

Fortum Corporation
Interim Report
January - September 2004



Fortum continues strong financial performance
- operating profit EUR 1,350 million

January-September in brief

- Operating profit EUR 1,350 million (+35%), incl. non-recurring items EUR 124 million
- Earnings per share EUR 1.03 (+61%), exceeding the full year 2003 figure
- Net debt EUR 5,229 million (EUR -397 million since end of 2003), gearing decreased to 73%
- Proposal to separate oil businesses through a share dividend and a sale of shares

Key figures	III/04	III/03	I-III/04	I-III/03	2003	Last 12 months (LTM)
Net sales, EUR million	2,837	2,527	8,490	8,555	11,392	11,327
Operating profit, EUR million	345	239	1,350	1,000	1,420	1,770
- excluding non-recurring items, EUR million	318	231	1,226	974	1,360	1,612
Profit before taxes, EUR million	289	185	1,151	811	1,184	1,524
Earnings per share, EUR	0.27	0.15	1.03	0.64	0.91	1.30
Shareholders' equity per share, EUR			8.18	7.30	7.55	
Capital employed (at end of period), EUR million			12,652	12,773	12,704	
Interest-bearing net debt (at end of period), EUR million *)			5,229	4,420	5,626	
Investments, EUR million			507	889	1,136	754
Net cash from operating activities, EUR million			1,299	1,381	1,577	
Return on capital employed, %			14.5	10.6	11.4	14.2
Return on shareholders' equity, % *)			17.1	10.5	12.3	15.4
Gearing, % *)			73	58	85	
Average number of employees			13,112	13,594	13,343	
Average number of shares, 1,000s			849,823	845,836	846,831	848,540

*) The figures for the full year 2003 and for January-September 2004 include the impact of the redemption of the preference shares worth EUR 1.2 billion issued by Fortum Capital Ltd.

Fortum's financial performance in January-September improved significantly compared to last year. The operating profits of all segments - except for Oil Retail - including and excluding non-recurring items were higher than during the corresponding period in 2003.

The developments of key market drivers were diverging. Although the Nord Pool electricity price was 22% lower than a year ago, the results of power businesses were significantly stronger. The good results were due to operational efficiency: utilisation of the flexible power production portfolio, successful hedging, good availability at production units, a high-value oil product slate as well as an improved cost structure.

The international oil refining reference margin was very strong, 66% higher than a year ago, boosting the results of Oil Refining. In addition, the substantial increase in the price of crude oil led to inventory gains of EUR 90 million.

The cash flow remained good although it did not reflect the strong improvement in the operating profit. This was due to a slight increase in working capital caused mainly by the increase in oil prices. The balance sheet was strengthened compared to the end of 2003. At the end of the third quarter, net debt had decreased by EUR 397 million and gearing decreased to 73%.

A proposal was made to separate the oil businesses through a share dividend and a sale of shares in April 2005. Fortum strengthened its position in the Russian electricity company, OAO Lenenergo.

Net sales and results

July - September

During the third quarter, the Nord Pool electricity price was slightly lower than during the third quarter of 2003 whereas the strong international oil refining reference margin nearly doubled compared to the corresponding period in 2003. The price of crude oil continued to increase.

Group net sales stood at EUR 2,837 (EUR 2,527 million in July-September 2003). The increase was mainly attributable to higher prices for oil products and an increase in the power volumes.

Group operating profit totalled EUR 345 (239) million. Operating profit excluding non-recurring items stood at EUR 318 (231) million. The net amount of non-recurring items was EUR 27 (8) million, mainly consisting of inventory gains arising from the increase in the price of crude oil. The results for the power and heat businesses improved despite lower electricity prices. Typical for the summer period, the third quarter was weaker than the first and second quarters of 2004. The results for Markets decreased somewhat because of lower sales margins and volumes. The high refining margin had a positive impact on the results of Oil Refining.

January - September

Group net sales stood at EUR 8,490 (8,555) million. Higher prices for oil products had an increasing impact, whereas the Group's exit from gas trading and a weakened US dollar decreased the net sales.

Group operating profit totalled EUR 1,350 (1,000) million. Operating profit excluding non-recurring items was EUR 1,226 (974) million. The net amount of non-recurring items was EUR 124 (26) million, including a one-time compensation of EUR 29 million from parties in the new nuclear power unit relating to the existing nuclear infrastructure, and inventory gains of EUR 90 million (losses of EUR 0.4 million) resulting from the increase in the price of crude oil.

The results for Power Generation were up on the corresponding period last year, despite lower market prices for electricity. This was mainly due to Fortum's flexible production portfolio, successful hedging and internal efficiency improvements.

The results for the Heat segment improved because of a rise in Fortum Värme's results. This was mainly due to a better fuel mix and good power plant availability.

The results for Distribution, which is a regulated business, improved slightly over previous year's level thanks to internal efficiency improvement.

Markets experienced an improvement in its results compared to last year, despite the decrease in sales prices and somewhat lower volumes. The main enablers were better risk management and improved business processes.

The results for Oil Refining reached a record high level due to strong oil refining margins, higher volumes and a considerable amount of inventory gains. However, a weaker US dollar than a year ago had a negative effect on the results. The results were further boosted by a favourable product slate, competitive feedstocks and good availability at the refineries.

The results for the Oil Retail segment were at a lower level than during the corresponding period last year. The sales volumes of traffic fuels increased slightly, whereas the corresponding margins decreased somewhat.

The Shipping and other Oil segment enjoyed higher freight rates, especially for crude oil. However, a weaker US dollar than a year ago had a negative impact on the results. The contribution from SeverTEK had a positive impact on the result.

The Group's profit before taxes was EUR 1,151 (811) million.

The Group's net financial expenses were EUR 199 (189) million. This includes the interest cost attributable to the debt assumed when redeeming the preference shares issued by Fortum Capital Ltd as well as approximately EUR 10 million representing the net present value of the interest rate differential relating to the prepayment of the private placement bonds issued in the United States in 1992.

Minority interests accounted for EUR 15 (57) million. The decrease is mainly due to the redemption of Fortum Capital's preference shares, accounted for as minority interests before the redemption. The figure for 2004 is mainly attributable to Fortum Värme Holding, in which the City of Stockholm has a 50% economic interest.

