

Fortum Corporation  
Interim Report  
January - March 2007

**Fortum Corporation**  
**Interim Report January – March 2007**

**Solid performance continued**

**January - March in brief**

- Comparable operating profit EUR 512 million, +5 %
- Profit before taxes EUR 661 (492) million, +34%
- Earnings per share EUR 0.59 (0.39), +51%
- Strong cash flow from operating activities EUR 497 (303) million
- Fortum booked a gain of EUR 180 million from the Hafslund sale of REC shares as profit from associated companies. This corresponds to EUR 0.20 per share in Fortum's first-quarter result.

<b>Key figures</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>Last twelve months (LTM)</b>
Sales, EUR million	1,340	1,343	4,491	4,488
Operating profit, EUR million	490	472	1,455	1,473
Comparable operating profit, EUR million	512	486	1,437	1,463
Profit before taxes, EUR million	661	492	1,421	1,590
Earnings per share, EUR	0.59	0.39	1.22	1.41
Net cash from operating activities, EUR million	497	303	1,151	1,345
Shareholders' equity per share, EUR	8.22	7.11	8.91	
Interest-bearing net debt (at end of period), EUR million	3,932	3,900	4,345	
Average number of shares, 1,000s	890,263	880,725	881,194	885,484

<b>Key financial ratios</b>	<b>2006</b>	<b>LTM</b>
Return on capital employed, %	13.4	15.3
Return on shareholders' equity, %	14.4	18.4
Net debt/EBITDA	2.3	2.1

The first quarter of 2007 was characterised by warm weather which lowered both power and heat demand. An abundance of water and snow combined with low carbon dioxide emission allowance prices led to clearly lower Nordic spot prices. Despite the challenging power market conditions, Fortum's hedging positions enabled it to improve its performance compared to last year and to reach its highest ever quarterly result. The company's financial position remained strong. Net cash from operating activities improved to EUR 497 (303) million.

Fortum Power Generation segment's achieved Nordic power price was EUR 39.2 (37.1), up by 6% from last year and clearly higher than the average spot price of electricity in Nord Pool, the Nordic power exchange. The average spot price of electricity in Nord Pool was EUR 26.7 (45.4) per megawatt-hour (MWh), approximately 41% lower than same time last year.

Hafslund ASA, owned 34.09% by Fortum, sold 35 million shares in Renewable Energy Corporation (REC) at NOK 138 per share. Fortum booked a gain of approximately EUR 180 million, corresponding to EUR 0.20 per share, in its first-quarter result.

Hafslund also announced it will propose a special dividend of NOK 15 per share to be distributed subject to an AGM decision in May. Fortum's share of the proposed special dividend would be approximately EUR 120 million.

In March, Fortum decided to commence an environmental impact assessment (EIA) process for a possible new nuclear power plant unit at Loviisa, Finland.

## Financial results

### January-March

Group sales stood at EUR 1,340 (1,343) million.

Group operating profit totalled EUR 490 (472) million. Comparable operating profit increased by EUR 26 million to EUR 512 (486) million.

The comparable operating profit of the Power Generation segment increased by 12% from a year ago. The comparable operating profit increased by 9% in the Heat segment, while it decreased by 4% in the Distribution segment. The Markets segment reported a comparable operating loss of EUR 14 million.

### Sales by segment

EUR million	I/07	I/06	2006	LTM
Power Generation	641	643	2,439	2,437
Heat	479	480	1,268	1,267
Distribution	225	219	753	759
Markets	519	547	1,912	1,884
Other	19	20	78	77
Eliminations	-543	-566	-1,959	-1,936
Total	1,340	1,343	4,491	4,488

### Comparable operating profit/-loss by segment

EUR million	I/07	I/06	2006	LTM
Power Generation	328	293	985	1,020
Heat	137	126	253	264
Distribution	78	81	250	247
Markets	-14	0	-4	-18
Other	-17	-14	-47	-50
Total	512	486	1,437	1,463

### Operating profit/-loss by segment

EUR million	I/07	I/06	2006	LTM
Power Generation	298	284	980	994
Heat	142	119	264	287
Distribution	79	81	252	250
Markets	-12	3	-6	-21
Other	-17	-15	-35	-37
Total	490	472	1,455	1,473

Profit before taxes was EUR 661 (492) million.

The Group's net financial expenses amounted to EUR 31 (15) million. The increase is mainly attributable to lower fair value gains on financial instruments of EUR 2 (15) million.

The net interest expenses were EUR 32 (28) million, due to higher average debt during the first quarter 2007 compared to the corresponding quarter last year.

The share of profit of associates and joint ventures was EUR 202 (35) million. The biggest contributor was Hafslund ASA in Norway. In the first quarter, Hafslund announced that it completed the sale of 35 million shares in Renewable Energy Corporation (REC) at NOK 138 per share. After this transaction, Hafslund still owns 70.4 million shares in REC. As a consequence, Fortum booked a gain of approximately EUR 180 million, corresponding to EUR 0.20 per share, in its first-quarter result.

Hafslund ASA is showing the fair value change in the Renewable Energy Corporation ASA (REC) shareholding through the income statement, while Fortum is showing the fair value change in equity. The cumulative fair value change booked in Fortum's equity and based on the remaining number of shares reported by Hafslund was approximately EUR 360 million at the end of March 2007.

Taxes for the first quarter totalled EUR 109 (120) million. The tax rate according to the income statement was low at 16.5% (24.4%), mainly due to the non-taxable gain of EUR 180 million from Hafslund's sale of REC shares.

Minority interests increased to EUR 30 (26) million. The minority interests are mainly attributable to Fortum Värme Holding, in which the City of Stockholm has a 50% economic interest.

The profit for the quarter was EUR 552 (372) million. Fortum's earnings per share were EUR 0.59 (0.39). Return on capital employed was 15.3% for the last twelve months (13.4% at year-end 2006), and return on shareholders' equity was 18.4% for the last twelve months (14.4% at year-end 2006).

The Group's net cash from operating activities increased to EUR 497 (303) million. The increase was mainly due to the change in working capital.

## **Market conditions**

According to preliminary statistics, the Nordic countries consumed 115 (122) terawatt-hours (TWh) of electricity in the first quarter of 2007, 6% less than the year before. The decrease was due to warm weather.

The year 2007 started with the Nordic water reservoirs being at the same level as the long-term average. At the end of March, the Nordic water reservoirs were 2 TWh above the long-term average and 4 TWh above the corresponding level in 2006.

During the first quarter, the average spot price for power in Nord Pool was EUR 26.7 (45.4) per MWh or 41% lower than in the corresponding period in 2006. This was due to lower CO<sub>2</sub> prices and wet and warm weather conditions. After the steep decline in the end of 2006, the quotations on the Nordic forward market stabilised.

In Germany, the average spot price for the first quarter was somewhat higher than in the Nordic area and resulted in a net export from the Nordic area to Germany.

During the first quarter, the CO<sub>2</sub> price for 2007 declined from EUR 4-6 to EUR 1-1.4 per tonne CO<sub>2</sub>, the average market price for CO<sub>2</sub> emissions being EUR 2.1 (26.2) per tonne CO<sub>2</sub>, or 92% lower than during the corresponding period in 2006.

## Total power and heat generation figures

Fortum's total power generation during the first quarter 2007 was 15.2 (15.3) TWh, of which 14.9 (15.0) TWh was in the Nordic countries. This corresponds to 13% (12%) of the total Nordic electricity consumption.

