

Fortum Corporation  
Interim Report  
January-June 2008

## Solid first half-year results

### Strong performance in Power Generation

- Comparable operating profit EUR 984 (810) million, +21%
- Profit before taxes EUR 908 (962) million, -6%
- Earnings per share EUR 0.78 (0.85), -8%
- IFRS mark-to-market booking decreased reported operating profit by 56 million in the second quarter
- Strong cash flow from operating activities EUR 1,039 (1,070) million
- Good hedging positions

Key figures	II/08	II/07	I-II/08	I-II/07	2007	LTM
Sales, EUR million	1,322	959	2,762	2,299	4,479	4,942
Operating profit, EUR million	348	327	957	817	1,847	1,987
Comparable operating profit, EUR million	403	298	984	810	1,564	1,738
Profit before taxes, EUR million	310	301	908	962	1,934	1,880
Earnings per share, EUR	0.27	0.26	0.78	0.85	1.74	1.68
Net cash from operating activities, EUR million	497	573	1,039	1,070	1,670	1,639
Shareholders' equity per share, EUR			8.08	8.68	9.43	N/A
Interest-bearing net debt (at end of period), EUR million			6,254	4,610	4,466	N/A
Average number of shares, 1,000s			887,131	890,770	889,997	888,503

Key financial ratios	2007	LTM	2007*	LTM*
Return on capital employed, %	16.5	14.9	14.0	13.8
Return on shareholders' equity, %	19.1	19.1	15.8	17.5
Net debt/EBITDA	1.9	2.5	2.2	2.8

\*Adjusted for REC and Lenenergo gains

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

Fortum's profit before taxes and earnings per share in the first half of the year were lower than a year ago. This is partly due to the non-recurring gain of EUR 180 million, corresponding to EUR 0.20 per share, booked in Fortum's first-quarter results last year.

Fortum's profit before taxes and earning per share were negatively affected by mark-to-market accounting of its power derivatives portfolio (IAS 39 requirements). As the Nord Pool forward prices for power have increased during the second quarter, the value of Fortum's sold power forwards in the Power Generation segment's hedge portfolio has decreased and the value of bought power forwards in the Markets segment has increased. The total accounting impact due to IAS 39 mark-to-market requirements in

Fortum's reported operating profit was EUR -17 (+12 in H1/07) million in the first half of 2008 and EUR -56 (+30) million in the second quarter.

Fortum's net cash from operating activities remained strong at EUR 1,039 (1,070) million.

The TGC-10 income statement has been consolidated from 1 April 2008 onwards.

Fortum filed the mandatory public tender offer to TGC-10 minorities. The period of offer is from 30 April until 18 July 2008. The tender offer covers 23.51% of the share capital of TGC-10 and has been launched at a price of 111.8 roubles (approximately 3 euros) per share to be fully paid in cash. Fortum has already acquired a 76.49% share in TGC-10.

In the second quarter, the Power Generation segment's achieved Nordic power price was EUR 47.9 (36.0) per megawatt-hour (MWh), up by 33% from the previous year and clearly higher than the average spot price of electricity in Nord Pool, the Nordic power exchange. The average system spot price of electricity in Nord Pool was EUR 34.6 (22.5) per MWh, approximately 54% higher than the same period the previous year. During the second quarter, the Finnish and Swedish area prices were above the system price levels, being EUR 46.4 (23.7) per MWh in Finland and EUR 46.4 (23.6) per MWh in Sweden.

Fortum has previously accounted for its 25.7% shareholding in TGC-1 on historical cost. However, as TGC-1 has started to publish IFRS information on a regular basis, Fortum has adopted the use of equity accounting for TGC-1. Fortum's share of TGC-1's 2007 financial result has been booked in Fortum's second-quarter results, representing EUR 18 million of the EUR 36 million total in the share of profit of associates and joint ventures.

## **Financial results**

### April - June

Group sales were EUR 1,322 (959) million.

Group operating profit totalled EUR 348 (327) million. Reported operating profit was negatively affected by mark-to-market accounting of Fortum's power derivatives portfolio (IAS 39 requirements). The negative effect on the Power Generation segment's reported operating profit was approximately EUR 115 million in the quarter. The mark-to-market value of Markets' hedge portfolio increased during the quarter, improving its reported operating profit by EUR 46 million for the quarter.

Comparable operating profit increased to EUR 403 (298) million.

### Sales by segment

EUR million	II/08	II/07	I-II/08	I-II/07	2007	LTM
Power Generation	721	522	1,438	1,163	2,350	2,625
Heat	284	252	777	731	1,356	1,402
Distribution	180	172	412	397	769	784
Markets	411	351	930	870	1,683	1,743
Russia	152	-	152	-	-	152
Other	21	22	41	41	81	81
Netting of Nord Pool transactions	-369	-204	-795	-505	-1,163	-1,453
Eliminations	-78	-156	-193	-398	-597	-392
Total	1,322	959	2,762	2,299	4,479	4,942

### Comparable operating profit by segment

EUR million	II/08	II/07	I-II/08	I-II/07	2007	LTM
Power Generation	384	217	779	547	1,095	1,327
Heat	27	36	148	173	290	265
Distribution	49	52	136	130	231	237
Markets	-15	3	-25	-11	-1	-15
Russia	-33	-	-33	-	-	-33
Other	-9	-10	-21	-29	-51	-43
Total	403	298	984	810	1,564	1,738

### Operating profit by segment

EUR million	II/08	II/07	I-II/08	I-II/07	2007	LTM
Power Generation	260	243	691	543	1,115	1,263
Heat	37	33	167	175	294	286
Distribution	51	53	137	132	233	238
Markets	31	7	11	-5	12	28
Russia	-33	-	-33	-	244	211
Other	2	-9	-16	-28	-51	-39
Total	348	327	957	817	1,847	1,987

### January-June

Group sales were EUR 2,762 (2,299) million.

Group operating profit totalled EUR 957 (817) million. Reported operating profit was negatively affected by mark-to-market accounting of Fortum's power derivatives portfolio (IAS 39 requirements). The negative effect on the Power Generation segment's reported operating profit was EUR 71 million in the first half of the year. The value of Markets' hedge portfolio increased during the period, improving its reported operating profit by EUR 36 million.

Comparable operating profit increased to EUR 984 (810) million.

Profit before taxes was EUR 908 (962) million.

The Group's net financial expenses increased to EUR 119 (72) million. The increase is mainly attributable to a higher average level of debt and higher interest rates.

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 cumulative fair value change booked in Fortum's equity and based on the remaining number of shares reported by Hafslund ASA was EUR 356 million at the end of June 2008.

Minority interests accounted for EUR 26 (35) 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 187 (174) million. The tax rate according to the income statement was 20.6% (18.1%). The tax rate in the first half of 2007 was lowered by the non-taxable gain of EUR 180 million from Hafslund's sale of REC shares.

The profit for the period was EUR 695 (753) million. Fortum's earnings per share were EUR 0.78 (0.85).

Return on capital employed was 14.9% for the last twelve months (16.5% at year-end 2007), and return on shareholders' equity was 19.1% for the last twelve months (19.1% at year-end 2007). The adjusted return on capital employed and return on shareholders' equity, excluding the REC and Lenenergo gains, were 13.8% and 17.5%, respectively, for the last twelve months (at year-end 2007 14.0% and 15.8%, respectively.)

## **Market conditions**

According to preliminary statistics, the Nordic countries consumed 91 (89) TWh of electricity during the second quarter of the year. During the first half of the year, the Nordic countries consumed about 205 (205) TWh.

Year 2008 started with the Nordic water reservoirs being 9 TWh above the long-term average. At the end of June, they were 7 TWh above the long-term average and 3 TWh above the corresponding level last year.

During the second quarter, the average system spot price for power in Nord Pool was EUR 34.6 (22.5) per MWh or 54% higher than in the corresponding period in 2007. The Nord Pool spot price was higher mainly due to higher fuel and CO<sub>2</sub> prices. During the second quarter, the Finnish and Swedish area prices were above the system price levels due to exceptional malfunctions in transmission connections, for example between Sweden and Norway, combined with strong hydrological situation in Norway.

During the second quarter, the average market price of CO<sub>2</sub> emission allowances (EUA) for 2008 was EUR 25.7 per tonne CO<sub>2</sub>. In 2007, the corresponding price for CO<sub>2</sub> emission allowances for 2007 was EUR 0.4 per tonne CO<sub>2</sub>. Coal and oil prices continued to increase during the second quarter of 2008.

In Germany, the average spot price for the second quarter was EUR 65.5 (33.2) per MWh, significantly higher than in the Nordic area. This resulted in a net export from the Nordic area to Germany. A new connection between Norway and Netherlands, NorNed, was taken into use.

According to preliminary statistics, the electricity consumption in Russia increased by almost 5% in the first half of 2008 compared to the first half of 2007.

## Total power and heat generation figures

Fortum's total power generation during January-June 2008 was 32.4 (27.6) TWh, of which 28.0 (27.1) TWh was in the Nordic countries, representing 14% (13%) of the total Nordic electricity consumption. Fortum's total heat generation during January-June 2008 was 18.3 (14.4) TWh, of which 11.7 (12.4) TWh was in the Nordic countries. The increase in the power and heat generation volumes is mainly due to the inclusion of TGC-10, consolidated from the beginning of April.

