

Fortum Corporation  
Interim Report  
January–March 2005



**Fortum**

**Good first-quarter results**  
**- Neste Oil separation successfully completed**

**January-March in brief**

- Profit before taxes from continuing operations EUR 384 (333) million
- Fortum total EPS EUR 0.37 (0.36), net profit EUR 349 (324) million
- Successful hedging and portfolio optimisation - achieved Nordic Generation power price up by 6%
- The separation and listing of Neste Oil successfully executed

Oil operations in Fortum are reported on a separate line as discontinued operations in the income statement, and are not included in net sales or in operating profit. All figures are reported according to IFRS.

<b>Key figures</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>Last 12 months (LTM)</b>
<b>Income statement and cash flow for continuing operations</b>				
Net sales, EUR million	1,133	1,129	3,835	3,839
Operating profit, EUR million	404	407	1,195	1,192
- excluding non-recurring items, EUR million	398	413	1,177	1,162
Profit before taxes, EUR million	384	333	962	1,013
Earnings per share, Fortum continuing operations, EUR	0.28	0.24	0.79	0.83
Total earnings per share, EUR *)	0.37	0.36	1.48	1.49
Total net cash from operating activities, EUR million *)	214	453	1,758	1,519
Net cash from operating activities, Fortum continuing operations, EUR million	62	357	1,232	937
Average number of shares, 000s	871,710	849,698	852,625	856,404

\*) Including Oil operations related items, reported as discontinued operations in income statement. EUR 21 million transfer tax on Neste Oil shares dividend distribution is booked in discontinued operations. The gain on the sale of Neste Oil shares, currently estimated at EUR 389 million, will be recorded in the second quarter discontinued operations.

<b>Key figures</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>Last 12 months (LTM)</b>
<b>Balance sheet</b>				
Shareholders' equity per share, EUR	7.69	7.41	8.62	
Interest-bearing net debt (at end of period), EUR million *)	4,878	5,526	5,095	
Return on capital employed, %	18.0	18.6	15.8	16.8
Return on shareholders' equity, %	19.2	19.9	18.2	19.8
Gearing, %*)	71	86	67	

\*) The balance sheet includes an interest-bearing receivable from Neste Oil of EUR 804 million which Neste Oil repaid in April. In the second quarter net debt will also be effected by received net proceeds (estimated to EUR 553 million) from the sale of 15% shareholding in Neste Oil and the paid out cash dividend (EUR 506 million). Adjusting for these effects, Fortum's pro forma net debt

would have been EUR 4,027 million at the end of the quarter and the gearing would have been 59%.

The first quarter of 2005 was a good quarter for Fortum. The company's operating results were at the same level as last year, despite the average market price for power being 9% lower. Neste Oil was successfully separated and subsequently listed in the Helsinki Stock Exchange on 18 April.

The average Nordic Generation power price (the achieved sales price in the Power Generation segment in the Nordic area, excluding pass-through sales) was EUR 31.6 per MWh, 6% higher than a year ago due to successful hedging and power generation portfolio optimisation.

The operating profit of the Power Generation segment was at the same level as last year, while Heat segment improved slightly. The Distribution segment's operating profit was weaker, mainly due to the costs arising from the January storms in Sweden and Norway. The Markets segment reported weaker profit than last year.

First quarter net debt decreased by EUR 217 million compared to year-end, of which EUR 150 million is due to the deconsolidation of Neste Oil.

Due to the separation of Neste Oil, and to the adoption of International Financial Reporting Standards (IFRS), Fortum's financial reporting has changed significantly. All Oil business-related figures are reported as discontinued operations in the income statement and in the cash flow statement. At the end of the quarter, Fortum still held approximately 15% of the shares in Neste Oil. The shareholding was valued at fair value (sales price reduced by transaction costs). The fair value adjustment is included in equity in the first quarter and will be shown in the income statement as a capital gain in the second quarter, disclosed in discontinued operations.

## Net sales and results

Group sales from continuing operations stood at EUR 1,133 (1,129) million.

### Net sales from continuing operations, by segment

EUR million	I/05	I/04
Power Generation	534	560
Heat	385	361
Distribution	202	206
Markets	392	419
Other	23	20
Eliminations	-403	-437
Total	1,133	1,129

Group operating profit from continuing operations totalled EUR 404 (407) million.

## Operating profit from continuing operations, by segment

EUR million	I/05	I/04
Power Generation	222	222
Heat	111	104
Distribution	71	83
Markets	6	16
Other	- 6	-18
Total	404	407

Despite the 9% decrease in the average market price for power and the lower generation volume in the first quarter, the Power Generation segment reached last year's operating profit level of EUR 222 million. This was due to higher hydropower generation and successful hedging.

The Heat segment's sales were slightly higher than last year, mainly due to the acquisition of a district heating company in the city of Czestochowa in Poland last December. The operating profit for the segment improved to EUR 111 million. Heat segment's power sales volume was lower than last year.

The Distribution segment's sales were EUR 202 (206) million. The segment's operating profit of EUR 71 (83) million was negatively impacted by the EUR 11 million in costs from the January storms in Sweden and Norway.

Markets' sales decline was mainly due to the termination of some large contracts. In the first quarter of 2005, the segment experienced a positive inflow of customers. The lower operating profit of EUR 6 (16) million mainly stems from increased costs related to customer service quality improvement actions and tighter competition.

Profit before taxes from continuing operations was EUR 384 (333) million.

The Group's net financial expenses from continuing operations were lower than last year and amounted to EUR 35 (78) million. The main reasons for the decrease were lower interest rate, lower level of net debt and a positive approximately EUR 10 million change in the fair value of certain SEK derivatives which do not qualify for hedge accounting under IFRS.

The share of profit of associates and joint ventures from continuing operations was EUR 15 (4) million.

Minority interests accounted for EUR 25 (20) million. The minority interests are mainly attributable to Fortum Värme Holding, in which the City of Stockholm has a 50% economic interest.

Taxes for the period totalled EUR 116 (111) million. The tax rate according to the income statement was 30.3% (33.3%).

Total net profit for the period was EUR 349 (324) million. The net profit from continuing operations was EUR 268 (222) million. Total Fortum earnings per share were EUR 0.37 (0.36), and earnings per share from continuing operations were EUR 0.28 (0.24). Return on capital employed was 18.0% (18.6%) and return on shareholders' equity was 19.2% (19.9%).

