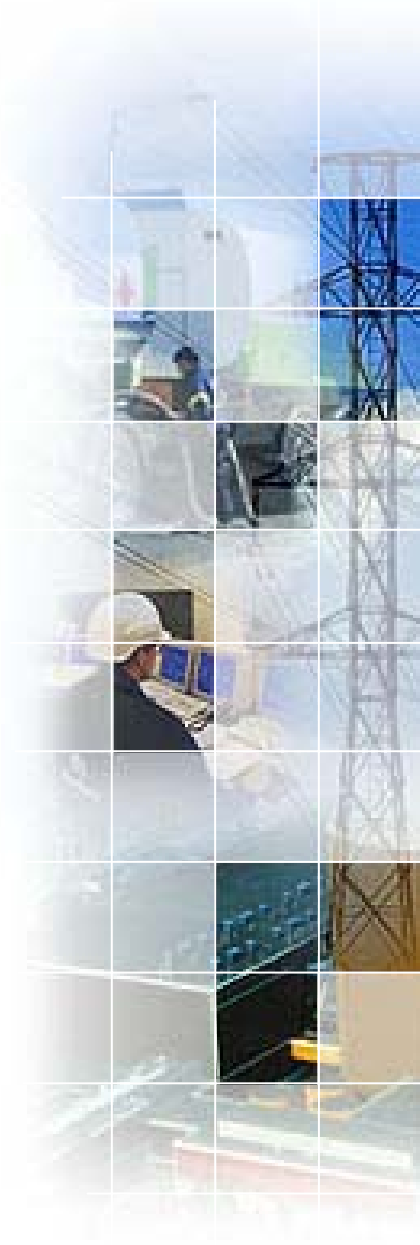




# **Fortum**

## **Interim Report January-September 2003 Teleconference**

23 October 2003



Fortum's Q1-Q3 2003

# Strong performance continues

- Significant improvement in ongoing business
- Continued strong cash flow
- Strengthened market position in Norway and north-western Russia
- Decision to separate and list the oil business, major upgrade at Porvoo refinery



# Market conditions

- Slight decrease of Nordic electricity consumption
- Nord Pool price of electricity nearly doubled, averaging EUR **37.6** (19.2) per MWh.
- International oil refining margin significantly stronger, averaging USD **2.8** (0.7) /bbl

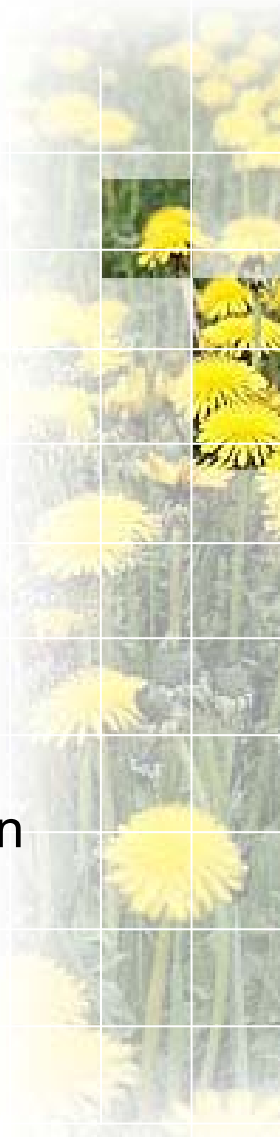
# Well performing ongoing business

- Operating profit EUR **1,000** (898) million, excluding non-recurring items up by 71%
- Earnings per share EUR **0.64** (0.57)
- Net cash from operating activities EUR **1,381** (977) million
- Net debt EUR **4,420** (5,848 at the end of 2002) million

Return on capital employed **10.6%** (9.6%)

