



# Fortum Corporation Interim Report January-September 2011

Conference call  
20 October 2011

# Disclaimer

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

# Highlights in Q3

- Result on last year's level
- Increased hydro and nuclear volumes
- Russian investment programme progressed as planned
- Fortum was included as a sector leader in the Carbon Disclosure Leadership Index in September

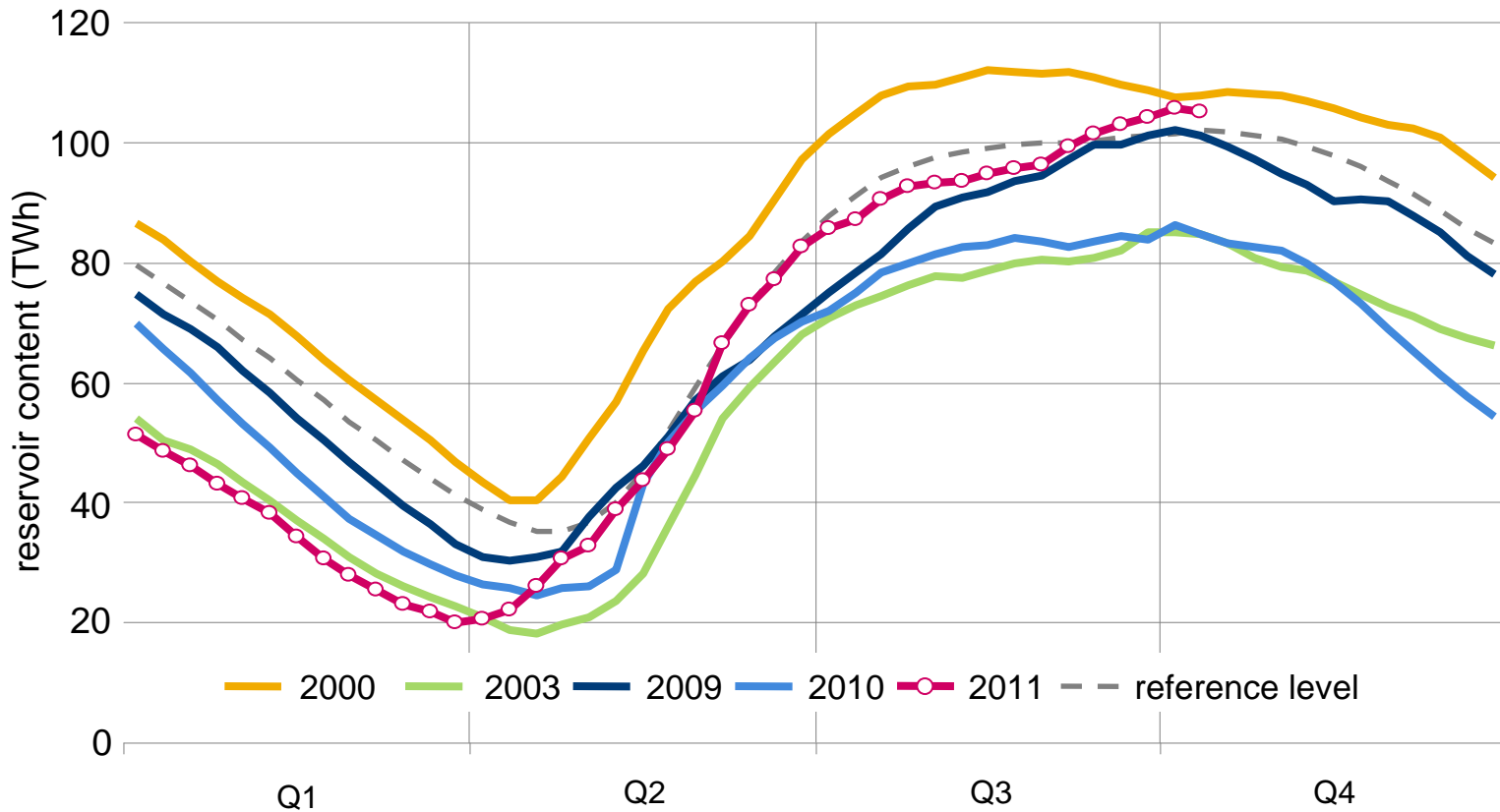


## Q3: Market conditions

- Nordic water reservoirs increased and were above average levels at the end of the quarter
- CO<sub>2</sub> allowance prices decreased at the end of the quarter
- Nordic spot prices clearly lower than last year
- Russia power price (spot) at last year's level