## Market conditions

According to preliminary statistics, the Nordic countries consumed 115 (114) TWh of electricity during the first quarter of the year, which was 1% more than during the corresponding period of the previous year.

During the first quarter, the average spot price for power in Nord Pool, the Nordic power exchange, was EUR 25.9 (28.6) per megawatt-hour, or 9% lower than during the corresponding period in 2004.

In the first quarter of 2005, the average market price for emissions allowances for 2005 was around EUR 9 per ton of CO<sub>2</sub>, ranging between EUR 7 and EUR 15 per ton. The average market price for coal was around EUR 51 per ton, ranging between EUR 49 and EUR 57 per ton. During first quarter of 2004, the market price for coal varied between EUR 50 and EUR 57 per ton.

The year started out with mild and rainy weather and a surplus in the Nordic water reservoirs. Continuously high hydro production combined with a cold and dry period starting in mid-February brought the water reservoirs to a deficit level. At the same time, the spot price rose and the power forward prices started to increase. The increasing trend in the forward market was further supported by higher prices for emissions allowances in March. In mid-April, the Nordic water reservoirs were about 3 TWh below the average and 9 TWh above the corresponding level in 2004.

Fortum's power generation in the Nordic countries during January-March was 14.3 (15.2) TWh, 12% (13%) of Nordic electricity consumption.

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

<b>Fortum's total power and heat generation, TWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Power generation	14.7	15.4	55.5	54.8
Heat generation	9.7	9.3	25.4	25.8

<b>Fortum's own power generation by source, TWh, total in the Nordic countries</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Hydropower	5.6	4.7	19.1	20.0
Nuclear power	7.0	7.0	25.8	25.8
Thermal power	1.7	3.5	9.5	7.7
Total	14.3	15.2	54.4	53.5

<b>Share of own production, %, total in the Nordic countries</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Hydropower	39	31	35	37
Nuclear power	49	46	47	48
Thermal power	12	23	18	15
Total	100	100	100	100

## Total electricity and heat sales figures

Fortum's total electricity sales amounted to 16.6 (17.7) TWh. Sales volumes in the Nordic countries were at 16.2 (17.3) TWh, representing approximately 14% (15%) of Nordic electricity consumption during January-March. Heat sales in the Nordic countries amounted to 7.5 (7.6) TWh and in other countries to 1.6 (1.2) TWh.

The segments sell their electricity to Nord Pool or external customers and purchase from Nord Pool or other external sources. In the table below, Fortum's 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, EUR million</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Electricity sales	546	564	2,017	1,999
Heat sales	314	284	809	839

<b>Fortum's total electricity sales by area, TWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Sweden	8.2	8.1	27.6	27.7
Finland	7.4	8.5	31.1	30.0
Other countries	1.0	1.1	3.6	3.5
Total	16.6	17.7	62.3	61.2

<b>Fortum's total heat sales by area, TWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Sweden	3.9	4.0	9.6	9.5
Finland	3.6	3.5	10.5	10.6
Other countries	1.6	1.2	3.7	4.1
Total	9.1	8.7	23.8	24.2

## 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 business units Generation, Portfolio Management and Trading (PMT), and Service.*

<b>EUR million</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Net sales	534	560	2,084	2,058
- power sales	453	466	1,695	1,682
- other sales	81	94	389	376
Operating profit	222	222	763	763
- excluding non-recurring items	222	228	754	748
Net assets (at end of period)	6,106	6,087	6,218	
Return on net assets, %	14.5	14.0	12.1	12.2

In January-March, the segment's power generation in the Nordic countries was 12.8 (13.3) TWh, of which about 5.6 (4.7) TWh or 44% (35%) was hydropower-based, 7.0 (7.0) TWh or 55% (53%) nuclear power-based and 0.2 (1.6) TWh or 1% (12%) thermal power-based. The increase in hydro power generation was due to a strengthened hydrological situation. The decrease in thermal power generation was due to lower power prices and higher fuel and CO<sub>2</sub> allowance prices.

<b>Power generation by area, TWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Sweden	7.5	7.0	25.8	26.3
Finland	5.3	6.3	24.0	23.0
Other countries	0.3	0.3	1.1	1.1
Total	13.1	13.6	50.9	50.4

<b>Nordic sales volume, TWh</b>	14.4	15.2	55.7	54.9
of which pass-through sales	1.4	1.5	4.7	4.6

<b>Sales price, EUR/MWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Nordic Generation power price*	31.6	29.9	29.2	29.7

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

The average Nordic Generation power price (excluding pass-through items) was 6% higher than a year ago due to successful hedging and power production portfolio optimisation. The corresponding sales volume was 13.0 (13.7) TWh.

In February the shareholders of Lenenergo, Kolenergo and RAO UES agreed on the formation of TGC-1, the regional power generation company of North-Western Russia. This company will initially lease the generation assets of Lenenergo, Karelenenergo and Kolenergo and is preparing to start operating them as of 1 July 2005. Fortum will become a shareholder in the company.

In January, Fortum started the modernisation of automation systems at the Loviisa nuclear power plant. The work will be carried out during normal outages. All new automation systems related to the programme will be implemented by 2014.

Fortum service has been heavily involved in storm related maintenance work in Sweden during the first quarter.

## **Heat**

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

<b>EUR million</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Net sales	385	361	1,025	1,049
- heat sales	306	276	779	809
- power sales	55	63	159	151
- other sales	24	22	87	89
Operating profit	111	104	218	225
- excluding non-recurring items	111	104	214	221
Net assets (at end of period)	2,457	2,373	2,440	
Return on net assets, %	19.1	18.3	9.8	10.1

The segment's heat sales during the first quarter amounted to 8.6 (8.2) TWh, most of which was generated in the Nordic countries. In January-March, power sales at combined heat and power plants (CHP) totalled 1.6 (1.8) TWh.

Last December, Fortum acquired an 85% share of a Polish district heating company PESC Czestochowa, with annual sales of some 780 GWh. This had a minor, but positive impact in the first-quarter operating profit.

