Fortum Corporation
Financial statements release 2008

5 February 2009

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5 February 2009 at 9:00

A good year

- Comparable operating profit EUR 1,845 (1,564) million, +18%
- Earnings per share EUR 1.74 (EUR 1.74)
- 92% (89%) of the generated power in the EU was CO_2-free
- Strong balance sheet and liquidity position
- Fortum has hedged 65% of its Nordic power sales for the rest of 2009 at EUR 53 per MWh
- TGC-10 in Russia acquired
- Fortum's Board proposes a dividend of EUR 1.00 per share

Key figures	IV/08	IV/07	2008	2007
Sales, EUR million	1,602	1,320	5,636	4,479
Operating profit, EUR million	611	520	1,963	1,847
Comparable operating profit, EUR million	508	516	1,845	1,564
Profit before taxes, EUR million	605	501	1,850	1,934
Earnings per share, EUR	0.64	0.41	1.74	1.74
Net cash from operating activities, EUR million	562	345	2,002	1,670
Shareholders' equity per share, EUR			8.96	9.43
Interest-bearing net debt (at end of period), EUR million			6,179	4,466
Average number of shares, 1,000s			887,256	889,997

Key financial ratios	2008	2007	2007*
Return on capital employed, %	15.0	16.5	14.0
Return on shareholders' equity, %	18.7	19.1	15.8
Net debt/EBITDA	2.5	1.9	2.2

*Adjusted for REC and Lenenergo gains

The year 2008 was a year of big swings in power and fuel prices. In the first half of the year, commodity prices and wholesale power prices increased rapidly. During the second half of the year, all fuel prices and also power prices in the Nordic region declined significantly from the peaks in autumn.

In 2008, Fortum took a major strategic step in Russia through the acquisition of Territorial Generating Company 10 (TGC-10). The acquisition gave Fortum a significant presence in Russia's fast-evolving power markets. The acquisition doubled Fortum's heat production capacity, increased power generation capacity by over 25% and added over 7,000 employees to Fortum.

Fortum's January-December comparable operating profit improved significantly from a year ago, driven by better results in the Power Generation segment. Fortum's consistent hedging strategy, higher average Nord Pool spot prices and higher hydro power volumes contributed to the improvement.

Fortum’s earnings per share in 2008 were at the same level as a year ago, despite the higher amount of positive one-time items in 2007 earnings. In 2007, nonrecurring sales gains amounted to EUR 412 million (Hafslund’s REC shares, Lenenergo), corresponding to EUR 0.46 per share. In 2008, sales gains and a positive one-time tax effect amounted to EUR 184 million in net earnings, corresponding to EUR 0.21 per share. The tax effect is due to the lowering of corporate tax rates in Sweden and Russia, leading to a reduction in deferred tax liabilities.

The decline in the Swedish currency especially during the last two months of the year affected Fortum’s operating profit negatively. The average SEK rate in 2008 declined by approximately 5% from 2007. The negative effect from the decline on the average SEK rate was approximately EUR 50 million in Fortum’s 2008 comparable operating profit. The effect mainly impacted fourth quarter earnings.

Fortum’s net cash from operating activities remained strong at EUR 2,002 (1,670) million.

Liquidity remained strong with liquid funds amounting to EUR 1,321 million. Undrawn committed credit facilities were EUR 2.3 billion at the end of the year.

In the first quarter 2008, Fortum acquired a controlling stake in TGC-10. At the end of December 2008, Fortum’s ownership in TGC-10 was 93.4%. TGC-10 has been de-listed from the Russian MICEX and RTS stock exchanges because Fortum’s ownership in the company has increased over the 90% threshold.

In October, Fortum estimated the value of TGC-10’s capacity investment programme to be approximately EUR 2.5 billion. The value for the remaining part of the programme, calculated at the current exchange rate, is estimated to be EUR 2.0 billion from January 2009 onwards.

In the fourth quarter, the Power Generation segment's achieved Nordic power price was EUR 49.1 (43.0) per megawatt-hour (MWh), up by 14% from the previous year. The average system spot price of electricity in Nord Pool was EUR 50.8 (42.7) per MWh.

Financial results

<u>October - December</u>

Group sales were EUR 1,602 (1,320) million. Group operating profit totalled EUR 611 (520) million. Comparable operating profit totalled EUR 508 (516) million.

Sales by segment

EUR million	**IV/08**	**IV/07**	**2008**	**2007**
Power Generation	736	685	2,892	2,350
Heat	463	439	1,466	1,356
Distribution	206	206	789	769
Markets	531	482	1,922	1,683
Russia	197	-	489	-
Other	21	21	83	81
Netting of Nord Pool transactions	-476	-437	-1,736	-1,163
Eliminations	-76	-76	-269	-597
Total	1,602	1,320	5,636	4,479

Comparable operating profit by segment

EUR million	IV/08	IV/07	2008	2007
Power Generation	378	363	1,528	1,095
Heat	109	120	250	290
Distribution	63	50	248	231
Markets	0	-1	-33	-1
Russia	-20	-	-92	-
Other	-22	-16	-56	-51
Total	508	516	1,845	1,564

Operating profit by segment

EUR million	IV/08	IV/07	2008	2007
Power Generation	470	351	1,599	1,115
Heat	155	121	307	294
Distribution	61	51	248	233
Markets	-29	2	-35	12
Russia	-19	12	-91	244
Other	-27	-17	-65	-51
Total	611	520	1,963	1,847

January-December

Group sales were EUR 5,636 (4,479) million. Group operating profit totalled EUR 1,963 (1,847) million. Comparable operating profit increased to EUR 1,845 (1,564) million.

Profit before taxes was EUR 1,850 (1,934) million.

The Group's net financial expenses increased to EUR 239 (154) million. The increase is attributable to a higher average level of debt and higher short-term interest rates. The change in fair value of derivatives was EUR -11 (7) million.

Hafslund ASA is showing the fair value change in the REC shareholding through the income statement, while Fortum is showing the fair value change in equity. The fair value booked in Fortum's equity and based on the number of shares reported by Hafslund ASA was EUR 126 million at the end of December 2008 (EUR 793 million at the end of 2007).

Fortum’s total equity stood at EUR 7,954 (8,359) million. The equity was lowered by translation effects due to lower SEK, NOK and RUB exchange rates at year end, while cash flow hedges (mainly power derivatives) contributed positively.

Minority interests accounted for EUR 54 (56) million. The minority interests are mainly attributable to Fortum Värme Holding AB, in which the City of Stockholm has a 50% economic interest.

Taxes for the period totalled EUR 254 (326) million. The tax rate according to the income statement was 13.7% (16.9%). The tax rate in 2007 was lowered by the non-taxable gains from Hafslund’s sale of REC shares and from the sale of Lenenergo shares. The tax rate in 2008 was lowered by the one-time booking due to a reduction in deferred tax liabilities, stemming from the lowering of corporate tax rates in Sweden and Russia.

The profit for the period was EUR 1,542 (1,552) million. Fortum's earnings per share were EUR 1.74 (1.74).

Return on capital employed was 15.0% (16.5%), and return on shareholders' equity was 18.7% (19.1%).

Market conditions

According to preliminary statistics, the Nordic countries consumed 397 (401) terawatt hours (TWh) of electricity in 2008, about 1% less than the previous year. During the last quarter, consumption was about 104 (109) TWh, 5% less than the year before.

During the fourth quarter, the average system spot price for power in Nord Pool was EUR 50.8 (42.7) per MWh or 19% higher than in the corresponding period in 2007. During the fourth quarter, the Finnish and Swedish area prices continued to be above the system price levels, being EUR 52.4 (42.1) per MWh in Finland and EUR 52.8 (43.1) per MWh in Sweden. This was mainly due to exceptional malfunctions in transmission connections between Sweden and Norway. During 2008, the average spot price for power in Nord Pool was EUR 44.7 (27.9) per megawatt-hour, or 60 % higher than in 2007. The Nord Pool spot price was higher mainly due to higher fuel and CO_2 prices.

In Germany, the average spot price for the fourth quarter was EUR 68.0 (57.7) per MWh, being higher than in the Nordic area. This resulted in a net export from the Nordic area to Germany.

During 2008, the average market price of CO_2 emission allowances (EUA) for 2008 was EUR 23 per tonne CO_2. In 2007, the corresponding price for CO_2 emission allowances for 2007 was EUR 0.7 per tonne CO_2. Coal and oil prices decreased during the second half of 2008.

Year 2008 started with the Nordic water reservoirs being 9 TWh above the long-term average and remained above the average until late August. At the end of December, the Nordic water reservoirs were 5 TWh below the long-term average and 13 TWh below the corresponding level last year.

According to preliminary statistics, electricity consumption in Russia increased by about 2% in 2008 compared to 2007. In the Urals region, electricity consumption increased by about 1% in 2008 compared to 2007. The consumption decreased in the last quarter.

During the year, the average spot price for power for the European and Urals part of Russia in the Russian electricity exchange ATS was RUR 700 (570), approximately EUR 19.1 (16.3) per MWh. The increase in the spot price was mainly due to higher gas prices. In addition, there is a capacity tariff for power generation, which varies by production unit but is, on average, approximately EUR 10 per MWh.

Total power and heat generation figures

Fortum's total power generation during January-December 2008 was 64.2 (52.2) TWh, of which 51.6 (51.1) TWh was in the Nordic countries, representing 13% (13%) of the total Nordic electricity consumption. Fortum's total heat generation during January-December 2008 was 40.3 (26.1) TWh, of which 20.8 (22.1) TWh was in the Nordic countries.

At year end, Fortum's total power generating capacity was 13,573 (10,920) MW, of which 10,643 (10,775) MW was in the Nordic countries. At year end, Fortum's total heat production capacity was 24,263 (11,223) MW, of which 8,448 (9,381) MW was in the Nordic countries. The increase in the total power and heat generation volumes and capacities are mainly due to the inclusion of TGC-10, consolidated from the beginning of April.

Fortum's total power and heat generation figures are presented below. In addition, the segment reviews include the respective figures by segment.

Fortum's total power and heat generation in the EU and Norway, TWh	**IV/08**	**IV/07**	**2008**	**2007**
Power generation	13.1	14.2	52.6	52.2
Heat generation	7.4	8.2	25.0	26.1

Fortum's total power and heat generation in Russia, TWh	**IV/08**	**IV/07**	**2008**	**2007**
Power generation	4.4	-	11.6	-
Heat generation	8.1	-	15.3	-

Fortum's own power generation by source, TWh, total in the Nordic countries	**IV/08**	**IV/07**	**2008**	**2007**
Hydropower	6.0	4.7	22.9	20.0
Nuclear power	5.3	6.7	23.7	24.9
Thermal power	1.6	2.5	5.0	6.2
Total	12.9	13.9	51.6	51.1

Fortum's own power generation by source, %, total in the Nordic countries	**IV/08**	**IV/07**	**2008**	**2007**
Hydropower	47	34	44	39
Nuclear power	41	48	46	49
Thermal power	12	18	10	12
Total	100	100	100	100

Total power and heat sales figures

Fortum's total power sales during January-December 2008 were 75.0 (59.7) TWh, of which 59.1 (58.5) TWh were in the Nordic countries. This represents approximately 15% (15%) of estimated Nordic electricity consumption during January-December 2008. Fortum's total heat sales during January-December 2008 were 42.2 (27.1) TWh, of which 20.0 (20.4) TWh were in the Nordic countries.

Fortum's total electricity* and heat sales in the EU and Norway, EUR million	**IV/08**	**IV/07**	**2008**	**2007**
Electricity sales	771	697	2,959	2,370
Heat sales	365	352	1,157	1,096

* Nord Pool transactions are calculated as a net amount of hourly sales and purchases at the Group level.

Fortum's total electricity and heat sales in Russia, EUR million	IV/08	IV/07	2008	2007
Electricity sales	115	-	332	-
Heat sales	75	-	141	-

Fortum's total electricity sales* by area, TWh	IV/08	IV/07	2008	2007
Finland	7.7	8.1	28.7	29.0
Sweden	6.7	6.9	28.5	27.6
Russia	5.6	-	14.8	-
Other countries	0.8	0.9	3.0	3.1
Total	20.8	15.9	75.0	59.7

* Nord Pool transactions are calculated as a net amount of hourly sales and purchases at the Group level.

