



# Fortum

**Interim Report 1-3/2001**

**4 May 2001**

# Fortum today - covering the entire energy chain

From production to sales - oil, gas, power and heat for northern Europe

- Refining of pro-environmental petroleum products: market leader in the Baltic Rim
- Oil and gas production mainly in Norway
- Power & heat generation and sales: second-largest company in the Nordic market
- Customers: international oil companies, industrial and energy companies, and private consumers (approximately 1.2 million direct customers in the Baltic Rim).

# Fortum business structure

January-March 2001

| Sectors        | Segments<br>(financial reporting) | Sales | Operating Profit |
|----------------|-----------------------------------|-------|------------------|
| Oil and gas    | Oil and gas upstream              | 502   | 51               |
|                | Oil refining and marketing        | 1,941 | 52               |
| Power and Heat | Power and heat generation & sales | 604   | 157              |
|                | Electricity distribution          | 135   | 56               |
| Service        | Service                           | 77    | 6                |
| Engineering    | Engineering                       | 104   | -11              |

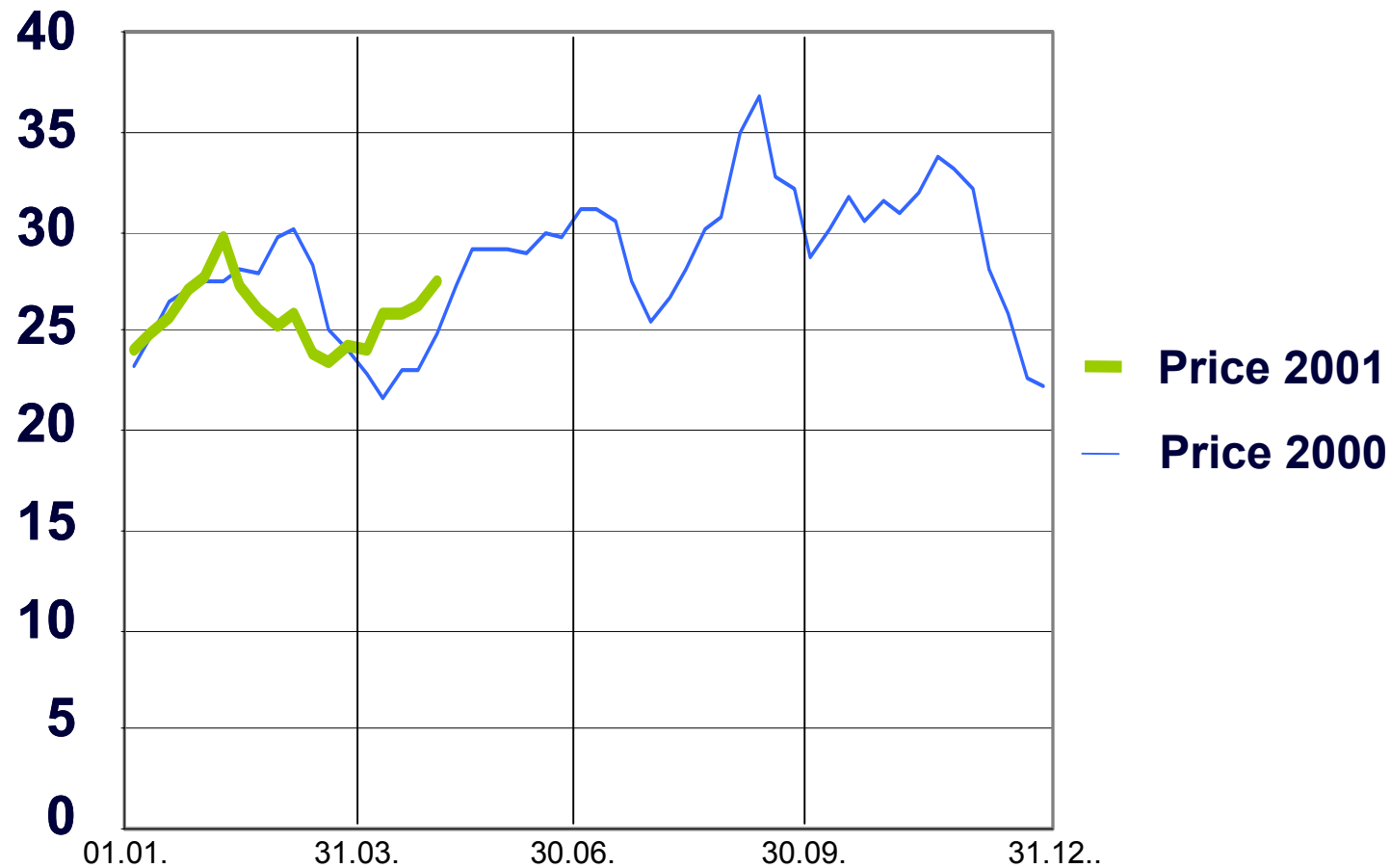
# Fortum January-March 2001

- Operating profit up by over 50%, profit before extraordinary items up by over 70%.
- Balance sheet strengthened
- Power generation and sales: growth in volumes , electricity price up.
- Oil and gas production: growth in gas production.
- Oil refining: better refining margin for Fortum.
- New sectors: Fortum Energy Solutions (incl. Service) in March, Fortum Markets in April.

