

Fortum

Interim Report 1 January - 30 September 2002

October 24, 2002

Rigorous implementation of set agenda

Agenda for the year 2002

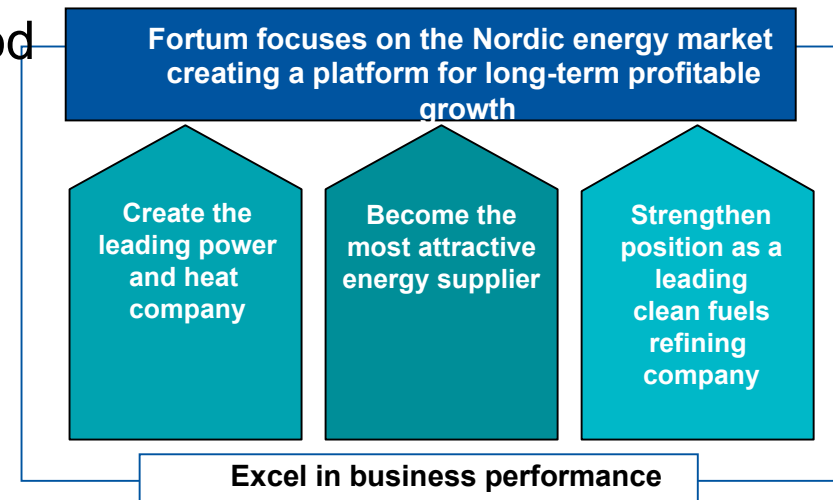
- ✓ • Closing of the deal and successful integration of Birka Energi
- ✓ • Reduction of debt
- ✓ • Further focusing on core businesses
- ✓ • Development of bio fuel businesses
- ✓ • Continuous performance improvement

14 February 2002



Powerful strategic steps

- Birka Energi transaction completed, good progress in transformation process
- Strengthened market position in Finland
 - Purchase of a Finnish electricity distributor and sales company
- Major divestments
 - Interests in oil fields in Oman
 - Stake in Espoon Sähkö
 - Power and heat business in Germany
 - Power plant in the UK
- Review of strategic alternatives regarding Norwegian E & P business



Weak market conditions

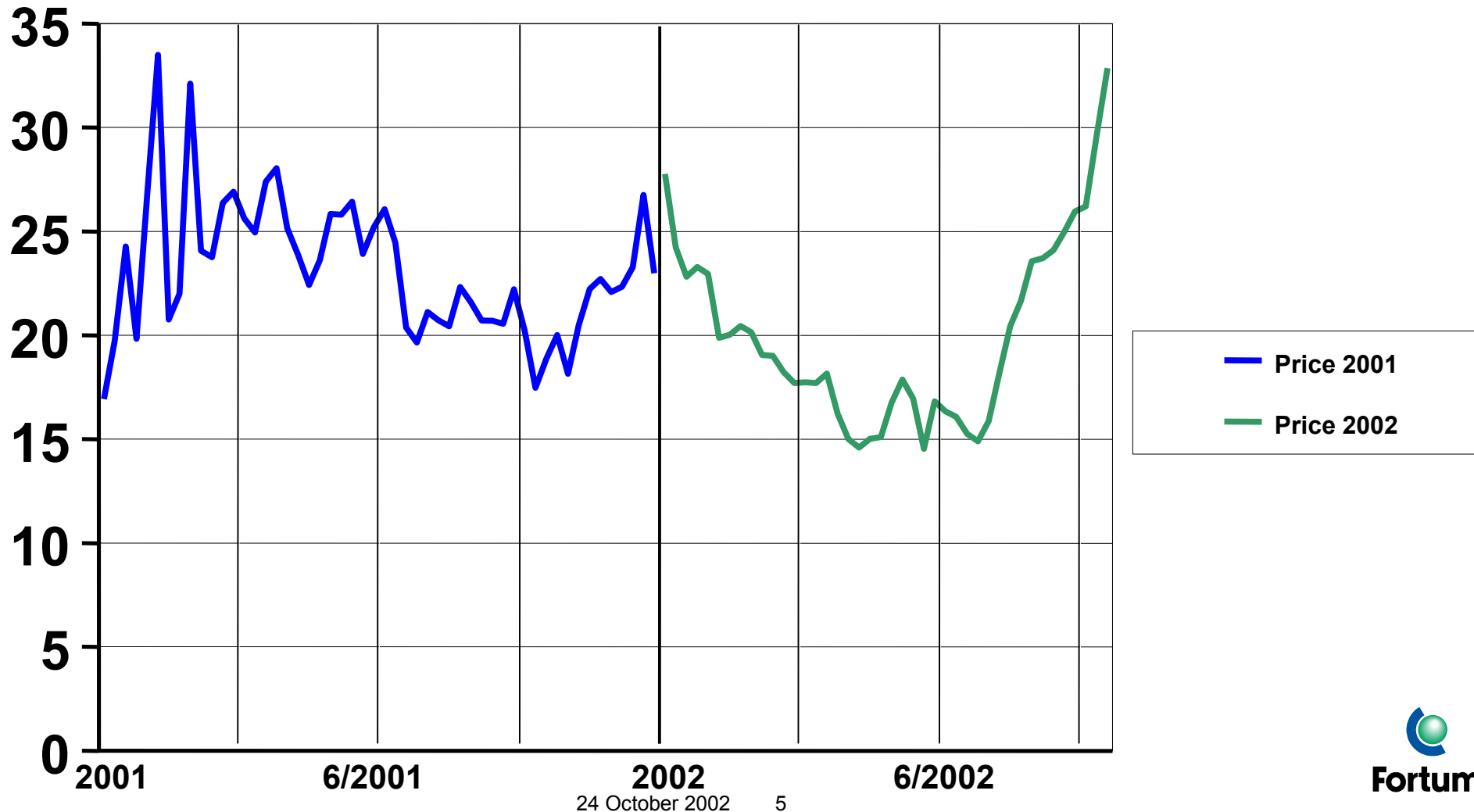
- improvement towards the end of the period

