

Fortum Corporation  
Interim Report  
January - September 2005

## Strong performance continues - Good results and cash flow in the third quarter

### January-September in brief

- Profit before taxes from continuing operations 801 (674) million, up by 19%
- Comparable operating profit\*) 874 (799) million, up by 9%
- Earnings per share from continuing operations EUR 0.65 (0.58), up by 12%
- Strong net cash from operating activities in continuing operations of EUR 331 (233) million in the third quarter, net debt decreased to EUR 3,333 million.
- Solid third quarter performance with clearly higher operating profit and earnings per share.

Items related to the oil businesses (separated from Fortum in April 2005) are reported on a separate line as discontinued operations in the income statement and are not included in net sales or in operating profit. The discontinued operations impact only the first two quarters of 2005 and historical figures. All figures are reported according to IFRS.

Key figures	III/05	III/04	I-III/05	I-III/04	2004	Last 12 months (LTM)
<b>Income statement and cash flow for continuing operations</b>						
Net sales, EUR million	774	765	2,765	2,751	3,835	3,849
Operating profit, EUR million	240	177	873	832	1,195	1,236
Comparable operating profit, EUR million*)	220	191	874	799	1,148	1,223
Profit before taxes, EUR million	230	136	801	674	962	1,089
Earnings per share, continuing operations, EUR	0.20	0.13	0.65	0.58	0.79	0.86
Total earnings per share, EUR **)	0.20	0.29	1.19	1.09	1.48	1.58
Total net cash from operating activities, EUR million	331	256	980	1,303	1,758	
Net cash from operating activities, continuing operations, EUR million	331	233	847	989	1,232	
Average number of shares, 000s			872,438	849,823	852,625	868,515

\*) Comparable operating profit represents the underlying business performance by excluding items affecting comparability. These are mainly caused by the accounting effects from fair valuation of financial derivatives for future cash flows where hedge accounting is not applied (IAS 39) or non-recurring items.

Comparable operating profit EUR million	III/05	III/04	I-III/05	I-III/04	2004	Last 12 months (LTM)
Comparable operating profit	220	191	874	799	1,148	1,223
Non-recurring items	2	-4	20	-11	18	49
Other items effecting comparability	18	-10	-21	44	29	-36
Operating profit	240	177	873	832	1,195	1,236

See accounting principles for definitions and segment information for further details.

\*\*) Total earnings per share in II/04 included a EUR 0.05 positive one-time effect from a change in the Finnish tax rate from 29% to 26%.

<b>Key figures</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>Last 12 months (LTM)</b>
<b>Balance sheet</b>				
Shareholders' equity per share, EUR	7.86	8.19	8.62	
Interest-bearing net debt (at end of period), EUR million	3,333	5,445	5,095	
Return on capital employed, %	15.3	15.0	15.8	17.2
Return on shareholders' equity, %	17.6	18.4	18.2	20.1
Gearing, %	47	77	67	

During the first nine months of the year, Fortum's comparable operating and reported operating profit improved from the previous year. The comparable operating profit was EUR 75 million higher than a year ago, EUR 874 (799) million. Also the reported operating profit was higher at EUR 873 (832) million.

Items that affect comparability in the operating profit are mainly caused by the accounting effects from fair valuation of financial derivatives for hedging future cash-flows where hedge accounting is not applied (IAS 39) and by non-recurring items. Fortum applies hedge accounting for the major part of future cash-flow hedges, but some volatility will always affect the income statement.

The slight weakening in electricity forward prices and the weakening in EUR/SEK and EUR/NOK exchange rates have caused positive effects stemming from the fair value changes on reported operating profit in the third quarter.

## **Net sales and results**

### July - September

Group net sales stood at EUR 774 (765) million.

Group operating profit totalled EUR 240 (177) million. Comparable operating profit stood at EUR 220 (191) million.

During the third quarter, the average spot price for power in Nord Pool was EUR 29.7 (29.9), or 1% lower than during the corresponding period in 2004.

The comparable operating profit of the Power generation segment was higher than last year, mainly due to Fortum's higher achieved Nordic Generation power price, which increased 6% to EUR 29.9 (28.2) per megawatt-hour, mainly thanks to favourable hedging. The impact of lower thermal production volume was more than offset by higher hydro and nuclear generation volumes. The reported operating profit of the Power Generation segment was clearly higher than a year ago, as items affecting comparability (mainly due to IAS 39) were positive.

The comparable operating profit of the Heat segment was slightly better than last year. This was mainly due to good results in Fortum Värme. Värme's fuel mix has improved from last year as the share of bio fuels and waste has increased. However, higher prices for fuels like oil and coal had a negative effect on the Heat segment's results.

The Distribution segment's comparable operating profit decreased slightly from last year. This was mainly due to higher depreciation charges.

Markets' operating profit was slightly lower compared to last year. This was mainly due to slightly lower sales and somewhat higher costs stemming from actions to improve customer service quality.

#### Net sales from continuing operations, by segment

EUR million	III/05	III/04	I-III/05	I-III/04
Power Generation	450	453	1,460	1,501
Heat	147	149	738	709
Distribution	149	150	511	513
Markets	284	287	974	1009
Other	26	22	71	67
Eliminations	-282	-296	-989	-1,048
Total	774	765	2,765	2,751

#### Comparable operating profit from continuing operations, by segment

EUR million	III/05	III/04	I-III/05	I-III/04
Power Generation	161	135	557	498
Heat	12	7	156	132
Distribution	47	51	168	183
Markets	7	10	22	24
Other	-7	-12	-29	-38
Total	220	191	874	799

#### Operating profit from continuing operations, by segment

EUR million	III/05	III/04	I-III/05	I-III/04
Power Generation	181	128	529	522
Heat	13	12	175	143
Distribution	48	45	175	183
Markets	7	13	21	34
Other	-9	-21	-27	-50
Total	240	177	873	832

#### January - September

Group net sales from continuing operations stood at EUR 2,765 (2,751) million. Group operating profit from continuing operations totalled EUR 873 (832) million. Comparable operating profit stood at EUR 874 (799) million.

In January-September, the average Nord Pool spot price was EUR 28.3 (29.4) per megawatt-hour, or 4% lower than during the corresponding period in 2004.

The comparable operating profit of the Power Generation segment was higher, mainly due to Fortum's 6% higher achieved Nordic Generation power price of EUR 30.5 (28.8) per megawatt-hour and higher amount of nuclear and hydropower generation. Also the reported operating profit of the Power Generation segment was higher than last year, the difference in reported and comparable operating profit being mainly due to the accounting effects from IAS 39.

The Heat segment's net sales were higher than last year, mainly due to the acquisitions in Poland and Lithuania. The Heat segment's power sales volume was lower than last year. The segment's comparable operating profit was higher, mainly due to the relatively strong second quarter of the year.

The Distribution segment's net sales were at the same level as last year. The segment's operating profit was lower than last year, mainly due to the EUR 11 million in costs from the January storms in Sweden and Norway, which were booked in the first-quarter earnings.

Market's net sales were lower mainly due to the termination of some large contracts at the end of 2004. At the same time Markets has been able to retain its sales margin level mainly due to successful procurement of electricity from Nord Pool. The first nine months operating profit is affected by the somewhat higher fixed cost base stemming from customer service quality improvement actions.

Profit before taxes from continuing operations was EUR 801 (674) million.

