



# **Fortum**

## **Interim Report January-March 2003**

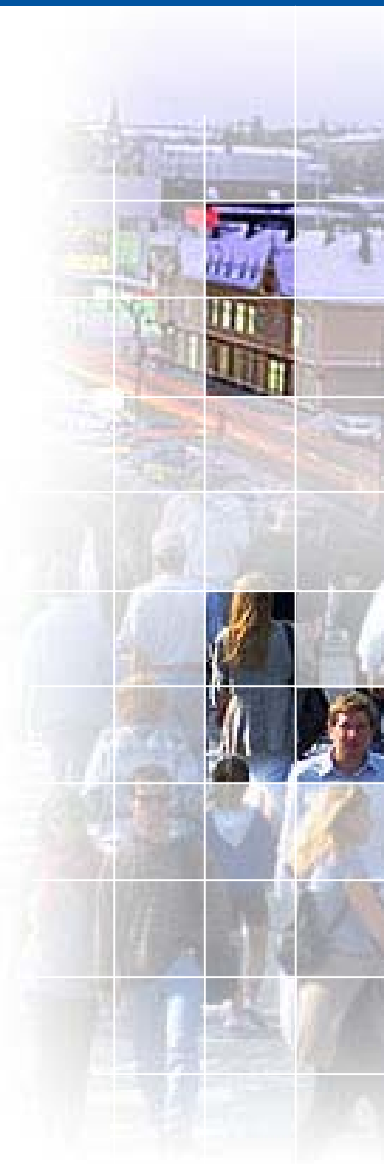
24 April 2003



Fortum's Q1 2003

## **Strong performance, strengthened balance sheet**

- Significantly improved results
- Continued strong cash flow
- Considerably decreased net debt
- Strategic steps in Norway and north-western Russia
- High market price of electricity and oil refining margin
- Electricity market proved its functionality