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

<b>Fortum's total power and heat generation, TWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Power generation	15.2	15.3	54.4	54.3
Heat generation	9.8	10.2	25.8	25.4

<b>Fortum's own power generation by source, TWh, total in the Nordic countries</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Hydropower	6.4	5.8	19.8	20.4
Nuclear power	6.5	7.0	24.4	23.9
Thermal power	2.0	2.2	9.0	8.8
Total	14.9	15.0	53.2	53.1

<b>Fortum's own power generation by source, %, total in the Nordic countries</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Hydropower	43	38	37	38
Nuclear power	44	47	46	45
Thermal power	13	15	17	17
Total	100	100	100	100

## Total power and heat sales figures

Fortum's total power sales were 17.5 (17.1) TWh, of which 17.2 (16.8) TWh were in the Nordic countries. This represented approximately 15% (14%) of the region's total consumption. Heat sales in the Nordic countries amounted to 7.6 (7.9) TWh and in other countries to 2.4 (3.0) TWh.

<b>Fortum's total electricity *) and heat sales, EUR million</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Electricity sales	675	668	2,437	2,444
Heat sales	388	393	1,014	1,009

<b>Fortum's total electricity sales*) by area, TWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sweden	8.4	8.4	28.5	28.5
Finland	8.2	7.7	29.6	30.1
Other countries	0.9	1.0	3.5	3.4
Total	17.5	17.1	61.6	62.0

<b>Fortum's total heat sales by area, TWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sweden	3.5	4.2	9.3	8.6
Finland	4.0	3.6	10.7	11.1
Other countries**)	2.5	3.1	6.8	6.2
<b>Total</b>	<b>10.0</b>	<b>10.9</b>	<b>26.8</b>	<b>25.9</b>

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

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

## 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.*

<b>EUR million</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sales	641	643	2,439	2,437
- power sales	566	558	2,059	2,067
- other sales	75	85	380	370
Operating profit	298	284	980	994
Comparable operating profit	328	293	985	1,020
Net assets (at period-end)	6,607	5,913	6,734	
Return on net assets, %			16.1	18.8
Comparable return on net assets, %			16.1	16.3

In the first quarter 2007, the segment's power generation in the Nordic countries was 13.1 (13.3) TWh, of which about 6.4 (5.8) TWh or 49% (43%) was hydropower-based, 6.5 (7.0) TWh or 50% (53%) nuclear power-based, and 0.2 (0.5) TWh or 1% (4%) thermal power-based. The increase in hydro power generation was due to a strengthened hydrological situation. The decrease in nuclear generation was caused by unplanned shut-downs in the Swedish nuclear power plants. Thermal power generation decreased due to the low spot price.

<b>Power generation by area, TWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sweden	7.9	7.8	27.1	27.2
Finland	5.2	5.5	21.1	20.8
Other countries	0.3	0.3	1.2	1.2
<b>Total</b>	<b>13.4</b>	<b>13.6</b>	<b>49.4</b>	<b>49.2</b>

<b>Nordic sales volume, TWh</b>	14.6	14.9	53.9	53.6
of which pass-through sales	1.4	1.3	4.5	4.6

<b>Sales price, EUR/MWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Generation's Nordic power price*	39.2	37.1	37.1	37.7

\*) For the Power Generation segment in the Nordic area, excluding pass-through sales.

During the first quarter, the average price of electricity in Nord Pool was EUR 26.7 (45.4) per megawatt-hour, or 41% lower than during the corresponding period in 2006. The Power Generation segment's achieved Nordic power price EUR 39.2 (37.1) per megawatt-hour was 6% higher.

The comparable operating profit of the Power Generation segment was higher than last year. Despite the lower spot price, the segment's achieved Nordic power price was higher, thanks to improved hedging prices. The positive impact from higher hydro power generation was offset by lower nuclear and thermal power generation volumes.

The lost volume due to unplanned shut-downs in Swedish nuclear power plants was approximately 0.5 TWh in the first quarter. By the end of the first quarter, all units in the Swedish Oskarshamn and Forsmark nuclear power plants had returned to normal operation.

In late March, Fortum decided to commence an environmental impact assessment (EIA) process at its Loviisa nuclear power plant for a new nuclear power unit possibly to be built adjacent to the existing two units. With the EIA process, Fortum raises its preparedness for a new nuclear power unit in Loviisa. However, the company has not made any decisions on its intentions beyond the EIA.

In Sweden, Fortum Service was involved in storm-related maintenance work because of the storm 'Per' and provided service not only to Fortum but to other distribution companies as well.

## 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 in other markets.*

EUR million	I/07	I/06	2006	LTM
Sales	479	480	1,268	1,267
- heat sales	377	383	976	970
- power sales	75	69	198	204
- other sales	27	28	94	93
Operating profit	142	119	264	287
Comparable operating profit	137	126	253	264
Net assets (at period-end)	3,444	2,513	3,407	
Return on net assets, %			9.6	9.7
Comparable return on net assets, %			9.2	8.9

The segment's heat sales during the first quarter amounted to 9.5 (10.3) TWh. Warm weather was the reason behind the decrease in heat sales. Due to the seasonality of district heating demand, the first and last quarters of the year are most important to the segment's results.

Power generation at combined heat and power plants (CHP) was 1.7 (1.7) TWh during the first quarter.

The comparable operating profit of the Heat segment increased and was EUR 137 (126) million. This was mainly due to the contribution from the acquisition of Fortum Espoo.

<b>Heat sales by area, TWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sweden	3.5	4.2	9.3	8.6
Finland	4.0	3.6	10.7	11.1
Other countries	2.0	2.5	4.7	4.2
<b>Total</b>	<b>9.5</b>	<b>10.3</b>	<b>24.7</b>	<b>23.9</b>

<b>Power sales, TWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
<b>Total</b>	<b>1.7</b>	<b>1.7</b>	<b>5.0</b>	<b>5.0</b>

In January, Fortum announced an investment in a new CHP plant in Estonia, in the city of Tartu. The size of the investment is around EUR 60 million. Fortum owns 60% of the company.

The ownership of Vattenfall's heat operations in Pärnu, Estonia, and Riga, Latvia, were acquired by Fortum during January and February, respectively. Fortum and Vattenfall signed an agreement on the heat operations in late December 2006.

The planning of the new CHP plant in Czestochowa, Poland, has been started.

## **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.*

<b>EUR million</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sales	225	219	753	759
- distribution network transmission	192	188	636	640
- regional network transmission	24	24	80	80
- other sales	9	7	37	39
Operating profit	79	81	252	250
Comparable operating profit	78	81	250	247
Net assets (at period-end)	3,314	3,030	3,412	
Return on net assets, %			8.4	8.0
Comparable return on net assets,%			8.3	7.9

The volumes of distribution and regional network transmissions totalled 8.0 (7.8) TWh and 5.2 (5.4) TWh respectively. Electricity transmissions via the regional distribution network totalled 4.3 (4.5) TWh in Sweden and 0.9 (0.9) TWh in Finland.

The Distribution segment's comparable operating profit of EUR 78 million in the first quarter was EUR 3 million lower than last year. The main reason for the decrease is the EUR 11 million cost caused by the storm "Per" in January. Fortum Espoo's contribution to the segment's first-quarter results was positive.

"Per", the worst storm since "Gudrun" in 2005, hit the southern parts of Sweden and Norway on 14 January. Around 100,000 Fortum customers were out of electricity during

the storm, and more than 27,000 customers in Sweden experienced outages for more than 12 hours, thus entitling them to compensation.

