

Fortum Corporation
Financial Statements 2007
31 January 2008

A good year

- Fortum's Board proposes a dividend of EUR 1.35

The year in brief

- Comparable operating profit EUR 1,564 (1,437) million, +9%
- Profit before taxes 1,934 (1,421) million, +36%
- Earnings per share EUR 1.74 (1.22), +43%. (EUR 0.46 from nonrecurring gains)
- Strong cash flow from operating activities EUR 1,670 (1,151) million
- 89% (84%) of the generated power was CO₂-free
- Proposed total dividend EUR 1.35 per share
- Proposal to authorise the Board of Directors to decide to repurchase the company's own shares worth up to EUR 300 million

Key figures	IV/07	IV/06	2007	2006
Sales, EUR million	1,320	1,254	4,479	4,491
Operating profit, EUR million	520	455	1,847	1,455
Comparable operating profit, EUR million	516	440	1,564	1,437
Profit before taxes, EUR million	501	448	1,934	1,421
Earnings per share, EUR	0.41	0.39	1.74	1.22
Net cash from operating activities, EUR million	345	92	1,670	1,151
Shareholders' equity per share, EUR			9.43	8.91
Interest-bearing net debt (at end of period), EUR million			4,466	4,345
Average number of shares, 1,000s			889,997	881,194

Key financial ratios	2007 adjusted^{*)}	2007	2006
Return on capital employed, %	14.0	16.5	13.4
Return on shareholders' equity, %	15.8	19.1	14.4
Net debt/EBITDA	2.2	1.9	2.3

*Adjusted for REC and Lenenergo gains

The year 2007 was characterised by high precipitation and mild winter temperatures. Throughout the year, a strong hydrological situation combined with low CO₂ emission allowance prices led to low Nordic spot prices. Despite the challenging market conditions, Fortum improved its performance compared to previous year. The company's financial position remained strong. Net cash from operating activities improved to EUR 1,670 (1,151) million.

In the first quarter, Fortum booked a gain of EUR 180 million after its associated company, Hafslund ASA in Norway, had sold shares in Renewable Energy Corporation (REC). This corresponds to EUR 0.20 per share in Fortum's first-quarter result. In the third quarter, Fortum sold its stake in the Russian JSC Lenenergo for EUR 295 million. This resulted in a gain of EUR 232 million which corresponds to EUR 0.26 per share in Fortum's third-quarter result.

Fortum participated in the share issue of the Russian Territorial Generating Company 1 (TGC-1) in the third quarter and maintained its 25.7% ownership. The total value of Fortum's subscription was EUR 243 million.

In 2007, the Power Generation segment's achieved Nordic power price was EUR 39.7 (37.1) per megawatt-hour, up by 7% from previous year and clearly higher than the average spot price of electricity in Nord Pool, the Nordic power exchange. This was mainly thanks to Fortum's consistent hedging strategy. The average spot price of electricity in Nord Pool was EUR 27.9 (48.6) per megawatt-hour (MWh), approximately 43% lower than the same period previous year.

Financial results

October - December

Group sales were EUR 1,320 (1,254) million.

Group operating profit totalled EUR 520 (455) million. Comparable operating profit increased to EUR 516 (440) million.

Sales by segment

EUR million	IV/07	IV/06	2007	2006
Power Generation	685	667	2,350	2,439
Heat	439	381	1,356	1,268
Distribution	206	210	769	753
Markets	482	529	1,683	1,912
Other	21	19	81	78
Eliminations	-513	-552	-1,760	-1,959
Total	1,320	1,254	4,479	4,491

Comparable operating profit by segment

EUR million	IV/07	IV/06	2007	2006
Power Generation	363	289	1,093	985
Heat	120	95	290	253
Distribution	50	77	231	250
Markets	-1	-8	-1	-4
Other	-16	-13	-49	-47
Total	516	440	1,564	1,437

Operating profit by segment

EUR million	IV/07	IV/06	2007	2006
Power Generation	363	290	1,125	980
Heat	121	119	294	264
Distribution	51	74	465	252
Markets	2	-18	12	-6
Other	-17	-10	-49	-35
Total	520	455	1,847	1,455

January - December

Group sales were EUR 4,479 (4,491) million.

Group operating profit totalled EUR 1,847 (1,455) million. Comparable operating profit increased by EUR 127 million to EUR 1,564 (1,437) million. The Power Generation and Heat segments contributed to the increase.

The gain on the sale of Lenenergo shares increased third-quarter operating profit by EUR 232 million. The gain was booked in the Distribution segment's operating profit.

Profit before taxes was EUR 1,934 (1,421) million.

The Group's net financial expenses increased to EUR 154 (103) million. The increase is mainly attributable to a higher average level of debt and a lower, EUR 7 (30) million, change in the fair value of derivatives.

The share of profit of associates and joint ventures was EUR 241 (69) million. The biggest contributor was Hafslund ASA in Norway. In the first quarter, Hafslund announced that it had completed the sale of 35 million shares in Renewable Energy Corporation (REC) at NOK 138 per share. As a consequence, Fortum booked a gain of EUR 180 million, corresponding to EUR 0.20 per share, in its first-quarter result. After this transaction, Hafslund still owns 70.4 million shares in REC. Fortum ownership in Hafslund ASA is 34%.

Hafslund is showing the fair value change in the REC shareholding through the income statement, while Fortum is showing the fair value change in equity. The cumulative fair value change booked in Fortum's equity and based on the remaining number of shares reported by Hafslund was approximately EUR 790 million at the end of December 2007.

Fortum received EUR 145 million in dividends from Hafslund in the second quarter. EUR 123 million of the dividends was due to the sale of REC shares.

Minority interests accounted for EUR 56 (49) 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 326 (301) million. The tax rate according to the income statement was 16.9% (21.2%), mainly due to the high share of profit of associates and the capital gain from the sale of Lenenergo shares. Excluding the share of profits of associates and Lenenergo sales gain, the tax rate was 22.3% (22.3%).

The profit for the period was EUR 1,608 (1,120) million. Fortum's earnings per share were EUR 1.74 (1.22). Return on capital employed was 16.5% for the year (13.4% for 2006), and return on shareholders' equity was 19.1% for the year (14.4% for 2006). In 2007 return on capital employed and return on shareholders' equity, excluding the REC and Lenenergo gains, were 14.0% and 15.8%, respectively.

Market conditions

According to preliminary statistics, the Nordic countries consumed 397 (393) terawatt hours (TWh) of electricity in 2007, an increase of about 1% from previous year. During the last quarter the consumption was 108 (103) TWh, 5% more than the year before.

In the beginning of 2007, the Nordic water reservoirs were at the long-term average level. However, throughout the rest of the year, the reservoirs were above the long-term average. The fourth quarter started with the Nordic water reservoirs being 7 TWh above the long-term average. At the end of December, they were 8 TWh above the long-term average and 11 TWh above the corresponding level in 2006.

During the fourth quarter, the average spot price for power in Nord Pool was EUR 42.7 (44.6) per megawatt-hour, or 4% lower than in the corresponding period in 2006. During 2007, the average spot price for power in Nord Pool was EUR 27.9 (48.6) per megawatt-hour, or 43% lower than in 2006. The low spot price was due to the strong hydrological situation and low CO₂ emission prices for 2007.

During the fourth quarter, the average market price for 2007 CO₂ emissions was EUR 0.07 (9.7) per tonne CO₂, or 99% lower than in the corresponding period in 2006. During year 2007, the average market price for CO₂ emissions was EUR 0.7 (18.5) per tonne, or 96 % lower than in the previous year.

During the second half of 2007, coal prices increased dramatically. Oil prices increased during most of the year and reached historically high levels, peaking close to 100 US dollars per barrel towards the end of the year.

In Germany, the average spot price for the fourth quarter was higher compared to the Nordic area, resulting in a net export from the Nordic area to Germany.

Total power and heat generation figures

Fortum's total power generation during 2007 was 52.2 (54.4) TWh, of which 51.1 (53.2) TWh was in the Nordic countries, representing 13% (14%) of the total Nordic electricity consumption.

At year end, Fortum's total power generating capacity was 10,920 (10,913) MW, of which 10,775 (10,768) MW was in the Nordic countries. At year end, Fortum's total heat production capacity was 11,223 (10,883) MW, of which 9,381 (9,239) MW was in the Nordic countries.