# Crude Oil Price Performance

## weekly average 2000-2001

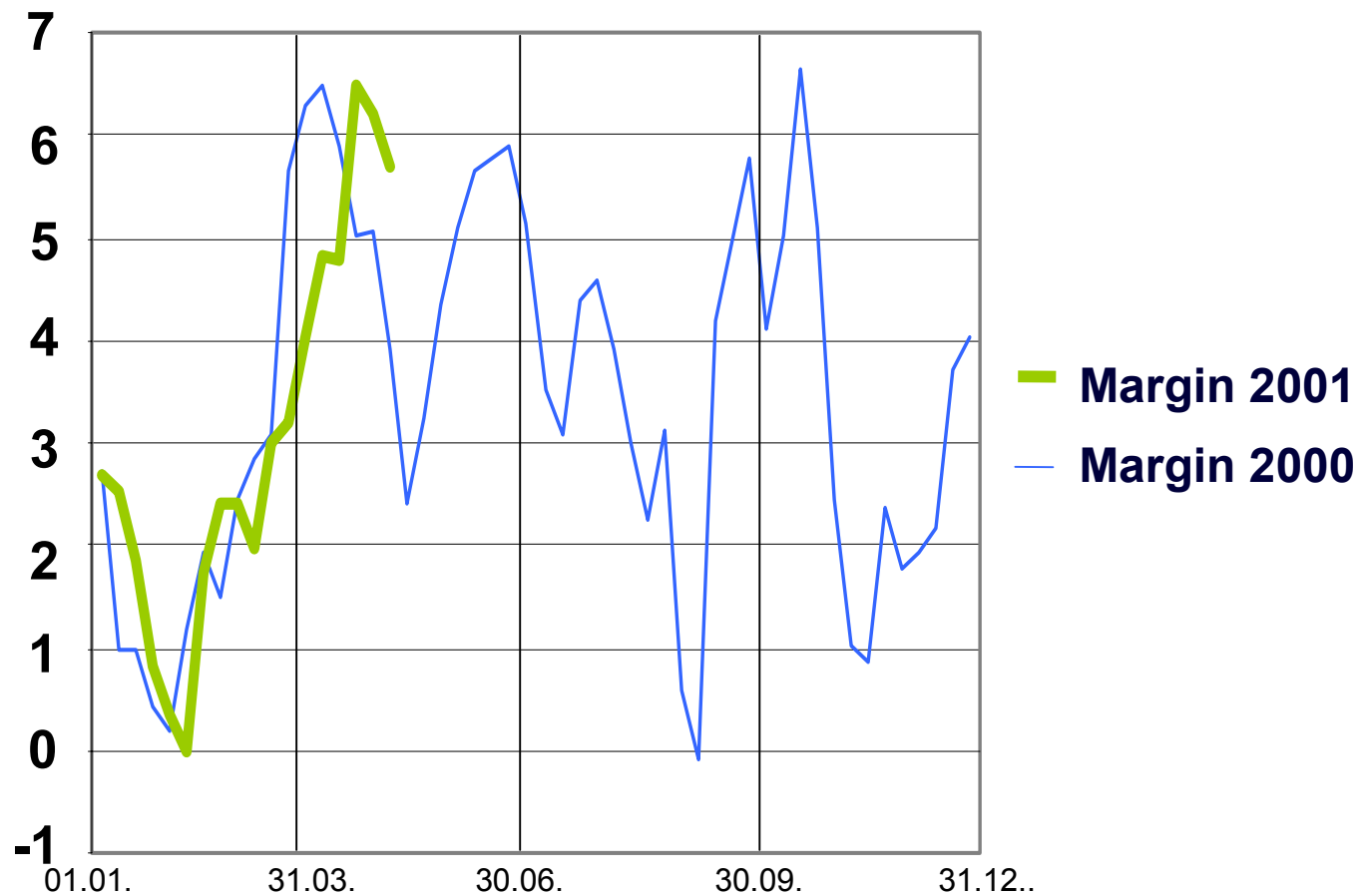
USD/bbl



# Refining margin, Brent complex

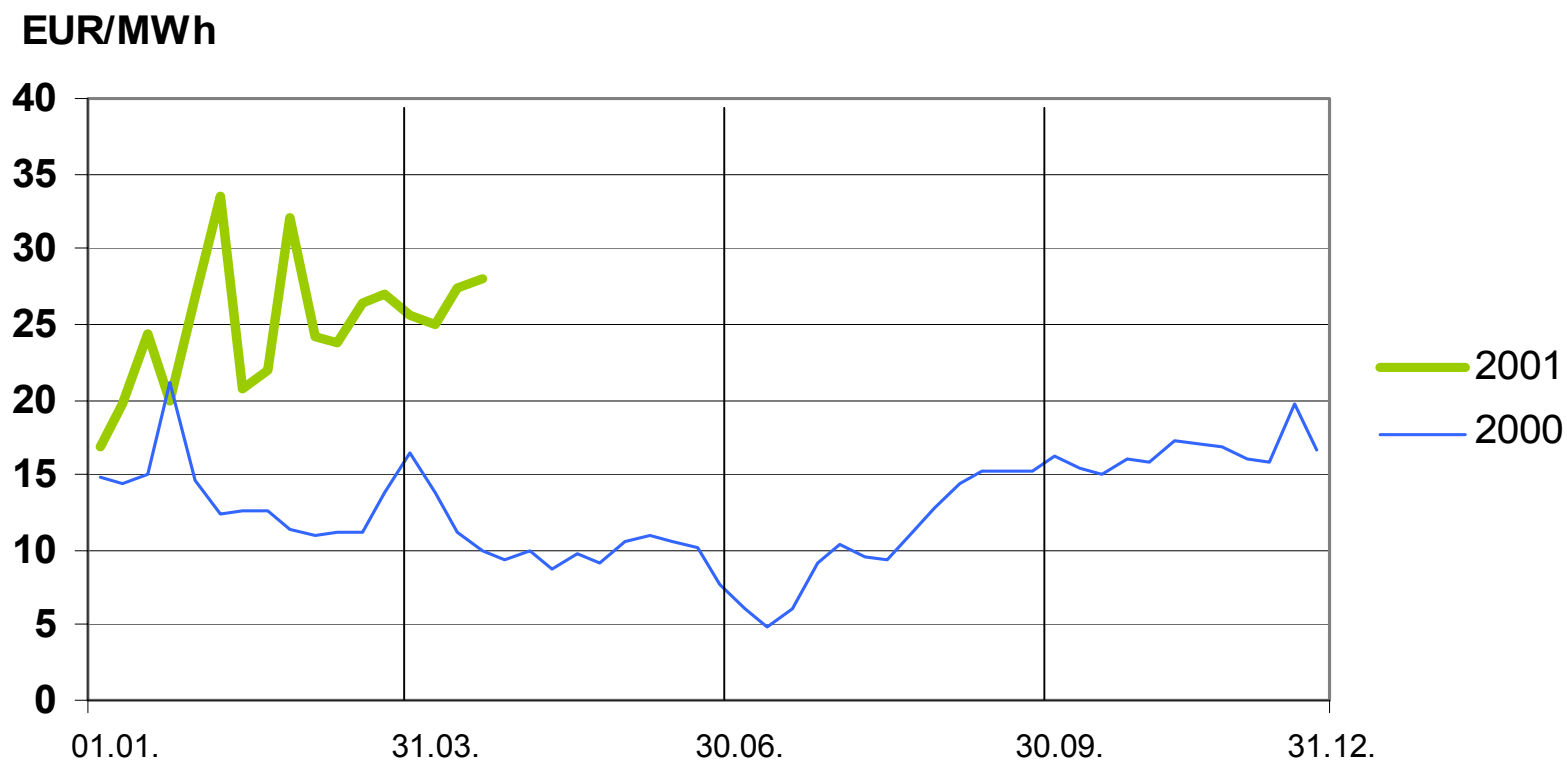
## weekly average 2000-2001

USD/bbl



# Electricity Price Performance

## weekly average 2000-2001

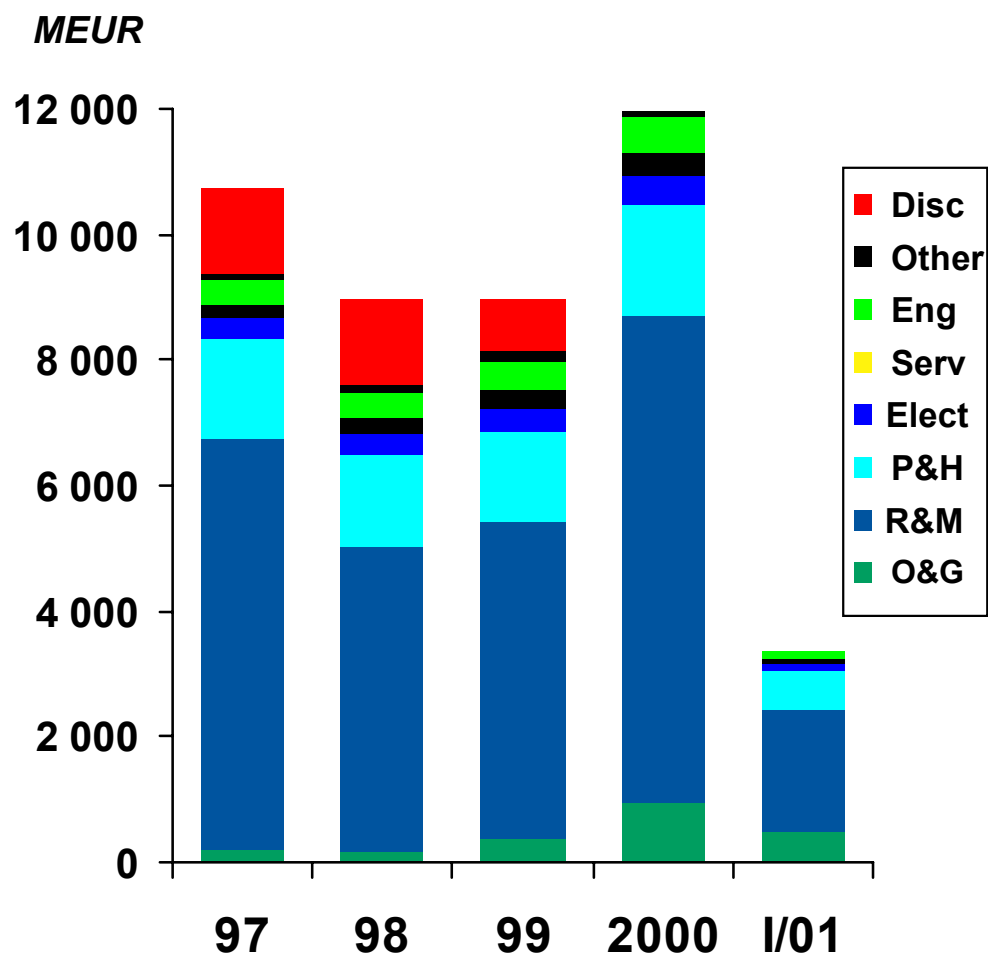


# Key ratios

|  | I/01   | I/00   | 2000   |
|--|--------|--------|--------|
| Net sales, EUR mill.                         | 3,202  | 2,525  | 11,026 |
| Operating profit, EUR mill.                  | 307    | 197    | 906    |
| Profit before extraordinary items, EUR mill. | 246    | 143    | 633    |
| Earnings per share, EUR                      | 0.20   | 0.15   | 0.55   |
| Interest-bearing net debt, EUR mill.         | 4,046  | 4,350  | 4,626  |
| Return on capital employed, %                | 11.7   | 8.9    | 9.4    |
| Gearing, %                                   | 64     | 90     | 73     |
| Average number of employees                  | 15,602 | 16,081 | 16,220 |

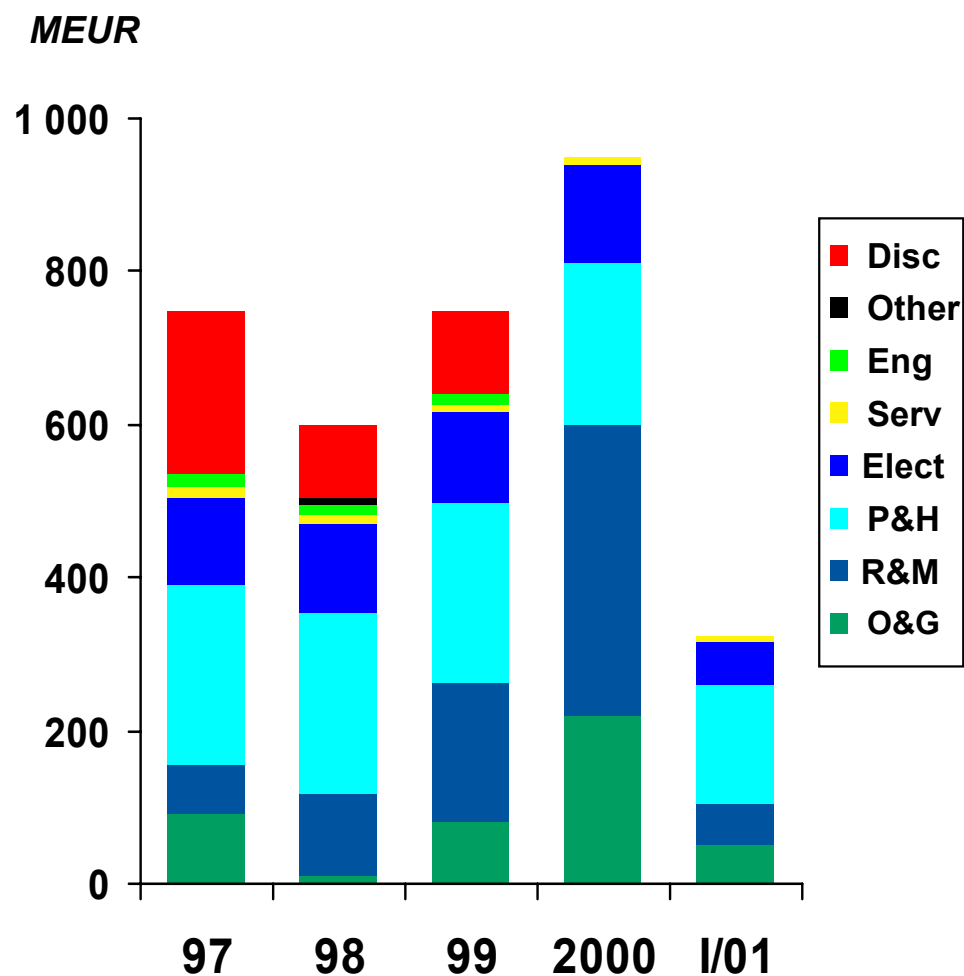


# Net sales



| <i>MEUR</i>              | <u>I / 01</u> | <u>I / 00</u> | <u>2000</u>   |
|--------------------------|---------------|---------------|---------------|
| Oil and Gas Upstream     | 502           | 215           | 945           |
| Refining and Marketing   | 1,941         | 1,669         | 7,759         |
| Power Generation         | 604           | 503           | 1,760         |
| Electricity Distribution | 135           | 131           | 467           |
| Service                  | 77            | 78            | 356           |
| Engineering              | 104           | 118           | 585           |
| Other Operations         | 22            | 21            | 94            |
| Eliminations             | -183          | -210          | -940          |
| <b>Total</b>             | <b>3,202</b>  | <b>2,525</b>  | <b>11,026</b> |