<b>Volume of distributed electricity in distribution network, TWh</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sweden	4.3	4.7	14.4	14.0
Finland	2.9	2.2	7.7	8.4
Norway	0.7	0.8	2.3	2.2
Estonia	0.1	0.1	0.2	0.2
Total	8.0	7.8	24.6	24.8

<b>Number of electricity distribution customers by area, thousands</b>	<b>31 Mar 2007</b>	<b>31 Mar 2006</b>
Sweden	865	860
Finland	585	410
Norway	97	97
Estonia	23	23
Total	1,570	1,390

The development and implementation of a new customer and billing system in Sweden continued to generate additional costs and quality deviations in customer service for Distribution.

The AMM project (Automatic Meter Management) is proceeding with pilot installations of meters in Lidingö, Sweden.

## 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.*

<b>EUR million</b>	<b>I/07</b>	<b>I/06</b>	<b>2006</b>	<b>LTM</b>
Sales	519	547	1,912	1,884
Operating profit/-loss	-12	3	-6	-21
Comparable operating profit/-loss	-14	0	-4	-18
Net assets (at period-end)	140	356	176	
Return on net assets, %			-1.6	-7.7
Comparable return on net assets, %			-0.8	-6.7

Markets' electricity sales totalled 11.9 (12.7) TWh in the first quarter. The sales in the first quarter were lower than in the corresponding period last year, mainly due to warm weather leading to decreased electricity consumption for heating purposes. To some extent, this sales decrease was offset by the increased number of customers from Fortum Espoo. Tight competition in Sweden resulted in a slight dip in the total number of Markets' customers in the first quarter. The customer switching rate in the Nordic countries increased during the first quarter of 2007.

The Markets segment's first-quarter comparable operating profit was negative and clearly lower compared to last year. Markets suffered from high procurement prices, caused by hedging contracts from 2006. At the same time, decreasing wholesale prices and intense competition lead to lower retail prices.

The development and implementation of a new customer and billing system in Sweden continued to generate additional costs and quality deviations in customer service for Markets.

### **Capital expenditures, investments and divestments of shares**

Capital expenditures and investments in shares in the first quarter 2007 totalled EUR 115 (114) million. Investments excluding acquisitions were EUR 100 (71) million.

### **Financing**

During the first quarter, Fortum's net debt decreased by EUR 413 million. At the end of the quarter, the interest-bearing net debt stood at EUR 3,932 million (EUR 4,345 million at year-end 2006). Net debt to EBITDA for the last twelve months was 2.1 (2.3 at year-end 2006). A decrease in net debt is primarily linked to good cash flow from operations.

The Group's net financial expenses were EUR 31 (15) million. The increase is mainly attributable to lower fair value gains on financial instruments of EUR 2 (15) million. The net interest expenses were EUR 32 (28) million due to higher average debt during the first quarter 2007 compared to the corresponding quarter last year.

Group liquidity at the end of the quarter was high due to the dividend payment in the beginning of April. At the end of the first quarter, cash and marketable securities totalled EUR 1,067 million. The Group also had access to approximately EUR 1.3 billion of undrawn committed credit facilities.

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

### **Shares and share capital**

During the first quarter 2007, a total of 281.0 (238.0) million Fortum shares, amounting to EUR 5,957 million, were traded. Fortum's market capitalisation, calculated using the closing quotation on the last trading day of the quarter, was EUR 19,444 million. The highest quotation of Fortum Corporation's shares on the Helsinki Stock Exchange in the first quarter was EUR 23.15, the lowest EUR 20.01, and the average quotation EUR 21.19. The closing quotation on the last trading day of the quarter was EUR 21.83.

At the end of the first quarter 2007, Fortum Corporation did not own its own shares.

A total of 3,291,503 shares subscribed for based on the share option schemes were entered into the trade register in the first quarter of 2007. After these subscriptions, the total number of Fortum's registered shares is 890,685,149.

At quarter end, the Finnish State's holding in Fortum was 50.6% (51.1%). The proportion of nominee registrations and direct foreign shareholders increased to 34.7% (34.0%).

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. Currently, the Board of Directors has authorisation from the Annual General Meeting of Shareholders on 28 March 2007 to buy Fortum Corporation's own shares. The authorisation, amounting to EUR 300 million or 20 million shares, is valid until the next Annual General Meeting. The shares repurchased by Fortum shall be cancelled through a separate decision made by the Board of Directors of Fortum.

## **Group personnel**

In the first quarter, Fortum Group employed an average of 8,165 (8,886) people. The number of employees at the end of the period was 8,190 (8,900).

## **Events after the period under review**

On 10 April, the regulator in Sweden, Energimarknadsinspektionen (EMI), published the decisions on distribution prices for 2003 concerning Fortum's network areas in Stockholm and the West Coast. The decisions imply that Fortum had a surplus income of EUR 27 million in 2003. Fortum, in collaboration with the industry, opposes the way the authority has conducted the supervision i.e. by applying the "Nätnyttomodellen" model. The main objections are that the model is theoretical and not based on the real network, and that the cost parameters are too low. If the results of the model are used, it will jeopardise the security of supply to customers. The decisions will be appealed.

In April, Fortum announced that it is planning to invest in a new biofuel-based CHP plant in the city of Järvenpää in Finland. The value of the investment is about EUR 60 million. The production capacity of the plant would be around 55 MW of heat and 25 MW of electricity. Fortum has started to prepare an application for an environmental permit for the plant.

In April, Fortum announced that it is planning a wind power investment in Sweden. Fortum, together with the land and forest cooperative Orsa Besparingskog, is planning to build a wind park in the Orsa Finnmark area in the Dalarna province of Sweden. The plan consists of up to eight 2-3 megawatt wind power plants. The investment's estimated value is EUR 22-33 million, depending on its final size. Fortum and Orsa Besparingskog both have a 50 per cent interest in the project.

## **Annual General Meeting**

Fortum Corporation's Annual General Meeting, which was held in Helsinki on 28 March 2007, adopted the financial statements of the parent company and the Group for 2006, discharged Fortum's Supervisory Board, Board of Directors and the President and CEO from liability for 2006, and decided to pay a dividend of EUR 1.26 per share for 2006. Of this total dividend, EUR 0.73 per share was in accordance with the Group's dividend policy and EUR 0.53 per share was additional dividend proposed in order to steer Fortum's capital structure towards the agreed target level. The dividend payment date was 11 April 2007. The Board of Directors and auditors as well as the Supervisory Board, excluding Mr Kimmo Kalela, were re-elected.

The Annual General Meeting authorised the Board of Directors to repurchase the company's own shares with funds available for distribution of profit. The authorisation is valid until the next Annual General Meeting. The shares will be acquired in order to direct the capital structure of the company towards the agreed target level. The maximum

amount of shares to be repurchased is 20 million. In addition, the amount of consideration used for the acquisitions may not exceed EUR 300 million. Shares repurchased by the company shall be cancelled through a separate decision made by the Board of Directors.

## Outlook

The key market driver influencing Fortum's business performance is the Nordic wholesale price of electricity. Key drivers behind the wholesale price development are the Nordic hydrological situation, CO<sub>2</sub> emissions allowance prices and fuel prices. The Swedish krona exchange rate also affects Fortum's reported result, as results generated by Fortum in Sweden are translated into euros.

Fortum's financial results are exposed to a number of strategic, financial and operational risks. For further details of Fortum's risks and risk management, see Fortum's Operating and Financial Review and Financial Statements 2006.