During the year 2007, approximately 89% (84%) of the generated power was CO₂-free. A preliminary estimate for CO₂ emissions from Fortum's own power plants in 2007 totals 10.4 (11.0) million tonnes, 0.6 million tonnes lower than in the previous year. The emissions subject to EU's emissions trading scheme were about 9.8 (10.6) million tonnes. Both figures include Fortum's 308 MW share of the Meri-Pori power plant that was leased out in January 2007. The average volume of emission allowances allocated to Fortum's installations in various countries totalled approximately 8.1 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/07	IV/06	2007	2006
Power generation	14.2	15.1	52.2	54.4
Heat generation	8.2	7.4	26.1	25.8

Fortum's own power generation by source, TWh, total in the Nordic countries	IV/07	IV/06	2007	2006
Hydropower	4.7	5.6	20.0	19.8
Nuclear power	6.7	6.4	24.9	24.4
Thermal power	2.5	2.8	6.2	9.0
Total	13.9	14.8	51.1	53.2

Fortum's own power generation by source, %, total in the Nordic countries	IV/07	IV/06	2007	2006
Hydropower	34	38	39	37
Nuclear power	48	43	49	46
Thermal power	18	19	12	17
Total	100	100	100	100

Total power and heat sales figures

Fortum's total power sales were 59.7 (61.6) TWh, of which 58.5 (60.2) TWh were in the Nordic countries. This represents approximately 15% (15%) of Nordic electricity consumption during January-December. Heat sales in the Nordic countries amounted to 20.4 (20.1) TWh and in other countries to 6.7 (6.7) TWh.

Fortum's total electricity *) and heat sales, EUR million	IV/07	IV/06	2007	2006
Electricity sales	697	667	2,370	2,437
Heat sales	352	299	1,096	1,014

Fortum's total electricity sales *) by area, TWh	IV/07	IV/06	2007	2006
Sweden	6.9	7.9	27.6	28.5
Finland	8.1	8.1	29.0	29.6
Other countries	0.9	0.9	3.1	3.5
Total	15.9	16.9	59.7	61.6

Fortum's total heat sales by area, TWh	IV/07	IV/06	2007	2006
Sweden	3.1	2.6	9.2	9.3
Finland	3.4	3.3	11.1	10.7
Other countries**	2.4	1.8	6.8	6.8
Total	8.9	7.7	27.1	26.8

*) 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/07	IV/06	2007	2006
Sales	685	667	2,350	2,439
- power sales	586	566	2,019	2,059
- other sales	99	101	331	380
Operating profit	363	290	1,125	980
Comparable operating profit	363	289	1,093	985
Net assets (at period-end)			7,148	6,734
Return on net assets, %			19.2	16.1
Comparable return on net assets, %			17.7	16.9
Gross Investments	84	174	390	240
Average personnel			3,475	4,147

The segment's power generation during the fourth quarter amounted to 12.2 (13.0) TWh in the Nordic countries.

In January-December, the segment's power generation in the Nordic countries was 46.1 (48.3) TWh, of which about 20.0 (19.8) TWh or 43% (41%) was hydropower-based, 24.9 (24.4) TWh or 54% (51%) nuclear power-based, and 1.2 (4.1) TWh or 3% (8%) thermal power-based. Although the availability of the Swedish nuclear power plants increased slightly compared to 2006, the prolonged overhauls and unplanned shutdowns had a negative effect of approximately 1.3 TWh on the nuclear power production. Less thermal power was generated due to the low spot price. In January-December, approximately 95% (89%) of the segment's power generation was CO₂-free.

At year end, the segment's power generation capacity totalled 9,560 (9,540) MW, of which 9,420 (9,400) MW was in the Nordic countries and 140 (140) MW in other countries.

Power generation by area, TWh	IV/07	IV/06	2007	2006
Sweden	6.5	7.4	26.0	27.1
Finland	5.7	5.5	20.1	21.1
Other countries	0.3	0.3	1.1	1.2
Total	12.5	13.2	47.2	49.4

Nordic sales volume, TWh	13.7	14.5	51.8	53.9
of which pass-through sales	1.0	1.2	5.2	4.5

Sales price, EUR/MWh	IV/07	IV/06	2007	2006
Generation's Nordic power price*	43.0	37.7	39.7	37.1

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

Fortum Generation's achieved Nordic power price (excluding pass-through items) in the fourth quarter was EUR 43.0 per megawatt-hour, up by 14% from a year ago, thanks to hedging. During 2007, Fortum Generation's achieved Nordic power price was EUR 39.7 per megawatt-hour, up by 7% from a year ago, while the average spot price in Nord Pool was EUR 27.9 per megawatt-hour, down by 43% from 2006. The related sales volume was 12.7 (13.2) TWh in the fourth quarter and 46.6 (49.4) TWh for the whole year.

In the fourth quarter, the comparable operating profit of the Power Generation segment was clearly higher than in the corresponding period in the previous year. The higher achieved Nordic power price and increased nuclear volume generation contributed positively. This was partly offset by lower thermal and hydro power generation volumes.

In January–December, the comparable operating profit was higher than previous year. The segment's achieved Nordic power price was higher due to the higher hedge prices. Also increased hydropower and nuclear power generation volumes contributed positively. Poor performance in Fortum Service and the one-time effect from higher nuclear waste management costs reported in the third quarter decreased comparable operating profit.

In 2007, Fortum's total CO₂ emissions subject to EU's emissions trading scheme were 9.8 million tons, which exceeded Fortum's CO₂ emission allowance allocation for the year by 1.3 million tons. However, the Power Generation segment benefited from the insightful timing of CO₂ allowance forward sales. Sales contracts made during or before the first quarter 2006 with a December 2007 delivery date contributed EUR 32 million in the fourth quarter results.

Fortum's legal nuclear waste management liability is calculated according to the Nuclear Energy Act and will be confirmed by the Ministry of Employment and the Economy in early 2008. The future costs will increase mainly due to the new technical solution related to filling material for the tunnels in the final repository. The legal liability increased by approximately EUR 130 million. Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum was granted periodising of the payments to the fund over six years. The decision was made by the Council of State in December 2007. Fortum booked a one-time effect from higher nuclear waste management costs in its third-quarter results.

In July 2007, the Finnish Government granted new operating licences to Loviisa nuclear power plant units 1 and 2. The licences were applied for by Fortum Power and Heat Oy in November 2006. For Loviisa 1, the new licence is valid until the end of 2027, and for Loviisa 2 until the end of 2030. The current licences, which were granted in 1998, expire at the end of 2008. Fortum's Loviisa power plant has produced nuclear power for thirty years.

In 2007, Fortum's Loviisa nuclear power plant exceeded the 8 TWh production limit for the second time in the history of the plant. Unit 2 reached an all-time high with over 4 TWh. The combined capacity factor for the two units at the Loviisa power plant was high, 95.4%.

Fortum is participating in the project to build the fifth Finnish nuclear power unit (Olkiluoto 3) with a share of approximately 25%. Teollisuuden Voima (TVO), the company that is building and owns the unit, has been informed by the supplier (consortium Areva-Siemens) that the unit will start operation in summer 2011.

In June 2007, Fortum submitted to the Finnish Ministry of Trade and Industry the Environmental Impact Assessment (EIA) programme regarding a new nuclear power

plant possibly to be built at Hästholmen island in Loviisa. The Ministry gave its statement about the programme in October. Fortum compiles the actual EIA report based on this programme and the statements received about it. The EIA report will be submitted to the Ministry by summer 2008.

Heat

The business area comprises heat generation and sales in the Nordic countries and other parts of the Baltic Rim. Fortum is a leading heat producer in the Nordic region. The segment also generates power in combined heat and power plants (CHP) and sells it to end-customers mainly 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/07	IV/06	2007	2006
Sales	439	381	1,356	1,268
- heat sales	341	288	1,053	976
- power sales	69	68	202	198
- other sales	29	25	101	94
Operating profit	121	119	294	264
Comparable operating profit	120	95	290	253
Net assets (at period-end)			3,507	3,407
Return on net assets, %			9.3	9.6
Comparable return on net assets, %			9.2	9.2
Gross Investments	121	77	327	773
Average personnel			2,302	2,345

The segment's heat sales during the fourth quarter amounted to 8.3 (7.2) TWh, most of which was generated in the Nordic countries. In January-December, heat sales totalled 25.1 (24.7) TWh. During the same periods, power sales at combined heat and power plants (CHP) totalled 1.7 (1.7) TWh and 5.0 (5.0) TWh, respectively.

The Heat segment's comparable operating profit during the fourth quarter was EUR 25 million higher than previous year. The weather was colder than previous year but the temperature was still above the long-term average. Colder weather and organic growth resulted in higher sales volumes. Also efficiency improvements in Poland improved the results.

The comparable operating profit of the Heat segment in the year 2007 was EUR 37 million higher than previous year. An efficient fuel mix had a positive impact on the results in Sweden. Also the acquisition of Fortum Espoo (E.ON Finland) and efficiency improvements in Poland improved the results.

Heat sales by area, TWh	IV/07	IV/06	2007	2006
Sweden	3.0	2.5	9.2	9.3
Finland	3.4	3.3	11.1	10.7
Other countries	1.9	1.4	4.8	4.7
Total	8.3	7.2	25.1	24.7

Power sales, TWh	IV/07	IV/06	2007	2006
Total	1.7	1.7	5.0	5.0

The number of district heating customers increased in 2007, thanks to successful new sales in all markets.

