

Fortum Corporation
Financial Statements 2006
31 January 2007

Another good year for Fortum
- Fortum's Board proposes a dividend of EUR 1.26

The year in brief

- Comparable operating profit EUR 1,437 (1,334) million, + 8%
- Profit before taxes EUR 1,421 (1,267) million, + 12%
- Earnings per share EUR 1.22 (1.01), + 21%
- Progress in Russia and Poland
- Proposed total dividend EUR 1.26 per share

Key figures, continuing operations	IV/06	IV/05	2006	2005
Sales, EUR million	1,254	1,112	4,491	3,877
Operating profit, EUR million	455	474	1,455	1,347
Comparable operating profit, EUR million	440	460	1,437	1,334
Profit before taxes, EUR million	448	466	1,421	1,267
Earnings per share, EUR	0.39	0.36	1.22	1.01
Net cash from operating activities, EUR million	92	424	1,151	1,271
Shareholders' equity per share, EUR			8.91	8.17
Interest-bearing net debt (at end of period), EUR million			4,345	3,158
Average number of shares, 1,000s			881,194	872,613

Key financial ratios, continuing operations	2006	2005
Return on capital employed, %	13.4	13.5
Return on shareholders' equity, %	14.4	13.5
Net debt/EBITDA	2.3	1.8

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

The year 2006 was characterised by improving results, progress in strategic positions in Russia and Poland and acceleration of new power and heat generation initiatives. In short, 2006 was a good year for Fortum. The company's operating results improved and its financial position remained strong. The key financial targets, ROCE 12% and the new target for ROE, 14%, were exceeded. Fortum's net debt to EBITDA stood at 2.3 at the year end. Net cash from operating activities decreased slightly to EUR 1,151 (1,271) million.

Fortum Power Generation segment's achieved Nordic power price was EUR 37.1 (31.2), up by 19% from 2005. The average spot price of electricity in Nord Pool, the Nordic power exchange, was EUR 48.6 (29.3) per megawatt-hour (MWh), which was approximately 66% higher than in 2005.

During 2006, Fortum initiated several new capacity expansion projects. Ongoing or planned investments in new generation capacity include the Olkiluoto 3 nuclear reactor in Finland, capacity upgrades in Swedish nuclear reactors, two combined heat and power plants (Suomenoja, Finland and Värtan, Sweden) as well as a new gas turbine plant (Inkoo, Finland). The programme will increase the power generation capacity by

approximately 1,500 megawatts (MW) mainly by 2010. The total value of Fortum's capacity investment programme, including investments through associated companies, is approximately EUR 2.8 billion.

E.ON Finland (renamed Fortum Espoo) was acquired and subsequently de-listed. Fortum Espoo has been fully consolidated from the end of the second quarter 2006, and all Fortum Espoo's business functions have been integrated into Fortum's business unit structure.

During 2006, Fortum strengthened its position in the Russian market and increased its ownership to slightly over 25% in the regional power generating company of north-west Russia, Territorial Generating Company No. 1 (TGC-1).

Fortum continued to expand its district heating business in Poland. In December Fortum announced that it is building a new combined heat and power plant in Częstochowa, Poland.

Financial results, continuing operations

October-December

Group sales stood at EUR 1,254 (1,112) million.

Group operating profit totalled EUR 455 (474) million. Comparable operating profit decreased by EUR 20 million to EUR 440 (460) million.

During the fourth quarter, the average price of electricity in Nord Pool was EUR 44.6 (32.3) per MWh, or 38% higher than during the corresponding period in 2005. The Power Generation segment's achieved Nordic power price EUR 37.7 (33.0) per MWh was 14% higher.

The comparable operating profit of the Power Generation segment was almost at the same level as last year. The positive profit impact from higher achieved Nordic power price was offset by increased taxes on nuclear capacity and hydro assets as well as lower nuclear and hydro power generation volumes. Nuclear power generation was lower due to unplanned shut-downs in Swedish nuclear power plants. The lost volume due to these was approximately 0.6 TWh in the fourth quarter. The weaker hydrological situation caused lower hydro power generation volumes. Thermal power generation increased and thus the Power Generation segment was a net buyer of CO₂ emission allowances.

The comparable operating profit of the Heat segment decreased slightly, being EUR 95 (97) million. This was mainly due to higher fuel prices and warm weather, especially in December.

The Distribution segment's comparable operating profit of EUR 77 million in the fourth quarter was EUR 1 million higher than last year.

The Markets segment recorded an operating loss during the last quarter. Procurement costs continued to be high. Warm weather led to lower consumption and sales volumes. At the same time, the intense retail competition, especially in Finland, pressed sales margins.

Sales from continuing operations, by segment

EUR million	IV/06	IV/05	2006	2005
Power Generation	667	598	2,439	2,058
Heat	381	325	1,268	1,063
Distribution	210	196	753	707
Markets	529	391	1,912	1,365
Other	19	20	78	91
Eliminations	-552	-418	-1,959	-1,407
Total	1,254	1,112	4,491	3,877

Comparable operating profit/-loss from continuing operations, by segment

EUR million	IV/06	IV/05	2006	2005
Power Generation	289	297	985	854
Heat	95	97	253	253
Distribution	77	76	250	244
Markets	-8	8	-4	30
Other	-13	-18	-47	-47
Total	440	460	1,437	1,334

Operating profit/-loss from continuing operations, by segment

EUR million	IV/06	IV/05	2006	2005
Power Generation	290	296	980	825
Heat	119	94	264	269
Distribution	74	76	252	251
Markets	-18	11	-6	32
Other	-10	-3	-35	-30
Total	455	474	1,455	1,347

January-December

Group sales stood at EUR 4,491 (3,877) million.

Group reported operating profit totalled EUR 1,455 (1,347) million. The comparable operating profit stood at EUR 1,437 (1,334) million.

In January-December, the average Nord Pool spot price was EUR 48.6 (29.3) per MWh, or 66% higher than in 2005. Fortum Power Generation's achieved Nordic power price was EUR 37.1 (31.2), up by 19% from 2005.

The total power generation volume in the Power Generation segment was higher than last year. Nuclear power generation was lower due to unplanned shut-downs in Swedish nuclear power plants. The lost volume due to these was approximately 1.6 TWh. Hydro generation was 1.4 TWh lower than last year, driven by a weaker hydrological situation.

The comparable operating profit of the Power Generation segment was EUR 131 million higher than last year despite the negative effect from increased taxes on nuclear capacity and hydro property. Compared to the previous year, the effect of increased taxes was approximately EUR -65 million in 2006.

The Heat segment's sales were EUR 205 million higher than last year, mainly due to increased volumes from new businesses and higher power prices. The Heat segment's

comparable operating profit was at the same level as last year. The negative impact of increased fuel prices was partly offset by the use of more waste fuel in Sweden.

The Distribution segment's sales were EUR 753 million. This was EUR 46 million higher than last year, mainly due to the Fortum Espoo integration. The segment's comparable operating profit of EUR 250 million was EUR 6 million higher than last year, mainly due to the Fortum Espoo integration.

The sales of the Markets segment in 2006 were higher than in 2005 mainly due to the Fortum Espoo integration. Due to the challenging market situation, Markets recorded an operating loss in 2006 while year 2005 was profitable. Procurement costs continued to be high and the intense retail price competition, especially in Finland, pressed sales margins.

The costs and provisions related to the implementation of a new customer and billing system affected the operating results of the Markets and Distribution segments in Sweden.

Profit before taxes was EUR 1,421 (1,267) million.

The Group's net financial expenses amounted to EUR 103 (135) million. The decrease is mainly attributable to lower interest rates. Net financial expenses include fair value gains on financial instruments of EUR 30 (40) million.

The share of profit of associates and joint ventures was EUR 69 (55) million. The biggest contributor was Hafslund ASA in Norway. Hafslund ASA is showing the fair value change in the Renewable Energy Corporation ASA (REC) shareholding through the income statement, while Fortum is showing the fair value change in equity. The fair value change during 2006 booked in Fortum's equity and based on the number of shares reported by Hafslund, was approximately EUR 440 million at the end of December 2006.