At quarter end, Fortum's total power generating capacity 13,677 (10,920 at the end of 2007) MW, of which 10,747 (10 775 at the end of 2007) MW was in the Nordic countries. At quarter end, Fortum's total heat production capacity was 25,101 (11,223 at the end of 2007) MW, of which 9,415 (9,381 at the end of 2007) MW was in the Nordic countries.

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 in Europe, TWh</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Power generation	13.4	12.4	28.6	27.6	52.2	53.2
Heat generation	4.9	4.6	13.9	14.4	26.1	25.6

<b>Fortum's total power and heat generation in Russia, TWh</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Power generation	3.8	-	3.8	-	-	3.8
Heat generation	4.4	-	4.4	-	-	4.4

<b>Fortum's own power generation by source, TWh, total in the Nordic countries</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Hydropower	6.1	5.0	12.4	11.4	20.0	21.0
Nuclear power	6.1	6.3	13.0	12.8	24.9	25.1
Thermal power	0.9	0.9	2.6	2.9	6.2	5.9
Total	13.1	12.2	28.0	27.1	51.1	52.0

<b>Fortum's own power generation by source, %, total in the Nordic countries</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Hydropower	46	41	44	42	39	41
Nuclear power	47	52	47	47	49	48
Thermal power	7	7	9	11	12	11
Total	100	100	100	100	100	100

## Total power and heat sales figures

Fortum's total power sales January-June 2008 were 37.0 (31.7) TWh, of which 31.7 (31.1) TWh were in the Nordic countries. This represents approximately 15% (15%) of Nordic electricity consumption during January-June 2008. Fortum's total heat sales

January-June 2008 were 19.2 (14.7) TWh, of which 11.1 (11.3) TWh were in the Nordic countries.

<b>Fortum's total electricity *) and heat sales in Europe, EUR million</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Electricity sales	704	515	1,463	1,190	2,370	2,643
Heat sales	224	202	619	590	1,096	1,125

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

<b>Fortum's total electricity and heat sales in Russia, EUR million</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Electricity sales	105	-	105	-	-	105
Heat sales	43	-	43	-	-	43

<b>Fortum's total electricity sales *) by area, TWh</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Sweden	7.3	6.9	15.7	15.3	27.6	28.0
Finland	7.2	6.6	15.0	14.8	29.0	29.2
Russia	4.8	-	4.8	-	-	4.8
Other countries	0.6	0.7	1.5	1.6	3.1	3.0
Total	19.9	14.2	37.0	31.7	59.7	65.0

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

<b>Fortum's total heat sales by area, TWh</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Sweden	1.6	1.7	5.0	5.2	9.2	9.0
Finland	2.3	2.0	6.0	6.0	11.1	11.1
Russia	4.3	-	4.3	-	-	4.3
Poland	0.6	0.5	2.1	1.9	3.5	3.7
Other countries**	0.7	0.5	1.8	1.6	3.3	3.5
Total	9.5	4.7	19.2	14.7	27.1	31.6

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

### **Fortum's emissions subject to EU's trading scheme**

During the first half of 2008, approximately 92% (91%) of the power generated by Fortum within the EU countries was CO<sub>2</sub>-free.

Fortum's total CO<sub>2</sub> emissions subject to the EU's emissions trading scheme (ETS) in the first half of the year amounted to 3.4 million tonnes of CO<sub>2</sub>. Fortum's average CO<sub>2</sub> emissions subject to the ETS were approximately 8.7 million tonnes per year during 2005-2007.

Fortum's total annual CO<sub>2</sub> allowance allocation for its power and heat plants is approximately 6.1 million tonnes per year during 2008-2012. In Finland, Fortum's CO<sub>2</sub> allocation is approximately 4.1 million tonnes of CO<sub>2</sub> per annum, representing 11% of the Finnish national allocation. In Sweden, Fortum's free CO<sub>2</sub> allocation is approximately 0.2 million tonnes of CO<sub>2</sub> per annum, representing 0.7% of the Swedish national allocation.

## 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	II/08	II/07	I-II/08	I-II/07	2007	LTM
Sales	721	522	1,438	1,163	2,350	2,625
- power sales	638	441	1,284	1,007	2,019	2,296
- other sales	83	81	154	156	331	329
Operating profit	260	243	691	543	1,115	1,263
Comparable operating profit	384	217	779	547	1,095	1,327
Net assets (at period-end)			5,524	5,657	5,599	
Return on net assets, %					19.2	22.2
Comparable return on net assets, %					18.9	21.3
Gross investments	32	24	50	40	145	155
Number of employees			3,790	3,550	3,511	

The segment's power generation during the second quarter amounted to 12.3 (11.3) TWh in the Nordic countries.

In January-June, the segment's power generation in the Nordic countries was 25.5 (24.4) TWh. In January-June, approximately 98% (97%) of the segment's power generation was CO<sub>2</sub>-free.

Nordic power generation by source, TWh	II/08	II/07	I-II/08	I-II/07	2007	LTM
Hydropower	6.1	5.0	12.4	11.4	20.0	21.0
Nuclear power	6.1	6.3	13.0	12.8	24.9	25.1
Thermal power	0.1	0.0	0.1	0.2	1.2	1.1
Total	12.3	11.3	25.5	24.4	46.1	47.2

Power generation by area, TWh	II/08	II/07	I-II/08	I-II/07	2007	LTM
Sweden	6.9	6.5	14.8	14.4	26.0	26.4
Finland	5.3	4.8	10.6	10.0	20.1	20.7
Other countries	0.2	0.2	0.6	0.5	1.1	1.2
Total	12.4	11.5	26.0	24.9	47.2	48.3

Nordic sales volume, TWh	II/08	II/07	I-II/08	I-II/07	2007	LTM
of which pass-through sales	1.0	1.4	2.1	2.8	5.2	4.5

Sales price, EUR/MWh	II/08	II/07	I-II/08	I-II/07	2007	LTM
Generation's Nordic power price*	47.9	36.0	46.2	37.8	39.7	44.1

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

During the second quarter, the average system spot price in Nord Pool was EUR 34.6 per MWh, Finnish and Swedish area prices being EUR 46.4 per MWh, while Generation's



achieved Nordic power price was EUR 47.9 per MWh, up by 33% from a year ago. Generation's sales volume without pass-through items was 12.3 (11.1) TWh in the second quarter. During January-June 2008, the average system spot price in Nord Pool was EUR 36.3 per MWh, Finnish and Swedish area prices being on average EUR 42.8 per MWh, while Generation's achieved Nordic power price was EUR 46.2 per MWh, up by 22% from a year ago.

The comparable operating profit of the Power Generation segment was clearly higher in the second quarter than in the corresponding period last year. The improvement was mainly due to a higher achieved Nordic power price, thanks to increased average hedge price and higher average spot price. In addition, higher hydro power generation contributed positively. The positive effects were partly offset by the higher nuclear capacity tax in Sweden and the decrease in nuclear power generation due to the different timing of the annual outages compared to the previous year.

In January-June 2008, the comparable operating profit of the Power Generation segment was higher than last year. The segment's achieved Nordic power price was higher. Hydro and nuclear power generation volumes increased. These were partly offset by the higher nuclear capacity tax in Sweden.

In the beginning of April, Fortum submitted the Environmental Impact Assessment (EIA) report of the third nuclear power plant unit in Loviisa to the Finnish Ministry of Employment and the Economy. The EIA indicates that a 1,000-1,800 MW nuclear power plant unit (Loviisa 3) can be built on the Hästholmen island in Loviisa. After the Ministry issues its statement, Fortum will make decisions regarding the possible application for a decision in principle.

In June, Fortum and Metsähallitus (the Finnish national forest enterprise), agreed to reserve two sea areas in the Bay of Bothnia for large-scale wind power generation.

Also in June, Fortum Service signed a long-term operation and maintenance contract with the German Trianel Power Kohlekraftwerk Lünen GmbH & Co. KG, which is owned by 28 German, Austrian and Dutch regional energy companies. The agreement covers the new 750-MW coal-fired power plant in Lünen. The work will be initiated in 2009 and the power plant will be commissioned in autumn 2012. The contract signed was the second of its kind with Trianel. At present, Fortum Service is responsible for the operation and maintenance of an 800-MW gas-fired CHP power plant in Hamm in Germany.

## 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 mainly other markets.

EUR million	II/08	II/07	I-II/08	I-II/07	2007	LTM
Sales	284	252	777	731	1,356	1,402
- heat sales	215	193	601	570	1,053	1,084
- power sales	42	35	119	110	202	211
- other sales	27	24	57	51	101	107
Operating profit	37	33	167	175	294	286
Comparable operating profit	27	36	148	173	290	265
Net assets (at period-end)			3,599	3,333	3,507	
Return on net assets, %					9.3	8.8
Comparable return on net assets, %					9.2	7.1
Gross investments	79	65	191	124	327	394
Number of employees			2,517	2,331	2,279	

The segment's heat sales during the second quarter amounted to 4.7 (4.3) TWh, most of which was generated in the Nordic countries. During the same period, power sales from CHP production totalled 0.9 (1.0) TWh.