<b>Heat sales by area, TWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Sweden	3.9	4.0	9.6	9.5
Finland	3.6	3.5	10.5	10.6
Other countries	1.1	0.7	1.7	2.1
Total	8.6	8.2	21.8	22.2

<b>Power sales, TWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Total	1.6	1.8	4.8	4.6

### **Distribution**

*Fortum owns and operates distribution and regional networks and distributes electricity to a total of 1.4 million customers in Sweden, Finland, Norway and Estonia.*

<b>EUR million</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Net sales	202	206	707	703
- distribution network transmission	173	176	593	590
- regional network transmission	23	23	83	83
- other sales	6	7	31	30
Operating profit	71	83	234	222
- excluding non-recurring items	71	83	232	220
Net assets (at end of period)	3,113	3,095	3,091	
Return on net assets, %	10.1	11.3	8.1	7.7

During the first quarter, the volume of distribution and regional transmissions totalled 7.2 (7.2) TWh and 5.1 (5.2) TWh, respectively.

Electricity transmissions via the regional distribution network to customers outside the Group totalled 4.2 (4.3) TWh in Sweden and 0.9 (0.9) TWh in Finland.

In January, storms caused major power outages on the west coast of Sweden and Norway, leaving approximately 80,000 Fortum customers in Sweden and 12,800 in



Norway without electricity. Customers who suffered from long distribution interruptions will be compensated and the total cost, including fault restoration and temporary solutions, was approximately EUR 11 million and booked in the first-quarter results. The government of Sweden addressed the question of reliability to the Energy Market Inspection, which has proposed actions on how to improve the future reliability of electricity distribution.

In Sweden, the dialogue continues with the Energy Market Authority about supervision of the year 2003 distribution tariffs in selected distribution areas. Further details are expected to be published later this year.

<b>Volume of distributed electricity in distribution network, TWh</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Sweden	4.4	4.4	14.2	14.2
Finland	2.0	2.0	6.2	6.2
Norway	0.7	0.7	2.1	2.1
Estonia	0.1	0.1	0.2	0.2
Total	7.2	7.2	22.7	22.7

<b>Number of electricity distribution customers by area, 000s</b>	<b>31.3.2005</b>	<b>31.3.2004</b>	<b>2004</b>
Sweden	860	860	860
Finland	405	400	405
Other countries	115	115	115
Total	1,380	1,375	1,380

## **Markets**

*Markets is responsible for retail sales of electricity to a total of 1.1 million private and business customers as well as to other electricity retailers in Sweden, Finland and Norway. Markets buys its electricity through Nord Pool.*

<b>EUR million</b>	<b>I/05</b>	<b>I/04</b>	<b>2004</b>	<b>LTM</b>
Net sales	392	419	1,387	1,360
Operating profit	6	16	34	24
- excluding non-recurring items	6	16	34	24
Net assets (at end of period)	222	153	194	
Return on net assets, %	11.5	77.6	25.3	13.6

During the first quarter, Markets' electricity sales totalled 11.8 (12.8) TWh. The decrease was due to the termination of some large contracts.

Retail electricity prices on the Nordic market during the first quarter were lower than during the corresponding period the previous year. Fortum lowered the retail prices of current priced contracts in February. Prices for new fixed term contracts followed the price development of Nord Pool's financial market.

Development of the customer interface and the improvement of customer satisfaction are starting to generate positive results and lead to a positive inflow of customers during the last quarter. Some examples of these activities are the new products for both private and business customers and enhanced Internet services. The customer ombudsman function is now operational in Finland, Sweden and Norway.

Improvements in customer service and the new customer guarantees have resulted in increased costs compared to the corresponding period of the previous year.

### **Capital expenditure and investments in shares**

Investments in capital expenditure and investments in shares for continuing operations in January-March totalled EUR 49 (57) million. There were no investments in shares in the first quarter of 2005.

### **Financing**

First quarter 2005 net debt decreased with EUR 150 million by the de-consolidation of Neste Oil and stood at EUR 4,878 million (EUR 5,095 million at year-end). The balance sheet includes an interest-bearing receivable against Neste Oil of EUR 804 million which has been repaid on 12 April. In the second quarter net debt will also be effected by received net proceeds (estimated to EUR 553 million) from the sale of 15% shareholding in Neste Oil and the paid out cash dividend (EUR 506 million). Adjusting for these effects, Fortum's pro forma net debt would have been EUR 4,027 million at the end of the quarter.

The net cash from operating activities decreased to EUR 62 (357) million for the continuing activities. The reasons for the low cash flow were relatively high paid taxes, a EUR 20 million realised foreign exchange loss and a significant increase in working capital. This was mainly attributable to the change in invoicing practices. Fortum changed from pre-debiting to post-debiting of its retail customers during the winter.

The Group's net financial expenses were EUR 35 (78) million. The main reasons for the decrease were lower interest rate and lower level of net debt and a positive approximately EUR 10 million change in the fair value of certain SEK derivatives which do not qualify for hedge accounting under IFRS.

Fortum's long-term credit rating from Moody's is Baa1 (stable). Fortum's long-term credit rating from Standard & Poor's is BBB+ (stable). Both ratings were unchanged in the first quarter of 2005.

### **Separation of oil businesses**

The separation of Fortum Oil, renamed Neste Oil Corporation in February, was executed successfully. The final decision to separate the oil company by distributing 85% of Neste Oil shares as dividends to shareholders was taken by the Annual General Meeting on 31 March. The remaining 15% of shares, a total of 38,440,137 shares, were sold to institutional and individual investors in April. Both the institutional offering and the retail offering were priced at EUR 15 per share.

The impact of the sale of Neste Oil shares on the income statement and net debt will be recorded in the second quarter. The gross proceeds from the sale of the shares were EUR 577 million and the tax-free capital gain is estimated to amount to EUR 389 million

after fees and expenses. In the first quarter, the capital gain is included in equity as a fair value adjustment and will in the second quarter be booked in discontinuing operations in the income statement. Fortum's equity has in the first quarter been effected also by the share dividend distribution through de-consolidation of Neste Oil. Transfer taxes related to the share dividend distribution, EUR 21 million, were recorded in discontinuing operations in the first quarter.

The listing of Neste Oil Corporation shares commenced on the Helsinki Stock Exchange Prelist on 18 April and on the Main List on 21 April.

### **Group management**

After the separation of oil businesses, responsibilities within the Group management were adjusted. The members in the Fortum Management Team, formerly Corporate Executive Committee, as of 1 April are:

Mikael Lilius - President and CEO  
Mikael Frisk - SVP, Human Resources  
Timo Karttinen - SVP, Corporate Development, Heat  
Tapio Kuula - SVP, Generation, PMT, Värme, Service  
Juha Laaksonen - CFO  
Christian Lundberg - SVP, Markets, Distribution  
Carola Teir-Lehtinen - SVP, Corporate Communications

### **Shares and share capital**

During the first quarter, a total of 186.3 million Fortum Corporation shares totalling EUR 2,714 million were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 13,095 million. The highest quotation of Fortum Corporation shares on the Helsinki Stock Exchange in the first quarter was EUR 16.05, the lowest EUR 12.70, and the average quotation EUR 14.57. The closing quotation on the last trading day of the quarter was EUR 15.02.

