

A photograph of a beach at sunset. The sun is a large, bright orange circle in the sky, casting a warm glow over the scene. In the foreground, a person is sitting in a wheelchair, facing away from the camera towards the water. To the left, there is a large, dark beach umbrella. In the background, several other people are visible, some standing and some walking, silhouetted against the bright light of the setting sun. The water is calm, reflecting the colors of the sky.

Fortum Corporation Interim Report January-June 2012

19 July 2012

Disclaimer

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Fortum shares.

Past performance is no guide to future performance, and persons needing advice should consult an independent financial adviser.

The market environment continued challenging

Nordic countries

- Power consumption in the Nordic countries on last years' level; despite decreased industrial consumption
- Nordic system spot prices were clearly lower than in 2011
 - Nordic water reservoir level have been on surplus compared to the long-term average also throughout the second quarter
 - CO₂-emission allowance prices lower than in 2011

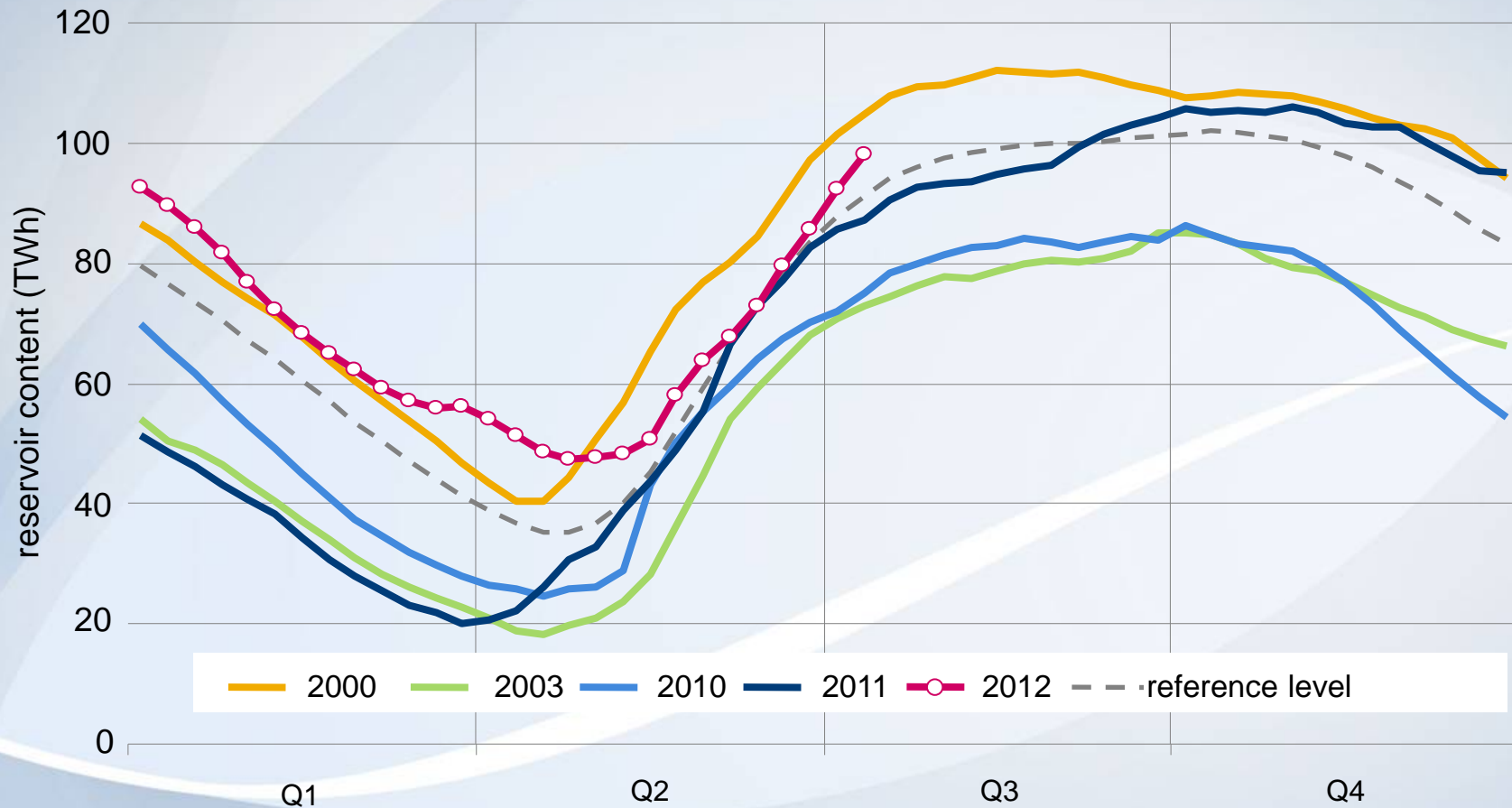
Russia

- Marginally decreased power consumption in the areas Fortum operates in
- Spot price for power lower than during the same period last year

Summary of the second quarter 2012

- Satisfactory results in a extremely demanding business environment
- Fortum's achieved power price clearly lower than last year
- Hydro generation increased
- Nuclear availability good, prolonged outages in Oskarshamn
- Some further postponements in the commissionings of Nyagan 1 and 2 - no change to overall schedule or financial targets of the investment programme

Nordic water reservoir levels continued to be above long-term average



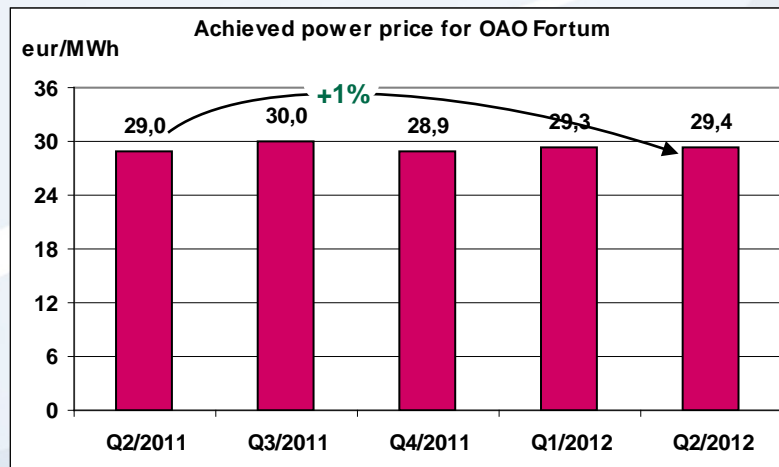
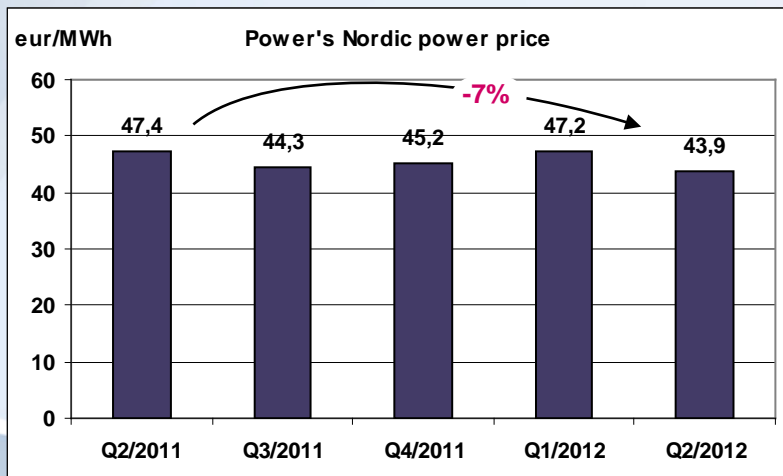
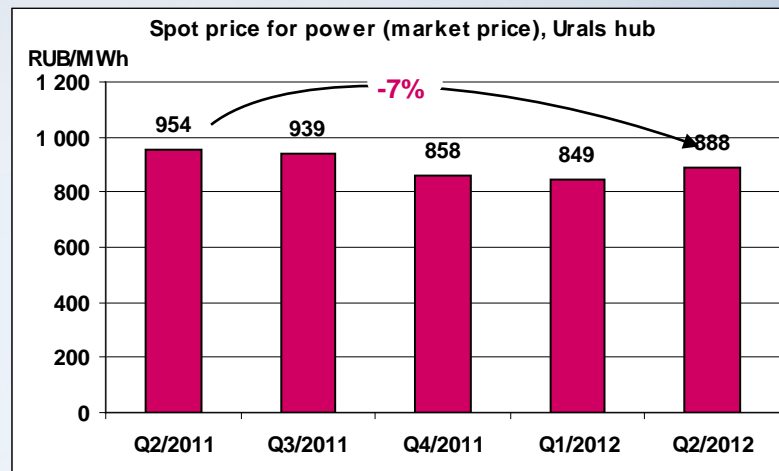
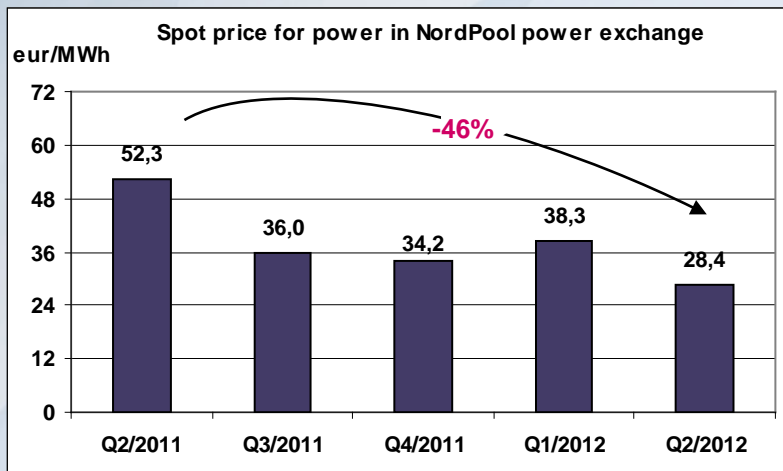
Source: Nord Pool Spot

