Gross Investments	287	206	408



# Distribution

- Depreciations on automatic meter reading started in Q2

MEUR	I-III/2008	I-III/2007	LTM
Sales	583	563	789
Comparable operating profit	185	181	235
Net Assets	3 265	3 292	
Comparable RONA, %			7.6
Gross Investments	203	119	321



# Markets

- Weak sales margin
- Fixed costs

MEUR	I-III/2008	I-III/2007	LTM
Sales	1 391	1 201	1 873
Comparable operating profit	-33	0	-34
Net Assets	229	157	
Comparable RONA, %			-31.2
Gross Investments	3	2	4



# Russia

- TGC-10 stand-alone loss EUR 34 million
- Consolidated from 1 April; high seasonality

MEUR	I-III/2008	I-III/2007	LTM
Sales	292	-	292
Comparable operating profit	-72	-	-72
Net Assets	2 420	482	
Comparable RONA, %			-3.3
Gross Investments	1 622	245	1 622



# FINANCIALS

# Income statement

MEUR	III/2008	III/2007	I-III/2008	I-III/2007	2007	LTM
Sales	1 272	860	4 034	3 159	4 479	5 354
Expenses	-877	-350	-2 682	-1 832	-2 632	-3 482
<b>Operating profit</b>	<b>395</b>	<b>510</b>	<b>1 352</b>	<b>1 327</b>	<b>1 847</b>	<b>1 872</b>
Share of profit of associates and jv	8	6	78	223	241	96
Financial expenses, net	-66	-45	-185	-117	-154	-222
<b>Profit before taxes</b>	<b>337</b>	<b>471</b>	<b>1 245</b>	<b>1 433</b>	<b>1 934</b>	<b>1 746</b>
Income tax expense	-69	-44	-256	-218	-326	-364
<b>Net profit for the period</b>	<b>268</b>	<b>427</b>	<b>989</b>	<b>1 215</b>	<b>1 608</b>	<b>1 382</b>
Minority interest	-16	-4	10	31	56	35
EPS, basic (EUR)	0.32	0.48	1.10	1.33	1.74	1.52
EPS, diluted (EUR)	0.32	0.48	1.10	1.33	1.74	1.52

# Cash flow statement

MEUR	III/2008	III/2007	I-III/2008	I-III/2007	2007	LTM
<b>Operating profit before depreciations</b>	532	623	1 735	1 663	2 298	2 370
Non-cash flow items and divesting activities	-56	-263	-38	-268	-286	-56
Financial items and taxes	-92	-89	-372	-231	-393	-534
<b>Funds from operations (FFO)</b>	<b>384</b>	<b>271</b>	<b>1 325</b>	<b>1 164</b>	<b>1 619</b>	<b>1 780</b>
Change in working capital	17	-16	115	161	51	5
<b>Total net cash from operating activities</b>	<b>401</b>	<b>255</b>	<b>1 440</b>	<b>1 325</b>	<b>1 670</b>	<b>1 785</b>
Paid capital expenditures	-301	-128	-680	-341	-592	-931
Acquisition of shares	-442	-247	-1 215	-257	-285	-1 243
Other investing activities	1	282	-44	258	268	-34
<b>Cash flow before financing activities</b>	<b>-341</b>	<b>162</b>	<b>-499</b>	<b>985</b>	<b>1 061</b>	<b>-423</b>

# Comparable and reported operating profit

	Operating profit III/2008		Operating profit III/2007		Operating profit I-III/2008		Operating profit I-III/2007	
	Comparable	Reported	Comparable	Reported	Comparable	Reported	Comparable	Reported
Power Generation	371	438	185	221	1150	1129	732	764
Heat	-7	-15	-3	-2	141	152	170	173
Distribution	49	50	51	50	185	187	181	182
Markets	-8	-17	11	15	-33	-6	0	10
Russia	-39	-39	-	232	-72	-72	-	232
Other	-13	-22	-6	-6	-34	-38	-35	-34
<b>Total</b>	<b>353</b>	<b>395</b>	<b>238</b>	<b>510</b>	<b>1337</b>	<b>1352</b>	<b>1048</b>	<b>1327</b>

# Key ratios

<b>MEUR</b>	<b>LTM</b> in Q3 '08	<b>2007</b>	<b>2006</b>
Sales	5 354	4 479	4 491
Operating profit	1 872	1 847	1 455
Cash flow from operations	1 785	1 670	1 151
Interest-bearing net debt	6 520	4 466	4 345
Balance sheet total	20 546	17 674	16 839
Net debt/EBITDA*	2.8	2.2	2.3
Return on capital employed (%)*	14.1	14.0	13.4
Return on shareholders' equity (%)*	16.7	15.8	14.4