The segment's heat sales during January-June 2008 amounted to 13.9 (13.8) TWh, most of which was generated in the Nordic countries. During the same period, power sales from CHP production totalled 2.6 (2.7) TWh. Temperatures have been above average in all Heat markets, affecting heat demand.

The Heat segment's comparable operating profit during the second quarter was EUR 9 million lower than the previous year, mainly due to higher fuel prices and other costs. Fortum has also booked a provision in its second-quarter results for closing down 25% of the town gas distribution network in Stockholm, Sweden.

The Heat segment's comparable operating profit during January-June was EUR 25 million lower than the previous year, mainly due to the higher fuel prices, CO<sub>2</sub> emission costs and other costs. Depreciations have increased due to new investments.

Fortum and Sargas announced in June the results of the pilot project regarding the testing of the CO<sub>2</sub> capture technology at the Värtan power plant in Sweden. The results were good and showed that the technology for CO<sub>2</sub> capture is adaptable, although further development of storing and logistics is still needed.

Heat sales by area, TWh	II/08	II/07	I-II/08	I-II/07	2007	LTM
Sweden	1.6	1.7	5.0	5.2	9.1	8.9
Finland	2.3	2.0	6.0	6.0	11.1	11.1
Poland	0.6	0.5	2.1	1.9	3.5	3.7
Other countries	0.2	0.1	0.8	0.7	1.4	1.5
Total	4.7	4.3	13.9	13.8	25.1	25.2

<b>Power sales, TWh</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Total	0.9	1.0	2.6	2.7	5.0	4.9

## 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>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Sales	180	172	412	397	769	784
- distribution network transmission	151	144	350	336	648	662
- regional network transmission	18	18	41	42	81	80
- other sales	11	10	21	19	40	42
Operating profit	51	53	137	132	233	238
Comparable operating profit	49	52	136	130	231	237
Net assets (at period-end)			3,330	3,282	3,239	
Return on net assets, %					7.7	7.8
Comparable return on net assets, %					7.6	8.3
Gross investments	72	42	133	78	237	292
Number of employees			1,221	1,103	1,063	

In the first half of 2008, the volume of distribution and regional network transmissions totalled 13.5 (13.5) TWh and 9.0 (9.3) TWh, respectively.

Electricity transmissions via the regional distribution network totalled 7.5 (7.7) TWh in Sweden and 1.5 (1.6) TWh in Finland.

The comparable operating profit of the Distribution segment was EUR 49 million in the second quarter, EUR 3 million lower than the previous year. Depreciations on meters for automatic meter reading have started in the second quarter.

In January-June, the comparable operating profit of the Distribution segment was EUR 136 million, EUR 6 million higher than the previous year. In 2007, the segment's results were negatively affected by the winter storms in Sweden.

Installations of new meters and the implementation of automatic meter management (AMM, smart metering) in Sweden are proceeding according to plan. A total of 327,000 AMM meters out of 581,000 installed meters are activated for monthly meter reading. Almost 40% of Fortum's Swedish customers are now invoiced based on automated meter reading.

<b>Volume of distributed electricity in distribution network, TWh</b>	<b>II/08</b>	<b>II/07</b>	<b>I-II/08</b>	<b>I-II/07</b>	<b>2007</b>	<b>LTM</b>
Sweden	3.1	3.1	7.4	7.4	14.3	14.3
Finland	2.0	1.9	4.8	4.8	9.2	9.2
Norway	0.5	0.5	1.2	1.2	2.3	2.3
Estonia	0.0	0.0	0.1	0.1	0.2	0.2
Total	5.6	5.5	13.5	13.5	26.0	26.0

Number of electricity distribution customers by area, thousands	30 Jun 2008	30 Jun 2007	31 Dec 2007
Sweden	874	870	871
Finland	602	585	591
Other countries	123	120	122
Total	1,599	1,575	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	II/08	II/07	I-II/08	I-II/07	2007	LTM
Sales	411	351	930	870	1,683	1,743
- power sales	397	327	898	823	1,582	1,657
- other sales	14	24	32	47	101	86
Operating profit	31	7	11	-5	12	28
Comparable operating profit	-15	3	-25	-11	-1	-15
Net assets (at period-end)			236	149	247	
Return on net assets, %					6.9	14.1
Comparable return on net assets, %					-0.6	-10.0
Gross investments	2	1	3	2	3	4
Number of employees			817	969	935	

In the second quarter, Markets' electricity sales totalled 8.3 (9.0) TWh. The decrease in the sales volume was mainly due to some expired long-term business customer contracts. For the first six months of the year, sales were 19.5 (20.9) TWh.

The segment was positively affected by the mark-to-market accounting of its power derivatives portfolio (IAS 39), improving its reported operating profit by EUR 46 million for the quarter.

Markets' second-quarter comparable operating profit was clearly negative, mainly due to high procurement costs. The high procurement costs were partly due to the high Nord Pool area prices for Finland and Sweden. The unusually high area price differences in the Nord Pool area are at least partly explained by the continuing transmission line outage between southern Norway and Sweden. The tight market situation, especially in the Finnish retail market, continued.

The retail market represents around 25% of Market's annual sales volumes, approximately 10 TWh per annum in a typical year. Approximately 50% of this volume is usually sold in Sweden, 40% in Finland and the remaining 10% in Norway. Around 3 TWh of the approximately 4 TWh total to Finnish retail customers is sold through current price contracts.

According to the statistics of the Finnish Energy Market Authority (Energiatarkkinnvirasto), the average retail price in Finland was around EUR 52 per

MWh in early July for a customer with ~5 MWh annual consumption, excluding value added tax. The average retail price in Finland is thus below the Nord Pool market price for the Finnish price area: both spot and forward quotations were above EUR 60 per MWh in early July.

Fortum announced a 9% price increase in its current price products in Finland on 26 June 2008. The price increase will be effective from August 1. Following the increase, Fortum's average price for its current price product in Finland will be very close to the overall Finnish retail price average in early July.

Due to continuing unsatisfactory business performance, Fortum has launched a programme to restructure the Markets business. Cost-saving actions have been initiated as a part of the programme. Fortum is currently in the process of recruiting a new head for the segment. Management changes in e.g. Markets' power procurement and the customer service unit have been implemented.

## 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	II/08	II/07	I-II/08	I-II/07	2007	LTM
Sales	152	-	152	-	-	152
- power sales	105	-	105	-	-	105
- heat sales	43	-	43	-	-	43
- other sales	4	-	4	-	-	4
Operating profit	-33	-	-33	-	244	211
Comparable operating profit	-33	-	-33	-	-	-33
Net assets (at period-end)			2,329	305	456	
Return on net assets, %					66.3	19.5
Comparable return on net assets, %					0.0	-1.4
Gross investments	43	-	1,074	-	245	1,319
Number of employees			7,188	-	-	

Fortum acquired 76.49% of TGC-10 shares in March 2008 through an auction held by RAO UES of Russia and the additional share issue of the company. TGC-10 operates in well-developed industrial regions of the Urals and Western Siberia. The rapidly growing activities of oil and gas companies and the significant increase in the housing construction are the main drivers behind the increasing power and heat demand in the region.

The segment's power sales during the second quarter amounted to 3.8 TWh. During the same period, heat sales from CHP production in the segment totalled 4.4 TWh.

The segment booked an operating loss in the second quarter of 2008. The loss can be explained by TGC-10's standalone loss of EUR 14 million, the surplus value depreciation of EUR 13 million (depreciation on the EUR 1,032 million that has been allocated to the

fair value of TGC-10's property, plant and equipment), and integration costs of EUR 6 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. The standalone loss for the consolidated second quarter is mainly explained by seasonality.

Fortum's share of TGC-1's 2007 financial result has been booked in the segment's second-quarter results, representing EUR 18 million in the share of profit of associates and joint ventures. The share of profit of associates and joint ventures is not included in the operating profit.

Russian power sector reform is continuing. Starting from 1 July, 25% 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, as planned. RAO UES, the former monopoly in the power and heat sector in Russia, has ceased to exist as of 1 July 2008. Its regulatory functions were divided between different governmental bodies.

TGC-10 has an extensive investment programme aiming to increase its power capacity to 5,300 MW by 2013. The total cost of the programme is estimated to amount to EUR 2.2 billion, according to the company's current plan.

The major part of the investment programme is the construction of Nyagan CHP, the biggest greenfield project in the Russian power industry in the last 25 years. A groundbreaking ceremony for the Nyagan CHP construction took place on 11 June 2008. The first two units of the CHP will be launched in 2011 and the third one by the end of 2012. The power capacity of the three units will be 1,200 MW.

Fortum is putting considerable focus on the integration of TGC-10 as a part of Fortum. The integration process started in April 2008.

Fortum has filed with TGC-10 the mandatory public tender offer to the company's minorities. The period of offer is from 30 April until 18 July 2008. The tender offer covers 23.51% of the share capital of TGC-10 and has been launched at a price of 111.8 roubles (approximately EUR 3) per share to be fully paid in cash. The tender price is the same price Fortum paid for its shares acquired through the auction and share issue, and it represents a significant premium to the market price.