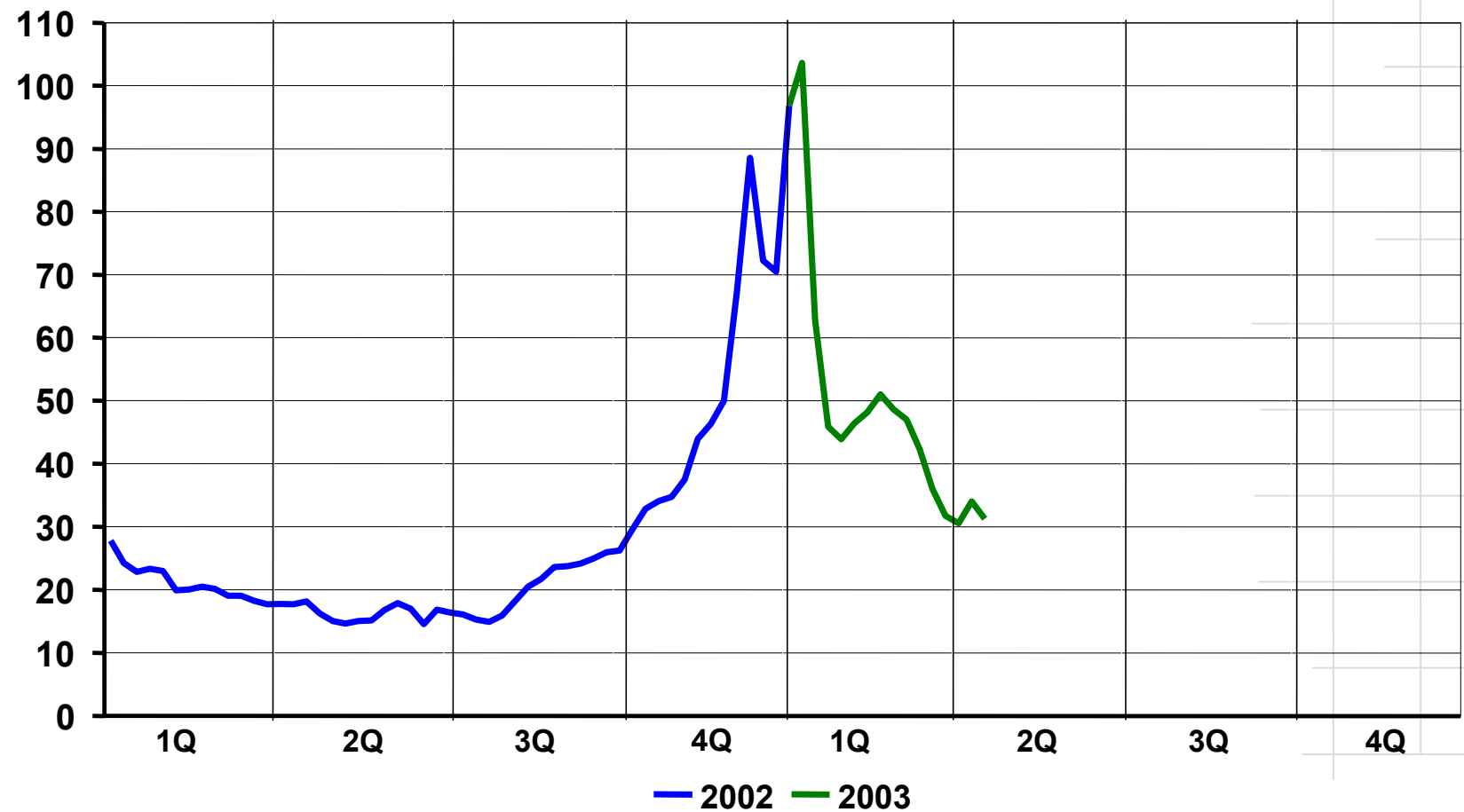
# Favourable market conditions

- Electricity consumption at the same level as in Q1 2002
- Nord Pool price of electricity 152% higher, averaging EUR 53.3 (21.2) per MWh
- International refining margin significantly stronger, averaging USD 3.8 (-0.2) /bbl
- Price for Brent crude oil USD 31.5 (21.1) /bbl on average .