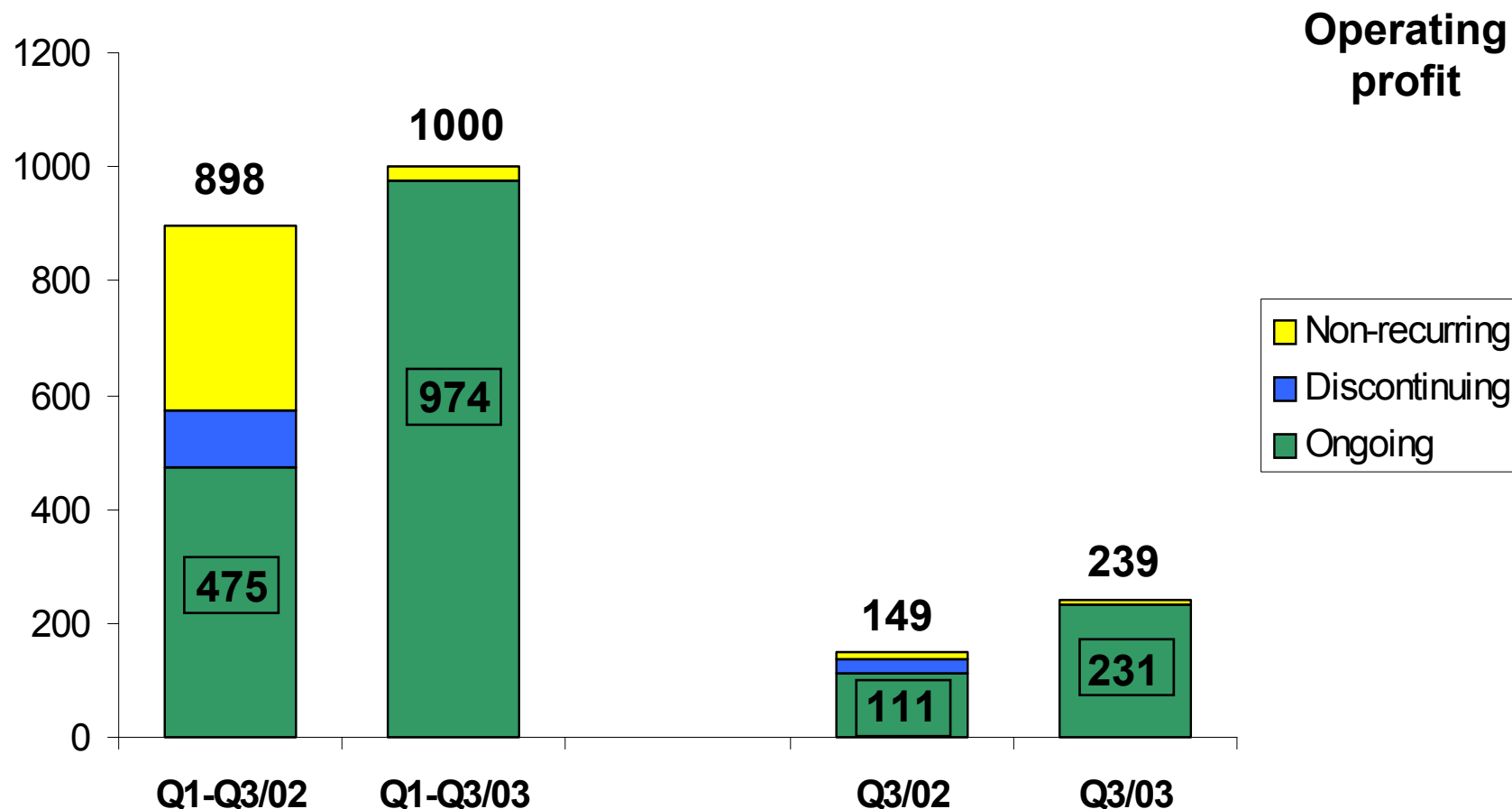
Return on shareholders' equity **10.5%** (8.7%)

Gearing **58%** (80% at the end of 2002)