Minority interests accounted for EUR 49 (52) 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 financial year totalled EUR 301 (331) million. The tax rate according to the income statement was 21.2% (26.1%).

The profit for the financial year was EUR 1,120 (936) million. Fortum's earnings per share were EUR 1.22 (1.01). Return on capital employed was 13.4% for 2006 (13.5%), and return on shareholders' equity was 14.4% for 2006 (13.5%).

Market conditions

According to preliminary statistics, the Nordic countries consumed 392 (392) terawatt-hours (TWh) of electricity in 2006. The last half of 2006 was clearly warmer than normal leading to lower consumption. The last quarter's consumption was 102 (108) TWh, 6% less than the year before.

The year 2006 started with a 7-TWh surplus in the Nordic water reservoirs compared to the long-term average. The hydrological situation weakened during the year until the autumn. In August, the deficit was at its largest at 30 TWh. Warm weather and low consumption combined with high precipitation helped to fill the water reservoirs towards

the end of the year. At the end of December, the Nordic water reservoirs were only 2 TWh below the long-term average and 9 TWh below the corresponding level in 2005.

During the fourth quarter, the average spot price for power in Nord Pool was EUR 44.6 (32.3) per MWh or 38% higher than in the corresponding period in 2005 and 25% lower than in the previous quarter. During the fourth quarter, the hydrological situation strengthened rapidly and the availability of the Swedish nuclear plants improved. At the same time, power consumption was lower, driven by clearly warmer than usual weather. Both the spot price and the financial market (forwards) turned to a steep decline driven by this dramatic shift in market fundamentals.

During 2006, the average spot price for power in Nord Pool was EUR 48.6 (29.3) per MWh, or 66% higher than in 2005. The spot price was higher during 2006 due to the dry hydrological situation and the unplanned nuclear shut-downs in Sweden.

In Germany, the average spot price for 2006 was slightly higher than in the Nordic area and resulted in a net export from the Nordic area to Germany.

During 2006, the average market price for CO₂ emissions was EUR 18.5 (17.9) per tonne, or 3% higher than during the previous year. During the fourth quarter, the average market price for 2007 CO₂ emissions was EUR 9.7 (22.1) per tonne CO₂, or 56% lower than during the corresponding period in 2005. During the fourth quarter, the price declined from EUR 12-13 to EUR 6-7 per tonne CO₂. However, at the end of 2006 the prices of the Kyoto period CO₂ emissions (years 2008-2012) were significantly above the 2007 prices. For example, the 2008 price was about EUR 17-18 EUR per tonne CO₂.

Total power and heat generation figures

Fortum's total power generation during 2006 was 54.7 (52.3) TWh, of which 53.5 (51.2) TWh was in the Nordic countries. This corresponds to 14% (13%) of the total Nordic electricity consumption.

At year end, Fortum's total power generating capacity was 10,913 (11,281) MW, of which 10,768 (11,136) MW was in the Nordic countries. Changes are mainly due to the divestment of thermal power plants in Finland and Sweden. The Fortum Espoo integration increased Fortum's combined power and heat production capacity.

The share of CO₂-free power generation was 84% (93%) of Fortum's power generation in 2006. A preliminary estimate for CO₂ emissions from Fortum's own power plants in 2006 totals 11.0 million tonnes, 4.5 million tonnes higher than in the previous year. The emissions subject to EU's emissions trading scheme rose to about 10.4 million tonnes. The average volume of emission allowances allocated to Fortum's installations in various countries totals approximately 9 million tonnes per year during 2005-2007.

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	IV/06	IV/05	2006	2005
Power generation	15.4	14.3	54.7	52.3
Heat generation	7.4	7.6	25.8	25.1

Fortum's own power generation by source, TWh, total in the Nordic countries	IV/06	IV/05	2006	2005
Hydropower	5.6	5.8	19.8	21.2
Nuclear power	6.4	7.0	24.4	25.8
Thermal power	3.1	1.3	9.3	4.2
Total	15.1	14.1	53.5	51.2

Fortum's own power generation by source, %, total in the Nordic countries	IV/06	IV/05	2006	2005
Hydropower	37	41	37	42
Nuclear power	42	50	46	50
Thermal power	21	9	17	8
Total	100	100	100	100

Total power and heat sales figures

Fortum's total power sales were 61.6 (59.7) TWh, of which 60.2 (58.2) TWh were in the Nordic countries. This represented approximately 15% (15%) of the region's total consumption. Heat sales in the Nordic countries amounted to 20.1 (19.4) TWh and in other countries to 6.7 (4.4) TWh.

Fortum's total electricity *) and heat sales, EUR million	IV/06	IV/05	2006	2005
Electricity sales	667	575	2,437	2,002
Heat sales	299	264	1,014	867

Fortum's total electricity sales*) by area, TWh	IV/06	IV/05	2006	2005
Sweden	7.9	8.4	28.5	30.4
Finland	8.1	6.9	29.6	26.0
Other countries	0.9	0.9	3.5	3.3
Total	16.9	16.2	61.6	59.7

Fortum's total heat sales by area, TWh	IV/06	IV/05	2006	2005
Sweden	2.6	3.0	9.3	9.5
Finland	3.3	2.9	10.7	9.8
Other countries**)	1.8	1.3	6.8	4.5
Total	7.7	7.2	26.8	23.8

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

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

SEGMENT REVIEWS

Power Generation

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

EUR million	IV/06	IV/05	2006	2005
Sales	667	598	2,439	2,058
- power sales	566	487	2,059	1,682
- other sales	101	111	380	376
Operating profit	290	296	980	825
Comparable operating profit	289	297	985	854
Net assets (at period-end)			6,734	5,954
Return on net assets, %			16.1	14.0
Comparable return on net assets, %			16.1	14.5

The segment's power generation during the fourth quarter amounted to 13.0 (12.8) TWh in the Nordic countries.

In 2006, the segment's power generation in the Nordic countries was 48.3 (47.2) TWh, of which about 19.8 (21.2) TWh or 41% (45%) was hydropower-based, 24.4 (25.8) TWh or 51% (55%) nuclear power-based, and 4.1 (0.2) TWh or 8% (0%) thermal power-based. The decrease in hydro power generation was due to a weakened hydrological situation. The decrease in nuclear generation was caused by unplanned shut-downs in the Swedish nuclear power plants. Thermal power generation increased due to low hydro and nuclear volumes and high spot prices.

At year end, the segment's power generation capacity totalled 9,540 (10,003) MW, of which 9,400 (9,863) MW was in the Nordic countries and 140 (140) MW in other countries. Changes are mainly due to thermal power plant divestments in Finland and Sweden.

Power generation by area, TWh	IV/06	IV/05	2006	2005
Sweden	7.4	7.9	27.1	28.4
Finland	5.5	4.9	21.1	18.8
Other countries	0.3	0.3	1.2	1.1
Total	13.2	13.1	49.4	48.3

Nordic sales volume, TWh	14.5	14.2	53.9	52.6
of which pass-through sales	1.2	1.1	4.5	4.5

Sales price, EUR/MWh	IV/06	IV/05	2006	2005
Generation's Nordic power price*	37.7	33.0	37.1	31.2

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

Fortum Power Generation's achieved Nordic power price (excluding pass-through items) in the fourth quarter was 14% higher than a year ago, mainly due to improved hedging prices and higher spot prices. In the fourth quarter, the average spot price of power in Nord Pool was 38% higher than a year ago. During 2006 Power Generation's achieved

Nordic power price was 19% higher, while the average spot price in Nord Pool being 66% higher than in 2005. The related sales volume was 13.3 (13.1) TWh in the fourth quarter and 49.4 (48.1) TWh for the whole year.

Fortum has strengthened its position in Russia in the regional power generating company of north-west Russia, Territorial Generating Company No. 1 (TGC-1).