# Steep price peak in electricity

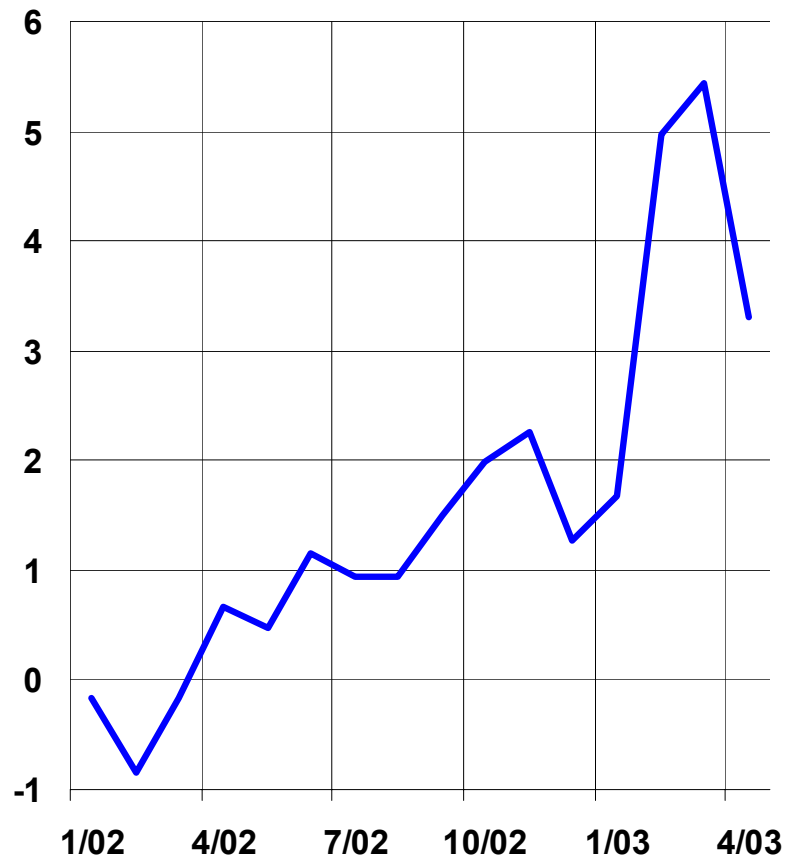
EUR / MWh

Nord Pool market price of electricity in 2002 - 2003

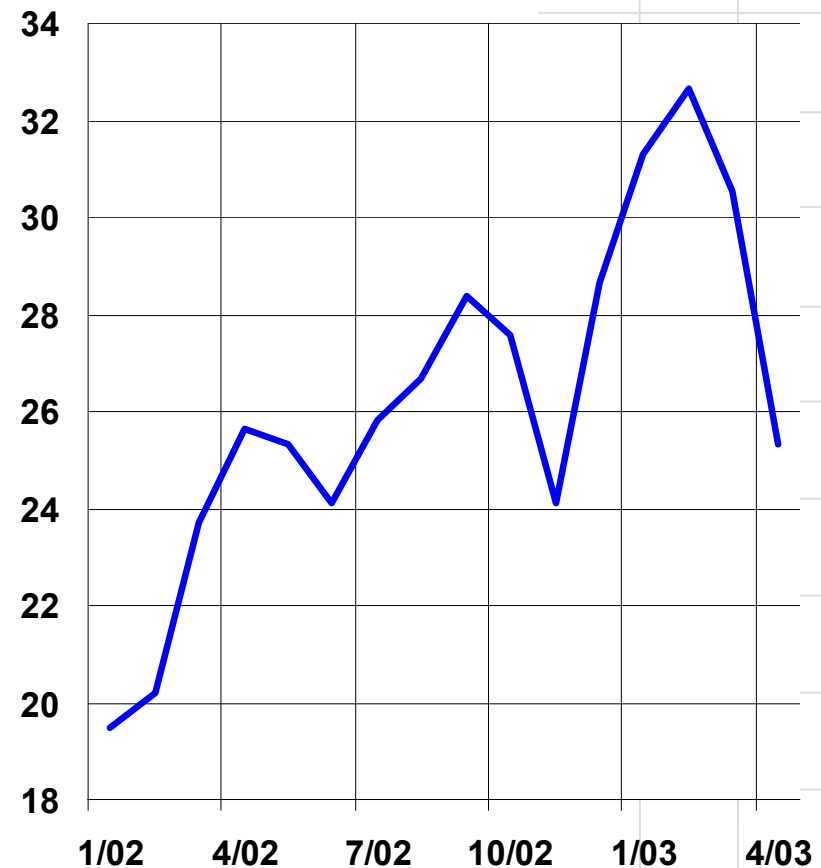


# High refining margin and crude price

Brent complex refining margin  
in north-western Europe 2002-2003



Price for Brent crude oil  
2002-2003



# Considerable result improvement

- Pre-tax profit up by 52%: EUR **410** (269) million
- EPS up by 52%: EUR **0.32** (0.21)
- Net cash from operating activities EUR **344** (325) million
- Net debt EUR **4,624** (5,848 at the end of 2002) million
  - ➡ decreased by EUR 2.5 billion in 12 months



Return on capital employed **15.6%** (8.8%)

Return on shareholders' equity **16.5%** (8.5%)

Gearing **63%** (80% at the end of 2002)

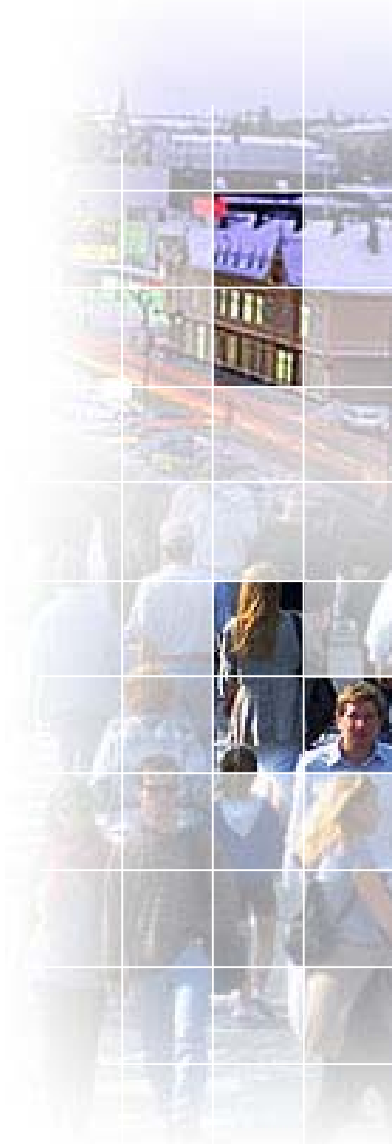
# Reporting structure as of Q1 2003

## Segments

- Power, Heat and Gas
- Electricity Distribution
- Oil Refining and Marketing
- Markets
- Discontinued operations

