

Fortum Corporation
Interim Report
January - June 2005

Solid business performance continued in Fortum
- Good results in the first half-year

January-June in brief

- Profit before taxes from continuing operations EUR 571 (538) million
- Comparable operating profit*) EUR 654 (608) million
- Earnings per share from continuing operations EUR 0.45 (0.45)
- Strong net cash from operating activities of EUR 454 (399) million in the second quarter, net debt decreased to EUR 3,595 million
- A EUR 390 million tax free gain on the sale of Neste Oil shares booked in the second quarter results

Items related to oil businesses are reported on a separate line as discontinued operations in the income statement, and are not included in net sales or in operating profit. All figures are reported according to IFRS.

Key figures	II/05	II/04	I-II/05	I-II/04	2004	Last 12 months (LTM)
Income statement and cash flow for continuing operations						
Net sales, EUR million	858	857	1,991	1,986	3,835	3,840
Operating profit, EUR million	227	248	633	655	1,195	1,173
Comparable operating profit, EUR million*)	261	211	654	608	1,148	1,194
Profit before taxes, EUR million	185	205	571	538	962	995
Earnings per share, continuing operations, EUR **)	0.17	0.21	0.45	0.45	0.79	0.79
Total earnings per share, EUR	0.61	0.44	0.99	0.80	1.48	1.68
Total net cash from operating activities, EUR million	435	594	649	1,047	1,758	
Net cash from operating activities, continuing operations, EUR million	454	399	516	756	1,232	
Average number of shares, 000s			872,316	849,698	852,625	858,710

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

Comparable operating profit EUR million	II/05	II/04	I-II/05	I-II/04	2004	Last 12 months (LTM)
Comparable operating profit	261	211	654	608	1,148	1,194
Non-recurring items	12	-1	18	-7	18	43
Other items effecting comparability	-46	38	-39	54	29	-64
Operating profit	227	248	633	655	1,195	1,173

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

**) Earnings per share in II/04 include a EUR 0.05 positive one-time effect from change in Finnish tax rate from 29% to 26%.

Key figures	I-II/05	I-II/04	2004	Last 12 months (LTM)
Balance sheet				
Shareholders' equity per share, EUR	7.64	7.77	8.62	
Interest-bearing net debt (at end of period), EUR million	3,595	5,512	5,095	
Return on capital employed, %	16.7	17.0	15.8	17.8
Return on shareholders' equity, %	19.2	20.9	18.2	21.7
Gearing, %	53	82	67	

During the first half of the year, Fortum's comparable operating profit shows that business performance was better although reported operating profit was slightly lower than in the first half of 2004. The comparable operating profit was clearly higher than a year ago, EUR 654 compared to EUR 608 million. The reported operating profit was lower at EUR 633 (655) million.

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

The rise in electricity forward prices and stronger EUR/SEK exchange rates have caused negative effects from the fair value changes on reported operating profit in the second quarter.

In June 2005, the IASB decided to withdraw IFRIC Interpretation 3 in accounting for CO₂ emission allowances with immediate effect. Following the decision, Fortum has changed the accounting treatment for emission allowances. The change results in a positive effect on first quarter operating profit with EUR 2 million. See accounting principles.

Net sales and results

April - June

Group net sales stood at EUR 858 (857) million.

Group operating profit totalled EUR 227 (248) million. Comparable operating profit stood at EUR 261 (211) million.

During the second quarter, the average spot price for power in Nord Pool was at EUR 29.3 (29.5), or 1% lower than during the corresponding period in 2004.

The comparable operating profit of the Power generation segment was higher than last year, mainly due to Fortum's higher Nordic Generation power price, which increased to EUR 30.1 (28.3) per megawatt-hour. The impact of lower thermal and nuclear production volumes were more than offset by higher hydro volumes. The reported operating profit of the Power Generation segment was lower than last year, mainly due to the accounting effects from IAS 39.

The operating profit of the Heat segment was better than last year, due to cost efficiency improvements in Värme and the gain on the sale of the 50% stake in North Transgas.

The Distribution segment was able to improve its operating profit slightly from the previous year.

Markets' operating profit was better compared to last year. The customer guarantee-related costs were lower than in the first quarter.

Net sales from continuing operations, by segment

EUR million	II/05	II/04	I-II/05	I-II/04
Power Generation	476	488	1,010	1,048
Heat	206	198	591	559
Distribution	160	157	362	363
Markets	298	303	690	722
Other	22	25	45	45
Eliminations	-304	-314	-707	-751
Total	858	857	1,991	1,986

Comparable operating profit from continuing operations, by segment

EUR million	II/05	II/04	I-II/05	I-II/04
Power Generation	172	145	396	363
Heat	37	24	144	125
Distribution	55	51	121	132
Markets	8	5	15	14
Other	-11	-14	-22	-26
Total	261	211	654	608

Operating profit from continuing operations, by segment

EUR million	II/05	II/04	I-II/05	I-II/04
Power Generation	125	172	348	394
Heat	50	27	162	131
Distribution	56	55	127	138
Markets	8	5	14	21
Other	-12	-11	-18	-29
Total	227	248	633	655

January - June

Group net sales from continuing operations stood at EUR 1,991 (1,986) million. Group operating profit from continuing operations totalled EUR 633 (655) million. Comparable operating profit stood at EUR 654 (608) million.

In January-June, the average spot price was EUR 27.6 (29.1) per megawatt-hour, or 5% lower than during the corresponding period in 2004. Lower thermal power generation volumes led to lower sales in the first half of 2005.