Taxes for the period totalled EUR 259 (212) million. The tax rate according to the income statement was 22.5% (26.1%). Taxes for the period include a decrease in deferred tax liabilities of EUR 43 million due to the change in the Finnish income tax rate from 29% to 26% which takes effect from the beginning of the 2005 tax year. The tax rate would have been 26.2% excluding the above-mentioned decrease.

Net profit for the period was EUR 877 (542) million. Earnings per share were EUR 1.03 (0.64). Return on capital employed was 14.5% (10.6%) and return on shareholders' equity was 17.1% (10.5%).

Reporting structure

In order to improve the transparency of its financial reporting, Fortum has adopted a new reporting structure in 2004. The number of reporting segments has been increased from four to seven. The new segments include the following business units (names of the business units in brackets after the segment name): Power Generation (Generation, Portfolio Management and Trading, Service); Heat (Heat, Värme); Distribution (Distribution); Markets (Markets); Oil Refining (Oil Refining, Components); Oil Retail (Oil Retail); Shipping and other Oil (Shipping, other oil operations including SeverTEK). In addition, the segment Other includes for example Group administration and shared service functions.

POWER AND HEAT SEGMENTS

Fortum's power and heat businesses are divided into four reporting segments. Power is generated in Fortum's own and partly-owned power plants by the Power Generation segment and in combined heat and power (CHP) plants by the Heat segment. Power Generation sells the electricity it generates through the Nordic electricity exchange, Nord Pool. The Markets segment buys its electricity through Nord Pool and sells the electricity to private and business customers. Heat sells steam and district heat mainly to industrial and municipal customers as well as to real estate companies, and it sells the power it produces directly to end-customers and to Nord Pool. Fortum's distribution and regional network transmissions are reported in the Distribution segment.

Market conditions

According to preliminary statistics, the Nordic countries consumed 287 (283) TWh of electricity during January-September, which was 2% more than the consumption during the corresponding period last year.

During the third quarter, the average spot price for electricity on the Nordic power exchange, Nord Pool, was EUR 29.9 (31.0) per megawatt-hour. The price was about 3% lower than the corresponding figure in 2003 and 1% higher compared to the second quarter of 2004. During January-September, the average spot price for electricity was EUR 29.4 (37.6) or 22% lower than the corresponding figure in 2003.

Very high inflows in the beginning of July lowered the spot price and ended the increasing trend in the forward prices. The spot price recovered by August but the high precipitation, resulting in significantly higher than normal inflows in September, decreased the spot price again during the latter part of September.

Due to the high inflows the water reservoir deficit decreased by 10 TWh during the third quarter. At the beginning of October, the water reservoirs were about 6 TWh below average but 10 TWh above the corresponding level for 2003.

Total power and heat generation figures

Fortum's power generation in the Nordic countries during January-September was 38.8 (37.1) TWh, 14% (13%) of Nordic electricity consumption.

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

Fortum's total power and heat generation, TWh	III/04	III/03	I-III/04	I-III/03	2003	LTM
Power generation	11.5	10.7	39.5	38.9	53.2	53.8
Heat generation	3.4	3.5	17.4	18.3	25.9	25.0

Fortum's own power generation by source, TWh, total in the Nordic countries	III/04	III/03	I-III/04	I-III/03	2003	LTM
Hydropower	4.4	3.5	13.0	11.9	16.9	18.0
Nuclear power	5.2	4.8	18.7	17.5	23.8	25.0
Thermal power	1.8	2.1	7.1	7.7	10.5	9.9
Total	11.4	10.4	38.8	37.1	51.2	52.9

Share of own production, %, total in the Nordic countries	III/04	III/03	I-III/04	I-III/03	2003	LTM
Hydropower	38	34	34	32	33	34
Nuclear power	46	46	48	47	46	47
Thermal power	16	20	18	21	21	19
Total	100	100	100	100	100	100

Total electricity and heat sales figures

Fortum's total electricity sales amounted to 44.7 (44.7) TWh. Sales volumes in the Nordic countries were at 43.5 (42.7) TWh, representing approximately 15% (15%) of Nordic electricity consumption during January-September. Heat sales in the Nordic countries amounted to 13.9 (13.9) TWh and in other countries to 2.4 (2.8) TWh.

The average price of electricity sold by Fortum in the Nordic countries during the third quarter was 5% higher than the corresponding figure last year, and 3% lower compared to the second quarter of 2004. In January-September, the average price of electricity sold by Fortum in the Nordic countries was 3% lower than the corresponding figure last year.

The segments sell their electricity to Nord Pool or external customers and purchase from Nord Pool or other external sources. In the table below, Fortum's Nord Pool transactions are calculated as a net amount of hourly sales and purchases on Group level.

Fortum's total electricity and heat sales, EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Electricity sales	427	380	1,439	1,474	2,038	2,003
Heat sales	114	107	558	540	775	793

Fortum's total electricity sales by area, TWh	III/04	III/03	I-III/04	I-III/03	2003	LTM
Sweden	5.5	5.5	19.5	20.7	28.3	27.1
Finland	7.0	6.3	22.6	21.4	29.1	30.3
Other countries	0.7	0.7	2.6	2.6	3.6	3.6
Total	13.2	12.5	44.7	44.7	61.0	61.0

Fortum's total heat sales by area, TWh	III/04	III/03	I-III/04	I-III/03	2003	LTM
Sweden	0.8	0.8	6.4	6.5	9.5	9.4
Finland	1.7	1.6	7.4	7.4	10.3	10.3
Other countries	0.6	0.6	2.5	2.8	3.9	3.6
Total	3.1	3.0	16.3	16.7	23.7	23.3

SEGMENT REVIEWS - POWER AND HEAT

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.

EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Net sales	453	524	1,505	2,057	2,681	2,129
- electricity sales	357	327	1,208	1,384	1,871	1,695
- other sales	96	197	297	673	810	434
Operating profit	124	82	490	410	603	683
- excluding non-recurring items	126	79	470	408	599	661
Net assets (at end of period)			6,236	6,391	6,391	
Return on net assets, %			10.5	8.6	9.5	10.9

The segment's power generation during the third quarter amounted to 10.9 (9.9) TWh in the Nordic countries.

