Fortum Corporation
Interim Report
January - March 2008

Fortum

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A major strategic step in Russia – Fortum acquired TGC-10

Clear improvement in operational performance

- Comparable operating profit EUR 581 (512) million, +13%
- Earnings per share EUR 0.51 (0.59), -14%. EPS in the first quarter 2007 included a non-recurring gain of EUR 0.20 per share.
- Strong cash flow from operating activities EUR 542 (497) million
- Fortum delivers on its strategy – acquires TGC-10 in Russia

Key figures	**I/08**	**I/07**	**2007**	**LTM**
Sales, EUR million	1,440	1,340	4,479	4,579
Operating profit, EUR million	609	490	1,847	1,966
Comparable operating profit, EUR million	581	512	1,564	1,633
Profit before taxes, EUR million	598	661	1,934	1,871
Earnings per share, EUR	0.51	0.59	1.74	1.67
Net cash from operating activities, EUR million	542	497	1,670	1,715
Shareholders' equity per share, EUR	9.53	8.22	9.43	
Interest-bearing net debt (at end of period), EUR million	5,228	3,932	4,466	
Average number of shares, 1,000s	887,085	890,263	889,997	889,485

Key financial ratios	**2007**	**LTM**	**2007***	**LTM***
Return on capital employed, %	16.5	14.4	14.0	13.1
Return on shareholders' equity, %	19.1	18,0	15.8	16.4
Net debt/EBITDA	1.9	2.2	2.2	2.4

*Adjusted for REC and Lenenergo gains

Fortum's operating profit improved significantly from a year ago, mainly driven by better results in the Power Generation segment. Fortum's successful hedging, higher average Nord Pool spot price and higher nuclear volumes contributed to the improvement.

Fortum's profit before taxes and earnings per share were lower than a year ago. This is due to the non-recurring gain of EUR 180 million from Hafslund ASA's sale of shares in Renewable Energy Corporation (REC), which was booked in Fortum's first-quarter results last year. The gain corresponds to EUR 0.20 per share in Fortum's first-quarter results last year.

Electricity market conditions were challenging in the first quarter of 2008. The weather in the Nordic countries was very mild with even higher precipitation than in the first quarter of 2007. This lowered electricity and heat demand and led to lower sales volumes in Fortum's Heat and Distribution segments.

Despite the warm weather, the Nord Pool spot price was higher than the previous year, mainly due to higher CO_2 and coal prices. However, the high precipitation and mild winter temperatures resulted in decreasing prices towards the end of the period.

Fortum's net cash from operating activities improved to EUR 542 (497) million.

In the first quarter 2008, Fortum acquired a controlling stake in the Russian territorial generating company TGC-10. At the end of the first quarter, Fortum's holding in TGC-10 was 76.49%. Of this holding, 29.07 percentage points were acquired from United Energy Systems of Russia (RAO UES) for approximately EUR 0.8 billion, and 47.42 percentage points through a share issue for approximately EUR 1.3 billion. This capital increase of EUR 1.3 billion will remain in TGC-10 and will be used to finance its committed capacity investment programme planned at EUR 2.2 billion. Fortum will also make a mandatory offer to purchase the remaining 23.51% of the shares held by minority shareholders. The total value of the mandatory offer is approximately EUR 0.6 billion. If Fortum reaches a 100% holding in TGC-10, the total value of the transaction will be around EUR 2.7 billion.

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 consists of at least Finland and Sweden. The Finnish Competition authority has appealed the decision to the Supreme Administrative Court.

In the first quarter, the Power Generation segment's achieved Nordic power price was EUR 44.6 (39.2) per megawatt-hour (MWh), up by 14% from the previous year and clearly higher than the average spot price of electricity in Nord Pool, the Nordic power exchange. The average spot price of electricity in Nord Pool was EUR 38.0 (26.7) per MWh, approximately 42% higher than the same period the previous year.

Changes in reported segments

Following the acquisition of TGC-10, Fortum has made adjustments to its reporting structure.

A new Russia segment is created, including

- TGC-10, which is consolidated in the balance sheet. TGC-10's income statement will be consolidated from the beginning of the second quarter 2008.
- The TGC-1 shareholding, which is transferred from the Power Generation segment.
- Minor assets from shareholdings in Lenenergo spin-off companies, transferred from the Distribution, Markets and Other segments.
- The 2007 non-recurring gain on the sale of Lenenergo shares (EUR 232 million), transferred from the Distribution segment.
- The 2007 gain on the sale of WGC-5 shares (EUR 12 million), transferred from the Power Generation segment.

Profit from the associated company Hafslund ASA is now reported in the Other segment, including the REC gain accounted for in 2007 (EUR 180 million). In Fortum's earlier reporting, share of profit from Hafslund ASA was included in the Power Generation segment.

Financial results

<u>January - March</u>

Group sales were EUR 1,440 (1,340) million.

Group operating profit totalled EUR 609 (490) million. Comparable operating profit increased to EUR 581 (512) million. The Power Generation, Distribution and Markets segments improved from a year ago, while the Heat segment performed worse.

Sales by segment

EUR million	I/08	I/07	2007	LTM
Power Generation	717	641	2,350	2,426
Heat	493	479	1,356	1,370
Distribution	232	225	769	776
Markets	519	519	1,683	1,683
Russia	-	-	-	-
Other	20	19	81	82
Eliminations	-541	-543	-1,760	-1,758
Total	1,440	1,340	4,479	4,579

Comparable operating profit by segment

EUR million	I/08	I/07	2007	LTM
Power Generation	395	330	1,095	1,160
Heat	121	137	290	274
Distribution	87	78	231	240
Markets	-10	-14	-1	3
Russia	-	-	-	-
Other	-12	-19	-51	-44
Total	581	512	1,564	1,633

Operating profit by segment

EUR million	I/08	I/07	2007	LTM
Power Generation	431	300	1,115	1,246
Heat	130	142	294	282
Distribution	86	79	233	240
Markets	-20	-12	12	4
Russia	-	-	244	244
Other	-18	-19	-51	-50
Total	609	490	1,847	1,966

Profit before taxes was EUR 598 (661) million.

The Group's net financial expenses increased to EUR 45 (31) million. The increase is attributable to a higher average level of debt, higher short-term interest rates and lower, EUR -2 (2) million, change in the fair value of derivatives.

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 approximately EUR 380 million at the end of March 2008 (EUR 790 million at the end of December 2007).

Minority interests accounted for EUR 24 (30) 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 122 (109) million. The tax rate according to the income statement was 20.4% (16.5%). The tax rate in the first quarter 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 452 (522) million. Fortum's earnings per share were EUR 0.51 (0.59).

Return on capital employed was 14.4% for the last twelve months (16.5% at year-end 2007), and return on shareholders' equity was 18.0% 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 13.1% and 16.4%, respectively for the last twelve months (at year-end 2007 14.0% and15.8%, respectively.)

Market conditions

According to preliminary statistics, the Nordic countries consumed 114 (116) terawatt-hours (TWh) of electricity in the first quarter of 2008, a decrease of about 2% from previous year. The decrease was mainly due to mild winter temperatures.

Year 2008 started with the Nordic water reservoirs being 9 TWh above the long-term average. At the end of March, they were 9 TWh above the long-term average and 7 TWh above the corresponding level at the end of March 2007.

During the first quarter, the average spot price for power in Nord Pool was EUR 38.0 (26.7) per MWh or 42% higher than in the corresponding period in 2007. The higher price was due to higher CO_2 and coal prices. The high precipitation and mild winter temperatures resulted in decreasing prices towards the end of the period.

The second EU emission trading period 2008-2012, with new national emission allocations, started at the beginning of 2008. During the first quarter, the average market price of CO_2 emission allowances (EUA) for 2008 was EUR 21.4 per tonne CO_2. In 2007, the corresponding price for CO_2 emission allowances for 2007 was EUR 2.1 per tonne CO_2.

Coal and oil prices increased dramatically in 2007. During the first quarter of 2008, coal prices remained at these high levels and oil prices continued to increase.

In Germany, the average spot price for the first quarter was EUR 56.2 (29.7) per MWh, significantly higher than in the Nordic area. This resulted in a net export from the Nordic area to Germany.

Total power and heat generation figures

Fortum's total power generation during the first quarter of 2008 was 15.2 (15.2) TWh, of which 14.9 (14.9) TWh was in the Nordic countries, representing 13% (13%) of the total Nordic electricity consumption. Fortum's total heat generation during the first quarter of 2008 was 9.0 (9.8) TWh, of which 7.6 (8.4) TWh was in the Nordic countries.