The comparable operating profit of the Power Generation segment was higher, mainly due to Fortum's 6% higher Nordic Generation power price of EUR 30.8 (29.0) per megawatt-hour. The reported operating profit of the Power Generation segment was lower than last year, mainly due to the accounting effects from IAS 39.

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

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

Markets' net sales were lower, mainly due to the expiration of some large contracts. The segment continued to experience a positive inflow of customers.

Profit before taxes from continuing operations was EUR 571 (538) million.

The Group's net financial expenses from continuing operations amounted to EUR 78 (125) million. Net financial expenses include a positive, approximately EUR 9 (2) million change in the fair value of certain derivatives that do not qualify for hedge accounting under IFRS (IAS 39).

The share of profit of associates and joint ventures from continuing operations was EUR 16 (8) million.

Minority interests accounted for EUR 32 (22) 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 149 (131) million. The tax rate according to the income statement was 26.1% (24.3%). In 2004, taxes for the period included a decrease in deferred tax liabilities of EUR 43 million due to the change in the Finnish income tax rate from 29% to 26%.

Total net profit for the period was EUR 896 (702) million. The net profit from continuing operations was EUR 422 (407) million. Total Fortum earnings per share were EUR 0.99 (0.80), and earnings per share from continuing operations were EUR 0.45 (0.45). Earnings per share last year included a positive effect of EUR 0.05 from the corporate tax rate change in Finland. Return on capital employed was 16.7% (17.0%) and return on shareholders' equity was 19.2% (20.9%).

Market conditions

According to preliminary statistics, the Nordic countries consumed 86 (87) TWh of electricity during the second quarter of the year, which was 1.5% less than during the corresponding period of the previous year. The decrease was due to the strike and lock-out in the Finnish paper industry.

During the second quarter, the average spot price for power in Nord Pool, the Nordic power exchange, was EUR 29.3 (29.5) per megawatt-hour, or 1% lower than during the corresponding period in 2004 and 13% higher than during the previous quarter. The increase in the spot price compared to the previous quarter was mainly due to the increase in the market price for CO₂ emissions allowances. Power prices in the forward market increased during the first half of the year for the same reason. In January - June, the average spot price was EUR 27.6 (29.1) per megawatt-hour, or 5% lower than during the corresponding period in 2004.

During the first half of the year, the market price for CO₂ emissions allowances increased from around EUR 7 per tonne to around EUR 25 per tonne of CO₂, the average for the second quarter being EUR 18.9 per tonne of CO₂. The increase in the CO₂ price was supported by the EU's decision to cut the National Allocation Plans for Poland, Czech Republic and Italy, and by rising gas prices as well as dry weather in southern Europe. The high market price for CO₂ emissions allowances and the relatively low spot price for power has decreased thermal power generation and increased hydro power generation in the Nordic countries.

In Continental Europe the spot price for power has been higher than in Nord Pool, resulting in exports from the Nordic countries to Germany. Despite the high Nordic hydro production, the Nordic water reservoirs have recovered during the second quarter. In the beginning of July, the Nordic water reservoirs were 2 TWh below the average and 14 TWh above the corresponding level in 2004.

Fortum's power generation in the Nordic countries during January-June was 26.2 (27.4) TWh, 13% (14%) of Nordic electricity consumption.

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

Fortum's total power and heat generation, TWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Power generation	12.1	12.6	26.8	28.0	55.5	54.3
Heat generation	4.5	4.7	14.2	14.0	25.4	25.6

Fortum's own power generation by source, TWh, total in the Nordic countries	II/05	II/04	I-II/05	I-II/04	2004	LTM
Hydropower	5.2	3.9	10.8	8.6	19.1	21.3
Nuclear power	5.9	6.5	12.9	13.5	25.8	25.2
Thermal power	0.8	1.8	2.5	5.3	9.5	6.7
Total	11.9	12.2	26.2	27.4	54.4	53.2

Fortum's own power generation by source, %, total in the Nordic countries	II/05	II/04	I-II/05	I-II/04	2004	LTM
Hydropower	44	32	41	32	35	40
Nuclear power	49	53	49	49	47	47
Thermal power	7	15	10	19	18	13
Total	100	100	100	100	100	100

Total electricity and heat sales figures

Fortum's total electricity sales amounted to 30.2 (31.5) TWh. Sales volumes in the Nordic countries were at 29.5 (30.7) TWh, representing approximately 15% (15%) of Nordic electricity consumption during January-June. Heat sales in the Nordic countries amounted to 11.0 (11.4) TWh and in other countries to 2.4 (1.8) TWh.

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

Fortum's total electricity and heat sales, EUR million	II/05	II/04	I-II/05	I-II/04	2004	LTM
Electricity sales	454	453	1,000	1,017	2,017	2,000
Heat sales	167	156	481	440	809	850

Fortum's total electricity sales by area, TWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Sweden	6.9	5.9	15.1	14.0	27.6	28.7
Finland	6.0	7.1	13.4	15.6	31.1	28.9
Other countries	0.7	0.8	1.7	1.9	3.6	3.4
Total	13.6	13.8	30.2	31.5	62.3	61.0

Fortum's total heat sales by area, TWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Sweden	1.7	1.6	5.6	5.6	9.6	9.6
Finland	1.7	2.2	5.3	5.7	10.5	10.1
Other countries	0.9	0.7	2.5	1.9	3.7	4.3
Total	4.3	4.5	13.4	13.2	23.8	24.0

SEGMENT REVIEWS

Power Generation

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

EUR million	II/05	II/04	I-II/05	I-II/04	2004	LTM
Net sales	476	488	1,010	1,048	2,084	2,046
- power sales	381	381	834	847	1,695	1,682
- other sales	95	107	176	201	389	364
Operating profit	125	172	348	394	763	717
Comparable operating profit	172	145	396	363	730	763
Net assets (at end of period)			5,970	6,142	6,218	
Return on net assets, %			11.3	12.5	12.1	11.5
Comparable return on net assets, %			13.2	11.5	11.5	12.4

The segment's power generation during the second quarter amounted to 11.1 (11.5) TWh in the Nordic countries. The decrease was mainly due to lower thermal power generation and nuclear power generation.

