



Fortum Corporation Interim report January-September 2010

Conference Call
21 October 2010

Disclaimer

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

Key events and highlights

- Strategy development and financial targets
- Improved business environment
- Solid performance continued
- 87% (92%) of the power generated by Fortum in the EU CO2-free

Fortum's Mission and Strategy

Mission

Fortum's purpose is to create energy that improves life for present and future generations. We provide sustainable solutions that fulfill the needs for low emissions, resource efficiency and energy supply security, and deliver excellent value to our shareholders.

Strategy

Leverage the strong
Nordic core

Create solid earnings
growth in Russia

Build platform for
future growth

Competence in CO₂-free nuclear, hydro and energy efficient CHP production,
and operating in competitive energy markets

Strategy builds on our competences and industry beliefs

Two strong platforms for growth

- Nordic power wholesale and heat market
- Russian power and heat market

Competitiveness key for long term value creation

- Sustainable business models cannot rely on a continuous high level of subsidies

Integrating European energy markets and a gradual decrease in the weight of the Nordic power price

- Leverage our competences in nuclear, hydro and CHP
- Industrial restructuring opportunities

More attractive growth prospects in power and heat generation

- Electricity solutions and distribution part of the Nordic core

Strong focus on delivering value and stable returns to shareholders

Improved business environment

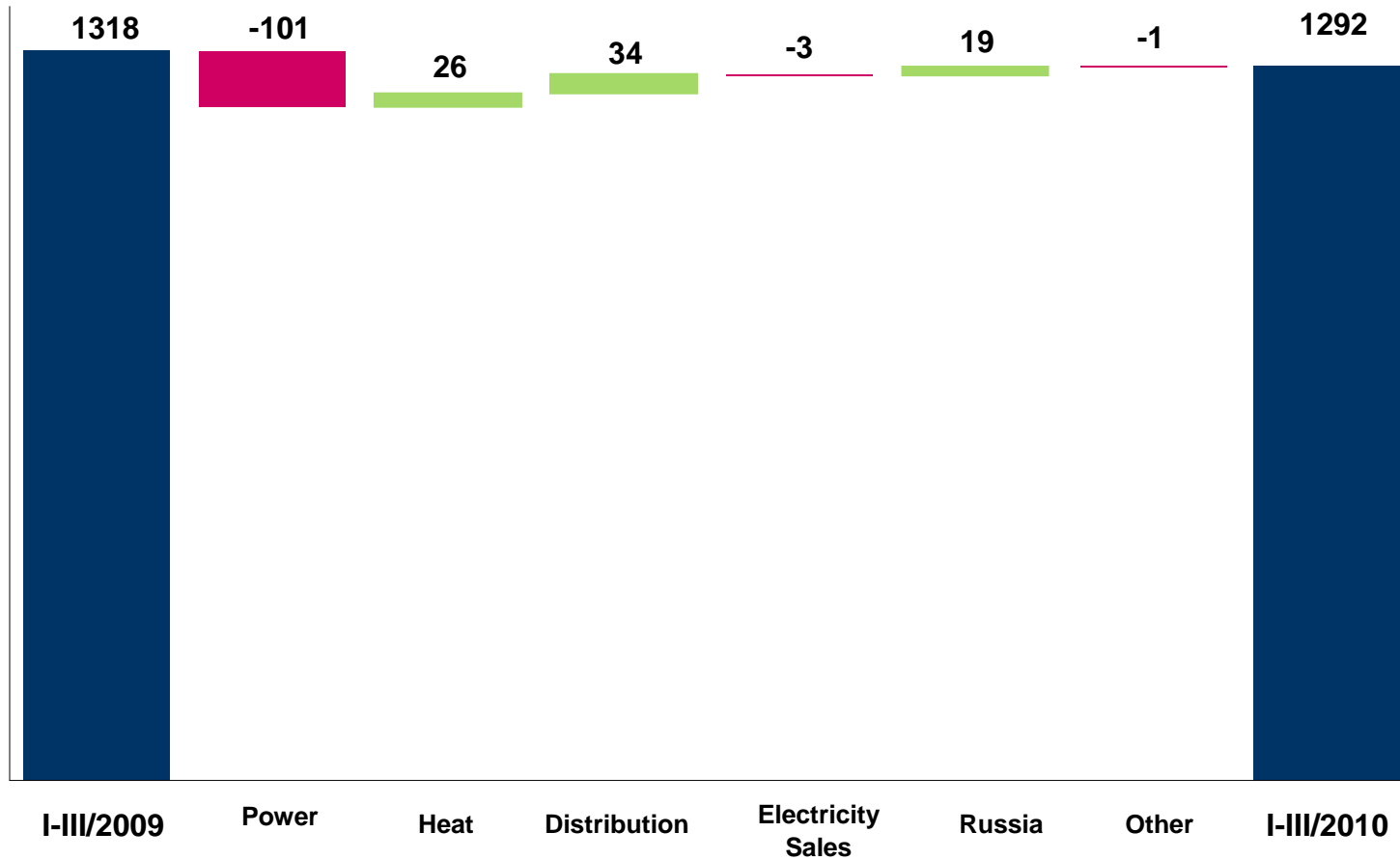
- Nordic power consumption up by 3% in the third quarter
 - Power consumption in the Nordic countries 388 TWh in last twelve months, 397 TWh in 2008 (pre-recession)
- Russian power consumption increased by about 5% in the third quarter
 - Electricity spot price in Russia up 34% from a year ago
- Nordic spot prices increased, forward prices more stable