In October, Fortum acquired a 12.5% share of St. Petersburg Generating Company. This ownership combined with Fortum's previous stake in St. Petersburg Generating Company entitled Fortum to a slightly over 25% share of TGC-1. In November 2006, the merger of the regional generation companies was finalised and TGC-1 was registered as a legal company. After converting the shares of the regional generation companies into shares of TGC-1, the largest owners are RAO UES with approximately 56%, Fortum with slightly over 25% and Interros with approximately 7%.

At the end of October, Fortum also participated in the IPO of the Russian Wholesale Generating Company No. 5 (WGC-5), which has four production sites around Russia. In the IPO, Fortum obtained less than 1% of WGC-5.

The unplanned shut-downs in the Swedish nuclear power plants Forsmark and Oskarshamn caused a production loss in nuclear power generation of approximately 1.6 TWh to Fortum by the end of December.

Fortum is participating in the fifth Finnish nuclear power unit (Olkiluoto 3) with a share of approximately 25%. The supplier (Consortium AREVA-Siemens) has reported to TVO, the company that is building and owns the new unit, that the unit will be completed at the turn of 2010 - 2011.

In October, Fortum completed the sale of its industrial maintenance business. Some 900 employees transferred in connection with the deal.

In November, Fortum signed a four-year contract on the operation and maintenance of a waste-to-energy plant under construction in the UK, near London's Heathrow Airport. The plant will be ready in summer 2008.

In November, Fortum applied for an additional 20-year operating licence for the Loviisa nuclear power plant. In December, Fortum made a long-term agreement to purchase nuclear fuel from Russian TVEL Corporation to Loviisa.

In November, Fortum sold its 154-MW peat-fired power plant in Haapavesi, Finland. Fortum sold the equivalent of 1 TWh/a of constant generation capacity in the Finnish area from November 2006 to the end of March 2011. Fortum leased its 308-MW share of the Meri-Pori power plant from January 2007 to the end of June 2010. These transactions were required by the Finnish competition authority for the realisation of the Fortum Espoo acquisition.

In December, Fortum announced a plan to build a new gas turbine power plant in Inkoo, Finland. According to the plan, the power plant will be in commercial use in 2009. The fuel of the power plant will be light fuel oil, and the power generation output will be about 250 to 300 MW.

Heat

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

EUR million	IV/06	IV/05	2006	2005
Sales	381	325	1,268	1,063
- heat sales	288	254	976	834
- power sales	68	48	198	145
- other sales	25	23	94	84
Operating profit	119	94	264	269
Comparable operating profit	95	97	253	253
Net assets (at period-end)			3,407	2,551
Return on net assets, %			9.6	11.6
Comparable return on net assets, %			9.2	11.0

The segment's heat sales during the fourth quarter amounted to 7.2 (6.6) TWh and to 24.7 (21.7) TWh during the whole year. The volume increase was mainly due to the acquisitions in Poland and Fortum Espoo. Due to seasonality in district heating demand, the first and last quarters of the year are most important to the segment's results.

Power generation at combined heat and power plants (CHP) was 1.7 (1.3) TWh during the fourth quarter and 5.0 (4.1) TWh during 2006. The increase was mainly due to new volumes from the Fortum Espoo integration.

Heat sales by area, TWh	IV/06	IV/05	2006	2005
Sweden	2.5	3.0	9.3	9.5
Finland	3.3	2.9	10.7	9.8
Other countries	1.4	0.7	4.7	2.4
Total	7.2	6.6	24.7	21.7

Power sales, TWh	IV/06	IV/05	2006	2005
Total	1.7	1.3	5.0	4.1

In May, Fortum started a project to connect the southern and central parts of the district heating systems in Stockholm. This will lead to more efficient use of heat production capacity in Stockholm. The project will be ready by May 2007 and the size of the investment is around EUR 20 million.

In May, Fortum Värme applied for an environmental permit for a new bio-fuel based CHP plant in Värtan. The new plant is planned to be in operation at the earliest by late 2009.

Fortum is planning to build a new CHP plant in connection with the current power plant in Suomenoja, Espoo. The value of the investment is estimated to be approximately EUR 200 million. The power plant is planned to be ready for production by the end of 2009. The new power plant will be fuelled by natural gas. The electricity production capacity will be approximately 260-300 MW and the district heating capacity approximately 200-240 MW.

In September, Fortum signed an agreement to sell its CHP plant in Hämeenlinna, Finland, to Vattenfall. The ownership was transferred to Vattenfall on 24 October. The sale was required as one of the conditions set by the Finnish competition authority for the realisation of the Fortum Espoo acquisition.

In December, Fortum announced an investment in a new CHP plant in Częstochowa, Poland. The value of the investment is around EUR 95 million. The power plant is planned to be ready for production by the end of 2009.

Fortum signed an agreement to purchase the heat operations of Vattenfall in Estonia and Latvia.

During the year, Fortum divested the shares of Sölvesborgs Fjärrvärme AB, Bromölla Fjärrvärme AB and Karskär Energi AB in Sweden.

Net assets increased mainly due to the consolidation of Fortum Espoo.

Distribution

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

EUR million	IV/06	IV/05	2006	2005
Sales	210	196	753	707
- distribution network transmission	179	164	636	592
- regional network transmission	20	22	80	82
- other sales	11	10	37	33
Operating profit	74	76	252	251
Comparable operating profit	77	76	250	244
Net assets (at period-end)			3,412	3,021
Return on net assets, %			8.4	8.8
Comparable return on net assets, %			8.3	8.6

During the fourth quarter, the volume of distribution and regional transmissions totalled 7.0 (6.6) TWh and 4.6 (5.0) TWh, respectively.

For the whole year, the volume of distribution and regional network transmissions totalled 24.6 (23.1) TWh and 18.1 (18.0) TWh, respectively. Electricity transmissions via the regional distribution network totalled 15.0 (14.8) TWh in Sweden and 3.1 (3.2) TWh in Finland.

Volume of distributed electricity in distribution network, TWh	IV/06	IV/05	2006	2005
Sweden	3.8	4.1	14.4	14.4
Finland	2.5	1.8	7.7	6.3
Norway	0.6	0.6	2.3	2.2
Estonia	0.1	0.1	0.2	0.2
Total	7.0	6.6	24.6	23.1

Number of electricity distribution customers by area, thousands	31 Dec 2006	31 Dec 2005
Sweden	865	860
Finland	580	410
Norway	97	97
Estonia	23	23
Total	1,565	1,390

The Swedish supervision model (NNM), used by the Energy Markets Inspectorate (EMI) to calculate network prices, is contested by the industry. All decisions made by EMI have been appealed.

The supervision of 2003 distribution tariffs for Fortum (two areas and a minor subsidiary) is ongoing, and final decisions for Fortum are still pending. Concerning the supervision of 2004 tariffs (four areas and a minor subsidiary), there is no communication yet from the authority. In December, EMI informed that its 2005 tariff supervision will include two of Fortum's distribution areas and a minor subsidiary.

The development and implementation of a new customer and billing system in Sweden continued to cause additional costs and quality deviations in customer service for Distribution.

During 2006, the segment made investments to reduce average customer outage time. This programme was initiated in 2005 and is expected to be finished by 2011. By 2011, Fortum will invest EUR 700 million in the Nordic networks. As part of this, the EUR 200 million Reliability Investment Programme that was launched in 2005 continued according to plan during 2006

Another important ongoing project is automatic meter management (AMM). All customers in Sweden will get automatic meters. The roll out of meters will start in 2007 and the installation will be finalised by the end of 2008. The total value of the AMM project in Sweden is estimated at EUR 240 million.

Markets

Markets is responsible for retail sales of electricity to a total of 1.3 million private and business customers as well as to other electricity retailers in Sweden, Finland and Norway. Markets buys its electricity through Nord Pool.