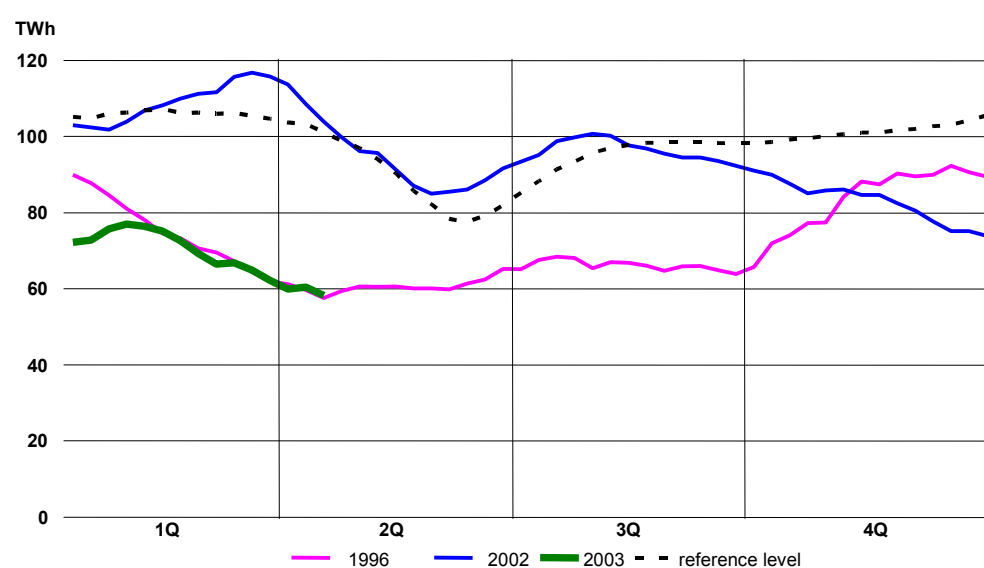
## Business Units

- Generation
  - Portfolio Management and Trading
  - Heat
  - Värme
  - Gas
  - Service
- Distribution
- Oil Refining
  - Oil Retail
  - Shipping
- Markets
- Exploration and Production

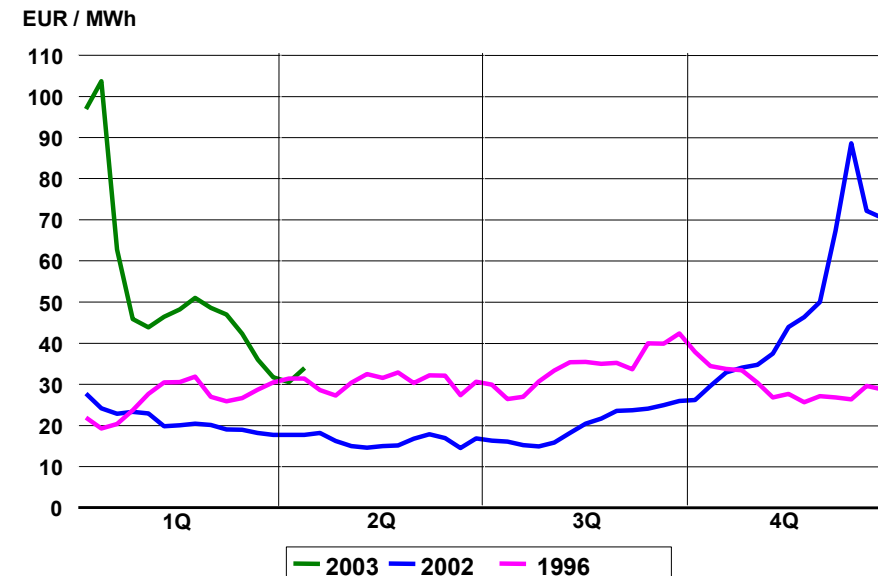


# Low hydro reservoirs, high electricity price

Snow & water reservoirs  
1996/2001-2003



Nord Pool market price of electricity  
1996/2001-2003

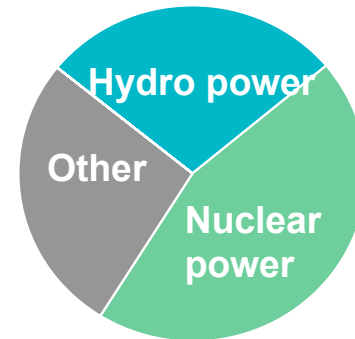


# Power, Heat and Gas

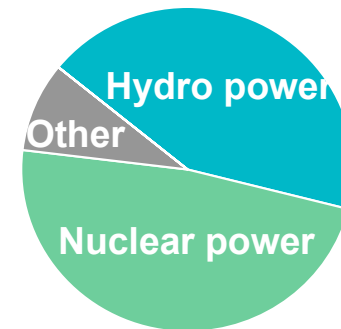
January-March 2003

- Own Nordic power generation up by 30%
- Nordic sales of electricity up by 32%, market share 16%
- Low availability of hydro power was compensated by thermal power
- Price of electricity sold by Fortum increased by 49%, 27% compared to Q4 2002.
- Birka integration process proceeded well.
- Swap of power assets with E.ON

Comparison: January-March 2002



Power generation  
Q1 2003  
14.8 TWh



Power generation  
Q1 2002  
11,4 TWh

# Power, Heat and Gas

EUR million	Q1 2003	Q1 2002
Net sales	1,214	933
Operating profit	293	149
- excluding non-recurring items	294	148
RONA, %	13.4	7.9
Net assets	8,741	9,100