A total of 4,770,293 shares subscribed for based on the share option schemes were entered into the trade register in the first quarter of 2005. After these subscriptions, Fortum's share capital is EUR 2,964,304,273 and the total number of registered shares is 871,854,198.

At the end of the quarter, the Finnish state's holding in Fortum was 58.9%. The proportion of international shareholders stood at 25.7%.

Currently the Board of Directors has no unused authorisations from the General Meeting of Shareholders to issue convertible loans or bonds with warrants, issue new shares or acquire the company's own shares.

### **Annual General Meeting**

At the Annual General Meeting held on 31 March 2005, a cash dividend of EUR 0.58 (0.42) per share was approved.

In addition the Annual General Meeting resolved to distribute as a dividend a total of 217,963,549 Neste Oil Corporation shares so that each shareholder of Fortum Corporation receives as a dividend one (1) Neste Oil Corporation share for each four (4) Fortum Corporation shares, which have a par value of EUR 3.40.

The number of members of Fortum's Supervisory Board was confirmed to be 12. The following persons were re-elected to the Supervisory Board: Members of Parliament Lasse Hautala, Rakel Hiltunen, Mikko Immonen, Timo Kalli, Kimmo Kiljunen, Jari Koskinen, Ben Zyskowitz, Industrial Counsellor Kimmo Kalela, and Director General Jorma Huuhtanen. Members of Parliament Jouni Backman and Oras Tynkkynen as well as the second vice chairman of the City Council Martti Alakoski were elected as new members. Timo Kalli was elected as Chairman and Jouni Backman as Deputy Chairman of the Supervisory Board. The Supervisory Board was elected until the end of the following Annual General Meeting.

The number of members in the Board of Directors was confirmed to be seven. The following persons were re-elected to the Board of Directors: Peter Fagernäs (Chairman), Birgitta Kantola (Deputy Chairman), Birgitta Johansson-Hedberg, Lasse Kurkilahti and Erkki Virtanen. Matti Lehti and Marianne Lie were elected as new members. The Board of Directors was elected until the end of the following Annual General Meeting.

Authorised Public Accountant PricewaterhouseCoopers Oy was re-elected as auditor.

### **Group personnel**

The average number of employees in the Group during the period from January to March was 13,135 (13,023). The number of employees at the end of the period was 8,731 (13,029). The decrease is due to the separation of Neste Oil.

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

Kotkan Energia and Nordic Environment Finance Corporation sold their 60 percent and 20 percent ownerships of the company UAB Suomijos Energija to Fortum. After these transactions Fortum will own 90 % of the shares in the company. The acquisition supports the growth targets of Fortum's heat business in Lithuania. The new name of the company will be UAB Fortum Heat Lietuva.

Fortum decided to extend the period of validity regarding its offer to buy the shares of E.ON Finland Oyj owned by the City of Espoo to 30 June 2005.

### **Outlook**

The key market driver influencing Fortum's business performance is the market price of power. Starting in 2005, emission trading has become an important new factor affecting the market price of power.

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. During the first quarter, the average spot price for power was EUR 25.9 (28.6) per megawatt-hour on the Nordic power exchange, or 9% lower than the corresponding figure in 2004.

In mid-April, the Nordic water reservoirs were about 3 TWh below the average and 9 TWh above the corresponding level for 2004. At the end of April, the market price for emissions allowances for 2005 was around EUR 16 -18 per tonne of CO<sub>2</sub> and the market price for coal for the rest of 2005 was around EUR 54 per tonne. At the same time, the power price in the forward market for the rest of 2005 was in the range of EUR 32 - 33 per MWh.

At the beginning of April, Fortum had hedged approximately 60% of its Nordic Power Generation sales volume for the next 12 months at approximately the same level as the achieved Nordic Generation power price during the last 12 months.

The Oil separation has been completed successfully. Fortum's Nordic strategy remains unchanged and the company's financial position is strong. The prerequisites for future good performance are in place.

Espoo, 3 May 2005  
Fortum Corporation  
Board of Directors

The figures have not been audited.

Fortum's financial reporting in 2005:

Interim Reports

- January-June on 19 July 2005

- January-September on 20 October 2005

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**FORTUM GROUP**
**JANUARY-MARCH 2005**
*Interim financial statements are unaudited*
**CONDENSED CONSOLIDATED INCOME STATEMENT**

MEUR	Q1 2005	Q1 2004	2004	Last twelve months
<b>Continuing operations:</b>				
<b>Sales</b>	<b>1 133</b>	1 129	3 835	3 839
Other income	38	32	91	97
Materials and services	-438	-446	-1 507	-1 499
Employee benefit costs	-129	-115	-462	-476
Depreciation, amortisation and impairment charges	-103	-93	-388	-398
Other expenses	-97	-100	-374	-371
<b>Operating profit</b>	<b>404</b>	407	1 195	1 192
Share of profit of associates and joint ventures	15	4	12	23
Finance costs-net	-35	-78	-245	-202
<b>Profit before income tax</b>	<b>384</b>	333	962	1 013
Income tax expense	-116	-111	-259	-264
<b>Profit for the period from continuing operations</b>	<b>268</b>	222	703	749
<b>Discontinued operations:</b>				
<b>Profit for the period from discontinued operations</b>	<b>81</b>	102	589	568
<b>Profit for the period</b>	<b>349</b>	324	1 292	1 317
<b>Attributable to:</b>				
Equity holders of the Company	324	304	1 259	1 279
Minority interest	25	20	33	38
	<b>349</b>	<b>324</b>	<b>1 292</b>	<b>1 317</b>
<b>Earnings per share for profit from total Fortum Group attributable to the equity holders of the company during the year (in € per share)</b>				
Basic	0,37	0,36	1,48	1,49
Diluted	0,36	0,35	1,46	1,47
<b>Earnings per share for profit from continuing operations attributable to the equity holders of the company during the year (in € per share)</b>				
Basic	0,28	0,24	0,79	0,83
Diluted	0,27	0,23	0,78	0,82
<b>Earnings per share for profit from discontinued operations attributable to the equity holders of the company during the year (in € per share)</b>				
Basic	0,09	0,12	0,69	0,66
Diluted	0,09	0,12	0,68	0,65