EUR million	IV/06	IV/05	2006	2005
Sales	529	391	1,912	1,365
Operating profit/-loss	-18	11	-6	32
Comparable operating profit/-loss	-8	8	-4	30
Net assets (at period-end)			176	228
Return on net assets, %			-1.6	17.4
Comparable return on net assets, %			-0.8	16.4

During the fourth quarter, Markets electricity sales totalled 11.5 (10.8) TWh with sales for the whole year amounting to 42.1 (40.2) TWh. The sales in the fourth quarter were higher than the year before despite the expiring of large sales contracts in the third quarter of

2005. The increase in sales is mainly due to the integration of Fortum Espoo and the higher number of both private and business customers.

In the fourth quarter, Nordic retail electricity prices were higher than during the second and third quarters. The retail prices in Sweden and Norway rapidly follow the forward market prices in Nord Pool, whereas the retail prices in Finland did not fully follow the forward market price fluctuation.

During the fourth quarter, the sales activities of Fortum Espoo were successfully integrated to Fortum Markets.

Markets' customer flow continued to develop positively during 2006.

The development and implementation of the new customer and billing system in Sweden continued to cause additional costs and quality deviations in customer service for Markets.

Capital expenditures, investments and divestments of shares

Capital expenditures and investments in shares in 2006 totalled EUR 1,395 (479) million. Investments excluding acquisitions were EUR 485 (346) million.

In January, Fortum's ownership of Polish MPEC Wroclaw's share capital reached 90.2% and 94.4% of the voting rights. Fortum de-listed Fortum Wroclaw S.A. from the Warsaw Stock Exchange as of 29 April 2006. Fortum Wroclaw is a district heat distribution company, whose net sales amounted to approximately EUR 71 million and heat sales to approximately 2.1 TWh in 2005.

During 2006, Fortum concluded the acquisition of E.ON Finland (now Fortum Espoo), amounting to EUR 766 million. Fortum Espoo was de-listed on 13 September. Fortum Espoo has been fully consolidated from the end of the second quarter, and it is included in the appropriate segment figures. The main effects of the consolidation are on the Heat, Distribution and Markets segments. During the third quarter, all Fortum Espoo business functions were integrated into Fortum's business unit structure. Fortum expects the integration of Fortum Espoo to bring gradual annual synergies of around EUR 15-20 million starting in 2007.

Fortum has fulfilled the conditions set by the Competition Authority for the realisation of Fortum Espoo acquisition. In October, Fortum finalised the sale of its combined heat and power plant in Hämeenlinna, Finland, to Vattenfall. In November, Fortum sold its 154-MW peat-fired power plant in Haapavesi, Finland, to Kanteleen Voima Oy, which is owned by a group of regional energy companies. Fortum has also sold the equivalent of 1 TWh/a of constant generation capacity in the Finnish area from November 2006 to the end of March 2011. Fortum has leased its 308-MW share of the Meri-Pori power plant from January 2007 to the end of June 2010.

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

In September, Fortum announced its intention to sell its industrial maintenance services business. Some 900 employees were transferred in connection with the deal. The agreement was signed on 21 September 2006 and closed on 31 October 2006.

In October, Fortum finalised the purchase of approximately 12.5% of St. Petersburg Generating Company. The purchase price was approximately EUR 120 million. With the acquisition, Fortum's share in the Russian Territorial Generating Company No. 1 increased to slightly over 25%.

At the end of October, Fortum participated in the IPO of the Russian WGC-5, Wholesale Generating Company number 5, which has four production branches around Russia. In the IPO, Fortum obtained less than 1% of WGC-5.

Financing

During the fourth quarter, Fortum's net debt increased by EUR 186 million. At year end, the interest-bearing net debt stood at EUR 4,345 million (EUR 3,158 million), resulting in a total increase in net debt of EUR 1,187 million for the year. The increase in net debt is primarily linked to the dividend payment in March and the Fortum Espoo acquisition in June. Net debt to EBITDA was 2.3 (1.8).

The Group's net financial expenses for the fourth quarter were EUR 25 (35) million and for the full year 2006 EUR 103 (135) million. The decrease is mainly attributable to lower interest rates. Net financial expenses include fair value gains on financial instruments of EUR 30 (40) million.

At year end, the average interest rate of Fortum's interest-bearing loans was approximately 4.5% per annum.

Group liquidity remained good. Year-end cash and marketable securities totalled EUR 157 million. In addition, the Group had a total of EUR 1,312 million available for drawings under committed credit facilities, such as the EUR 1,200 million Syndicated Revolving Credit Facility and bilateral overdraft facilities.

In June, Fortum issued a EUR 750-million 10-year Eurobond under its EMTN (Euro Medium Term Note) programme. The bonds are listed on the Luxembourg Stock Exchange. The proceeds of the offering were used for general corporate and refinancing purposes.

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

Shares and share capital

During 2006, a total of 830.8 (900.1) million Fortum shares for a total of EUR 16,936 million were traded. Fortum's market capitalisation, calculated using the closing quotation on the last trading day of the year, was EUR 19,132 million. The highest quotation of Fortum Corporation's shares on the Helsinki Stock Exchange in 2006 was EUR 23.48, the lowest EUR 15.71, and the average quotation EUR 20.39 (13.87). The closing quotation on the last trading day of the year was EUR 21.56 (15.84).

Relating to the 2001A share option scheme, a total of 1.6 million options for a total of EUR 25.7 million were traded during 2006. Relating to the 2001B share option scheme, a total of 5.5 million options for a total of EUR 85.3 million were traded during 2006. Relating to the 2002A share option scheme, a total of 0.5 million options for a total of EUR 7.2 million were traded during 2006. Relating to the 2002B share option scheme, a total of 5.3 million options for a total of EUR 96.0 million were traded during 2006.

A total of 13,759,621 (8,210,120) shares subscribed on the basis of the above share option schemes were entered into the trade register in 2006. The Board of Directors of Fortum Corporation has cancelled a total of 1,660,000 repurchased Fortum shares (EUR 30,390,150) according to the authorisation given to the Board of Directors in the Annual General Meeting of Shareholders on 16 March 2006. The average price for the repurchased own shares was EUR 18.31, the lowest price EUR 17.55 and the highest price EUR 19.15. At the end of 2006, Fortum Corporation did not own its own shares.

After registrations and the cancellation, Fortum Corporation's share capital is EUR 3,022,782,396 and the total number of registered shares is 887,393,646 (875,294,025) at the end of 2006. Share capital of Fortum Corporation increased by a total of EUR 46,782,711 (27,914,408).

At year end the amount of shares that can still be registered for under the share option schemes is a maximum of 0.8% (6.883.429 shares) of Fortum's 2006 year-end share capital and voting rights.

At year end, the Finnish State's holding in Fortum was 50.8% (51.5%). The proportion of foreign shareholders increased to 35.4% (33.2%).

Currently, the Board of Directors has no unused authorisations from the General Meeting of Shareholders to issue convertible loans or bonds with warrants or to issue new shares. Currently, the Board of Directors has the authorisation from the Annual General Meeting of Shareholders on 16 March 2006 to buy Fortum Corporation's own shares. The authorisation, amounting to EUR 500 million or 35 million shares, is valid one year from the last year AGM.

Group personnel

In 2006, the Fortum Group employed an average of 8,910 (8,939) people. At year end, the number of employees totalled 8,134 (8,955), of which 7,681 (8,769) were permanent employees. The integration of Fortum Espoo increased the total number of employees by 336 persons and the acquisition of two Polish companies in late December 2005 increased the total number of employees by 988 persons. The sale of the industrial maintenance business decreased the total number of employees by some 930 employees. The number of employees in the parent company, Fortum Corporation, at year end totalled 566 (550).

Events after the period under review

Storms in January, especially in Sweden, have caused approximately EUR 10 million additional costs for the Distribution segment.

In January, Fortum's subsidiary in Estonia, Fortum Tartu AS announced an investment in a new CHP plant in the City of Tartu. The size of the investment is around EUR 60 million. Fortum owns 60% of the company.

Outlook

The key market driver influencing Fortum's business performance is the Nordic wholesale price of electricity. Key drivers behind the wholesale price development are the Nordic

hydrological situation, CO₂ emissions allowance prices and fuel prices. The Swedish krona exchange rate also affects Fortum's reported result, as results generated by Fortum in Sweden are translated into euros.