The Group's net financial expenses from continuing operations amounted to EUR 100 (167) million. Net financial expenses include a positive EUR 27 (12) million change in the fair value of certain derivatives that do not qualify for hedge accounting under IFRS (IAS 39).

The share of profit of associates and joint ventures from continuing operations was EUR 28 (9) million. This is mainly explained by Hafslund's results in the first half of the year.

Minority interests accounted for EUR 31 (19) 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 206 (163) million. The tax rate according to the income statement was 25.7 % (24.2%). In 2004, taxes for the period included a decrease in deferred tax liabilities of EUR 43 million of which EUR 27 million relates to continuing operations due to the change in the Finnish income tax rate from 29% to 26%.

Total net profit for the period was EUR 1,069 (943) million. The net profit from continuing operations was EUR 595 (511) million. Total Fortum earnings per share were EUR 1.19 (1.09), and earnings per share from continuing operations were EUR 0.65 (0.58). Total earnings per share last year included a positive effect of EUR 0.05 from the corporate tax rate change in Finland. Return on capital employed was 15.3% (15.0%) and return on shareholders' equity was 17.6% (18.4%).

## **Market conditions**

According to preliminary statistics, the Nordic countries consumed 82 (80) TWh of electricity during the third quarter of the year, which was 3% more than during the corresponding period of the previous year.

During the third quarter, the average spot price for power in Nord Pool, the Nordic power exchange, was EUR 29.7 (29.9) per megawatt-hour, or 1% lower than in the corresponding period in 2004 and 1% higher than in the previous quarter. During the third quarter, the average market price for CO<sub>2</sub> emissions was higher than during the previous quarter and the hydrological situation changed from a deficit to a surplus. Power prices in the forward market had an increasing trend during the first six months of the year and in

the beginning of July because of the increasing trend in the CO<sub>2</sub> prices. During the rest of the third quarter, the forward prices have stayed below the highest levels in July due to decreasing CO<sub>2</sub> prices and a strengthening hydrological situation. In January - September, the average spot price was EUR 28.3 (29.4) per megawatt-hour, or 4% lower than during the corresponding period in 2004.

The market price for CO<sub>2</sub> emissions allowances increased from around EUR 7 per tonne at the beginning of the year to nearly EUR 30 per tonne by mid-July. Since mid-July, the price has been at a rather stable level of EUR 21-24 per tonne. The emergence of the CO<sub>2</sub> emissions allowances market and a strengthening hydrological situation have decreased thermal power generation and increased hydro power generation in the Nordic countries compared to the last year.

In Continental Europe the spot price for power has been higher than in Nord Pool, resulting in exports from the Nordic countries to Germany. Despite the high Nordic hydro production, the Nordic water reservoirs have recovered during the first nine months of the year. At the beginning of October, the Nordic water reservoirs were 6 TWh above the average and 13 TWh above the corresponding level in 2004.

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

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

<b>Fortum's total power and heat generation, TWh</b>	<b>III/05</b>	<b>III/04</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>LTM</b>
Power generation	11.2	11.5	38.0	39.5	55.5	54.0
Heat generation	3.3	3.4	17.5	17.4	25.4	25.5

<b>Fortum's own power generation by source, TWh, total in the Nordic countries</b>	<b>III/05</b>	<b>III/04</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>LTM</b>
Hydropower	4.6	4.4	15.4	13.0	19.1	21.6
Nuclear power	5.9	5.2	18.8	18.7	25.8	25.9
Thermal power	0.4	1.8	2.9	7.1	9.5	5.3
Total	10.9	11.4	37.1	38.8	54.4	52.8

<b>Fortum's own power generation by source, %, total in the Nordic countries</b>	<b>III/05</b>	<b>III/04</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>LTM</b>
Hydropower	42	38	41	34	35	43
Nuclear power	54	46	51	48	47	50
Thermal power	4	16	8	18	18	7
Total	100	100	100	100	100	100

## Total electricity and heat sales figures

Fortum's total electricity sales amounted to 43.5 (44.7) TWh. Sales volumes in the Nordic countries were at 41.7 (43.5) TWh, representing approximately 15% (15%) of Nordic electricity consumption during January-September. Heat sales in the Nordic countries amounted to 13.5 (13.9) TWh and in other countries to 3.1 (2.4) TWh.

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

Fortum's total electricity and heat sales, EUR million	III/05	III/04	I-III/05	I-III/04	2004	LTM
Electricity sales	427	427	1,427	1,439	2,017	2,004
Heat sales	122	113	603	553	809	859

Fortum's total electricity sales by area, TWh	III/05	III/04	I-III/05	I-III/04	2004	LTM
Sweden	6.9	5.5	22.0	19.5	27.6	30.1
Finland	5.7	7.0	19.1	22.6	31.1	27.6
Other countries	0.7	0.7	2.4	2.6	3.6	3.4
Total	13.3	13.2	43.5	44.7	62.3	61.1

Fortum's total heat sales by area, TWh	III/05	III/04	I-III/05	I-III/04	2004	LTM
Sweden	0.9	0.8	6.5	6.4	9.6	9.7
Finland	1.6	1.7	6.9	7.4	10.5	10.0
Other countries	0.7	0.6	3.2	2.5	3.7	4.4
Total	3.2	3.1	16.6	16.3	23.8	24.1

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

EUR million	III/05	III/04	I-III/05	I-III/04	2004	LTM
Net sales	450	453	1,460	1,501	2,084	2,043
- power sales	361	357	1,195	1,208	1,695	1,682
- other sales	89	96	265	293	389	361
Operating profit	181	128	529	522	763	770
Comparable operating profit	161	135	557	498	730	789
Net assets (at end of period)			6,037	6,183	6,218	
Return on net assets, %			11.7	11.0	12.1	11.5
Comparable return on net assets,%			12.5	10.5	11.5	11.9

The segment's power generation during the third quarter amounted to 10.5 (10.9) TWh in the Nordic countries.

In January-September, the segment's power generation in the Nordic countries was 34.4 (35.7) TWh, of which about 15.4 (13.0) TWh or 44% (37%) was hydropower-based, 18.8 (18.7) TWh or 55% (52%) nuclear power-based, and 0.2 (4.0) TWh or 1% (11%) thermal power-based. The increase in hydro power generation was due to a strengthened hydrological situation compared to the corresponding period last year. The decrease in thermal power generation was due to lower power prices during the first quarter and higher fuel and CO<sub>2</sub> allowance prices.

<b>Power generation by area, TWh</b>	<b>III/05</b>	<b>III/04</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>LTM</b>
Sweden	6.5	5.3	20.5	18.1	25.8	28.2
Finland	4.0	5.6	13.9	17.6	24.0	20.3
Other countries	0.2	0.1	0.8	0.7	1.1	1.2
<b>Total</b>	<b>10.7</b>	<b>11.0</b>	<b>35.2</b>	<b>36.4</b>	<b>50.9</b>	<b>49.6</b>

<b>Nordic sales volume, TWh</b>	11.7	12.1	38.4	40.1	55.7	54.0
of which pass-through sales	0.9	0.9	3.3	3.5	4.7	4.5

<b>Sales price, EUR/MWh</b>	<b>III/05</b>	<b>III/04</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>LTM</b>
Nordic Generation power price*	29.9	28.2	30.5	28.8	29.2	30.4

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

Fortum's average achieved Nordic Generation power price (excluding pass-through items) in the third quarter was 6% higher than a year ago, mainly due to improved hedging prices. In the third quarter, the average spot price for power in Nord Pool was 1% lower than a year ago. During the first nine months of the year, Fortum's achieved Nordic Generation power price was 6% higher, although the average spot price in Nord Pool was 4% lower than during the corresponding period in 2004. The related sales volume was 10.8 (11.2) TWh in the third quarter and 35.1 (36.6) TWh for the first nine months of the year.