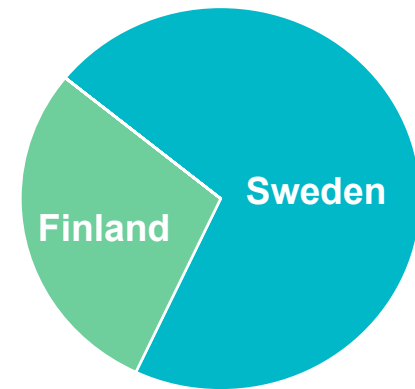
Business units:

Generation, Portfolio Management and Trading, Heat, Värme, Gas, Service

# Electricity Distribution

January-March 2003

- Number of customers 1.3 million
- 6.9 TWh transmitted electricity in distribution networks, up 28%
- 5.9 TWh transmitted electricity in regional networks, up 18%



Electricity transmissions  
in distribution networks  
Q1 2003

Comparison: January-March 2002

# Electricity Distribution

January-March 2003

EUR million	Q1 2003	Q1 2002
Net sales	199	162
Operating profit	81	113
- excluding non-recurring items	80	55
RONA, %	10.2	16.2
Net assets	3,179	3,472

Business unit: Distribution

# Markets

January-March 2003

- Electricity and heating oil retail businesses at market terms.
- Customers in Sweden 0.9 million, in Finland 0.4 million
- Sales of electricity 9.3 TWh, up 21%
- Sales of heating oil 0.3 (0.3) million tonnes
- Exceptional market conditions affected results.