During the first quarter of 2008, approximately 90% (89%) of the power generated by Fortum within the EU countries was CO_2-free.

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

Fortum's total power and heat generation, TWh	**I/08**	**I/07**	**2007**	**LTM**
Power generation	15.2	15.2	52.2	52.2
Heat generation	9.0	9.8	26.1	25.3

Fortum's own power generation by source, TWh, total in the Nordic countries	**I/08**	**I/07**	**2007**	**LTM**
Hydropower	6.3	6.4	20.0	19.9
Nuclear power	6.9	6.5	24.9	25.3
Thermal power	1.7	2.0	6.2	5.9
Total	14.9	14.9	51.1	51.1

Fortum's own power generation by source, %, total in the Nordic countries	**I/08**	**I/07**	**2007**	**LTM**
Hydropower	42	43	39	39
Nuclear power	46	44	49	49
Thermal power	12	13	12	12
Total	100	100	100	100

Total power and heat sales figures

Fortum's total power sales were 17.1 (17.5) TWh, of which 16.8 (17.2) TWh were in the Nordic countries. This represents approximately 15% (15%) of Nordic electricity consumption during January-March 2008. Fortum's total heat sales were 9.7 (10.0) TWh, of which 7.2 (7.6) TWh were in the Nordic countries.

Fortum's total electricity *) and heat sales, EUR million	I/08	I/07	2007	LTM
Electricity sales	759	675	2,370	2,454
Heat sales	395	388	1,096	1,103

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

Fortum's total electricity sales *) by area, TWh	I/08	I/07	2007	LTM
Sweden	8.4	8.4	27.6	27.6
Finland	7.8	8.2	29.0	28.6
Other countries	0.9	0.9	3.1	3.1
Total	17.1	17.5	59.7	59.3

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

Fortum's total heat sales by area, TWh	I/08	I/07	2007	LTM
Sweden	3.4	3.5	9.2	9.1
Finland	3.7	4.0	11.1	10.8
Other countries**	2.6	2.5	6.8	6.9
Total	9.7	10.0	27.1	26.8

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

SEGMENT REVIEWS

Power Generation

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

EUR million	I/08	I/07	2007	LTM
Sales	717	641	2,350	2,426
- power sales	646	566	2,019	2,099
- other sales	71	75	331	327
Operating profit	431	300	1,115	1,246
Comparable operating profit	395	330	1,095	1,160
Net assets (at period-end)	5,633	5,636	5,599	
Return on net assets, %			19.2	21.7
Comparable return on net assets, %			18.9	20.2
Gross investments	18	16	145	147
Number of employees	3,544	3,371	3,511	

In January-March, the segment's power generation in the Nordic countries was 13.2 (13.1) TWh. The availability of the Swedish nuclear power plants increased after the unplanned shutdowns in 2007. In January-March, approximately 97% (96%) of the segment’s power generation was CO_2-free.

Nordic power generation by source, TWh	I/08	I/07	2007	LTM
Hydropower	6.3	6.4	20.0	19.9
Nuclear power	6.9	6.5	24.9	25.3
Thermal power	0.0	0.2	1.2	1.0
Total	13.2	13.1	46.1	46.2

Power generation by area, TWh	I/08	I/07	2007	LTM
Sweden	7.9	7.9	26.0	26.0
Finland	5.3	5.2	20.1	20.2
Other countries	0.4	0.3	1.1	1.2
Total	13.6	13.4	47.2	47.4

Nordic sales volume, TWh	14.6	14.6	51.8	51.8
of which pass-through sales	1.1	1.4	5.2	4.9

Sales price, EUR/MWh	I/08	I/07	2007	LTM
Generation's Nordic power price*	44.6	39.2	39.7	41.2

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

During the first quarter, the average spot price in Nord Pool was EUR 38.0 per MWh, while Generation's achieved Nordic power price was EUR 44.6 per MWh, up by 14% from a year ago. This was thanks to consistent hedging strategy. Generation's sales volume was 13.5 (13.2) TWh in the first quarter.

In the first quarter, the comparable operating profit of the Power Generation segment was higher than in the corresponding period in the previous year. The higher achieved Nordic power price and better availability of nuclear generation contributed positively. This was partly offset by higher taxation in Sweden.

On 20 February 2008, Fortum, the Russian territorial generating company TGC-1 and ECF Project Ltd signed an agreement according to which Fortum will purchase approximately 5 million tonnes of emission reduction units (ERU) from TGC-1. The ERUs will come from Joint Implementation projects conducted at TGC-1's production facilities during the Kyoto Period (2008-2012) of the European Emissions Trading Scheme. The projects TGC-1 will implement include reconstruction of hydro power plants, expansion and reconstruction of combined heat and power generation facilities as well as energy efficiency improvements within the district heating network.

The purchase agreement is based on the Memorandum of Understanding between Fortum and RAO UES in 2006, and it is the biggest of its kind ever made in Russia. The ERUs purchased cover approximately half of Fortum's annual CO_2 emissions; their value is approximately EUR 70 million based on the current market price of certified emission reductions (CER) originating from developing countries.

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	I/08	I/07	2007	LTM
Sales	493	479	1,356	1,370
- heat sales	386	377	1,053	1,062
- power sales	77	75	202	204
- other sales	30	27	101	104
Operating profit	130	142	294	282
Comparable operating profit	121	137	290	274
Net assets (at period-end)	3,617	3,444	3,507	
Return on net assets, %			9.3	8.8
Comparable return on net assets, %			9.2	8.6
Gross investments	112	59	327	380
Number of employees	2,445	2,304	2,279	

The segment's heat sales during the first quarter amounted to 9.2 (9.5) TWh, most of which was generated in the Nordic countries. During the same period, power sales from CHP production totalled 1.7 (1.7) TWh.

The Heat segment’s comparable operating profit during the first quarter was EUR 16 million lower than the previous year. The decrease in the result was mainly due to higher fuel prices, higher CO_2 costs and lower electricity and heat volumes.

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

Heat sales by area, TWh	I/08	I/07	2007	LTM
Sweden	3.4	3.5	9.2	9.1
Finland	3.7	4.0	11.1	10.8
Other countries	2.1	2.0	4.8	4.9
Total	9.2	9.5	25.1	24.8

Power sales, TWh	I/08	I/07	2007	LTM
Total	1.7	1.7	5.0	5.0

Distribution

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

EUR million	I/08	I/07	2007	LTM
Sales	232	225	769	776
- distribution network transmission	199	192	648	655
- regional network transmission	23	24	81	80
- other sales	10	9	40	41
Operating profit	86	79	233	240
Comparable operating profit	87	78	231	240
Net assets (at period-end)	3,332	3,245	3,239	
Return on net assets, %			7.7	8.0
Comparable return on net assets, %			7.6	8.0
Gross investments	61	36	237	262
Number of employees	1,175	1,039	1,063	

In the first quarter of 2008, the volume of distribution and regional network transmissions totalled 7.9 (8.0) TWh and 5.0 (5.2) TWh, respectively. Warm weather had a negative impact on transmission volumes compared to last year.

Electricity transmissions via the regional distribution network totalled 4.1 (4.3) TWh in Sweden and 0.9 (0.9) TWh in Finland.

The comparable operating profit of the Distribution segment was EUR 87 million in the first quarter, EUR 9 million higher than the previous year. The improvement is mainly attributable to the heavy impact of the winter storms in Sweden during the first quarter of last year.

In Sweden, the installation of automatic meters in Fortum's network areas continues. By the end of March, approximately 441,000 customers had the new meter. The main part of the installation work will be completed during 2008.

Two investigations that may have a significant impact on the regulation of the network business have been presented to the Swedish government. The Energy Network Inquiry has published a report with a proposal of an advanced review of network company revenue effective 1 January 2012. The proposed regulation has similarities to the current Finnish regulation, with e.g. the repurchase value of the actual grid forming the regulatory capital base. In addition, the Grid Connection Inquiry has given its report with the objective to promote the development of renewable electricity production.

In April 2008, the Finnish Energy Market Authority published the interim check of the allowed return for Finnish network companies in 2005 and 2006. The final decision regarding the 2005-2007 regulation period will be announced in late autumn 2008.