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

Capital expenditures and investments in shares in January-June totalled EUR 1,459 (253) million. Investments, excluding acquisitions, were EUR 408 (236) 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 1,050 Fortum Service employees. According to the plan, Fortum will receive newly issued shares in Hafslund Infratek ASA, listed on the Oslo Stock Exchange. This transaction will bring Fortum's ownership of the combined company to 33%. Hafslund

ASA, today the majority shareholder of Hafslund Infratek, will hold 43.3% of the shares in the combined company.

## HEAT

In June, Fortum decided to invest in a new CHP plant in Pärnu, Estonia. The total value of the investment is around EUR 80 million. The production capacity of the plant will be 45 megawatts (MW) of heat and 23 MW of electricity. The plant is planned to be operational by the end of 2010.

The large CHP plant projects in Espoo, Finland, Tartu, Estonia, and Czestochowa, Poland, proceeded. The preparations continued for the CHP plants in Järvenpää, Finland, and Värtan and Brista, Sweden.

## DISTRIBUTION

Investments, excluding acquisitions, were EUR 133 (78) million. The AMM investment represented EUR 57 (9) million of the total for the segment.

## RUSSIA

The second-quarter capital expenditure in the Russian segment amounted to EUR 45 million. Practically all of this was related to the EUR 2.2 billion investment programme.

## Financing

Net debt increased during the second quarter by EUR 1,026 million to EUR 6,254 million (year-end 2007: EUR 4,466 million). The increase in net debt is due to the EUR 1,198 million dividend payment made in April.

Net debt to EBITDA for the last twelve months was 2.5 (1.9 at the year end 2007). The increase in net debt in 2008 is mainly due to the acquisition of 76.49% of TGC-10 and the dividend payment. Net debt to EBITDA excluding the Lenenergo sales gain for the last twelve months was 2.8 (2.2 at the end of 2007)

The Group's net financial expenses were EUR 119 (72) million. The increase is attributable to higher average net debt and higher average interest rates for the first half of 2008 compared to the corresponding period last year. Net financial expenses include fair value loss on financial instruments of EUR 3 (profit +2) million.

In June, Standard & Poor's Ratings Services affirmed its 'A-' long-term corporate credit ratings on Fortum Corporation. The outlook is stable. Fortum Corporation's long-term credit rating from Moody's was 'A2' (outlook stable).

## Shares and share capital

In January-June 2008, a total of 299.7 (497.1) million Fortum Corporation shares, totalling EUR 8,435 million, were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 28,621 million. The highest quotation of Fortum Corporation shares on the OMX Nordic Exchange Helsinki in the first half of the year 2008 was EUR 33.00, the lowest EUR 23.27, and the volume-

weighted average quotation EUR 28.18. The closing quotation on the last trading day of the quarter was EUR 32.26 (23.19).

Relating to the 2002B share option scheme, a total of 0.6 million options for a total of EUR 15.7 million were traded during the first half of 2008.

A total of 68,850 shares subscribed on the basis of share option schemes were entered into the trade register in the second quarter of 2008. At the end of the second quarter, Fortum Corporation did not own its own shares.

After registrations, Fortum Corporation's share capital is EUR 3,042,188,906.20 and the total number of registered shares is 887,191,443 at the end of the second quarter of 2008. The share capital of Fortum Corporation increased by a total of EUR 234,090.

At quarter-end, the amount of shares that can still be subscribed for and registered under the share option schemes is a maximum of 0.1% (1,175,602 shares) of Fortum's quarter-end share capital and voting rights.

At quarter-end, the Finnish state's holding in Fortum was 50.8%. The proportion of nominee registrations and direct foreign shareholders was 36.1%.

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 June was 12,603 (8,257). The number of employees at the end of the period was 16,069 (8,541). The increase in the number of employees is due to the acquisition of TGC-10.

## **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 and supply-demand balance, CO<sub>2</sub> emissions allowance prices and fuel prices. The exchange rates of the Swedish krona and Russian rouble also affect Fortum's reported results.

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.

In Russia, one of the key assumptions in the TGC-10 acquisition is the continuation of the Russian power sector reform. In the beginning of July, the share of the liberalised energy market increased from 15% to 25%. At the same time, the capacity market was started with the same degree of liberalisation. The wholesale power market is expected to be fully liberalised in 2011.



TGC-10 is committed and contractually obligated to a significant investment programme, amounting to approximately EUR 2.2 billion. The programme is estimated to be completed during 2013. The contractual obligations of TGC-10's investment programme include penalty clauses tied to the availability of the new generating capacity.

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 early-July 2008, the Nordic water reservoirs were about 6 TWh above the long-term average and 1 TWh below the corresponding level of 2007. In mid-July, the market price for emission allowances (EUA) for 2008 was about EUR 26-28 per tonne CO<sub>2</sub>. At the same time, the electricity forward price for the rest of 2008 was around EUR 60-63 per MWh and for 2009 around EUR 61-63 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 price, availability and utilisation of Fortum's flexible production portfolio and currency fluctuations. If Fortum did not hedge any of its production volumes, a 1 EUR/MWh change in the Nordic spot price would result in approximately a EUR 50 million change in Fortum's annual operating profit.

At the beginning of July 2008, Fortum had hedged approximately 70% of the Power Generation segment's estimated Nordic electricity sales volume for the rest of 2008 at approximately EUR 46 per MWh. For the calendar year 2009, approximately 45% of the Power Generation segment's estimated Nordic electricity sales volume was hedged at approximately EUR 51 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.

The acquisition of TGC-10 is expected to marginally dilute Fortum's EPS during 2008 and 2009. Fortum expects the full benefits of its targeted annual efficiency improvements in TGC-10 to reach at least EUR 30 million.

Fortum's results in the first half of 2008 were good. The Group's financial position is strong. With its flexible and climate-benign production portfolio, Fortum continues to be well positioned for the future.

Espoo, 16 July 2008  
Fortum Corporation  
Board of Directors

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

Publication of results in 2008:  
Interim Report January-September will be published on 22 October 2008.

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Information on the financial statements release, including detailed quarterly information, is available on Fortum's website at: [www.fortum.com/investors](http://www.fortum.com/investors)

**FORTUM GROUP**
**JANUARY-JUNE 2008**
*Interim Financial Statements are unaudited*
**CONSOLIDATED INCOME STATEMENT**

MEUR	Note	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
<b>Sales</b>	4	<b>1 322</b>	959	<b>2 762</b>	2 299	4 479	4 942
Other income		<b>-42</b>	43	<b>19</b>	48	393	364
Materials and services		<b>-465</b>	-316	<b>-986</b>	-802	-1 572	-1 756
Employee benefit costs		<b>-137</b>	-124	<b>-273</b>	-250	-495	-518
Depreciation, amortisation and impairment charges	4, 12	<b>-135</b>	-111	<b>-246</b>	-223	-451	-474
Other expenses		<b>-195</b>	-124	<b>-319</b>	-255	-507	-571
<b>Operating profit</b>		<b>348</b>	327	<b>957</b>	817	1 847	1 987
Share of profit of associates and joint ventures	4, 13	<b>36</b>	15	<b>70</b>	217	241	94
Interest expense		<b>-95</b>	-55	<b>-155</b>	-99	-220	-276
Interest income		<b>27</b>	16	<b>44</b>	28	76	92
Fair value gains and losses on financial instruments		<b>-1</b>	0	<b>-3</b>	2	7	2
Other financial expenses - net		<b>-5</b>	-2	<b>-5</b>	-3	-17	-19
Finance costs - net		<b>-74</b>	-41	<b>-119</b>	-72	-154	-201
<b>Profit before income tax</b>		<b>310</b>	301	<b>908</b>	962	1 934	1 880
Income tax expense	9	<b>-65</b>	-65	<b>-187</b>	-174	-326	-339
<b>Profit for the period</b>		<b>245</b>	236	<b>721</b>	788	1 608	1 541
<b>Attributable to:</b>							
Equity holders of the Company		<b>243</b>	231	<b>695</b>	753	1 552	1 494
Minority interest		<b>2</b>	5	<b>26</b>	35	56	47
		<b>245</b>	236	<b>721</b>	788	1 608	1 541
<b>Earnings per share for profit attributable to the equity holders of the company during the year (in € per share)</b>							
	10						
Basic		<b>0.27</b>	0.26	<b>0.78</b>	0.85	1.74	1.68
Diluted		<b>0.27</b>	0.26	<b>0.78</b>	0.84	1.74	1.68