Solid performance continued

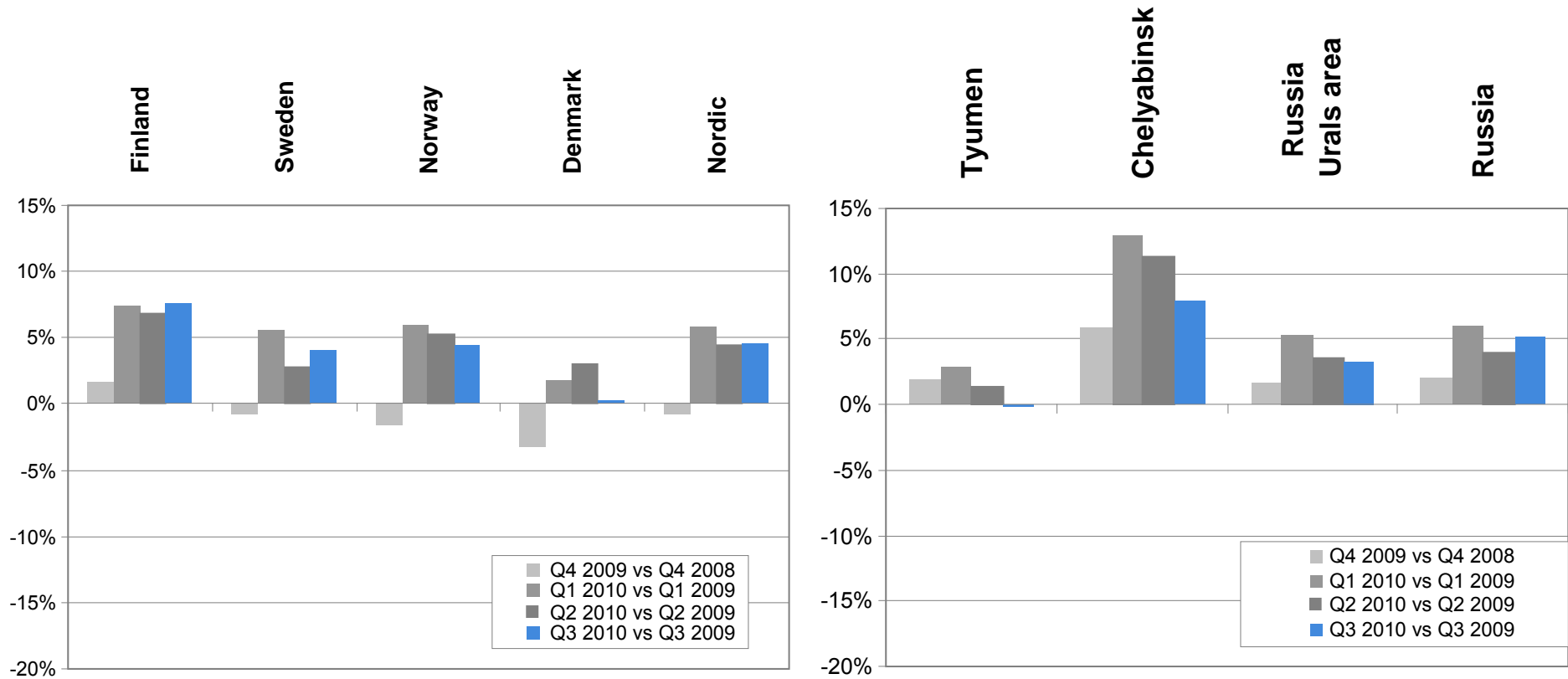
- Comparable operating profit, EUR 1,292 (1,318) million
 - Lower hydro volumes in Power
 - Improvement in Russia, Distribution and Heat
 - SEK translation effect EUR +70 million
- Earnings per share EUR 1.20 (1.02)
 - Non-recurring items EUR 86 (21) million
- Net cash from operating activities EUR 1,216 (1,868) million
 - Decline due to SEK appreciation (roll-over of fx balance sheet hedges)