Volume of distributed electricity in distribution network, TWh	**I/08**	**I/07**	**2007**	**LTM**
Sweden	4.3	4.3	14.3	14.2
Finland	2.8	2.9	9.2	9.2
Norway	0.7	0.7	2.3	2.3
Estonia	0.1	0.1	0.2	0.2
Total	7.9	8.0	26.0	25.9

Number of electricity distribution customers by area, thousands	**31 Mar 2008**	**31 Dec 2007**
Sweden	873	871
Finland	599	591
Other countries	123	122
Total	1,595	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.

EUR million	**I/08**	**I/07**	**2007**	**LTM**
Sales	519	519	1,683	1,683
- power sales	501	496	1,582	1,587
- other sales	18	23	101	96
Operating profit	-20	-12	12	4
Comparable operating profit	-10	-14	-1	3
Net assets (at period-end)	169	140	247	
Return on net assets, %			6.9	1.7
Comparable return on net assets, %			-0.6	1.2
Gross investments	1	1	3	3
Number of employees	814	942	935	

During the first quarter, Markets’ electricity sales totalled 11.2 (11.9) TWh. The sales volume was lower than at the same time last year, mainly due to some expired long-term contracts in Finland and warm weather causing lower consumption in the consumer segment. Markets' power sales were slightly higher than in the same period last year.

Markets' first-quarter comparable operating profit improved from a year ago but was still clearly negative. The segment typically procures its electricity according to its procurement strategy months in advance from the Nord Pool forward markets. As a result of the tight market situation, especially in Finland, Markets was unable to fully transfer its increased procurement costs to retail sales prices.

Markets raised its retail electricity prices in Sweden and Finland in the beginning of February. The Finnish electricity heating sales price was raised by 10% and the Swedish current-price product sales price by 9%.

Despite the tight Nordic market situation, Markets has been able to increase the number of customers. The customer net flow was positive in Sweden while the number of customers decreased slightly in Finland.

Fortum is the leading retailer of eco-labelled electricity on the Nordic market. The sale of eco-labelled Norppasähkö and Bra Miljöval electricity has continued to increase in the first quarter of 2008. In January 2008, Markets introduced two new eco-labels for the Finnish and Swedish market - electricity produced without CO2 emissions and electricity produced entirely from renewable energy sources.

Russia

The segment comprises power and heat generation and sales in Russia. The segment includes the listed company TGC-10 and Fortum's holding in TGC-1.

EUR million	I/08	I/07	2007	LTM
Sales	-	-	-	-
- power sales	-	-	-	-
- heat sales	-	-	-	-
- other sales	-	-	-	-
Operating profit	-	-	244	244
Comparable operating profit	-	-	0	0
Net assets (at period-end)	2,264	302	456	
Return on net assets, %			66.3	32.1
Comparable return on net assets, %			0.0	0.0
Gross investments	1,031	-	245	1,276
Number of employees	7,187	-	-	

The segment Russia comprises TGC-10, Fortum's 25.7% holding in TGC-1 and some minor assets from shareholdings in companies spun-off from Lenenergo. TGC-10 is fully consolidated in the ending balance sheet of the quarter. TGC-10's income statement will be consolidated from the beginning of the second quarter of 2008. Fortum's other holdings in the segment are accounted for as associated companies.

The segment also includes two non-recurring gains booked in 2007: the sale of Lenenergo shares for EUR 232 million, previously booked in the Distribution segment's operating profit (non-recurring items) in the third quarter of 2007, and the gain on the sale of WGC-5 shares, EUR 12 million, previously booked in the Power Generation segment's operating profit (non-recurring items) in the fourth quarter of 2007.

Fortum participated in a share auction conducted on 28 February 2008 to acquire a controlling stake in the listed Russian company TGC-10. Fortum acquired a 29.07% stake of the company from RAO UES for EUR 0.8 billion. In addition, Fortum acquired a further 47.42% stake in TGC-10 through a share issue for EUR 1.3 billion. This capital increase of EUR 1.3 billion will remain in TGC-10 and will be used to finance its committed capacity investment programme planned at EUR 2.2 billion.

TGC-10 is a territorial generating company founded in 2006 and operating in the Urals and West Siberia region. The total installed capacity is 3,000 MW power and 15,800 MW heat with an annual production of 18 TWh power and 27 TWh heat. The company has an extensive investment plan to further increase its power production capacity by 2,300 MW by 2013. The generation assets are located in an area with a significant oil and gas industry. The number of employees is 7,187.

In the last twelve months as of the end of the third quarter 2007, TGC-10's sales were EUR 590 million and its operating profit EUR 26 million.

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares in January-March totalled EUR 1,227 (115) million. Investments, excluding acquisitions, were EUR 175 (100) million.

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 TWh and power sales 20 gigawatthours (GWh).

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.

Financing

During the first quarter, Fortum's net debt increased by EUR 762 million. At the end of the quarter, the interest-bearing net debt stood at EUR 5,228 (4,466 at year end 2007) million. The interest bearing net debt at the quarter end includes interest-bearing liabilities of EUR 271 million and cash of EUR 1,293 million in the recently acquired TGC-10.

Net debt to EBITDA for the last twelve months was 2.2 (1.9 at year end 2007). The increase in net debt is mainly due to the acquisition of 76.49% of TGC-10. Net debt to EBITDA excluding REC and Lenenergo sales gains for the last twelve months was 2.4 (2.2 at the end of 2007).

The Group's net financial expenses for the first quarter were EUR 45 (31) million. The increase is attributable to higher average net debt and higher average interest rates in 2008. Net financial expenses include fair value loss/gain on financial instruments of EUR -2 (2) million.

Group liquidity remained good. At the end of the first quarter, cash and marketable securities totalled EUR 2,237 million (including EUR 1,293 million in TGC-10). The Group also had access to approximately EUR 2.8 billion of undrawn committed credit facilities. The reason for the high cash position at the end of the quarter was the preparation for the Group dividend payment of EUR 1,198 million in early April.

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. At the end of the first quarter, EUR 2,100 million of the new facility had been drawn.

Following the announcement of the acquisition of TGC-10, Moody's Investor service confirmed Fortum Corporation's long-term credit rating "A2" (stable). Standard & Poor's has placed its "A-" long-term corporate credit rating on Fortum on CreditWatch with negative implications.

Shares and share capital

During the first quarter 2008, a total of 159.4 (281.0) million Fortum Corporation shares, totalling EUR 4,422 million, were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 22,897 million. The highest quotation of Fortum Corporation shares on the OMX Nordic Exchange Helsinki in the first quarter of 2008 was EUR 33.00, the lowest EUR 23.27, and the volume weighted average quotation EUR 27.77. The closing quotation on the last trading day of the quarter was EUR 25.81 (21.83).

Relating to the 2002B share option scheme, a total of 0.2 million options for a total of EUR 6.2 million were traded during the first quarter of 2008.

A total of 439,535 shares subscribed on the basis of share option schemes were entered into the trade register in the first quarter of 2008. At the end of the first quarter 2008, Fortum Corporation did not own its own shares.

After registrations, Fortum Corporation's share capital is EUR 3,041,954,816.20 and the total number of registered shares is 887,122,593 at the end of the first quarter of 2008. The share capital of Fortum Corporation increased by a total of EUR 1,494,419.

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% (1,244,452 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 35.6%.

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 March was 8,356 (8,165). The number of employees at the end of the period was 15,689 (8,190). The increase in the number employees is due to the acquisition of TGC-10.

Events after the period under review

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 further measures.

Annual General Meeting

Fortum Corporation's Annual General Meeting, which was held in Helsinki on 1 April 2008, adopted the financial statements of the parent company and the Group for 2007, discharged Fortum's Supervisory Board, Board of Directors and the President and CEO from liability for 2007, and decided to pay a dividend of EUR 1.35 per share for 2007. Of this total dividend, EUR 0.77 per share was in accordance with the Group's dividend policy and EUR 0.58 per share was additional dividend proposed in order to steer Fortum's capital structure towards the agreed target level. The dividend payment date was 11 April 2008.

The Annual General Meeting authorised the Board of Directors to repurchase the company's own shares by using non-restricted equity. The authorisation is valid until the next Annual General Meeting. The shares will be repurchased in order to steer Fortum's capital structure towards the target. The maximum amount of shares to be repurchased is 15 million shares. In addition, the amount of funds used for the repurchases may not exceed EUR 300 million. The shares will be repurchased through public trading of the securities on OMX Nordic Exchange Helsinki Oy, which means that they will not be purchased in proportion to the holdings of the shareholders. The repurchase price of the shares shall be based on the public trading price of Fortum shares. Shares repurchased by the company shall be cancelled by a separate decision of the Board of Directors.