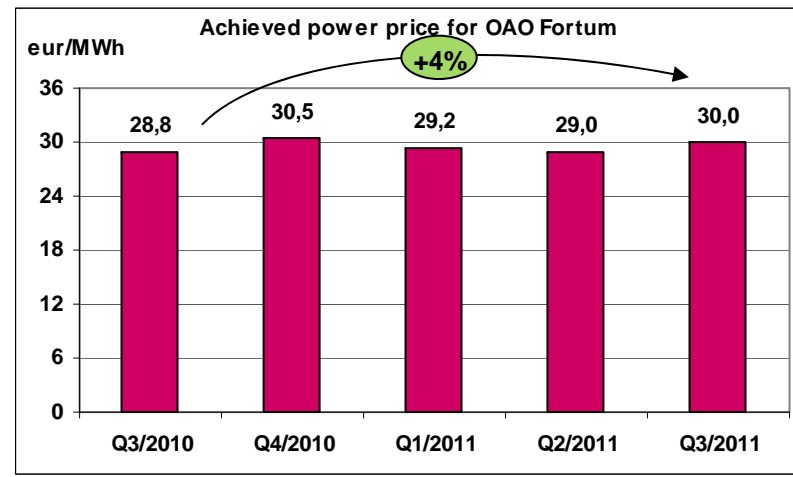
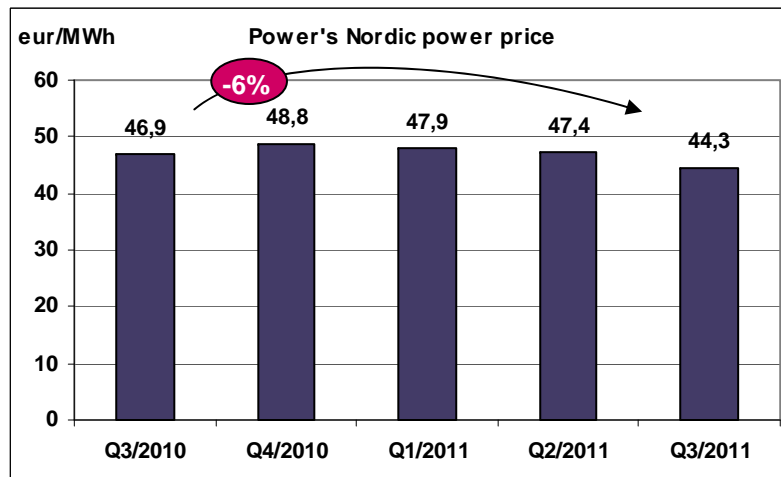
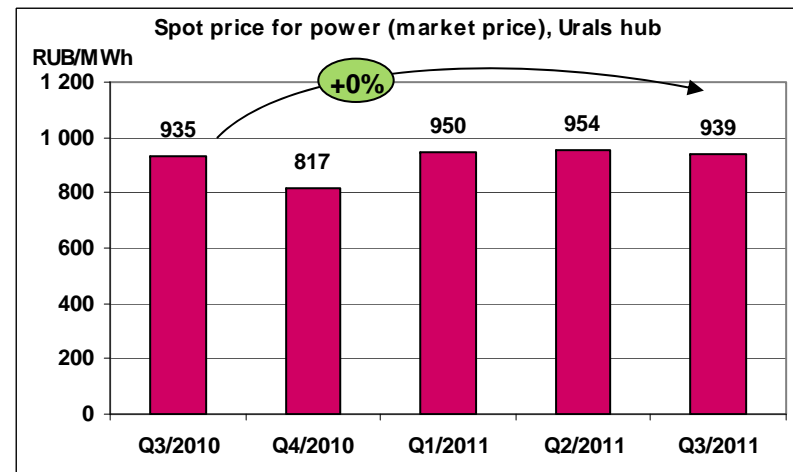
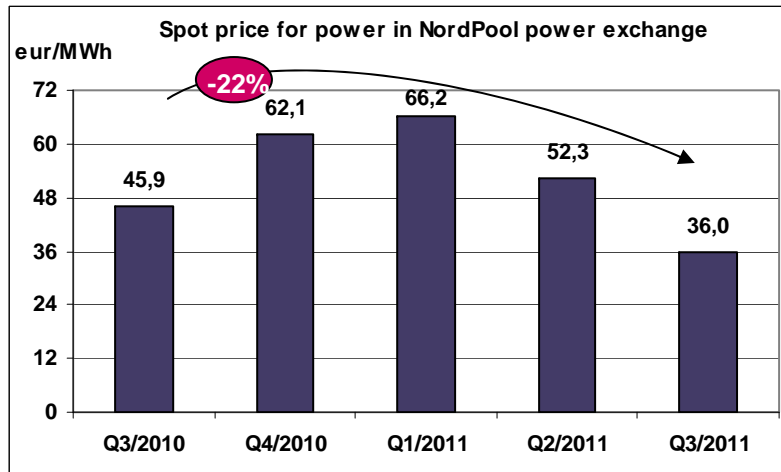