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/07	IV/06	2007	2006
Sales	206	210	769	753
- distribution network transmission	173	179	648	636
- regional network transmission	21	20	81	80
- other sales	12	11	40	37
Operating profit	51	74	465	252
Comparable operating profit	50	77	231	250
Net assets (at period-end)			3,243	3,412
Return on net assets, %			14.5	8.4
Comparable return on net assets, %			7.5	8.3
Gross Investments	118	76	237	313
Average personnel			1,060	983

In 2007, the volume of distribution and regional network transmissions totalled 26.0 (24.6) TWh and 18.1 (18.1) TWh, respectively.

Electricity transmissions via the regional distribution network totalled 14.9 (15.0) TWh in Sweden and 3.2 (3.1) TWh in Finland.

The comparable operating profit of the Distribution segment was EUR 50 million in the fourth quarter, EUR 27 million lower than previous year. The decrease is mainly due to costs for automatic meter installations in Sweden, and also due to the one-time price adjustment during the last quarter in Finland in order to reduce the difference to the regulated income level for the period 2005-2007. Fortum Distribution refrained from charging around 400,000 Finnish distribution customers the fixed monthly fee during December 2007.

The comparable operating profit of the segment was 231 million EUR for the whole year, EUR 19 million lower than previous year. The main reason for the decrease in 2007 compared to previous year was the EUR 13 million costs caused by the storms in the first half of the year. The new customer and billing system in Sweden continued to cause extra costs in 2007. Also automatic meter installations in Sweden and the one-time price adjustment during the last quarter in Finland decreased operating profit. The acquisition of Fortum Espoo (E.ON Finland) contributed positively to the segment.

The after-tax gain of EUR 232 million from selling the holding in JSC Lenenergo has been booked in Distribution segment's third-quarter operating profit.

Volume of distributed electricity in distribution network, TWh	IV/07	IV/06	2007	2006
Sweden	4.1	3.8	14.3	14.4
Finland	2.6	2.5	9.2	7.7
Norway	0.8	0.6	2.3	2.3
Estonia	0.1	0.1	0.2	0.2
Total	7.6	7.0	26.0	24.6

Number of electricity distribution customers by area, thousands	31 Dec 2007	31 Dec 2006
Sweden	871	865
Finland	591	580
Other countries	122	120
Total	1,584	1,565

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/07	IV/06	2007	2006
Sales	482	529	1,683	1,912
Operating profit	2	-18	12	-6
Comparable operating profit	-1	-8	-1	-4
Net assets (at period-end)			247	176
Return on net assets, %			6.9	-1.6
Comparable return on net assets, %			-0.6	-0.8
Gross Investments	1	0	3	14
Average personnel			936	825

During the fourth-quarter, Markets' electricity sales totalled 10.5 (11.5) TWh with sales for the whole year amounting to 39.6 (42.1) TWh.

The Markets segment's fourth quarter comparable operating profit was slightly negative, but improved from previous year. The improved year-on-year performance is mainly explained by lower electricity procurement costs. However, procurement costs increased from the third quarter driven by increasing Nord Pool wholesale power prices, leading to a sequentially deteriorating sales margin.

In 2007, the segment was unable to achieve a positive comparable operating profit. This was partly due to retail sales in Finland where consumer prices lagged behind Markets' procurement prices (Nord Pool wholesale power prices).

The new customer and billing system in Sweden continued to cause extra costs in 2007.

Despite the tight price competition, Fortum's customer net flow in Finland was clearly positive in 2007, mainly due to increasing sales of environmentally labelled electricity products. Fortum is the market leader on the Nordic market in selling environmentally

labelled electricity. Markets' Nordic customer net flow in 2007 was slightly negative due to tightened competition especially in Sweden.

The SKI (Svensk Kvalitetsindex) customer satisfaction survey in Sweden and EPSI (Extended Performance Satisfaction Index) in Finland showed that the customer satisfaction among Fortum's customers improved clearly in 2007.

Capital expenditures, divestments and investments in shares

Capital expenditures and investments in shares in January-December totalled EUR 972 (1,395) million. Investments, excluding acquisitions, were EUR 655 (485) million.

POWER GENERATION

In September, Fortum participated in the share issue of the Russian TGC-1, subscribing to new shares in the company. The total value of Fortum's subscription was approximately EUR 243 million. With this subscription, Fortum maintained its 25.7% stake in TGC-1 and its position as the second largest shareholder of the company.

HEAT

In July 2007, Fortum acquired the district heating company EC Wojkowice in Poland. The annual heat sales of the company total some 64 GWh and electricity sales 320 MWh. The company has 34 employees.

The CHP projects in Suomenoja, Finland, in Czestochowa, Poland, and in Tartu, Estonia, are proceeding. The preparations are continuing for the CHP plants in Värtan and Brista in Sweden and in Järvenpää, Finland.

The ownership of Vattenfall's heat operations in Pärnu, Estonia and Riga, Latvia, were transferred to Fortum in January and February, respectively.

In November, Fortum Värme received environmental permit for the biofuel-based CHP plant in Värtan. The environmental permit also covers the installation of flue gas condensers in the existing units at the Värtan plant and this work is already on-going.

DISTRIBUTION

Fortum sold its slightly over 1/3 stake in JSC Lenenergo for approximately EUR 295 million. The decision to sell the Lenenergo shares is in line with Fortum's strategy in Russia to invest primarily in generation assets. The current business of Lenenergo is electricity distribution in the city of St. Petersburg and the Leningrad region.

The investments in automatic meters in Sweden amounted to EUR 64 million in 2007.

Financing

During the fourth quarter, Fortum's net debt increased by EUR 10 million. At year end, the interest-bearing net debt stood at EUR 4,466 (4,345) million, resulting in a total increase in net debt of EUR 121 million for the year. The increase in net debt is primarily linked to capital returns and ongoing investment programme. In April Fortum paid dividends

amounting to EUR 1,122 million. Net debt to EBITDA, excluding the nonrecurring gains, was 2.2 at the end of the quarter.

The Group's net financial expenses for the fourth quarter were EUR 37 (25) million and for the full year 2007 EUR 154 (103) million. The increase is mainly attributable to higher average net debt and somewhat higher average interest rates in 2007. However, net financial expenses include fair value gains on financial instruments of EUR 3 (6) million for the quarter and EUR 7 (30) million for the full year.

The average interest rate of Fortum's interest-bearing gross debt (including derivatives) in 2007 was 4.3% (4.1%).

Group liquidity remained good. Year-end cash and marketable securities totaled EUR 427 (157) million. In addition, the Group had a total of EUR 1.4 (1.3) billion available for drawings under committed credit facilities, including the EUR 1.2 billion syndicated revolving credit facility due in 2011 and bilateral overdraft facilities which are renewed on an annual basis.

During the year Fortum raised approx. EUR 850 million in new long-term financing to finance capital returns, maturing loans and the ongoing investment programme. The tenors of these financing arrangements varied between 5 and 10 years and consisted of a SEK 6.1 billion (approx. EUR 660 million) bond issue as well as bilateral loan contracts of SEK 1.75 billion (approx. EUR 190 million).

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

Shares and share capital

During 2007, a total of 787.4 (830.8) million Fortum Corporation shares totalling EUR 18,562 million were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the year, was EUR 27,319 million. The highest quotation of Fortum Corporation shares on the Helsinki Stock Exchange in 2007 was EUR 31.44, the lowest EUR 20.01, and the volume weighted average quotation EUR 23.73. The closing quotation on the last trading day of the year was EUR 30.81 (21.56).

Relating to the 2002B share option scheme, a total of 3.0 million options for a total of EUR 58.9 million were traded during 2007.

A total of 5,199,412 (13,759,621) shares subscribed on the basis of share option schemes were entered into the trade register in 2007. The Board of Directors of Fortum Corporation has cancelled a total of 5,910,000 repurchased Fortum shares according to the authorisation given to the Board of Directors in the Annual General Meeting of Shareholders on 28 March 2007. The average price for the repurchased own shares was EUR 29.69, the lowest price EUR 28.60 and the highest price EUR 30.63. At the end of 2007, Fortum Corporation did not own its own shares.

After registrations and the cancellation, Fortum Corporation's share capital is EUR 3,040,460,397.20 and the total number of registered shares is 886,683,058 (887,393,646) at the end of 2007. The share capital of Fortum Corporation increased by a total of EUR 17,678,000.80 (46,782,711).

At year end the amount of shares that can still be registered for under the share option schemes is a maximum of 0.2% (1,683,987 shares) of Fortum's 2007 year-end share capital and voting rights.

At year end, the Finnish state's holding in Fortum was 50.9%. The proportion of nominee registrations and direct foreign shareholders was 35.8%.

Currently, the Board of Directors has no unused authorisations from the Annual General Meeting of Shareholders to issue convertible loans or bonds with warrants or to issue new shares. The Board of Directors has an authorisation from the Annual General Meeting of Shareholders on 28 March 2007 to buy Fortum Corporation's own shares. The authorisation, amounting to EUR 300 million or 20 million shares, is valid until the next Annual General Meeting. In 2007, Fortum used this authorisation by repurchasing 5.91 million of its own shares at a total price of approximately EUR 175 million. These shares have been cancelled.