The regional power generation company of north-west Russia, Territorial Generation Company 1 (TGC-1), started its operations on the first of October. Fortum is an indirect owner of this company through its ownership in Lenenergo.

In August, Fortum Service signed a 15-year operation and maintenance agreement with Trianel Energie of Germany. The agreement covers the 800-MW combined cycle gas turbine power plant in Hamm-Uentrop, Germany, which will be ready for commercial use in September 2007.



## 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 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 the Heat and Värme business units.*

EUR million	III/05	III/04	I-III/05	I-III/04	2004	LTM
Net sales	147	149	738	709	1,025	1,054
- heat sales	115	107	580	532	779	827
- power sales	14	20	97	110	159	146
- other sales	18	22	61	67	87	81
Operating profit	13	12	175	143	218	250
Comparable operating profit	12	7	156	132	207	231
Net assets (at end of period)			2,336	2,362	2,440	
Return on net assets, %			10.3	8.6	9.8	11.1
Comparable return on net assets, %			9.3	8.0	9.3	10.3

The segment's heat sales during the third quarter amounted to 2.7 (2.6) TWh, most of which was generated in the Nordic countries. In January-September, heat sales totalled 15.1 (14.9) TWh. In the same period, power sales at combined heat and power plants (CHP) totalled 2.8 (3.3) TWh. The decrease was due to the strike and lock-out in the Finnish paper industry and also due to the lower thermal generation volumes stemming from higher fuel and CO<sub>2</sub> allowance prices.

In May, Fortum continued the restructuring of its gas assets and sold its 50% stake in North Transgas Oy to OAO Gazprom.

Heat sales by area, TWh	III/05	III/04	I-III/05	I-III/04	2004	LTM
Sweden	0.9	0.8	6.5	6.4	9.6	9.7
Finland	1.6	1.7	6.9	7.4	10.5	10.0
Other countries	0.2	0.1	1.7	1.1	1.7	2.3
Total	2.7	2.6	15.1	14.9	21.8	22.0

Power sales, TWh	III/05	III/04	I-III/05	I-III/04	2004	LTM
Total	0.4	0.6	2.8	3.3	4.8	4.3

## 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/05	III/04	I-III/05	I-III/04	2004	LTM
Net sales	149	150	511	513	707	705
- distribution network transmission	122	123	428	431	593	590
- regional network transmission	18	18	60	60	83	83
- other sales	9	9	23	22	31	32
Operating profit	48	45	175	183	234	226
Comparable operating profit	47	51	168	183	240	225
Net assets (at end of period)			3,033	3,086	3,091	
Return on net assets, %			8.2	8.3	8.1	7.9
Comparable return on net assets,%			7.9	8.3	8.3	7.9

During the first nine months of the year, the volume of distribution and regional transmissions totalled 16.5 (16.4) TWh and 13.0 (13.3) TWh, respectively.

Electricity transmissions via the regional distribution network to customers outside the Group totalled 10.7 (11.0) TWh in Sweden and 2.3 (2.3) TWh in Finland.

The Energy Authority in Sweden (EMI) has for the first time utilised the new regulation model ('Nätnyttomodell') during its supervision of net prices for 2003. The model compares real revenues and the performance of distribution companies to the performance of a theoretical distribution network. In June, the authority notified 16 companies of overcharging customers. All of these companies have filed a complaint.

Three of Fortum's grid areas have been affected by the supervision of 2003 tariffs. In one case the EMI has made a decision on too high invoicing during 2003 and Fortum's subsidiary in question has filed a complaint. The two remaining Fortum areas in Stockholm and on the West Coast are still pending. Final court decisions on prices in 2003 are expected during 2007 at the earliest.

The EMI has also announced the distribution areas that will be supervised based on 2004 tariffs. In the list of totally 55 areas, four belong to Fortum and one is owned by a subsidiary of Fortum.

The Fortum Reliability Program to accelerate the work to upgrade the reliability of electricity distribution was kicked off in September. The Nordic-wide plan spans a 5-year period with a total investment of EUR 700 million. The first scheduled phase is 3 years long. After gaining experience from the first phase, the program will be planned in more detail.

Fortum has launched a project to provide an Automatic Meter Management system to all its customers. The system will be implemented in phases starting in 2006.

<b>Volume of distributed electricity in distribution network, TWh</b>	<b>III/05</b>	<b>III/04</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>LTM</b>
Sweden	2.7	2.8	10.3	10.3	14.2	14.2
Finland	1.2	1.2	4.5	4.4	6.2	6.3
Norway	0.4	0.4	1.6	1.6	2.1	2.1
Estonia	0.0	0.0	0.1	0.1	0.2	0.2
Total	4.3	4.4	16.5	16.4	22.7	22.8

<b>Number of electricity distribution customers by area, 000s</b>	<b>30.9.2005</b>	<b>30.9.2004</b>	<b>2004</b>
Sweden	860	860	860
Finland	410	405	405
Other countries	115	115	115
Total	1,385	1,380	1,380

## Markets

*Markets is responsible for retail sales of electricity to a total of 1.2 million private and business customers as well as to other electricity retailers in Sweden, Finland and Norway. Markets buys its electricity through Nord Pool.*

<b>EUR million</b>	<b>III/05</b>	<b>III/04</b>	<b>I-III/05</b>	<b>I-III/04</b>	<b>2004</b>	<b>LTM</b>
Net sales	284	287	974	1,009	1,387	1,352
Operating profit	7	13	21	34	34	21
Comparable operating profit	7	10	22	24	23	21
Net assets (at end of period)			143	137	194	
Return on net assets, %			15.6	37.9	25.3	15.8
Comparable return on net assets, %			16.4	26.7	17.1	15.8

During the third quarter, Markets' electricity sales totalled 8.7 (9.2) TWh with sales for the first nine months of the year amounting to 29.5 (31.6) TWh. The decrease was due to the termination of some large contracts at the end of 2004.

Retail electricity prices on the Nordic market during the third quarter increased slightly. The retail price development has not fully followed the market price increase. Overall, the retail prices are at the same level as the corresponding period of the previous year.

The positive inflow of customers continued during the third quarter. There have been successful campaigns for both consumers and business customers. The overall customer satisfaction shows positive development on the Nordic level.

## Capital expenditures and investments in shares

Capital expenditures and investments in shares for continuing operations in January-September totalled EUR 213 (306) million. Investments excluding acquisitions were EUR 207 (201) million.

As a result of the redemption of Lenenergo's own shares relating to its reorganisation, Fortum's shareholding in Lenenergo has increased to 33.2% of the outstanding voting shares. Fortum secured four of the total of 11 seats in the Board of Directors of Lenenergo on 30 June.

## Group restructuring

In April 2005, Neste Oil was successfully separated by distributing 85% of its shares as dividends to Fortum's shareholders and by selling the remaining 15% of Neste Oil shares to institutional and individual investors. Neste Oil was subsequently listed on the Helsinki Stock Exchange on April 18.

## Financing

Net debt at the end of the third quarter stood at EUR 3,333 million (EUR 3,595 million on 30 June 2005). The reduction in net debt is due to strong cash flow generation during the third quarter.