# Nordic water reservoir levels higher than long-term average



Source: Nord Pool Spot

# Prices decreased in the Nordic region and Russia



Includes capacity income

# Results at last year's levels

## Q3

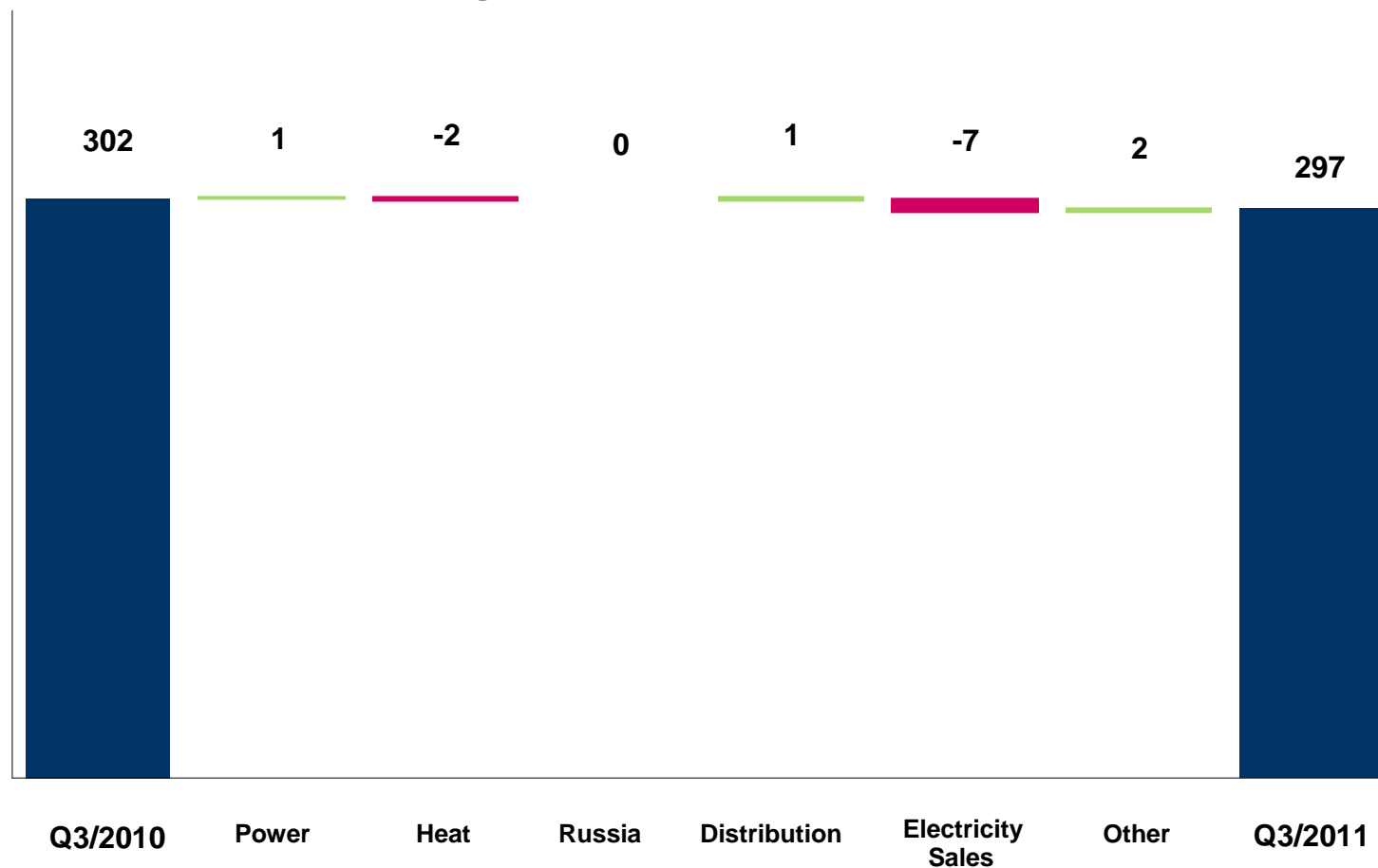
- Comparable operating profit, EUR 297 (302) million
- Earnings per share EUR 0.23 (0.27)
- Net cash from operating activities 277 (273) million

