



Fortum

Interim Report January-June 2003 Teleconference

24 July 2003



Fortum's Q1-Q2 2003

Continued strong performance

- Significant improvement in ongoing business
- Continued strong cash flow
- Further strengthening of balance sheet
- Strengthened market position in Norway and north-western Russia
- Repositioning virtually completed



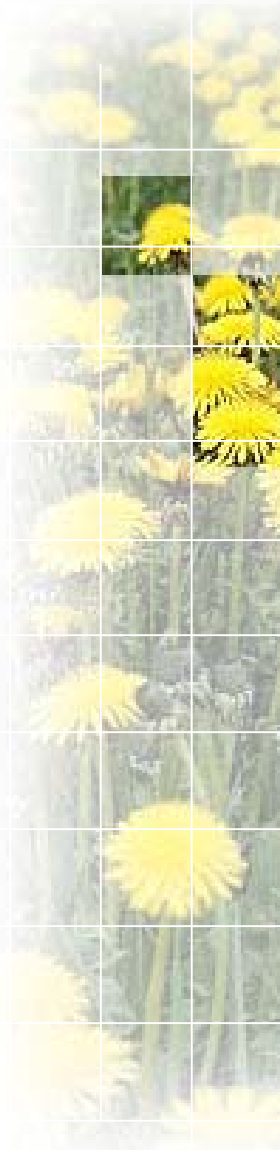
Market conditions

- Electricity consumption at the same level as in Q1-Q2 2002
- Nord Pool price of electricity 119% higher, averaging EUR 40.9 (18.7) per MWh
- During the second quarter, Nord Pool price of electricity 46% lower than in the first quarter, EUR 28.6 (53.3) per MWh
- International oil refining margin significantly stronger, averaging USD 2.9 (0.4) /bbl

Well performing ongoing business

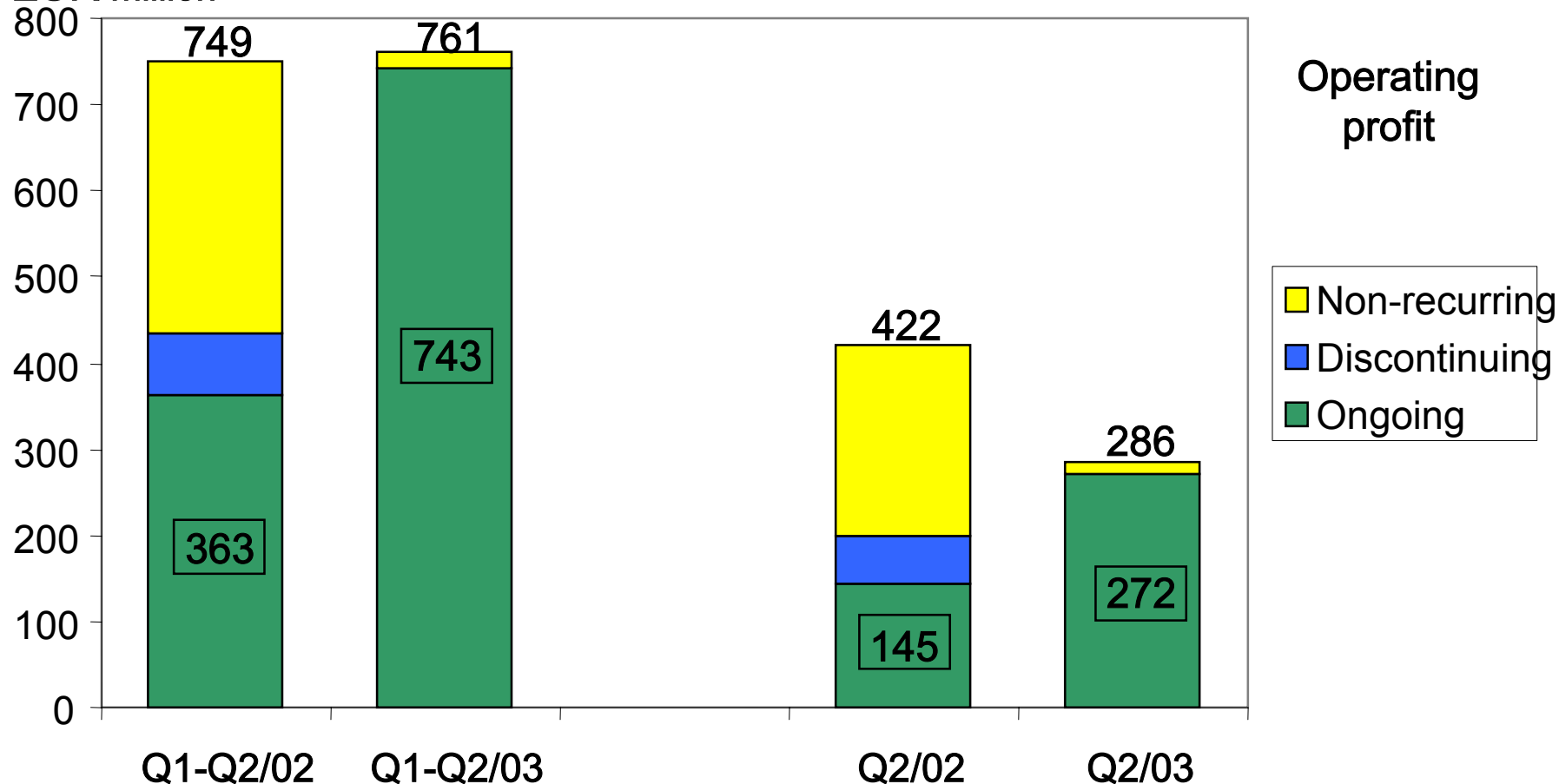
- Operating profit EUR 761 (749) million, excluding non-recurring items up by 71%: EUR 743 (435) million
- EPS EUR 0.49 (0.50)
- Net cash from operating activities EUR 1,060 (775) million
- Net debt EUR 4,502 (5,848 at the end of 2002) million