Group personnel

The average number of employees in the Group during the period from January to December was 8,304 (8,910). The number of employees at the end of the period was 8,303 (8,134).

Russia

Fortum's main holdings in Russia stem from its past ownership in JSC Lenenergo, an integrated power and heat company in the St. Petersburg region. In late 2005, the company's generation assets were spun-off and a regional generation company, TGC-1, was formed. JSC Lenenergo continued as a regional distribution company. In the third quarter 2007, Fortum sold its holding in JSC Lenenergo. The sale was in line with Fortum's strategy in Russia of focusing on power generation. Fortum maintained its 25.7% ownership in the regional generation company TGC-1.

Fortum is evaluating opportunities to participate in share issues and ownership restructurings in the Russian power generation sector in order to further strengthen its position in the Russian wholesale power market.

In October, Fortum sold its approximately 0.7% holding in the Russian Wholesale Generating Company 5 (WGC-5) for EUR 28 million.

Events after the period under review

The Norwegian Renewable Energy Corporation (REC) is partly owned by Fortum's associated company Hafslund ASA. Fortum shows the fair value changes of REC in equity. At year end, the cumulative fair value change booked in Fortum's equity was approximately EUR 790 million. REC's share price has decreased since the year end. Based on REC's closing price on 29 January, the cumulative fair value change in Fortum's equity would have been approximately EUR 400 million.

Outlook

The key market driver influencing Fortum's business performance is the Nordic wholesale price of electricity. Key drivers behind the wholesale price development are the Nordic hydrological situation and supply-demand balance, CO₂ emissions allowance prices and fuel prices. The Swedish krona exchange rate also affects Fortum's reported results, as results generated by Fortum in Sweden are translated into euros.

Fortum's financial results are exposed to a number of strategic, financial and operational risks. For further details on Fortum's risks and risk management, see Fortum's Operating and Financial Review and Financial Statements.

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

In mid-January 2008, the Nordic water reservoirs were about 9 TWh above the long-term average and 6 TWh above the corresponding level of 2007. In late-January, the market price for emissions allowances for 2008 was about EUR 20-21 per tonne of CO₂. At the same time, the electricity forward price for the rest of 2008 was around EUR 44-45 per MWh and for 2009 around EUR 49-51 per MWh.

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

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

At the beginning of January 2008, Fortum had hedged approximately 70% of the Power Generation segment's estimated Nordic electricity sales volume for the year 2008 at approximately EUR 44 per MWh. For the calendar year 2009, approximately 25% of the Power Generation segment's estimated Nordic electricity sales volume was hedged at approximately EUR 46 per MWh. These hedge ratios may vary significantly depending on Fortum's actions on the electricity derivatives markets. Hedge prices are also influenced by changes in the SEK/EUR exchange rates, as part of the hedges are conducted in SEK.

The Swedish government has increased nuclear capacity and hydro property tax rates. It has also introduced changes in the Swedish CO₂-tax. Fortum estimates that the additional cost from the tax rate increases and changes will be just under EUR 30 million in 2008.

Fortum's results in 2007 were good, despite challenging market conditions and low Nord Pool spot prices. The Group's financial position is strong. With its flexible and climate-benign production portfolio, Fortum continues to be well positioned for the future.

Dividend distribution proposal

The parent company's distributable equity as of 31 December 2007 amounted to EUR 3,119 million. After the end of the financial period there have 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 1.35 per share for 2007, totalling EUR 1 197 million based on the number of registered shares as of 30 January 2008. Of this total dividend, EUR 0.77 per share is to be paid from Fortum's recurring earnings. An additional dividend of EUR 0.58 per share is proposed in order to steer Fortum's capital structure towards the target.

Proposal of the Board of Directors to authorise the Board of Directors to decide to repurchase the company's own shares

The Board of Directors of Fortum Corporation proposes that the Annual General Meeting of Shareholders on 1 April 2008 will authorise the Board of Directors to decide to repurchase the company's own shares by using non-restricted equity. The authorisation is proposed to be valid until the next Annual General Meeting.

The shares will be repurchased in order to steer Fortum's capital structure towards the target.

The maximum amount of shares to be repurchased is 15 million shares. In addition, the amount of funds used for the repurchases may not exceed EUR 300 million.

The shares will be repurchased through public trading of the securities on the Helsinki Stock Exchange, which means that they will not be purchased in proportion to the holdings of the shareholders. The repurchase price of the shares will be based on the public trading price of Fortum shares.

Shares repurchased by the company shall be cancelled by a separate decision of the Board of Directors.

The Annual General Meeting will be held on 1 April 2008 at 1:00 pm at the Finlandia Hall in Helsinki.

Espoo, 30 January 2008
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 2007 financial statements and Fortum's auditors have issued their audit report on 2007 on 30 January 2008. The financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

Publication of results in 2008:

Interim Report January-March will be published on 24 April 2008

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

Interim Report January-December will be published on 22 October 2008

Distribution:

Helsinki Stock Exchange

Key media

www.fortum.com

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

CONSOLIDATED INCOME STATEMENT

MEUR	Note	Q4 2007	Q4 2006	2007	2006
Sales	4	1 320	1 254	4 479	4 491
Other income		84	56	393	80
Materials and services		-483	-453	-1 572	-1 673
Employee benefit costs		-136	-133	-495	-508
Depreciation, amortisation and impairment charges	4, 12	-115	-118	-451	-429
Other expenses		-150	-151	-507	-506
Operating profit		520	455	1 847	1 455
Share of profit of associates and joint ventures	4, 13	18	18	241	69
Interest expense		-64	-46	-220	-176
Interest income		27	12	76	50
Fair value gains and losses on financial instruments		3	6	7	30
Other financial expenses - net		-3	3	-17	-7
Finance costs - net		-37	-25	-154	-103
Profit before income tax		501	448	1 934	1 421
Income tax expense	9	-108	-87	-326	-301
Profit for the period		393	361	1 608	1 120
Attributable to:					
Equity holders of the Company		368	338	1 552	1 071
Minority interest		25	23	56	49
		393	361	1 608	1 120
Earnings per share for profit attributable to the equity holders of the company during the year (in €per share)	10				
Basic		0.41	0.39	1.74	1.22
Diluted		0.41	0.38	1.74	1.21

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CONSOLIDATED BALANCE SHEET

MEUR	Note	Dec 31 2007	Dec 31 2006
ASSETS			
Non-current assets			
Intangible assets	12	85	96
Property, plant and equipment	12	11 343	11 471
Investments in associates and joint ventures	4, 13	2 853	2 197
Share in State Nuclear Waste Management Fund	16	516	450
Other long-term investments		99	101
Deferred tax assets		3	5
Derivative financial instruments	6	153	103
Long-term interest bearing receivables		736	680
Total non-current assets		15 788	15 103
Current assets			
Inventories		285	329
Derivative financial instruments	6	140	198
Trade and other receivables		1 034	1 052
Cash and cash equivalents		427	157
Total current assets		1 886	1 736
Total assets		17 674	16 839
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	14	3 040	3 023
Other restricted funds		78	74
Fair value and other reserves		715	511
Retained earnings		4 526	4 300
Total		8 359	7 908
Minority interest		292	253
Total equity		8 651	8 161
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	15	4 288	4 060
Derivative financial instruments	6	139	134
Deferred tax liabilities		1 687	1 795
Nuclear provisions	16	516	450
Pension and other provisions		144	186
Other liabilities		486	485
Total non-current liabilities		7 260	7 110
Current liabilities			
Interest-bearing liabilities	15	605	442
Derivative financial instruments	6	260	198
Trade and other payables		898	928
Total current liabilities		1 763	1 568
Total liabilities		9 023	8 678
Total equity and liabilities		17 674	16 839

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CONSOLIDATED STATEMENT OF CHANGES IN TOTAL EQUITY

MEUR	Share capital	Other restricted funds	Fair value and other reserves	Treasury shares	Retained earnings	Attributable to the equity holders	Minority	Total
Total equity at 31.12.2006	3 023	74	511	-	4 300	7 908	253	8 161
Translation and other differences					-25	-25	-11	-36
Cash flow hedges			-168			-168	-2	-170
Other fair value adjustments ¹⁾			372			372		372
Total gains and losses not recognised in Income statement	-	-	204	-	-25	179	-13	166
Net profit for the period					1 552	1 552	56	1 608
Total recognised income for the period	-	-	204	-	1 527	1 731	43	1 774
Stock options exercised	17					17		17
Cash dividend ²⁾					-1 122	-1 122		-1 122
Repurchase of own shares				-175		-175		-175
Cancellation of own shares				175	-175	0		0
Changes between restricted and unrestricted equity		4			-4	0		0
Changes in minority through business combinations						0	-4	-4
Total equity at 31.12.2007	3 040	78	715	-	4 526	8 359	292	8 651
Total equity at 31.12.2005	2 976	72	-117	-	4 220	7 151	260	7 411
Translation and other differences					38	38	6	44
Cash flow hedges			198			198	-1	197
Other fair value adjustments			442			442		442
Total gains and losses not recognised in Income statement	-	-	640	-	38	678	5	683
Net profit for the period					1 071	1 071	49	1 120
Total recognised income for the period	-	-	640	-	1 109	1 749	54	1 803
Stock options exercised	47	2				49		49
Cash dividend ²⁾					-987	-987		-987
Repurchase of own shares				-30		-30		-30
Cancellation of own shares				30	-30	0		0
Change in the recognition of share performance arrangement			-12		-12	-24		-24
Changes in minority through business combinations						0	-61	-61
Total equity at 31.12.2006	3 023	74	511	0	4 300	7 908	253	8 161

¹⁾ Includes the fair value change of Renewable Energy Corporation (REC) shareholding in Hafslund and the effect of Hafslund's sale of REC shares.
See Note 13 Changes in investments in associates and joint ventures.