| Discontinued             | -             | -             | -             |
| <b>Group</b>             | <b>3,202</b>  | <b>2,525</b>  | <b>11,026</b> |

# Operating Profit



| <i>MEUR</i>              | <u>I / 01</u> | <u>I / 00</u> | <u>2000</u> |
|--------------------------|---------------|---------------|-------------|
| Oil and Gas Upstream     | 51            | 45            | 218         |
| Refining and Marketing   | 52            | 4             | 382         |
| Power Generation         | 157           | 100           | 211         |
| Electricity Distribution | 56            | 49            | 127         |
| Service                  | 6             | 4             | 12          |
| Engineering              | -11           | -2            | -21         |
| Other Operations         | -5            | -1            | -20         |
| Eliminations             | 1             | -2            | -3          |
| <b>Total</b>             | <b>307</b>    | <b>197</b>    | <b>906</b>  |
| <b>Discontinued</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>    |
| <b>Group</b>             | <b>307</b>    | <b>197</b>    | <b>906</b>  |

# Oil and Gas Upstream Today

- Production mainly in Norway, some in Oman
- Joint ventures in Russia
- Oil and gas reserves totalled some 35 million tonnes at the end of 2000
- Natural gas pipeline projects and interests in gas companies



# Daily Brent spot prices

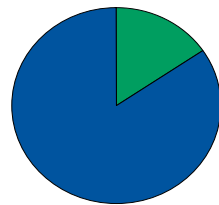


Source: Standard & Poor's Platt's

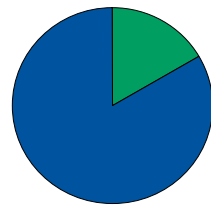
# Oil and Gas Upstream

## January-March 2001

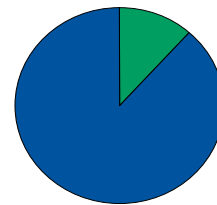
- Oil and gas reserves at the end of 2000 some 250 million barrels.
- Oil and gas production an average of 40,500 oil-equivalent barrels a day (35,400).
- The average price of oil sold by Fortum was 25.8 USD/bbl (27).
- Fortum was granted a 30% stake in three new North Sea concessions in Norway.