CO₂ allowance prices lower than in 2011



Source: ICE

Price development in the Nordic region and Russia



Includes capacity income

Results

Q2/2012

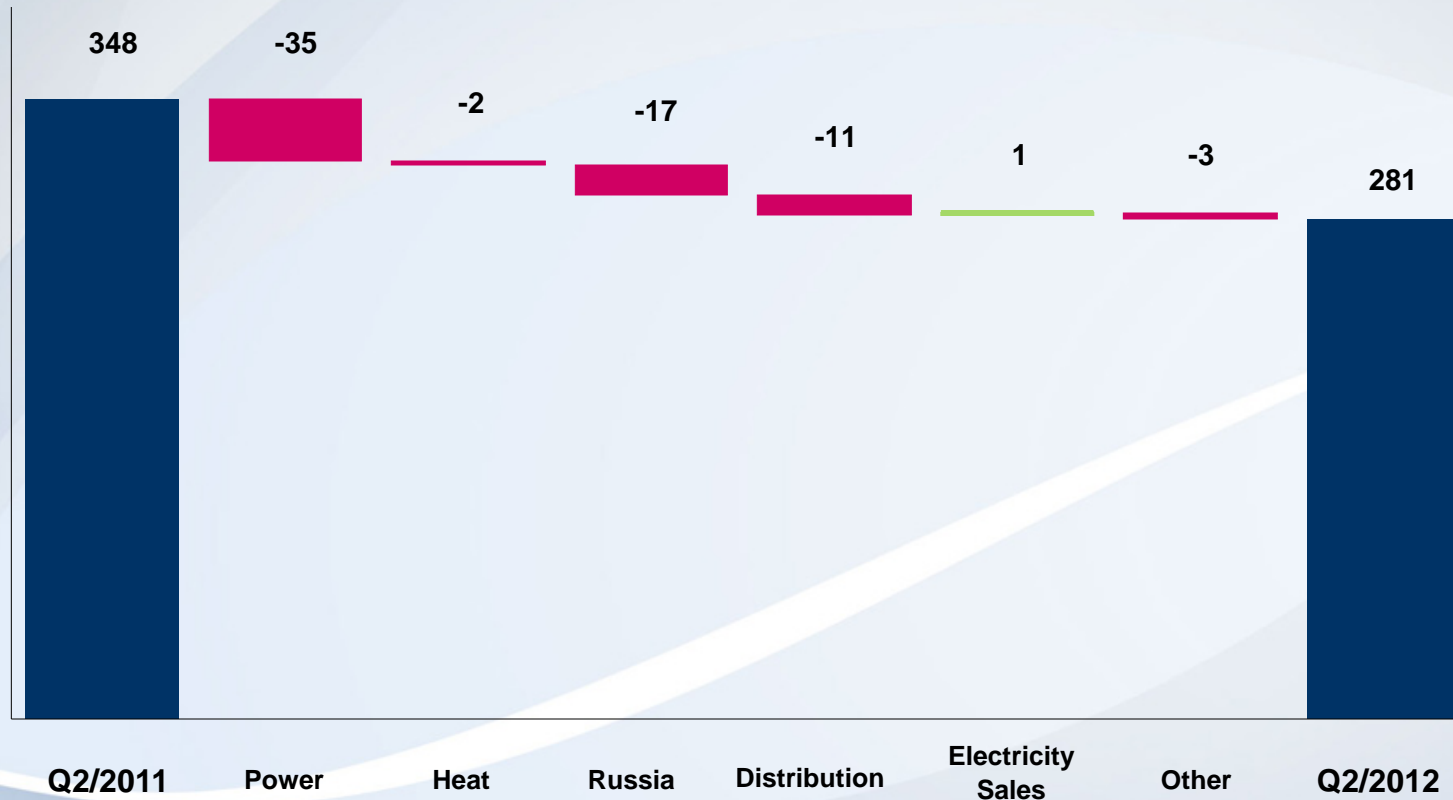
- Comparable operating profit, EUR 281 (348) million
- Earnings per share EUR 0.21 (0.53); items affecting comparability EUR 0.27
- Net cash from operating activities EUR 319 (410) million