# Improved performance of ongoing business

EUR million



# Major strategic steps

Focus on the Nordic area



24 July 2003

Strengthened market position in Norway and north-western Russia

- Strong minority positions in Hafslund and Lenenergo

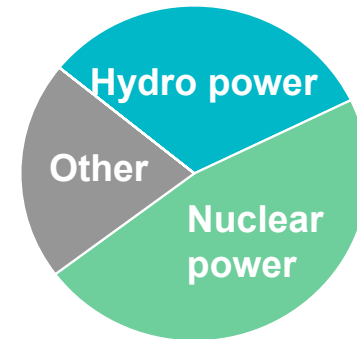
Separation and listing of oil business

- Enables Fortum to further increase its focus on its Nordic utility strategy
- Allows oil business to take full advantage of market developments
- Facilitates the EUR 500 million upgrade of the Porvoo refinery

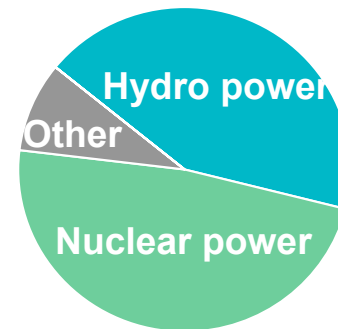
# Power, Heat and Gas

January-September 2003

- Own Nordic power generation up by 13%
- Nordic sales of electricity up by 11%, market share was 15%
- Low availability of hydro power compensated by thermal power - evidence of flexible production portfolio
- Price of electricity sold by Fortum up by 39%.
- Birka integration according to plan, synergy benefits exceeded EUR 90 million.



Power generation  
Q1-Q3 2003  
37.1 TWh



Power generation  
Q1-Q3 2002  
32.7 TWh

Comparison: January-September 2002

# Power, Heat and Gas

## January-September 2003

EUR million	Q1-Q3 2003	Q1-Q3 2002
Net sales	2,558	2,410
Operating profit	506	333
- excl. non-recurring items	508	230
RONA, %	7.8	5.5
Net assets	8,720	8,717

Business units:

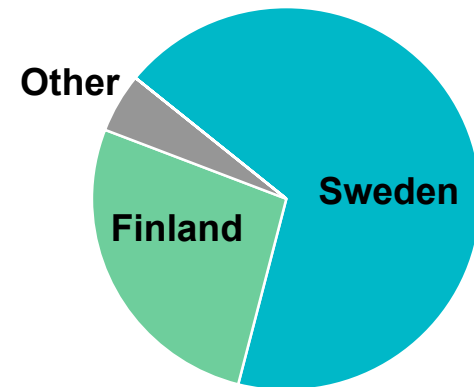
Generation, Portfolio Management and Trading, Heat, Värme, Gas, Service



# Electricity Distribution

January-September 2003

- **1.4** (1.3) million customers
- **16.1** (14.4) TWh transmitted electricity in distribution networks, up by 12%
- **14.7** (14.3) TWh transmitted electricity in regional networks, up by 3%



Electricity transmissions  
in distribution networks  
Q1-Q3 2003

Comparison: January-September 2002

# Electricity Distribution

January-September 2003

EUR million	Q1-Q3 2003	Q1-Q3 2002
Net sales	502	456
Operating profit	189	219
- excl. non-recurring items	169	128
RONA, %	8.0	9.9
Net assets	3,106	3,117



Business unit: Distribution

# Markets

January-September 2003

- Sales of electricity **24.8** (23.6) TWh
- Sales of heating oil **0.5** (0.5) million tonnes
- Good progress in the programme to improve business processes