CONSOLIDATED BALANCE SHEET

MEUR	Note	June 30 2008	June 30 2007	Dec 31 2007
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	12	426	79	85
Property, plant and equipment	12	13 118	11 311	11 343
Participations in associates and joint ventures	4, 13	2 461	2 471	2 853
Share in State Nuclear Waste Management Fund	16	528	458	516
Other long-term investments		86	103	99
Deferred tax assets		42	4	3
Derivative financial instruments	6	221	106	153
Long-term interest-bearing receivables		811	695	736
<b>Total non-current assets</b>		<b>17 693</b>	<b>15 227</b>	<b>15 788</b>
<b>Current assets</b>				
Inventories		316	301	285
Derivative financial instruments	6	260	181	140
Trade and other receivables		1 015	863	1 034
Cash and cash equivalents		1 247	879	427
<b>Total current assets</b>		<b>2 838</b>	<b>2 224</b>	<b>1 886</b>
<b>Total assets</b>		<b>20 531</b>	<b>17 451</b>	<b>17 674</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to the Company's equity holders</b>				
Share capital	14	3 042	3 037	3 040
Other restricted funds		82	78	78
Fair value and other reserves		82	704	715
Retained earnings		3 961	3 917	4 526
<b>Total</b>		<b>7 167</b>	<b>7 736</b>	<b>8 359</b>
<b>Minority interest</b>		<b>925</b>	<b>278</b>	<b>292</b>
<b>Total equity</b>		<b>8 092</b>	<b>8 014</b>	<b>8 651</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Interest-bearing liabilities	15	6 543	4 565	4 288
Derivative financial instruments	6	373	135	139
Deferred tax liabilities		1 808	1 788	1 687
Nuclear provisions	16	528	458	516
Pension and other provisions		270	152	144
Other liabilities		464	470	486
<b>Total non-current liabilities</b>		<b>9 986</b>	<b>7 568</b>	<b>7 260</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	15	958	924	605
Derivative financial instruments	6	509	142	260
Trade and other payables		986	803	898
<b>Total current liabilities</b>		<b>2 453</b>	<b>1 869</b>	<b>1 763</b>
<b>Total liabilities</b>		<b>12 439</b>	<b>9 437</b>	<b>9 023</b>
<b>Total equity and liabilities</b>		<b>20 531</b>	<b>17 451</b>	<b>17 674</b>

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
<b>Total equity at 31.12.2007</b>	<b>3 040</b>	<b>78</b>	<b>715</b>	<b>-</b>	<b>4 526</b>	<b>8 359</b>	<b>292</b>	<b>8 651</b>
Translation and other differences		4			-62	-58	-19	-77
Cash flow hedges			-208			-208	-3	-211
Other fair value adjustments <sup>1)</sup>			-429			-429		-429
Total gains and losses not recognised in Income statement	-	4	-637	-	-62	-695	-22	-717
Net profit for the period					695	695	26	721
<b>Total recognised income for the period</b>	<b>-</b>	<b>4</b>	<b>-637</b>	<b>-</b>	<b>633</b>	<b>0</b>	<b>4</b>	<b>4</b>
Stock options exercised	2					2		2
Cash dividend <sup>2)</sup>					-1 198	-1 198		-1 198
Changes due to business combinations			4			4	629	633
<b>Total equity at 30.06.2008</b>	<b>3 042</b>	<b>82</b>	<b>82</b>	<b>-</b>	<b>3 961</b>	<b>7 167</b>	<b>925</b>	<b>8 092</b>
<b>Total equity at 31.12.2006</b>	<b>3 023</b>	<b>74</b>	<b>511</b>	<b>-</b>	<b>4 300</b>	<b>7 908</b>	<b>253</b>	<b>8 161</b>
Translation and other differences					-10	-10	-6	-16
Cash flow hedges			-47			-47		-47
Other fair value adjustments <sup>1)</sup>			240			240		240
Total gains and losses not recognised in Income statement	-	-	193	-	-10	183	-6	177
Net profit for the period					753	753	35	788
<b>Total recognised income for the period</b>	<b>-</b>	<b>-</b>	<b>193</b>	<b>-</b>	<b>743</b>	<b>936</b>	<b>29</b>	<b>965</b>
Stock options exercised	14					14		14
Cash dividend <sup>2)</sup>					-1 122	-1 122		-1 122
Changes between restricted and unrestricted equity		4			-4	0		0
Changes due to business combinations						-	-4	-4
<b>Total equity at 30.6.2007</b>	<b>3 037</b>	<b>78</b>	<b>704</b>	<b>-</b>	<b>3 917</b>	<b>7 736</b>	<b>278</b>	<b>8 014</b>
<b>Total equity at 31.12.2006</b>	<b>3 023</b>	<b>74</b>	<b>511</b>	<b>-</b>	<b>4 300</b>	<b>7 908</b>	<b>253</b>	<b>8 161</b>
Translation and other differences					-25	-25	-11	-36
Cash flow hedges			-168			-168	-2	-170
Other fair value adjustments <sup>1)</sup>			372			372		372
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
<b>Total recognised income for the period</b>	<b>-</b>	<b>-</b>	<b>204</b>	<b>-</b>	<b>1 527</b>	<b>1 731</b>	<b>43</b>	<b>1 774</b>
Stock options exercised	17					17		17
Cash dividend <sup>2)</sup>					-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
<b>Total equity at 31.12.2007</b>	<b>3 040</b>	<b>78</b>	<b>715</b>	<b>-</b>	<b>4 526</b>	<b>8 359</b>	<b>292</b>	<b>8 651</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 13 Changes in participations in associates and joint ventures.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	Note	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
<b>Cash flow from operating activities</b>							
Operating profit before depreciations		483	438	1 203	1 040	2 298	2 461
Non-cash flow items and divesting activities		55	-6	18	-5	-286	-263
Financial items and realised foreign exchange gains and losses		-35	133	-80	95	-10	-185
Taxes		-123	-119	-200	-237	-383	-346
<b>Funds from operations</b>		<b>380</b>	<b>446</b>	<b>941</b>	<b>893</b>	<b>1 619</b>	<b>1 667</b>
Change in working capital		117	127	98	177	51	-28
<b>Total net cash from operating activities</b>		<b>497</b>	<b>573</b>	<b>1 039</b>	<b>1 070</b>	<b>1 670</b>	<b>1 639</b>
<b>Cash flow from investing activities</b>							
Capital expenditures <sup>1)</sup>	4, 12	-215	-113	-379	-213	-592	-758
Acquisition of subsidiaries, net of cash acquired	7	0	0	-764	-8	-10	-766
Acquisition of associates <sup>2)</sup>	13	0	0	-8	0	-271	-279
Acquisition of other long-term investments		-1	-2	-1	-2	-4	-3
Proceeds from sales of fixed assets		1	2	5	9	14	10
Proceeds from sales of subsidiaries, net of cash disposed	7	0	0	0	0	0	0
Proceeds from sales of associates	13	0	4	0	4	304	300
Proceeds from sales of other long-term investments		0	0	0	0	29	29
Change in interest-bearing receivables		-20	-1	-50	-37	-79	-92
<b>Total net cash used in investing activities</b>		<b>-235</b>	<b>-110</b>	<b>-1 197</b>	<b>-247</b>	<b>-609</b>	<b>-1 559</b>
<b>Cash flow before financing activities</b>		<b>262</b>	<b>463</b>	<b>-158</b>	<b>823</b>	<b>1 061</b>	<b>80</b>
<b>Cash flow from financing activities</b>							
Net change in loans		64	469	2 321	1 009	488	1 800
Dividends paid to the Company's equity holders		-1 198	-1 122	-1 198	-1 122	-1 122	-1 198
Repurchase of own shares		-	-	-	-	-175	-175
Other financing items		-125	1	-124	11	18	-117
<b>Total net cash used in financing activities</b>		<b>-1 259</b>	<b>-652</b>	<b>999</b>	<b>-102</b>	<b>-791</b>	<b>310</b>
<b>Total net increase (+)/decrease (-) in cash and marketable securities</b>		<b>-997</b>	<b>-189</b>	<b>841</b>	<b>721</b>	<b>270</b>	<b>390</b>

<sup>1)</sup> Capital expenditures in cash-flow do not include not yet paid investments. Capitalised borrowing costs are included in interest costs paid.

<sup>2)</sup> Acquisition of associates include share issues.

**FORTUM GROUP**  
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**KEY RATIOS**

	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007	Last twelve months
<b>MEUR</b>							
EBITDA, MEUR	1 203	720	2 298	1 663	1 040	602	2 461
Earnings per share (basic), EUR	0.78	0.51	1.74	1.33	0.85	0.59	1.68
Capital employed, MEUR	15 593	16 868	13 544	13 764	13 503	12 593	15 593
Interest-bearing net debt, MEUR	6 254	5 228	4 466	4 456	4 610	3 932	N/A
Capital expenditure and gross investments in shares, MEUR	1 459	1 227	972	646	253	115	2 178
Capital expenditure, MEUR	408	175	655	382	236	100	827
Return on capital employed, % <sup>1)</sup>	14.6	17.3	16.5	15.1	14.8	18.0	14.9
Adjusted return on capital employed, % <sup>2)</sup>			14.0				13.8
Return on shareholders' equity, % <sup>1)</sup>	17.2	21.0	19.1	17.8	17.2	21.1	19.1
Adjusted return on shareholders' equity, % <sup>2)</sup>			15.8				17.5
Net debt / EBITDA <sup>1)</sup>	2.6	1.8	1.9	2.1	2.2	1.6	2.5
Adjusted Net debt / EBITDA <sup>3)</sup>			2.2	2.3			2.8
Interest coverage	8.6	14.1	12.8	12.4	11.5	15.3	10.8
Funds from operations/interest-bearing net debt, % <sup>1)</sup>	30.1	42.9	36.3	33.9	36.1	45.5	26.7
Gearing, %	77	56	52	52	58	52	N/A
Equity per share, EUR	8.08	9.53	9.43	9.21	8.68	8.22	N/A
Equity-to-assets ratio, %	39	44	49	48	46	43	N/A
Average number of employees	12 603	8 356	8 304	8 305	8 257	8 165	N/A
Number of employees	16 069	15 689	8 303	8 306	8 541	8 190	N/A
Average number of shares, 1 000 shares	887 131	887 085	889 997	890 984	890 770	890 263	888 503
Diluted adjusted average number of shares, 1 000 shares	888 165	888 177	891 395	892 815	893 140	893 252	889 533
Number of registered shares, 1 000 shares	887 191	887 123	886 683	892 119	891 472	890 685	N/A
Number of shares excluding treasury shares, 1000 shares	N/A	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1)</sup> Quarterly figures are annualised.