²⁾ See Note 11 Dividends.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

MEUR	Note	Q4 2007	Q4 2006	2007	2006
Cash flow from operating activities					
Operating profit before depreciations		635	573	2 298	1 884
Non-cash flow items and divesting activities		-18	-71	-286	-92
Financial items and realised foreign exchange gains and losses		-99	-116	-10	-89
Taxes		-63	-114	-383	-374
Funds from operations		455	272	1 619	1 329
Change in working capital		-110	-180	51	-178
Total net cash from operating activities		345	92	1 670	1 151
Cash flow from investing activities					
Capital expenditures ¹⁾	4, 12	-251	-188	-592	-485
Acquisition of subsidiaries, net of cash acquired	7	0	-2	-10	-754
Acquisition of associates ²⁾	13	-26	-123	-271	-124
Acquisition of other long-term investments		-2	-19	-4	-21
Proceeds from sales of fixed assets		2	73	14	83
Proceeds from sales of subsidiaries, net of cash disposed	7	0	10	0	11
Proceeds from sales of associates	13	2	1	304	30
Proceeds from sales of other long-term investments		29	-	29	1
Change in interest-bearing receivables		-23	-6	-79	-47
Total net cash used in investing activities		-269	-254	-609	-1 306
Cash flow before financing activities		76	-162	1 061	-155
Cash flow from financing activities					
Net change in loans		-291	-505	488	492
Dividends paid to the Company's equity holders		0	0	-1 122	-987
Repurchase of own shares		-175	0	-175	-30
Other financing items		2	21	18	49
Total net cash used in financing activities		-464	-484	-791	-476
Total net increase (+)/decrease (-) in cash and marketable securities		-388	-646	270	-631

¹⁾ Capital expenditures in cash-flow do not include not yet paid investments. Capitalised borrowing costs are included in interest costs paid.

²⁾ Acquisition of associates include share issues.

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KEY RATIOS

	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	March 31 2006
MEUR								
EBITDA, MEUR	2 298	1 663	1 040	602	1 884	1 311	979	570
Earnings per share (basic), EUR	1.74	1.33	0.85	0.59	1.22	0.83	0.64	0.39
Capital employed, MEUR	13 544	13 764	13 503	12 593	12 663	12 216	12 121	10 605
Interest-bearing net debt, MEUR	4 466	4 456	4 610	3 932	4 345	4 159	4 308	3 900
Capital expenditure and gross investments in shares, MEUR	972	646	253	115	1 395	1 063	935	114
Capital expenditure, MEUR	655	382	236	100	485	297	174	71
Return on capital employed, % ¹⁾	16.5	15.1	14.8	18.0	13.4	12.5	14.6	19.4
Return on shareholders' equity, % ¹⁾	19.1	17.8	17.2	21.1	14.4	13.7	16.3	21.4
Net debt / EBITDA ¹⁾	1.9	2.1	2.2	1.6	2.3	2.4	2.2	1.7
Adjusted Net debt / EBITDA ²⁾	2.2	2.3						
Interest coverage	12.8	12.4	11.5	15.3	11.5	10.9	13.7	16.9
Funds from operations/interest-bearing net debt, % ¹⁾	36.3	33.9	36.1	45.5	30.6	33.9	36.5	49.6
Gearing, %	52	52	58	52	53	57	60	60
Equity per share, EUR	9.43	9.21	8.68	8.22	8.91	7.97	7.83	7.11
Equity-to-assets ratio, %	49	48	46	43	48	43	43	44
Average number of employees	8 304	8 305	8 257	8 165	8 910	9 085	9 024	8 886
Average number of shares, 1 000 shares	889 997	890 984	890 770	890 263	881 194	880 695	880 508	880 725
Diluted adjusted average number of shares, 1 000 shares	891 395	892 815	893 140	893 252	886 929	891 217	891 451	892 406
Number of registered shares, 1 000 shares	886 683	892 119	891 472	890 685	887 394	883 274	882 708	881 546
Number of shares excluding treasury shares, 1000 shares	N/A	N/A	N/A	N/A	N/A	881 614	881 048	N/A

¹⁾ Quarterly figures are annualised.

²⁾ Based on EBITDA excluding capital gain from the sale of Fortum's holding in Lenenergo amounting to EUR 232 million.
For definitions, see Note 23.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the EU.

The condensed interim financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2006, except for changes listed below.

The following new standards, amendments to standards and interpretations that have been considered to be relevant for the Group have been adopted by the Group as of 1 January 2007.

- IFRS 7 Financial Instruments: Disclosures and a complementary amendment to IAS 1, Presentation of Financial statements - Capital disclosures. IFRS 7 introduces new disclosure requirements relating to financial instruments. The standard does not have any impact on the classification or valuation of the Group's financial instruments as such.
- IFRIC 9 Reassessment of Embedded derivatives. The interpretation requires the determination of whether the arrangement contains embedded derivatives, which have to be reported separately as derivative instruments.
- IFRIC 10 Interim Financial Reporting and Impairment: IFRIC 10 denies to reverse the impairment charge reported in interim report at later closing dates of the financial year.

These newly adopted standards and interpretations have not had any effect on the reported income statement, balance sheet or disclosures.

The following interpretations are mandatory for the financial year ending 31 December 2007, but not relevant for the Group.

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies.
- IFRIC 8 Scope of IFRS 2.

For further information on accounting of associates, see Note 13 below.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expense. Annual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended 31 December 2006.

4. PRIMARY SEGMENT INFORMATION

SALES BY SEGMENT

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation	685	667	2 350	2 439
- of which internal	5	36	323	-133
Heat	439	381	1 356	1 268
- of which internal	-1	-5	38	-32
Distribution	206	210	769	753
- of which internal	3	2	9	8
Markets	482	529	1 683	1 912
- of which internal	49	43	155	149
Other	21	19	81	78
- of which internal	20	16	72	62
Eliminations ¹⁾	-513	-552	-1 760	-1 959
Total	1 320	1 254	4 479	4 491

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

OPERATING PROFIT BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation	363	290	1 125	980
Heat	121	119	294	264
Distribution	51	74	465	252
Markets	2	-18	12	-6
Other	-17	-10	-49	-35
Total	520	455	1 847	1 455

COMPARABLE OPERATING PROFIT BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation	363	289	1 093	985
Heat	120	95	290	253
Distribution	50	77	231	250
Markets	-1	-8	-1	-4
Other	-16	-13	-49	-47
Comparable operating profit	516	440	1 564	1 437
Non-recurring items	13	38	250	61
Other items effecting comparability	-9	-23	33	-43
Operating profit	520	455	1 847	1 455

NON-RECURRING ITEMS BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation	12	22	14	29
Heat	1	16	2	20
Distribution	0	-1	232	2
Markets	-1	0	0	0
Other	1	1	2	10
Total	13	38	250	61

OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation ¹⁾	-12	-21	18	-34
Heat	0	8	2	-9
Distribution	1	-2	2	0
Markets	4	-10	13	-2
Other	-2	2	-2	2
Total	-9	-23	33	-43

¹⁾ Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):

-7	-4	17	0
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DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation	24	27	102	108
Heat	43	43	163	144
Distribution	43	39	162	147
Markets	2	5	11	19
Other	3	4	13	11
Total	115	118	451	429

SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation ¹⁾	2	12	196	30
Heat	8	7	24	23
Distribution	5	0	18	15
Markets	3	0	3	1
Other	0	-1	0	0
Total	18	18	241	69

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 2007	Dec 31 2006
Power Generation	2 455	1 752
Heat	158	150
Distribution	232	287
Markets	8	8
Other	0	0
Total	2 853	2 197

CAPITAL EXPENDITURE BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation	32	33	93	95
Heat	120	74	309	184
Distribution	117	76	236	183
Markets	1	0	3	8
Other	3	5	14	15
Total	273	188	655	485

GROSS INVESTMENTS IN SHARES BY SEGMENTS

MEUR	Q4 2007	Q4 2006	2007	2006
Power Generation	52	141	297	145
Heat	1	3	18	589
Distribution	1	0	1	130
Markets	0	0	0	6
Other	-1	0	1	40
Total	53	144	317	910

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NET ASSETS BY SEGMENTS

	Dec 31 2007	Dec 31 2006
MEUR		
Power Generation	7 148	6 734
Heat	3 507	3 407
Distribution	3 243	3 412
Markets	247	176
Other and Eliminations	140	85
Total	14 285	13 814

RETURN ON NET ASSETS BY SEGMENTS

	Dec 31 2007	Dec 31 2006
%		
Power Generation	19.2	16.1
Heat	9.3	9.6
Distribution	14.5	8.4
Markets	6.9	-1.6

COMPARABLE RETURN ON NET ASSETS BY SEGMENTS

	Dec 31 2007	Dec 31 2006
%		
Power Generation ¹⁾	17.7	16.9
Heat	9.2	9.2
Distribution	7.5	8.3
Markets	-0.6	-0.8

¹⁾ Excluding approximately EUR 180 million gain in relation to Hafslund's divestment of REC-shares included in the share of profits of associates and joint ventures. From Q4 the REC-shares have been excluded from the net assets as well. 2006 have been restated accordingly.