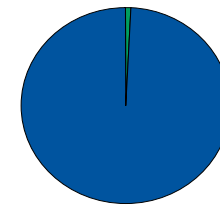
Net sales  
MEUR 502  
(215 )



Operating profit  
MEUR 51  
(45 )



Identifiable assets  
MEUR 1,329  
(1,206 )



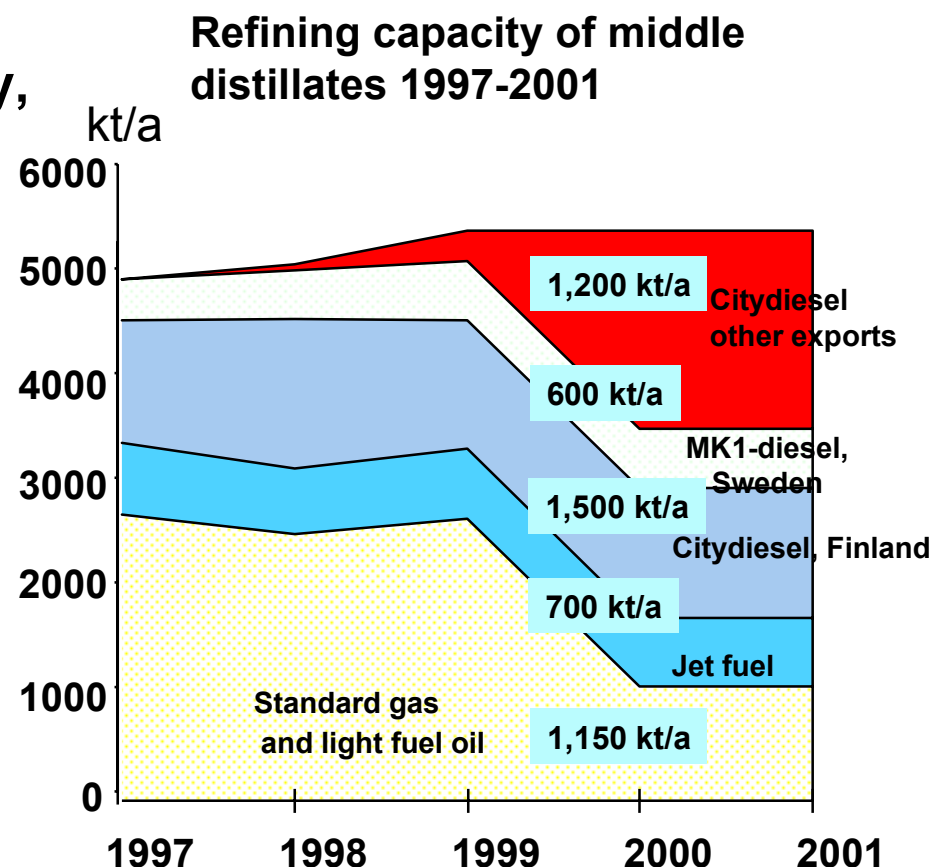
Employees  
average  
135 (128)

RONA  
15.6%  
(15.4)

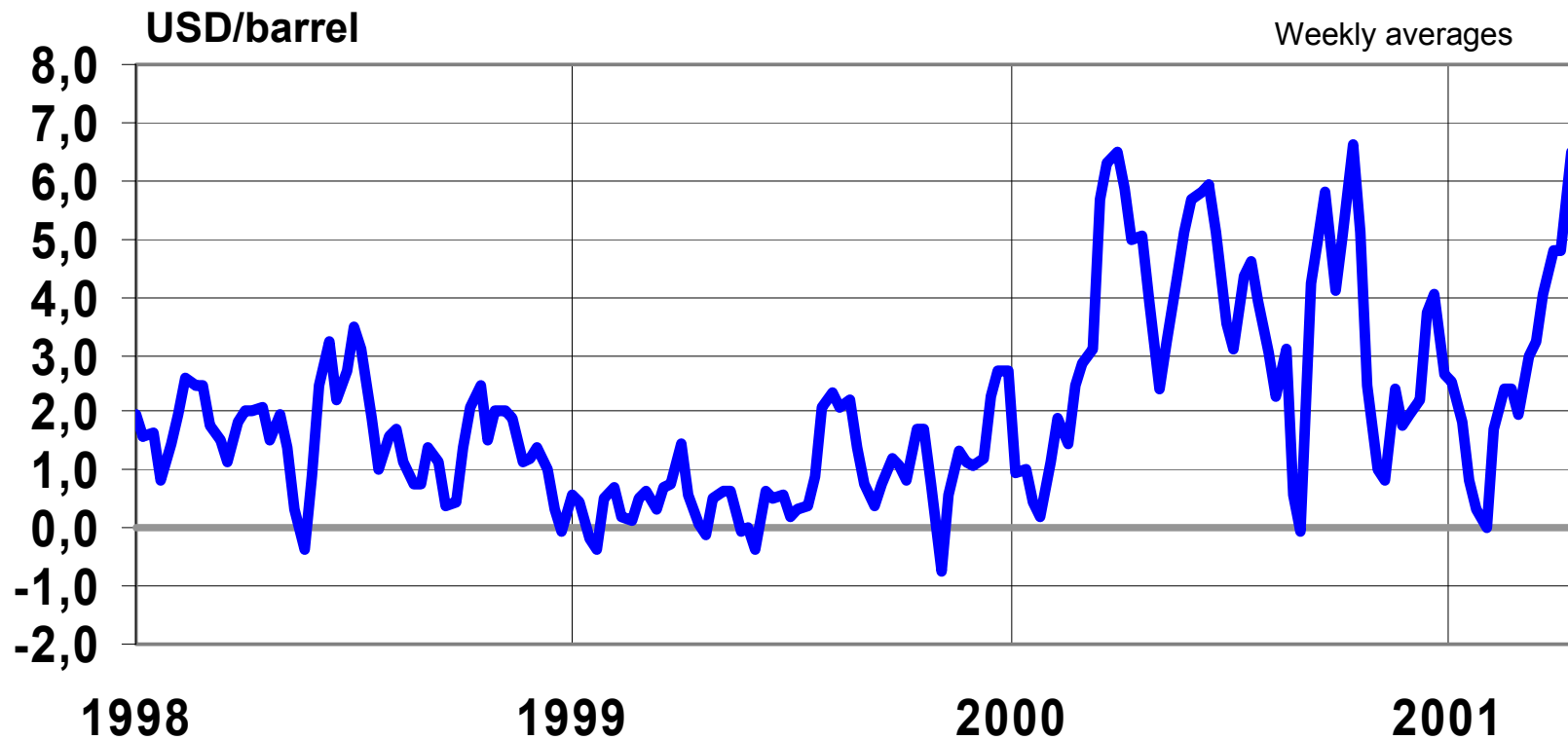
# Oil Refining and Marketing Today

**Fortum is number one in the refining and marketing of high-quality, pro-environmental petroleum products in the Baltic Rim**

- Refining capacity 14 million tonnes a year
- Gasolines and diesel fuels fulfil the tight EU regulations
- Some 1,000 service stations in Finland, one hundred elsewhere in the Baltic Rim
- Owned and chartered tankers



# Refining margins in NWE complex refinery



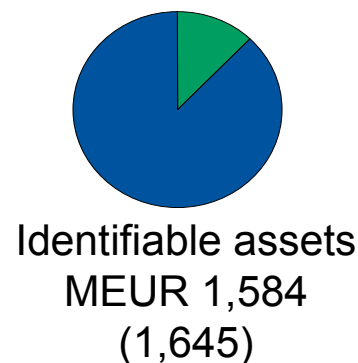
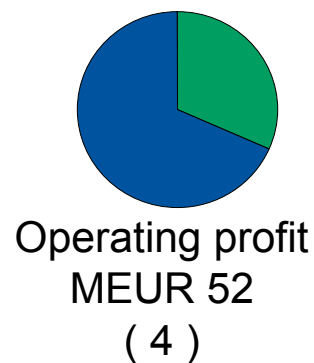
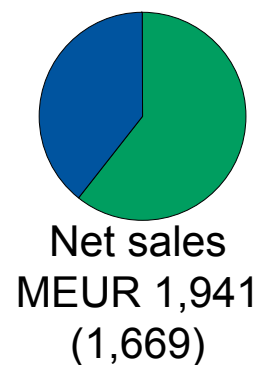
**Average NWE Complex Brent Refinery**

Product prices: cargoes NWE FOB

# Oil refining and marketing

## January-March 2001

- The average north-western European refining margin was 2.25 USD/bbl (2.27). Fortum's refining margin was around USD 2 higher.
- Fortum refined a total of 3.3 (2.9) million tonnes of crude oil and other feedstocks.
- The Porvoo refinery made preparations for the maintenance outage in April-May.