- Warmer than normal weather and bigger than normal hydro reservoirs during the first half of the year.
- The price of electricity on the Nordic electricity exchange was about 19% lower than the corresponding figure in 2001, averaging EUR **19.2** (23.7) per megawatt-hour. The third quarter price was EUR **20.1** (21.6) per MWh.
- The average price of North Sea light Brent crude oil was about 7% lower than the corresponding figure in 2001, averaging **24.4** (26.2) USD/bbl, August and September prices were 25-30 USD/bbl.
- The international refining margin in January-September averaged **0.7** (2.2) USD/bbl, in the third quarter **1.3** (1.1) USD/bbl.

Electricity Price Performance

Nord Pool system price, weekly average 2001 - 2002

EUR/MWh

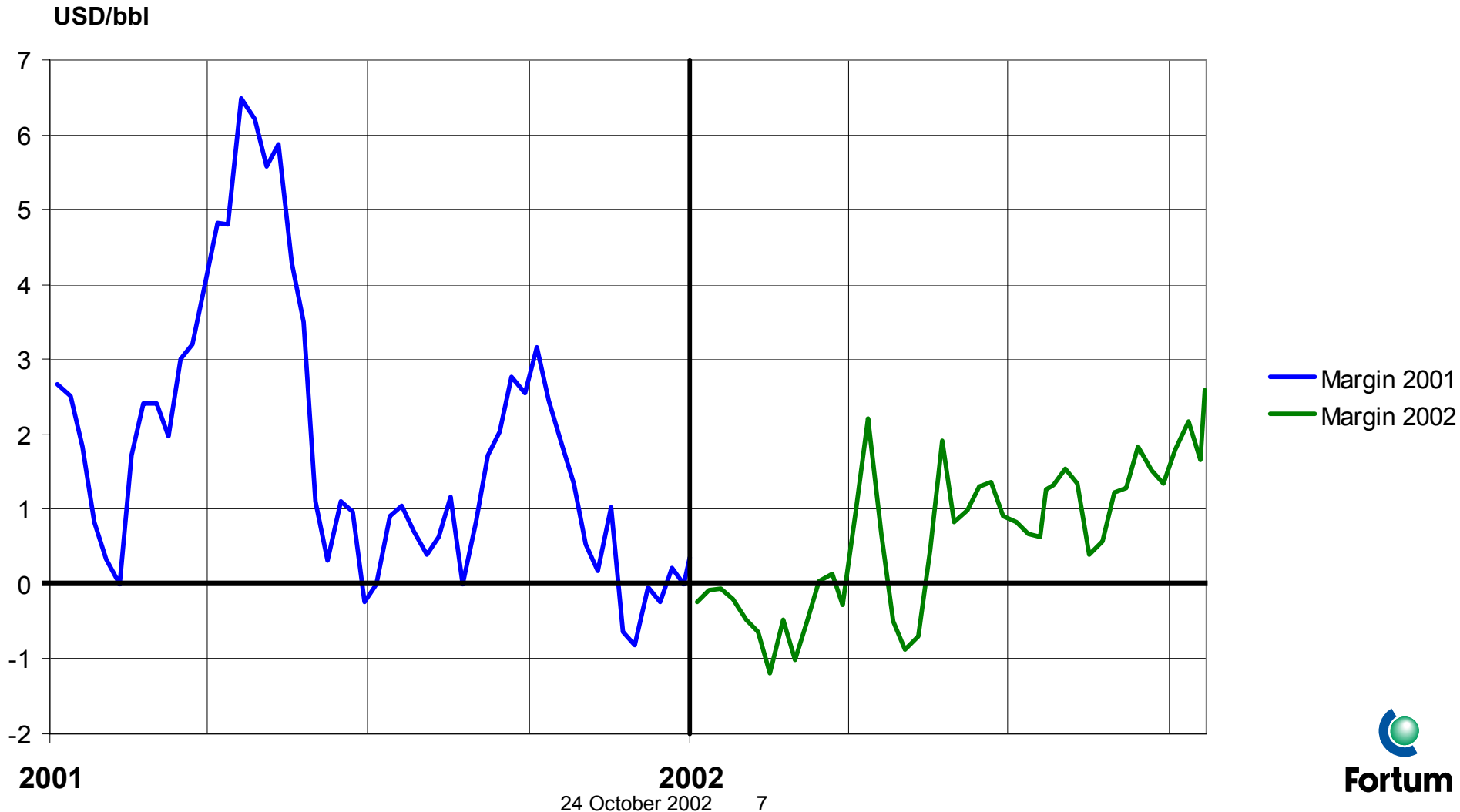


USD/bbl



Refining margin, Brent complex

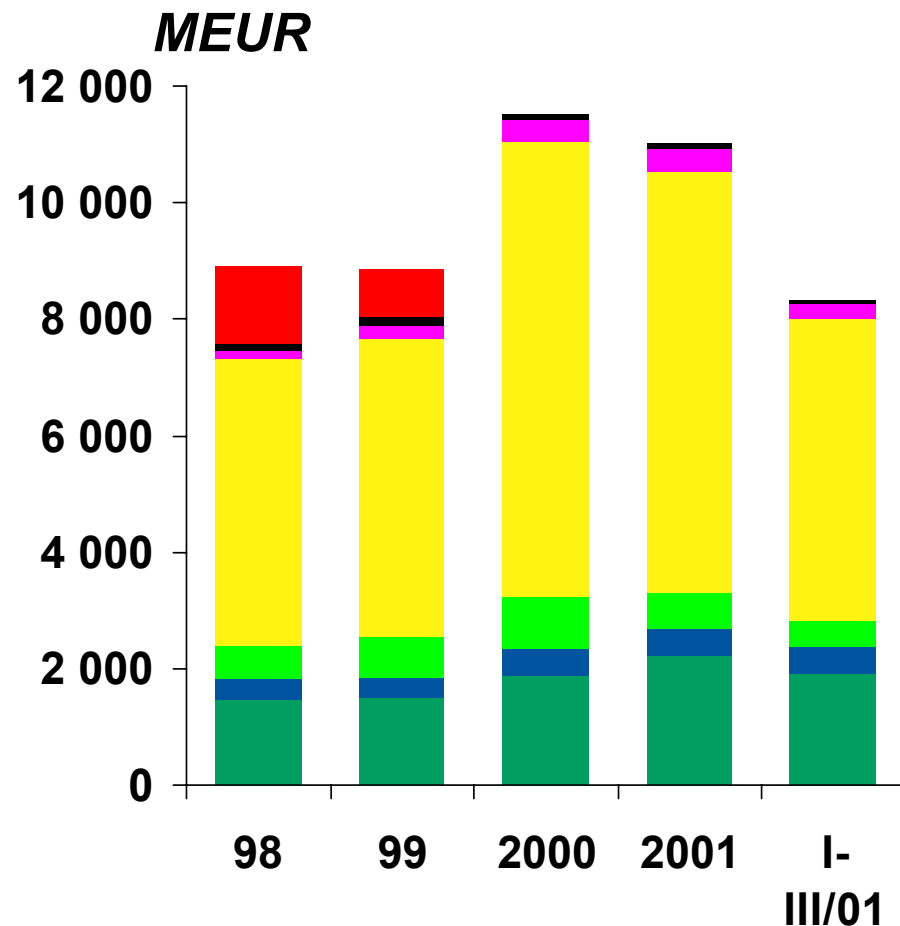
weekly averages 2001 - 2002



Improved results

- Operating profit up by 21%: EUR **898** (743) million
- Earnings per share up by 16%: EUR **0.57** (0.49)
- Strong net cash from operating activities: EUR **977** (889) million
- Net debt decreased during Q2 and Q3 by EUR 929 million and EUR 150 million respectively. At the end of September the net debt stood at EUR **6,033** million (EUR 3,674 million at the end of 2001)
- Gearing **84%** (54% at the end of 2001)
- ROCE **9.6%** (9.4%), ROE **8.7%** (8.8%)