Outlook

The key market driver influencing Fortum's business performance is the Nordic wholesale price of electricity. Key drivers behind the wholesale price development are the Nordic hydrological situation and supply-demand balance, CO2 emissions allowance prices and fuel prices.

The Swedish krona and Russian rouble exchange rates also affect Fortum's reported results, as results generated by Fortum in Sweden and Russia are translated into euros.

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.

In Russia, one of the key assumptions in the TGC-10 acquisition is the continuation of the Russian power reform. The Russian 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 by the end of 2013. The completion of the investment programme depends on e.g. the power sector reform and the availability of key components. 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 mid-April 2008, the Nordic water reservoirs were about 8 TWh above the long-term average and 5 TWh above the corresponding level of 2007. In late April, the market price for emission allowances (EUA) for 2008 was about EUR 24-25 per tonne CO2. At the same time, the electricity forward price for the rest of 2008 was around EUR 42-44 per MWh and for 2009 around EUR 52-53 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, utilisation and optimisation of Fortum's flexible production portfolio – even on an hourly basis – and currency fluctuations. If Fortum would not hedge any of its production volumes, a 1 EUR/MWh change in the spot price would result in approximately a EUR 50 million change in Fortum's annual operating profit.

At the beginning of April 2008, Fortum had hedged approximately 60% of the Power Generation segment's estimated Nordic electricity sales volume for the year 2008 at approximately EUR 45 per MWh. For the calendar year 2009, approximately 35% of the Power Generation segment's estimated Nordic electricity sales volume was hedged at approximately EUR 48 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 quarter of 2008 were good, despite challenging market conditions. 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, 23 April 2008
Fortum Corporation
Board of Directors

Further information:
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Juha Laaksonen, CFO, tel. +358 10 452 4519

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-June will be published on 17 July 2008
Interim Report January-September will be published on 22 October 2008

Distribution:
OMX Nordic Exchange Helsinki
Key media
www.fortum.com

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

CONSOLIDATED INCOME STATEMENT

MEUR	Note	**Q1 2008**	Q1 2007	2007	Last twelve months
Sales	4	**1 440**	1 340	4 479	4 579
Other income		**61**	5	393	449
Materials and services		**-521**	-486	-1 572	-1 607
Employee benefit costs		**-136**	-126	-495	-505
Depreciation, amortisation and impairment charges	4, 12	**-111**	-112	-451	-450
Other expenses		**-124**	-131	-507	-500
Operating profit		**609**	490	1 847	1 966
Share of profit of associates and joint ventures	4, 13	**34**	202	241	73
Interest expense		**-60**	-44	-220	-236
Interest income		**17**	12	76	81
Fair value gains and losses on financial instruments		**-2**	2	7	3
Other financial expenses - net		**0**	-1	-17	-16
Finance costs - net		**-45**	-31	-154	-168
Profit before income tax		**598**	661	1 934	1 871
Income tax expense	9	**-122**	-109	-326	-339
Profit for the period		**476**	552	1 608	1 532
Attributable to:					
Equity holders of the Company		**452**	522	1 552	1 482
Minority interest		**24**	30	56	50
		476	552	1 608	1 532
Earnings per share for profit attributable to the equity holders of the company during the year (in € per share)	10				
Basic		**0.51**	0.59	1.74	1.67
Diluted		**0.51**	0.58	1.74	1.66

CONSOLIDATED BALANCE SHEET

MEUR	Note	March 31 2008	March 31 2007	Dec 31 2007
ASSETS				
Non-current assets				
Intangible assets	12	**416**	89	85
Property, plant and equipment	12	**12 970**	11 192	11 343
Participations in associates and joint ventures	4, 13	**2 511**	2 318	2 853
Share in State Nuclear Waste Management Fund	16	**522**	453	516
Other long-term investments		**73**	102	99
Deferred tax assets		**1**	7	3
Derivative financial instruments	6	**172**	123	153
Long-term interest-bearing receivables		**767**	674	736
Total non-current assets		**17 432**	14 958	15 788
Current assets				
Inventories		**297**	286	285
Derivative financial instruments	6	**185**	329	140
Trade and other receivables		**1 340**	1 099	1 034
Cash and cash equivalents		**2 237**	1 067	427
Total current assets		**4 059**	2 781	1 886
Total assets		**21 491**	17 739	17 674
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	14	**3 042**	3 034	3 040
Other restricted funds		**83**	73	78
Fair value and other reserves		**407**	542	715
Retained earnings		**4 923**	3 674	4 526
Total		**8 455**	7 323	8 359
Minority interest		**948**	271	292
Total equity		**9 403**	7 594	8 651
LIABILITIES				
Non-current liabilities				
Interest-bearing liabilities	15	**6 633**	3 516	4 288
Derivative financial instruments	6	**119**	91	139
Deferred tax liabilities		**1 899**	1 826	1 687
Nuclear provisions	16	**522**	453	516
Pension and other provisions		**343**	155	144
Other liabilities		**459**	485	486
Total non-current liabilities		**9 975**	6 526	7 260
Current liabilities				
Interest-bearing liabilities	15	**832**	1 483	605
Derivative financial instruments	6	**165**	92	260
Trade and other payables [1)		**1 116**	2 044	898
Total current liabilities		**2 113**	3 619	1 763
Total liabilities		**12 088**	10 145	9 023
Total equity and liabilities		**21 491**	17 739	17 674

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

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Other restricted funds	Fair value and other reserves	Treasury shares	Retained earnings	Attributable to the equity holders	Minority	Total
Total equity at 31.12.2007	**3 040**	**78**	**715**	**-**	**4 526**	**8 359**	**292**	**8 651**
Translation and other differences					-50	-50	-12	-62
Cash flow hedges			99			99	1	100
Other fair value adjustments [1]			-411			-411		-411
Total gains and losses not recognised in Income statement	-	-	-312	-	-50	-362	-11	-373
Net profit for the period					452	452	24	476
Total recognised income for the period	**-**	**-**	**-312**	**-**	**402**	**90**	**13**	**103**
Stock options exercised	2					2		2
Changes due to business combinations			4			4	643	647
Changes between restricted and unrestricted equity		5			-5	0		0
Total equity at 31.03.2008	**3 042**	**83**	**407**	**-**	**4 923**	**8 455**	**948**	**9 403**
Total equity at 31.12.2006	**3 023**	**74**	**511**	**-**	**4 300**	**7 908**	**253**	**8 161**
Translation and other differences					-25	-25	-11	-36
Cash flow hedges			-168			-168	-2	-170
Other fair value adjustments [1]			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
Total recognised income for the period	**-**	**-**	**204**	**-**	**1 527**	**1 731**	**43**	**1 774**
Stock options exercised	17					17		17
Cash dividend [2]					-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 in minority through business combinations						0	-4	-4
Total equity at 31.12.2007	**3 040**	**78**	**715**	**-**	**4 526**	**8 359**	**292**	**8 651**

[1] 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.
[2] See Note 11 Dividends.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	Note	Q1 2008	Q1 2007	2007	Last twelve months
Cash flow from operating activities					
Operating profit before depreciations		**720**	602	2 298	2 416
Non-cash flow items and divesting activities		**-37**	1	-286	-324
Financial items and realised foreign exchange gains and losses		**-45**	-38	-10	-17
Taxes		**-77**	-118	-383	-342
Funds from operations		**561**	447	1 619	1 733
Change in working capital		**-19**	50	51	-18
Total net cash from operating activities		**542**	497	1 670	1 715
Cash flow from investing activities					
Capital expenditures [1]	4, 12	**-164**	-100	-592	-656
Acquisition of subsidiaries, net of cash acquired	7	**-764**	-8	-10	-766
Acquisition of associates [2]	13	**-8**	-	-271	-279
Acquisition of other long-term investments		**0**	-	-4	-4
Proceeds from sales of fixed assets		**4**	7	14	11
Proceeds from sales of subsidiaries, net of cash disposed	7	**0**	-	0	0
Proceeds from sales of associates	13	-	-	304	304
Proceeds from sales of other long-term investments		**0**	-	29	29
Change in interest-bearing receivables		**-30**	-36	-79	-73
Total net cash used in investing activities		**-962**	-137	-609	-1 434
Cash flow before financing activities		**-420**	360	1 061	281
Cash flow from financing activities					
Net change in loans		**2 257**	540	488	2 205
Dividends paid to the Company's equity holders		-	-	-1 122	-1 122
Repurchase of own shares		-	-	-175	-175
Other financing items		**1**	10	18	9
Total net cash used in financing activities		**2 258**	550	-791	917
Total net increase (+)/decrease (-) in cash and marketable securities		**1 838**	910	270	1 198

[1] Capital expenditures in cash-flow do not include not yet paid investments. Capitalised borrowing costs are included in interest costs paid.
[2] Acquisition of associates include share issues.