According to general market information, electricity consumption in the Nordic countries is predicted to increase by about 1% a year over the next few years.

In mid-April, the Nordic water reservoirs were about 3 TWh above the long-term average and 6 TWh above the corresponding level of 2006. The combined snow and water reservoir level is generally estimated to be clearly higher than the average. In mid-April, the market price for emissions allowances for 2007 was between EUR 0.6-0.8 per tonne of CO<sub>2</sub> and for 2008 between EUR 17-18 per tonne of CO<sub>2</sub>. At the same time, the electricity forward price for the rest of 2007 was around EUR 28-29 per MWh and around EUR 42-43 per MWh for 2008.

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 price, utilisation and optimisation of Fortum's flexible production portfolio even on an hourly basis, and currency fluctuations. If Fortum would not hedge any of its production volumes, a 1 EUR/MWh change in the spot price would result in approximately a EUR 50 million change in Fortum's annual operating profit.

At the beginning of April, Fortum had hedged approximately 70% of the Power Generation segment's estimated Nordic electricity sales volume for the rest of 2007 at approximately EUR 40 per MWh. For the calendar year 2008, approximately 40% of the Power Generation segment's estimated Nordic electricity sales volume was hedged at approximately EUR 42 per MWh. These hedge ratios may vary significantly depending on Fortum's actions on the electricity derivatives markets. Hedge prices are also influenced by changes in the SEK/EUR exchange rates, as part of the hedges are conducted in SEK.

Despite exceptionally warm weather and lower nuclear generation volumes, Fortum achieved its best ever financial results in the first quarter of 2007. The group's financial position is strong. With its flexible and climate-benign production portfolio, Fortum continues to be well positioned for 2007 and 2008.

Espoo, 23 April 2007  
Fortum Corporation  
Board of Directors

Further information:

Mikael Lilius, President and CEO, tel. +358 10 452 9100

Juha Laaksonen, CFO, tel. +358 10 452 4519

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU. The interim financial statements have not been audited.

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Key media

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**CONSOLIDATED INCOME STATEMENT**

MEUR	Note	Q1 2007	Q1 2006	2006	Last twelve months
<b>Sales</b>	4	<b>1 340</b>	1 343	4 491	4 488
Other income		<b>5</b>	-1	80	86
Materials and services		<b>-486</b>	-526	-1 673	-1 633
Employee benefit costs		<b>-126</b>	-131	-508	-503
Depreciation, amortisation and impairment charges	4, 12	<b>-112</b>	-98	-429	-443
Other expenses		<b>-131</b>	-115	-506	-522
<b>Operating profit</b>		<b>490</b>	472	1 455	1 473
Share of profit of associates and joint ventures	2, 4	<b>202</b>	35	69	236
Interest expense		<b>-44</b>	-40	-176	-180
Interest income		<b>12</b>	12	50	50
Fair value gains and losses on financial instruments		<b>2</b>	15	30	17
Other financial expenses - net		<b>-1</b>	-2	-7	-6
Finance costs - net		<b>-31</b>	-15	-103	-119
<b>Profit before income tax</b>		<b>661</b>	492	1 421	1 590
Income tax expense		<b>-109</b>	-120	-301	-290
<b>Profit for the period</b>		<b>552</b>	372	1 120	1 300
<b>Attributable to:</b>					
Equity holders of the Company		<b>522</b>	346	1 071	1 247
Minority interest		<b>30</b>	26	49	53
		<b>552</b>	372	1 120	1 300
<b>Earnings per share for profit attributable to the equity holders of the company during the year (in € per share)</b>					
	10				
Basic		<b>0.59</b>	0.39	1.22	1.41
Diluted		<b>0.58</b>	0.39	1.21	1.40

CONSOLIDATED BALANCE SHEET

MEUR	Note	March 31 2007	March 31 2006	Dec 31 2006
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	12	89	85	96
Property, plant and equipment	12	11 192	10 077	11 471
Investments in associates and joint ventures	4	2 318	1 637	2 197
Share in State Nuclear Waste Management Fund	15	453	421	450
Other long-term investments		102	59	101
Deferred tax assets		7	68	5
Derivative financial instruments	6	123	121	103
Long-term interest bearing receivables		674	638	680
<b>Total non-current assets</b>		<b>14 958</b>	<b>13 106</b>	<b>15 103</b>
<b>Current assets</b>				
Inventories		286	221	329
Derivative financial instruments	6	329	123	198
Trade and other receivables		1 099	1 044	1 052
Cash and cash equivalents		1 067	207	157
<b>Total current assets</b>		<b>2 781</b>	<b>1 595</b>	<b>1 736</b>
<b>Total assets</b>		<b>17 739</b>	<b>14 701</b>	<b>16 839</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	13	3 034	2 997	3 023
Other equity		4 289	3 270	4 885
<b>Total</b>		<b>7 323</b>	<b>6 267</b>	<b>7 908</b>
<b>Minority interest</b>		<b>271</b>	<b>231</b>	<b>253</b>
<b>Total equity</b>		<b>7 594</b>	<b>6 498</b>	<b>8 161</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities	14	3 516	3 127	4 060
Derivative financial instruments	6	91	271	134
Deferred tax liabilities		1 826	1 535	1 795
Nuclear provisions	15	453	421	450
Pension and other provisions		155	189	186
Other liabilities		485	311	485
<b>Total non-current liabilities</b>		<b>6 526</b>	<b>5 854</b>	<b>7 110</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	14	1 483	980	442
Derivative financial instruments	6	92	513	198
Trade and other payables <sup>1)</sup>		2 044	856	928
<b>Total current liabilities</b>		<b>3 619</b>	<b>2 349</b>	<b>1 568</b>
<b>Total liabilities</b>		<b>10 145</b>	<b>8 203</b>	<b>8 678</b>
<b>Total equity and liabilities</b>		<b>17 739</b>	<b>14 701</b>	<b>16 839</b>

1) Dividend of EUR 1,122 million decided by the Annual General Meeting on 28 March 2007 is included in Trade and other payables 31 March 2007. See Note 11.

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**CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY**

	Share capital	Share premium	Other restricted funds	Fair value and other reserves	Retained earnings	Attributable to the equity holders	Minority	Total
<b>MEUR</b>								
<b>Total equity at 31.12.2006</b>	<b>3 023</b>	<b>73</b>	<b>1</b>	<b>511</b>	<b>4 300</b>	<b>7 908</b>	<b>253</b>	<b>8 161</b>
Translation and other differences				10	-27	-17	-8	-25
Cash flow hedges				98		98		98
Other fair value adjustments <sup>1)</sup>				-77		-77		-77
Total gains and losses not recognised in Income statement	-	-	-	31	-27	4	-8	-4
Net profit for the period					522	522	30	552
<b>Total recognised income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>495</b>	<b>526</b>	<b>22</b>	<b>548</b>
Stock options exercised	11					11		11
Cash dividend <sup>2)</sup>					-1 122	-1 122		-1 122
Changes in minority through business combinations						-	-4	-4
<b>Total equity at 31.03.2007</b>	<b>3 034</b>	<b>73</b>	<b>1</b>	<b>542</b>	<b>3 673</b>	<b>7 323</b>	<b>271</b>	<b>7 594</b>
<b>Total equity at 31.12.2005</b>								
<b>Total equity at 31.12.2005</b>	<b>2 976</b>	<b>70</b>	<b>2</b>	<b>-117</b>	<b>4 220</b>	<b>7 151</b>	<b>260</b>	<b>7 411</b>
Translation and other differences					-5	-5	-2	-7
Cash flow hedges				-256		-256	-3	-259
Other fair value adjustments				-5		-5		-5
Total gains and losses not recognised in Income statement	-	-	-	-261	-5	-266	-5	-271
Net profit for the period					346	346	26	372
<b>Total recognised income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-261</b>	<b>341</b>	<b>80</b>	<b>21</b>	<b>101</b>
Stock options exercised	21	2				23		23
Cash dividend <sup>2)</sup>					-987	-987		-987
Changes in minority through business combinations						-	-50	-50
<b>Total equity at 31.03.2006</b>	<b>2 997</b>	<b>72</b>	<b>2</b>	<b>-378</b>	<b>3 574</b>	<b>6 267</b>	<b>231</b>	<b>6 498</b>

<sup>1)</sup> Includes the fair value change of Renewable Energy Corporation (REC) shareholding in Hafslund and the effect of Hafslund's sale of REC shares.