RONA  
12.2%  
(1.0)

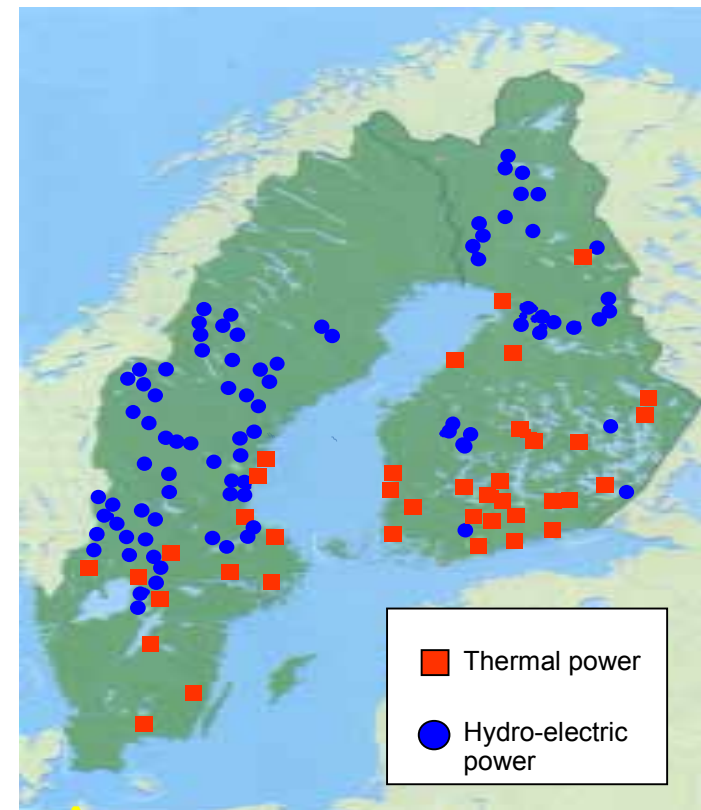


# Power and Heat Generation and Sales Today

**In power generation and sales Fortum is the second largest company in the Nordic market. In heat generation Fortum is number one.**

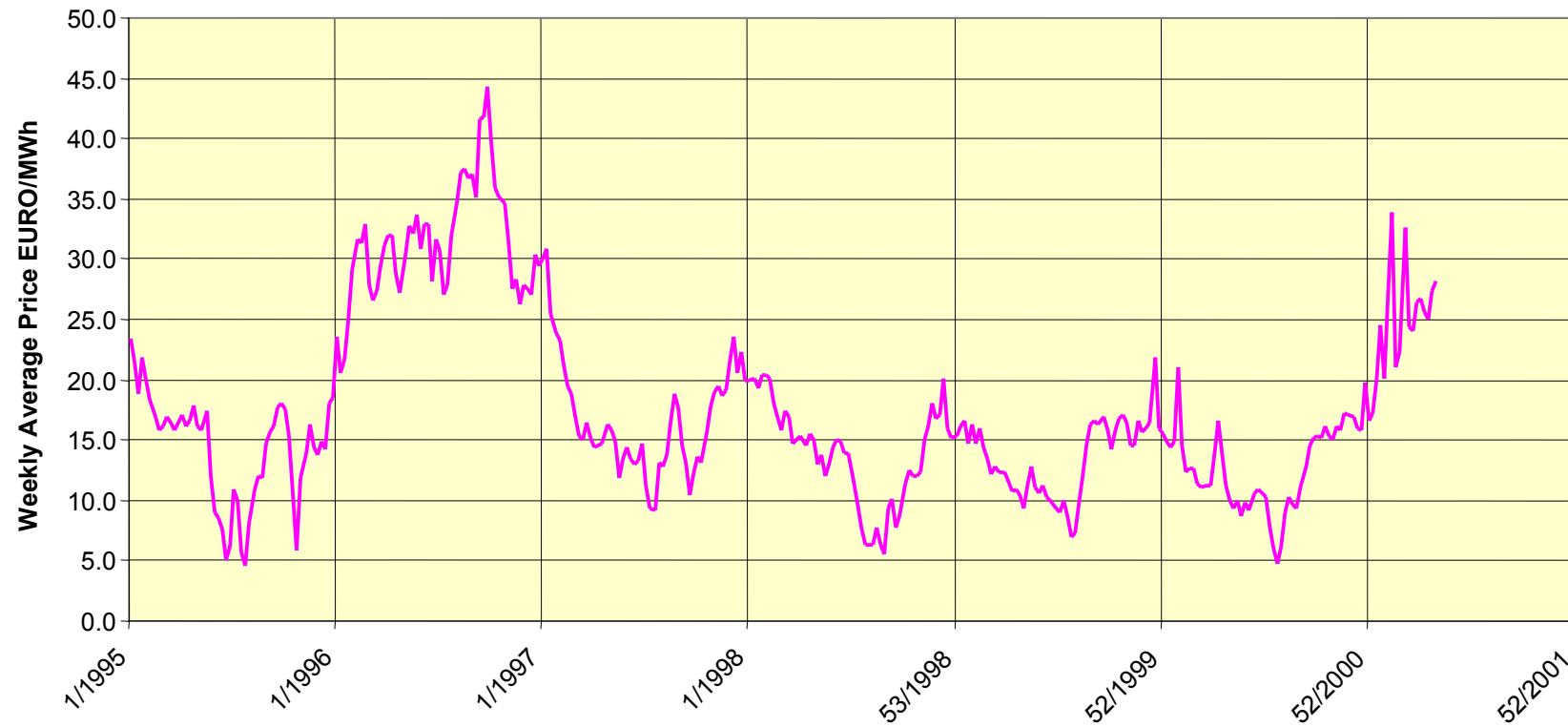
- Power generation capacity about 10,000 MW\*, mostly CO<sub>2</sub>-free hydro-electric and nuclear power and combined power and heat generation
- In electricity sales, Fortum has an xx% share of the Nordic market
- Heat generation capacity close to 6,000 MW