FORTUM GROUP
JANUARY-MARCH 2008

KEY RATIOS

MEUR	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007	Last twelve months
EBITDA, MEUR	**720**	2 298	1 663	1 040	602	2 416
Earnings per share (basic), EUR	**0.51**	1.74	1.33	0.85	0.59	1.67
Capital employed, MEUR	**16 868**	13 544	13 764	13 503	12 593	16 868
Interest-bearing net debt, MEUR	**5 228**	4 466	4 456	4 610	3 932	N/A
Capital expenditure and gross investments in shares, MEUR	**1 227**	972	646	253	115	2 084
Capital expenditure, MEUR	**175**	655	382	236	100	730
Return on capital employed, % [1]	**17.3**	16.5	15.1	14.8	18.0	14.4
Adjusted return on capital employed, % [2]		14.0				13.1
Return on shareholders' equity, % [1]	**21.0**	19.1	17.8	17.2	21.1	18.0
Adjusted return on shareholders' equity, % [2]		15.8				16.4
Net debt / EBITDA [1]	**1.8**	1.9	2.1	2.2	1.6	2.2
Adjusted Net debt / EBITDA [3]		2.2	2.3			2.4
Interest coverage	**14.1**	12.8	12.4	11.5	15.3	12.7
Funds from operations/interest-bearing net debt, % [1]	**42.9**	36.3	33.9	36.1	45.5	33.2
Gearing, %	**56**	52	52	58	52	N/A
Equity per share, EUR	**9.53**	9.43	9.21	8.68	8.22	N/A
Equity-to-assets ratio, %	**44**	49	48	46	43	N/A
Average number of employees	**8 356**	8 304	8 305	8 257	8 165	N/A
Number of employees	**15 689**	8 303	8 306	8 541	8 190	N/A
Average number of shares, 1 000 shares	**887 085**	889 997	890 984	890 770	890 263	889 485
Diluted adjusted average number of shares, 1 000 shares	**888 177**	891 395	892 815	893 140	893 252	890 564
Number of registered shares, 1 000 shares	**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

[1] Quarterly figures are annualised.
[2] Adjusted for REC and Lenenergo gains in 2007.
[3] Based on EBITDA excluding capital gain from the sale of Fortum's holding in Lenenergo amounting to EUR 232 million.
For definitions, see Note 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 is introduced, which then means that the future segment structure will have one segment based on geographical area, combined with segments based on type of business operations. Due to the change in segments structure, Fortum is early adopting IFRS 8 Operating segments.

The new Russia segment includes:
- TGC-10, which is consolidated from 31 March 2008 (see Note 7)
- the TGC-1 shareholding, which is 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 has been transferred from Power Generation segment to Other segment.

Segments Power Generation, Heat, Distribution and Markets as well as Other will remain as previously reported with exception from the items stated above. Power Generation consists of the business units Generation, Portfolio Management and Trading (PMT) aswell 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 refers 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 is 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 Nordpool. 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 2007 non-recurring gain on the sale of Lenenergo shares (EUR 232 miilion), transferred from Distribution segment to the new Russia segment
- the gain on the sale of WGC-5 shares (EUR 12 million), 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 Q 1 2007, has been transferred from Power Generation segment to Other segment.

In attachment, the segment numbers are disclosed prior and after the change in segment structure.

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 BY SEGMENT

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation	**717**	641	2 350	2 426
- of which internal	***53***	*156*	*323*	*220*
Heat	**493**	479	1 356	1 370
- of which internal	***7***	*24*	*38*	*21*
Distribution	**232**	225	769	776
- of which internal	***3***	*2*	*9*	*10*
Markets	**519**	519	1 683	1 683
- of which internal	***32***	*44*	*155*	*143*
Russia	**-**	-	-	-
- of which internal	**-**	-	-	-
Other	**20**	19	81	82
- of which internal	***20***	*16*	*72*	*76*
Eliminations [1]	**-541**	-543	-1 760	-1 758
Total	**1 440**	1 340	4 479	4 579

[1] Eliminations include sales and purchases with Nordpool that is netted on Group level on an hourly basis and posted either as revenue or cost depending on if Fortum is a net seller or net buyer during any particular hour.

OPERATING PROFIT BY SEGMENTS

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation	**431**	300	1 115	1 246
Heat	**130**	142	294	282
Distribution	**86**	79	233	240
Markets	**-20**	-12	12	4
Russia	**-**	-	244	244
Other	**-18**	-19	-51	-50
Total	**609**	490	1 847	1 966

COMPARABLE OPERATING PROFIT BY SEGMENTS

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation	**395**	330	1 095	1 160
Heat	**121**	137	290	274
Distribution	**87**	78	231	240
Markets	**-10**	-14	-1	3
Russia	**-**	-	-	-
Other	**-12**	-19	-51	-44
Comparable operating profit	**581**	512	1 564	1 633
Non-recurring items	**2**	1	250	251
Other items effecting comparability	**26**	-23	33	82
Operating profit	**609**	490	1 847	1 966

NON-RECURRING ITEMS BY SEGMENTS

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation	**0**	0	2	2
Heat	**2**	0	2	4
Distribution	**0**	1	0	-1
Markets	-	0	0	0
Russia	-	-	244	244
Other	**0**	0	2	2
Total	**2**	1	250	251

OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS

	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation [1]	**36**	-30	18	84
Heat	**7**	5	2	4
Distribution	**-1**	0	2	1
Markets	**-10**	2	13	1
Russia	-	-	-	-
Other	**-6**	0	-2	-8
Total	**26**	-23	33	82
[1] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-9**	-5	17	13

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation	**24**	26	103	101
Heat	**42**	40	163	165
Distribution	**41**	39	162	164
Markets	**2**	4	11	9
Russia	**-**	-	-	-
Other	**2**	3	12	11
Total	**111**	112	451	450

SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation [1]	**-8**	-6	-23	-25
Heat	**7**	7	24	24
Distribution	**10**	6	18	22
Markets	**0**	1	0	-1
Russia	**-**	-	-	-
Other	**25**	194	222	53
Total	**34**	202	241	73

[1] 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	March 31 2008	March 31 2007	Dec 31 2007
Power Generation	**800**	783	806
Heat	**172**	157	158
Distribution	**233**	221	229
Markets	**8**	9	8
Russia	**490**	277	455
Other	**808**	871	1 197
Total	**2 511**	2 318	2 853

CAPITAL EXPENDITURE BY SEGMENTS

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation	**18**	16	93	95
Heat [1]	**91**	44	309	356
Distribution [2]	**61**	36	236	261
Markets	**1**	1	3	3
Russia	**-**	-	-	-
Other	**4**	3	14	15
Total	**175**	100	655	730

[1] Increase is mainly due to ongoing large CHP-plant construction projects in Espoo in Finland, Tarto in Estonia and Czestochowa in Poland.
[2] Increase is mainly due to installation of new meters in Fortum's network areas in Sweden (Automatic Meter Management, AMM).

GROSS INVESTMENTS IN SHARES BY SEGMENTS

MEUR	Q1 2008	Q1 2007	2007	Last twelve months
Power Generation	-	-	52	52
Heat	**21**	15	18	24
Distribution	-	-	1	1
Markets	**0**	-	0	0
Russia [1]	**1 031**	-	245	1 276
Other	**0**	-	1	1
Total	**1 052**	15	317	1 354

[1] See Note 7 Acquisitions and disposals.