Fortum's total heat sales by area, TWh	IV/08	IV/07	2008	2007
Russia	8.6	-	15.3	-
Finland	3.1	3.4	10.8	11.1
Sweden	3.0	3.1	9.1	9.2
Poland	1.3	1.4	3.6	3.5
Other countries**	1.0	1.0	3.4	3.3
Total	17.0	8.9	42.2	27.1

** Including the UK, which is reported in the Power Generation segment, other sales.

Fortum's emissions subject to the EU's trading scheme

During 2008, approximately 92% (89%) of the power generated by Fortum within the EU countries was CO_2-free.

Fortum’s total CO_2 emissions subject to the EU’s emissions trading scheme (ETS) in 2008 amounted to 7.2 million tonnes of CO_2.

Fortum’s total annual CO_2 allowance allocation for its power and heat plants is approximately 5.9 million tonnes per year during 2008-2012. In Finland, Fortum’s CO_2 allocation is approximately 4.1 million tonnes of CO_2 per annum, representing 11% of the Finnish national allocation. In Sweden, Fortum’s free CO_2 allocation is approximately 0.2 million tonnes of CO_2 per annum, representing 0.7% of the Swedish national allocation.

Fortum’s target in the EU countries is to decrease its emissions in power generation to less than 80 g/kWh by 2020 as a five-year average. In heat production, Fortum aims at reducing the specific emissions in each country by at least 10% from 2006 until 2020. Outside the EU, Fortum is committed to increasing the energy efficiency, thus reducing specific emissions.

Total CO_2 emissions (million tonnes)	2005	2006	2007	2008
Total emissions	6.3	11.0	10.4	17.6
Emissions subject to ETS	5.9	10.5	9.8	7.2
Free emission allocation	8.1	8.1	8.1	5.9
Emissions in Russia	-	-	-	9.8

Specific CO_2 emissions of Fortum's power generation (g/kWh)	**2005**	**2006**	**2007**	**2008**
Specific emissions within ETS	38	107	64	41

SEGMENT REVIEWS

Power Generation

The business area comprises power generation and sales in the Nordic countries and the provision of operation and maintenance services in the Nordic area and selected international markets. The Power Generation segment sells its production to Nord Pool. The segment includes the business units Generation, Portfolio Management and Trading (PMT), and Service.

EUR million	**IV/08**	**IV/07**	**2008**	**2007**
Sales	736	685	2,892	2,350
- power sales	638	586	2,566	2,019
- other sales	98	99	326	331
Operating profit	470	351	1,599	1,115
Comparable operating profit	378	363	1,528	1,095
Net assets (at period-end)			5,331	5,599
Return on net assets, %			29.6	19.2
Comparable return on net assets, %			28.0	18,9
Gross investments	49	84	134	145
Number of employees			3,520	3,511

The segment's power generation during the fourth quarter amounted to 11.4 (12.2) TWh in the Nordic countries.

In January-December, the segment's power generation in the Nordic countries was 46.9 (46.1) TWh. In January-December, approximately 97% (95%) of the segment's power generation was CO_2-free.

Nordic power generation by source, TWh	**IV/08**	**IV/07**	**2008**	**2007**
Hydropower	6.0	4.7	22.9	20.0
Nuclear power	5.3	6.7	23.7	24.9
Thermal power	0.1	0.8	0.3	1.2
Total	11.4	12.2	46.9	46.1

Power generation by area, TWh	**IV/08**	**IV/07**	**2008**	**2007**
Sweden	6.1	6.5	26.8	26.0
Finland	5.3	5.7	20.1	20.1
Other countries	0.3	0.3	1.0	1.1
Total	11.7	12.5	47.9	47.2

Nordic sales volume, TWh	12.8	13.7	52.1	51.8
of which pass-through sales	0.8	1.0	3.7	5.2

Sales price, EUR/MWh	IV/08	IV/07	2008	2007
Generation's Nordic power price*	49.1	43.0	49.3	39.7

* For the Power Generation segment in the Nordic countries, excluding pass-through sales.

During the fourth quarter, the average system spot price in Nord Pool was EUR 50.8 per MWh, with the Finnish area price being EUR 52.4 per MWh and the Swedish area price EUR 52.8 per MWh. In the fourth quarter, Generation's achieved Nordic power price was EUR 49.1 per MWh, up by 14% from a year ago. Segment's Nordic sales volume without pass-through items was 12.0 (12.7) TWh in the period.

During January-December 2008, the average system spot price in Nord Pool was EUR 44.7 per MWh, with the Finnish area price being EUR 51.0 per MWh and the Swedish area price EUR 51.1 per MWh. Generation's achieved Nordic power price was EUR 49.3 per MWh, up by 24% from a year ago.

The comparable operating profit of the Power Generation segment was higher in the fourth quarter than in the corresponding period last year. The improvement was mainly due to a higher achieved Nordic power price. In addition, higher hydro power generation contributed positively to the operating profit. The positive effects were partly offset by unplanned nuclear outages in Sweden, lower thermal power generation volumes and currency effect from weaker SEK.

The segment’s comparable operating profit in 2008 does not include material gains from the sale of CO_2 allowances as it did in 2007. The segment’s comparable operating profit in the fourth quarter of 2007 included EUR 32 million from the sale of CO_2 allowances. The translation effect from weaker SEK was approximately EUR -35 million, mainly in the fourth quarter comparable operating profit for the segment.

In January-December 2008, the comparable operating profit of the Power Generation segment was clearly higher than last year. The segment’s higher achieved Nordic power price and all-time high hydro power generation were the main drivers for the achievement. The positive effects were partly offset by unplanned nuclear outages in Sweden, lower thermal power generation volumes and higher nuclear capacity tax and hydro power property taxes in Sweden. The additional cost from these tax increases was approximately EUR 25 million in 2008.

During the fourth quarter, one unit in both the Oskarshamn and Forsmark nuclear power plants, where Fortum is a co-owner, were unavailable due to cracks being found in fuel control rods. The units came back into operation on 1 January 2009.

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3, with an approximately 25% share, representing some 400 MW in capacity. In January 2009, TVO disclosed information, confirmed by Areva-Siemens, that the construction of the unit is delayed and the unit is estimated to start up in summer 2012. In December 2008, the constructor TVO informed that the plant supplier, consortium AREVA-Siemens, had filed a request for arbitration in the International Chamber of Commerce (ICC) concerning the Olkiluoto 3 delay and related costs.

Heat

The business area comprises heat generation and sales in the Nordic countries and other parts of the Baltic Rim. Fortum is a leading heat producer in the Nordic region. The segment also generates power in combined heat and power plants (CHP) and sells it to end-customers mainly through long-term contracts, as well as to Nord Pool. The segment includes the business units Värme, operating in Sweden, and Heat, operating mainly in other markets.

EUR million	IV/08	IV/07	2008	2007
Sales	463	439	1,466	1,356
- heat sales	354	341	1,120	1,053
- power sales	76	69	228	202
- other sales	33	29	118	101
Operating profit	155	121	307	294
Comparable operating profit	109	120	250	290
Net assets (at period-end)			3,468	3,507
Return on net assets, %			8.9	9.3
Comparable return on net assets, %			7.3	9.2
Gross investments	144	121	431	327
Number of employees			2,318	2,279

The segment's heat sales during the fourth quarter amounted to 7.9 (8.3) TWh, most of which was generated in the Nordic countries. During the same period, power sales from CHP production totalled 1.4 (1.7) TWh.

The segment's heat sales during January-December 2008 amounted to 24.9 (25.1) TWh, most of which was generated in the Nordic countries. During the same period, power sales from CHP production totalled 4.7 (5.0) TWh. Warm temperatures in the heating season affected heat demand in the first and last quarters of the year.

The Heat segment’s comparable operating profit during the fourth quarter was EUR 11 million lower than the previous year, mainly due to higher fuel prices and CO_2 costs. Lower heating demand and SEK depreciation further weakened profitability.

The Heat segment’s comparable operating profit during January-December was EUR 40 million lower than the previous year, mainly due to the warm weather, higher fuel prices, CO_2 emission costs, maintenance costs due to unavailability of some CHP plants and SEK depreciation.

Heat sales by area, TWh	IV/08	IV/07	2008	2007
Finland	3.1	3.4	10.8	11.1
Sweden	3.0	3.0	9.1	9.2
Poland	1.3	1.4	3.6	3.5
Other countries	0.5	0.5	1.4	1.3
Total	7.9	8.3	24.9	25.1

Power sales, TWh	IV/08	IV/07	2008	2007
Total	1.4	1.7	4.7	5.0

Distribution

Fortum owns and operates distribution and regional networks and distributes electricity to a total of 1.6 million customers in Sweden, Finland, Norway and Estonia.

EUR million	IV/08	IV/07	2008	2007
Sales	206	206	789	769
- distribution network transmission	175	173	669	648
- regional network transmission	18	21	77	81
- other sales	13	12	43	40
Operating profit	61	51	248	233
Comparable operating profit	63	50	248	231
Net assets (at period-end)			3,032	3,239
Return on net assets, %			8.1	7.7
Comparable return on net assets, %			8.2	7.6
Gross investments	93	118	296	237
Number of employees			1,336	1,063

The volume of distribution and regional network transmissions during 2008 totalled 25.8 (26.0) TWh and 17.7 (18.1) TWh, respectively.

Electricity transmissions via the regional distribution network totalled 14.8 (14.9) TWh in Sweden and 2.9 (3.2) TWh in Finland.

The comparable operating profit of the Distribution segment was EUR 63 million in the fourth quarter, EUR 13 million higher than the previous year. In 2007, the comparable operating profit was affected by one-time price adjustments to customers in Finland.

The comparable operating profit of the Distribution segment was EUR 248 million, EUR 17 million higher than the previous year. Depreciations on meters for automatic meter reading started in the second half of 2008. In 2007, the segment’s result was negatively affected by winter storms in Sweden and one-time price adjustments to customers in Finland.

The Swedish Energy Market Inspectorate (Energimarknadsinspektionen) and Swedish energy companies reached an agreement on 2003-2008 network tariffs. As a part of the agreement, Fortum has accepted to withdraw a planned price increase for the West Coast area and to make a one-time payback of EUR 2 million to Fortum’s Stockholm area distribution customers.

The main roll-out of new smart meters (Automated Meter Management, AMM) in Sweden was finalised during December 2008. By the end of the year, about 800,000 meters out of the 844,000 were installed, of which 740,000 are activated for monthly meter reading. The remaining meters will be installed during the coming months. The legislation for monthly meter reading takes effect as of 1 July 2009.

Volume of distributed electricity in distribution network, TWh	IV/08	IV/07	2008	2007
Sweden	3.8	4.1	14.0	14.3
Finland	2.6	2.6	9.3	9.2
Norway	0.7	0.8	2.3	2.3
Estonia	0.1	0.1	0.2	0.2
Total	7.2	7.6	25.8	26.0

Number of electricity distribution customers by area, thousands	31 Dec 2008	31 Dec 2007
Sweden	877	871
Finland	606	591
Other countries	123	122
Total	1,606	1,584

Markets

Markets is responsible for retail sales of electricity to a total of 1.3 million private and business customers as well as to other electricity retailers in Sweden, Finland and Norway. Markets buys its electricity through Nord Pool. Markets sells approximately 75% of its volumes to business customers and 25% to retail consumers.

EUR million	IV/08	IV/07	2008	2007
Sales	531	482	1,922	1,683
- power sales	519	451	1,865	1,582
- other sales	12	31	57	101
Operating profit	-29	2	-35	12
Comparable operating profit	0	-1	-33	-1
Net assets (at period-end)			188	247
Return on net assets, %			-14.0	6.9
Comparable return on net assets, %			-15.3	-0.6
Gross investments	0	1	3	3
Number of employees			635	935

In the fourth quarter, Markets' electricity sales totalled 9.6 (10.5) TWh. The decrease in the sales volume was mainly due to some expired long-term business customer contracts. For the whole year 2008, electricity sales were 36.6 (39.6) TWh.

Markets' fourth-quarter comparable operating profit was low due to high procurement costs weakening the sales margin. The high procurement costs were partly stemming from the Nord Pool area price differences. Markets was unable to fully pass on the increased wholesale prices and procurement costs in its retail sales prices.