**CONDENSED CONSOLIDATED BALANCE SHEET**

MEUR	March 31 2005	March 31 2004	Dec 31 2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	185	160	116
Property, plant and equipment	10 241	11 583	11 925
Other long-term investments	2 122	2 119	2 355
Other long-term receivables	73	100	90
Long-term interest bearing receivables	649	711	727
<b>Total non-current assets</b>	<b>13 270</b>	14 673	15 213
<b>Current assets</b>			
Inventories	231	578	654
Trade and other receivables	1 129	1 527	1 555
Interest-bearing receivable	804	-	-
Available for sale financial assets	553	-	-
Cash and cash equivalents	158	193	145
<b>Total current assets</b>	<b>2 875</b>	2 298	2 354
<b>Total assets</b>	<b>16 145</b>	16 971	17 567
<b>EQUITY</b>			
<b>Capital and reserves attributable the Company's equity holders</b>			
Share capital	2 964	2 889	2 948
Other equity	3 736	3 412	4 552
<b>Total</b>	<b>6 700</b>	6 301	7 500
Minority interest	171	136	150
<b>Total equity</b>	<b>6 871</b>	6 437	7 650
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	4 063	4 468	4 450
Deferred tax liabilities	1 645	1 796	1 841
Provisions	577	566	608
Other liabilities	503	535	507
<b>Total non-current liabilities</b>	<b>6 788</b>	7 365	7 406
<b>Current liabilities</b>			
Interest-bearing liabilities	973	1 251	790
Trade and other payables <sup>1)</sup>	1 513	1 918	1 721
<b>Total current liabilities</b>	<b>2 486</b>	3 169	2 511
<b>Total liabilities</b>	<b>9 274</b>	10 534	9 917
<b>Total equity and liabilities</b>	<b>16 145</b>	16 971	17 567

<sup>1)</sup> Dividends to Fortum shareholders EUR 506 million (EUR 357 million in 2004) are booked as a liability at the end of the first quarter. The cash-flow impact is shown in the second quarter.

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**CHANGE IN TOTAL EQUITY**

MEUR	Share capital	Share issue	Share premium	Other restricted funds	Fair value and other reserves	Retained earnings	Minority	Total
<b>Total equity at 31.12.2004</b>	2 948	13	62		134	4 343	150	7 650
Stock options exercised	16	-13	7					10
Translation and other differences				-2		-11	1	-12
Cash dividend						-506		-506
Share dividend <sup>2)</sup>						-927	-6	-933
Cash flow and fair value hedges					-119	28	1	-90
Other fair value adjustments					410	-7		403
Net profit for the period						324	25	349
<b>Total equity at 31.3.2005</b>	2 964	0	69	-2	425	3 244	171	6 871
<b>Total equity at 31.12.2003</b>	2 886	5	36	0	63	3 399	120	6 509
Stock options exercised	3	-5	2					0
Translation and other differences						14	-4	10
Cash dividend						-357		-357
Cash flow and fair value hedges					-54	2		-52
Other fair value adjustments					3			3
Net profit for the period						304	20	324
<b>Total equity at 31.3.2004</b>	2 889	0	38	0	12	3 362	136	6 437

<sup>2)</sup> The effect from the share dividend on Fortum Group equity is EUR 927 million. In the parent company the effect on retained earnings is EUR 969 million.

**CONSOLIDATED CASH FLOW STATEMENT**

MEUR	March 31 2005	March 31 2004	Dec 31 2004
<b>Cash flow from operating activities</b>			
Operating profit before depreciations continuing operations	521	504	1 595
Non-cash flow items and divesting activities	-30	-1	-49
Financial items and realised foreign exchange gains and losses	-84	5	-181
Taxes	-121	-33	-160
<b>Funds from operations continuing operations</b>	286	475	1 205
Change in working capital	-224	-118	27
<b>Net cash from operating activities continuing operations</b>	62	357	1 232
<b>Net cash from operating activities discontinued operations</b>	152	96	526
<b>Total net cash from operating activities</b>	214	453	1 758
<b>Cash flow from investing activities</b>			
Capital expenditures	-49	-57	-335
Acquisition of shares			-179
Proceeds from sales of fixed assets	6	6	60
Proceeds from sales of shares	2	1	15
Change in other investments	-4	-45	-20
<b>Net cash used in investing activities continuing operations</b>	-45	-95	-459
<b>Net cash used in investing activities discontinued operations</b>	-137	-47	-277
<b>Total net cash used in investing activities</b>	-182	-142	-736
<b>Cash flow from financing activities</b>			
Net change in loans	-15	-508	-811
Dividends paid to the Company's equity holders			-357
Other financing items	10	-2	94
<b>Net cash used in financing activities continuing operations</b>	-5	-510	-1 074
<b>Net cash used in financing activities discontinued operations <sup>3)</sup></b>	49	-41	-236
<b>Total net cash used in financing activities</b>	44	-551	-1 310
<b>Total net increase (+)/decrease (-) in cash and marketable securities</b>	76	-240	-288
<b>De-consolidation of Neste Oil</b>	-63		
<b>Total net increase (+)/decrease (-) in cash and marketable securities, continuing operations</b>	13		

<sup>3)</sup> The cash flow from financing activities discontinued operations is shown as used to repay loans since the Treasury operations have been centralised for the total Fortum Group. In first quarter 2005 the effect on cash from de-consolidation of Neste Oil is netted in financing activities.

**KEY RATIOS <sup>4)</sup>**

MEUR	March 31 2005	March 31 2004	June 30 2004	Sept 30 2004	Dec 31 2004	Last twelve months
Earnings per share total Fortum (basic), EUR	0,37	0,36	0,80	1,09	1,48	1,49
Earnings per share continuing operations (basic), EUR	0,28	0,24	0,45	0,58	0,79	
Capital employed, MEUR <sup>5)</sup>	11 907	12 156	12 447	12 762	12 890	
Interest-bearing net debt, MEUR	4 878	5 526	5 512	5 445	5 095	
Capital expenditure and investments in shares continuing operations, MEUR	49	57	158	306	514	506
Capital expenditure continuing operations, MEUR	49	57	128	201	335	327
Return on capital employed, %	18,0	18,6	17,0	15,0	15,8	16,8
Return on shareholders' equity, %	19,2	19,9	20,9	18,4	18,2	19,8
Interest coverage	11,5	7,1	8,3	7,8	8,0	9,2
Funds from operations/interest-bearing net debt, %	39,3	44,4	38,2	33,1	36,4	35,3
Gearing, %	71	86	82	77	67	
Equity per share, EUR	7,69	7,41	7,77	8,19	8,62	
Equity-to-assets ratio, %	43	38	40	41	44	
Average number of employees	13 135	13 023	13 097	13 112	12 859	
Average number of shares, 1 000 shares	871 710	849 698	849 698	849 823	852 625	
Diluted adjusted average number of shares, 1 000 shares	883 774	867 344	867 907	870 806	861 772	
Number of shares, 1 000 shares	871 854	849 813	849 813	850 262	869 749	856 404

<sup>4)</sup> Key ratios are based on Fortum total numbers including continuing and discontinued operations if otherwise not stated.