<sup>2)</sup> Adjusted for REC and Lenenergo gains in 2007.

<sup>3)</sup> Based on EBITDA excluding capital gain from the sale of Fortum's holding in Lenenergo amounting to EUR 232 million.

For definitions, see Note 23.

## **NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **1. BASIS OF PREPARATION**

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 Generation 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 interpretations**

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

- IFRIC 11 IFRS 2: Group and treasury share transactions The share-based payment arrangements established within Fortum Group are not subject to IFRIC 11 because they are cash-settled.
- 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 expected to have a significant impact on Group's accounts. The interpretation has not yet been endorsed in the EU.
- 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.

These new interpretations have not had any effect on the reported income statement, balance sheet or disclosures.

For further information on accounting of associates, see Note 13 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	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power sales excluding indirect taxes	809	515	1 568	1 190	2 370	2 748
Heating sales	267	202	662	590	1 096	1 168
Network transmissions	169	162	391	378	729	742
Other sales	77	80	141	141	284	284
<b>Total</b>	<b>1 322</b>	<b>959</b>	<b>2 762</b>	<b>2 299</b>	<b>4 479</b>	<b>4 942</b>

SALES BY SEGMENT						
MEUR	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation	721	522	1 438	1 163	2 350	2 625
- of which internal	21	92	74	248	323	149
Heat	284	252	777	731	1 356	1 402
- of which internal	0	11	7	35	38	10
Distribution	180	172	412	397	769	784
- of which internal	2	2	5	4	9	10
Markets	411	351	930	870	1 683	1 743
- of which internal	34	32	66	76	155	145
Russia	152	-	152	-	-	152
- of which internal	-	-	-	-	-	-
Other	21	22	41	41	81	81
- of which internal	21	19	41	35	72	78
Netting of Nord Pool transactions <sup>1)</sup>	-369	-204	-795	-505	-1 163	-1 453
Eliminations	-78	-156	-193	-398	-597	-392
<b>Total</b>	<b>1 322</b>	<b>959</b>	<b>2 762</b>	<b>2 299</b>	<b>4 479</b>	<b>4 942</b>

<sup>1)</sup> 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	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation	260	243	691	543	1 115	1 263
Heat	37	33	167	175	294	286
Distribution	51	53	137	132	233	238
Markets	31	7	11	-5	12	28
Russia	-33	-	-33	-	244	211
Other	2	-9	-16	-28	-51	-39
<b>Total</b>	<b>348</b>	<b>327</b>	<b>957</b>	<b>817</b>	<b>1 847</b>	<b>1 987</b>

COMPARABLE OPERATING PROFIT BY SEGMENTS						
MEUR	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation	384	217	779	547	1 095	1 327
Heat	27	36	148	173	290	265
Distribution	49	52	136	130	231	237
Markets	-15	3	-25	-11	-1	-15
Russia	-33	-	-33	-	-	-33
Other	-9	-10	-21	-29	-51	-43
<b>Comparable operating profit</b>	<b>403</b>	<b>298</b>	<b>984</b>	<b>810</b>	<b>1 564</b>	<b>1 738</b>
Non-recurring items	0	4	2	5	250	247
Other items effecting comparability	-55	25	-29	2	33	2
<b>Operating profit</b>	<b>348</b>	<b>327</b>	<b>957</b>	<b>817</b>	<b>1 847</b>	<b>1 987</b>

NON-RECURRING ITEMS BY SEGMENTS						
MEUR	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation	0	2	0	2	2	0
Heat	0	1	2	1	2	3
Distribution	0	0	0	1	0	-1
Markets	0	0	0	0	0	0
Russia	0	-	0	-	244	244
Other	0	1	0	1	2	1
<b>Total</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>250</b>	<b>247</b>

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

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**OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS**

	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation <sup>1)</sup>	-124	24	-88	-6	18	-64
Heat	10	-4	17	1	2	18
Distribution	2	1	1	1	2	2
Markets	46	4	36	6	13	43
Russia	-	-	-	-	-	-
Other	11	0	5	0	-2	3
<b>Total</b>	<b>-55</b>	<b>25</b>	<b>-29</b>	<b>2</b>	<b>33</b>	<b>2</b>
<sup>1)</sup> Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	-8	-4	-17	-9	17	9

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**

MEUR	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation	25	26	49	52	103	100
Heat	41	40	83	80	163	166
Distribution	42	40	83	79	162	166
Markets	2	3	4	7	11	8
Russia	22	-	22	-	-	22
Other	3	2	5	5	12	12
<b>Total</b>	<b>135</b>	<b>111</b>	<b>246</b>	<b>223</b>	<b>451</b>	<b>474</b>

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

MEUR	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation <sup>1)</sup>	1	-6	-7	-12	-23	-18
Heat	1	5	8	12	24	20
Distribution	1	3	11	9	18	20
Markets	1	0	1	1	0	0
Russia	18	-	18	-	-	18
Other	14	13	39	207	222	54
<b>Total</b>	<b>36</b>	<b>15</b>	<b>70</b>	<b>217</b>	<b>241</b>	<b>94</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.

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

MEUR	June 30 2008	June 30 2007	Dec 31 2007
Power Generation	802	775	806
Heat	157	146	158
Distribution	242	220	229
Markets	8	9	8
Russia	481	277	455
Other	771	1 044	1 197
<b>Total</b>	<b>2 461</b>	<b>2 471</b>	<b>2 853</b>

**CAPITAL EXPENDITURE BY SEGMENTS**

MEUR	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation	32	24	50	40	93	103
Heat <sup>1)</sup>	78	65	169	109	309	369
Distribution <sup>2)</sup>	72	42	133	78	236	291
Markets	2	1	3	2	3	4
Russia	45	-	45	-	-	45
Other	4	4	8	7	14	15
<b>Total</b>	<b>233</b>	<b>136</b>	<b>408</b>	<b>236</b>	<b>655</b>	<b>827</b>

<sup>1)</sup> Increase is mainly due to ongoing large CHP-plant construction projects in Espoo in Finland, Tarto in Estonia and Czestochowa in Poland.

<sup>2)</sup> 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	Q2 2008	Q2 2007	Q1-Q2 2008	Q1-Q2 2007	2007	Last twelve months
Power Generation	-	0	-	-	52	52
Heat	1	0	22	15	18	25
Distribution	0	0	0	0	1	1
Markets	0	0	0	0	0	0
Russia <sup>1)</sup>	-2	-	1 029	-	245	1 274
Other	0	2	0	2	1	-1
<b>Total</b>	<b>-1</b>	<b>2</b>	<b>1 051</b>	<b>17</b>	<b>317</b>	<b>1 351</b>

<sup>1)</sup> See Note 7 Acquisitions and disposals.

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**NET ASSETS BY SEGMENTS**

MEUR	June 30 2008	June 30 2007	Dec 31 2007
Power Generation	5 524	5 657	5 599
Heat	3 599	3 333	3 507
Distribution	3 330	3 282	3 239
Markets	236	149	247
Russia	2 329	305	456
Other	825	1 052	1 237
<b>Total</b>	<b>15 843</b>	<b>13 778</b>	<b>14 285</b>

**RETURN ON NET ASSETS BY SEGMENTS**

%	Last twelve months	Dec 31 2007
Power Generation	22.2	19.2
Heat	8.8	9.3
Distribution	7.8	7.7
Markets	14.1	6.9
Russia	19.5	66.3
Other	1.7	17.1

**COMPARABLE RETURN ON NET ASSETS BY SEGMENTS**

%	Last twelve months	Dec 31 2007
Power Generation	21.3	18.9
Heat	7.1	9.2
Distribution	8.3	7.6
Markets	-10.0	-0.6
Russia	-1.4	0.0
Other <sup>1)</sup>	5.3	-2.1

<sup>1)</sup> 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	June 30 2008	June 30 2007	Dec 31 2007
Power Generation	6 026	6 161	6 154
Heat	3 976	3 686	3 928
Distribution	3 815	3 729	3 778
Markets	794	496	630
Russia	2 589	305	456
Other	920	1 166	1 392
<b>Assets included in Net assets</b>	<b>18 120</b>	<b>15 543</b>	<b>16 338</b>
Interest-bearing receivables	823	718	747
Deferred taxes	42	4	3
Other assets	299	307	159
Cash and cash equivalents	1 247	879	427
<b>Total assets</b>	<b>20 531</b>	<b>17 451</b>	<b>17 674</b>