*\* Includes half of Birka Energi AB's figures*

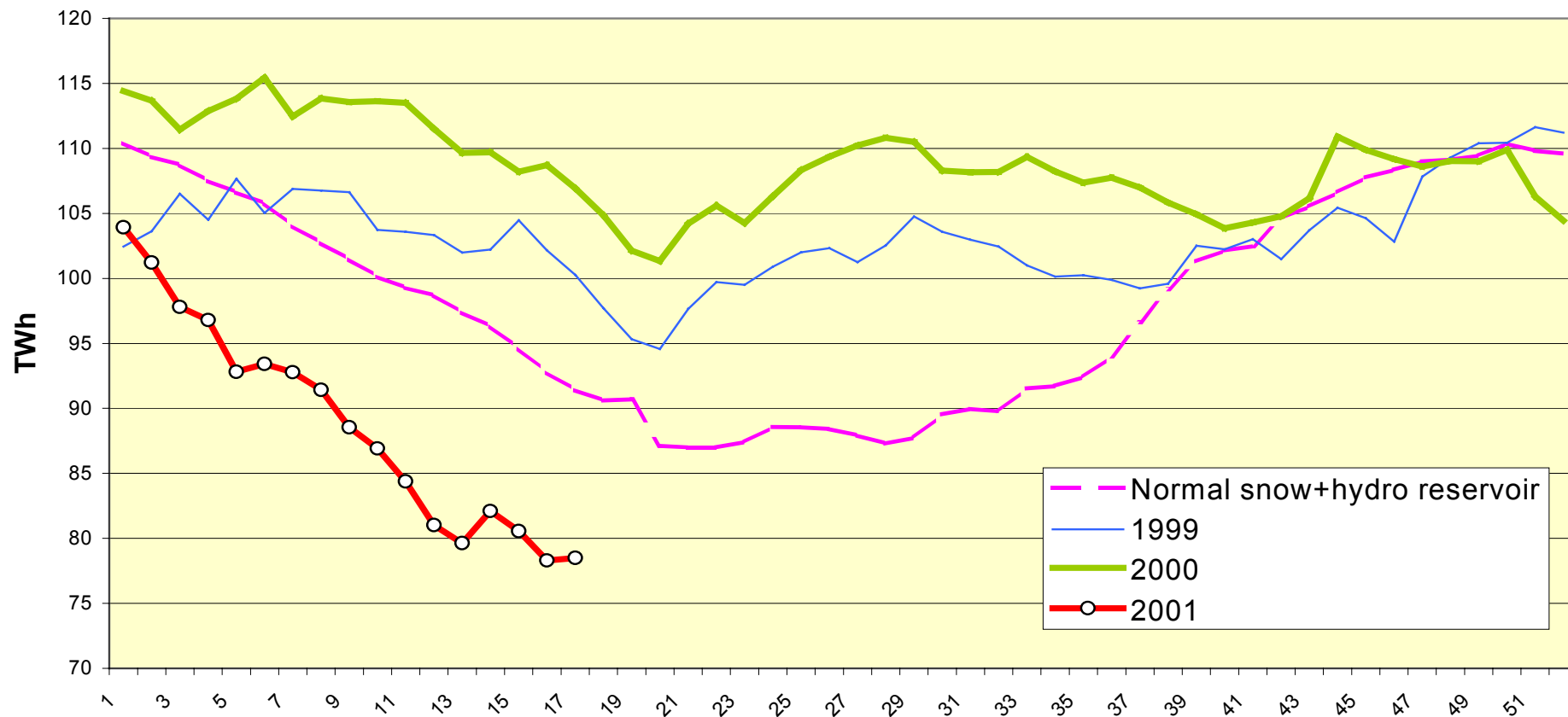


# Nordic Power market prices

Nordpool System Price



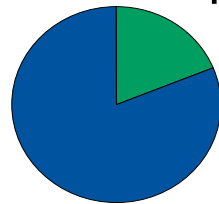
# Snow + hydro reservoir in Sweden and Norway



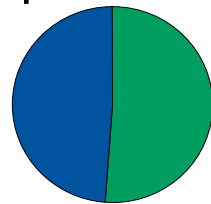
# Power and Heat Generation and Sales

## January-March 2001

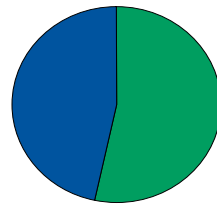
- The average price of electricity in the Nordic electricity exchange was EUR 24.5 per MWh (13.6).
- Fortum's electricity sales were 15.3 TWh (13.2), heat sales 6.0 TWh (6.0).
- The average price of electricity sold by Fortum in the Nordic countries was up by nearly 7%.
- Around 33% (25) of Fortum's electricity output was hydropower-based and around 35% (36) was nuclear power-based.
- Joensuu power plant was sold.



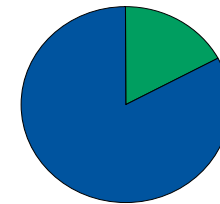
Net sales  
MEUR 604  
(503 )



Operating profit  
MEUR 157  
(100)



Identifiable assets  
MEUR 6,098  
(5,176)



Employees  
average  
2,666 (2,275)

RONA  
10.2%  
(8.0)

# Electricity Distribution Today

- A total of 900,000\* customers in Sweden, Finland, Germany, and Estonia.
- The operations include regional transmission and electricity distribution.
- In Sweden, Fortum operates via Birka Energi

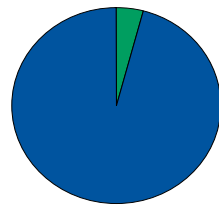


\* includes 50% of Birka Energi's distribution customers

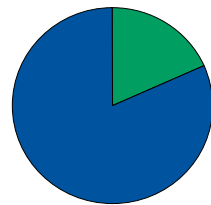
# Electricity distribution

## January-March 2001

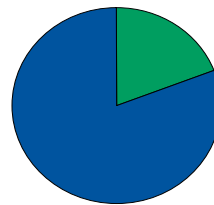
- The distribution of electricity in distribution networks amounted to a total of 4.8 TWh (4.5).
- Electricity transmissions via the regional distribution network totalled 1.0 TWh (1.1) in Finland and 2.4 TWh (1.5) in Sweden.
- Electricity transmission prices remained stable.



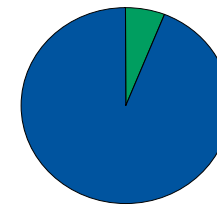
Net sales  
MEUR 135  
(131)



Operating profit  
MEUR 56  
(49)



Identifiable assets  
MEUR 2,200  
(2,182)



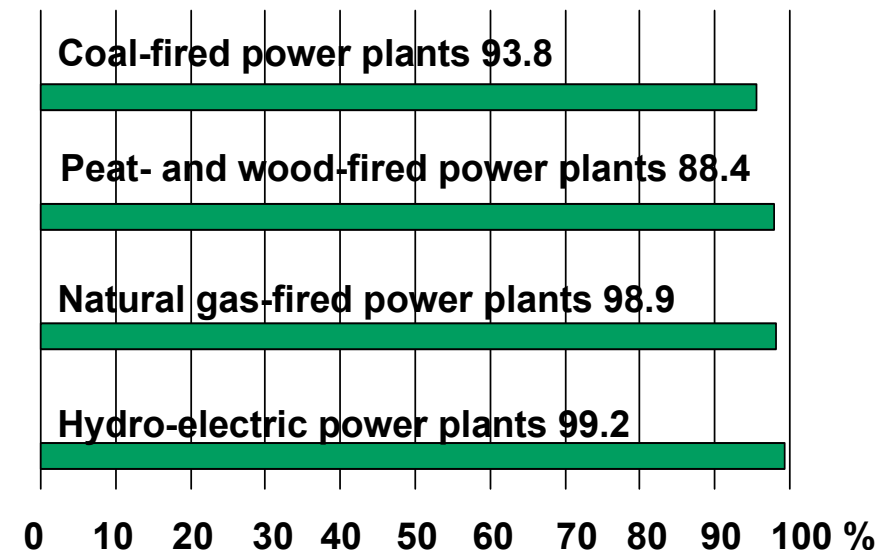
Employees  
average  
975 (1,364)

RONA  
10.0%  
(10.1)

# Service Today

- Operation and maintenance services for power plants and industry
- Responsible for the operation of
  - 11,000 MW of power generating capacity
  - 6,800 MW of heat production capacity
- In 2000, some 47% of the net sales came from external customers.