H1/2012

- Comparable operating profit, EUR 932 (997) million
- Earnings per share EUR 0.77 (1.29); items affecting comparability EUR 0.37
- Net cash from operating activities EUR 872 (864) million

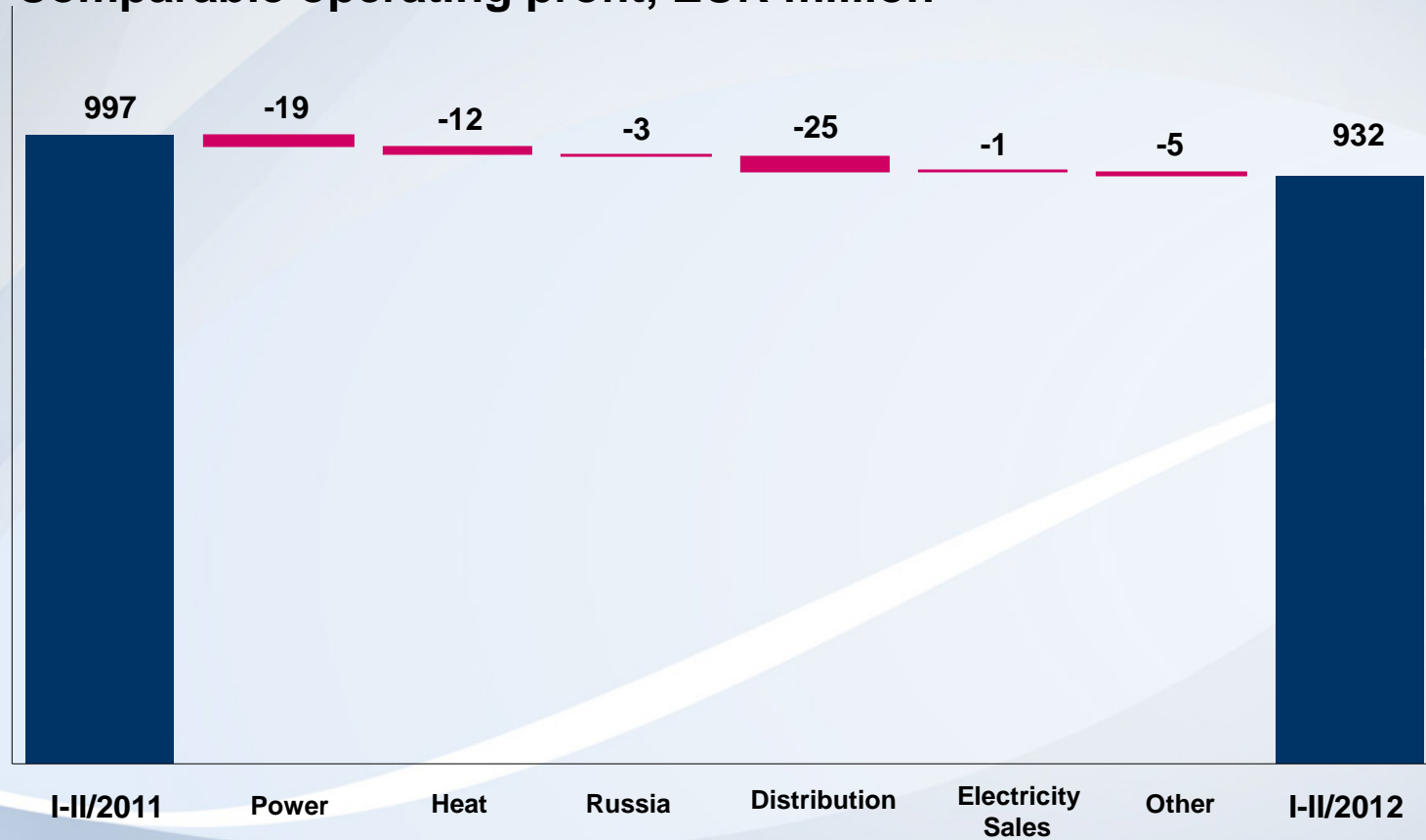
Q2: Result burdened by typical seasonality and external factors