In January-September, the segment's power generation in the Nordic countries was 35.7 (34.1) TWh, of which about 13.0 (11.9) TWh or 37% (35%) was hydropower-based, 18.7 (17.5) TWh or 52% (51%) nuclear power-based and 4.0 (4.7) TWh or 11% (14%) thermal power-based.

Power generation by area, TWh	III/04	III/03	I-III/04	I-III/03	2003	LTM
Sweden	5.3	5.0	18.1	17.7	24.6	25.0
Finland	5.6	4.9	17.6	16.4	22.2	23.4
Other countries	0.1	0.3	0.7	1.8	2.0	0.9
Total	11.0	10.2	36.4	35.9	48.8	49.3

The yearly revisions of power plants were carried out according to plan.

In July, Fortum agreed on the acquisition of additional shares in the Russian OAO Lenenergo. Russian competition authorities approved the share transaction in August. Fortum's holding in the company's share capital is 30.7%, and its share of voting rights is 29.6%.

Heat

The business area comprises heat generation and sales in the Nordic countries and other parts of the Baltic Rim. Fortum is the leading heat producer in the region. The segment also generates power in the combined heat and power plants (CHP) and sells it to end-customers mainly by long-term contracts as well as to Nord Pool. In Sweden, Fortum owns the company AB Fortum Värme samägt med Stockholms stad, in which the City of Stockholm has a 50% economic interest.

EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Net sales	145	132	701	672	964	993
- heat sales	108	100	536	501	728	763
- electricity sales	20	16	110	124	167	153
- other sales	17	16	55	47	69	77
Operating profit	8	-6	142	93	173	222
- excluding non-recurring items	8	-2	142	97	176	225
Net assets (at end of period)			2,424	2,342	2,466	
Return on net assets, %			7.8	5.3	7.3	9.2

The segment's heat sales during the third quarter amounted to 2.6 (2.6) TWh, most of which is generated in the Nordic countries. In January-September, heat sales totalled 14.9 (14.6) TWh. In the heat business, the third quarter is usually the weakest of the year.

The inauguration of Fortum's Nynäshamn combined heat and power plant in Sweden took place in September. The plant uses biomass fuels to produce process steam and district heat.

In Sweden, the new waste incineration boiler in the Högdalen combined heat and power plant was tuned to be taken into operation during the autumn. The new district heating distribution connection in Akalla-Upplands Väsby was taken into operation.

Heat sales by area, TWh	III/04	III/03	I-III/04	I-III/03	2003	LTM
Sweden	0.8	0.8	6.4	6.5	9.5	9.4
Finland	1.7	1.6	7.4	7.4	10.3	10.3
Other countries	0.1	0.2	1.1	0.7	1.3	1.7
Total	2.6	2.6	14.9	14.6	21.1	21.4

Electricity sales, TWh	III/04	III/03	I-III/04	I-III/03	2003	LTM
Total	0.6	0.5	3.3	3.1	4.5	4.7

Distribution

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

EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Net sales	150	143	513	502	688	699
- distribution network transmission	122	116	427	410	569	586
- regional network transmission	19	21	64	69	88	83
- other sales	9	6	22	23	31	30
Operating profit	55	47	196	189	247	254
- excluding non-recurring items	54	48	195	169	227	253
Net assets (at end of period)			3 088	3 089	3 129	
Return on net assets, %			8,4	8,1	7,9	8,2

During January-September, the volume of distribution and regional network transmissions totalled 15.8 (15.4) TWh and 13.9 (15.4) TWh, respectively.

Electricity transmissions via the regional distribution network to customers outside the Group totalled 11.6 (11.5) TWh in Sweden and 2.3 (3.9) TWh in Finland.

Further improvements aiming at better invoicing transparency and enhanced customer service were developed. One example is the automated meter-reading system that enables electricity meters to be read remotely and allows customers to be invoiced according to their actual electricity consumption. A number of pilot projects were started in Sweden and Finland to test the system.

The big investment programme to reduce the risks of outages continued in western Sweden. Within a five-year-period, the risk will be minimised by isolating cables and installing underground cables.

In June 2004, the Energy Market Authority in Finland published its guidelines for transmission and distribution pricing principles. The new regulation will enter into force in January 2005. The Authority will make company-specific decisions on the parameters being used to access the allowable return in accordance with the new electricity market legislation, which is expected to take effect in December 2004.

In Sweden, the Energy Authority is developing and implementing a new model for monitoring distribution prices. Further details are expected to be published later this year.

Volume of distributed electricity by area, TWh	III/04	III/03	I-III/04	I-III/03	2003	LTM
Sweden	2.6	2.5	9.7	10.3	14.2	13.6
Finland	1.2	1.1	4.4	4.4	6.2	6.2
Norway	0.4	0.3	1.6	0.6	1.3	2.3
Other countries	0.0	0.1	0.1	0.1	0.2	0.2
Total	4.2	4.0	15.8	15.4	21.9	22.3

Number of electricity distribution customers by area, 1,000s	30.9.2004	30.9.2003	2003
Sweden	860	850	855
Finland	405	395	400
Other countries	115	115	115
Total	1,380	1,360	1,370

Markets

The Markets segment focuses on the retail sale of electricity to a total of 1.1 million private and business customers as well as to other electricity retailers in Sweden, Finland and Norway. The Markets segment buys its electricity through Nord Pool.

EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Net sales	287	322	1,009	1,212	1,634	1,431
Operating profit	11	13	26	18	35	43
- excluding non-recurring items	11	13	26	18	35	43
Net assets (at end of period)			139	57	23	
Return on net assets, %			28.0	32.7	55.2	38.9

During the third quarter, average retail electricity prices on the Nordic market were lower than during the corresponding period the previous year. In January-September, the retail prices decreased slightly. In Norway, due to a different retail contract structure, the electricity retail prices follow the Nord Pool market prices more rapidly than in Sweden and Finland.

In July-September, the segment's electricity sales totalled 9.2 (10.1) TWh with sales for January-September standing at 31.6 (34.6) TWh. The decline was mainly due to lower industrial volumes and a warmer winter than the year before.