## January- September

- Comparable operating profit, EUR 1,294 (1,292) million
- Earnings per share EUR 1.52 (1.20)
- Net cash from operating activities 1,141 (1,216) million

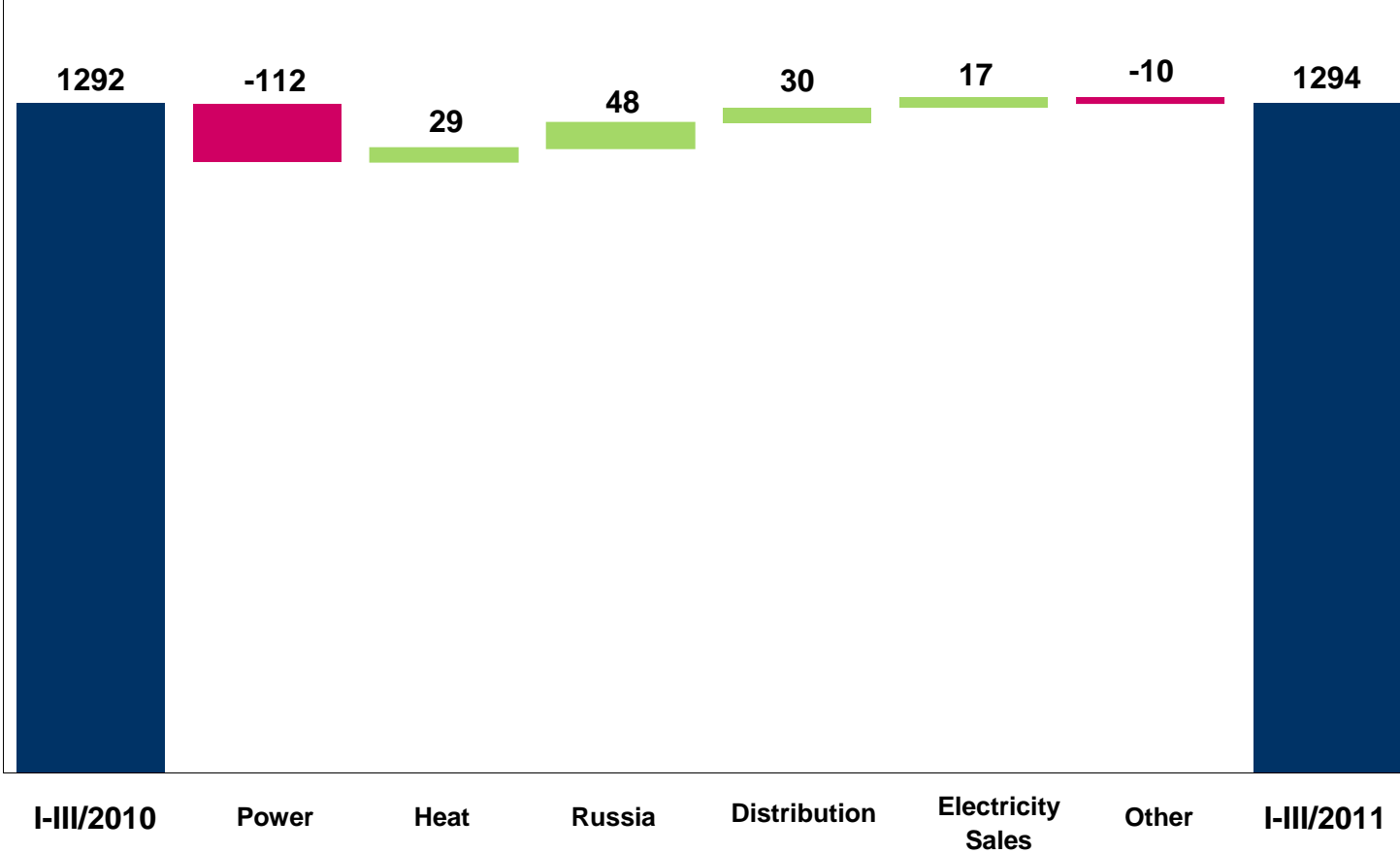
# Q3: Comparable profit at last year's level