See Note 2 Accounting policies.

<sup>2)</sup> See Note 11 Dividends.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

<b>MEUR</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>2006</b>	<b>Last twelve months</b>
<b>Cash flow from operating activities</b>				
<b>Operating profit before depreciations</b>	<b>602</b>	<b>570</b>	<b>1 884</b>	<b>1 916</b>
Non-cash flow items and divesting activities	<b>1</b>	<b>24</b>	<b>-92</b>	<b>-115</b>
Financial items and realised foreign exchange gains and losses	<b>-38</b>	<b>26</b>	<b>-89</b>	<b>-153</b>
Taxes	<b>-118</b>	<b>-136</b>	<b>-374</b>	<b>-356</b>
<b>Funds from operations</b>	<b>447</b>	<b>484</b>	<b>1 329</b>	<b>1 292</b>
Change in working capital	<b>50</b>	<b>-181</b>	<b>-178</b>	<b>53</b>
<b>Total net cash from operating activities</b>	<b>497</b>	<b>303</b>	<b>1 151</b>	<b>1 345</b>
<b>Cash flow from investing activities</b>				
Capital expenditures	<b>-100</b>	<b>-71</b>	<b>-485</b>	<b>-514</b>
Acquisition of subsidiaries, net of cash acquired	<b>-8</b>	<b>-42</b>	<b>-754</b>	<b>-720</b>
Acquisition of associates	<b>-</b>	<b>-1</b>	<b>-124</b>	<b>-123</b>
Acquisition of other long-term investments	<b>-</b>	<b>-</b>	<b>-21</b>	<b>-21</b>
Proceeds from sales of fixed assets	<b>7</b>	<b>3</b>	<b>83</b>	<b>87</b>
Proceeds from sales of subsidiaries, net of cash disposed	<b>-</b>	<b>-</b>	<b>11</b>	<b>11</b>
Proceeds from sales of associates	<b>-</b>	<b>-</b>	<b>30</b>	<b>30</b>
Proceeds from sales of other long-term investments	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
Change in interest-bearing receivables	<b>-36</b>	<b>-19</b>	<b>-47</b>	<b>-64</b>
<b>Total net cash used in investing activities</b>	<b>-137</b>	<b>-130</b>	<b>-1 306</b>	<b>-1 313</b>
<b>Cash flow before financing activities</b>	<b>360</b>	<b>173</b>	<b>-155</b>	<b>32</b>
<b>Cash flow from financing activities</b>				
Net change in loans	<b>540</b>	<b>164</b>	<b>492</b>	<b>868</b>
Dividends paid to the Company's equity holders	<b>-</b>	<b>-987</b>	<b>-987</b>	<b>0</b>
Repurchase of own shares	<b>-</b>	<b>-</b>	<b>-30</b>	<b>-30</b>
Other financing items	<b>10</b>	<b>71</b>	<b>49</b>	<b>-12</b>
<b>Total net cash used in financing activities</b>	<b>550</b>	<b>-752</b>	<b>-476</b>	<b>826</b>
<b>Total net increase (+)/decrease (-) in cash and marketable securities</b>	<b>910</b>	<b>-579</b>	<b>-631</b>	<b>858</b>

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**KEY RATIOS**

MEUR	March 31 2007	March 31 2006	June 30 2006	Sept 30 2006	Dec 31 2006	Last twelve months
EBITDA, MEUR	602	570	979	1 311	1 884	1 916
Earnings per share (basic), EUR	0.59	0.39	0.64	0.83	1.22	1.41
Capital employed, MEUR	12 593	10 605	12 121	12 216	12 663	12 593
Interest-bearing net debt, MEUR	3 932	3 900	4 308	4 159	4 345	N/A
Capital expenditure and gross investments in shares, MEUR	115	114	935	1 063	1 395	1 396
Capital expenditure, MEUR	100	71	174	297	485	514
Return on capital employed, % <sup>1)</sup>	18.0	19.4	14.6	12.5	13.4	15.3
Return on shareholders' equity, % <sup>1)</sup>	21.1	21.4	16.3	13.7	14.4	18.4
Net debt / EBITDA <sup>1)</sup>	1.6	1.7	2.2	2.4	2.3	2.1
Interest coverage	15.3	16.9	13.7	10.9	11.5	11.3
Funds from operations/interest-bearing net debt, % <sup>1)</sup>	45.5	49.6	36.5	33.9	30.6	32.9
Gearing, %	52	60	60	57	53	N/A
Equity per share, EUR	8.22	7.11	7.83	7.97	8.91	N/A
Equity-to-assets ratio, %	43	44	43	43	48	N/A
Average number of employees	8 165	8 886	9 024	9 085	8 910	N/A
Average number of shares, 1 000 shares	890 263	880 725	880 508	880 695	881 194	885 484
Diluted adjusted average number of shares, 1 000 shares	893 252	892 406	891 451	891 217	886 929	888 466
Number of registered shares, 1 000 shares	890 685	881 546	882 708	883 274	887 394	N/A
Number of shares excluding treasury shares, 1000 shares	N/A	N/A	881 048	881 614	N/A	N/A

<sup>1)</sup> Quarterly figures are annualised.  
For definitions, see Note 21.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**1. BASIS OF PREPARATION**

The interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

The interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

**2. ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations relevant for the Group, are mandatory for the financial year ending 31 December 2007.

- IFRS 7 Financial instruments: Disclosures and a complementary amendment to IAS 1, Presentation of Financial statements - Capital disclosures. The Group will apply this standard from 1 January 2007. IFRS 7 introduces new disclosure requirements relating to financial instruments. The standard does not have any impact on the classification or valuation of the Group's financial instruments as such.
- IFRIC 9 Reassessment of Embedded derivatives. The interpretation has had no material effect on Fortum's income statement and balance sheet.

The following interpretations are mandatory for the financial year ending 31 December 2007, but not relevant for the Group.

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2.

**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-March 2007 results on 3 May 2007.

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.

Since REC is 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 has in March 2007 sold 35 million shares in REC. In accordance with the accounting policy Fortum has 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. The cumulative fair value change in Fortum's equity based on the remaining number of shares reported by Hafslund was approximately EUR 360 millions at 31 March 2007.