In the fourth quarter, Markets announced a 14% price increase for its current-price product "Kesto" in Finland, effective from 1 December. Around 3 TWh of the approximately 4 TWh annual total to Finnish retail customers is sold through current-price contracts.

Due to continuing unsatisfactory business performance, a restructuring programme was launched in 2008. Several cost-saving actions were initiated. The employee negotiations in Finland and Sweden to centralise Markets' service activities were finalised by the end of 2008. Markets' new organisation was published at the beginning of 2009.

Russia

The segment comprises power and heat generation and sales in Russia. The segment includes TGC-10 and Fortum's holding in TGC-1. TGC-10 is accounted for as a subsidiary and fully consolidated from 1 April 2008. TGC-1 is an associated company and accounted for using the equity method.

EUR million	IV/08	IV/07	2008	2007
Sales	197	-	489	-
- power sales	115	-	332	-
- heat sales	75	-	141	-
- other sales	7	-	16	-
Operating profit	-19	12	-91	244
Comparable operating profit	-20	-	-92	-
Net assets (at period-end)			2,205	456
Return on net assets, %			-3.7	66.3
Comparable return on net assets, %			-3.8	0.0
Gross investments	126	-	1,748	245
Number of employees			7,262	-

TGC-10 operates in well-developed industrial regions of the Urals and Western Siberia. The growing activities of oil and gas companies and the increase in housing construction are the main drivers behind the increasing power and heat demand in the region.

The segment's power sales during the fourth quarter amounted to 5.6 TWh. During the same period, heat sales of the segment totalled 8.6 TWh.

The segment's power sales during April-December 2008 amounted to 14.8 TWh. During the same period, heat sales of the segment totalled 15.3 TWh.

The segment booked a comparable operating loss in the fourth quarter of 2008. The loss for the three consolidated quarters is explained by TGC-10's stand-alone loss of EUR 33 million, the surplus value depreciation of EUR 38 million (depreciation on the EUR 1,022 million that has been allocated to the fair value of TGC-10's property, plant and equipment), and integration costs of EUR 21 million. TGC-10's business is typically very seasonal: Its results usually are strongest during the first and last quarters of the year. TGC-10 figures have been consolidated starting from the beginning of April 2008.

Russian power sector reform is proceeding. Starting from 1 January 2009, 30% of all produced power is sold on the competitive market. The wholesale power market is expected to be fully liberalised by 2011. The capacity market was launched at the beginning of July 2008, as planned.

In August 2008, the contract was signed for the biggest project in the investment programme, the construction of the Nyaganskaya power plant (capacity 1,200 MW).

Construction work commenced at the Tyumen, Tobolsk and Chelyabinsk CHP sites.

In September, Fortum announced that it will gain approximately 1.5 million tonnes of emission reduction units (ERU) from joint implementation projects conducted at TGC-10 between 2009 and 2012.

Fortum is putting considerable focus on the integration of TGC-10 as a part of Fortum. The integration process started in April 2008. The new organisational structure and Fortum's management model have been in place since the beginning of September 2008. The integration has proceeded well and several targets for efficiency improvements have been identified. Consequently, the annual efficiency improvements are expected to be approximately EUR 100 million by 2011.

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares in January-December totalled EUR 2,624 (972) million. Investments, excluding acquisitions, were EUR 1,108 (655) million.

POWER GENERATION

In June, Fortum and Hafslund Infratek ASA signed a letter of intent with the aim to combine Fortum Service's Infrastructure Solutions operations with Hafslund Infratek. The deal concerns all Infrastructure Solutions operations in Sweden, Norway and Finland and altogether 1,060 Fortum employees. In January 2009, the Norwegian competition authorities accepted the establishment of Infratek ASA and the deal was closed. Fortum's ownership of the new combined company Infratek ASA is 33%. Hafslund ASA holds 43.3% of the shares in the combined company. Infratek ASA is listed on the Oslo Stock Exchange.

HEAT

The construction work of new CHP-plants in Czestochowa in Poland, in Tartu in Estonia and in Suomenoja, Finland, continued and investments were EUR 134 (58) million.

In October, Heat sold its 60% share of a company operating a CHP plant in Jyväskylä, Finland. The transaction took effect at the end of 2008.

DISTRIBUTION

Investments, excluding acquisitions, were EUR 296 (236) million. The AMM investment programme represented EUR 104 (64) million of this.

RUSSIA

In the first quarter of 2008, Fortum acquired a controlling stake (76.5%) in the Russian Territorial Generating Company No. 10 (TGC-10), consisting of a 29.1-percentage-point share acquisition from United Energy Systems of Russia (RAO UES), for approximately EUR 0.8 billion, and a 47.4-percentage-point share issue for approximately EUR 1.3 billion.

In the second quarter, Fortum filed the mandatory public tender offer to TGC-10's minorities. The period of offer was from 30 April until 18 October 2008. The tender offer covered 23.51% of the share capital of TGC-10 and was launched at a price of 111.8 roubles (approximately EUR 3) per share to be fully paid in cash. The tender price was the same price Fortum paid for its shares acquired through the auction and share issue, and it represented a significant premium to the market price. At the end of December, Fortum's ownership in TGC-10 was 93.4%, and by that time Fortum had paid EUR 465 million for the additional share purchases.

TGC-10 has an extensive investment programme aiming to increase its power capacity to 5,300 MW. In October, Fortum estimated the value of the investment programme in new capacity to be approximately EUR 2.5 billion. The value for the remaining part of the programme, calculated at year-end exchange rates, is estimated to be EUR 2.0 billion from January 2009 onwards.

Financing

At year end, the interest-bearing net debt stood at EUR 6,179 (year-end 2007: EUR 4,466) million, resulting in a total increase of EUR 1,713 million in net debt during the year. The increase in net debt is primarily linked to the acquisition of TGC10.

During the fourth quarter, net debt decreased by EUR 341 million from EUR 6,520 million at the end of the third quarter. The decrease in net debt during the quarter is mainly due to strong operating cash flow but also the approximately EUR 100-million in translation differences when consolidating non-EUR-denominated debt in Fortum's foreign subsidiaries (mainly SEK-denominated debt in Swedish subsidiaries) into EUR.

During the fourth quarter, total liquid funds increased by EUR 142 million from EUR 1,179 million to EUR 1,321 (year-end 2007: EUR 427) million at year end. The liquid funds include cash and bank deposits held by TGC-10, amounting to EUR 1,020 million, of which approximately half was denominated in RUB at year end. In addition to the liquid funds, the Group had a total of approximately EUR 2.3 (year-end 2007: 1.4) billion available for drawings under committed credit facilities.

During the year, Fortum raised a syndicated loan facility of EUR 3,500 million. The loan facility is structured as a 3-year term-loan of EUR 2,000 million to be used for acquisition financing of TGC-10, and as a 5-year revolving credit facility of EUR 1,500 million. At year end, the term-loan was fully drawn and EUR 600 million of the new revolving credit facility was drawn. No material, new long-term financing arrangements were established in the fourth quarter. Short-term financing (mainly issuance of Commercial paper) decreased during the quarter by EUR 105 million from EUR 625 million to EUR 520 million at year end. (year-end 2007: 26)

Debt maturities in 2009 amount to approximately EUR 980 million and have increased by EUR 522 million compared to previous quarter, as a consequence of the roll-over of mainly short-term commercial paper but also due to the fact that Fortum in 2009 may prepay long-term debt issued by TGC-10 amounting to approximately EUR 194 million.

The Group's net financial expenses for the full-year 2008 were EUR 239 (154) million. The increase in financial expenses is attributable to higher average net debt and higher average interest rates in 2008 compared to 2007. Net financial expenses include fair value losses on financial instruments of EUR 11 (fair value gain 7) million.

For the fourth quarter, the Group's net financial expenses were EUR 54 (37) million. Net financial expenses include fair value losses on financial instruments of EUR 16 (fair value gain 3) million.

Net debt to EBITDA was 2.5 (1.9).

Fortum Corporation’s long-term credit rating from Moody’s and Standard & Poor's was 'A2' (outlook stable) and "A-" (outlook stable), respectively.

Shares and share capital

During 2008, a total of 628.2 (787.4) million Fortum Corporation shares, totalling EUR 15,571 million, were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 13,519 million. The highest quotation of Fortum Corporation shares on the NASDAQ OMX Helsinki in 2008 was EUR 33.00, the lowest EUR 12.77, and the volume-weighted average quotation EUR 24.76. The closing quotation on the last trading day of the year was EUR 15.23 (30.81).

A total of 955,022 shares subscribed on the basis of share option schemes were entered into the trade register in 2008. At the end of 2008, Fortum Corporation did not own its own shares.

After registrations, Fortum Corporation’s share capital was EUR 3,043,707,472 and the total number of registered shares was 887,638,080 at the end of 2008. The share capital of Fortum Corporation increased by a total of EUR 3,247,074.80.

At year-end 2008, the amount of shares that can still be subscribed for and registered under the share option schemes is a maximum of 0.1% (728,965 shares) of Fortum’s year-end share capital and voting rights.

At year end, the Finnish state's holding in Fortum was 50.8%. The proportion of nominee registrations and direct foreign shareholders was 35.2%.

Currently, the Board of Directors has no unused authorisations from the Annual General Meeting of Shareholders to issue convertible loans or bonds with warrants or to issue new shares. The Board of Directors has an authorisation from the Annual General Meeting of Shareholders on 1 April 2008 to buy Fortum Corporation’s own shares. The authorisation, amounting to EUR 300 million or 15 million shares, is valid until the next Annual General Meeting.

Group personnel

The average number of employees in the Group during the period from January to December was 14,077 (8,304). The number of employees at the end of the period was 15,579 (8,303). The increase in the number of employees is due to the acquisition of TGC-10.

Events after the period under review

Fortum and the Norwegian Hafslund Infratek ASA combined their businesses of construction and operating of infrastructure in Sweden, Finland and Norway as of 15 January 2009.

On 5 February, Fortum submitted its application to the Finnish government for a decision-in-principle on the construction of a nuclear power plant to its Loviisa site, where Fortum already owns and operates two nuclear reactors. According to preliminary plans, the plant could be in operation in 2020. The plant’s planned lifetime would be at least 60 years. Depending on the size and type of the reactor, the total investment is estimated to be EUR 4-6 billion.

Outlook

The key market driver influencing Fortum's business performance is the wholesale price of electricity. Key drivers behind wholesale price development are the supply-demand balance, CO_2 emissions allowance and fuel prices as well as the hydrological situation. The exchange rates of the Swedish krona and Russian rouble also affect Fortum's financials.

The balance sheet translation effects from potential changes in currency exchange rates are booked in Fortum's equity.

The ongoing economic and financial slowdown may continue to depress power demand in the markets where Fortum operates. Lower power demand and commodity prices, which may be further affected by the recession, have a negative impact on power prices. The ongoing economic crisis may also increase Fortum's counterparty risk.

Fortum's financial results are exposed to a number of strategic, financial and operational risks. For further details on Fortum's risks and risk management, see Fortum's Operating and Financial Review and Financial Statements for 2007.

Economic slowdown is expected to further affect electricity consumption growth in the Nordic countries. In the longer term, electricity consumption in the Nordic countries is predicted to increase by less than 1% a year.

In Russia, one of the key assumptions in the TGC-10 acquisition is the continuation of the Russian power sector reform. As planned, the share of power sold at a competitive price was increased from 15% to 25% on 1 July 2008 and further to 30% in the beginning of 2009. The share is planned to be increased to 50% at the beginning of July 2009. The first phase of the capacity market was launched at the beginning of July 2008. The rules for the long-term capacity market, taking place from 2011 onwards, are under preparation. The wholesale power market is expected to be fully liberalised in 2011.

TGC-10 is committed and contractually obligated to a significant investment programme, still amounting to approximately EUR 2.0 billion for 2009 and onwards. However, the economic slowdown is likely to further affect the Russian power demand-supply balance. Fortum as well as other power companies in Russia are currently in the process of analysing the effects from changed economic conditions and their potential impact on the timing of investment programmes.

The acquisition of TGC-10 is expected to marginally dilute Fortum's EPS during 2009. Annual efficiency improvements are expected to be approximately EUR 100 million in 2011.