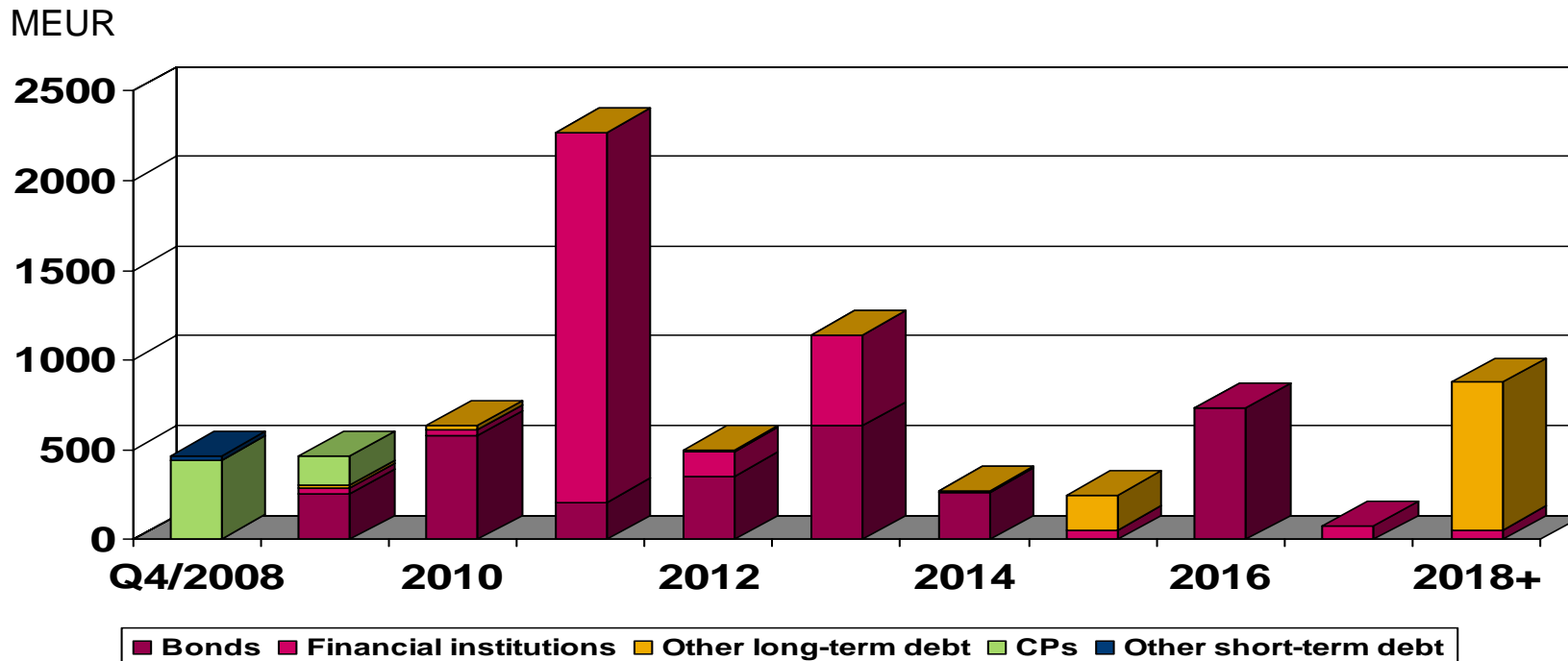
\*2007 adjusted for REC and Lenenergo gains

# Good liquidity

MEUR	Available	Outstanding	Total amount
<b><u>SHORT TERM FINANCING</u></b>			
<b>Commercial Paper Programmes</b>			
Finnish CP Programme	229	271	500
SEK 5.000 M Swedish CP Programme	184	327	511
	<b>413</b>	<b>598</b>	<b>1 011</b>
<b><u>LIQUID FUNDS AND COMMITTED CREDIT LINES</u></b>			
<b>Committed Credit Lines</b>			
Short Term	202	11	213
Long Term	2 200	500	2 700
	<b>2 402</b>	<b>511</b>	<b>2 913</b>
<b>Liquid Funds</b>			
Cash and cash equivalents	663		
Bank Deposits over 3 months	516		
	<b>1 179</b>		
of which in Russia	1 109		
<b>Total Available Cash and Committed Financing</b>	<b>3 581</b>		

In October, Fortum made an additional drawing under the committed credit facility of EUR 500 million, which will cover all outstanding debt maturing in 2008

# Debt maturity profile



	30 Sep, 2008	31 Dec, 2007
Duration (years)	1.7	1.3
Average interest rate (incl. swaps and forwards)	5.3 %	4.4 %
Portion of floating/fixed debt	74 / 26 %	67 / 33 %

# OUTLOOK

# Market fundamentals

- Nordic water reservoirs about 6 TWh below the long-term average in early October 2008
- Forward power prices in mid October 2008:
  - rest of 2008 ~ 53-58 EUR/MWh
  - 2009 ~ 51-55 EUR/MWh
  - 2010 ~ 50-53 EUR/MWh
- CO<sub>2</sub> prices in mid October 2008:
  - for 2008, 2009 and 2010 ~ EUR 22-23 per tonne

# Hedging of Power Generation's Nordic sales

## Status at the beginning of October 2008

(Status at the beginning of July 2008)

	<u>Hedge ratio</u>	<u>Hedge price</u>
Rest of 2008	~ 65% (~70%)	~ EUR 46 per MWh (~ EUR 46 per MWh)
2009	~ 55% (~45%)	~ EUR 53 per MWh (~ EUR 51 per MWh)
2010	~ 20%	~ EUR 55 per MWh

# Fortum well positioned for the future

- Flexible and climate-benign production portfolio
- Integration of Russian TGC-10 proceeding well
- Growth through the investment programme in the Nordic region, Poland and the Baltic countries
- Two CHP plants to be commissioned in 2009
- Strong balance sheet and liquidity
- Good hedging positions
  
- Good financial outlook



Q & A

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