Return on capital employed 12.1% (10.3%)
Return on shareholders' equity 11.9% (9.1%)
Gearing 60% (80% at the end of 2002)



Improved performance of ongoing business

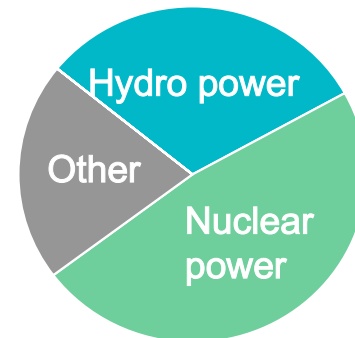
EUR million



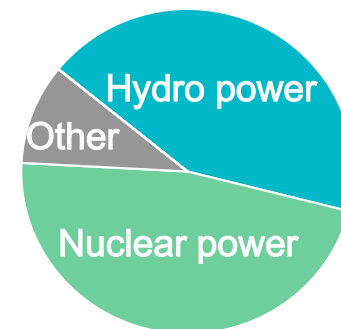
Power, Heat and Gas

January-June 2003

- Own Nordic power generation up by 18%
- Nordic sales of electricity up by 14%, market share was 15%
- Low availability of hydro power compensated by thermal power
- Price of electricity sold by Fortum up by 43%. In Q2, decrease of 19% compared to Q1
- Birka integration progressed as planned, synergy benefits exceeded EUR 60 million.



Power generation
Q1-Q2 2003
26.7 TWh



Power generation
Q1-Q2 2002
22.6 TWh

Comparison: January-June 2002

Power, Heat and Gas

EUR million	Q1-Q2 2003	Q1-Q2 2002
Net sales	1,932	1,716
Operating profit	429	305
- excl. non-recurring items	430	196
RONA, %	9.9	7.7
Net assets	8,566	8,735

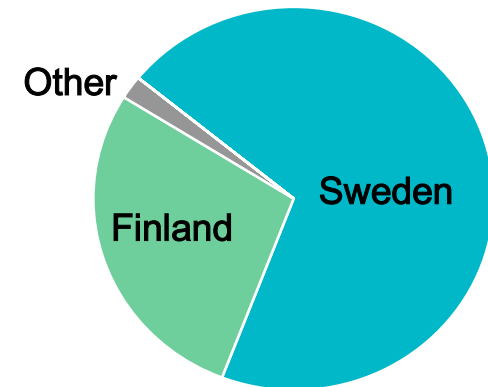
Business units:

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

Electricity Distribution

January-June 2003

- 1.4 million customers
- 11.9 (10.4) TWh transmitted electricity in distribution networks, up by 14%
- 10.6 (9.6) TWh transmitted electricity in regional networks, up by 10%



Electricity transmissions in distribution networks Q1-Q2 2003

Comparison: January-June 2002

Electricity Distribution

January-June 2003

EUR million	Q1-Q2 2003	Q1-Q2 2002
Net sales	359	317
Operating profit	142	185
- excl. non-recurring items	121	94
RONA, %	9.0	12.7
Net assets	3,064	3,145