In late January 2009, the Nordic water reservoirs were about 4 TWh below the long-term average and 14 TWh below the corresponding level of 2008. In late January, the market price for emissions allowances (EUA) for 2009 was about EUR 12 per tonne CO_2. At the same time, the electricity forward price for the rest of 2009 was around EUR 38-39 per MWh and for 2010 around EUR 34-36 per MWh.

The first and last quarters of the year are usually the strongest quarters for the power and heat businesses.

Fortum Power Generation's achieved Nordic power price typically depends on e.g. the hedge ratio, hedge price, spot prices, availability and utilisation of Fortum's flexible production portfolio and currency fluctuations. Excluding the potential effects from the changes in the power generation mix, a 1 EUR/MWh change in Generation's achieved Nordic sales price results in an approximately EUR 50-million change in Fortum's annual operating profit.

At the end of January 2009, Fortum had hedged approximately 65% of the Power Generation segment's estimated Nordic electricity sales volume for the rest of 2009 at approximately EUR 53 per MWh. For the calendar year 2010, approximately 50% of the Power Generation segment's estimated Nordic electricity sales volume was hedged at approximately EUR 46 per MWh.

The reported hedge ratios may vary significantly depending on Fortum's actions on the electricity derivatives markets. Hedges are mainly financial contracts, most of them Nord Pool forwards or standardised futures, consisting of several types of products and maturities. Hedge prices are also influenced by changes in the SEK/EUR exchange rates, as some of the hedges are conducted in SEK.

Fortum's results in 2008 were good. A flexible and climate-benign production portfolio accompanied by a strong financial position and liquidity enable Fortum to meet the challenges caused by the financial crisis. Fortum is in a stable position to weather the turbulence, despite the lower visibility beyond 2009.

Dividend distribution proposal

The parent company's distributable equity as of 31 December 2008 amounted to EUR 3,742 million. Since the end of the financial period, there have been no material changes in the financial position of the Company.

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pay a cash dividend of EUR 1.00 per share for 2008, totalling EUR 888 million based on the number of registered shares as of 4 February 2009.

Espoo, 4 February 2009
Fortum Corporation
Board of Directors

Further information:
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The Board of Directors has approved Fortum's 2008 financial statements and Fortum's auditors have issued their audit report for 2008 on 4 February 2009. The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

Fortum's Annual General Meeting is planned to take place on 7 April 2009.

The annual report for 2008 will be published during week 12 at the latest.

Publication of results in 2009:
Interim Report January-March will be published on 28 April 2009 at approx. 9:00 EET.
Interim Report January-June will be published on 17 July 2009 at approx. 9:00 EET.
Interim Report January-September will be published on 22 October 2009 at approx. 9:00 EET.

Distribution:
NASDAQ OMX Helsinki
Key media
www.fortum.com

Information on the full year report, including detailed quarterly information, is available on Fortum's website at: www.fortum.com/investors

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The Interim Statement is based on the audited 2008 Financial Statements approved by the Board on 4 February 2009.

CONSOLIDATED INCOME STATEMENT

MEUR	Note	Q4 2008	Q4 2007	2008	2007
Sales	4	**1 602**	1 320	**5 636**	4 479
Other income		**155**	84	**230**	393
Materials and services		**-652**	-483	**-2 117**	-1 572
Employee benefit costs		**-158**	-136	**-587**	-495
Depreciation, amortisation and impairment charges	4, 12	**-132**	-115	**-515**	-451
Other expenses		**-204**	-150	**-684**	-507
Operating profit		**611**	520	**1 963**	1 847
Share of profit of associates and joint ventures	4, 13	**48**	18	**126**	241
Interest expense		**-96**	-64	**-351**	-220
Interest income		**66**	27	**143**	76
Fair value gains and losses on financial instruments		**-16**	3	**-11**	7
Other financial expenses - net		**-8**	-3	**-20**	-17
Finance costs - net		**-54**	-37	**-239**	-154
Profit before income tax		**605**	501	**1 850**	1 934
Income tax expense	9	**2**	-108	**-254**	-326
Profit for the period		**607**	393	**1 596**	1 608
Attributable to:					
Equity holders of the Company		**563**	368	**1 542**	1 552
Minority interest		**44**	25	**54**	56
		607	393	**1 596**	1 608
Earnings per share for profit attributable to the equity holders of the company during the year (in € per share)	10				
Basic		**0.64**	0.41	**1.74**	1.74
Diluted		**0.64**	0.41	**1.74**	1.74

CONSOLIDATED BALANCE SHEET

MEUR	Note	Dec 31 2008	Dec 31 2007
ASSETS			
Non-current assets			
Intangible assets	12	**395**	85
Property, plant and equipment	12	**12 138**	11 343
Participations in associates and joint ventures	4, 13	**2 112**	2 853
Share in State Nuclear Waste Management Fund	16	**566**	516
Other long-term investments		**117**	99
Deferred tax assets		**2**	3
Derivative financial instruments	6	**445**	153
Long-term interest-bearing receivables		**742**	736
Total non-current assets		**16 517**	15 788
Current assets			
Inventories		**444**	285
Derivative financial instruments	6	**761**	140
Trade and other receivables		**1 235**	1 034
Bank deposits		**588**	-
Cash and cash equivalents		**733**	427
Liquid funds	15	**1 321**	427
Total current assets		**3 761**	1 886
Total assets		**20 278**	17 674
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	**3 044**	3 040
Other restricted funds		**90**	78
Fair value and other reserves		**525**	715
Retained earnings		**4 295**	4 526
Total		**7 954**	8 359
Minority interest		**457**	292
Total equity		**8 411**	8 651
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	15	**6 520**	4 288
Derivative financial instruments	6	**120**	139
Deferred tax liabilities		**1 851**	1 687
Nuclear provisions	16	**566**	516
Pension and other provisions		**250**	144
Other non-current liabilities		**470**	486
Total non-current liabilities		**9 777**	7 260
Current liabilities			
Interest-bearing liabilities	15	**980**	605
Derivative financial instruments	6	**126**	260
Trade and other payables		**984**	898
Total current liabilities		**2 090**	1 763
Total liabilities		**11 867**	9 023
Total equity and liabilities		**20 278**	17 674

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Other restricted funds	Fair value and other reserves	Treasury shares	Retained earnings	Attributable to the equity holders	Minority	Total
Total equity at 31.12.2007	**3 040**	**78**	**715**	**-**	**4 526**	**8 359**	**292**	**8 651**
Translation and other differences		6	-148		-561	-703	-86	-789
Cash flow hedges			440			440		440
Other fair value adjustments			-484			-484	2	-482
Total gains and losses not recognised in Income statement	-	6	-192	-	-561	-747	-84	-831
Net profit for the period					1 542	1 542	54	1 596
Total recognised income for the period	**-**	**6**	**-192**	**-**	**981**	**795**	**-30**	**765**
Stock options exercised	4					4		4
Cash dividend [1]					-1 198	-1 198		-1 198
Changes between restricted and unrestricted equity		6			-6	0		0
Changes due to business combinations			2		-8	-6	195	189
Total equity at 31.12.2008	**3 044**	**90**	**525**	**-**	**4 295**	**7 954**	**457**	**8 411**
Total equity at 31.12.2006	**3 023**	**74**	**511**	**-**	**4 300**	**7 908**	**253**	**8 161**
Translation and other differences			10		-25	-15	-11	-26
Cash flow hedges			-168			-168	-2	-170
Other fair value adjustments			362			362		362
Total gains and losses not recognised in Income statement	-	-	204	-	-25	179	-13	166
Net profit for the period					1 552	1 552	56	1 608
Total recognised income for the period	**-**	**-**	**204**	**-**	**1 527**	**1 731**	**43**	**1 774**
Stock options exercised	17					17		17
Cash dividend [1]					-1 122	-1 122		-1 122
Repurchase of own shares				-175		-175		-175
Cancellation of own shares				175	-175	0		0
Changes between restricted and unrestricted equity		4			-4	0		0
Changes due to business combinations						0	-4	-4
Total equity at 31.12.2007	**3 040**	**78**	**715**	**-**	**4 526**	**8 359**	**292**	**8 651**

[1] See Note 11 Dividends.

Translation differences*)
The weakening of mainly RUB, SEK and NOK has impacted equity attributable to equity holders through translation differences with EUR -703 million. Part of the translation differences are arising from the NOK effect in fair valuation of Hafslund's REC shares EUR -148 million which is shown in fair value and other reserves.

Cash-flow hedges
The impact on equity attributable to equity holders from fair valuation of cash-flow hedges, EUR 440 million, mainly relates to cash flow hedges hedging electricity price. When electricity price is lower than the hedging price, the impact on equity is positive.

Other fair value adjustments
Other fair value adjustments EUR -484 million, mainly relates to the change in share price of Hafslund's REC shares during 2008 excluding exchange rate differences. See also Note 13 Changes in participations in associates and joint ventures.

Changes in minority interest in equity
The main changes to minority interest in equity are translation differences EUR -86 million, arising from RUB and SEK and also changes through business combinations which relates to the minority interest in TGC-10.

*) Translation of financial information from subsidiaries in foreign currency is done using average rate for the income statement and end rate for the balance sheet. The exchange rate differences occurring from translation to EUR are booked to equity. For information regarding exchange rates used, see Note 8 Exchange rates.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	Note	Q4 2008	Q4 2007	2008	2007
Cash flow from operating activities					
Operating profit before depreciations (EBITDA)		**743**	635	**2 478**	2 298
Non-cash flow items and divesting activities		**-237**	-18	**-275**	-286
Financial items and realised foreign exchange gains and losses		**326**	-99	**233**	-10
Taxes		**-53**	-63	**-332**	-383
Funds from operations		**779**	455	**2 104**	1 619
Change in working capital		**-217**	-110	**-102**	51
Total net cash from operating activities		**562**	345	**2 002**	1 670
Cash flow from investing activities					
Capital expenditures [1)]	4, 12	**-338**	-251	**-1 018**	-592
Acquisition of subsidiaries, net of cash acquired	7	**-4**	0	**-1 210**	-10
Acquisition of associates [2)]	13	**-24**	-26	**-32**	-271
Acquisition of other long-term investments		**0**	-2	**-1**	-4
Proceeds from sales of fixed assets		**28**	2	**37**	14
Proceeds from sales of subsidiaries, net of cash disposed	7	**43**	0	**44**	0
Proceeds from sales of associates	13	**10**	2	**34**	304
Proceeds from sales of other long-term investments		**0**	29	**0**	29
Change in interest-bearing receivables		**-58**	-23	**-136**	-79
Total net cash used in investing activities		**-343**	-269	**-2 282**	-609
Cash flow before financing activities		**219**	76	**-280**	1 061
Cash flow from financing activities					
Net change in loans		**43**	-291	**2 621**	488
Dividends paid to the Company's equity holders		**0**	0	**-1 198**	-1 122
Repurchase of own shares		**-**	-175	**-**	-175
Other financing items		**31**	2	**-103**	18
Total net cash used in financing activities		**74**	-464	**1 320**	-791
Total net increase (+)/decrease (-) in liquid funds		**293**	-388	**1 040**	270

[1)] Capital expenditures in cash-flow do not include not yet paid investments. Capitalised borrowing costs are included in interest costs paid.

[2)] Acquisition of associates include share issues.