**LIABILITIES BY SEGMENTS**

MEUR	June 30 2008	June 30 2007	Dec 31 2007
Power Generation	502	504	555
Heat	377	353	421
Distribution	485	447	539
Markets	558	347	383
Russia	260	-	-
Other	95	114	155
<b>Liabilities included in Net assets</b>	<b>2 277</b>	<b>1 765</b>	<b>2 053</b>
Deferred tax liabilities	1 808	1 788	1 687
Other liabilities	853	395	390
<b>Total liabilities included in Capital employed</b>	<b>4 938</b>	<b>3 948</b>	<b>4 130</b>
<b>Interest-bearing liabilities</b>	<b>7 501</b>	<b>5 489</b>	<b>4 893</b>
<b>Total equity</b>	<b>8 092</b>	<b>8 014</b>	<b>8 651</b>
<b>Total equity and liabilities</b>	<b>20 531</b>	<b>17 451</b>	<b>17 674</b>

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**

	Q1-Q2 2008	Q1-Q2 2007	2007
Power Generation	3 585	3 402	3 475
Heat	2 390	2 313	2 302
Distribution	1 166	1 053	1 060
Markets	831	935	936
Russia	4 110	-	-
Other	521	554	531
<b>Total</b>	<b>12 603</b>	<b>8 257</b>	<b>8 304</b>

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	June 30 2008	June 30 2007	Dec 31 2007
<b>NUMBER OF EMPLOYEES</b>			
Power Generation	3 790	3 550	3 511
Heat	2 517	2 331	2 279
Distribution	1 221	1 103	1 063
Markets	817	969	935
Russia	7 188	-	-
Other	536	588	515
<b>Total</b>	<b>16 069</b>	<b>8 541</b>	<b>8 303</b>

**5. QUARTERLY SEGMENT INFORMATION**

Extended quarterly information is available on Fortum's website [www.fortum.com/investors/financial information](http://www.fortum.com/investors/financial%20information).

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

<b>QUARTERLY OPERATING PROFIT BY SEGMENTS MEUR</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
Power Generation	260	431	351	221	243	300
Heat	37	130	121	-2	33	142
Distribution	51	86	51	50	53	79
Markets	31	-20	2	15	7	-12
Russia	-33	0	12	232	-	-
Other	2	-18	-17	-6	-9	-19
<b>Total</b>	<b>348</b>	<b>609</b>	<b>520</b>	<b>510</b>	<b>327</b>	<b>490</b>

<b>QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS MEUR</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
Power Generation	384	395	363	185	217	330
Heat	27	121	120	-3	36	137
Distribution	49	87	50	51	52	78
Markets	-15	-10	-1	11	3	-14
Russia	-33	-	-	-	-	-
Other	-9	-12	-16	-6	-10	-19
<b>Total</b>	<b>403</b>	<b>581</b>	<b>516</b>	<b>238</b>	<b>298</b>	<b>512</b>

<b>QUARTERLY NON-RECURRING ITEMS BY SEGMENTS MEUR</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
Power Generation	0	0	0	0	2	0
Heat	0	2	1	0	1	0
Distribution	0	0	0	-1	0	1
Markets	0	-	-1	1	0	0
Russia	-	-	12	232	-	-
Other	0	0	1	0	1	0
<b>Total</b>	<b>0</b>	<b>2</b>	<b>13</b>	<b>232</b>	<b>4</b>	<b>1</b>

<b>QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY</b>	<b>Q2 2008</b>	<b>Q1 2008</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q2 2007</b>	<b>Q1 2007</b>
Power Generation <sup>1)</sup>	-124	36	-12	36	24	-30
Heat	10	7	0	1	-4	5
Distribution	2	-1	1	0	1	0
Markets	46	-10	4	3	4	2
Russia	-	-	-	-	-	-
Other	11	-6	-2	0	0	0
<b>Total</b>	<b>-55</b>	<b>26</b>	<b>-9</b>	<b>40</b>	<b>25</b>	<b>-23</b>

<sup>1)</sup> Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):

-8	-9	-7	33	-4	-5
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## 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	June 30 2008		June 30 2007		Dec 31 2007	
	Notional value	Net fair value	Notional value	Net fair value	Notional value	Net fair value
<b>Interest and currency derivatives</b>						
Interest rate swaps	2 726	-11	3 858	-45	3 500	-16
Forward foreign exchange contracts	4 509	20	4 701	8	4 452	30
Forward rate agreements	686	0	540	0	741	0
Interest rate and currency swaps	2 898	69	2 839	-4	3 293	66
<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	138	-2 270	117	-36	119	-651
Purchase swaps	107	1 782	88	27	88	461
Purchased options	2	13	8	2	0	0
Written options	6	-30	13	-5	2	-1
<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	657	-21	990	-3	460	-4
Purchase swaps and futures	857	28	1 325	5	795	9
<b>Coal 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>
	kt	MEUR	kt	MEUR	kt	MEUR
Sold	330	-16	60	0	150	-1
Bought	635	33	105	0	375	1
<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	4 507	-40	3 038	0	3 101	-13
Bought	4 502	41	4 090	-1	3 121	13
<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>	35	53	36	51	36	66

<sup>1)</sup> 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.

Depending on the timing of the volumes, the agreement will fully be classified as an own use contract and valued at cost. Since the timing, volumes (and also the market price for the ERUs) are uncertain, the agreement is treated as an own use contract until more information is available, i.e. with no impact to income statement or balance sheet. The ERUs purchased cover approximately half of Fortum's annual CO2 emissions.

**7. ACQUISITIONS AND DISPOSALS**

Total Gross investment in subsidiary shares (see definition of key figures) amounted to EUR 1,051 (17) million of which EUR 1,029 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.

No divestments of shares in subsidiaries have taken place during the period.

**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 for last twelve months in TGC-10 were EUR 590 million and operating profit was EUR 26 million based on Q3 2007 published Interim 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. 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 is valid from 30 April until 18 July 2008. The terms and conditions of the mandatory offer can be viewed at Fortum's website.

The gross investment for the total transaction was EUR 1,029 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 a preliminary 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. The main changes from Q1 2008 were changes to provisions and property, plant and equipment both in the preliminary balance sheet of TGC-10 as of 31 March and the purchase price allocation. The Fortum Q2 2008 Interim report includes income statement effect from TGC-10 from 1 April 2008.

<b>MEUR</b>	<b>TGC-10</b>		
<b>Purchase consideration</b>			
Cash paid			2 069
Direct costs relating to the acquisition			7
<b>Total purchase consideration</b>			<b>2 076</b>
<b>Fair value of the acquired assets</b>			<b>1 737</b>
Goodwill			339
<b>Fair value of the acquired net identifiable assets:</b>	<b>Acquired</b>	<b>Allocated</b>	<b>Total</b>
	<b>Book Values</b>	<b>Fair Values</b>	<b>Value</b>
Cash and cash equivalents	1 321		1 321
Property, plant and equipment	596	1 032	1 628
Other assets	231		231
Non-interest-bearing liabilities	-139	-394	-533
Interest-bearing liabilities	-274		-274
Net identifiable assets	1 735	638	2 373
Minority interests	-408	-228	-636
<b>Total</b>	<b>1 327</b>	<b>410</b>	<b>1 737</b>
<b>Gross investment in TGC-10:</b>			
Purchase consideration settled in cash			2 076
Cash and cash equivalents in subsidiaries acquired			1 321
Cash outflow on acquisition			755
Interest-bearing debt in subsidiaries acquired			274
<b>Total</b>			<b>1 029</b>

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**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:

	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
<b>Average rate</b>						
Sweden (SEK)	9.4088	9.4265	9.2475	9.2185	9.2020	9.1787
Norway (NOK)	7.9843	7.9998	8.0253	8.0466	8.1205	8.1563
Poland (PLN)	3.4926	3.5676	3.7792	3.8285	3.8439	3.8858
Russia (RUB)	36.6348	36.4660	35.0759	34.8320	34.6997	34.5633
	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
<b>Balance sheet date rate</b>						
Sweden (SEK)	9.4703	9.3970	9.4415	9.2147	9.2525	9.3462
Norway (NOK)	8.0090	8.0510	7.9580	7.7185	7.9725	8.1190
Poland (PLN)	3.3513	3.5220	3.5935	3.7730	3.7677	3.8668
Russia (RUB)	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 period January to June 2008 was 20.6% (18.1%). The tax rate for the period is higher than in the comparable period 2007 mainly due to the impact of Hafslund's sale of REC shares in March 2007, 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. The tax rate for the period calculated excluding the share of profits from associates and joint ventures was 22.3% (23.4%).

The tax rate for the full year 2007, excluding the share of profits from associates and Lenenergo sales gain was 22.3%.

**10. EARNINGS PER SHARE**

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

	Q1-Q2 2008	Q1-Q2 2007	2007
Earnings (MEUR):			
Profit attributable to the equity holders of the Company	695	753	1 552
Number of shares (thousands):			
Weighted average number of shares for the purpose of basic earnings per share	887 131	890 770	889 997
Effect of dilutive share options	1 034	2 370	1 398
Weighted average number of shares for the purpose of diluted earnings per share	888 165	893 140	891 395

**11. DIVIDEND PER SHARE**

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.