Net cash from operating activities was EUR 331 (233) million for the continuing activities in the third quarter.

The Group's net financial expenses were EUR 100 (167) million. The decrease is mainly attributable to the lower net debt following the spin-off of the Oil businesses. Net financial expenses include a positive EUR 27 (12) million change in the fair value of certain derivatives that do not qualify for hedge accounting under IFRS (IAS 39).

During August, Fortum's long-term credit rating from Standard & Poor's was upgraded from BBB+ (stable) to A- (stable). Fortum's long-term credit rating from Moody's is A2 (stable).

## Shares and share capital

In January-September, a total of 692.6 million Fortum Corporation shares totalling EUR 9,372 million were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 14,579 million. The highest quotation of Fortum Corporation shares on the Helsinki Stock Exchange in the three first quarters of the year was EUR 16.90, the lowest EUR 10.45, and the average quotation EUR 13.53. The closing quotation on the last trading day of the third quarter was EUR 16.70.

A total of 187,500 shares subscribed for based on share option schemes were entered into the trade register in the third quarter of 2005. After these subscriptions, Fortum's share capital is EUR 2,968,135,315 and the total number of registered shares is 872,980,975.

At the end of the third quarter, the Finnish state's holding in Fortum was 51.7%. The proportion of international shareholders stood at 33.3%.

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 10,279 (13,112). The number of employees at the end of the period was 8,657 (12,726). The decrease is due to the separation of Neste Oil.

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

The regional power generation company of North-West Russia, Territorial Generation Company No. 1 (TGC-1), started its operations on the first of October. Fortum is an indirect owner of this company through its ownership in Lenenergo. As the result of the reorganization procedure, Fortum's current ownership in Lenenergo is 33.2% of its outstanding voting shares. Fortum has got three of the total of 11 seats in Board of Directors of TGC-1. The final ownership structure of TGC-1 will be set up in connection to the merger of the generation assets of Lenenergo, Karelenenergo and Kolenergo into TGC-1 scheduled for the end of 2006.

TGC-1 has been founded by Lenenergo, Karelenenergo and Kolenergo. It leases and operates the generation and heat assets of its three owners. TGC-1's installed power generation capacity is around 5,750 MW, of which hydro power generation is 2,874 MW and the rest is mainly natural gas based power generation. TGC-1 has 14,688 MW of heat generation capacity.

## **Outlook**

The key market driver influencing Fortum's business performance is the market price of power. Starting in 2005, emissions trading has become an important new factor affecting the market price of power. The exchange rate of the Swedish krona can also influence Fortum's results.

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 power was EUR 29.7 (29.9) per megawatt-hour on the Nordic power exchange, or 1% lower than the corresponding figure in 2004.

In mid-October, the Nordic water reservoirs were about 6 TWh above the average and 12 TWh above the corresponding level for 2004. In mid-October, the market price for emissions allowances for 2005 ranged between EUR 23-24 per tonne of CO<sub>2</sub>. At the same time, the power price in the forward market for the rest of 2005 was around EUR 38-40 per megawatt-hour and for 2006 around EUR 37-38 per megawatt-hour.

At the beginning of October, Fortum had hedged approximately two thirds of its Nordic Power Generation sales volume for the calendar year 2006 at a slightly higher price than achieved during the last 12 months. For the last quarter of 2005, the hedge ratio was

approximately 70%, and the hedge price was approximately the same as the achieved Nordic Generation power price during the last 12 months.

New nuclear and hydro power tax proposals have been made in Sweden and Finland in conjunction with the governments' 2006 budget proposals. These taxes, if accepted, will be an additional cost element in nuclear and hydro power production. If the proposals are accepted, Fortum estimates that its additional generation costs due to these taxes will be approximately EUR 60 million in 2006.

Fortum's financial position continued to strengthen during the third quarter. Market fundamentals remain favourable and power forward prices trend upwards. The foundations for good future performance are in place.

Espoo, 20 October 2005  
Fortum Corporation  
Board of Directors

The figures have not been audited.

Fortum's financial reporting:

- Financial statements January-December on 3 February 2006

Further information:

Mikael Lilius, President and CEO, tel. +358 10 452 9100

Juha Laaksonen, CFO, tel. +358 10 452 4519

**FORTUM GROUP**  
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*Interim financial statements are unaudited*

**CONDENSED CONSOLIDATED INCOME STATEMENT**

<b>MEUR</b>	<b>Q3/2005</b>	<b>Q3/2004</b>	<b>Q1-Q3 2005</b>	<b>Q1-Q3 2004</b>	<b>Last twelve months</b>	
					<b>2004</b>	<b>2004</b>
<b>Continuing operations:</b>						
<b>Sales</b>	<b>774</b>	765	<b>2 765</b>	2 751	3 835	3 849
Other income	24	-2	34	80	91	45
Materials and services	-258	-301	-970	-1 087	-1 507	-1 390
Employee benefit costs	-106	-106	-359	-346	-462	-475
Depreciation, amortisation and impairment charges	-101	-90	-305	-282	-388	-411
Other expenses	-93	-89	-292	-284	-374	-382
<b>Operating profit</b>	<b>240</b>	177	<b>873</b>	832	1 195	1 236
Share of profit of associates and joint ventures	12	1	28	9	12	31
Finance costs-net	-22	-42	-100	-167	-245	-178
<b>Profit before income tax</b>	<b>230</b>	136	<b>801</b>	674	962	1 089
Income tax expense	-57	-32	-206	-163	-259	-277
<b>Profit for the period from continuing operations</b>	<b>173</b>	104	<b>595</b>	511	703	812
<b>Discontinued operations:</b>						
<b>Profit for the period from discontinued operations</b>	<b>-</b>	137	<b>474</b>	432	589	768
<b>Profit for the period</b>	<b>173</b>	241	<b>1 069</b>	943	1 292	1 580
<b>Attributable to:</b>						
Equity holders of the Company	174	244	1 038	924	1 259	1 443
Minority interest	-1	-3	31	19	33	43
	<b>173</b>	241	<b>1 069</b>	943	1 292	1 486

**Earnings per share for profit from total Fortum Group attributable to the equity holders of the company during the year (in € per share)**

Basic	0.20	0.29	1.19	1.09	1.48	1.58
Diluted	0.19	0.29	1.17	1.07	1.46	

**Earnings per share for profit from continuing operations attributable to the equity holders of the company during the year (in € per share)**

Basic	0.20	0.13	0.65	0.58	0.79	0.86
Diluted	0.19	0.13	0.63	0.57	0.78	

**Earnings per share for profit from discontinued operations attributable to the equity holders of the company during the year (in € per share)**