Change in net debt	Q4 2008	Q4 2007	2008	2007
Net debt 30 September and 31 December respectively	**6 520**	4 456	**4 466**	4 345
Foreign exchange rate differences	**-109**	-55	**-203**	-73
EBITDA	**743**	635	**2 478**	2 298
Paid net financial costs, taxes and adjustments for non-cash and divestment items	**36**	-180	**-374**	-679
Change in working capital	**-217**	-110	**-102**	51
Capital expenditures	**-338**	-251	**-1 018**	-592
Acquisitions	**-28**	-28	**-1 243**	-285
Divestments	**81**	33	**115**	347
Change in interest-bearing receivables	**-58**	-23	**-136**	-79
Dividends and repurchase of own shares	**0**	-175	**-1 198**	-1 297
Other financing activities	**31**	2	**-103**	18
-Net cash flow (- increase in net debt)	**250**	-97	**-1 581**	-218
Loans in acquired companies	**-**	0	**272**	7
Fair value change of bonds and amortised cost valuation	**18**	-32	**63**	-31
Net debt end of period	**6 179**	4 466	**6 179**	4 466

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KEY RATIOS

MEUR	Dec 31 2008	Sept 30 2008	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
EBITDA, MEUR	**2 478**	1 735	1 203	720	2 298	1 663	1 040	602
Earnings per share (basic), EUR	**1.74**	1.10	0.78	0.51	1.74	1.33	0.85	0.59
Capital employed, MEUR	**15 911**	15 756	15 593	16 868	13 544	13 764	13 503	12 593
Interest-bearing net debt, MEUR	**6 179**	6 520	6 254	5 228	4 466	4 456	4 610	3 932
Capital expenditure and gross investments in shares, MEUR	**2 624**	2 210	1 459	1 227	972	646	253	115
Capital expenditure, MEUR	**1 108**	716	408	175	655	382	236	100
Return on capital employed, % [1]	**15.0**	13.7	14.6	17.3	16.5	15.1	14.8	18.0
Adjusted return on capital employed, % [2]					14.0			
Return on shareholders' equity, % [1]	**18.7**	15.7	17.2	21.0	19.1	17.8	17.2	21.1
Adjusted return on shareholders' equity, % [2]					15.8			
Net debt / EBITDA [1]	**2.5**	2.8	2.6	1.8	1.9	2.1	2.2	1.6
Adjusted Net debt / EBITDA [3]					2.2	2.3		
Interest coverage	**9.4**	7.6	8.6	14.1	12.8	12.4	11.5	15.3
Funds from operations/interest-bearing net debt, % [1]	**34.1**	27.1	30.1	42.9	36.3	33.9	36.1	45.5
Gearing, %	**73**	81	77	56	52	52	58	52
Equity per share, EUR	**8.96**	8.49	8.08	9.53	9.43	9.21	8.68	8.22
Equity-to-assets ratio, %	**41**	39	39	44	49	48	46	43
Average number of employees	**14 077**	13 585	12 603	8 356	8 304	8 305	8 257	8 165
Number of employees	**15 579**	15 785	16 069	15 689	8 303	8 306	8 541	8 190
Average number of shares, 1 000 shares	**887 256**	887 241	887 131	887 085	889 997	890 984	890 770	890 263
Diluted adjusted average number of shares, 1 000 shares	**887 839**	887 986	888 165	888 177	891 395	892 815	893 140	893 252
Number of registered shares, 1 000 shares	**887 638**	887 517	887 191	887 123	886 683	892 119	891 472	890 685

[1] Quarterly figures are annualised.
[2] Adjusted for REC and Lenenergo gains, which were arising Q1 and Q3 in 2007 respectively.
[3] Based on EBITDA excluding capital gain from the sale of Fortum's holding in Lenenergo amounting to EUR 232 million.
For definitions, see Note 24.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Interim Statement is based on the 2008 Financial Statements approved by the Board and the auditors on 4 February 2009. The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2007, except for changes listed below.

Early adoption of IFRS 8 Operating Segments

Following the acquisition of the Russian company TGC-10, Fortum has changed its segment reporting during Q1 2008. A new Russia segment was introduced, which then meant that the new segment structure has one segment based on geographical area, combined with segments based on type of business operations. Due to the change in segments structure, Fortum has early adopted IFRS 8 Operating segments.

The new Russia segment includes:
- TGC-10, which has been consolidated from 31 March 2008 (see Note 7)
- the TGC-1 shareholding, which was transferred from the Power Generation segment
- minor assets from shareholdings in Lenenergo spin-off companies, transferred from Distribution, Markets and Other segments

In addition to introducing a new segment, assets and profits from the associated company Hafslund have been transferred from Power Generation segment to Other segment.

Segments Power Generation, Heat, Distribution and Markets as well as Other remained as previously reported with exception from the items stated above. Power Generatior consists of the business units Generation, Portfolio Management and Trading (PMT) as well as Service. The business units Generation and PMT have from a financial reporting perspective one common set of financial measures. No separate pricing mechanism is in use between the business units. Service business unit provides services both internal and external, but its core activities refer to Generation business. The two business units Heat and Värme are aggregated to the Heat segment based on the similarity in the nature of business, customers etc.

Financial target setting, follow up and allocation of resources in the Group's performance management process are based on the business units' comparable operating profit including share of profit from associated companies and comparable return on net assets.

Consolidation by segment is based on the same principles as for the Group as a whole. Inter-segment transactions are based on commercial terms. Due to the large number of customers and the variety of its business activities, there are no individual customer whose business volume is material compared with Fortum's total business volume. Power Generation segment is selling the produced electricity mainly through Nord Pool. For further information regarding the segments business activities and geographical areas, see the Financial statements 2007 Note 5 Primary Segment information.

Comparison numbers for 2007 have been restated, resulting in the following effects in operating profit and non-recurring items:
- the non-recurring gain on the sale of Lenenergo shares (EUR 232 million) in Q3 2007, transferred from Distribution segment to the new Russia segment
- the gain on the sale of WGC-5 shares (EUR 12 million) in Q4 2007, transferred from Power Generation segment to the new Russia segment
- share of profits from associates regarding Hafslund during 2007, including the gain from Hafslund's divestment of shares in REC in Q1 2007, has been transferred from Power Generation segment to Other segment.

New amendments and interpretations

The following new amendments and interpretations are mandatory for the financial year ending 31 December 2008:

- Amendments to IAS 39 Financial instruments: Recognition and measurement and IFRS 7 Financial instruments: Disclosures (effective from 1 July, 2008). Amendment to IAS 39 allows an entity to reclassify certain non-derivative financial assets out of the held-for-trading category in rare circumstances as well as certain loans and receivables out of the held-for-trading or available-for-sale categories if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity. The amendmen to IFRS 7 requires extensive disclosures for any financial asset reclassified in the situations described. The amendments have no impact on the financial position or performance of Fortum as no assets have been reclassified.

- IFRIC 11 IFRS 2: Group and treasury share transactions. IFRIC 11 requires a share-based payment arrangement in which the entity receives goods or services as consideration for its own equity instruments (i.e. treasury shares) to be accounted for as equity-settled share-based payment transaction even though if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. Fortum does not currently have such arrangements.
- IFRIC 14 IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction provides guidance how to assess the limit in IAS 19 on the amount of the surplus that can be recognised as an asset in particular when there is a minimum funding requirement.
IFRIC 14 is not relevant to Fortum as Group's pension arrangements do not have minimum funding requirements.
- IFRIC 12 Service concession arrangements is not relevant to Fortum as no member of the Group is a service concession operator providing for public sector services. The interpretation has not yet been endorsed in the EU.

Accounting for associated companies

In Q2 Fortum started equity accounting regarding Territorial Generating Company 1, TGC-1 since 2007 IFRS Financial Statements became available. For further information on accounting for Fortum's shareholdings in TGC-1 and also regarding accounting for the shareholding in Hafslund, see Note 13 below. In Q4 Fortum received information which enabled accounting for nuclear related assets and liabilities regarding its Swedish associated nuclear companies according to Fortum accounting principles, see Note 16 below.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Annual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2007.

4. SEGMENT INFORMATION

SALES

MEUR	Q4 2008	Q4 2007	2008	2007
Power sales excluding indirect taxes	**886**	697	**3 291**	2 370
Heating sales	**440**	352	**1 298**	1 096
Network transmissions	**193**	194	**746**	729
Other sales	**83**	77	**301**	284
Total	**1 602**	1 320	**5 636**	4 479

SALES BY SEGMENT

MEUR	Q4 2008	Q4 2007	2008	2007
Power Generation	**736**	**685**	**2 892**	2 350
- of which internal	***5***	***5***	***0***	*323*
Heat	**463**	**439**	**1 466**	1 356
- of which internal	***-3***	***-1***	***0***	*38*
Distribution	**206**	**206**	**789**	769
- of which internal	***3***	***3***	***10***	*9*
Markets	**531**	**482**	**1 922**	1 683
- of which internal	***50***	***49***	***177***	*155*
Russia	**197**	-	**489**	-
- of which internal	-	-	**0**	-
Other	**21**	**21**	**83**	81
- of which internal	***21***	***20***	***82***	*72*
Netting of Nord Pool transactions [1)]	**-476**	**-437**	**-1 736**	-1 163
Eliminations	***-76***	***-76***	***-269***	*-597*
Total	**1 602**	**1 320**	**5 636**	4 479

[1)] Sales and purchases with Nord Pool is netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

OPERATING PROFIT BY SEGMENTS

MEUR	Q4 2008	Q4 2007	2008	2007
Power Generation	**470**	351	**1 599**	1 115
Heat	**155**	121	**307**	294
Distribution	**61**	51	**248**	233
Markets	**-29**	2	**-35**	12
Russia	**-19**	12	**-91**	244
Other	**-27**	-17	**-65**	-51
Total	**611**	520	**1 963**	1 847

COMPARABLE OPERATING PROFIT BY SEGMENTS

MEUR	Q4 2008	Q4 2007	2008	2007
Power Generation	**378**	363	**1 528**	1 095
Heat	**109**	120	**250**	290
Distribution	**63**	50	**248**	231
Markets	**0**	-1	**-33**	-1
Russia	**-20**	-	**-92**	-
Other	**-22**	-16	**-56**	-51
Comparable operating profit	**508**	516	**1 845**	1 564
Non-recurring items	**68**	13	**85**	250
Other items effecting comparability	**35**	-9	**33**	33
Operating profit	**611**	520	**1 963**	1 847

NON-RECURRING ITEMS BY SEGMENTS

MEUR	Q4 2008	Q4 2007	2008	2007
Power Generation	**7**	0	**18**	2
Heat	**60**	1	**64**	2
Distribution	**0**	0	**2**	0
Markets	-	-1	-	0
Russia	**1**	12	**1**	244
Other	**0**	1	**0**	2
Total	**68**	13	**85**	250

Non-recurring items mainly include capital gains and losses. The main capital gain in 2008 was gain on sale of Jyväskylän Energiantuotanto Oy(2007: gain on sale of Lenenergo shares EUR 232 million).

OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS

	Q4 2008	Q4 2007	2008	2007
Power Generation [1]	**85**	-12	**53**	18
Heat	**-14**	0	**-7**	2
Distribution	**-2**	1	**-2**	2
Markets	**-29**	4	**-2**	13
Russia	-	-	-	-
Other	**-5**	-2	**-9**	-2
Total	**35**	-9	**33**	33
[1] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-12**	-7	**-19**	17

Other items effecting comparability mainly include effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39. In Power Generation segment there are also effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS

	Q4 2008	Q4 2007	2008	2007
Power Generation	**24**	24	**97**	103
Heat	**41**	43	**169**	163
Distribution	**41**	43	**165**	162
Markets	**1**	2	**7**	11
Russia	**22**	-	**67**	-
Other	**3**	3	**10**	12
Total	**132**	115	**515**	451

SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Q4 2008	Q4 2007	2008	2007
Power Generation [1), 2)]	**39**	-3	**26**	-23
Heat	**4**	8	**12**	24
Distribution	**3**	5	**16**	18
Markets	**0**	0	**5**	0
Russia	**0**	-	**19**	-
Other	**2**	8	**48**	222
Total	**48**	18	**126**	241
[1] Including effects from the accounting of Fortum's associates part of Finnish and Swedish Nuclear Waste Management Funds with (EUR million):	**14**	-1	**9**	-7

[2] The main part of the associated companies in Power Generation are power production companies from which Fortum purchases produced electricity at production costs including interest costs and income taxes.

PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Dec 31 2008	Dec 31 2007
Power Generation	**818**	806
Heat	**160**	158
Distribution	**210**	229
Markets	**12**	8
Russia	**429**	455
Other	**483**	1 197
Total	**2 112**	2 853

CAPITAL EXPENDITURE BY SEGMENTS

MEUR	Q4 2008	Q4 2007	2008	2007
Power Generation	**49**	32	**134**	93
Heat [1]	**144**	120	**408**	309
Distribution [2]	**93**	117	**296**	236
Markets	**0**	1	**3**	3
Russia	**104**	-	**256**	-
Other	**2**	3	**11**	14
Total	**392**	273	**1 108**	655

[1] Increase is mainly due to ongoing large CHP-plant construction projects in Espoo in Finland, Tarto in Estonia and Czestochowa in Poland.