Net sales



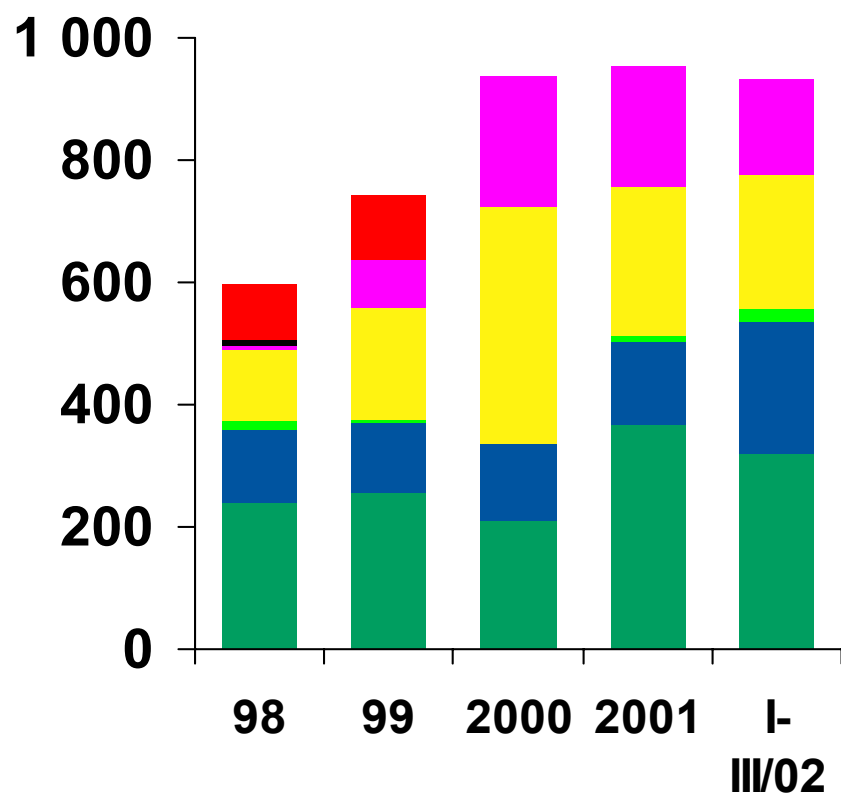
MEUR

Power, Heat and Gas
 Electricity Distribution
 Energy Solutions
 Refining & Marketing
 Oil & Gas Upstream
 Other Operations
 Eliminations
 Group

	I-III/02	I-III/01	2001
Power, Heat and Gas	1 919	1 582	2 227
Electricity Distribution	455	338	473
Energy Solutions	450	516	603
Refining & Marketing	5 193	5 587	7 223
Oil & Gas Upstream	264	327	408
Other Operations	45	73	95
Eliminations	-468	-549	-619
Group	7 858	7 874	10 410

Operating profit

MEUR



MEUR

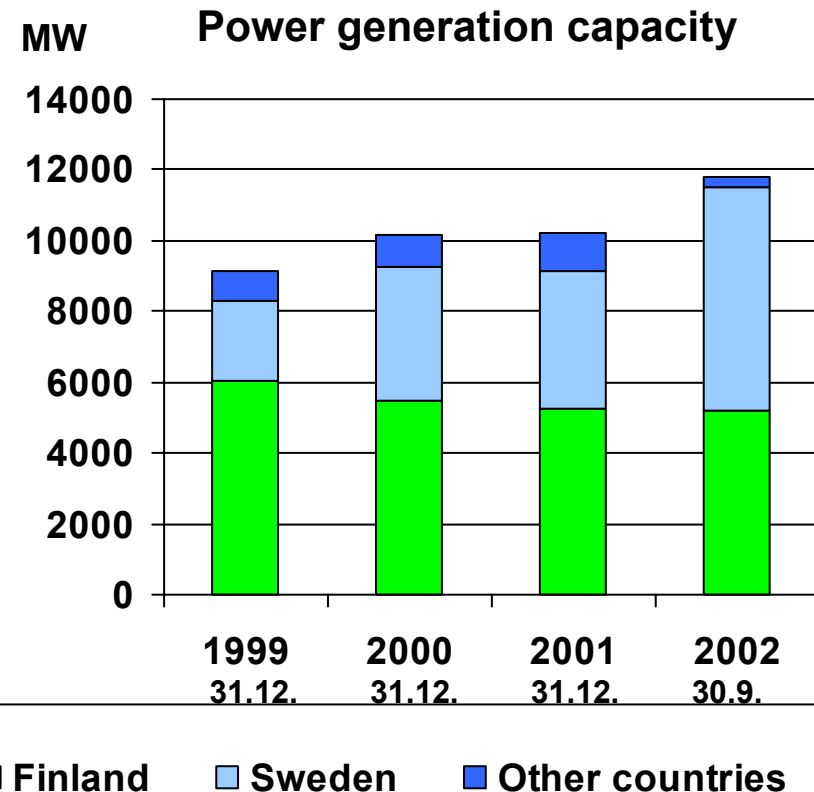
Power, Heat and Gas
Electricity Distribution
Energy Solutions
Refining & Marketing
Oil & Gas Upstream
Other Operations
Eliminations
Group

	I-III/02	I-III/01	2001
Power, Heat and Gas	319	253	367
Electricity Distribution	219	105	135
Energy Solutions	18	8	13
Refining & Marketing	221	227	242
Oil & Gas Upstream	157	163	196
Other Operations	-37	-16	-40
Eliminations	1	3	1
Group	898	743	914