Basic	-	0.16	0.54	0.51	0.69	0.72
Diluted	-	0.16	0.54	0.50	0.68	

CONDENSED CONSOLIDATED BALANCE SHEET

MEUR	Sept 30 2005	Sept 30 2004	Dec 31 2004
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	82	122	116
Property, plant and equipment	10 039	11 783	11 925
Other long-term investments	2 117	2 197	2 355
Other long-term receivables	79	103	90
Long-term interest bearing receivables	625	758	727
<b>Total non-current assets</b>	<b>12 942</b>	<b>14 963</b>	<b>15 213</b>
<b>Current assets</b>			
Inventories	258	701	654
Trade and other receivables	859	1 348	1 555
Cash and cash equivalents	782	219	145
<b>Total current assets</b>	<b>1 899</b>	<b>2 268</b>	<b>2 354</b>
<b>Total assets</b>	<b>14 841</b>	<b>17 231</b>	<b>17 567</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable the Company's equity holders</b>			
Share capital	2 968	2 891	2 948
Other equity	3 894	4 071	4 552
<b>Total</b>	<b>6 862</b>	<b>6 962</b>	<b>7 500</b>
<b>Minority interest</b>	<b>177</b>	<b>136</b>	<b>150</b>
<b>Total equity</b>	<b>7 039</b>	<b>7 098</b>	<b>7 650</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Interest-bearing liabilities	3 828	4 501	4 450
Deferred tax liabilities	1 611	1 751	1 841
Provisions	582	586	608
Other liabilities	511	509	507
<b>Total non-current liabilities</b>	<b>6 532</b>	<b>7 347</b>	<b>7 406</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	287	1 163	790
Trade and other payables	983	1 623	1 721
<b>Total current liabilities</b>	<b>1 270</b>	<b>2 786</b>	<b>2 511</b>
<b>Total liabilities</b>	<b>7 802</b>	<b>10 133</b>	<b>9 917</b>
<b>Total equity and liabilities</b>	<b>14 841</b>	<b>17 231</b>	<b>17 567</b>

CHANGE IN TOTAL EQUITY

MEUR	Share capital	Share premium	Other restricted funds	Fair value and other reserves	Retained earnings	Minority	Total
<b>Total equity at 31.12.2004</b>	<b>2 948</b>	<b>62</b>	<b>13</b>	<b>134</b>	<b>4 343</b>	<b>150</b>	<b>7 650</b>
Stock options exercised	20	7	-12				15
Translation and other differences					-57	-6	-63
Cash dividend					-506		-506
Share dividend *)					-920		-920
Cash flow hedges				-245	34	2	-209
Other fair value adjustments				3			3
Net profit for the period					1 038	31	1 069
<b>Total equity at 30.9.2005</b>	<b>2 968</b>	<b>69</b>	<b>1</b>	<b>-108</b>	<b>3 932</b>	<b>177</b>	<b>7 039</b>
<b>Total equity at 31.12.2003</b>	<b>2 886</b>	<b>36</b>	<b>5</b>	<b>63</b>	<b>3 399</b>	<b>120</b>	<b>6 509</b>
Stock options exercised	5	2	1		6		14
Translation and other differences					24	-2	22
Cash dividend					-359		-359
Cash flow hedges				-46	13	-1	-34
Other fair value adjustments				3			3
Net profit for the period					924	19	943
<b>Total equity at 30.9.2004</b>	<b>2 891</b>	<b>38</b>	<b>6</b>	<b>20</b>	<b>4 007</b>	<b>136</b>	<b>7 098</b>

\*) The effect from the share dividend on Fortum Group equity is EUR 920 million. In the parent company the effect on retained earnings is EUR 969 million.



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**CONSOLIDATED CASH FLOW STATEMENT**

<b>MEUR</b>	<b>Q1-Q3 2005</b>	<b>Q1-Q3 2004</b>	<b>2004</b>
<b>Cash flow from operating activities</b>			
Operating profit before depreciations continuing operations	1 206	1 123	1 595
Non-cash flow items and divesting activities	-41	-51	-49
Financial items and realised foreign exchange gains and losses	-62	-57	-181
Taxes	-226	-130	-160
<b>Funds from operations continuing operations</b>	<b>877</b>	<b>885</b>	<b>1 205</b>
Change in working capital	-30	104	27
<b>Net cash from operating activities continuing operations</b>	<b>847</b>	<b>989</b>	<b>1 232</b>
<b>Net cash from operating activities discontinued operations</b>	<b>133</b>	<b>314</b>	<b>526</b>
<b>Total net cash from operating activities</b>	<b>980</b>	<b>1 303</b>	<b>1 758</b>
<b>Cash flow from investing activities</b>			
Capital expenditures	-207	-201	-335
Acquisition of shares	-7	-105	-179
Proceeds from sales of fixed assets	11	11	60
Proceeds from sales of shares	26	9	15
Change in other investments	20	-88	-20
<b>Net cash used in investing activities continuing operations</b>	<b>-157</b>	<b>-374</b>	<b>-459</b>
<b>Net cash used in investing activities discontinued operations</b>	<b>1 155</b>	<b>-176</b>	<b>-277</b>
<b>Total net cash used in investing activities</b>	<b>998</b>	<b>-550</b>	<b>-736</b>
<b>Cash flow before financing activities</b>	<b>1 978</b>	<b>753</b>	<b>1 022</b>
<b>Cash flow from financing activities</b>			
Net change in loans	-877	-494	-811
Dividends paid to the Company's equity holders	-506	-357	-357
Other financing items	13	6	94
<b>Net cash used in financing activities continuing operations</b>	<b>-1 370</b>	<b>-845</b>	<b>-1 074</b>
<b>Net cash used in financing activities discontinued operations *)</b>	<b>29</b>	<b>-123</b>	<b>-236</b>
<b>Total net cash used in financing activities</b>	<b>-1 341</b>	<b>-968</b>	<b>-1 310</b>
<b>Total net increase (+)/decrease (-) in cash and marketable securities, continuing operations</b>	<b>637</b>	<b>-215</b>	<b>-288</b>

\*) The cash flow from financing activities, discontinued operations in 2004 is shown as used to repay loans since the Treasury operations have been centralised for the total Fortum Group.

**KEY RATIOS <sup>1)</sup>**

<b>MEUR</b>	<b>Sept 30 2005</b>	<b>June 30 2005</b>	<b>March 31 2005</b>	<b>Dec 31 2004</b>	<b>Sept 30 2004</b>	<b>June 30 2004</b>	<b>March 31 2004</b>	<b>Last twelve months</b>
Earnings per share total Fortum (basic), EUR	1.19	0.99	0.38	1.48	1.09	0.80	0.36	1.58
Earnings per share continuing operations (basic), EUR	0.65	0.45	0.28	0.79	0.58	0.45	0.24	0.86
Capital employed, MEUR <sup>2)</sup>	11 154	10 987	11 891	12 890	12 762	12 447	12 156	-
Interest-bearing net debt, MEUR	3 333	3 595	4 878	5 095	5 445	5 512	5 526	-
Capital expenditure and investments in shares continuing operations, MEUR	213	123	49	514	306	158	57	421
Capital expenditure continuing operations, MEUR	207	123	49	335	201	128	57	341
Return on capital employed, %	15.3	16.7	18.2	15.8	15.0	17.0	18.6	17.2
Return on shareholders' equity, %	17.6	19.2	19.5	18.2	18.4	20.9	19.9	20.1
Interest coverage	10.6	11.3	11.6	8.0	7.8	8.3	7.1	10.0
Funds from operations/interest-bearing net debt, %	42.9	44.2	39.3	36.4	33.1	38.2	44.4	47.3
Gearing, %	47	53	71	67	77	82	86	-
Equity per share, EUR	7.86	7.64	7.67	8.62	8.19	7.77	7.41	-
Equity-to-assets ratio, %	47	43	43	44	41	40	38	-
Average number of employees	10 279	11 066	13 135	12 859	13 112	13 097	13 023	-
Average number of shares, 1 000 shares	872 438	872 316	871 710	852 625	849 823	849 698	849 698	868 515
Diluted adjusted average number of shares, 1 000 shares	889 157	883 629	883 774	861 772	870 806	867 907	867 344	-
Number of shares, 1 000 shares	872 981	872 793	871 854	869 749	850 262	849 813	849 813	-