**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 2006.

**4. PRIMARY SEGMENT INFORMATION**

**SALES BY SEGMENT**

MEUR	Q1 2007	Q1 2006	2006	Last twelve months
Power Generation	641	643	2 439	2 437
- of which internal	156	-50	-133	73
Heat	479	480	1 268	1 267
- of which internal	24	-8	-32	0
Distribution	225	219	753	759
- of which internal	2	2	8	8
Markets	519	547	1 912	1 884
- of which internal	44	41	149	152
Other	19	20	78	77
- of which internal	16	15	62	63
Eliminations <sup>1)</sup>	-543	-566	-1 959	-1 936
<b>Total</b>	<b>1 340</b>	<b>1 343</b>	<b>4 491</b>	<b>4 488</b>

<sup>1)</sup> Eliminations include sales and purchases with Nordpool that 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	Q1 2007	Q1 2006	2006	Last twelve months
Power Generation	298	284	980	994
Heat	142	119	264	287
Distribution	79	81	252	250
Markets	-12	3	-6	-21
Other	-17	-15	-35	-37
<b>Total</b>	<b>490</b>	<b>472</b>	<b>1 455</b>	<b>1 473</b>

**COMPARABLE OPERATING PROFIT BY SEGMENTS**

MEUR	Q1 2007	Q1 2006	2006	Last twelve months
Power Generation	328	293	985	1 020
Heat	137	126	253	264
Distribution	78	81	250	247
Markets	-14	0	-4	-18
Other	-17	-14	-47	-50
Comparable operating profit	512	486	1 437	1 463
Non-recurring items	1	0	61	62
Other items effecting comparability	-23	-14	-43	-52
<b>Operating profit</b>	<b>490</b>	<b>472</b>	<b>1 455</b>	<b>1 473</b>

**NON-RECURRING ITEMS BY SEGMENTS**

MEUR	Q1 2007	Q1 2006	2006	Last twelve months
Power Generation	0	0	29	29
Heat	0	1	20	19
Distribution	1	0	2	3
Markets	0	0	0	0
Other	0	-1	10	11
<b>Total</b>	<b>1</b>	<b>0</b>	<b>61</b>	<b>62</b>

**OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS**

<b>MEUR</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>2006</b>	<b>Last twelve months</b>
Power Generation	-30	-9	-34	-55
Heat	5	-8	-9	4
Distribution	0	0	0	0
Markets	2	3	-2	-3
Other	0	0	2	2
<b>Total</b>	<b>-23</b>	<b>-14</b>	<b>-43</b>	<b>-52</b>

**DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS**

<b>MEUR</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>2006</b>	<b>Last twelve months</b>
Power Generation	26	26	108	108
Heat	40	30	144	154
Distribution	39	35	147	151
Markets	4	4	19	19
Other	3	3	11	11
<b>Total</b>	<b>112</b>	<b>98</b>	<b>429</b>	<b>443</b>

**SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS**

<b>MEUR</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>2006</b>	<b>Last twelve months</b>
Power Generation <sup>1)</sup>	188	12	30	206
Heat	7	11	23	19
Distribution	6	11	15	10
Markets	1	1	1	1
Other	0	0	0	0
<b>Total</b>	<b>202</b>	<b>35</b>	<b>69</b>	<b>236</b>

<sup>1)</sup> 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.

**INVESTMENTS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS**

<b>MEUR</b>	<b>March 31 2007</b>	<b>March 31 2006</b>	<b>Dec 31 2006</b>
Power Generation	1 861	1 260	1 752
Heat	157	149	150
Distribution	291	220	287
Markets	9	8	8
Other	0	0	0
<b>Total</b>	<b>2 318</b>	<b>1 637</b>	<b>2 197</b>

**CAPITAL EXPENDITURE BY SEGMENTS**

<b>MEUR</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>2006</b>
Power Generation	16	20	95
Heat	44	18	184
Distribution	36	25	183
Markets	1	5	8
Other	3	3	15
<b>Total</b>	<b>100</b>	<b>71</b>	<b>485</b>

**GROSS INVESTMENTS IN SHARES BY SEGMENTS**

<b>MEUR</b>	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>2006</b>
Power Generation	-	-	145
Heat	15	43	589
Distribution	-	-	130
Markets	-	-	6
Other	-	-	40
<b>Total</b>	<b>15</b>	<b>43</b>	<b>910</b>

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**NET ASSETS BY SEGMENTS**

<b>MEUR</b>	<b>March 31 2007</b>	<b>March 31 2006</b>	<b>Dec 31 2006</b>
Power Generation	6 607	5 913	6 734
Heat	3 444	2 513	3 407
Distribution	3 314	3 030	3 412
Markets	140	356	176
Other and Eliminations	199	153	85
<b>Total</b>	<b>13 704</b>	<b>11 965</b>	<b>13 814</b>

**RETURN ON NET ASSETS BY SEGMENTS**

<b>%</b>	<b>Last twelve months</b>	<b>Dec 31 2006</b>
Power Generation	18.8	16.1
Heat	9.7	9.6
Distribution	8.0	8.4
Markets	-7.7	-1.6

**COMPARABLE RETURN ON NET ASSETS BY SEGMENTS**

<b>%</b>	<b>Last twelve months</b>	<b>Dec 31 2006</b>
Power Generation <sup>1)</sup>	16.3	16.1
Heat	8.9	9.2
Distribution	7.9	8.3
Markets	-6.7	-0.8

<sup>1)</sup> Excluding approximately EUR 180 million in relation to Hafslund's divestment of REC-shares 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**

<b>MEUR</b>	<b>March 31 2007</b>	<b>March 31 2006</b>	<b>Dec 31 2006</b>
Power Generation	7 014	6 320	7 131
Heat	3 830	2 871	3 870
Distribution	3 804	3 456	3 911
Markets	617	754	618
Other and Eliminations	313	234	255
<b>Assets included in Net assets</b>	<b>15 578</b>	<b>13 635</b>	<b>15 785</b>
Interest-bearing receivables	710	652	693
Deferred taxes	7	68	5
Other assets	377	139	199
Cash and cash equivalents	1 067	207	157
<b>Total assets</b>	<b>17 739</b>	<b>14 701</b>	<b>16 839</b>

**LIABILITIES BY SEGMENTS**

<b>MEUR</b>	<b>March 31 2007</b>	<b>March 31 2006</b>	<b>Dec 31 2006</b>
Power Generation	407	407	397
Heat	386	358	463
Distribution	490	426	499
Markets	477	398	442
Other and Eliminations	114	81	170
<b>Liabilities included in Net assets</b>	<b>1 874</b>	<b>1 670</b>	<b>1 971</b>
Deferred tax liabilities	1 826	1 535	1 795
Other	1 446	891	410
<b>Total liabilities included in Capital employed</b>	<b>5 146</b>	<b>4 096</b>	<b>4 176</b>
<b>Interest-bearing liabilities</b>	<b>4 999</b>	<b>4 107</b>	<b>4 502</b>
<b>Total equity</b>	<b>7 594</b>	<b>6 498</b>	<b>8 161</b>
<b>Total equity and liabilities</b>	<b>17 739</b>	<b>14 701</b>	<b>16 839</b>

**5. QUARTERLY PRIMARY SEGMENT INFORMATION**

Extended quarterly information is available on Fortum's website [www.fortum.com/investors/financial](http://www.fortum.com/investors/financial) information.