<sup>5)</sup> Capital employed at March 31 2005 does not represent continuing operations since 15% of the shares in Neste Oil and the interest-bearing receivables from Neste Oil are included.

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**CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT**

	March 31 2005	March 31 2004	Dec 31 2004
<b>MEUR</b>			
Opening balance	12 041	11 923	11 923
Acquisition of subsidiary companies	-2		31
Capital expenditures	148	107	648
Emission rights	144		
Disposals	-2	-14	-152
Depreciation, amortisation and impairment	-139	-125	-527
Translation differences	-111	-148	118
<b>Closing balance before de-consolidation of Nest Oil</b>	<b>12 079</b>	<b>11 743</b>	<b>12 041</b>
De-consolidation of Neste Oil	-1 653		
<b>Closing balance</b>	<b>10 426</b>	<b>11 743</b>	<b>12 041</b>

**SALES BY SEGMENTS**

	Q1 2005	Q1 2004	Last twelve months	
<b>MEUR</b>				
Power Generation	534	560	2 084	2 058
- of which internal	55	36	128	147
Heat	385	361	1 025	1 049
- of which internal	12	36	49	25
Distribution	202	206	707	703
- of which internal	2	3	10	9
Markets	392	419	1 387	1 360
- of which internal	25	25	92	92
Other	23	20	90	93
- of which internal	22	19	93	96
Eliminations <sup>6)</sup>	-403	-437	-1 458	-1 424
<b>Sales from continuing operations</b>	<b>1 133</b>	<b>1 129</b>	<b>3 835</b>	<b>3 839</b>
Sales from discontinued operations	2 061	1 710	7 909	8 260
Eliminations	-20	-21	-85	-84
<b>Total</b>	<b>3 174</b>	<b>2 818</b>	<b>11 659</b>	<b>12 015</b>

<sup>6)</sup> Eliminations include sales and purchases with Nordpool that is netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour

**OPERATING PROFIT BY SEGMENTS**

	Q1 2005	Q1 2004	Last twelve months	
<b>MEUR</b>				
Power Generation	222	222	763	763
Heat	111	104	218	225
Distribution	71	83	234	222
Markets	6	16	34	24
Other	-6	-18	-54	-42
<b>Operating profit from continuing operations</b>	<b>404</b>	<b>407</b>	<b>1 195</b>	<b>1 192</b>
Operating profit from discontinued operations	124	150	721	695
<b>Total</b>	<b>528</b>	<b>557</b>	<b>1 916</b>	<b>1 887</b>

**NON-RECURRING ITEMS IN OPERATING PROFIT BY SEGMENTS**

	Q1 2005	Q1 2004	Last twelve months	
<b>MEUR</b>				
Power Generation	0	-6	9	15
Heat	0	0	4	4
Distribution	0	0	2	2
Markets	0	0	0	0
Other	6	0	3	9
<b>Non-recurring items from continuing operations</b>	<b>6</b>	<b>-6</b>	<b>18</b>	<b>30</b>
Non-recurring items from discontinued operations	59	9	97	147
<b>Total</b>	<b>65</b>	<b>3</b>	<b>115</b>	<b>177</b>

Includes positive one-time effects of change in treatment of Finnish TEL disability pension liability in Q4 2004.

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

	Q1 2005	Q1 2004	Last twelve months	
<b>MEUR</b>				
Power Generation	28	28	104	105
Heat	31	28	124	127
Distribution	37	33	133	137
Markets	4	4	16	16
Other	3	0	11	14
<b>Depr., amort. and imp. charges from continuing operations</b>	<b>103</b>	<b>93</b>	<b>388</b>	<b>398</b>
Depr., amort. and imp. charges from discontinued operations	36	32	139	143
<b>Total</b>	<b>139</b>	<b>125</b>	<b>527</b>	<b>541</b>



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

MEUR	Q1 2005	Q1 2004	2004	Last twelve months
Power Generation <sup>7)</sup>	2	-5	-18	-11
Heat	6	5	15	16
Distribution	7	5	16	18
Markets	0	0	0	0
Other	0	-1	-1	0
<b>Share of profits in ass. from continuing operations</b>	<b>15</b>	<b>4</b>	<b>12</b>	<b>23</b>
Share of profits in ass. from discontinued operations	-2	3	36	31
<b>Total</b>	<b>13</b>	<b>7</b>	<b>48</b>	<b>54</b>

<sup>7)</sup> The main part of the associated companies in Power Generation are power production companies from which Fortum purchase produced electricity at cost. The share of profit according to IFRS also includes depreciations on fair value adjustments made when acquiring the shareholdings (in FAS included in Other expenses)

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

MEUR	March 31 2005	March 31 2004	Dec 31 2004
Power Generation	1 204	1 084	1 208
Heat	140	92	127
Distribution	200	189	196
Markets	8	10	8
Other	0	0	0
<b>Investments in associated from continuing operations</b>	<b>1 552</b>	<b>1 375</b>	<b>1 539</b>
Investments in associates from discontinued operations	-	114	140
<b>Total</b>	<b>1 552</b>	<b>1 489</b>	<b>1 679</b>

**CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES BY SEGMENTS**

MEUR	Q1 2005	Q1 2004	2004
Power Generation	18	14	210
Heat	12	23	175
Distribution	15	14	106
Markets	1	2	6
Other	3	4	17
<b>Capital expenditure and investments in shares from continuing operations</b>	<b>49</b>	<b>57</b>	<b>514</b>
Capital expenditure and investments in shares from discontinuing operations	99	50	316
<b>Total</b>	<b>148</b>	<b>107</b>	<b>830</b>