1.3 million  
customers

- private
- business

Electricity  
Heating oil  
Related  
services

Comparison: January-March 2002



# Markets

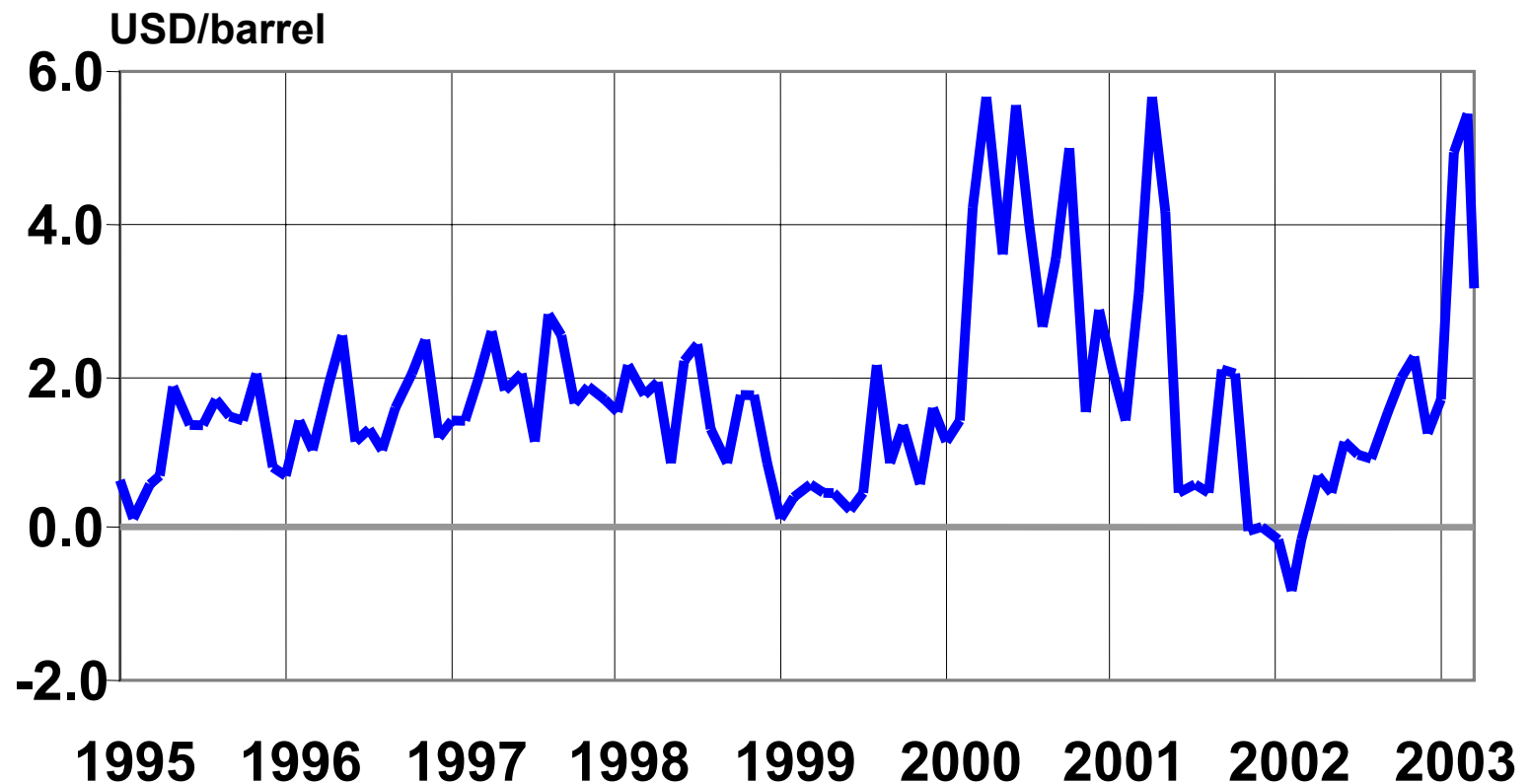
January-March 2003

EUR million	Q1 2003	Q1 2002
Net sales	476	306
Operating profit	-7	2
- excluding non-recurring items	-7	1
RONA, %	-62.6	6.0
Net assets	34	161



# Refining margin in north-western Europe

monthly average



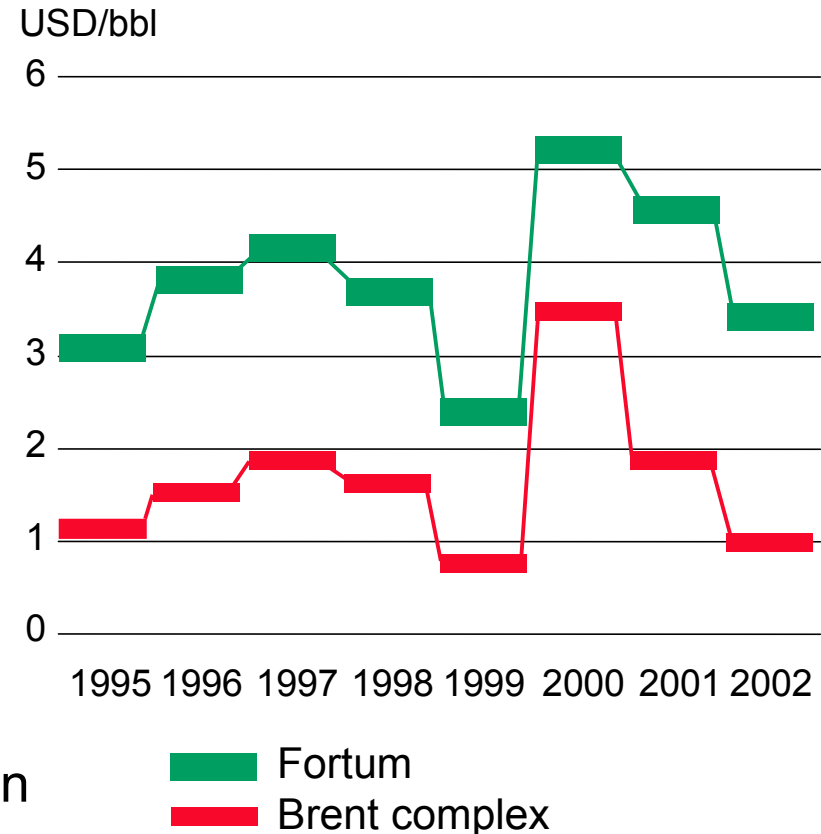
Average Brent complex refinery in North-western Europe

Product prices: cargoes NWE FOB

# Oil Refining and Marketing

January-March 2003

- International reference margin  
USD 3.8 (-0.2)/bbl
- Continued strong premium margin
- Sales of petroleum products  
unchanged
- Exceptionally high freight rates
- Preparations to start oil production in  
Russia in late 2003



Comparison: January-March 2002

# Oil Refining and Marketing

January-March 2003

EUR million	Q1 2003	Q1 2002
Net sales	2,075	1,531
Operating profit	125	57
- excluding non-recurring items	123	28
RONA, %	32.9	13.8
Net assets	1,527	1,622

Business units: Oil Refining, Oil Retail, Shipping

# Income statement

<b>MEUR</b>	<b><u>I / 03</u></b>	<b><u>I / 02</u></b>	<b><u>2002</u></b>
Net sales	3,593	2,571	11,148
Expenses	<u>-3,118</u>	<u>-2,244</u>	<u>-9,859</u>
Operating profit	475	327	1,289
Financial expenses, net	<u>-65</u>	<u>-58</u>	<u>-281</u>
Profit before taxes	410	269	1,008
Income taxes total	-107	-65	-269
Minority interests	<u>-33</u>	<u>-22</u>	<u>-73</u>
Net profit for the period	<u>270</u>	<u>182</u>	<u>666</u>
EPS (EUR)	0.32	0.21	0.79
Return on capital employed,(%)	15.6	8.8	11.1
Return on shareholders equity,(%)	16.5	8.5	10.5