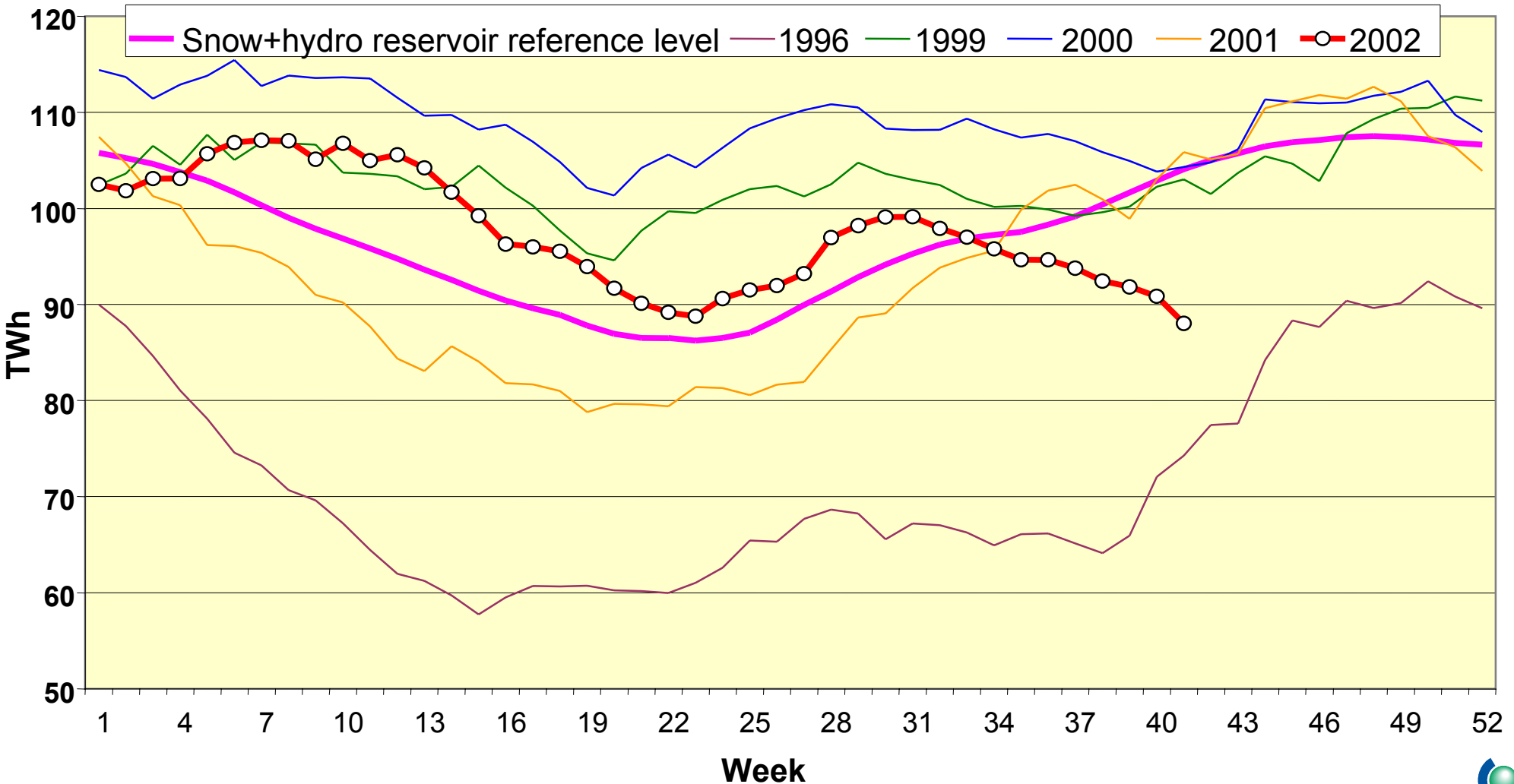


Power, Heat and Gas

- Second largest generator and the leading heat producer in the Nordic countries
- Mostly CO₂-free hydro and nuclear power as well as combined power and heat generation
- Fortum's sales had a 14% share of the Nordic electricity consumption in January-September 2002.
- Stakes in gas companies in Finland, Sweden and Estonia and gas business in the UK