NET ASSETS BY SEGMENTS

MEUR	March 31 2008	March 31 2007	Dec 31 2007
Power Generation	**5 633**	5 636	5 599
Heat	**3 617**	3 444	3 507
Distribution	**3 332**	3 245	3 239
Markets	**169**	140	247
Russia	**2 264**	302	456
Other and Eliminations	**822**	937	1 237
Total	**15 837**	13 704	14 285

RETURN ON NET ASSETS BY SEGMENTS %	Last twelve months	Dec 31 2007
Power Generation	**21.7**	19.2
Heat	**8.8**	9.3
Distribution	**8.0**	7.7
Markets	**1.7**	6.9
Russia	**32.1**	66.3
Other	**0.4**	17.1

COMPARABLE RETURN ON NET ASSETS BY SEGMENTS %	Last twelve months	Dec 31 2007
Power Generation	**20.2**	18.9
Heat	**8.6**	9.2
Distribution	**8.0**	7.6
Markets	**1.2**	-0.6
Russia	**0.0**	0.0
Other [1]	**2.8**	-2.1

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

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

ASSETS BY SEGMENTS MEUR	March 31 2008	March 31 2007	Dec 31 2007
Power Generation	**6 155**	6 037	6 154
Heat	**4 033**	3 830	3 928
Distribution	**3 874**	3 735	3 778
Markets	**612**	617	630
Russia	**2 541**	302	456
Other and Eliminations	**934**	1 057	1 392
Assets included in Net assets	**18 149**	15 578	16 338
Interest-bearing receivables	**792**	710	747
Deferred taxes	**1**	7	3
Other assets	**312**	377	159
Cash and cash equivalents	**2 237**	1 067	427
Total assets	**21 491**	17 739	17 674

LIABILITIES BY SEGMENTS MEUR	March 31 2008	March 31 2007	Dec 31 2007
Power Generation	**522**	401	555
Heat	**416**	386	421
Distribution	**542**	490	539
Markets	**443**	477	383
Russia	**277**	-	-
Other and Eliminations	**112**	120	155
Liabilities included in Net assets	**2 312**	1 874	2 053
Deferred tax liabilities	**1 899**	1 826	1 687
Other	**412**	1 446	390
Total liabilities included in Capital employed	**4 623**	5 146	4 130
Interest-bearing liabilities	**7 465**	4 999	4 893
Total equity	**9 403**	7 594	8 651
Total equity and liabilities	**21 491**	17 739	17 674

AVERAGE NUMBER OF EMPLOYEES	Q1 2008	Q1 2007	2007
Power Generation	**3 523**	3 350	3 475
Heat	**2 324**	2 311	2 302
Distribution	**1 144**	1 037	1 060
Markets	**846**	914	936
Russia	**-**	-	-
Other	**519**	553	531
Total	**8 356**	8 165	8 304

NUMBER OF EMPLOYEES	March 31 2008	March 31 2007	Dec 31 2007
Power Generation	**3 544**	3 371	3 511
Heat	**2 445**	2 304	2 279
Distribution	**1 175**	1 039	1 063
Markets	**814**	942	935
Russia	**7 187**	-	-
Other	**524**	534	515
Total	**15 689**	8 190	8 303

5. QUARTERLY SEGMENT INFORMATION

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

QUARTERLY SALES BY SEGMENTS MEUR	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation	**717**	685	502	522	641
- of which internal	***53***	*5*	*70*	*92*	*156*
Heat	**493**	439	186	252	479
- of which internal	***7***	*-1*	*4*	*11*	*24*
Distribution	**232**	206	166	172	225
- of which internal	***3***	*3*	*2*	*2*	*2*
Markets	**519**	482	331	351	519
- of which internal	***32***	*49*	*30*	*32*	*44*
Russia	**-**	-	-	-	-
- of which internal	**-**	-	-	-	-
Other	**20**	21	19	22	19
- of which internal	***20***	*20*	*17*	*19*	*16*
Eliminations	**-541**	*-513*	*-344*	*-360*	*-543*
Total	**1 440**	1 320	860	959	1 340

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

QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS MEUR	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation	**395**	363	185	217	330
Heat	**121**	120	-3	36	137
Distribution	**87**	50	51	52	78
Markets	**-10**	-1	11	3	-14
Russia	**0**	-	-	-	-
Other	**-12**	-16	-6	-10	-19
Total	**581**	516	238	298	512

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

QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY MEUR	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Power Generation [1)]	**36**	-12	36	24	-30
Heat	**7**	0	1	-4	5
Distribution	**-1**	1	0	1	0
Markets	**-10**	4	3	4	2
Russia	**-**	-	-	-	-
Other	**-6**	-2	0	0	0
Total	**26**	-9	40	25	-23

[1)] Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-9**	-7	33	-4	-5

6. FINANCIAL RISK MANAGEMENT

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

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

DERIVATIVES

MEUR	March 31 2008		March 31 2007		Dec 31 2007	
Interest and currency derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value	Notional value	Net fair value
Interest rate swaps	**2 856**	**20**	3 092	2	3 500	-16
Forward foreign exchange contracts	**5 020**	**-5**	6 923	71	4 452	30
Forward rate agreements	**745**	**-**	-	-	741	0
Interest rate and currency swaps	**3 131**	**49**	3 014	17	3 293	66

Electricity derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	TWh	**MEUR**	TWh	MEUR	TWh	MEUR
Sales swaps	**121**	**61**	121	730	119	-651
Purchase swaps	**96**	**-61**	90	-567	88	461
Purchased options	**0**	**0**	6	1	0	0
Written options	**4**	**2**	9	0	2	-1

Oil derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	1000 bbl	**MEUR**	1000 bbl	MEUR	1000 bbl	MEUR
Sales swaps and futures	**464**	**-4**	545	-2	460	-4
Purchase swaps and futures	**692**	**9**	1 003	4	795	9

Coal derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	kt	**MEUR**	kt	MEUR	kt	MEUR
Sold	**105**	**-1**	-	-	150	-1
Bought	**330**	**4**	-	-	375	1

CO2 emission allowance derivatives	**Volume**	**Net fair value**	Volume	Net fair value	Volume	Net fair value
	ktCO2	**MEUR**	ktCO2	MEUR	ktCO2	MEUR
Sold	**3 951**	**-13**	405	0	3 101	-13
Bought	**3 896**	**14**	415	0	3 121	13

Share derivatives	**Notional value**	**Net fair value**	Notional value	Net fair value	Notional value	Net fair value
	MEUR	**MEUR**	MEUR	MEUR	MEUR	MEUR
Share forwards [1]	**35**	**40**	36	48	36	66

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

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

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 and their value is approximately EUR 70 million based on the current market price of Certified Emission Reductions originating from developing countries.

7. ACQUISITIONS AND DISPOSALS

Total Gross investment in subsidiary shares (see definition of key figures) amounted to EUR 1,045 (18) million of which EUR 1,031 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 alraedy 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). Fortum will make a mandatory offer to purchase the remaining shares held by the minority shareholders.

The gross investment for the total transaction was EUR 1,031 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 latest IFRS interim financial statements published from
TGC-10 is Q3 2007. The fair value adjustments are highly preliminary, since all valuation effects have not been finalised, in particular regarding potential obligations. The Fortum Q1 2008 Interim report does not include any income statement effect from TGC-10.

MEUR	TGC-10
Purchase consideration	
Cash paid	2 069
Direct costs relating to the acquisition	7
Total purchase consideration	2 076
Fair value of the acquired assets	1 737
Goodwill	339

Fair value of the acquired net identifiable assets:	Acquired Book Values	Allocated Fair Values	Total Value
Cash and cash equivalents	1 321		1 321
Property, plant and equipment	539	988	1 527
Other assets	282		282
Non-interest-bearing liabilities	-93	-388	-481
Interest-bearing liabilities	-276		-276
Net identifiable assets	1 773	600	2 373
Minority interests	-417	-219	-636
Total	1 356	381	1 737

Gross investment in TGC-10:	
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	276
Total	1 031

8. EXCHANGE RATES

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

Average rate	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
Sweden (SEK)	**9.4265**	9.2475	9.2185	9.2020	9.1787
Norway (NOK)	**7.9998**	8.0253	8.0466	8.1205	8.1563
Poland (PLN)	**3.5676**	3.7792	3.8285	3.8439	3.8858
Russia (RUB)	**36.4660**	35.0759	34.8320	34.6997	34.5633

Balance sheet date rate	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
Sweden (SEK)	**9.3970**	9.4415	9.2147	9.2525	9.3462
Norway (NOK)	**8.0510**	7.9580	7.7185	7.9725	8.1190
Poland (PLN)	**3.5220**	3.5935	3.7730	3.7677	3.8668
Russia (RUB)	**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 March 2008 was 20.4% (16.5%). 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 21.6% (23.7%).
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 2008	Q1 2007	2007
Earnings (MEUR):			
Profit attributable to the equity holders of the Company	**452**	522	1 552
Number of shares (thousands):			
Weighted average number of shares for the purpose of basic earnings per share	**887 085**	890 263	889 997
Effect of dilutive share options	**1 092**	2 989	1 398
Weighted average number of shares for the purpose of diluted earnings per share	**888 177**	893 252	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 amounts to EUR 1,198 million based on the amount of shares registered as of 4 April 2008. The dividend was paid out 11 April 2008. These financial statements do not reflect this dividend.