**NET ASSETS BY SEGMENTS**

MEUR	March 31 2005	March 31 2004	Dec 31 2004
Power Generation	6 106	6 087	6 218
Heat	2 457	2 373	2 440
Distribution	3 113	3 095	3 091
Markets	222	153	194
Other and Eliminations	163	128	-43
<b>Net assets from continuing operations</b>	<b>12 061</b>	<b>11 836</b>	<b>11 900</b>
Net assets from discontinued operations	-	1 808	2 011
Eliminations	-	14	2
<b>Total</b>	<b>12 061</b>	<b>13 658</b>	<b>13 913</b>

**RETURN ON NET ASSETS BY SEGMENTS**

%	March 31 2005	March 31 2005*)	March 31 2004	March 31 2004*)	Dec 31 2004	Dec 31 2004*)	Last twelve months	Last twelve months *)
Power Generation	14,5	14,5	14,0	14,4	12,1	11,9	12,2	12,0
Heat	19,1	19,1	18,3	18,3	9,8	9,6	10,1	9,9
Distribution	10,1	10,1	11,3	11,3	8,1	8,0	7,7	7,7
Markets	11,5	11,5	77,6	77,6	25,3	25,3	13,6	13,6

Return on net assets is calculated by dividing the sum of operating profit and share of profit of associated companies and joint venturers with average net asset:

\*) Non-recurring items deducted from operating profit

**ASSETS BY SEGMENTS**

MEUR	March 31 2005	March 31 2004	Dec 31 2004
Power Generation	7 015	6 960	7 108
Heat	2 798	2 644	2 742
Distribution	3 537	3 494	3 514
Markets	476	500	375
Other and Eliminations	-42	-221	-156
<b>Assets from continuing operations</b>	<b>13 784</b>	<b>13 377</b>	<b>13 583</b>
Assets from discontinuing operations	-	2 495	2 756
Eliminations	-	-24	-32
<b>Assets included in Net assets</b>	<b>13 784</b>	<b>15 848</b>	<b>16 307</b>
Interest-bearing receivables	1 453	711	728
Deferred taxes	61	21	106
Other assets	136	198	281
Available for sale financial assets	553	-	-
Cash and cash equivalents	158	193	145
<b>Total assets</b>	<b>16 145</b>	<b>16 971</b>	<b>17 567</b>

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**LIABILITIES BY SEGMENTS**

	March 31 2005	March 31 2004	Dec 31 2004
<b>MEUR</b>			
Power Generation	909	873	890
Heat	341	271	302
Distribution	424	399	423
Markets	254	347	181
Other and Eliminations	-205	-349	-113
<b>Liabilities from continuing operations</b>	<b>1 723</b>	<b>1 541</b>	<b>1 683</b>
Liabilities from discontinued operations:			
Eliminations	-	687	745
		-38	-34
<b>Liabilities included in Net assets</b>	<b>1 723</b>	<b>2 190</b>	<b>2 394</b>
Deferred tax liabilities	1 645	1 796	1 841
Other <sup>8)</sup>	870	829	442
<b>Total liabilities included in capital employed</b>	<b>4 238</b>	<b>4 815</b>	<b>4 677</b>
<b>Interest-bearing liabilities</b>	<b>5 036</b>	<b>5 719</b>	<b>5 240</b>
<b>Total equity</b>	<b>6 871</b>	<b>6 437</b>	<b>7 650</b>
<b>Total equity and liabilities</b>	<b>16 145</b>	<b>16 971</b>	<b>17 567</b>

<sup>8)</sup> Cash dividends to Fortum shareholders, EUR 506 million in 2005 (EUR 357 million in 2004), are booked as a liability at the end of the first quarter. The cash-flow impact is shown in the second quarter

**QUARTERLY SALES BY SEGMENTS**

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>MEUR</b>					
Power Generation	534	583	453	488	560
- of which internal	55	55	11	26	36
Heat	385	316	149	198	361
- of which internal	12	9	1	3	36
Distribution	202	194	150	157	206
- of which internal	2	3	3	1	3
Markets	392	378	287	303	419
- of which internal	25	28	17	22	25
Other	23	23	22	25	20
- of which internal	22	11	7	9	10
Eliminations	-403	-410	-296	-314	-437
<b>Sales from continuing operations</b>	<b>1 133</b>	<b>1 084</b>	<b>765</b>	<b>857</b>	<b>1 129</b>
Sales from discontinued operations	2 061	2 108	2 091	2 000	1 710
Eliminations	-20	-17	-20	-27	-21
<b>Total</b>	<b>3 174</b>	<b>3 175</b>	<b>2 836</b>	<b>2 830</b>	<b>2 818</b>

**QUARTERLY OPERATING PROFIT BY SEGMENTS**

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>MEUR</b>					
Power Generation	222	241	128	172	222
Heat	111	75	12	27	104
Distribution	71	51	45	55	83
Markets	6	0	13	5	16
Other	-6	-4	-21	-11	-18
<b>Operating profit from continuing operations</b>	<b>404</b>	<b>363</b>	<b>177</b>	<b>248</b>	<b>407</b>
Operating profit from discontinued operations	124	183	165	223	150
<b>Total</b>	<b>528</b>	<b>546</b>	<b>342</b>	<b>471</b>	<b>557</b>

FAS operating profit is not comparable with previously reported. Share of profit in associated companies and joint ventures is according to IFRS recorded after operating profit.

**DISCONTINUED OPERATIONS (including eliminations between Fortum and discontinued operations)**

	Q1 2005	Q1 2004	2004
<b>MEUR</b>			
<b>Sales</b>	<b>2 061</b>	<b>1 710</b>	<b>7 909</b>
Other income	12	12	66
Materials and services	-1 736	-1 444	-6 439
Employee benefit costs	-57	-52	-211
Depreciation, amortisation and impairment charges	-36	-32	-139
Other expenses	-120	-44	-465
<b>Operating profit</b>	<b>124</b>	<b>150</b>	<b>721</b>
Share of profit of associates and joint ventures	-2	3	36
Finance costs-net	-6	-20	-19
<b>Profit before income tax</b>	<b>116</b>	<b>133</b>	<b>738</b>
Income tax expense	-35	-31	-149
<b>Profit for the year from discontinued operations</b>	<b>81</b>	<b>102</b>	<b>589</b>