Solid performance, room to improve

Comparable operating profit, EUR million

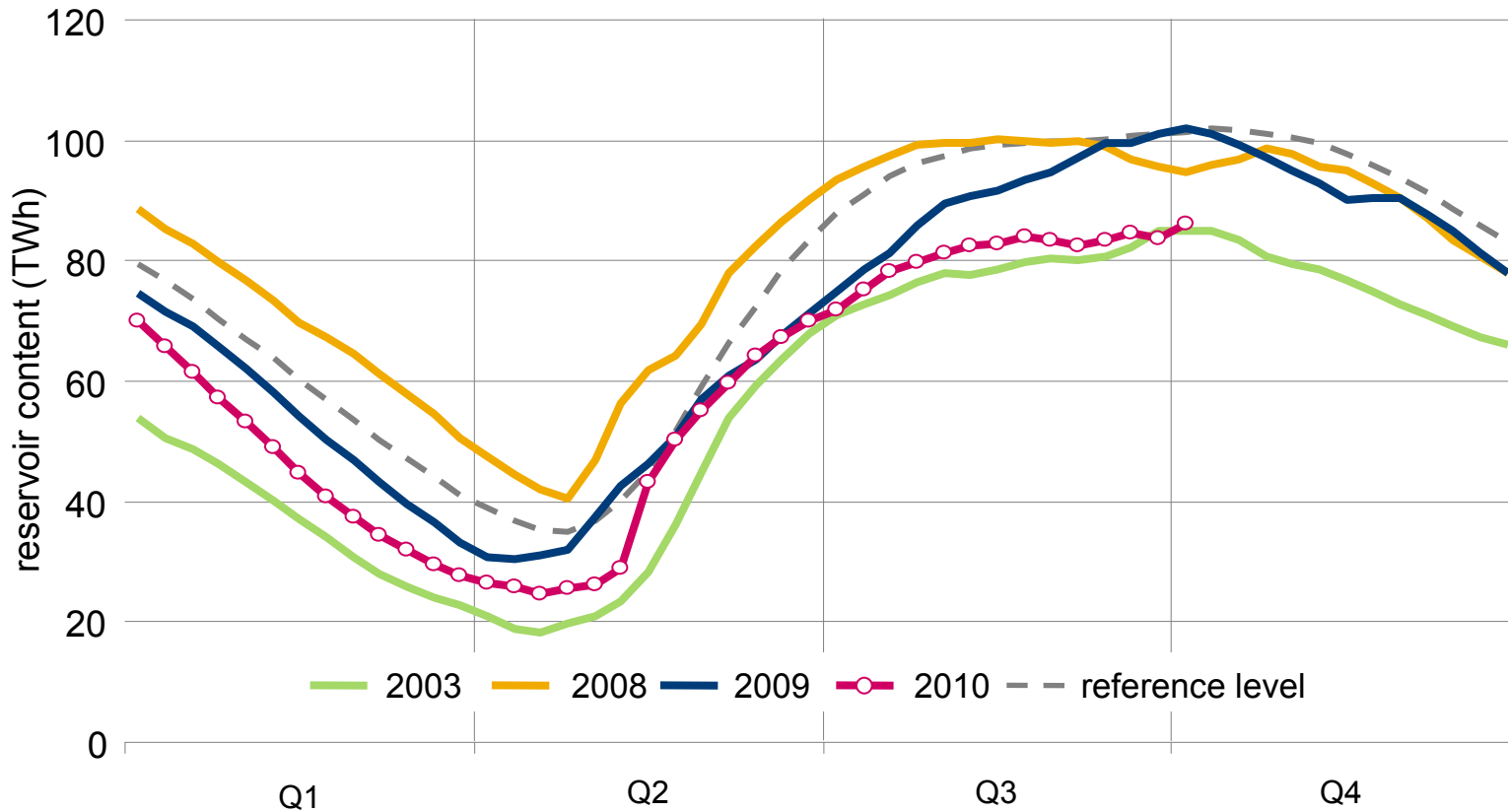


Increased power consumption



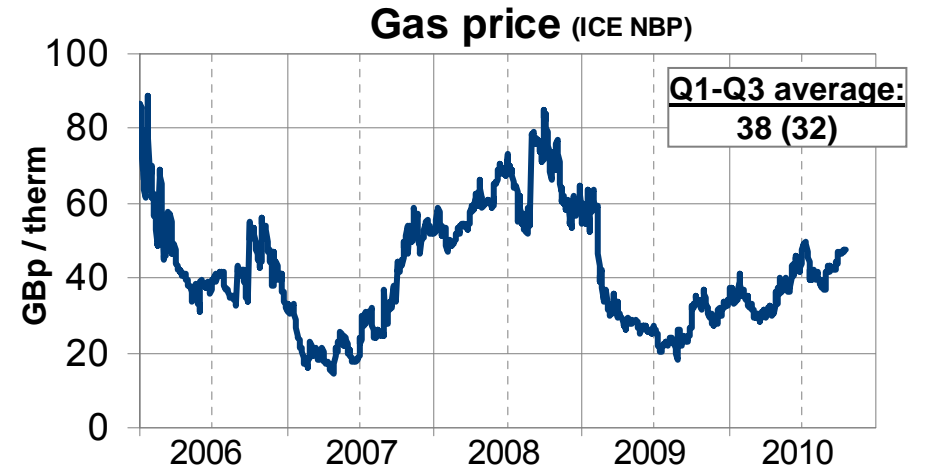
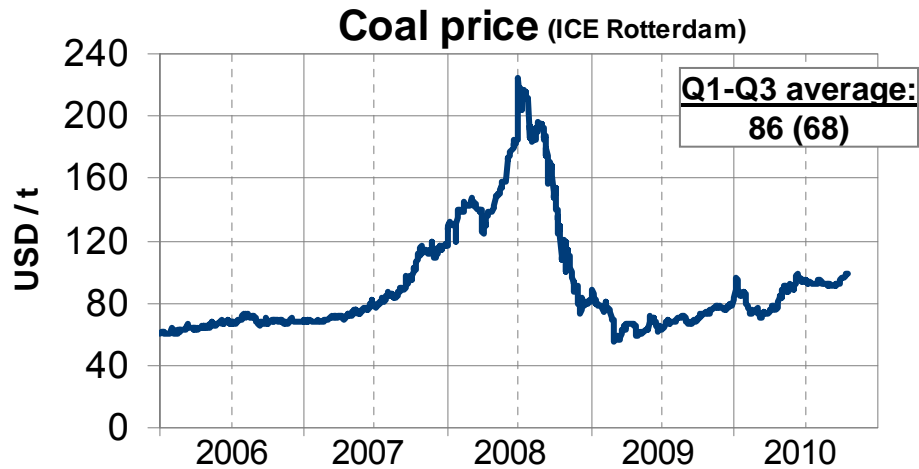
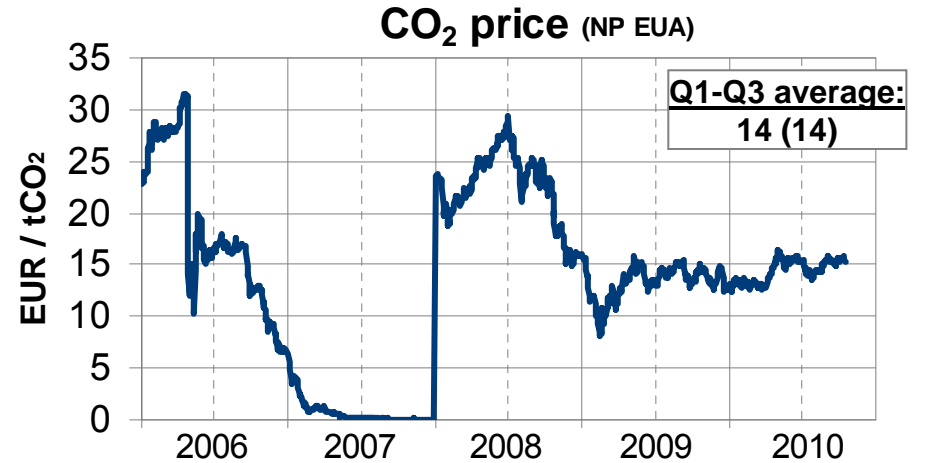
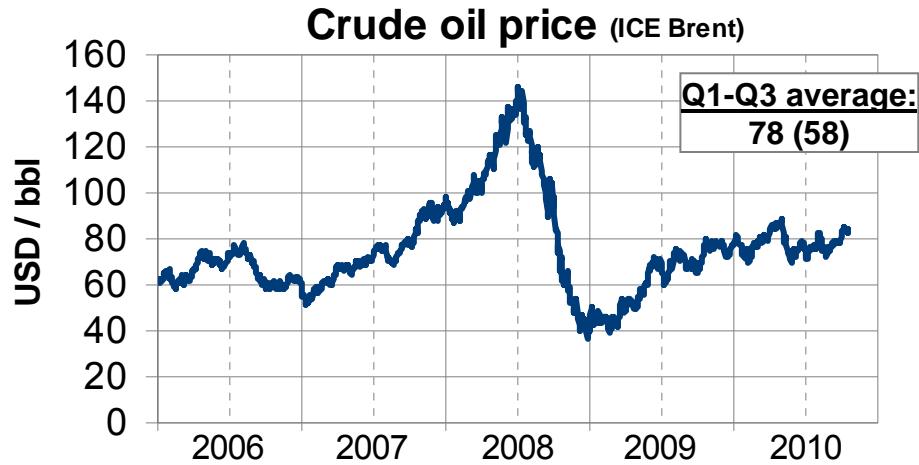
Fortum currently expects Nordic power demand to recover back to the 2008 level by 2012-2014