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.
In Q1 2007 the total dividend was included in trade and other payables.

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

MEUR	March 31 2008	March 31 2007	Dec 31 2007
Opening balance	**11 428**	11 567	11 567
Increase through acquisition of subsidiary companies	**1 857**	13	16
Capital expenditures	**175**	100	655
Changes of nuclear asset retirement cost	**-**	-	25
Changes of emission rights	**0**	0	-9
Disposals	**-2**	-6	-11
Depreciation, amortisation and impairment	**-111**	-112	-451
Translation differences	**39**	-281	-364
Closing balance	**13 386**	11 281	11 428

13. CHANGES IN PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES

MEUR	**March 31 2008**	March 31 2007	Dec 31 2007
Opening balance	2 853	2 197	2 197
Share of profits of associates and joint ventures	34	202	241
Investments	7	-	1
Share issues and shareholders' contributions	1	-	294
Increase through acquisition of subsidiaries	35	-	-
Reclassifications	-1	-	-
Divestments	-		-68
Dividend income received	-2	-2	-178
Fair value and other changes in equity	-416	-79	366
Closing balance	**2 511**	2 318	2 853

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 terawatthour (TWh) and power sales 20 gigawatthours (GWh). The investment was EUR 7 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-March 2008 results on 6 May 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 approximately EUR 380 million at 31 March 2008, which represents a decrease with EUR 410 milion from 31 December 2007.

14. SHARE CAPITAL

MEUR	**Number of shares**	**Share capital**
Registered shares at 1 January 2008	886 683 058	3 040
Shares subscribed with options and registered by 31 March 2008	439 535	2
Registered shares at 31 March 2008	**887 122 593**	**3 042**
Unregistered shares	-	

MEUR	**Number of shares**	**Share capital**
Registered shares at 1 January 2007	887 393 646	3 023
Shares subscribed with options and registered by 31 Dec 2007	5 199 412	17
Cancellation of own shares	-5 910 000	-
Registered shares at 31 Dec 2007	**886 683 058**	**3 040**
Unregistered shares	50 000	

15. INTEREST-BEARING LIABILITIES

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 nuclear waste fund was increased by EUR 50 million to EUR 708 million. Fortum also increased the amount of short term financing by issuing Commercial Papers (CPs) in the Finnish and Swedish markets. Per quarter end the amount of short term CPs outstanding was EUR 617 million. During the quarter a long term Eurobond (originally issued in 2001) of EUR 500 million was repaid. The reported interest-bearing debt increased during the quarter by EUR 2,572 million from EUR 4,893 million to EUR 7,465 million. Cash increased by EUR 1,810 million from EUR 427 million to EUR 2,237 million including cash held by TGC-10 amounting to EUR 1,293 million. The dividends both in 2007 and 2008 were paid after the reporting date.

16. NUCLEAR RELATED ASSETS AND LIABILITIES

MEUR	March 31 2008	March 31 2007	Dec 31 2007
Carrying values in the balance sheet:			
Nuclear provisions	**522**	453	516
Share in the State Nuclear Waste Management Fund	**522**	453	516
Legal liability and actual share of the State Nuclear Waste Management Fund:			
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 176 million, since Fortum's share of the Fund as of 31 March 2008 is EUR 698 million and the carrying value in the balance sheet is EUR 522 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 Q1 2008 was EUR -9 million compared to EUR -5 million in Q1 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	March 31 2008	March 31 2007	Dec 31 2007
On own behalf			
For debt			
Pledges	**230**	216	170
Real estate mortgages	**138**	49	138
For other commitments			
Real estate mortgages	**102**	56	103
On behalf of associated companies and joint ventures			
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 31 March 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 102 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. Fortum estimates the amount of real estate mortgages given as a security to increase with approximately EUR 100 million during Q2 2008.

18. COMMITMENTS

MEUR	March 31 2008	March 31 2007	Dec 31 2007
Operating lease commitments			
Due within a year	**24**	19	21
Due after one year and within five years	**44**	31	31
Due after five years	**92**	75	69
Total	**160**	125	121

Capital commitments for the purchase of property, plant and equipment and intangible assets amounts to EUR 467 million as at 31 March 2008 (EUR 436 million at year end 2007).

19. CONTINGENT LIABILITIES

MEUR	March 31 2008	March 31 2007	Dec 31 2007
On own behalf			
Other contingent liabilities	**213**	146	224
On behalf of associated companies and joint ventures			
Guarantees	**235**	207	235
Other contingent liabilities	**125**	125	125
On behalf of others			
Guarantees	**10**	14	10
Other contingent liabilities	**1**	2	1

Other contingent liabilities on own behalf, EUR 213 million, have decreased with EUR 11 million since 31 December 2007. The main reason for the decrease is effects due exchange rate changes for the guarantees issued for the fulfillment of various cantractual obligations relating to Fortum's Service business in the UK.

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.

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

In Sweden, Fortum has given guarantees on behalf of Forsmarks Kraftgrupp AB and OKG AB to the Swedish fund. Starting on 1 January 2008, a new law applies for financing of future fees to the fund for spent nuclear fuel and decommisioning of the plant. Following the implementation of the new law, Fortum estimates that the total amount of guarantees relating to nuclear waste management in Sweden will increase from SEK 1 841 million (EUR 196 million) to SEK 5 314 million (EUR 565 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 condidered 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 2007, 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 31 March 2008.

ASSOCIATED COMPANY TRANSACTIONS

MEUR	Q1 2008	Q1 2007	2007
Sales to associated companies	**35**	43	129
Interest on associated company loan receivables	**8**	6	26
Purchases from associated companies	**134**	130	519

ASSOCIATED COMPANY BALANCES

MEUR	March 31 2008	March 31 2007	Dec 31 2007
Long-term interest-bearing loan receivables	**671**	576	636
Trade receivables	**14**	11	17
Other receivables	**7**	7	7
Long-term loan payables	**184**	164	171
Trade payables	**22**	15	25
Other payables	**34**	24	53

TRANSACTIONS AND BALANCES WITH JOINT VENTURES
Transactions and balances with joint ventures as at and for the period ended 31 March 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 March, the cumulative fair value change booked in Fortum's equity was approximately EUR 380 million. REC's share price has increased since the end of March. Based on REC's closing price on 22 April, the cumulative fair value change in Fortum's equity would have been approximately EUR 515 million.

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, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}} \times 100$
Return on capital employed, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}} \times 100$
Return on net assets, %	=	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint}}{\text{Net assets average}} \times 100$
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses)}}{\text{Comparable net assets average}} \times 100$
Capital employed	=	Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions - 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, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}} \times 100$
Equity-to-assets ratio, %	=	$\frac{\text{Total equity including minority interest}}{\text{Total assets}} \times 100$
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

ATTACHMENT TO THE PRESS RELEASE

SEGMENT INFORMATION: COMPARISON BETWEEN OLD AND CURRENT SEGMENT STRUCTURES 2007

SALES BY SEGMENT

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	641	1 163	1 665	2 350	641	1 163	1 665	2 350
- of which internal	*156*	248	318	*323*	*156*	248	318	*323*
Heat	479	731	917	1 356	479	731	917	1 356
- of which internal	*24*	35	39	*38*	*24*	35	39	*38*
Distribution	225	397	563	769	225	397	563	769
- of which internal	2	4	6	*9*	2	4	6	*9*
Markets	519	870	1 201	1 683	519	870	1 201	1 683
- of which internal	*44*	76	106	*155*	*44*	76	106	*155*
Russia	-	-	-	-	-	-	-	-
- of which internal	-	-	-	-	-	-	-	-
Other	19	41	60	81	19	41	60	81
- of which internal	*16*	35	52	*72*	*16*	35	52	*72*
Eliminations	-543	-903	-1 247	-1 760	-543	-903	-1 247	-1 760
Total	**1 340**	**2 299**	**3 159**	**4 479**	**1 340**	**2 299**	**3 159**	**4 479**

OPERATING PROFIT BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	300	543	764	1 115	298	542	762	1 125
Heat	142	175	173	294	142	175	173	294
Distribution	79	132	182	233	79	132	414	465
Markets	-12	-5	10	12	-12	-5	10	12
Russia	-	-	232	244	-	-	-	-
Other	-19	-28	-34	-51	-17	-27	-32	-49
Total	**490**	**817**	**1 327**	**1 847**	**490**	**817**	**1 327**	**1 847**