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

	Dec 31 2007	Dec 31 2007
MEUR		
Power Generation	7 724	7 131
Heat	3 928	3 870
Distribution	3 782	3 911
Markets	630	618
Other and Eliminations	274	255
Assets included in Net assets	16 338	15 785
Interest-bearing receivables	747	693
Deferred taxes	3	5
Other assets	159	199
Cash and cash equivalents	427	157
Total assets	17 674	16 839

LIABILITIES BY SEGMENTS

	Dec 31 2007	Dec 31 2006
MEUR		
Power Generation	576	397
Heat	421	463
Distribution	539	499
Markets	383	442
Other and Eliminations	134	170
Liabilities included in Net assets	2 053	1 971
Deferred tax liabilities	1 687	1 795
Other	390	410
Total liabilities included in Capital employed	4 130	4 176
Interest-bearing liabilities	4 893	4 502
Total equity	8 651	8 161
Total equity and liabilities	17 674	16 839

AVERAGE NUMBER OF PERSONNEL

	2007	2006
Power Generation	3 475	4 147
Heat	2 302	2 345
Distribution	1 060	983
Markets	936	825
Other	531	610
Total	8 304	8 910

5. QUARTERLY PRIMARY SEGMENT INFORMATION

Extended quarterly information is available on Fortum's website [www.fortum.com/investors/financial information](http://www.fortum.com/investors/financial%20information).

QUARTERLY SALES BY SEGMENTS

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
MEUR								
Power Generation	685	502	522	641	667	569	560	643
- of which internal	5	70	92	156	36	-102	-17	-50
Heat	439	186	252	479	381	178	229	480
- of which internal	-1	4	11	24	-5	-12	-7	-8
Distribution	206	166	172	225	210	162	162	219
- of which internal	3	2	2	2	2	2	2	2
Markets	482	331	351	519	529	436	400	547
- of which internal	49	30	32	44	43	30	35	41
Other	21	19	22	19	19	19	20	20
- of which internal	20	17	19	16	16	16	15	15
Eliminations	-513	-344	-360	-543	-552	-418	-423	-566
Total	1 320	860	959	1 340	1 254	946	948	1 343

QUARTERLY OPERATING PROFIT BY SEGMENTS

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
MEUR								
Power Generation	363	220	244	298	290	184	222	284
Heat	121	-2	33	142	119	-15	41	119
Distribution	51	282	53	79	74	42	55	81
Markets	2	15	7	-12	-18	6	3	3
Other	-17	-5	-10	-17	-10	-1	-9	-15
Total	520	510	327	490	455	216	312	472

QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
MEUR								
Power Generation	363	184	218	328	289	195	208	293
Heat	120	-3	36	137	95	-3	35	126
Distribution	50	50	53	78	77	39	53	81
Markets	-1	11	3	-14	-8	2	2	0
Other	-16	-4	-12	-17	-13	-8	-12	-14
Total	516	238	298	512	440	225	286	486

QUARTERLY NON-RECURRING ITEMS BY SEGMENTS

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
MEUR								
Power Generation	12	0	2	0	22	1	6	0
Heat	1	0	1	0	16	-1	4	1
Distribution	0	232	-1	1	-1	1	2	0
Markets	-1	1	0	0	0	0	0	0
Other	1	-1	2	0	1	7	3	-1
Total	13	232	4	1	38	8	15	0

QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
MEUR								
Power Generation ¹⁾	-12	36	24	-30	-21	-12	8	-9
Heat	0	1	-4	5	8	-11	2	-8
Distribution	1	0	1	0	-2	2	0	0
Markets	4	3	4	2	-10	4	1	3
Other	-2	0	0	0	2	0	0	0
Total	-9	40	25	-23	-23	-17	11	-14

1) Including effects from the accounting of Fortum's part of the Finnish State Nuclear Waste Management Fund with (EUR million):

	-7	33	-4	-5	-4	-3	11	-4
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6. FINANCIAL RISK MANAGEMENT

The Group has not made any significant change in policies regarding risk management during the period. Aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2006.

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

DERIVATIVES

MEUR	Dec 31 2007		Dec 31 2006	
	Notional value	Net fair value	Notional value	Net fair value
Interest and currency derivatives				
Interest rate swaps	3 500	-16	3 021	3
Forward foreign exchange contracts	4 452	30	5 256	-61
Forward rate agreements	741	0	-	-
Interest rate and currency swaps	3 293	66	2 575	-76
Electricity derivatives				
	Volume	Net fair value	Volume	Net fair value
	TWh	MEUR	TWh	MEUR
Sales swaps	119	-651	134	515
Purchase swaps	88	461	101	-426
Purchased options	0	0	0	0
Written options	2	-1	3	3
Oil derivatives				
	Volume	Net fair value	Volume	Net fair value
	1000 bbl	MEUR	1000 bbl	MEUR
Sales swaps and futures	460	-4	180	0
Purchase swaps and futures	795	9	897	0
Coal derivatives				
	Volume	Net fair value	Volume	Net fair value
	kt	MEUR	kt	MEUR
Sold	150	-1	-	-
Bought	375	1	-	-
CO2 emission allowance derivatives				
	Volume	Net fair value	Volume	Net fair value
	ktCO2	MEUR	ktCO2	MEUR
Sold	3 101	-13	405	0
Bought	3 121	13	418	0
Share derivatives				
	Notional value	Net fair value	Notional value	Net fair value
	MEUR	MEUR	MEUR	MEUR
Share forwards ¹⁾	36	66	24	37

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

7. ACQUISITIONS AND DISPOSALS

No acquisitions or disposals of shares in subsidiaries which have a material effect on Fortum's income statement and balance sheet has been made during 2007. Gross investment in subsidiary shares (see definition of key figures) amounted to EUR 18 million.

Fortum acquired in the beginning of July 100% of the shares in EC Wojkowice. The acquired company in Poland concentrates on district heating production and sales in three cities. The company also sells electricity. The annual heat sales are around 64 GWh and electricity sales 320 MWh. The number of employees is 34.

Fortum acquired in January 2007 100% of the shares in Vattenfall Estonia AS and Vattenfall Latvia SIA from Vattenfall. The acquired company in Estonia provides district heat and natural gas in the city of Pärnu. Its district heat network are the fourth biggest in Estonia. The annual heat sales is 190 GWh, sales EUR 5.4 million and number of employees 58. The district heat business in Pärnu has been integrated to the current countrywide heat operations of Fortum Termest AS during the last quarter.

The acquired company in Latvia provides heat to Riga airport. The annual heat sales are around 12 GWh and sales around EUR 0.5 million. The acquisition provides a platform for Fortum to Latvian heat market.

Fortum has also acquired additional shares in its subsidiaries in Poland, Fortum Czeszochowa SA 11.11% (total ownership 98.71%), Fortum Wroclaw 0.92% (total ownership of 99.17%), Fortum Plock SA 0.91% (total ownership of 98.66%) and Fortum DZT SA 0.63 % (total ownership 99.92%).