Nordic water reservoirs below normal



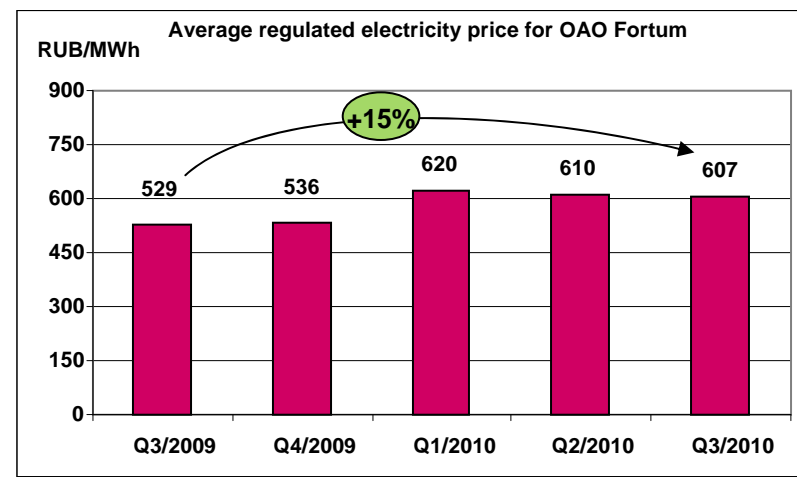
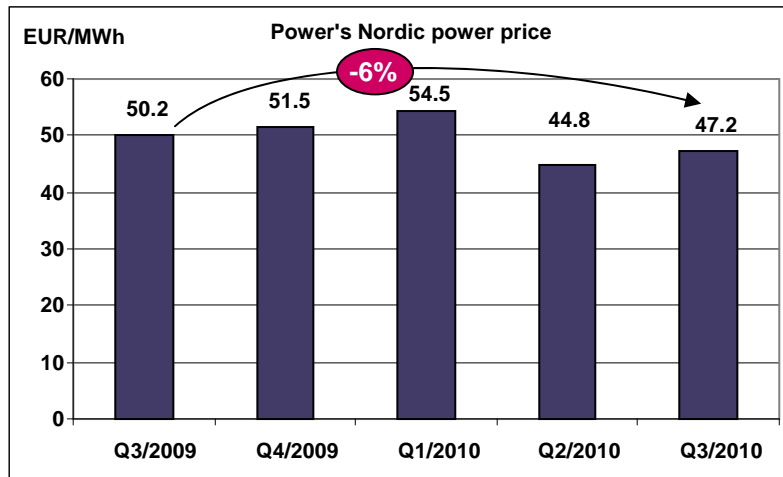
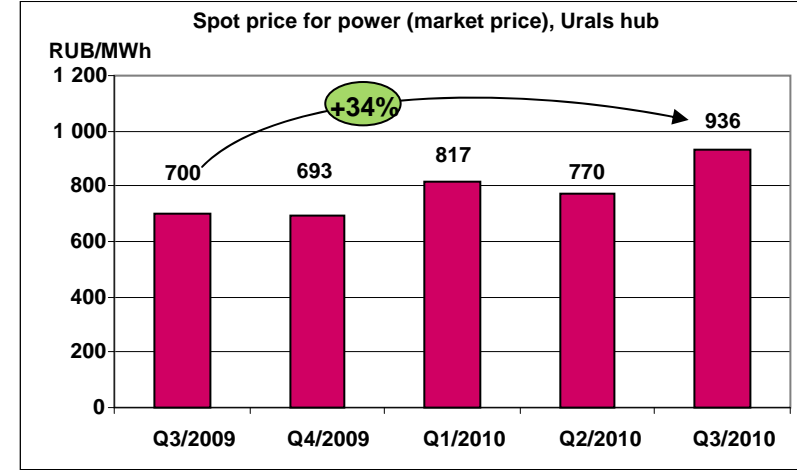
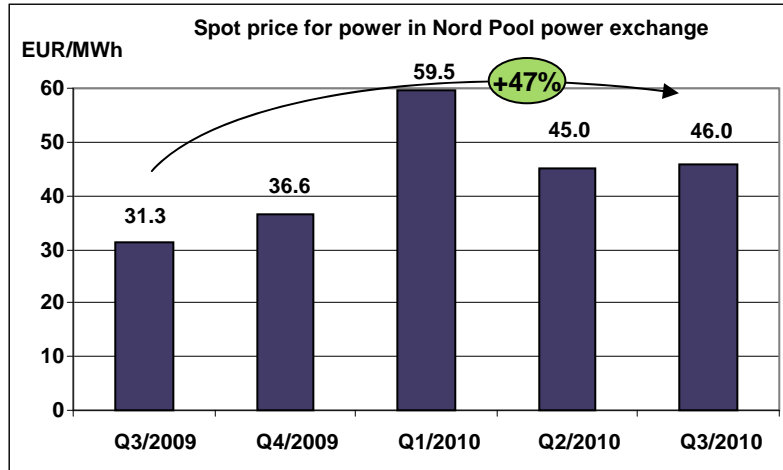
Source: Nord Pool