1.3 million  
customers

- private
- business

Electricity  
Heating oil  
Related  
services



Comparison: January-September 2002

# Markets

January-September 2003

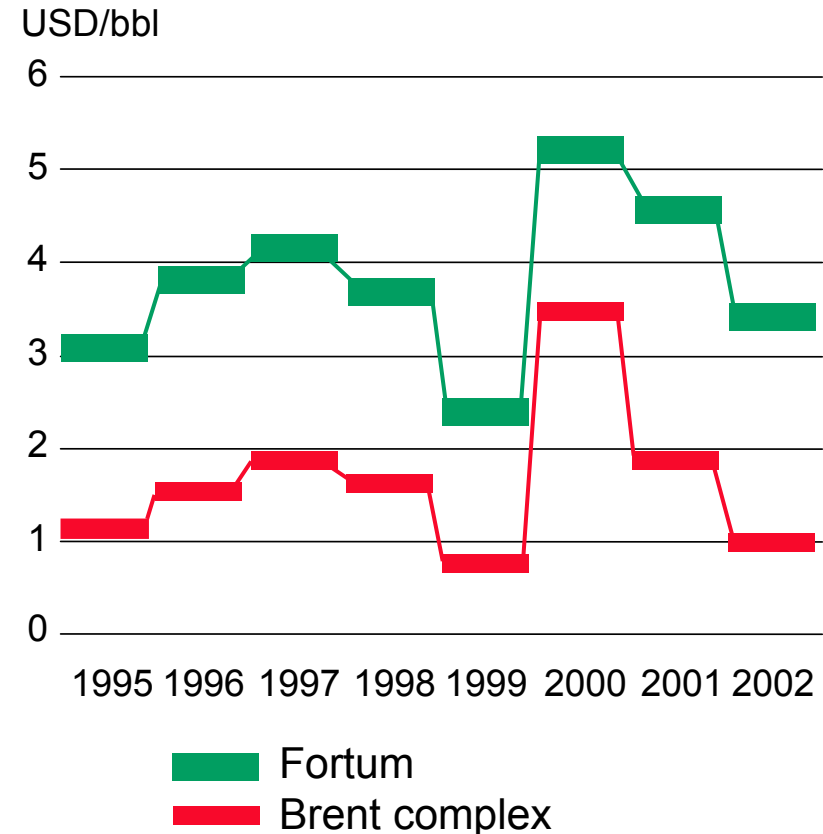
EUR million	Q1-Q3 2003	Q1-Q3 2002
Net sales	1,132	862
Operating profit	22	8
- excl. non-recurring items	22	7
RONA, %	41.3	9.1
Net assets	74	73

Business Unit: Markets

# Oil Refining and Marketing

January-September 2003

- International reference margin USD **2.8** (0.7)/bbl
- Strong own premium margin maintained
- Sales volumes at previous year's level
- Good shipping freight rates, high fleet utilisation rate
- Oil production in Russia started, current level about 20,000 bbl/d



Comparison: January-September 2002

# Oil Refining and Marketing

January-September 2003

EUR million	Q1-Q3 2003	Q1-Q3 2002
Net sales	5,435	5,114
Operating profit	318	211
- excl. non-recurring items	320	157
RONA, %	28.7	17.6
Net assets	1,446	1,555