Snow+Hydro reservoir in Sweden and Norway



Power, Heat and Gas

January-September 2002

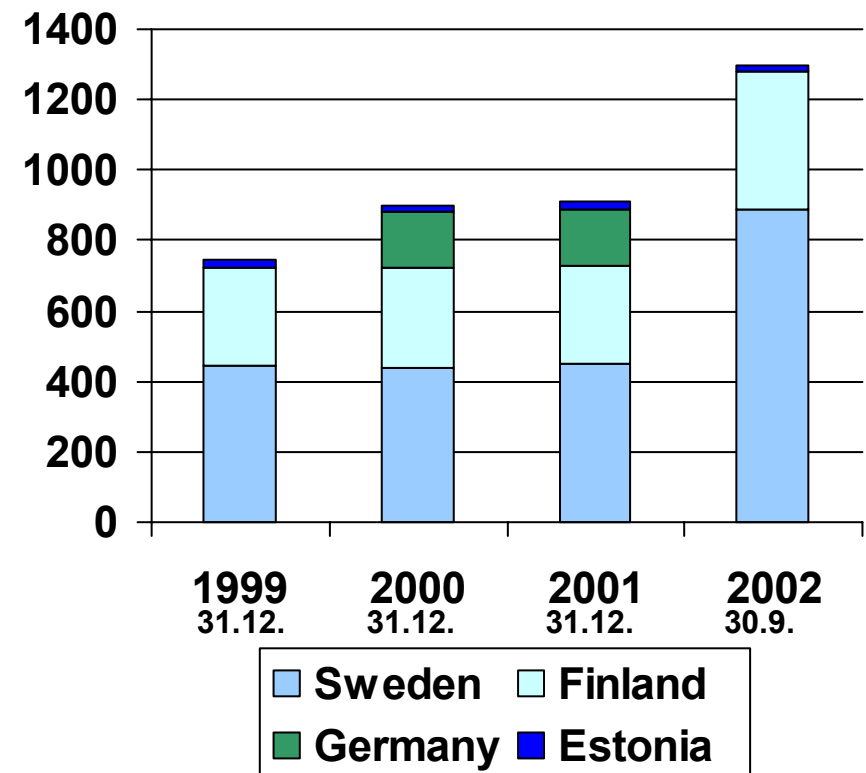
- Good progress in the Birka transformation process
- Own Nordic power generation: **44%** (42%) hydropower-based, **48%** (50%) nuclear power-based
- Fortum's electricity sales **42.1** (39.5) TWh, heat sales **13.4** (12.1) TWh
- Fortum's average price of electricity in the Nordic countries was somewhat up on the corresponding period
- Sale of power business in Germany and a power plant in the UK

Key figures	I-III/02	I-III/01
Net sales, MEUR	1,919	1,582
Operating profit, MEUR	319	253
Net assets, MEUR	8,634	5,544
Employees, average	3,105	2,824
RONA, %	5.3	5.8

Electricity Distribution

- Regional transmission and electricity distribution as well as network asset management
- 15% market share both in Finland and Sweden in the distribution networks

Number of electricity distribution customers (1,000)



Electricity Distribution

January-September 2002

- The distribution of electricity **14.4** (11.2) TWh in distribution networks
- **14.3** (11.7) TWh electricity transmission via the regional distribution network to customers outside the Group
- Sale of stake in Espoon Sähkö and German distribution business
- Acquisition of the remaining 50% share in the Elnova Group

Key figures	I-III/02	I-III/01
Net sales, MEUR	455	338
Operating profit, MEUR	219	105
Net assets, MEUR	3,117	2,104
Employees, average	1,019	976
RONA, %	9.9	6.4

Fortum Energy Solutions

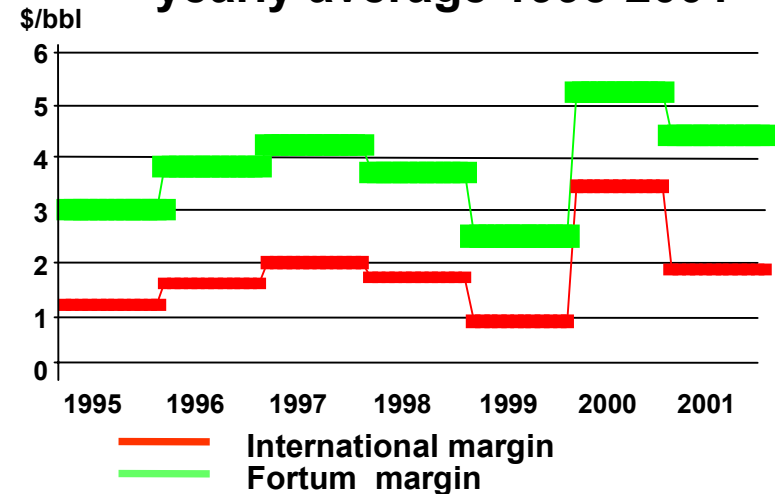
- Maintenance services for power plants and industry in Finland and Sweden
- Combined heat and power technology
- Operation services for power plants outside the Group
- Power plant engineering and contracting

Key figures	I-III/02	I-III/01
Net sales, MEUR	450	516
Operating profit, MEUR	18	8
Net assets, MEUR	159	225
Employees, average	4,961	5,867
RONA, %	11.4	4.5

Oil Refining and Marketing

- Market leader in the refining and marketing of high-quality, environmentally benign petroleum products in the Baltic Rim
- Gasolines and diesel fuels fulfill the tightest EU requirements. Capability to produce all traffic fuels sulphur-free
- Own technology for production of gasoline components
- Introduced ethanol in the production of gasoline

