

Fortum Corporation
Interim Report
January - June 2006

Good performance continued

January-June in brief (continuing operations)

- Comparable operating profit EUR 772 (654) million, +18%
- Profit before taxes 779 (571) million, +36%
- Earnings per share EUR 0.64 (0.45), +42%
- Strong cash from operating activities EUR 786 (516) million
- Fortum Espoo acquisition closed (former E.ON Finland)
- Return on shareholders' equity target revised to 14%

Key figures, continuing operations	II/06	II/05*	I-II/06	I-II/05*	2005	Last 12 months (LTM)
Sales, EUR million	948	858	2,291	1,991	3,877	4,177
Operating profit, EUR million	312	227	784	633	1,347	1,498
Comparable operating profit, EUR million	286	261	772	654	1,334	1,452
Profit before taxes, EUR million	287	185	779	571	1,267	1,475
Earnings per share, EUR	0.25	0.17	0.64	0.45	1.01	1.21
Net cash from operating activities, EUR million	483	454	786	516	1,271	
Shareholders' equity per share, EUR			7.83	7.64	8.17	
Interest-bearing net debt (at end of period), EUR million			4,320	3,595	3,158	
Average number of shares, 1,000s			880,508	872,316	872,613	

*) Oil operations were deconsolidated and disclosed as discontinued operations as of Q1/2005. The capital gain was recorded in discontinued operations Q2/2005.

Key financial ratios, continuing operations	2005	LTM
Return on capital employed, %	13.5	14.5
Return on shareholders' equity, % *)	13.5	15.6
Net debt/EBITDA, %	1.8	2.3

*) Return on equity for continuing operations is calculated based on profit for the period from continuing operations divided by total equity at the end of the period. Profit for the period from discontinued operations has been subtracted from total equity as at 31 December 2005.

Fortum's comparable operating and reported operating profit improved during the first half or the year. The comparable operating profit was EUR 118 million higher than a year ago, EUR 772 (654) million. Also the reported operating profit was higher at EUR 784 (633) million.

The Board of Directors has revised Fortum's target for return on shareholders' equity in line with the company's targeted capital structure. The new target is 14% or higher. The target for return on capital employed remained at the earlier level of 12% or higher.

On 26 June Fortum acquired 99.8% of the shares in Fortum Espoo Oyj (former E.ON Finland Oyj). The purchase price for the shares was approximately EUR 750 million.

Fortum Espoo has been consolidated in Fortum's June 2006 closing balance sheet. The acquisition had no effect on Fortum's income statement for the first half of the year. In segment reporting Fortum Espoo is included in the segment Other. In the next interim report Fortum Espoo will be presented according to the appropriate segments in Fortum.

Sales and results for continuing operations

April - June

Group sales stood at EUR 948 (858) million. Group operating profit totalled EUR 312 (227) million. Comparable operating profit increased by EUR 25 million to EUR 286 (261) million.

Fortum Generation's achieved Nordic power price was EUR 34.7 per megawatt-hour, up by 15% from a year ago. The average spot price of electricity in Nord Pool (the Nordic power exchange) was EUR 44.4 (29.3), approximately 52% higher than during the corresponding period in 2005.

The comparable operating profit of the Power Generation segment was higher than last year, mainly due to Fortum Generation's higher achieved Nordic power price, despite the negative effect from increased taxes on nuclear capacity and hydro property.

The Markets segment's operating profit was clearly lower than last year. Markets' procurement costs have increased due to higher electricity forward prices in Nord Pool. At the same time, the intense retail competition is pressing sales prices.

Sales from continuing operations, by segment

EUR million	II/06	II/05	I-II/06	I-II/05	2005	LTM
Power Generation	560	476	1,203	1,010	2,058	2,251
Heat	229	206	709	591	1,063	1,181
Distribution	162	160	381	362	707	726
Markets	400	298	947	690	1,365	1,622
Other	20	22	40	45	91	86
Eliminations	-423	-304	-989	-707	-1,407	-1,689
Total	948	858	2,291	1,991	3,877	4,177

Operating profit from continuing operations, by segment

EUR million	II/06	II/05	I-II/06	I-II/05	2005	LTM
Power Generation	222	125	506	348	825	983
Heat	41	50	160	162	269	267
Distribution	55	56	136	127	251	260
Markets	3	8	6	14	32	24
Other	-9	-12	-24	-18	-30	-36
Total	312	227	784	633	1,347	1,498

Comparable operating profit from continuing operations, by segment

EUR million	II/06	II/05	I-II/06	I-II/05	2005	LTM
Power Generation	208	172	501	396	854	959
Heat	35	37	161	144	253	270
Distribution	53	55	134	121	244	257
Markets	2	8	2	15	30	17
Other	-12	-11	-26	-22	-47	-51
Total	286	261	772	654	1,334	1,452

January - June

Group sales from continuing operations stood at EUR 2,291 (1,991) million. Group operating profit from continuing operations totalled EUR 784 (633) million. Comparable operating profit was EUR 772 (654) million.

In January-June, the average Nord Pool spot price was EUR 44.9 (27.6) per megawatt-hour or 63% higher than during the corresponding period in 2005.

The comparable operating profit of the Power Generation segment was higher, mainly due to Fortum Generation's 17% higher achieved Nordic power price of EUR 36.0 (30.8) per megawatt-hour.

The first half year's comparable operating profit of the Heat segment was EUR 17 million higher than last year. The sales and the comparable operating profit of the Heat segment improved due to much colder weather in the beginning of the year. Increased usage of bio fuels compensated the effect of higher gas and oil prices. The acquisitions of two district heating companies in Poland also increased the result.

The sales of the Distribution segment were higher than last year. The segment's comparable operating profit increased compared to last year mainly because last year's first quarter was negatively affected by the storms in Sweden and Norway.

The sales of the Markets segment were higher than during the corresponding period in 2005 due to an increased number of business customers, increased electricity consumption and higher retail prices on electricity. The segment reported lower comparable operating profits than last year. The main reason for lower profits is the challenging market environment, where end-customer prices are lagging behind the Nord Pool forward price development.

Profit before taxes from continuing operations was EUR 779 (571) million.

The Group's net financial expenses from continuing operations amounted to EUR 46 (78) million. The decrease is mainly attributable to a lower average level of debt, lower interest rates and a positive EUR 17 (5) million change in the fair value of derivatives, which do not qualify for hedge accounting under IAS39.

The share of profit of associates and joint ventures from continuing operations was EUR 41 (16) million. When calculating for the share of profits in Hafslund ASA, Fortum has in accordance with Fortum's accounting policies reclassified Hafslund ASA's accounting treatment for the shareholding in Renewable Energy Corporation ASA (REC). Hafslund ASA is showing the fair value change in the shareholding through the income statement, while Fortum is showing the fair value change in equity. The positive fair value change during 2006 based on the number of shares reported by Hafslund in Q1 was approximately EUR 340 million at the end of June 2006.