Fortum's electricity retail prices decreased during the third quarter as well as during January-September compared to the corresponding period last year.

Fortum continued to launch new products on the Nordic market. Post-debiting for electricity customers will be implemented starting this autumn. The possibility to use self-meter-reading will also be expanded during the autumn.

During January-September, competition on the Nordic electricity market intensified. Also Fortum's sales activity level increased. The number of private customers switching suppliers increased. The activity level has traditionally been higher in Norway than in other Nordic countries, but now the level in Finland and Sweden is increasing. The number of customers choosing fixed-priced contracts or individual supply solutions increased.

OIL SEGMENTS

Fortum's oil operations are divided into three reporting segments. Oil Refining manufactures and sells gasolines, diesel fuels, light and heavy fuel oils, aviation fuels, base oils, lubricants, gasoline components and LPG. Oil Retail operates an extensive retail sales network and has direct sales to private and business customers. The Shipping

and other Oil segment has a tanker fleet for crude oil and product transports, and includes oil production.

Market conditions

During the third quarter, the international refining margin in north-western Europe (Brent Complex) averaged USD 4.9 (2.7) /bbl.

During January-September, the international refining margin was significantly higher than during the corresponding period last year. The reference margin used by Fortum averaged USD 4.8 (2.9) /bbl. Fortum's premium margin continued to average USD 2/bbl higher than the international reference margin.

Crude oil prices remained high throughout the period under review. In the third quarter, the Brent crude oil averaged USD 41.5 (28.4) /bbl. In January-September, the average price was USD 36.4 (28.6) /bbl. The Brent price continued at over USD 40/bbl throughout September. At the end of September, Brent crude was about USD 47/bbl. In January-September, inventory gains were EUR 90 million (losses of EUR 0.4 million).

The refining margins and shipping freights are priced in U.S. dollars and therefore the weakening of this currency will have an impact on the profitability of the Oil Refining and the Shipping and other Oil segments.

SEGMENT REVIEWS - OIL

Oil Refining

The activities of Oil Refining cover the refining of oil and selling of oil products. The main products are traffic fuels and heating oils. Fortum is the leading producer of clean traffic fuels in the Nordic area.

EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Net sales	1,641	1,349	4,579	4,311	5,693	5,961
Operating profit	131	89	411	224	281	468
- excluding non-recurring items*)	100	75	315	224	267	358
Net assets (at end of period)			1,199	1,052	1,003	
Return on net assets, %			49.6	27.4	26.2	42.8

*) non-recurring items are mainly inventory gains and losses

Fortum refined a total of 10.1 (9.7) million tonnes of crude oil and other feedstocks. In Finland, oil product sales totalled about 6.2 (5.8) million tonnes. Exports accounted for a total of 3.8 (3.9) million tonnes.

Work on the EUR 500 million investment to increase the sulphur-free diesel production capacity of the Porvoo refinery continued as planned, and the work on the foundations for the new production line started in August. The capital expenditure in 2004 will amount to slightly more than EUR 100 million. The production line will be taken into use at the end of 2006.

In May, Fortum initialised the manufacturing of ETBE (ethyl tertiary butyl ether), containing bioethanol, at the Porvoo refinery, to replace MTBE.

Deliveries of oil products produced by Fortum – by product group (1,000 t)	III/04	III/03	I-III/04	I-III/03	2003	LTM
Gasoline	1,108	1,075	3,250	3,135	4,434	4,549
Diesel	959	971	2,931	2,876	3,886	3,941
Aviation fuel	172	159	494	410	611	695
Light fuel oil	316	362	1,054	1,081	1,474	1,447
Heavy fuel oil	251	269	909	951	1,314	1,272
Other	499	488	1,384	1,276	1,672	1,780
Total	3,305	3,324	10,022	9,729	13,391	13,684

Deliveries of oil products produced by Fortum – by area (1,000 t)	III/04	III/03	I-III/04	I-III/03	2003	LTM
Finland	2,136	2,002	6,199	5,791	7,889	8,297
Other Nordic countries	528	503	1,593	1,470	1,921	2,044
Baltic countries and Russia	24	33	82	62	62	82
USA and Canada	254	278	949	795	1,252	1,406
Other countries	363	508	1,199	1,611	2,267	1,855
Total	3,305	3,324	10,022	9,729	13,391	13,684

Oil Retail

Oil Retail has a network of service stations and other retail sales outlets both in Finland and in other countries in the Baltic Rim. The total number of outlets exceeds 1,000.

EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Net sales	666	543	1,763	1,650	2,203	2,316
Operating profit	15	21	41	46	44	39
- excluding non-recurring items	16	21	36	45	53	44
Net assets (at end of period)			328	329	329	
Return on net assets, %			18.0	19.4	13.8	12.6

During the third quarter, retail sales of the main oil products totalled 1,025 (972) thousand cubic metres, of which traffic fuels accounted for 712 (655) thousand cubic metres.

During January-September, retail sales of the main oil products totalled 2,922 (2,880) thousand cubic metres, of which traffic fuels accounted for 1,957 (1,838) thousand cubic metres.

The number of oil retail outlets at the end of September was 885 (892) in Finland and 169 (152) in other countries in the Baltic Rim.

Shipping and other Oil

Shipping operates a tanker fleet for crude oil and product transports. About 50% of the volumes carried are for third-party customers. The focus is on the Baltic Sea, the North Sea and the North Atlantic. Total capacity is about 1 million dead weight tonnes. In Russia, Fortum owns an oil field jointly with the Russian company, Lukoil.

EUR million	III/04	III/03	I-III/04	I-III/03	2003	LTM
Net sales	69	62	248	243	308	313
Operating profit	16	9	83	55	79	107
- excluding non-recurring items	16	8	79	57	69	91
Net assets (at end of period)			184	150	133	
Return on net assets, %			69.5	52.0	56.7	68.0

During the third quarter, deliveries by Shipping were 9.9 (9.9) million tonnes and in January-September 30.2 (30.3) million tonnes.

The third quarter freights were at a satisfactory level and higher than during the corresponding period last year. The freight rates picked up significantly towards the end of the period under review. In January-September, the utilisation rate for Fortum's crude and oil product fleet was high.