**QUARTERLY SALES BY SEGMENTS**

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
<b>MEUR</b>					
Power Generation	641	667	569	560	643
- of which internal	156	36	-102	-17	-50
Heat	479	381	178	229	480
- of which internal	24	-5	-12	-7	-8
Distribution	225	210	162	162	219
- of which internal	2	2	2	2	2
Markets	519	529	436	400	547
- of which internal	44	43	30	35	41
Other	19	19	19	20	20
- of which internal	16	16	16	15	15
Eliminations	-543	-552	-418	-423	-566
<b>Total</b>	<b>1 340</b>	<b>1 254</b>	<b>946</b>	<b>948</b>	<b>1 343</b>

**QUARTERLY OPERATING PROFIT BY SEGMENTS**

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
<b>MEUR</b>					
Power Generation	298	290	184	222	284
Heat	142	119	-15	41	119
Distribution	79	74	42	55	81
Markets	-12	-18	6	3	3
Other	-17	-10	-1	-9	-15
<b>Total</b>	<b>490</b>	<b>455</b>	<b>216</b>	<b>312</b>	<b>472</b>

**QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS**

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
<b>MEUR</b>					
Power Generation	328	289	195	208	293
Heat	137	95	-3	35	126
Distribution	78	77	39	53	81
Markets	-14	-8	2	2	0
Other	-17	-13	-8	-12	-14
<b>Total</b>	<b>512</b>	<b>440</b>	<b>225</b>	<b>286</b>	<b>486</b>

**QUARTERLY NON-RECURRING ITEMS BY SEGMENTS**

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
<b>MEUR</b>					
Power Generation	0	22	1	6	0
Heat	0	16	-1	4	1
Distribution	1	-1	1	2	0
Markets	0	0	0	0	0
Other	0	1	7	3	-1
<b>Total</b>	<b>1</b>	<b>38</b>	<b>8</b>	<b>15</b>	<b>0</b>

**QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY**

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
<b>MEUR</b>					
Power Generation	-30	-21	-12	8	-9
Heat	5	8	-11	2	-8
Distribution	0	-2	2	0	0
Markets	2	-10	4	1	3
Other	0	2	0	0	0
<b>Total</b>	<b>-23</b>	<b>-23</b>	<b>-17</b>	<b>11</b>	<b>-14</b>

**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 2006.

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	Mar 31 2007		Mar 31 2006		Dec 31 2006	
	Notional value	Net fair value	Notional value	Net fair value	Notional value	Net fair value
<b>Interest and currency derivatives</b>						
Interest rate swaps	3 092	2	3 259	-8	3 021	3
Forward foreign exchange contracts	6 923	71	5 158	35	5 256	-61
Interest rate and currency swaps	3 014	17	2 165	10	2 575	-76
<b>Electricity derivatives</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>
	TWh	MEUR	TWh	MEUR	TWh	MEUR
Sales swaps	121	730	98	-1 233	134	515
Purchase swaps	90	-567	54	705	101	-426
Purchased options	6	1	4	0	0	0
Written options	9	0	11	-15	3	3
<b>Oil derivatives</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>
	1000 bbl	MEUR	1000 bbl	MEUR	1000 bbl	MEUR
Sales swaps and futures	545	-2	225	-1	180	0
Purchase swaps and futures	1 003	4	513	7	897	0
<b>CO2 emission allowance derivatives</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>	<b>Volume</b>	<b>Net fair value</b>
	ktCO2	MEUR	ktCO2	MEUR	ktCO2	MEUR
Sold	405	0	-	-	405	0
Bought	415	0	-	-	418	0
<b>Share derivatives</b>	<b>Notional value</b>	<b>Net fair value</b>	<b>Notional value</b>	<b>Net fair value</b>	<b>Notional value</b>	<b>Net fair value</b>
	MEUR	MEUR	MEUR	MEUR	MEUR	MEUR
Share forwards <sup>1)</sup>	36	48	24	36	24	37

<sup>1)</sup> Cash-settled share forwards are used as a hedging instrument for Fortum Group's performance share arrangement.

**7. ACQUISITIONS AND DISPOSALS**

No acquisitions or disposals which have a material effect on Fortum's income statement and balance sheet has been made during the first quarter 2007. Gross investment in shares (see definition of key figures) amounted to EUR 15 million.

Fortum has during the period acquired 100% of the shares in Vattenfall Estonia AS and Vattenfall Latvia SIA from Vattenfall. The acquired company in Estonia provides district heat and natural gas in the city of Pärnu. Its district heat network is the fourth biggest in Estonia. The annual heat sales is 190 GWh, sales EUR 5.4 million and number of employees 58. The district heat business in Pärnu will be integrated to the current countrywide heat operations of Fortum Termest AS.

The acquired company in Latvia provides heat to Riga airport. The annual heat sales is around 12 GWh and sales around EUR 0.5 million. The acquisition provides a platform for Fortum to Latvian heat market.

Fortum has also acquired additional shares in its subsidiaries in Poland, Fortum Czestochowa SA 10.35% (total ownership 97.95%) and Fortum Wroclaw 0.81% (total ownership of 99.06%).

## 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:

<b>Average rate</b>	<b>Currency</b>	<b>March 31 2007</b>	<b>Dec 31 2006</b>	<b>Sept 30 2006</b>	<b>June 30 2006</b>	<b>March 31 2006</b>
Sweden	SEK	<b>9.1787</b>	9.2637	9.3110	9.3329	9.3798
Norway	NOK	<b>8.1563</b>	8.0376	7.9753	7.9396	8.0171
Poland	PLN	<b>3.8858</b>	3.8965	3.9139	3.8991	3.8569

  

<b>Balance sheet date rate</b>		<b>March 31 2007</b>	<b>Dec 31 2006</b>	<b>Sept 30 2006</b>	<b>June 30 2006</b>	<b>March 31 2006</b>
Sweden	SEK	<b>9.3462</b>	9.0404	9.2797	9.2385	9.4315
Norway	NOK	<b>8.1190</b>	8.2380	8.2350	7.9360	7.9675
Poland	PLN	<b>3.8668</b>	3.8310	3.9713	4.0546	3.9425

## 9. INCOME TAX EXPENSE

Tax rate according to the income statement for the period was 16.5% (24,4%). The tax rate for the period is low mainly due to the impact of Hafslund's sale of REC shares which impacted the share of profits from associates for the period with approximately EUR 180 million. The tax rate used in the income statement is always impacted by the fact that share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax.

## 10. EARNINGS PER SHARE

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

	<b>Q1 2007</b>	<b>Q1 2006</b>	<b>2006</b>
Earnings (MEUR):			
Profit attributable to the equity holders of the Company (EUR million)	<b>522</b>	346	1 071
Number of shares (thousands):			
Weighted average number of shares for the purpose of basic earnings per share	<b>890 263</b>	880 725	881 194
Effect of dilutive share options	<b>2 989</b>	11 681	5 735
Weighted average number of shares for the purpose of diluted earnings per share	<b>893 252</b>	892 406	886 929

## 11. DIVIDEND PER SHARE

The annual general meeting on 28 March 2007 decided to distribute a dividend of EUR 1.26 per share to the shareholders of which EUR 0.73 per share is 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 amounts to EUR 1,122 million based on the amount of shares registered as of 2 April 2007. The dividend was paid on 11 April 2007. The dividend is accounted for as a non-interest bearing liability with corresponding impact on retained earnings in the Interim financial statements as of 31 March 2007.

In 2006 the total dividend amounted to EUR 1.12 per share of which EUR 0.54 per share was attributable to the profit from discontinued operations. The total dividend amounted to EUR 987 million and the dividend was paid on 28 March 2006.