Minority interests accounted for EUR 34 (32) million. The minority interests are mainly attributable to Fortum Värme Holding, in which the City of Stockholm has a 50% economic interest.

Taxes for the period totalled EUR 180 (149) million. The tax rate according to the income statement was 23.1% (26.1%).

The profit for the period was EUR 599 (422) million. Fortum's earnings per share were EUR 0.64 (0.45). Return on capital employed was 14.5% for the last twelve months (13.5% at year-end 2005), and return on shareholders' equity was 15.6% for the last twelve months (13.5% at year-end 2005).

Market conditions

According to preliminary statistics, the Nordic countries consumed 88 (86) TWh of electricity during the second quarter of the year, which was 2% up compared to last year.

During the second quarter, the average spot price for power in Nord Pool, the Nordic power exchange, was EUR 44.4 (29.3) per megawatt-hour or 52% higher than in the corresponding period in 2005 and 2% lower than in the previous quarter. During the first half year, the average spot price for power in Nord Pool was EUR 44.9 (27.6) per megawatt-hour, or 63% higher than in the corresponding period in 2005. The high spot price is due to a weakening hydrological situation, high market prices for CO₂ emissions, and cold weather in the first quarter.

During the first half year, the average market price for CO₂ emissions was EUR 22.6 (13.8) per tonne, or 64% higher than during the corresponding period of the previous year. During the second quarter, the average market price for CO₂ emissions was EUR 18.9 (18.5) per tonne CO₂, or 2% higher than during the corresponding period in 2005. The prices varied significantly during the second quarter. In the beginning of April, the prices climbed to about EUR 30 per tonne CO₂ and in the beginning of May dropped to about EUR 10 per tonne CO₂ due to the release of realised emission data for 2005, which were lower than the annual average allocation. During June, the prices have stabilised to about EUR 16 per tonne CO₂.

The year started with a 7-TWh surplus in the Nordic water reservoirs compared to the long-term average, but the hydrological situation weakened during the first half of the year. At the end of June, the Nordic water reservoirs were 14 TWh below the average and 11 TWh below the corresponding level in 2005. The decrease was due to both lower inflows to the reservoirs and high hydro power production in the beginning of the year.

In Continental Europe, the spot price dropped during the second quarter. The German spot price has been lower than in Nord Pool, resulting in net imports from Germany to the Nordic countries.

Total power and heat generation figures

Fortum's total power generation during January-June was 28.1 (26.8) TWh, of which 27.5 (26.2) TWh was in the Nordic countries, representing 13% (13%) of the total Nordic electricity consumption.

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

Fortum's total power and heat generation, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Power generation	12.8	12.1	28.1	26.8	52.3	53.6
Heat generation	4.9	4.5	15.1*	14.2	25.1	26.0

* Including a corrected first-quarter volume of 10.2 TWh (instead of 11.6 TWh)

Fortum's own power generation by source, TWh, total in the Nordic countries	II/06	II/05	I-II/06	I-II/05	2005	LTM
Hydropower	4.6	5.2	10.4	10.8	21.2	20.8
Nuclear power	6.5	5.9	13.5	12.9	25.8	26.4
Thermal power	1.4	0.8	3.6	2.5	4.2	5.3
Total	12.5	11.9	27.5	26.2	51.2	52.5

Share of own production, %, total in the Nordic countries	II/06	II/05	I-II/06	I-II/05	2005	LTM
Hydropower	37	44	38	41	42	40
Nuclear power	52	49	49	49	50	50
Thermal power	11	7	13	10	8	10
Total	100	100	100	100	100	100

Total power and heat sales figures

Fortum's total power sales were 31.2 (30.2) TWh, of which 30.5 (29.5) TWh were in the Nordic countries. This represents approximately 15% (15%) of Nordic electricity consumption during January-June. Heat sales in the Nordic countries amounted to 11.8 (11.0) TWh and in other countries to 4.0 (2.4) TWh.

In the table below, Fortum's Nord Pool transactions are calculated as a net amount of hourly sales and purchases at the Group level.

Fortum's total electricity and heat sales, EUR million	II/06	II/05	I-II/06	I-II/05	2005	LTM
Electricity sales	520	454	1,188	1,000	2,002	2,190
Heat sales	192	164	585	481	867	971

Fortum's total electricity sales by area, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sweden	6.9	6.9	15.3	15.1	30.4	30.6
Finland	6.3	6.0	14.0	13.4	26.0	26.6
Other countries	0.9	0.7	1.9	1.7	3.3	3.5
Total	14.1	13.6	31.2	30.2	59.7	60.7

Fortum's total heat sales by area, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sweden	1.8	1.7	6.0	5.6	9.5	9.9
Finland	2.1	1.7	5.7	5.3	9.8	10.2
Other countries*	1.0	0.9	4.1	2.5	4.5	6.1
Total	4.9	4.3	15.8	13.4	23.8	26.2

*) 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	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sales	560	476	1,203	1,010	2,058	2,251
- power sales	460	381	1,018	834	1,682	1,866
- other sales	100	95	185	176	376	385
Operating profit	222	125	506	348	825	983
Comparable operating profit	208	172	501	396	854	959
Net assets (at period-end)			6,351	5,970	5,954	
Return on net assets, %					14.0	17.0
Comparable return on net assets,%					14.5	16.6

The segment's power generation during the second quarter amounted to 11.6 (11.1) TWh in the Nordic countries.

In January-June, the segment's power generation in the Nordic countries was 24.9 (23.9) TWh, of which about 10.4 (10.8) TWh or 42% (45%) was hydropower-based, 13.5 (12.9) TWh or 54% (54%) nuclear power-based, and 1.0 (0.2) TWh or 4% (1%) thermal power-based. The decrease in hydro power generation was due to a weakened hydrological situation. The increase in thermal power generation was due to higher spot prices, and the increase in nuclear power generation was due to different timing of annual refuelling outages compared to the previous year.

Power generation by area, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sweden	6.7	6.5	14.5	14.0	28.4	28.9
Finland	4.9	4.6	10.4	9.9	18.8	19.3
Other countries	0.3	0.3	0.6	0.6	1.1	1.1
Total	11.9	11.4	25.5	24.5	48.3	49.3

Nordic sales volume, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
of which pass-through sales	1.1	1.0	2.4	2.4	4.5	4.5

Sales price, EUR/MWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Generation's Nordic power price*	34.7	30.1	36.0	30.8	31.2	33.9

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

In the second quarter, the average spot price for power in Nord Pool was 52% higher than a year ago. Fortum Generation's average achieved Nordic power price (excluding pass-through items) in the second quarter was 15% higher than a year ago, mainly due to improved hedging prices and higher spot prices. During the first half of the year, Fortum Generation's achieved Nordic power price was 17% higher, while the average spot price in Nord Pool was 63% higher than during the corresponding period in 2005. The related sales volume was 11.8 (11.3) TWh in the second quarter and 25.4 (24.3) TWh for the first six months of the year.

