

2011

ELECTRICITY
SALES



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Electricity Solutions and Distribution: Electricity Sales in 2011

Fortum is one of the leading electricity sales companies in the Nordic region. The Electricity Sales business area markets and sells electricity to Fortum's 1.2 million private and business customers in Sweden, Finland and Norway. It is the leading seller of eco-labelled and CO2-free electricity in the Nordics.

KEY FIGURES

EUR million	2011	2010	Change %
Sales	900	1,798	-50
power sales	879	1,778	-51
other sales	21	20	5
Operating profit	3	46	-93
Comparable operating profit	27	11	145
Comparable EBITDA	29	13	123
Net assets (at end of period)	11	210	-95
Return on net assets, %	4.2	38.4	-89
Comparable return on net assets, %	33.5	9.3	260
Capital expenditure and gross investments in shares	5	0	N/A
Number of employees	519	525	-1

In 2011, Electricity Sales sold a total of 14.4 terawatt-hours (TWh) of electricity (2010: 29.8). Volumes were significantly reduced compared to the previous year, as a result of the restructuring of the Business Market segment and phase out of unprofitable products. The restructuring proceeded well and ahead of schedule.

A highly competitive market

Electricity Sales buys its electricity through the Nordic power exchange. The balance of electricity supply and demand form the basis of the market price on the wholesale market.

About 350 electricity producers sell electricity in the Nordic wholesale market, and the same number of retailers sell on the national retail markets. Competition is strong and many consumers switch suppliers.

Investments in improved services

Projects to develop the customer offerings and the on-line customer services were launched during the year. Mobile access to My Account and customer segmentation are two examples. In addition, the first step of a major project to adapt to the implementation of hourly measurements was executed.





Focus on the Fortum brand

In October, Fortum sold its 24.5% ownership in the Norwegian electricity sales company Ishavskraft to four Norwegian power companies. The sale was in line with Fortum's ambition to focus on its own brand in the end consumer market.

The integration of the customer base that was transferred to Fortum in connection with the sale of Fortum's share in Energiapolar Oy in 2010 was successfully concluded during spring 2011.

Demand for eco-labelled and origin-certified electricity increasing

Information about how electricity is produced is becoming increasingly important. More and more private and business customers demand that the electricity they buy comes with a guarantee of origin. Increased demand for origin-certified electricity has become a competitive advantage for Fortum, which offers electricity with the Finnish Association for Nature Conservation's

EKOenergy label in Finland, and with the Swedish Society for Nature Conservation's Bra Miljöval label in Sweden. Since 2009, the only products Fortum has offered to its household customers in Finland and Sweden have been based on electricity that has been produced without CO₂-emissions. In Sweden, the customers can choose between electricity produced with nuclear, hydro or wind power. In Finland, private customers, as a norm, receive electricity that has been produced with hydropower and can also choose wind power-based electricity. In Norway, Fortum certifies the origin of the electricity.

Growing interest in smarter use of energy

Fortum's goal is to become the preferred energy partner in the Nordic market. Electricity Sales offers new products and developed energy solutions that satisfy customers' demands and add value through excellent customer service.

Smart meters, smart grids, micro-produced electricity and smart-home solutions will change the electricity market in the coming years, giving customers more opportunities to affect and influence their electricity consumption and cost in new ways. For example, smart metering makes it possible for customers to track electricity consumption by the hour or in real time, which enables electricity retail companies to develop new products based on new pricing models.

During 2011, Fortum geared up from a pilot to the full-scale launch of Fortum's Energy Display, which enables the customers to track their own consumption in real time. The in-home

display helps customers to understand their consumption habits better and to save money by consuming more efficiently. With the Energy Display, the user receives direct feedback on energy efficiency in both monetary and in consumption (=kWh) terms. Direct feedback and visual information makes it easier to change consumption patterns. The market for these services is gradually building up.

Regulation moving towards harmonisation

The Nordic electricity retail markets are presently subject to many significant development initiatives, driven by overall environmental concerns and political pressure arising from customer

expectations. Nordic Energy Ministers have expressed their continued political support to the process of forming a common Nordic consumer market. Also Fortum supports the creation of a common Nordic consumer market. At the end of 2011, NordREG, the cooperation body of the Nordic regulators that leads the development process, made a recommendation to implement a supplier-centric customer interface model (with the supplier as the main point of contact) with mandatory combined invoicing of both grid fees and electricity sales. Such changes would provide the opportunity to improve customer friendliness and efficiency but require significant process and system development work.





Fortum Corporation

Keilaniementie 1, Espoo | POB 1 | 00048 FORTUM | FINLAND
tel. +358 10 4511 | fax +358 10 45 24447 | www.fortum.com
Domicile Espoo, Business ID 1463611-4