In January-June, the segment's power generation in the Nordic countries was 23.9 (24.8) TWh, of which about 10.8 (8.6) TWh or 45% (35%) was hydropower-based, 12.9 (13.5) TWh or 54% (54%) nuclear power-based, and 0.2 (2.7) TWh or 1% (11%) thermal power-based. The increase in hydro power generation was due to a strengthened hydrological situation compared to the corresponding period last year. The decrease in thermal power generation was due to lower power prices during the first quarter and higher fuel and CO₂ allowance prices. The decrease in nuclear power generation was mainly due to different timing of maintenance periods compared to the previous year.

Power generation by area, TWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Sweden	6.5	5.8	14.0	12.8	25.8	27.0
Finland	4.6	5.7	9.9	12.0	24.0	21.9
Other countries	0.3	0.3	0.6	0.6	1.1	1.1
Total	11.4	11.8	24.5	25.4	50.9	50.0

Nordic sales volume, TWh	12.3	12.8	26.7	28.0	55.7	54.4
of which pass-through sales	1.0	1.1	2.4	2.6	4.7	4.5

Sales price, EUR/MWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Nordic Generation power price*	30.1	28.3	30.8	29.0	29.2	30.0

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

Fortum's average Nordic Generation power price (excluding pass-through items) in the second quarter was 6% higher than a year ago, due to higher Finnish and Swedish area spot prices and improved hedging prices. In the second quarter, the average spot price for power in Nord Pool was 1% lower than a year ago. During the first half of the year, Fortum's average Nordic Generation power price was 6% higher, although the average spot price in Nord Pool was 5% lower than during the corresponding period in 2004. The related sales volume was 11.3 (11.7) TWh in the second quarter and 24.3 (25.4) TWh for the first half of the year.

The regional power generation company of North-West Russia, Territorial Generation Company 1 (TGC-1), has been established and will start its operation on the first of October. Fortum is a part owner of this company through its shareholding in Lenenergo.

Heat

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

EUR million	II/05	II/04	I-II/05	I-II/04	2004	LTM
Net sales	206	198	591	559	1,025	1,057
- heat sales	159	149	465	425	779	819
- power sales	28	27	83	90	159	152
- other sales	19	22	43	44	87	86
Operating profit	50	27	162	131	218	249
Comparable operating profit	37	24	144	125	207	226
Net assets (at end of period)			2,302	2,323	2,440	
Return on net assets, %			14.2	11.8	9.8	11.1
Comparable return on net assets, %			12.7	11.3	9.3	10.1

The segment's heat sales during the second quarter amounted to 3.8 (4.1) TWh, most of which was generated in the Nordic countries. In January-June, power sales at combined heat and power plants (CHP) totalled 2.4 (2.7) TWh. The decrease was mainly due to the strike and lock-out in the Finnish paper industry.

During the two first two quarters, Fortum continued the integration and development of Fortum Czesochowa S.A. in Poland. The company was acquired in December 2004.

In April, Fortum acquired the majority (90%) shareholding in UAB Suomijos Energija in Lithuania. The acquisition supports the growth targets of Fortum's heat business in Lithuania.

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

Fortum Värme applied to the City Planning Office to locate a new biomass CHP (Combined Heat and Power) plant of 300 MW heat and 130 MW electricity in Värtan in Stockholm.

Heat sales by area, TWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Sweden	1.7	1.6	5.6	5.6	9.6	9.6
Finland	1.7	2.2	5.3	5.7	10.5	10.1
Other countries	0.4	0.3	1.5	1.0	1.7	2.2
Total	3.8	4.1	12.4	12.3	21.8	21.9

Power sales, TWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Total	0.8	0.9	2.4	2.7	4.8	4.5

Distribution

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

EUR million	II/05	II/04	I-II/05	I-II/04	2004	LTM
Net sales	160	157	362	363	707	706
- distribution network transmission	133	132	306	308	593	591
- regional network transmission	19	19	42	42	83	83
- other sales	8	6	14	13	31	32
Operating profit	56	55	127	138	234	223
Comparable operating profit	55	51	121	132	240	229
Net assets (at end of period)			3,036	3,107	3,091	
Return on net assets, %			9.1	9.4	8.1	7.9
Comparable return on net assets, %			8.7	9.0	8.3	8.1

During the first half of the year, the volume of distribution and regional transmissions totalled 12.2 (12.0) TWh and 9.1 (9.2) TWh, respectively.

Electricity transmissions via the regional distribution network to customers outside the Group totalled 7.5 (7.6) TWh in Sweden and 1.6 (1.6) TWh in Finland.