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

At the end of January, the Nordic water reservoirs were about 4 TWh above the long-term average and 1 TWh below the corresponding level of 2006. At the end of January, the market price for emissions allowances for 2007 was between EUR 2-3 per tonne of CO₂ and for 2008 between EUR 15-16 per tonne of CO₂. At the same time, the electricity forward price for the rest of 2007 was around EUR 28-29 per MWh and around EUR 40-41 per MWh for 2008.

The first and last quarters of the year are usually the strongest quarters for the power and heat businesses.

Fortum Power Generation's achieved Nordic power price typically depends on e.g. the hedge ratio, hedge price, spot price, utilisation and optimisation of Fortum's flexible production portfolio even on an hourly basis, and currency changes. If Fortum would not hedge any of its production volumes, a 1 EUR/MWh change in the spot price would result in approximately a EUR 50 million change in Fortum's annual operating profit.

At the beginning of January, Fortum had hedged approximately 65% of the Power Generation segment's estimated Nordic Power Generation sales volume for 2007 at approximately EUR 42 per MWh. The hedge position for 2007 was lowered to a more neutral level during the fourth quarter of 2006. This was based on Fortum's view on future power prices at the time. At the beginning of January, Fortum had hedged approximately 35% of the Power Generation segment's estimated Nordic sales volume at approximately EUR 42 per MWh for the calendar year 2008. These hedge ratios may vary significantly depending on Fortum's actions on the electricity derivatives markets. Hedge prices are also influenced by changes in the SEK/EUR exchange rates, as part of the hedges are conducted in SEK.

Despite lower hydro and nuclear generation volumes, Fortum's results in 2006 were good and its financial position is strong. With its flexible and climate-benign production portfolio, Fortum is well positioned also for 2007.

Dividend distribution proposal

Parent company's distributable equity as of 31 December 2006 amounted to EUR 2,065 million. After the end of the financial period there has been no material changes in the financial position of the Company.

The Board of Directors proposes to the Annual General Meeting that Fortum Corporation pay a cash dividend of EUR 1.26 per share for 2006, totalling EUR 1,119 million based on the number of registered shares as of 30 January 2007. Of this total dividend, EUR 0.73 per share is in accordance with the Group's dividend policy. An additional dividend of EUR 0.53 per share is proposed in order to steer Fortum's capital structure towards the agreed target.

The Annual General Meeting will be held on 28 March 2007 at 3:00 pm at the Kaapelitehdas in Helsinki.

Espoo, 30 January 2007
Fortum Corporation
Board of Directors

Further information:

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

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

The Board of Directors has approved Fortum's 2006 Financial Statements and Fortum's auditors have issued their audit report on 2006 on 30 January 2007.

Publication of results in 2007:

Interim Report January - March will be published on 24 April 2007

Interim Report January - June will be published on 18 July 2007

Interim Report January - September will be published on 18 October 2007

Distribution:

Helsinki Stock Exchange

Key media

www.fortum.com

Information on the financial statement release is available on Fortum's website at:
www.fortum.com/investors

FORTUM GROUP

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Financial Statements are audited

CONDENSED CONSOLIDATED INCOME STATEMENT

MEUR	Q4 2006	Q4 2005	2006	2005
Continuing operations:				
Sales	1 254	1 112	4 491	3 877
Other income	56	67	80	101
Materials and services	-453	-355	-1 673	-1 325
Employee benefit costs	-133	-122	-508	-481
Depreciation, amortisation and impairment charges	-118	-102	-429	-407
Other expenses	-151	-126	-506	-418
Operating profit	455	474	1 455	1 347
Share of profit of associates and joint ventures	18	27	69	55
Interest expense	-46	-46	-176	-203
Interest income	12	15	50	46
Fair value gains and losses on financial instruments	6	14	30	40
Other financial expenses - net	3	-18	-7	-18
Finance costs - net	-25	-35	-103	-135
Profit before income tax	448	466	1 421	1 267
Income tax expense	-87	-125	-301	-331
Profit for the period from continuing operations	361	341	1 120	936
Discontinued operations:				
Profit for the period from discontinued operations	-	-	-	474
Profit for the period	361	341	1 120	1 410
Attributable to:				
Equity holders of the Company	338	320	1 071	1 358
Minority interest	23	21	49	52
	361	341	1 120	1 410

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

Basic	0.39	0.36	1.22	1.55
Diluted	0.38	0.36	1.21	1.53

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

Basic	0.39	0.36	1.22	1.01
Diluted	0.38	0.36	1.21	1.00

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

Basic	-	-	-	0.54
Diluted	-	-	-	0.53

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CONDENSED CONSOLIDATED BALANCE SHEET

MEUR	Dec 31 2006	Dec 31 2005
ASSETS		
Non-current assets		
Intangible assets	96	80
Property, plant and equipment	11 471	10 176
Investments in associates and joint ventures	2 197	1 610
Other long-term investments	556	502
Other long-term receivables	103	87
Long-term interest bearing receivables	680	620
Total non-current assets	15 103	13 075
Current assets		
Inventories	329	256
Trade and other receivables	1 250	1 011
Cash and cash equivalents	157	788
Total current assets	1 736	2 055
Total assets	16 839	15 130
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	3 023	2 976
Other equity	4 885	4 175
Total	7 908	7 151
Minority interest	253	260
Total equity	8 161	7 411
LIABILITIES		
Non-current liabilities		
Interest-bearing liabilities	4 060	3 118
Deferred tax liabilities	1 795	1 512
Provisions	636	606
Other liabilities	619	435
Total non-current liabilities	7 110	5 671
Current liabilities		
Interest-bearing liabilities	442	828
Trade and other payables	1 126	1 220
Total current liabilities	1 568	2 048
Total liabilities	8 678	7 719
Total equity and liabilities	16 839	15 130

CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Share premium	Other restricted funds	Fair value and other reserves	Treasury shares	Retained earnings	Minority	Total
Total equity at 31.12.2005	2 976	70	2	-117	-	4 220	260	7 411
Translation and other differences	-	-	-	-	-	38	6	44
Cash flow hedges	-	-	-	198	-	-	-1	197
Other fair value adjustments ¹⁾	-	-	-	442	-	-	-	442
Total gains and losses not recognised in Income statement	-	-	-	640	-	38	5	683
Net profit for the period	-	-	-	-	-	1 071	49	1 120
Total recognised income for the period	-	-	-	640	-	1 109	54	1 803
Stock options exercised	47	3	-1	-	-	-	-	49
Cash dividend	-	-	-	-	-	-987	-	-987
Repurchase of own shares	-	-	-	-	-30	-	-	-30
Change in the recognition of share performance arrangement	-	-	-	-12	-	-12	-	-24
Changes in minority through business combination	-	-	-	-	-	-	-61	-61
Total equity at 31.12.2006	3 023	73	1	511	-30	4 330	253	8 161
Total equity at 31.12.2004	2 948	62	13	134	-	4 343	150	7 650
Translation and other differences	-	-	-	-	-	-55	-7	-62
Cash flow hedges	-	-	-	-257	-	-	3	-254
Other fair value adjustments	-	-	-	6	-	-	-	6
Total gains and losses not recognised in Income statement	-	-	-	-251	-	-55	-4	-310
Net profit for the period	-	-	-	-	-	1 358	52	1 410
Total recognised income for the period	-	-	-	-251	-	1 303	48	1 100
Stock options exercised	28	8	-11	-	-	-	-	25
Cash dividend	-	-	-	-	-	-506	-	-506
Share dividend ³⁾	-	-	-	-	-	-920	-	-920
Changes in minority through business combinations	-	-	-	-	-	-	62	62
Total equity at 31.12.2005	2 976	70	2	-117	-	4 220	260	7 411

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

²⁾ Share performance arrangement has been formally decided to be cash-settled, which has had an impact on the accounting treatment

³⁾ In 2005 the effect from the share dividend on Fortum Group equity was EUR 920 million. In the parent company the effect on retained earnings was EUR 969 million in 2005.