Business unit: Distribution

Markets

January-June 2003

- Electricity and oil products (mainly heating oil) retail businesses at market terms.
- Sales of electricity 17.2 (15.6) TWh, up by 10%
- Sales of heating oil 0.4 (0.4) million tonnes

1.4 million
customers
• private
• business

Electricity
Heating oil
Related
services



Comparison: January-June 2002

Markets

January-June 2003

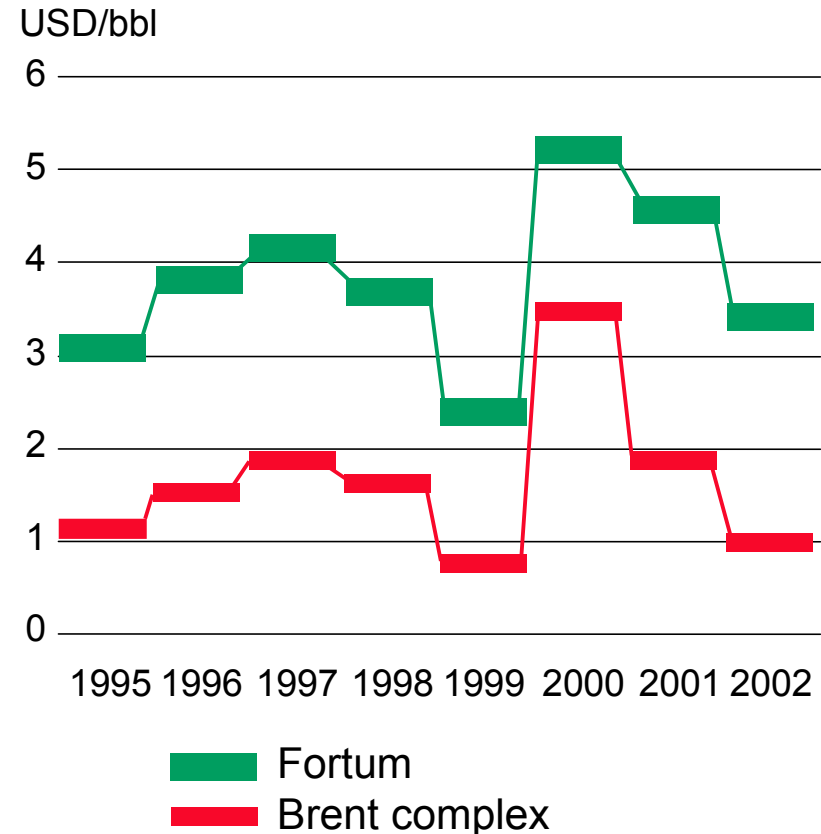
EUR million	Q1-Q2 2003	Q1-Q2 2002
Net sales	803	576
Operating profit	8	6
- excl. non-recurring items	8	5
RONA, %	23.1	9.5
Net assets	119	109

Business Unit: Markets

Oil Refining and Marketing

January-June 2003

- International reference margin USD 2.9 (0.4)/bbl
- Strong own premium margin maintained
- Sales volumes at previous year's level
- High shipping freight rates, mainly during the first quarter
- Oil production in Russia started in July.



Comparison: January-June 2002

Oil Refining and Marketing

January-June 2003

EUR million	Q1-Q2 2003	Q1-Q2 2002
Net sales	3,718	3,321
Operating profit	200	135
- excl. non-recurring items	216	97
RONA, %	26.8	16.8
Net assets	1,435	1,543