Fortum has launched a project to provide Automatic Meter Management (AMM) to all its electricity distribution customers. AMM means centralised and automatic collection and management of meter and consumption data. The rollout is planned to start in Sweden during 2006 for 850,000 customers and will likely be finished by the end of 2008. The aim is to continue implementing AMM for Fortum's 500,000 customers in Finland, Norway and Estonia.

As of 1 July, the grid prices in Finland are identical in Fortum's all network areas.

The Energy Market Authority EMI (Energimarknadsinspektionen) in Sweden has proposed a functional demand that no customer shall be without electricity for more than 24 hours. A penalty for outages lasting longer than 12 hours is also proposed. A decision will follow later this year.

In Sweden, the process continues with the EMI about supervision of the year 2003 distribution tariffs in selected distribution areas. EMI has commented on the supervised companies' arguments against the charge rate in the regulatory model. Fortum has received a decision on one of its subsidiaries and will appeal.

Volume of distributed electricity in distribution network, TWh	II/05	II/04	I-II/05	I-II/04	2004	LTM
Sweden	3.2	3.1	7.6	7.5	14.2	14.3
Finland	1.3	1.2	3.3	3.2	6.2	6.3
Norway	0.5	0.5	1.2	1.2	2.1	2.1
Estonia	0.0	0.0	0.1	0.1	0.2	0.2
Total	5.0	4.8	12.2	12.0	22.7	22.9

Number of electricity distribution customers by area, 000s	30.6.2005	30.6.2004	2004
Sweden	860	860	860
Finland	405	400	405
Other countries	115	115	115
Total	1,380	1,375	1,380

Markets

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

EUR million	II/05	II/04	I-II/05	I-II/04	2004	LTM
Net sales	298	303	690	722	1,387	1,355
Operating profit	8	5	14	21	34	27
Comparable operating profit	8	5	15	14	23	24
Net assets (at end of period)			159	177	194	
Return on net assets, %			14.6	36.8	25.3	15.2
Comparable return on net assets, %			15.7	24.5	17.1	13.5

During the second quarter, Markets' electricity sales totalled 9.0 (9.6) TWh with sales for the first half of the year amounting to 20.8 (22.4) TWh. The decrease was due to the ending of some large contracts at the end of 2004.

Retail electricity prices remained fairly stable on the Nordic market during the second quarter despite the strongly rising market price level. Current prices have reacted slowly to rising Nord Pool prices, but prices for new fixed-price contracts have followed the futures price development in Nord Pool. Overall, the retail price level during the second quarter was slightly lower than the corresponding period the previous year.

The positive inflow of customers has continued during the second quarter as a result of successful product launches, campaigns and new partnership contracts. Positive development in customer service has continued as a consequence of investments in customer service quality assurance.

Capital expenditures and investments in shares

Capital expenditures and investments in shares for continuing operations in January-June totalled EUR 123 (158) million.

As a result of the redemption of Lenenergo's own shares relating to its reorganisation, Fortum's shareholding in Lenenergo increased to 32.8% of voting shares. Fortum got four of the total of 11 seats in the Board of Directors of Lenenergo on 30 June.

Financing

Net debt at the end of the second quarter stood at EUR 3,595 million (EUR 4,878 million on 31 March 2005). The reduction in net debt is mainly linked to the separation of Neste Oil and good cash flow generation during the second quarter. The weakening of the Swedish krona also had a reducing effect on net debt. Proceeds from the repayment of internal loans and from the sale of shares in Neste Oil amounted to EUR 1,381 million. During the second quarter, Fortum paid out cash dividends of EUR 506 million.

Net cash from operating activities increased to EUR 516 (756) million for the continuing activities.

The Group's net financial expenses were EUR 78 (125) million. The decrease is mainly attributable to the lower interest rate, the lower level of net debt, and a positive, approximately EUR 9 (2) million change in the fair value of certain derivatives that do not qualify for hedge accounting under IFRS.

During June and July, Fortum's long-term credit rating from Moody's was upgraded from Baa1 (stable) to A2 (stable). Fortum's long-term credit rating from Standard & Poor's is BBB+ (stable).

Shares and share capital

In January-June, a total of 505.3 million Fortum Corporation shares totalling EUR 6,568 million were traded. Fortum's market capitalisation, calculated using the closing quotation of the last trading day of the quarter, was EUR 11,565 million. The highest quotation of Fortum Corporation shares on the Helsinki Stock Exchange in the first half of the year was EUR 16.05, the lowest EUR 10.45, and the average quotation EUR 13.00. The closing quotation on the last trading day of the quarter was EUR 13.25.

A total of 939,277 shares subscribed for based on share option schemes were entered into the trade register in the second quarter of 2005. After these subscriptions, Fortum's share capital is EUR 2,967,497,815 and the total number of registered shares is 872,793,475.

On 3 June, the Finnish state sold 62.9 million Fortum shares to Finnish and international investors. At the end of the quarter, the Finnish state's holding in Fortum was 51.7%. The proportion of international shareholders stood at 32.9%.

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

Group personnel

The average number of employees in the Group during the period from January to June was 11,066 (13,097). The number of employees at the end of the period was 8,989 (13,140). The decrease is due to the separation of Neste Oil.

Events after the period under review

Fortum decided to extend the period of validity regarding its offer to buy the shares of E.ON Finland Oyj owned by the City of Espoo to 30 September 2005 in order to facilitate further negotiations on the details of the offer.

Fortum Markets has announced a price increase for current-price contracts in Finland due to rising prices on the future market.

Outlook

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

According to general market information, electricity consumption in the Nordic countries is predicted to increase by about 1% a year over the next few years. During the second quarter, the average spot price for power was EUR 29.3 (29.5) per megawatt-hour on the Nordic power exchange, or 1% lower than the corresponding figure in 2004.