## Comparable operating profit, EUR million



# January-September: Stable comparable profit development

Comparable operating profit, EUR million



# Financials



# Comparable and reported operating profit

MEUR	Comparable operating profit		Reported operating profit		Comparable operating profit		Reported operating profit	
	III/2011	III/2010	III/2011	III/2010	I-III/2011	I-III/2010	I-III/2011	I-III/2010
Power	268	267	273	256	850	962	1 033	1 003
Heat	-14	-12	-10	-15	182	153	280	179
Russia	-16	-16	-16	14	39	-9	39	37
Distribution	62	61	60	62	246	216	437	228
Electricity Sales	4	11	6	12	25	8	9	6
Other	-7	-9	1	-17	-48	-38	25	-66
<b>Total</b>	<b>297</b>	<b>302</b>	<b>314</b>	<b>312</b>	<b>1 294</b>	<b>1 292</b>	<b>1 823</b>	<b>1 387</b>

- IFRS accounting treatment (IAS 39) of derivatives had a positive impact on the reported operating profit EUR 23 (-16) million or earnings per share EUR 0.02 (-0.01) in the third quarter and EUR 272 (5) million or earnings per share EUR 0.23 (0.00) for January-September 2011.

## Q3: Power

- Comparable operating profit on last year's level
  - Higher hydro and nuclear volumes
  - Lower achieved price



MEUR	III/2011	III/2010	I-III/2011	I-III/2010	LTM
Sales	560	584	1 827	1 950	2 579
Comparable operating profit	268	267	850	962	1 186
Net Assets			5 956	5 818	
Comparable RONA, %					19.5
Gross Investments	31	32	100	87	135

## Q3: Heat

- Comparable operating profit at last year's level
  - Higher costs in Poland
  - Lower electricity price and sales volumes



MEUR	III/2011	III/2010	I-III/2011	I-III/2010	LTM
Sales	212	220	1 259	1 172	1 857
Comparable operating profit	-14	-12	182	153	304
Net Assets			3 934	4 021	
Comparable RONA, %					8.1
Gross Investments	63	67	193	188	310

## Q3: Russia

- Comparable operating profit on last year's level
  - Positive effect from commissioning new capacity
  - Energy spot market prices at last year's level
  - Higher fuel costs



MEUR	III/2011	III/2010	I-III/2011	I-III/2010	LTM
Sales	156	137	646	550	900
Comparable operating profit	-16	-16	39	-9	56
Net Assets			3 009	2 522	
Comparable RONA, %					3.2
Gross Investments	219	84	486	342	743

## Q3: Distribution

- Stable comparable operating profit
  - Somewhat lower volumes, efficiency improvements
  - Smart metering rollout to network customers in Finland proceeded



MEUR	III/2011	III/2010	I-III/2011	I-III/2010	LTM
Sales	203	196	729	676	1 016
Comparable operating profit	62	61	246	216	337
Net Assets			3 463	3 560	
Comparable RONA, %					9.9
Gross Investments	73	51	169	127	255

## Q3: Electricity Sales

- Comparable operating profit decreased
  - Lower margins



MEUR	III/2011	III/2010	I-III/2011	I-III/2010	LTM
Sales	139	305	695	1 269	1 224
Comparable operating profit	4	11	25	8	28
Net Assets			43	55	
Comparable RONA, %					30.5
Gross Investments	0	0	4	0	4