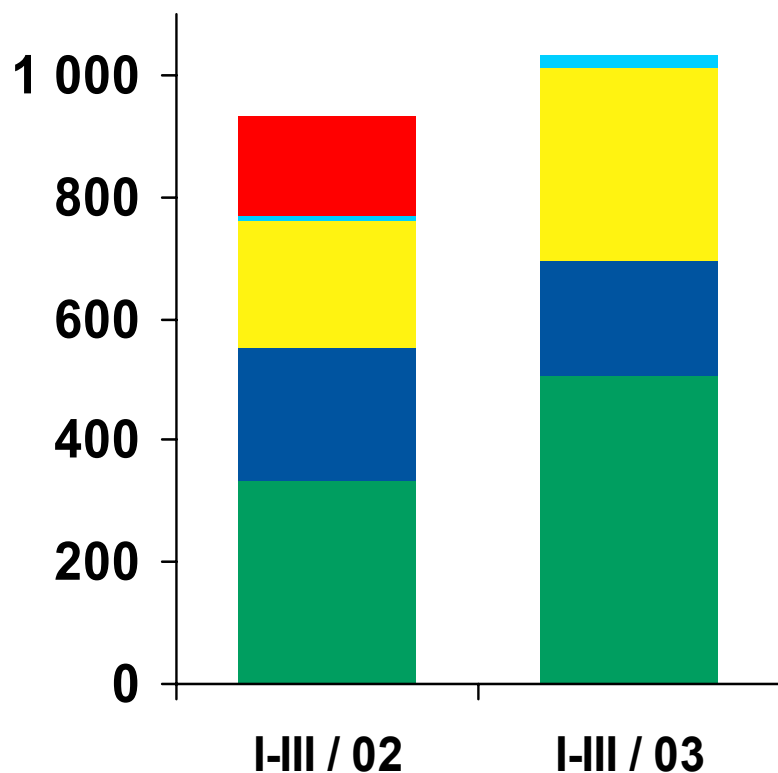
Business units: Oil Refining, Oil Retail, Shipping

# Income statement

<b>MEUR</b>	<b><u>I - III / 03</u></b>	<b><u>I - III / 02</u></b>	<b><u>2002</u></b>
Net sales	8 555	7 858	11 148
Expenses	<u>-7 555</u>	<u>-6 960</u>	<u>-9 859</u>
Operating profit	1 000	898	1 289
Financial expenses, net	<u>-189</u>	<u>-208</u>	<u>-281</u>
Profit before taxes	811	690	1 008
Income taxes total	<u>-212</u>	<u>-158</u>	<u>-269</u>
Minority interests	<u>-57</u>	<u>-50</u>	<u>-73</u>
Net profit for the period	<u><u>542</u></u>	<u><u>482</u></u>	<u><u>666</u></u>
EPS (EUR)	0.64	0.57	0.79

# Operating profit

**MEUR**



<i>MEUR</i>	<u>I-III / 03</u>	<u>I-III / 02</u>	<u>2002</u>
Power, Heat and Gas	506	333	617
Electricity Distribution	189	219	279
Oil Refining & Marketing	318	211	253
Markets	22	7	-11
Other Operations	-35	-36	-64
Eliminations	-	1	-
<b>Total</b>	<b>1 000</b>	<b>735</b>	<b>1 074</b>
Discontinuing operations	-	163	215
<b>Fortum Group</b>	<b>1 000</b>	<b>898</b>	<b>1 289</b>

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



# Balance sheet

<b>MEUR</b>	<b>Sep 30 2003</b>	<b>Sep 30 2002</b>	<b>Dec 31 2002</b>
<b>Fixed assets and other long-term investments</b>	<b>14 189</b>	<b>14 819</b>	<b>14 837</b>
<b>Current assets</b>	<b>1 975</b>	<b>2 450</b>	<b>3 123</b>
<b>ASSETS</b>	<b>16 164</b>	<b>17 269</b>	<b>17 960</b>
<b>Shareholders' equity</b>	<b>6 173</b>	<b>5 729</b>	<b>5 896</b>
<b>Minority interests</b>	<b>1 449</b>	<b>1 447</b>	<b>1 432</b>
<b>Interest-bearing liabilities</b>	<b>4 697</b>	<b>6 292</b>	<b>6 440</b>
<b>Interest-free liabilities</b>	<b>3 845</b>	<b>3 801</b>	<b>4 192</b>
<b>EQUITY AND LIABILITIES</b>	<b>16 164</b>	<b>17 269</b>	<b>17 960</b>
<b>Gearing (%)</b>	<b>58</b>	<b>84</b>	<b>80</b>
<b>Adjusted gearing (%) <sup>1)</sup></b>	<b>88</b>	<b>121</b>	<b>115</b>
<b>Equity per share (EUR)</b>	<b>7.30</b>	<b>6.77</b>	<b>6.97</b>