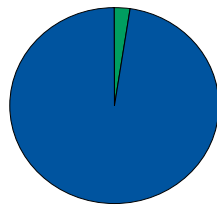
## Operation-time energy availability of Fortum's power plants in Finland in 2000



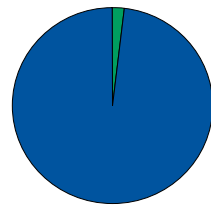
# Service

## January-March 2001

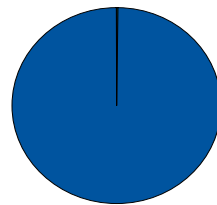
- The operation-time energy availability of power plants operated by Fortum Service continued to be excellent and was 98% (98.6). The five-year average in 1996-2000 was 97.2%.
- In March, a long-term contract covering the operation and maintenance of the Joensuu power plant was signed with the new owner.
- A number of orders for turbine maintenance and substation projects as well as for transformer maintenance assignments.



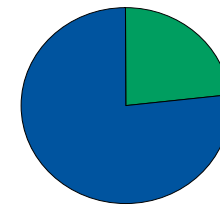
Net sales  
MEUR 77  
(78)



Operating profit  
MEUR 6  
(4)



Identifiable assets  
MEUR 24  
(33)



Employees  
average  
3,654 (3,572)

RONA  
87.3%  
(42.7)



# Engineering Today

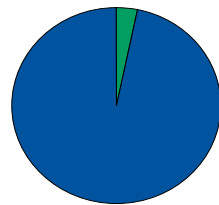
- Contracts for energy generation and transmission systems
- Plant deliveries for oil refining and chemical industries
- Railway electrification and the supply of communications applications



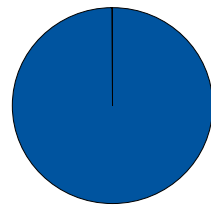
# Engineering

## January-March 2001

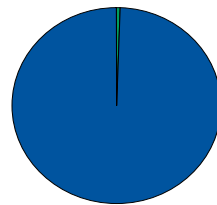
- At the end of March, the volume of outstanding contracts totalled EUR 466 million (609).
- The Power Plant and Power Transmission units showed a loss for the first quarter. The restructuring programme that was initiated in 2000 continued.



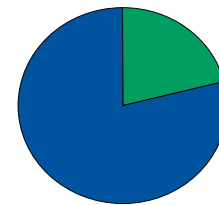
Net sales  
MEUR 104  
(118)



Operating profit  
MEUR -11  
(-2)



Identifiable assets  
MEUR 49  
(24)



Employees  
average  
3,311 (3,333)

RONA  
-67.7%  
(-26.2)

# Income statement

| <b>MEUR</b>                              | <b><u>1 / 01</u></b> | <b><u>1 / 00</u></b> | <b><u>2000</u></b> |
|--|----------------------|----------------------|--------------------|
| <b>Net sales</b>                         | <b>3,202</b>         | <b>2,525</b>         | <b>11,026</b>      |
| <b>Expenses</b>                          | <b>-2,895</b>        | <b>-2,328</b>        | <b>-10,120</b>     |
| <b>Operating profit</b>                  | <b>307</b>           | <b>197</b>           | <b>906</b>         |
| <b>Financial expenses, net</b>           | <b>-61</b>           | <b>-54</b>           | <b>-273</b>        |
| <b>Profit before extraordinary items</b> | <b>246</b>           | <b>143</b>           | <b>633</b>         |
| <b>Extraordinary items</b>               | <b>0</b>             | <b>0</b>             | <b>-10</b>         |
| <b>Profit before taxes</b>               | <b>246</b>           | <b>143</b>           | <b>623</b>         |
| <b>Income taxes total</b>                | <b>-67</b>           | <b>-26</b>           | <b>-154</b>        |
| <b>Minority interests</b>                | <b>-21</b>           | <b>-3</b>            | <b>-46</b>         |
| <b>Net profit for the period</b>         | <b>158</b>           | <b>114</b>           | <b>423</b>         |
| <b>EPS (EUR)</b>                         | <b>0.20</b>          | <b>0.15</b>          | <b>0,55</b>        |

# Balance sheet

| <b>MEUR</b>   | <b>31.3.2001</b> | <b>31.3.2000</b> | <b>31.12.2000</b> |
|---|------------------|------------------|-------------------|
| <b>Fixed assets and other long-term investments</b> | <b>11,333</b>    | <b>10,636</b>    | <b>11,712</b>     |
| <b>Current assets</b>                               | <b>3,204</b>     | <b>2,538</b>     | <b>3,116</b>      |
| <b>Assets</b>                                       | <b>14,537</b>    | <b>13,174</b>    | <b>14,828</b>     |
| <b>Shareholders' equity</b>                         | <b>4,977</b>     | <b>4,734</b>     | <b>5,022</b>      |
| <b>Minority interests</b>                           | <b>1,306</b>     | <b>125</b>       | <b>1,281</b>      |
| <b>Interest-bearing liabilities</b>                 | <b>4,476</b>     | <b>4,745</b>     | <b>5,063</b>      |
| <b>Interest-free liabilities</b>                    | <b>3,778</b>     | <b>3,570</b>     | <b>3,462</b>      |
| <b>Equity and liabilities</b>                       | <b>14,537</b>    | <b>13,174</b>    | <b>14,828</b>     |
| <b>Gearing (%)</b>                                  | <b>64</b>        | <b>90</b>        | <b>73</b>         |
| <b>Equity-to-assets ratio (%)</b>                   | <b>44</b>        | <b>37</b>        | <b>43</b>         |
| <b>Equity per share (EUR)</b>                       | <b>6.26</b>      | <b>6.03</b>      | <b>6,32</b>       |