**Brent Complex refining margin
yearly average 1995-2001**



Oil Refining and Marketing

January-September 2002

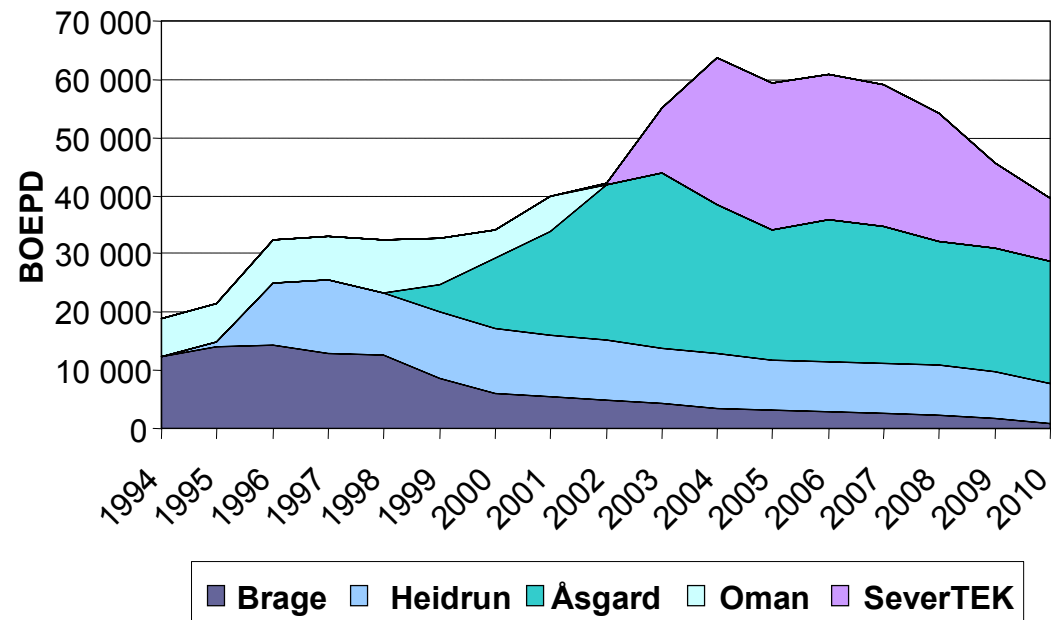
- The average North-West European refining margin **0.7** (2.2) USD/bbl, Fortum's premium refining margin about 2 USD/bbl
- Use of crude oil and other feedstocks **9.9** (8.6) million tonnes
- Sales of petroleum products: **5.7** (5.3) million tonnes to Finland, exports **3.8** (3.3) million tonnes
- Low freight rates
- Conversion of the MTBE plant in Canada to iso-octane completed
- Start of production of ethanol-based 98-octane gasoline

Key figures	I-III/02	I-III/01
Net sales, MEUR	5,193	5,587
Operating profit, MEUR	221	227
Net assets, MEUR	1,581	1,736
Employees, average	4,397	4,607
RONA, %	18.3	17.9

Oil and Gas Upstream

- Commercial oil and gas reserves at the end of 2001 were 289 million barrels
- Production cost slightly above 10 USD/bbl, depreciation included
- The share of natural gas production some 30% of total production

Production profile



Oil and Gas Upstream

January-September 2002

- Production at an average of **37,300** (42,700) boe/d, i.e. about **1.8** (2.1) million t/a
- Average price of oil sold by Fortum **24.6** (25.6) USD/bbl, the price of natural gas **16.8** (19.5) USD/boe
- Finalised sale of the oil field interest in Oman, acquisition of share in the Mikkel gas and condensate field
- A review of strategic alternatives regarding Norwegian E&P business
- Preparations for starting oil production in Russia in late 2003

Key figures	I-III/02	I-III/01
Net sales, MEUR	264	327
Operating profit, MEUR	157	163
Net assets, MEUR	1,004	1,228
Employees, average	60	61
RONA, %	18.3	17.1

Income statement

MEUR	<u>I-III/02</u>	<u>I-III/01</u>	<u>2001</u>
Net sales	7 858	7 874	10 410
Expenses	-6 960	-7 131	-9 496
Operating profit	898	743	914
Financial expenses, net	-208	-160	-212
Profit before extraordinary items	690	583	702
Extraordinary items	-	-	-
Profit before taxes	690	583	702
Income taxes total	-158	-127	-160
Minority interests	-50	-63	-83
Net profit for the period	482	393	459
EPS (EUR)	0.57	0.49	0.57

Balance sheet

MEUR	Sep 30 2002	Sep 30 2001	Dec 31 2001
Fixed assets and other long-term investments	14 819	10 932	11 328
Current assets	2 450	2 887	2 966
Assets	17 269	13 819	14 294
Shareholders' equity	5 729	5 173	5 485
Minority interests	1 447	1 270	1 270
Interest-bearing liabilities	6 292	4 132	4 276
Interest-free liabilities	3 801	3 244	3 263
Equity and liabilities	17 269	13 819	14 294
Gearing (%)	84	58	54
Equity-to-assets ratio (%)	42	47	48
Equity per share (EUR)	6.77	6.52	6.49