Comparable operating profit, EUR million



H1: Satisfactory result despite a very demanding market environment

Comparable operating profit, EUR million



Financials

Comparable and reported operating profit

MEUR	Comparable operating profit		Reported operating profit		Comparable operating profit		Reported operating profit	
	II/2012	II/2011	II/2012	II/2011	I-II/2012	I-II/2011	I-II/2012	I-II/2011
Power	222	257	214	271	563	582	581	760
Heat	23	25	20	25	184	196	233	290
Russia	4	21	15	21	52	55	63	55
Distribution	49	60	50	252	159	184	167	377
Electricity Sales	11	10	11	23	20	21	22	3
Other	-28	-25	-27	17	-46	-41	-47	24
Total	281	348	283	609	932	997	1 019	1 509

- Non-recurring items, IFRS accounting treatment (IAS 39) of derivatives and nuclear fund adjustments had an impact on the reported operating profit EUR 2 (261) million or earnings per share EUR 0.00 (0.27) in the second quarter, and EUR 87 (512) million or earnings per share EUR 0.10 (0.47) for January-June.

Power

Q2

- Clearly lower spot prices lead to a lower achieved power price
- Higher hydro generation
- Prolonged outages in Oskarshamn

H1

- Water reservoir levels above long-term average
- Nuclear availability good except in Oskarshamn
- Higher operating costs

MEUR	II/2012	II/2011	I-II/2012	I-II/2011	2011	LTM
Sales	535	574	1 190	1 267	2 481	2 404
Comparable operating profit	222	257	563	582	1 201	1 182
Net assets			6 258	5 998	6 247	
Comparable RONA, %					19.9	19.5
Gross investments	36	36	60	69	148	139

Heat

Q2

- Lower power prices

H1

- Warm weather in early 2012, divestments and restructuring decreased volumes
- In Sweden, good availability and fuel flexibility

MEUR	II/2012	II/2011	I-II/2012	I-II/2011	2011	LTM
Sales	321	322	946	1 047	1 737	1 636
Comparable operating profit	23	25	184	196	278	266
Net assets			4 072	3 911	4 191	
Comparable RONA, %					7.4	7.1
Gross investments	99	72	166	130	329	365

Russia

Q2

- Lower spot price
- “Old capacity” profitability decreased

H1

- New capacity contributed positively
- Nyagan 1 and 2 postponed – no impact on the new investment programme’s overall schedule or financial target

MEUR	II/2012	II/2011	I-II/2012	I-II/2011	2011	LTM
Sales	198	195	508	490	920	938
Comparable operating profit	4	21	52	55	74	71
Net assets			3 437	3 051	3 273	
Comparable RONA, %					3.5	2.5
Gross investments	126	192	207	267	694	634