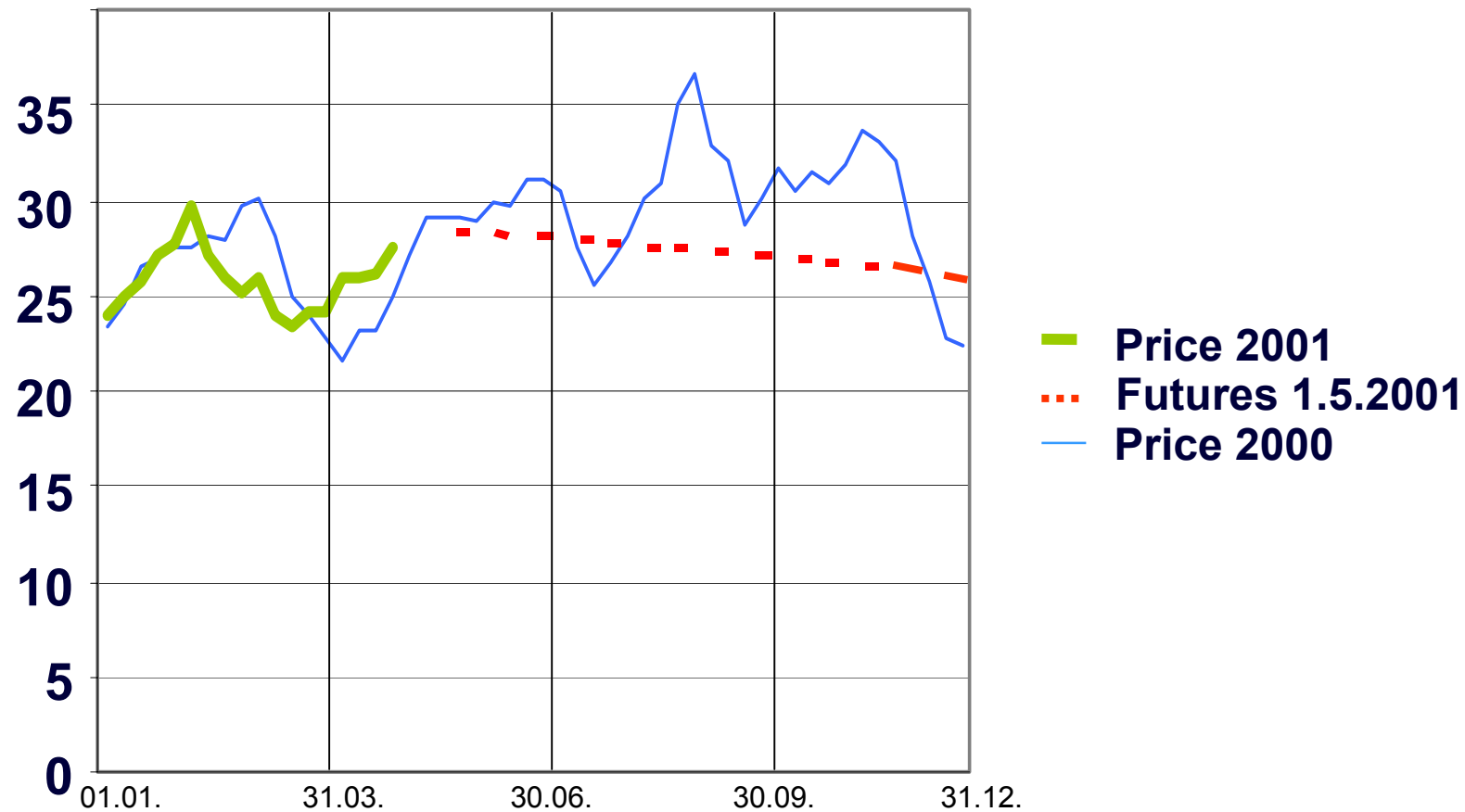
# Cash flow statement

| <i>MEUR</i>  | <u>I / 01</u> | <u>I / 00</u> | <u>2000</u> |
|--|---------------|---------------|-------------|
| Net cash from operating activities                                 | 447           | 52            | 424         |
| Capital expenditures   | -123          | -466          | -1,742      |
| Proceeds from sales of fixed assets                                | 90            | 10            | 518         |
| Change in other investments  | 7             | -44           | 115         |
| Cash flow before financing activities                              | 421           | -448          | -685        |
| Net change in loans  | -447          | 53            | -666        |
| Dividends paid   | -             | -             | -141        |
| Other financing items  | 6             | -             | 1,152       |
| Net cash from financing activities                                 | -441          | 53            | 345         |
| Net increase (+)/decrease (-)<br>in cash and marketable securities | -20           | -395          | -340        |

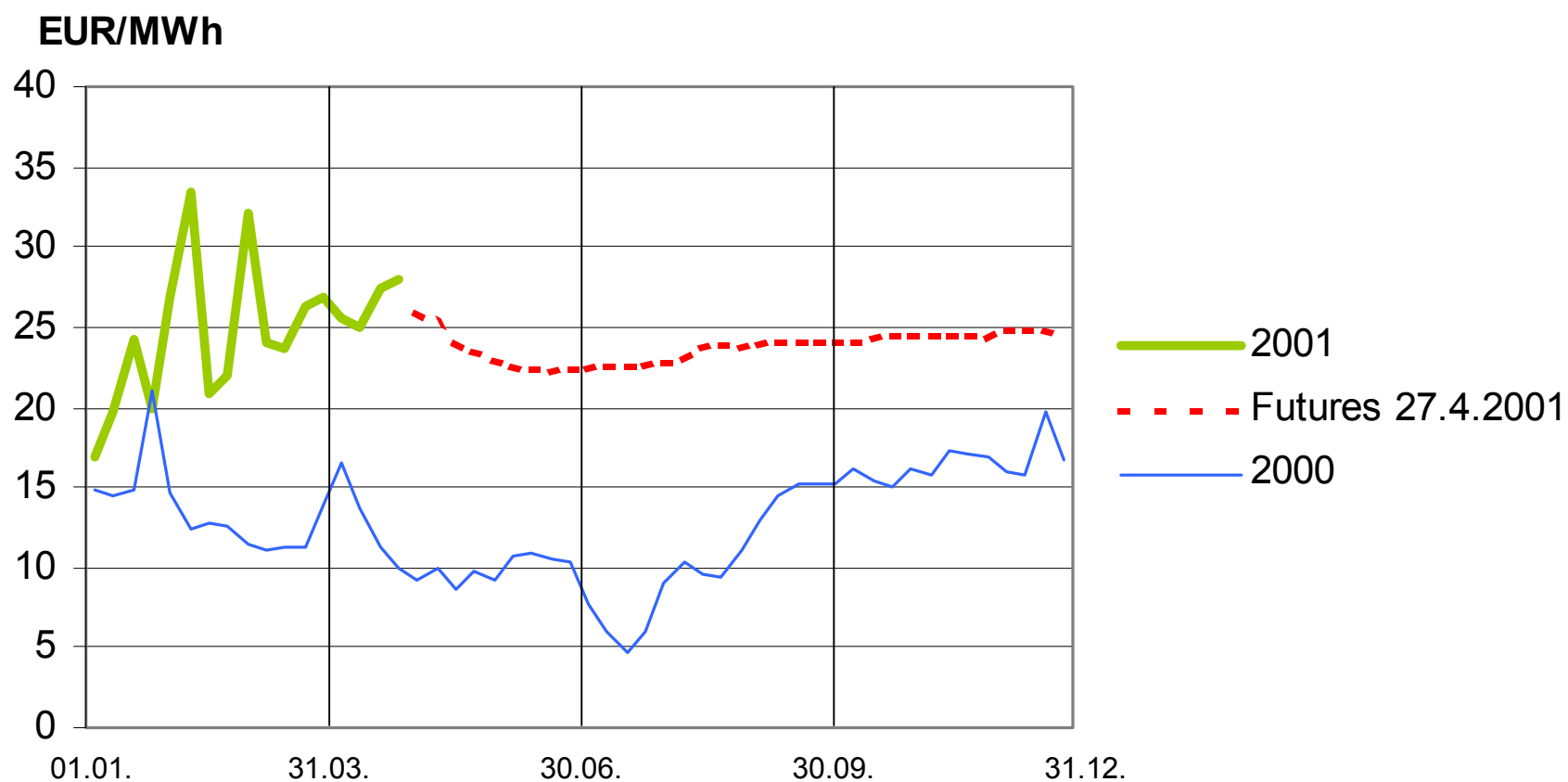
# Crude oil prices and futures

## weekly average 2000-2001

USD/bbl



# Nordpoolin system price and futures weekly average



# Short-term outlook

- Nord Pool electricity futures for the rest of 2001 at EUR 22 - 26 per MWh. The continued operations from power and heat generation and sales usually result in a significantly better performance in the first and final quarters of the year than in the second and third quarters.
- The target price of Opec crude oil is USD 22 - 28 a barrel. The IPE's Brent futures for 2001 was USD 26 - 28 a barrel. Fortum expects to increase its oil and gas production during the current year by around 25%.
- In April, the Brent Complex margin was over USD 5 a barrel. The outage at Porvoo refinery in April/May will reduce output of refined petroleum products by around 1 million tonnes.



# Performance improvement actions

- Focusing of business operations
- Asset lighter balance sheet
- Streamlining Engineering
- R & D restructuring in Power and Heat
- Corporate performance improvement programme
  
- Clear financial targets - ROCE and ROE 12%

# New Sectors

## Fortum Markets

- to develop customership in Nordic countries
- versatile offerings to SMEs and private consumers
- e-commerce service

## Fortum Energy Solutions

- combines the strengths of our power plant knowhow
- offers versatile energy solutions for industrial customers
- international growth area