Commodity prices

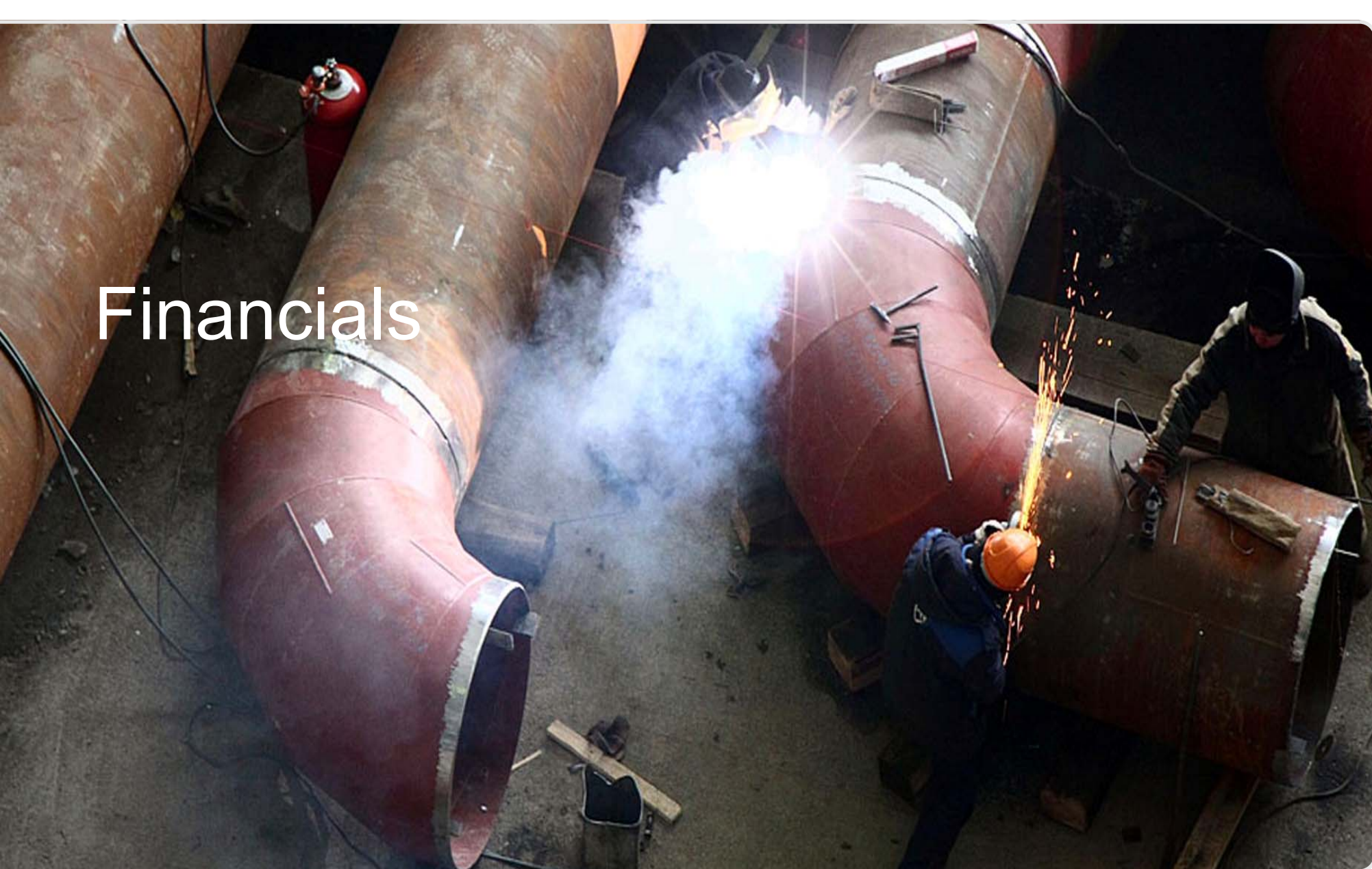


Source: ICE, Nord Pool

Price development in the Nordic region and Russia



Financials



Power

- Continued work in Swedish associated nuclear companies
- Lower achieved Nordic power price

MEUR	I-III/2010	I-III/2009	LTM
Sales	1 950	1 868	2 613
Comparable operating profit	962	1 063	1 353
Net Assets	5 818	5 516	
Comparable RONA, %			23.3
Gross Investments	87	120	120



Heat

- Higher heat and power volumes
- CHP plants in Częstochowa, Poland and Pärnu, Estonia inaugurated; commercial operation will begin during Q4/2010

MEUR	I-III/2010	I-III/2009	LTM
Sales	1 172	941	1 630
Comparable operating profit	153	127	257
Net Assets	4 021	3 655	
Comparable RONA, %			7.6
Gross Investments	188	258	289



Distribution

- Higher volumes
- Stronger SEK
- Smart metering pilot rollout to network customers in Finland started in Q4/2010

MEUR	I-III/2010	I-III/2009	LTM
Sales	676	573	903
Comparable operating profit	216	182	296
Net Assets	3 560	3 248	
Comparable RONA, %			9.1
Gross Investments	127	130	190



Electricity Sales

- Improvement in the third quarter comparable operating profit
- Restructuring of the Business Market segment will affect the sales volume from Q4/2010 onwards

MEUR	I-III/2010	I-III/2009	LTM
Sales	1 269	1 039	1 679
Comparable operating profit	8	11	19
Net Assets	55	46	
Comparable RONA, %			17.9
Gross Investments	0	1	0



Russia

- Higher spot prices
- Lower capacity prices for “old” capacity
- Accelerated investment programme

MEUR	I-III/2010	I-III/2009	LTM
Sales	550	435	747
Comparable operating profit	-9	-28	-1
Net Assets	2 522	2 112	
Comparable RONA, %			1.0
Gross Investments	342	120	440