# Balance sheet

**MEUR**

	<b>Mar 31 2003</b>	<b>Mar 31 2002</b>	<b>Dec 31 2002</b>
<b>Fixed assets and other long-term investments</b>	<b>13,674</b>	<b>15,856</b>	<b>14,837</b>
<b>Current assets</b>	<b>2,813</b>	<b>3,165</b>	<b>3,123</b>
<b>Assets</b>	<b>16,487</b>	<b>19,021</b>	<b>17,960</b>
<b>Shareholders' equity</b>	<b>5,884</b>	<b>5,478</b>	<b>5,896</b>
<b>Minority interests</b>	<b>1,461</b>	<b>1,469</b>	<b>1,432</b>
<b>Interest-bearing liabilities</b>	<b>4,964</b>	<b>7,634</b>	<b>6,440</b>
<b>Interest-free liabilities</b>	<b>4,178</b>	<b>4,440</b>	<b>4,192</b>
<b>Equity and liabilities</b>	<b>16,487</b>	<b>19,021</b>	<b>17,960</b>
<b>Gearing (%)</b>	<b>63</b>	<b>102</b>	<b>80</b>
<b>Adjusted gearing (%) <sup>1)</sup></b>	<b>95</b>	<b>145</b>	<b>115</b>
<b>Equity per share (EUR)</b>	<b>6.96</b>	<b>6.48</b>	<b>6.97</b>

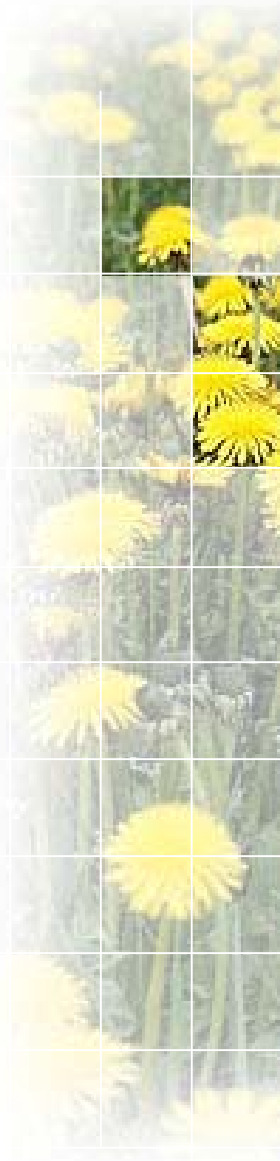
1) Minority interest of Fortum Capital Ltd included in liabilities

# Cash flow statement

<i>MEUR</i>	<u>I / 03</u>	<u>I / 02</u>	<u>2002</u>
Net cash from operating activities	344	325	1,351
Capital expenditures	-83	-81	-649
Acquisition of shares	-29	-1,683	-1,771
Proceeds from sales of fixed assets	63	92	120
Proceeds from sales of shares	933	148	889
Change in other investments	1	-159	33
Cash flow before financing activities	1,229	-1,358	-27
Net change in loans	-1,480	1,307	209
Dividends paid	-	-	-220
Other financing items	-1	-	30
Net cash from financing activities	-1,481	1,307	19
Net increase (+)/decrease (-) in cash and marketable securities	<u>-252</u>	<u>-51</u>	<u>-8</u>