[2] Increase is mainly due to installation of new meters in Fortum's network areas in Sweden (Automatic Meter Management, AMM).

GROSS INVESTMENTS IN SHARES BY SEGMENTS

MEUR	Q4 2008	Q4 2007	2008	2007
Power Generation	**0**	52	**0**	52
Heat	**0**	1	**23**	18
Distribution	**0**	1	**0**	1
Markets	**0**	-	**0**	0
Russia [1]	**22**	-	**1 492**	245
Other	**0**	-1	**1**	1
Total	**22**	53	**1 516**	317

[1] See Note 7 Acquisitions and disposals.

NET ASSETS BY SEGMENTS MEUR	Dec 31 2008	Dec 31 2007
Power Generation	**5 331**	5 599
Heat	**3 468**	3 507
Distribution	**3 032**	3 239
Markets	**188**	247
Russia	**2 205**	456
Other	**796**	1 237
Total	**15 020**	14 285

RETURN ON NET ASSETS BY SEGMENTS

%	Dec 31 2008	Dec 31 2007
Power Generation	**29.6**	19.2
Heat	**8.9**	9.3
Distribution	**8.1**	7.7
Markets	**-14.0**	6.9
Russia	**-3.7**	66.3
Other	**-1.8**	17.1

COMPARABLE RETURN ON NET ASSETS BY SEGMENTS

	Dec 31 2008	Dec 31 2007
Power Generation	**28.0**	18.9
Heat	**7.3**	9.2
Distribution	**8.2**	7.6
Markets	**-15.3**	-0.6
Russia	**-3.8**	0.0
Other [1]	**-1.7**	-2.1

[1] Excluding approximately EUR 180 million gain in relation to Hafslund's divestment of REC-shares Q1 2007 included in the share of profits of associates and joint ventures.

Return on net assets is calculated by dividing the sum of operating profit and share of profit of associated companies and joint ventures with average net assets. Average net assets are calculated using the opening balance and end of each quarter values.

ASSETS BY SEGMENTS MEUR	Dec 31 2008	Dec 31 2007
Power Generation	**5 732**	6 154
Heat	**3 923**	3 928
Distribution	**3 546**	3 778
Markets	**663**	630
Russia	**2 476**	456
Other	**997**	1 392
Assets included in Net assets	**17 337**	16 338
Interest-bearing receivables	**799**	747
Deferred taxes	**2**	3
Other assets	**819**	159
Liquid funds	**1 321**	427
Total assets	**20 278**	17 674

LIABILITIES BY SEGMENTS MEUR	Dec 31 2008	Dec 31 2007
Power Generation	**401**	555
Heat	**455**	421
Distribution	**514**	539
Markets	**475**	383
Russia	**271**	-
Other	**201**	155
Liabilities included in Net assets	**2 317**	2 053
Deferred tax liabilities	**1 851**	1 687
Other liabilities	**199**	390
Total liabilities included in Capital employed	**4 367**	4 130
Interest-bearing liabilities	**7 500**	4 893
Total equity	**8 411**	8 651
Total equity and liabilities	**20 278**	17 674

Other assets and Other liabilities not included in segment's Net assets consists mainly of income tax receivables and liabilities, accrued interest expenses, derivative receivables and liabilities qualifying as hedges and receivables and liabilities for interest rate derivatives

AVERAGE NUMBER OF EMPLOYEES	2008	2007
Power Generation	**3 591**	3 475
Heat	**2 422**	2 302
Distribution	**1 222**	1 060
Markets	**766**	936
Russia	**5 566**	-
Other	**510**	531
Total	**14 077**	8 304

Average number of employees is based on a monthly average for the whole period in question.

NUMBER OF EMPLOYEES	Dec 31 2008	Dec 31 2007
Power Generation	**3 520**	3 511
Heat	**2 318**	2 279
Distribution	**1 336**	1 063
Markets	**635**	935
Russia	**7 262**	-
Other	**508**	515
Total	**15 579**	8 303

5. QUARTERLY SEGMENT INFORMATION

Extended quarterly information is available on Fortum's website www.fortum.com/investors/financial information.

QUARTERLY SALES BY SEGMENTS MEUR	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation	**736**	718	721	717	685	502	522	641
- of which internal	***5***	*-79*	*21*	*53*	*5*	*70*	*92*	*156*
Heat	**463**	226	284	493	439	186	252	479
- of which internal	***-3***	*-4*	*-*	*7*	*-1*	*4*	*11*	*24*
Distribution	**206**	171	180	232	206	166	172	225
- of which internal	***3***	*2*	*2*	*3*	*3*	*2*	*2*	*2*
Markets	**531**	461	411	519	482	331	351	519
- of which internal	***50***	*61*	*34*	*32*	*49*	*30*	*32*	*44*
Russia	**197**	140	152	-	-	-	-	-
- of which internal	**-**	-	-	-	-	-	-	-
Other	**21**	21	21	20	21	19	22	19
- of which internal	***21***	*20*	*21*	*20*	*20*	*17*	*19*	*16*
Netting of Nord Pool transactions	**-476**	-465	-369	-426	-437	-221	-204	-301
Eliminations	***-76***	*0*	*-78*	*-115*	*-76*	*-123*	*-156*	*-242*
Total	**1 602**	1 272	1 322	1 440	1 320	860	959	1 340

QUARTERLY OPERATING PROFIT BY SEGMENTS MEUR	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation	**470**	438	260	431	351	221	243	300
Heat	**155**	-15	37	130	121	-2	33	142
Distribution	**61**	50	51	86	51	50	53	79
Markets	**-29**	-17	31	-20	2	15	7	-12
Russia	**-19**	-39	-33	0	12	232	-	-
Other	**-27**	-22	2	-18	-17	-6	-9	-19
Total	**611**	395	348	609	520	510	327	490

QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS MEUR	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation	**378**	371	384	395	363	185	217	330
Heat	**109**	-7	27	121	120	-3	36	137
Distribution	**63**	49	49	87	50	51	52	78
Markets	**0**	-8	-15	-10	-1	11	3	-14
Russia	**-20**	-39	-33	-	-	-	-	-
Other	**-22**	-13	-9	-12	-16	-6	-10	-19
Total	**508**	353	403	581	516	238	298	512

QUARTERLY NON-RECURRING ITEMS BY SEGMENTS MEUR	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation	**7**	11	0	0	0	0	2	0
Heat	**60**	2	0	2	1	0	1	0
Distribution	**0**	2	0	0	0	-1	0	1
Markets	**-**	0	0	-	-1	1	0	0
Russia	**1**	0	-	-	12	232	-	-
Other	**0**	0	0	0	1	0	1	0
Total	**68**	15	0	2	13	232	4	1

QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation [1)]	**85**	56	-124	36	-12	36	24	-30
Heat	**-14**	-10	10	7	0	1	-4	5
Distribution	**-2**	-1	2	-1	1	0	1	0
Markets	**-29**	-9	46	-10	4	3	4	2
Russia	**-**	-	-	-	-	-	-	-
Other	**-5**	-9	11	-6	-2	0	0	0
Total	**35**	27	-55	26	-9	40	25	-23
[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	-12	10	-8	-9	-7	33	-4	-5

6. FINANCIAL RISK MANAGEMENT

The Group has not made any significant change in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2007.

The tables below disclose the notional values or volumes and net fair values for the Group's derivatives used in different areas mainly for hedging purposes.

DERIVATIVES

MEUR		**Dec 31 2008**		Dec 31 2007
Interest and currency derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value
Interest rate swaps	**2 993**	**-12**	3 500	-16
Forward foreign exchange contracts	**4 521**	**370**	4 452	30
Forward rate agreements	**230**	**0**	741	0
Interest rate and currency swaps	**2 240**	**218**	3 293	66
Electricity derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	TWh	**MEUR**	TWh	MEUR
Sales swaps	**165**	**2 102**	119	-651
Purchase swaps	**123**	**-1 692**	88	461
Purchased options	**2**	**0**	0	0
Written options	**4**	**-14**	2	-1
Oil derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	1000 bbl	**MEUR**	1000 bbl	MEUR
Sales swaps and futures	**1 047**	**-14**	460	-4
Purchase swaps and futures	**1 230**	**11**	795	9
Coal derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	kt	**MEUR**	kt	MEUR
Sold	**276**	**7**	150	-1
Bought	**641**	**-16**	375	1
CO2 emission allowance derivatives	**Volume**	**Net fair value**	Volume	Net fair value
	ktCO2	**MEUR**	ktCO2	MEUR
Sold	**592**	**4**	3 101	-13
Bought	**592**	**-4**	3 121	13
Share derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value
	MEUR	**MEUR**	MEUR	MEUR
Share forwards [1)]	**37**	**24**	36	66

[1)] Cash-settled share forwards are used as a hedging instrument for Fortum Group's performance share arrangement.

On 20 February 2008, Fortum, the Russian Territorial Generating Company No. 1 (TGC-1) and ECF Project Ltd signed an agreement according to which Fortum will purchase approximately 5 million tonnes of emission reduction units (ERU) from TGC-1. The ERUs will come from Joint Implementation projects conducted at TGC-1's production facilities during the Kyoto Period (2008-2012) of the European Emissions Trading Scheme. The agreement has been classified as an own use contract and valued at cost.

7. ACQUISITIONS AND DISPOSALS

Total Gross investment in subsidiary shares (see definition of key figures) amounted to EUR 1,506 (18) million of which EUR 1,492 million represents the acquisition of TGC-10.

In Latvia, Fortum acquired 100% of the shares in Jelgavas Kogeneracija SIA at the end of March. The acquired company provides district heating to the city of Jelgava. The annual heat sales are 200 GWh, the sales EUR 10 million, and the number of employees 170. The gross investment was EUR 10 million.

In Sweden, Fortum acquired additional 11.22% shares in Hofors Energi AB. After this acquisition Fortum's total ownership of the shares in Hofors Energi AB is 60%. The acquired company provides district heating to the Hofors area. The annual heat sales are 130 GWh, the sales EUR 7 million, and Fortum has already earlier taken care of operations in the company. The gross investment was EUR 3 million.

In the end of December 2008 Fortum sold its 60% ownership in Jyväskylän Energiantuotanto Oy to Jyväskylän Energia. The transaction included both subsidiary shares, land on which the power plant is located on and assets related to business operations. In July 2008 Fortum sold its 100% ownership in Recotech AB to Tellestate AB.

Acquisition of TGC-10

In March Fortum acquired 76.49% of TGC-10 which is a Russian territorial generating company founded in 2006 and operating in the Urals and West Siberia region. The total installed capacity is 3,000 MW electricity and 15,800 MW heat with an annual production of 18 TWh electricity and 27 TWh heat. The company is committed and contractually obligated to an extensive investment plan to further increase its electricity capacity with 2,300 MW by 2013. The contractual obligations of TGC-10's investment programme include penalty clauses tied to the availability of the new generating capacity. Total sales during 2007 in TGC-10 were EUR 723 million and operating profit was EUR 26 millio based on 2007 published IFRS Financial statements.

The acquisition was made through an acquisition of shares and through participation in a share issue. On 20 March 2008 Fortum paid for 47.42% of the shares in TGC-10 through a share issue for approximately EUR 1.3 billion. The capital received by TGC-10 will remain in the company and will be used to finance its committed capacity investment programme planned at EUR 2.2 billion. In October 2008, Fortum estimated the value of the investment programme in new capacity to be approximately EUR 2.5 billion. The value for the remaining part of the programme, calculated at year-end exchange rates, is estimated to be EUR 2.0 billion from January 2009 onwards.

On 26 March Fortum paid for an additional 29.07% of the shares in TGC-10 from United Energy Systems of Russia (RAO UES). 29 April Fortum filed the mandatory public tender offer to TGC-10 minority shareholders. The offer was valid from 30 April until 18 October 2008. The tender offer covered 23.51% of the share capital of TGC-10 and has been launched at a price of 111.8 roubles per share to be fully paid in cash. At the end of December, Fortum's ownership in TGC-10 was 93.4% including the shares held by TGC-10's 100% owned subsidiary and by that time Fortum had paid EUR 465 million for share purchases under the MTO.