Comparable and reported operating profit

MEUR	Comparable operating profit		Reported operating profit		Comparable operating profit		Reported operating profit	
	III/2010	III/2009	III/2010	III/2009	I-III/2010	I-III/2009	I-III/2010	I-III/2009
Power	267	308	256	297	962	1 063	1 003	1 036
Heat	-12	-13	-15	-11	153	127	179	143
Distribution	61	47	62	47	216	182	228	182
Electricity Sales	11	7	12	-7	8	11	6	-8
Russia	-16	-20	14	-19	-9	-28	37	-28
Other	-9	-13	-17	-21	-38	-37	-66	-65
Total	302	316	312	286	1 292	1 318	1 387	1 260

Income statement

MEUR	III/2010	III/2009	I-III/2010	I-III/2009	2009	LTM
Sales	1 152	1 046	4 394	3 872	5 435	5 957
Expenses	-840	-760	-3 007	-2 612	-3 653	-4 048
Operating profit	312	286	1 387	1 260	1 782	1 909
Share of profit of associates and jv's	10	3	41	-1	21	63
Financial expenses, net	-37	-47	-98	-128	-167	-137
Profit before taxes	285	242	1 330	1 131	1 636	1 835
Income tax expense	-45	-39	-236	-211	-285	-310
Net profit for the period	240	203	1 094	920	1 351	1 525
Non-controlling interests	-7	-8	25	14	39	50
EPS, basic (EUR)	0.27	0.24	1.20	1.02	1.48	1.66
EPS, diluted (EUR)	0.27	0.24	1.20	1.02	1.48	1.66

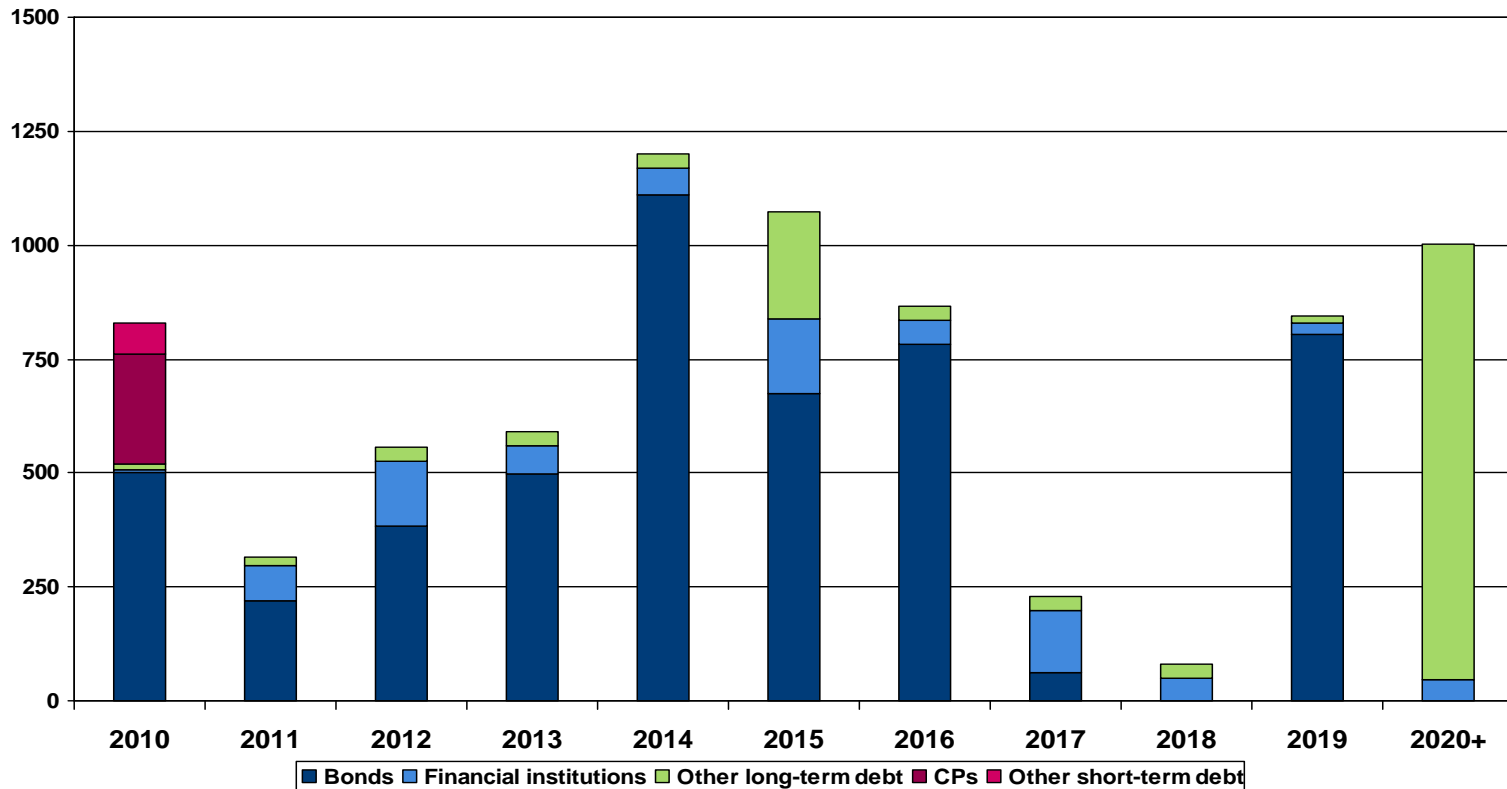
Cash flow statement

MEUR	III/2010	III/2009	I-III/2010	I-III/2009	2009	LTM
Operating profit before depreciations	452	414	1 803	1 634	2 292	2 461
Non-cash flow items and divesting activities	-25	31	-98	50	46	-102
Financial items and fx gains/losses	-126	-51	-449	248	146	-551
Taxes	-93	-74	-248	-205	-239	-282
Funds from operations (FFO)	208	320	1 008	1 727	2 245	1 526
Change in working capital	65	22	208	141	19	86
Total net cash from operating activities	273	342	1 216	1 868	2 264	1 612
Paid capital expenditures	-216	-228	-702	-579	-845	-968
Acquisition of shares	-6	-4	-7	-57	-85	-35
Other investing activities	10	-7	82	-17	-44	55
Cash flow before financing activities	61	103	589	1 215	1 290	664