Distribution

Q2

- Accelerating the improvement of network reliability

H1

- Higher fault repair and customer compensation than provisioned

MEUR	II/2012	II/2011	I-II/2012	I-II/2011	2011	LTM
Sales	223	215	531	526	973	978
Comparable operating profit	49	60	159	184	295	270
Net assets			3 700	3 487	3 589	
Comparable RONA, %					8.6	7.7
Gross investments	79	62	123	96	289	316

Electricity Sales

- Business focus on private customers

MEUR	II/2012	II/2011	I-II/2012	I-II/2011	2011	LTM
Sales	135	183	382	556	900	726
Comparable operating profit	11	10	20	21	27	26
Net assets			28	77	11	
Comparable RONA, %					33.5	80.7
Gross investments	0	1	0	4	5	1

Income statement

MEUR	II/2012	II/2011	I-II/2012	I-II/2011	2011	LTM
Sales	1 284	1 316	3 185	3 350	6 161	5 996
Expenses	-1 003	-968	-2 253	-2 353	-4 359	-4 259
Comparable operating profit	281	348	932	997	1 802	1 737
Items affecting comparability	2	261	87	512	600	175
Operating profit	283	609	1 019	1 509	2 402	1 912
Share of profit of associates and jv's	26	15	19	74	91	36
Financial expenses, net	-73	-72	-149	-127	-265	-287
Profit before taxes	236	552	889	1 456	2 228	1 661
Income tax expense	-46	-74	-165	-232	-366	-299
Net profit for the period	190	478	724	1 224	1 862	1 362
Non-controlling interests	4	6	43	74	93	62
EPS, basic (EUR)	0.21	0.53	0.77	1.29	1.99	1.46
EPS, diluted (EUR)	0.21	0.53	0.77	1.29	1.99	1.46

Cash flow statement

MEUR	II/2012	II/2011	I-II/2012	I-II/2011	2011	LTM
Operating profit before depreciations	446	764	1 340	1 813	3 008	2 535
Non-cash flow items and divesting activities	-16	-299	-115	-569	-726	-272
Financial items and fx gains/losses	-131	12	-273	-290	-376	-359
Taxes	-89	-144	-167	-258	-394	-303
Funds from operations (FFO)	210	333	785	696	1 512	1 601
Change in working capital	109	77	87	168	101	20
Total net cash from operating activities	319	410	872	864	1 613	1 621
Paid capital expenditures	-305	-297	-577	-503	-1 285	-1 359
Acquisition of shares	-3	-1	-3	-20	-62	-45
Other investing activities	32	331	287	541	522	268
Cash flow before financing activities	43	443	579	882	788	485

