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

• Leveraging heat competence in Poland and the Baltics
• Heat growth in Poland and Baltics
• Summary
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• Summary
Heat strategy

Focus on the heat market in the Nordic countries and Baltic Rim. Profitable growth in each country.

Create and maintain benchmark district heating and cooling offering

Offer tailored and competitive energy solution for small and medium-sized customers

Provide local communities and industries with competitive energy based on CHP concept promoting renewable fuels

Benchmark of heat industry
Building strategic platforms as basis for growth in Baltic Rim

- Nordic countries
  - organic growth continues
  - consolidation

- Poland and Baltic countries
  - initial step includes building a local growth platform
  - Estonia since 2000, Poland since 2003, Lithuania since 2005
  - utilising established platform for further consolidation and as a basis for organic growth

- North-West Russia / St Petersburg area
  - assessment of opportunities for growth
### Heat key figures

<table>
<thead>
<tr>
<th>EUR million</th>
<th>LTM*</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,054</td>
<td>1,025</td>
</tr>
<tr>
<td>Comparable operating profit</td>
<td>231</td>
<td>207</td>
</tr>
<tr>
<td>Average no of employees</td>
<td>2,074</td>
<td>1,605</td>
</tr>
<tr>
<td>Production plants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CHP plants</td>
<td>24</td>
<td></td>
</tr>
<tr>
<td>heat plants and stations abt</td>
<td>700</td>
<td></td>
</tr>
</tbody>
</table>

* 30 September 2005, last twelve months

Fortum’s heat and steam sales, TWh, 2004
** Including Fortum Czestochowa (acq.12/2004), Wroclaw and PEC Plock (acq.2005)
Versatility in heat generation

Product structure 2004

- Electricity
- Process steam
- District heat
- Other products

Heat and steam sales by market area 2004

- Finland 10.5 TWh
- Sweden 9.6 TWh
- Others 1.7 TWh

Fortum’s Nordic heat production

- Bio fuels 23%
- Other 12%
- Waste 5%
- Peat 7%
- Natural gas 6%
- Oil 13%
- Heat pumps, electricity 17%
- Coal 17%

21.7 TWh in 2004
Total generation capacity 8,290 MW

* Natural gas, industrial and district cooling, town gas
Fortum's competencies in heat business

- Long-term experience in Combined Heat and Power (CHP)
- Profound know-how in district heating (DH)
- Versatility in fuel use
- Competitive outsourced energy service (B2B) to small and medium-sized industries
- Acquisition integration capabilities
Environmentally benign and efficient CHP production

- Over 30 years experience in energy generation with versatile fuels, including bio fuels and waste
- Owning and operating 24 CHP plants in the Nordic countries and Baltic Rim area
- Proven track record of high availability and long lifetime of the plants
- Environmental certification (ISO 14 001)

Average of energy usability during operation (unplanned outages) in Finnish CHP plants
Profound experience in district heating

Stockholm - the largest DH system in the Nordic countries

**Flexibility**
- Multifuel optimisation with continuous fuel and combustion development

**Efficiency**
- Capacity optimisation for base and peak loads
- Efficient operation and maintenance processes
- High level of environmental care and health and safety, environmental certification (ISO 14001)

**Reliability**
- Good availability of production plants
- Secured DH supplies by network design and effective overhaul

**Competence**
- Competence for several solid and liquid fuels, especially for bio fuels
- Knowledge in integrating DH system with the power market
Managing the entire fuel chain of versatile fuels

**Purchasing** - skilful and experienced personnel in fuel purchasing

**Logistics** - strong focus on logistics management incl. transportation and storage

**Fuel usage** - optimisation and development

**Handling of residuals** - efficient utilisation of by-products

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**Improvement in oil fuel usage, Stockholm area**

- **Fossil oils**
- **Bio oils**

**Utilisation of by-products**

- Ash
- Gypsum
- Sulphur
Competitive B2B energy service concept

Local and tailor-made energy service concept for small and medium-sized industries and services

Customers
• small and medium-sized industries, service and commerce sectors

Products
• Steam for industrial processes and heating
• District heat and heating for real estates
• Industrial cooling

Competitiveness through
• remote monitoring and operating of the heat plants
• proven track record on reliability
• long customer relations
• know-how in energy production and fuels
• cost-effectiveness
Competence in acquisition integration