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

2) Capital employed at March 31 2005 does not represent continuing operations since 15% of the shares in Neste Oil and the interest-bearing receivable from Neste Oil are included

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**SALES BY SEGMENTS**

	Q3 2005	Q3 2004	Q1-Q3 2005	Q1-Q3 2004	Last twelve months	
<b>MEUR</b>					2004	2004
Power Generation	450	453	1 460	1 501	2 084	2 043
- of which internal	6	11	74	73	128	134
Heat	147	149	738	709	1 025	1 054
- of which internal	1	1	12	40	49	21
Distribution	149	150	511	513	707	705
- of which internal	2	3	6	7	10	10
Markets	284	287	974	1 009	1 387	1 352
- of which internal	19	17	66	64	92	94
Other	26	22	71	67	90	94
- of which internal	13	22	50	65	93	87
Eliminations *)	-282	-296	-989	-1 048	-1 458	-1 399
<b>Sales from continuing operations</b>	<b>774</b>	<b>765</b>	<b>2 765</b>	<b>2 751</b>	<b>3 835</b>	<b>3 849</b>
Sales from discontinued operations		2 091	2 061	5 801	7 909	
Eliminations		-20	-20	-68	-85	
<b>Total</b>	<b>774</b>	<b>2 836</b>	<b>4 806</b>	<b>8 484</b>	<b>11 659</b>	

\*) 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**

	Q3 2005	Q3 2004	Q1-Q3 2005	Q1-Q3 2004	Last twelve months	
<b>MEUR</b>					2004	2004
Power Generation	181	128	529	522	763	770
Heat	13	12	175	143	218	250
Distribution	48	45	175	183	234	226
Markets	7	13	21	34	34	21
Other	-9	-21	-27	-50	-54	-31
<b>Operating profit from continuing operations</b>	<b>240</b>	<b>177</b>	<b>873</b>	<b>832</b>	<b>1 195</b>	<b>1 236</b>
Operating profit from discontinued operations		165	517	538	721	
<b>Total</b>	<b>240</b>	<b>342</b>	<b>1 390</b>	<b>1 370</b>	<b>1 916</b>	

**COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS**

	Q3 2005	Q3 2004	Q1-Q3 2005	Q1-Q3 2004	Last twelve months	
<b>MEUR</b>					2004	2004
Power Generation	161	135	557	498	730	789
Heat	12	7	156	132	207	231
Distribution	47	51	168	183	240	225
Markets	7	10	22	24	23	21
Other	-7	-12	-29	-38	-52	-43
<b>Comparable operating profit from continuing operations</b>	<b>220</b>	<b>191</b>	<b>874</b>	<b>799</b>	<b>1 148</b>	<b>1 223</b>
Non-recurring items	2	-4	20	-11	18	49
Other items effecting comparability	18	-10	-21	44	29	-36
<b>Operating profit from continuing operations</b>	<b>240</b>	<b>177</b>	<b>873</b>	<b>832</b>	<b>1 195</b>	<b>1 236</b>

**NON-RECURRING ITEMS BY SEGMENTS**

	Q3 2005	Q3 2004	Q1-Q3 2005	Q1-Q3 2004	Last twelve months	
<b>MEUR</b>					2004	2004
Power Generation	3	-2	3	-9	9	21
Heat	1	0	12	0	4	16
Distribution	0	0	1	0	2	3
Markets	0	0	0	0	0	0
Other	-2	-2	4	-2	3	9
<b>Total</b>	<b>2</b>	<b>-4</b>	<b>20</b>	<b>-11</b>	<b>18</b>	<b>49</b>

**OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS**

	Q3 2005	Q3 2004	Q1-Q3 2005	Q1-Q3 2004	Last twelve months	
<b>MEUR</b>					2004	2004
Power Generation	17	-5	-31	33	24	-40
Heat	0	5	7	11	7	3
Distribution	1	-6	6	0	-8	-2
Markets	0	3	-1	10	11	0
Other	0	-7	-2	-10	-5	3
<b>Total</b>	<b>18</b>	<b>-10</b>	<b>-21</b>	<b>44</b>	<b>29</b>	<b>-36</b>

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

<b>MEUR</b>	<b>Q3 2005</b>	<b>Q3 2004</b>	<b>Q1-Q3 2005</b>	<b>Q1-Q3 2004</b>	<b>2004</b>	<b>Last twelve months</b>
Power Generation	27	20	83	74	104	113
Heat	30	30	92	89	124	127
Distribution	36	33	109	99	133	143
Markets	3	4	11	12	16	15
Other	5	4	10	8	11	13
<b>Total depreciation, amortisation and impairment charges from continuing operations</b>	<b>101</b>	<b>90</b>	<b>305</b>	<b>282</b>	<b>388</b>	<b>411</b>
Total depreciation, amortisation and impairment charges from discontinued operations	-	33	36	101	139	
<b>Total</b>	<b>101</b>	<b>123</b>	<b>341</b>	<b>383</b>	<b>527</b>	

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

<b>MEUR</b>	<b>Q3 2005</b>	<b>Q3 2004</b>	<b>Q1-Q3 2005</b>	<b>Q1-Q3 2004</b>	<b>2004</b>	<b>Last twelve months</b>
Power Generation *)	10	-2	6	-10	-18	-2
Heat	0	1	8	9	15	14
Distribution	1	3	14	11	16	19
Markets	1	0	1	0	0	1
Other	0	-1	-1	-1	-1	-1
<b>Share of profits in associates and joint ventures from continuing operations</b>	<b>12</b>	<b>1</b>	<b>28</b>	<b>9</b>	<b>12</b>	<b>31</b>
Share of profits in associates and joint ventures from discontinued operations	-	18	-2	29	36	
<b>Total</b>	<b>12</b>	<b>19</b>	<b>26</b>	<b>38</b>	<b>48</b>	

\*) The main part of the associated companies in Power Generation are power production companies from which Fortum purchase produced electricity at cost.  
The share of profit according to IFRS also includes depreciations on fair value adjustments made when acquiring the shareholdings.

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

<b>MEUR</b>	<b>Sept 30 2005</b>	<b>Sept 30 2004</b>	<b>Dec 31 2004</b>
Power Generation	1 203	1 196	1 208
Heat	130	92	127
Distribution	205	193	196
Markets	9	7	8
Other	0	1	0
<b>Investments in associates and joint ventures from continuing operations</b>	<b>1 547</b>	<b>1 489</b>	<b>1 539</b>
Investments in associates and joint ventures from discontinued operations	-	134	140
<b>Total</b>	<b>1 547</b>	<b>1 623</b>	<b>1 679</b>

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

<b>MEUR</b>	<b>Q3 2005</b>	<b>Q3 2004</b>	<b>Q1-Q3 2005</b>	<b>Q1-Q3 2004</b>	<b>2004</b>
Power Generation	21	92	60	152	210
Heat	38	25	71	75	175
Distribution	25	25	65	65	106
Markets	3	2	7	4	6
Other	3	4	10	10	17
<b>Capital expenditure and investments in shares from continuing operations</b>	<b>90</b>	<b>148</b>	<b>213</b>	<b>306</b>	<b>514</b>
Capital expenditure and investments in shares from discontinuing operations	-	77	99	195	316
<b>Total</b>	<b>90</b>	<b>225</b>	<b>312</b>	<b>501</b>	<b>830</b>