During the third quarter, Fortum decided to time-charter two Panamax-sized tankers for gasoline exports to North America. The vessels will be built by a joint venture formed by Fortum and Concordia Maritime and will be completed in 2006 and 2007. Moreover, four product tankers are currently under construction. The crude oil tanker Palva was converted into a double-hull vessel and its sister ship Tervi is currently undergoing a similar modification.

In total, Fortum owns nine tankers and 20 are time-chartered. Eight tankers carry crude oil and 21 carry a range of oil products.

In January-September, the average oil production of SeverTEK in Russia totalled approximately 26,400 barrels per day (of which Fortum's share was 50%). Further increase in the production is subject to the availability of the regional pipeline capacity.

Investments and divestments

Investments in fixed assets in January-September totalled EUR 507 (889) million.

Work on the EUR 500 million investment to increase the sulphur-free diesel production capacity of the Porvoo refinery continued as planned. The estimated cost for 2004 is somewhat above EUR 100 million. The investment is expected to be completed by the end of 2006.

Fortum will participate in the new, fifth nuclear power plant unit in Finland with a share of approximately 25%. Thus Fortum's investment as an equity share will be EUR 180 million during 2004-2009, entitling it to approximately 400 MW of the plant's capacity. During the first quarter, Fortum also provided a shareholders' loan of EUR 45 million.

The final approval for the purchase of additional shares in the Russian power company OAO Lenenergo, agreed in July, was received from the Russian competition authorities in August. As a result of the deal, Fortum's holding in the company's share capital increased to 30.7% and its share of voting rights to 29.6%. Fortum's total investment in Lenenergo shares is approximately EUR 150 million.

Financing

Fortum's net debt decreased by EUR 397 million and stood at EUR 5,229 million (EUR 5,626 million at year end), giving a gearing ratio of 73% (85% at year end).

The Group's net financing expenses were EUR 199 (189) million. The amount includes the interest cost attributable to the debt assumed when redeeming the preference shares issued by Fortum Capital Ltd as well as approximately EUR 10 million representing the net present value of the interest rate differential relating to the prepayment of the private placement bonds issued in the United States in 1992.

Moody's credit rating was upgraded to Baa1 (stable) on 13 February 2004. Standard & Poor's long-term credit rating for Fortum Corporation continued at BBB+ (stable).

Separation of oil businesses

Fortum announced in September its plan to implement the separation of Fortum Oil Oy in April 2005 through a distribution of Fortum Oil shares as a dividend to the shareholders of Fortum Corporation and a marketed offering of the remaining shares to investors. This will enable Fortum Oil to simultaneously seek a listing of its shares. The dividend distribution is subject to an approval by the Annual General Meeting of Fortum in spring 2005.

The proposal to distribute Fortum Oil shares as a dividend has been facilitated by Fortum's very strong operating performance in both the Oil and Power and Heat businesses over the last 12 months. It is designed to allow both Fortum Corporation and Fortum Oil to maintain their financial strength without raising significant new capital from the markets. Fortum Oil will be capitalised with approximately EUR 1 billion of debt including approximately EUR 130 million of shipping leases.

Approximately 85% of Fortum Oil shares are proposed to be distributed as a dividend, making the Finnish State a direct majority shareholder in Fortum Oil, which is in line with the Parliamentary decision adopted in 2003. The remaining approximately 15% of the shares are expected to be sold to investors, subject to market conditions. Following the dividend distribution and the proposed sale of shares, Fortum Corporation does not intend to continue as a shareholder in Fortum Oil.

Shares and share capital

Based on the share option schemes, a total of 981,004 Fortum shares were entered into the trade register on 12 February 2004, and a total of 448,415 Fortum shares were entered into the trade register on 1 July 2004. After these increases, Fortum Corporation's share capital is EUR 2,890,890,439.60, and the total number of shares is 850,261,894.

A total of 82,070 shares were subscribed for between 2 July and 30 September 2004, based on the share warrants relating to Fortum Corporation's 1999 bond loan with warrants to the employees (Fortum Corp -99 warrant FUM1VEW199). According to the terms of subscription, the subscription price is EUR 3.63 per share. The corresponding increase in share capital has not been entered in the trade register.

A total of 1,025,000 shares were subscribed for between 2 July and 30 September 2004, based on Fortum Corporation's 1999 management stock option scheme (Fortum Corp. warrant 2/99 FUM1VEW299). According to the terms of subscription, the subscription price is EUR 5.61 per share. The corresponding increase in share capital has not been entered in the trade register.

The trading of the share options 2002A for key employees (Fortum Corp. -02A warrant FUM1VEW102) commenced on the main list of the Helsinki Stock Exchange on 1 October 2004. The total number of the options to be listed is 10,767,000. Each option gives the right to subscribe for one Fortum Corporation share with a nominal value of EUR 3.40 between 1 October 2004 and 1 May 2007. The share capital may be increased by a maximum of EUR 36,607,800. The subscription price for shares on the basis on these options is EUR 4.74 at the start of listing.

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

Group personnel

The average number of employees in the Group during the period from January to September was 13,112 (13,594). The number of employees at the end of the period was 12,726 (13,201). The reduction is mainly due to divestments.

Outlook

The key market drivers influencing Fortum's performance are the market price of electricity and the international oil refining margin. Other important market drivers are the price of crude oil, and the exchange rates of the US dollar and the Swedish krona. Starting in 2005, emissions trading is likely to become a new key market driver.

During the past five years, the volume of Fortum's CO₂-free power generation has increased from 30 TWh to 41 TWh. Its share was 78% of Fortum's power generation in 2003. With this production portfolio, Fortum is in a good position with regard to the possible impacts of emissions trading.

According to general market information, electricity consumption in the Nordic countries is predicted to increase by about 1% a year over the next few years. During the third quarter, the average spot price for electricity was EUR 29.9 (31.0) per megawatt-hour

(MWh) on the Nordic electricity market. At the beginning of October, the Nordic water reservoirs were about 6 TWh below the average, but 10 TWh above the corresponding level for 2003. During the first part of October, the spot price has been at the level of EUR 27 per MWh while the electricity price in the forward market for the remainder of 2004, full year of 2005 and full year 2006 have been in the range of EUR 30 - 31 per MWh and EUR 30 - 32 per MWh and EUR 28 -30 per MWh, respectively.