- Fortum-level experience and capabilities

- Proven track record at Heat segment
  - Case Estonia
  - Case Poland
• Leveraging heat competence in Poland and Baltics
• **Heat growth in Poland and Baltics**
• Summary
Poland and Baltic countries are growth markets

- New EU members
- Ongoing/planned privatisations
- Growth of markets driven by the growth of GDP, industrial output
- Potential for efficiency improvements
- Opportunity for leveraging Fortum's competencies
Overview on the Polish power and heat markets

- Population 38 million
- GDP growth around 4.5% in 2004
- Total electricity consumption 130-140 TWh/a
- Polish generation approx. 150 TWh/a
- Number of electricity customers around 15.6 million
- 8 distribution companies
- Energy sector privatisation ongoing in generation, district heating and distribution
- Size of the heating markets around 165 TWh/a

Source: EIU, Eurelectric/Eurprog; 2004 or 2003 estimates
Overview on the Baltic countries' power and heat markets

• Population 1.3 million (Estonia), 2.3 million (Latvia) and 3.4 million (Lithuania)
• GDP growth 6.0% (Estonia), 5.5% (Latvia), 6.5% (Lithuania)
• Total electricity consumption; Estonia and Latvia 6-7 TWh/a, Lithuania 10 TWh/a
• Total generation; Estonia 9-10 TWh/a, Latvia 4-5 TWh/a, Lithuania 18 TWh/a
• Three larger distribution companies in Estonia, one in Latvia, two in Lithuania
• Privatisation not active in generation or distribution, privatisation of district heating started in 2000
• Size of the heating markets around 30 TWh/a

Source: EIU, Eurelectric/Eurprog; 2004 or 2003 estimates
Potential for growth in heat

**Poland**
- Size of the DH and B2B heating markets around 165 TWh/a
- About one third of DH market today privatised

**The Baltic countries**
- Size of the DH and B2B heating markets around 30 TWh/a
- About one third of DH market today privatised

Source: National statistics
Outlook for district heating

- Stable heat demand with local growth opportunities
- Connection of new customers and comfort factors increase heat demand, energy savings decrease the demand
- Potential to increase the usage of domestic fuels (biomass, peat and waste)

Poland
- Some district heating privatisations ongoing, further potential exists
- CHP potential exists in medium-sized towns
- Competing heat sources: electrical and gas heating

The Baltic countries
- Potential for district heating privatisation exists
- Some CHP potential exists
- Main competing heat sources: electrical and gas heating
Outlook for industrial heating (B2B)

• Opportunity in outsourcing customer's own heat solution
• Evolving B2B potential offers growth opportunities
• Growth linked with the increase in industrial activity, currently over 5% per year
• Increase in gas price supports solutions based on domestic fuels

Poland
• Outsourcing activity expected to increase
• Industrial output growing >5% per year
• Estimated market potential 10-15 TWh/a

The Baltic countries
• In Estonia active outsourcing at present, in other markets outsourcing expected to increase
• Industrial output growing >5% per year
• Estimated market potential 3-5 TWh/a
Regulatory frameworks for district heating

Poland

- State regulator URE
- Cost-plus ex-ante model including efficiency requirements
- New Energy Law in March 2005 allowing return on capital introduced
  - more emphasis on investors' interests
  - detailed application not yet confirmed
- Tariffs approved in advance for one-year period, possibility for multi-year tariffs

The Baltic countries

- Both state and municipal level regulatory control
- District heating tariffs
  - need advance approval
  - based on justified costs increased mainly by inflation
- No clear formulas for tariff approval except in Lithuania
Fortum's heat business in the Baltic countries today
Outsourced energy service (B2B) and district heat

- **Customers**
  - industry
  - services and commerce
  - public buildings
  - real estates

- **Energy sales in Estonia**
  - heat 1.2 TWh
  - gas 80 GWh

- **Energy sales in Lithuania**
  - heat 60 GWh
  - fuels 50 Gwh

- **Personnel**: 440*

- **Production capacity**
  - 118 heat plants
  - 1 CHP plant
  - Fuels: natural gas, oil, biomass, peat