**NET ASSETS BY SEGMENTS**

<b>MEUR</b>	<b>Sept 30 2005</b>	<b>Sept 30 2004</b>	<b>Dec 31 2004</b>
Power Generation	6 037	6 183	6 218
Heat	2 336	2 362	2 440
Distribution	3 033	3 086	3 091
Markets	143	137	194
Other and Eliminations	139	25	-43
<b>Net assets from continuing operations</b>	<b>11 688</b>	<b>11 793</b>	<b>11 900</b>
Net assets from discontinued operations	-	1 963	2 011
Eliminations	-	1	2
<b>Total</b>	<b>11 688</b>	<b>13 757</b>	<b>13 913</b>

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**RETURN ON NET ASSETS BY SEGMENTS**

	Sept 30 2005	June 30 2005	March 31 2005	Dec 31 2004	Sept 30 2004	June 30 2004	March 31 2004	Last twelve months
%								
Power Generation	11.7	11.3	14.6	12.1	11.0	12.5	14.0	11.5
Heat	10.3	14.2	19.3	9.8	8.6	11.8	18.3	11.1
Distribution	8.2	9.1	10.1	8.1	8.3	9.4	11.3	7.9
Markets	15.6	14.6	11.5	25.3	37.9	36.8	77.6	15.8

**COMPARABLE RETURN ON NET ASSETS BY SEGMENTS**

	Sept 30 2005	June 30 2005	March 31 2005	Dec 31 2004	Sept 30 2004	June 30 2004	March 31 2004	Last twelve months
%								
Power Generation	12.5	13.2	14.9	11.5	10.5	11.5	13.8	11.9
Heat	9.3	12.7	18.5	9.3	8.0	11.3	17.8	10.3
Distribution	7.9	8.7	9.4	8.3	8.3	9.0	11.1	7.9
Markets	16.4	15.7	13.5	17.1	26.7	24.5	43.4	15.8

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

**ASSETS BY SEGMENTS**

	Sept 30 2005	Sept 30 2004	Dec 31 2004
<b>MEUR</b>			
Power Generation	6 575	7 123	7 108
Heat	2 581	2 589	2 742
Distribution	3 431	3 483	3 514
Markets	400	377	375
Other and Eliminations	225	-198	-156
<b>Assets from continuing operations</b>	<b>13 212</b>	<b>13 374</b>	<b>13 583</b>
Assets from discontinuing operations	-	2 775	2 756
Eliminations	-	-37	-32
<b>Assets included in Net assets</b>	<b>13 212</b>	<b>16 112</b>	<b>16 307</b>
Interest-bearing receivables	630	758	728
Deferred taxes	54	15	106
Other assets	163	127	281
Cash and cash equivalents	782	219	145
<b>Total assets</b>	<b>14 841</b>	<b>17 231</b>	<b>17 567</b>

**LIABILITIES BY SEGMENTS**

	Sept 30 2005	Sept 30 2004	Dec 31 2004
<b>MEUR</b>			
Power Generation	538	940	890
Heat	245	227	302
Distribution	398	397	423
Markets	257	240	181
Other and Eliminations	86	-223	-113
<b>Liabilities from continuing operations</b>	<b>1 524</b>	<b>1 581</b>	<b>1 683</b>
Liabilities from discontinuing operations	-	812	745
Eliminations	-	-38	-34
<b>Liabilities included in Net assets</b>	<b>1 524</b>	<b>2 355</b>	<b>2 394</b>
Deferred tax liabilities	1 611	1 751	1 841
Other	552	363	442
<b>Total liabilities included in capital employed</b>	<b>3 687</b>	<b>4 469</b>	<b>4 677</b>
<b>Interest-bearing liabilities</b>	<b>4 115</b>	<b>5 664</b>	<b>5 240</b>
<b>Total equity</b>	<b>7 039</b>	<b>7 098</b>	<b>7 650</b>
<b>Total equity and liabilities</b>	<b>14 841</b>	<b>17 231</b>	<b>17 567</b>

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

	Sept 30 2005	Sept 30 2004	Dec 31 2004
<b>MEUR</b>			
Opening balance	12 041	11 923	11 923
Acquisition of subsidiary companies	7	-	31
Capital expenditures	306	377	648
Disposals	-16	-34	-152
Depreciation, amortisation and impairment	-341	-383	-527
Translation differences	-267	22	118
<b>Closing balance before de-consolidation of Neste Oil</b>	<b>11 730</b>	<b>11 905</b>	<b>12 041</b>
De-consolidation of Neste Oil	-1 609	-	-
<b>Closing balance</b>	<b>10 121</b>	<b>11 905</b>	<b>12 041</b>

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**QUARTERLY SALES BY SEGMENTS**

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>MEUR</b>							
Power Generation	450	476	534	583	453	488	560
- of which internal	6	13	55	55	11	26	36
Heat	147	206	385	316	149	198	361
- of which internal	1	-1	12	9	1	3	36
Distribution	149	160	202	194	150	157	206
- of which internal	2	2	2	3	3	1	3
Markets	284	298	392	378	287	303	419
- of which internal	19	22	25	28	17	22	25
Other	26	22	23	23	22	25	20
- of which internal	13	15	22	11	7	9	10
Eliminations	-282	-304	-403	-410	-296	-314	-437
<b>Sales from continuing operations</b>	<b>774</b>	<b>858</b>	<b>1 133</b>	<b>1 084</b>	<b>765</b>	<b>857</b>	<b>1 129</b>
Sales from discontinued operations	-	-	2 061	2 108	2 091	2 000	1 710
Eliminations	-	-	-20	-17	-20	-27	-21
<b>Total</b>	<b>774</b>	<b>858</b>	<b>3 174</b>	<b>3 175</b>	<b>2 836</b>	<b>2 830</b>	<b>2 818</b>

**QUARTERLY OPERATING PROFIT BY SEGMENTS**

	Q3 2005	Q2 2005	Q1 2005 *)	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>MEUR</b>							
Power Generation	181	125	223	241	128	172	222
Heat	13	50	112	75	12	27	104
Distribution	48	56	71	51	45	55	83
Markets	7	8	6	0	13	5	16
Other	-9	-12	-6	-4	-21	-11	-18
<b>Operating profit from continuing operations</b>	<b>240</b>	<b>227</b>	<b>406</b>	<b>363</b>	<b>177</b>	<b>248</b>	<b>407</b>
Operating profit from discontinued operations	-	390	127	183	165	223	150
<b>Total</b>	<b>240</b>	<b>617</b>	<b>533</b>	<b>546</b>	<b>342</b>	<b>471</b>	<b>557</b>

\*) The accounting treatment of CO2 emission allowances was changed in Q2 according to the decision of IASB to withdraw the IFRIC 3 Emission rights immediate effect.

**QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS**

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>MEUR</b>							
Power Generation	161	172	224	232	135	145	218
Heat	12	37	107	75	7	24	101
Distribution	47	55	66	57	51	51	81
Markets	7	8	7	-1	10	5	9
Other	-7	-11	-11	-14	-12	-14	-12
<b>Comparable operating profit from continuing operations</b>	<b>220</b>	<b>261</b>	<b>393</b>	<b>349</b>	<b>191</b>	<b>211</b>	<b>397</b>
Non-recurring items	2	12	6	29	-4	-1	-6
Other items effecting comparability	18	-46	7	-15	-10	38	16
<b>Operating profit from continuing operations</b>	<b>240</b>	<b>227</b>	<b>406</b>	<b>363</b>	<b>177</b>	<b>248</b>	<b>407</b>

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

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>MEUR</b>							
Power Generation	3	0	0	18	-2	-1	-6
Heat	1	11	0	4	0	0	0
Distribution	0	1	0	2	0	0	0
Markets	0	0	0	0	0	0	0
Other	-2	0	6	5	-2	0	0
<b>Total</b>	<b>2</b>	<b>12</b>	<b>6</b>	<b>29</b>	<b>-4</b>	<b>-1</b>	<b>-6</b>

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

**QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY**

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>MEUR</b>							
Power Generation	17	-47	-1	-9	-5	28	10
Heat	0	2	5	-4	5	3	3
Distribution	1	0	5	-8	-6	4	2
Markets	0	0	-1	1	3	0	7
Other	0	-1	-1	5	-7	3	-6
<b>Total</b>	<b>18</b>	<b>-46</b>	<b>7</b>	<b>-15</b>	<b>-10</b>	<b>38</b>	<b>16</b>

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

<b>MEUR</b>	<b>Q3 2005</b>	<b>Q3 2004</b>	<b>Q1-Q3 2005 *)</b>	<b>Q1-Q3 2004</b>	<b>2 004</b>
<b>Sales</b>	-	2 091	2 061	5 801	7 909
Other income	-	21	395	52	66
Materials and services	-	-1 820	-1 726	-4 829	-6 439
Employee benefit costs	-	-46	-57	-152	-211
Depreciation, amortisation and impairment charges	-	-33	-36	-101	-139
Other expenses	-	-48	-120	-233	-465
<b>Operating profit</b>	-	165	517	538	721
Share of profit of associates and joint ventures	-	18	-2	29	36
Finance costs-net	-	-7	-6	-27	-19
<b>Profit before income tax</b>	-	176	509	540	738
Income tax expense	-	-39	-35	-108	-149
<b>Profit for the year from discontinued operations</b>	-	137	474	432	589

\*) The accounting treatment of CO2 emission allowances was changed in Q2 according to the decision of IASB to withdraw the IFRIC 3 Emission rights immediate effect.

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

**CONTINGENT LIABILITIES**

<b>MEUR</b>	<b>Sept 30 2005</b>	<b>Sept 30 2004</b>	<b>Dec 31 2004</b>
<b>Contingent liabilities</b>			
On own behalf			
For debt			
Pledges	150	163	160
Real estate mortgages	63	92	113
For other commitments			
Real estate mortgages	56	57	59
Pledges, company and other mortgages		1	
Sale and leaseback	-	8	-
Other contingent liabilities	91	78	76
<b>Total</b>	<b>360</b>	<b>399</b>	<b>408</b>
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	3	11	12
Guarantees	211	357	335
Other contingent liabilities	182	182	182
<b>Total</b>	<b>396</b>	<b>550</b>	<b>529</b>
On behalf of others			
Guarantees	63	4	3
Other contingent liabilities	12	6	5
<b>Total</b>	<b>75</b>	<b>10</b>	<b>8</b>
<b>Total</b>	<b>831</b>	<b>959</b>	<b>945</b>
<b>Operating lease liabilities</b>			
Due within a year	11	82	87
Due after one year and within five years	35	96	81
Due after five years	9	60	64
<b>Total</b>	<b>55</b>	<b>238</b>	<b>232</b>

**NUCLEAR**

<b>MEUR</b>	<b>Sept 30 2005</b>	<b>Sept 30 2004</b>	<b>Dec 31 2004</b>
<b>Liability for nuclear waste disposal according to the Nuclear Energy Act in Finland</b>			
Liability 1)	596	570	596
Share of reserves in the Nuclear Waste Fund 2)	-596	-570	-581
Liabilities in the balance sheet 3)	0	0	15

1) Discounted liability in the balance sheet is EUR 415 (389) million as of 30 September 2005 (and 2004 respectively).

2) Value of the fund asset in the balance sheet is EUR 415 (389) million as of 30 September 2005 (and 2004 respectively) due to IFRIC Interpretation 5, which states that it can not exceed the value of the related liabilities

3) Mortgaged bearer papers as security.

The company 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.

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**DERIVATIVES**

MEUR	Sept 30 2005		Sept 30 2004		Dec 31 2004	
	Notional value	Net fair value	Notional value	Net fair value	Notional value	Net fair value
<b>Interest and currency derivatives</b>						
Forward interest rate agreements	-	-	221	1	-	-
Interest rate swaps	2 845	36	3 843	-50	1 218	-28
Forward foreign exchange contracts	5 987	85	7 466	-38	8 176	-32
Interest rate and currency swaps	936	0	323	-3	310	-7
Purchased currency options	-	-	525	-9	438	17
Written currency options	-	-	525	3	438	6

Electricity derivatives	Volume		Net fair value		Volume		Net fair value	
	TWh	MEUR	TWh	MEUR	TWh	MEUR	TWh	MEUR
Sales contracts	81	-388	74	-93	70	204		
Purchase contracts	44	256	42	125	42	-53		
Purchased options	2	0	1	0	1	-1		
Written options	11	-12	-	-	1	-		

Oil derivatives	Volume		Net fair value		Volume		Net fair value	
	1000 bbl	MEUR	1000 bbl	MEUR	1000 bbl	MEUR	1000 bbl	MEUR
Sales contracts	60	-1	16 010	-19	44 588	26		
Purchase contracts	730	11	59 825	48	70 258	7		
Purchased options	-	-	13 495	9	4 797	2		
Written options	-	-	13 993	-8	6 784	-2		

**Accounting principles**

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

The most important changes for Fortum continuing operations are:

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

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

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

**Emission allowances**

As of January 1, 2005 Fortum implemented IFRIC interpretation 3 in accounting for CO2 emission allowances. In June 2005 the IASB decided to withdraw IFRIC 3 with immediate effect.

Following this decision, Fortum has changed accounting treatment for emission allowances. Fortum accounts for the CO2 allowances based on currently valid IFRS standards where purchased CO2 emission allowances are accounted for as intangible assets at cost, whereas CO2 emission allowances received free of charge are accounted for at nominal value. A provision is recognised to cover the obligation to return emission allowances and it is measured at its probable settlement amount. This means that the effect in operating profit will reflect the difference between what has been emitted and received emission allowances. This difference is valued at fair value or the value of the purchased allowances.

The effects from the change of accounting principle on previously reported income statement as of March 31, 2005 are:

MEUR	Reported earlier	Current reporting
Operating profit	-3	-1
Profit for the period from continuing operations	-2	-1
Profit for the period from discontinued operations	-3	0
<b>Total profit for the period</b>	<b>-5</b>	<b>-1</b>

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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.
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 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	=		$\frac{\text{Shareholder's equity}}{\text{Number of shares at the close of the period}}$
Equity-to-assets ratio, %	=	100 x	$\frac{\text{Total equity including minority interest}}{\text{Total assets}}$
Interest coverage	=		$\frac{\text{Operating profit}}{\text{Net interest expenses}}$
Earnings per share (EPS)	=		$\frac{\text{Profit for the period - minority interest}}{\text{Adjusted average number of shares during the period}}$