The oil market fundamentals are developing according to Fortum's assumptions: the consumption of clean traffic fuels is increasing and the demand for heavy fuel oil is decreasing, making the complex refineries even more competitive. In addition, Fortum's position along the new export routes for Russian crude oil gives it a clear advantage. These developments are in line with Fortum's profitability assumptions for the ongoing Porvoo refinery upgrade investment and provide a good starting point for the future independent oil company.

The oil refining reference margin in north-western Europe (Brent Complex) averaged USD 4.9 (2.7) /bbl during the third quarter. During the first half of October, the reference margin has averaged USD 4.2/bbl. Fortum's premium margin is expected to remain at the strong levels of previous years. The next major maintenance shutdown at the Porvoo refinery is planned to take place in the fall of 2005.

The average price for Brent crude oil was USD 41.5 (28.4)/bbl during the third quarter. During the first half of October 2004, the price has been averaging USD 49.1/bbl while the International Petroleum Exchange's Brent futures for the remainder of 2004 and the first quarter of 2005 have been averaging USD 48.4/bbl and USD 46.2/bbl, respectively. The price of crude oil has an impact on the results of Oil Refining through inventory gains and losses.

Tanker freight futures indicate that third-quarter rate levels will increase during the fourth quarter and in the beginning of 2005. Due to demand for ice-classed tonnage, the winter season is usually most profitable for Fortum Shipping.

The refining margins and shipping freights are exposed to USD exchange rate volatility and therefore a weakened US dollar will have a negative impact on the profitability of the oil business. However, this impact is mitigated because of the forward hedging policy of the estimated US dollar sales margins.

During January-September, the euro exchange rates against the US dollar and the Swedish krona were on average 1.225 (1.113) and 9.157 (9.168), respectively. At the end of September, the exchange rates were 1.241 (1.165) and 9.059 (8.963), respectively.

In September, it was announced that the Fortum Oil separation is planned to be implemented in April 2005 through a share dividend and a sale of shares. The dividend distribution is subject to an approval by the Annual General Meeting of Fortum in spring 2005.

The first and last quarter of the year are usually the strongest quarters for the continuous operations of the power and heat businesses. The electricity prices in the forward market for the remainder of the year are somewhat lower than the corresponding forward prices for the remainder of 2003 in October last year. Fortum has hedged approximately 70% of its electricity sales for the next 12 months. The hedge ratio for the calendar year 2005 is approximately 60%, the average price being approximately at the level achieved during the first 9 months in 2004.

Fortum's performance in January-September has been very strong. Given the current market fundamentals, the company's hedging positions as well as the operational efficiency of both the power and heat and the oil businesses, 2004 is set to become a very satisfactory year for Fortum. This provides a good platform for the two independent companies after the separation of the oil businesses.

Espoo, 21 October 2004
Fortum Corporation
Board of Directors

The figures have not been audited.

Fortum will adopt the International Financial Reporting Standards (IFRS/IAS) as of 2005.

Fortum's financial reporting in 2005:

The 2004 Financial Statements will be published on 3 February 2005

Interim Reports

The report for January-March will be released on 3 May 2005

The report for January-June on 19 July 2005

The report for January-September on 20 October 2005

FORTUM GROUP
JANUARY-SEPTEMBER 2004
Interim financial statements are unaudited
CONSOLIDATED INCOME STATEMENT

MEUR	Q3/04	Q3/03	Q1-Q3/04	Q1-Q3/03	2003	Last twelve months
Net sales	2 837	2 527	8 490	8 555	11 392	11 327
Share of profits of associated companies	24	9	51	29	41	63
Other operating income	16	19	98	95	151	154
Materials and services	-2 107	-1 883	-5 860	-6 264	-8 054	-7 650
Personnel expenses	-158	-145	-511	-499	-654	-666
Depreciation, amortisation and write-downs	-120	-128	-372	-395	-538	-515
Other operating expenses	-147	-160	-546	-521	-918	-943
Operating profit	345	239	1 350	1 000	1 420	1 770
Financial income and expenses	-56	-54	-199	-189	-236	-246
Profit before taxes	289	185	1 151	811	1 184	1 524
Income taxes	-66	-45	-259	-212	-325	-372
Minority interests	5	-10	-15	-57	-90	-48
Net profit for the period	228	130	877	542	769	1 104
Earnings per share, EUR	0.27	0.15	1.03	0.64	0.91	1.30
Fully diluted earnings per share, EUR	0.26	0.15	1.01	0.63	0.90	
Average number of shares, 1,000 shares			849 823	845 836	846 831	848 540
Diluted adjusted average number of shares, 1 000 sh:			870 806	857 249	858 732	

CONSOLIDATED BALANCE SHEET

MEUR	Sep 30 2004	Sep 30 2003	Dec 31 2003
ASSETS			
Fixed assets and other long-term investments			
Intangible assets	112	151	146
Property, plant and equipment	11 681	11 681	11 632
Other long-term investments	1 839	1 714	1 762
Other interest-bearing long-term investments	716	643	632
Total	14 348	14 189	14 172
Current assets			
Inventories	705	541	551
Trade receivables	875	846	951
Short-term receivables	341	311	449
Cash and cash equivalents	222	277	439
Total	2 143	1 975	2 390
Total	16 491	16 164	16 562

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity			
Share capital	2 891	2 876	2 886
Other equity	4 065	3 297	3 520
Total	6 956	6 173	6 406
Minority interests	245	1 449	232
Provisions for liabilities and charges	223	187	207
Deferred tax liabilities	1 804	1 803	1 843
Liabilities			
Long term liabilities			
Interest-bearing	4 289	3 504	4 840
Interest free	359	340	346
Short term liabilities			
Interest-bearing	1 162	1 192	1 225
Interest free	1 453	1 516	1 463
Total	16 491	16 164	16 562
Equity per share, EUR	8.18	7.30	7.55
Number of shares, 1,000 shares	850 262	845 898	848 832