*as 30 Sept 2005
Case Estonia
Successful entry and restructuring of the business

Years 2000-2005

- Acquisition of AS Termest with subsidiaries
- Starting of B2B business
- Remote-controlled operation for heat plants (gas)
- Profit unit structure and performance culture to Termest
- Acquisition of several district heating network companies and merging them with Fortum Termest
- Acquisition of majority of the district heating company AS Tartu Energia 2003
- Starting natural gas retail business and accelerating B2B business
Case Estonia
Development of key figures 2000–2004 and future actions

- Net sales increased from EUR 8 million to EUR 27 million
- Operating profit improved from -8% to 11% of net sales
- Personnel decreased from 376 to 336*
- Heat sales 1.2 TWh*

- Leveraging established platform:
  - B2B business
  - district heating systems
  - evaluation of CHP potential

*as of 30 Sept 2005
Heat in Poland today
District heat to 30 cities and towns

- Personnel: 800 (1,200*)
- Net sales: MEUR 44 (MEUR 130*)
- Energy sales
  - district heat 0.9 TWh (3.9 TWh*)
  - electricity 19 GWh
- Own production 0.9 TWh
  - heat plants 96
  - CHP 1
  - fuels: coal, natural gas, oil

*consolidated full year level with MPEC Wroclaw and PEC Plock
Case Poland
Strong platform in district heating

Years 2003 – 2005

- Entry into the Polish heat market by acquiring a privately owned district heating company DZT
- Fortum Heat Polska organised to
  - act as a platform for growth
  - manage the integrations
  - adopt the B2B service concept in Poland
- Further growth by acquiring PESC Czestochowa S.A. from the State Treasury of Poland
- In 2005 growth was continued by contracting acquisitions of MPEC Wrocław and PEC Płock

* consolidated full year level with MPEC Wrocław and PEC Płock
Fortum DZT – entry to the heating market in Poland in 2003

- Privately owned district heat company since 1990
- Well-managed company with proven track record in continuous productivity improvements and growth by integrating heating companies of small towns
- Management and Dutch investors as sellers
- District heating in 23 towns in south-western and central parts of Poland
- Turnover MEUR 16, heat sales 430 GWh/a, personnel 370 (2004)

Integration of Fortum DZT
- Management agreed to continue in Fortum DZT
- Accountable business units with strengthened target orientation
- Overall productivity investments

Strong platform for Fortum's future growth in Poland
Fortum Czestochowa – first step to leverage the platform in Poland

- District heat production and distribution in Czestochowa and 3 towns surrounding Czestochowa
- Large improvement potential was identified
- In 2005 Fortum Czestochowa has been turned around
  - financing has been restructured
  - result-oriented organisation has been established with clear accountability
  - productivity improvements
  - integration has proceeded as planned

- Net sales MEUR 22
- Heat sales 800 GWh/a

Number of personnel
2004–2005

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Personnel</th>
</tr>
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<tbody>
<tr>
<td>2004</td>
<td>700</td>
</tr>
<tr>
<td>2005</td>
<td>600</td>
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</table>
In October 2005, an agreement to purchase the majority of the district heating company MPEC Wroclaw S.A.

- Public tender for all outstanding shares
- Annual net sales MEUR 70, heat sales 2,100 GWh/a, personnel 260
- Minority interests in two maintenance and operation service companies with around 240 employees
- Listed on the Warsaw Stock Exchange

**Key value drivers**
- Increase in heat demand driven by the city growth and replacement of individual coal-based heating
- Efficiency improvements
• In November 2005 Fortum contracted acquisition of the majority of the Plocka Energetyka Cieplna Sp. z o.o (PEC).
• Heat distribution company with operations in Plock
• Net sales MEUR 13, heat sales 500 GWh/a, personnel 170
• Transfer of ownership will take place in December after approval by the competition authorities
• Leveraging heat competence in Poland and Baltics
• Heat growth in Poland and Baltics
• Summary
Summary

• In the Nordic markets, Fortum
  – is the leading district heating, CHP and outsourced energy solutions provider
  – has versatile and efficient heat operations
  – seeks both organic and consolidation-driven growth
  – promotes waste-to-energy production and biomass usage

• Fortum leverages its heat competence in Poland and the Baltic countries
  – district heating privatisations expected to continue
  – competitive markets for outsourced energy solutions
  – longer-term CHP and waste-to-energy production potential
  – Fortum follows the overall power and heat sector development