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CONSOLIDATED CASH FLOW STATEMENT

MEUR	Q4 2006	Q4 2005	2006	2005
Cash flow from operating activities				
Operating profit before depreciations continuing operations	573	576	1 884	1 754
Non-cash flow items and divesting activities	-71	28	-92	15
Financial items and realised foreign exchange gains and losses	-116	-45	-89	-107
Taxes	-114	-72	-374	-298
Funds from operations continuing operations	272	487	1 329	1 364
Change in working capital	-180	-63	-178	-93
Net cash from operating activities continuing operations	92	424	1 151	1 271
Net cash from operating activities discontinued operations	-	-	-	133
Total net cash from operating activities	92	424	1 151	1 404
Cash flow from investing activities				
Capital expenditures	-188	-139	-485	-346
Acquisition of shares net of cash acquired	-144	-120	-899	-127
Proceeds from sales of fixed assets	73	19	83	30
Proceeds from sales of shares	11	0	42	26
Change in other investments	-6	-1	-47	19
Net cash used in investing activities continuing operations	-254	-241	-1 306	-398
Net cash used in investing activities discontinued operations	-	-	-	1 155
Total net cash used in investing activities	-254	-241	-1 306	757
Cash flow before financing activities	-162	183	-155	2 161
Cash flow from financing activities				
Net change in loans	-505	-186	492	-1 063
Dividends paid to the Company's equity holders	0	0	-987	-506
Repurchase of own shares	0	-	-30	-
Other financing items	21	9	49	22
Net cash used in financing activities continuing operations	-484	-177	-476	-1 547
Net cash used in financing activities discontinued operations	-	-	-	29
Total net cash used in financing activities	-484	-177	-476	-1 518
Total net increase (+)/decrease (-) in cash and marketable securities, continuing operations	-646	6	-631	643

KEY RATIOS ¹⁾

MEUR	Dec 31 2006	Sept 30 2006	June 30 2006	March 31 2006	Dec 31 2005	Sept 30 2005	June 30 2005	March 31 2005
Continuing operations:								
EBITDA, MEUR	1 884	1 311	979	570	1 754	1 178	837	509
Earnings per share (basic), EUR	1.22	0.83	0.64	0.39	1.01	0.65	0.45	0.28
Capital employed, MEUR	12 663	12 216	12 121	10 605	11 357	11 154	10 987	10 534
Interest-bearing net debt, MEUR	4 345	4 159	4 308	3 900	3 158	3 333	3 595	4 878
Capital expenditure and gross investments in shares, MEUR	1 395	1 063	935	114	479	213	123	49
Capital expenditure, MEUR	485	297	174	71	346	207	123	49
Return on capital employed, % ³⁾	13.4	12.5	14.6	19.4	13.5	11.7	12.4	16.4
Return on shareholders' equity, % ²⁾	14.4				13.5			
Net debt / EBITDA ³⁾	2.3	2.4	2.2	1.7	1.8	2.1	2.2	2.4
Gearing, %	53	57	60	60	43	47	53	71
Equity per share, EUR	8.91	7.97	7.83	7.11	8.17	7.86	7.64	7.67
Equity-to-assets ratio, %	48	43	43	44	49	47	43	43
Total Fortum:								
Earnings per share (basic), EUR	1.22	0.83	0.64	0.39	1.55	1.19	0.99	0.38
Capital employed, MEUR	12 663	12 216	12 121	10 605	11 357	11 154	10 987	11 891
Return on capital employed, % ³⁾	13.4	12.5	14.6	19.4	16.6	15.3	16.7	18.2
Return on shareholders' equity, % ³⁾	14.4	13.7	16.3	21.4	18.7	17.6	19.2	19.5
Net debt / EBITDA ³⁾	2.3	2.4	2.2	1.7	1.4	1.5	1.5	1.8
Interest coverage	11.5	10.9	13.7	16.9	11.6	10.6	11.3	11.6
Funds from operations/interest-bearing net debt, % ³⁾	30.6	33.9	36.5	49.6	43.2	42.9	44.2	39.3
Average number of employees	8 910	9 085	9 024	8 886	10 026	10 279	11 066	13 135
Average number of shares, 1 000 shares	881 194	880 695	880 508	880 725	872 613	872 438	872 316	871 710
Diluted adjusted average number of shares, 1 000 shares	886 929	891 217	891 451	892 406	887 653	889 157	883 629	883 774
Number of registered shares, 1 000 shares	887 394	883 274	882 708	881 546	875 294	872 981	872 793	871 854
Number of shares excluding treasury shares, 1000 shares	N/A	881 614	881 048	N/A	N/A	N/A	N/A	N/A

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

²⁾ For year 2005 return on equity for continuing operations is calculated based on Profit for the period from continuing operations divided by Total equity at the end of the period. Profit for the period from discontinued operations has been subtracted from Total equity as at 31 December 2005.

³⁾ Quarterly figures are annualised

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SALES BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	667	598	2 439	2 058
- of which internal	36	23	-133	97
Heat	381	325	1 268	1 063
- of which internal	-5	0	-32	12
Distribution	210	196	753	707
- of which internal	2	2	8	8
Markets	529	391	1 912	1 365
- of which internal	43	35	149	101
Other	19	20	78	91
- of which internal	16	13	62	63
Eliminations ¹⁾	-552	-418	-1 959	-1 407
Sales from continuing operations	1 254	1 112	4 491	3 877
Sales from discontinued operations	-	-	-	2 061
Eliminations	-	-	-	-20
Total	1 254	1 112	4 491	5 918

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

OPERATING PROFIT BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	290	296	980	825
Heat	119	94	264	269
Distribution	74	76	252	251
Markets	-18	11	-6	32
Other	-10	-3	-35	-30
Operating profit from continuing operations	455	474	1 455	1 347
Operating profit from discontinued operations	-	-	-	517
Total	455	474	1 455	1 864

COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	289	297	985	854
Heat	95	97	253	253
Distribution	77	76	250	244
Markets	-8	8	-4	30
Other	-13	-18	-47	-47
Comparable operating profit from continuing operations	440	460	1 437	1 334
Non-recurring items	38	10	61	30
Other items effecting comparability	-23	4	-43	-17
Operating profit from continuing operations	455	474	1 455	1 347

NON-RECURRING ITEMS BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	22	-6	29	-3
Heat	16	2	20	14
Distribution	-1	0	2	1
Markets	0	0	0	0
Other	1	14	10	18
Total	38	10	61	30

OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	-21	5	-34	-26
Heat	8	-5	-9	2
Distribution	-2	0	0	6
Markets	-10	3	-2	2
Other	2	1	2	-1
Total	-23	4	-43	-17

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DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	27	29	108	112
Heat	43	31	144	123
Distribution	39	36	147	145
Markets	5	4	19	15
Other	4	2	11	12
Total depreciation, amortisation and impairment charges from continuing operations	118	102	429	407
Total depreciation, amortisation and impairment charges from discontinued operations	-	-	-	36
Total	118	102	429	443

SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation ¹⁾	12	17	30	23
Heat	7	3	23	11
Distribution	0	6	15	20
Markets	0	0	1	1
Other	-1	1	0	0
Share of profits in associates and joint ventures from continuing operations	18	27	69	55
Share of profits in associates and joint ventures from discontinued operations	-	-	-	-2
Total	18	27	69	53

¹⁾ The main part of the associated companies in Power Generation are power production companies from which Fortum purchases produced electricity at production costs including interest costs and income taxes

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Dec 31 2006	Dec 31 2005
Power Generation ²⁾	1 752	1 259
Heat	150	133
Distribution ²⁾	287	210
Markets	8	8
Other	0	0
Total	2 197	1 610

²⁾ Fortums ownership in Lenenergo shares was presented in Power Generation segment in 2005 and 2006 in Distribution segment as a result of restructuring of Lenenergo.