## Q3: Income statement

MEUR	III/2011	III/2010	I-III/2011	I-III/2010	2010	LTM
Sales	1 144	1 152	4 494	4 394	6 296	6 396
Expenses	-847	-850	-3 200	-3 102	-4 463	-4 561
<b>Comparable operating profit</b>	<b>297</b>	<b>302</b>	<b>1 294</b>	<b>1 292</b>	<b>1 833</b>	<b>1 835</b>
Items affecting comparability	17	10	529	95	-125	309
<b>Operating profit</b>	<b>314</b>	<b>312</b>	<b>1 823</b>	<b>1 387</b>	<b>1 708</b>	<b>2 144</b>
Share of profit of associates and jv's	-2	10	72	41	62	93
Financial expenses, net	-72	-37	-199	-98	-155	-256
<b>Profit before taxes</b>	<b>240</b>	<b>285</b>	<b>1 696</b>	<b>1 330</b>	<b>1 615</b>	<b>1 981</b>
Income tax expense	-46	-45	-278	-236	-261	-303
<b>Net profit for the period</b>	<b>194</b>	<b>240</b>	<b>1 418</b>	<b>1 094</b>	<b>1 354</b>	<b>1 678</b>
Non-controlling interests	-4	-7	70	25	54	99
EPS, basic (EUR)	0.23	0.27	1.52	1.20	1.46	1.78
EPS, diluted (EUR)	0.23	0.27	1.52	1.20	1.46	1.78

## Q3: Cash flow statement

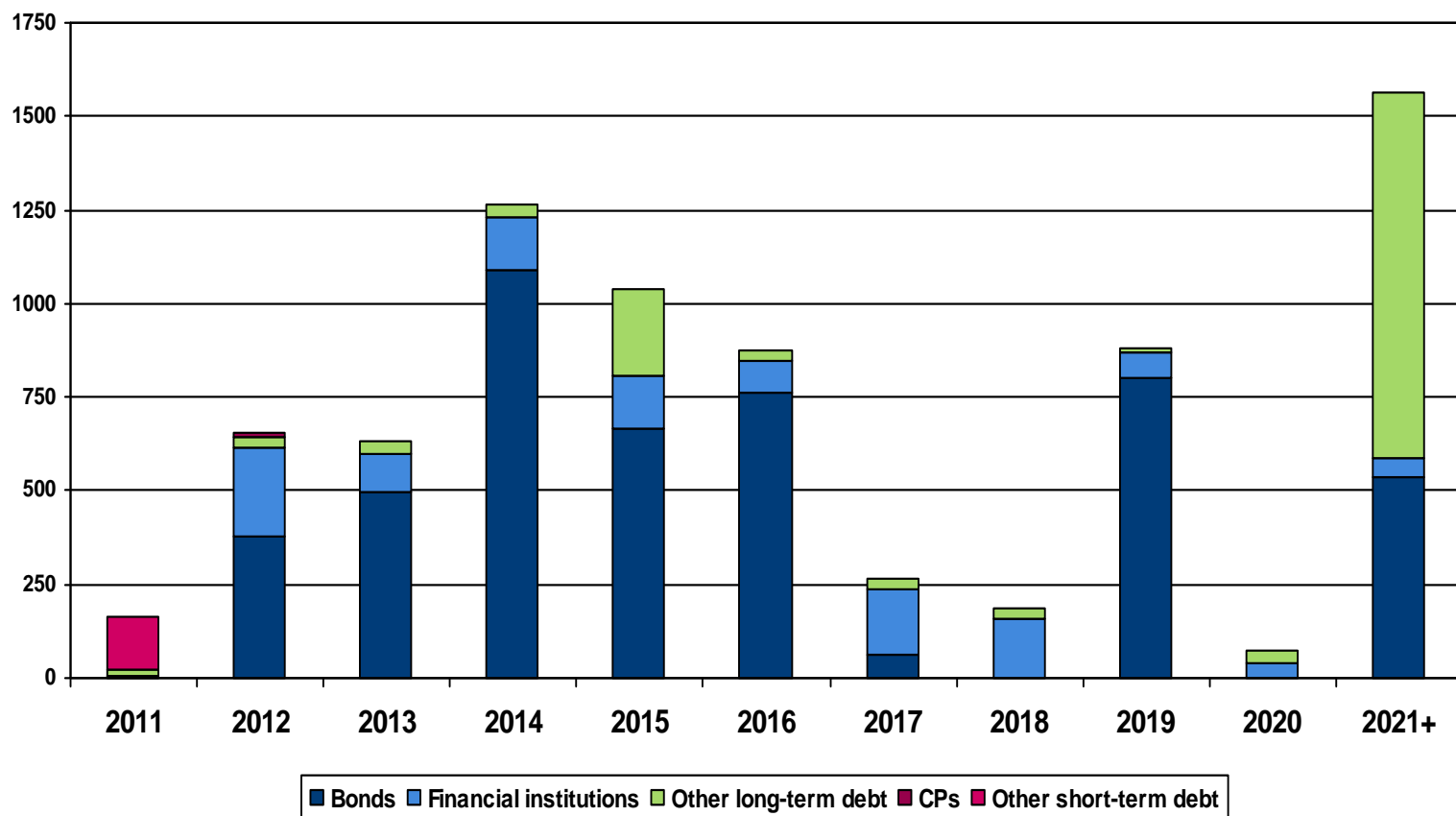
MEUR	III/2011	III/2010	I-II/2011	I-III/2010	2010	LTM
<b>Operating profit before depreciations</b>	461	452	2 274	1 803	2 271	2 742
Non-cash flow items and divesting activities	-31	-25	-600	-98	124	-378
Financial items and fx gains/losses	0	-126	-290	-449	-641	-482
Taxes	-104	-93	-362	-248	-355	-469
<b>Funds from operations (FFO)</b>	<b>326</b>	<b>208</b>	<b>1 022</b>	<b>1 008</b>	<b>1 399</b>	<b>1 413</b>
Change in working capital	-49	65	119	208	38	-51
<b>Total net cash from operating activities</b>	<b>277</b>	<b>273</b>	<b>1 141</b>	<b>1 216</b>	<b>1 437</b>	<b>1 362</b>
Paid capital expenditures	-361	-216	-864	-702	-1 134	-1 296
Acquisition of shares	-24	-7	-44	-8	-28	-64
Other investing activities	19	11	560	83	60	537
<b>Cash flow before financing activities</b>	<b>-89</b>	<b>61</b>	<b>793</b>	<b>589</b>	<b>335</b>	<b>539</b>