CHANGE IN SHAREHOLDERS' EQUITY

MEUR	Jan-Sep 30 2004	Jan-Sep 30 2003	Dec 31 2003
Shareholders' equity, 1 January	6 406	5 897	5 897
Stock options exercised	14	1	22
Dividend	-359	-264	-264
Translation differences	18	-3	-18
Net earnings for the period	877	542	769
Total	6 956	6 173	6 406

FORTUM GROUP
JANUARY-SEPTEMBER 2004
Interim financial statements are unaudited
CASH FLOW STATEMENT

MEUR	Sep 30 2004	Sep 30 2003	Dec 31 2003
Net cash from operating activities	1 299	1 381	1 577
Capital expenditures	-399	-370	-550
Acquisition of shares	-108	-504	-570
Proceeds from sales of fixed assets	34	101	142
Proceeds from sales of shares	16	1 221	1 227
Change in other investments	-97	-53	-67
Cash flow before financing activities	745	1 776	1 759
Net change in loans	-612	-1 791	-399
Dividends paid	-359	-264	-264
Other financing items *	8	-40	-1 245
Net cash from financing activities	-963	-2 095	-1 908
Net increase (+)/decrease (-) in cash and marketable securities	-218	-319	-149

* Includes the redemption of Fortum Capital Ltd preference shares -1 200 million euros in December 2003

KEY RATIOS

	Sep 30 2004	Sep 30 2003	Dec 31 2003	Last twelve months
Capital employed, MEUR	12 652	12 773	12 704	
Interest-bearing net debt, MEUR*	5 229	4 420	5 626	
Investments, MEUR	507	889	1 136	754
Return on capital employed, %	14.5	10.6	11.4	14.2
Return on shareholders' equity, %*	17.1	10.5	12.3	15.4
Interest coverage	7.5	5.1	5.8	7.8
FFO / interest-bearing net debt, % ¹⁾	34.4	35.3	26.1	
Gearing, % *	73	58	85	
Equity-to-assets ratio, %	44	47	40	
Average number of employees	13 112	13 594	13 343	

1) FFO = Funds from operations

* Figures include the effect of the redemption of Fortum Capital Ltd preference shares in December 2003.

NET SALES BY SEGMENTS

MEUR	Q3/04	Q3/03	Q1-Q3/04	Q1-Q3/03	2003	Last twelve months
Power Generation	453	524	1 505	2 057	2 681	2 129
Heat	145	132	701	672	964	993
Distribution	150	143	513	502	688	699
Markets	287	322	1 009	1 212	1 634	1 431
Oil Refining	1 641	1 349	4 579	4 311	5 693	5 961
Oil Retail	666	543	1 763	1 650	2 203	2 316
Shipping and other Oil	69	62	248	243	308	313
Other	23	24	67	68	93	92
Eliminations	-597	-572	-1 895	-2 160	-2 872	-2 607
Total	2 837	2 527	8 490	8 555	11 392	11 327

OPERATING PROFIT BY SEGMENTS

MEUR	Q3/04	Q3/03	Q1-Q3/04	Q1-Q3/03	2003	Last twelve months
Power Generation	124	82	490	410	603	683
Heat	8	-6	142	93	173	222
Distribution	55	47	196	189	247	254
Markets	11	13	26	18	35	43
Oil Refining	131	89	411	224	281	468
Oil Retail	15	21	41	46	44	39
Shipping and other Oil	16	9	83	55	79	107
Other	-15	-16	-39	-35	-42	-46
Total	345	239	1 350	1 000	1 420	1 770

FORTUM GROUP
JANUARY-SEPTEMBER 2004
Interim financial statements are unaudited
NON-RECURRING ITEMS IN OPERATING PROFIT BY SEGMENTS

MEUR	Q3/04	Q3/03	Q1-Q3/04	Q1-Q3/03	2003	Last twelve months
Power Generation	-2	3	20	2	4	22
Heat	-	-4	-	-4	-3	1
Distribution	1	-1	1	20	20	1
Markets	-	-	-	-	-	-
Oil Refining	31	14	96	-	14	110
Oil Retail 2)	-1	-	5	1	-9	-5
Shipping and other Oil 2)	-	1	4	-2	10	16
Other	-2	-5	-2	9	24	13
Total	27	8	124	26	60	158

2) Split between segments corrected in 2003 figures

DEPRECIATION, AMORTISATION AND WRITE-DOWNS BY SEGMENTS

MEUR	Q3/04	Q3/03	Q1-Q3/04	Q1-Q3/03	2003	Last twelve months
Power Generation	20	27	76	87	116	105
Heat	30	29	91	85	116	122
Distribution	33	35	99	110	143	132
Markets	4	3	12	10	14	16
Oil Refining	19	20	56	59	80	77
Oil Retail	7	8	22	23	41	40
Shipping and other Oil	3	4	8	12	14	10
Other	4	2	8	9	14	13
Total	120	128	372	395	538	515

INVESTMENTS BY SEGMENTS

MEUR	Q3/04	Q3/03	Q1-Q3/04	Q1-Q3/03	2003	Last twelve months
Power Generation	93	23	155	351	386	190
Heat	30	37	80	113	158	125
Distribution	25	17	65	241	339	163
Markets	2	-	4	26	28	6
Oil Refining	44	16	111	60	97	148
Oil Retail	10	8	21	21	36	36
Shipping and other Oil	21	23	61	64	71	68
Other	4	4	10	13	21	18
Total	229	128	507	889	1 136	754

NET ASSETS BY SEGMENTS

MEUR	Sep 30 2004	Sep 30 2003	Dec 31 2003
Power Generation	6 236	6 391	6 391
Heat	2 424	2 342	2 466
Distribution	3 088	3 089	3 129
Markets	139	57	23
Oil Refining	1 199	1 052	1 003
Oil Retail	328	329	329
Shipping and other Oil	184	150	133
Other	53	58	45
Eliminations	-8	-9	-8
Total	13 643	13 459	13 511

RETURN ON NET ASSETS BY SEGMENTS 3)

%	Sep 30 2004	Sep 30 2004 *)	Sep 30 2003	Sep 30 2003 *)	Dec 31 2003	Dec 31 2003 *)	Last twelve months	Last twelve months *)
Power Generation	10.5	10.0	8.6	8.5	9.5	9.4	10.9	10.5
Heat	7.8	7.8	5.3	5.5	7.3	7.5	9.2	9.2
Distribution	8.4	8.4	8.1	7.2	7.9	7.2	8.2	8.2
Markets	28.0	28.0	32.7	32.7	55.2	55.2	38.9	38.9
Oil Refining	49.6	38.0	27.4	27.4	26.2	24.9	42.8	32.7
Oil Retail	18.0	15.8	19.4	19.0	13.8	16.6	12.6	14.2
Shipping and other Oil	69.5	66.1	52.0	53.9	56.7	49.5	68.0	57.8

*) Non-recurring items deducted from operating profit

2) December 31 2003*) figures changed due to corrections in non-recurring items.