The Swedish government approved the power generation capacity increase of 250 MW for Oskarshamn third nuclear power unit in June. The increase will be implemented during the years 2008. Fortum's share of ownership in the Oskarshamn nuclear power plant entitles the company to slightly over 100 megawatts of the capacity increase.

In April, Fortum signed a 6-year operation and maintenance contract with Knapsack Power GmbH & Co. KG, which is owned and operated by Norwegian Statkraft. The contract is the second of its kind within a year and strengthens Fortum's position as a significant gas turbine plant operation and maintenance operator in Germany.

In May, Fortum signed a consulting contract on refurbishing the hydropower plants of Svetogorsk and Lesogorsk on the river Vuoksi in north-west Russia. The consultation was ordered by the Territorial Generation Company, TGC-1.

Fortum's agreement to acquire 24.83% of the shares in Kolenergo still awaits the formal approval of Russian authorities.

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 the combined heat and power plants (CHP) and sells it to end-customers mainly by long-term contracts, as well as to Nord Pool. The segment includes units the Heat and Värme.

EUR million	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sales	229	206	709	591	1,063	1,181
- heat sales	179	159	562	465	834	931
- power sales	43	28	112	83	145	174
- other sales	7	19	35	43	84	76
Operating profit	41	50	160	162	269	267
Comparable operating profit	35	37	161	144	253	270
Net assets (at period-end)			2,470	2,302	2,551	
Return on net assets, %					11.6	11.8
Comparable return on net assets, %					11.0	11.9

The segment's heat sales during the second quarter amounted to 4.5 (3.8) TWh, most of which was generated in the Nordic countries. In January-June, heat sales totalled 14.8 (12.4) TWh. During the same periods, power sales at combined heat and power plants (CHP) totalled 0.8 (0.8) TWh and 2.5 (2.4) TWh.

Fortum delisted Fortum Wroclaw S.A. from the Warsaw Stock Exchange as of 29 April 2006. Fortum Wroclaw is a district heat distribution company, whose net sales amounted to approximately EUR 71 million and heat sales to approximately 2.1 TWh in 2005.

In May, Fortum Värme applied for an environmental permit for the planned new bio fuel CHP plant in Värtan, Stockholm. The plant is expected to generate annually approximately 1.8 TWh of heat, about 25 % of Stockholm's annual district heating demand, and around 0.8 TWh of electricity, which corresponds to about 10% of Stockholm's annual electricity demand.

Heat sales by area, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sweden	1.8	1.7	6.0	5.6	9.5	9.9
Finland	2.1	1.7	5.7	5.3	9.8	10.2
Other countries	0.6	0.4	3.1	1.5	2.4	4.0
Total	4.5	3.8	14.8	12.4	21.7	24.1

Power sales, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Total	0.8	0.8	2.5	2.4	4.1	4.2

Distribution

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

EUR million	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sales	162	160	381	362	707	726
- distribution network transmission	134	133	322	306	592	608
- regional network transmission	19	19	43	42	82	83
- other sales	9	8	16	14	33	35
Operating profit	55	56	136	127	251	260
Comparable operating profit	53	55	134	121	244	257
Net assets (at period-end)			3,121	3,036	3,021	
Return on net assets, %					8.8	9.1
Comparable return on net assets,%					8.6	9.0

During the first six months of the year, the volume of distribution and regional transmissions totalled 12.8 (12.2) TWh and 9.6 (9.1) TWh, respectively.

Electricity transmissions via the regional distribution network totalled 8.0 (7.5) TWh in Sweden and 1.6 (1.6) TWh in Finland.

The operations in Sweden, Finland and Norway have been stable this year, with a better than normal grid reliability for our customers. Favourable weather conditions as well as actions taken to avoid disturbances, for instance cabling of network and extensive tree trimming, have contributed to these good results.

In May, Fortum signed a service agreement over the delivery of an automated meter management (AMM) system in Sweden. Approximately 835,000 households and small businesses in Fortum's Swedish network areas will be within the new system by the end of 2008. The first meters will be installed in 2006. By law, all electricity customers in Sweden must be guaranteed monthly meter reading by 2009. The total value of the AMM procurement agreement is approximately EUR 240 million.

A small part of the Regional Grid in Nokia, Finland, was sold to Vattenfall.

The Energy Authority's supervision of 2003 grid prices for Stockholm is ongoing. The final decision for the western coast and Stockholm is still pending. There is still no communication from the authority regarding the 2004 supervision.

The Swedish government has initiated an investigation to comply with the EU directive on ex-ante grid price regulation, already applied by most other EU member states. In an ex-ante type of regulation, the regulator has to inform the grid companies in advance on the

pricing principles to be applied. The investigation is expected to be completed at the latest by 1 March 2007.

Volume of distributed electricity in distribution network, TWh	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sweden	3.2	3.2	7.9	7.6	14.4	14.7
Finland	1.3	1.3	3.5	3.3	6.3	6.5
Norway	0.5	0.5	1.3	1.2	2.2	2.3
Estonia	0.0	0.0	0.1	0.1	0.2	0.2
Total	5.0	5.0	12.8	12.2	23.1	23.7

Number of electricity distribution customers by area, thousands	30 June 2006	30 June 2005	31 Dec. 2005
Sweden	860	860	860
Finland	410	405	410
Other countries	120	115	120
Total	1,390	1,380	1,390

Markets

Markets is responsible for retail sales of electricity to a total of 1.3 million (incl. Fortum Espoo) 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	II/06	II/05	I-II/06	I-II/05	2005	LTM
Sales	400	298	947	690	1,365	1,622
Operating profit	3	8	6	14	32	24
Comparable operating profit	2	8	2	15	30	17
Net assets (at period-end)			222	159	228	
Return on net assets, %					17.4	11.3
Comparable return on net assets, %					16.4	8.2

During the second quarter, Markets' electricity sales totalled 9.3 (9.0) TWh with sales for the first six months of the year amounting to 22.0 (20.8) TWh. The increase of sales compared to the first half of 2005 was mainly due to an increased number of business customers and higher electricity consumption caused by colder weather conditions during the winter and spring.

Retail electricity prices on the Nordic market during the second quarter were higher than in the year before. Despite the increase, the retail price development especially in Finland has not fully followed the electricity forward market price increase in Nord Pool.