In the mid-July, the Nordic water reservoirs were about 1 TWh below the average and 15 TWh above the corresponding level for 2004. In the middle of July, the market price for emissions allowances for 2005 ranged between EUR 24-25 per tonne of CO₂, and the market price for coal for the rest of 2005 was around EUR 51 per tonne. At the same time, the power price in the forward market for the rest of 2005 was around EUR 37-40 per megawatt-hour.

At the beginning of July, Fortum had hedged approximately two-thirds of its Nordic Power Generation sales volume for the next 12 months at approximately the same price level as the achieved Nordic Generation power price during the last 12 months.

Thanks to the solid business performance and the separation of the oil businesses, Fortum's financial position is strong. Also market fundamentals support further good performance.

Espoo, 19 July 2005
Fortum Corporation
Board of Directors

The figures have not been audited.

Fortum's financial reporting:

- Interim Report January-September on 20 October 2005
- Financial statements January-December on 3 February 2006

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FORTUM GROUP

JANUARY-JUNE 2005

Interim financial statements are unaudited

CONDENSED CONSOLIDATED INCOME STATEMENT

MEUR	Q2/2005	Q2/2004	Q1-Q2 2005	Q1-Q2 2004	2004	Last twelve months
Continuing operations:						
Sales	858	857	1 991	1 986	3 835	3 840
Other income	-11	50	10	82	91	19
Materials and services	-294	-340	-712	-786	-1 507	-1 433
Employee benefit costs	-124	-125	-253	-240	-462	-475
Depreciation, amortisation and impairment charges	-101	-99	-204	-192	-388	-400
Other expenses	-101	-95	-199	-195	-374	-378
Operating profit	227	248	633	655	1 195	1 173
Share of profit of associates and joint ventures	1	4	16	8	12	20
Finance costs-net	-43	-47	-78	-125	-245	-198
Profit before income tax	185	205	571	538	962	995
Income tax expense	-33	-20	-149	-131	-259	-277
Profit for the period from continuing operations	152	185	422	407	703	718
Discontinued operations:						
Profit for the period from discontinued operations	390	193	474	295	589	768
Profit for the period	542	378	896	702	1 292	1 486
Attributable to:						
Equity holders of the Company	535	376	864	680	1 259	1 443
Minority interest	7	2	32	22	33	43
	542	378	896	702	1 292	1 486

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

Basic	0.61	0.44	0.99	0.80	1.48	1.68
Diluted	0.60	0.43	0.98	0.78	1.46	

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

Basic	0.17	0.21	0.45	0.45	0.79	0.79
Diluted	0.16	0.21	0.44	0.44	0.78	

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

Basic	0.44	0.23	0.54	0.35	0.69	0.89
Diluted	0.44	0.22	0.54	0.34	0.68	

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CONDENSED CONSOLIDATED BALANCE SHEET

MEUR	June 30 2005	June 30 2004	Dec 31 2004
ASSETS			
Non-current assets			
Intangible assets	82	143	116
Property, plant and equipment	9 965	11 661	11 925
Other long-term investments	2 124	2 219	2 355
Other long-term receivables	89	90	90
Long-term interest bearing receivables	625	731	727
Total non-current assets	12 885	14 844	15 213
Current assets			
Inventories	234	596	654
Trade and other receivables	961	1 281	1 555
Cash and cash equivalents	552	194	145
Total current assets	1 747	2 071	2 354
Total assets	14 632	16 915	17 567
EQUITY			
Capital and reserves attributable the Company's equity holders			
Share capital	2 968	2 889	2 948
Other equity	3 696	3 712	4 552
Total	6 664	6 601	7 500
Minority interest	176	140	150
Total equity	6 840	6 741	7 650
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	3 826	4 552	4 450
Deferred tax liabilities	1 580	1 774	1 841
Provisions	574	560	608
Other liabilities	545	534	507
Total non-current liabilities	6 525	7 420	7 406
Current liabilities			
Interest-bearing liabilities	321	1 154	790
Trade and other payables	946	1 600	1 721
Total current liabilities	1 267	2 754	2 511
Total liabilities	7 792	10 174	9 917
Total equity and liabilities	14 632	16 915	17 567

CHANGE IN TOTAL EQUITY

MEUR	Share capital	Share premium	Other restricted funds	Fair value and other reserves	Retained earnings	Minority	Total
Total equity at 31.12.2004	2 948	62	13	134	4 343	150	7 650
Stock options exercised	20	8	-13				15
Translation and other differences					-78	-10	-88
Cash dividend					-506		-506
Share dividend *)					-920		-920
Cash flow hedges				-249	34	4	-211
Other fair value adjustments				4			4
Net profit for the period					864	32	896
Total equity at 30.6.2005	2 968	70	0	-111	3 737	176	6 840
Total equity at 31.12.2003	2 886	36	5	63	3 399	120	6 509
Stock options exercised	3	2	-3				2
Translation and other differences					15	-1	14
Cash dividend					-359		-359
Cash flow hedges				-139	11	-1	-129
Other fair value adjustments				2			2
Net profit for the period					680	22	702
Total equity at 30.6.2004	2 889	38	2	-74	3 746	140	6 741

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

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CONSOLIDATED CASH FLOW STATEMENT