COMPARABLE OPERATING PROFIT BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	330	547	732	1 095	328	546	730	1 093
Heat	137	173	170	290	137	173	170	290
Distribution	78	130	181	231	78	131	181	231
Markets	-14	-11	0	-1	-14	-11	0	-1
Russia	-	-	-	-	-	-	-	-
Other	-19	-29	-35	-51	-17	-29	-33	-49
Comparable operating profit	**512**	**810**	**1 048**	**1 564**	**512**	**810**	**1 048**	**1 564**
Non-recurring items	1	5	237	250	1	5	237	250
Other items effecting comparability	-23	2	42	33	-23	2	42	33
Operating profit	**490**	**817**	**1 327**	**1 847**	**490**	**817**	**1 327**	**1 847**

NON-RECURRING ITEMS BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	0	2	2	2	0	2	2	14
Heat	0	1	1	2	0	1	1	2
Distribution	1	1	0	0	1	0	232	232
Markets	0	0	1	0	0	0	1	0
Russia	-	0	232	244	-	-	-	-
Other	0	1	1	2	0	2	1	2
Total	**1**	**5**	**237**	**250**	**1**	**5**	**237**	**250**

FORTUM GROUP
JANUARY-MARCH 2008
OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation [1)	-30	-6	30	18	-30	-6	30	18
Heat	5	1	2	2	5	1	2	2
Distribution	0	1	1	2	0	1	1	2
Markets	2	6	9	13	2	6	9	13
Russia	-	-	-	-	-	-	-	-
Other	0	0	0	-2	0	0	0	-2
Total	**-23**	**2**	**42**	**33**	**-23**	**2**	**42**	**33**
[1) Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):	**-5**	**-9**	**24**	**17**	**-5**	**-9**	**24**	**17**

DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	26	52	79	103	26	51	78	102
Heat	40	80	120	163	40	80	120	163
Distribution	39	79	119	162	39	79	119	162
Markets	4	7	9	11	4	7	9	11
Russia	-	-	-	-	-	-	-	-
Other	3	5	9	12	3	6	10	13
Total	**112**	**223**	**336**	**451**	**112**	**223**	**336**	**451**

SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	-6	-12	-21	-23	188	195	194	196
Heat	7	12	16	24	7	12	16	24
Distribution	6	9	13	18	6	9	13	18
Markets	1	1	0	0	1	1	0	3
Russia	-	-	-	-	-	-	-	-
Other	194	207	215	222	0	0	0	0
Total	**202**	**217**	**223**	**241**	**202**	**217**	**223**	**241**

PARTICIPATIONS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	March 31 2007 Current	June 30 2007 Current	Sept 30 2007 Current	Dec 31 2007 Current	March 31 2007 Old	June 30 2007 Old	Sept 30 2007 Old	Dec 31 2007 Old
Power Generation	783	775	768	806	1 861	2 026	2 367	2 455
Heat	157	146	151	158	157	146	151	158
Distribution	221	220	226	229	291	290	229	232
Markets	9	9	8	8	9	9	8	8
Russia	277	277	455	455	-	-	-	-
Other	871	1 044	1 147	1 197	0	0	0	0
Total	**2 318**	**2 471**	**2 755**	**2 853**	**2 318**	**2 471**	**2 755**	**2 853**

CAPITAL EXPENDITURE BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	16	40	61	93	16	40	61	93
Heat	44	109	189	309	44	109	189	309
Distribution	36	78	119	236	36	78	119	236
Markets	1	2	2	3	1	2	2	3
Russia	-	-	-	-	-	-	-	-
Other	3	7	11	14	3	7	11	14
Total	**100**	**236**	**382**	**655**	**100**	**236**	**382**	**655**

GROSS INVESTMENTS IN SHARES BY SEGMENTS

MEUR	Q1 2007 Current	Q1-Q2 2007 Current	Q1-Q3 2007 Current	2007 Current	Q1 2007 Old	Q1-Q2 2007 Old	Q1-Q3 2007 Old	2007 Old
Power Generation	-	0	0	52	-	0	245	297
Heat	15	15	17	18	15	15	17	18
Distribution	-	-	-	1	-	0	0	1
Markets	-	-	-	0	-	0	0	0
Russia	-	-	245	245	-			-
Other	-	2	2	1	-	2	2	1
Total	**15**	**17**	**264**	**317**	**15**	**17**	**264**	**317**

FORTUM GROUP
JANUARY-MARCH 2008

NET ASSETS BY SEGMENTS

MEUR	March 31 2007 Current	June 30 2007 Current	Sept 30 2007 Current	Dec 31 2007 Current	March 31 2007 Old	June 30 2007 Old	Sept 30 2007 Old	Dec 31 2007 Old
Power Generation	5 636	5 657	5 659	5 599	6 607	6 818	7 164	7 148
Heat	3 444	3 333	3 402	3 507	3 444	3 333	3 402	3 507
Distribution	3 245	3 282	3 292	3 239	3 314	3 351	3 296	3 243
Markets	140	149	157	247	140	149	157	247
Russia	302	305	482	456	-	-	-	-
Other and Eliminations	937	1 052	1 144	1 237	199	127	117	140
Total	**13 704**	**13 778**	**14 136**	**14 285**	**13 704**	**13 778**	**14 136**	**14 285**

RETURN ON NET ASSETS BY SEGMENTS

%	Dec 31 2007 Current	Dec 31 2007 Old
Power Generation	19.2	19.2
Heat	9.3	9.3
Distribution	7.7	14.5
Markets	6.9	6.9
Russia	66.3	-
Other	17.1	0.0

COMPARABLE RETURN ON NET ASSETS BY SEGMENTS

%	Dec 31 2007 Current	Dec 31 2007 Old
Power Generation	18.9	17.7
Heat	9.2	9.2
Distribution	7.6	7.5
Markets	-0.6	-0.6
Russia	0.0	-
Other	-2.1	-

ASSETS BY SEGMENTS

MEUR	March 31 2007 Current	June 30 2007 Current	Sept 30 2007 Current	Dec 31 2007 Current	March 31 2007 Old	June 30 2007 Old	Sept 30 2007 Old	Dec 31 2007 Old
Power Generation	6 037	6 161	6 254	6 154	7 014	7 327	7 764	7 724
Heat	3 830	3 686	3 766	3 928	3 830	3 686	3 766	3 928
Distribution	3 735	3 729	3 741	3 778	3 804	3 798	3 745	3 782
Markets	617	496	468	630	617	496	468	630
Russia	302	305	482	456	-	-	-	-
Other and Eliminations	1 057	1 166	1 264	1 392	313	236	232	274
Assets included in Net assets	**15 578**	**15 543**	**15 975**	**16 338**	**15 578**	**15 543**	**15 975**	**16 338**
Interest-bearing receivables	710	718	738	747	710	718	738	747
Deferred taxes	7	4	3	3	7	4	3	3
Other assets	377	307	138	159	377	307	138	159
Cash and cash equivalents	1 067	879	815	427	1 067	879	815	427
Total assets	**17 739**	**17 451**	**17 669**	**17 674**	**17 739**	**17 451**	**17 669**	**17 674**

LIABILITIES BY SEGMENTS

MEUR	March 31 2007 Current	June 30 2007 Current	Sept 30 2007 Current	Dec 31 2007 Current	March 31 2007 Old	June 30 2007 Old	Sept 30 2007 Old	Dec 31 2007 Old
Power Generation	401	504	595	555	407	509	600	576
Heat	386	353	364	421	386	353	364	421
Distribution	490	447	449	539	490	447	449	539
Markets	477	347	311	383	477	347	311	383
Russia	0	0	0	0	-	-	-	-
Other and Eliminations	120	114	120	155	114	109	115	134
Liabilities included in Net assets	**1 874**	**1 765**	**1 839**	**2 053**	**1 874**	**1 765**	**1 839**	**2 053**
Deferred tax liabilities	1 826	1 788	1 715	1 687	1 826	1 788	1 715	1 687
Other	1 446	395	351	390	1 446	395	351	390
Total liabilities included in Capital employed	**5 146**	**3 948**	**3 905**	**4 130**	**5 146**	**3 948**	**3 905**	**4 130**
Interest-bearing liabilities	**4 999**	**5 489**	**5 271**	**4 893**	**4 999**	**5 489**	**5 271**	**4 893**
Total equity	**7 594**	**8 014**	**8 493**	**8 651**	**7 594**	**8 014**	**8 493**	**8 651**
Total equity and liabilities	**17 739**	**17 451**	**17 669**	**17 674**	**17 739**	**17 451**	**17 669**	**17 674**