During the second quarter several successful marketing activities, such as the launch of the Energihjälpen (Energy Help) concept in Sweden and active new customer recruitment, were conducted. The private customer base remained nearly unchanged during the second quarter, whilst the business customer base increased slightly.

A new customer and billing system was taken into use in April in Sweden. The new system is an important enabler in becoming the supplier of choice and in providing high-quality customer service. One-time costs caused by the implementation of the new customer and billing system in Sweden continued to affect the segment's result during the second quarter of 2006.

Capital expenditures and investments in shares

Capital expenditures and investments in shares for continuing operations in January-June totalled EUR 946 (123) million. Investments excluding acquisitions were EUR 174 (123) million. Fortum paid approximately EUR 750 million for the acquired shares in Fortum Espoo Oyj.

Fortum sold its approximately 40% holding in Enprima Oy to the Swedish ÅF Group. The deal was completed on 24 April 2006.

Fortum Espoo

On 2 June 2006, the Finnish Competition Authority approved Fortum's acquisition of E.ON Finland. The transactions with the City of Espoo and E.ON Nordic respectively were concluded, and closing and cash payments took place on 26 June 2006. In addition to the approximately EUR 750 million purchase price, Fortum paid approximately EUR 2 million as an interest for the purchase price to the City of Espoo, and approximately EUR 16 million compensation to E.ON. The name of E.ON Finland Oyj was subsequently changed to Fortum Espoo Oyj.

The Competition Authority's approval is subject to the following conditions:

- Fortum divests its power plants in Haapavesi (generation capacity 154 MW) and Hämeenlinna (generation capacity 65 MW power, 95 MW heat).
- Fortum leases out its 308-MW share of the Meri-Pori thermal power plant until 30 June 2010.
- Fortum sells the equivalent of 1 TWh/a of constant generation capacity in the Finnish area until 31 March 2011.

On 3 July 2006, Fortum submitted an appeal to the Market Court concerning the Finnish Competition Authority's decision dated 2 June 2006 on the Fortum Espoo Oyj acquisition.

Fortum is entitled to redeem the remaining shares of Fortum Espoo Oyj in accordance with Chapter 14, Section 19 of the Finnish Companies Act. Fortum will use the redemption right, and presented a redemption claim to the Board of Directors of Fortum Espoo Oyj on 28 June 2006.

Fortum published the mandatory redemption offer to other shareholders (0.2% of the shares) in Fortum Espoo Oyj on 30 June 2006. The redemption price is EUR 68.36 per each share in Fortum Espoo Oyj.

Fortum will apply for the delisting of the shares in Fortum Espoo Oyj when the ownership of all shares in the company has been transferred to Fortum. This is estimated to take place during autumn 2006.

At the end of the reporting period, Fortum owned a total of 15,598,424 Fortum Espoo Oyj shares. This corresponds to 99.8% of the shares and the voting rights of Fortum Espoo Oyj.

In 2005, E.ON Finland had a turnover of EUR 234 million, a production capacity of 171 MW power and 1,452 MW heat, roughly 162,000 electricity distribution customers and personnel of approximately 350 permanent employees.

Fortum currently expects annual synergies of around EUR 15-20 million gradually as of 2007 from the integration of Fortum Espoo Oyj.

Financing

Net debt at the end of the second quarter 2006 stood at EUR 4,320 million (EUR 3,158 million on 31 Dec 2005); the increase in net debt is primarily linked to the dividend payment in March and the Fortum Espoo acquisition in June. During the second quarter Fortum successfully completed two major financing transactions. The aim of these transactions was to finance the purchase of Fortum Espoo and the EUR 500-million share repurchase program as well as to finance maturing debt in 2006. A ten-year EUR 750 million bond and a two-tranche SEK denominated bond (three and five years) totalling 4,500 million (approximately EUR 490 million) were issued under Fortum's Euro Medium-Term Note Program.

Group liquidity remained good. At end of the second quarter, cash and marketable securities totalled EUR 666 million. The Group also had access to approximately EUR 1,315 million of undrawn committed credit facilities.

The Group's net financial expenses for the first half of 2006 were EUR 46 (78) million. The decrease is mainly attributable to a lower average level of debt, lower interest rates and a positive EUR 17 (5) million change in the fair value of derivatives which do not qualify for hedge accounting under IAS39.

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

Shares and share capital

In January-June, a total of 438.2 million Fortum Corporation shares totalling EUR 8,588 million were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 17,654 million. The highest quotation of Fortum Corporation shares on the Helsinki Stock Exchange in the first half of the year was EUR 23.48, the lowest EUR 15.71, and the average quotation EUR 19.60. The closing quotation on the last trading day of the second quarter was EUR 20.00.

A total of 1,161,630 shares subscribed for based on share option schemes were entered into the trade register in the second quarter of 2006. After these subscriptions, Fortum's share capital is EUR 3,001,206,707 and the total number of registered shares is 882,707,855.

At the end of the second quarter, the Finnish state's holding in Fortum was 51.1%. The proportion of international shareholders stood at 34.9%.

Fortum Corporation's Annual General Meeting on 16 March 2006 authorised the Board of Directors to decide on repurchasing the company's own shares. The Board of Directors decided to start the repurchasing as of 8 June 2006 at the earliest and the repurchasing will continue until further notice.

At the end of the second quarter 2006 Fortum had bought 1,660,000 own shares amounting to EUR 30,390,150 with the average price of EUR 18.31 per share.

Group personnel

The average number of employees in the Group during the period from January to June was 9,024 (11,066). The number of employees at the end of the period was 9,605 (8,989).

Events after the period under review

On 11 July 2006, Teollisuuden Voima Oy (TVO) disclosed that the delay at the Olkiluoto 3 construction site has increased during recent months. The Supplier has reported a new forecast to TVO, according to which the plant will be ready for commercial operation during the second quarter of 2010.

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, CO₂ emissions allowance prices, fuel prices and the demand for electricity. The Swedish krona exchange rate also affects Fortum's result, as results generated by Fortum in Sweden are translated to euros.

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

In early July, the Nordic water reservoirs were about 17 TWh below the average and 16 TWh below the corresponding level for 2005. This deficit could affect Fortum's hydropower production for the rest of the year. In mid-July, the market price for emissions allowances for 2006 ranged between EUR 16-17 per tonne of CO₂. At the same time, the power price in the forward market for the rest of 2006 was in the range of EUR 54-55 per megawatt-hour, around EUR 48-49 per megawatt-hour for 2007 and around EUR 45-46 per megawatt-hour for 2008.