CAPITAL EXPENDITURE BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	33	25	95	83
Heat	74	58	184	124
Distribution	76	50	183	115
Markets	0	3	8	10
Other	5	4	15	14
Capital expenditure from continuing operations	188	140	485	346
Capital expenditure from discontinuing operations	-	-	-	99
Total	188	140	485	445

GROSS INVESTMENTS IN SHARES BY SEGMENTS

MEUR	Q4 2006	Q4 2005	2006	2005
Power Generation	141	45	145	47
Heat	3	82	589	87
Distribution	0	0	130	0
Markets	0	0	6	0
Other	0	0	40	0
Gross investments in shares from continuing operations	144	127	910	134
Gross investments in shares from discontinuing operations	-	-	-	-
Total	144	127	910	134

NET ASSETS BY SEGMENTS

MEUR	Dec 31 2006	Dec 31 2005
Power Generation	6 734	5 954
Heat	3 407	2 551
Distribution	3 412	3 021
Markets	176	228
Other and Eliminations	85	139
Total	13 814	11 893

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RETURN ON NET ASSETS BY SEGMENTS

%	Dec 31 2006	Dec 31 2005
Power Generation	16.1	14.0
Heat	9.6	11.6
Distribution	8.4	8.8
Markets	-1.6	17.4

COMPARABLE RETURN ON NET ASSETS BY SEGMENTS

%	Dec 31 2006	Dec 31 2005
Power Generation	16.1	14.5
Heat	9.2	11.0
Distribution	8.3	8.6
Markets	-0.8	16.4

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

ASSETS BY SEGMENTS

MEUR	Dec 31 2006	Dec 31 2005
Power Generation	7 131	6 522
Heat	3 870	2 895
Distribution	3 911	3 448
Markets	618	515
Other and Eliminations	255	216
Assets included in Net assets	15 785	13 596
Interest-bearing receivables	693	620
Deferred taxes	5	18
Other assets	199	108
Cash and cash equivalents	157	788
Total assets	16 839	15 130

LIABILITIES BY SEGMENTS

MEUR	Dec 31 2006	Dec 31 2005
Power Generation	397	568
Heat	463	344
Distribution	499	427
Markets	442	287
Other and Eliminations	170	77
Liabilities included in Net assets	1 971	1 703
Deferred tax liabilities	1 795	1 512
Other	410	558
Total liabilities included in capital employed	4 176	3 773
Interest-bearing liabilities	4 502	3 946
Total equity	8 161	7 411
Total equity and liabilities	16 839	15 130

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

MEUR	Dec 31 2006	Dec 31 2005
Opening balance	10 256	12 041
De-consolidation of Neste Oil	-	-1 540
Acquisition of subsidiary companies	1 008	171
Capital expenditures	485	346
Purchase of emission rights	9	-
Disposals	-78	-31
Depreciation, amortisation and impairment	-429	-407
Translation differences	316	-324
Closing balance	11 567	10 256

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Acquisition of Fortum Espoo Oyj

Fortum acquired 99.8% of the shares of Fortum Espoo Oyj (former E.On Finland Oyj) on 26. June 2006. On 13 September 2006 Fortum obtained the title to all minority shares of Fortum Espoo in the redemption procedure according to the Finnish Companies Act. The quotation of Fortum Espoo's share on Helsinki Stock Exchange has ceased on 13 September 2006. Fortum Espoo is consolidated as 100% owned subsidiary financial statements from the end of June.

Consideration	Fortum
EUR million	Espoo Group
Purchase consideration:	
Cash paid	761
Direct costs relating to the acquisition	5
Total purchase consideration	766
Fair value of the acquired net assets	766
Translation difference	0
Goodwill	0

Fortum Espoo Group			
Specification of the acquired net identifiable assets:			
EUR million	Total Value	Allocated Fair Values	Acquired Book Value
Cash and cash equivalents	64		64
Intangible assets	13	-28	41
Property, plant and equipment	1 008	696	312
Shares	3	1	2
Inventories	18		18
Receivables	185	23	162
Deferred tax assets	19	18	1
Minorities	0		0
Non-interest bearing liabilities	-307	-17	-290
Interest-bearing liabilities	-11		-11
Deferred tax liabilities	-226	-190	-36
Net identifiable assets	766	503	263
Minority interests	0		0
Fair value of the acquired net identifiable assets	766	503	263

		Fortum
		Espoo Group
Purchase consideration settled in cash		766
Cash and cash equivalents in subsidiaries acquired		64
Cash outflow on acquisition		702
Interest-bearing debt in subsidiaries acquired		11
Gross investment in subsidiaries acquired		713

QUARTERLY SALES BY SEGMENTS

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
MEUR	2006	2006	2006	2006	2005	2005	2005	2005
Power Generation	667	569	560	643	598	450	476	534
- of which internal	36	-102	-17	-50	23	6	13	55
Heat	381	178	229	480	325	147	206	385
- of which internal	-5	-12	-7	-8	0	1	-1	12
Distribution	210	162	162	219	196	149	160	202
- of which internal	2	2	2	2	2	2	2	2
Markets	529	436	400	547	391	284	298	392
- of which internal	43	30	35	41	35	19	22	25
Other	19	19	20	20	20	26	22	23
- of which internal	16	16	15	15	13	13	15	22
Eliminations	-552	-418	-423	-566	-418	-282	-304	-403
Sales from continuing operations	1 254	946	948	1 343	1 112	774	858	1 133
Sales from discontinued operations	-	-	-	-	-	-	-	2 061
Eliminations	-	-	-	-	-	-	-	-20
Total	1 254	946	948	1 343	1 112	774	858	3 174

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QUARTERLY OPERATING PROFIT BY SEGMENTS

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1 ¹⁾
MEUR	2006	2006	2006	2006	2005	2005	2005	2005
Power Generation	290	184	222	284	296	181	125	223
Heat	119	-15	41	119	94	13	50	112
Distribution	74	42	55	81	76	48	56	71
Markets	-18	6	3	3	11	7	8	6
Other	-10	-1	-9	-15	-3	-9	-12	-6
Operating profit from continuing operations	455	216	312	472	474	240	227	406
Operating profit from discontinued operations	-	-	-	-	-	-	390	127
Total	455	216	312	472	474	240	617	533

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

QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
MEUR	2006	2006	2006	2006	2005	2005	2005	2005
Power Generation	289	195	208	293	297	161	172	224
Heat	95	-3	35	126	97	12	37	107
Distribution	77	39	53	81	76	47	55	66
Markets	-8	2	2	0	8	7	8	7
Other	-13	-8	-12	-14	-18	-7	-11	-11
Comparable operating profit from continuing operations	440	225	286	486	460	220	261	393
Non-recurring items	38	8	15	0	10	2	12	6
Other items effecting comparability	-23	-17	11	-14	4	18	-46	7
Operating profit from continuing operations	455	216	312	472	474	240	227	406

QUARTERLY NON-RECURRING ITEMS BY SEGMENTS

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
MEUR	2006	2006	2006	2006	2005	2005	2005	2005
Power Generation	22	1	6	0	-6	3	0	0
Heat	16	-1	4	1	2	1	11	0
Distribution	-1	1	2	0	0	0	1	0
Markets	0	0	0	0	0	0	0	0
Other	1	7	3	-1	14	-2	0	6
Total	38	8	15	0	10	2	12	6

QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY

	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
MEUR	2006	2006	2006	2006	2005	2005	2005	2005
Power Generation	-21	-12	8	-9	5	17	-47	-1
Heat	8	-11	2	-8	-5	0	2	5
Distribution	-2	2	0	0	0	1	0	5
Markets	-10	4	1	3	3	0	0	-1
Other	2	0	0	0	1	0	-1	-1
Total	-23	-17	11	-14	4	18	-46	7

DISCONTINUED OPERATIONS (including eliminations between Fortum and discontinued operations)

Fortum does not have discontinued operations in the year 2006.