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8. EXCHANGE RATES

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

	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	March 31 2006
Average rate								
Sweden (SEK)	9.2475	9.2185	9.2020	9.1787	9.2637	9.3110	9.3329	9.3798
Norway (NOK)	8.0253	8.0466	8.1205	8.1563	8.0376	7.9753	7.9396	8.0171
Poland (PLN)	3.7792	3.8285	3.8439	3.8858	3.8965	3.9139	3.8991	3.8569
Russia (RUB)	35.0759	34.8320	34.6997	34.5633	34.1475	34.0533	34.0044	33.7305
Balance sheet date rate								
Sweden (SEK)	9.4415	9.2147	9.2525	9.3462	9.0404	9.2797	9.2385	9.4315
Norway (NOK)	7.9580	7.7185	7.9725	8.1190	8.2380	8.2350	7.9360	7.9675
Poland (PLN)	3.5935	3.7730	3.7677	3.8668	3.8310	3.9713	4.0546	3.9425
Russia (RUB)	35.9860	35.3490	34.8070	34.6580	34.6800	33.9420	34.2400	33.5460

9. INCOME TAX EXPENSE

Tax rate according to the income statement for the period January to December 2007 was 16.9% (21.2%). The tax rate for the period is low mainly due to the impact of Hafslund's sale of REC shares in March 2007 which impacted the share of profits from associates for the period with approximately EUR 180 million and the capital gain, EUR 232 million, from sale of JSC Lenenergo shares in August 2007. The tax rate used in the income statement is always impacted by the fact that share of profits of associates and joint ventures is recorded based on Fortum's share of profits after tax. The tax rate calculated excluding the share of profits from associates and joint ventures and excluding the sales gain for the sale of the Lenenergo shares was 22.3% (22.3%).

10. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

	2007	2006
Earnings (MEUR):		
Profit attributable to the equity holders of the Company (EUR million)	1 552	1 071
Number of shares (thousands):		
Weighted average number of shares for the purpose of basic earnings per share	889 997	881 194
Effect of dilutive share options	1 398	5 735
Weighted average number of shares for the purpose of diluted earnings per share	891 395	886 929

11. DIVIDEND PER SHARE

A dividend in respect of 2007 of EUR 1.35 per share, amounting to a total dividend of EUR 1,197 million based on the number of shares registered as of 30 January 2008, is to be proposed at the Annual General Meeting on 1 April 2008. Of this total dividend, EUR 0.77 per share is to be paid from Fortum's recurring earnings. An additional dividend of EUR 0.58 per share is proposed in order to steer Fortum's capital structure. These financial statements do not reflect this dividend.

The Annual General Meeting on 28 March 2007 decided to distribute a dividend of EUR 1.26 per share to the shareholders of which EUR 0.73 per share is in accordance with the Group's dividend policy. An additional dividend of EUR 0.53 per share was decided to steer Fortum's capital structure towards agreed target. The total dividend amounts to EUR 1,122 million based on the amount of shares registered as of 2 April 2007. The dividend was paid on 11 April 2007.

In 2006 the total dividend amounted to EUR 1.12 per share of which EUR 0.54 per share was attributable to the profit from discontinued operations. The total dividend amounted to EUR 987 million and the dividend was paid on 28 March 2006.

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

MEUR	Dec 31 2007	Dec 31 2006
Opening balance	11 567	10 256
Acquisition of subsidiary companies	16	1 008
Capital expenditures	655	485
Changes of nuclear asset retirement cost	25	14
Changes of emission rights	-9	9
Disposals	-11	-78
Depreciation, amortisation and impairment	-451	-429
Translation differences	-364	302
Closing balance	11 428	11 567

13. CHANGES IN INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

MEUR	Dec 31 2007	Dec 31 2006
Opening balance	2 197	1 610
Share of profits of associates and joint ventures	241	69
Investments	1	124
New share issues and shareholders' contributions	294	0
Divestments	-68	-5
Dividend income received	-178	-39
Fair value and other changes in equity	366	438
Closing balance	2 853	2 197

Accounting for the share of profits from Hafslund ASA

According to Fortum Group accounting policies the share of profits from Hafslund has been included in Fortum Group figures based on the previous quarter information since Hafslund's interim reports are published later than Fortum's interim reports. Hafslund will publish January-December 2007 results on 8 February 2008.

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

Since REC has been listed on the Oslo stock exchange as of 9 May 2006, Fortum is accounting for the fair value change in REC based on the closing price on the Oslo stock exchange at each closing date. The amount of shares is based on the amount published by Hafslund in the previous quarter if other information is not available.

Hafslund sold 35 million shares in REC in March 2007. In accordance with the accounting policy Fortum recognised approximately EUR 180 million in relation to Hafslund's divestment of REC shares as a part of the share of profits from associates and joint ventures in Q1 2007. The cumulative fair value change in Fortum's equity based on the remaining number of shares reported by Hafslund was approximately EUR 790 million at 31 December 2007.

Share issues

In September Fortum participated in the share issue of Russian Territorial Generating Company 1 (TGC-1) subscribing to 243,691,499,640 new shares in the company. At 0.035 rubles per share, the total value of Fortum's subscription was approximately 8.5 billion rubles or EUR 243 million. With this subscription, Fortum maintained its 25.7% stake in TGC-1 and its position as the second largest shareholder of the company.

Fortum also participated in the share issue of Teollisuuden Voima Oy (TVO) with a total amount of EUR 49 million. Olkiluoto 3, the nuclear power plant being built by TVO, is funded through share issues and shareholder loans according to shareholder agreements between the owners of TVO.

Dividends received

Fortum has received a total of EUR 179 million in dividend income from associated companies, of which the dividend from Hafslund represents EUR 145 million.

Divestment of JSC Lenenergo

In August Fortum sold its slightly over 1/3 stake in JSC Lenenergo for approximately EUR 295 million. The buyers were VTB Bank, I.D.E. Electricity Distribution Investments 1 Ltd and the Russian energy company RAO UES. As a consequence, Fortum has booked an after tax gain of EUR 232 million. The sales gain is presented in Other income.

14. SHARE CAPITAL

MEUR	Number of shares	Share capital
Registered shares at 1 January 2007	887 393 646	3 023
Shares subscribed with options and registered by 31 Dec 2007	5 199 412	17
Cancellation of own shares	-5 910 000	
Registered shares at 31 Dec 2007	886 683 058	3 040
Unregistered shares	50 000	
<hr/>		
MEUR	Number of shares	Share capital
Registered shares at 1 January 2006	875 294 025	2 976
Shares subscribed with options and registered by 31 Dec 2006	13 759 621	47
Cancellation of own shares	-1 660 000	
Registered shares at 31 Dec 2006	887 393 646	3 023
Unregistered shares	74 700	

15. INTEREST-BEARING LIABILITIES

During the year Fortum raised SEK 7,850 million (EUR 831 million) of new long-term financing which was used partly to refinance maturing SEK and EUR denominated loans of EUR 441 million. The maturities of the new financing arrangements varied between 5 and 10 years and consisted of two in total SEK 6,100 million (EUR 646 million) bonds issued under Fortum's Euro Medium Term Note programme, as well as two bilateral loan arrangements of in total SEK 1,750 million (EUR 185 million). The reported interest-bearing debt increased by EUR 391 million to EUR 4,893 (4,502) million at year end.

During the fourth quarter 2007, overdraft facilities amounting to EUR 150 million, SEK 500 million and NOK 100 million was established replacing overdraft facilities of EUR 325 million and SEK 1,000 million (EUR 106 million). The new overdraft agreement runs for one year. As per year end none of the overdraft facilities were drawn.

The Nybroviken Kraft AB (Nykab) financing arrangement of Swedish hydropower assets originally established in 1990, consisting of loans (SEK 2,000 million) and preference shares (SEK 890 million classified as interest-bearing liability according to IAS 32 and IAS 39), was terminated on 31 October 2007, by Fortum Generation AB exercising its call option to purchase all outstanding loans and preference shares under the agreement. The termination of the financing arrangement had a negative cash-flow effect on the quarter and the full year as accrued interest gradually accumulating since the start of the agreement amounting to EUR 58 million (SEK 543 million) was settled and paid. The assets that were pledged as a security for the loans, have been released.

16. NUCLEAR RELATED ASSETS AND LIABILITIES

MEUR	Dec 31 2007	Dec 31 2006
Carrying values in the balance sheet:		
Nuclear provisions	516	450
Share in the State Nuclear Waste Management Fund	516	450
Legal liability and actual share of the State Nuclear Waste Management Fund:		
Liability for nuclear waste management according to the Nuclear Energy Act (without proposed change, see below)	816	685
Funding obligation target for current year	698	649
Fortum's share of the State Nuclear Waste Management Fund	673	636

Fortum submitted the yearly proposal for the nuclear waste management liability regarding the Loviisa nuclear power plant to the Ministry of Employment and the Economy (previously the Ministry of Trade and Industry) in September. The liability is calculated according to the Nuclear Energy Act and is decided by the Ministry of Employment and the Economy in January every year. The proposal is based on an updated cost estimate, which is done every year, and on a new technical plan, which is made every third year. Based on the new plan, the future costs are estimated to increase mainly due to the new technical solution related to filling material for the tunnels in the final repository.

According to the Nuclear Energy Act, Fortum is obligated to contribute the funds in full to the State Nuclear Waste Management Fund to cover the legal liability. Fortum applied for periodisation of the payments to the Fund, due to the proposed increase in the legal liability, over six years based on the law. The application was approved by Council of State in December 2007.