Key ratios

MEUR	LTM in Q3 '10	LTM in Q2 '10	2009
EBITDA	2 461	2 423	2 292
Net cash flow from operations	1 612	1 681	2 264
Interest-bearing net debt	6 608	6 506	5 969
Equity	8 736	8 662	8 491
Balance sheet total	21 202	20 606	19 841
Net debt/EBITDA	2.7	2.7	2.6
Return on capital employed (%)	12.9	12.8	12.1
Return on shareholders' equity (%)	17.9	18.0	16.0

Debt maturity profile



	<u>MEUR</u>
2010	827
2011	317
2012	558
2013	591
2014	1.199
2015	1.073
2016	865
2017	228
2018	81
2019	845
2020+	1.004

Duration (years)

Average interest rate (incl. swaps and forwards)

Portion of floating / fixed debt

per 30 Sept, 2010

per 31 December, 2009

2,0

1,8

3,3 %

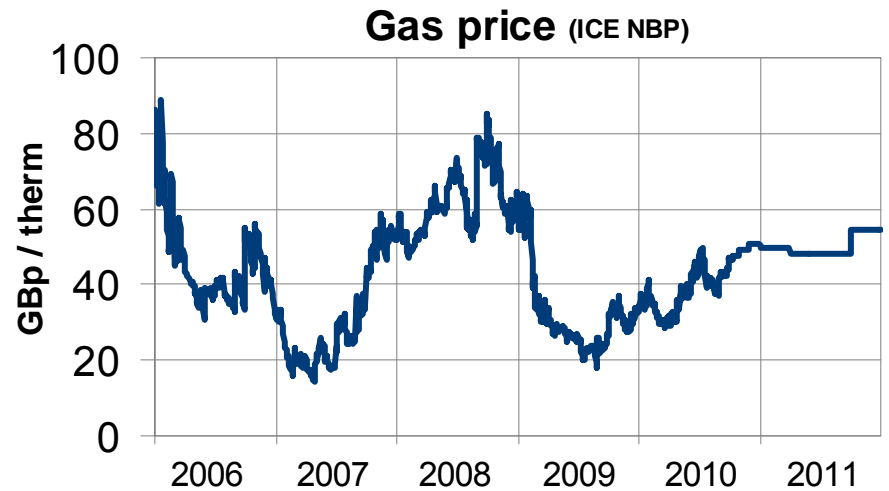
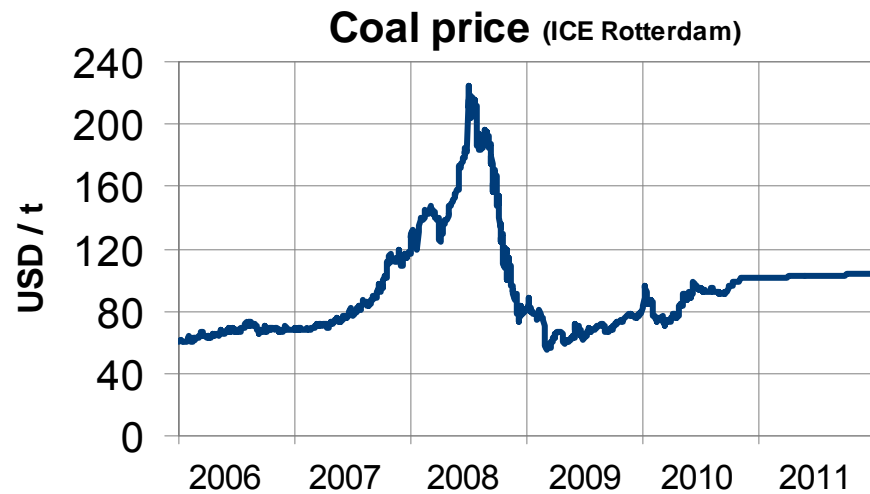
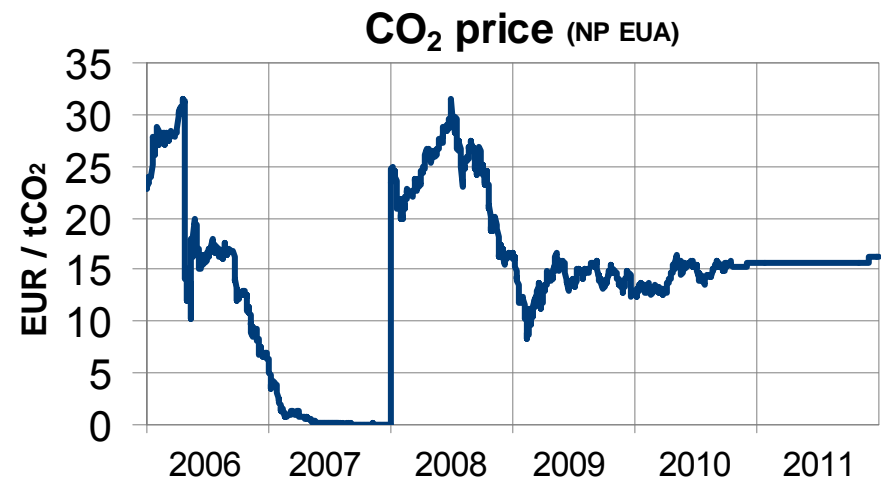
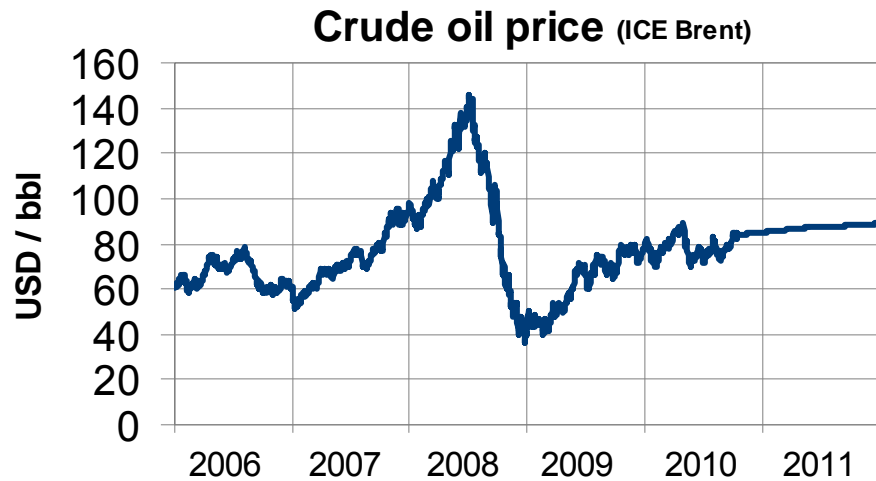
3,4 %