# Key ratios

<b>MEUR</b>	<b>LTM</b>	<b>2010</b>	<b>2009</b>
	Q3 '11		
EBITDA	2 742	2 271	2 292
Comparable EBITDA	2 433	2 396	2 398
Interest-bearing net debt	6 929	6 826	5 969
Net debt/EBITDA	2.5	3.0	2.6
Comparable Net debt/EBITDA	2.8	2.8	2.5
Return on capital employed (%)	13.5	11.6	12.1
Return on shareholders' equity (%)	18.5	15.7	16.0

\*) as of 30 September 2011

# Debt Maturity Profile



	<u>MEUR</u>
2011	166
2012	656
2013	633
2014	1,266
2015	1,041
2016	877
2017	267
2018	187
2019	882
2020	73
2021+	1,566

per 30 Sept, 2011

per 31 Dec, 2010

Average Interest Rate (incl. swaps and forwards)

4.3 %

3.5 %

Portion of floating / fixed debt

46 / 54 %

49 / 51 %

# Outlook

# Outlook

- Key drivers and risks
  - Wholesale price of electricity
    - Demand
    - Fuels
    - CO<sub>2</sub> emissions prices
    - Water reservoirs
    - Nuclear availability
- Nordic markets
  - Annual electricity demand growth estimated to be approximately 0.5%
  - Electricity continues to gain share of total energy consumption
- Russia
  - Profits from Russia build up in pace with the capacity increases
  - A new unit in Tobolsk at the beginning of October
  - Fortum targets a positive economic value added after completing the ongoing investment programme

# Outlook

- Annual capex (excluding potential acquisitions)
  - 2011 around EUR 1.5 billion - disclosed divestments in 2011 totalled approximately EUR 0.5 billion
  - 2012 around EUR 1.6 to 1.8 billion
  - 2013 and 2014 around EUR 1.1 to 1.4 billion annually
- Hedging
  - 2011 approximately 65% hedge ratio at approximately EUR 47/MWh (Q2: 70% at EUR 45/MWh)
  - 2012 approximately 55% hedge ratio at approximately EUR 47/MWh (Q2: 50% at EUR 46/MWh)
  - 2013 approximately 25% hedge ratio at approximately EUR 46/MWh (Q2: not disclosed)

# Strong financial position

## Fortum's financial targets

Return on capital employed  
12%

Return on shareholder's equity  
14%

Net debt/EBITDA  
around 3.0

## LTM\* in Q3/2011

13.5%

18.5%

2.8\*\*

\* Last twelve months

\*\* Comparable net debt/EBITDA

Good liquidity – committed credit lines total EUR 2.7 billion

# Fortum's production structure creates a firm basis for the future

- Strong financial position
- Electricity will continue to gain a higher share of the total energy consumption
- Good production portfolio going forward
  - Growth in Russia



**Q&A**

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