1) Minority interest of Fortum Capital Ltd included in liabilities

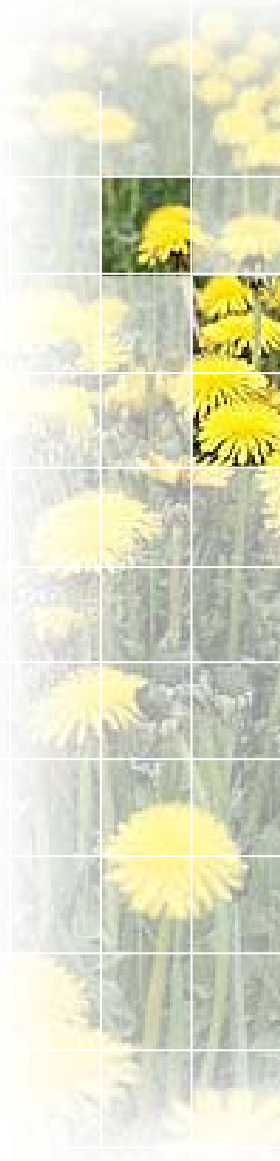
# Cash flow statement

**MEUR**

	Sep 30	Sep 30	Dec 31
	2003	2002	2002
Net cash from operating activities	1 381	977	1 351
Capital expenditures	-370	-393	-649
Acquisition of shares	-504	-1 765	-1 771
Proceeds from sales of fixed assets	101	105	120
Proceeds from sales of shares	1 221	857	889
Change in other investments	-53	15	33
Cash flow before financing activities	1 776	-204	-27
Net change in loans	-1 791	20	209
Dividends paid	-264	-220	-220
Other financing items	-40	67	30
Net cash from financing activities	-2 095	-133	19
Net increase (+)/decrease (-) in cash and marketable securities	-319	-337	-8

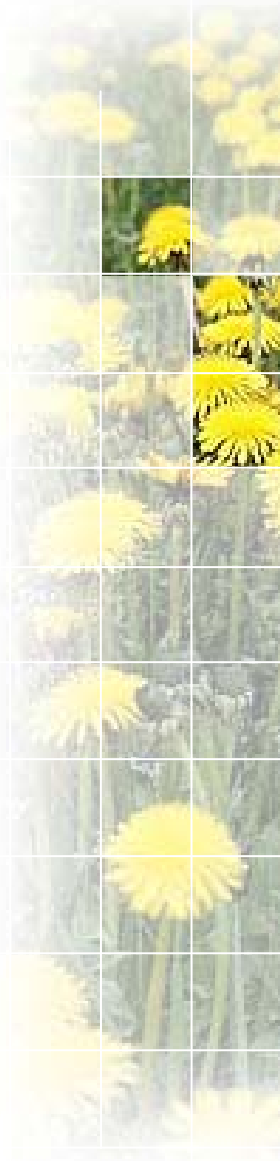
# Outlook for power and heat businesses

- Nordic electricity consumption is predicted to increase annually by about 1% over the next years.
- Synergy benefits of Birka Energi integration will exceed the target of EUR 100 a year as of 2004.
- The Nordic electricity forwards currently are EUR 37-40 per MWh for the rest of 2003 and EUR 34-42 for January-April 2004.
- Fortum is well-positioned when emission trading starts.



# Outlook for oil businesses

- The Brent Complex margin has for several years averaged USD 1.5-2 /bbl. The average in October 2003 has been USD 1.8/bbl.
- Fortum's premium margin is expected to remain at approximately USD 2/bbl.
- No major maintenance shutdowns are planned at the refineries during 2004.
- Full oil production capacity in north-western Russia is expected to be reached by the end of 2004.



# Attractive near future for Fortum

- Well performing ongoing businesses, healthy cash flow
- Good market outlook
- New opportunities by separating and listing the oil business