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 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	June 30 2008	June 30 2007	Dec 31 2007
Opening balance	11 428	11 567	11 567
Increase through acquisition of subsidiary companies	1 999	13	16
Capital expenditures	408	236	654
Capitalised borrowing costs	7	0	1
Changes of nuclear asset retirement cost	-	-	25
Changes of emission rights	-	-8	-9
Disposals	-3	-7	-11
Depreciation, amortisation and impairment	-246	-223	-451
Translation differences	-49	-188	-364
<b>Closing balance</b>	<b>13 544</b>	<b>11 390</b>	<b>11 428</b>

**13. CHANGES IN PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES**

<b>MEUR</b>	<b>June 30 2008</b>	June 30 2007	Dec 31 2007
Opening balance	2 853	2 197	2 197
Share of profits of associates and joint ventures	70	217	241
Investments	7	-	1
Share issues and shareholders' contributions	1	-	294
Increase through acquisition of subsidiaries	35	-	-
Reclassifications	-1	-	-
Divestments	-	-	-68
Dividend income received	-46	-169	-178
Fair value and other changes in equity	-458	226	366
<b>Closing balance</b>	<b>2 461</b>	<b>2 471</b>	<b>2 853</b>

**Share of profits from associates and joint ventures**

Share of profits from associates in Q2 EUR 36 million (2007: 15 million) mainly represents Fortum's share of profits in Hafslund EUR 14 million (2007 : 13 million) and TGC-1 EUR 18 million. Fortum's share of profits for Q1-Q2 amounts to EUR 70 million (2007: 217 million), of which Hafslund represents EUR 39 million (2007: 207 million). See below for accounting principles.

**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 net sales of the company are around EUR 27 million, annual heat sales 1 terawatt-hour (TWh) and power sales 20 gigawatt-hours (GWh). The investment was EUR 7 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.

**Dividends received**

During Q2 2008 Fortum has received EUR 40 million in dividends from Hafslund and Gasum. During Q2 2007 Fortum received EUR 169 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 Q2 the fair value change of the REC shares was EUR -28 million (2007: 285 million). The fair value change of the REC shares since year-end was EUR -437 million (2007: 359 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-June 2008 results on 17 July 2008.

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 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 356 million at 30 June 2008, which represents a decrease with EUR 437 million from 31 December 2007.

**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**

<b>MEUR</b>	<b>Number of shares June 30 2008</b>	<b>Share capital June 30 2008</b>	Number of shares June 30 2007	Share capital June 30 2007	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	887 393 646	3 023
Shares subscribed with options and registered at the end of the period	508 385	2	4 078 307	14	5 199 412	17
Cancellation of own shares	-	-	-	-	-5 910 000	-
<b>Registered shares at the end of the period</b>	<b>887 191 443</b>	<b>3 042</b>	891 471 953	3 037	886 683 058	3 040
Unregistered shares	-	-	-	-	50 000	-

**15. INTEREST-BEARING LIABILITIES**

The reported interest-bearing gross debt increased during the quarter by EUR 36 million from EUR 7,465 million to EUR 7,501 million. No major new financing transactions were made in the Group during the second quarter.

Cash decreased by EUR 990 million from EUR 2,237 million to EUR 1,247 million including cash held by TGC-10 amounting to EUR 1,190 million. The decrease in cash is due to dividend payment in April of EUR 1,198 million.

During the first quarter 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 first quarter EUR 2,100 million of the new facility was drawn.

The amount of re-borrowing from the Finnish State Nuclear Waste Management Fund was increased by EUR 50 million to EUR 708 million in the first quarter. Fortum also increased the amount of short term financing by issuing Commercial Papers (CPs) in the Finnish and Swedish markets. During the first quarter a long term Eurobond (originally issued in 2001) of EUR 500 million was repaid.



**16. NUCLEAR RELATED ASSETS AND LIABILITIES**

MEUR	June 30 2008	June 30 2007	Dec 31 2007
<b>Carrying values in the balance sheet:</b>			
Nuclear provisions	528	458	516
Share in the State Nuclear Waste Management Fund	528	458	516
<b>Legal liability and actual share of the State Nuclear Waste Management Fund:</b>			
Liability for nuclear waste management according to the Nuclear Energy Act	816	685	816
Funding obligation target	698	649	698
Fortum's share of the State Nuclear Waste Management Fund	698	649	673

**Nuclear related provisions**

The provisions related to nuclear waste management, i.e. decommissioning of the power plant and spent fuel, are based on cash-flows for future costs which are also the basis for the legal liability. An updated cost estimate is done every year and an updated technical plan is made every third year. The legal liability decided by the government in January 2008 was based on an updated technical plan and Fortum accounted for the effects based on the submitted proposal in Q3 2007.

**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 fund is from an IFRS perspective overfunded with EUR 170 million, since Fortum's share of the Fund as of 30 June 2008 is EUR 698 million and the carrying value in the balance sheet is EUR 528 million.

**Effects to comparable operating profit and operating profit**

Following the updated technical plan, Fortum had in Q3 2007 a one-time effect to Comparable operating profit of EUR -13 million in the Power Generation segment mainly due to changes in estimated cash-flows for disposal of spent fuel. Any costs 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 Q3 2007 of EUR +33 million and the cumulative effect for the full year 2007 was EUR +17 million. The effect in Q2 2008 was EUR -8 million compared to EUR -4 million in Q2 2007. The cumulative effect 2008 was EUR -17 million compared to EUR -9 million in 2007.

**Associated companies**

As disclosed in the Financial Statement 2007, Fortum has not been able to account for the nuclear related assets and provisions according to Fortum accounting principles for its Swedish nuclear associated companies, since the separate cash-flow information for the provisions is not available.

**17. PLEDGED ASSETS**

MEUR	June 30 2008	June 30 2007	Dec 31 2007
<b>On own behalf</b>			
For debt			
Pledges	228	215	170
Real estate mortgages	138	46	138
For other commitments			
Real estate mortgages	206	103	103
<b>On behalf of associated companies and joint ventures</b>			
Pledges and real estate mortgages	3	3	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 30 June 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. COMMITMENTS**

MEUR	June 30 2008	June 30 2007	Dec 31 2007
<b>Operating lease commitments</b>			
Due within a year	25	18	21
Due after one year and within five years	39	34	31
Due after five years	93	72	69
<b>Total</b>	<b>157</b>	<b>124</b>	<b>121</b>

Capital commitments for the purchase of property, plant and equipment and intangible assets amounts to EUR 492 million as at 30 June 2008 (EUR 436 million at year end 2007).

**19. CONTINGENT LIABILITIES**

<b>MEUR</b>	<b>June 30 2008</b>	June 30 2007	Dec 31 2007
On own behalf			
Other contingent liabilities	<b>849</b>	162	224
On behalf of associated companies and joint ventures			
Guarantees	<b>638</b>	238	235
Other contingent liabilities	<b>125</b>	125	125
On behalf of others			
Guarantees	<b>10</b>	14	10
Other contingent liabilities	<b>1</b>	1	1

Other contingent liabilities on own behalf, EUR 849 million, have increased with EUR 625 million since 31 December 2007. The reason for the increase is that Fortum has given a guarantee to cover payments relating to the mandatory public tender offering for TGC-10. The guarantee expires at year-end 2008.

**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 decommissioning 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 196 million) at year-end 2007 to SEK 5 314 million (EUR 561 million) during Q2 2008. This amount will also apply for 2009.

**20. 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.

**21. 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 increase in amount of shares due to the share subscriptions under the option schemes, the Finnish state owned 50.83% of the Company's shares at 30 June 2008.

**ASSOCIATED COMPANY TRANSACTIONS**

<b>MEUR</b>	<b>Q2 2008</b>	Q2 2007	2007
Sales to associated companies	<b>65</b>	74	129
Interest on associated company loan receivables	<b>17</b>	13	26
Purchases from associated companies	<b>272</b>	255	519

**ASSOCIATED COMPANY BALANCES**

<b>MEUR</b>	<b>June 30 2008</b>	June 30 2007	Dec 31 2007
Long-term interest-bearing loan receivables	<b>682</b>	600	636
Trade receivables	<b>15</b>	12	17
Other receivables	<b>7</b>	8	7
Long-term loan payables	<b>184</b>	172	171
Trade payables	<b>10</b>	10	25
Other payables	<b>38</b>	20	53

**TRANSACTIONS AND BALANCES WITH JOINT VENTURES**

Transactions and balances with joint ventures as at and for the period ended 30 June 2008 are not material for the Group.

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

Fortum Corporation's Annual General Meeting (AGM) was held on April 1 2008. The AGM authorised the board of Directors to repurchase the company's own shares by using non-restricted equity. The authorisation is valid until the next AGM. The maximum amount of shares to be repurchased is 15 million shares for a maximum amount of EUR 300 million.

Shares repurchased shall be cancelled by a separate decision of the Board of Directors. Regarding the decision for dividend payment, see Note 11.

Norwegian Renewable Energy Corporation (REC) is partly owned by Fortum's associated company Hafslund ASA. Fortum shows the fair value changes of REC in equity. At end of June the cumulative fair value change booked in Fortum's equity was EUR 356 million. REC's share price has decreased since the end of June. Based on REC's closing price on 14 July the cumulative fair value change in Fortum's equity would have been -EUR 341 million.

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**23. 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 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, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}}$	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, %	=	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint}}{\text{Net assets average}}$	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	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares excluding treasury shares at the end of the period}}$	
Last twelve months	=	Twelve months preceding the reporting date	