Key ratios

	I-III/02	I-III/01	2001
Capital employed (at the end of the period) MEUR	13 488	10 580	11 032
Interest-bearing net debt (at the end of the period)MEUR	6 033	3 755	3 674
Investments, MEUR	4 121	483	713
Net cash from operating activities, MEUR	977	889	1 145
Cash flow before financing activities, MEUR	-204	806	844
Return on capital employed, %	9.6	9.4	8.7
Return on shareholders' equity, %	8.7	8.8	8.3
Gearing, %	84	58	54
Adjusted gearing, % 1)	121	94	88
Average number of employees	14 333	15 237	14 803

1) Minority interest of Fortum Capital Ltd included in liabilities

Short-term outlook

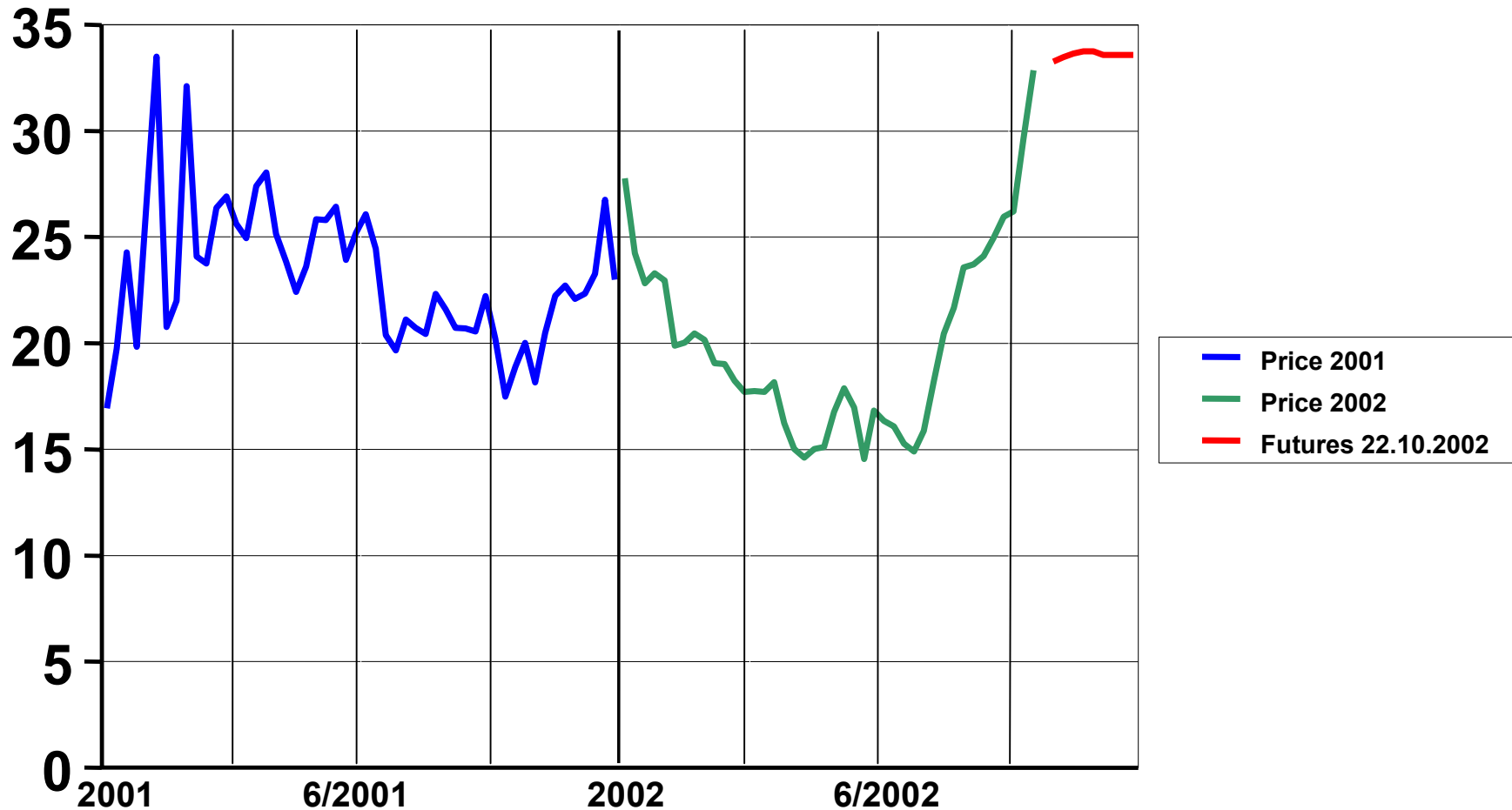
- Positive trend in the most important market drivers.
- In the first part of October, the international refining margin averaged 2.1 USD/bbl. Fortum's premium margin is expected to remain on previous years' level.
- Transformation process will continue, the target for annual synergy benefits of EUR 100 million will be exceeded.
- Decision on the strategic review regarding Norwegian E & P business will be announced shortly.
- Good near future prospects.

Short-term outlook

Nord Pool electricity system price and futures

Weekly average

EUR/MWh



Short-term outlook

Crude oil price development

Brent, weekly averages 2001 - 2002, USD/bbl