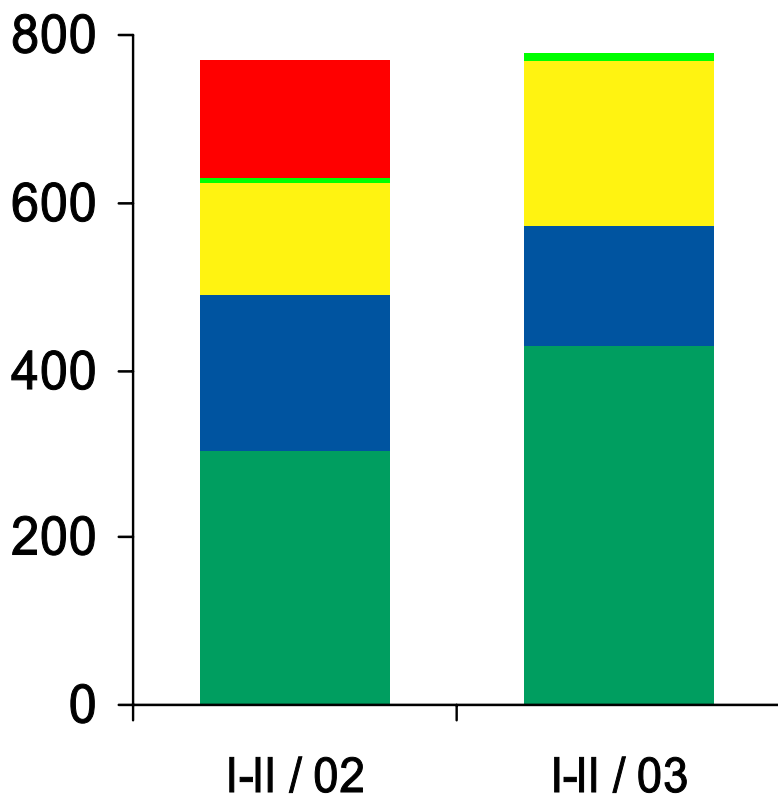
Business units: Oil Refining, Oil Retail, Shipping

Income statement

<i>MEUR</i>	<u>I - II / 03</u>	<u>I - II / 02</u>	<u>2002</u>
Net sales	6,028	5,253	11,148
Expenses	-5,267	-4,504	-9,859
Operating profit	761	749	1,289
Financial expenses, net	-135	-134	-281
Profit before taxes	626	615	1,008
Income taxes total	-167	-149	-269
Minority interests	-47	-40	-73
Net profit for the period	412	426	666
EPS (EUR)	0.49	0.50	0.79
Return on capital employed,(%)	12.1	10.3	11.1
Return on shareholders equity,(%)	11.9	9.1	10.5

Operating profit

MEUR



MEUR

	I-II / 03	I-II / 02	2002
Power, Heat and Gas	429	305	617
Electricity Distribution	142	185	279
Oil Refining & Marketing	200	135	253
Markets	8	6	-11
Other Operations	-19	-21	-64
Eliminations	1	0	0
Total	761	610	1 074
Discontinuing operations	0	139	215
Fortum Group	761	749	1 289

■ P&H&G
 ■ Distr.
 ■ R&M
 ■ Mar
 ■ Other
 ■ Disc

Balance sheet

<i>MEUR</i>	Jun 30 2003	Jun 30 2002	Dec 31 2002
Fixed assets and other long-term investments	13,908	14,868	14,837
Current assets	2,586	2,688	3,123
ASSETS	16,494	17,556	17,960
Shareholders' equity	6,027	5,682	5,896
Minority interests	1,434	1,443	1,432
Interest-bearing liabilities	5,168	6,609	6,440
Interest-free liabilities	3,865	3,822	4,192
EQUITY AND LIABILITIES	16,494	17,556	17,960
Gearing (%)	60	87	80
Adjusted gearing (%) ¹⁾	91	125	115
Equity per share (EUR)	7.13	6.72	6.97

1) Minority interest of Fortum Capital Ltd included in liabilities

Cash flow statement

MEUR

	Jun 30	Jun 30	Dec 31
	2003	2002	2002
Net cash from operating activities	1 060	775	1 351
Capital expenditures	-244	-250	-649
Acquisition of shares	-503	-1 756	-1 771
Proceeds from sales of fixed assets	80	102	120
Proceeds from sales of shares	1 219	754	889
Change in other investments	-32	154	33
Cash flow before financing activities	1 580	-221	-27
Net change in loans	-1 204	295	209
Dividends paid	-264	-220	-220
Other financing items	-40	-48	30
Net cash from financing activities	-1 508	27	19
Net increase (+)/decrease (-) in cash and marketable securities	72	-194	-8

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 Q2 and Q3.
- Synergy benefits of Birka Energi integration will exceed the target of EUR 100 a year as of 2004.
- The Nordic electricity forwards for the rest of 2003 at the beginning of July were in the range of EUR 29-30 per MWh.



Outlook

- The Brent Complex margin has steadily averaged USD 1.5-2 /bbl. In July 2003, it has been averaging USD 2.7/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.
- Oil production in north-western Russia started in mid-July. Full capacity is expected to be reached during 2004.



Fortum is well-placed

- Well performing businesses, healthy cash flow
- Strong balance sheet
- Repositioning virtually completed



Solid platform to further strengthen our position