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**CONTINGENT LIABILITIES**

<b>MEUR</b>	<b>March 31 2005</b>	March 31 2004	Dec 31 2004
<b>Contingent liabilities</b>			
On own behalf			
For debt			
Pledges	156	161	160
Real estate mortgages	71	91	113
For other commitments			
Real estate mortgages	70	55	59
Sale and leaseback	-	8	-
Other contingent liabilities	72	101	76
Total	369	416	408
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	3	12	12
Guarantees	247	478	335
Other contingent liabilities	182	182	182
Total	432	672	529
On behalf of others			
Guarantees	3	16	3
Other contingent liabilities	2	6	5
Total	5	22	8
<b>Total</b>	<b>806</b>	<b>1 110</b>	<b>945</b>

**Operating lease liabilities**

Due within a year	15	73	87
Due after one year and within five years	39	76	81
Due after five years	10	65	64
<b>Total</b>	<b>64</b>	<b>214</b>	<b>232</b>

**NUCLEAR**

<b>MEUR</b>	<b>March 31 2005</b>	March 31 2004	Dec 31 2004
<b>Liability for nuclear waste disposal according to the Nuclear Energy Act in Finland</b>			
Liability 1)	596	570	596
Share of reserves in the Nuclear Waste Disposal Fund 2)	-596	-570	-581
Liabilities in the balance sheet 3)	0	0	15

1) Discounted liability in the balance sheet is EUR 404 (366) million as of 31 March 2005 (and 2004 respectively).

2) Value of the Fund Asset in the balance sheet is EUR 404 (366) million as of 31 March 2005 (and 2004 respectively) due to IFRIC Interpretation 5, which states that it can not exceed the value of the related liabilities

3) Mortgaged bearer papers as security.

In addition to other contingent liabilities, a guarantee has been given on behalf of Gasum Oy, which covers 75% of the natural gas commitments arising from the natural gas supply agreement between Gasum and OOO Gazexport.

**DERIVATIVES**

<b>MEUR</b>	<b>March 31 2005</b>		<b>March 31</b>		<b>Dec 31</b>	
	Notional value	Net fair value	Notional value	Net fair value	Notional value	Net fair value
<b>Interest and currency derivatives</b>						
Forward interest rate agreements	-	-	330	-	-	-
Interest rate swaps	3 359	-41	4 178	-104	1 218	-28
Forward foreign exchange contracts <sup>4)</sup>	8 338	44	8 076	86	8 176	-32
Interest rate and currency swaps	317	-15	339	8	310	-7
Purchased currency options	727	-7	425	-5	438	17
Written currency options	357	5	425	-4	438	6

4) Include also contracts for equity hedging

<b>Electricity derivatives</b>	<b>Volume</b>		<b>Net fair value</b>		<b>Volume</b>		<b>Net fair value</b>	
	TWh	MEUR	TWh	MEUR	TWh	MEUR	TWh	MEUR
Sales contracts	74	-125	66	-198	70	204	-	-
Purchase contracts	46	162	42	194	42	-53	-	-
Purchased options	1	-1	-	-	1	-1	-	-
Written options	7	-3	-	-	1	-	-	-

<b>Oil derivatives</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	1000 bbl	MEUR
Sales contracts	50	-1	30 596	1	44 588	26	-	-
Purchase contracts	770	11	33 712	9	70 258	7	-	-
Purchased options	-	-	3 650	-	4 797	2	-	-
Written options	-	-	2 598	-	6 784	-2	-	-

## FORTUM GROUP

### JANUARY-MARCH 2005

#### Accounting principles

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. As of 2005 Fortum is applying International Financial reporting Standards (IFRS).

The most important changes for Fortum continuing operations are:

- Derivatives are being carried at fair value in the balance sheet. Fair value changes effects the income statement if hedge accounting is not applied. (IAS 39)
- Fortum's part of the Finnish nuclear waste fund and the future liabilities for spent fuel and decommissioning regarding nuclear production are disclosed gross in the balance sheet according to IFRIC Interpretation 5.
- The minority preference shares with option agreement in Nybroviken Kraft AB Group accounted for as minority interest under Finnish GAAP is reclassified as interest-bearing liabilities under IFRS.
- The accounting of pension liabilities according to IAS 19 creates a change to Finnish GAAP, but impacts mainly 2004 since the accounting treatment of the Finnish TEL's disability pension component changed during the year.
- The oil operations in Fortum are regarded as discontinued operations as of March 31, 2005. Discontinued operations are disclosed on one line in the income statement and shown separately in the cash-flow. 2004 comparison financials are restated.

Fortum has in a press release on April 26, 2005, described the impact of the transition to IFRS on 2004 financial information. The document also included restated quarterly information and reconciliations of equity and net profit between Finnish GAAP and IFRS.

The detailed accounting principles used can be found on the Fortum website: [www.fortum.com/Investors/Financial Information](http://www.fortum.com/Investors/Financial%20Information)

#### Emission rights

As of January 1, 2005 Fortum is applying IFRIC Interpretation 3 in accounting for emission rights. The emission rights scheme gives rise to an asset for emission rights held, a government grant and a liability for the obligation to deliver emission rights equal to actual emissions as well as recordings of applicable deferred taxes. Emission rights received are accounted as government grants in accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) i.e. is recognized as deferred income at current market value of the allowance at receipt and amortized in proportion to actual and estimated emissions during the year. Emission rights are recognized in the balance sheet as intangible assets according to IAS 38 (Intangible assets) and valued at fair value. Reductions in fair value are charged to income statement and increases to equity. Liability for the obligation to deliver emission rights is accounted for in accordance with IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

The liability is recognized based on actual emissions and at current market value of the emission rights. Changes in the liability are charged to income.

#### Definitions of key figures in IFRS reporting

Return on shareholders' equity, %	=	100 x	$\frac{\text{Profit for the period}}{\text{Total equity average}}$
Return on capital employed, %	=	100 x	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$
Return on net assets, %	=	100 x	$\frac{\text{Operating profit + share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}}$
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 (excluding finance related items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)
Interest-bearing net debt	=		Interest-bearing liabilities - cash and cash equivalents
Gearing, %	=	100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity per share, EUR	=		$\frac{\text{Shareholder's equity}}{\text{Number of shares at the close of the period}}$
Equity-to-assets ratio, %	=	100 x	$\frac{\text{Total equity including minority interest}}{\text{Total assets}}$
Interest coverage	=		$\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Earnings per share (EPS)	=		$\frac{\text{Profit for the period}}{\text{Adjusted average number of shares during the period}}$