During the second quarter, Fortum continued to increase its hedging levels as the power prices in the forward market were at attractive levels. The recent prices can be explained partly by the current deficit in Nordic hydro reservoirs, partly by the high CO₂ forward prices. A change in the hydrological situation as well as a different behaviour by the emissions trading actors can affect the forward pricing fairly quickly.

At the beginning of July, Fortum had hedged approximately 90% of its Nordic Power Generation sales volume for the remainder of 2006 at approximately EUR 35 per megawatt-hour. For the calendar year 2007, Fortum has hedged approximately 65% of its Nordic Power Generation sales volume at approximately EUR 39 per megawatt-hour. 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.

Fortum Generation's achieved Nordic power price typically depends on e.g. the hedge ratio, hedge price, spot price, optimisation of Fortum's flexible production portfolio even on an hourly basis, and currency changes. 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.

Fortum has performed well in the first half of the year 2006. With favourable market fundamentals, Fortum is well positioned also for the remainder of 2006 and for 2007.

Espoo, 18 July 2006
Fortum Corporation
Board of Directors

Further information:

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The figures have not been audited.

Publication of results in 2006:

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Key media

www.fortum.com

Information on the financial statement release is available on Fortum's website at:

www.fortum.com/investors

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Interim Financial Statements are unaudited

CONDENSED CONSOLIDATED INCOME STATEMENT

MEUR	Q2/2006	Q2/2005	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Continuing operations:						
Sales	948	858	2 291	1 991	3 877	4 177
Other income	20	-11	19	10	101	110
Materials and services	-322	-294	-848	-712	-1 325	-1 461
Employee benefit costs	-129	-124	-260	-253	-481	-488
Depreciation, amortisation and impairment charges	-97	-101	-195	-204	-407	-398
Other expenses	-108	-101	-223	-199	-418	-442
Operating profit	312	227	784	633	1 347	1 498
Share of profit of associates and joint ventures	6	1	41	16	55	80
Finance costs-net	-31	-43	-46	-78	-135	-103
Profit before income tax	287	185	779	571	1 267	1 475
Income tax expense	-60	-33	-180	-149	-331	-362
Profit for the period from continuing operations	227	152	599	422	936	1 113
Discontinued operations:						
Profit for the period from discontinued operations	-	390	-	474	474	-
Profit for the period	227	542	599	896	1 410	1 113
Attributable to:						
Equity holders of the Company	219	535	565	864	1 358	1 059
Minority interest	8	7	34	32	52	54
	227	542	599	896	1 410	1 113
Earnings per share for profit from total Fortum Group attributable to the equity holders of the company during the year (in € per share)						
Basic	0.25	0.61	0.64	0.99	1.55	1.21
Diluted	0.24	0.60	0.63	0.98	1.53	1.19
Earnings per share for profit from continuing operations attributable to the equity holders of the company during the year (in € per share)						
Basic	0.25	0.17	0.64	0.45	1.01	1.21
Diluted	0.24	0.16	0.63	0.44	1.00	1.19
Earnings per share for profit from discontinued operations attributable to the equity holders of the company during the year (in € per share)						
Basic	-	0.44	-	0.54	0.54	-
Diluted	-	0.44	-	0.54	0.53	-

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CONDENSED CONSOLIDATED BALANCE SHEET

MEUR	June 30 2006	June 30 2005	Dec 31 2005
ASSETS			
Non-current assets			
Intangible assets	121	82	80
Property, plant and equipment	11 244	9 965	10 176
Investments in associates and joint ventures	1 960	1 543	1 610
Other long-term investments	587	581	502
Other long-term receivables	112	89	87
Long-term interest bearing receivables	650	625	620
Total non-current assets	14 674	12 885	13 075
Current assets			
Inventories	238	234	256
Trade and other receivables	1 124	961	1 011
Cash and cash equivalents	666	552	788
Total current assets	2 028	1 747	2 055
Total assets	16 702	14 632	15 130
EQUITY			
Capital and reserves attributable the Company's equity holders			
Share capital	3 001	2 968	2 976
Other equity	3 899	3 696	4 175
Total	6 900	6 664	7 151
Minority interest	238	176	260
Total equity	7 138	6 840	7 411
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	4 373	3 826	3 118
Deferred tax liabilities	1 839	1 580	1 512
Provisions	613	574	606
Other liabilities	684	545	435
Total non-current liabilities	7 509	6 525	5 671
Current liabilities			
Interest-bearing liabilities	613	321	828
Trade and other payables	1 442	946	1 220
Total current liabilities	2 055	1 267	2 048
Total liabilities	9 564	7 792	7 719
Total equity and liabilities	16 702	14 632	15 130

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Share premium	Other restricted funds	Fair value and other reserves	Treasury shares	Retained earnings	Minority	Total
Total equity at 31.12.2005	2 976	70	2	-117	-	4 220	260	7 411
Stock options exercised	25	4	-2					27
Translation and other differences						17	-3	14
Cash dividend						-987		-987
Repurchase of own shares					-30			-30
Decrease in minority through business combinations							-50	-50
Cash flow hedges				-185			-3	-188
Other fair value adjustments 1)				342				342
Net profit for the period						565	34	599
Total equity at 30.06.2006	3 001	74	0	40	-30	3 815	238	7 138
Total equity at 31.12.2004	2 948	62	13	134	-	4 343	150	7 650
Stock options exercised	20	8	-13					15
Translation and other differences						-78	-10	-88
Cash dividend						-506		-506
Share dividend 2)						-920		-920
Cash flow hedges				-249		34	4	-211
Other fair value adjustments				4				4
Net profit for the period						864	32	896
Total equity at 30.06.2005	2 968	70	0	-111	-	3 737	176	6 840

1) Includes the fair value change of Renewable Energy Corporation (REC) shareholding in Hafslund.

2) In 2005 the effect from the share dividend on Fortum Group equity was EUR 920 million. In the parent company the effect on retained earnings was EUR 969 million in 2005.