MEUR	Q1-Q2 2005	Q1-Q2 2004	2004
Cash flow from operating activities			
Operating profit before depreciations continuing operations	852	855	1 595
Non-cash flow items and divesting activities	-9	-54	-49
Financial items and realised foreign exchange gains and losses	-88	-15	-181
Taxes	-155	-70	-160
Funds form operations continuing operations	600	716	1 205
Change in working capital	-84	40	27
Net cash from operating activities continuing operations	516	756	1 232
Net cash from operating activities discontinued operations	133	291	526
Total net cash from operating activities	649	1 047	1 758
Cash flow from investing activities			
Capital expenditures	-123	-128	-335
Acquisition of shares	-	-30	-179
Proceeds from sales of fixed assets	9	11	60
Proceeds from sales of shares	19	9	15
Change in other investments	10	-139	-20
Net cash used in investing activities continuing operations	-85	-277	-459
Net cash used in investing activities discontinued operations	1 155	-89	-277
Total net cash used in investing activities	1 070	-366	-736
Cash flow before financing activities	1 719	681	1 022
Cash flow from financing activities			
Net change in loans	-846	-383	-811
Dividends paid to the Company's equity holders	-506	-357	-357
Other financing items	11	0	94
Net cash used in financing activities continuing operations	-1 341	-740	-1 074
Net cash used in financing activities discontinued operations *)	29	-182	-236
Total net cash used in financing activities	-1 312	-922	-1 310
Total net increase (+)/decrease (-) in cash and marketable securities	407	-241	-288
Total net increase (+)/decrease (-) in cash and marketable securities, continuing operations	407	-241	-288

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

KEY RATIOS ¹⁾

MEUR	June 30 2005	March 31 2005	Dec 31 2004	Sept 30 2004	June 30 2004	March 31 2004	Last twelve months
Earnings per share total Fortum (basic), EUR	0.99	0.38	1.48	1.09	0.80	0.36	1.68
Earnings per share continuing operations (basic), EUR	0.45	0.28	0.79	0.58	0.45	0.24	0.79
Capital employed, MEUR ²⁾	10 987	11 907	12 890	12 762	12 447	12 156	-
Interest-bearing net debt, MEUR	3 595	4 878	5 095	5 445	5 512	5 526	-
Capital expenditure and investments in shares continuing operations, MEUR	123	49	514	306	158	57	479
Capital expenditure continuing operations, MEUR	123	49	335	201	128	57	330
Return on capital employed, %	16.7	18.2	15.8	15.0	17.0	18.6	17.8
Return on shareholders' equity, %	19.2	19.5	18.2	18.4	20.9	19.9	21.7
Interest coverage	11.3	11.6	8.0	7.8	8.3	7.1	9.5
Funds from operations/interest-bearing net debt, %	-	39.3	36.4	33.1	38.2	44.4	35.3
Gearing, %	53	71	67	77	82	86	-
Equity per share, EUR	7.64	7.67	8.62	8.19	7.77	7.41	-
Equity-to-assets ratio, %	43	43	44	41	40	38	-
Average number of employees	11 066	13 135	12 859	13 112	13 097	13 023	-
Average number of shares, 1 000 shares	872 316	871 710	852 625	849 823	849 698	849 698	858 710
Diluted adjusted average number of shares, 1 000 shares	883 629	883 774	861 772	870 806	867 907	867 344	-
Number of shares, 1 000 shares	872 793	871 854	869 749	850 262	849 813	849 813	-

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

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

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SALES BY SEGMENTS

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	2004	Last twelve months
Power Generation	476	488	1 010	1 048	2 084	2 046
- of which internal	13	26	68	62	128	134
Heat	206	198	591	559	1 025	1 057
- of which internal	-1	3	11	39	49	21
Distribution	160	157	362	363	707	706
- of which internal	2	1	4	4	10	10
Markets	298	303	690	722	1 387	1 355
- of which internal	22	22	47	47	92	92
Other	22	25	45	45	90	90
- of which internal	15	24	37	43	93	87
Eliminations *)	-304	-314	-707	-751	-1 458	-1 414
Sales from continuing operations	858	857	1 991	1 986	3 835	3 840
Sales from discontinued operations	-	2 000	2 061	3 710	7 909	
Eliminations	-	-27	-20	-48	-85	
Total	858	2 830	4 032	5 648	11 659	

*) 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	Q2 2005	Q2 2004	Q1-Q2 2005 *)	Q1-Q2 2004	2004	Last twelve months
Power Generation	125	172	348	394	763	717
Heat	50	27	162	131	218	249
Distribution	56	55	127	138	234	223
Markets	8	5	14	21	34	27
Other	-12	-11	-18	-29	-54	-43
Operating profit from continuing operations	227	248	633	655	1 195	1 173
Operating profit from discontinued operations	390	223	517	373	721	
Total	617	471	1 150	1 028	1 916	

*) The accounting treatment of CO2 emission allowances has been changed according to the decision of IASB to withdraw the IFRIC 3 Emission rights with immediate effect.

COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	2004	Last twelve months
Power Generation	172	145	396	363	730	763
Heat	37	24	144	125	207	226
Distribution	55	51	121	132	240	229
Markets	8	5	15	14	23	24
Other	-11	-14	-22	-26	-52	-48
Comparable operating profit from continuing operations	261	211	654	608	1 148	1 194
Non-recurring items	12	-1	18	-7	18	43
Other items effecting comparability	-46	38	-39	54	29	-64
Operating profit from continuing operations	227	248	633	655	1 195	1 173

NON-RECURRING ITEMS BY SEGMENTS

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	2004	Last twelve months
Power Generation	0	-1	0	-7	9	16
Heat	11	0	11	0	4	15
Distribution	1	0	1	0	2	3
Markets	0	0	0	0	0	0
Other	0	0	6	0	3	9
Total	12	-1	18	-7	18	43

OTHER ITEMS EFFECTING COMPARABILITY BY SEGMENTS

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	2004	Last twelve months
Power Generation	-47	28	-48	38	24	-62
Heat	2	3	7	6	7	8
Distribution	0	4	5	6	-8	-9
Markets	0	0	-1	7	11	3
Other	-1	3	-2	-3	-5	-4
Total	-46	38	-39	54	29	-64

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DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES BY SEGMENTS

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	2004	Last twelve months
Power Generation	28	27	56	55	104	105
Heat	31	31	62	59	124	127
Distribution	36	33	73	66	133	140
Markets	4	4	8	8	16	16
Other	2	4	5	4	11	12
Total depreciation, amortisation and impairment charges from continuing operations	101	99	204	192	388	400
Total depreciation, amortisation and impairment charges from discontinued operations	-	36	36	68	139	
Total	101	135	240	260	527	

SHARE OF PROFITS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	2004	Last twelve months
Power Generation *)	-6	-3	-4	-8	-18	-14
Heat	2	3	8	8	15	15
Distribution	6	3	13	8	16	21
Markets	0	0	0	0	0	0
Other	-1	1	-1	0	-1	-2
Share of profits in associates and joint ventures from continuing operations	1	4	16	8	12	20
Share of profits in associates and joint ventures from discontinued operations	-	8	-2	11	36	
Total	1	12	14	19	48	

*) The main part of the associated companies in Power Generation are power production companies from which Fortum purchase produced electricity at cost.

The share of profit according to IFRS also includes depreciations on fair value adjustments made when acquiring the shareholdings

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES BY SEGMENTS

MEUR	June 30 2005	June 30 2004	Dec 31 2004
Power Generation	1 190	1 156	1 208
Heat	139	91	127
Distribution	205	189	196
Markets	9	9	8
Other	0	0	0
Investments in associates and joint ventures from continuing operations	1 543	1 445	1 539
Investments in associates and joint ventures from discontinued operations	-	123	140
Total	1 543	1 568	1 679

CAPITAL EXPENDITURE AND INVESTMENTS IN SHARES BY SEGMENTS

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005	Q1-Q2 2004	2004
Power Generation	21	46	39	60	210
Heat	21	27	33	50	175
Distribution	25	26	40	40	106
Markets	3	0	4	2	6
Other	4	2	7	6	17
Capital expenditure and investments in shares from continuing operations	74	101	123	158	514
Capital expenditure and investments in shares from discontinuing operations	-	68	99	118	316
Total	74	169	222	276	830

NET ASSETS BY SEGMENTS

MEUR	June 30 2005	June 30 2004	Dec 31 2004
Power Generation	5 970	6 142	6 218
Heat	2 302	2 323	2 440
Distribution	3 036	3 107	3 091
Markets	159	177	194
Other and Eliminations	231	126	-43
Net assets from continuing operations	11 698	11 875	11 900
Net assets from discontinued operations	-	1 799	2 011
Eliminations	-	0	2
Total	11 698	13 674	13 913

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RETURN ON NET ASSETS BY SEGMENTS

%	June 30 2005	March 31 2005	Dec 31 2004	Sept 30 2004	June 30 2004	March 31 2004	Last twelve months
Power Generation	11.3	14.6	12.1	11.0	12.5	14.0	11.5
Heat	14.2	19.3	9.8	8.6	11.8	18.3	11.1
Distribution	9.1	10.1	8.1	8.3	9.4	11.3	7.9
Markets	14.6	11.5	25.3	37.9	36.8	77.6	15.2

COMPARABLE RETURN ON NET ASSETS BY SEGMENTS

%	June 30 2005	March 31 2005	Dec 31 2004	Sept 30 2004	June 30 2004	March 31 2004	Last twelve months
Power Generation	13.2	14.9	11.5	10.5	11.5	13.8	12.4
Heat	12.7	18.5	9.3	8.0	11.3	17.8	10.1
Distribution	8.7	9.4	8.3	8.3	9.0	11.1	8.1
Markets	15.7	13.5	17.1	26.7	24.5	43.4	13.5

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

ASSETS BY SEGMENTS

	June 30 2005	June 30 2004	Dec 31 2004
MEUR			
Power Generation	6 473	7 114	7 108
Heat	2 556	2 560	2 742
Distribution	3 433	3 474	3 514
Markets	424	452	375
Other and Eliminations	343	-259	-156
Assets from continuing operations	13 229	13 341	13 583
Assets from discontinuing operations	-	2 538	2 756
Eliminations	-	-31	-32
Assets included in Net assets	13 229	15 848	16 307
Interest-bearing receivables	628	731	728
Deferred taxes	73	32	106
Other assets	150	110	281
Cash and cash equivalents	552	194	145
Total assets	14 632	16 915	17 567

LIABILITIES BY SEGMENTS

	June 30 2005	June 30 2004	Dec 31 2004
MEUR			
Power Generation	503	972	890
Heat	254	237	302
Distribution	397	367	423
Markets	265	275	181
Other and Eliminations	112	-385	-113
Liabilities from continuing operations	1 531	1 466	1 683
Liabilities from discontinuing operations	-	739	745
Eliminations	-	-31	-34
Liabilities included in Net assets	1 531	2 174	2 394
Deferred tax liabilities	1 580	1 774	1 841
Other	534	520	442
Total liabilities included in capital employed	3 645	4 468	4 677
Interest-bearing liabilities	4 147	5 706	5 240
Total equity	6 840	6 741	7 650
Total equity and liabilities	14 632	16 915	17 567