The gross investment for the total transaction was EUR 1,492 million, excluding cash in TGC-10 (mainly coming from the share issue) and including interest-bearing liabilities in the company. The purchase price allocation is based on the balance sheet as of 31 March 2008 of TGC-10. The fair value adjustments are still preliminary, since all valuation effects have not been finalised, in particular regarding potential obligations. Fortum Q4 2008 report includes the income statement effect of TGC-10 from 1 April 2008 onwards.

MEUR	**TGC-10**
Purchase consideration	
Cash paid	2 533
Direct costs relating to the acquisition	8
Total purchase consideration	2 541
Fair value of the acquired assets	2 211
Translation differences	-9
Goodwill	339

Fair value of the acquired net identifiable assets:	Acquired Book Values	Allocated Fair Values	Total Value
Cash and cash equivalents	1 321		1 321
Property, plant and equipment	625	1 022	1 647
Other assets	182		182
Non-interest-bearing liabilities	-107	-391	-498
Interest-bearing liabilities	-272		-272
Net identifiable assets	1 749	631	2 380
Minority interests	-116	-53	-169
Total	1 633	578	2 211

Gross investment in TGC-10:	
Purchase consideration settled in cash	2 541
Cash and cash equivalents in subsidiaries acquired	1 321
Cash outflow on acquisition	1 220
Interest-bearing debt in subsidiaries acquired	272
Total	1 492

8. EXCHANGE RATES

The balance sheet date rate is based on exchange rate published by the European Central Bank for the closing date. The average exchange rate is calculated as an average of each months ending rate from the European Central Bank during the year and ending rate previous year.
Key exchange rates for Fortum Group applied in the accounts:

Average rate	**Dec 31 2008**	Sept 30 2008	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
Sweden (SEK)	**9.6647**	9.4559	9.4088	9.4265	9.2475	9.2185	9.2020	9.1787
Norway (NOK)	**8.2605**	8.0187	7.9843	7.9998	8.0253	8.0466	8.1205	8.1563
Poland (PLN)	**3.5328**	3.4402	3.4926	3.5676	3.7792	3.8285	3.8439	3.8858
Russia (RUB)	**36.6905**	36.5670	36.6348	36.4660	35.0759	34.8320	34.6997	34.5633

Balance sheet date rate	**Dec 31 2008**	Sept 30 2008	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
Sweden (SEK)	**10.8700**	9.7943	9.4703	9.3970	9.4415	9.2147	9.2525	9.3462
Norway (NOK)	**9.7500**	8.3330	8.0090	8.0510	7.9580	7.7185	7.9725	8.1190
Poland (PLN)	**4.1535**	3.3967	3.3513	3.5220	3.5935	3.7730	3.7677	3.8668
Russia (RUB)	**41.2830**	36.4095	36.9477	37.1130	35.9860	35.3490	34.8070	34.6580

9. INCOME TAX EXPENSE

Tax rate according to the income statement for the year 2008 was 13.7% (16.9%). The tax rate for the year is lower than in the comparable period 2007 mainly due to the lowering of corporate tax rates in Sweden and Russia, leading to a reduction in deferred tax liabilities. The positive one-time effect was EUR 113 million. The tax rate for the full year 2008, excluding the impact of tax rate changes, non taxable capital gains and share of profits of associated companies was 22.1%.

The tax rate of 2007 was effected by Hafslund's sale of REC shares in March 2007, which increased the share of profits from associates for the period with approximately EUR 180 million. This amount is shown on the line share of profit of associates and joint ventures after tax. During 2007 Fortum received also substantial non taxable capital gains (EUR 232 million), which is another major reason for low tax rate also in 2007. The tax rate for the full year 2007, excluding the increased share of profits from associates and non taxable sales gains was 22.3%.

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2008	2007
Earnings (MEUR):		
Profit attributable to the equity holders of the Company	**1 542**	1 552
Number of shares (thousands):		
Weighted average number of shares for the purpose of basic earnings per share	**887 256**	889 997
Effect of dilutive share options	**583**	1 398
Weighted average number of shares for the purpose of diluted earnings per share	**887 839**	891 395

11. DIVIDEND PER SHARE

A dividend in respect of 2008 of EUR 1.00 per share, amounting to EUR 888 million based on the number of shares registered as of 4 February 2009, is to be proposed at the Annual General Meeting on 7 April 2009. These financial statements do not reflect this dividend.

The Annual General Meeting on 1 April 2008 decided to distribute a dividend of EUR 1.35 per share to the shareholders of which EUR 0.77 per share was paid from Fortum's recurring earnings and EUR 0.58 per share as additional dividend in order to steer the company's capital structure towards the target. The total dividend was EUR 1,198 million based on the amount of shares registered as of 4 April 2008. The dividend was paid out 11 April 2008.

In 2007, the total dividend amounted to EUR 1.26 per share, of which EUR 0.73 per share was in accordance with the Group's dividend policy. An additional dividend of EUR 0.53 per share was decided to steer Fortum's capital structure towards agreed target. The total dividend was EUR 1,122 million based on the amount of shares registered as of 2 April 2007. The dividend was paid on 11 April 2007.

12. CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

MEUR	**Dec 31 2008**	Dec 31 2007
Opening balance	**11 428**	11 567
Increase through acquisition of subsidiary companies	**1 980**	16
Capital expenditures	**1 087**	654
Capitalised borrowing costs	**21**	1
Changes of nuclear asset retirement cost	**22**	25
Changes of emission rights	**14**	-9
Disposals	**-14**	-11
Depreciation, amortisation and impairment	**-515**	-451
Sale of subsidiary shares	**-31**	-
Translation differences	**-1 459**	-364
Closing balance	**12 533**	11 428

13. CHANGES IN PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

MEUR	**Dec 31 2008**	Dec 31 2007
Opening balance	**2 853**	2 197
Share of profits of associates and joint ventures	**126**	241
Investments	**7**	1
Share issues and shareholders' contributions	**1**	294
Increase through acquisition of subsidiary companies	**36**	-
Reclassifications	**-3**	-
Divestments	**-13**	-68
Dividend income received	**-51**	-178
Fair value and other changes in equity	**-628**	366
Translation differences	**-216**	0
Closing balance	**2 112**	2 853

Share of profits from associates and joint ventures
Share of profits from associates in Q4 EUR 48 million (2007: 18 million) mainly represents Fortum's share of profits in Swedish nuclear associates Forsmarks Kraftgrupp AB and OKG AB EUR 47 million (2007: 2 million), of which EUR 42 million is due to accounting of nuclear related assets and liabilities, see Note 16. Fortum's share of profits for 2008 amounts to EUR 126 million (2007: 241 million), of which Hafslund represents EUR 48 million (2007: 219 million). See below for accounting principles regarding Hafslund.

Investments
In Lithuania, Fortum acquired a 14.73% share in UAB Klaipedos Energija from Stadtwerke Leipzig GmbH on 29 February 2008. Fortum now owns a 19.63% share of the company. UAB Klaipedos Energija generates and distributes district heat to the residents and industries in the cities of Klaipeda and Gargzdai. The sales of the company are around EUR 27 million, annual heat sales 1 terawatthour (TWh) and power sales 20 gigawatthours (GWh). The investment was EUR 7 million. The main part of the EUR 245 million investment in 2007 represents the share issue in TGC-1 with EUR 243 million.

Increase through acquisition of subsidiaries
Through the acquisition of TGC-10 in the end of March 2008, Fortum acquired a shareholding in Kurgan Generating Company.

Divestments
In Q3 2008 Fortum sold its 50% shareholding in Panjin Liaohe Fortum Thermal Power Company Co in China and in Q4 its 30% shareholding in Polartest Oy and its 33% shareholding in the Herbrechtingen GmbH. In Q3 2007 Fortum sold its slightly over 1/3 stake in JSC Lenenergo for approximately EUR 295 million. The sales gain of EUR 232 million is presented in Other income.

Dividends received
Fortum has received EUR 39 million in dividends from Hafslund and Gasum in 2008. In 2007 Fortum received EUR 178 million in dividends from associates, of which EUR 145 million from Hafslund following Hafslund's divestment of REC shares in March 2007.

Fair value and other changes in equity
Fair value and other changes in equity mainly represents the fair value change in Hafslund's shareholding in REC. In Q4 the fair value change of the REC shares was EUR -141 million (2007: 61 million). The fair value change of the REC shares during 2008 was EUR -656 million (2007: 353 million).

Accounting for the share of profits from Hafslund ASA
According to Fortum Group accounting policies the share of profits from Hafslund has been included in Fortum Group figures based on the previous quarter information since Hafslund's interim reports are published later than Fortum's interim reports. Hafslund will publish January-December 2008 results on 6 February 2009.

When calculating the share of profits in Hafslund, Fortum has in accordance with Fortum's accounting policies reclassified Hafslund's accounting treatment for the shareholding in Renewable Energy Corporation (REC). Hafslund has classified the shareholding in REC as financial assets at fair value through profit and loss while Fortum has classified the REC shareholding as available for sale financial assets with fair value changes recorded directly through equity, only when Hafslund divests shares in REC the cumulative fair value change effects Fortum's income statement. In Fortum the same accounting treatment as relates to REC applies to Hafslund's shareholding in Fesil Holding AS.

Since REC has been listed on the Oslo Stock Exchange as of 9 May 2006, Fortum is accounting for the fair value change in REC based on the closing price on the Oslo Stock Exchange at each closing date. The amount of shares is based on the amount published by Hafslund in the previous quarter if other information is not available.

Hafslund sold 35 million shares in REC in March 2007. In accordance with the accounting policy Fortum recognised approximately EUR 180 million in relation to Hafslund's divestment of REC shares as a part of the share of profits from associates and joint ventures in Q1 2007. The cumulative fair value change in Fortum's equity, based on the remaining number of shares reported by Hafslund, was EUR 126 million at 31 December 2008, which represents a decrease with EUR 667 million from 31 December 2007.

Hafslund accounted for a value growth in Q2 2008 after establishing a new ownership structure in Fesil Holding AS. The share of this value growth EUR 12 million has been recorded directly to equity in 2008 in Fortum.

Accounting for the share of profits from TGC-1
Fortum owns 25.7% of the shares in Territorial Generating Company 1, TGC-1. TGC-1 was formed in late 2006 by mergers of several Russian companies. TGC-1 has published IFRS 2007 Financial statements in June 2008. Fortum has in Q2 2008 reporting started to account TGC-1 according to the equity method as TGC-1 prepares IFRS financial statements annually. The share of profits will be accounted for once a year in Q2 based on published IFRS Financial Statements for the previous year.

14. SHARE CAPITAL

MEUR	**Number of shares Dec 31 2008**	**Share capital Dec 31 2008**	Number of shares Dec 31 2007	Share capital Dec 31 2007
Registered shares at 1 January	**886 683 058**	**3 040**	887 393 646	3 023
Shares subscribed with options and registered at the end of the period	**955 022**	**4**	5 199 412	17
Cancellation of own shares	**-**	**-**	-5 910 000	-
Registered shares at the end of the period	**887 638 080**	**3 044**	886 683 058	3 040
Unregistered shares	**56 000**		50 000	

15. INTEREST-BEARING NET DEBT

The reported interest-bearing liabilities was EUR 7,500 million. No major new financing transactions were made in the Group during the fourth quarter.

During the fourth quarter total liquid funds increased by EUR 142 million from EUR 1,179 million to EUR 1,321 million including cash and bank deposits held by TGC-10 amounting to EUR 1,020 million. The funds in TGC-10 are committed to the investment program (see further in the Acquisition of TGC-10, note 7). The liquid funds of EUR 1,321 million consist of cash EUR 733 million (including bank deposits less than three months to maturity) and bank deposits EUR 588 million (over three months to maturity).

During the first quarter of 2008 Fortum raised a syndicated loan facility of EUR 3,500 million. The loan facility is structured as a 3 year term loan of EUR 2,000 million to be used for acquisition financing of TGC-10, and as a 5 year revolving credit facility of EUR 1,500 million to be used for general corporate purposes. As per the end of the 4th quarter EUR 2, 600 million of these facilities was drawn. Fortum total undrawn committed credit facilities were EUR 2.3 billion as end of December 2008.