Note: EUR 888 million paid in dividends during the second quarter 2012

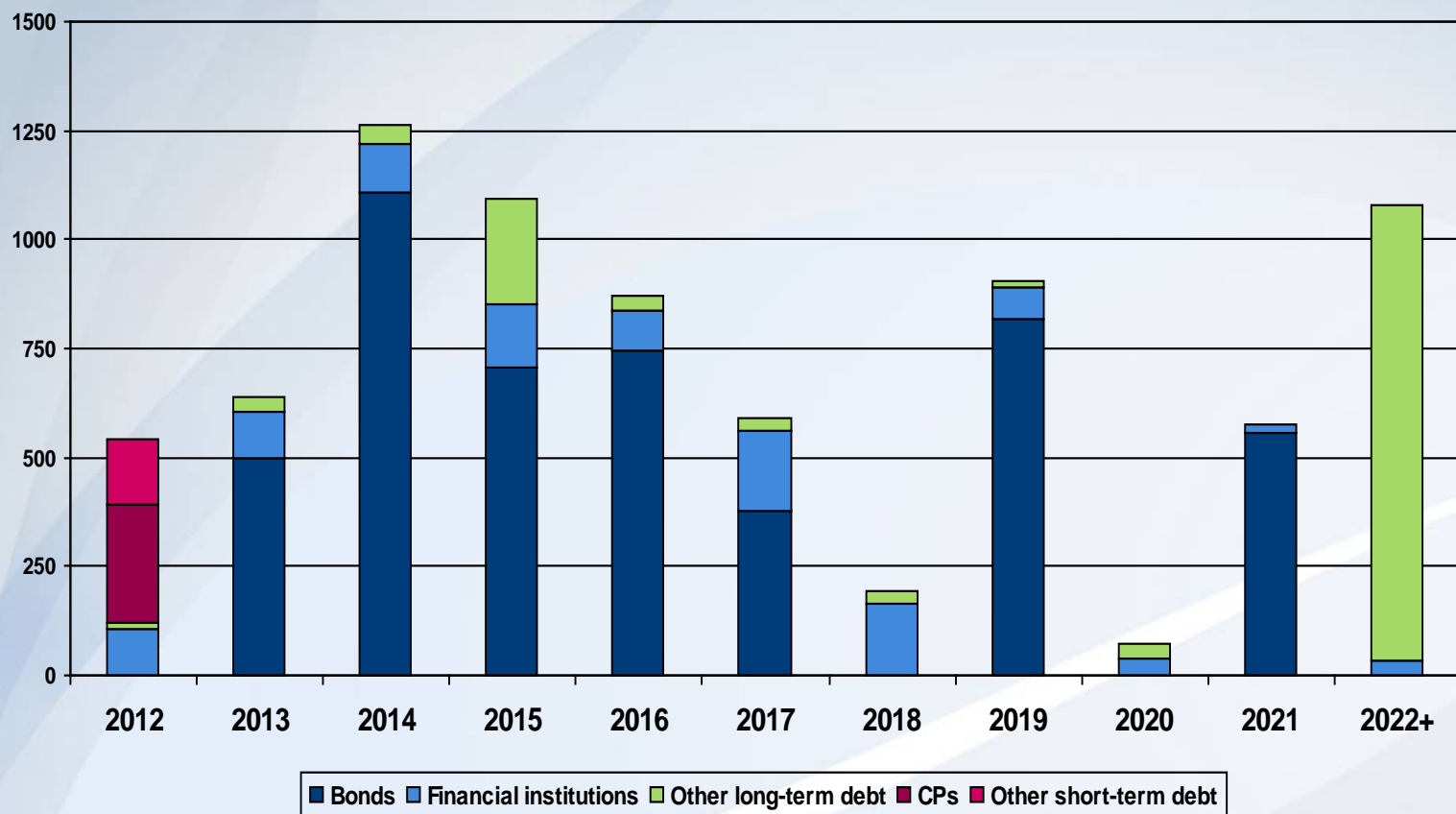
Key ratios

MEUR	LTM	2011	2010
	Q2'12		
EBITDA	2 535	3 008	2 271
Comparable EBITDA	2 348	2 374	2 396
Interest-bearing net debt	7 420*	7 023	6 826
Comparable Net debt/EBITDA	3.2	3.0	2.8
Return on capital employed (%)	11.3	14.8	11.6
Return on shareholders' equity (%)	14.0	19.7	15.7

*) as of 30 June 2012

Good liquidity – committed credit lines total EUR 2.7 billion

Debt maturity profile



	MEUR
2012	540
2013	639
2014	1,264
2015	1,093
2016	869
2017	591
2018	195
2019	903
2020	74
2021	576
2022+	1,080
TOTAL	7,824

Average Interest Rate (incl. swaps and forwards)
Portion of floating / fixed debt

per 30 Jun, 2012
4.8%
37 / 63%

per 31 Dec, 2011
4.4%
47 / 53%

A photograph of a sunset over a body of water. The sun is low on the horizon, creating a bright reflection on the water's surface. The sky is filled with soft, golden clouds, and the overall scene is peaceful and serene.