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CONSOLIDATED CASH FLOW STATEMENT

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Cash flow from operating activities			
Operating profit before depreciations continuing operations	979	837	1 754
Non-cash flow items and divesting activities	-23	6	15
Financial items and realised foreign exchange gains and losses	22	-88	-107
Taxes	-192	-155	-298
Funds from operations continuing operations	786	600	1 364
Change in working capital	0	-84	-93
Net cash from operating activities continuing operations	786	516	1 271
Net cash from operating activities discontinued operations	-	133	133
Total net cash from operating activities	786	649	1 404
Cash flow from investing activities			
Capital expenditures	-174	-123	-346
Acquisition of shares	-761	-	-127
Proceeds from sales of fixed assets	9	9	30
Proceeds from sales of shares	15	19	26
Change in other investments	-15	10	19
Net cash used in investing activities continuing operations	-926	-85	-398
Net cash used in investing activities discontinued operations	-	1 155	1 155
Total net cash used in investing activities	-926	1 070	757
Cash flow before financing activities	-140	1 719	2 161
Cash flow from financing activities			
Net change in loans	1 029	-846	-1 063
Dividends paid to the Company's equity holders	-987	-506	-506
Repurchase of own shares	-30	-	-
Other financing items	3	11	22
Net cash used in financing activities continuing operations	15	-1 341	-1 547
Net cash used in financing activities discontinued operations	-	29	29
Total net cash used in financing activities	15	-1 312	-1 518
Total net increase (+)/decrease (-) in cash and marketable securities, continuing operations	-125	407	643
De-consolidation of Neste Oil	-	-63	-
Total net increase (+)/decrease (-) in cash and marketable securities, continuing operations	-	344	-

KEY RATIOS 1)

MEUR	June 30 2006	March 31 2006	March 31 2005	June 30 2005	Sept 30 2005	Dec 31 2005	Last twelve months
Continuing operations:							
EBITDA, MEUR	979	570	509	837	1 178	1 754	1 896
Earnings per share (basic), EUR	0.64	0.39	0.28	0.45	0.65	1.01	1.21
Capital employed, MEUR	12 124	10 605	10 534	10 987	11 154	11 357	12 124
Interest-bearing net debt, MEUR	4 320	3 900	4 878	3 595	3 333	3 158	N/A
Capital expenditure and investments in shares, MEUR	946	114	49	123	213	479	1 302
Capital expenditure, MEUR	174	71	49	123	207	346	397
Return on capital employed, % 3)	14.6	19.4	16.4	12.4	11.7	13.5	14.5
Return on shareholders' equity, % 2)	2.2	1.7	2.4	2.2	2.1	13.5	15.6
Net debt / EBITDA 3)	2.2	1.7	2.4	2.2	2.1	1.8	2.3
Gearing, %	61	60	71	53	47	43	N/A
Equity per share, EUR	7.83	7.11	7.67	7.64	7.86	8.17	N/A
Equity-to-assets ratio, %	43	44	43	43	47	49	N/A
Total Fortum:							
Earnings per share (basic), EUR	0.64	0.39	0.38	0.99	1.19	1.55	1.21
Capital employed, MEUR	12 124	10 605	11 891	10 987	11 154	11 357	12 124
Return on capital employed, % 3)	14.6	19.4	18.2	16.7	15.3	16.6	14.5
Return on shareholders' equity, % 3)	16.3	21.4	19.5	19.2	17.6	18.7	15.9
Net debt / EBITDA 3)	2.2	1.7	1.8	1.5	1.5	1.4	2.3
Interest coverage	13.7	16.9	11.6	11.3	10.6	11.6	12.9
Funds from operations/interest-bearing net debt, % 3)	36.4	49.6	39.3	44.2	42.9	43.2	31.4
Average number of employees	9 024	8 886	13 135	11 066	10 279	10 026	N/A
Average number of shares, 1 000 shares	880 508	880 725	871 710	872 316	872 438	872 613	879 324
Diluted adjusted average number of shares, 1 000 shares	891 451	892 406	883 774	883 629	889 157	887 653	889 979
Number of registered shares, 1 000 shares	882 708	881 546	871 854	872 793	872 981	875 294	N/A
Number of shares excluding treasury shares, 1000 shares	881 048	N/A	N/A	N/A	N/A	N/A	N/A

1) Key ratios in 2005 are based on Fortum total numbers including continuing and discontinued operations if otherwise not stated.

2) Return on equity for continuing operations is calculated based on Profit for the period from continuing operations divided by Total equity

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at the end of the period. Profit for the period from discontinued operations has been subtracted from Total equity as at 31 December 2005.
3) Quarterly figures are annualised.

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SALES BY SEGMENTS

MEUR	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Power Generation	560	476	1 203	1 010	2 058	2 251
- of which internal	-17	13	-67	68	97	-38
Heat	229	206	709	591	1 063	1 181
- of which internal	-7	-1	-15	11	12	-14
Distribution	162	160	381	362	707	726
- of which internal	2	2	4	4	8	8
Markets	400	298	947	690	1 365	1 622
- of which internal	35	22	76	47	101	130
Other	20	22	40	45	91	86
- of which internal	15	15	30	37	63	56
Eliminations ¹⁾	-423	-304	-989	-707	-1 407	-1 689
Sales from continuing operations	948	858	2 291	1 991	3 877	4 177
Sales from discontinued operations	-	-	-	2 061	2 061	-
Eliminations	-	-	-	-20	-20	-
Total	948	858	2 291	4 032	5 918	4 177

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	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Power Generation	222	125	506	348	825	983
Heat	41	50	160	162	269	267
Distribution	55	56	136	127	251	260
Markets	3	8	6	14	32	24
Other	-9	-12	-24	-18	-30	-36
Operating profit from continuing operations	312	227	784	633	1 347	1 498
Operating profit from discontinued operations	-	390	-	517	517	-
Total	312	617	784	1 150	1 864	1 498

COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS

MEUR	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Power Generation	208	172	501	396	854	959
Heat	35	37	161	144	253	270
Distribution	53	55	134	121	244	257
Markets	2	8	2	15	30	17
Other	-12	-11	-26	-22	-47	-51
Comparable operating profit from continuing operations	286	261	772	654	1 334	1 452
Non-recurring items	15	12	15	18	30	27
Other items effecting comparability	11	-46	-3	-39	-17	19
Operating profit from continuing operations	312	227	784	633	1 347	1 498

NON-RECURRING ITEMS BY SEGMENTS

MEUR	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Power Generation	6	0	6	0	-3	3
Heat	4	11	5	11	14	8
Distribution	2	1	2	1	1	2
Markets	0	0	0	0	0	0
Other	3	0	2	6	18	14
Total	15	12	15	18	30	27

OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS

MEUR	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Power Generation	8	-47	-1	-48	-26	21
Heat	2	2	-6	7	2	-11
Distribution	0	0	0	5	6	1
Markets	1	0	4	-1	2	7
Other	0	-1	0	-2	-1	1
Total	11	-46	-3	-39	-17	19

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DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS

MEUR	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Power Generation	27	28	53	56	112	109
Heat	30	31	60	62	123	121
Distribution	33	36	68	73	145	140
Markets	5	4	9	8	15	16
Other	2	2	5	5	12	12
Total depreciation, amortisation and impairment charges from continuing operations	97	101	195	204	407	398
Total depreciation, amortisation and impairment charges from discontinued operations	-	-	-	36	36	-
Total	97	101	195	240	443	398

SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005	Last twelve months
Power Generation ¹⁾	2	-6	14	-4	23	41
Heat	3	2	14	8	11	17
Distribution	1	6	12	13	20	19
Markets	0	0	1	0	1	2
Other	0	-1	0	-1	0	1
Share of profits in associates and joint ventures from continuing operations	6	1	41	16	55	80
Share of profits in associates and joint ventures from discontinued operations	-	-	-	-2	-2	-
Total	6	1	41	14	53	80

1) The main part of the associated companies in Power Generation are power production companies from which Fortum purchase produced electricity at cost.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Power Generation	1 593	1 190	1 259
Heat	141	139	133
Distribution	216	205	210
Markets	8	9	8
Other	2	0	0
Total	1 960	1 543	1 610

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES BY SEGMENTS

MEUR	Q2/06	Q2/05	Q1-Q2 2006	Q1-Q2 2005	2005
Power Generation	23	21	43	39	129
Heat	38	21	99	33	212
Distribution	42	25	67	40	115
Markets	2	3	7	4	10
Other	727	4	730	7	13
Capital expenditure and investments in shares from continuing operations	832	74	946	123	479
Capital expenditure and investments in shares from discontinuing operations	-	-	-	99	99
Total	832	74	946	222	578

NET ASSETS BY SEGMENTS

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Power Generation	6 351	5 970	5 954
Heat	2 470	2 302	2 551
Distribution	3 121	3 036	3 021
Markets	222	159	228
Other and Eliminations	1 053	231	139
Total	13 217	11 698	11 893

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RETURN ON NET ASSETS BY SEGMENTS

%	Last twelve months	Dec 31 2005
Power Generation	17.0	14.0
Heat	11.8	11.6
Distribution	9.1	8.8
Markets	11.3	17.4

COMPARABLE RETURN ON NET ASSETS BY SEGMENTS

%	Last twelve months	Dec 31 2005
Power Generation	16.6	14.5
Heat	11.9	11.0
Distribution	9.0	8.6
Markets	8.2	16.4

Return on net assets is calculated by dividing the sum of the annualised operating profit and share of profit of associated companies and joint ventures with average net assets.

ASSETS BY SEGMENTS

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Power Generation	6 805	6 473	6 522
Heat	2 763	2 556	2 895
Distribution	3 520	3 433	3 448
Markets	609	424	515
Other and Eliminations	1 424	343	216
Assets included in Net assets	15 121	13 229	13 596
Interest-bearing receivables	658	628	620
Deferred taxes	89	73	18
Other assets	168	150	108
Cash and cash equivalents	666	552	788
Total assets	16 702	14 632	15 130

LIABILITIES BY SEGMENTS

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Power Generation	454	503	568
Heat	293	254	344
Distribution	399	397	427
Markets	387	265	287
Other and Eliminations	371	112	77
Liabilities included in Net assets	1 904	1 531	1 703
Deferred tax liabilities	1 839	1 580	1 512
Other	835	534	558
Total liabilities included in capital employed	4 578	3 645	3 773
Interest-bearing liabilities	4 986	4 147	3 946
Total equity	7 138	6 840	7 411
Total equity and liabilities	16 702	14 632	15 130

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Opening balance	10 256	12 041	12 041
De-consolidation of Neste Oil	-	-1 540	-1 540
Acquisition of subsidiary companies	1 000	7	171
Capital expenditures	174	123	346
Disposals	-5	-12	-31
Depreciation, amortisation and impairment	-195	-204	-407
Translation differences	135	-368	-324
Closing balance	11 365	10 047	10 256

QUARTERLY SALES BY SEGMENTS

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
MEUR						
Power Generation	560	643	598	450	476	534
- of which internal	-17	-50	23	6	13	55
Heat	229	480	325	147	206	385
- of which internal	-7	-8	0	1	-1	12
Distribution	162	219	196	149	160	202
- of which internal	2	2	2	2	2	2
Markets	400	547	391	284	298	392
- of which internal	35	41	35	19	22	25
Other	20	20	20	26	22	23
- of which internal	15	15	13	13	15	22
Eliminations	-423	-566	-418	-282	-304	-403
Sales from continuing operations	948	1 343	1 112	774	858	1 133
Sales from discontinued operations	-	-	-	-	-	2 061
Eliminations	-	-	-	-	-	-20
Total	948	1 343	1 112	774	858	3 174

QUARTERLY OPERATING PROFIT BY SEGMENTS

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005 ¹⁾
MEUR						
Power Generation	222	284	296	181	125	223
Heat	41	119	94	13	50	112
Distribution	55	81	76	48	56	71
Markets	3	3	11	7	8	6
Other	-9	-15	-3	-9	-12	-6
Operating profit from continuing operations	312	472	474	240	227	406
Operating profit from discontinued operations	-	-	-	-	390	127
Total	312	472	474	240	617	533

1) The accounting treatment of CO2 emission allowances was changed retroactively in Q2/2005 according to the decision of IASB to withdraw the IFRIC 3 Emission rights with immediate effect.

QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
MEUR						
Power Generation	208	293	297	161	172	224
Heat	35	126	97	12	37	107
Distribution	53	81	76	47	55	66
Markets	2	0	8	7	8	7
Other	-12	-14	-18	-7	-11	-11
Comparable operating profit from continuing operations	286	486	460	220	261	393
Non-recurring items	15	0	10	2	12	6
Other items effecting comparability	11	-14	4	18	-46	7
Operating profit from continuing operations	312	472	474	240	227	406

QUARTERLY NON-RECURRING ITEMS IN OPERATING BY SEGMENTS

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
MEUR						
Power Generation	6	0	-6	3	0	0
Heat	4	1	2	1	11	0
Distribution	2	0	0	0	1	0
Markets	0	0	0	0	0	0
Other	3	-1	14	-2	0	6
Total	15	0	10	2	12	6

QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
MEUR						
Power Generation	8	-9	5	17	-47	-1
Heat	2	-8	-5	0	2	5
Distribution	0	0	0	1	0	5
Markets	1	3	3	0	0	-1
Other	0	0	1	0	-1	-1
Total	11	-14	4	18	-46	7

DISCONTINUED OPERATIONS (including eliminations between Fortum and discontinued operations)

Fortum does not have discontinued operations in the year 2006.

MEUR	Q2 2005	Q1-Q2 2005 ¹⁾	2005 ²⁾
Sales	-	2 061	2 061
Other income	390	395	395
Materials and services	-	-1 726	-1 726
Employee benefit costs	-	-57	-57
Depreciation, amortisation and impairment charges	-	-36	-36
Other expenses	-	-120	-120
Operating profit	390	517	517
Share of profit of associates and joint ventures	-	-2	-2
Finance costs-net	-	-6	-6
Profit before income tax	390	509	509
Income tax expense	-	-35	-35
Profit for the year from discontinued operations	390	474	474

1) The accounting treatment of CO2 emission allowances was changed retroactively in Q2/2005 according to the decision of IASB to withdraw the IFRIC 3 Emission rights with immediate effect.