On December 31, 2008 the average duration of the debt portfolio including derivatives was 1.6 years (2007: 1.3 years) and the average interest rate on December 31, 2008 of loans and derivatives was 4.7% (2007: 4.6%). Average cumulative interest rate on loans and derivatives for 2008 were 5.3% (2007: 4.3%). Approximately 64% (2007: 67%) was on floating rate basis or will be refinanced during the coming 12 months.

16. NUCLEAR RELATED ASSETS AND LIABILITIES

MEUR	**Dec 31 2008**	Dec 31 2007
Carrying values in the balance sheet:		
Nuclear provisions	**566**	516
Share in the State Nuclear Waste Management Fund	**566**	516
Legal liability and actual share of the State Nuclear Waste Management Fund:		
Liability for nuclear waste management according to the Nuclear Energy Act	**895**	816
Funding obligation target	**767**	698
Fortum's share of the State Nuclear Waste Management Fund	**728**	673

Nuclear related provisions
Fortum submitted the yearly proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and the Economy in September. The liability is calculated according to the Nuclear Energy Act and will be decided by Ministry of Employment and the Economy by the end of January 2009. The proposal is based on an updated cost estimate, which is done every year, and on a technical plan, which is made every third year and was updated last time in 2007. The future costs are estimated to increase mainly due to the new limits for free release of materials set by authorities (STUK) which has caused larger scope for future decommissioning of the nuclear power plant.

The legal liability at the end of 2008, based on the proposal to the Ministry of Employment and the Economy and calculated according to the Nuclear Energy Act, is EUR 895 million. The provision in the balance sheet related to nuclear waste management is based on cash-flows for future costs which uses the same basis as the legal liability. The carrying value of the nuclear provision, calculated according to IAS37, have increased by EUR 50 million compared to 31 December 2007, totalling EUR 566 million as of 31 December 2008. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted.

Fortum's share in the State Nuclear Waste Management Fund
Fortum contributes funds to the State Nuclear Waste Management Fund based on the yearly funding obligation target decided by the governmental authorities in January each year in connection with the decision of size of the legal liability. The estimated funding obligation target based on the proposed legal liability and approved periodising of the payments to the Fund is EUR 767 million. The fund is from an IFRS perspective overfunded with EUR 162 million, since Fortum's share of the Fund as of 31 December 2008 is EUR 728 million and the carrying value in the balance sheet is EUR 566 million.

Effects to comparable operating profit and operating profit
Following the updated cost estimate, Fortum had in Q3 2008 a one-time effect to Comparable operating profit of EUR -3 million in the Power Generation segment mainly due to higher nuclear waste management costs related to already spent fuel. In Q3 2007 a one-time effect of EUR -13 million was reported following the update of technical plan. Any cost increase which is related to already spent fuel is always recognised immediately in Comparable operating profit.

Operating profit in Power Generation segment is affected by the accounting principle for Fortum's share of the Finnish Nuclear Waste Management Fund, since the carrying value of the Fund in Fortum's balance sheet can maximum be equal to the amount of the provisions according to IFRS. As long as the Fund is overfunded from an IFRS perspective, the effects to operating profit from this adjustment will be positive if the provisions increase more than the Fund and negative if actual value of the fund increases more than the provisions. This accounting effect is not included in Comparable operating profit in Fortum financial reporting, see Other items effecting comparability in Note 4 and 5. Fortum had an effect from this adjustment in 2008 of EUR -19 million compared to EUR +17 million in 2007.

Associated companies
Fortum has at year-end received the cash-flow information for its Swedish nuclear associated companies from Swedish Nuclear Fuel and Waste Management Co (SKB). The cash-flow information is based on the 2008 technical plan and cost estimates, which are also the basis for the legal fee and guarantee calculations to be decided for 2010 and 2011. Fortum has accounted for its share of the effects from nuclear related assets and provisions according to Fortum accounting principles. The effect in share of profits is EUR 43 million in Q4. The positive effect includes EUR +16 million due to the increase of the carrying value of the Swedish Nuclear Waste Fund as a result of the increased provision due to the new technical plan in 2008. The Swedish Fund has been overfunded from IFRS perspective, but is almost equal to the provision at year-end.

17. PLEDGED ASSETS

MEUR	**Dec 31 2008**	Dec 31 2007
On own behalf		
For debt		
Pledges	**229**	170
Real estate mortgages	**137**	138
For other commitments		
Real estate mortgages	**206**	103
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	**2**	3

Pledged assets for debt
Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the Fund. In Q1 2008 Fortum increased the reborrowing from the Fund (see Note 15) and therefore pledged additional Kemijoki shares as a security. The total amount of shares pledged, have a carrying value of EUR 208 million (145 million) as of 31 December 2008 (and 31 December 2007 respectively).

Pledged assets for other commitments
Fortum has given real estate mortgages in Naantali and Inkoo power plants in Finland, total value of EUR 206 million, as a security to the State Nuclear Waste Management Fund for the uncovered part of the legal liability, uncertainties and unexpected events. The size of the securities given is updated yearly in Q2 based on the decisions regarding the legal liabilities and the funding target which takes place around year-end every year. The amount of real estate mortgages given as a security have increased with EUR 103 million during Q2 2008.

18. OPERATING LEASE COMMITMENTS

MEUR	**Dec 31 2008**	Dec 31 2007
Due within a year	**28**	21
Due after one year and within five years	**47**	31
Due after five years	**86**	69
Total	**161**	121

The increase in operating lease commitments is due to the acquisition of TGC-10.

19. CAPITAL COMMITMENTS

MEUR	**Dec 31 2008**	Dec 31 2007
Property, plant and equipment	**1 321**	425
Intangible assets	**7**	11
Total	**1 328**	436

The increase in capital commitments from 2007 is mainly due to the acquisition of TGC-10 in March 2008, representing approximately EUR 940 million at year-end 2008, of which approximately EUR 390 million refers to investments in 2009. See Note 7 Acquisitions and disposals, for information regarding TGC-10's investment progran

Other contracted future investments refers mainly to the installation of new meters for automatic meter reading in Distribution business in Sweden and CHP plants being buil in the Heat business in Finland, Estonia and Poland.

20. CONTINGENT LIABILITIES

MEUR	**Dec 31 2008**	Dec 31 2007
On own behalf		
Other contingent liabilities	**362**	224
On behalf of associated companies and joint ventures		
Guarantees	**565**	235
Other contingent liabilities	**125**	125
On behalf of others		
Guarantees	**10**	10
Other contingent liabilities	**1**	1

Guarantees on own behalf
Other contingent liabilities on own behalf has increased **during 2008** with EUR 138 million mainly due to guarantees given to suppliers regading the investment program in TGC-10.

Guarantees on behalf of associated companies
According to law, nuclear companies operating in Finland and Sweden shall give securities to the Finnish State Nuclear Waste Management Fund and the Swedish Nuclear Waste Fund respectively, to guarantee that sufficient funds exist to cover future expenses of decommissioning of power plant and disposal of spent fuel.

The guarantee given on behalf of Teollisuuden Voima Oy (TVO) to the Finnish fund has increased from EUR 32 million at year-end 2007 to EUR 70 million during Q2 2008. The size of the guarantee is updated yearly in Q2, based on the decisions regarding legal liability and the funding target which takes place around year-end.

In Sweden, Fortum has given guarantees on behalf of Forsmarks Kraftgrupp AB and OKG AB to the Swedish fund. Starting on 1 January 2008, a new law applies for financing of future fees to the fund for spent nuclear fuel and decommisioning of the plant. Following the implementation of the new law, the total amount of guarantees relating to nuclear waste management in Sweden have increased from SEK 1 841 million (EUR 195 million) at year-end 2007 to SEK 5 314 million (EUR 489 million) during Q2 2008. This amount will also apply for 2009.

21. LEGAL ACTIONS AND OFFICIAL PROCEEDINGS

In March the Finnish Market Court decision overruled the conditional decision given by the Finnish Competition Authority in June 2006 on the acquisition of E.ON Finland. In their ruling, the Market Court stated that the Finnish Competition Authority had no grounds for setting conditions, because Fortum cannot be considered to have a dominant position in the power generation and wholesale market. According to the Market Court, the relevant geographical market area in power generation and wholesale consist of at least Finland and Sweden. The Finnish Competition authority has appealed the decision to the Supreme Administrative Court.

Associated companies

In Finland, Fortum is participating in the country's fifth nuclear power plant unit, Olkiluoto 3, through the shareholding in Teollisuuden Voima Oyj (TVO) with an approximately 25% share representing some 400 MW in capacity. In January 2009 TVO disclosed information, confirmed by AREVA-Siemens, that the construction of the unit is delayed and the unit is estimated to start up in summer 2012. In December 2008 the constructor TVO informed that the plant supplier, consortium AREVA-Siemens, has filed a request for arbitration concerning Olkiluoto 3 delay and related costs in the International Chamber of Commerce (ICC).

22. RELATED PARTY TRANSACTIONS

Related party transactions are described in the annual financial statements as of the year ended 31 December 2007. No material changes have occurred during the period.

The Finnish State owned 50.86% of the shares in Fortum 31 December 2007. After the changes in amount of shares during 2008 due to the share subscriptions under the option schemes, the Finnish state owned 50.80 % of the Company's shares at 31 December 2008.

ASSOCIATED COMPANY TRANSACTIONS

MEUR	2008	2007
Sales to associated companies	**113**	129
Interest on associated company loan receivables	**34**	26
Purchases from associated companies	**563**	519

ASSOCIATED COMPANY BALANCES

MEUR	Dec 31 2008	Dec 31 2007
Long-term interest-bearing loan receivables	**659**	636
Trade receivables	**24**	17
Other receivables	**5**	7
Long-term loan payables	**184**	171
Trade payables	**26**	25
Other payables	**18**	53

TRANSACTIONS AND BALANCES WITH JOINT VENTURES

Transactions and balances with joint ventures as at and for the period ended 31 December 2008 are not material for the Group.

23. EVENTS AFTER THE BALANCE SHEET DATE

In October 2008 Fortum and (Norwegian) Hafslund Infratek ASA signed a contract according to which they will combine their businesses of construction and operating of infrastructure in Sweden, Finland and Norway. The deal became effective as of 15 January 2009. Fortum transfers its construction and operating of infrastructure as well as parts of it distribution network construction activities in Sweden into the new combined company. Fortum receives newly issued shares in Infratek ASA entitling to a 33% ownership in the enlarged company. Hafslund ASA holds 43.3% of the shares. The remaining shares are owned by institutional and private shareholders.

FORTUM GROUP
JANUARY-DECEMBER 2008
24. DEFINITION OF KEY FIGURES

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + Depreciation, amortisation and impairment charges	
Comparable operating profit	=	Operating profit - non-recurring items - other items effecting comparability	
Non-recurring items	=	Mainly capital gains and losses	
Other items effecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum´s part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.	
Funds from operations (FFO)	=	Net cash from operating activities before change in working capital	
Capital expenditure	=	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during construction period. Maintenance investments expand lifetime of an existing asset, maintain useage/availability and/or maintains reliability. Productivity improves productivity in an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.	
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.	
Return on shareholders' equity, %	=	Profit for the year / Total equity average	x 100
Return on capital employed, %	=	Profit before taxes + interest and other financial expenses / Capital employed average	x 100
Return on net assets, %	=	Operating profit + Share of profit (loss) in associated companies and joint ventures / Net assets average	x 100
Comparable return on net assets, %	=	Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses) / Comparable net assets average	x 100
Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions	
Net assets	=	Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)	
Comparable net assets	=	Net assets adjusted for non-interest bearing assets and liabilities arising from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39	
Interest-bearing net debt	=	Interest-bearing liabilities - liquid funds	
Gearing, %	=	Interest-bearing net debt / Total equity	x 100
Equity-to-assets ratio, %	=	Total equity including minority interest / Total assets	x 100
Net debt / EBITDA	=	Interest-bearing net debt / Operating profit + Depreciation, amortisation and impairment charges	
Interest coverage	=	Operating profit / Net interest expenses	
Earnings per share (EPS)	=	Profit for the period - minority interest / Average number of shares during the period	
Equity per share	=	Shareholder's equity / Number of shares excluding treasury shares at the end of the period	
Last twelve months	=	Twelve months preceding the reporting date	