Outlook

Outlook

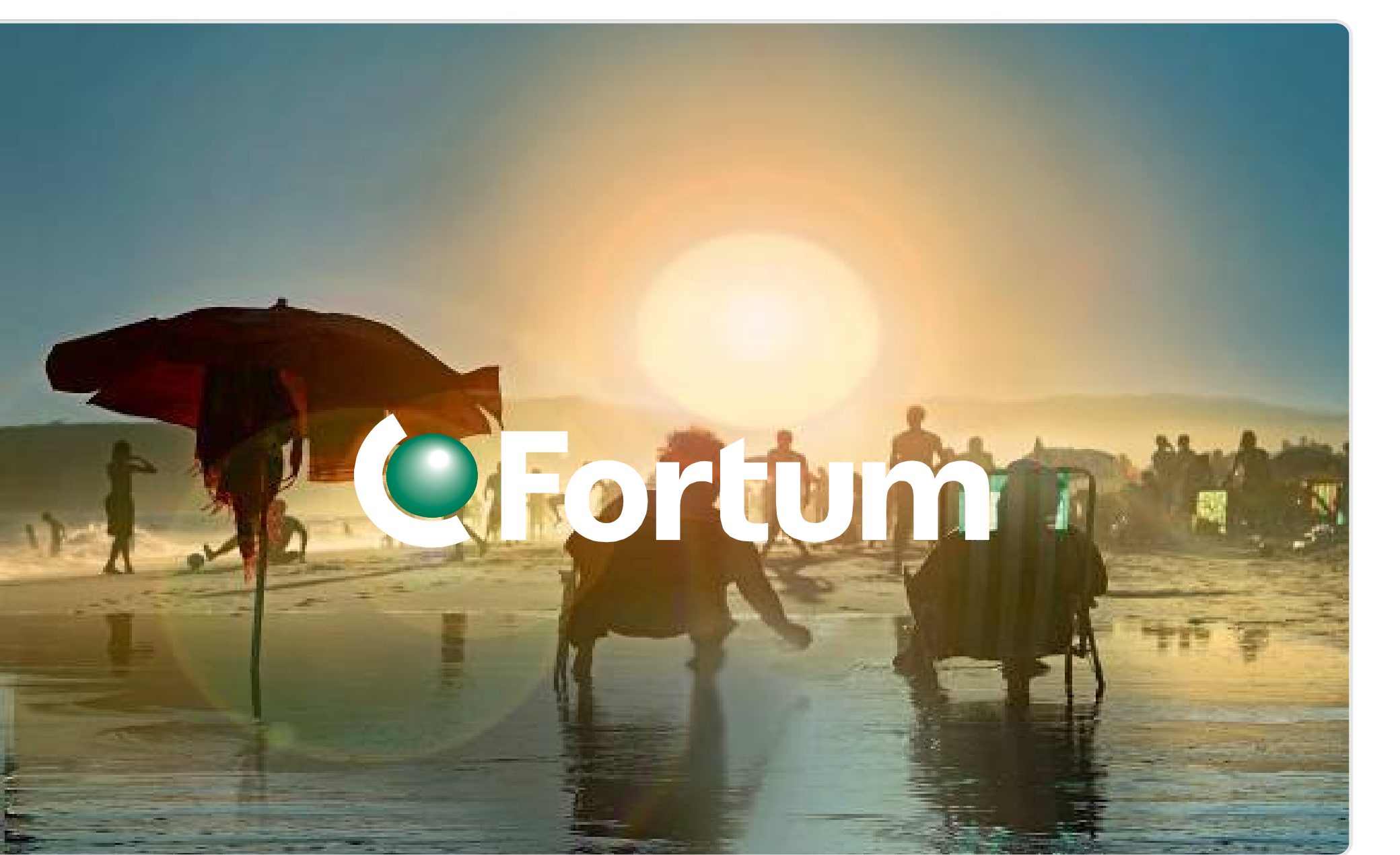
- Key drivers and risks
 - Wholesale price of electricity
 - Demand and supply
 - Fuels
 - Hydrological situation
 - Power plant availability
 - CO2 emissions allowance prices
- Nordic markets
 - Annual electricity demand growth estimated to be on average 0.5%
 - Electricity continues to gain share of total energy consumption
- Russia
 - The commissioning of the new units Nyagan 1 and 2 postponed
 - Fortum's goal is to achieve an operating profit level of about EUR 500 million and to create positive economic value added after completing the ongoing investment programme

Outlook

- Annual capex (excluding potential acquisitions)
 - 2012 around EUR 1.6 to 1.8 billion
 - 2013 and 2014 around EUR 1.1 to 1.4 billion annually
- Hedging
 - rest of 2012 approximately 65% hedge ratio at approximately EUR 49/MWh (Q1: 70% at EUR 48/MWh)
 - 2013 approximately 55% hedge ratio at approximately EUR 45/MWh (Q1: 45% at EUR 46/MWh)
- Business environment still looks challenging during the coming months

Work continues according to our strategy

- Investment programme adds capacity
- Hedges create stability
- Strong financial position



 **Fortum**