CHANGES IN INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	June 30 2005	June 30 2004	Dec 31 2004
MEUR			
Opening balance	12 041	11 923	11 923
Acquisition of subsidiary companies	7	-	31
Capital expenditures	222	244	648
Disposals	-12	-29	-152
Depreciation, amortisation and impairment	-240	-260	-527
Translation differences	-362	-74	118
Closing balance before de-consolidation of Neste Oil	11 656	11 804	12 041
De-consolidation of Neste Oil	-1 609		
Closing balance	10 047	11 804	12 041

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QUARTERLY SALES BY SEGMENTS

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

QUARTERLY OPERATING PROFIT BY SEGMENTS

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

*) The accounting treatment of CO2 emission allowances has been changed according to the decision of IASB to withdraw the IFRIC 3 Emission rights immediate effect.

QUARTERLY COMPARABLE OPERATING PROFIT BY SEGMENTS, CONTINUING OPERATIONS

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

QUARTERLY NON-RECURRING ITEMS IN OPERATING BY SEGMENTS

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

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

QUARTERLY OTHER ITEMS EFFECTING COMPARABILITY

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

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DISCONTINUED OPERATIONS (including eliminations between Fortum and discontinued operations)

MEUR	Q2 2005	Q2 2004	Q1-Q2 2005 *)	Q1-Q2 2004	2 004
Sales	-	2 000	2 061	3 710	7 909
Other income	390	19	395	31	66
Materials and services	-	-1 565	-1 726	-3 009	-6 439
Employee benefit costs	-	-54	-57	-106	-211
Depreciation, amortisation and impairment charges	-	-36	-36	-68	-139
Other expenses	-	-141	-120	-185	-465
Operating profit	390	223	517	373	721
Share of profit of associates and joint ventures	-	8	-2	11	36
Finance costs-net	-	0	-6	-20	-19
Profit before income tax	390	231	509	364	738
Income tax expense	-	-38	-35	-69	-149
Profit for the year from discontinued operations	390	193	474	295	589

*) The accounting treatment of CO2 emission allowances has been changed according to the decision of IASB to withdraw the IFRIC 3 Emission rights immediate effect.

CONTINGENT LIABILITIES

MEUR	June 30 2005	June 30 2004	Dec 31 2004
Contingent liabilities			
On own behalf			
For debt			
Pledges	155	162	160
Real estate mortgages	53	91	113
For other commitments			
Real estate mortgages	66	57	59
Sale and leaseback	-	8	-
Other contingent liabilities	101	82	76
Total	375	400	408
On behalf of associated companies and joint ventures			
Pledges and real estate mortgages	3	11	12
Guarantees	171	442	335
Other contingent liabilities	182	182	182
Total	356	635	529
On behalf of others			
Guarantees	65	13	3
Other contingent liabilities	2	5	5
Total	67	18	8
Total	798	1 053	945
Operating lease liabilities			
Due within a year	14	72	87
Due after one year and within five years	37	85	81
Due after five years	8	64	64
Total	59	221	232

NUCLEAR

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

1) Discounted liability in the balance sheet is EUR 409 (378) million as of 30 June 2005 (and 2004 respectively).

2) Value of the fund asset in the balance sheet is EUR 409 (378) million as of 30 June 2005 (and 2004 respectively) due to IFRIC Interpretation 5, which states that it can not exceed the value of the related liabilities

3) Mortgaged bearer papers as security.

The company has a collective contingent liability with Neste Oil Oyj of the demerged Fortum Oil and Gas Oy's liabilities based on the Finnish Companies Act's Chapter 14a Paragraph 6.

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DERIVATIVES

MEUR	June 30 2005		June 30 2004		Dec 31 2004	
	Notional value	Net fair value	Notional value	Net fair value	Notional value	Net fair value
Interest and currency derivatives						
Forward interest rate agreements	-	-	218	-1	-	-
Interest rate swaps	3 009	15	4 012	-90	1 218	-28
Forward foreign exchange contracts	7 533	154	7 280	13	8 176	-32
Interest rate and currency swaps	314	3	327	1	310	-7
Purchased currency options	-	-	1 697	-16	438	17
Written currency options	-	-	1 718	-3	438	6

Electricity derivatives	Volume	Net fair value	Volume	Net fair value	Volume	Net fair value
	TWh	MEUR	TWh	MEUR	TWh	MEUR
Sales contracts	80	-465	70	-382	70	204
Purchase contracts	45	333	40	297	42	-53
Purchased options	1	2	-	-	1	-1
Written options	7	-21	-	-	1	-

Oil derivatives	Volume	Net fair value	Volume	Net fair value	Volume	Net fair value
	1000 bbl	MEUR	1000 bbl	MEUR	1000 bbl	MEUR
Sales contracts	45	-1	16 536	-10	44 588	26
Purchase contracts	755	12	57 027	17	70 258	7
Purchased options	-	-	7 350	-1	4 797	2
Written options	-	-	5 500	1	6 784	-2

Accounting principles

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

The most important changes for Fortum continuing operations are:

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

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

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

Emission allowances

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

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

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

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

FORTUM GROUP
JANUARY-JUNE 2005

Definitions of key figures

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