62 / 38 %

62 / 38 %

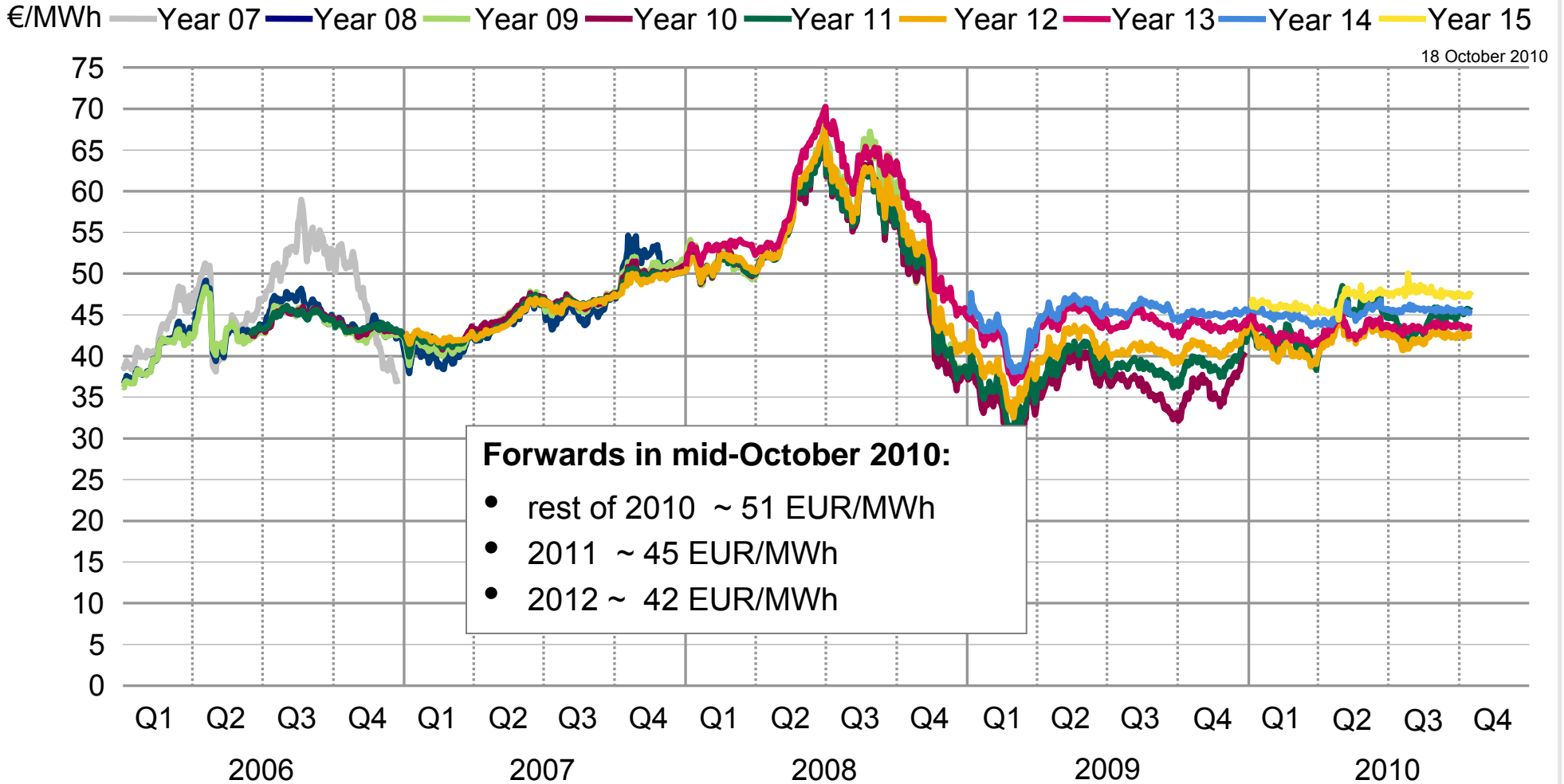
Outlook

Fuel and CO2 allowance prices



Source: ICE, Nord Pool

Nord Pool year forwards



Hedging of Power Division's Nordic sales

Status at the end of September 2010

(Status at the end of June 2010)

	<u>Hedge ratio</u>	<u>Hedge price</u>
rest of 2010	~ 80% (~80%)	~ EUR 45 per MWh (~ EUR 44 per MWh)
2011	~ 70% (~60%)	~ EUR 44 per MWh (~ EUR 44 per MWh)
2012	~ 35% (n/a)	~ EUR 43 per MWh (n/a)

Estimated start of supply for new power and heat plants

	Type	Capacity electricity, MW	Capacity heat, MW	Supply starts*
Heat				
Częstochowa, Poland	CHP bio, coal	64	120	Q4/2010
Pärnu, Estonia	CHP bio, peat	24	50	Q4/2010
Power				
Hydro refurbishment	Hydropower	20-30		2010
Russia				
Tyumen 1	CCGT, gas	231		Q1/2011
Tobolsk	CCGT, gas	200		Q2/2011
Chelyabinsk 3	CCGT, gas	226		Q2/2011

*Start of commercial operation, preceded by test runs, licensing, etc.

Fortum in a strong position

- Strategy developed
- Solid performance continued
- Flexible, cost-efficient and climate-benign generation portfolio
- Russian power reform proceeding
- Nordic power demand recovering further
- Strong financial position and liquidity



Q & A

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