2) Other income includes the capital gain, EUR 390 million, from the sale of approximately 15% of the shares in Neste Oil Oyj in 2005.

CONTINGENT LIABILITIES

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Contingent liabilities			
On own behalf			
For debt			
Pledges	182	155	144
Real estate mortgages	49	53	49
For other commitments			
Real estate mortgages	63	66	66
Other contingent liabilities	141	101	94
Total	435	375	353
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	3	3	3
Guarantees	192	171	208
Other contingent liabilities	125	182	125
Total	320	356	336
On behalf of others			
Guarantees	17	65	2
Other contingent liabilities	2	2	3
Total	19	67	5
Total	774	798	694

Fortum's 100% owned subsidiary Fortum Heat and Gas Oy has a collective contingent liability with Neste Oil Oyj of the demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's Chapter 14a Paragraph 6.

Operating lease liabilities

Due within a year	18	14	17
Due after one year and within five years	38	37	31
Due after five years	9	8	9
Total	65	59	57

NUCLEAR RELATED ASSETS AND LIABILITIES

MEUR	June 30 2006	June 30 2005	Dec 31 2005
Liability for nuclear waste management according to the Nuclear Energy Act 1)	618	596	618
Fortum's share of reserves in the Nuclear Waste Fund 2)	-618	-596	-610
Difference covered by real estate mortgages 3)	0	0	8

1) The legal liability calculated according to the Nuclear Energy Act in Finland is EUR 618 (596) million as of 30 June 2006 (and 2005 respectively)

Discounted liability in the balance sheet calculated according to IAS 37 is EUR 421 (404) million as of 30 June 2006.

The main reason for the difference in liability is that the legal liability is not allowed to discount to net present value.

2) Fortum contributes to the Nuclear Waste Fund according to the legal liability. Fortum's share of the nuclear waste fund as of 30 June 2006 is EUR 618 (596) million.

The value of the fund asset in the balance sheet is EUR 421 (404) million as of 30 June 2006 due to IFRIC Interpretation 5, which states that it can not exceed the carrying value of the related liabilities.

3) At year end there is a difference between the legal liability and Fortum's share of the nuclear waste fund due to yearly revised calculation of the liability.

The difference is due to timing of the annual calculation of the liability and will be paid during first quarter the following year.

Fortum has given real estate mortgages as security. The real estate mortgages are included in contingent liabilities.

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DERIVATIVES

MEUR	June 30 2006		June 30 2005		Dec 31 2005	
	Notional value	Net fair value	Notional value	Net fair value	Notional value	Net fair value
Interest and currency derivatives						
Interest rate swaps	3 504	-28	3 009	15	2 636	11
Forward foreign exchange contracts	4 420	-9	7 533	154	5 297	69
Interest rate and currency swaps	2 577	-26	315	3	2 169	3
Electricity derivatives						
	Volume	Net fair value	Volume	Net fair value	Volume	Net fair value
	TWh	MEUR	TWh	MEUR	TWh	MEUR
Sales swaps	112	-1 199	80	-465	84	-463
Purchase swaps	70	781	45	333	49	276
Purchased options	14	-23	1	2	1	-1
Written options	24	7	7	-21	3	2
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	270	-2	45	-1	90	0
Purchase swaps and futures	784	8	755	12	571	6

ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

Acquisition of Fortum Espoo Oyj

Fortum acquired 99.8% of the shares of Fortum Espoo Oyj (former E.On Finland Oyj) on 26. June 2006.

Fortum Espoo is consolidated in Fortum's June closing balance sheet using the consolidated balance sheet of Fortum Espoo Oyj as of 31 March 2006.

Fortum Espoo is a listed company and will publish the January-June 2006 interim report on 18 August 2006.

No income statement effect has been taken into account. In segment reporting Fortum Espoo figures have been included in the segment Other.

The purchase price has preliminarily been allocated to property, plant and equipment. Fortum Group contingent liabilities and derivatives include Fortum Espoo figures as of 31. March 2006. In the next interim report Fortum Espoo figures will be presented according to the appropriate segments and the provisional purchase price allocation will be calculated in more details.

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. Hafslund published January-June 2006 interim report on 18 July, but Fortum still uses previous quarter information since Hafslund's other interim reports during 2006 are published later than Fortum's interim reports.

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 if Hafslund would divest shares in REC, the cumulative fair value change would effect Fortum's income statement.

Since REC is listed on the Oslo stock exchange as of 9 May 2006, Fortum is accounting for the fair value change in REC based on the closing price on the Oslo stock exchange at each closing date. The amount of shares is based on the amount published by Hafslund in the previous quarter if other information is not available. At the end of June 2006 the fair value change during 2006 was approximately EUR 340 million in Fortum.

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Definitions of key figures

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.
EBITDA (Earnings before interest, taxes, depreciation and amortisation) continuing operations	=		Operating profit continuing operations + Depreciation, amortisation and impairment charges continuing operations
Return on shareholders' equity, %	=	100 x	$\frac{\text{Profit for the year}}{\text{Total equity average}}$
Return on capital employed, %	=	100 x	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$
Return on capital employed continuing operations, %	=	100 x	$\frac{\text{Profit before taxes continuing operations + interest and other financial expenses continuing operations}}{\text{Capital employed continuing operations average}}$
Return on net assets, %	=	100 x	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}}$
Comparable return on net assets, %	=	100 x	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated and joint ventures (adjusted for IAS 39 effects)}}{\text{Comparable net assets average}}$
Capital employed	=		Total assets - non-interest bearing liabilities - deferred tax liabilities - provisions
Net assets	=		Non-interest bearing assets + interest-bearing assets related to the Nuclear Waste Fund - non-interest bearing liabilities - provisions (non-interest bearing assets and liabilities do not include finance related iter 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, %	=	100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$
Equity per share, EUR	=		$\frac{\text{Shareholder's equity}}{\text{Number of shares excluding treasury shares at the end of the period}}$
Equity-to-assets ratio, %	=	100 x	$\frac{\text{Total equity including minority interest}}{\text{Total assets}}$
Net debt / EBITDA	=		$\frac{\text{Interest-bearing net debt}}{\text{Operating profit + Depreciation, amortisation and impairment charges}}$
Net debt / EBITDA continuing operations	=		$\frac{\text{Interest-bearing net debt}}{\text{Operating profit continuing operations + Depreciation, amortisation and impairment charges continuing operations}}$
Interest coverage	=		$\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Earnings per share (EPS)	=		$\frac{\text{Profit for the period - minority interest}}{\text{Average number of shares during the period}}$