# Outlook

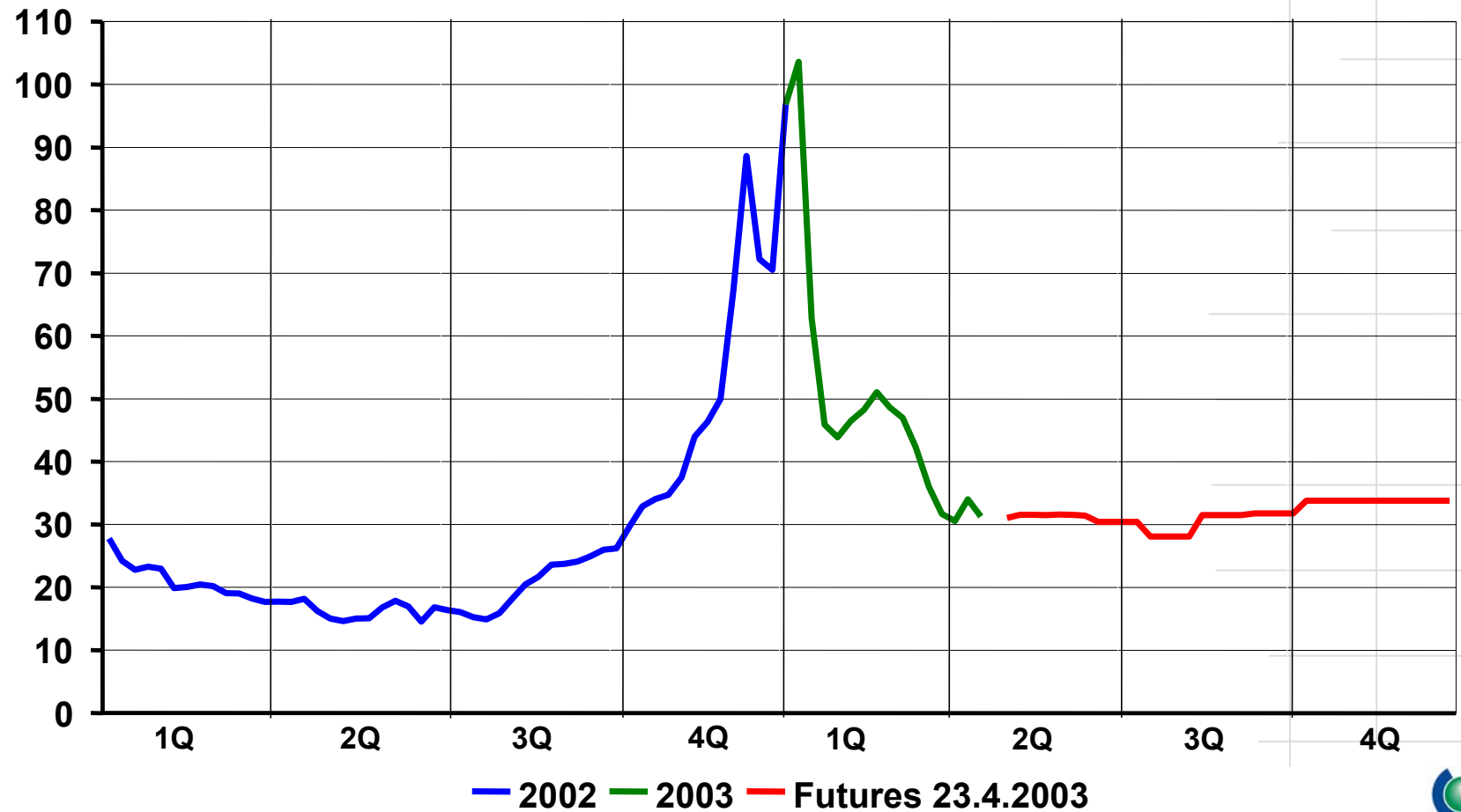
- Nordic electricity consumption is predicted to increase annually by about 1-2% over the next years.
- Power and heat businesses usually result in a significantly better performance in Q1 and Q4 than in the Q2 and Q3.
- Synergy benefits of Birka Energi integration will exceed the target of EUR 100 a year as of 2004.
- The deal with E.ON is expected to be completed by the end of Q2.



# Short-term outlook

EUR / MWh

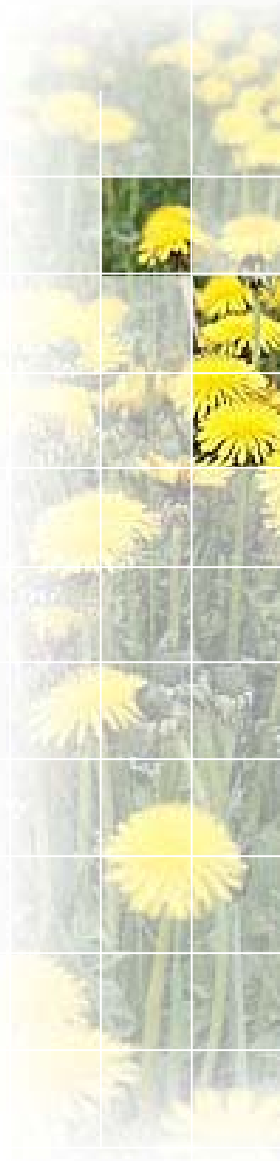
Nord Pool electricity system price and futures



Fortum

# Outlook

- The Brent Complex margin has long averaged USD 1.5-2 /bbl. Fortum's premium margin is expected to remain at approximately USD 2/bbl.
- No major maintenance shutdowns are planned at the refineries during 2003.
- The exceptionally high freight rates in Q1 have weakened towards the summer.
- Preparations for the start of oil production in Russia in late 2003 are continuing as planned.



# Positive fundamentals

- Improved financial performance
- Strengthened balance sheet
- Company in good shape
- Favourable market conditions