MEUR	Q4	Q1-Q4	2005 ²⁾
	2005	2005 ¹⁾	
Sales	-	2 061	2 061
Other income	-	395	395
Materials and services	-	-1 726	-1 726
Employee benefit costs	-	-57	-57
Depreciation, amortisation and impairment charges	-	-36	-36
Other expenses	-	-120	-120
Operating profit	-	517	517
Share of profit of associates and joint ventures	-	-2	-2
Finance costs-net	-	-6	-6
Profit before income tax	-	509	509
Income tax expense	-	-35	-35
Profit for the year from discontinued operations	-	474	474

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

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

PLEGGED ASSETS, CONTINGENT LIABILITIES AND COMMITMENTS

MEUR	Dec 31	Dec 31
	2006	2005
Pledged assets		
On own behalf		
For debt		
Pledges	176	144
Real estate mortgages	49	49
For other commitments		
Real estate mortgages	56	66
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	3	3
Contingent liabilities		
On own behalf		
Other contingent liabilities	144	94
On behalf of associated companies and joint ventures		
Guarantees	213	208
Other contingent liabilities	125	125
On behalf of others		
Guarantees	12	2
Other contingent liabilities	1	3
Operating lease commitments		
Due within a year	20	17
Due after one year and within five years	38	32
Due after five years	78	76
Total	136	125
Capital commitments	266	81

NUCLEAR RELATED ASSETS AND LIABILITIES

MEUR	Dec 31	Dec 31
	2006	2005
Liability for nuclear waste management according to the Nuclear Energy Act ¹⁾	685	618
Funding Target ²⁾	649	618
Fortum's share of reserves in the State Nuclear Waste Management Fund ³⁾	-636	-610
Difference covered by real estate mortgages ⁴⁾	13	8

¹⁾ The legal liability calculated according to the Nuclear Energy Act in Finland is EUR 685 (618) million as of 31 December 2006 (and 2005 respectively). Discounted liability in the balance sheet calculated according to IAS 37 is EUR 450 (418) million as of 31 December 2006.

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

²⁾ Funding Target is EUR 649 (618) million as of 31 December 2006 (and 2005 respectively). Funding target needs to be fully paid by the end of March 2007. The difference between the liability and the funding target must be covered by a security, which will be given by the end of June 2007.

³⁾ Fortum contributes to the Nuclear Waste Fund according to the funding target. Fortum's share of the State Nuclear Waste Management Fund as of 31 December 2006 is EUR 636 (610) million.

The value of the fund asset in the balance sheet is EUR 450 (418) million as of 31 December 2006 due to IFRIC Interpretation 5, which states that it can not exceed the carrying value of the related liabilities.

⁴⁾ At year end there is a difference between the funding target and Fortum's share of the State Nuclear Waste Management Fund due to yearly revised calculation of the legal liability and it will be paid during first quarter of the following year. Fortum has given real estate mortgages as security which also covers the liability in the balance sheet. The real estate mortgages are included in pledged assets.

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DERIVATIVES

MEUR	Dec 31 2006		Dec 31 2005	
	Notional value	Net fair value	Notional value	Net fair value
Interest and currency derivatives				
Interest rate swaps	3 021	3	2 636	11
Forward foreign exchange contracts	5 256	-61	5 297	69
Interest rate and currency swaps	2 575	-76	2 169	3
Electricity derivatives	Volume	Net fair value	Volume	Net fair value
	TWh	MEUR	TWh	MEUR
Sales swaps	134	515	84	-463
Purchase swaps	101	-426	49	276
Purchased options	0	0	1	-1
Written options	3	3	3	2
Oil derivatives	Volume	Net fair value	Volume	Net fair value
	1000 bbl	MEUR	1000 bbl	MEUR
Sales swaps and futures	180	0	90	0
Purchase swaps and futures	897	0	571	6
CO2 emission allowance derivatives	Volume	Net fair value	Volume	Net fair value
	ktCO2	MEUR	ktCO2	MEUR
Sold	405	0	-	-
Bought	418	0	-	-
Share derivatives	Notional value	Net fair value	Notional value	Net fair value
Share forwards ¹⁾	24	37	11	14

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

EXCHANGE RATES

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

Average rate	Currency	Dec 31 2006	Sept 30 2006	June 30 2006	March 31 2006	March 31 2005	June 30 2005	Sept 30 2005	Dec 31 2005
Sweden	SEK	9.2637	9.3110	9.3329	9.3798	9.0817	9.1563	9.2166	9.2783
Norway	NOK	8.0376	7.9753	7.9396	8.0171	8.2306	8.1314	8.0550	8.0240
Poland	PLN	3.8965	3.9139	3.8991	3.8569	4.0381	4.1212	4.0600	4.0268
Balance sheet date rate		Dec 31 2006	Sept 30 2006	June 30 2006	March 31 2006	March 31 2005	June 30 2005	Sept 30 2005	Dec 31 2005
Sweden	SEK	9.0404	9.2797	9.2385	9.4315	9.1430	9.4259	9.3267	9.3885
Norway	NOK	8.2380	8.2350	7.9360	7.9675	8.2060	7.9155	7.8770	7.9850
Poland	PLN	3.8310	3.9713	4.0546	3.9425	4.0807	4.3088	3.9185	3.8600

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ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

Accounting for the share of profits from Hafslund ASA

According to Fortum Group accounting policies the share of profits from Hafslund has been included in Fortum Group figures based on the previous quarter information. Hafslund will publish January-December 2006 results on 7 February 2007. Fortum uses previous quarter information since Hafslund's interim reports are published later than Fortum's interim reports.

When calculating the share of profits in Hafslund, Fortum has in accordance with Fortum's accounting policies reclassified Hafslund's accounting treatment for the shareholding in Renewable Energy Corporation (REC). Hafslund has classified the shareholding in REC as financial assets at fair value through profit and loss while Fortum has classified the REC shareholding as available for sale financial assets with fair value changes recorded directly through equity, only if Hafslund would divest shares in REC, the cumulative fair value change would effect Fortum's income statement.

Since REC is listed on the Oslo stock exchange as of 9 May 2006, Fortum is accounting for the fair value change in REC based on the closing price on the Oslo stock exchange at each closing date. The amount of shares is based on the amount published by Hafslund in the previous quarter if other information is not available. At the end of December 2006 the fair value change during 2006 was approximately EUR 440 million in Fortum.

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Definitions of key figures

Comparable operating profit	=	Operating profit - non-recurring items - other items effecting comparability	
Non-recurring items	=	Mainly capital gains and losses	
Other items effecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum's part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.	
EBITDA (Earnings before interest, taxes, depreciation and amortisation) continuing operations	=	Operating profit continuing operations + Depreciation, amortisation and impairment charges continuing operations	
Return on shareholders' equity, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}}$	x 100
Return on capital employed, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$	x 100
Return on capital employed continuing operations, %	=	$\frac{\text{Profit before taxes continuing operations + interest and other financial expenses continuing operations}}{\text{Capital employed continuing operations average}}$	x 100
Return on net assets, %	=	$\frac{\text{Operating profit + Share of profit (loss) in associated companies and joint ventures}}{\text{Net assets average}}$	x 100
Comparable return on net assets, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated and joint ventures (adjusted for IAS 39 effects)}}{\text{Comparable net assets average}}$	x 100
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 items, tax and deferred tax and assets and liabilities from fair valuations of derivatives where hedge accounting is applied)	
Comparable net assets	=	Net assets adjusted for non-interest bearing assets and liabilities arising from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39	
Interest-bearing net debt	=	Interest-bearing liabilities - cash and cash equivalents	
Gearing, %	=	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$	x 100
Equity per share, EUR	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares excluding treasury shares at the end of the period}}$	
Equity-to-assets ratio, %	=	$\frac{\text{Total equity including minority interest}}{\text{Total assets}}$	x 100
Net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit + Depreciation, amortisation and impairment charges}}$	
Net debt / EBITDA continuing operations	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit continuing operations + Depreciation, amortisation and impairment charges continuing operations}}$	
Interest coverage	=	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$	
Earnings per share (EPS)	=	$\frac{\text{Profit for the period - minority interest}}{\text{Average number of shares during the period}}$	
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.	