The legal liability at the end of 2007, based on the decision by the Ministry of Employment and the Economy and calculated according to the Nuclear Energy Act in Finland, is EUR 816 million. The carrying value of the nuclear provision in the balance sheet, calculated according to IAS 37, have increased with EUR 66 million compared to 31 December 2006, totalling EUR 516 million as of 31 December 2007. The increase of the provision has caused a negative one-time effect of EUR 13 million in comparable operating profit in Q3 2007 due to higher nuclear waste management costs related to already spent fuel. The main reason for the difference between the carrying value of the provision and the legal liability is the fact that the legal liability is not discounted to net present value.

The proposal to the Council of State for periodisation of the payments to the State Nuclear Waste Management Fund has an impact on cash-flow, but also on operating profit since the carrying value of the Fund cannot exceed the carrying value of the nuclear provision according to IFRIC Interpretation 5. The Fund is from an IFRS perspective overfunded with EUR 157 million, since Fortum's share of the Fund as of 31 December 2007 is EUR 673 million and the carrying value in the balance sheet is EUR 516 million.

Operating profit for 2007 includes a positive cumulative adjustment of EUR 17 (0) million, due to the increase of the carrying value of the Fund in the balance sheet as a result of the increased provision. The positive effect on Q3 2007 was EUR 33 (-2) million. In Q4 the adjustment is negative, EUR -7 (-4) million, since the value of the Fund has increased more than the carrying value of the provision. These adjustments are included in "Other items effecting comparability" in the Power Generation segment, see Note 4 Primary segment information, and are not included in comparable operating profit. As long as the Fund stays overfunded from an IFRS perspective, positive accounting effects to Operating profit will always occur when the nuclear provision is increasing more than the net payments to the Fund. Negative accounting effects will occur when the net payments to the Fund are higher than the increase of the provision.

The funding obligation target for the current year is decided by the Ministry of Employment and the Economy in January when the legal liability has been decided. The difference between the funding obligation target for Fortum and Fortum's share of the State Nuclear Waste Fund is paid in Q1. The funding obligation target corresponding to the new legal liability and the new decision for periodisation of payments to the Fund, amounts to EUR 698 (649) million. The difference between the legal liability at year end 2007 and the corresponding funding obligation target for 2007, EUR 25 (13) million, is covered by a security which has been given in the end of June 2007.

17. PLEDGED ASSETS

MEUR	Dec 31 2007	Dec 31 2006
On own behalf		
For debt		
Pledges	170	176
Real estate mortgages	138	49
For other commitments		
Real estate mortgages	103	56
On behalf of associated companies and joint ventures		
Pledges and real estate mortgages	3	3

Pledged assets for debt

In Q4 2007, Fortum terminated the financing agreement with AP-fonden relating to it's Swedish subsidiary, Nybroviken Kraft AB. Shares in subsidiaries and associated companies to Nybroviken Kraft AB amounting to EUR 51 million as of 31 december 2006, that had been pledged as security for the loan, were hereby released.

Finnish participants in the State Nuclear Waste Management Fund are allowed to borrow from the Fund. In Q1 2007 Fortum increased the reborrowing from the Fund and therefore pledged additional Kemijoki shares as a security. The total amount of shares pledged have a carrying value of EUR 145 million (102 million) as of 31 December 2007 (and 31 December 2006 respectively).

In Q3 2007 Fortum Tartu in Estonia (60% owned by Fortum) has given real estate mortgages for a value of EUR 95 million as a security for an external loan.

Pledged assets for other commitments

In Q2 2007 Fortum increased the real estate mortgages in Naantali and Inkoo power plants in Finland, total value of EUR 102 million (56 million) as of 31 December 2007, given as a security to the State Nuclear Waste Management Fund for the uncovered part of the legal liability, uncertainties and unexpected events. See also Note 16.

18. COMMITMENTS

MEUR	Dec 31 2007	Dec 31 2006
Operating lease commitments		
Due within a year	21	20
Due after one year and within five years	31	38
Due after five years	69	78
Total	121	136

Capital commitments for the purchase of property, plant and equipment and intangible assets amounts to EUR 436 million as at 31 December 2007 (EUR 266 million at year end 2006).

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19. CONTINGENT LIABILITIES

MEUR	Dec 31 2007	Dec 31 2006
On own behalf		
Other contingent liabilities	224	144
On behalf of associated companies and joint ventures		
Guarantees	235	213
Other contingent liabilities	125	125
On behalf of others		
Guarantees	10	12
Other contingent liabilities	1	1

Other contingent liabilities on own behalf, EUR 224 million, have increased with EUR 80 million since 31 December 2006. The main reason for the increase is guarantees given to suppliers for the new CHP plant being built in Czestochowa in Poland.

20. LEGAL ACTIONS AND OFFICIAL PROCEEDINGS

The Swedish Energy Market Authority, Energimyndigheten, has given decisions concerning pricing at three electricity distribution areas of Fortum in 2003. According to the decisions Fortum would have to return about EUR 25 million of the collected distribution charges. Fortum has appealed against the decision to the County Administrative Court, because the theoretical grid model the authority applies as its basis does not correspond to the actual circumstances. All the other distribution companies that got similar decisions have also appealed. The decisions will not be efficient until the appeal processes have been finished. No provision or contingent liability in relation to this decision has been recognised.

21. RELATED PARTY TRANSACTIONS

Related party transactions are described in the annual financial statements as of the year ended 31 December 2006. No material changes have occurred during the period.

The Finnish State owned 50.82% of the shares in Fortum 31 December 2006. After the changes in amount of shares during 2007, increase in amount of shares due to the share subscriptions under the option schemes and decrease due to cancellation of repurchased own shares, the Finnish state owned 50.86% of the Company's shares at the end of the year.

ASSOCIATED COMPANY TRANSACTIONS

MEUR	Dec 31 2007	Dec 31 2006
Sales to associated companies	129	101
Interest on associated company loan receivables	26	20
Purchases from associated companies	519	487

ASSOCIATED COMPANY BALANCES

MEUR	Dec 31 2007	Dec 31 2006
Long-term interest-bearing loan receivables	636	575
Trade receivables	17	28
Other receivables	7	7
Long-term loan payables	171	164
Trade payables	25	12
Other payables	53	23

TRANSACTIONS AND BALANCES WITH JOINT VENTURES

Transactions and balances with joint ventures as at and for the period ended 31 December 2007 are not material for the Group.

22. EVENTS AFTER THE BALANCE SHEET DATE

Norwegian Renewable Energy Corporation (REC) is partly owned by Fortum's associated company Hafslund ASA. Fortum shows the fair value changes of REC in equity. At year end, the cumulative fair value change booked in Fortum's equity was approximately EUR 790 million. REC's share price has decreased since the year end. Based on REC's closing price on 29 January, the cumulative fair value change in Fortum's equity would have been approximately EUR 400 million.

23. DEFINITION OF KEY FIGURES

EBITDA (Earnings before interest, taxes, depreciation and amortisation)	=	Operating profit + Depreciation, amortisation and impairment charges	
Comparable operating profit	=	Operating profit - non-recurring items - other items effecting comparability	
Non-recurring items	=	Mainly capital gains and losses	
Other items effecting comparability	=	Includes effects from financial derivatives hedging future cash-flows where hedge accounting is not applied according to IAS 39 and effects from the accounting of Fortum's part of the Finnish Nuclear Waste Fund where the asset in the balance sheet cannot exceed the related liabilities according to IFRIC interpretation 5.	
Funds from operations (FFO)	=	Net cash from operating activities before change in working capital	
Capital expenditure	=	Capitalised investments in property, plant and equipment and intangible assets including maintenance, productivity, growth and investments required by legislation including borrowing costs capitalised during construction period. Maintenance investments expand lifetime of an existing asset, maintain useage/availability and/or maintains reliability. Productivity improves productivity an existing asset. Growth investments' purpose is to build new assets and/or to increase customer base within existing businesses. Legislation investments are done at certain point of time due to legal requirements.	
Gross investments in shares	=	Investments in subsidiary shares, shares in associated companies and other shares in available for sale financial assets. Investments in subsidiary shares are net of cash and grossed with interest-bearing liabilities in the acquired company.	
Return on shareholders' equity, %	=	$\frac{\text{Profit for the year}}{\text{Total equity average}}$	x 100
Return on capital employed, %	=	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Capital employed average}}$	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, %	=	$\frac{\text{Comparable operating profit + Share of profit (loss) in associated companies and joint ventures (adjusted for IAS 39 effects and major sales gains or losses)}}{\text{Comparable net assets average}}$	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-to-assets ratio, %	=	$\frac{\text{Total equity including minority interest}}{\text{Total assets}}$	x 100
Net debt / EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{Operating profit + Depreciation, amortisation and impairment charges}}$	
Interest coverage	=	$\frac{\text{Operating profit}}{\text{Net interest expenses}}$	
Earnings per share (EPS)	=	$\frac{\text{Profit for the period - minority interest}}{\text{Average number of shares during the period}}$	
Equity per share, EUR	=	$\frac{\text{Shareholder's equity}}{\text{Number of shares excluding treasury shares at the end of the period}}$	
Last twelve months	=	Twelve months preceding the reporting date	