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

<b>MEUR</b>	<b>March 31 2007</b>	<b>March 31 2006</b>	<b>Dec 31 2006</b>
Opening balance	<b>11 567</b>	10 256	10 256
Acquisition of subsidiary companies	<b>13</b>	-11	1 008
Capital expenditures	<b>100</b>	71	485
Purchase of emission rights	<b>-</b>	-	9
Disposals	<b>-6</b>	-2	-78
Depreciation, amortisation and impairment	<b>-112</b>	-98	-429
Translation differences	<b>-281</b>	-54	316
<b>Closing balance</b>	<b>11 281</b>	10 162	11 567

**13. SHARE CAPITAL AND SHARE PREMIUM**

MEUR	Number of shares	Share capital	Share issue	Share premium
Registered shares at 1 January 2007	887 393 646	3 023	1	73
Shares subscribed with options	3 291 503	11		
<b>Registered shares at 31 March 2007</b>	<b>890 685 149</b>	<b>3 034</b>	<b>1</b>	<b>73</b>
Unregistered shares	31 820			

MEUR	Number of shares	Share capital	Share issue	Share premium
Registered shares at 1 January 2006	875 294 025	2 976	2	70
Shares subscribed with options	6 252 200	21		2
Registered shares at 31 March 2006	881 546 225	2 997	2	72
Unregistered shares	12 500			

**14. INTEREST-BEARING LIABILITIES**

During the period, the Group raised new short-term financing of approximately EUR 620 million through issuance of commercial paper under its Swedish and Finnish commercial paper programs. The notes bear market rate interest and are repayable within 1 year. The proceeds were raised in anticipation of the dividend payment on April 11th and for financing maturing short and long-term debt.

Repayments of commercial paper amounted to EUR 55 million and long term debt to EUR 22 million and were made in line with previously disclosed payment terms. Reborrowing from the Finnish Nuclear Waste Fund was renewed and increased from EUR 627million to EUR 658 million. The one year interest payment term was increased from approximately 3.2% to 4.2%.

**15. NUCLEAR RELATED ASSETS AND LIABILITIES**

MEUR	March 31 2007	March 31 2006	Dec 31 2006
Liability for nuclear waste management according to the Nuclear Energy Act	685	618	685
Fortum's funding target obligation to the State Nuclear Waste Management Fund	649	618	649
Fortum's share of the State Nuclear Waste Management Fund	-649	-618	-636
Difference covered by real estate mortgages	0	0	13

The legal liability calculated according to the Nuclear Energy Act in Finland is EUR 685 (618) million as of 31 March 2007 (and 2006 respectively). Discounted liability in the balance sheet calculated according to IAS 37 is EUR 453 (421) million as of 31 March 2007. The main reason for the difference in liability is that the legal liability is not discounted to net present value.

Funding Target is EUR 649 (618) million as of 31 March 2007 (and 2006 respectively). The difference between the legal liability and the funding target must be covered a security, which will be given by the end of June 2007.

Fortum contributes to the Nuclear Waste Fund according to the funding target. Fortum's share of the State Nuclear Waste Management Fund as of 31 March is EUR 649 (618) million. The carrying value of the fund asset in the balance sheet is EUR 453 (421) million as of 31 March 2007 due to IFRIC Interpretation 5, which states that it can not exceed the carrying value of the related liabilities.

At year end there is a difference between the funding target and Fortum's share of the State Nuclear Waste Management Fund due to yearly revised calculation of the legal liability. The difference is paid during the first quarter of the following year. Fortum has given real estate mortgages as security which also covers the liability in the balance sheet. The real estate mortgages are included in pledged assets.

**16. PLEDGED ASSETS**

MEUR	March 31 2007	March 31 2006	Dec 31 2006
On own behalf			
For debt			
Pledges	216	171	176
Real estate mortgages	49	49	49
For other commitments			
Real estate mortgages	56	55	56
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	3	3	3

Finnish participants in the State Management Nuclear Fund are allowed to borrow from the Fund. Fortum has increased the reborrowing from the Fund and therefore pledged additional Kemijoki shares as a security. The total amount of shares pledged have a carrying value of EUR 145 million (102 million) as of 31 March 2007 (and 31 December 2006 respectively).

**17. COMMITMENTS**

<b>MEUR</b>	<b>March 31 2007</b>	March 31 2006	Dec 31 2006
<b>Operating lease commitments</b>			
Due within a year	19	16	20
Due after one year and within five years	31	30	38
Due after five years	75	85	78
<b>Total</b>	<b>125</b>	131	136

Capital commitments for the purchase of property, plant and equipment amounts to EUR 319 million as at 31 March 2007 (EUR 266 million at year end 2006).

**18. CONTINGENT LIABILITIES**

<b>MEUR</b>	<b>March 31 2007</b>	March 31 2006	Dec 31 2006
On own behalf			
Other contingent liabilities	146	92	144
On behalf of associated companies and joint ventures			
Guarantees	207	203	213
Other contingent liabilities	125	125	125
On behalf of others			
Guarantees	14	2	12
Other contingent liabilities	2	3	1

Further information on contingent liabilities can be found in Note 42 of the annual financial statements for the year ended 31 December 2006.

**19. RELATED PARTY TRANSACTIONS**

Related party transactions are described in the annual financial statements as of the year ended 31 December 2006. No material changes has occurred during the period.

The Finnish State owned 50.82% of the shares in Fortum 31 December 2006. At 31 March 2007 the Finnish State ownership has changed to 50.63% due to the diluting effect of the shares subscribed with options during the period.

**ASSOCIATED COMPANY TRANSACTIONS**

<b>MEUR</b>	<b>March 31 2007</b>	March 31 2006	Dec 31 2006
Sales to associated companies	43	36	101
Interest on associated company loan receivables	6	5	20
Purchases from associated companies	130	130	487

**ASSOCIATED COMPANY BALANCES**

<b>MEUR</b>	<b>March 31 2007</b>	March 31 2006	Dec 31 2006
Long-term interest-bearing loan receivables	576	538	575
Trade receivables	11	20	28
Other receivables	7	8	7
Long-term loan payables	164	164	164
Trade payables	15	18	12
Other payables	24	11	23

**TRANSACTIONS AND BALANCES WITH JOINT VENTURES**

Transactions and balances with joint ventures as at and for the period ended 31 March 2007 are not material for the Group.

**20. EVENTS AFTER THE BALANCE SHEET DATE**

The Swedish Energy Market Authority, Energimyndigheten, announced on 10 April 2007 the decision concerning pricing at two electricity distribution areas of Fortum in 2003. According to the decision Fortum would have to return about SEK 250 million of the collected distribution charges. The authority has previously published respective decisions for 13 distribution companies. Fortum will appeal against the decision to the County Administrative Court, because the theoretical grid model the authority applies as its basis does not correspond to the actual circumstances. All the other distribution companies that got the decision have also appealed. The decisions will not be efficient until the appeal processes have been finished. No provision in relation to this decision has been recognised in this interim financial statements.

**21. 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	
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, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}}$	x 100
Return on capital employed, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$	x 100
Return on net assets, %	=	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}}$	x 100
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses)}}{\text{Comparable net assets average}}$	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 - cash and cash equivalents	
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$	x 100
Equity-to-assets ratio, %	=	$\frac{\text{Total equity including minority interest}}{\text{Total assets}}$	x 100
Net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit + Depreciation, amortisation and impairment charges}}$	
Interest coverage	=	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$	
Earnings per share (EPS)	=	$\frac{\text{Profit for the period - minority interest}}{\text{Average number of shares during the period}}$	
Equity per share, EUR	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares excluding treasury shares at the end of the period}}$	