3) Return on net assets, % = Operating profit/average net assets

FORTUM GROUP**JANUARY-SEPTEMBER 2004***Interim financial statements are unaudited***CONTINGENT LIABILITIES**

MEUR	Sep 30	Sep 30	Dec 31
	2004	2003	2003
Contingent liabilities			
On own behalf			
For debt			
Pledges	163	525	149
Real estate mortgages	92	237	91
For other commitments			
Real estate mortgages	57	54	55
Pledges, company and other mortgages	1	1	-
Sale and leaseback	8	9	8
Other contingent liabilities	78	96	101
Total	399	922	404
On behalf of associated companies			
Pledges and real estate mortgages	11	12	12
Guarantees	357	597	562
Other contingent liabilities	182	182	182
Total	550	791	756
On behalf of others			
Guarantees	4	15	15
Other contingent liabilities	6	5	7
Total	10	20	22
Total	959	1 733	1 182
Operating lease liabilities			
Due within a year	66	55	75
Due after a year	105	108	103
Total	171	163	178
Liability for nuclear waste disposal			
Share of reserves in the Nuclear Waste Disposal Fund	570	545	570
Share of reserves in the Nuclear Waste Disposal Fund	-560	-535	-560
Liabilities in the balance sheet ⁴⁾	10	10	10

4) Mortgaged bearer papers as security

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

FORTUM GROUP

JANUARY-SEPTEMBER 2004

Interim financial statements are unaudited

Derivatives	Sep 30 2004			Sep 30 2003			Dec 31 2003		
	Contract or notional value	Fair value	Not recognised as an income	Contract or notional value	Fair value	Not recognised as an income	Contract or notional value	Fair value	Not recognised as an income
Interest and currency derivatives									
MEUR									
Forward rate agreements	221	-1	-1	335	-	-	330	-	-
Interest rate swaps	3 843	-50	-38	5 784	9	16	4 253	-97	-69
Forward foreign exchange contracts 5)	7 466	-38	-1	7 866	-54	33	8 396	129	49
Currency swaps	323	-3	-1	347	13	5	333	-3	1
Purchased currency options	525	-9	-9	32	4	4	-	-	-
Written currency options	525	3	3	15	-	-	-	-	-

5) Incl. also contracts used for equity hedging

Oil futures and forward instruments	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	1000 bbl	MEUR	MEUR	1000 bbl	MEUR	MEUR	1000 bbl	MEUR	MEUR
Sales contracts	16 010	-19	-19	11 345	-3	-3	22 304	-11	-11
Purchase contracts	59 825	48	48	26 398	7	7	37 239	14	14
Purchased options	13 495	9	9	100	-	-	150	-	-
Written options	13 993	-8	-8	100	-	-	600	-	-

Electricity derivatives	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	TWh	MEUR	MEUR	TWh	MEUR	MEUR	TWh	MEUR	MEUR
Sales contracts	74	-93	-11	58	-349	-218	58	-100	-65
Purchase contracts	42	125	39	57	308	176	50	136	101
Purchased options	1	-	-	1	-1	-2	-	-	-
Written options	-	-	-	3	-4	-3	-	-	-

Natural gas derivatives	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income	Volume	Fair value	Not recognised as an income
	Mill.th.	MEUR	MEUR	Mill.th.	MEUR	MEUR	Mill.th.	MEUR	MEUR
Sales contracts	-	-	-	2 543	36	-	8	-	-
Purchase contracts	-	-	-	2 543	-34	-	8	-	-
Purchased options	-	-	-	709	1	-	-	-	-
Written options	-	-	-	709	-3	-	-	-	-

The fair values of derivative contracts subject to public trading are based on market prices as of the balance sheet date. The fair values of other derivatives are based on the present value of cash flows resulting from the contracts, and, in respect of options, on evaluation models. The amounts also include unsettled closed positions. Derivative contracts are mainly used to manage the group's currency, interest rate and price risk.

FORTUM GROUP**JANUARY-SEPTEMBER 2004***Interim financial statements are unaudited***QUARTERLY NET SALES BY SEGMENTS**

MEUR	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03
Power Generation	453	488	564	624	524	573	960
Heat	145	195	361	292	132	182	358
Distribution	150	157	206	186	143	160	199
Markets	287	303	419	422	322	332	558
Oil Refining	1 641	1 635	1 303	1 382	1 349	1 265	1 697
Oil Retail	666	566	531	553	543	521	586
Shipping and other Oil	69	78	101	65	62	87	94
Other	23	24	20	25	24	22	22
Eliminations	-597	-616	-682	-712	-572	-707	-881
Total	2 837	2 830	2 823	2 837	2 527	2 435	3 593

QUARTERLY OPERATING PROFIT BY SEGMENTS

MEUR	Q3/04	Q2/04	Q1/04	Q4/03	Q3/03	Q2/03	Q1/03
Power Generation	124	138	228	193	82	116	212
Heat	8	27	107	80	-6	22	77
Distribution	55	54	87	58	47	61	81
Markets	11	5	10	17	13	12	-7
Oil Refining	131	187	93	57	89	51	84
Oil Retail	15	20	6	-2	21	10	15
Shipping and other Oil	16	23	44	24	9	19	27
Other	-15	-11	-13	-7	-16	-5	-14
Total	345	443	562	420	239	286	475